

EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY SEPTEMBER/OCTOBER 1984 NO. 245 \$2.00



**DEBT:
CAN
CRISIS BE
AVOIDED?**

**U.S. ELECTION:
GETTING TOUGH
ON TRADE**

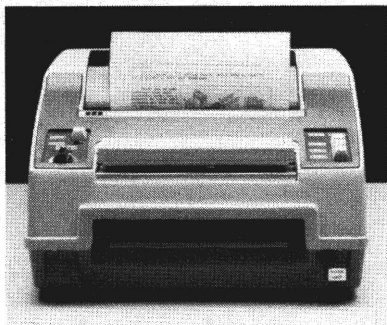
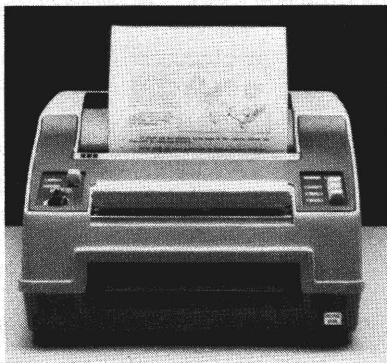
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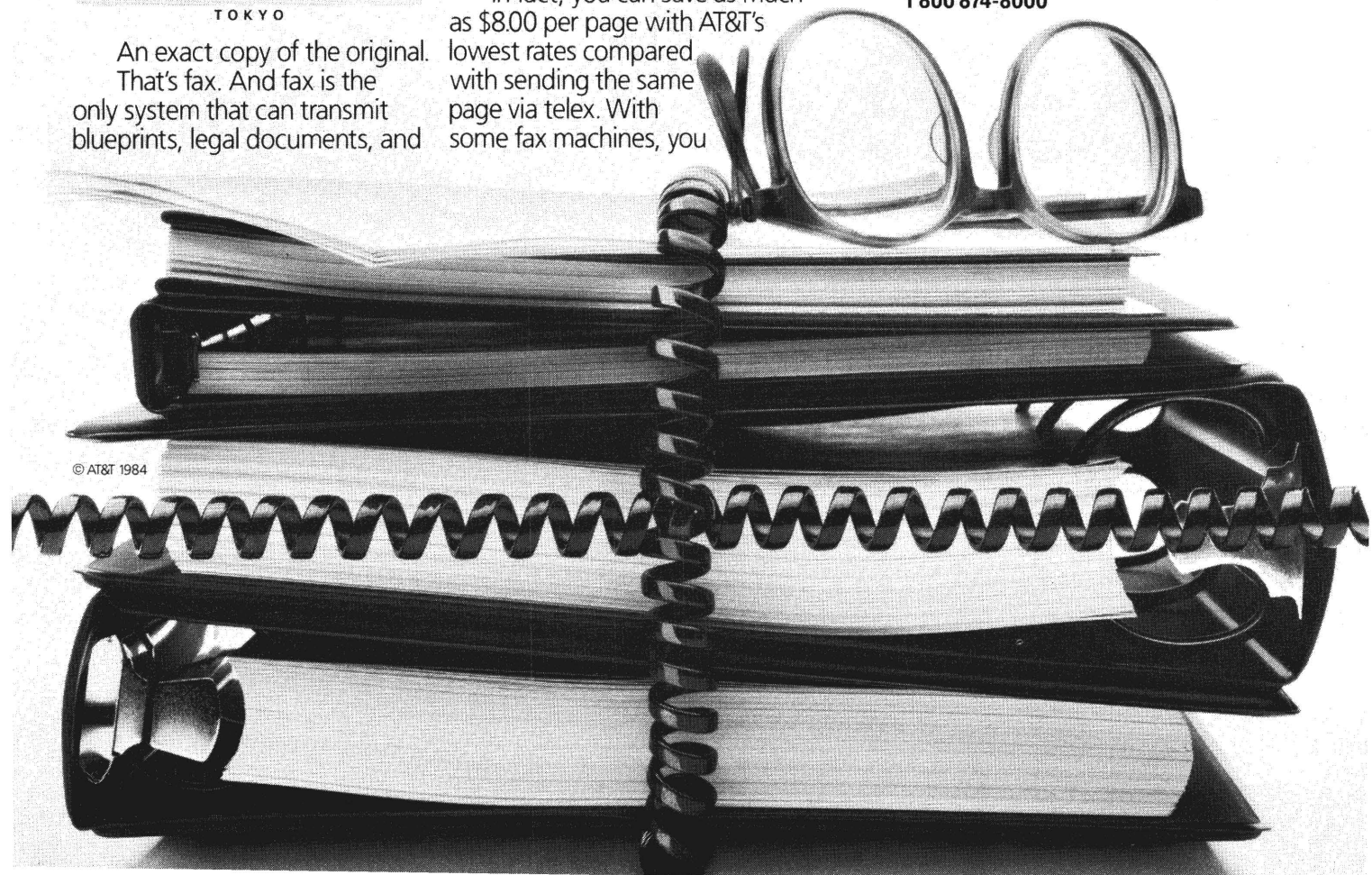
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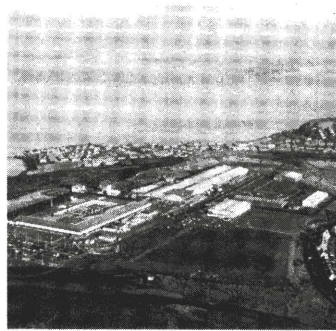


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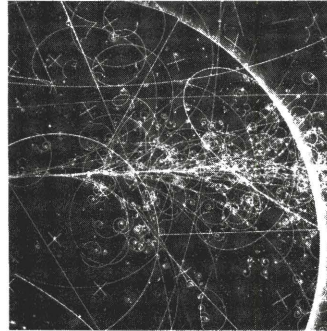
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COVER: The IMF/World Bank annual meeting in September must decide how to solve the Third-World debt crisis. Photography by Clara Griffin.

Editor-in-Chief Webster Martin
Publisher Denis Corboy
Assistant Editor Anke Middelmann
Contributing Editor Beth Eastman
Art Director Victoria Valentine
Publishing Consultant William J. McVey Jr.

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PUBLISHER'S LETTER

As autumn approaches and the U.S. presidential elections draw near, debt and deficits have emerged as two of the most important topics of debate. And not just in the United States. The impact of Third World debt on the international monetary system and the world economy is a subject of serious concern for policymakers on both sides of the Atlantic, as is the future course of U.S. interest rates and of budget and trade deficits. The international interest in these matters once again brings home the fact that we live in an increasingly interdependent world.

In this issue of *Europe*, we feature an examination of various solutions to the problem of Third World debt and its impact on the global economy. Is the debt problem manageable, or is a "debt bomb" likely to explode the international monetary and trading systems that the United States and its trading partners have built up over the last 40 years? Our cover story looks at the potential impact of Third World debt on the world economy, as well as the role international institutions such as the International Monetary Fund could play in solving the problem.

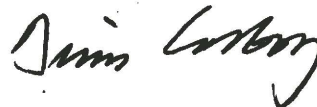
We also take a look at another issue of key concern to America's trading partners: where President Ronald Reagan and his Democratic challenger Walter Mondale stand on trade. "Neither Reagan nor Mondale is a protectionist. Yet, political pressures are pushing them into positions that may result in restrictions against imports," reports Samuel Gilston, of *Washington Tariff Trade Letter*.

Elsewhere in this issue, Guy de Jonquieres looks at Europe's relationship with International Business Machines (IBM) at the end of a six-year antitrust investigation that has garnered headlines both in the United States and the E.C. A 15-page settlement signed last month by the Community and IBM suspended the longest and most complex antitrust action in the E.C.'s history. De Jonquieres, who covers high technology for London's *Financial Times*, provides a profile of the computer giant whose sales in Europe are almost as large as those of its 10 largest competitors combined.

Mark Meredith, also of the *Financial Times*, takes a look at some of the other movers and shakers in Europe's computer industry. Scotland is becoming Europe's microchip capital, says Meredith, and its "Silicon Glen" is striving to emulate the success of California's micro-electronic industry. Will Scotland give the San Francisco Bay area a run for its money? Meredith analyzes the strengths and weaknesses of Scotland's new high-tech thrust.

Illinois Republican Senator Charles H. Percy, chairman of the Senate Foreign Relations Committee, is our featured guest columnist in this issue. Percy, whose constituency lies smack in the middle of the Corn Belt, explains why the issue of U.S. corn gluten feed sales to the E.C. has joined arms control, U.S. relations with developing countries and the pursuit of Middle East peace on his influential committee's agenda.

Our member state report in this issue spotlights Ireland. Irish Prime Minister Garret FitzGerald explains his country's plans for bringing the E.C. states closer together during Ireland's July-December 1984 presidency of the E.C.'s Council of Ministers, the Community's main decision-making body. Other experts in their fields share their insights into the Irish economy and on the Continental literary influences that helped mold such incomparable Irish writers as James Joyce, William Butler Yeats and Samuel Beckett.



Each week, UPI State Department correspondent Jim Anderson explores major news stories from a European Perspective. Top European journalists on Washington assignment probe new East-West moves . . . visiting world leaders explain their people and politics . . . broadcast lines opened to European capitals bring on-the-scene reports.

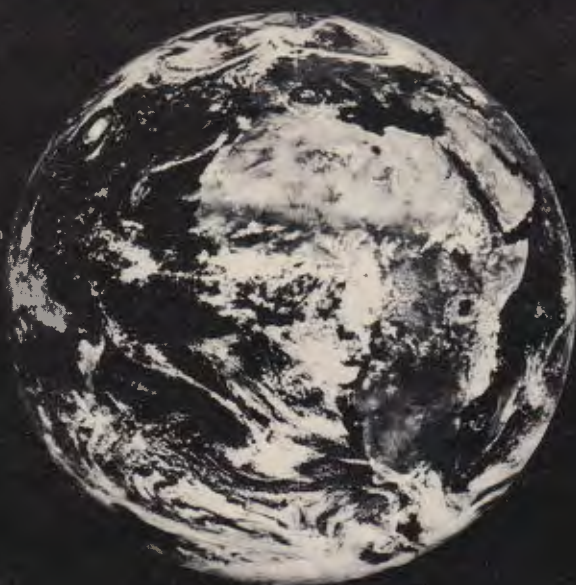
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AROUND THE CAPITALS

BONN

Crisis in the Hop Market

At the 32nd international hop grower's congress in Munich this summer, the hop surplus was the main item of the agenda. U.S., British and Czechoslovakian delegates reported acreage was being slightly reduced in their countries, but the problem remains huge because brewers have figured out how to use hops more efficiently, thus requiring fewer to make the same amount of beer. At the same time, the consumption of beer has generally stabilized.

The Federal Republic of Germany is the world's largest grower of hops, most of them in Bavaria's Hallertal, and should produce about 770,000 pounds this year. Eighty percent of the crop has been sold on long-term contract to brewers, but the other 20 percent will be thrown onto the spot market, at less than half the price paid for the contracted hops. Unlike for butter and wines, for instance, the E.C. does not actually buy surplus hops—there is no mountain of hops as there is of butter or lake of beer as there is of wine. Instead the E.C. guarantees hop farmers "an adequate income per acre."

Some Green Party members and other environmentalists briefly picketed the Munich congress, sneering at official refusal to permit the importation of foreign beers on grounds they fail to meet traditional standards of purity, to wit, that beer must be made of hops, barley and water and

nothing else. But, the Greens alleged, German beer itself violates the purity standard because the hops are sprayed with insecticides while still on their vines.

The Greens made little impression with their attack, but the purity issue itself has gone to the European Court of Justice, where the E.C. Commission is suing the Federal Republic of Germany for violating Article 30 of the E.C. treaty which prohibits trade barriers. Bonn has been stalling for years, but is likely to lose this round. The final resolution probably will permit foreign beers in the Federal Republic of Germany, but will require all beers sold in the country to list all ingredients on the label, as is being demanded for beers in the United States by the Center for Science in the Public Interest.

In the meantime, a furious row about the therapeutical aspects of beer has been trig-

LUXEMBOURG

New Coalition Takes Power

The three Luxembourgers who have done most to put this tiny country on the political map of Europe in the past dozen years are now out of the Government following the general elections in June. The largest vacuum has been left by Pierre Werner who retired at the age of 70 in June after being Prime Minister for most of the past 20 years. Werner was one of those rare politicians who managed to combine shrewdness and ambition with a benign, even fatherly man-



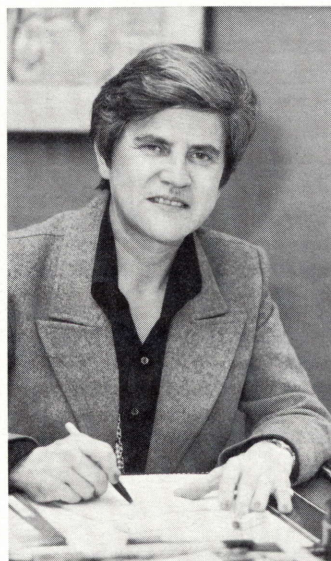
Traditional purity standards for German beer specify that only hops (above), barley and water may be used to brew it.

gered by Anton Piendl, a professor at Munich's Technical University. Piendl declared, in a long article in the *Süddeutsche Zeitung*, that beer improves a person's performance, is diuretic, reduces high blood pressure and the chances of a heart attack and helps one to avoid irritation of the stomach and abdomen. The newspaper said Piendl's piece provoked bags of mail from other physicians and scientists, most of whom said he was wrong and that his statements would encourage alcoholism by

convincing drinkers that beer is a problem-solver.

Nikolaus Fischler, a specialist in internal medicine, said that drinking 15 liters, or 32 pints, of beer a month increased the chance of getting intestinal cancer three-fold. If one is to drink beer, Fischler said, then one should do so just before chopping wood or dancing, because either of these muscular activities will burn about 80 percent of the alcohol, leaving only 20 percent for the liver to detoxify.

—WELLINGTON LONG



Luxembourg's liberal leader and former Foreign Minister Colette Flesch.

ner. Throughout Europe he won acclaim for his expert contributions to the international monetary debate, while within his own country he won reverence from friend and foe alike for his devotion to Luxembourg's national aspirations. It is a fair bet that had he not chosen to step down beforehand, his Christian-democratic party would have done rather better in the elections than more or less hold its ground.

The most striking feature of the June results was the strong advance made by the socialists who overtook the liberals to become the second largest party and who duly took over as junior partners to the Christian democrats in the coalition

Government. Among other things this has brought about the departure as Foreign Minister of Colette Flesch, the liberal leader. Flesch first made her mark as mayor of the city of Luxembourg, but it was as Foreign Minister that her standing throughout the rest of the E.C. was established. She was the first woman President of the E.C. Council of Ministers, speaking for the Community at the United Nations and chairing key E.C. negotiating sessions in the late 1970s. An intense, uncompromising woman, Flesch once fenced for Luxembourg in the Olympic games, and there were many to see in her duellist's eye the glint of ambition to lead her country politically. That may still happen, but with her party out of power now for the first time in 15 years, the opportunity is on hold for some time.

But the ousting of the liberals raises an even bigger question mark over the future of Gaston Thorn, who founded the party over 20 years ago and has remained its chief inspiration and driving force. Since 1980, Thorn, as President of the E.C. Commission in Brussels, has been both formally and effectively outside Luxembourg politics. But his term ends this year and the eclipse of the liberals means that the prompt return to national government widely predicted for him has been stalled.

To anyone who has watched Thorn in action, the idea of his retirement at 56 is inconceivable. At the same time it is not easy to predict exactly what he might do. Will his future lie in Luxembourg politics, in rebuilding and reinvigorating the liberals? Might he go "international" by accepting some kind of official public post? Or could he go into the private sector, taking a job with one of Luxembourg's big firms or a multinational company? The evidence to date is that he has not yet made up his mind about his broad future direction, let alone considered a specific job.

Thorn's Commission presidency coincided with bitter internal E.C. disputes over the

budget. In the circumstances, his survival for four years took some doing—especially as the United Kingdom was reported to have wanted him removed after two years for alleged partisanship in the budget row. But what may have looked like taking sides to Britain seemed to others as a passionate devotion to the ideals of the E.C. and no one will doubt the fervor and tenacity with which Thorn fought for them.

The new Prime Minister is Jacques Santer, the former Finance Minister, who brings to the job a reputation for technical competence rather than political charisma. The replacement of the liberals by the socialists in the Government suggests a leftward tilt by Luxembourg. However this will be almost wholly confined to internal policy where the heavy cutbacks in the steel industry and rising unemployment are likely to throw early strains on the coalition, according to some observers.

—ALAN OSBORN

PARIS

Creating Life After Death

To some, it seems like a triumph of love over death; to others, France is being flung into the spirit of George Orwell's "1984." A recent court decision has sparked politicians, doctors and most of the country into a lively debate over whether a woman can be inseminated with the sperm of her dead husband. The nationwide debate started when a young widow, Corinne Parpalaix, tried to claim the frozen sperm of her husband, Alain, who died last Christmas. The institute that was holding the sperm, CECOS, went to court to get a legal decision on whether such a request could be granted.

It was a tear-jerker case that caught the public imagination from the start. Corinne was a pretty 23-year-old widow who married her long-time sweet-

heart just two days before he died of cancer of the testicles last Dec. 25. Long before their marriage, Alain had entrusted some of his sperm to the CECOS center outside Paris, knowing that even if he recovered from the cancer, he would be sterile. As soon as he died, Corinne, supported by her husband's family, began her battle to claim the sperm and be artificially inseminated.

The center argued in court that since Alain had left no specific instructions on disposal of the sperm, the doctors could not release it. Sperm is like a part of the body, they argued, and under French law, the body or parts of it cannot be inherited. Furthermore, lawyers for the center argued, the French laws on paternity would not allow a child born of the sperm to be recognized as Alain's. A child must be born within nine months of a man's death if the man is to be considered the father.

In August, however, the court ruled in favor of the more emotional and moralistic arguments of Corinne's lawyers, who said the legal system should prove that "love can triumph over death." Subject to an appeal, which is unlikely, the center must turn over the sperm to a doctor of Corinne's choice.

The case has sparked interest partly because the court decision marks the first piece of jurisprudence relating to artificial insemination. More than 10,000 children a year are born in France through artificial insemination, mostly from sperm of anonymous donors in cases where a husband is sterile. Yet legislation covering insemination is still being thrashed out. Under present circumstances, for example, a sterile man can agree to his wife being artificially inseminated and then disclaim the child.

Although many observers, doctors and women's groups—and even the French Minister for Women's Affairs, Yvette Roudy—praised the ruling in favor of Parpalaix, others say the decision sets dangerous

precedents. Raymond Forni, president of the parliamentary commission on law, said the decision has serious implications for paternity law, and he fears the psychological impact on both widows and the children born of post-mortem insemination. Widows may be tempted to try to alleviate grief by recreating a lost husband in an unborn child, Forni said.

The director of the CECOS center that launched the suit said he thought the decision was positive, if for no other reason that it has given a boost to getting some law relating to insemination on the books. Professor Georges David, however, cautioned that a lot more law is needed. Otherwise the decision that made Corinne Parpalaix an extremely happy woman could also be used in more unpredictable ways. Without controls, "gadget insemination" could be used for single or homosexual women



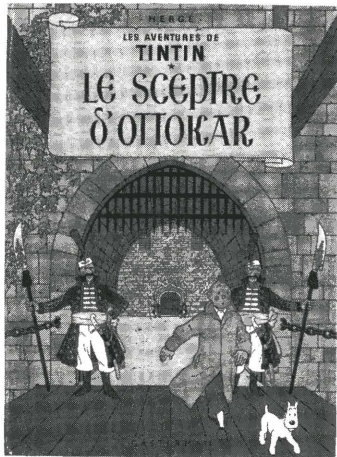
or ultimately in the practice of eugenics, or perfection of the human race by controlling hereditary factors in mating.

David said he has already been asked to preserve the sperm of a man that wants it used to inseminate his future daughter-in-law when his teenage son gets married. But everybody seems to agree on one thing: The most telling statement made on the day of the court decision came from Justice Minister Robert Badinter. He promised to step up work on an artificial insemination law to have it in place by next year.—BRIGID JANSSEN

BRUSSELS

A Penchant For Tintin

First-time visitors to Brussels are often faintly shocked to see grown-up people reading comic books in public places. More often than not they concern the adventures of Tintin, a round-headed boy reporter who travels the world (and sometimes the moon) in search of peace and justice. But Tintin and his counterparts in other strips are seldom a laughing matter. Many American and English visitors confess to finding the exploits of this humorless boy somewhat impenetrable, but you might as well scoff at Rubens or Bruegel to say so to your Belgian hosts.



Tintin is the prototype hero of a comic art that the Belgians (and the French) take with the utmost seriousness. When Tintin's creator, Georges Remi—better known as Hergé—died last year, the newspapers printed eulogies from Cabinet Ministers, painters and authors. General Charles de Gaulle was once reported to have said: "My only rival on an international level is Tintin." The American painter Andy Warhol has said that "Hergé influenced my work as much as Disney. Hergé... had great political and satirical dimensions."

Tintin first appeared in 1929 (in over 50 years he hardly "aged" at all), and from that year dates a remarkable growth in the publication of comic books and magazines in

Belgium. In 1970, it was estimated that over half of all magazines sold in the country were composed in comic-strip form. The number has fallen in recent years, but there still remain four major comic magazines all doing very well on the basis of a predominantly adult readership.

Tintin was the first of his breed and remains by far the most successful, but the Belgian reputation for the invention of improbable comic strip heroes rests on others as well. Lucky Luke, for instance, is that rare creation—a Belgian, chain-smoking cowboy whose antics have been recorded in languages as diverse as Breton and Arabic. More recently, Suske and Wiske have echoed the Tintin theme of children sorting out grown-ups' problems while the Smurfs strip, also created in Belgium, has launched a new toy industry based on the tiny blue creatures.

Hergé himself never claimed the profundity for Tintin that some observers seemed to find in him (one obituary said Hergé was to the comic strip "what Bach was to music."). But there is no doubt that Hergé's pure drawing style and his unrelenting mania for accuracy in historical and geographical detail set new standards for the comic strip.

If it strikes you as odd that comic strips should have attained the respectability of "a genuine art form" in Belgium, then consider some of the country's traditional cultural characteristics. The emphasis, since the days of the great Flemish masters three hundred years ago, has been on the visual arts. Perhaps because of the division of Belgium into two linguistic halves, there is no great heritage of literature or poetry. Moreover there is a strong element of the grotesque in Flemish painting, beginning perhaps with Bruegel and finding more recent expression in the works of the surrealist Magritte and the demonic fantasist James Ensor. In the carnivals and pageants beloved of Belgians, there is, too,

a powerful taste for mimicry, caricature and masque that often puzzles foreigners however much they may enjoy it.

The links between this and, say, the Smurfs might seem rather tenuous to most people, but they are hardly so to Belgian art professors who are quite unabashed in comparing Hergé and others to Picasso, Jacques Brel or even Louis Armstrong. "Their common link is that they draw on their national traditions and at the same time break away from them, in the process creating an art that commands wide popular appeal," an art critic explains. Whatever the truth in this, the fact is that such comments do ease the consciences of Belgian grown-ups who simply like reading comics. And it also has to be said that Tintin and his like have contributed more than a little to Belgium's foreign-exchange earnings.

—ALAN OSBORN

ATHENS

To Be Greek In Albania

A group of political refugees from Albania was taken away by police recently after trying to hold a demonstration at a summer festival performance in Athens by a visiting Albanian folk ballet. They were ethnic Greek fugitives from southern Albania

who are staging increasingly noisy protests against alleged human rights violations against the Greek minority in that country.

Nobody is even sure how many ethnic Greeks live in Albania. The exiles here, basing their calculations on pre-World War II figures, claim there must be more than 400,000. Albania says they number no more than 30,000 in a population of 2.7 million and denies they are discriminated against.

The stories told by Albanians who escape to Greece, however, are rather different. Some fugitives sail or swim across the sea channel that separates southern Albania from the Greek island of Corfu. Others make their way across a mountainous, heavily guarded frontier into northern Greece. They claim that thousands of ethnic Greeks are held in forced labor camps as political prisoners and that others have been sent into internal exile in the north of the country. They believe the Government is trying to stamp out the Greek language and cultural traditions.

Visitors to Albania speak of Greek lessons in Albanian grade schools in the south of the country and they return with copies of a newspaper in Greek, *The Popular Tribune*. But they say younger people in the Gjinokastër district, the center of the minority area, clearly know little of the lan-



guage. The fugitives are seeking an international hearing for the problem. They have enlisted the support of several U.S. Congressmen of Greek descent and are also backed by senior members of the Greek Orthodox clergy.

Albania became the world's first officially atheist state in 1967. Churches were closed or turned into cafés, stables and wineries, according to the Greek exiles. Greece is still technically at war with Albania, for Italian troops invaded northern Greece through Albania in 1940. But the two countries restored diplomatic relations more than a decade ago without bothering to sign a peace treaty. Last spring, the Greek Government dropped a longstanding territorial claim on North Epirus, the region of southern Albania where most ethnic Greeks live. At the same time, however, Premier Andreas Papandreu said talks should be held on the status of the Greek minority.

Friendless since breaking with China six years ago, Albania is putting out more feelers to its Western neighbors. With a view to importing industrial goods in increasingly short supply, Greece and Albania signed a new trade agreement earlier this year. It was followed up by Albania's Deputy Foreign Minister Mohammed Kaplani, who made a rare visit to Greece. The meetings resulted in promises of more trade, opening of a new road link between the two countries and establishment of a specialist post in Greek studies at a teacher's training college in Gjinokastër. But there was no indication that the situation of the Greek minority was discussed.—KERIN HOPE

AMSTERDAM Insurance for A Rainy Day

The Dutch had every reason to be gloomy for much of this summer as a constant cold wind from the northwest

blew over the Lowlands and kept away the high pressure area which had the British Isles basking in warm sun. Among other inconveniences, the bad weather had a tendency to drive discouraged and bored vacationers to drink. This, in turn, led to aggressive behavior, and several times in July near-riots broke out on the beaches between rival gangs.

Meanwhile, there is one redeeming feature for vacationing families in the Netherlands and that is the rain insurance. Probably unique in Europe, an insurance company, Lugt Slobbe BV of Amsterdam, got the idea in 1981. "There has been a steady growth in rain insurance ever since," says its director, Hans van Ommen Jr., "not only because there has been so much rain this year, but also because more and more people have heard about it." Before 1981, the company, an agent for Lloyds of London, catered only to professionals and special events. But since people began learning about it, "there has been an annual increase of up to 400 percent," van Ommen said.

This bad-weather policy costs 32 guilders (about \$10) a week. For a week of rainy weather, the vacationer can claim 250 guilders (\$80). Since "rainy weather" is a rather vague definition, the insurance company has established a point system. For a day with one to two millimeters of rain, a vacationer obtains one point. If there are between three and 12 millimeters of rain, he gets two points. Days with 13 millimeters of rain and up are good for three points. The tourist who has to bear with seven or more points during a seven-day week can claim the \$80. "Because the policy requires a complicated statistical calculation, we only insure for the Netherlands and not for tourists going abroad," van Ommen said.

