

# EUROPE



## NUCLEAR POWER:

WHY IS IT  
A EUROPEAN  
SUCCESS?

SHOULD EUROPE FEAR  
U.S. RECOVERY?

DU PONT: WHAT HAS  
THE E.C. MEANT  
FOR U.S. BUSINESS?

EUROPEAN PARLIAMEN  
DEFINES ITS ROLE

WHY ARE AIR FARES  
SO HIGH IN EUROPE?





**Aer Lingus** 

The airline of Ireland  
Serving the European Community



7633

# EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY



**U.S.-E.C. RELATIONS**

**10 Senator Lugar's Foreign Relations**

*Bailey Morris*

New chairman of key committee in Congress has ambitious plans.

**12 Trans-Atlantic Trade: How Is It Faring?**

\$107-billion flow is crucial to orderly functioning of world system.

**56 Guest Column**

*Rep. Don Bonker*

The export control issue.

**DEPARTMENTS**

**4 Around the Capitals**

Letters from Europe.

**46 News of the E.C.**

Recent developments in European Community affairs.

**52 Books in Review**

Reviews and capsule descriptions of recent books on E.C. and Atlantic topics.

**55 The E.C.'s Bookshelf**

Publications available from the E.C.'s Information Service.



**BUSINESS**

**16 European Fighter Project Competes with U.S. Firms**

*Axel Krause*

Planners eye \$30-billion market for new aircraft in the 1990s.

**18 What Has the E.C. Meant for Du Pont?**

*W. Robert Clay*

One multinational firm's experience in dealing with the Common Market.

**20 Europe Pulls Ahead in Nuclear Power**

*Barbara Starr*

Why have the Europeans succeeded where the U.S. has failed?

**22 Should Europe Welcome or Fear U.S. Recovery?**

*John Yochelson*

Could American preoccupation with the Pacific rim hurt trans-Atlantic relations?



**EUROPEAN AFFAIRS**

**26 Why Are Air Fares So High in Europe?**

*H. Peter Dreyer*

E.C. has proposal to harmonize fare structures.

**28 Progress Made on Remaining E.C. Internal Barriers**

*Paul Cheeseright*

But much more must be done.

**30 European Parliament Diary**

*Michael Welsh*

A "Letter From Strasbourg" by a member of the European Parliament.

**32 The New E.C. Commission**

*Derek Brown*

Including a profile of the Commissioner responsible for external relations.



**MEMBER STATE REPORT**

**34 Italy: An Overview**

*James Buxton*

Craxi Government has put the economy back on track.

**38 Italy Will Push European Union**

*Giulio Andreotti*

Italy's goals during its six-month presidency of the E.C. Council of Ministers.

**40 The Two Spoletos**

*John Ardoin*

The Italian cultural festival and its offspring in Charleston, South Carolina.

**LIFESTYLE**

**42 Study the E.C. and Visit Europe**

*James David Spellman*

Courses in European integration are available at many centers.

**44 Sailing**

*Hervé Guilbaud*

Europeans dominate multihull ocean racing.

**COVER:** Cooling tower at a nuclear power plant in Bugey, France. © Setboun/Sipa-Press. See p. 20.

**Publisher** Denis Corboy  
**Editor-in-Chief** Webster Martin  
**General Manager** Mark Laughlin  
**Assistant Editor** Anke Middelmann  
**Editorial Assistant** Anthony Izzo  
**Design Publishing Directions**  
**Publishing Consultant** William J. McVey Jr.

**EUROPE**, Magazine of the European Community, (ISSN 0191-4545), is published by the Delegation of the Commission of the European Communities, 2100 M Street, NW, Suite 707, Washington, DC 20037. © The Commission of the European Communities, 1985. The magazine encourages reproduction of its contents, but any such reproduction without permission is prohibited. **EUROPE**, published bimonthly, is available by subscription for \$15.00 per year; \$30.00 per 2 years; \$45.00 per three years. **Editorial, per-**

**missions, and circulation offices:** 2100 M Street, NW, Suite 707, Washington, DC 20037; telephone (202) 862-9500; telex 64215 EURCOM U.W. **Advertising:** Command Media Sales, Inc., 325 Riverside Drive, Suite 51, New York, NY 10025; telephone (212) 316-0383; William J. McVey, Jr., President; David Michaels, Vice President.

Second class postage paid at Washington, DC.

**Postmaster:** Please send change of address forms to EUROPE, PO Box 995, Farmingdale, NY 11737-0001

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



# PUBLISHER'S LETTER

**A**dapt to change, or suffer the consequences. It's a familiar warning, but one the industrialized West forgets at its peril as it grapples with the constant flux of global economic conditions. A country's ability to adjust rapidly and effectively to changes in markets, technologies and the myriad of other variables can mean its survival or its decline, its status as either a leader or a has-been on the international stage. And with the modest pace of recovery in Europe, a persistent chorus has been charging that inflexibility and inability to adjust to change have hamstrung the European economy. Only a "trickle-down" of American dynamism, say the critics, can dispel Europe's doldrums.

But is this really so? Is Europe truly "sclerotic," or are profound and long-term adjustments actually underway? A good test case is the 1973 oil crisis, which both shook the American and European economies to their roots and revealed some interesting differences in the way they adjusted to the shock. While the United States used price controls, subsidies and only half-hearted conservation measures in an attempt to insulate itself from the crisis (and indeed avoid its implications), Europe undertook a number of realistic, substantial and long-term adjustments.

Broad economic shifts—the development of new export markets in the Middle East, for example—were made. Serious energy conservation measures were enforced. Alternative sources of oil and gas were brought on-line and new resources were developed—all as part of a deliberate strategy of energy independence.

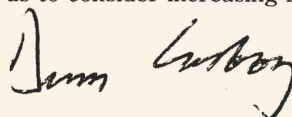
That strategy has worked. Europe intensified the development of its nuclear industry after 1973 and has quadrupled its share of E.C. electricity production to more than 22 percent. More importantly, E.C. dependence on foreign oil has declined by half since the crisis, and continues to fall. And despite environmentalists' concerns, an outstanding safety record has kept public support high.

The United States, in contrast, has seen its own nuclear program decline, its momentum lost perhaps for the rest of the century. Buoyed on the current oil glut, the U.S. is sitting comfortably in the energy seat—but only until conditions change again, as they inevitably must. It is, in the end, Europe that really adapted to the energy crisis. And it is Europe that has emerged from that crisis as the world's leader in nuclear energy.

Thus it is with great interest that we focus on the topic in this issue's cover story, an analysis by Barbara Starr of McGraw-Hill Publications of the internal and external forces shaping the nuclear industry on either side of the Atlantic. Also in this issue, Paul Cheeseright, of the *Financial Times*, looks at current efforts to dismantle the remaining barriers to intra-E.C. trade, and Bailey Morris of the London *Times* turns a spotlight on Senator Richard Lugar, new head of the Senate Foreign Relations Committee, and his efforts to forge a bipartisan consensus on foreign policy and set a new tone in American policy-making.

We also welcome in this issue the comments of Du Pont International Chairman W. Robert Clay on Du Pont's experience doing business in the E.C. Given the importance and diversity of American enterprise in the E.C., we will be providing on a regular basis a forum for American CEO's to offer their observations on the European business scene.

As for Europe Magazine itself, I am glad to report it is showing a capacity for paid subscription growth sufficient for us to consider increasing from six to 10 issues annually.





EUROPEAN  
PERSPECTIVE . . .  
news and events  
that interest us as Americans,  
seen through the eyes  
of the people of the ten nations  
that make up the  
European Community.

Hear **EUROPEAN PERSPECTIVE** on

Akron, OH	WRMU	91.1	Fri., 1:05 p.m.	Jackson, MS	WJSU	90.7	Tues., 1:00 p.m.
Ashville, NC	WUNF	88.1	Fri., 6:30 p.m.	Kansas City, MO	KXTR	96.5	Sat., 5:30 a.m.
Atlanta, GA	WGST	920	Sat., 11:06 p.m.	Knoxville, TN	WUOT	91.9	Sun., 9:00 a.m.
Baltimore, MD/ Wash DC	WGMS	91.9	Thurs., 6:30 p.m.	Lexington, KY	WBKY	91.3	Tues., 2:00 p.m.
Bangor, ME	WMEH	90.9	Wed., 12:30 p.m.	Minneapolis/ St. Paul, MN	WCAL	89.3	Mon., 3:00 p.m.
Birmingham, AL	WBHM	90.3	Tues., 12:30 p.m.	Nashville, TN	WPLN	90.3	Thurs., 10:00 a.m.
Boston, MA	WEEI	590	Sat., 2:30 p.m.	New York, NY	WRHU	88.7	Wed., 2:00 p.m.
Bowling Green, KY	WKYU	88.9	Wed., 5:30 p.m.	Omaha, NE	KVNO	90.7	Sun., 6:00 p.m.
Bridgeport, CT	WSHU	91.1	Sat., 8:00 p.m.	Pittsburgh, PA	WTKN	970	Sun., 5:30 a.m.
Bristol, TN	WETS	89.5	Sun., 1:00 p.m.	Portales, NM	KENW	89.5	Sun., 5:30 p.m.
Buffalo, NY	WEBR	970	Mon., multibroadcasts	Portland, ME	WMEA	90.1	Wed., 12:30 p.m.
Butte, MT	KMSM	91.5	Mon., 5:30 p.m.	Reno, NV	KUNR	88.7	TBA
Charlotte, NC	WCSB	97.	Mon., 2:00 p.m.	Roanoke, VA	WVTF	89.1	Thurs., 12:05 p.m.
Chattanooga, TN	WUTC	88.1	Sun., 9:00 a.m.	Rochester, NY	WXXI	1370	TBA
Chicago, IL	WNIB/WNIZ	1500/97.	Sat., 8:30 a.m.	Rock Island, IL	WVIK	90.1	Fri., 7:30 p.m.
Dallas/Ft. Worth, TX	KTCU	88.7	Thurs., 10:00 a.m.	Salinas/Monterey, CA	KUBO	90.9	Thurs., 6:30 p.m.
Davenport, IA	WVIK	90.1	Fri., 7:30 p.m.	San Diego, CA	KFSD	94.1	Sat., 11:35 p.m.
Denver/Boulder, CO	KBVL	94.7	Mon., 6:30 p.m.	San Luis Obispo, CA	KCBX	90.1	Fri., 6:30 p.m.
Detroit/Ypsilante, MI	WEMU	89.1	Thurs., 12:30 p.m.	Sheboygan, WI	WSHS	91.7	TBA
Evansville, IN	WSWI	820	Mon., 12:30 p.m.	Shreveport, LA	KDAQ	89.9	Mon., 12:30 p.m.
Flagstaff, AZ	KNAU	88.5	Sun., 4:30 p.m.	Sioux Center, IA	KDCR	88.5	Sat., 5:20 p.m.
Flint, MI	WFBE	95.1	Tues., 12:00 noon	South Bend, IN	WSND-FM	88.9	Mon., 12:15 p.m.
Gloucester, MA	WVCA	104.9	Wed., 12:30 p.m.	St. Louis, MO	KFUO-FM	99.1	Sat., 5:05 p.m.
Harrisburg, PA	WMSP	94.9	Sun., 12:30 p.m.	Syracuse, NY	WAER	88.3	Tues. & Wed., 6:00 a.m.
Hartford, CT	WPOP	1410	Sun., 10:06 p.m.	W. Lafayette, IN	WBAA	920	Tues., 4:00 p.m.
Houston, TX	KUHF	88.7	Sun., 5:00 p.m.	Washington, DC	WGMS	570/103.5	Sun., 6:30 a.m.
Indianapolis, IN	WAJC	104.5	Sat., 6:05 p.m.	Yuma, AZ	KAWC	1320	Tues., 12:30 p.m.
Iowa City, IA	WSUI	910	Thurs., 10:30 a.m.				



# AROUND THE CAPITALS

## PARIS

### Socialism and Fashion

**T**hrough mass production, economic crisis and Socialist government, and despite New York, Milan and London, Paris has held on to the title of fashion capital of the world. Twice a year, haute couture fashion shows draw princesses and first ladies, the rich and the famous, to see the latest fantastic creations of the world's top designers. And in March and October, in a more circus-like atmosphere, press and store buyers kick, shove and elbow their way into the *prêt-à-porter*, or ready-to-wear, winter and summer shows.

The 23 *haute-couture* houses registered in France brought in \$28 million in 1984, up 35 percent from 1983, according to industry spokesmen. And at the close of five days of January shows in some of Paris' most elegant hotels, fashion king Yves Saint Laurent disclosed business was so strong that he planned to become the first fashion house to sell public shares.

The *haute-couture* business has become a prestige sideline for many designers, with some reporting that it brings in as little as 5 percent of the revenues in what have grown into multi-product corporations, selling everything from ready-made clothes to sheets, sunglasses and chocolates. But *haute-couture*, aimed at a market estimated at about 2,000 well-to-do customers, also serves as advertising for *prêt-à-porter*, where 72 designers vie for their share of the world market.



Despite crises, the fashion industry is booming and Paris is still its headquarters.

When the Socialist Government came to power in 1981, many worried that Paris was on its way out as the center of the fashion universe. But the skeptics who thought Socialism was inconsistent with one of the most lavish forms of luxury spending had little cause for concern.

Even more happy news for the fashion industry was Culture Minister Jack Lang's declaration in 1982 that France had proclaimed that fashion is art. At a projected cost of 15 million francs (currently about \$1.6 million), Lang announced the government will open a fashion museum in a wing of

the Louvre to display 14,000 works of top designers from Poiret and Vionet to Chanel and Givenchy. It also will house archives and a research facility.

And for the twice-yearly *prêt-à-porter* shows, Lang set up enormous tents in the gardens of the Louvre for designers to display an average of 5,000 outfits per season to ear-splitting music in glitzy choreographed shows.

Fashion has come a long way in the 600 years since dolls were used to display Paris fashions. Now the French industry employs 47,000 people directly or indirectly and in *haute-couture* lines, boasts



garments that often carry price tags of \$50,000. Evidence that the women's fashion industry has hit on the right formula is in the string of pale imitators that flock to Paris, such as twice-yearly men's and lingerie fashion shows. But—as it has since the 14th century—Paris will undoubtedly continue to be synonymous with elegance and trend-setting in female fashion. By the way, hemlines are up to mid-knee and body-hugging drapery is the word for this summer.—BRIGID JANSSEN

## LONDON

### Thatcher's Leadership

**T**o the consternation of some and the wholehearted satisfaction of others, British Prime Minister Margaret Thatcher in February celebrated the tenth anniversary of



Margaret Thatcher.

COURTESY YVES SAINT LAURENT-RIVE GAUCHE.



her election to the leadership of the Conservative Party. It's hard to remember how surprising this was at the time. Although Edward Heath had lost the February and October 1974 general elections, most of the pundits had thought, as he did, that he would see off the Thatcher challenge.

British politics were certain to take on a slightly different hue because of the novelty of a woman leading one of the two main parties. What was not foreseen was the extent to which Thatcher has dominated British politics and, to a considerable extent, helped to change them.

Leader of her party for 10 years, and Prime Minister for nearly six, Thatcher is a different type than any of her post-war predecessors as Prime Minister or party leader. They all operated within the consensus created in the immediate post-war period by the Labor Government.

Essentially, this consensus accepted that the main purpose of economic policy should be the attainment of full employment and that the state had a responsibility for owning and managing certain basic industries in the national interest. The other fundamental purpose of the state was to provide a system of welfare which would take care of people's health and education, and supply cash payments when anybody was unable to sustain himself above the poverty line.

Thatcher arrived in Downing Street with the conviction that things had gone too far: Government had assumed too much responsibility for industry, it was too indiscriminating in its provisions of welfare and it was stifling entrepreneurialism and individual responsibility.

The extent of her conviction did not emerge until the economic going got rough. The second oil price shock sent inflation into the high teens, the pound into a towering orbit and unemployment past the 2 million and then the 3 million mark. British manufacturing output collapsed; steel and

shipbuilding were hugely cut back.

The Thatcher Government did not carry out the widely predicted U-turn as the economic situation worsened. Conquering inflation through a tight monetary policy and reduced public spending remained the priority. Despite a variety of special job creating measures, it remains so to this day.

The resolution of the economic situation has flowed directly from the personality and beliefs of the Prime Minister. She is convinced that deregulation, returning public industries to private ownership and reduced taxes will release pent-up entrepreneurial energies which will create the employment and the economic prosperity of the future.

She has required her chancellors of the Exchequer to share her vision, and, as a result, she has kept control of economic policy. But her personal domination has not ended there. Many of her ministers are intimidated by her constant vigilance over their areas of responsibility, with the result that no major decisions are taken in British Government without the Prime Minister's endorsement.

Her determination to have her way has been breathtaking at times. "I was once at a meeting which began at 11 P.M. and continued until 4 A.M. At the beginning, she was the only person in the room arguing for a particular policy approach. But by the time the meeting ended, hers was the majority view," said one Treasury official.

These same qualities of nerve and determination won her strong public support during the war with Argentina over the Falkland Islands which provided the springboard for the overwhelming Conservative victory in the June 1983 general election. More recently, it has been the basis for the extremely tough Government line during the near year-long strike by the miners.

Her highly personalized

style means that opposition to Government policies focuses very much on her and is often visceral and harsh. The dons of Oxford University, resentful of education cuts, recently refused to entend to her, an Oxford graduate, the honorary degree that has been accorded most other Prime Ministers.

But her party's support in the polls is not seriously lower than at the time of the last election. Her greatest political good fortune is that the Labor Party still shows little prospect of healing its internal divisions

and proffering itself as a real alternative Government. The anti-Conservative vote, in any case, is split between Labor and the Liberal-Social Democratic alliance.

Her economic policies have raised the living standards of those in work, but have made little impact on the rising trend of unemployment. Despite this, Thatcher has every chance of achieving her ambition and winning a third term of office at the next election in 1987 or 1988.—JOHN WYLES



Greenland has a special arrangement allowing E.C. fisherman access to its waters.

## COPENHAGEN Greenland Leaves E.C.

**T**he E.C. now has its first ex-member: Greenland. Almost three years after the tiny electorate voted "no" to continued membership of the E.C., the chairman of the Greenland Regional Council, Jonathan Motzfeldt, told a cheering crowd in Nuuk that the good-bye to the E.C. was a "greeting to a free Greenland."

Many Danes believe that it is just that. About a quarter of the 52,000 inhabitants are Danes, but the Greenlanders are carefully grooming their own candidates for all the key

posts in society. And though many doubt that Greenland is a viable political and economic entity, nationalism is strong and growing daily.

There is no likelihood that the situation in Greenland will develop into the tensions of French New Caledonia. For one thing, the Danes in Greenland do not consider themselves settlers. Most stay in Greenland on fixed-term contracts, and preferential wage and tax treatments have been steadily eroded to the extent that it is now often difficult to attract qualified personnel.

Furthermore, the Danes would grant any broadly based Greenland demand for independence without undue delay. None is expected in the immediate future, partly because the



vast majority of Greenlanders still prefer some kind of a relationship with Denmark, if for no other reason than because it is easier to live with than dependence on the United States, which maintains bases in the country. Danish financial assistance is also substantial. Ministry of Finance officials sometimes joke that it would be cheaper to offer all Greenlanders a free stay in any sunny spot in the world rather than subsidize their polar abode.

Breaking the bond with Denmark will also jeopardize the special relationship Greenland has with the E.C., allowing E.C. fishermen access to limited activity in Greenland waters in return for a virtual continuation of all major membership rights, including financial assistance.

The decisive factor determining the date of full independence is economic. Greenland is richly endowed with raw materials, though extraction costs are often prohibitive. Oil exploration off the east coast may be the key to a rosy future, though there is a tradition of disappointments in prospecting in Greenland. According to the present agreement with Denmark, the rights to natural resources are to be shared equally. But the left wing Greenland party INUIT has demanded a renegotiation eliminating any Danish participation. Though the party is now in the governing coalition, this demand has not been met. But if someone really strikes it rich in Greenland, the temptation to cut out the Danes may be irresistible.—LEIF BECK FALLESEN

## LUXEMBOURG

### A Healthy Economy

The smallest industrial country in Europe is doing rather well, if the latest statistics are to be relied on. The fact that about a thousand people have found jobs in the past year may not thrill many governments, but it is something



Laid-off steel workers in Luxembourg have found new jobs on construction projects.

of a triumph in a country whose total population does not exceed 500,000. Measured in per capita terms, Luxembourg has done better than any other European country in resisting, and indeed, reversing, the tide of unemployment. And don't think this is because it makes cuckoo clocks or runs ski lodges. Luxembourg is a major-league steelmaker and international banker.

The Luxembourgers could set an example indeed of how to resist the economic tides that have beset so many larger European countries over the past decade. Partly this is due to the sharp management of its steel industry, which sensed the coming recession and took daring and, in their time controversial, steps to expand abroad. Partly it is due to policies which encouraged the growth of an alternative industry, specifically banking.

But at least in part it is also a measure of the willingness of successive Governments to promote a social structure that more or less guaranteed a willing worker a job. Since 1970, it is estimated that about 10,000 steelworkers have lost their basic employment in Luxembourg. Almost all of them have since found work in construction, either on private or government projects, or those that Luxembourg has solicited from the European Community.

Look back over the past five years in Luxembourg and you

will see none of the social strains and tensions that its larger neighboring countries have experienced. Some local cynics will tell you that this is because Luxembourg has no students. All its bright young people go abroad to be educated. "We export our dissent," says a local banker. And it is true that the population of Luxembourg city is comparatively elderly and well-behaved.

Prices in Luxembourg this year are expected to rise about 5 percent and the economic growth rate is put at around 2.5 percent. These figures are so close to the average for the E.C. that you begin to suspect the Luxembourg of being a kind of idealized European citizen. And so they are, in many ways, having seen their country downtrodden and invaded,



Berlin reduced to rubble during World War II. How should Germany celebrate such an ambiguous anniversary?

patronized and made into a tourists' haven.

Yet, like all European countries, Luxembourg has its national pride and for all it seeks a role at the center of the Community, it wants a national identity. It has a clear problem. The Luxembourgers realized long ago that they could not support the steel or banking industries on the basis of local workers. The doors were opened to foreigners and the result is that one third of all workers in the Grand Duchy come from abroad, and in industry the proportion is about half.—ALAN OSBORN

## BONN

### A V-E Day Dilemma

The Federal Republic of Germany is having difficulty deciding just how to mark May 8, the 40th anniversary of what Americans know as V-E Day, but which Germans still refer to as "the capitulation."

Chancellor Helmut Kohl—a Christian Democrat who often reminds people that he was only 15 years old in 1945 and therefore untainted by, and in no way responsible for, Nazi excesses—is said to have originally toyed with the idea of an international commemorative ceremony following on the Western economic summit he will host in Bonn May 2-4.

But internationalization of the 40th anniversary did not



appeal to the other countries, so the idea was dropped in favor of marking the event with an ecumenical church service and little else. Clearly, however, that would have been too low key, with the German Democratic Republic having declared May 8 a public holiday and occasion for celebrating "the day of victory and liberation," and with the wartime allies all planning their own celebrations.

The main problem is that neither Kohl nor any other leader in the Federal Republic is prepared to describe May 8, 1945, in clearcut terms. For a minority of Germans, it was a day of political liberation, the day the killing ended, the day Germany was given a fresh start.

But for the great majority, even of those who now enjoy the fruits of the new beginning and who don't have the slightest desire to restore Nazi rule, May 8 remains the day of military and national defeat, the loss of the country's eastern territories and the division of what was left into two states. For those living in the eastern areas, the killing also continued for a while longer.

Alfred Dregger, who is Kohl's parliamentary manager, probably came closest to expressing a consensus. Of course, everyone could still delight in the defeat of Hitler, Dregger said. On the other hand, May 8, 1945, also was the beginning of the expulsion of 14 million Germans from their homes in the east "and this was a tremendous catastrophe which offers not the slightest excuse for celebration." He suggested May 8, 1985, be marked privately as a "day for reflection."

There was too much pressure from the left, however, so the political parties finally agreed that the lower and upper houses of parliament should invite all members to a special meeting in the parliamentary building on May 8, to hear an address by President Richard von Weizsäcker. The meeting is not a special session of parliament, so no

deputy is required to be present, and, indeed, a number intend to remain away. The 22 Green-movement deputies say they will commemorate the day in Auschwitz, while a number of Kohl's Christian Democrats, for other reasons have indicated privately that they will have other business to attend to on that day.

The speech von Weizsäcker is to make may well be the most important of his first five years in office. The religious and philosophical traits that sometimes made him an outsider in the hurly-burly of daily parliamentary politics should work to his advantage now, enabling him to help the Germans come to terms with their own past. He is said to have been working on the speech since January.—WELLINGTON LONG

## BRUSSELS

### The Cruise Controversy

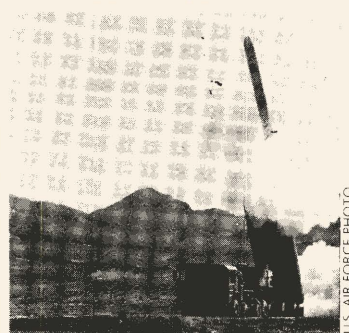
**T**o talk of Belgian politics at present is to talk of the deployment of NATO cruise missiles. The controversy pits public opinion against the Government, French-speakers against Dutch-speakers and even sets apart the political partners in the Government coalition. A general election is not due in Belgium until the end of the year, but many observers fear that an ill-judged decision by the Government could make it much sooner.

Along with other NATO allies, Belgium agreed in 1979 to install cruise missiles on its territory. The precise timing was left open, but the expectation was that the first deployment would be this March. Until late 1984, there was no quarrel with this. The main Belgian political parties accept the country's loyalty to, and need for, the NATO defense alliance.

Two things then happened. There was a turn of public opinion against deployment, perhaps influenced by the popular demonstrations in the United Kingdom and the Federal Republic of Germany.

More surprising was the switch made by the Dutch-speaking Christian Democrats, the largest party in the parliament, to call for a delay in the deployment. This has placed the Prime Minister, Wilfried Martens, in a difficult position. He is a strong NATO man and certainly wants Belgium to fulfill its commitments. He has sought, and won, backing for his position from President Ronald Reagan, from German Chancellor Helmut Kohl and from the British and Dutch Governments.

Trying to win his own party's support appears to be



Scheduled deployment of NATO cruise missiles has caused heated debate in Belgium's parliament.

more difficult. This is a case where the fragmentation of Belgian politics comes in. The 1979 Government which accepted cruise deployment was a coalition of Christian Democrats and Socialists. The present Government is composed of Christian Democrats and Liberals. It is supposed to be better disposed toward NATO and the Western alliance. It was a shock to find out that strong elements in the Christian Democrats are opposed to deployment. Only the liberal coalition partners were pressing for full installation of the missiles according to the informal time table of March.

The guessing in Brussels is that Martens will win the day and that the first installation of 16 cruise missiles will take place near the village of Florennes in the Ardennes this March. And what of the revolt in his own party? This has come a bit off track. It has been discovered that the leader of the Dutch-speaking Christian Democrats, Frank Swaelen,

who is leading the move against deployment, is none other than the Defense Minister of 1979 who actually signed his name to the agreement for the placing of the NATO missiles.

Swaelen's supporters claim that this was just a "technical" step, not involving political principle. His opponents are overjoyed. It does not make him look like a consistent man, they say. Not everybody in Belgium agrees with Martens' approach to the cruise deployment, but he has never held any other view. He has been elected as Prime Minister five times, and he has never changed. He certainly deserves to be called consistent.—ALAN OSBORN

## AMSTERDAM

### A Bicycle for The Elderly

**O**ut of a total Dutch population of 14.5 million people, 11.5 million own a bicycle, according to official statistics. Riders range from three-year-old tots to nonagenarians. Dutch bicycle manufacturers produce about 1 million units a year, a quarter of them for export.

Bicycles are produced in various sizes and shapes, but none so far with the nonagenarian in mind. In addition to conventional bicycles with upright handlebars, the Dutch make sport and racing bicycles—elongated versions where the rider is crouched over—as well as small ones for children.

Beginning in April, however, the so-called "Abraham" bicycle, named after the Old Testament patriarch, will be on the market. The "Abraham" model is aimed at the 2.4 million Dutch men and women over 60, whose knees are getting rusty and whose reactions are no longer as quick as they used to be.

The new bicycle is the idea of Hans Bakker, a country doctor who advises his patients to bicycle for exercise. After some of his patients had cy-



cling accidents, he got together with technicians and designed a specially adapted bicycle for the elderly.

The result is a bicycle with the saddle placed farther to the rear, although it remains the same distance from the pedals. In addition, the saddle is mounted low enough so that the rider can place both feet on the ground, while remaining seated, when he comes to a stop. The bicycle also has battery-operated turn signals and headlights, which stay on even when the bicycle is stopped.

Bakker says it took some convincing to get the industry to believe there was a special market among the elderly, but Sietze van der Velde, the director of the Rival company which makes the "Abraham" bike, expects them to sell quite well—despite their \$300 price tag. The new models will be on show at the New York bicycle exhibit in March.—NEL SLIS



The "Abraham" bicycle, above, is designed especially for greater stability and safety.

## ATHENS

### Gearing Up For Elections

Eight months before its four-year term runs out, the Socialist Government is already limbering up for what promises to be a prolonged election campaign. Recently Premier Andreas Papandreou made two moves calculated to build support among moderate voters who are likely to decide the election outcome. During last year's election for the Eu-

ropean Parliament, only 200,000 votes out of a total of 6 million separated the ruling Panhellenic Socialist Movement (PASOK) from its closest rival the conservative New Democracy Party.

Papandreou has given clear signals that he will back President Constantinos Karamanlis for a second five-year term when parliament votes in the spring in a presidential election. Although younger PASOK members complain that the presence of a conservative President prevents the Government from pushing through

radical reforms, many Greeks feel that Karamanlis, who must approve legislation before it can go into effect, exercises a restraining influence on the Socialists.

At the same time the Socialists have revised the electoral system, working in close consultation with the president. The new electoral law is billed by the Government as a simple proportional system, although electoral analysts describe it as a "super reinforced" proportional system. They say it favors the two big political parties, while at the same time enabling marginal political groups to win representation in parliament with just one or two seats.

Analysts say the new system, worked out on the basis of the results of last year's election to the European Parliament, would give a comfortable working majority to a party that wins 42 percent of the vote. That is about the percentage many predict that PASOK will win this time around. In 1981, PASOK won a landslide election victory, capturing 48 percent of the vote and 174 seats in parliament.