The rain insurance is not particularly lucrative, according to van Ommen. Present turnover is about half a million guilders (about \$170,000), he said. "Mostly it is good public-



Courtesy Royal Netherlands Embassy

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ity," he said, "because we run all types of insurance policies. Insuring big events is more lucrative. Open-air performances that get rained out, for instance, can claim some \$85,000 dollars on a premium of 6 percent (about \$5,000)," he said.—NEL SLIS

LONDON

The City And the E.C.

The City, London's financial center with its worldwide reputation, has always been the hub of international transactions that extend far beyond Western Europe. In many respects, therefore, Britain's membership of the European Community has little direct impact on the City's activities. The indirect results, however, are widespread, and the City would regard with horror any suggestion of withdrawal. While these indirect effects may be hard to define, they have helped to underpin the City's successful expansion of invisible trade in the past 10 years.

In a new study, *The City and Europe* from the E.C. Commission's London office, Stephen Hugh-Jones explores this relationship between the City and the E.C. in its many facets.

Trade with the E.C. is seen mainly in terms of manufactured goods. But, as Hugh-Jones points out, "manufacturing is not the British economy"—it is far outweighed by the service sector, which employs 13 million people compared with fewer than 6 million in manufacturing.

Among these services, financial services are a key export industry. While manufacturing has floundered, London in the past 10 to 12 years has maintained its position as the leading European financial center. Between 1968 and 1973, Britain's net invisible export earnings from banking, insurance, commodity trading and the Stock Exchange rose from £314 million to £643 million. In 1982 provisional records

show that this figure had increased five-fold to £3.12 billion, with banking and insurance providing a positive trade balance of £1.66 billion and £1.17 billion respectively. The figures, therefore, suggest a sector in fairly vigorous health, and one important to the nation as a whole.

The City's success has derived partly from the expansion of the financial services sector worldwide, but also from its ability to compete in the world market. Hugh-Jones reports a general City view that E.C. membership has not mattered much: "These things would have happened anyway." But the same people react with horror to the idea that Britain should ever quit the Community.

This apparent contradiction can be explained by the fact that, in a direct sense, membership has not greatly affected the work of the financial sector, partly because of the scarcity of Community legislation in this field, but also because virtually all the international banking business done through London is part of a worldwide business to which the existence of a regional organization like the Community is irrelevant. Thus, though the City's worldwide success over the past decade has occurred while Britain was in the Community, it cannot be said to be the direct cause of it.

But the hypothesis that "London would have prospered anyway" even if Britain had stayed out of the Community is advanced with much less confidence. Today, all sectors of finance want to stay inside the Community because, though the effects are hard to measure, better business opportunities for its clients mean better business for the City.

On the other hand, the City is wary of intervention from Brussels, the headquarters of the E.C. Its ideal is maximum freedom combined with minimum intervention by regulatory authorities. As one clearing banker put it: "We're doing all right, thank you. We

wouldn't mind some benign intervention, but we'd be perfectly happy with benign neglect."

Despite E.C. Commission efforts to introduce a degree of harmonization in banking and insurance sectors, little progress has been made, and there is some frustration in the City that, due to national protectionist policies, competition is restricted. The situation varies among the financial institutions.

While most British bankers would prefer to continue in their present free and pragmatic way, they have had to accept certain Community legislation, such as that incorporated in the 1979 Banking Act which establishes the distinction between full banks and licensed deposit takers. The British, however, have fought off proposals for mandatory supervisory requirements, such as capital ratios, and have strong reservations about other Commission proposals regarding presentation of accounts.

On the other hand, British membership has undoubtedly indirectly affected the banks, because of the massive growth of British trade with the E.C. and its accompanying financial transactions. In addition handling of E.C. loan funds, such as those from the European Coal and Steel Community, the European Investment Bank and the New Community Instrument, have involved the banks to a small but significant extent.

Membership in the E.C. also offers an incentive to foreign banks. "If Britain had not joined," declared a senior official from Morgan Guaranty, a major U.S. bank long established in London, "it would have affected our employment here—we have 1,200 staff, with a significant Continental European flavour. One of the advantages is that it is easy to bring staff to London."

Insurance, Britain's other major financial industry, has anticipated substantial benefits from E.C. membership. But, partly because of protectionist

policies in other member countries, it has been unable to exercise its full competitive potential. Although a major market, the Community still accounts for only 20 to 25 percent of British companies' overseas business (compared with 40 percent of trade) and, of major foreign competitors in London only one, Allianz (of Munich), comes from the E.C.

Britain's stock market has been little affected by E.C. membership where few Continental stocks are listed and London interest in Continental stocks remains low. Wall Street is more important to London stockbrokers than the small, relatively undeveloped bourses of the Continent; but E.C. directives on company law, regarding publication of accounts and so on, have required certain changes in legislation. E.C. competition rules have also affected stock market dealings. But, Hugh-Jones concludes: "Stock markets will become Europeanized only if, and when, the British learn to take Continental markets seriously and the Continentals to take the British economy seriously."

The United Kingdom has about 100,000 accountants—more than the rest of the E.C. put together—and the profession has an excellent reputation, which it hoped could be put to good use when Britain joined the E.C. Although a Commission proposal to achieve mutual recognition of qualifications for accountants was first published in 1970, it has still not been agreed, nor has there been progress on freedom of establishment.

This has prevented British accountants from picking up much Community business as they had hoped. But, as with other financial institutions, accountancy has indirectly benefited from membership as British and British-based American companies have expanded their trade with the E.C. Hugh-Jones sums up: "Britain's accountants could have gained more from E.C. membership, but they have certainly gained something, have more to gain, and have lost nothing." €

ROME

Reforming the Judicial System

Italian magistrates, the powerful but overworked lynchpins of the Italian legal system, usually join most of their fellow countrymen at the beaches in August. But not this year. Sweating in the humid Roman summer, they had to interrogate hundreds of prisoners suspected of serious crimes—in order to prevent them going free.

It all happened because Parliament passed a law drastically cutting the length of time a man can spend in prison in Italy without trial. In the case of very serious offences, mainly of a terrorist nature, it has been theoretically possible to spend 11 years in jail awaiting trial, and lesser offences carry proportionate limits on maximum periods of preventive detention.

Part of the reason for the long delays in bringing accused

criminals to trial is that the magistrates are usually overwhelmed by a backlog of cases and have little help in the investigations which they, rather than the police, direct. But that is partly because the legal system, though apparently harsh, actually provides so many guarantees and safeguards to the accused that it is utterly clogged up. For most accusations the accused is in effect allowed two trials—a first hearing and an appeal—virtually as of right. If it is years before a case comes to court—delays of up to five years are common—it may be several more years until the defendant has to accept the sentence of the court as final—even if he is in prison in the meantime.

Still, protests against the unfairness of imprisonment without trial became so intense that the Government of Sig. Bettino Craxi decided to act to reduce it. But the Parliamentary bill it put forward was sharply amended in Parliament, not just in the provisions it introduced, but on when they came

into effect. The maximum period a man can spend in prison without trial has been cut to six years, which most people would at least admit is a step in the right direction.

But instead of a gradually phased introduction of the new measure, parts of it have come into force already and the bulk of it will be applied next February. The result is that criminals with past convictions for serious crimes currently waiting in prison while new serious offences are investigated are likely to be released—and could disappear back into the underworld, or even across the border into Switzerland. Already the prison doors have been opened to allow a number of gangsters and businessmen to await trial at home.

The magistrates, whose interrogations of suspects are an essential part of the indictment process, are now having to catch up at a desperate pace to present firm charges against those suspected of more serious crimes in order to try to ensure that they do not qualify

for early release.

Whatever chaos the new law will cause it is being accepted as no more than an inadequate advance by Mr. Enzo Tortora, now member of the European Parliament, who has decided to devote himself to the cause of judicial reform. Mr. Tortora was a highly successful television presenter until he was arrested and jailed on unspecified accusations of being associated with the mafia. But after a year in prison without trial he succeeded in getting elected to the European Parliament in Strasbourg in the list of the left-wing Radical Party. That brought him the parliamentary immunity that Italy grants to members of Parliament and in due course his release from what had become house arrest. He will eventually face trial in Naples but in the meantime he is fighting for Italy to adopt what he calls "an Anglo-Saxon style system of justice." After his first outing to Strasbourg he said: "Foreigners can't believe that our system is so backward." —JAMES BUXTON

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THE NEXT DECADE OF DEBT MANAGEMENT

IMF, WORLD BANK MEETING MUST DECIDE WHAT TO DO ABOUT THE CRISIS.

BAILEY MORRIS

The world's finance and development ministers converge on Washington this month to begin deliberations potentially as important as the conference which took place 40 years ago among war-weary allied leaders at Bretton Woods, New Hampshire. Then as now, the world was faced with a crisis. The response at Bretton Woods was to create from the ashes of World War II a totally new international monetary structure to rebuild the world economy. It was there, at a sprawling resort in a small New England town, that the International Monetary Fund (IMF) and the World Bank were born.

This year, the delegates will face an equally important challenge. They must decide whether the international institutions, as presently constituted, are up to the task of guiding the world economy through the next critical six years when another recession is thought likely and the bulk of repayments on the world's \$600 billion debt falls due. Although the results of this annual Bank-Fund ritual will not be as immediate as the articles of agreement which emerged after three weeks of discussions at Bretton Woods, the seeds for or against important international change will be sown.

The issues before ministers from rich and poor nations are complex and potentially divisive. Based on the most recent economic forecasts, ministers must decide whether the current case-by-case approach to the debt crisis is adequate, whether the roles of the Fund and the Bank should be revised and enlarged and whether there is a way of convincing nations to control their fiscal deficits and adopt convergent economic policies beneficial to all.

Even before the meeting officially gets underway on September 24, the battle lines are drawn. The United States and Europe are divided over proposals to in-

crease the lending role of the World Bank to help debt-burdened nations. Third world nations are vehemently opposed to suggestions that the World Bank impose the same tough conditions on its long-term, low-interest loans that the IMF imposes on its short-term balance-of-payments loans. Debtor nations vowed to fight proposals by industrialized nations to strengthen the IMF's control over their domestic economic policies.

Most, if not all, of the decisions will be based on the prevailing view of how well the world is recovering from the worst global recession since the 1930s. On this point, the IMF is extremely optimistic. It plans to release at the annual meeting a new, revised economic forecast projecting growth at 6.75 percent through the end of the year. World trade, after a steep decline, is once again growing in the neighborhood of 8 percent, fuelled in large part by spectacular growth in the United States which is aiding Latin America and Asia but not necessarily Europe, the IMF projections show. These projections are in line with revised forecasts of the independent Congressional Budget Office which predicted in its mid-year review that U.S. growth would also be stronger than expected, rising to 6.6 percent through the final quarter of the year from an earlier estimate of 4.7 percent.

But underneath the rosy forecasts, there remained concerns. "Are we being too happy too early," asked an IMF official at a recent conference. From a U.S. congressional official, there was this response: "We are either in a welcome period of sustainable growth or we are experiencing a deficit-driven burnout leading to another downturn."

There are so many unknowns. Most are related to an unprecedented global economic interdependence and, within this context, the effects of the massive U.S. fiscal and trade deficits. Although most respectable growth forecasts have

been revised upward through the end of this year, the view after December is murky. The IMF has said, for example, that although it does not expect the U.S. economy to sink into recession during 1985, the possibility is always there. Even if a sharp U.S. downturn should occur, the IMF is not certain it would affect Europe, which has yet to benefit from the American boom.

Perhaps more immediate are concerns over the direction of interest rates. Economists have estimated that each one-point rise in interest rates has a catastrophic effect on developing countries, adding \$2 billion to their overall debt. Despite slowing growth in the United States and good news on the inflation front, the consensus is that interest rates, already at high levels, will continue to go up, with the U.S. prime rate rising by as much as two points to 15 percent by year's end.

The spectre of higher interest rates is bound to affect negotiations with third world countries, which have been pressing industrialized nations for a broader response to the debt crisis.

Indeed, last month, Latin American nations held a second preparatory meeting for a full-scale North-South summit on the debt problem, which they hoped to hold sometime after the Bank-Fund annual meeting. So far, the Latin American nations have accepted the moderate case-by-case approach to the debt problem endorsed by Western leaders at the London economic summit last June. But another rise in interest rates could change things. It could strengthen the hand of more militant debtor nations demanding a multilateral solution to the debt problem.

The position of the United States and European nations at the annual meeting will be aligned in favor of a case-by-case solution of stretched-out payments and lower interest rates for countries deemed worthy of "rewards" for staying with tough economic austerity programs negotiated with the IMF. For this reason, Western governments pressed commercial banks to complete an important "test" rescheduling of Mexico's \$90 billion debt prior to the annual meeting in the hopes of demonstrating the rewards to be given to debtor nations which continued to tow the IMF's economic line.

On the eve of the meeting, the negotiating group representing Mexico's 500 creditor banks announced an important breakthrough. Agreement had been reached on the broad outlines of a package that would set the tone for similar agreements with other debtor nations in

the coming year. There are important details, however, still to be worked out. The precedent-setting agreement would allow Mexico to repay its existing huge debt over an extended period of up to 14 years at considerably lower interest rates. It would allow Mexico to move from a period of crisis management to one of more stable control, in which it hopes to recharge its economic engine with the help of \$15 billion in new loans for the six-year period ending in 1990.

But there is at least one important stumbling block. Mexico wants to escape the controls of the IMF when its current agreement and ability to draw funds ends in 1985. It asked creditor banks to agree to this provision as part of the overall package in which it sought a commitment for new, future funds. Some banks, however, balked at the concept. They said other debtor nations would attempt to follow suit, thus weakening the IMF's ability to monitor economies. Without the enticement of new money from the IMF, the agency's tough economic guidelines would more often than not be ignored by debtor nations which found them politically explosive. The negotiations continue as both the banks and the Government of Mexican President Miguel de la Madrid seek a face-saving solution.

The talks provide a good illustration of at least one aspect of the broader debate over the future roles of the Bank and the Fund which will be discussed both openly and in the margins of the annual meeting. Generally, developing countries are resisting attempts to broaden what they regard as the autocratic controls of the IMF over their domestic economies. They want more resources to manage their economies over the next difficult decade, but fewer strings attached to them.

Among the industrialized nations, there is strong support for greater monitoring of economies by both the Bank and the Fund and broader coordination of their short-term and long-term lending programs. There is strong support among both rich and poor nations for a proposal to increase the IMF's resources to help needy countries with another allocation of Special Drawing Rights (SDR). But some important industrialized nations are opposed.

Even before the meeting gets underway, it appears that the United States is at odds with other important nations in Europe and Asia over proposals to strengthen the roles of the Bretton Woods institutions. The Reagan Administration's positions are clear. It wants the short-term lending role of the IMF and the longer-term development role of the Bank to remain virtually unchanged.

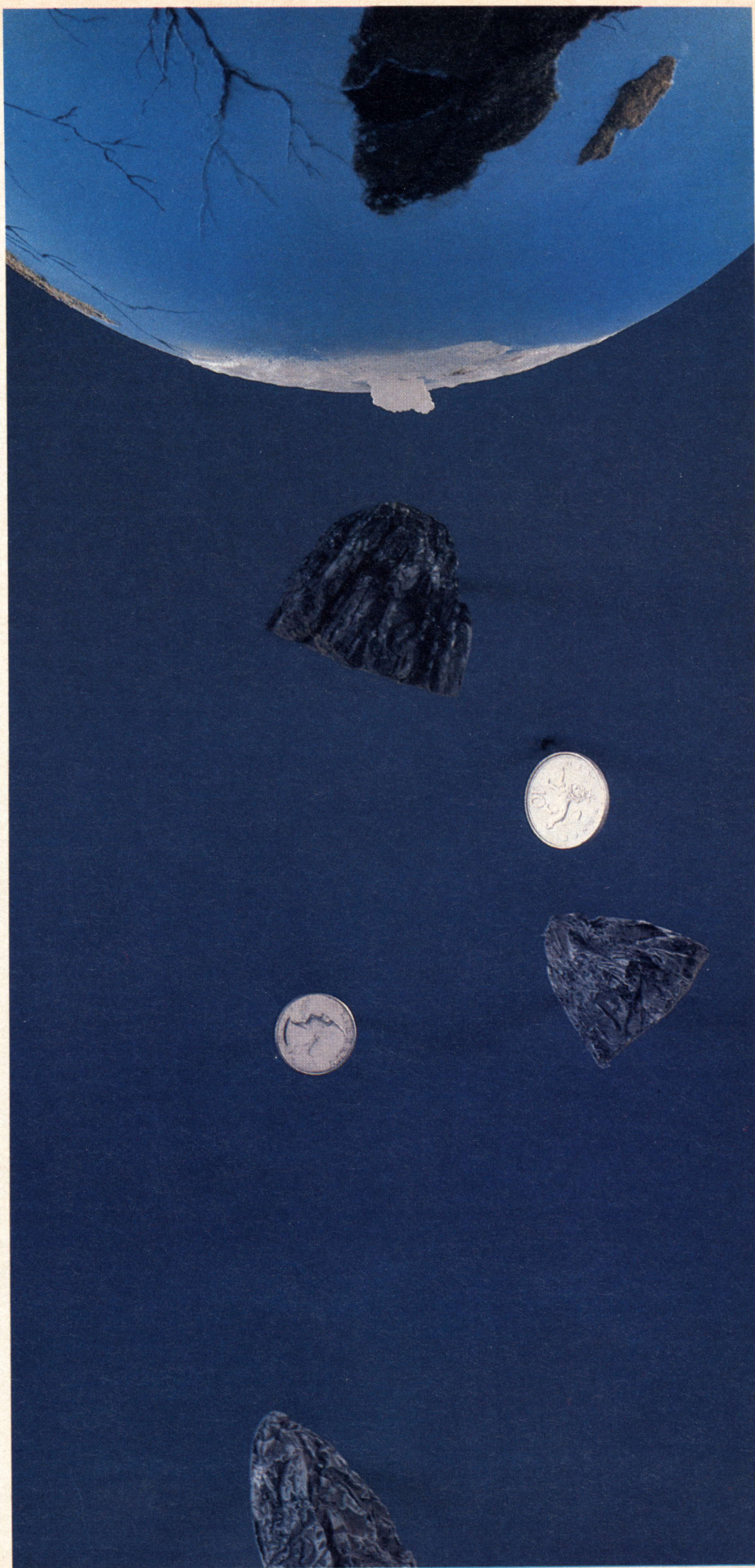


PHOTO BY CLARA GRIFFIN

"The Bank's role should not change and the Fund's role should not change. We do not wish the roles to be confused," has said David Mulford, Assistant Secretary of the U.S. Treasury.

But other nations do not agree, on grounds that the next crucial period of debt management, which would be with the world for at least another decade, requires a broader approach to the problem. They want greater coordination of Fund and Bank activities. Some advocate the development of a medium-term loan program to put the World Bank into the same balance-of-payment lending assistance provided by the IMF on a short-term basis. Indeed, the World Bank, responding to what it regards as the pressing needs of third world countries, has already greatly increased its balance-of-payments financing which has soared to 28 percent of its total loans.

This and other attempts by the Bank to carve out a larger role for itself have led to repeated clashes with the Treasury and others in the Administration. There are rumors that relations between the Bank and the Administration have so soured that President Reagan, if re-elected, might not reappoint A.W. Clau-

sen to a second term as the Bank's president when his current tenure expires in 1986. The United States, as the dominant shareholder, traditionally names the Bank's president.

At one point, the Administration publicly rebuked the Bank for continuing to make energy loans to third world countries. The Treasury said these loans should be matched with commitment from private investors. "We have pointed out on a variety of occasions that lending for high-rate-of-return projects like energy should be more sensitive to private finance," said a senior treasury official. He said the treasury wanted the Bank to "get more bang for the buck." But the Bank has held its ground, noting that energy lending has been an important source of relief to nations hard hit by the 1970s oil shock and that in many countries, high-priced oil imports are still a problem.

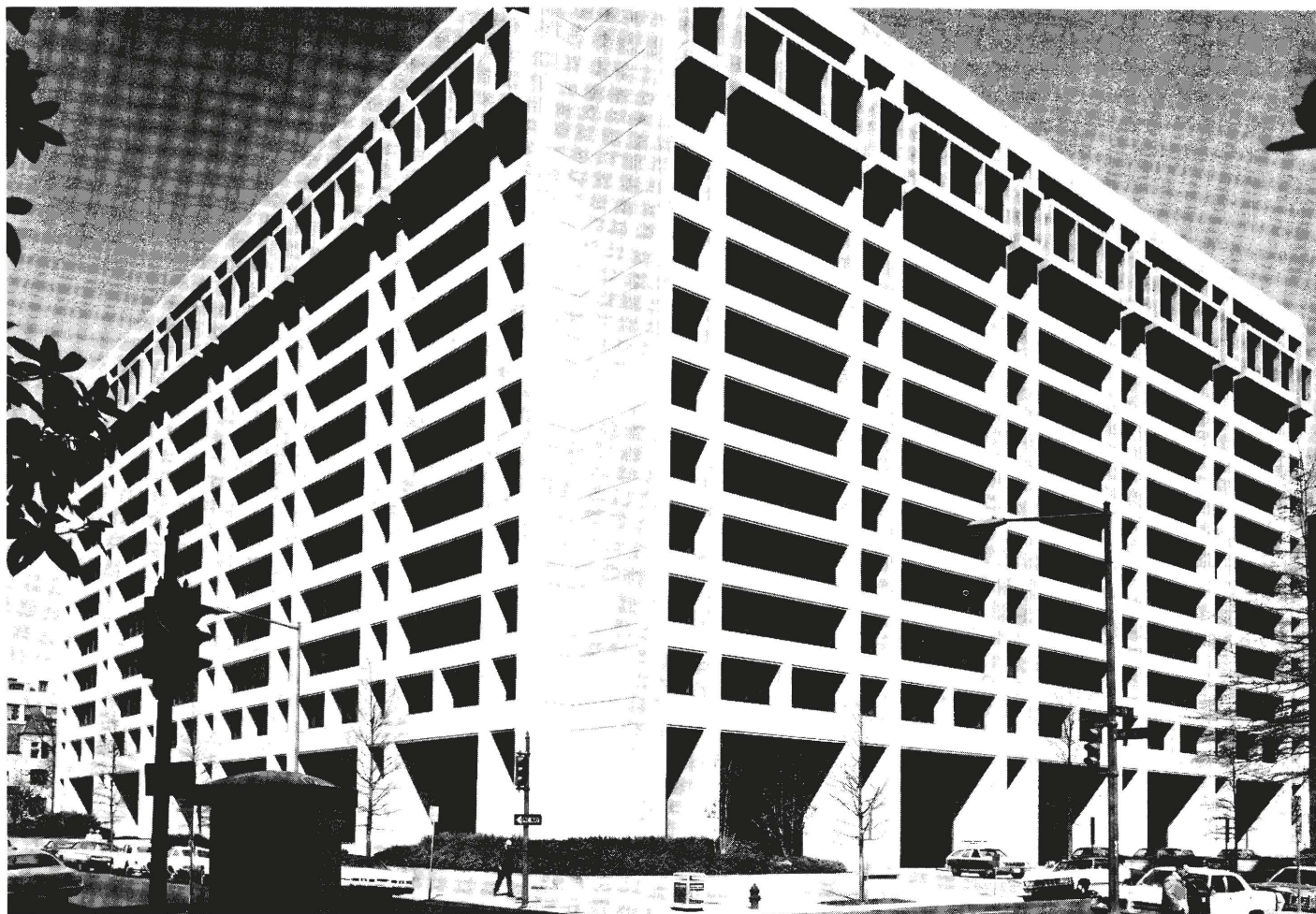
The United States and some European countries also are opposed to a proposal that the IMF be allowed to go directly to financial markets to raise its own funds, thereby decreasing its dependence on donor countries.

These are the sorts of issues that could

consume delegates at the annual meeting. They are being raised during a difficult period in which concerns over the duration of the world recovery are growing, warnings of increasing protectionism are being sounded and the threat of the unprecedented explosion of public debt in the United States and other nations is being raised.

Jacques de Larosière, managing director of the IMF, warned in a hard-hitting speech prior to the meeting that the growth of public-sector debt since the 1970s threatened to unravel "the very fabric of our society." He called for a "consensus" among the Western industrial countries to stop it, no matter how difficult the choices, in the interest of all nations. His appeal was not unlike those made 40 years earlier by the Bretton Woods ministers who sought, in the words of then U.S. Treasury Secretary Henry Morgenthau, a seemingly simple goal: "To devise machinery by which men and women everywhere can freely exchange, on a fair and stable basis, the goods which they produce with their labor." €

Bailey Morris reports from Washington for *The Times of London*.

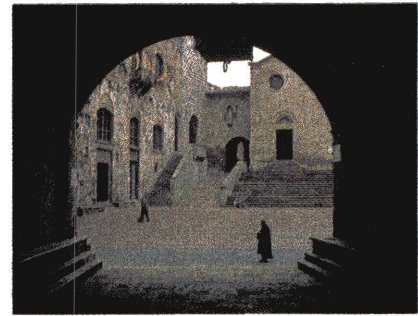


The meeting of the world's finance and development ministers in Washington this month will be one of importance for the future of the IMF and the World Bank. Above, the IMF building in Washington, D.C.

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REAGAN vs. MONDALE: "TOUGHNESS" ON TRADE IS THE ISSUE

WHICH CANDIDATE IS MORE
PROTECTIONIST IS LESS IMPORTANT
THAN WHICH ONE WILL NOT GET
PUSHED AROUND.

SAMUEL GILSTON

Almost 100 years ago, the U.S. presidential election of 1888 was billed as a "great national referendum on the tariff issue." Today, political observers are wondering whether the 1984 presidential contest will produce another watershed debate on American trade policy. With the U.S. trade deficit heading toward \$130 billion this year, more American industries than ever before are facing serious competition from imported products. For many,

America's trade problems are seen as the Achilles heel of the highly vaunted Republican economic recovery. It is no wonder, then, that European government officials and business executives are worried that the current political campaign will turn the United States toward a more protectionist posture.

In the election of 1888, Democratic incumbent Grover Cleveland, who had devoted his entire State of the Union address in 1887 to a call for tariff reform and lower duties, lost to Republican Benjamin Harrison. Although Cleveland re-

gained the White House four years later, the high tariff policies that had been in place since the Civil War remained basically unchanged for another 25 years.

A century later, the issue of general tariff levels no longer excites the same type of political passion, although auto and steel imports often do. Whereas Harrison's campaign banners could proudly proclaim the slogan, "Protection for our home industries and farming interests," the word "protectionism" now has taken on a bad image that no candidate is willing to embrace. Thus, this year's election campaign between Republican President Ronald Reagan and Democratic candidate Walter Mondale is not a head-to-head fight over free trade versus protectionism. Rather, the issue that is evolving is "toughness." Who can be tougher dealing with U.S. trading partners?

There is a widespread perception in the United States that America is being taken advantage of by its own allies, including the European Community and Japan. The situation could be corrected, some think, if the United States just got tougher in its negotiations. As the election campaign was just warming up, both candidates appeared eager to avoid specific threats or promises on trade issues. Toughness, therefore, has become the issue that can be debated without making any commitments to special interest groups.

In his acceptance speech at the Democratic convention July 19, Mondale unveiled the toughness theme he would stress. "To countries that close their markets to us, my message is: We will not be pushed around any more. We will have a President who stands up for American



workers, American business and American farmers," he declared. Toward the end of his speech, Mondale called for a future in which he could "walk into any store in America; pick up the best product of the best quality, at the best price; turn it over and read, 'Made in the U.S.A.'"