Meanwhile, unemployment has topped 10 percent and the inflation rate hovers around 18 percent, more than three times the E.C. average. Socialist officials acknowledge that support for PASOK has dropped in the cities. But in the countryside, things look different. Decentralization has brought new opportunities for farmers and small businessmen. Loans are easier to come by and agricultural workers now have proper pensions. E.C. grants, which now bring Greece close to \$1 billion annually in net benefits and mostly are directed to farmers, also play a large part in making Greek farmers feel looked after.—KERIN HOPE

## DUBLIN

### Church-State Conflict

The last thing the coalition Government needed as it struggled to pull the Irish economy out of its worst recession was a head-on clash with the

## CORRESPONDENTS

ALAN OSBORN reports from Brussels for the *Daily Telegraph*.

JOHN WYLES is the foreign news editor of the London *Financial Times*.

KERIN HOPE is a correspondent for *Associated Press* in Athens.

BRIGID JANSSEN writes for *United Press International* in Paris.

LEIF BECK FALLESEN is the economic director of the *Børsen* newspaper in Copenhagen.

WELLINGTON LONG is a freelance writer in Bonn.

JAMES BUXTON is Rome correspondent of the *Financial Times*.

NEL SLIS is a free-lance writer based in The Hague.

JOE CARROLL is a reporter on the RTE program *Today-Tonight*.







country's powerful Catholic hierarchy. But that is what it got with its by now notorious "Condom Bill."

Ireland is one of the few West European countries where church-state clashes, usually on questions of sexual morality, effortlessly become the biggest story of the day. The country sits back fascinated as bishops thunder hell and damnation. Most politicians run for cover, but the braver or less devout ones do their best to ward off the traditional "belt of the crozier."

Eighteen months ago the Fine Gael-Labor coalition defied the bishops over a constitutional amendment to outlaw abortion and lost. The issue was not over whether abortion should be legalized. It was and remains illegal. By the time the rumpus was over, most of the country had become amateur experts on gynecology and arcane details of the female anatomy.

This time, the row is over non-medical contraceptives. Or more precisely, whether they should be available to unmarried people aged 18 and upward. Since 1980, when the sale of contraceptives was legalized for the first time, their purchase required a doctor's prescription and he was only supposed to give one if they were needed for "bona fide family planning."

The architect of that compromise, which is described modestly as "an Irish solution for an Irish problem," is the present leader of the Fianna

Fail opposition party, Charles Haughey. The problem for the present Government is that this Irish solution has been working so well that the law is widely flouted and has become a bit of a joke.

A staggering 30 million of the contraceptives have been imported into the country over the past four years to serve a total population of just over three million, half of whom are about 25. Doctors dislike having to prescribe for them and many Catholic pharmacists refuse to stock them, especially those in rural areas. Most are probably sold, illegally but openly, through private family planning clinics.

The coalition Government came to power on a platform which included a promise to review the unsatisfactory 1980 law. After a two-year delay it came up with a proposal to make non-medical contraceptives available without a doctor's prescription to over 18-year-olds whether married or not.

Individual bishops quickly pointed out that the example of other countries showed that such a liberalization led inexorably to an increase in venereal disease, more illegitimate births and abortions. Supporters of the proposal retorted that it was precisely to avoid such social evils that a new law was necessary. It would mean corruption of the young and a veritable "copulation explosion," thundered one bishop. It was "theocracy versus democracy," warned the leader of the

small left-wing Workers Party.

The exceptionally strong reaction took the Government by surprise and the announced defections of four of its parliamentary majority of six spelled serious trouble ahead if a few more waverers bent to pressure from extremist Catholic groups which included threats to kidnap their children or even burn down the family house, threats which Cardinal O Fiaich strongly condemned.

The clerical opposition also damaged the Government's attempts to work for reconciliation with Northern Ireland. Supporters of a more pluralist society in the south as a necessary preparation for eventual

unity despaired as this latest church-state conflict revived the old jeers from north of the border that "Home Rule means Rome Rule."

The principal Protestant churches looked on uneasily. Like the Catholic Church, they also disapprove of pre-marital sex, but, as a small minority, distrust the view that instead of leaving people free to follow their consciences you "legislate for morality."

But the Government's success in getting its bill passed in spite of the Catholic Church's strong opposition made history in Ireland. Church-state relations will never be the same again. —JOE CARROLL

## SPEAK FRENCH Like A diplomat!

What sort of people need to learn a foreign language as quickly and effectively as possible? *Foreign service personnel*, that's who.

Now you can learn to speak French just as these diplomatic personnel do—with the Foreign Service Institute's Basic French Course.

The U.S. Department of State has spent thousands of dollars developing this course. It's by far *the most effective way* to learn French at your own convenience and at your own pace.

The Basic French Course consists of a series of cassettes and an accompanying textbook. Simply follow the spoken and written instructions, listening and repeating. By the end of the course, you'll be learning and speaking entirely in French!

**This course turns your cassette player into a "teaching machine."** With its unique "pattern drill" learning method, you set your own pace—testing yourself, correcting errors, reinforcing accurate responses.

The FSI's Introductory Basic French Course comes in two parts shipped in handsome library binders. Part A introduces the simpler forms of the language and a basic vocabulary. Part B presents more complex structures and additional vocabulary. Order either, or save 10% by ordering both:

- Basic French, Part A.** 12 cassettes (15 hr.), and 194-p. text, \$125.
- Basic French, Part B.** 18 cassettes (25 hr.), and 290-p. text, \$149

(Conn. and N.Y. residents add sales tax.)

**TO ORDER BY PHONE, CALL TOLL-FREE: 1-800-243-1234.**

To order by mail, clip this ad and send with your name and address, and a check or money order — or charge to your credit card (VISA, MasterCard, AmEx, Diners) by enclosing card number, expiration date, and your signature.

**The Foreign Service Institute's French course is unconditionally guaranteed.** Try it for three weeks. If you're not convinced it's the fastest, easiest, most painless way to learn French, return it and we'll refund every penny you paid. Order today!

116 courses in 39 other languages also available. Write for free catalog. Our 12th year.

**AUDIO-FORUM®**

Room C 60, On-the-Green, Guilford, CT 06437 (203) 453-9794

Or visit our New York sales office: 145 E. 49th St., New York, N.Y. 10017 (212) 753-1783



# SENATOR LUGAR'S FOREIGN RELATIONS

## NEW CHAIRMAN OF KEY COMMITTEE HAS AMBITIOUS PLANS.

BAILEY MORRIS

**F**ormer President Richard Nixon's "favorite mayor" faces the most important career decision of his life in his new job as chairman of the U.S. Senate Foreign Relations Committee. For Sen. Richard Lugar (R-IN), the choices are clear: Will he become "a cheerleader" in support of President Ronald Reagan's foreign-policy goals or will he attempt to forge the national bipartisan consensus which has eluded a divided America in the post-Vietnam era? The answer is especially important to Europeans who have watched the committee decline from a national forum, which educated the American public on crucial international issues, to a disjointed voice on foreign policy.

The Indiana Republican brings to the new job he neither sought nor expected to get a reputation as Reagan's "main man" on the once lustrous committee. This is stated proudly in his official biography. He is a Republican "team player," a politician sure of his conservative mid-America roots and, until recently, one without a foreign-policy agenda of his own. But over the next few months, a different man may begin to emerge as Lugar chairs the most ambitious set of public hearings undertaken by a Senate Foreign Relations chairman since the committee's days of glory under former Sen. J. William Fulbright (D-AR) who reigned with unchallenged authority from the late 1950s until 1974.

Lugar regards the hearings as a unique opportunity to examine America's foreign policy goals, airing publicly both the dirty linen and the golden moments. He believes America has reached an important crossroads in its relationship with the Soviet Union, the use of covert activities in Latin America, its Middle East policies and its economic relations with Europe.

During the hearings, he hopes to identify areas where there is "board biparti-

san support" and, in the process, re-establish the committee, which he likens to "a faded flower," as "the place where the future of American foreign policy will be created." It is an ambitious undertaking for a politician who has been content to rest publicly on his laurels as the model Mayor of Indianapolis during the Nixon years and the freshman Senator who fought for government loan guarantees for New York City and the ailing Chrysler Corporation.

Despite his reputation as a Reagan man, Lugar makes clear in an interview that he intends to place his own mark on U.S. foreign policy. But he does not elaborate, saying only that he will be "stronger" than his predecessor, Charles H. Percy, the former Illinois Senator who was defeated in his re-election bid.

The hearings, which began in February with testimony by George Shultz, the Secretary of State, and Caspar Weinberger, the Defense Secretary, are meant to be a learning process for Lugar, his committee and the American people. Only after a cram course in foreign relations will the decision-taking begin. The Senator, not a man of passion, is a meticulous planner and organizer. He does not intend to show his hand before all the cards are dealt.

In the area of U.S.-Soviet relations, he is a strong supporter of Reagan's policies. He believes without reservation in the Strategic Defense Initiative (SDI), the so-called "Star Wars" space weapons system, as a necessary component of future U.S. military strength. "We are on the right track," he says in predicting that Congress and the American people will support overwhelmingly the research phase of the SDI program. He dismisses criticism by the Soviet Union and some European allies that it is an expensive, unwarranted escalation of the arms race. He does not believe the U.S. insistence on proceeding with the research endangers the Geneva arms talks in March

which he regards as the beginning of a long, arduous negotiation.

The question he wants answered is "where does the research phase take us?" This is what he plans to interject into U.S. discussions with skeptical Europeans. "There seems to be a view that we are busy shielding the United States from destruction, while Europe is left on its own. Well, this is not true," he said. He is convinced, based on his tenure on the Select Committee on Intelligence and the basic research data, that the SDI will produce a system capable of destroying "all nuclear weapons," even cruise missiles and other smaller weapons which critics say will be able to slip through. This will lead to greater not less stability, he contends.

Lugar's conservative views on U.S.-Soviet relations and his general support of Administration policies do not mean, however, that he will follow the White-House line with blind devotion. He already has taken the initiative, to the surprise of many observers, in prodding the Administration to change and better define its Central American policies, primarily in Nicaragua. In his first important address as Foreign Relations chairman, he said the U.S. position in Nicaragua is "unsustainable" and that covert aid "is not a viable proposition."

Unlike the formidable Fulbright, who took on a President from his own party, serving as a "national conscience" on the excesses of Vietnam, Lugar's tone is more conciliatory, although insistent. This Congress, he said, will reject the Administration's new request for covert funds just as, last October, Congress voted to suspend U.S. aid to rebels fighting the Sandinista Government. "A different direction, a new policy will be required," he said. Lugar says that despite some lingering public concerns about Nicaragua's "surrogate Soviet relationship," he expects a diplomatic solution to be negotiated within a two-year period.

Lugar is taking an independent stance in other areas. He wants the Administration to develop a stronger South African policy to pressure the leadership into improving conditions for blacks by ending increasingly restrictive apartheid racial policies which are generating a new wave of 1960s-style demonstrations in American cities. He has not yet decided whether to support economic sanctions, but he is considering them. In addition, he recently met opposition political leaders from the Philippines, which he regards as "teetering on the brink of collapse," to determine for himself what U.S. policy





**"Will Europe be able to exert the leadership necessary to invigorate its economies . . . ?" asks Sen. Richard Lugar (R-IN).**

should be.

As chairman of the Senate Subcommittee on European Affairs, he stressed the link between economic policies and foreign policy, a policy marriage he intends to continue on the Foreign Relations Committee. "We must confront the imperative of economic growth directly. Would a freeze in U.S. defense spending have no consequence on our demands for greater burden-sharing on the part of our allies? If the nations of Western Europe do not grow at a rate comparable to that of the United States or the Pacific Basin,

will Europe be able to retain, much less expand, its own role in the defense of Europe? Will it be able to exert the leadership necessary to invigorate its economies and in some cases, break out of constraining economic rigidities?" These are the questions Lugar, unlike his predecessors, intends to ask. This will be one new focus of his committee.

Speaking more broadly, Lugar wants the American public to undertake a form of national soul-searching to arrive at a set of shared assumptions about U.S. goals which were lost in the ashes of

Vietnam. He is convinced the United States neither has recovered fully from the humiliation of the war nor adjusted to its post-Vietnam role. Speaking with the low-key zeal one would expect from a spartan Methodist who, at 52, jogs an average of 25 miles a week, Lugar says he wants the people to get involved. He thinks it is up to the people to choose between the often contradictory statements of Shultz and Weinberger over what constitutes an acceptable U.S. use of force in support of foreign-policy goals. "We have moved past the immediate post-Vietnam syndrome when we could not think about the use of any force to a new plateau where we should be able to determine if and when we should." This is the consensus he hopes to forge.

Lugar plans to do it, however, not by consulting the professionals on Embassy Row or by frequenting chic dinner parties at which the establishment is well represented. He wants to keep in touch with the heartland of America like former President Jimmy Carter, and, unlike Percy, his immediate predecessor, he believes Reagan's stunning re-election is the basis of a new grassroots mandate. "During the revitalization of the committee, I will be in Indiana more often than on Embassy Row," he said.

His success ultimately will depend, however, on his ability to set a realistic agenda and wield authority over a polarized committee representing the most liberal and the most conservative factions of an increasingly partisan Senate. On one side of the issues stands Jesse Helms (R-NC); on the other side stands Christopher Dodd (D-CT), an influential member of the Senate's liberal wing.

It is generally agreed that Percy, whose relations with the White House were never more than cordial, tried so hard to preserve the bipartisan tradition of the committee that he failed to control the process. He made the mistake of reporting out legislation that was unacceptable to the full Senate. In the end, the White House simply bypassed him, going over his head to Howard Baker (R-TN), the majority leader, who used the Appropriations Committee to achieve Reagan's foreign-aid objectives.

Lugar will not suffer from the same isolation, but he must also walk a difficult tightrope to achieve success. He must appear neither as a rubber stamp for the White House nor as an uncommitted observer, incapable of bringing majority opinion to bear on a few key issues. Percy was never able to exert this leadership. Lugar is still untested. **€**

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



# TRANS-ATLANTIC TRADE: HOW IS IT FARING?

\$107-BILLION FLOW IS CRUCIAL TO ORDERLY WORLD SYSTEM.

**T**he relationship between the European Community and the United States is complex and nowhere is this more apparent than in economic and trade relations. The E.C. and the United States are the major participants in the international economic and trading system, and they support broadly similar aims of strengthening the open world trading system and thereby expanding world trade. At the same time, they are competitors with divergent interests and sometimes different interpretations of the multilateral trading rules.

Despite occasional difficulties, the relationship has been successful in containing and controlling the many potential points of friction. Consultations, frequent exchanges of visits by Cabinet-level officials and E.C. Commissioners and close contacts through the E.C. Commission's delegation in Washington, D.C. and the U.S. mission in Brussels have taken place

since the early days of the E.C.

In 1981, it was decided to intensify the dialogue at the political level and an important U.S. ministerial delegation led by the U.S. Secretary of State has since met each year with a Commission delegation headed by the Commission's President. The most recent of these meetings was on December 14 in Brussels. These talks emphasize that the E.C.-U.S. relationship is basically a cooperative enterprise and that any conflicts must not be allowed to escape from their limited context.

The bilateral and multilateral importance of this relationship cannot be overestimated. Not only does it provide a solid basis for an annual bilateral trade which last year totaled \$107 billion between the United States and the Community, it also contributes in an important way to international trade cooperation. The relationship has been instrumental in putting a brake on protectionist tendencies and in

promoting international trade liberalization. The successive General Agreement on Tariffs and Trade (GATT) Multilateral Trade Negotiations could not have succeeded without the active support and cooperation of the E.C. and the United States.

There is no formal agreement fixing an overall framework for relations between the E.C. and the United States as there is, for instance, between the E.C. and each of the European Free Trade Association countries. The ground rules for U.S.-E.C. relations are found mostly in multilateral organizations, especially those bringing together the industrialized world, such as GATT and the Organization for Economic Cooperation and Development.

In the area of trade, the general GATT rules apply, particularly the most-favored-nation clause. These allow the parties to set up a relatively transparent, nonpreferential structure as regards trade tariffs and, through the GATT rules and codes, to accept binding rules for most other matters concerning trade. In terms of quantitative restrictions, trade has been liberalized almost totally.

## Bilateral Agreements

Bilateral agreements have been concluded in certain specific sectors:

**Nuclear Energy.** This agreement with the United States was the first ever signed on behalf of the European Atomic Energy Community (Euratom), less than five months after the Euratom treaty came into force in 1958. The agreement, supplemented by a further agreement in November of the same year, establishes a framework for cooperation in the peaceful uses of atomic energy, including the supply of nuclear fuel to the E.C. by the United States. In the late 1970s, the U.S. Government requested a renegotiation of these agreements as they applied to safeguards throughout the nuclear cycle. Following difficult negotiations, an agreement was concluded to both sides' satisfaction.

**Environment and Work Safety.** In 1974, the Commission and the U.S. Administration agreed to periodic consultations at official level and, where appropriate, common action on environmental questions. In 1979, they further agreed to hold expert-level meetings on various aspects of safety and hygiene problems in the work place.

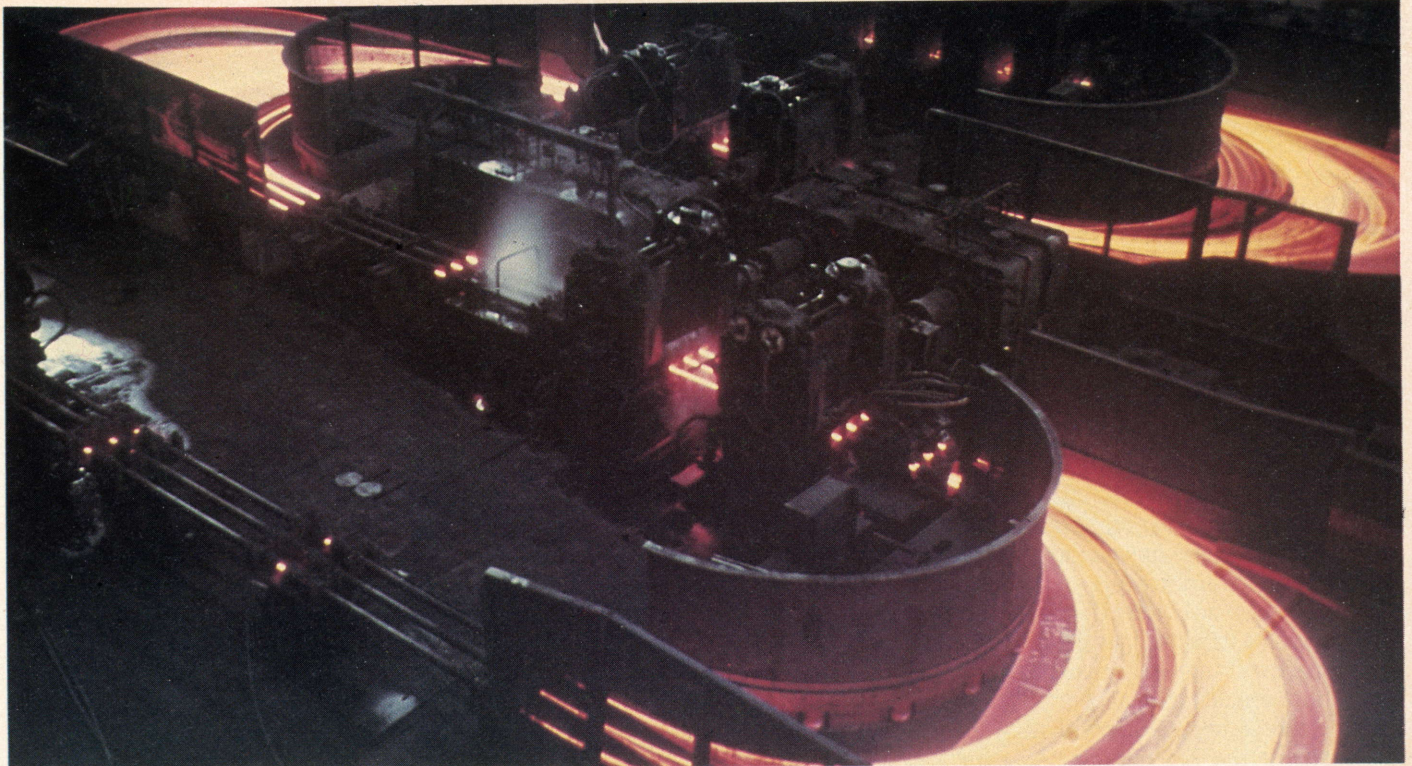
**Fisheries.** An agreement was signed in February 1977 regulating access of E.C. fishermen to the U.S. fisheries zone. This agreement recently was renewed for the period 1984-89.



U.S. legislation for the domestic wine industry has been opposed by the E.C. in the General Agreement on Tariffs and Trade.

© J.H. HALEY/SIPA-PRESS.





**U.S.-E.C. trade relations in steel are complex, as illustrated by the special negotiations on carbon steel which were concluded in October 1982.**

*Steel Arrangement.* During the present recession in the steel industry, the U.S. Government has sought to limit imports of ordinary and special steels to the U.S. market. At the beginning of 1982, the U.S. steel industry, in a concerted effort to reduce steel imports from all sources, launched a series of anti-dumping and countervailing suits against, among others, European steelmakers. As the adoption of protective measures would have entailed a drastic reduction in European exports to the U.S. market, the Commission negotiated an arrangement providing for guaranteed, but reduced,

access of 5.46 percent of the U.S. market for 10 categories of steel and the dropping of all anti-dumping and countervailing suits by the companies concerned in the United States.

The Carbon Steel Arrangement was concluded in October 1982 and has functioned to the satisfaction of both sides. Tension arose in January 1984 when Bethlehem Steel filed an import-relief petition. This could have jeopardized the arrangement if, as a result of the investigation, stricter import restrictions had been imposed than those agreed upon in the arrangement.

Specialty steel was not covered by the 1982 arrangement. In July 1983, President Ronald Reagan, following a recommendation from the U.S. International Trade Commission, decided to impose quotas and additional tariffs on specialty-steel imports for a period of four years. The E.C. protested this unilateral action and demanded compensation under GATT rules. After unsuccessful negotiations, the E.C. took compensatory action in conformity with GATT rules. This consisted of increasing tariffs and imposing quotas from March 1, 1984, on products such as chemicals and sporting equipment from the United States. They will remain for the duration of the American measures.

Steel pipes and tubes also were not covered by the 1982 steel arrangement. In January, the E.C. and the United States signed a formal arrangement limit-

ing E.C. pipe and tube exports to 7.6 percent of the U.S. market through 1986.

*Agriculture.* While the E.C. remains one of the United States' major export market for agricultural produce, importing 9.5 billion ECU worth of American farm goods in 1983, friction does occur in this area, mainly centering on three different issues:

- access to the U.S. market for Community exports,
- competition on third markets,
- U.S. exports of grain substitutes to the Community.

An example of the problems concerning access to the U.S. market that have arisen in E.C.-U.S. agricultural trade is the growing tendency within the U.S. Congress to support legislation that implies some form of reciprocity in bilateral trade. This is typified by the 1984 Trade and Tariff Act adopted by Congress. This legislation could restrict access of wine to the American market by giving U.S. grape growers the right to introduce anti-dumping and anti-subsidy complaints against the wine imports. The E.C. believes this is a violation of GATT rules, which specify that only producers of the same or similar product can introduce such complaints. The Commission has initiated GATT consultations on this matter.

On the question of competition on third markets, the United States considers the E.C.'s use of export subsidies both fundamentally wrong and unfair. Article 16 of



**U.S.-E.C. agreements in the fisheries sector have been negotiated successfully.**

© PIERRE DELATTRE/SIPA-PRESS



the GATT, however, allows export subsidies on agricultural products where they do not lead to an inequitable share of the world market or to an undercutting of the going price. The E.C. maintains that it has kept to the letter and spirit of Article 16, and points out that the United States employs a wide range of export aids itself (food aid and blended credits, for example). As is explained by most American commentators, the difficult situation of U.S. exporters is due to the high level of the dollar and to a serious lack of funds, particularly in developing countries. Encouragingly, agreement was reached in a recent meeting of the GATT contracting parties to discuss further how agriculture should be treated within the GATT framework and, in particular, to examine all export subsidies and import restrictions affecting agricultural trade.

On the question of cereal substitutes, the E.C. wants to protect its program for reforming its Common Agricultural Policy and for reducing farm support. Therefore it has been negotiating with its trading partners the stabilization, at their current level, of imports of certain cereal substitutes. It has already reached agreement with a number of countries concerning imports of manioc. The E.C. now proposes to negotiate similar arrangements within GATT rules on corn gluten feed, a by-product to a large extent of U.S. corn-sweetener manufacture. This would mean that exports of corn gluten feed to the E.C. could continue at the current level free of import duty. Any future



The E.C. continues to be the United States' major export market for farm produce.

Despite differences of opinion on some trade issues, close U.S.-E.C. cooperation has helped to stem the protectionist tide.

expansion could involve paying customs duties. The E.C. could offer appropriate compensation to the United States for any trade affected.

**Other Issues.** The Community has expressed its concern to the United States on a number of other issues, including textiles, extraterritoriality and unitary taxation.

In the first of these, the U.S. Customs Service has implemented new rules of origin that could have a severe effect on exports of textiles from the developing countries to the United States and already are having some effect on E.C. exports. On extraterritoriality, the new Congress will have to examine an Export Administration Act which is likely to contain elements contrary to the E.C.'s interest. Thirdly, the unitary taxation system adopted by some U.S. states creates an unfair tax burden for E.C. multinationals with subsidiaries in the United States.

### Development and Structure of Trade

The E.C. and the United States are the two largest trading partners on the world scene. In 1983, they accounted for 20.5 percent (\$293 billion) and 17.3 percent (\$258 billion), respectively, of total world exports. The two are each other's largest trading partner and their annual, 100-billion-ECU trade accounts for about 6 percent of world trade.

Over the years, E.C.-U.S. bilateral trade has constantly shown a trade deficit for the E.C. At times, this deficit has reached dramatic levels, as in 1980, when it was almost 18 billion ECU. Because of the strength of the U.S. dollar, the deficit has decreased, however, and in 1984, the E.C. showed a surplus. The last few years have shown a remarkable increase in bilateral trade between the two. E.C. imports have more than doubled, from 25.7 billion ECU in 1977 to 53.5 billion ECU in 1983. In the same period, exports to the United States also rose, from 20.5 billion ECU to 50.3 billion ECU.

Seen from the point of view of the trade balance, the E.C. has its largest trade surplus with the United States in cars and trucks (6.4 billion ECU), followed by oil (4.6 billion ECU), iron and steel (1.9 billion ECU), alcoholic beverages (1.9 billion ECU), mineral manufacturers (1.7 billion ECU), machinery (1.1 billion ECU), and nonferrous metals (1.1 billion ECU). The E.C. has trade deficits in oil seeds (2.8 billion ECU), animal feed (2.1 billion ECU), and cereals (1.1 billion ECU), as well as office machinery (4.7 billion ECU), electrical machinery (1.7 billion ECU), scientific apparatus (1.5 billion ECU) and coal (1.4 billion ECU). €

### Trade between the E.C. and the U.S.

Millions ECU

	1960	1970	1975	1980	1981	1982	1983	1984* (6 months)
E.C. Imp.	5,470	12,416	20,915	44,601	49,585	53,831	53,482	30,400
E.C. Exp.	3,371	9,354	13,295	26,775	37,169	42,908	50,275	31,900
E.C. Bal.	-2,369	-3,062	-7,620	-17,826	-12,416	-10,923	-3,207	1,500

\* Estimate

### Trade between the E.C. and U.S. by Product Categories, 1983

Millions ECU\*

	E.C. Imports	% of Total	E.C. Exports	% of Total	E.C. Balance
Food	4,647	8.7%	1,451	2.9%	-3,196
Tobacco/Beverages	670	1.3%	2,013	4.0%	1,342
Raw Materials (including oil seeds)	6,486	12.1%	531	1.1%	-5,954
Mineral Fuels	2,542	4.8%	5,693	11.3%	3,151
Vegetable and Animal Oils	217	0.4%	43	0.1%	-173
Chemicals	4,731	8.8%	4,013	8.0%	-718
Basic Manufactures	3,706	6.9%	8,600	17.1%	4,894
Machinery & Transport Equipment	19,204	35.9%	18,101	36.0%	-1,102
Other Manufactures	5,984	11.2%	6,562	13.1%	578

Source: EUROSTAT

\* The ECU/dollar exchange rate varies daily as the various E.C. currencies, which make up the ECU, vary against the dollar. One ECU was worth \$1.00 from 1960 to 1972, \$1.24 in 1975, \$1.39 in 1980, \$1.12 in 1981, \$.98 in 1982, \$.89 in 1983 and \$.83 in 1984.





*U.S. \$100,000,000*

# European Economic Community

*11<sup>1</sup>/<sub>8</sub> % Notes due 1990*

MORGAN GUARANTY LTD    BANQUE NATIONALE DE PARIS    S. G. WARBURG & Co. LTD.

ALGEMENE BANK NEDERLAND N.V.

BANCA COMMERCIALE ITALIANA

BANK OF TOKYO INTERNATIONAL LIMITED

BANK BRUSSEL LAMBERT N.V.

CHASE MANHATTAN CAPITAL MARKETS GROUP  
CHASE MANHATTAN LIMITED

COMMERZBANK AKTIENGESELLSCHAFT

COUNTY BANK LIMITED

CRÉDIT COMMERCIAL DE FRANCE

CRÉDIT LYONNAIS

DRESDNER BANK AKTIENGESELLSCHAFT

LEHMAN BROTHERS INTERNATIONAL  
SHEARSON LEHMAN/AMERICAN EXPRESS INC.

LTCB INTERNATIONAL LIMITED

SAMUEL MONTAGU & Co. LIMITED

MORGAN GRENFELL & Co. LIMITED

MORGAN STANLEY INTERNATIONAL

NOMURA INTERNATIONAL LIMITED

ORION ROYAL BANK LIMITED

SALOMON BROTHERS INTERNATIONAL LIMITED

SOCIÉTÉ GÉNÉRALE

SOCIÉTÉ GÉNÉRALE DE BANQUE S.A.

WESTDEUTSCHE LANDESBANK GIROZENTRALE

February 1, 1985

*All of these securities have been sold. This announcement appears as a matter of record only.*



# EUROPEAN FIGHTER PROJECT COMPETES WITH U.S. FIRMS

PLANNERS EYE \$30-BILLION MARKET FOR NEW AIRCRAFT IN THE 1990s.