Of course, as the campaign progresses in the coming weeks, neither Reagan or Mondale will be able to remain too elusive in spelling out their positions on specific trade problems. Yet, at the start of the campaign both parties were afraid of getting too far out in front of the issue. During the primary campaigns of the spring, Mondale seemed to be taking a protectionist turn while making strong appeals to steel and automobile workers. By the time the Democratic convention arrived, however, his tone was more subdued and the platform endorsed by the Democrats was surprisingly mild on trade issues.

Many Democratic strategists felt that taking a strong protectionist stand in the platform would make Mondale vulnerable to the charge of catering to special interests, particularly to big American unions such as the United Steelworkers and the United Auto Workers. With President Reagan under legal obligation to rule before the election on several important trade complaints filed by American industries, it seemed like a better idea to keep pressure on the President and then be prepared to criticize whatever action he took as being inadequate.

In choosing "new realism" as its theme for the national party platform for 1984, the Democratic Party refused to take a pro-protectionist position on international economic policy. Instead, the platform adopted July 17 at the Democratic convention in San Francisco, sounds in many

ways very similar to the trade-policy statements made by the current Republican Administration in the White House.

Compared to what was generally expected, the Democratic platform is relatively mild on trade issues. Its tone reflects the fact that the Democratic Party fundamentally has not become the party of protectionism. Many of the leading trade and economic policy thinkers in the party share America's bipartisan commitment to a free and open trading system. While they recognize the party's obligation to labor and the industries that are being hurt by import competition, they are not prepared to accept protectionism as the answer to these problems. "The platform was an effort to state what Democrats have in common," one Mondale aide said.

Based on some of his speeches during the primary campaigns, Mondale was expected to take a stronger anti-import stand. Yet, Mondale's aides say he has gotten a "bum rap" on the issue of protectionism. "He has supported an open international trading system all his life," one aide stated. However, Mondale also perceives that there has been a "change in the environment" on trade issues in the 1980s, the aide added.

While the Reagan Administration has espoused a free-trade philosophy, in practice it has often come down on the protectionist side when the political and economic line was drawn. Thus, on stainless steel, textiles, motorcycles, carbon steel and in matching export credit subsidies for agricultural products, the Republicans have supported import restrictions or export subsidies when necessary.

Moreover, the Administration's strong anti-Communist rhetoric before and during the election campaign has been trans-

lated into attempts at strengthening U.S. export controls and extending them extraterritorially to America's European and Japanese allies. There also has been a general opposition to trade with the Soviet Union, except for grain, another area of controversy with Europe. As the Democrats expected, there has been no place for President Reagan to hide on trade issues. Faced with formal trade petitions brought by the steel and copper industries for import relief and a host of other trade problems involving textiles, export controls and machine tools, plus a score of protectionist legislative proposals in the U.S. Congress, Reagan's actions speak louder than his words.

Clearly, neither Reagan nor Mondale is a protectionist. Yet, political pressures are pushing them into positions that may result in restrictions against imports. Mondale is relying on strong union support in the election—both with money and with campaign workers—and will have to pay off that debt if elected. For Reagan, his own election may not depend on protectionist measures, but there are other Republican candidates running for seats in the U.S. Senate and House of Representatives for whom "delivering"



Uniphoto

help from the President for local industries is a crucial issue.

Thus, for example, presidential action on textiles is vital to the campaign of Senator Jesse Helms of North Carolina.

The biggest political stakes, of course, may involve steel. Even before the political conventions, the United Steelworkers began a concerted effort to make import protection for steel a litmus test to determine which presidential candidate cared the most about American workers. The union sponsored and circulated widely a poll of voters in nine industrial states that could hold the key to the election. The states—Alabama, Illinois, Indiana, Kentucky, Michigan, Missouri, Ohio, Pennsylvania and Texas—could account for 160 of 270 electoral votes needed to win the presidential election.

The poll purported to show that Reagan was vulnerable on the trade issue in these states. Moreover, it claimed that 65 percent of those responding to the survey supported tariffs or quotas on steel imports. The survey also asked the question, "Should the U.S. position on foreign imports be tougher or less controlled?" In response, 76 percent of the respondents said tougher; 13 percent said less controlled.

Whether or not these results are statistically valid, they do seem to match the mood of the country on trade issues, especially in the industrial states. It is upon this perception that Mr. Mondale is basing many of his speeches. "Mondale believes that a \$130-billion trade deficit is a real national problem," one of his aides has said. The Democratic candidate has expressed his concerns about currency distortions and the need for "aggressively supporting exports and opening foreign markets," the aide noted.

Trade areas that Mondale has examined, the aide said, include trade in manufactured goods, agriculture, high-technology products and services. He has also been concerned about Japanese telecommunications policies and E.C. export subsidies for agriculture products. While some of these concerns and Mondale's campaign statements taken alone sound very protectionist, an examination of the Democratic platform indicates that the Democrats are really talking about increasing America's industrial competitiveness and not closing American ports.

This is not too different from the stand taken by the current Republican Administration. Where the two parties differ significantly is in their divergent views on what role government should play in helping American industry adjust to import

competition and in shaping industrial growth. The Republicans, of course, see that role as very small and would prefer to leave changes up to individual companies and industries. The Democrats, on the other hand, envision a more active role for government. According to one former trade official who served in a Democratic Administration, the Republican approach often ends up being more protectionist than the Democratic approach. "By ruling out government action in other areas besides trade, the Republicans make import sanctions the only kind of help government can give," he said.

Although some Democrats have cast their views on government's role in competitiveness into a complex scheme that

The United States' trading partners are worrying where the fine line between "toughness" and "protectionism" will be drawn.

has become known as "industrial policy," the Democratic platform embraces only a small part of this grand design. The platform does call for more cooperation among business, labor, state and federal governments and universities. It proposes the creation of a national Economic Cooperation Council. Yet, it gives this group the vague job of collecting and disseminating economic data, serving as the forum for discussion of economic issues and developing recommendations on national priorities.

The main Democratic answer places more emphasis on increasing research and development, plus the training of more scientists and engineers. "Innovation—in process and product technology—is at the heart of our ability to compete in a world economy and produce sustained economic growth at home," the platform declares. This sounds surprisingly close to the concept of "targeting the process of innovation" which some congressional Republicans have been stressing as an alternative to the "indus-

trial policies" proposed by the Democrats.

The Democratic platform also urges vigorous enforcement of U.S. trade laws, more support for export promotion and financing, the use of the U.S. Export-Import Bank to counter foreign export credit subsidies and "international negotiations to open markets and eliminate trade restrictions." It also suggests that there should be a "quid pro quo" under which trade relief for automobiles, steel and textiles will be matched by an industry modernization plan.

While the Democratic platform had an extensive section on trade issues, the Republican document has a much shorter and more vague section on trade. During the drafting of the Republican platform, one change that was made was the addition of a plank supporting the idea of a reorganization of the trade agencies and responsibilities in the executive branch. Although they endorsed the general idea of reorganization, the conservatives who dominated the writing of the Republican platform were unwilling to support a proposal for creating a new federal Department of International Trade and Industry.

Opponents of a new trade department have raised the concern that a separate department, which probably would be built on the foundation of the current Commerce Department, could become a vehicle for espousing protectionist policies. Supporters of the proposal claim it would create a "lean and mean" agency that could stand up better for U.S. trade interests. Whichever argument is accepted, the provision in the platform suggests that the Republicans are also buying the "get-tough-in-trade" concept.

Written platforms, of course, rarely prevent political candidates from presenting differing views during a hotly contested election campaign. This year should be no exception. So Mondale is expected to end up sounding much more protectionist in his speeches in the coming weeks. Still, the people who are advising Mondale on trade share many of the views of the current Administration. "The trade officials in a Mondale Administration would not have views that are much different than those at the U.S. Trade Representative's office and Commerce now," one trade observer noted. That may be true, but until the elections are over, America's trading partners will have to worry how far toughness can go before it becomes protectionism. €

Samuel Gilston is editor and publisher of *Washington Tariff & Trade Letter*, a weekly newsletter on U.S. trade policies and legislation.



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IBM, E.C. SETTLE COMPETITION CASE

COMPUTER GIANT'S SALES DOMINATE OTHER EUROPEAN FIRMS' REVENUES 10 TO ONE.

GUY DE JONQUIERES

This year's summer holidays can hardly have started too soon for two teams of negotiators who had spent more than a year hammering out a settlement of the E.C.'s competition case against International Business Machines (IBM), the world's largest computer manufacturer. The 15-page settlement in early August brought the suspension—though not the formal termination—of the longest and most complex competition action in E.C. history. Launched in late 1980 after a six-year investigation, the case charged IBM with abusing a dominant position in the market for large computers. By the end, it had developed

well beyond lawyers' jousting to become a tense political battle of will.

The E.C. Commission hopes that, by committing IBM to a firm schedule for disclosing product information, the settlement will make life easier for its competitors. Some industry experts argue, though, that the company has yielded few concessions of substance. Just how much difference the settlement will make may not become clear until IBM spells out in detail how it plans to implement its terms.

It seems likely, however, that IBM's rivals will still have to run very hard if they are to shorten significantly its overwhelming lead in Europe's computer industry. Even though IBM's European rev-

enues last year were depressed by the strength of the dollar, they still totaled \$10 billion—almost as much as the sales of the 10 next largest companies combined.

IBM is estimated to have about two thirds of Europe's market for big "mainframe" computers and is the foremost supplier in almost every country. Its customers include numerous government departments and state-run industries, as well as many of the leading privately owned corporations operating in Europe.

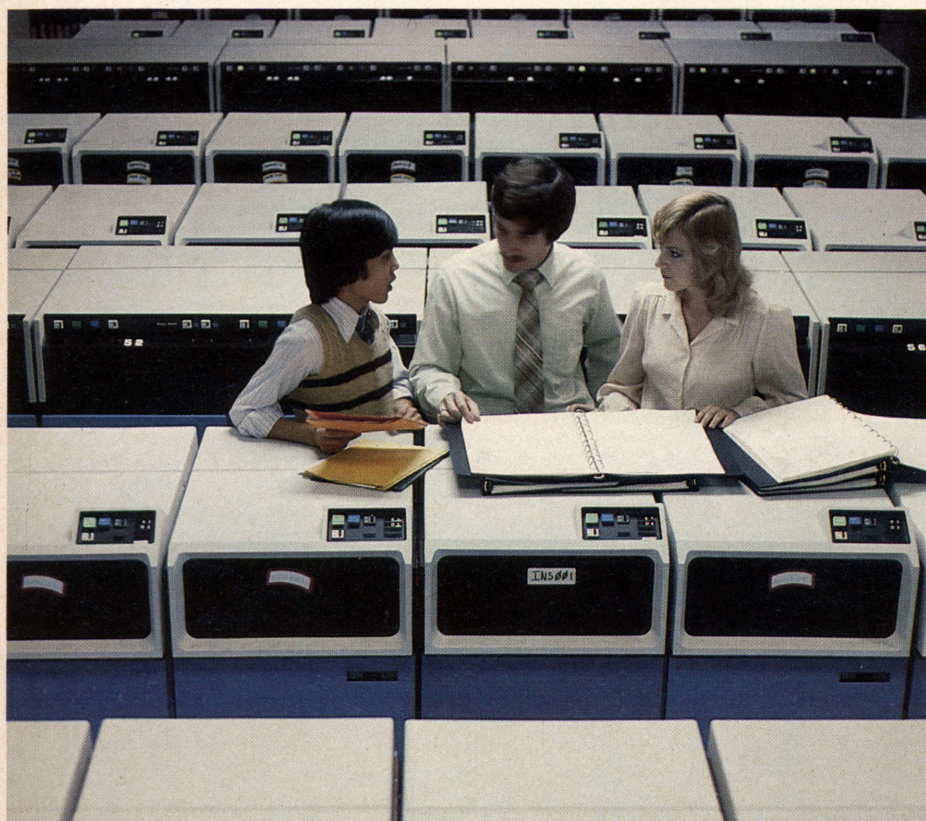
Keeping up with IBM has become even harder since the late 1970s, when it began forcing the pace worldwide by accelerating its product—introduction schedules, sharpening its marketing thrust and aggressively slashing prices. "IBM does not behave like other American companies," a senior E.C. official said recently. "It behaves like the Japanese—it fights for every last percent of every market."

In the 1970s, European countries tried to groom national computer champions able to take on IBM head-to-head. But despite lavish state support, Europe's three mainframe suppliers—ICL of Britain, Bull of France and Siemens of the Federal Republic of Germany—are all dwarfed by IBM on their home markets. Unidata, a Franco-German-Dutch attempt to create a computer-manufacturing consortium a decade ago, fell apart amid political squabbling after only a few months.

European Governments, disillusioned by such failures, have scaled back support for national computer manufacturers and gradually opened their doors wider to IBM and other foreign-owned suppliers. Since 1981, all E.C. Governments have invited competitive international bidding for major computer contracts, which were previously reserved for local companies.

Many of IBM's European competitors have recently turned to international alliances, often with U.S. and Japanese partners, to survive. ICL nowadays relies heavily on microchip technology from Japan's Fujitsu, which also supplies larger computers to Siemens, while American Telephone and Telegraph has taken a 25 percent stake in Olivetti, Italy's leading office-products and business-computer manufacturer.

Though some national market barriers have fallen, political influences remain strong in Europe, where state purchases account for close to half of all electronic equipment sales. Many Governments are worried by the fierce competition in high-technology from the United States and Japan and are deepening their commit-



IBM's "mainframe" computers are estimated to have captured about two-thirds of Europe's markets.

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ment to long-term research and development programs and encouraging collaboration between European electronics companies.

IBM's decision to settle with the Commission—rather than fight the case out in the E.C. Court of Justice—reflected its keen sensitivity to these factors. The company attaches much importance to being accepted as an integral part of the European computer industry and a good corporate citizen. It feared that its image would be damaged by a prolonged public confrontation with Brussels.

IBM works as hard to court favor with European authorities as it does to win customers. It maintains a sophisticated political and commercial intelligence network and is skilled at lobbying key decision-makers. Though many E.C. Governments remain wary of its market power, its importance as a source of jobs, investment and export assures it of top-level access in national capitals.

The company is one of the biggest employers in the E.C. with 87,000 staff, almost all Europeans. It has 15 European plants, which make 90 percent of what it sells locally, and nine research and development facilities. Last year, IBM bought goods and services worth \$2 billion from local suppliers, invested more than \$1 billion in plant and equipment and paid \$1 billion in taxes.

IBM stays closely plugged into industry developments, too. For instance, some European computer manufacturers are seeking to outflank its proprietary technique for computer communications—known as Systems Network Architecture (SNA)—by backing a set of independent, internationally agreed standards. These standards, known as Open Systems Interconnection (OSI), are intended to allow computers of all different makes to be linked together easily. But IBM already plays a prominent role on the international committees responsible for drafting the new standards.

The company has won a hard-fought campaign to be included in ESPRIT, the \$1.3 billion collaborative research and development program launched by a dozen major European electronics manufacturers with E.C. backing. Ironically, some of ESPRIT's founder members see the project as a way of countering IBM's own huge technological resources.

IBM pulled off another coup recently by teaming up with British Telecom on a controversial plan to launch a sophisticated "value-added" data network in Britain. The proposed network, which would be a joint venture, would carry services such as electronic mail and computerized billing. To the dismay of IBM's

AGREEMENT FEATURES NEW ACCESS TO IBM "INTERFACE" INFORMATION

The key feature of the E.C. settlement is IBM's undertaking to observe stricter rules for the release of technical details of how its System/370 family of large computer processors connect to other parts of a computer system. Prompt access to such "interface" information is vital to competitors who sell products designed to work with IBM equipment.

In future, IBM will announce new System/370 equipment and software (programs) in the E.C. as soon as they are announced anywhere else in the world. It has agreed to release "interface" information about them within 120 days of announcement, instead of waiting until new products are first shipped to customers, as in the past.

The new disclosure policy will also cover future changes to Systems Network Architecture (SNA), IBM's computer communications technique. The

growth of applications which combine computing and communications, such as office automation, makes SNA an increasingly central element in IBM's overall strategy.

IBM has also conceded an E.C. Commission demand that it offer E.C. customers the choice of buying its large computer processors without main memory storage. This issue, however, has become much less important since the competition case was launched because the cost of computer memory has fallen sharply.

The Commission believes that other companies will be able to compete more effectively if they can be confident of obtaining IBM interface information when they need it. But if the arrangement works out as the E.C. hopes, it could also benefit IBM in the longer run by encouraging still more of the industry to adopt IBM standards.

rivals, it would be based on SNA standards and would be controlled from an IBM computer center.

The plan has still to be approved by the British Government. But it marks a breakthrough in IBM's efforts to capture a bigger share of European telecommunications markets, where it has been only a marginal player in the past. As advances in technology sweep aside the traditional barriers between computing and communications, IBM sees exciting new horizons opening up for its future expansion.

It is still prevented from offering communications services on its own in most European countries, because national markets are strictly controlled by state monopolies. So it is wooing several European telecommunications authorities with proposals for partnerships and joint

ventures, to which it could bring its financial and technological muscle and its large customer base.

For all its strength, though, IBM is neither infallible nor irresistible. Its personal computer has failed so far to achieve in Europe the market leadership it has gained in the United States. And two of its biggest telecommunications orders to date—for electronic add-ons to telephone exchanges in the United Kingdom and a computerized videotex information system in the Federal Republic of Germany—have run into serious delivery delays.

It was also embarrassed recently by the disclosure that it had reminded U.K. customers that they must obtain U.S. government approval before moving or disposing of their machines. The incident, which fueled European resentment at American attempts to impose extra-territorial controls on high-technology trade, coincided with an expensive advertising campaign claiming that IBM was "as British as Marks and Spencer," the U.K. department store chain.

Nonetheless, IBM's European rivals cannot afford to drop their guard. Elserino Piol, chief corporate planner for Olivetti, warns that they have little margin for error. "IBM no longer allows room under its umbrella for others," he says. "It won't eliminate competition entirely, but only the fittest competitors will survive." €

Guy de Jonquieres covers high technology for the London *Financial Times*.

DATA PROCESSING REVENUES IN WESTERN EUROPE, 1983

(\$ millions)

1. IBM (U.S.)	10,634
2. Bull (France)	1,537
3. Siemens (F.R.G.)	1,380
4. Olivetti (Italy)	1,160
5. Digital Equipment (U.S.)	1,053
6. ICL (U.K.)	984
7. Nixdorf (F.R.G.)	926
8. Burroughs (U.S.)	860
9. NCR (U.S.)	841
10. Hewlett-Packard (U.S.)	775

Source: International Data Corporation

MARK MEREDITH

Helped by a good start and some successful marketing, Scotland has become one of Europe's strongest centers for electronics. "Silicon Glen," as it is now readily dubbed, has tried to emulate the success of electronics growth in California. It has not managed the same entrepreneurial spontaneity and quite a bit of government encouragement has been necessary in the form of grants. But the gamble has paid off.

The backbone of the industry is the group of big U.S. companies such as IBM, Honeywell, NCR and Burroughs, which set up in Scotland after the war, and others which have joined them to use Scotland as a base to sell to Europe. Between them the foreign firms—largely U.S. and Japanese companies—account for 90 percent of the 40,000 people employed in what has become one of the most important

growth sectors for Scotland after North Sea oil. Eleven of the top 20 U.S. electronic companies now have factories in Scotland and are part of an industry with over 200 companies.

Electronics has done much to counterbalance the devastation caused by the decline of traditional heavy industries such as steel and engineering which have been the lifeblood of Scotland for the past century. Some £500 million has been invested in this new industry in the past five years. A strong legacy in electro-mechanical industries like watch making or the older forms of cash registers has crumbled with the advent of new technology. But these sectors have provided an extensive pool of skilled labor on which the new technology industries could draw.

To keep in the jargon, the economic planners believe that electronics in Scotland has reached "critical mass"—it has now achieved a momentum of its own.

The indicator for this has been the proliferation of companies moving into the region to service the larger companies, a subculture which would only appear if the industry showed some staying power.

Research by the Scottish Development Agency (SDA), a semi-official industrial promotion body whose encouragement of electronics lies behind much of the suc-



Foreign firms such as Mitsubishi, above, use Scotland as a European base.

"SILICON GLEN" IS EUROPE'S CHIP CAPITAL

REGIONAL EFFORTS TO ATTRACT FOREIGN INVESTMENT HAVE PAID OFF



Scotland, Europe's "chip shop," produces more semiconductors per head of population than any other country in the world and more personal computers than any other European nation. Shown here is the National Semiconductor plant.

Courtesy Scottish Development Agency.

Courtesy Scottish Development Agency.

cess of the industry, has produced the following facts:

- Scotland has the highest volume concentration of wafer fabrication in Europe, producing 78 percent of U.K. output and 21 percent of European capacity for integrated circuits.
- Scotland manufactures more semiconductors per head of population than any other country in the world. Five million people produce five silicon chips per head per week, compared with three in the United States and 3.5 in Japan.
- Scotland is becoming Europe's largest production center for micro- and personal computers.

"This volume of semiconductor production, together with the fact that we manufacture over 1 million personal computers a year, must make Scotland the largest 'chip shop' in Europe," according to Alistair Macpherson, head of the SDA electronics division.

Competition has been intense among European countries to bring in U.S. investment, but the E.C. puts limits on the lures offered in the form of grants. For the Scots, the object was not to encourage purely manufacturing bases—the "doll's-eye" factories, as assembly-only plants are known here—but rather industries which could relate to the research facilities of Scotland's eight universities. The promoters also wanted new companies which would use and be of use to the growth of home-spun Scottish firms to encourage managerial decision making in Scotland. The Scots are very conscious of the powerful eroding influence of the strong economic center in the southeast of England.

A study by Ray Oakey of the University of Newcastle provided some encouragement, showing that the proportion of small firms with full-time research and development activities is higher in Scotland than in San Francisco's Bay Area, including Silicon Valley. Although part of the United Kingdom, Scotland has its own laws and runs much of its own economic infrastructure. Communications are centralized and a Scottish dimension to aspects of industry is easy to assemble with a Scottish office and three main cities: Glasgow, Edinburgh and Aberdeen.

Other parts of the country have even expressed considerable envy at the success of "Locate In Scotland," which combines the industrial promotion activities of the SDA with the grant-giving capability of the Scottish office which operates four offices in the United States and one in Brussels. The Scottish establishment has recently lobbied against any possible move by central government to integrate the functions of Locate in Scotland with

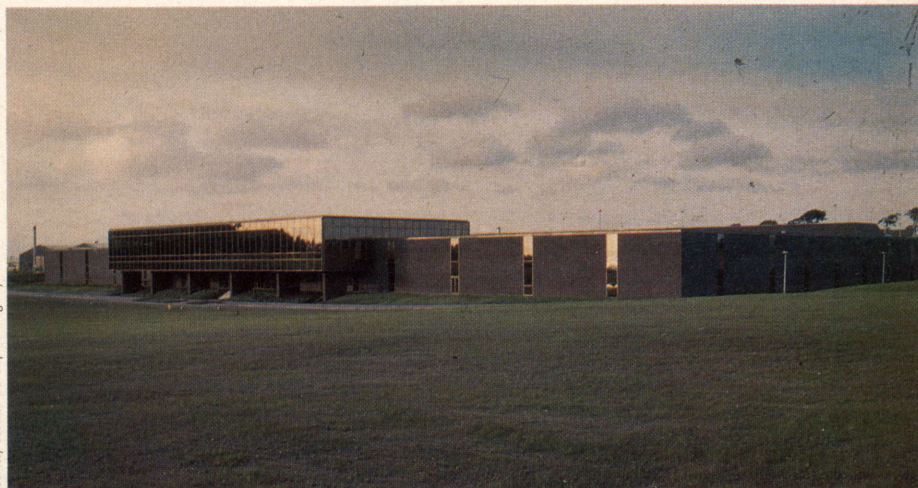
other British promotional activities abroad.

Much of the thrust of industrial promotion will continue to be related to semiconductors and personal computers. The service companies that have grown up around General Instrument, Motorola, Hughes Microelectronics and Burr Brown include component suppliers and specialty-equipment manufacturers. These, along with a proliferation of software houses, offer the best opportunities to Scottish businessmen trying to start out on their own. The service sector itself has attracted new inward investment such as the Japanese Shin-Etsu company, which is planning to produce silicon for the industry from a factory in Livingston, west of Edinburgh, and sci, the Alabama-based electronics company, which plans to produce electronics subsystems and employ up to 500 people in southwest Scotland.

Berkeley Glasslab, a Californian electronics company, plans to invest £500,000 in a factory near Glasgow to

come. The first of these is the inherent problem of depending on a large number of foreign-owned companies to foster the right kind of economic growth. The type of management installed at many of the larger U.S. companies is, with one or two notable exceptions, not empowered to seek new product development through liaison with local research facilities. Senior management at these companies will usually contract out some assembly and bring in local services, but will not make decisions which would take the company in new directions. The exceptions to these include Hewlett Packard at South Queensferry and NCR at Dundee, both of which have successfully developed new computer-related products locally using resources based in Scotland.

The second fundamental weakness is the distance from markets. The interaction with the customer, which is so much a part of growth in the United States, is lacking in Scotland because the customer could be anywhere in Europe. Only a fraction of the electronics equipment



The Scottish investment program aims at creating an integrated industrial infrastructure rather than attracting a series of purely manufacturing bases.

produce quartz products used in wafer fabrication.

A successful aspect of industrial promotion has been to bring together new foreign and domestic start-up schemes with venture capital interests in Britain. A recent example of this has been Integrated Power Semiconductors, a U.S. company formed by Dave Wood and a group of fellow California executives. The group is raising £15 million, most of it through British financial institutions, to build its new plant in Livingston. Wood said at the launching that although the U.S. market was still the biggest, "We needed an E.C. base because we wanted to tackle the European market first."

Without denying the health of electronics in Scotland, there are some drawbacks which are not likely to be easily over-

manufactured in Scotland is used there.

A third problem has been the relatively slow application by the existing industry in Scotland of the vast array of electronics produced in the country. The North Sea oil sector has been notably slow on the uptake, with oilmen reluctant to risk hundreds of thousands of dollars of "downtime" on an oil rig because of new equipment failure. Here again some gentle government pressure has been necessary, but not too much, the planners hope, to frighten away the foreign businessman. Light arm twisting through the prospects for further offshore development licenses is used to make an oil company look twice at a U.K.-produced bit of equipment and give it a try. €

Mark Meredith is Scottish correspondent for the London *Financial Times*.

COMMERCIAL POLICY IS E.C. CORNERSTONE

COMMON TARIFFS AND HARMONIZED LEGISLATION HELP PROMOTE TRADE.

MALCOLM SUBHAN

Foreigners take the E.C. far more seriously than the natives. No fewer than 126 countries have appointed ambassadors to the Community. Such major industrial powers as the United States and Japan hold regular high level consultations with the E.C., while many developing countries, including China, India and Brazil, have concluded bilateral agreements with it. The Community plays an active part in a number of international organizations, notably the General Agreement on Tariffs and Trade (GATT), the Geneva-based organization which sets the ground rules for international trade. It is an important participant in all major international trade negotiations and has played a major role in the North-South dialogue, alongside the individual E.C. member states.

This is quite an achievement for an institution which the Europeans themselves tend to look upon as ineffective and inefficient when not wasteful. It is easy to see why the E.C. is taken more seriously

abroad than at home. From the very beginning, it has been, first and foremost, a trading entity. Even today the only two major "common" policies relate to foreign trade, on the one hand, and agriculture on the other. And both these common policies profoundly affect third countries.

It is the Common Agricultural Policy (CAP) which is the better known, of course. While the very letters CAP have become something of a political slogan, the term Common Commercial Policy has remained a bit of Eurojargon. But the Community's continued existence as a separate entity is linked to the Common Commercial Policy, without which it would lose its *raison d'être*, especially now that the CAP is being called into question.

To understand the importance of the Common Commercial Policy it is necessary to go back to the founding of the E.C. The immediate aim of the six countries that drew up the Treaty of Rome creating the Community was the establishment of a single, unified market. The creation of

this "common" market quite obviously required the elimination of all obstacles to trade between the six original E.C. member states. To begin with, the tariff wall between them had to be torn down—or rather moved so that it encircled them. This meant that national trade policies had to be gradually replaced by a common policy. As tariffs between member states were dismantled a common external tariff was introduced. The customs duty on cars, for example, was now the same, whether they were imported through Antwerp or Hamburg. And once the duty had been paid, they were entitled to circulate freely within the E.C.

Tariff policy thus became a Community responsibility. Tariff and other trade negotiations with third countries were now conducted by the E.C. Commission, on behalf of the member states. What is more, import duties collected by the customs in the various member states were turned over to the Community and formed part of its "own" resources. The common external tariff was the first instrument of the common commercial policy and remains its cornerstone. However, others have been added since then. Two very important instruments were adopted in 1979 to deal with dumping and government-subsidized exports. This followed the introduction of the two GATT codes, to which the E.C.'s anti-dumping and countervailing legislation conforms. Other trade policy instruments cover surveillance or safeguard mechanisms.

By this autumn, the E.C. will have adopted a new instrument, aimed at protecting Community producers against unfair trading practices attributable to third countries. The need for such an instrument was expressed by the E.C. heads of Government at their June 1982 summit. They wanted the E.C. to be in a position to act with as much speed and efficiency as its trading partners, especially the United States, in defending its legitimate trade interests. In March 1983, the Commission submitted to the E.C. Council of Ministers a draft regulation which would allow the E.C. to reply quickly to illicit trade practices, with a view to removing the resulting injury and ensuring the full exercise of the Community's rights.

Just what are these unfair practices? The Community has defined them rather broadly as practices incompatible with international law or generally accepted rules, but has refused to list them. The regulation will cover all products, but services are excluded from its scope. Individual firms will be able to go directly to the Commission with their complaints



Freedom of movement of goods is an integral part of the E.C.'s Common Commercial Policy but, as a trucker's protest over border formalities at the French-Italian frontier in February 1984 shows, things are not always so smooth.

© Rebour/Sipa-Press

and, perhaps most important of all, a decision will have to be taken within 10 months, at most, of a complaint being filed.

The E.C.'s move to defend itself against unfair trading practices inevitably led to accusations of protectionism. But such charges have been leveled against the Community ever since it was founded. Because the common external tariff represented the arithmetical average of the national tariffs, it meant that tariffs rose in some member states (and fell in others). This, together with the assumption that a customs union results in trade diversion, gave rise to fears of an inward-looking Community.

The fears were greatly exaggerated in 1958—as they are today. This is clear from trade statistics. As one would expect, trade between E.C. member states has expanded considerably. Intra-Community imports, as a share of total imports, rose from 33 percent in 1958 to 49 percent in 1982 (for the 10-nation Community). They also rose faster, rising by nearly 2,500 percent over this period. Even so, extra-Community imports increased by over 1,200 percent between 1958 and 1982, while total imports increased by 1,600 percent.

These figures suggest that, since 1958, the E.C. has evolved a Common Commercial Policy which has largely held the balance between the interests of Community producers and manufacturers, on the one hand, and those of exporters in third countries on the other. The common external tariff is one of the most liberal of any major trading nation. This is the case whether the basis of comparison is the weighted average tariff (currently 7 percent for manufactured goods) or the extremes (only five positions are over 20 percent).

The situation admittedly is very different as regards agricultural products. In a situation where E.C. prices can be twice as high as world prices, free trade in agricultural products would probably lead to the collapse of Community farm incomes. Hence import duties which range from 30 to 100 percent. But the E.C. is not alone in seeking to protect its farmers. The United States does as much, although with different instruments, and so do Japan, Sweden and Switzerland. Even so, the much bigger Community market is more open to imports than most.

This is not to say the E.C. has not acted on occasion to limit imports in order to safeguard domestic manufacturers in such industries as textiles, footwear, shipbuilding and steel. These are the very industries which have shed large num-

bers of workers and, in some cases, to the limits of what can be demanded of the labor force. The E.C. nevertheless has tried to combine import relief with adjustment measures (most notably in steel and textiles).

The Community also maintains import quotas, especially on a relatively wide range of products from Eastern Europe and other state-trading countries. As quotas are perhaps the most effective way of restricting imports, it is not surprising that the member states should have insisted on keeping control over them as long as possible. However, most bilateral quotas have been brought within the scope of the Common Commercial Policy, so that the decision whether or not to maintain them must be taken at the Community level.

How much has the E.C. used its anti-dumping and anti-subsidy legislation to curb imports? During the three years from 1980 to 1982, when world trade was being held back by the recession, the E.C. initiated 131 investigations. Half of them involved East European and other state-trading countries and another 21 the United States. However, as regards imports from 15 countries (out of a total of 32), only one investigation was actually held. The fact that 88 investigations ended with the exporters giving a price undertaking suggests that they were initiated on the basis of sound evidence. It should be pointed out that more than 40 percent of the investigations in each of the three years concerned exports of chemicals and allied products. In 1980 and 1981, a large number of investigations covered products in the mechanical engineering sector; in 1982, there was a swing to iron and steel products and other metals.

E.C. officials have denied suggestions that the projected regulation against unfair trade practices will be used in a protectionist spirit. They believe it will not be invoked more than once or twice a year, principally because it is *not* a protectionist instrument (unlike safeguard mechanisms), but is aimed against illicit practices and therefore reinforces GATT. It is clear that despite the heavy strains imposed on it by a decade of economic crisis, marked by very low growth rates and record levels of unemployment, the E.C. remains committed to an open, multilateral trading system. It has brought down the level of its common external tariff to the point where, in many cases, the protective element is negligible. At the same time, the E.C. has used its other trade-policy instruments responsibly.

This is a major political and economic achievement. According to a senior E.C.

official, those who accuse the E.C. of not doing enough to defend its domestic industry—or of being too protectionist—are using it as a scapegoat for their own incompetence. His remarks suggest that should the recession continue and protectionist forces gain ground, member states may be tempted to circumvent the Common Commercial Policy in order to pursue national solutions.

The impact of high technology on world trade is likely to be even stronger. Developments in telecommunications, for example, are changing ways in which trade is conducted and have given added significance to information flows between economic partners. At the same time high-technology industries have presented the major trading nations with new problems.

The Common Commercial Policy must take into account developments within the Community also. Internal measures, regarding standards or subsidies, for example, affect industrial policy and competition policy respectively. And both can affect the Community's external trade—as can employment or environmental policies. This means that efforts to harmonize these various policies, and to move toward common policies in these areas, will effect the Common Commercial Policy—and *vice versa*.

If the Common Commercial Policy is not to be eroded, the member states will have to extend the Community's areas of competence. The problem has already arisen as regards international trade in services. One reason for the E.C.'s reluctance to accede to the U.S. request that the next round of trade negotiations focus on services stems in part from the fact that the question of competence has not yet been decided. It is far from certain at present that the E.C. Commission would act on behalf of the 10 member states in any future negotiations on services. But moves to deal with services at the national level can only weaken the Common Commercial Policy.

Finally, the Community has yet to tackle the issue of export policies. For obvious reasons the Common Commercial Policy has focused, from the very beginning, on imports and the existing instruments all deal with this aspect of the Community's external trade. While the E.C. has taken a common stand on the question of export credits in the negotiations conducted in the Organization for Economic Cooperation and Development, each of the member states clearly wants a free hand on export markets. ◀

Malcolm Subhan is the Brussels correspondent of *The Economic Times* of Bombay.

PARTICLE PHYSICS LAB FINDS "TOP QUARK"

13-NATION EUROPEAN ORGANIZATION IS LEADER IN CURRENT RESEARCH.

BRIAN SOUTHWORTH

This year, Europe's particle physics laboratory—commonly known as CERN from its former French title "Conseil Européen pour la Recherche Nucléaire," is celebrating its 30th anniversary. It is celebrating in style because in recent months the laboratory has announced three great physics discoveries. By colliding beams of matter and anti-matter together at high energy, scientists working on CERN have found a new basic

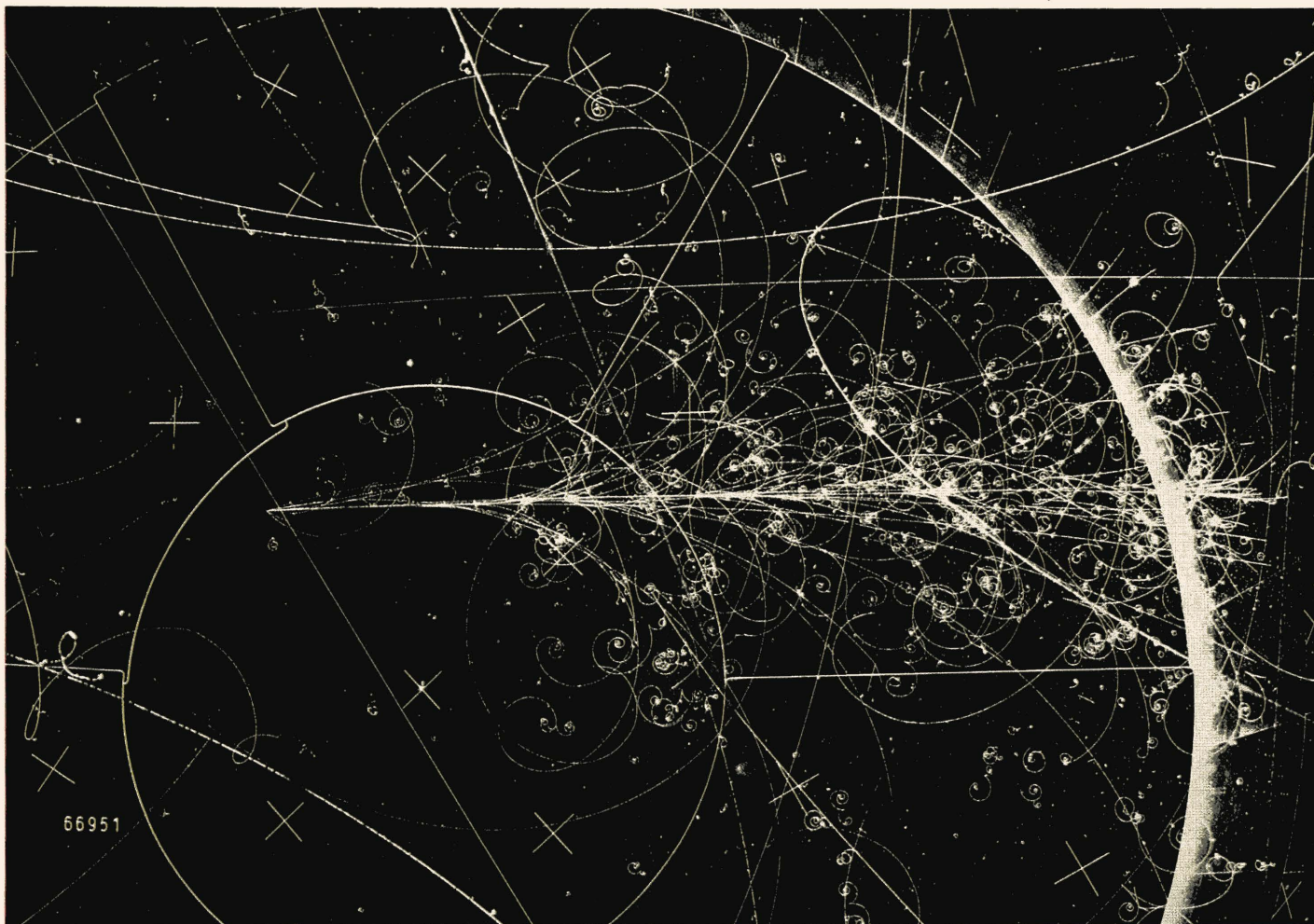
particle of matter (the "top quark") and also the "W" and "Z" particles which carry the weak nuclear force.

This exotic world of particles is the latest layer in the onion of matter which scientists have been peeling back during the past century. They have found atoms inside molecules, nuclei inside atoms, protons inside nuclei, and now "quarks" inside protons. The work at CERN concentrates on identifying these basic bits of matter and on studying how they behave.

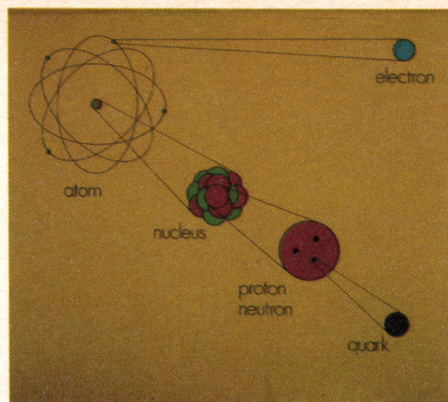
With our present knowledge, we be-

lieve that the universe could be built up from just four basic particles called "up quark," the "down quark," the familiar electron, and the neutrino. But nature, for some unknown reason, has come up with two other sets of four particles—like photocopies of the basic quartet, only heavier. The "top quark" is one of the heaviest set and we have still to find out why nature needs these heavier particles.

Matter has several different ways of behaving and we say that this is because it is being influenced by several different types of force. The most familiar, and yet the most feeble of the lot, is the gravitational force which brought the apple onto Newton's head and which keeps the earth in place around the sun. The most powerful is the strong nuclear force which glues the nucleus together and is the source of the power in reactors and bombs. The third is the electro-weak force which controls phenomena as varied as a flash of lightning, radioactive decay, or the swing of a compass needle. The significance of the W and Z discoveries at CERN is that they confirm that we can interpret all these "electro-weak" things in the same



A photograph taken in the large CERN bubble chamber of the bubble tracks of particles. The spray of particles is created by a collision between a high energy particle and a hydrogen nucleus.



Courtesy CERN

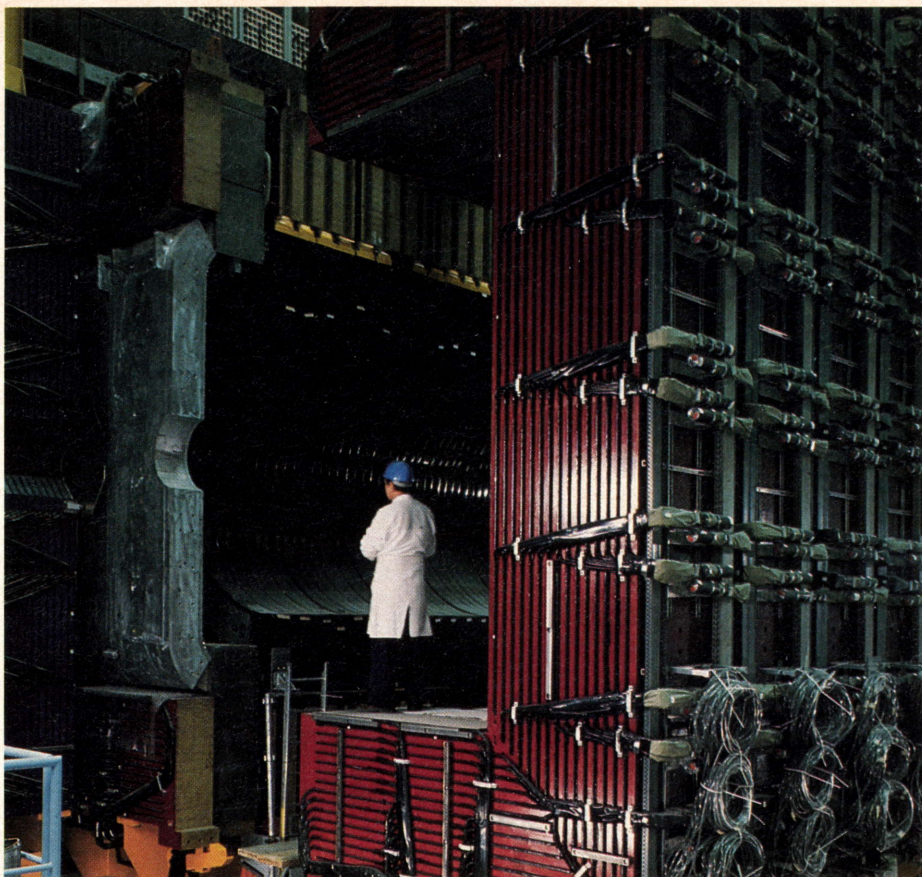
With CERN's recent discoveries of new basic particles of matter, the top quark and W and Z particles, yet another important layer in "the onion of matter" has been peeled back.

way. However the dream of having a single unified theory, rather than having to invoke three different forces to explain everything which happens, still seems a long way away.

Very high energies are needed to penetrate deep into the onion, to create the new-found particles and then to study their behavior. To achieve these huge energies requires huge experimental apparatus. Just to set the scale, CERN is presently constructing a particle accelerator which is 27 kilometers around.

This paradoxical need for the world's largest scientific instruments in order to study the world's smallest particles is one of the main reasons for CERN's existence. It would be extremely difficult for any individual European country to find the money or the highly qualified manpower to stay at the forefront of this field of research by itself. This need, coupled with the desire to reunite countries not long before torn by conflict, motivated scientists and politicians in the early 1950s to create a European research laboratory.

With the support of 13 countries (Austria, Belgium, Denmark, the Federal Republic of Germany, France, Greece, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom), CERN is now able to build research facilities second to none. The CERN laboratory spans both sides of the Franco-Swiss border near Geneva. It employs some 3,500 people and has an annual budget of about \$300 million. Its program provides research facilities for over 2,600 scientists, predominantly from universities in the CERN member states, but also from other countries throughout the world such as the United States, the Soviet Union, China, Japan, Finland and Poland. All the research is carried out by teams in which as many as 300 physicists from many different countries collaborate.



Courtesy CERN

The financial backing of contributing European countries has enabled CERN to provide some of the best research facilities for some 2,600 scientists from all over the world. It was in this particle-detection system that the recent discoveries were made.

The major research tool at present is the super proton synchrotron (SPS), in which protons are accelerated to an energy of 450 billion electron volts. This same machine, seven kilometers in diameter, can be fed with antiprotons circling in the opposite direction. It was in the collisions of these two beams that the new particles were recently found.

In 1982, construction of a new machine began with the aim of having colliding electron and positron beams at high energy by the end of 1988 in order to answer some of the outstanding questions about how matter behaves. The 27-kilometer tunnel in which the collider will be built is a hundred meters below ground, linking with the existing accelerator tunnels and passing under the Jura mountains.

A host of advanced technologies are needed to build and operate these machines and to detect and analyze the phenomena they produce. The CERN accelerators have the world's largest ultra-high vacuum system, new types of vacuum pump, hundreds of magnets to give extremely precise fields, power-supply systems of all types, novel radiofrequency units and alignment precisions of a fraction of a millimeter over kilometers. The experiments require cryogenic systems,

superconductivity, fast electronics, powerful computing, high-speed large-volume data transmission, and the development of novel particle detection techniques which have found applications in other fields such as medical diagnosis and treatment.

These requirements have been a considerable stimulus to European industry and a survey has indicated that every dollar of contract with CERN generates some \$5 of new business for industry. In addition, the existence of CERN and the extensive use of its research facilities by scientists from European universities, who do not leave their home institutes to join CERN but remain part of the university teaching force, has helped sustain the quality of science education in Europe.

The main purpose of CERN, however, remains the advancement of human knowledge about the universe which surrounds us. Its scientific success in this task makes it a world leader and its role in international collaboration led MIT's Professor Viki Weisskopf to refer to CERN as "a symbol of the United States of Europe". €

Brian Southworth is the editor of *CERN Courier* magazine.

EUROPEAN PASSPORT GETS GO-AHEAD FOR '85

COMMON E.C. DOCUMENT IS BIG PSYCHOLOGICAL STEP TOWARD UNITY.

IVO DAWNAY

Almost exactly 10 years after the idea of a European passport was first proposed and accepted in principle at the 1974 Paris E.C. heads of Government summit, the first examples will land on immigration officers' desks. The length of time it has taken for the document to be introduced—it was originally scheduled for 1978—is an indicator of the political sensitivity that the issue has had to circumnavigate. But the fact that the passport, valid from January 1, 1985, has won through at all, albeit in a truncated form, is a tremendous boost for the forces of European unification.

In terms of furthering an "economic community" the setting of an E.C. price for apples is probably more important. But psychologically, it could well be ar-



At the Fontainebleau summit meeting of E.C. heads of Government, French President François Mitterrand presented a prototype of the Europassport which will gradually replace the 10 national passports within the Community.

gued that the introduction of the Euro-passport is the most important step on the road to creating a sense of one Europe since the E.C. was formed. For the first time, as national passports are gradually phased out, citizens of the Community will carry a document testifying in tangible form to the world and, more important, to themselves that they are members of the E.C. That is not to say that all citizens will be grateful to be reminded of the fact.

Nineteen-eighty four has, in fact, been a bleak year for the long-hallowed E.C. concept of freedom of movement, long enshrined in Article 48 of the Community's founding document, the Treaty of Rome. In the spring, for example, mounting fury among truck drivers at the long delays for document checks on border crossings, exploded in more than a week of spectacular demonstrations when tens of thousands of trucks blocked frontiers, halting dead most international traffic. Hopes raised at the Fontainebleau European Council summit in June that border delays between France and the Federal Republic of Germany would be reduced also have come to little, according to the international "Kangaroo Group," an internal-barriers watchdog.

The original concept for a European passport proposed by the E.C. Commission came under four headings:

- the creation and distribution of a uniform passport, issued by national authorities, but indicating clearly through a single design that the holder is a member of the E.C.;
- the abolition of controls on citizens crossing the Community's international frontiers;
- the equality of treatment for E.C. citizens by third countries and the harmonization of legislation among the Ten affecting aliens;
- the legal implementation of full passport union, incorporating provisions for political rights for citizens in all member states.

Of these, only the first has been fully approved, and that only after a near tragicomic 10-year episode of internal wrangling.

The story of the negotiations, nevertheless, illustrates in minute detail the painfully agonized birth pangs that the midwives of a united Europe have to nurse—felt most acutely in the necessary suppression of nationalistic sentiments. As so often, it was largely the British, with their fierce sense of national identity and past imperial glory, that proved the greatest objectors. The Commission's 1975 view that "it should not be particularly problematic to decide on the appear-

ance" of the passport proved optimistic in the extreme.

Resplendent in deep oceanic blue and regally embossed with the monarch's coat of arms, the British passport is as evocative to its owners of their nationality as scarlet mail boxes or the bowler hat. Inside, the warning that "Her Britannic Majesty's Principal Secretary of State . . . requests and requires the bearer to pass without let or hindrance" is almost as sacred to a Briton as the pursuit of happiness to is a U.S. patriot.

As the august London *Times* recently thundered in a somewhat tongue-in-cheek editorial: "On how many a dark night in a Transylvanian bothy [hut] or a littered departure lounge, where huddled masses wait in perpetuity, have not those ringing phrases and that stiff severe pasteboard, comforted the flagging British traveler far from home?" Despite these emotive phrases, *The Times*, like the British Government, reluctantly concludes that the old passport has to go, to be substituted by a slightly smaller soft-covered, less imposing version more fitting to the nation's status.

The first issue—the color of the Euro-passport—was agreed with almost alarming alacrity, though whether it is described as burgundy, bordeaux, claret or imperial purple has been considered insoluble and left to the whim of individual member states. More tricky was the number of languages to be used. A proposition that the wording be confined to English and French, plus the language of the issuing country, was rejected by the Germans and Italians as discriminatory. But here, too, an eventual compromise was reached.

Most difficult by far was the wrangle over the wording on the front cover. The United Kingdom, determined to emphasize national sovereignty, for months insisted that the issuing country's name should come first, followed by the words "European Community." More E.C.-minded nations objected. The final compromise heads the page with "European Community," but allows the member state's name to appear in slightly larger type underneath. A national symbol will continue to appear on the front and Britain won the right to preserve Her Britannic Majesty's threatening message on the second page.

Now, with the passport established and agreed, the Community's next objective must be to make it, as far as possible, virtually unnecessary for citizens traveling between member states. The idea behind the passport is that a mere flash of its cover will allow the holder to slip rapidly through immigration formalities.

Unfortunately that is not the case at present. Surprisingly, the British come out well here compared to their Continental cousins, having first devised E.C.-passport-only channels at international airports. The Belgians, on the other hand, despite their virtually unmanned borders with the Netherlands and Luxembourg, create massive lines at Brussels' airport with rigorous checks.

Militant campaigners for freedom of movement, strongly backed by the European Parliament, argue that only occasional, random border checks should be allowed and then a national identification card should be sufficient proof of identity. The objective, they say, should be total abolition of all checks as soon as possible.

However, the days when crossing national frontiers within the E.C. is as simple as passing over state lines in the United States remain a way off. Visa requirements, deportation rules and special residency rights for citizens of third countries vary widely between member states. Similarly, the need to contain drug trafficking and terrorism demands border controls. It was, after all, only this year that France finally signed a deportation agreement with Spain, aimed principally at tightening up on cross-border attacks by Basque terrorists.

The accession of Spain and Portugal to the Community, scheduled for January 1, 1986, raises its own questions of free movement. While most member states seem happy to allow both countries immediate free access for their workers, tiny Luxembourg is insisting on a long transition period. This uncharacteristic intransigence from the Principality is based on a sound political problem—almost a quarter of its 345,000 population is made up of Portuguese immigrant workers. If the gates are opened freely to their families and friends, the Luxembourg Government fears it might end up as a virtual colony of Lisbon. Where this leaves Spain and Portugal's rights to the use the E.C. passport is yet another of the questions the accession negotiations must resolve.

But for the Ten, at least, from January 1, the European Passport will have arrived to stay. That at least is progress. As one E.C. Commission official put it: "It's only the first step, and we may have to wait for a totally integrated E.C. foreign policy before all the problems are resolved. But from now on all 270 million members of the E.C. will have authoritative documentary proof that they are Europeans and part of a Community. That's got to be good for all of us." €

Ivo Dawney reports from Brussels for the *Financial Times*.

NEW PRESIDENT NAMED FOR E.C. COMMISSION

FORMER FRENCH FINANCE MINISTER IS A
CONVINCED EUROPEANIST.



A "financial wizard," Jacques Delors could help the Community to solve some of its most pressing issues.

JEAN BAUMIER

The secrecy and speed of the decision stunned observers. It took just 48 hours of negotiation for the 10 E.C. member states to unanimously approve the appointment of France's Jacques Delors as the next President of the E.C. Commission in Brussels. The decision, which was announced July 19th, came as a birthday present for Delors, who turned 59 the following day. The former Economy, Finance and Budget Minister in the Government of French Prime Minister Pierre Mauroy will take up the post currently held by Luxembourger Gaston Thorn on January 1st 1985.