AXEL KRAUSE

**W**est European political leaders are fond of citing the Airbus consortium and the European Space Agency (ESA) as examples of how Europe is succeeding in becoming independent of the United States in the field of civilian aerospace. What they usually neglect to mention is that the billion-dollar projects undertaken by these groups depend heavily on, and probably could not work, without U.S. cooperation, technology and equipment. Some examples are the American engines and avionics that are used in Airbus planes, the fact that U.S. satellite users are prime customers for ESA's Ariane launcher and the fact that Columbus, the agency's planned space station, could not function without close cooperation with NASA.

A strikingly different picture has emerged in the military sphere, where a growing number of equally large projects are being undertaken in a low-key manner, notably in the field of aerospace. In Munich, headquarters of Panavia, the British-German-Italian consortium that is responsible for marketing the Tornado fighter-bomber, Europe's biggest joint military program, executives are fond of pointing out that the Tornado contains only 3 percent U.S. technology, mainly in the radar equipment. "Unlike Airbus, Columbus and other European projects, the Tornado is an *all*-European solution, and it was only a beginning," a Panavia official added. "There are no American connections."

By far the largest military aerospace project currently under development—what is to be somewhat of an expanded version of the Tornado program—is the project defense planners have named the European Fighter Aircraft. Often criticized in NATO circles as the latest example of a troubling trend toward "alliance polarization" in large-scale weapons development, EFA is a program backed by the

United Kingdom, France, the Federal Republic of Germany, Italy and Spain to build at least 1,000 new combat fighters for the 1990s. This could generate an estimated \$30 billion in orders for the five countries. The Netherlands is currently considering joining the project, which would replace F-16s there. EFAS also would replace McDonnell Douglas F-4 Phantoms in Germany and Spain, Franco-British Jaguars in those two countries, Dassault-Breguet Super Etendards and Mirage fighters in France and Lockheed 104s in Italy.

The new fighter also is being designed to compete in export markets against new generation fighter aircraft being developed in the United States for the U.S. Air Force, which could generate European orders for at least 200 planes, beyond the 800 initially planned for the five participants. "It is no exaggeration to say that there probably never again will be a F-16 project in Europe," commented a senior British aerospace executive recently. "This time we want, and will get, the entire handle on the project," he added, referring to the fact that the F-16 was built under a co-production agreement directed by General Dynamics and in strict conformity with U.S. government rules with regard to exports, particularly in developing countries.

U.S. aerospace executives in Europe and NATO planners are troubled by the trend, which is not new by any means. During the last two decades, France, the United Kingdom and Germany, among others, have established about a dozen military aerospace ventures. These include the Alpha, Jaguar and Transall military planes, the Euromissile marketing firm that handles Roland and other, Franco-German missile systems and Tornado, a \$20-billion program started in 1969 and ending in about five years.

New projects are sprouting through the alliance, notably in the fast-expanding field of helicopters. France and Germany

are developing a joint, second-generation attack helicopter, representing \$750 million in costs during the next seven years, while the latest of several other new projects emerged in early February when the United Kingdom announced it was joining France, Germany, Italy and the Netherlands to study development of a new transport helicopter that could come into service between 1993 and 1997.

"EFA is the biggest, most dramatic, but by no means the only example of how Europe is going it alone," commented the senior executive of a leading U.S. aerospace company involved in helping the U.S. Air Force develop a new tactical fighter, also for the 1990s. "The chances of our collaborating again with our European allies on a military project, as we did on the F-16, are about nil, at least right now," he said. "And that includes the engines."

The European drive for what political leaders call "a new independence," has raised broader issues within NATO, which center on the sharing of the costs of developing new military technology and weapons, as well as the shaping of military strategy and goals within the alliance. U.S. defense planners want European allies to increase their contributions to NATO defenses, at a time when they are evaluating the substantial costs of defending Europe.

Pentagon officials were recently quoted by European officials as saying that the EFA participants would fare better by simply joining the U.S. effort—unconditionally. In somewhat gentler terms, Lord Carrington, secretary-general of NATO, told aerospace executives in London last fall that the defense industries on both sides of the Atlantic should cooperate more, if for no other reason than providing military products and technology "at a price that governments can afford."

Defense planners in Europe immediately counter with their perception of the "two-way street" in U.S.-European procurement policies, emphasizing that Washington is highly protectionist when it comes to importing European-made military equipment and technology and decidedly aggressive when it comes to exporting. Europeans regularly cite the fact that while the United States has a favorable trade balance with Europe of about 2.5 to 1 in civilian aircraft, it is even higher in the military field—about 8 to 1, with Europe's annual deficit now approaching an estimated \$2 billion. "The lopsided nature of the relationship, which is rarely debated in public for reasons of





COURTESY BRITISH AEROSPACE

**Above, British Aerospace's proposal for the new European Fighter Aircraft (EFA).**

alliance solidarity, is simply not tolerable," said a senior German defense ministry official. "That helps explain EFA."

The new fighter project has not yet materialized, however, and it is currently beset by a protracted deadlock among French, British and German aerospace companies that defense planners in the five countries say must be resolved before the project can proceed. The controversy centers on such basic issues as design leadership and how financing and production will be shared, which senior defense ministry officials were expected to discuss at a crucial planning meeting in Paris on March 12. "We realize there is speculation we will fail," a senior French defense ministry official said. "But we are proceeding, despite the industry disagreements."

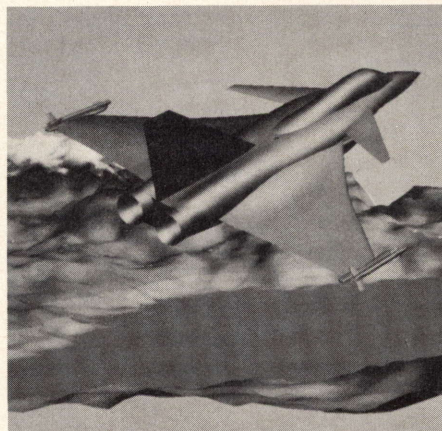
Some major questions have already been resolved. At a meeting in Madrid last July, the five defense ministers agreed that the EFA should be equipped with an all-new engine and they established its weight at around 9.5 tons. In December 1983, the air forces of France, the United Kingdom, Germany, Italy and Spain agreed that the plane should be a single-seat, twin-engine, short take-off and landing plane, capable of fulfilling both air-to-air and air-to-ground missions. And the protagonists in the industrial disputes, Dassault and British Aerospace, both state-controlled companies, plan to test fly demonstrator versions of the EFA in 1986, which each is developing in great secrecy—separately and amid considerable acrimonious debate on both sides of the English Channel.

The demonstration flights of Dassault's ACX and British Aerospace's EAP, which will test their latest technology and materials, are widely regarded as another crucial step in Europe's effort to

collaborate, but some of the participants are convinced that the project will collapse if the disputes are not resolved. "Right now things look difficult," said a senior German industry executive.

In firm, confident terms, Dassault has repeatedly insisted that among the participating companies (which also include Germany's Messerschmitt-Bölkow-Blohm, Italy's Aeritalia and Spain's CASA) only *it* is qualified to direct development of EFA, by virtue of its experience and success in making and exporting Mirage fighter aircraft. "We cannot be matched for performance and although we respect our partners, Dassault is very clearly best positioned to lead," a company executive said. "We do not believe that five, much less six, nations can jointly build a plane of this kind . . . building by committee simply is not efficient from a cost point of view," he added, noting that the Tornado has not landed a single export order outside of the British, German and Italian air forces.

British Aerospace dismisses the Dassault arguments. "The massive investment in the Tornado makes it sensi-



**The French company Dassault's version of the new fighter is known as the "ACX."**

ble for the partners to stick together, preferably under British leadership," an executive said, adding that Britain is seeking the establishment of a "slimmed down" version of the Panavia consortium and is insisting that the new fighter will be designed for export to world markets.

British Aerospace and MBB each control 42.5 percent of Panavia, and Aeritalia owns 15 percent. "Under the present circumstances, it is difficult to see how Dassault can be brought in, given their insistence on leadership and a 46 percent share in the venture," the British executive said. "We want fair and equal sharing."

Meantime, German industry and diplomatic officials said that Germany favors a "European solution" and that Bonn would use "all possible means" to convince the French to join EFA—but on, roughly speaking, British terms. "We would prefer to have Dassault and the French in, but if not . . . well, there are other alternatives," said a German official, who insisted on remaining vague about what Bonn has in mind, beyond mentioning what he described as possibly "Germanizing" a U.S. advanced fighter.

Indeed, failure of EFA could brighten the prospects of a collaborative effort with the United States, which France would, of course, reject as a matter of principle. Nevertheless, and while Dassault does not advertise the fact, the ACX demonstrator will be powered by a GE-404 engine made by General Electric of the United States, because a new engine for the EFA being developed by SNECMA, France's state-owned engine company, will not be ready in time. The German air force has expressed considerable interest in using the GE engine, or some derivative, in the EFA, although German industry strongly favors the engine going into the EAP: the RB-199, which is used in the Tornado and is made jointly by MTU of Germany, Britain's Rolls Royce and Fiat Aviozione of Italy.

Meantime, Northrop Corp. of the United States and Dornier GmbH, Germany's second-ranking aerospace company, have been studying joint development of a tactical fighter for Germany in the 1990s, which executives describe as "a fallback position." But European and U.S. aerospace planners rate the chances of a trans-Atlantic venture emerging as close to zero. "What is driving EFA now is that none of us at this point can afford to take the political responsibility for pulling out, and that the economic stakes for Europe are simply too great." €

Axel Krause reports from Paris for the *International Herald Tribune*.



# WHAT HAS THE E.C. MEANT FOR DU PONT?

## COMPANY URGES GREATER TECHNICAL HARMONIZATION.

W. ROBERT CLAY

**T**he growth of Du Pont operations in Europe closely parallels the establishment and development of the European Community and both the company and the E.C. have benefited from each other's presence.

Du Pont's ties with Europe go back to the formation of the company in 1802 by a French chemist, Eleuthère Irénée du Pont de Nemours, who had emigrated to the United States. Within a short time, his new company was producing black powder for use in hunting, mining, road building and construction, and, in 1805, the first export shipment was made to a buyer in Spain.

For the next 100 years, production and marketing were confined almost exclusively to explosives. But at the turn of the century, the company reorganized and launched upon a program of diversification that included purchasing technology from the French producers of cellophane, rayon and French and Italian inventors of high-pressure synthesis of ammonia. Meanwhile, Europe as a market was ignored for the most part, although a small sales office was established in London in 1905.

It was not until after World War II that Du Pont, spurred by the prospects of a rebuilt Europe and the first expressions of hope for a common market, began actively to pursue sales opportunities on the Continent and in the United Kingdom. In 1956 the company established its first European subsidiary, Du Pont U.K. Then in 1958, an international department was created.

The signing of the Treaty of Rome, the formation of the original six-member Community and the start of movement toward a truly open market coincided with intensified activity by Du Pont in the region. The company's first European production unit, a plant to manufacture automotive and industrial paints at Me-

chelen, Belgium, began operations in 1959 and in the same year, a European marketing organization was set up in Geneva, Switzerland.

Within the next five years, subsidiaries were incorporated in the Netherlands, France, Sweden, the Federal Republic of Germany, Spain, Luxembourg and Italy. Investment quickly soared as plants were constructed by several of these subsidiaries and it grew steadily through the 1960s and into the 1970s. But in the aftermath of the oil-price shocks and the ensuing economic recession, Du Pont investment in Europe leveled off in the latter part of the 1970s. Growing "Europessimism," overcapacity in basic industries and forecasts for little or no growth in European markets dampened the enthusiasm of corporate management about Du Pont prospects.

It was a good time to reassess the company's strategy and map out a course for the future. Like the parent company, Du Pont in Europe began to change its thinking and its course of action. A number of product lines that were no longer competitive or that showed slim prospects for future growth and profitability were trimmed.

Closing down operations is a painful experience, but necessary for the long-term health of the enterprise. As a matter of corporate policy, Du Pont makes every effort to minimize the effect of a closure on its employees and on the community. When possible, manufacturing units that must be closed down are replaced with new investment and in Europe the company has done just that at its Maydown plant in Northern Ireland and at Dordrecht in the Netherlands. Although all work places were not saved, there was less job loss than might have occurred if the new investment had not been made.

With the advent of the 1980s, in the traditional product lines such as plastics, elastomers and fibers, there was a new emphasis on specialty polymers, designed

as high performance, high value-added products that offer a competitive edge. Through acquisitions, as well as via the results of the company's own research and development efforts, the life sciences began to assume greater importance in the product portfolio. An organization was formed for clinical testing and marketing of pharmaceuticals. Spectacular growth was recorded for Du Pont products going into the electronics market.

The biggest change came with the acquisition of Conoco, Inc., one of the top 10 petroleum and coal companies in the United States, and a major factor in North Sea oil exploration and production.

An important element in the overall life sciences business is crop protection and Du Pont has been a relatively minor participant in the huge European market for agricultural chemicals. However, part of its new strategy is to strengthen and expand in Europe. Acquisition of former distributors in France and the Federal Republic of Germany have provided not only manufacturing at Cernay in France, but also a much larger marketing force, a necessity in order to capitalize on the new agrichemicals flowing from the company's life sciences laboratories.

Research is vital to the development of new products and processes as well as to the improvement in performance of existing ones. In Europe, Du Pont has maintained technical service laboratories in nearly all countries in which it operates. In recent years, greater importance has been given to the development of local research capability aimed at meeting the special needs of European customers. Both physical facilities and personnel have been increased to strengthen and localize basic research in specialty polymers, photopolymers and electronics.

Total investment for Du Pont in Europe stood at \$6 billion at the end of 1984, and, on a recent visit to company sites in Europe, chairman Edward G. Jefferson stated that more than \$700 million would be invested in manufacturing and refining facilities over the next three years.

These investments support two key strategies—to increase local manufacturing and to increase local research and development, both designed to better serve local customers. Du Pont products already are market leaders in many industries and many nations within the E.C. New manufacturing capacity, more sharply focused research and development and aggressive marketing will not only protect these leadership positions, but also will enable Du Pont to be a





COURTESY DU PONT DE NEMOURS

**The plant site in Mechelen, Belgium, became Du Pont's first manufacturing facility in the E.C. in 1959. Automotive finishes are produced here.**

tougher competitor in a number of new fields.

In the future, as in the past 25 or so years, Du Pont's main business outside the United States will be within the Community. More than 70 percent of Du Pont's annual European sales of over \$7 billion are recorded in the E.C. and nearly all of the more than 17,000 employees in the Europe, Middle East and Africa region are located in the E.C. The fortunes of Du Pont and the E.C. are inextricably linked.

Like all relationships, this one is not without its problems. The original concept of a common market potentially composed of more than 300-million people and open to the free flow of goods and services offered great promise. Regrettably, the European market is still not "common." In recent years, faced with intense competition, economic recession and rising unemployment, countries within the E.C. have drifted toward new forms of protectionism, erecting non-tariff barriers to trade that hamper rather than foster commerce.

E.C. Commission Vice President Karl-Heinz Narjes has estimated that one aspect of non-tariff barriers—frontier inspections and formalities—account for 5 to 7 percent of the price of goods traded, or something in the range of \$7 billion annually. Nearly 53 percent of companies, including Du Pont, responding to a survey by the American Chamber of Commerce in Brussels stated that they experienced costly delays in moving goods across borders.

Another major contributor to difficulties in doing business within the E.C. is the existence of singular national technical standards, forcing modification of products for different markets. Registration requirements for pharmaceuticals and crop protection chemicals differ from country to country, requiring expensive and time-consuming repetition of tests and other procedures.

In his inaugural statement at the beginning of 1985, E.C. Commission President Jacques Delors commented that "Europe still appears like some kind of feudal state where barriers, customs posts, formalities and red tape proliferate." He urged their suppression in the hope that the people of Europe could enjoy "the daily experience of a tangible Europe, a real community where travel, communication and trade are possible without any hindrance."

Du Pont endorses this view whole-



COURTESY DU PONT DE NEMOURS

**Above, Du Pont's research laboratory at Neu-Isenburg in Germany.**

heartedly and supports continuing efforts to achieve the goal of a true common market. Indeed, progress is being made. A single customs document will be adopted. There will be harmonization of transmission and switching systems for cross-border telecommunications. And there will be simplified procedures for registration of products and fewer individualized technical norms.

Du Pont is optimistic also about the launching of such cooperative research and development programs as ESPRIT and others both under way and planned. Consolidating and aiming the rich resources of the nations that make up the European Community is essential to keep the region competitive on a global basis.

Du Pont representatives will continue to express to E.C. officials and members of the European Parliament their views on how some of the hindrances to improved competitiveness can be removed so that the Community and the businesses within it can be more successful both in Europe and worldwide.

The company's objective is profitable growth in Europe by providing its customers with a diverse line of products that meet their needs and by discovering new products appropriate to even more stringent requirements. By so doing, Du Pont will continue to contribute to the economic growth of the E.C. and the welfare of the people. It is the role of the E.C. to provide the climate in which these objectives can be met. ☐

W. Robert Clay is chairman of Du Pont de Nemours International S.A.



# EUROPE TAKES LEAD IN NUCLEAR POWER

REGULATORY AND ECONOMIC CLIMATE IS MORE FAVORABLE THAN IN U.S.

BARBARA STARR

Over the last 10 years, the European Community has undertaken a considerable effort to wean itself away from imported Middle East oil supplies. North Sea oil and British and German coal supplies have helped trim energy import bills somewhat. But the most costly, and ambitious, initiative has been the multibillion dollar development of commercial nuclear power. Nuclear power has helped reduce the E.C.'s dependence on imported oil from 62 percent of energy consumption in 1973 to 32 percent in 1983.

In the Community today, some 95 reactors provide 52 gigawatts of electricity to citizens and businesses. E.C. plans call for 128 reactors with a capacity of 98 gigawatts within the next five years. Those plans may falter a bit. The world economic recession has led to an excess of electricity supplies, forcing some trimming of nuclear construction plans. But so far European electric utilities and their customers are successfully avoiding the financial and regulatory agonies that nuclear power continues to visit on the United States where at least half a dozen investor-owned utilities building nuclear plants continue to falter on the edge of bankruptcy.

The future for nuclear power looks very different on both sides of the Atlantic Ocean. Many European power officials believe that when demand for electricity picks up again, new nuclear powerplants will be more attractive than oil, coal, hydro or small power facilities. In the United States, utility officials are increasingly discouraged about the outlook for the construction of new nuclear stations in the United States. They wish they could operate as the Europeans do and build nuclear power stations in half the 15 years it now can take in the United States.

Nuclear power in Europe looks

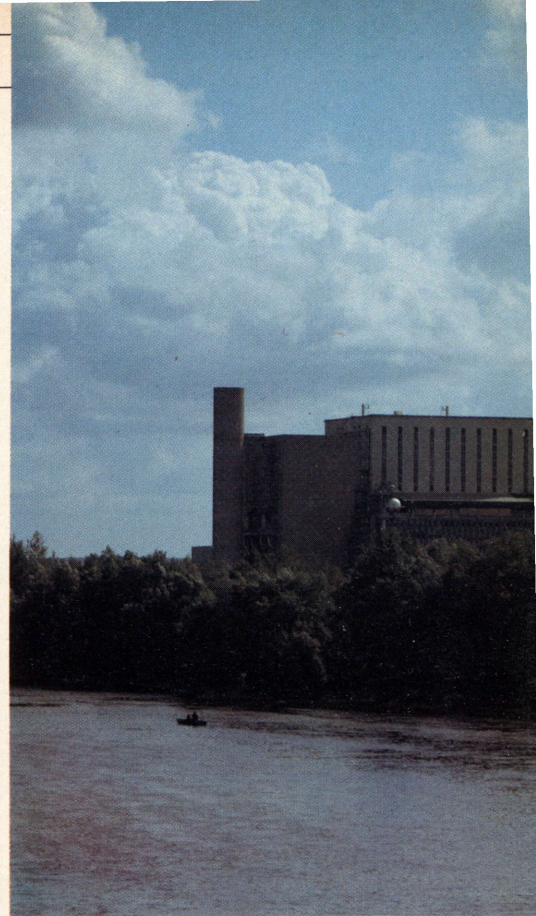
brighter for the most part because the regulatory and economic climate is more favorable than in the United States. E.C. nations have been shrewd observers, says one key U.S. industry official. "Europe is going to school on the U.S. experience," says Douglas C. Bauer, senior vice president of finance and economics at the Edison Electric Institute (EEI), a trade association of U.S. investor-owned electric utilities.

Moreover, Bauer also emphasizes that in Europe, when a new powerplant is needed, nuclear still looks good on the balance when compared to the cost of oil-fired generation. The coordination of nuclear power policy on a national level in Europe helps keep regulatory delays and costs under control. "There is still a commitment in Europe to new construction," he adds. "The United States will lose the world edge on nuclear power. It will shift to the French," if current trends continue, Bauer predicts.

But, in the United States, multiple and confusing layers of federal and state regulation, and repeated citizen intervention at all levels, often delay plants for years and add significantly to finished costs. Then the price of the power from the plant is so expensive that demand for power falls, and the utility finds itself in a "death spiral."

There are other key differences as well. In the United Kingdom, the construction costs of new plants are recovered in rates faster than in the United States, where the cost of carrying money can total more than half the finished cost of a plant. And in France, the Federal Republic of Germany and the United Kingdom, industrial customers can bargain for a cheaper price with the utility—which helps keep everyone's costs under control.

Indeed it is regulation and economics, that along with declining power demand, have combined to sound the death knell for nuclear power in the United States.



Some 100 nuclear power stations have been canceled in the last decade, and U.S. industry officials estimate as much as \$40-billion more of current construction may be canceled due to growing power surpluses and continuing financial strains on relatively small U.S. utilities building plants that cost as much as \$4 billion.

How future power demands will be met is the key question most utility executives are grappling with today. American utilities believe that by the year 2000 at least 100 to 200 million kilowatts of generating capacity will be needed in addition to plants now running and those under construction. But "under present regulatory and institutional arrangements, no American electric utility would consider ordering a new nuclear power plant," said a recent report from the EEI Task Force on Nuclear Power. The task force said that the costs and risks of nuclear development in the United States have become unacceptably high, but that "based on earlier experience in the United States, on current foreign experience and on economic analyses, nuclear power could again be an economical means of meeting future demands for electricity."

In order to make the nuclear option more attractive in the United States again, EEI is recommending that the utility industry:

- Make greater use of joint ventures and





© ADAM WOOLFIT/WOODFIN CAMP

A nuclear power plant on the Loire River in France.

separate nuclear companies as a means of spreading risk and achieving a better match between capacity additions and load growth.

- Develop nuclear units only through contracts providing for sharing of the risk of cost increases with nuclear suppliers.

Along with these recommendations, EEI is recommending that the federal government:

- Approve standard nuclear plant designs.
- Consider and approve nuclear plant sites in advance of an application to construct a plant.

"The crucial result of these recommendations would be to reduce sharply the time and cost required to construct a new nuclear unit and to lessen the risk of unexpected cost increases beyond the control of the utility," the report says.

But nuclear power has not been trouble-free for the Community. Power surpluses and high interest rates have plagued Europe as well as the United States. And vocal citizen opposition to nuclear power continues, especially in Germany, Austria and Switzerland. And although the French are vigorously pursuing fuel reprocessing and the development of breeder reactors, other countries are still grappling with the nagging question of what to do with spent fuel from their conventional power reactors. Italy,

Germany, Belgium and the Netherlands have joined France in construction of the Superphenix breeder reactor, scheduled to begin operating this year in Creys-Malville, France. But there is a growing feeling throughout the Community that until the question of what to do with spent fuel is clearly resolved, there will be no significant growth in conventional nuclear powerplant construction.

France has long been considered the showcase of nuclear power development on the Continent. Currently some 36 reactors provide 50 percent of electricity demand. That has helped slash France's oil imports from 250,000 barrels per day in 1973 to less than 16,000 barrels per day currently. "It is possible to build an economic and reliable nuclear power system," Rémy Carle, an Electricité de France (EDF) director, told an audience of international nuclear industry executives last fall in Washington, D.C. Carle pointed out the French have been working hard to improve the performance and reliability of their reactors. And, importantly, the use of standardized designs "is undoubtedly a successful factor," he said.

Even with looming overcapacity of electricity—about 15 percent of total production by 1990—the French are trying to keep nuclear costs down by actively promoting exports of excess electricity to a number of countries including Germany

and the United Kingdom. EDF hopes to do that by pricing power halfway between French marginal costs and the marginal costs in the purchasing country.

Germany's nuclear program, however, has experienced many of the same problems as the United States. From 1976 until 1982, no new siting or construction permits were issued for new nuclear plants as citizen opposition grew and projects became bogged down in the regulatory approval system administered by both the federal and regional governments. Finally, in 1982, preliminary construction permits were issued for three new plants as licensing procedures were streamlined.

While dropping demand is slowing construction of new nuclear plants, new analyses from the Organization for Economic Cooperation and Development's Nuclear Energy Agency (NEA) show that for the near term, at least, nuclear power has a clear economic advantage over coal for base-load electricity generation, except in areas of the United States and Canada which are close to low cost coal supplies. In Europe, the nuclear advantage would be reduced if cheaper coal were available or future coal prices could be held steady in real terms. But the NEA said coal prices were likely to rise 1 to 2 percent per year and that coal-fired generation costs would be strongly affected by future pollution controls.

Still, nuclear power has been strikingly more important as an energy source in Europe than in the United States. Between 1973 and 1983, nuclear power's share of electricity production increased from 5.4 percent to 22.4 percent in Europe and from 4.3 percent to only 12.6 percent in the United States. And the Community is determined to keep the upward trend.

A recent E.C. Commission report said by the turn of the century nuclear energy should produce 50 percent of the Community's electricity and that it should cover 14 percent of the Community's total energy requirements by 1990. The report calls for continued expansion of nuclear power, describing it as an economical and strategically secure energy option.

The report emphasized economics and politics. Coal-generated electricity costs from 30 percent to 88 percent more than nuclear-generated electricity in the six E.C. member states with nuclear programs, according to Commission figures.

Barbara Starr writes on energy for *McGraw-Hill Publications* in Washington, D.C.



# SHOULD EUROPE FEAR U.S. RESURGENCE?

## COULD AMERICAN PREOCCUPATION WITH PACIFIC RIM HURT TRANS-ATLANTIC RELATIONS?

JOHN YOCHELSON

**N**ow more than ever, Europeans face their perennial quandary over American economic power: whether to love or fear it. They have been stunned by American economic resurgence, yet they remain skeptical of some of the policies that brought it about.

The United States has set a striking example for Europe in 1983-1984 with

5.5-percent real growth, 3.5-percent inflation, a sharp drop in unemployment and levels of productivity unseen since the 1960s. Although the U.S. economy has slowed lately, the new dynamism of the U.S. business climate has helped establish an agenda for Europe's own revitalization. At the same time, the recovery of the United States has served as the proverbial locomotive not only for Europe, but for the rest of the world economy.

Europeans readily concede that the surge in American demand for imports has given them a vital boost.

Nevertheless, Europeans have led the chorus of complaints against high U.S. real interest rates, bulging federal deficits and the adverse effects of the strong dollar. They claim that the rates of return available in the United States—fostered by government borrowing—have soaked up scarce capital from abroad and severely constrained European economic options by forcing up interest rates to check capital outflow. They assert further that the run-up of the dollar has added to the burden of international debt and increased the cost of key commodities, such as oil, that are traded in U.S. currency.

Although European reaction to Reaganomics remains mixed, three key items on the balance sheet are already clear. First, American economic resurgence has spurred intensive European self-assessment. The demonstration that there is an alternative to low growth and high



ILLUSTRATION BY BETHANN THORNBURG



inflation has been acknowledged by Europeans of all political colors and has led many to adjust their thinking in the light of recent American achievements.

Second, while Europe has been looking toward America, America has been looking across the Pacific. The deterioration of the American trade position, the American preoccupation with competitiveness and the dynamism of the Pacific rim nations all have combined to bring this region—not Europe—to the forefront of U.S. concerns about future challenges and opportunities.

Third, American economic diplomacy has grown increasingly assertive. The Reagan Administration has pressed hard for an approach to the international economic agenda that gives greater play to market forces and to the role of the private sector. Washington also has reacted forcefully to a massive and growing trade deficit that exceeded \$120 billion for 1984. The outlook is for further American assertiveness.

Together, these developments signal a new and perhaps pivotal phase in postwar U.S.-European economic relations.

### **The American Example**

While the recent strength of the American economy has impressed Europeans, the cyclical recovery *per se* has not been the primary focus of their interest. Instead, the vigor of the American economic recovery has impressed Europeans and raised the question of whether the United States is coping more effectively than Europe with longer-term challenges of structural change and adjustment.

Since the early 1970s, all of the advanced industrial economies have been swept by forces of deep, and in some instances, disruptive change: the energy price shocks of 1973-1974 and 1979, the drive of the newly industrializing countries into world markets, the accelerating pace of technological change and rising demands for public-sector services.

These changes generally have had similar effects on both sides of the Atlantic. Investment, productivity and growth slowed in the United States and OECD Europe in the 1970s. Dislocations of the work force occurred in many of the same sunset industries. Unemployment increased, and the number of jobless that could not be absorbed into the labor market even in high periods of activity (the structurally unemployed) ratcheted upward in successive business cycles.

The Reagan Administration, believing that economic growth is the most constructive motor for change and adaptation, has sought to wring inflation out of the economy, to reduce the size and influ-

ence of government and to improve the business climate through a comprehensive program of tax cuts.

The net impact of the Reagan program has been to force the pace of change in the American economy. While the recession of 1981-1982 and the strong dollar have compelled firms to streamline operations and increase productivity, fiscal incentives, deregulation and large inflows of foreign capital have powered an extraordinary expansion. As a result, three long-term trends in the American economy have accelerated: the growth of the work force, the shift of resources from the goods-producing to the services sector and the shift within manufacturing toward technology-intensive industries.

The tempo of change and adjustment in the United States strikes a vivid contrast with Europe. The job-creating capacity of the U.S. economy was demonstrated during the 1970s when the entry of the baby-boom generation and the addition of

The demonstration that there is an alternative to low growth and high inflation has led many Europeans to adjust their thinking in the light of recent U.S. achievements.

women of all ages increased the size of the work force by 20 million. Nearly 6 million more jobs have been added since then—the bulk of them in the services sector, which not only has grown faster than the goods-producing sector but has proved more resilient through cyclical downturns. The decline in manufacturing employment has been concentrated in import-competing, basic industries using standardized technologies—primary metals, shoes, textiles, apparel and automobiles. Strong gains in output, productivity and employment have been registered in high-technology industries.