Paris' nomination of Jacques Delors won the immediate approval of the other European capitals for a number of reasons. First and foremost, it was because he is a political heavyweight, who has been long accustomed to top-level political, economic and financial wrangling. Energetic, obstinate and sometimes authoritarian, he is regarded as a man to be listened to, who will give the Commission the weight it badly needs in the international arena.

At the same time he is a moderate Socialist, a pragmatist and a man of the center—as he has consistently shown throughout his political career in France. His record places him in a strong position to work toward a consensus on many of the more controversial issues facing the European Community, including the accession of Spain and Portugal, financing the Common Agricultural Policy and trade and tariff negotiations with the United States. On a number of contentious economic and financial issues, his recent experience as France's "financial wizard" at a time of crisis could prove invaluable.

Delors also has another tremendous advantage—he is a convinced European and has proved it beyond doubt on numerous occasions. One example took place in 1981-82, when the French franc was in a critical position, undermined by speculation on all sides and sinking rapidly on international exchange markets. Many economists and members of the Government suggested that the solution could be for France to distance itself from the E.C. They argued that France should quit the European Monetary System, devalue the franc and erect protectionist trade barriers in defiance of E.C. rules.

It was a course that Delors, with the support of French President Francois Mitterrand, absolutely refused to con-

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JUST WHAT IS THE E.C. COMMISSION?

The European Community represents a unique relationship between sovereign states. It is not just a free trade area, but a framework within which its members have agreed, in legally binding treaties, to integrate their economies and eventually to form a political union. The E.C. has its own common institutions—a Commission independent of the member states to propose policy in line with its founding treaties, a Council of Ministers representative of the member state governments to take policy decisions, a European Parliament to ensure the democratic participation of its 270 million citizens, a Court of Justice to administer E.C. law and a Court of Auditors to supervise expenditure of the E.C.'s own budget.

The E.C. Commission consists of 14 members—two each from France, the Federal Republic of Germany, Italy and the United Kingdom and one each from the other E.C. member states. They are appointed by common accord of the Governments of the 10 member states, but must remain independent of the member states and of the Council of Ministers during their four-year term. The Council cannot remove any member of the Commission from office and only the European Parliament can compel the Commission to resign as a body by passing a motion of censure. The Commission is the guardian of the founding treaties, responsible for overseeing their implementation. European civil servants who are on the staff of the Commission carry out the E.C.'s executive work.

The Commission's functions may be broken down as follows:



The E.C. Commission: the "motive power" behind Community policy.

- The Commission is first of all the motive power behind E.C. policy. It is the starting point for every E.C. action, as it is the Commission that has to submit proposals and drafts for E.C. rules to the Council. The Commission is not free to choose its own activities. It is obliged to act if the Community interest so requires. The Council may also ask the Commission to draw up a proposal. Under the European Coal and Steel Community Treaty, however, the Commission also has law-making powers. In this case, the Council has a right of veto in certain circumstances which enables it to overrule Commission measures.
- The Commission is also the guardian of the E.C. treaties. It sees to it that the treaty provisions and the measures adopted by the E.C. institutions are properly implemented. Whenever they are infringed, the Commission must intervene as an impartial body and, if necessary, refer the matter to the Court of Justice.
- Closely connected with the role of guardian is the task of defending the E.C.'s interests. As a matter of principle, the Commission may serve no interests other than those of the E.C.

It must constantly endeavor, in what often prove to be difficult negotiations within the Council, to make the E.C. interest prevail and seek compromise solutions which take account of that interest. In so doing, it also plays the role of mediator between the member states, a role for which, by virtue of its neutrality, it is particularly qualified.

- Lastly, the Commission is—albeit to a limited extent—an executive body. The classic example of this is the law on restrictive practice and the administration of the protective clauses contained in the treaties and derived legislation. Much more extensive than these "primary" executive powers are the "derived" powers devolved on the Commission by the Council. These essentially involve adopting the requisite detailed rules for implementing Council decisions. As a rule, however, it is the member states themselves that have to ensure that E.C. rules are applied in individual cases. This solution chosen by the treaties has the advantage that citizens are brought closer to what is still to them the "foreign" reality of the European system through the workings and in the familiar form of the national system.

template. He was 100 percent for Europe. The gamble paid off and history proved him right. Thanks to his policy of tight money, financial equilibrium was gradually reestablished, inflation fell and the franc recovered. The new French Government headed by Laurent Fabius inherited an economy on its way to recovery.

On top of all this, Delors is also no stranger to the complex workings of the European Community. In the past he has been a member of the European Parliament and president of its Economic and Monetary Committee. And as France's representative to the E.C. Council of Ministers, he has taken part in debates on most of the issues that he will come up against in Brussels as President of the

Commission. The transition from defending the interests of his own country to defending those of the E.C. as a whole may be less difficult than it initially appears.

One of the reasons for the alacrity with which his nomination was adopted was his reputation as a master of compromise. But as a practicing Catholic and a man of principle, Delors doesn't always oblige. He is neither a political wheeler dealer nor is he blown by changing political winds. Time and again he has shown that he is prepared to go all the way when he is convinced that he is in the right. He also has shown that he has a sense of political timing.

The son of a Banque de France bank clerk, where he himself worked for many

years, he became a Christian trade union leader before going into politics. He has stuck by his origins and leads a modest family lifestyle. He says that he is not a careerist and wants to work where he is most useful and effective. An enthusiastic soccer fan, he thinks that the best players are not the star scorers, but those who pass the ball, position themselves and play as a team. When he takes up his post in Brussels in January, he will bring with him a wealth of economic and financial experience to help the 10 E.C. member states to work together and go forward. It will be a challenge that he'll certainly relish. €

Jean Baumier is a free lance writer based in Paris.

PARLIAMENT HAS NEW PLAN FOR EUROPEAN UNION

PROPOSAL WOULD INCORPORATE ALL E.C. AND PARA-E.C. ORGANIZATIONS.

PIER VIRGILIO DASTOLI

Last year, a proposal for constitutional reform of the European Community put before the European Parliament by Altiero Spinelli was passed with a very large majority. This new proposal was doubly important, since it not only represented the culmination of

the most daring undertaking of the first legislature of the directly elected Parliament, but will also form one of the issues to be debated by the new group of parliamentarians elected last June.

Let there be no mistake: The European Treaty of Union, as the proposal is called, would give the Community a new "constitution" which would result in a

deep restructuring of the institutional framework within which the process of European integration has been proceeding up till now. Before this new constitution can come into force, it has to be submitted for ratification by all E.C. member states and it cannot be applied unless it receives this ratification from a majority of countries representing at least two-thirds of the population of the E.C.

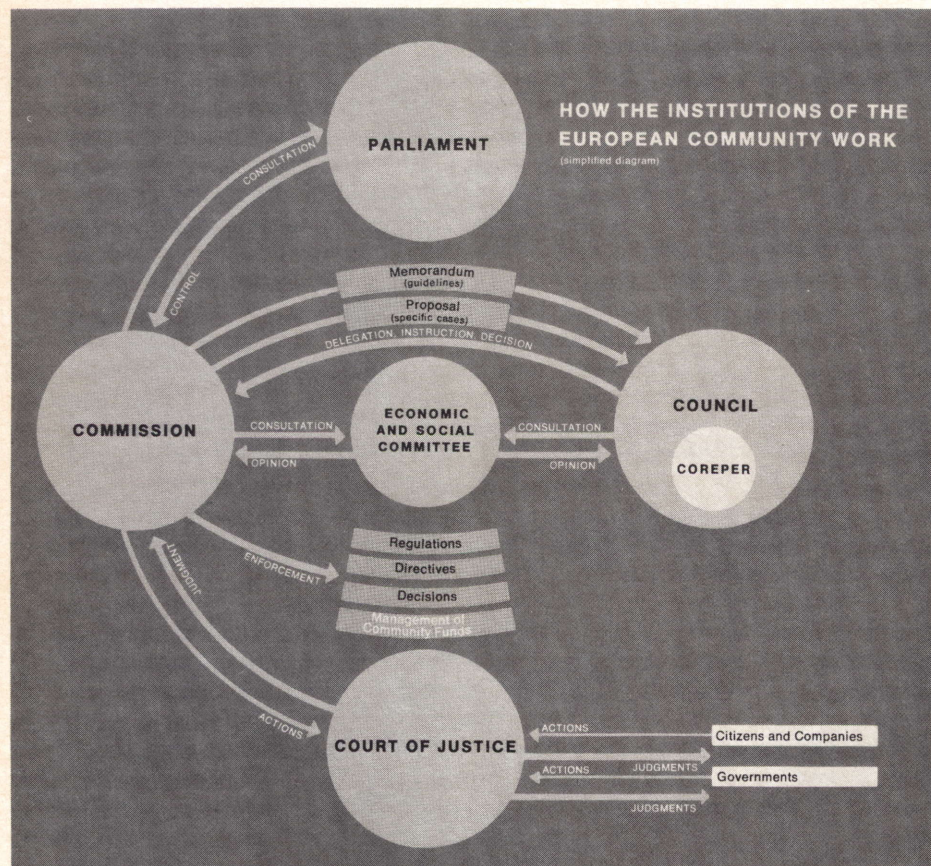
Breaking the Impasse

The *raison d'être* of this proposal can be put in a few words. The primary motivation is not so much a desire to increase the power of the European Parliament as the realization that the process of integration is slowly grinding to a halt. The parliamentarians are convinced that the only institution which is competent to put forward such a far-reaching proposal for reform is the European Parliament, which represents all the citizens of the E.C.

Given the declared intention of revising the competencies and powers of E.C. institutions in the light of the experience already acquired and in the light of their new tasks, as well as the firm intention of creating an organic link between the E.C., the political cooperation system (a system of consultation in matters of international policy) and the European Monetary System, the institutional commission realized that the problem was so complicated that it would have been practically impossible to tackle the desired reorganization by means of a package of amendments to the existing treaties and amendments. Such a package would in fact have resulted in a document which to all intents and purposes was incomprehensible and quite useless as an instrument of political action.

By voting for the political content of this reform, Parliament decided to give this proposal the definite form of a draft treaty establishing the European Union *ex novo*, thus meeting the terms of the treaties themselves and the repeatedly-stated wishes of all the governments, which saw in it the goal toward which the Community should progress. The proposal would create a new political corpus designed to incorporate all the legal, political and economic attainments of the E.C., as well as other para-E.C. organs, while still allowing for their later development by methods proper to the union itself.

The European Treaty of Union thus would have a twofold aspect. In terms of



The proposed European Treaty of Union would profoundly restructure the institutional framework of the European Community as it presently operates (above).

its function, it is, in effect, a constitution in that it redefines the competencies and institutions which will form the new political corpus of the European union. In terms of its form, however, it is an international treaty, in that only the member states will be competent to accept its content, subsequently ratify it and finally implement the union which they are invited to join.

New Divisions of Powers

From the point of view of its content, the draft treaty establishes a system of institutions and competencies which, while preserving the existing E.C. terminology for reasons of continuity, in fact establishes a new division of powers and a new system of decision-making. In effect, it would fall to the elected Parliament and the Council of Union (made up of representatives of the governments) to approve the principal rules of the union and its laws. The intended procedure gives power of co-decision to these two institutions, both as regards organic laws (which will require a larger majority in both bodies) and as regards ordinary laws.

The new procedure would be more effective, thanks to a system of deadlines

which will prevent decisions being delayed indefinitely by either Parliament or the Council of Ministers. The proposed system maintains the central role of the Commission, which would retain its right of initiative (a right which Parliament and the Council of Ministers would also have to a certain extent) and would also take an important part in the overall process of drawing up legislative acts, for which it will employ a series of well-defined powers.

The Commission would also be responsible for defining the rules of application of laws and seeing that they are properly implemented, while at the same time respecting the fundamental principle of the union, namely that E.C. law must apply at whichever level (national, regional or local) is closest to the citizens and their needs.

It goes without saying that although the Commission, the "point of convergence" of this system, enjoys a greater degree of stability than the national Governments, its legitimacy must be recognized in as wide a fashion as possible. The procedure by which the President of the Commission would be nominated by the European Council (made up of Heads of State and of Government of the E.C.

member states) is such that the presidency would be one of the union's institutions; the appointment of the President would be subject to a vote of confidence in Parliament and could only be revoked by a special majority.

Ratification: A Political Battle

The majority of political forces in the Parliament understood from the very beginning that it would take more than a simple vote in the assembly to transform this political will for the creation of a European union into reality and that the search for the necessary consensus among all the E.C. member states would be difficult. The European Parliament and the political forces represented there will have to apply a political strategy which will enable them to motivate not only the parties but also the worlds of culture, economics, science and the professions. Ratification will be the subject of lively debate, but it will also provide an opportunity to find common ground for European society as a whole. €

Pier Virgilio Dastoli is the director of the political review *Crocodile*, a letter to members of the European Parliament.

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IRELAND

POSED FOR RELAUNCHING THE
COMMUNITY DURING ITS SIX-MONTH
PRESIDENCY OF THE E.C.
COUNCIL OF MINISTERS

GARRET FITZGERALD

THE meeting of the European Council at Fontainebleau on June 25-26 was an undoubted success. It reached agreement on a number of fundamental Community issues which had divided us for so long and seriously held back the development of the Community.

As a result, the tasks facing the Irish presidency of the E.C. Council of Ministers have been lessened and, with agreement now on all the outstanding elements of the Stuttgart mandate, we shall, when the details of the interim financing issue have been resolved, be poised to relaunch the Community and to recover the dynamism of Community development and integration which were such notable fea-

tures of its earlier existence.

In accordance with the practice initiated in 1981, I reported to the inaugural session of the newly-elected European Parliament on July 25 on the conclusions of the Fontainebleau European Council. The conclusion of most immediate significance, and which was crucial given its linkage with other issues, is that relating to the United Kingdom's budgetary contribution. Our agreement on this provides for the type of solution which Parliament has long demanded and puts an end to the previous ad hoc and makeshift arrangements which it always objected to.

One of the priority tasks under our presidency is to put into effect the agreements which we reached at Fontainebleau. In my capacity as President of the European Council, I have been mandated personally with a number of tasks such as selection of the new President-designate of the Commission (see page 28) and establishment of the ad hoc committees dealing respectively with the future development of the Community and creation of a "People's Europe."

I attach particular importance to, and will be taking a keen personal interest in, the ad hoc institutional committee and I have asked for a report to be furnished to us at the next meeting of the European Council in Dublin in December. In its work, the committee can be expected to maintain contact with the Parliament and give full consideration to the draft treaty on European union (see page 30) adopted last February by the outgoing Parliament.

The other ad hoc committee, which is also of considerable importance, will be concerned with consideration of measures to strengthen the Community's identity and make it a greater reality to our people, as they go about their daily lives, as well as to the rest of the world. The Minister for Foreign Affairs, Peter Barry, on July 26, outlined in detail to the Parliament our presidency program for the six months and, in this short message, I will limit myself to listing very briefly some of the more important issues which we will be dealing with.

With the exhaustion of [the E.C.'s] own resources, an immediate priority is that of financing the deficit in this year's Community budget. It is a matter of serious concern that, notwithstanding our agreement at Fontainebleau, steps be taken at the next meeting of the E.C. Council of Budget Ministers to cover this deficit; the Budget Council at its meeting on July 18 and 19 failed to have this issue resolved, although a consensus was reached

amongst nine E.C. member states on the approach to be adopted.

This matter will be pursued with insistence as it is unthinkable that member states would continue to refuse to make available the extra revenue needed to finance established policies and Community obligations already entered into by them. We will also be devoting particular attention in the coming months to adoption of the 1985 Community budget. In both these areas, the Parliament will have a critically important role to play.

Development of the new Community policies, particularly in the advanced technological industries, completion of the internal market in areas such as harmonization of common standards, opening up of public contracts and liberalization of trade in services are some examples from a formidable list which we will be pursuing with a view to increasing economic growth and producing more jobs throughout the Community, as well as providing benefits to consumers.

Clearly, the Community must now devote its resources and potential to dealing with the unemployment crisis, which has reached critical levels that will not only threaten the survival of the Community but also even the basic cohesion and stability of our societies.

Completion of the enlargement negotiations with Spain and Portugal by the agreed deadline of September 30, provides us with a most demanding challenge, given the real difficulties in sensitive areas such as fisheries, agriculture and social affairs which have yet to be resolved.

We are, through revisions to and tightening-up of the schedule of meetings with the applicant countries, taking all necessary steps to meet this deadline and with this purpose in mind the Irish Minister for Foreign Affairs has visited both Lisbon and Madrid. The Community's decision-making machinery, at present ineffective in the Community of Ten, will be further exacerbated on enlargement and will clearly have to be tackled before the negotiations are completed.

As regards the area of development cooperation, negotiations on a new agreement (Lomé III) with the African, Caribbean and Pacific countries are making progress, but as yet no agreement has been reached on trade matters and the level of the Community's financial aid. By coincidence, we are again involved, as was the case under our two previous E.C. presidencies, in bringing these negotiations to a successful conclusion, hopefully, in early autumn next.

The European Parliament has in the past, and no doubt will continue in the future, to play an indispensable role in the Community by voicing the aspirations—and the fears—of all our people, with their different cultures, histories and political affiliations. Since 1979, the directly-elected Parliament has achieved a number of notable successes, ranging from increasing the size of the Community's Regional and Social Funds through to improving measures of direct assistance and helping in dealing with the tragic situation in Northern Ireland.

We will, during our presidency, be giving particular attention to improving relations with the Parliament with a view to developing and strengthening the Community, which is more than ever necessary in the dangerous and uncertain world we live in. Acting together enables us to deal more effectively with the economic and social challenges which we all face. We remain committed to enhancing the role of the Parliament in policy-making in the Community in line with the increased legitimacy which the Parliament now has under the system of direct elections. €

Dr. Garret FitzGerald is Ireland's Prime Minister, or Taoiseach.

New Issue

This announcement appears as a matter of record only.

July 4, 1984



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ECONOMIC RECOVERY REACHING IRELAND

DESPITE VERY HIGH UNEMPLOYMENT, ENCOURAGING SIGNS ARE EMERGING.

DERMOT McALEESE

An Irish nationalist once remarked that Ireland could never become truly Irish without first becoming truly European. The Irish economy passes this test all too well in 1984: Its problems have a truly European character. Unemployment, the public sector and inflation appear as prominently in Dublin's lists of preoccupations as they do in Europe's other capital cities. The self-confident optimism of past years has given way to a strong attack of Europessimism. The economy has been subjected to exhaustive diagnosis, but progress in finding solutions has proved difficult to achieve.

Unemployment has always tended to be higher in Ireland than on the Conti-

nent, but the present rate of 16 percent means that more people are now out of work and staying longer out of work than at any time since World War II. Demographic factors partly explain this high unemployment: higher marriage rate, large family size and diminished opportunities for emigration. The European recession also plays an obvious role.

There are structural problems too: declining numbers in agriculture, import penetration and the poor performance of indigenous industry. As elsewhere in Europe, the low degree of flexibility in the labor market has been the target of criticism. An overly ambitious social welfare program and high tax rates join forces to make employment less attractive and encourage a "make-do" attitude to unemployment. Job-security legislation has

helped to strengthen the position of the already employed, while discouraging employers from creating new jobs.

In previous years, the response to unemployment would have been more public expenditure on job-creation projects. A classic "dash for growth" was indeed tried in the late 1970s by the Government of the day, but the strategy ran aground on the familiar shores of budget and balance-of-payments deficits. The public-sector borrowing requirement still remains inordinately high—16 percent of GNP this year, about half of which may have to be financed abroad.

Ireland's foreign debt has escaped the headlines but, in relation to GNP, outstanding official borrowings of \$10 billion are higher than any Government would feel easy with. At current interest rates, foreign borrowing is expensive in real terms, despite an excellent and rather flattering credit rating. Servicing this debt will ultimately require more taxes on an already highly taxed economy. For this reason, the possibility of using increases in public-sector activity as a means of alleviating the unemployment problem is effectively closed. All three major parties in the Irish Parliament are agreed on that. There is even agreement that the borrowing requirement, far from being expanded, needs to be further reduced.

Given that the scope for direct government provision of jobs is circumscribed,



Ireland's GNP growth rate for 1984 is estimated at around 3 percent. Above, a view of Dublin from the river Liffey.

attention has turned to what can be done to encourage the private sector. This seems to be the main message emanating from last April's report of the National Planning Board, which has prepared the groundwork for what will soon become a National Plan. The report recommended cutbacks and restructuring in government expenditure and the application of stricter criteria to the semi-state bodies' requests for funds in energy, transportation and industry. Some measures have already been taken in this direction. Substantial decreases have occurred in the public-sector capital program and the recently announced decision to scale down food subsidies suggest a willingness—albeit forced by circumstances—to take unpalatable steps in the interests of curbing the growth of public expenditure.

Reform of the taxation system was another subject much discussed in the report. Personal-income-tax rates are extremely high in Ireland and so are indirect taxes. A marginal rate of 68 percent (sometimes higher) begins to bite at levels of income which are comparatively modest by European standards. The tax system makes it difficult for firms to induce their staff to work overtime, sparks off compensatory wage claims, demoralizes those in the managerial income category and encourages excessive spending in areas which provide tax relief or escape tax altogether (the black economy).

President Ronald Reagan's visit to Ireland in June 1984 served as a reminder of the close economic ties between Ireland and the United States. American firms are strong investors in the Irish economy. Together they own \$3 billion worth of assets in Irish manufacturing, roughly 6 percent of total U.S. direct foreign investment in Europe's manufacturing sector. They are attracted by Ireland's location within the Community and by a shared language and culture (Irish viewers are reputed to be keener watchers of "Dallas" than the Texans themselves).

Many U.S. companies have been pleasantly surprised by the availability of a well-educated, moderately paid workforce with a low turnover rate. A key role is also played by the substantial grants and tax breaks offered by the Irish government and administered through the Industrial Development Authority (IDA). The recovery in the U.S. economy and the rise in GNP growth in Europe has led to an increase in activity by U.S. investors which spells good news for Irish job seekers.

A 10 percent, corporation-profits tax applies to all firms in the manufacturing sector. A competitive range of additional

incentives is offered by the Government to projects with the appropriate resource requirements and growth potential. All this costs money, particularly in the 1980s when European competition for footloose industrial projects has never been more intense. The question has been asked whether the costs in terms of grants paid and taxes foregone are compensated by the benefits in terms of employment generation, exports and spin-off effects. Studies suggest that the answer is a reassuring yes.

At the same time, the Government is now focusing attention on how to maximize the spin-off effects of foreign industry and to encourage more indigenous firms, small and large, to start up business and expand. The results of this reing

As a result of E.C. membership, the manifold problems of the Irish economy have eased somewhat.

view will be published soon in a White Paper on Industrial Policy. It is expected that the Government will confirm its commitment to the present policy toward foreign investment, close off certain loopholes whereby benefits designed for manufacturers have been siphoned off by non-manufacturing firms and offer more incentives to marketing and research and development (areas in which indigenous manufacturing is weak) at the expense, if necessary, of reduced capital grants.

Unlike other European countries, Ireland's industries are comparatively new, with a large proportion concentrated in high-technology products. This explains the quick recovery of the industrial sectors from the recession, to a 7 percent growth rate in 1983. Industrial exports have also been expanding rapidly, by 11 percent a year during 1980-84. This growth, however, has not been translated into an increase in employment. A healthy industrial sector no longer necessarily means higher employment in industry. For extra jobs, one must look to other sectors of the economy.

Agriculture is clearly not one of these sectors. Numbers engaged in farming are falling and are projected to continue doing so. Nevertheless, the prosperity of the agricultural sector is important if growth

is to be maintained elsewhere in the economy. Farming absorbs 15 percent of Ireland's workforce, more than twice the share in the Community as a whole. For this reason, the Irish Government had to play a more insistent role than one would normally expect in the European Council negotiations on the E.C.'s Common Agricultural Policy (CAP) and on its budget earlier this year. The result of those negotiations provided for some increase in Irish dairy output, a hard-fought concession which, given the size of the European dairy surplus, represented a reasonable compromise.

Not all Irish farmers, of course, saw it that way. Irish farming is heavily concentrated on dairy products and beef, two products with unfavorable aggregate market profiles. The main thrust of agricultural policy in future should be to upgrade the marketing of this output, a development which has been urged on numerous occasions since the founding of the Republic, but so far with limited effect.

The services sector must, therefore, be expected to absorb most of the increase in the workforce over the next decade. During the 1970s, 14,000 extra jobs were generated annually in this sector. Most of them were public service jobs. The challenge for the 1980s will be to maintain this growth in the private sector. Envious eyes have been cast at the U.S. experience. In Ireland, as in other parts of Europe, the apparent ease with which a labor-force growth of 1 percent was accommodated across the Atlantic has been the subject of much debate.

Some argue it could not. Ireland is too small, social mores will not allow it and, therefore, more attention will have to be paid to the possibility of planned trade-offs between wages and jobs in the public sector. Others argue that any weakening in the Government's commitment to shifting the balance of economic activity toward the private sector will make the employment problem worse, not better. Given the close relationship between public and private sector in an economy where public expenditure now equals 60 percent of GNP, it is impossible to expect large deductions in one not having an impact on the other. Less public expenditure may leave room for, but does not necessarily imply more, private-sector expenditure. A fall in government construction activity, for example, brings down with it a large portion of private-sector activity supplying materials for that construction. Only by a careful running down of the public sector's growth can the right balance be struck.

The balance of payments has always tended to loom large as a constraint on development in Ireland. The current-account deficits in 1983 and 1984 were estimated earlier this year to stand at less than 3 percent of GNP, having fallen from 9 percent of GNP in 1982 and a still higher figure in 1981. Subsequent revisions have confirmed the degree of improvement in the balance of payments since 1981. But the absolute size of the deficit has been raised by Irish £500 million (currently about \$550 million), resulting in a total current deficit of Irish £850 million, or 8 percent of GNP.

Although the possibility of a major revision was presaged in a number of central bank reports, the publication of the figures caused a minor furor and was the subject of a special debate in the Irish Parliament. A major source of inaccuracy, it transpired, had been the underestimation of dividend and profit outflows from Irish subsidiaries of multinational enterprises. There was no suggestion of any impropriety in that outflow and the Prime Minister, Garret FitzGerald, took pains to point this out. Multinationals do not come to Ireland for charity or to act as a development agency. A time must come—indeed already has come—when their profits will be taken out of the country. The challenge for Irish policy is to make Ireland an attractive location for reinvestment of profits by overseas firms, a point which is widely recognized in Irish political circles.

The completion of a decade of Irish membership in the European Community has been accompanied by a series of publications analyzing its implications for Irish society. On the economic side, it is remarkable how closely expectations have conformed to the reality of membership. The CAP was expected to give a boost to Irish agriculture, and it did. Access to the E.C.'s market was expected to be a decisive influence on foreign investment, and it was. Indigenous industry expected to suffer competition from imports and experience difficulty in penetrating export markets, and this is largely what happened. Ireland expected to be a significant beneficiary of the E.C.'s Social Fund and of its Regional Development Fund. The scale of transfers may have been rather modest, but the Irish have received a generous share of what is available.

The EMS link has been helpful in providing a restraint on domestic inflationary pressures—again relative to alternative exchange rates regimes available to the Irish economy. The cut back in inflation to one half of its 1981 level is a major positive feature of the economy. More-



The quality of Irish linen is renowned throughout the world. Here, yarns are put out to dry after having been dyed.

over, the trend in prices is firmly downward from the 1983 level of 10 percent.