In contrast, OECD Europe has dramatically underperformed the United States in job creation. The size of the European work force has remained flat since the early 1970s. The inability to generate new jobs has created an oversupply of labor, leaving severe problems of youth and extended-duration unemployment. The lag in investment, real wages which increase faster than productivity, the ri-

gidity of labor markets and the rise in benefits for the unemployed all have contributed to a pattern of sustained stagnation.

There certainly is no easy American cure for Europe's persistent problems of growth and structural adjustment. However, recent American experience points away from a number of policy directions that have been advanced in the swirling debate over Europe's economic future: job sharing, increased use of industrial policies and moves to restrict the mobility of labor and capital.

Instead, the American example points Europe toward:

- giving greater priority to the acceleration rather than the cushioning of change,
- reducing the size and scope of public-sector involvement in national economies and
- improving the entrepreneurial climate.

European movement along these policy lines looks encouraging. The objective of increasing factor mobility, cutting structural budget deficits and tapping the energies of the private sector have moved up on the agendas of Governments of the left and of the right. The convergence of European and American perspectives, however, has not ended criticism of American macroeconomic policy as a major constraint on Europe's still modest cyclical recovery.

### **The Pull of the Pacific**

While Europe looks toward the American economy, the United States is increasingly looking toward the Pacific. The deepening of American economic involvement in Asia is not recent. Two-way trade across the Pacific surpassed trans-Atlantic trade in 1981. The economic profile of the Pacific has eclipsed that of Europe because the Pacific is widely regarded by Americans as both a region of greater opportunity and a more severe competitive threat.

The growth of the Pacific-rim nations has outstripped the rest of the world since the first oil shock: Japan has been a relative laggard in the region, averaging about 5-percent real growth; the ASEAN nations have achieved 7 percent. Korea, Taiwan and Hong Kong have surpassed all the others. In contrast, since 1973 real growth in the United States has averaged 2.5 percent and about 2 percent in OECD Europe.

If the Pacific promises growth for the United States, Europe poses the challenge of preserving American assets. Although Europe has been unable to match the pull of the Pacific's expanding markets, American business is working to sustain an already strong position there.



Nearly half of total U.S. direct investment overseas is in Europe, while the Pacific counts for less than 15 percent. American multinationals have operated effectively within the European Community since its creation. Europe has provided vital export markets for American agriculture, technology and services.

Europe is not regarded by Americans as a decisive competitive threat. The improvement in Europe's bilateral trade position with the United States over the past several years (more than \$12 billion from 1981 to 1983) pales in comparison to the overall size of the U.S. trade deficit. Nineteen eighty-four marked the first year since 1972 that the E.C. ran a trade surplus with the United States. The composition of bilateral trade generally has been balanced across a range of primary commodities and manufactured goods. The United States has consistently enjoyed a wide surplus in high technology-intensive manufactures.

The dynamism of the East Asian nations, on the other hand, has raised profound questions regarding the American competitive position. Japan, Korea, Taiwan, Hong Kong and Singapore accounted for roughly half of the \$123-billion U.S. merchandise-trade deficit in 1984. The composition of East-Asian trade has been highly asymmetrical: Virtually all U.S. imports are in manufactures, while U.S. exports are weighted heavily toward raw materials and agricultural goods. It is the Pacific—not Europe—that has sparked a searching American domestic debate over competitiveness and has evoked a determined response from U.S. industry.

The American concentration on the Pacific, both as a partner and a rival, could lead U.S.-European relations in two alternative directions. The one feared by Europeans is a Pacific tilt that would downgrade the Atlantic priorities of the United States, both economically and geopolitically. A gradual loss of American interest would undermine security ties and leave a weakened and isolated Europe more vulnerable to the Soviet bloc. Asians fear a different scenario: a protectionist American backlash that would draw the United States closer to Europe at the expense of the Pacific.

Both of these scenarios are unlikely. The contingency of American neglect of Europe underrates both the importance of U.S. economic stakes there and the crucial significance of U.S.-Soviet rivalry. The contingency of protectionist American backlash against Asia discounts both U.S. geopolitical stakes in the Pacific and the open-market predilections of the Reagan Administration. Nevertheless, rising

American concern with the Pacific is bound to affect Europe. It will alter the psychological balance, and it seems already to have nourished "Europessimism."

American resurgence has confirmed the end of an era in which the United States and Europe were the dominant forces shaping the global economic order. If current trends continue, American policies and perspectives will be increasingly influenced by a U.S.-East Asian dynamic over which Europe has diminished control.

#### **Time for Hardball**

Europe will have to reckon with the renewed assertiveness of American eco-

If current trends continue, American policies will be increasingly influenced by a U.S.-East Asian dynamic over which Europe has little control.

omic diplomacy. The United States has played a commanding role in the international economy since the establishment of the Bretton Woods system. During the last several years, however, the Reagan Administration has pressed its views with a firmness not seen since the closing of the gold window and the devaluation of the dollar in 1971.

The Administration has been determined to make its vision of the world economy operational, citing the domestic policies of the world's key economies—not global blueprints—as the foundation of a prosperous world economy. It has emphasized the need for convergence of national economic policies around the fundamentals of low inflation and greater reliance on market forces, both internally and internationally. The Administration has applied these principles rigorously at the annual economic summits of major Western leaders, in deliberations over the funding and policies of the International Monetary Fund and the World Bank and in other international forums.

The Reagan Administration also has insisted more strenuously than its predecessors that Western commercial interests be subordinated to strategic East-West considerations. The use of

American leverage to contain leakage of high technology to the Soviet bloc has reflected an effort to redefine the framework of East-West relations that developed during the 1970s (although the Administration remains divided over its approach).

Widening deficits only have toughened the American trade stance. The appreciation of the dollar has spurred a major push—directed mainly at Japan and a number of developing countries—to improve U.S. market access overseas. At the same time, the surge of imports that has accompanied the cyclical recovery of the American economy has intensified protectionist pressures.

The Reagan Administration has contained the most severe of these pressures, but it also has restricted access to the U.S. market through the selective use of tariffs, quotas and voluntary export-restraint agreements covering automobiles, textiles, footwear, steel and consumer electronics. Trade legislation passed by Congress last year has simplified procedures for seeking import relief and it has made U.S. access to foreign markets in services, high technology and investment a quid pro quo for gaining entry into the American market. In addition, the Administration has cracked down on counterfeiting and has tightened the administering of customs regulations.

Aside from East-West trade issues, Europe has not been the special target of American assertiveness. Nevertheless, Europeans have felt its bite. The Reagan Administration has *not* altered macroeconomic policies to suit European preferences. It has set tighter limits on exchange-rate intervention than some European Governments proposed. The United States reacted sharply at the end of 1984 to rising European exports of specialty steel and even more vehemently against European agricultural exports into long-held American export markets.

Continued U.S. assertiveness lies ahead. The Reagan Administration will press its major trading partners to adapt the strategies that have energized the American economy and have improved global prospects. The Pacific challenge will not recede. Looming trade deficits will move the United States to pursue its trade interests more strongly and perhaps more narrowly than ever.

This outlook puts Europe squarely on the spot. The question for Europe is not whether to revitalize itself, but when and how. ☛

John Yochelson is director of international business and economics at the Center for Strategic and International Studies, Georgetown University.



*This announcement appears as a matter of record only.*



# **European Investment Bank**

## **U.S.\$250,000,000**

### **Note Issuance Facility**

Arranged by

**Goldman Sachs Limited**

Underwriting Banks

**Amsterdam-Rotterdam Bank N.V.**

**Bankers Trust International Limited**

**Banque Nationale de Paris**

**Commerzbank Aktiengesellschaft**

**IBJ International Limited**

Tender Panel Members

**Algemene Bank Nederland N.V.**

**Bankers Trust International Limited**

**Banque Paribas Capital Markets**

**Credit Suisse First Boston Limited**

**Goldman Sachs International Corp.**

**Merrill Lynch Capital Markets**

**Union Bank of Switzerland (Securities) Limited**

**Amro International Limited**

**Banque Nationale de Paris**

**Commerzbank Aktiengesellschaft**

**Deutsche Bank Aktiengesellschaft**

**IBJ International Limited**

**Salomon Brothers International Limited**

**S.G. Warburg & Co. Ltd.**

Facility Agent  
and Underwriting Banks' Agent

**Bankers Trust International Limited**

Facility Issuing and Paying Agent  
**Bankers Trust Company**

*November 21, 1984*



# WHY ARE AIR FARES SO HIGH IN EUROPE?

E.C. HAS PROPOSAL TO HARMONIZE FARE STRUCTURES.

H. PETER DREYER

**“W**e are deeply concerned that despite the best will in the world, ultimately the airline industry will find itself in a similar situation to the European steel industry—where production quotas and price floors (and subsequent fines) are imposed on companies by the E.C. system,” Karl-Heinz Neumeister, secretary-general of the Association of European Airlines (AEA) recently stated publicly.

He added that any across-the-board fundamental change to the present bilateral system would hamper progress and flexibility and that implementing the competition rules of the Treaty of Rome which established the E.C. as a kind of antitrust law could severely damage, and even negate, today's proven cross-border

cooperation among European airlines. These remarks by the spokesman of the AEA—which groups together Western Europe's 20 principal airlines—throw an (obviously highly subjective) light on, and form part of, a heated discussion which has now been going for several years. More especially, it revolves around how the European carriers divide the market between themselves and how they set their rates.

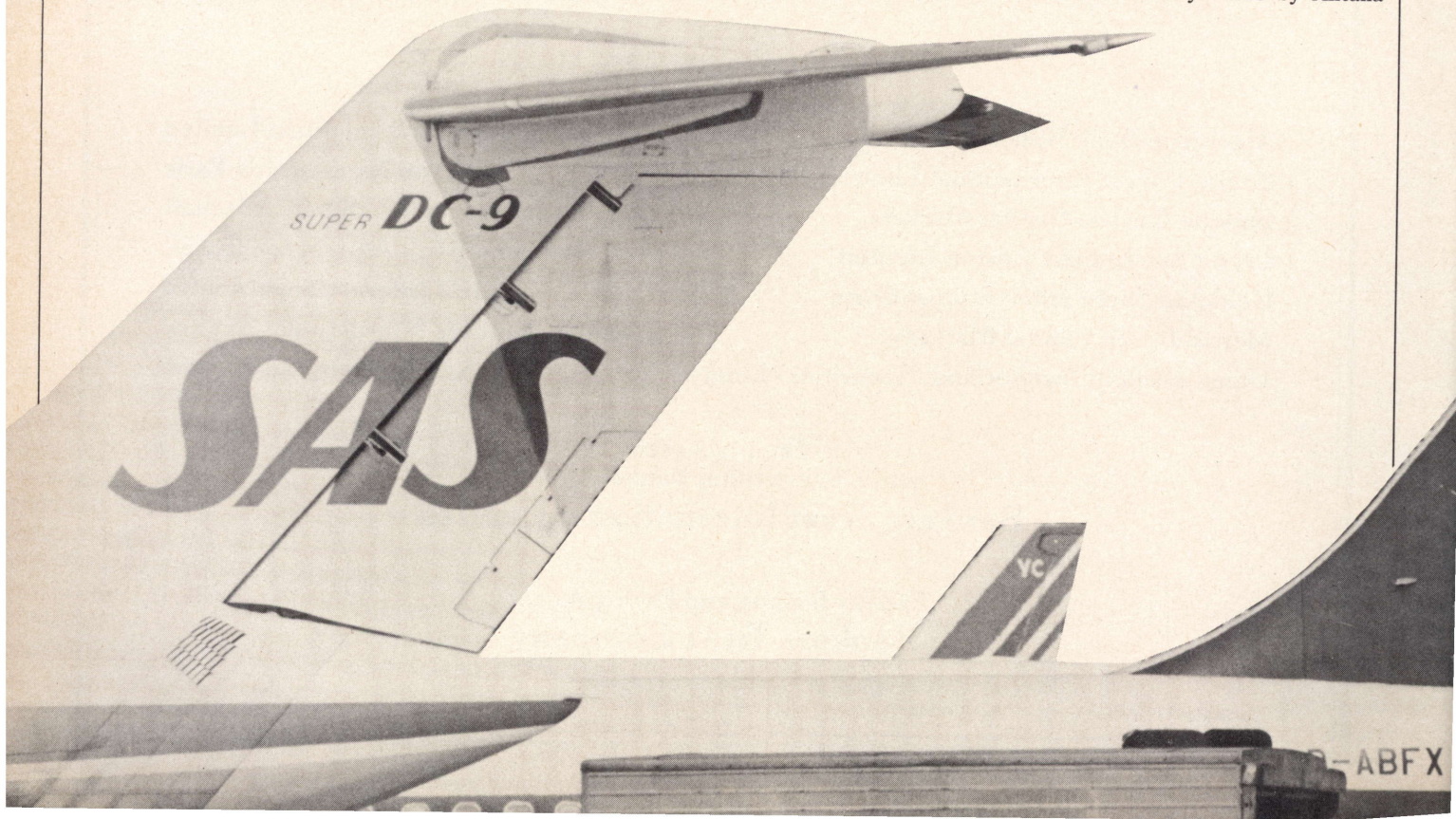
It is a discussion, furthermore, into which the parties most directly interested, among them the carriers themselves and the public as represented by consumer organizations and occasionally members of the European Parliament, have been drawn. Furthermore, it also has come to occupy the E.C. Council of Ministers and the E.C. Commission, the latter having come forth with a series of proposals and recommendations which

are still being studied. Things being what they are, no one at this moment expects that out of this will come quick, comprehensive or radical changes.

Although the topic had been smoldering for several years already, it understandably was given a strong impetus by the signing in late 1978 by President Jimmy Carter of the U.S. Airline Deregulation Act. That is not to say, however, that any of the Commission's suggestions in this matter have much resemblance to U.S.-style deregulation. Nor, regardless of what might perhaps be aspired to at a much later stage, would they effectively create entirely free and untrammelled market conditions within the E.C. A senior Commission official was probably right when he termed the objective of these ideas “European regulations for Europeans.”

For the better comprehension of what this is all about it might be useful to note a few basic aspects of the current situation in the European airline industry:

- Most of the European carriers are national carriers with the respective national government either the sole owner or holding a majority interest.
- Routes between any two countries (and this applies as much to those within as those outside the E.C.) are normally flown only by the airlines of those two countries. Thus, between Rome and Frankfurt, there are only flights operated by Alitalia and Lufthansa, and between Rome and Zurich only those by Alitalia





and Swissair.

- Prices and other flight terms between any two countries are determined by the carrier operating those flights and those countries' national aviation authorities.

If the overall conclusion from this state of affairs is, and not precisely incorrectly, that the industry is in effect highly cartelized, it must also be perceived that it would not merely be a delicate task for the Commission, but really a near impossible one to intercede on the basis of the Treaty of Rome's anti-cartel rules. This is so because in most instances the alleged offenders against Article 85 and 86 are entirely or almost entirely identical with E.C. member governments.

For practical purposes, of course, the chief irritant resulting, or thought to be resulting from the situation now existing, is that flying in Europe is too expensive. On a per-mile basis, normal prices are very high, being set bilaterally and without the threat of any outside competition.

They are high, furthermore, both when compared with transatlantic fares (the North Atlantic market being fiercely contested by many carriers) and with those operating within the United States. And in a way this is surprising, because airlines inside the United States rarely have to worry about people opting for the train instead, whereas European carriers—especially on short hauls where the difference between getting there by air or by train may only be a couple of hours—must take into account the competition of an ordinarily efficient and dense railroad network.

But in actual fact, and leaving aside the question of how well U.S. carriers have done with deregulation, any comparison between what happens on either side of the Atlantic is probably misleading. The U.S. constitutes one huge single and undivided market, whereas Europe is a fragmented one. However differentiated the Europeans' views on the structure, fare-setting practices and other facets of their airline industry may be, they appear to agree that it would be fatal to take over lock, stock and barrel the existing U.S. operational standards.

Seen purely in black and white terms—that is, high fares in Europe and low ones in the United States—the price picture is at least a little distorted. And it looks like it will get more so all the time. There are two reasons why this should be so. In the first place, while standard fares inside Europe rightly can be described as mostly steep, not everybody actually pays them. As matters stand, would-be passengers on most routes are now offered a wide and sometimes overwhelming range of fare reductions and special arrangements, to say nothing about charter flight deals. Occasionally, these may lack transparency or be confusing by dint of their profusion, but because of them, fares are not all as high and as rigid as they appear at first blush. Nor is it just a minority which benefits from this state of affairs. Recent estimates indicate that less than 40 percent of all passengers on intra-European regular flights still pay the full fare. On certain routes, 80 percent of the passengers now benefit from fare reduc-

tions.

Secondly, a distinct liberalization process may be said to have started, causing Sir Adam Thomson, head of British Caledonian Airways, a privately owned U.K. carrier, to talk of forthcoming “winds of change” in the European aviation industry. It began with an Anglo-Dutch agreement last June which introduced true competition between the United Kingdom and the Netherlands, authorizing any airline from either country to serve any route between the two countries as often, and with as many seats, as it liked. On top of that, neither country would be able to veto a lower fare introduced by the other. A similar, but slightly more restrictive accord—considered as experimental and limited to two years initially—has since been signed also between the United Kingdom and the Federal Republic of Germany.

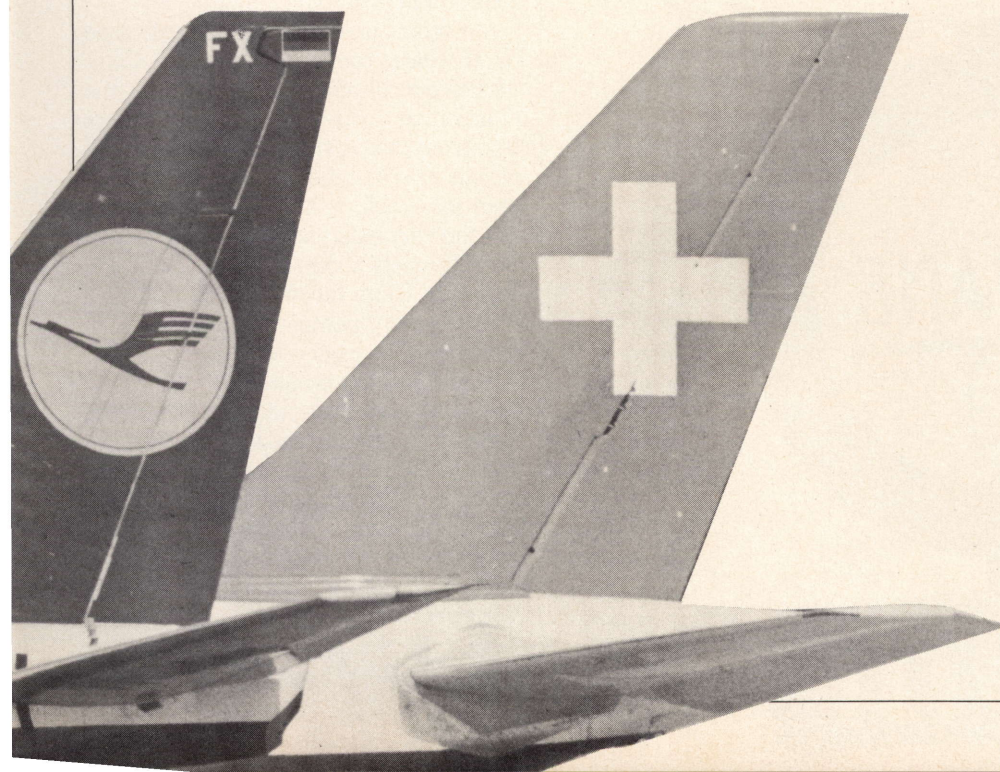
This still does not mean precisely “open skies” for Europe. The agreements impose a number of conditions on the customers so that a businessman, who wishes to determine himself when to return and also must be certain of a reservation for the return flight he selects, usually will still prefer to pay the full fare. But the British tourist who would like to spend a weekend in Hamburg can certainly fly more cheaply now.

Meanwhile the Council of Ministers deliberations on the Commission proposals continue. They do so, however, at a speed which is hardly commensurate with the method of transportation under consideration. A snail's pace would be a more correct description, as the working group of senior officials was requested by ministers just before Christmas to come up with yet another interim report by late spring.

Ambitious adjustments of current fare and other structures, of course, might materialize as the years go by, in response possibly to greater consumer pressures. Yet developments are unlikely to bear out the concern felt by Neumeister in respect of the E.C. Commission's and other reform ideas. At the same time it will be interesting to see the “constructive proposals” for a more liberal aviation policy which his organization plans to submit to the Commission this spring.

[The E.C. proposal varies the degree of governmental control in accordance with the flexibility permitted to individual airlines. Airline pricing would be subject to double approval—by both governments—if it included zones of flexibility with a minimum percentage range.]

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



PHOTOGRAPH COURTESY BRITISH AIRPORT AUTHORITY.



# THE E.C. IS REMOVING INTERNAL BARRIERS

BUT MUCH MORE MUST BE DONE.



PAUL CHEESERIGHT

**E**ric Etchells is a mild-mannered man who spends a large part of his life dealing with other people who can make him angry. He drives a truck for Dow Freight, a company in the north of England. Regularly, he takes his truck through England, across the English Channel and through France, or Belgium and the Federal Republic of Germany, to Italy. He sets out with a pack of documents. He runs the gamut of three or four sets of customs authorities each trip.

It takes up his time. It costs Dow Freight money. The company expects that. What it did not expect was that Etchells, last February, would be stuck outside Paris unable to move as French truck drivers blockaded routes through France and made the Franco-Italian border seize up. But Etchells was just one of thousands. The truck drivers were venting their frustration with the formalities that clog their trade. It was an angry protest telling the politicians to make the European Common Market what it was designed to be.

The politicians took the point. Or some of them did. The tempo of meetings dealing with what in European jargon is called the internal market has been stepped up. But the results are slow in coming, as each of the 10 E.C. member countries seeks to match up its own particular habits with the rest or avoid change altogether. The fact is that, although the existence of the E.C. has created free trade in the sense that customs duties have disappeared, national administrations still hold sway.

A customs union has been in existence for 15 years, commented the E.C. Commission acerbically, "yet, in practice, the situation at intra-E.C. frontiers differs little from that at the E.C.'s frontier with various non-member countries." Translated into cash, it has been worked out that the very existence of frontiers within the E.C. costs about 15 billion European Currency Units (about \$11.25 billion) a year, or up to 7 percent of the value of the goods that are traded annually.

That is just the problem at the borders. The costs go higher still with the lack of common technical standards amongst the Ten, the plethora of different health regulations and the range of different veterinary requirements. On top of that, there are different tax systems and national barriers on the rights of establishment in certain sectors.

None of this is new. It is just that companies have become more acutely



conscious of restrictions to commerce in the light of the recession. E.C. leaders picked up this appreciation when, at their Copenhagen summit in 1982, they agreed that work on the internal market should be revived. Since then, over 40 political decisions have been taken, many of them minor, but all leading to greater freedom in the internal market. Ideas for improvement are legion, and the E.C. Commission has sought to codify them in the form of an 18-month program.

If the program is followed through, it argues, then the economic effects would be comparable to those achieved when the customs union was established in the 1960s. And the economy needs it. "Only if it is confident in the irreversibility of this internal market will the requisite investment be made. This is the only way to make the European Community more competitive, to secure an economic revival and to combat unemployment," the Commission declared.

In fact, the E.C. will make haste slowly. Directives harmonizing company structures, for example, are stalled on issues such as whether there should be worker directors on boards. A scheme to make certain that value-added tax is collected not at the border, but at the point of destination of the goods has run into national fears about the once-off loss of revenue. But measures are trickling through. A simplified, single customs document has been approved. Specialists are working on the matching up of technical standards product by product and fostering relations between the standards institutes of the different E.C. countries. Recently, another 15 were added to the swelling list covering products as diverse as lawn mowers and gas cylinders.

The Ten have agreed to speed up the implementation of measures agreed to keep customs posts open for longer periods, while the Commission has come through with far-reaching plans to link customs controls with freight companies through computers. After over 20 years of discussion, they have at last reached a broad agreement on the weights and dimensions of trucks which can play the freight trade between one country and another. And they have made small steps toward breaking down the pattern of bilateral pacts which govern the right of truck drivers in one country to look for trade in another. The number of vehicles being given an E.C. permit is to double.

There are some areas, however, where political talks have never succeeded in breaking out of the negotiating thickets. The right to sell certain types of insurance is one, and here the Commission is taking legal action through the European

## A SINGLE CUSTOMS DOCUMENT

**A**s one of a number of ongoing efforts to strengthen the E.C.'s internal market, the Council of Ministers recently approved the basic texts for an important new project in intra-Community trade: the introduction of a single customs document, to replace the sheaf of some 70 different forms now in use for trade across the E.C.'s internal borders.

The single customs document, which will come into effect in 1988, is designed to harmonize and simplify trade procedures and alleviate the long delays at Europe's border crossings. Less data will have to be reported than is required at present. The document will be well adapted to the planned computerization of customs administration and, with some modifications, will be used in trade with third countries.

The document's effects extend well beyond unsnarling lines at customs booths. It also has been designed to enhance other E.C. projects aimed at tightening national systems of administration through the standardization of trade-related data, the introduction of E.C. norms and the coordination of com-

puterized systems.

Among other trade reforms coming into effect over the next few years are the Harmonized Commodity Description and Coding System—the first worldwide customs and statistical nomenclature—and the CADDIA project (Cooperation in the Automation of Data Documentation for Import/Export and Agriculture). The latter is designed to establish the infrastructure and data-processing hardware needed to provide the E.C. with the information essential for the smooth functioning of the customs union and the common trade policy.

Other projects underway include the Mercator project, which is designed to link European ports and test the feasibility of exchanges of data between parties involved in international trade; the MDP Europe project, which aims to develop a multilingual description of goods to ease dealings between sellers and potential buyers; and the CACTUS project, which will test the feasibility of developing computerized data bases on import and export regulations in order to help E.C. traders.—STEPHEN BROOKES

Court of Justice against countries like Germany. So there is movement. But, even despite the political commitment, it remains painfully slow.

There is an organizational reason which is partly to blame. The internal market spans such a wide range of questions that a little portion of the business is tackled in one E.C. Council of Ministers, another bit in a second and a further bit in a third. There is no defined target, only a general aim. The Commission has suggested a way around this. It is that the internal-market E.C. Council of Ministers, mainly made up of Trade Ministers, should assume a coordinating role, keeping tabs, for example, on what the Transport Ministers or Finance Ministers might do. It is still awaiting a firm response from the Ten.

More fundamentally, however, the internal market, although made up of a host of small and detailed questions, touches issues which are very sensitive in the domestic politics of the Ten. Although Britain and the Netherlands, for instance, have consistently pushed hard to free up the internal market as a general principle, they have reservations in certain areas. Britain wants total freedom of trade in the insurance business, but becomes very defensive when German companies want

to stage a major takeover in London.

And the issues get tied in with other questions. France, for example, for months blocked the adoption of common technical standards for a range of products because it wanted at the same time moves to stiffen up the E.C. defenses against the unfair trading practices of others. So instead of there being one issue to solve, there are two, each bringing into play a different set of pressures which have to be balanced off against each other.

In the end though, all the detailed questions come back to one basic point. That is, the nature of the European Community the members want to have in the next decades. If they decide they want a closely integrated, thrusting Europe, then they have little choice but to move, and move more quickly, to make it a reality through creating one large market. If, on the other hand, they want a looser customs union, with political cooperation tacked on around the sides, they will just continue to look at the small questions and not the big one. ◀

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



# EUROPEAN PARLIAMENT DEFINES ITS ROLE

A "LETTER FROM STRASBOURG"  
BY A BRITISH MEMBER OF THE E.P.

MICHAEL WELSH

Glendower: *"I can call spirits from the  
vasty deep."*

Hotspur: *"Why so can I or so can any  
man.*

*But will they come when you  
do call for them?"*

(Henry IV, Part I)

**T**he second directly elected European Parliament met for the first time last July uneasily aware that it had much to do to bolster its public image and prestige. Direct elections had produced reduced turn-outs in most E.C. member states and the different national campaigns had been fought primarily on domestic issues increasing the sense of confusion and apathy. Nonetheless one

should not forget that the mere fact that the second election was held is an achievement.

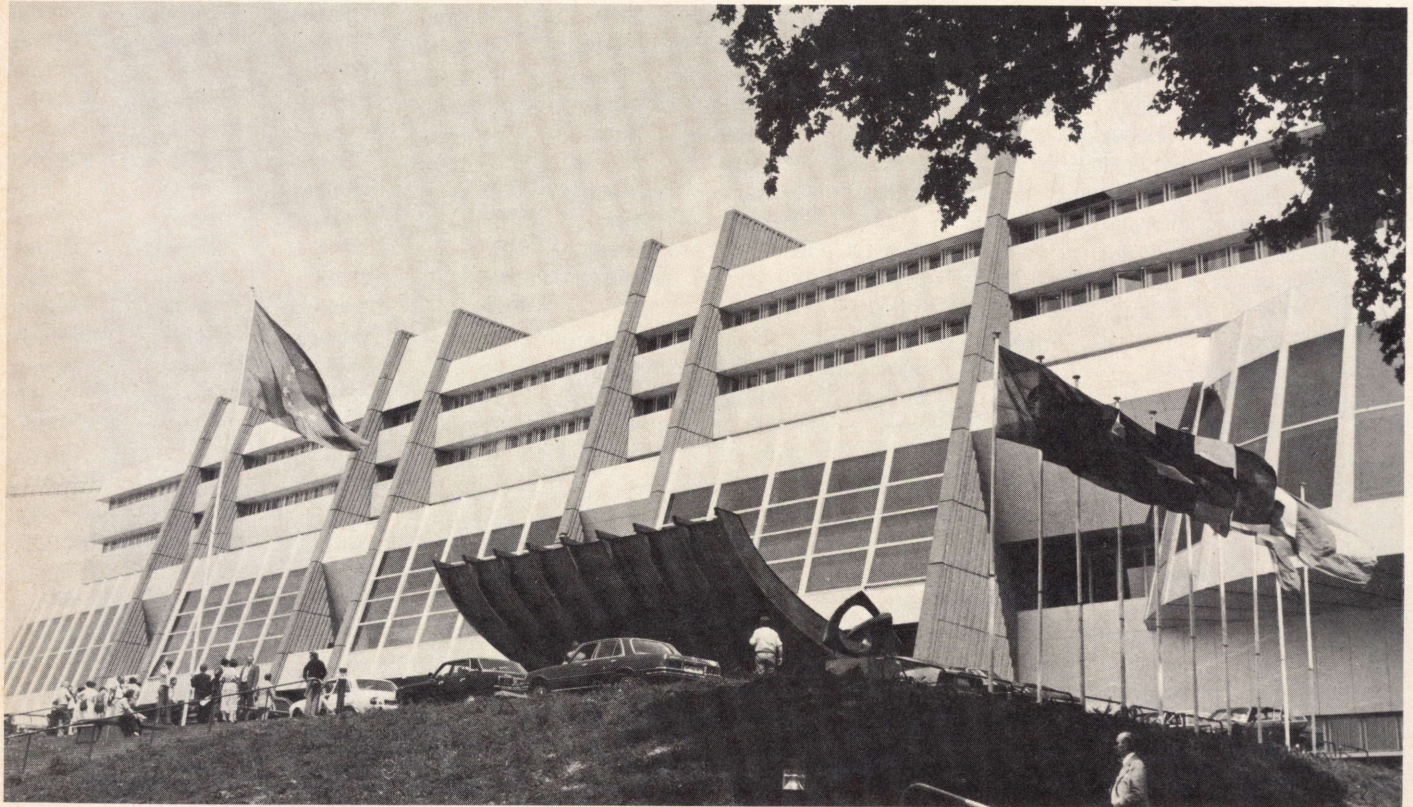
The European Parliament is the first elected legislature in history to bring together representatives from 10 different countries, with distinctive cultures and political traditions, less than 40 years after the last fratricidal war. The 63 political parties represented in the assembly cover every conceivable strand of European political thought from neo-anarchists on the left to neo-Fascists on the right. They are organized in eight umbrella groupings of varying degrees of homogeneity and operate in seven official languages.