Clearly, the Irish economy has defects, but matters would have been much worse had Ireland remained outside the Community. Recent opinion-poll data show that two out of every three Irish people would have voted in favor of membership in another referendum. In early 1984, therefore, the electorate is still emphatic in its desire to remain a member of the Community.

The immediate outlook for the econ-

omy is a 3 percent GNP growth rate in 1984, strong growth (15 percent) in industrial exports and a decline in the rate of inflation to 7 percent. The long-awaited economic recovery has reached Ireland. The signs may be more encouraging than in recent years, but fundamental problems of fiscal and external imbalance still remain. €

Dermot McAleese is Whately professor of political economy at Trinity College, Dublin.



Irish hopes that membership in the European Community would give agriculture a significant boost have largely been fulfilled.

EUROPEAN SOURCES IN IRISH LITERATURE

CONTINENTAL INFLUENCE HAS
INCREASED DURING THE PAST CENTURY.

CÓILÍN OWENS

During this past summer, the university cities of Graz, in Austria, and Frankfurt, in the Federal Republic of Germany, hosted two international symposia which indicate the standing of Irish literary studies in Europe today. These gatherings were sponsored by the International Association for the Study of Anglo-Irish Literature (IASAIL) and the James Joyce Foundation, respectively. They attracted over 600 delegates from all over the world to hear addresses by distinguished scholars and to participate in seminars on various aspects of the Irish literary revival.

The aim of the revival was to establish a national literature based on sources distinct from those of the established traditions of literary England. Its successes, especially in the poetry and drama of William Butler Yeats, in the fiction of James Joyce and in the establishment of the Abbey Theatre, have had a growing impact on the tenor of Irish life. Through the works of Yeats and Joyce, and more recently, Samuel Beckett, Irish writers have contributed to the definition of the literature we consider modern and European.

When Yeats, at the turn of the century, advised the potential contributors to the young Abbey Theatre to "learn construction from the masters and dialogue from ourselves," he put succinctly the relation which was to shape the future development of the best Irish drama. The "masters" implied in his injunction were Sophocles, Jean Racine, Henrik Ibsen and Maurice Maeterlinck, and "ourselves" were the speakers of that fresh and expressive medium, the dialect of English used by the former speakers of Ireland's native Celtic language.

The literary traditions of Ireland had been interrupted since the 17th century by the collapse of the Gaelic social order, so that all that remained to the serious



James Joyce, author of many modern world classics, predicted that his works would "keep the professors occupied for centuries."

artist were the remnants of that tradition to be found in the folklore of the countryside and in the manuscript rooms of the museums and academies. But these repositories held a rich lode of heroic, romantic and folk legends which bore witness to a sophisticated, indigenous Celtic civilization.

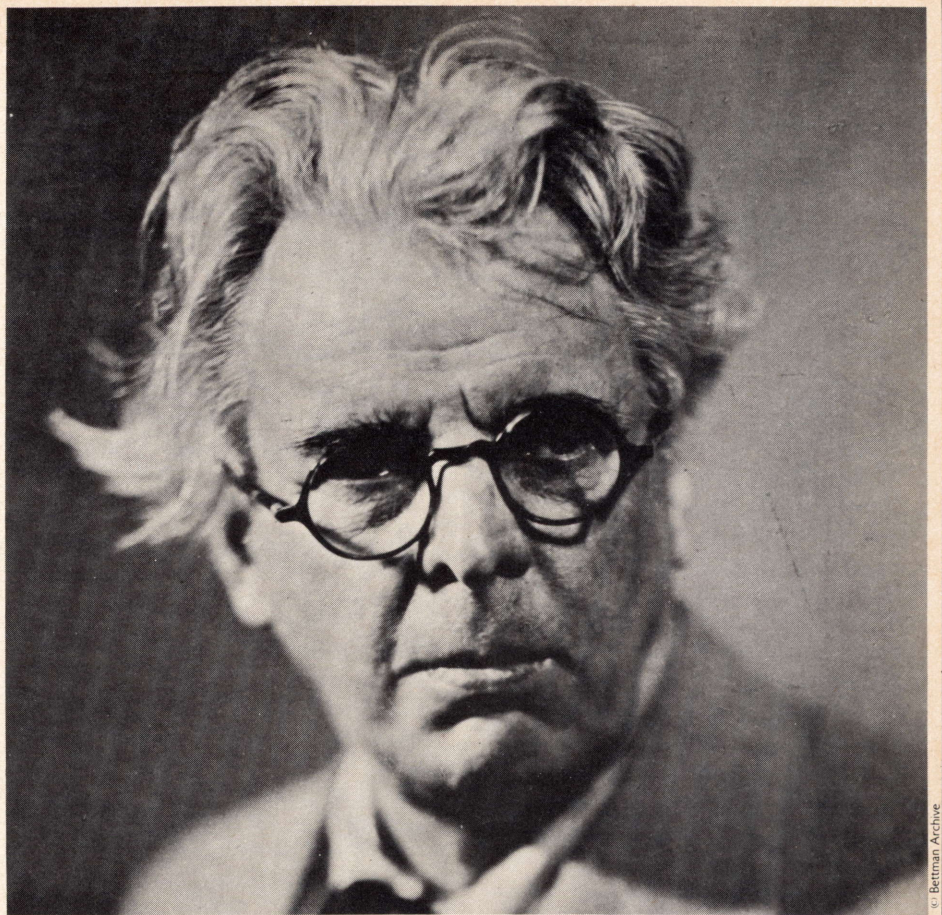
The aim of the Irish literary revival was to provide the emerging Irish nation with a literature which would reflect the conflicts of modern life, but bear the shape of an ancient heritage. To a certain degree, that effort was in reaction to British cultural hegemony; in its positive aspects, however, it sought to emulate Continental models. To paraphrase Joyce, the shortest way to Tara (ancient Ireland's capital) was through Holyhead (the Irishman's European port-of-entry).

In taking this route himself, Joyce knew his antecedents. Less than two centuries after Ireland was Christianized by St. Patrick, it became the center of a monastic culture which returned the traditions of diligence, literacy and piety to a Europe shattered by the Asiatic invasions. From Iona in Scotland to Bobbio in Italy, there are a dozen major sites where Irish Celtic monks established centers of learning and community life which lasted until the Benedictine reformation in the 12th century.

During the two and a half centuries following the suppression of the monasteries in Ireland by Henry VIII, Irish colleges of ecclesiastical learning were established in various Continental university centers, such as Louvain, Salamanca and Rome. And from these schools—primarily designed to provide clerical education to Catholic priests—came a thin, but continuous, line of formally trained bilingual poets and historians of Ireland's dark age.

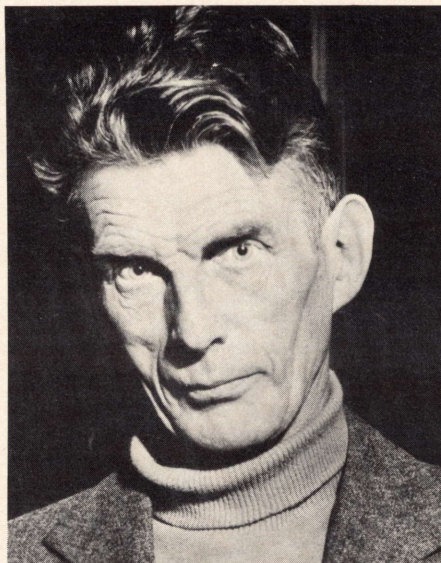
It was not until the 19th century that the cultivated classes of Britain, Ireland and Europe took a serious interest in the folklore, language, mythology and social organization of the remnants of the Celtic realm. German philologists and Celticists such as Kaspar Zeuss ("Grammatica Celtica," 1853) and Rudolf Thurneysen ("Grammar of Old Irish," 1909; "Die irische Helden- und Königsage," 1921) brought the discipline of the modern academy to the study of old Irish and the editing of early Irish law tracts and sagas, thus clearing the way for the modern field of Celtic studies.

Similarly, in Paris, Henri d'Arbois de Jubainville's popular lectures on Celtic literature, and the publication of his "Irish Mythological Cycle" (1903) contributed to the respect in which these sources were held by proponents of a



The poet William Butler Yeats is generally considered to be the true father of the Irish literary revival.

Celtic revival in modern Irish letters. After the founding of the Irish Free State (1922), the Irish Folklore Commission undertook the task of collecting and classifying the immense inheritance of folk custom and belief surviving in rural Ireland. In that undertaking, it followed the pioneering work of several Scandinavian folklorists, including Reider Christiansen of Norway and Antti Aarne of Finland.



Samuel Beckett conveyed the essence of modern Irish literature in many plays.

The true father of the Irish literary revival, however, is William Butler Yeats. Under the influence of John O'Leary, an ageing revolutionary and literateur, the young Yeats turned from a career begun in the spirit of late Victorian England to the folklore of the west of Ireland and the heroic legends which were, by the end of the 19th century, becoming available in contemporary English translation. In the company of Lady Augusta Gregory, a folklorist and folk dramatist, and Edward Martyn, a landed gentleman with strong affinities for Ibsen's social, symbolic drama, Yeats founded the Irish Literary Theatre (1899) which within a couple of seasons was to become the showpiece of the national literary movement: the Abbey Theatre.

The founders of this theater took their cue from the presence of several European precursors: Ole Bull's, Norway (1850); Antoine's Théâtre Libre, Paris (1887); Germany's Freie Bühne Theatre (1889); J. T. Grein's Independent Theatre in London (1891), and the Moscow Arts Theater (1898). But in contrast with these antecedents, Yeats, Lady Gregory and Martyn were beginning as absolute pioneers. Although this group had a diversity of talents, sensibilities and inclinations, they agreed on the necessity to

replace the caricature of Irish life on the stage with authentic, realistic, popular drama, and they agreed to develop an imaginative and poetic drama which would harness heroic legend to the demands of the modern stage. Yeats was indebted to the French symbolists and Ibsen's poetic dramas, Martyn to the more social and realistic Ibsen and Lady Gregory to French comedy.

Before long, however, the Abbey had developed its own blend of naturalism, romanticism and poetry, as exemplified principally by the plays of John Millington Synge during the first decade of the century and Sean O'Casey during the 1920s. Synge was the first major dramatist to combine successfully the influences of Molière's design and humor, Racine's musicality, Irish myth and folklore and the extravagant dialect of English to be found in the remote regions of Ireland. Sean O'Casey is Synge's city equivalent, until he turned to expressionism with "The Silver Tassie" in 1928. When Yeats re-

The aim was to fuse modern European and ancient Celtic elements to give Irish literature a place truly its own.

jected the play, an acrimonious public exchange followed, and O'Casey severed his relations with the Abbey Theatre.

It was not entirely a coincidence that in the same year as O'Casey's falling out with the Abbey directorate, Dublin got its second serious theater: the Gate. Founded by Hilton Edwards and Michael MacLiammoir, the Gate Theatre set out to bring European and international classic theater to Ireland, in contrast to the perceived introversion of the Abbey. And almost immediately, with Denis Johnston's sensational expressionist play about Irish nationalism, "The Old Lady Says 'No!'" (1929), the Gate Theatre began its signal service to Irish audiences in importing contemporary European and American drama as well as encouraging much of the best experimental work by Irish playwrights.

By the 1920s, however, it was through the fiction of Joyce ("Ulysses," 1922) and the poetry of Yeats (Nobel Prize, 1923) that the full power of the Irish literary

revival was felt throughout the world of letters. Joyce's novel synthesized the masterpieces of European literature—"The Odyssey," "The Metamorphoses," "The Divine Comedy," Shakespeare's and Ibsen's dramas—into a dazzling mosaic depicting ordinary Dublin life. His *Bildungsroman*, "A Portrait of the Artist as a Young Man" (1916) and "Finnegans Wake" (1939) are now modern world classics, and through them Joyce brings the Irish gifts of humor and language and the themes of Celtic literature to enlarge our sense of the present experience. His works are unparalleled documents of Edwardian Dublin, but at the same time look backward and forward:

He advised a friend to study the medieval Irish illuminated manuscript "The Book of Kells" ("the most Irish thing we've got") as the best introduction to "Finnegans Wake"; and, forecasting the "Joyce industry," he told a friend "my books will keep the professors busy for centuries."

Yeats's reputation rests on many bases: his early romantic plays and poems which drew on Irish folklore and history, his extraordinary capacity to write more vigorously with each passing decade, his bold innovations in drawing on Celtic and Japanese traditions for a modern poetic drama and the peerless lyric poetry of his later years. Yeats is the central figure in

DUBLIN HOSTS ARTS FESTIVAL THIS FALL

Dublin, James Joyce's City of the Imagination, will be the venue for a multifaceted arts festival this fall. ContemporEire '84 draws together modern art, photography, architecture, theater, and literature to present the rich visual elements of Ireland's cultural heritage. One of the key events will be an international conference, "Art and the Human Environment: Dublin—A Case Study," which is being presented from October 4th to 7th by Richard Demarco, celebrated for his work with the Edinburgh Festival. The topics of the conference will explore the arts and culture of the urban environment, how they have related to Dublin in the past, and the prospects for the future. Tours of the major architectural sites in Dublin, including the venerable pubs, are scheduled.

Every four years, Dublin is the site for an innovative and exciting art show called "Rosc," which is a Gaelic word meaning the poetry of vision. Fifty celebrated artists from around the world will be represented including Robert Ryman, Carl Andre, Donald Judd, Richard Long, Sandro Chia and Barry Flanagan. "Rosc", which will run until November 17, will consist of 150 works created since 1980, including painting and sculpture, works of conceptual art, and special installations. The exhibition will inaugurate a new location for the arts in Dublin, the Guinness Hop Store. Situated in the heart of old Dublin, this former storage building for the Guinness brewery has been restored and redesigned as an exhibition space. "Rosc" will also present Henry Moore's private collection of pre-Columbian art as well as

some of his recent works.

Among the other ContemporEire '84 exhibitions taking place are a show of Irish post-impressionists at the National Gallery of Art; a group show of leading Irish painters at the Temple Bar Studios; and photographic exhibits by David Hockney, Cecil Beaton, Henri Cartier-Bresson, and David Bailey. There will be "A Celebration of Irish Film" featuring works made in and about Ireland by Irish and foreign film makers.

Ireland's great literary heritage will also be celebrated during ContemporEire. Readings are scheduled with Seamus Heaney, Ireland's best known poet, and a number of Irish-language poets. Tailor's Hall, a venerable building, will have its first public use in many years for the Antiquarian Book Fair. The Abbey Theatre will present Joe Dowling's new production of Sean O'Casey's "The Plough and the Stars," the Gate will present Siobhan McKenna's production of "Cuairt an Mhean Oiche" (The Midnight Court), and the Olympia will celebrate its role as the home of popular entertainment with a musical called "Dan Lowrey's Star of Erin." Other theatrical events include the Dublin Contemporary Dance Theater and a number of new works by winners of the Arts Council Theater Project Awards.

ContemporEire '84 will also include the Dublin City Festival, a weekend of street fairs, boating parades, circus acts, music, and literary tours; jazz and rock concerts; craft displays; and an Olympic poster exhibition. For further details contact the Irish Tourist Board, 590 Fifth Ave., New York, NY 10036, Tel. (212) 869-5500.

modern Irish literature, and his worldwide influence can be perceived in the tone and diction of modern poetry in the major languages.

Through the 1930s, a vigorous debate persisted in Ireland's cultural journals between the "antiquarians" and the "modernists" on the appropriate relationship between the individual artist and the public policy of developing a distinctive national culture. Several issues recurred in these arguments: the attempted revival of the Irish language, literary censorship designed to protect religious and family values, residual feelings of Anglophobia and the sense of a debt owed the culturally silenced, dead generations. The "modernists" held that these priorities had the effect of constraining much of the young nation's creative energies into an unhealthy nationalist orthodoxy.

The reaction to these conventions took many forms, one of which was to be found in the manifesto of a group of young poets during the 1930s (among them Samuel Beckett, Denis Devlin and Brian Coffey) who drew on French symbolists and surrealists in the formation of their literary personae. Beckett's election to write in French was motivated by the desire to escape the burden of history which he saw embedded in Joyce's multivalent, al-

lusive prose. His existentialist masterpiece, "Waiting for Godot" (1952), is heavily indebted to Dante, René Descartes and Arnold Geulincx; but Beckett's grim, Irish humor can be more easily seen in his novels or his hilarious radio play, "All That Fall" (1957).

Devlin and Coffey are each influenced by the poetry of Paul Valéry, Stéphane Mallarmé and the surrealists and by the intellectual French Catholicism represented by Jacques Maritain and Paul Claudel. Devlin's work is the most complex religious poetry to come out of modern Ireland, the result of this cross-fertilization; and his fine translations of the poetry of Saint-John Perse (a fellow diplomat) are further fruits of a uniquely fertile Hiberno-French relationship.

In recent years the Continental relationship has increased in significance in Irish literature at the expense of the traditional themes of land, nation, language and the English presence. Older writers such as Francis Stuart ("Black List Section H," 1971), and Seán Ó Faoláin ("Foreign Affairs," 1976) have moved to Hiberno-European themes. Aidan Higgins' brilliant novel, "Langrishe, Go Down" (1966) succeeds in encompassing the traditional theme of the Fall of the Big House with the effect of

Continental mores on a culture unsure of its roots. Séamus Heaney's hugely successful volume of poems, "North" (1975), owes much of its power to its sensuous evocation of Ireland's Scandinavian associations, and John Banville's several recent novels draw heavily on European scientific and political history.

Nevertheless, the major preoccupations of Irish writers remain either with domestic or with English or American relations. It is fair to observe, however, that the most distinguished Irish writing finds its most highly productive tension in engaging European models and themes, as the achievements of Yeats, Joyce and Beckett demonstrate. In the work of these masters, we find repeated the pattern established by St. Columbanus almost 14 centuries ago: the return, with interest, of a European patrimony.

Thus, the recent publication of a three-volume corrected edition of Joyce's "Ulysses," the result of seven years of cooperative labor by a group of European, American and Irish scholars, and the success of such conferences as those held this summer in Graz and Frankfurt are signs of fresh illumination from the "dark edge of Europe." €

Cóilín Owens is a professor of English, specializing in Irish literature, at George Mason University.

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DIGGING

*Between my finger and my thumb
The squat pen rests; snug as a gun.*

*Under my window, a clean rasping sound
When the spade sinks into gravelly ground:
My father, digging. I look down*

*Till his straining rump among the flowerbeds
Bends low, comes up twenty years away
Stooping in rhythm through potato drills
Where he was digging.*

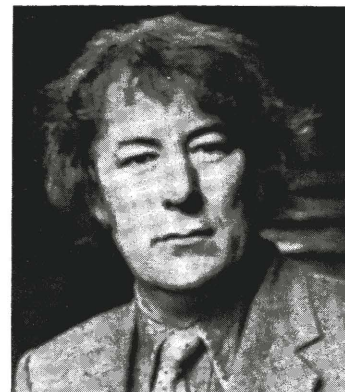
*The coarse boot nestled on the lug, the shaft
Against the inside knee was levered firmly.
He rooted out tall tops, buried the bright edge deep
To scatter new potatoes that we picked
Loving their cool hardness in our hands.*

*By God, the old man could handle a spade.
Just like his old man.*

*My grandfather cut more turf in a day
Than any other man on Toner's bog.
Once I carried him milk in a bottle
Corked sloppily with paper. He straightened up
To drink it, then fell to right away
Nicking and slicing neatly, heaving sods
Over his shoulder, going down and down
For the good turf. Digging.*

*The cold smell of potato mould, the squelch and slap
Of soggy peat, the curt cuts of an edge
Through living roots awaken in my head.
But I've no spade to follow men like them.*

*Between my finger and my thumb
The squat pen rests.
I'll dig with it.*



Born in Derry, Seamus Heaney taught at Queens University in Belfast before leaving Northern Ireland in 1972. His current teaching position in the United States is with Harvard University. *Station Island*, his latest book, is due to be published in New York in December.



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BIRD SHOOTING

A GUIDE FOR AMERICANS CONSIDERING EUROPE.



As a result of traditions upheld throughout centuries, bird shooting in Europe has become an exclusive and almost ritualized sport. Pictured above is a scene from a pheasant hunt.

ALEX BRANT

While bird shooting in America tends to be a very casual affair, gunning in Europe is formal, organized, and, in Germanic countries, ritualized. The differences are due to established traditions based on pragmatic constraints: America is a wide open country, with vast areas of public land that contain large numbers of game in low population density. In Europe, almost all bird shooting is on private lands, with strict game management procedures (including stocking, especially for pheasant) which lead to high densities over relatively small tracts of land.

The American, unless he belongs to a private club or uses a public preserve where a fee is charged for planted birds, merely grabs his shotgun and his hunting jacket, puts on his boots, calls for his bird dog, and drives until he reaches a bit of land which he has scouted during the off-season, whereupon he enters the forest and may have superb sport or may go home empty-handed. All the trip has cost him is an expenditure of gas, a few shells at 25¢ apiece, and the cost of a season's hunting license. (Actually he may have spent from \$250-\$25,000 for his gun and a small amount or a small fortune on his bird dog.) This is traditional upland bird-shooting in America as practiced on

pheasant, ruffed grouse (called partridge in some locales), woodcock, quail, and a few other species. It is similar to walk-up shooting in Europe, except more shooters there tend to follow the dogs than would in America.

The European, on the other hand, must belong to a syndicate which leases land and maintains it for shooting or he must pay a per-day or per-week fee to shoot on an estate or private landholding. His shooting will be primarily for driven birds where he, along with 6-12 or so other shooters, comprise the line. The members of the line of guns are usually concealed behind a hedge or other natural blind. In the case of grouse, they are half hidden in a grouse butt, which is a blind made of natural stone, topped with earth, grass, and heather. This is called a stand, and only one shooter is at each stand.

Each shooter is given a loader and a man known as a picker-up who are non-shooting staff and who, along with retrievers, make certain that downed birds are recovered. Then there are the beaters. The beaters (called drivers till the turn of the century) walk along in a line toward the line of guns. Normally there are 30 or so of these sturdy souls who tramp mile after mile (for a fee) to put up the birds. The birds are pushed, literally driven, in the direction of the shooters. During the good years, in prime areas, an

extraordinary number of birds will present themselves.

The quality of the sport is a function of the height, speed, and erratic nature of the birds' flight. The shooter will take two shots at incoming birds, switch guns with his loader, who reloads his first gun as he takes two more shots at birds going away. If one has not shot this way before, one should learn how to switch guns and shoot driven birds at one of the English shooting schools. The very talented and fast shot will make another switch and fire a fifth or sixth time. The brilliant shot will kill most of his birds.

Loaders should be professionals who know the drill and are able to keep the guns always at ready. Their main requirement is to be safety conscious. Enthusiastic amateurs occasionally are given the job and they tend to watch the birds, ignore their job, and even hold the second gun at the horizontal—which can be dangerous in the extreme. There is a story floating around Yorkshire: "I was given a loader, who, so it turned out, had never before been out on a shoot. I took two out of the first flight, and when I turned for my second gun this rogue said: 'I got one, how many did you get?'" On most well-organized shoots, one can expect a good professional.

Whereas the American may well wear jeans, the European will be clad in

tweeds. This again is practical—bright colors scare incoming birds. Be sure to wear brown or green, including a hat, and waterproof boots. Americans use their choice of weapons, including pump and auto-loading shotguns. European etiquette requires the use of a double barrel gun, most often a side-by-side, and, on the better driven European shoots, one needs a pair of guns.

Today's bags for European driven birds are generally much greater than on shoots in America. One hundred birds a day for eight shooters is only fair, and on some shoots bags of 400 or more birds can be expected. These are relatively small compared to the 19th and early 20th centuries, when, in 1872 in Wemmergill (Yorkshire), more than 17,000 birds were bagged in a season, or, in 1915 at a Littledale and Abbeystead (Lancashire) shoot, when 2,929 grouse fell in one day.

One should not look at shoots of old or present day as carnage. The game is strictly protected and nurtured by the landowner. All the birds shot go to the landowner, who then sells them to the market, their ultimate destination being Europe's finest restaurants. Indeed, if he did not receive the revenues from the shoots, the estate owner might well be forced to sell off, with the land subdivided and the habitat ruined, and the game could disappear altogether.

Sport in Europe is expensive. One hundred dollars a day is cheap and one easily can spend \$5,000-\$6,000 or more for a week of first-class shooting. One must also know one's agent, for on some shoots, especially in Spain, bags are increased with previously shot "frozen birds" (where one pays by the kill size), or through the use of pen-raised and just-released birds. Also some years are good and others bad due to egg and chick survival, which depends on the weather.

The following is a capsule summary of some shoots around the Continent.

Prospects for the United Kingdom this season appear promising and should the summer be at least moderate, without excessive rainfall, there is a good likelihood that pheasant and grouse shooting could be excellent. Latest reports from the North of England indicate that grouse may have had a very successful nesting season. The winter in the north and in Scotland was severe, though there have been no late frosts in the spring which has, on the whole, been dry and warm. Reports from Great Britain on duck indicate large broods, with second clutches being laid. It is too early to say how partridges have fared, but it is unlikely that there will be any significant increase

in stocks.

The grouse season in Great Britain started on August 12 and reports from the moors in Scotland and the north of England are good. Here then are some recommended operators and agents: Major Neil Ramsey & Co., Farleyer, Aberfeldy, Perthshire, Scotland, PH15 2JE. Tel. (088 72) 523 or 540.

John Birth Sporting Organization, Greenlawalls Lodge, Duddo Berwick-on-Tweed, Scotland, TD15 2PR. Tel. (089 082) 261. P. Fetherston-Godley, Avon & Arlie Sporting Ltd. Avon, Chippenham, Wiltshire, England, SN15 4LS. Tel. (024 974) 225.

There are some smaller U.K. operators as well. Bracken Bank Lodge, Lazonby near Penrith, Cumbria—Tel. Lazonby 241—usually has vacancies for individuals or parties in August and September for driven grouse. They can provide accommodation. This is a very good moor and usually has high-quality driven grouse with full arrangements. The Whitton Farm House Hotel, Rothbury, Northumberland—Tel. (0669) 20811—offers driven and rough shooting for parties or single guns. Their first shoot is in late September. The Bodidris Sporting Estate, North Wales, approximately 20 miles from Chester, offers driven and walked-up grouse for eight and 10 guns respectively; driven pheasants for eight guns with expected bags of 100 and 150 bird days, or, by special request, 200-plus; and mixed days including duck, partridge, pheasant, and grouse with expected bags of 100 birds or, by special request, 200-plus. Again they are for eight guns. They are now taking books through Feb. 1. Contact: Nick Rowlandson, Bodidris Sporting Estate, 8 Well Street, Ruthin, Clwyd. Tel. (08242) 3610. John Ransford operates several pheasant shoots based on Powis Castle in Wales. "You've got to be a good shot to deal with these high flyers," comments John who also has fine partridge and duck shooting. Contact John Ransford at The Cottage, Lydbury North, Wales.

The Golden Pheasant Hotel is situated in the village of Glynceiriog near Llangollen in North Wales. It is owned and run by Geoffrey Turner, a genial shooting man who, so I am told by a knowledgeable friend who has shot there, will make every effort to ensure that your stay at the hotel is comfortable and that your shooting is good. There is a genuine country atmosphere in the hotel, with log fires in the ancient bar whose walls are covered with guns and stuffed trophies of the chase. Expect foaming tankards of real ale and food that is out of this world. But what about the shooting? There is a

wide range of it, from driven and walked-up grouse, partridges, and pheasants to flighted and driven duck. Last season over 5,000 head of game were shot, the last day of the season producing 196 pheasants. Contact: Geoffrey Turner, Golden Pheasant Hotel, Glynceiriog, Near Chirk, Llangollen, North Wales, LL20 7BB. Tel. Glynceiriog 281.

Robin Hurt, whose reputation in Africa has been impeccable, has organized two weeks of birdshooting in Europe for this season. From November 6-10 Robin and Janet Hurt will lead a group to hunt pheasant in Czechoslovakia. There will be 4-6 drives a day with an expected bag of 2,000 pheasant, plus hare, rabbits, fox, duck, and woodcock. In addition to driven birds, some walk-up shooting shall also be available. Three days of shooting will be provided. The trip starts in Vienna. One then travels by luxury bus to the Zidlochovice Castle, the original hunting of Archduke Frederick of the Habsburgs. The sport should prove fantastic and the price of \$9,830 is quite inclusive. (\$1,250 for non-shooters). Hurt can put you on to agents who arrange insurance against loss of deposit due to cancellation.

From Nov. 12-17, the same organization will organize four days of shooting on a top estate in Gloucestershire. This is for high-flying driven pheasant with an expected bag of 1,800 birds. Again, this is a first-class shoot, which carries a tariff of £6,980 and is quite inclusive. Contact Hurt at PO Box 24988, Nairobi. Tel. (2) 882826.

Christiane Thorn is a big game hunter with excellent social connections which she has used to arrange shooting on many private estates in Belgium not normally open to outsiders. For example, she has arranged for one day shooting at the Wyndael Castle, never open to the public before December of 1983. Contact Thorn at Go Travel, 95 Avenue Louise, 1050 Brussels, Belgium. Tel. (2) 538-8075.

An outfitter that I can highly recommend for Spanish shooting is ACISA. Shoots are on some of the best estates in Spain and are for strictly wild birds. Hunts range from about \$4,000 per person, per week, up to \$150,000 for a week's shooting for you and up to 27 of your friends. You stay at a magnificent castle and have all the Dom Perignon and Iranian caviar you desire. This would be for up to 14 couples (14 double rooms) and is all inclusive once you step off the plane in Madrid. Contact Jane Dempsey at 310 East 70 St. #10M, New York, NY 10021. Tel. (212) 628-9813. €

Alex Brant is the editor of *The Hunting Report* newsletter.

NEWS OF THE E.C.

ANTI-POVERTY INITIATIVE ANNOUNCED

The E.C. Commission in July announced plans for a five-year, \$30 million research and action program designed to study the changing pattern of poverty in the 10-nation Community and to find new ways of aiding the poor. In the mid-1970s, when the most recent survey was taken, some 30 million of the E.C.'s 270 million people were living at or below the poverty level. Although the E.C. countries do not have a uniform definition of poverty, the number of poor in the Community is thought to be much higher than 30 million.

An upsurge in joblessness brought on by the recent and severe worldwide recession has not only increased the number of Europe's traditional poor—usually the elderly and the homeless—but has created large numbers of “new poor,” including unemployed young people, immigrants and single-parent families. The unprecedented levels of unemployment in the Community in recent years have put a severe strain on Europe's social-security systems. Employment prospects for young people entering the work force presently are bleak, and the unemployment level among those under 25 is double the adult jobless rate. An upsurge in divorce and births out of wedlock also has swelled the ranks of single-parent families.

Although the Commission acknowledged that a research and action program cannot solve the poverty problem, it said such a program would en-



Increasing numbers of “new poor”, immigrants and unemployed young people, are raising Europe's poverty levels.

courage E.C. countries to reform their own social security systems and initiate innovative approaches for combating poverty. In addition, the program could pave the way for more coherent and comprehensive action to alleviate poverty in the Community.

The Commission's action plan is designed to stimulate cooperation and exchanges of information between the various anti-poverty agencies in E.C. member states. The program will help fund the testing and development of new methods for helping the poor which might be applicable in more than one member state.

The program also would provide for the gathering of comparable statistics on poverty, to give a more accurate gauge of the demographics and extent of poverty in Europe.

The Commission said it plans to complete preparatory work for the program by the end of 1984 and will then begin drawing up plans for the specific types of anti-poverty projects it will support.

E.C. TO AID PALESTINIANS

The E.C. has pledged to provide an unspecified amount of food aid and an average of \$13.2 million in education aid over each of the next three years to a program sponsored by the United Nations designed to educate and help feed Palestinian refugees throughout the Middle East. The E.C.'s pledge was finalized in July in a formal agreement between the Community and the United Nations Relief and

Works Agency (UNRWA) for Palestine Refugees. The new agreement is the fourth in a series of multiannual conventions the E.C. has signed with UNRWA since 1972.

Under the program, UNRWA provides a general education for some 336,200 Palestinian refugee children at elementary and preparatory levels in 651 UNRWA and UNESCO schools in Jordan, the West Bank, Gaza, Lebanon and Syria. In addition, the program provides vocation and teacher training for nearly 5,620 people in eight training centers and dispenses about 350 university scholarships annually. UNRWA also dispenses food to special hardship cases among the refugee population and provides food for those attending its educational training centers.

The new agreement will cover the years 1984-86. The E.C.'s previous convention with UNRWA expired at the end of 1983 after being modified in 1982 at UNRWA's request to increase the cash component of the E.C.'s aid commitment to the education program and reduce the food aid component. According to the E.C. Commission, the new convention reflects UNRWA's desire to attach priority to the agency's refugee education program.

The E.C. is UNRWA's second largest donor, after the United States. It contributed about \$23 million to the agency in 1983, including \$13.7 million to the UNRWA education program, \$5.5 million worth of food products and \$3.5 million in cash contributions to the agency's supplementary feeding programs. Although the new convention does not specify the levels of food aid in cash

and kind the E.C. will provide from 1984-86, the Commission noted that it would cost the E.C. about \$7.2 million to provide the same quantities of food in 1984 as it did in 1983. It said about \$3.1 million would be available in 1984 for a cash contribution to the supplemental food program.

TRADE CONCESSIONS TO THIRD WORLD MAY GET BOOST

The E.C. Commission has proposed a 4.7 percent increase for 1985 in the overall value of Third World exports to be given preferential access to the E.C. market under the Community's Generalized System of Preferences (GSP). The proposed GSP package would give the world's developing nations customs-duties concessions worth about \$633 million on their potential exports to the E.C. of roughly \$14.3 billion worth of industrial and agricultural products.

GSP is a scheme under which the world's industrialized countries grant unilateral trade concessions to Third World nations as a means of encouraging economic development in the world's poorer regions. The E.C., the foremost GSP donor, regards the system as an important part of its development aid strategy and as an essential means of helping cash-starved developing nations generate export earnings.

The E.C.'s GSP scheme gives Third World countries duty-free access to the E.C. market for almost all of their industrial products except for a small percentage of sensitive products which are limited either by quota or by a somewhat less stringent system of "indicative ceilings." The E.C. also offers developing countries reduced customs duties on 390 of the agricultural products they export to the Community. These include such goods as canned pineapple, other tropical fruits and fruit juices, unmanufactured tobacco, soluble coffee

and palm and coconut oils.

For its 1985 GSP package, the Commission proposed expanding the system by raising the duty-free quotas on 130 sensitive industrial products by between 5 percent and 15 percent and by removing 12 other products from the sensitive list. It also proposed replacing duty-free quotas for 11 additional products with indicative ceilings.

In the agriculture sector, the Commission proposed expanding GSP's preferential access to include four new minor products. Also proposed were reductions in duties within the import quota for tobacco and a redistribution of all quotas for processed farm products to reflect more accurately the actual trade flows between individual E.C. countries and developing nations. The Commission also recommended a modest increase in general import ceilings for textiles, considered a sensitive sector in both the developed and developing worlds.

The proposed GSP measures for 1985 would need the approval of E.C. Development Ministers before they could be implemented. The preferential market access that developing countries receive under the scheme is in addition to the trade benefits the E.C. extends to 64 African, Caribbean and Pacific nations under the terms of the Lomé Convention.

PFLIMLIN ELECTED PRESIDENT OF EUROPEAN PARLIAMENT

Pledging to rekindle the "European spirit," French Christian Democrat Pierre Pflimlin, 77, won a second-ballot victory over incumbent Dutch Socialist Pieter Dankert and Italian Independent Altiero Spinelli to become President of the newly elected European Parliament (EP). Although Pflimlin also received the highest tally in the first round of the July 24 contest for the presidency, he fell short of a clear majority, and a second vote became necessary. Pflimlin, who will serve a two-and-one-half-year term as President, was first elected to the assembly in 1979. Born in 1907, Pflimlin briefly served as Prime Minister of France in 1958. He was Mayor of the city of Strasbourg for 25 years and is a former President of the Assembly of the Council of Europe.

Pflimlin won his bid for the Presidency with 221 votes, compared with 133 for Dankert and 49 for Spinelli. Other candidates for the presidency included German Green Party member Undine Bloch von Blottnitz, British European Democrat Lady Diana Elles, Italian Communist Giancarlo Pajetta and Jean Marie le Pen,

leader of France's ultra-right National Front. Selection of a President was one of the first orders of business when the Parliament convened in Strasbourg July 23-27, its first meeting since the June 1984 general election for the assembly.

The current Parliament is only the second in which members have been chosen by their constituents in direct elections. The first direct elections for the assembly were held in 1979. Although the Parliament has limited powers, it does exercise control over certain aspects of E.C. spending and can dismiss the E.C. Commission by a vote of censure. The new Parliament is expected to devote substantial efforts to debating proposals for expanding its own powers.

During its inaugural session, the new Parliament's 434 members also divided themselves into political groups. The members sit and, normally, vote according to political affiliation rather than nationality. As in the previous Parliament, the Socialist group, with 130 members, currently represents the largest bloc. Among other groups, the breakdown is: Christian Democrats, 110; European Democrats, 50; Communists, 41; Liberals, 31; European Progressive Democrats, 29; European Right, 16; and the Rainbow group, 20. Seven members chose to remain unattached.

E.C. FACES CASH SHORTAGE THIS FALL

Although E.C. leaders mapped out a solution to the Community's long-term budget difficulties at their June 1984 summit in Fontainebleau, the E.C. still faces a serious cash crunch as autumn approaches. Faced with the prospect of going bankrupt, the Fontainebleau summitters agreed to lift legal restrictions on the E.C.'s income ceiling from value-added tax (VAT) collections, the Com-



Pierre Pflimlin.

munity's chief source of revenue.

The VAT is a form of sales tax collected in each of the E.C. member states. Present law bars the E.C. from using more than 1 percent of these VAT collections for financing its own projects and programs. However, the growth in the Community's cash needs in recent years, caused mainly by an upsurge in agricultural price-support spending, has brought the Community increasingly close to the legal limits of its income and has threatened to create a budget shortfall in 1984. The founding treaties establishing the E.C. expressly require a balanced budget.

At Fontainebleau, E.C. leaders agreed to lift the 1 percent limit on the E.C.'s share of member states' VAT collections to 1.4 percent as part of a financial restructuring plan that must be ratified by each member state by 1986. If all E.C. members consent, the limit could be raised to 1.6 percent after 1988.

Agreement was reached only after coming up with a plan to placate British demands for a more equitable share of the E.C. budget burden. The United Kingdom had long complained that it was required to pay more into the Community's coffers than it received in the form of E.C. farm and social-program benefits. Britain's E.C. partners had met these objectives on an ad hoc basis by giving the United Kingdom a sizeable budget rebate in each of the last five years. However, the British insisted they would not approve any increase in E.C. revenues unless a permanent solution could be found to avoid the annual, and often acrimonious, haggling between the United Kingdom and its E.C. counterparts over the size of this rebate.

Although the Fontainebleau package may mean smoother sailing ahead for the E.C.'s finances, it did little to address more pressing cash concerns. Faced with a 1984 budget shortfall, the summit issued instructions to the E.C.'s

Council of Ministers to take the necessary steps to "ensure that the Community would be able to operate normally." However, Budget Ministers have thus far failed to agree to the E.C. Commission's request for advance payments to cover any of the anticipated 1984 budget gap. That gap is projected at well in excess of \$1 billion. The Budget Ministers will not meet again until September.

The European Parliament's decision in July to block payment to the United Kingdom of a previously agreed \$630 million rebate on its 1983 budget payments also seemingly has threatened the E.C.'s chance of raising new cash to cover this year's budget shortfall. The Parliament's action was a bid to increase the pressure on the United Kingdom to agree to new funding to cover the anticipated 1984 budget gap. The British Government roundly condemned the Parliament's maneuver and both conservative and liberal British members of the European Parliament were quoted as saying that Britain could not agree to providing the Community with additional cash while its budget rebate was being withheld.

Farm-program payments may have to be frozen from October if E.C. members fail to provide the E.C. with new cash. The Commission has called E.C. Governments to task, saying that E.C. member states should be obliged to find the cash needed to finance programs that they themselves have unanimously agreed to implement.

PARLIAMENT URGES IMPROVED AIR SAFETY STANDARDS

Before adjourning for its recent elections, the European Parliament issued a strongly worded call for improved air safety standards and closer cooperation between E.C. member states in preventing disasters in the sky and on the



Closer cooperation between the E.C. member states could help improve air safety standards. Above, Shannon Airport.

ground. Poor radar cover over the Adriatic, Tyrrhenian and Aegean seas and "substantial and alarming" differences in air traffic control facilities and equipment are a potential threat to air safety in Europe, the Parliament said in its report on Europe's air safety standards.

In a resolution approved by an overwhelming majority, the Parliament said that E.C. member states should cooperate more closely through Eurocontrol, the international air traffic control body and should standardize their equipment, facilities and practices to increase safety. It also claimed that the E.C.'s meteorological services need to be upgraded to provide better and faster weather information to airlines.

A Parliamentary report last year concluded that air travel remains relatively safe, claiming only about 800 lives a year, compared with the 300,000 lost annually on the world's roadways. Safety standards are needed, however, to avoid preventable injuries and loss of life, the Parliament report said, concluding that additional safety standards could have saved many who have died on ill-fated flights.

More than half of the fatalities recorded were caused by fire asphyxiating passengers trapped in grounded airliners. The resolution thus called on E.C. member states to review

flammability and toxicity standards for materials used to make the internal fittings of aircraft. It also called for reviews of design and construction standards and regulations governing the fitting of seats, the design and resistance of seat belts, escape precautions and the closure of overhead lockers.

The Parliament warned of the dangers involved in the simultaneous use of Europe's airspace by civilian and military traffic, calling for better cooperation between both authorities in managing air traffic. Improved training programs for flight-crew members, tougher controls on private pilots and an information data bank on serious accidents could also make air travel in Europe safer, the Parliament said.

AID ROUNDUP

The E.C. Commission recently authorized the following emergency or development assistance projects (1 European Currency Unit, or ECU, equals about \$0.82):

Emergency Aid—Sao Tomé and Príncipe: 80,000 ECU for drought relief efforts. The aid will be made available through the League of Red Cross Societies. Sao Tomé and Príncipe has been suffering from drought for six years. About 40,000 people in that nation

have been hit by severe food shortages because of the drought's disastrous effects on local harvests. . . . *Madagascar*: 350,000 ECU to aid victims of Cyclone Kamisy, which struck that country earlier this year and affected the lives of some 35,000 people. The aid took the form of a contribution to a relief program sponsored by the League of Red Cross Societies. That program was set up to provide the cyclone victims with transport, shelter, cooking utensils, and basic foodstuffs. . . . *Antigua*: 200,000 ECU to aid victims of severe drought and the estimated 18,000 people (25 percent of the population) who had found themselves without adequate supplies of fresh water. The aid package was part of a program set up by the E.C. Commission's delegation to Barbados in collaboration with the Government of Antigua. The program has organized the transport of water to Antigua and the purchase of small water tanks. . . . *Africa (various countries)*: 15.6 million ECU for a special drought relief program to aid 13 African countries where vast tracts of arable land and pastures have been devastated by a prolonged drought that has forced the inhabitants to leave these areas to find food and water. The E.C. previously had granted emergency aid totaling 12 million ECU for Africa's drought victims. It also had granted 190,000 metric tons of grains as emergency food aid and is considering allocating another 59,000 tons. The new aid package brings the total value of aid provided by the E.C. for the region to 83 million ECU. The aid will be allocated among the following countries: *Zambia, Benin, Ethiopia, Ghana, Upper Volta, Mali, Mauritania, Niger, Senegal, Sudan, Chad, Togo, and Djibouti*. . . . *Uganda*: a 250,000 ECU contribution to the International Committee of the Red Cross program of assistance for some 100,000 displaced persons in the districts of Luwero, Mubende and Mpigi. The aid

will go toward the purchase and transportation of vital supplies, shelter, equipment and medicines, as well as the purchase and transport of locally grown foodstuffs and seed. . . . *Thailand*: 300,000 ECU in aid to assist an estimated 240,000 people who have been driven from their homes by military activities along the Cambodian frontier. About 80,000 of these displaced persons presently are living in temporary camps. The aid was channeled through the United Nations Boarder Relief Operation and the World Food Program. . . . *Angola*: 500,000 ECU to aid some 200,000 people displaced by drought. The funds will be used to purchase food, blankets and medicines and to provide doctors and health workers. The aid was allocated through the International Committee of the Red Cross and other private aid organizations, including War on Want, Cebemo, Memisa and Caritas Germanica.

Emergency Food Aid—Mozambique: 5,000 tons of grain, valued at 1.1 million ECU. The aid was earmarked to fight food shortages resulting from a drought which recently gave way to flooding. . . . *Zimbabwe*: 5,000 tons of grain and 150,000 ECU. Half of the grain was furnished directly to Zimbabwe to help fight food shortages caused by persistent drought. The remaining 2,500 tons, plus 150,000 ECU, was channeled through the office of the United Nations High Commissioner for Refugees toward a project to help feed the estimated 60,000 Mozambicans who had taken refuge in Zimbabwe after drought drove them from their own country. . . . *Angola*: 90,000 ECU worth of vegetable oils, 120,000 ECU worth of beans and 15,000 ECU worth of sugar to provide emergency aid to the country's drought victims. . . . *Nicaragua*: 1,000 tons of vegetable oil, valued at 1.2 million ECU to help that country meet the most urgent of its emergency food needs. A prolonged drought in Nicaragua's Pacific region has greatly reduced the



local harvest of cotton and such staple foods as white corn and beans. . . . *Ethiopia*: 18,000 tons of grain to help feed the estimated 5 million victims of that country's worst drought in a decade. The drought has followed several years of insufficient rainfall and has resulted in a massive population shift from rural areas to emergency food distribution centers. The Relief and Rehabilitation Committee is having increasing difficulty in maintaining its food supply sources. Ethiopia was to have received the E.C. grain donation under the Community's general food aid program for 1984. However, the Commission decided to treat the shipment as emergency aid to ensure rapid delivery. The

quantity will be sufficient to feed 400,000 people for three months and will be distributed to drought victims and in northeastern Ethiopia.

Special Aid—Pakistan: the E.C. Commission has decided to finance a project to provide health care for refugees from Afghanistan who have been settled in refugee camps in Pakistan's Baluchistan province. The project, which will cost 1.06 million ECU, will provide for both curative and preventive care to combat epidemics among the estimated quarter of a million people who live in the Pir Alizai and Surkhab refugee camps, the two largest camps in the Baluchistan. It will also train local people as health workers in an

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effort to ensure better health care for the camps in the future. The project also involves the construction of 14,000 latrines. The U.N. High Commissioner for Refugees is contributing 338,000 ECU to the project, a group called International Action Against Hunger will provide 39,000 ECU and the E.C. will finance the remaining 680,000 ECU. . . . *Morocco*: The E.C. has granted a concessional loan of 18 million ECU for slum clearance and resettlement of four shanty towns in Salé, a municipality on the outskirts of the Moroccan capital of Rabat. At present, 40,000 people live in that area in very poor health and sanitary conditions. The total cost of the project will be 33.5 million ECU; the remaining 15.5 million ECU will be paid by the Moroccan government.

Aid to Non-Associated Developing Countries—

Bangladesh: 7 million ECU for the improvement of grain storage facilities to reduce that country's post-harvest grain losses. . . . *Sri Lanka*: 20 million ECU for a rural development project that will create about 20,000 hectares of irrigated land, mainly for rice production. . . . *Angola*: 2 million ECU for refugee resettlement.

OUTLOOK FOR INVESTMENT SEEN IMPROVING

E.C. Commission economists said recently that they can see a light at the end of the tunnel for the E.C.'s protracted investment slump. In a recent report on borrowing and lending activities in the E.C. in 1983, Commission economists said that they expect to see an upswing in business investment in seven of the 10 E.C. countries in 1984. The report did not list all seven countries by name, but said that the growth in investment recorded in two of those countries—the Federal Republic of Germany and the Netherlands—in the second half of 1983 was a measure of the strength of the

anticipated investment revival.

Business investment rose by 9.7 percent in the Federal Republic of Germany during the second half of 1983 and 5.3 percent in the Netherlands. On a calendar year basis, German business investment in 1983 was 2.4 percent higher than in 1982, while investment in the Netherlands was 1.1 percent higher. Overall, business investment in the E.C. fell by an average of 0.9 percent in 1983, compared with the previous year.

The lack of business investment in Europe over the last few years, reflecting a general lack of confidence in the future of the European economy, has been a major concern for E.C. policy-makers. The investment slump has slowed productivity gains in the E.C., jeopardized jobs and made it more difficult for European industries with business based in countries where the investment climate has been more secure.

Capital spending in E.C. member states totaled \$380 billion in 1983, 4.3 percent higher than in 1982 and equal to about 18.5 percent of the value of the E.C.'s gross domestic product. However, the Commission stressed that the increase in capital spending in value terms was caused exclusively by a 5.2 percent increase in fixed capital expenses such as plant maintenance and machinery. New investment in the E.C. totaled only \$198 billion, virtually the same as in 1977 and 8 percent less than its peak in 1980, the Commission said.

Despite all this, the Commission said the recent pattern of investment is grounds for optimism. After falling 4.8 percent in 1981 and 1.6 percent in 1982, the recovery that set in toward the end of 1983 made it possible to hold the investment decline for that year to less than 1 percent. Overall, investment rose in 1983 in four countries. Denmark and the United Kingdom also logged gains in investment last year, of 2.1 percent and 4.2 percent respectively. Among the 10 E.C. countries, only three—Den-

mark, France and the United Kingdom—recorded gains in investment in 1982. None registered increases in 1981.

Although painting a somewhat rosier outlook for investment in the E.C. in 1984, Commission economists noted that some E.C. countries were still experiencing continued or even growing difficulties in maintaining adequate levels of investments. It said gross fixed capital investment in Belgium, Greece, France, Ireland, Italy, and Luxembourg fell between 1982 and 1983. For Italy, Greece and especially Ireland, this poor investment performance was a sharp reversal of the situation of three to four years earlier.

The Commission said that the growth in fixed capital formation in Denmark, the Netherlands, and the United Kingdom in 1983 was largely caused by a healthy demand for plants and machinery. It said this trend in demand is expected to continue in 1984 and to spread to most E.C. countries. However, it noted that new factory orders from European industry could hurt the E.C.'s trade balance because the supply of equipment within the E.C. does not always meet the users' specifications. In recent years, this mismatch between producers and users of manufacturing machinery has helped the United States and Japan win an increasing share of the E.C. market for sophisticated manufacturing equipment, the Commission said.

E.C. URGES ACTION AGAINST AUDIOVISUAL PIRACY

The E.C. Commission recently urged its member states to take the offensive against audiovisual pirates, persons who make and sell unauthorized copies of such products as phonograph records, videotapes, films and computer software. In a June 6 report to the E.C.'s Council of Ministers, the Commission said the time

had come for E.C. countries to put audiovisual pirates on notice that the Common Market would provide them no safe haven within its borders. It said the E.C.'s members should act collectively against piracy by harmonizing applicable national fraud and copyright statutes and by cooperating in their enforcement.

In recent years, the growing popularity of high-quality home video and audio tape units has helped produce a windfall for audiovisual pirates. The problem has already reached alarming proportions, costing the entertainment industry billions of dollars in lost royalties and other revenues worldwide and stealing sales away from legitimate record, tape, film and software distributors.

In the early 1980s, receipts from sound-recording piracy alone were estimated at \$1.5 billion, equivalent to about 15 percent of the sound-recording industry's legitimate sales. Estimates of losses incurred by the video and film industries because of piracy have varied widely. In the United Kingdom, the E.C. country with the highest per capita number of tape recorders, the Government in early 1984 estimated the market share held by illicit tapes at two-thirds the size of the legitimate market. The United Kingdom has since enacted legislation that the British Government says has reduced that share to less than 35 percent.

Unless action is taken to deter audiovisual piracy, traffic in illegal recordings is likely to grow, as technological progress and the increasing variety of prerecorded tapes, films and other audiovisual materials on the market makes the pirate's task easier, the Commission said. It urged E.C. members who had not already done so to ratify international conventions designed to make it easier to prosecute pirates across national boundaries.

The E.C.'s concern over the piracy problem is three-fold. Pirated sound and visual recordings are almost always inferior to the genuine article. In the case of videocassettes, pi-

rated versions are often sold packaged in precisely the same manner as the legitimate product, even down to such fine details as the producer's trademark. Thus, the consumer easily can be duped into buying inferior tapes. Pirated sound and visual recordings also pose a threat on the cultural front by undercutting the livelihoods and damaging the reputations of performers and authors of literary and musical works. Lastly, the problem can distort trade patterns as pirates look for business opportunities in countries whose copyright and fraud statutes have the biggest legal loopholes, or where enforcement is slack.

In its recommendations to the Council of Ministers, the Commission pledged to explore the steps that could be taken at the E.C. level to deter piracy, including possible E.C.-wide anti-piracy legislation. The Commission said its report represented only the first stage in what will be a progressive drive to combat audiovisual piracy both within and outside of the Community.

E.C. TAKES AIM AT MISLEADING ADS

What constitutes a misleading advertisement? At present almost every E.C. member state has a different definition. That's why the E.C.'s Council of Ministers has adopted new legislation that would require each E.C. country to implement an effective system to protect consumers and reputable business concerns from the ravages of misleading advertising campaigns. The ministers adopted the legislation in the form of an E.C. directive which sets forth standards each member state must observe in its regulation of misleading advertising. However, the legislation gives each E.C. member substantial leeway in determining how best to implement and enforce these standards. The directive would even permit advertising industry self-regulating bodies to be charged

with implementing and enforcing the new standards.

The new directive will require E.C. members to ensure that consumers who have been victimized by misleading ads have the right to pursue legal action against the offending advertiser. This right would also extend to companies which stand to lose business because of misleading advertisements published by their competitors. National courts or government agencies would be empowered by the directive to require advertisers to furnish evidence of the accuracy of their advertising claims and would be required to consider these claims inaccurate if the advertiser failed to furnish such evidence. The directive is set to take effect in 1986.