The difficulties of organizing this polyglot assembly into a cohesive institution with a clear identity and political

purpose are obvious, but they should not be allowed to obscure the scale of the endeavor and the loftiness of the vision. The European Parliament frequently may seem feckless and ridiculous, but everything it does is an experiment and the survival of liberal democratic values and principles in the next millenium will depend in large measure on how it develops.

For all that, the new Parliament, by comparison with its predecessor, is hearteningly prosaic. Many of us who took our seats in July 1979 had literally no idea of what was expected of us, let alone of how the institution was going to work. Indeed, the first two years largely were taken up with a complete re-casting of the rules of procedure.

This time, there is a much greater sense of experience and professionalism, not least because many of the great names—Brandt, Debre, Berlinguer, Rey—which added lustre to the dignity of the first Parliament are no longer there. Although it was a privilege to sit in an assembly which included nine former Prime Ministers and many other distinguished statesmen, it is refreshing to find that most members now have their careers and their reputations to establish and they see the European Parliament as their natural forum. If the institution is to flourish, it must be because it nurtures its own breed of Europolitican and does not simply inherit the grandees of a former



The European Parliament, above, has representatives from 63 different parties, spanning the entire European political spectrum.



epoch.

Politically there are some significant differences. The election of a number of "Green members" from the Federal Republic of Germany, Belgium and the Netherlands has significantly extended the width of the spectrum. For the most part, they belong to the far left and have their roots in the student protests of 1968. Indeed, the *enfant terrible* of the last Parliament, the Italian radical Marco Pannella, now seems a curiously establishment figure. The Greens have formed themselves into the whimsically named "Rainbow Group" and have their counterpart in the new Group of the European Right which is dominated by the formidable Frenchman Jean-Marie le Pen. They stand for traditional values, including the rolling back of permissive society.

It is noticeable that few, if any, of these new Members of Parliament have yet found their bearings or come to terms with the nature of the institution. For many of them, the Parliament is a convenient platform from which to harangue their fellow countrymen at home, and, because it has little direct power, there is an abiding temptation to indulge one's favorite obsessions to the full and let off steam. If past experience is anything to go by, the abler members will quickly become absorbed in the detailed work of committees and begin to enjoy the scope for constructive influence and action which is available to the Members of the European Parliament (MEP). The others will gradually become sidelined.

This process already is getting under way, the more so because the political balance of the new Parliament is by no means clear. Formerly, the non-Socialist groups had an overall majority of 50 which could be relied on to deliver on most substantial issues. This has now shrunk to 17. Although the center parties succeeded in electing the urbane and much respected Pierre Pflimlin as President with a handsome plurality on the second ballot, the Parliament is almost perfectly poised and this puts a premium on cooperation between the political groups and resolute opposition to those who seek to disrupt the Assembly and prevent it from doing its work.

There is much work to be done. At the January session Jacques Delors, the new President of the E.C. Commission, presented his outline program and asked for a vote of confidence, in itself a significant extension of Parliament's influence. He got his vote amid a feeling of cautious optimism that perhaps the *immobilisme* of the past four years is behind us and that the E.C. member-state Governments have been panicked into realizing

that with steadily rising unemployment and deteriorating competitiveness, they had better act together or they will surely perish separately. Completion of the internal market leading to the establishment of complete freedom of movement for people, capital and goods is everybody's priority, followed closely by the development of the European Monetary System and a common European currency. Then, at least, we will not be passive victims of the vagaries of U.S. fiscal and monetary management.

In December, the Parliament delivered a parting kick at the outgoing Commission by refusing discharge for the 1983 budget and served notice on the E.C. Council of Ministers that it was not to be



**Altiero Spinelli, above, inspired the Parliament's draft Treaty of European union.**

taken for granted by rejecting the draft budget for 1985. Unlike the last time this happened, in 1979, there is no sense of crisis, simply a feeling that MEPs generally should not accept a budget that was manifestly inadequate to cover the E.C.'s commitments, and that we are not prepared to allow Europe to be run by inter-governmental agreement.

This brings us to the heart of the issue which seems likely to dominate the next four years. It seems increasingly clear that the majority of Europeans have concluded that their interests will be best served by rapid progress toward closer European union including an updating of the Treaty of Rome establishing the E.C. and devaluation of increased powers to the European institutions. With three exceptions, the Heads of Government seem to have accepted this and a special committee is currently examining ways in which the treaties might be revised.

The European Parliament is at the heart of this process. The first directly

elected European Parliament, under the leadership of Altiero Spinelli, produced a draft treaty of union which has been submitted to the different national parliaments and is likely to be the basis of any change. Not everyone is happy with the detail of the Spinelli draft. Some of its proposals seem mechanistic and misconceived, and, significantly, it makes no attempt to deal with the exceptionally difficult area of the rights of national parliaments which, after all, will be expected to pass the new treaty into law. But there is no question that it was the Parliament's initiative which triggered off the process and that in so doing it was responding to a deeply felt popular need.

The fact is that the European Parliament is the only institution which is capable of producing the kind of instrument of union which can achieve manifest public consent. The very diversity of our membership means that every conceivable viewpoint can be discussed and tested, and the difficulty of constructing majorities means that only those aspects for which there is a broad consensus will be adopted. European union will not come about by an agreement between Heads of Government meeting in secret and attempting to re-enact the Concert of Europe. It can only be delivered by a popularly elected assembly, representing and responding to the will of its electors.

There is of course a massive risk: Sitting as we do in Strasbourg and Brussels, much of our time is spent away from home and it is only too easy to lose touch with our own grass roots. There are times when the debating chamber does seem to be detached from reality and when MEP seems to be responding more to dictates of their institutional ego than the aspirations of the people outside.

If the European Parliament is to deliver European union, it must become a genuinely popular body leading people in the direction in which *they* want to go. It must not try to force them into an ideological strait-jacket. Otherwise, the process will be devalued and the ideal itself compromised. The last Parliament achieved many good things, but it signally failed to capture the public imagination and to rally popular support and enthusiasm for its collective belief. If the European experiment is to succeed, the new Parliament must rise to this challenge. It is too early to say if it will, but our fingers should be firmly crossed. €

Michael Welsh was elected Member of the European Parliament for Lancashire Central in 1979 and is a British Conservative. Currently he is chairman of the European Parliament's Committee for Social Affairs and Employment and a member of the delegation to the U.S. Congress.



# THE NEW E.C. COMMISSION

## 14-MEMBER BODY IMPLEMENTS COMMUNITY POLICY DECISIONS.

DEREK BROWN

**J**acques Delors, the new President of the E.C. Commission, is an honest man. In his very first presidential address to the European Parliament, in January, he spoke with disarming openness of the national and institutional squabbles which have all but paralysed E.C. development. "It is true that we have managed to settle family feuds," he said. "But beyond that, let us be frank: The Community is no longer capable of taking deci-

sions. The Community is no longer progressing."

That is not to say that Delors was admitting defeat in the first round. Far from it. Like a disabled accident victim who is determined to walk again, the new President is an instinctive and ambitious fighter. In the same Strasbourg speech to Parliament, he sketched out both his philosophy and his aims. Europe, he said, must find again its imagination, and return to the attack. More specifically, it should pledge itself "to eliminate all frontiers within Europe by 1992. . . . That

gives us eight years, the term of office of two Commissions. We, for our part, are prepared to work toward that goal."

The new Commission headed by Delors began its four-year term on January 6. It had little chance to bed down, being plunged from day one into the deep end of an awesome pool of problems. Confronted with a looming budget deficit, painfully slow progress in the E.C. enlargement negotiations with Spain and Portugal and the continuing struggle to restrain farm spending, the new team could almost be forgiven for losing sight of the broader horizon of European development. Delors is unlikely ever to let that happen. His priorities are already clear: economic integration, a free internal market and a streamlined, more meaningful role for the Community institutions. In short, he wants to make Europe add up to more than the sum of its constituent national parts.

Delors is a central banker by background and by inclination. Understandably, he has taken personal charge of monetary policy, and of the key structural funds—social, regional and agricultural—which are already shaping and co-



The new E.C. Commission (from left to right): Carlo Ripa di Meana, Peter Sutherland, Nicolas Mosar, Willy De Clercq, Lorenzo Natali, Frans Andriessen, President Jacques Delors, Karl-Heinz Narjes, Lord Cockfield, Henning Christophersen, Claude Cheysson, Grigoris Varfis, Alois Pfeiffer, Stanley Clinton Davis.



## E.C. EXTERNAL RELATIONS COMMISSIONER TO VISIT U.S. MARCH 21-22

**W**illy De Clercq, the new E.C. Commissioner responsible for external relations, at 57 has already clocked 33 years in political life and 10 years as a Finance Minister in Belgium. This grass-roots politician, who is one of the pillars of the Belgian Flemish Liberal Party, was responsible for the current austerity program in Belgium aimed at putting the country on the road to economic recovery.

In recent years, De Clercq has been deeply involved in international problems. He has twice chaired the International Monetary Fund's Interim Committee and is an expert on the international monetary system. De Clercq also was Belgian Minister of Foreign Trade and has, through his experience of the E.C. Council of Min-

isters, a solid background for his new post. De Clercq will use this combination of talents in the commercial and trade fields in his role of initiating and guiding the E.C.'s trade policy with its industrialized partners.

De Clercq has no doubts that in the present economic climate this will be a tough job, but he intends to use in the trade field his natural inclination for consensus-forming that he found so helpful in international financial questions. He prefers constructive dialogue to confrontation, but will have no hesitation in defending Europe's interests in international fora. De Clercq is also a convinced European who sees as his first task the reinforcement of the E.C. stand in trade policy, internally as well as externally.

ordinating economic development. Now 59, Delors had a meteoric and self-motivated career in the national bank of France, and more lately in Socialist politics. As Prime Minister, he was the architect of the dramatic policy turnaround two years ago, when economic growth stimuli were replaced by stringent austerity, and he was close to becoming Prime Minister of France.

The president describes himself as a civil servant rather than a politician, which, if true, makes him a truly gifted amateur. His political skill was evident in the allocation of responsibilities within the new Commission. Presidents-designate, it should be noted, cannot choose their team. They work with national Government nominees, and they have to reconcile conflicting national ambitions for prestigious jobs. Previous Commissions have been formed only after bloody political infighting, culminating in an infamous process known as the "Night of the Long Knives." It wasn't like that last December, when Delors calmly contrived a remarkably equitable sharing out of power and prestige.

Of his 13 Commission colleagues, only three served under former Commission President Gaston Thorn. The most seasoned veteran is Karl-Heinz Narjes, 60, a former Christian Democrat member of the German Bundestag who has served the Commission since the 1960s. He has moved from the environment and internal market portfolios to the key responsibility for industry, including research and information technology.

Lorenzo Natali, 62, of Italy will con-

tinue his supervision of Community enlargement talks with Spain and Portugal, and he will take on the currently crucial responsibility for Community aid to developing nations.

The third of the "Old Boys" is Dutch nominee Frans Andriessen, 55, who won a lot of admirers for his skillful handling of competition policy, and is now rewarded with the toughest nut of all: agriculture. A hard, but resourceful negotiator, he is seen as the ideal man to tackle the awesome task of containing farm costs.

There was criticism when the United Kingdom nominated Lord Cockfield, 68, a former Trade Secretary in British Prime Minister Margaret Thatcher's Conservative Government, and Stanley Clinton Davis, 56, a junior minister in the previous Labor Party Administration. The critics are now busily revising their opinions. Lord Cockfield, who came with a reputation for dogmatism, is mounting a determined, but pragmatic assault to sweep away the accumulated mass of frontier formalities and to reform the community's chaotic tax structures in his role as internal market Commissioner.

Clinton Davis meanwhile, has been heaped with responsibility for transport policy (a top priority for this Commission), the environment, consumer protection and forestry. If Delors is to achieve his ambition of opening up new areas of Community involvement, Clinton Davis will be center-stage.

External relations are of vital concern for the most powerful trading bloc on earth. Delors has achieved an ingenious division of responsibility, to spread the

workload and to reflect its importance. Fellow Frenchman Claude Cheysson, 64, will take charge of North-South relations and of Mediterranean Policy. He is a former Commissioner (in the early 1980s) and was until last year Foreign Minister of France.

Europe's complex, sometimes strained relations with the United States and Japan, will be overseen by Belgian nominee Willy De Clercq, 57. New to the Commission, he is nevertheless a vastly experienced campaigner.

Another ex-Finance Minister, Henning Christophersen of Denmark, 45, takes over the massively complex and politically charged budget portfolio. A no-nonsense economic right-winger, he was his country's nominee for the presidency itself, and could be a future number one.

The youngest member of the new Commission, and one who is already making his political mark, is Ireland's Peter Sutherland, 38. A highly successful lawyer, who rose to Attorney General in the Dublin Government, he takes charge of competition, or antitrust policy, where legal skills are at a premium. He also has the difficult portfolio of social affairs and education.

The Greek member Grigoris Varfis, 57, played a key role and won many friends, in the latter half of 1983 when Greece held the presidency of the Council of Ministers. He has been given the regional affairs job, than which there is no more important to his country, and also the delicate task of relations with the European Parliament.

Carlo Ripa di Meana, 55, is the second Italian nominee, with the apparently unglamorous job of institutional affairs. But the title is misleading: He will be in the front line of the campaign to reform the creaking Community machine, and of creating the so called Peoples' Europe, in which citizens can identify with the Community. He also has information, with 21 offices in the E.C. and many throughout the world.

The dark horse of the commission is the second German member, Alois Pfeiffer, 60, who will be responsible for economic policy and, more important, for employment matters. He is hardly known on the international circuit, having devoted most of his adult life to the trade-union movement as an economist.

The Luxembourg member, Nic Mosar, 57, is also a decidedly new face. After long service in the parliament of the Grand Duchy, he is coming to Brussels to take charge of energy policy and the nuclear civil power alliance, Euratom. ◀

Derek Brown is Brussels correspondent of *The Guardian*.



# ITALY

## CRAXI GOVERNMENT HAS PUT THE ECONOMY BACK ON TRACK, BUT LOCAL ELECTIONS LOOM IN MAY.

JAMES BUXTON

**B**ettino Craxi, the Italian Prime Minister and president of the E.C. Council of Ministers, is a lucky man. He can claim credit for getting Italy's inflation rate down into single figures for the first time since 1973. He leads a country that is enjoying its fastest economic growth in four years. And he presides over a Government that has already lasted longer than all but a handful of its post-war predecessors.

Yet Craxi's own party, the Socialists, is by a long way only the third biggest in the country, with just 11.4 percent of the vote in the 1983 elections. The Prime Minister had no executive experience before he took on the job, and he has to preside over a coalition Government made up of five parties, of which the Christian Democrats have the lion's share of the top Cabinet posts. It is certainly not a Socialist Government.

How is it all possible? Partly because of the peculiar circumstances of Italian politics, and partly because of the political skills and tenacity of Craxi himself.



COURTESY EMBASSY OF ITALY.

Prime Minister Bettino Craxi presides over one of the most long-lived coalition Governments in post-war Italian history.

The Italian political spectrum is divided into four parts. On the far right is the neo-Fascist Italian Social Movement, with nearly 7 percent of the vote in 1983. It has always been excluded from power. On the left is the Communist Party, the largest of its kind in Europe, with about 30 percent of the vote. It too has never been allowed into government, though it did form part of the ruling parliamentary majority with the Christian Democrats in the late 1970s.

That leaves the Christian Democrats—Centrist, Catholic and the largest single party in the country—which won 32.9 percent of the vote in 1983 and the so-called “lay” or non-religious parties, which include (from right to left) the Liberals, Republicans, Social Democrats and Socialists. Between them, these five parties accounted for about 56 percent of the vote in 1983. It is from them that all Italian Governments since the late 1940s have been formed.

Craxi became leader of the Socialist Party in 1976. His aim was to draw it away from its close ideological affinity with the Communists to make it a party that could produce a Prime Minister. He wanted to get more votes from the middle class, but he also had a dream of eventually reversing the balance between the Socialists and the Communists, to make the Socialists the bigger party of the left.

Part of that ambition has now been fulfilled. The 1983 general election result was an earthquake for Italy, where voting patterns change slowly. The Christian Democrats lost more than 5 percent of the vote to reach their lowest ever proportion of the poll. They remained the biggest single party, but their relative weight in the center-left part of the spectrum declined. Since that made the Socialist party even more essential to coalition-making than before, it was no longer possible to deny Craxi the prime ministership.

From the start, the Craxi prime ministership seemed different to its predecessors. He raised a lot of important domestic issues, traveled widely to familiarize himself with international affairs, made a few gaffes and was not afraid of losing his temper when things didn't go his way. He deftly handled the installation of the U.S. cruise missiles in Sicily and signed a new concordat with the Vatican, something his Christian Democrat predecessors had put off doing for years.

The climax came last February. For years it has been obvious that the Italian inflation rate is aggravated by the *scala mobile* wage-indexation system, which compensates workers every three months for rises in the cost of living. A first attempt to reduce its effects was made in 1983 with some success. Almost everyone was agreed that a second bite of the bullet was necessary for 1984, but the Communist Party, led at the time by Enrico Berlinguer, would not allow the country's biggest labor union, the CGIL, to make a voluntary agreement. So under Craxi the Cabinet acted, issuing a decree limiting the number of points on the indexation scale which could be compensated for in wages.

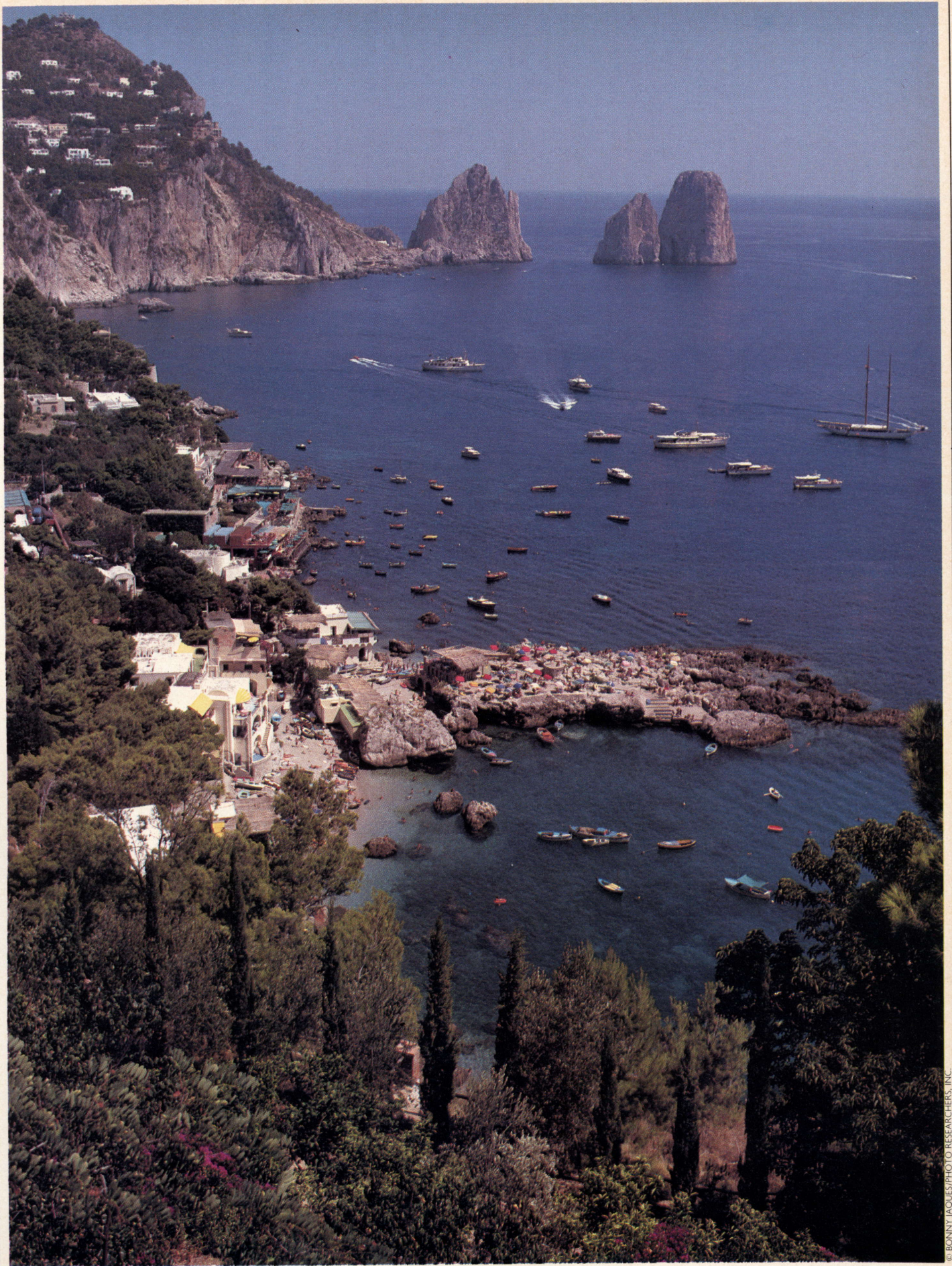
Touching the indexation system without the agreement of all the parties involved was something that no Government had ever done before. Craxi immediately claimed credit for what was called *decisionismo*—the right of a Government to govern and to defy the silent veto which the Communist Party had maintained for years on actions affecting its supporters.

But pandemonium broke out. The Communist Party staged immense demonstrations and conducted a war of attrition in parliament to prevent the decree being ratified, as it had to be within a time limit. In the end, the decree was passed—but only after it had been issued a second time—and the verdict on the battle over indexation must be that it was a draw.

Craxi upset more than the Communist Party. He also alarmed the Christian Democrats, most of them convinced supporters of consensus politics and not a few of them sympathetic to the Communists. It is not at all certain that Craxi won the whole-hearted support of public opinion for what he had done. For many Italians, any Government acting in a commanding way raises unhappy memories of Benito Mussolini, a tendency that the cartoonists seized upon with enthusiasm.

The test came in June, just after the decree had at last been ratified. In Italy,





The island of Capri, above.

© BONNY JACQUES/PHOTO RESEARCHERS, INC.



the elections for the European Parliament were not fought on European issues, but were yet another test of the voters' opinion—and the turnout in the elections was well over 80 percent. First, the Socialist Party actually fell back (by just 0.2 percentage points), compared with the general elections the year before. Second, the Christian Democrats at least avoided dropping any further and actually gained 0.1 percentage points. Third, the Communist Party raced ahead, overtaking the Christian Democrats by a whisker for the first time to be the biggest party, with 33.3 percent of the vote.

The rise in the Communist vote undoubtedly reflected widespread opposition to Craxi and unease about what he was doing. The elections gave those who disliked Craxi the opportunity to vote against him without putting the Communists in the majority in parliament in Rome. But the Communist surge was undoubtedly boosted by another factor: the unexpected death of Berlinguer a few days before the elections.

The outpourings of sorrow and expressions of respect for the Communist Party leader showed that he was a man whose appeal went beyond the Communist Party itself. More than a million people thronged the Piazza San Giovanni in Rome for his secular funeral under a brilliant blue sky.

For Craxi and the Socialists, the elections were a setback, yet in the strange way that Italian politics operate they also enabled him to stay in office. Had the Christian Democrats done badly, they would have insisted on retaking the prime ministership at all costs to try to rebuild their fortunes. As it was, they were reasonably happy to let Craxi continue as Prime Minister, knowing that they had received a partial vindication in the elections and that there was not likely to be much more *decisionismo* from the Prime Minister.

And so the Craxi Government went into its second year with the Prime Minister playing a more muted, conciliatory role. He stayed largely behind the scenes during the big parliamentary battle before Christmas over legislation which is designed to clamp down on tax evasion by small businessmen. But he remained steadfast in support of this action, probably the most far-reaching his Government has taken.

Yet he has certainly not been inactive. Indeed, he is criticized for being impatient and impulsive, for using decree laws rather than normal parliamentary bills even for fairly humdrum legislation in order to speed up parliamentary procedures. He refuses to be rocked by set-



Fishing is an important element of Italy's agricultural sector. Above, fishermen have come in with a catch.

With none of the three major parties in very good political health, it is difficult to predict what the outcome of the May local elections will be.

backs which might put another Prime Minister off his stride, and this is one of his great sources of strength.

But in one crucial area which has been the bane of so many Italian Governments, Craxi has been fortunate. He has not had to deal with any economic crises. The Italian economy at last began moving out of recession about the time he took office, and last year it grew by 3 percent. Thanks in part to relative stability in the price of imported raw materials, the rate of inflation has dropped steadily, virtually halving from 16 percent when he came to power to 8.5 percent today. The temporary freezing of wage indexation helped speed up the drop in inflation.

Italian Governments have always found

it difficult to do very much to guide the economy. Government expenditure is highly insensitive to efforts to control it, and it is hard to find a parliamentary majority for any unpopular measures. The most serious economic problem Italy faces is the immense size of the budget deficit, which is equal to at least 15 percent of gross domestic product, a proportion several times bigger than that of most other industrial countries. No one could say that the Craxi Administration has made a very determined effort to reduce its spending, but it at least has managed to stop the deficit from rising. In 1984, the deficit came out virtually on target, the first time for years that it had not overshot by a massive amount.

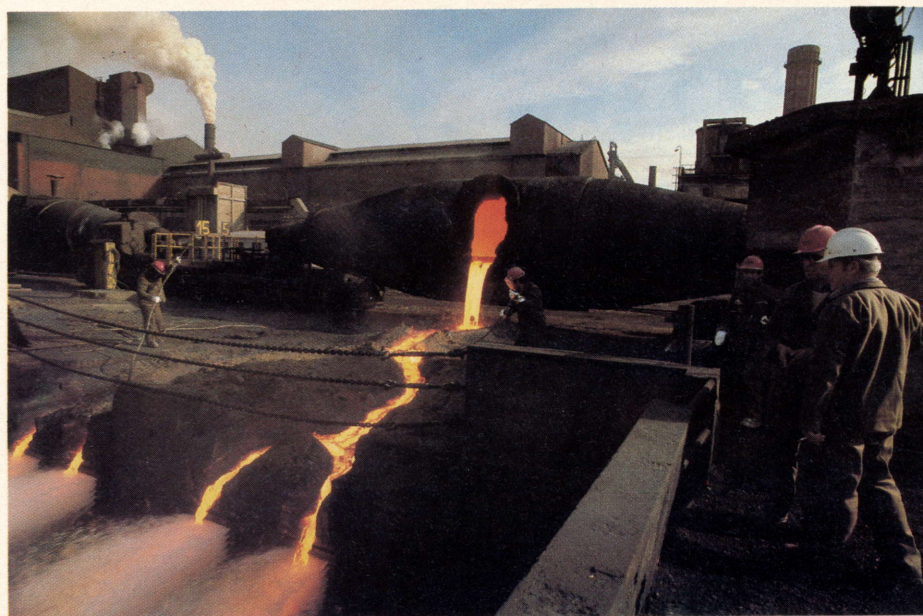
The electorate gets another chance to give its verdict on the Craxi Government in May when the whole country votes for new regional and city councils. Apart from the performance of the Socialist Party, eyes will be on how the two big parties fare. Will the Communists once again overtake the Christian Democrats?

The curious thing about the Italian political scene is that none of the three main parties appears to be in particularly good health. Despite Craxi, the Socialist Party has advanced only about two percentage points since 1976 and is far from becoming the major force on the left that





© PIER GIORGIO SCALARANONIS/BLACK STAR



© FABIANI/STYPIA

Last year, Italy enjoyed an economic growth rate of 3 percent and the budget deficit, although not reduced, was stabilized.

### ITALY: MAIN ECONOMIC AGGREGATES, 1961-86

	GDP current prices	GDP real terms	Compensation per employee	General government net lending or borrowing	Money supply M2 <sup>3</sup>	Unemployment in labor force <sup>4</sup>	Employment
	% change	% change	% change	% GDP	% change	%	% change
1961-70	10.5	5.7	10.7	-2.3	13.3	5.2	-0.4
1971-80	18.3	3.1	18.4	-8.0	19.5	6.0	0.5
1981	17.4	-0.2	22.0	-11.7	16.0	8.8	0.5
1982	17.1	-0.3	17.1	-12.7	17.2	8.7 (10.5)	-0.2
1983	13.7	-1.2	15.9	-11.8	13.2	9.7 (11.8)	0.2
1984 <sup>1</sup>	13.3	2.9	12.3	-13.6	12.0	10.2 (12.5)	0.5
1985 <sup>2</sup>	10.0	2.3	7.9	-12.2	10.8	10.5 (11.9)	0.2

<sup>1</sup> Estimates of the Commission services, October 1984.

<sup>2</sup> Forecast of the Commission services, October 1984 on the basis of present policies.

<sup>3</sup> End of year.

<sup>4</sup> Eurostat definition in parentheses.

Craxi would like it to be. Moreover his own personal aversion to left-wing policies is cause for dismay to the many in the party who are to the left of him.

The future of the Christian Democrat Party is far from certain. It has a lackluster leader in Ciriaco de Mita, and it has lost the initiative in national politics. De Mita's brief flirtation with conservatism and austerity faded after it was apparently rejected by the electorate in 1983. Now it is even less clear what the party really stands for, but it should be said that ambiguity is not necessarily a defect in Italian politics.

Even the Communist Party, despite its electoral success last summer, is in an uncertain state. After the Death of Berlinguer, the party elected Alessandro Natta, one of his close associates, to succeed him. Natta, who is 67, is personally warmer and more extroverted than Berlinguer, but he nevertheless comes across to the public as a dry and somewhat colorless man, without the magnetic appeal of Berlinguer.

His few months in office have been marked by some abrupt changes in policy, but in general the party has been faithful to the strategy laid down in the last few years by Berlinguer: the creation of an "alternative of the left," a coalition of left-wing parties which would come to power and replace the present center-left establishment. For that policy to have any chance of working, the Socialists must be weaned away from their uneasy alliance with the Christian Democrats. Under Craxi, who is fiercely anti-Communist, there is no chance of that happening. So many people wonder whether the Communist Party is not condemning itself to permanent opposition.

The local elections should clarify how the parties stand with the electorate and will determine the fate of the Craxi Government. But it is quite possible that Craxi will once again be Prime Minister when the dust has settled. Much also depends on the outcome of the election in June of a new President of the republic.

The current President, Sandro Pertini, a Socialist, is probably the most popular man in the country and may well put himself forward for a second seven-year term, despite the fact that he is already 88. If he did so, it would be very difficult for anyone to oppose him, even though many of those who elect him—the two houses of parliament—are probably those Italians least enthusiastic about him, mainly because he has little time for their constant feuding. ☹

James Buxton reports from Rome for the *Financial Times*.



# ITALY WILL PUSH EUROPEAN UNION

## SIX-MONTH PRESIDENCY OF E.C. COUNCIL WILL SEEK NEW TREATY, URGE REFORMS.

*Italy currently holds the presidency of the E.C. Council of Ministers which rotates every six months among E.C. member states. In the following interview, Italian Foreign Minister Giulio Andreotti discusses that country's goals for the first half of 1985.*

### **W**hat will be the strategy of the Italian presidency and what will be its priorities for action?

We consider that during the Italian presidency every effort must be made to overcome the serious difficulties which affect the E.C. If long-term improvements are to be secured, efforts must concentrate on restoring the dynamism of the institutions. This is an essential premise to restoration of the E.C. ideal, which is not being exploited to the full today.

The immediate task will be to deal with the most delicate problems left over from the Dublin European Council in December. The first of these is the continuation and conclusion of negotiations for the accession of Spain and Portugal so that the accession treaties may come into force on January 1, 1986 as intended. A special effort will have to be made to reach a decision on the Integrated Mediterranean Programs, designed to assist the southern regions of the Community.

It is also vital to repair the breach between the European Parliament and the E.C. Council caused by the situation which culminated in rejection of the 1985 budget. We shall also have to adopt joint measures on employment and completion of the internal market and take steps to see that Council decisions on the E.C.'s Common Agricultural Policy are politically and socially acceptable.

### **What are the Italian presidency's views on the plans for European union?**

The integration process has come to a full stop and the E.C.'s decision-making ma-

chinery is in crisis. This clearly shows the need for a qualitative leap to establish the conditions required if work on building Europe is to make further progress. We consider that the priority for the Italian presidency should be to outline a strategy for a new impetus. We therefore shall do our utmost to ensure that an intergovernmental conference to negotiate a new treaty is convened, despite the divergent opinions of the E.C. member states on the objectives and the means to be used.

Specific aspects of this strategy for a new impetus must await the institutional committee's final report, although I can say that the Italian Government agrees with many of the ideas put forward in the interim report to the Dublin European Council of E.C. Heads of Government. The greatest possible weight will have to be given to the European Parliament's draft treaty on European union and this will constitute a touchstone for any attempt to reform the Community.

### **There are many requests for the E.C. to play a greater role on the international scene. Does Italy intend to work, in particular, for a higher European profile on East-West relations and the crisis in the Middle East?**

There is no doubt that the negotiations in Geneva between the United States and the Soviet Union on nuclear and space arms limitation enable us to look forward to 1985 with more optimism, after a year of serious tensions and negotiating vacuum, particularly as far as the United



**Italian Foreign Minister Giulio Andreotti: "renewed dynamism of the E.C. institutions is essential to restoring the E.C. ideal".**

COURTESY, EMBASSY OF ITALY.



States and the Soviet Union are concerned. During this time, Western Europe saw its own political responsibilities increase and it made an essential contribution to putting East-West relations on a more constructive basis. As the dialogue between Moscow and Washington picks up, this role will certainly not diminish, if for no other reason than the vital stake which the Ten have in East-West Relations.

I think that Europe's role in East-West relations will continue to be that of endeavoring to exert a positive influence on the uncertainties which still persist and of keeping the political dialogue going. The series of meetings in New York between Soviet Foreign Minister Andrei Gromyko and his European counterparts and his busy program of visits to several European capitals during the coming year seems to suggest that Moscow is keen to maintain contacts with us. I also think that it is important to pursue actively political contacts with the smaller Warsaw Pact countries. They obviously wish to play a part in this dialogue in their own right and we too have a clear interest in sharing and reciprocating their desire to help reactivate the process of détente.

The Ten consult closely on these developments and take joint initiatives in multilateral meetings, one of which, the Conference on Security and Cooperation in Europe and first and foremost the Stockholm Conference, will continue its vital political work for the maintenance and promotion of détente in Europe.

I therefore view the existing complex situation as one which offers the Ten considerable encouragement to participate actively in every possible way in the East-West dialogue, in whose success they have a vital stake.

The present situation in the Middle East shows signs of movement, which could herald the end of a long period of stagnation, but also continuing underlying difficulties. The most recent European Council meeting in Dublin held a thorough review of the situation, including likely developments and the role of the Ten, and agreed that it would do all it could to foster opportunities for negotiations in the area, in particular by developing contacts with the parties concerned.

The Italian presidency will operate according to this policy, but we shall not neglect the need to coordinate European initiatives with those of the United States. We are convinced that Europe cannot ignore moderate Arab calls for it to play an active role on the Middle East chess board.

**The Italian presidency coincides**

**with the enlargement of the Community from Ten to Twelve. What do you intend to do to ensure that enlargement toward the south does not affect southern economies adversely or result in a Europe working at two or more speeds?**

Although there are still some important issues to be tackled, now that the Dublin Summit has solved some of the knottiest negotiating problems, there is no reason why the negotiations with Spain and Portugal should not be completed quickly so that they can join on January 1, 1986 as planned. There is no doubt that in certain sectors, agriculture in particular, the accession of Spain and Portugal will pose problems for the E.C.'s southern economies. I am thinking primarily of those products, such as oil, wine and fruit and vegetables, for which enlargement will lead to surpluses which the market cannot absorb.

I believe, however, that the solutions negotiated represent a fair balance. They appear to be in line with what has always been our ultimate aim, and which will be the constant touchstone of the Italian presidency, namely permitting Mediterranean agriculture in an enlarged E.C. to maintain its own levels of production and income, without any sudden backlashes which would affect the weakest unfairly. This will be possible if we are able to keep competing products in the sensitive areas under control and find joint development areas for products where possible.

Although some limited economic sacrifices may be necessary, the overall political and economic advantages of Spanish and Portuguese accession are such as to override sectoral or short-term considerations. It is true that an E.C. of Twelve will be more exposed to the risk of centrifugal forces and the temptations to proceed at varying speeds, according to the development of the constituent countries. Naturally we support anything which advances the economic and political integration of Europe, but Italy has always sought—and will continue to do so still more energetically in an enlarged E.C.—to avoid Europe being divided into first and second divisions. Our aim is that all should contribute to the building of the E.C. in a spirit of solidarity and in accordance with the capabilities of each member state.

**Many believe that the time is ripe for progress toward greater European monetary solidarity. Will this be a priority for the Italian presidency?**

I consider that further progress toward monetary union is one of the most impor-

tant factors in encouraging further European integration. During the Italian presidency, we therefore, intend to work for the strengthening of the European Monetary System (EMS), although we are aware that this is a complex question which raises particular problems in certain member states. The E.C. Commission recently has made certain proposals which, in our view, provide an excellent basis for work during the coming months.

Progress, perhaps based on those proposals will therefore be required on three fronts: more effective coordination of the economic and monetary policies of the member states, progressive and gradual revival of the process of financial integration and expansion of the public and private use of the European Currency Unit. In this context, it would also be desirable to achieve progress toward full participation in the EMS exchange rate mechanism of sterling (and, at a later date, the drachma).

**The Fontainebleau European Council set up an ad hoc committee to prepare proposals on a "People's Europe" which would give the man in the street a stronger sense of belonging to the E.C. Will the Italian presidency seek to develop this work?**

We intend to encourage the work of this body to the utmost during the Italian presidency. Any fresh impetus for the E.C. must be accompanied by improvements to the way it is perceived by public opinion both at home and outside the E.C. We expect from this committee a number of concrete proposals, for instance on freedom of movement and more extensive rights for E.C. citizens, which will have a positive impact on the image of European solidarity recently tarnished by excessive and sometimes sterile internal debates.

**Which decision, just one if possible, do you hope will characterize the Italian presidency?**

As I have said, the most important decision which I hope the June European Council in Milan will take will be to call an intergovernmental conference to negotiate a treaty on European union. This would be a clear sign that the governments of the member states have rediscovered the political will to get the E.C. moving again and that they have faith in Europe. We intend to take advantage of all the openings which the presidency affords and we shall not hesitate to make any proposals which may be of assistance, including fixing a date for the conference. €



# THE TWO SPOLETOS: FESTIVALS OF ART

BACK-TO-BACK GATHERINGS IN THE U.S. AND ITALY FEATURE CONCERTS, DANCE AND THEATER.

JOHN ARDOIN

Everywhere, there is something, when the Spoleto USA Festival comes to life in Charleston, South Carolina, in the late spring. Along with an explosion of music and theater, you can come across puppets in the streets, echoes of brass fanfares, the peal of organs, story-tellers in the parks, dancers in courtyards, banners flying from street lamps, a profusion of flowers and Low-Country crafts and a search for the best she-crab soup and other local culinary specialties.

Until the arrival of Gian Carlo Menotti—one of the most popular and lauded composers of our time—in this gracious, *andante*-paced city, Charleston was described as America's "best-kept" secret. It had resisted exploiting its past, one of the richest in the land. Its history centers on the old or inner city, which covers nearly 800 acres and is filled with imposing mansions and churches built in a grand style that reaches back into pre-revolutionary days to an age when life moved more leisurely and elegantly.

Over two centuries of architectural majesty are set within verdant gardens and courtyards bound by cobblestone streets, gas lanterns and winding alleyways. All of these help to make Charleston one of America's most beautifully preserved historic cities. Yet, with all of this, there are few hints of commercialism to jolt a visitor, and even the coming of the Spoleto Festival in 1977 has done little to alter Charleston's gracious life.

How Menotti and Charleston began their special partnership is a story that reaches back nearly three decades. Its roots were planted in a small Umbrian town in Italy named Spoleto. There, in 1957, the composer-impresario and stage director founded what has become one of the popular summer events in Europe. Officially, it was named "The Festival of Two Worlds," but it has since become



The festival in Spoleto, Italy (above) was established in 1957.

known internationally as simply "The Spoleto Festival."

It has been said that the idea of Spoleto was one that only a madman or a child could have conceived. Menotti is, by his own admission, both. His dream was to bring together in productive harmony the finest creative talents of two worlds—the old and the new—and to forge a special community for the arts void of commercial or social considerations. As Menotti's associate Francis Rizzo has observed: "Professionals dismissed the plan as lunacy. It turned out to be lunacy of an inspired sort."

John Gruen, Menotti's biographer, has written that in an instant, Menotti the musician was "suddenly transformed into Menotti the organizer, the fund-raiser, the administrator, the talent scout, the secretary, the dealer in minutiae, the father-confessor and the politician." The

sacrifices in terms of his own work and his bank account were great, but Menotti realized that far more was at stake than a private dream.

The small hilltown of Spoleto once had been prosperous with coal mines and olive groves. But the mines played out, a great frost killed most of the olive trees, and the area was left impoverished. Menotti's "madness" meant an economic rebirth for the city. Spoletini were hired to sew costumes, paint scenery, build the new roads that lead to their city, work as waiters in mushrooming restaurants, do laundry and clean apartments. Through the years Menotti has proved time and again that there was as much method in his madness as there was madness in his methods.

From the first, Menotti wanted to bring his celebration of the arts to America, but he despaired of finding here the



sort of seductive ambiance that permeates the parent festival. There, his imagination had turned Spoleto's piazzas, churches and public buildings into theaters, creating a rare atmosphere of excitement and creativity. Where did there exist as congenial and theatrical a spot in America? It took 20 years for him to find the answer.

Anyone who has visited Spoleto USA's counterpart in the hills north of Rome can immediately sense why it was love at first sight when Menotti discovered Charleston. It was compact and charming, and, like Spoleto, could be turned into a stage. From the first Spoleto USA season in

two-year mating dance, the Charleston establishment and Menotti came to admire one another. Gradually, obstacles were overcome, financing arranged and enthusiasm engendered from within and without the community. What began as a trickle of support turned into a flood of ticket sales and excitement. During the last eight years, Spoleto USA has come to be as widely known and as successful as Spoleto, Italy (which opens a few weeks after its sister festival closes).

The sharing of both festivals is real, and it goes beyond co-productions and artists to a remarkable cross-over in audiences. Just as Spoleto has helped many

of "Inner Voices," by the late Italian playwright-director, Eduardo di Filippo.

Dance will be highlighted by the Ballet Eddy Toussaint de Montreal and Los Angeles' Lewitzky Dance Company, and the Festival's music director, Christian Badea, will conduct Mahler's Symphony No. 2. And whether you attend the festival in South Carolina or in Italy, one of the highlights is bound to be the noonday chamber music concerts, directed by flutist Paula Robison and her husband violist Scott Nickrenz.

In Italy, these are held in the exquisite Caio Melisso Theater, where Rossini once conducted, and in South Carolina, in the mahogany warmth of the Dock Street Theater, America's first proscenium stage. In a wide-ranging hour of performance, you will encounter some of the finest young instrumentalists currently before the public, such as violinist Joey Swenson, cellist Carter Brey, pianist Ruth Laredo and the Ridge String Quartet. Nowhere does the Spoleto spirit shine more brightly than here.

The Italian Festival follows on June 26 to July 14. It, too, will present Beresford's production of the Puccini opera, as well as Giovanni Paisiello's little-known setting of "The Barber of Seville." Theater includes Samuel Beckett's play "Krapp's Last Tape," and this year's dance companies are Les Grands Ballets Canadiens, Russia's Moiseyev Dance Company and the Ballet Nacional Espagnol.

Looking back over the extraordinary achievements of his two festivals, Menotti has described himself as an artistic bigamist, happily married to two lovely and loving cities. He is quick to admit that "actually, the festival satisfied a very selfish need. I felt that the artist should become part of society—a *needed* part of the society rather than just an ornament. I wanted to feel needed, and I wanted to see whether with my music and my knowledge I could help to recreate a so-called ideal city. My dream was really not to create a festival, but to create a small city wherein the artist would thrive and be one of its most essential members."

The word "Spoleto" has all but entered our vocabulary as meaning "a single-minded devotion to a cause." It is also, to quote Menotti, "a much-needed sign of hope in this age of suspicion and selfishness when two beautiful towns, so different and so far away from each other, unfurl the flag of friendship in the common quest of beauty." €

John Ardoin is music critic of the *Dallas Morning News* and the author of a new book on art of Gian Carlo Menotti, "The Stages of Menotti," being published in April by Doubleday.



Gian Carlo Menotti began Spoleto USA in Charleston, SC, eight years ago.

1977, Menotti made lavish use of Charleston's parks, its streets and the courtyard of its college to saturate the community with concerts, opera, dance, film, lectures, art shows and theater, as well as to create a mini-festival for children he dubbed "Piccolo Spoleto."

At the time of the first Italian Festival, no one was willing to take bets on a second year. But they had not reckoned with Menotti's determination. As he confounded the critics who predicted the demise of Spoleto, so he triumphed over those who tried to bury Spoleto USA after its initial season. They, too, had failed to take into consideration Menotti's zealous sense of mission, his disarming charm and the fact that he usually gets what he wants. And he wanted Charleston, badly.

It is true that at first the city fathers were reluctant to invite Menotti and his performers into their town, but, during a

Americans discover Italy, it has led to an awakening on the part of Europeans to America's history. Like its counterpart across the Atlantic, Spoleto USA is an irresistible mixture of the young and old, the innovative and the tried-and-true. There are premieres, experimental works, standard classics and young artists performing with and learning from acclaimed veterans.

The 1985 Spoleto USA Festival will be offering between May 24 and June 9, a new production of Puccini's opera "The Girl of the Golden West," which will feature the operatic debut as stage director of the acclaimed Australian film-maker, Bruce Beresford. There will also be performances of Handel's "Ariodante" by the New York-based Concert Royal, in honor of the three-hundredth anniversary of the composer's birth. For theater buffs, Menotti is giving the U.S. premiere



# STUDY THE E.C. AND VISIT EUROPE

COURSES IN EUROPEAN INTEGRATION AND E.C. TOPICS ARE AVAILABLE AT MANY CENTERS.

JAMES DAVID SPELLMAN

**I**n what ways does the experience of the European Community prove or disprove the theory of economic integration? What initiatives have the Ten taken to harmonize their company laws, and with what success? Define a European Currency Unit (ECU). What barriers does the E.C. now confront to continue the process of integration? Explain the relationships among the European Parliament, the E.C. Council of Ministers and the E.C. Commission.

These are some of the typical questions confronting students taking exams at colleges in Europe and the United States to earn degrees in European stud-

ies. Such courses are rising in importance as the need grows for employees with detailed knowledge about the way that E.C. organizations, laws and economics function. Universities in Europe and the United States are addressing that need. Below is a summary of some of the opportunities available today in Europe.

## College of Europe

This college is the oldest and perhaps best-known center offering studies about the E.C.'s economics and politics. Founded in 1949, this institute at Bruges, Belgium provides a setting where 130 students can learn in both English and French about E.C. affairs.

Students can choose between three

curricula: administration (the institutions of the E.C. and decision-making processes); economics (the theory of integration and the experience of the E.C. in Community-wide agriculture, trade and industrial policies); and law (trade, social and commercial laws and the judicial bodies involved in making and administering such laws). Two degrees are awarded: the diploma of advanced European studies is given to students who successfully complete the exams, while the degree of master of advanced European studies is awarded to those who fulfill the diploma's requirements and write a thesis.

Tuition costs in the 1984-85 academic year were BF190,000 (about \$3,150), which covers tuition, books and lodging in student dorms. For more information write to: Rectorate of the College of Europe, Dyver 11, B-8000 Bruges, Belgium.

## Europa Institute

Held annually since 1966, this course on European integration pulls together post-graduates from more than 20 countries. Lectures, seminars and individual research are designed to train students about the E.C.'s laws and economics and the Ten's collective relationship to the United States, Japan, developing countries and other nonmembers.

The course is multidisciplinary and taught in English. Students examine the laws needed to do business in the E.C., such as contracts, capital transactions, fiscal documentation, product liability and trade rules. In economics courses, students learn about the theory and experience of Europe's economic integration, current economic policies, such as agriculture, and the E.C.'s monetary system. A diploma of European integration is given at the course's completion.

Tuition for the 1985-86 course is DF2000 (about \$700). Living expenses are estimated at DF1100 (about \$300) per month. Write to: Registrar; Europa Institute of the University of Amsterdam, P.O. Box 19123, 1000 GC Amsterdam, The Netherlands.

## Center of European Legal Policy

A recent addition (1982), this institute affiliated with the University of Bremen sponsors research into the ways in which the E.C.'s law has developed and become incorporated into the members' national laws. In its agenda of research, the center is focusing first on how to control market failures and the effects on the E.C.'s economies. The second phase will probe industrial relations, looking at, for exam-

## PLANNING FOR STUDY ABROAD

**B**efore committing yourself to enrollment in foreign colleges, you should do your homework. Is the program recognized in the United States? How will it benefit your career or strengthen your academic studies? What kinds of financial aid are available? Does the country provide national medical insurance you can use? What are the basic living costs? The books below will help you answer these and other questions. If they are not in your local library, they can be ordered at the addresses given.

*Basic Facts on Foreign Study.* (Free)  
*Fulbright Grants and Other Grants for Study Abroad, 1985-86.* (Free)  
*A Guide to Scholarships, Fellowships, and Grants: A Selected Bibliography.* (Price: \$9.95)

*The Learning Traveler. Vol. I—U.S. College Sponsored Programs Abroad. Vol. II—Vacation Study Abroad.* (Price of each: \$9.95)

All of these can be ordered from: Communications Division, Box BF, Institute of International Education, 809 United

Nations Plaza, New York, NY 10017.

*Study Abroad: A Guide to Selecting a Foreign Education.* (Free) National Association of Foreign Student Affairs, 1860 19th St. NW, Washington, D.C. 20009.

*Study Abroad, 1983-84, 1984-85.* By UNESCO. (Price: \$20.50) Unipub, P.O. Box 433, New York, NY 10057.

*Work, Study, Travel Abroad: The Whole Work Handbook, 1984-85.* (Price: \$6.95) By Margaret Sherman. St. Martin's Press.

*Fellowship Guide to Western Europe.* (Price: \$5 plus \$1 postage) Publications, Council on European Studies, 1403 International Affairs Bldg., Columbia University, New York, NY 10027.

*Summer Courses on European Integration, 1984.* (Free)

*Postgraduate Degrees in European Studies, 1982.* (Free)

Both available from: The European Community Information Service, 2100 M St. NW, Suite 707, Washington, D.C. 20037.

—JAMES DAVID SPELLMAN



ple, whether labor conditions could improve through foreign investment and how the Community cooperates to draft and impose regulations. Alternatives to current judicial processes will be explored in the institute's third phase, looking at whether advisory bureaus could serve as alternatives to civil courts and how conciliation boards have been used in labor disputes.

To participate in the center, contact: Dr. Norbert Reich, Universitätshalle, GW1, D-2800 Bremen 33, Federal Republic of Germany.

### European University Institute

Established by the E.C. members in 1975, this institute on the outskirts of Florence offers courses in and sponsors research on the politics, culture, economics and history of Europe. Diplomas and doctorates are offered. Each summer, the institute hosts a special course on comparative European politics for university lecturers, doctoral candidates and experts. To qualify for admission, candidates must know at least two E.C. languages.

Write EUI at: Badia Fiesolama, Via die Roccettini 9, 50016 San Domenico di Fiesola, Italy.

### Graduate School of European and

### International Studies

This school at the University of Reading offers a course that leads to an M.A. (nine months), M.Phil. (research degree—two years) or D.Phil. (research degree—three years). Two programs are available. One concentrates on the integration of Western Europe. Courses in this sequence include the E.C.'s regional problems, comparative land law and defense. The other program explores the region's history, culture and society.

Tuition runs about £2500 (about \$2,800). For more information, contact: The Secretary of the Graduate School, Faculty of Letters and Social Sciences, University of Reading, Whiteknights, Reading RG6 2AA, England.

### European University Center

Located at the University of Nancy (II) in France, this center provides courses in European integration, economics, law, and political science. The one-year post-graduate course includes exams and a dissertation, earning the successful student a diploma of advanced European studies. A one-year research diploma—diplôme d'études approfondies (DEA)—is available for the European law curriculum. Students must take lectures in trade, tax, financial, competition, public and industrial property law. Optional lec-

tures are offered in social law and the E.C.'s foreign relations. Students must be fluent in French.

Write: Professor G. Bonet, European University Center, 15 place Carnot, 54002 Nancy, France.

### University Center of European Community Studies

Founded in 1963, this center at the Sorbonne in Paris offers a broad comprehensive curriculum covering the law, history, economics and politics of the E.C. A diploma is given for such specialized studies. Special diplomas are offered in European law and economics, such as the DEA and the diplôme d'études supérieures spécialisées (DEES). Most courses are taught in French.

Contact: Registrar, Université Panthéon-Sorbonne, 12 place du Panthéon, 75005 Paris, France.

Many major universities in Europe and the United States offer courses on the E.C. Information about these programs is listed in UNESCO's *Study Abroad* or can be obtained from the country's cultural offices in the United States. These sources and the others mentioned in the sidebar will also help you find financial aid. €

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



The picturesque, medieval town of Bruges is the home of the College of Europe.



# SAILING

EUROPEANS DOMINATE MULTIHULL  
OCEAN RACING



Financial support from large companies is the key to Europe's ocean racing success. Above, a multihull backed by a French cigarette brand.

## HERVÉ GUILBAUD

**F**or people fascinated with multihulls—those odd-looking sailboats with two or three hulls that go very, very fast—1984 was a wild year. Never before had so many records been broken, smashed even, and never before had traditional boats, with one hull, been so surpassed by these extraordinary water spiders.

Certain purists and defenders of traditional sailing have trouble admitting this and they counter that catamarans, trimarans and other "praos" (boats with two hulls of different sizes inspired by traditional South Pacific boats) are dangerous devices and not very seaworthy. But the results are there to contradict these critics and to join a trans-Atlantic race today in a traditional boat, whether solo or crewed, is touched with masochism... unless, of course, you like cruising.

The avalanche of record performances began in mid-April with the east-west crossing of the North Atlantic by French-

man Patrick Morvan and his crew. At the helm of his catamaran "Jet Service," the Breton lowered by almost a whole day the record set one year earlier by his fellow countryman Marc Pajot on the catamaran "Elf Aquitaine." The new time to beat between Sandy Hook in New Jersey and Cape Lizard in Cornwall is eight days, 16 hours and 36 minutes.

For 75 years the record of slightly over 12 days was believed to be unbeatable. It was set in 1905 by the Scotsman Charlie Barr at the helm of the famous schooner "Atlantic." Since 1980, however, three sailboats—all multihulls under 20 meters long—have bettered that time and this may be just the beginning.

In June 1984, another Frenchman, Yvon Fauconnier, took 16 days, six hours and 25 minutes between Plymouth, England and Newport, Rhode Island to win the seventh running of the famous Observer Singlehanded Trans-Atlantic Race (OSTAR), the oldest and the most exciting of the solo races. The previous record for that race, set in 1980 by the American

Phil Weld on his trimaran "Moxie," was 17 days, 23 hours and 12 minutes.

Finally, on August 27 of last year, Canadian Michael Birch managed the fabulous feat of covering 518 nautical miles in 24 hours on his giant, 80-foot catamaran "Formule TAG" during the Québec-St. Malo, France (crewed) race. His average speed was 21.59 knots, faster than most modern commercial ships. The previous record had been set in the last century by the clipper "Champion of the Seas," with 462 nautical miles in 24 hours.

These statistics illustrate how well multihulls can perform and show that speed is now synonymous with these kinds of boats. They may be called a cross between a boat and a plane, but the simple fact is that single hulls, even the best performers and the most fine tuned among them, are today unable to compete with their strange, multihull cousins.

Many sailing enthusiasts remember the pathetic fight between Michel Malinovsky's big, "classic" sailboat and Michael Birch's small, trimaran at the finish





© DANIEL ALLISTY/SEA AND SEE

line of the first "Route du Rhum" race in 1978. Malino's defeat by 98 seconds after thousands of miles across the Atlantic no doubt sounded the death knell for single-hull boats in this kind of race.

Just as automobile racing brings benefits to production model cars, ocean racing has an impact on popular sailing. The wing masts, the semi-rigid sails and the hydrofoils tested in the Atlantic all have been, or will be, adopted by the still few boat yards which mass produce catamarans or trimarans.

Surprisingly, the United States has not participated in all this activity, and it has abandoned leadership in research and development (and in results) to the old Continent, particularly to France. There are several reasons for this. The "French Connection"—that is, the incredible profusion of high-performance boats, talented skippers and brilliant naval architects can be explained first of all by the development of corporate sponsorship. These sailboats cost a great deal and building one of these 26-meter catama-

rans is out of the question for anyone but multimillionaires. The price tags obviously vary according to the boat, but the biggest catamarans, the "maxis," often are worth more than \$0.5 million.

Financial backing from a big company is thus essential, as much for the research and development as for the actual cost of construction and the subsequent racing and upkeep expenses. The technology is currently moving so fast that a two-year-old sailboat is an antique. Since these businessmen are not necessarily philanthropists or mad about sailing, the pay-off on their investment in ocean racing comes through extensive coverage in newspapers, radio and television of all the big races.

In contrast to the low-profile attitude that characterizes traditional races such as the Admiral's Cup and the Southern Ocean Racing Conference with regard to sponsoring, the European promoters of major ocean races allow the boats to officially carry the names or logos of their sponsors. These are usually painted in big letters on the hulls or the sails. Mentioned several times a day on the air waves or in the newspapers, the companies get tremendous advertising, and the situation works out well for all concerned: Sailing becomes a profitable business investment—with companies acquiring in the process a sporting and dynamic image—and the racers have more and more outlets.

That ocean races are proving increasingly popular—and profitable—is due in large part to the fact that the major ones have very simple rules. The man in the street can understand them perfectly well even if he has never done any sailing. By and large, whoever crosses the finish line first, wins. Gone are the complicated classification regulations that even professionals have a hard time understanding. As a result, the public avidly follows these duels fought in the middle of the Atlantic.

Gone also are the days when no one knew anything more about the contestants' positions from shortly after the starting guns until they crossed the finish line. In most major solo and crewed races, the sailboats are now equipped with beacons that permit instant tracking reports via satellite. Safety also is improved for the competitors (since their position is known should they capsize, a greater possibility with multihulls than with single hulls), and the public's interest is kept alive.

So that is the magic brew which explains growing European interest in ocean racing: the combination of sponsorship, simple rules and wide coverage by

the media. The result is that Europeans—particularly the French and to a lesser degree the British—follow the major ocean races with the same fervor that the Americans follow baseball and football results, according to *Yacht Racing and Cruising* magazine.

At present, two schools of thought compete with one another. On the one hand, some people swear by the "maxis," sailboats that extend the full 26-meter limit. Others extoll the virtues of smaller, but very sophisticated, boats that make use of all the very latest materials and techniques.