How best to deter misleading advertising is only one of the quandaries the Community presently faces with respect to regulating print and electronic advertising. The enormous growth of cable and satellite broadcasting expected in Europe over the next decade is expected to result in a tremendous increase in the number of television programs and advertisements beamed across national borders. These cross-border transmissions will be beyond the jurisdiction of national advertising regulators. In many cases these broadcasts may extend across the whole of Western Europe, making national advertising rules largely irrelevant.

Other technological innovations are also expected to increase the strain on national regulators and fuel the need for E.C.-wide advertising rules. According to the Commission, "armchair shopping" is already technically feasible and has the potential to become an important merchandising tool within the foreseeable future. Armchair shopping systems are expected to allow individual consumers or retailers to order merchandise through a link-up between their own television sets and phone systems with centralized computer installations. The consumer will be able to use his television set as

a sort of "shop window" to determine what kinds of products are on the market and their relative merits.

The Commission called the new directive on misleading advertising a timely first response to the challenges and exigencies of the new advertising age. The directive defines misleading advertising as "any advertising which in any way, including its presentation, de-

ceives or is likely to deceive the persons to whom it is addressed or who receive it and which, by reason of its deceptive nature, is likely to effect their economic behavior or which, for those reasons, is likely to injure a competitor. The Commission said it is now in the process of drafting new E.C. legislation to combat other forms of unfair advertising.

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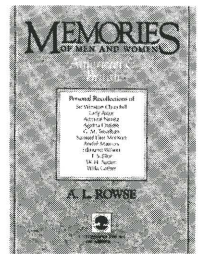
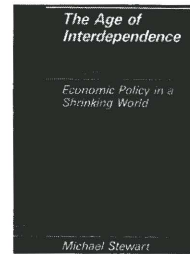
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BOOKS IN REVIEW



The Age of Interdependence, by Michael Stewart, MIT Press, 192 pages, \$15. **Hanging Together**, by Robert D. Putnam and Nicholas Bayne, Harvard University Press, 263 pages, \$17.50. **Memories of Men and Women American & British**, by A.L. Rowse, University Press of America, 258 pages, \$15.25 cloth, \$9.75 paper.

MICHAEL D. MOSETTIG

In front of Philadelphia's Independence Hall on July 4, 1962, President John F. Kennedy exhorted the United States and Western Europe to bind themselves even more closely in a declaration of interdependence. The immediate purpose of Kennedy's speech was to promote trade between the United States and the then emerging Common Market, which was expected soon to include Britain. It took another decade for the British to join, but in subsequent years the theme of interdependence, once so striking, has become almost commonplace, certainly among academics and to lesser degrees among officials and politicians.

Interdependence, explicitly or implicitly, is at the core of these three books, the first from a theoretical approach, the second on a governmental level and the third in the realm of ideas and personal relationships. The question emerging from all three books is whether this interdependence will deepen in the coming years or whether the United States and Western Europe will try to ignore its reality and try to solve their problems more independently.

Michael Stewart, now a university economist, has served as an economic adviser in several British ministries and at Number 10 Downing Street. He offers a spirited defense of Keynesian economics, far more so than any American economist would these days, and bows not at all to the more currently fashionable theories of monetarism and supply side economics.

Stewart's key argument is that anti-inflation policies, such as those embarked on by the United States and the United Kingdom, have had a far more severe snowballing effect than most politicians

or officials have realized. In an interdependent world economy, he argues, the effects of deflationary policies spread more quickly than the effects of policies aimed at economic stimulation. The result, he asserts, was the severe recession of the early 1980s. The prospects are even worse in the future for incomes and employment.

The villain of Stewart's work is not so much government, which can only be expected to look first to short-term national interests, but the *world financial community* (italics his). This community, comprising only a few hundred central and private bankers, government officials, multinational treasurers and even a few journalists, has a bias toward deflationary policies and far more power to achieve its ends than it had a decade or so ago. Through its control of more than a trillion dollars in Eurocurrencies and other capital fows, this community encourages deflationary policies as smart money always moves short term to the countries where interest rates are rising. The new capital pushes up the value of the currency and accelerates the process, Stewart argues.

To a moderately left wing economist, such a proposition creates the question of whether interdependence is really the correct route for a country to follow if it wishes to expand its economy and concentrate on reducing unemployment. Stewart advances, at least on a theoretical level, arguments for national import and exchange controls as devices by which national governments can shield themselves from the world economy while pursuing expansionist policies at home. Stewart also presents the many risks involved in such a course of action, but even by raising it he provides a clue as to the kinds of arguments that will take place in the Cabinet room at Number 10 should a Labor Government come to power soon in Britain.

Eventually, for reasons more related to social policy and ecology, Stewart comes down on the side of those who argue for stronger cooperation and coordination, especially through the device of economic summitry. If the seven economic summit nations and other members of the Organi-

zation for Economic Cooperation and Development cannot agree on coordinated economic expansion, Stewart concludes, the future is bleak.

For all its interesting argumentation, Stewart's work is unfortunately fairly heavy going, unwitting evidence as to why ministers don't spend the time they should trying to grasp the advice of their economic advisers. In the face of current evidence, his flip description of Reagan policies as Disneyland economics seems wide of the mark, even though, as a Keynesian, he should have remarked that the U.S. boom is more a Keynesian deficit-fueled revival than a supply side miracle. Similarly, there will be little patience here for such bromides as a shorter work week. At a time when record millions of his countrymen are on enforced vacations lasting years, Stewart's worry about how workers in a future high-tech economy will spend their leisure time is an intellectual luxury, creating a problem where none exists. One cultural difference that interdependence has yet to narrow is the attitude toward work in different countries.

If world economic interdependence has one grand symbol, it is the economic summit, the annual get together in glamorous castles and chateaux of the Heads of State and Government of the major industrial nations. In their crisp and concise work, an American academic and a British diplomat have collaborated to provide a most valuable combination of insight and analysis into this relatively new but already unique institution.

The creation and now the apparent permanence of economic summitry is one of the more curious tales of modern history. What has now become an annual event, followed by a massive international press corps producing volumes of publicity, germinated in the desire of French President Valéry Giscard d'Estaing to have private meetings among a few leaders, unencumbered by bureaucracies, to discuss only economic issues.

In the successvie years, an institutional arrangement emerged, one often scoffed at by skeptics who hope each year for more dramatic policy results, but one that has helped promote cooperation and co-

ordination through some particularly difficult economic times. The summit has grown to include more participants (notably the E.C. Commission) and has ventured gradually into non-economic subjects. Still, most remarkably, it has not become overly bureaucratized and continues to offer political leaders an opportunity to talk frankly to one another and to adjust their policies to world realities with the minimum of political embarrassment at home.

The practice of summitry has survived several metamorphoses of participants and ambience since the first Rambouillet summit of 1975. In the earlier meetings, former Finance Ministers who knew their economic brief set the pace. They tended to share a common outlook on current problems whatever their political philosophies.

The authors move the narrative from the easy cooperation of the Ford-Giscard-Schmidt-Callaghan summits through the stormier encounters of the Carter years to the more ideological and more nationalistic gatherings of Reagan-Thatcher-Mitterand-Kohl. But as the writers point out, the very institution of the summit has put pressure on this last group of leaders, despite their narrower and less accommodating views of the world, to grapple to mutual cooperation.

The authors have neatly combined the institutional and personal aspects of summitry. Quite likely the easy rapport of the first summiteers is never to be repeated. Indeed, successive summits seem to find less worldly and more domestically oriented politicians around the table. The small and relaxed early summits grew more bureaucratized during the Carter years, but recently the leaders have been trying to bring them back to a more intimate scale. At the same time, each successive summit breaks new ground in discussing political and security issues.

Despite its brevity, there is little if anything this well-researched book has ignored. Its appreciation of the subtleties of politicians adjusting domestic pres-

ures to international economics is matched by an understanding of the conflicting roles of the international press to educate its audience on arcane issues and to present it a spectacle. As the authors assert, the summits hardly have resolved the dilemmas of national sovereignty and interdependence. But as long as summits endure, this book will be an invaluable guide for those attending, those covering and those trying to understand this remarkable institution.

The world of A.L. Rowse, controversial Shakespeare popularizer, Elizabethan historian and partially transplanted Englishman (he would say Cornishman) in California, is far removed from the world of exchange rates and trade quotas. But if Americans and Europeans are going to live in an interdependent world, especially the younger generations that share neither the experiences of war nor a common class outlook, Rowse's collection of essays provides a generational backdrop of intellectual and personal bonds that will be hard to duplicate in the late 20th century.

The common strand of Rowse's essays is supposed to be memories of Americans and British, though the inclusion of André Maurois breaks the mold in more ways than one. Basically, the book is of the "people I have known" genre, but, since the people are fascinating, the work survives the too often embittered intrusions of the author and his alienation from the squalid slacker state he says Britain has become.

The personal sketches reach from Winston Churchill and Nancy Astor to Admiral Chester Nimitz and Agathe Christie, from the historians G.M. Trevelyan and Samuel Eliot Morrison to the writers and poets Maurois, Edmund Wilson, T.S. Eliot, W.H. Auden and Willa Cather. The unnerving and unanswered question is how a book devoted to such an array of people could be dedicated to Caspar Weinberger.

The sketches of Lady Astor and Eliot bring alive the literary theme of the

transplanted American, those of Nimitz and Morrison the realization that the sea is not just a divide but a passageway and those of Morrison and Trevelyan the fascinating varieties of history. Through the sketches Rowse has evoked the spirit of the earlier part of the century, and styles of communication and social relationships between Europe and America that predated jet travel and the mass packaging and marketing of culture and ideas.

The weakness is a predictable one, the tendency to lament the passage of the good old days. As much as the reader might sympathize with Rowse's view that any civilization worth having stopped in 1914, his work occasionally risks mixing history and nostalgia, a bad lapse for a professional historian. To confuse the two, especially for younger generations condemned to living in the present, is to risk relegating the study of history to an even worse fate than it now suffers in most academic institutions.

The value of Rowse's essays is that they provide another thread from Henry James into modern times, revealing and defining Europeans and Americans of early and mid-century, seeking and sometimes finding common intellectual ground from some shared and many different experiences. The era never will be repeated, the personages never duplicated. Now travel, talk and the transmission of information and ideas are much faster and open to a much more diverse group of people. The binding is of a different sort, the symbiosis of the multinational corporate chiefs moving hundreds of millions of dollars through computer terminals, as described by Michael Stewart, and the easy rapport of the government officials preparing the summits, as described by Putnam and Bayne. Rowse, of course, would be highly skeptical that such transactions could match the depth and texture of the passages evoked in his memoir to a recently fleeting past. €

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

RECENT BOOKS

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 Trade Agreements Act of 1979—Four Years Later. Practising Law Institute (PLI), New York, 1983. 416 pp. \$35.00, paper.

A collection of papers prepared for use as a course handbook at PLI's program held on September 26-27, 1983. Topics addressed include current issues in countervailing-duty law, injury determinations by the Interna-

tional Trade Commission in anti-dumping and countervailing-duty proceedings and relief from imports provided for in both the Trade Act of 1974 (Sections 201 & 406) and other major trade legislation.

The Almanac of British Politics. By Robert Waller. St. Martin's Press, New York, 1983. 608 pp. \$19.95, pa-

per.

A description of the electoral anatomy of the United Kingdom. Seat-by-seat profiles describe the social, economic and political character of each of the 650 parliamentary constituencies, in addition to detailing recent electoral history. Also includes statistics from the United Kingdom's 1981 census defining the population in each constituency by type of housing, occupation, and racial grouping.

The European Parliament on the Eve of the Second Direct Election: Balance Sheet and Prospects. College of Europe, Bruges, 1984. 845 pp.

BF 1,350, paper.

Collection of papers (in French or English) presented at a June 1983 colloquium held by the College of Europe and the Institut für Europaische Politik. Topics covered include both the internal politics and the political environment of the European Parliament, the role of the Parliament in the formulation of the E.C. budget, and the Parliament's impact on E.C. politics.

A New SDR Allocation? By John Williamson. Institute for International Economics, Washington, D.C., 1984. 53 pp. \$6.00, paper.

An assessment of the case for a new

allocation of Special Drawing Rights in the light of the debt crisis and misalignment of major exchange rates. Describes the agreed criteria governing allocations, presents the statistics relevant to those criteria and appraises the economic arguments concerning the timeliness and scale of a new allocation.

Governments and Multinationals: Policies in the Developed Countries. By A.E. Safarian. National Planning Association, Washington, D.C., 1983. 118 pp. \$8.00, paper.

Studies the policies of Australia, Canada, Japan, Norway, Sweden, Switzerland, the United States and six E.C. countries toward direct investment and foreign-owned multinational enterprises (MNEs). Emphasizes four topics, namely: sectors partially or wholly closed to MNEs, authorization or review mechanisms for the establishment and subsequent expansion of MNEs, treatment which differs from that accorded domestically owned firms and investment incentives.

Communication Policy in Developed Countries. Edited by Patricia Edgar and Syed A. Rahim. Kegan Paul International, Boston, 1983. 297 pp. \$17.50, paper.

Presents a description and critical analysis of the communication systems and policies in the United States, the United Kingdom, Canada, the Federal Republic of Germany, Sweden, Australia, and New Zealand. Examines the technological and cultural forces shaping policy and communications development and points to discrepancies existing between official national communication policies and actual results of decisions and practices implemented in the field.

France Today. 5th edition. Edited by J.E. Flower. Methuen & Co. Ltd., New York, 1983. 259 pp. \$9.95, paper.

A volume of essays designed to serve as an introductory survey of contemporary France. Social structures, political parties, trade unions, immigrants, foreign policy, education, the church and the media are among the aspects of French society that are addressed.

European Integration and the Common Fisheries Policy. By Michael Leigh. Croom Helm Ltd., London, 1983. 228 pp. £17.95.

Looks at the 10-year process culminating in approval of the E.C.'s Common Fisheries Policy (CFP) in January 1983 as a case study in European integration. In addition to discussing the intra-E.C. political aspects of the negotiations, the study examines technical facets of the debate, including access, quotas, conservation measures, structural policy and market organization. Reviews fisheries agreements existent between the E.C. and third countries and discusses implications for the CFP of Spanish and Portuguese accession.

Current Issues in Ship Financing 1983. Practising Law Institute (PLI),

New York, 1983. Volumes 1 and 2. 1,233 pp. \$35.00, paper.

A coursebook prepared for a PLI conference held October 27-28, 1983. Volume 1 covers aspects of ship financing in the Federal Republic of Germany, the Netherlands, Sweden, Hong Kong, Greece, Liberia, the United Kingdom and the United States. Volume 2 is dedicated to the registration of vessels and mortgages in developing open registries in the Caribbean.

Exclusive Dealing Agreements in the E.E.C.: Regulation 67/67 Replaced. By Valentine Korah. European Law Center, London, 1984. 101 pp. £15.00.

Provides a detailed commentary on and legal analysis of the two new E.E.C. antitrust regulations which replaced Regulation 67/67 on group exemptions for exclusive dealing agreements—Regulation 1983/83 on exclusive distribution agreements and Regulation 1984/83 on exclusive purchasing agreements.

An International Standard for Monetary Stabilization. By Ronald I. McKinnon. Institute for International Economics, Washington, D.C., 1984. 53 pp. \$6.00, paper.

An analysis of international demand for money and its relation to inflation, interest rates and exchange rates in the major industrial countries. Proposals are made for stabilizing exchange rates while bringing world money growth under better control through much closer coordination of the national monetary policy of the United States, the Federal Republic of Germany and Japan.

Investing in Europe's Future. Edited by Arnold Heertje. Basil Blackwell Publisher Ltd., Oxford, 1983. 218 pp.

A collection of essays published for the European Investment Bank (EIB) in commemoration of the EIB's 25th anniversary. Discusses prospects for investment in Europe in the 1980s in relation to the international monetary and financial environment, government policy, technological competitiveness, energy and regional development.

Burden-sharing in NATO. Chatham House Papers No. 18. By Simon Lunn. Routledge & Kegan Paul, Boston, 1983. 88 pp. \$10.00, paper.

Focusing on the ever-present debate over burden-sharing in the North Atlantic Treaty Organization, this book examines factors which have contributed to the emerging view that the United States and Europe have arrived at irreconcilable stances on Western security needs. Reviews disagreements over burden-sharing that surfaced after the Soviet invasion of Afghanistan and traces the alliance's handling of these tensions during the Reagan Administration. Explores prospects for reconciliation of divergent American and European views on security arrangements.

Housing in Europe. Edited by Martin Wynn. St. Martin's Press, New York, 1984. 325 pp. \$32.50.

A survey of postwar housing problems in nine European countries—France, the Federal Republic of Germany, the United Kingdom, Spain, Yugoslavia, Denmark, the German Democrat Republic, Italy and Portugal. Outlines the roles of national housing agencies and local authorities in each country and describes government programs that have been implemented to promote housing construction. Assesses the impact that housing policies have had since World War II and suggests avenues for future improvement. Includes figures and tables.

Directory of Incentives for Business Investment and Development in the United States: A State-by-State Guide. The Urban Institute Press, Hampden Station, MD, 1983. 652 pp. \$65.00.

A one-volume reference book on business incentives in each of the 50 states. While Part 1 serves as a general introduction to various types of business incentives offered at the state level, Part 2 comprises a state-by-state guide. Each state's incentives are presented in a format that includes a description of the incentive, its terms and conditions, eligibility criteria, volume or level of program activity, application process and a state contact.

Nuclear Weapons in Europe. Europe/America No. 1. Edited by Andrew J. Pierre. Council on Foreign Relations, New York, 1984. 118 pp. \$5.95.

With contributions from William Hyland, Lawrence Freedman, Paul Warnke, and Karsten Voigt, this collection of papers represents the first book in a nine-volume series on European-American relations. Addresses the fundamental issues concerning the role of nuclear weapons in the defense of Western Europe.

Doing Business with France. Volumes 1 & 2. By Siméon Moquet Borde & Associés. Matthew Bender & Co., New York, 1983. \$160.00.

A guide to business and legal transactions in France. Topics covered include business climate, the French government and legal system, establishment of foreign business in France, trading with France, regulation of commerce and competition, taxation, accounting, dispute settlement, and bankruptcy. Looseleaf binder; scheduled to be updated.

International Money and Credit: The Policy Roles. Edited by George M. von Furstenberg. International Monetary Fund (IMF), Washington, D.C., 1983. 596 pp. \$15.00, paper.

Proceedings of the Conference on International Money, Credit, and the SDR, held in Washington, D.C., March 24-25, 1983. Subjects covered include international liquidity and monetary control, international balance-of-payments financing and adjustment, the changing role of the SDR, and pros-

pects for international monetary cooperation in the 1980s.

The International Transport Workers' Federation and Flag of Convenience Shipping. By Herbert R. Northrup and Richard L. Rowan. Industrial Research Unit, The Wharton School, University of Pennsylvania, Philadelphia, 1983. 251 pp. \$16.00, paper.

Analyzes the campaign of the International Transport Workers Federation (ITF) to end "flag-of-convenience" shipping. Also describes the history, organizational structure, membership, and finances of the ITF. Includes tables and figures.

European Court Practice. By John A. Usher. Oceana Publications, Inc., Dobbs Ferry, 1983. 400 pp. \$50.00.

Aims to serve as a practical guide to the procedure that is followed before the E.C.'s Court of Justice. Addresses all stages of court procedure in chronological order and discusses elements such as the language to be used in the case, the written procedure, preparatory inquiries, oral procedure, the handing down of judgments, and the settlement and withdrawal of proceedings.

The European Community and Indo-British Trade Relations. By S. A. Anwar. Gower Publishing Co., Brookfield, VT, 1983. 156 pp. \$33.00.

Tests the hypothesis that the normal trade flows between India and Britain were not affected by the United Kingdom's accession to the Community. Analyzes customs-union theory and its practical applications in the E.C. Also studies the influence of concessions offered to India by the E.C.'s General System of Preferences in the context of the E.C.'s external trade policy.

Greece in the 1980s. Edited by Richard Clogg. St. Martin's Press, New York, 1983. 270 pp. \$27.50.

A collection of papers given at a conference held at the University of London in January 1981 to mark Greece's entry into the E.C. Aims to provide a comprehensive and up-to-date profile of Greece at the beginning of the 1980s. Topics covered include geography, history, political culture, the party system, values, foreign policy, education, the Church, and cultural life.

PUBLISHED FOR THE COMMISSION

Stunning of Animals for Slaughter. Edited by G. Eikelenboom. EUR 8469. Kluwer Academic Publishers, Boston, 1983. 227 pp.

Proceedings of a seminar in the CEC Program of Coordination of Research on Animal Welfare held at the Research Institute for Animal Production, Zeist, The Netherlands, October 13-15, 1982.

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- An Industrial Strategy for Europe.** *European File No. 11/84, Commission, Brussels, 1984, 11 pages.* **Free**
- Publications Catalogue of the European Communities 1983.** *Office of Official Publications, Luxembourg, 1984, 86 pages.* **Free**
- European Investment Bank Annual Report 1983.** *European Investment Bank, Luxembourg, 1984, 123 pages.* **Free**
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- The European Community in the World.** *European File No. 14/84, Commission, Brussels, 1984, 11 pages.* **Free**
- Economic Trends and Prospects.** *European Economy No. 19, Commission, Brussels, March 1984, 134 pages.* Surveys of the E.C. member states' economies in 1983 and projections for 1984. Includes articles on labor costs, budgets and public debt and protectionism. **\$7.00**
- Investment in the Community Coalmining and Iron and Steel Industries: Report on the 1983 Survey.** *Commission, Luxembourg, 1984, 98 pages.* Information on actual and forecast capital expenditure and production potential of coal and steel enterprises. **\$15.00**
- The Employment of Women in Portugal.** *Commission, Brussels, 1984, 234 pages.* Analysis of trends and factors affecting women's employment in Portugal. **\$15.00**
- Compendium of Community Provisions on Social Security.** *Commission, Brussels, 1983, 410 pages.* Second edition, compilation of texts and decisions on social security for migrant workers. **\$42.00**
- The European Community, International Organizations and Multilateral Agreements.** *Commission, Brussels, 1983, 285 pages.* Third edition. Compilation of rules governing the E.C.'s participation in other international organizations and multilateral agreements. **\$6.50**
- Organization of Services in the Parliament of the E.C. Member States Upper Chambers (Senates, Bundesrat, Eerste Kamer, House of Lords).** *European Parliament, Luxembourg, 1983, 140 pages.* Replies to a questionnaire on legislative and administrative services. **\$7.00**
- Bibliography on Company Law.** *Documentation Bulletin B/15, Commission, Brussels, October 1983, 137 pages.* Bibliography of E.C. directives, proposals, and reports and non-Community publications on company law. **\$2.00**
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- European Geothermal Update: Results of E.C. Research and Demonstration Projects in the Field of Geothermal Energy.** *EUR 8853, Commission, Luxembourg, 1984, 784 pages.* Papers from a seminar in Munich, Nov. 29-Dec. 1, 1983. **\$32.00**
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CORN GLUTEN FEED COULD BE EXPLOSIVE ISSUE

The Senate Foreign Relations Committee has many responsibilities. One of the preeminent concerns is arms control, which in a world of 50,000 nuclear weapons is certainly a critical function of the U.S. Government. In the legislative branch, the Foreign Relations Committee has sole jurisdiction over arms-control treaties and other agreements. Members of the committee also perform important legislative functions in the areas of international economic policy, nuclear proliferation, U.S. relations with the North Atlantic Treaty Organization (NATO) and Japan, policies in the Middle East and relationships with the nations of the developing world. These major issues are not easily resolved or managed.

However, as chairman of the committee since January 1981, I have had a sound reason to expand this agenda and this has given me an opportunity to serve my state that other recent chairmen of this committee did not enjoy. I represent Illinois, a state whose economy depends heavily on exports. In fact, fully a third of jobs in the state's agricultural sector and a sizable share of jobs in the manufacturing sector are tied directly to exports. By promoting Illinois exports as part of my duties as chairman of the Foreign Relations Committee, I thereby have the opportunity to boost the economy of my state, improve the national economy, and develop trade relationships which often are the underpinning of enhanced relations between the United States and other nations.

As chairman, I have been concerned for several years now with the particularly troubling issue which was the subject of this magazine's July/August point-counterpoint: corn gluten feed.

Three years ago, when the E.C. Commission first proposed limiting the duty-free sales of U.S.-origin corn gluten feed, they called it maize gluten. Since then, the Eurocrats in Brussels have adopted the American terminology. However, that is the only agreement which has been reached on this issue which threatens to

explode into a trade war that could injure European soft cheese, wine and industrial interests, and certainly the U.S. corn gluten industry.

Europeans often ask why the United States fights so hard against the E.C. proposal to limit duty-free sales of corn gluten to three million metric tons annually. As the senior Senator from a state that leads the nation in agricultural exports, I consider the maintenance of open markets in Europe for corn gluten a top priority. Its production brings roughly \$500 million into the Illinois economy each year.

In addition to the economic benefits which the sale of corn gluten feed gives Illinois, there are three solid reasons for my opposition to imposition of the proposed quota-levy. First, I believe firmly in the sanctity of the trade agreements reached between sovereign governments. During the Kennedy Round of multilateral trade negotiations in 1962, the E.C. agreed to permit high-protein animal feed ingredients into Europe duty-free. In exchange, the United States provided concessions to the Community regarding the import of its products into the United States. This trade agreement should be upheld, or others run the risk of faltering.

Second, there is only a weak justification given to impose the quota-levy. We have heard that the influx of corn gluten feed has injured European wheat and barley producers, principally from France. However, study after study has proven this claim to be without much substance. Corn gluten feed contains amino acids which are absent from cereal grains like wheat and barley. The Federation of European Feed Compounders has documented that dairy farmers would turn to other imported protein ingredients if faced with a restriction on the import of low-price corn gluten feed. These include copra (coconut meal) and palm kernel meal.

Third, a serious precedent for other products would be established by imposing the quota-levy on the corn gluten

feed. It is clear that with the decision to advance the entry of Spain and Portugal into the European Community, pressures would mount to impose a tariff targeted at soyoil to pay for olive oil subsidies. Our significant annual trade of \$4 billion in soybeans and related products would be put at risk.

I do not want to sound too harsh toward the Community. It has been an excellent customer. However, it is the position of the United States that the E.C.'s move to impose a quota-levy on corn gluten feed would bring little benefit to the Community while risking great harm. It is ill conceived.

Many Europeans, too, share these concerns, but some remain silent so that they will not disrupt the delicate consensus needed to conduct Community business. However, the United States is prepared to respond if the quota-levy is imposed. Democrats and Republicans alike agree on this policy.

This issue demonstrates clearly how the European Community has grown tremendously in importance as a principle economic power in the world. It also shows too clearly how small differences in policy between the United States and the Europeans can lead to burgeoning problems which create rifts between the allies. This is similar in some ways to the rift created by the U.S. sanctions on the development of the Soviet gas pipeline, a policy that I also opposed. That policy only offended the national sensitivities of our friends in Europe and would not have stopped the development of the pipeline even if it were finally carried out. The same was true of the U.S. embargo on grain sales to the Soviet Union. Other nations just filled the gap, so we ended up shooting ourselves in the foot. The NATO alliance is strong, and U.S. relations with the E.C. can also be strong so long as we consider each other's views and deal with each other in an atmosphere of mutual respect, as friends and as allies. ☐

Sen. Charles H. Percy (R, Ill.) is chairman of the Senate Foreign Relations Committee.

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