The former are too big to take part in certain races such as the Plymouth-Newport solo, but their length allows them fantastic speeds. The "Formule TAG" is one such boat. The smaller boats, called "high-tech" in the United States, are veritable floating laboratories that rely on light weight and maneuverability. These boats—a good example would be Marc Pajot's new catamaran "Elf Aquitaine II"—defend themselves well in short races, and they can participate in the queen of races, the OSTAR, which is limited to sailboats 18.29 meters (60 feet) and less.

The near total absence of the Americans from ocean racing is all the more unfortunate if one considers the number of outstanding U.S. sailors. The last Olympic Games, where the Americans won three of the seven gold medals (plus four silver ones), are proof of American skills. No country has ever done better.

There are plenty of excellent American naval architects who are well known in Europe. After Phil Weld's superb victory in the 1980 OSTAR, many French racers started "sailing American" on multihulls designed and built in New England by Dick Newick or Walter Greene. The "American school" was all the rage at the time. At the start of last year's OSTAR, the French racers were worried the most about Hugh McCoy and his catamaran "Fury," but a broken centerboard forced him to abandon. It is hoped that the "Yankees" won't be gone for long and that the Atlantic will soon see new Euro-American duels.

The next big ocean race—La Rochelle, France to Annapolis this June—may be the occasion for a renewed show of force by the Americans. Organized by the two cities and by *Multihulls* magazine, this new trans-Atlantic race could also be the chance to get the American public and media interested in this sort of race . . . and to show that yachting does not rhyme only with America's Cup. €

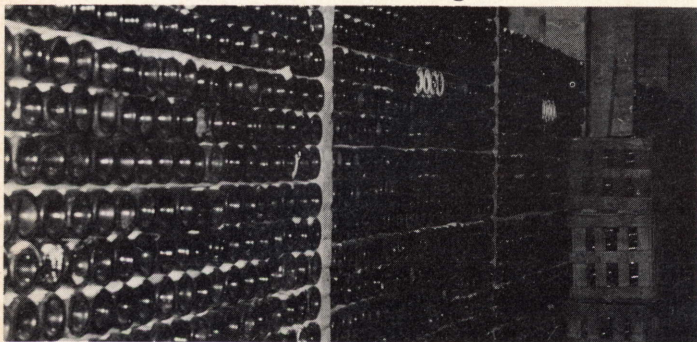
Hervé Guilbaud reports for *Agence France-Presse* from Washington, D.C.



# NEWS OF THE E.C.

## E.C. ASKS G.A.T.T. TO EXAMINE U.S. TRADE ACT

The E.C. Commission has submitted a formal request to the GATT Secretariat for the creation of a panel to examine certain provisions of the new U.S. Trade and Tariff Act, a bill that was approved by Congress in October of last year. The provisions in question extend the definition of an industry to allow producers of component products basic to that industry to join it in a trade complaint. In the case of the wine industry, this means grape growers are now entitled to formally protest European wine imports they believe to be unfairly traded, despite the fact that they are not directly producing wine themselves.



This, the E.C. contends, is in clear contradiction to well-defined GATT rules which state that an industry suffering injury—and therefore entitled to initiate a trade complaint—must be the producer of a product similar to the one being unfairly traded. As grapes and wine are clearly different products, an anti-subsidy investigation against wine imports re-

## REAGAN TO ADDRESS EUROPEAN PARLIAMENT MAY 8th

President Reagan will address a special Plenary Session of the European Parliament (EP) in Strasbourg on May 8th, the 40th anniversary of the end of the Second World War in Europe. The President will travel to Strasbourg after attending the annual Western Economic Summit which takes place this year in Bonn May 2-4th and between official visits to the Federal Republic, Spain and Portugal. The President's decision to address the EP confirms continued American support for the unification of Europe and the institutions of the E.C.

The EP directly elected by the citizens of the Ten E.C. Member States is represen-

sulting from a grape growers' complaint would be in violation of GATT law, claims the E.C.

Two special meetings have already taken place in the GATT at the request of the E.C. under the provisions of the GATT dispute settlement procedures in order to discuss the problem. Unfortunately these did not lead to a mutually acceptable solution, and the Commission's call for a panel to examine the new rules marks the movement of the talks to the next stage of settlement of the



dispute under GATT regulations.

## E.C. SUPPORTS PREPARATION FOR NEW TRADE TALKS

Trade ministers from the United States, Canada, Japan and the E.C. agreed in late February to schedule a Gen-

eral Agreement on Tariffs and Trade (GATT) meeting sometime this year to begin laying the groundwork for a new round of multilateral trade talks aimed at reducing barriers to world trade. While the E.C. Commission intends to participate actively in the preparations, it is insisting that the talks be widely supported by the other GATT members.

“A new round could not be considered without a strong consensus on substance, timing and procedures,” the Commission said recently. “For the Commission, it is unthinkable that talks could be launched without the explicit agreement and active support of the developing countries.”

In his State of the Union address on February 6, President Ronald Reagan asked America's trading partners to join in a new round of negotiations “to expand trade and competition and strengthen the global economy—and to begin it in this next year.” Such talks would be the first on GATT international trading rules since the 1973-79 Tokyo Round, which expires in 1987.

The Commission said the E.C. “is not yet formally committed to the principle of opening a new trade round, but it has as much to gain as its trad-

ing partners in such negotiations, and has every interest in taking part in the exploratory process.” The Commission added that the objectives of the talks must be carefully defined regarding some proposed topics—such as trade in services and high technology—which are non-traditional areas for GATT. “A round that did not get off the ground would mean a failure that would seriously damage the world trading system,” said Sir Roy Denman, head of the E.C. Delegation in Washington.

The Commission also believes that trade questions cannot be removed from other factors directly affecting the world economy, such as financial and monetary policies. While the United States and Japan are pushing vigorously for a new trade round, it notes, they have been much less eager to support measures to stabilize international financial markets or to redirect financial flows toward developing countries.

**POLL FINDS EUROPESSIMISM IS DECLINING**

The E.C. Commission's recently released “Eurobarometer” poll—a survey of public opinion in the Community carried out twice a year—found that “Europessimism” appeared to be in decline for the last months of 1984. The general tendency of Europeans seemed to be toward “a feeling of less pessimism, and possibly even of reborn optimism,” with a majority of people in all E.C. member states except the United Kingdom feeling that E.C. membership was advantageous for their country.

A sizeable majority of those polled also felt it preferable that decisions be taken “by the body of the member states of the E.C.” rather than by each country separately, a trend that Eurobarometer said indicated an increasing degree of “Europeanization” of choices. Fully 76 percent of those questioned were “very much in fa-



vor" of speeding up European unification.

The poll also posed questions on attitudes toward the European Parliament, finding that the elections held last June had faded rather rapidly from people's minds. With variations from one country to another, most of those questioned attached "average importance" to the Parliament and said they would like to see it acquire a more important role in E.C. affairs.

## E.I.B. LENDING UP 16% IN 1984

The European Investment Bank (EIB), Europe's primary tool for long-range financing operations, recently released figures for 1984 indicating a strong and sustained expansion of activity. Overall lending rose 16 percent to 6.9 billion European Currency Units (ECU), including 1.2 billion ECU on New Community Instrument resources, which are managed by the EIB but raised by the E.C. Commission on capital markets. Most of the financing went to projects within the E.C., with lending to the industrial sector up 37 percent and particular support going to small- and medium-sized enterprises.

Loans to the energy sector were up 23 percent, and energy saving investment in particular made a good showing. Financing was arranged for

various projects in all member states except the Netherlands, and was increased by 15 percent in Italy, 34 percent in France and 35 percent in the United Kingdom. The projects involved in the financing are estimated to have generated more than 44,000 permanent jobs throughout the Community. Nineteen eighty-four also marked a recovery in lending to non-E.C. countries, especially those included in the Lomé Convention, where 160 million ECU were made available.

The EIB is one of the institutions set up under the original E.C. treaty to promote economic and social progress. It makes or guarantees loans for investment projects, principally in industry, energy and infrastructure, and, since 1963, it has played a growing role in implementing the E.C.'s aid policies by helping to finance projects in the Mediterranean and in the 66 African, Caribbean and Pacific (ACP) countries linked to the E.C. through the Lomé Convention.

EIB officials expect the momentum of last year's expansion to continue. The bank's capital should be increased during the course of the year, a move made necessary by the broad expansion of activity, the planned enlargement of the E.C. and increased appropriations for ACP states provided for in the third Lomé Convention.

Among other plans for the

coming year, the EIB is considering the possible expansion of its activities to other continents, including Latin America and the ASEAN countries, the possible widening of the system of variable interest rate loans; and a continued increase in the number of loans denominated in ECU.

## E.S.P.R.I.T. PROGRAM IS UNDERWAY

Almost a year after getting its initial go-ahead last spring, the E.C.'s 10-year, billion-dollar ESPRIT program, or European

Practical and industrial applications are thus being stressed in the program's first research projects. Twenty-seven of these will focus on advanced microelectronics, 23 on office automation, 21 on advanced data processing, 19 on integrated production by computer and 14 on software engineering.

Coordination among member states and between industry and academia is also an important aspect of the program. Each project has an average of slightly more than five corporate and institutional participants (which share the cost of the program with the E.C.),



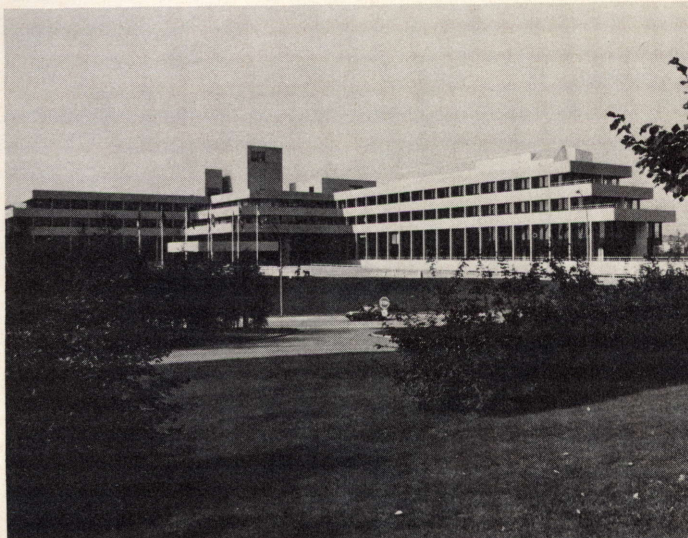
Europe's billion-dollar ESPRIT program will challenge U.S. and Japanese domination of high-tech markets.

Program for R&D in Information Technology, is moving into full gear. The Commission announced in late January the selection of 104 high-tech projects (chosen from 441 proposals) to launch the process of Europe-wide, coordinated research and development. The projects were to be given the program's initial grants of 180 million European Currency Units (ECU).

The ESPRIT program is a long-term endeavor designed to coordinate and promote the development of Europe's high-technology industries and to use the combined resources of the E.C. to provide the large-scale mobilization of workers, financing and market opportunities needed to encourage innovation.

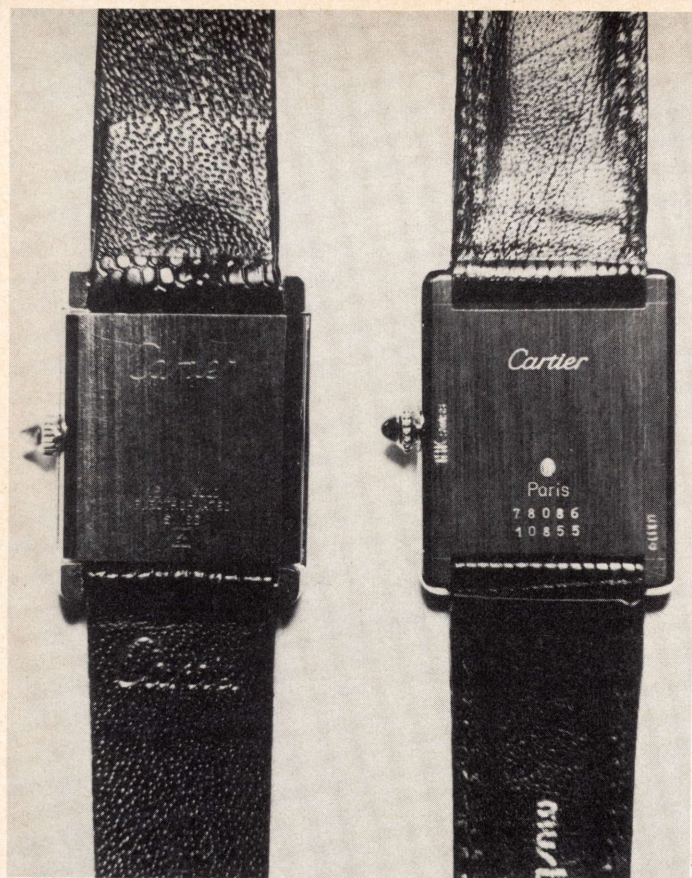
and a good overall geographic balance among the 548 contractors involved has been achieved. Both large (over 500 employees) and small industries are well represented, and a small number of the projects will include affiliates of multinational corporations.

The response to ESPRIT's launching has been enthusiastic, but it will be 2 or 3 years before initial evaluations of the program can be made. It remains unknown whether Europe will be able to channel its enormous energies and resources to meet the American and Japanese challenge in the high-tech markets of the future, but the coordinated approach of the ESPRIT program may well make the crucial difference.



The European Investment Bank, above.





Above, a classic example of the thriving counterfeit trade. The real Cartier watch is on the right.

COURTESY CARTIER

## E.C. PROPOSES MEASURES TO FIGHT COUNTERFEITS

With international trade in counterfeit goods rising to ever more alarming levels, thereby raising safety threats to consumers and economic threats to legitimate producers, the E.C. Commission is calling for a halt to the import of such goods into the Community. Measures now being recommended by the Commission to the Council of Ministers would allow E.C. customs officials to impound suspect goods in cases where illicit use was being made of an exclusive trademark and to dispose of the goods once fraud was established.

Counterfeiting has become a major trade problem in recent years, and it appears to be widely flourishing due to the lack of effective controls. While the General Agreement on Tariffs and Trade is considering ways to attack the problem,

international regulations are unlikely to be agreed on soon. Nevertheless, the difficulties caused by counterfeits have reached an acute stage for some sectors of the European economy, and the problem is spreading. While counterfeiting is popularly considered to affect mostly luxury and fashion goods, in reality no industrial or agricultural sector of trade is immune, and the problem is not limited to consumer goods. Due to their inferior quality, counterfeit goods often present a threat to public health and safety, and they have had an adverse effect on employment as a result of the loss of sales they provoke.

At present, trademark owners have in practice few possibilities for preventing counterfeit products from reaching the market. Once on sale, the goods damage the producer's reputation, and markets can be lost. The Commission's proposal would allow the owner of a trademark to lodge an application for the suspension of the release of counterfeit goods

where he has reason to believe that such goods are to be imported. The proposal also provides that disposal of the goods, once fraud has been established, shall be done in a way that deprives the counterfeiter of economic benefit and provides an effective deterrent to further transactions of the same kind.

## E.C. PROPOSES FARM PRICE SUPPORT CUTS

In line with its efforts to reform the E.C.'s Common Agricultural Policy and bring farm spending under control, the E.C. Commission has advanced proposals for unprecedented cuts in agricultural prices for the 1985-86 farm year—cuts that, if adopted, should reduce the cost of E.C. supports, by about 0.3 percent. The proposed price package calls, in part, for cuts of about 3.6 percent for most cereals and rapeseed (a major grain used for animal feed), cuts of about 6 percent for most vegetables and some fruits, a rise in sugar prices of 1.3 percent and the maintenance of most meat and wine prices.

While E.C. farmers and farm groups are extremely unhappy with the proposals, E.C. Agriculture Commissioner Frans Andriessen appears firm in his determination to bring E.C.

prices closer to world prices and avoid the overspending that led to last year's financial crunch. The Commission is thus adopting market solutions to the farm-price problem and is stressing as well the necessity of finding more external markets for E.C. farm products.

The new proposals, which together call for an estimated 20 billion European Currency Units in agricultural spending for 1985, are now under discussion by E.C. Agriculture Ministers and should come into effect by April 1, the start of the official farm year.

## EUROSTAMP MAY BE APPROVED THIS SUMMER

Will there be a simple stamp for Europe by the end of the year? It may just happen, if final approval for the idea is given at this June's European Council summit meeting. The proposed stamp, now under serious discussion by the E.C.'s Committee on the People's Europe, depicts a map of the E.C. on the right, with the stamp's value in ECUs (together with the conversion rate to the currency of the issuing country) on the left.

The Committee on the People's Europe was set up at the



In an effort to control farm spending, the E.C. Commission has called for cuts in its agricultural support prices.



Fontainebleau summit last June to consider proposals for strengthening and promoting the Community's identity and making it more relevant to its citizens. The committee has already had some success in introducing a European passport, which has been issued by five of the 10 member states so far, and is considering a number of other measures it hopes will have a real effect on the every-day life of Europeans.

Among these measures are: freer movement across intra-E.C. borders, joint measures against unemployment, the formation of a European sports team, a system for the equivalence of university degrees, a European flag and anthem, sister-city programs, measures against drug abuse and the minting of European coins. The committee also enjoys a special status: it is composed of people chosen by E.C. member-state heads of Government, and then report directly back to those heads of Government—one reason why the Committee's suggestions can be acted on quickly.

## E.C. OUTLINES NEW ENVIRONMENTAL POLICY

The E.C.'s new Commissioner for environmental affairs, Stanley Clinton Davis, outlined Europe's new environmental policy before the European Parliament's Committee for Environment, Health and Consumer Protection, calling for a partnership between industrial and environmental policy. "All too often industry and the environment are portrayed as enemies," he said. "The fear is created that industry will become uncompetitive if it is compelled to be environment-friendly and that jobs will be lost. The opposite is true. We shall lose jobs if we do not keep up with environmental technology for we shall be unable to compete with the United States and Japan in the world's export markets."

The E.C. is currently in the third of its five-year environ-

mental programs, which began with the initiation of a broad E.C. environment policy in 1972. The current program, scheduled to run through 1986, will complete a shift in emphasis away from efforts aimed simply at containing environmental damage and toward a policy that would prevent damage in the first place.

To this end, the Community's program calls for closer integration of environmental concerns with planning and development in agriculture, transport and energy. "Industrial and environment policies must become partners," Clinton Davis said. "The hidden costs of air pollution to society at large are enormous, the aspects of acid rain are only too evident, and so is its international dimension."

Automobile emission standards, currently one of the prime targets of environmental concern in Europe, will occupy an important place in the Community's environment agenda, and Clinton Davis stressed that the Commission and the Parliament were headed in the same direction for stricter emission standards. "Some acceleration should be possible and different timetables for different sizes of cars might help," he told the parliamentary committee, adding that, in general terms, "Parliament and the Commission are allies, particularly in the field of environment and consumer policies, which are absorbing more and more public interest and preoccupation. I believe in accessibility, and it is important to have an extensive and direct dialogue between Parliament and the Commission."

## EUROPEAN PASSPORT IS INTRODUCED

Citizens from a number of E.C. Member States can now move freely about the globe on a new E.C. passport, a document being introduced this year that will gradually replace national passports. Since January 1st, the passport has been issued in



The Italian-language version of the newly introduced European Passport.

Denmark, Ireland and Luxembourg. It will be introduced very shortly in France and Italy and from mid-1985 in Greece, Belgium and the Netherlands. For technical reasons, the Federal Republic of Germany and the United Kingdom have delayed introduction until late 1986. In the German case, to permit them to be read electronically.

The passports, burgundy-colored with the title "European Community" above the name of the issuing member state, have the same legal status as national passports and can be used under the same conditions for travel anywhere in the world. In the initial stages, the new passport encountered some difficulties. Spanish and Czechoslovakian customs officials at border crossings claimed they had not been informed of the new document. The few bugs in the system now appear to have been ironed out. The E.C. Commission said that it was up to the Member States to inform third countries of their progressive introduction of the E.C. passport.

## AID ROUNDUP

The second aid package to be granted to developing countries under the E.C.'s special action plan to combat hunger in the world has been agreed. The plan's specific aim is to

support Third World efforts to achieve food self-sufficiency through "thematic actions" on a regional level and through rural development projects in general. The latest package, carried over from the 1984 budget, will provide 58 million European Currency Units (ECU) to be channeled as follows (One ECU currently equals about \$0.71):

**Africa—Sahara borderlands:** 4.14 million ECU to support pilot reforestation projects in 22 Sahel countries to encourage local populations to plant saplings to be used for firewood, building materials, fruit or fodder and 1 million ECU to monitor the movement of the Sahara desert.

**Mauritania:** 0.5 million ECU to continue the support of reforestation projects financed under the 1983 aid allocation.

**Senegal and Mauritania:** 2.38 million ECU to finance the setting up of irrigated zones in the Senegal River basin. The aim is to create pockets of vegetation to protect the environment against spreading desertification.

**Member States:** (Burkina Fasso, Cap Verde, Gambia, Mali, Mauritania, Niger, Senegal and Chad)—0.13 million ECU to help set up a regional program on food and ecology issues and finance meetings between experts on these questions.

**Cape Verde:** 0.5 million ECU to support reforestation and anti-



erosion construction work in the southwest region of the island of Santiago to check spreading desertification in the area.

**Mali:** 3 million ECU to implement the food strategy approach to self-sufficient development and 0.3 million ECU toward reforestation efforts to replenish firewood supplies.

**Burkina Fasso:** 2 million ECU to finance a program set up by the National Cereals Office designed to organize the purchase, storage and distribution of cereals throughout the country.

**Burkina Fasso:** 0.33 million ECU to the Inter African Committee for Hydraulic Research to finance the compilation of data gathered on subterranean water resources in the region.

**Chad:** 0.2 million ECU to finance a project aimed at improving camel raising in the northwest of the country using better veterinary services and 0.16 million ECU for a reforestation program which includes planting six nurseries and encouraging local populations to plant trees in and around towns.

**Ghana:** 2.6 million ECU to supply raw materials and equipment necessary to ensure the reduction of losses after harvests and increase the amount of foodstuffs available.

**Central African Republic:** 0.5 million ECU to finance a reforestation project in the north-

east and to assist forestry supervision in other regions of the country.

**Ethiopia:** 1.5 million ECU to construct and equip an agricultural research center in Bali/Arsi. The center will concentrate research on subsistence crops such as wheat, barley and vegetables.

**Comoros:** 0.3 million ECU for a soil-protection and conservation project in the Domoni region on Anjouan. The project includes planting new vegetation and one thousand families have volunteered to take part.

**Tanzania:** 1.1 million ECU for micro-projects involving irrigation of the Pemba region to increase rice production.

**Ruwanda:** 3 million ECU to support food strategies.

**Burundi:** 1.4 million ECU to finance the construction of a road to open the east of the country where development projects will be carried out to attract people away from the overpopulated central region and to support reforestation.

**Zambia:** 2 million ECU to finance environmental measures and especially the eradication of the tse-tse fly using sprays and fly traps.

**Mozambique:** 1.5 million ECU to research and eradicate the problem of the tse-tse fly.

**Tunisia:** 0.9 million ECU to set up an experimental station to convert refuse from Tunis into compost to be used to fertilize various crops.

**Aid to Non-Associated Developing Countries—Nepal:** 5 million ECU for a water and soil conservation project along the watershed of Bagmati. Technical assistance will also be provided.

**Bolivia:** 12 million ECU for a two-year program to increase agricultural production in the country through irrigation, livestock protection and environmental protection.

**Dominican Republic:** 6 million ECU for a rural development project in western Cibao. The project will include soil conservation, water resource management and livestock protection.

## SURVEY FINDS WORKING WOMEN FEEL LESS EQUAL THAN MALES

Working women in Europe still feel "slightly less equal" than male colleagues, according to an E.C. Commission survey of a cross-section of 5,500 of the E.C.'s 32 million women who work. Thirty-two percent of women questioned thought their promotion prospects were worse than those of male colleagues, 25 percent cited wage discrimination based on sex, 15 percent cited discrimination in terms of access to additional training and 14 percent said they got lower bonuses and benefits than men.

As a rule it was women working in factories and workshops who felt most discriminated against. On the other hand the majority of those questioned recognized that they had certain advantages over men in terms of working time and retirement age.

Despite discrimination, 78 percent felt that their abilities were being used to the full and 73 percent thought that their job involved "some responsibility." But 22 percent of married women complained of high tax rates on their combined household income that absorbed almost their entire pay packet.

In recognition of the problem, the Commission has just

published a memorandum of equal treatment for men and women. It recommends a system of "separate taxation," a "neutral" system that doesn't hit married women harder than unmarried ones. The European Parliament generally shares the view.

Another problem facing women at work is sexual harassment. Ten percent of women questioned said they'd experienced sexual blackmail either on joining a firm or later in their careers. Long-term unemployment is another major problem. Twenty-four percent of women questioned who had been unemployed for over 7 months said that it was because employers wanted a man.

Unemployment was the biggest concern for almost all the women polled, at a time when five million women in the E.C. countries excluding Greece were looking for work. Unmarried working women, totaling 11.5 million, are particularly at risk.

## E.C. RULE WILL HARMONIZE CAR PRICES IN EUROPE

The E.C. Commission has adopted new legislation that will guarantee the right to buy a car in any E.C. member state, as well as going some way towards reducing price differentials for cars in different E.C. countries. Car prices in Europe currently vary by as much as 30 percent for the same car in different countries. A car costing 100 units in Belgium, would cost 110 in the Federal Republic of Germany, 114 in France, 121 in Italy and 130 in the United Kingdom, according to a 1984 survey.

The E.C. regulation, which comes into effect in July, is designed to rationalize existing car manufacturers' distribution systems by giving them certain exemptions from E.C. rules on restrictive practices. In return, the companies will have to supply any car ordered, whether left- or right-hand drive, at reasonable prices.

## MOVING? RENEWING?

NAME (please print)

ADDRESS

CITY STATE ZIP

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Change of address | <input type="checkbox"/> 1 year \$9.95   | <input type="checkbox"/> Payment enclosed |
| <input type="checkbox"/> Renewal           | <input type="checkbox"/> 2 years \$17.95 | <input type="checkbox"/> Bill me          |
| <input type="checkbox"/> New subscription  | <input type="checkbox"/> 3 years \$23.95 | Initial here _____                        |

### Mail to:

Europe Subscription Service Department, Suite 707, 2100 M Street NW, Washington DC 20037 (202) 862-9558

### Change of address and renewal

Please attach the mailing label from the back cover when writing about service or change of address. Please allow 6 weeks for change of address to take effect.



At Last! The Travel Industry's Best-Kept Secret Revealed...

# HOW TO MAKE A FORTUNE & TRAVEL ABSOLUTELY FREE!



Now, Home Business Experts, Ben and Nancy Dornitz, Reveal to You America's #1 Business and Free-Travel Opportunity

What kind of person are you? Are you satisfied to let life pass you by? Or are you an opportunity seeker—searching for the key to unlock your door to financial independence? If you like to enjoy life and make lots of money, we have much in common. Read our story. It could change your life...

About seven years ago, at a party, Nancy and I were introduced to a successful travel agent. We were excited to meet him. Both of us had dreamed of traveling worldwide but could never afford it. We'd also heard about the fat commission checks and free travel benefits in the travel business.

"I wish there was a way we could get involved in travel without having to start a travel agency," I said.

The travel agent smiled. "Perhaps I shouldn't tell you this," he said, "but you can now run a part-time or full-time travel business out of your home."

"What kind of an investment does it take?" asked Nancy, who had the unpleasant task of balancing our checkbook.

"It doesn't cost a dime," was his reply.

We couldn't believe our ears. "How can we find out more?" we both exclaimed.

The travel agent hesitated for a moment. Finally, he said, "All right, if you're really interested, I'll show you how you can do it."

I don't know why, but I suddenly found myself making excuses. "I don't have any experience," I said, "and besides, I'm really busy."

"I can teach you everything you need to know in a few hours. And in your own business, you can do as much or as little as you choose," was his reply.

Then, looking me straight in the eye, he said something that really shook me. "Look, Ben, a lot of people wish and want but never act. If you really want to find out more, be at my office tomorrow morning. If you're just a talker, I'll probably never see you again." And with that, he turned around and left.

That night, I tossed and turned a lot. I guess it was hard to believe that something this good could happen to us. I was skeptical, but I made the appointment...

To make a long story short, our lives were changed by what I found out that morning. As a result, for the past seven years, Nancy and I have made terrific income in travel. In fact, on just one trip we helped put together recently, we made more than my yearly salary used to be.

We've also met others who are quietly getting rich doing the same thing—people like Jerry, a former corporate executive, who is now making a fortune running his home-based travel business... or Elaine, a wife and mother of four boys, who, starting in her basement, has built a multi-million dollar travel empire.

In addition to money, the travel business offers tremendous benefits

to those who are on the "inside." Nancy and I have enjoyed many expense-paid dream vacations. We've sunbathed on the beaches of the Caribbean, lain on the pink sands of Bermuda, and returned to the lush shores of Hawaii again and again. Imagine staying in a \$250-a-night V.I.P. suite as a guest of the hotel and being wined and dined to your heart's content. We just couldn't believe all these wonderful things were happening to us! Of course, we've earned these benefits. But it has always been lots of fun and really quite easy—something anyone can do—something you can do!

Our friends couldn't believe it either.

At first, they thought we'd inherited a bundle from a rich aunt. One friend, after picking us up at the airport from one of our Hawaiian trips, stopped the car and said, "I'm not taking you home 'til you tell me how you're doing this." As the word spread, more and more friends began to ask questions. We really couldn't blame them—they also wanted to enjoy more money and free travel. But their questions and our answers were taking too much time. That's when we finally decided to organize our knowledge and experience on paper.

It took almost a year and 210 fact-filled pages to complete TRAVEL FREE! HOW TO START AND SUCCEED IN YOUR OWN TRAVEL CONSULTANT BUSINESS. Now, instead of just helping our friends, we can share this golden opportunity with other people—folks like you, who deserve to enjoy the Good Life—not "some day," but today.

## TRAVEL SECRETS... NOW YOURS

When you receive your beautifully bound copy of TRAVEL FREE!, you will discover a gold mine filled with the best-kept travel and income secrets—hidden treasures that can help you make and save a fortune. Just think! For about the cost of a tank of gas or a mediocre restaurant meal, you can now learn how to enjoy a life filled with dream vacations and money to spare.

What kind of information will you get in TRAVEL FREE!? Here's a sampling:

- How to immediately start your Travel Consultant Business right out of your home—without an investment.
- How you can, this year, add 50% and even more to your income.
- How to travel free as the honored guest of airlines, cruise lines, and tour companies.
- How to receive a discount on all airline tickets.
- How to save half or more on all your hotel bills.
- How to make a fortune in group travel.
- And much, much more!

Think about it! Each of these ideas, by itself, can mean hundreds, even thousands of dollars in your pocket. Imagine how much more they're worth when you add up their value. Without

a doubt, this is the most exciting new opportunity of the decade!

## OUR PERSONAL GUARANTEE

Nancy and I are sure that you'll find ordering TRAVEL FREE! one of the smartest business moves you'll ever make. We know that an opportunity this good comes once in a lifetime. That's why we're personally offering you this risk-free, no-nonsense, iron-clad money-back guarantee: Try TRAVEL FREE! for 30 days. If, after reading it, you don't feel that it's worth AT LEAST 100 TIMES its modest price, send it back. We will personally see to it that you receive a prompt and courteous refund—no questions asked. What could be more fair?

Now, the ball is in your court. Each day you're without TRAVEL FREE! is costing you a small fortune in lost income and travel opportunities. Still not sure? Ask yourself this, "Do I really want to enjoy the best that life has to offer?" Then seize the moment and act now!!! The opportunity is here. It's real! It works! It can work for you! So don't put it off—order today. You'll discover an exciting new world of income and travel benefits.

See you on the beaches of the world!

*Ben and Nancy*

P.S. Remember, we guarantee you'll be satisfied, or your money back.

For fastest service, with VISA, MC.

call us at (916) 972-8777

Mon.-Fri., 9-4, California time

Or mail only \$19.95 for book, or just \$59.95 for 4 cassette tape version (plus \$2 handling) to:

Prima Publishing,  
2200 Marywood Ct., Box 1550, Dept. 009,  
Carmichael, CA 95608

## Order Form

Dear Ben and Nancy,

**Yes** I, too, want to make a fortune and travel free. Subject to your iron-clad guarantee, please rush me (check one):

- Your 210-page bestseller for just \$19.95
- Save \$19.95! Order 4 cassette tape version for only \$59.95 and receive Travel Free! book absolutely free!
- My check for this amount plus \$2 handling (plus sales tax in Calif) is enclosed.
- Charge my Visa MC Account

# \_\_\_\_\_ Exp: \_\_\_\_\_

Signature \_\_\_\_\_

Please print: \_\_\_\_\_

My name is \_\_\_\_\_

I live at \_\_\_\_\_

in \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Mail today to:

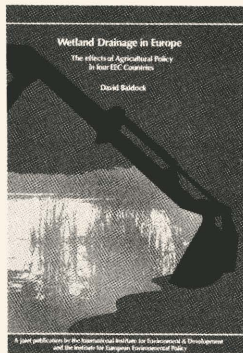
PRIMA PUBLISHING

2200 Marywood Court  
Box 1550, Dept. 009C  
Carmichael, CA 95608





# BOOKS IN REVIEW



**Wetland Drainage in Europe: The Effects of Agricultural Policy in Four EEC Countries**, by David Baldock, published jointly by the International Institute for Environment and Development and the Institute for European Environmental Policy, 10 Percy Street, London W1P 0DR, £10.

LYN JULIUS

Every year, thousands of migrant birds arrive in the wetlands of Western Europe to find that their wintering and breeding grounds have shrunk. Year by year, too, the rich flora and fauna, and the reptiles, otters and amphibians of Europe's marshes, bogs, fens, streams, wet meadows, ditches, rivers and lakes all diminish. The major cause is agricultural drainage.

About half of the endangered bird species in the E.C. live on wetlands. But if present trends continue, 11 species, including the stork, the corncrake and the shoveler, may disappear altogether outside nature preserves. Of the wetlands themselves, the raised bogs of the United Kingdom and Ireland will vanish in the next five years. The Irish turlough, a valuable habitat for many bird species, is already on the point of extinction.

For centuries, drainage was regarded as a benefit, often even a matter of survival. Wetlands were drained to prevent flooding, to control mosquitoes and to add to the food supply. But as the wetlands dwindle, Europeans have been waking up to the need to preserve what is left of the plants and wildlife which wetlands support before it is too late.

Not surprisingly, farmers and conservationists are at odds over the issue. The conflict between them is the subject of this new study which focuses on the impact of drainage in four E.C. states: France, Ireland, the United Kingdom and the Netherlands. The study is particularly concerned with the effect that the E.C.'s Common Agricultural Policy (CAP) is having on wetlands. Under its influence, each country has sought to expand its agriculture and to establish an extensive drain-

age program. Most drainage schemes are funded from the public purse.

The Community may pay a small proportion of the cost and it also makes funds available for drainage projects under a series of modernization directives. On the other hand, E.C. member states are expected to enforce the growing body of national and E.C. environmental legislation, such as the rules on the protection of birds.

France, Ireland, the United Kingdom and the Netherlands have some 230 wetlands of international importance between them, but only the United Kingdom and the Netherlands have signed the Ramsar Convention on wetlands. Yet, historically, drainage has been more vigorous in the United Kingdom and Netherlands, where over 60 percent of the land has been drained, compared with 24 percent in Ireland and only 10 percent in France. Paradoxically, conservation lobbies are more powerful in the United Kingdom and the Netherlands, where there is great interest in protecting Europe's largest single wetland, the Waddensee, stretching from Texel in the Netherlands to Denmark.

Drainage in France appears to have had less of an impact because of the size of French wetlands—the Sologne region, at the heart of the country, is as big as the farmlands of Belgium put together. Yet, although the E.C. contribution has been minimal, there has been in recent years a spectacular surge in drainage and irrigation, some schemes showing little sensitivity to the environment.

But the study hails a scheme at the Marais de Carentan in Normandy, partly funded by the Commission, with special conservation strings attached. This, says the study, marks a new departure in Community influence: "A first attempt to redress the colossal imbalance in expenditure between agricultural production and the environment."

French wetlands are still firmly in the hands of the powerful farmers, but conservationists do win the occasional battle. In Ireland, where conservationists are weaker still, the famous peat bogs of Irish

geography, with their unique ecosystems, may soon pass into myth, despite repeated initiatives by the European Parliament urging their protection. The turlough, a temporary lake once common in the west of Ireland, is now a rarity.

Ireland is so dependent on farming that drainage is seen as a public good. Irish farmers are determined to improve their land and increase their output in every possible way. As a study puts it, "drainage is a logical and desirable form of investment and loss of bog, turloughs and wildlife may seem a small price to pay."

Most Irish schemes are large-scale arterial schemes, where meandering rivers are straightened out to make them flow more easily. Almost every one is being subsidized by the E.C. and more heavily than elsewhere. However, the E.C. Commission wants a commitment from Ireland that no measures will be taken that would be incompatible with the environment. It also has commissioned a survey of the environmental impact of one scheme, in County Mayo, which should provide a useful basis for assessing future projects.

After vigorous drainage since Roman times, only a small fragment of Britain's inland bogs, fens and marshland remains; but the long and indented coastline still harbors some important wetlands. In the last 20 years, the effects of drainage have been somewhat tempered by environmental legislation. The Nature Conservancy Council actively advises water authorities and negotiates water management agreements; there are government guidelines to encourage more sensitive schemes.

The E.C. has made small grants to U.K. drainage schemes, notably in Northern Ireland; E.C. aid also has gone toward improving existing drainage in the Fens. But in the Western Isles, where the E.C. is funding 40 percent of a regional development grant, the study warns of the effect of investment and tourist development on the unique sandy grassland, habitat of some of the highest densities of wading birds in Europe.

The Netherlands, with a quarter of its



land below sea level and its sophisticated network of dikes, dams and pumps, is the only country whose survival depends on the successful management of water. As in the United Kingdom, agriculture is intensive—the CAP is a cornerstone of Dutch prosperity. Also as in the United Kingdom, most drainage projects are improvements of earlier schemes or land consolidation projects commonly featuring conservation areas. But the Dutch do not go far enough, according to the study. Despite an evident concern with conservation, they are “reluctant to impose on their farmers the restrictions needed to prevent further damage.”

Though drainage is the primary threat, hunting (particularly in France and Ireland), urban and industrial development, chemical and air pollution, rubbish and sewage dumping, peat extraction and deforestation all take their toll, even of sites that are supposedly protected.

With the possible exception of Ireland, the study concludes that the availability of E.C. funds has had little effect on the overall level of drainage. More far-reaching is the impact of high support prices for beef, milk, cereals and other agricultural products which make drainage of neglected meadows, for instance, economically worthwhile. But the study notes that the balance is no longer tipped in favor of production.

The study urges a more discriminating drainage policy, based on a more rigorous evaluation of costs and benefits. Wetlands have their uses as centers of peaceful recreation, for fish spawning, for assimilating wastes and even for flood control. The study argues that halting the drainage of environmentally important sites in

the United Kingdom would have little impact on farming. Already, in the Netherlands, land is at such a premium that drainage is contemplated only if the return is at least 10 percent.

The E.C. should consider carefully the case for funding each project, says the study. It also sees a role for the E.C. in establishing systems of prior notification and evaluation and in drawing up a European register of wetlands.

**Roche versus Adams**, by Stanley Adams, Jonathan Cape, London, 1984, 236 pages, £8.95.

“It is better to die standing upright, than to live on your knees.” So ends Stanley Adams’ autobiographical account of the years that followed his decision to leak information on the Swiss pharmaceutical firm Hoffmann-La Roche’s control over the world vitamin market. In 1973, after a six-year climb to the position of world product manager in the Swiss multinational’s bulk vitamins division, Adams decided to follow his conscience and brought evidence of fixed prices and market shares in the European vitamins sector to the Competition Directorate-General of the E.C. Commission. Because such practices violate the 1972 free-trade agreement between the E.C. and the European Free Trade Association (of which Switzerland is a member), the Commission initiated an investigation which culminated in a finding against the company and a fine for the pharmaceutical giant.

Because Adams’ anonymity was not protected in the Commission’s investigation against Hoffmann-LaRoche, he was

arrested and subsequently prosecuted for economic espionage and breach of commercial secrecy. His book is a saga of drama and desperation: the suicide of Stanley Adams’ wife shortly after his first arrest, Adams’ economic ruin and consequent struggle to support his three young children and, most importantly, his continuing fight to vindicate himself and obtain reparations for the devastating consequences of actions that he perceived to be in the E.C.’s interest.

Adams’ personal struggle, however, represents just one facet of **Roche versus Adams**. At issue throughout the book is the clash between domestic and international law: the fact that E.C. law sanctioned Adams’ revelation of Roche’s unfair practices, while the Swiss government deemed Adams a criminal for his activities as an informer. The power struggle among the institutions of the E.C., specifically between the European Parliament and the Commission, constitutes another leitmotif in Adams’ book. The Parliament called for amnesty and monetary compensation for Adams and for protection from Swiss authorities for individuals revealing unfair trade activities to the E.C. This was in marked contrast to the Commission’s attitude, one characterized both by a reluctance to modify the E.C.’s agreement with Switzerland and by an unwillingness to reimburse all of Adams’ debts.

Overall, the book provides an interesting, if somewhat melodramatic, insight into the relationship between big business, government, international law and an individual’s code of ethics. Written in journal-style prose, the tale is informative and engaging.—FRANCESCA DI BIANCO

## 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.*

**Community Order and National Economic Policies.** Institut d’Etudes Politiques. Kluwer, Boston, 1984. 537 pp. \$50.00, paper.

A series of papers written in English or French presented at a colloquium held in Brussels in May 1983. Part I studies the compatibility with E.C. law of national economic policies in the Federal Republic of Germany, Belgium, France, Greece, Italy, the Netherlands and the United Kingdom. Part II looks at applications of E.C. law in cases of quantitative restrictions of imports and other trade barriers, state monopolies and public enterprises, state aids and national efforts to reduce competition.

**Yearbook of European Law 1983.** Edited by F.G. Jacobs. Oxford University Press, New York, 1984. 483 pp. \$80.00. Third edition in a series devoted to

legal analyses of European organizations, conventions and agreements. The first of three sections includes articles on the impact of E.C. law on the European Convention on Human Rights, the implementation of the 1968 Brussels convention in the United Kingdom, and the constraints of E.C. law on national administrative law. Among subjects treated in a section of annual surveys are European political cooperation, E.C. relations with Japan and the state-trading countries, the European Parliament and E.C. competition law. A section on European institutions focuses on the European Space Agency.

**Yearbook of Labour Statistics 1983, 43rd edition.** By the International Labor Office, Washington, D.C., 1983. 847 pp. \$68.40.

A summary of labor statistics for approximately 180 countries and territo-

ries. Includes data on employment and unemployment, working time, wages, consumer prices, labor costs, occupational injuries and industrial disputes. Also provides, whenever possible, statistics for the period from 1973-1982.

**Encyclopedia of Associations 1985, Volume 4: International Organizations.** Edited by Katherine Gruber. Gale Research Co., Detroit, 1984. 508 pp. \$160.00.

Provides information about 2,000 international organizations headquartered outside the United States. Each entry includes data on an organization’s aims, activities, publications, data bank, address, chief official, members, staff and convention schedule. Contains alphabetical, keyword and geographic indices.

**Countries of the World and their Leaders Yearbook 1985.** Gale Research Co., Detroit, 1984. 1,546 pp. \$95.00.

A two-volume set with State Department background reports and the Central Intelligence Agency’s lists of chief government officials for 168 countries.

Contains a listing of key officers at U.S. embassies, consulates and foreign service posts. Also includes foreign travel information and a section on U.S. government services available to American business overseas.

**Britain’s Bilateral Links within Western Europe.** By William Wallace. Routledge & Kegan Paul, Boston, 1984. 85 pp. \$10.00.

Assesses the impact of increased multilateral cooperation in Europe, namely, enlargement of the E.C., development of European political cooperation, and coordination of European efforts in the North Atlantic Treaty Organization on the United Kingdom’s bilateral relations with other West European governments. Identifies elements necessary for the successful pursuit of British objectives in this context of European collaboration.

**The Operation of the European Social Fund.** By Doreen Collins. Croom-Helm, London, 1983. 120 pp. £14.95.

Chronicles the original and development of the European Social Fund (ESF), the E.C.’s instrument for facilitating the



geographical and occupational mobility of labor. Considers the objectives of the ESF by outlining various categories of aid and details the methods used to finance the ESF. Concludes with a case study of the United Kingdom's experience with the ESF.

**The Industrial Policy Debate.** Edited by Chalmers Johnson. Institute for Contemporary Studies, San Francisco, 1984. 275 pp. \$21.95 cloth, \$18.95 paper.

A collection of papers investigating the necessity for a U.S. industrial policy. Assesses European and Japanese industrial policies as models. Among the elements recommended as necessary components of a U.S. industrial policy are tax code simplification, encouragement of industrial research and development, regulatory relief and abandonment of protectionist policies.

**Macro-Nationalisms: A History of the Pan-Movements.** By Louis L. Snyder. Greenwood Press, Westport, 1984. 308 pp. \$35.00.

A comparative study of the meaning, characteristics, and development of pan-movements, or macro-nationalisms, in the last century. Seeks to clarify the origins and developments of significant pan-movements as historical phenomena. Considers specific pan-movements which have sought to combine existing nationalisms into a larger entity: Pan-Slavism, Pan-Germanism, Pan-Europeanism, Pan-Arabism and Zionism, among others.

**The Food and Farm Policies of the European Community.** By Simon Harris et al. John Wiley & Sons, New York, 1983. 354 pp. \$32.95.

Aims to provide a comprehensive, descriptive and analytical treatment of the E.C.'s Common Agricultural Policy (CAP). In addition to outlining the CAP's primary features, the book traces major developments in the CAP through the 1982/83 price review. Examines the various commodity regimes, the green money system and monetary compensatory amounts, E.C. expenditure on agriculture and structural policy. Also includes chapters on the impact of the CAP on third countries, the interaction between the CAP and the E.C. food industry and E.C. food legislation.

**Le Parlement Européen Pour Quoi Faire?** By Francis Delpérée. Editions Labor, Brussels, 1984. 172 pp. BF 395.

Traces the political and legal history of the European Parliament from its beginnings as an appointed assembly over 30 years ago to the present, directly elected chamber of 434 members. The final section of the study examines the Parliament's potential and the options facing it in the future.

**La Dimensione Europea delle Autonomie e l'Italia.** By Andrea Chiti-Batelli, Franco Angeli Editore, Milan, 1984. 345 pp. LIT 20,000, paper.

Suggests ways to conciliate the need for a federal Europe with the need for a higher degree of local self-government in the West European countries. Also contends that a federal Europe will have to rely on a strong executive, possibly personalized by a federal president. Finally, argues that no federal unification will be possible as long as national politi-

cal parties and national bureaucracies retain the excessive amount of power that they have at present.

**The Politics of Agriculture in the E.C.** By Edmund Neville Rolfe. Policy Studies Institute, London, 1984, 547 pp. £9.50.

A systematic analysis of the political pressures affecting the E.C.'s Common Agricultural Policy (CAP). Contrasts the course of agricultural policy since World War II in the United Kingdom, the Federal Republic of Germany, France, and Italy, and analyzes the manner in which differing views of the CAP influenced its development in the six-member E.C. and through two E.C. enlargements. Discusses recent attempts to reform the CAP, as well as the attitudes of member governments, the E.C. Commission and the European Parliament.

**Industrial Crisis.** Edited by Kenneth Dyson and Stephen Wilks. St. Martin's Press, NY, 1983. 283 pp. \$32.50.

A comparative study of industrial policies in six major OECD countries. Considers the industrial crisis in cultural, ideological and structural terms. Topics addressed include market ideology and corporate power in the United States, modernization policy in the Federal Republic of Germany, and the liberal state and party competition in Britain. Also describes the state of public enterprise in Italy, strategic management in France and the welfare state and employment policy in Sweden.

**Parties, Opposition, and Society in West Germany.** By Eva Kolinsky. St. Martin's Press, NY, 1984, 357 pp. \$29.95.

An analysis of the social composition both of the electorate and of membership and leadership of German political parties. Focuses on the left- and right-wing opposition groups in German society, and also considers the role of the Green party in the German political structure.

**Europe's Industries: Public and Private Strategies for Change.** Edited by Geoffrey Shepherd, et al. Cornell University Press, Ithaca, 1984, 276 pp. \$34.95.

A collection of essays concerned with major issues related to Western Europe's capacity to compete in the international market. Analyzes the features of the European industrial system which influence economic performance and the international implications of Western Europe's adjustment to market pressures. Essays focus on eight market sectors in four countries: the Federal Republic of Germany, France, Italy and the United Kingdom. Explores the economic problems of these countries, and looks at Japan's experience with government intervention and at the technological challenge that Japan presents.

**International Debt: Systemic Risk and Policy Response.** Institute for International Economics, Washington,

D.C., 1984, 317 pp. \$25.00.

Considers the international debt crisis in terms of its origins, its impact upon the world economy, and prospects for its resolution. Includes a discussion of the adequacy of banking institutions and analyzes policy strategies of radical reform, contingency planning, and interest capitalization. Evaluates current prospects for international debt and contrasts actual with projected performance.

**Subsidies in International Trade.** By Gary Clyde Hufbauer and Joanna Shelton-Erb. Institute for International Economics, Washington, D.C., 1984, 283 pp. \$30.00.

An analysis of the economic problems caused by various subsidy practices. Summarizes international efforts both to limit the use of subsidies and to regulate countermeasures aimed at subsidies. Discusses trade-impact thresholds that must be crossed before a subsidy is considered offensive to other trading nations. Distinguishes between export and domestic subsidies and outlines remedies available to countries faced with subsidized trade.

**Contemporary Western Europe: Problems and Responses.** Edited by Glenda G. Rosenthal and Eliot Zupnick. Praeger Publishers, NY, 1984, 488 pp. \$39.95 cloth, \$19.95, paper.

A collection of papers from the Columbia University Institute on Western Europe. A broad range of topics is addressed, including the welfare state and public expenditure, political parties in Western Europe, and the role of Western Europe in NATO. Developments in the fields of E.C. economics, political cooperation and external relations are also considered.

**External Economic Relations of the CMEA Countries: Their Significance and Impact in a Global Perspective.** NATO Economics Directorate, The Thetford Press Limited, Thetford, 1983, 316 pp.

Proceedings of the annual colloquium arranged by the NATO Economics Directorate and held in Brussels April 6-8, 1983. Topics addressed include the role of foreign trade in the Soviet economy, changing U.S. attitudes toward East-West relations and the nature and effectiveness of Western economic sanctions against the Soviet Union. Assesses the strategic, political, and economic factors involved in Soviet and East European arms transfers to the Third World, and takes up trends and prospects of Eastern and Western trade with LDCs.

**Oil Refineries and Petrochemical Industries in Western Europe.** By Willem Nolle and Egbert Weaver. Gower, Hampshire, 1984, 193 pp. \$41.90.

Shows the patterns of growth and stagnation of the oil refining and petrochemical industry in Western Europe. Describes the structure of the industry in terms of production, markets and companies, and sketches the spatial

configuration of the industry's development. Considers the share of oil in the total demand for, and production of, energy in Western Europe.

**The Future of the Automobile.** By Alan Altschuler, et al. The MIT Press, Cambridge, 1984, 321 pp. \$16.95.

A comprehensive assessment of the world automobile industry. Considers the future of the automobile industry in the face of environmental and safety challenges, energy constraints, and a competitive imbalance among major auto-producing nations. Covers the industry at the firm level and at the global level, and estimates long-term demand for the automobile.

## PUBLISHED FOR THE COMMISSION

**Breakdown in Human Adaptation to Stress.** Volumes 1 & 2. *EUR 8943.* Edited by J. Cullen et al. Martinus Nijhoff Publishers, Boston, 1984. 1,060 pp. \$144.00.

Compendium of papers presented in workshops sponsored by the Commission in Dublin and Utrecht (1982), and Köln, Bad Homburg, Dublin and Pisa (1983).

**Fifth E.C. Photovoltaic Solar Energy Conference.** *EUR 9007.* Edited by W. Palz and F. Fittipaldi. D. Reidel Publishing Co., Boston, 1984. 1,188 pp.

Proceedings of the international conference held at Kavouri, Greece on 17-21 October 1983.

**EUTECO: European Teleinformatics Conference.** *EUR 8756.* Edited by T. Kalin. Elsevier Science Publishing Co., New York, 1983. 690 pp.

Proceedings of the European Teleinformatics Conference held in Varese, Italy on 3-6 October, 1983.

**Photovoltaic Power Generation. Solar Energy R & D in the European Community: Series C, Vol. 4.** *EUR 8830.* Edited by W. Palz. D. Reidel Publishing Co., Boston, 1984. 297 pp. \$42.00.

Proceedings of the E.C. contractors' meeting held in Hamburg/Pellworm on 12-13 July 1983.

**Roadway Drivage Techniques in the Coal Mines of the European Community.** *EUR 9126.* Graham & Trotman Ltd., London, 1984. 384 pp.

Proceedings of the symposium held in Luxembourg on November 9-10, 1983.

**Energy from Biomass. Solar Energy R & D in the European Community: Series E, Vol. 5.** *EUR 8829.* Edited by W. Palz and D. Pirwitz. D. Reidel Publishing Co., Boston, 1984.

Proceedings of the workshop and E.C. contractors' meeting held in Capri on 7-8 June 1983.



# THE COMMUNITY BOOKSHELF

To order these publications, please check the desired items and fill out the order form.

**European Union or Decline: To Be Or Not To Be.** *European University Institute, Florence, 1984, 23 pages.* Seventh Jean Monnet Lecture by Gaston Thorn, Florence, May 24, 1984. **Free**

**The Economy of the European Community.** *European Documentation No. 7-8/84, Commission, Brussels, 1984, 95 pages.* **Free**

**Commodities and Stabex.** *Europe Information Development, Commission, Brussels, September 1984, 66 pages.* **Free**

**European Community Borrowing and Lending.** *European File No. 1/85, Commission, Brussels, 1985, 11 pages.* **Free**

**Towards a European Television Policy.** *European File No. 19/84, Commission, Brussels, December 1984, 10 pages.* **Free**

**The European Community and the Yemen Arab Republic.** *Europe Information External Relations No. 74/85, Commission, Brussels, October 1984, 5 pages.* **Free**

**European Coal and Steel Community Financial Report 1983.** *Commission, Luxembourg, 1984, 69 pages.* **Free**

**Annual Report of the ACP-EEC Council of Ministers 1983.** *Council, Brussels, 1984, 141 pages.* Report on developments under the Lomé II Convention and preparations for the negotiation of Lomé III. **\$5.00**

**Inventory of Taxes 1983.** *Commission, Brussels, 1982, 586 pages.* Survey of duties and taxes in force in the E.C. member states on September 1, 1983. **\$24.00**

**Directory of Higher Education Institutions.** *Commission, Brussels, 1984, 364 pages.* Brief outline of the organization of higher education in each E.C. member state with individual details on each institution of higher education. **\$13.00**

**Common Customs Tariff 1985.** *Official Journal, Vol. 27, December 10, 1984, L 320, Luxembourg, 386 pages.* Schedule of tariff duties for 1985. **\$24.00**

**ACP-EEC Glossary (+ List of States).** *Council, Brussels, 1984, 287 pages.* French/English/German/Italian/Dutch/Danish/Greek glossary of terms used in the Lomé II Convention. **\$4.00**

**First Report From the Com-**

**mission to the Council on the Application of the Common System of Value-Added Tax, Submitted in Accordance with Article 34 of the Sixth Council Directive of 17 May 1977.** *Commission, Brussels, 1984, 96 pages.* **\$7.00**

**Cost Containment in Health Care: The Experience of Twelve European Countries (1977-1983).** *Commission, Brussels, 1984, 152 pages.* Study by Brian Abel-Smith on efforts to control health care costs in Europe. **\$10.00**

**Prospects for Workers' Cooperatives in Europe.** *Commission, Brussels, 1984, 3 vols.*  
Vol. I: Overview, 97 pages. **\$7.50**  
Vol. II: Country Report: Denmark, Greece, Ireland, Netherlands, Spain, United Kingdom, 175 pages. **\$11.00**  
Vol. III: Country Report: Belgium, France, FR Germany, Italy, 159 pages. **\$10.00**  
Vols. I-III. **\$27.00**

**Teaching and Training the Handicapped Through the New Information Technology.** *Commission, Brussels, 1984, 123 pages.* **\$8.00**

**Work-Sharing for Young Persons: Recent Experiences in Great Britain, The Federal Republic of Germany, and The Netherlands.** *Commission, Brussels, 1984, 65 pages.* **\$5.50**

**Trends in Innovation in Continuing Education and Training.** *Centre for the Development of Vocational Training, Berlin, 1984, 396 pages.* **\$7.50**

**Alternance Training: Training Contracts for Young People in the European Community.** *Centre for the Development of Vocational Training, Berlin, 1984, 129 pages.* Survey on the use of employer/trainee contracts and the range of their provisions in the EC member states. **\$3.50**

**Microelectronics and Informatics Technology and Their Training Implications in Firms.** *Centre for the Development of Vocational Training, Berlin, 1984, 117 pages.* **\$3.50**

**Catalogue of Community Legal Acts and Other Texts Relating to the Elimination of Technical Barriers to Trade for Industrial Products and the Nomenclature for Iron and Steel Products (EURONORM).** *Commission, Brussels, 1984, 174 pages.* **\$4.50**

**External Trade 1958-1983.**

*Monthly External Trade Bulletin Special Number, Statistical Office, Luxembourg, 1984, 145 pages.* E.C. and member-state trade with principal trading partners. Special tables on agricultural trade by product, and Spanish and Portuguese imports and exports. **\$6.00**

**A Guide to Current Sources of Wage Statistics in the European Community.** *Statistics Office, Luxembourg, 1984, 169 pages.* Survey on the methodology and publication of wage statistics in the E.C. member states. **\$9.00**

**The Degree of Similarity in the Economics of the EEC Countries 1975 and 1970/81.** *Studies of National Accounts No. 6, Statistical Office, Luxembourg, 1984, 126 pages.* Study on the structure of production and final demand in the E.C. and the degree of similarity in different member states. **\$3.50**

**Europa Transport: Analysis and Forecasts 1984.** *Commission, Brussels, 1984, 28 pages.* General trends in transport by mode of transport, goods categories and geographical distribution for 1983 and 1984. **\$2.00**

**Agricultural Prices 1972-1983.** *Statistical Office, Luxembourg, 1984, 316 pages.* Ex-farm prices for primary crop and animal products and purchase prices for agricultural inputs. **\$15.00**

**Community Survey of Orchard Fruit Trees 1982.** *Statistical Office, Luxembourg, 1984, 90 pages.* **\$5.50**

**Operation of Nuclear Power Stations 1983.** *Statistical Office, Luxembourg, 1984, 186 pages.* **\$11.00**

**Structure of Earnings—Principal Results 1978/79: Vol. 3, Luxembourg.** *Statistical Office, Luxembourg, 1984, 603 pages.* Results of the 1978/79 survey on the structure and distribution of earnings in industry, wholesale and retail distribution, banking and insurance in Luxembourg. **\$28.00**

**Industrial Innovation: A Guide to Community Action, Services and Funding.** *EUR 9120, Commission, Luxembourg, 1984, 116 pages.* Description of the practical services, projects and financial support programs that the Commission makes available to

business, industry and research organizations. **\$9.50**

**Advisory Committees for the Common Science and Technology Policy (1983 edition).** *EUR 6745, Commission, Luxembourg, 1983, 310 pages.* **\$19.50**

**International Symposium on the Behavior of Long-Lived Radionuclides in the Marine Environment.** *EUR 9214, Commission, Luxembourg, 1984, 462 pages.* Proceedings of a symposium, La Spezia, Italy, September 28-30, 1983. **\$27.00**

**Special Stock Market Segments for Small Company Shares: Capital Raising Mechanism and Exit Route for Investors in New Technology-Based Firms.** *EUR 9235, Commission, Luxembourg, 1984, 551 pages.* **\$33.00**

**The Potential of Information Technology for Job Creation.** *EUR 8665, FAST Series No. 16, Commission, Brussels, 1983.* **\$9.00**

**Agricultural Research and the Italian Mezzogiorno.** *EUR 8897, Commission, Luxembourg, 1984, 126 pages.* Inventory of agricultural research projects in Italy and the effects of 30 years of special assistance measures in the Mezzogiorno. **\$9.50**

**Some Diseases of Emerging Importance to Community Trade.** *EUR 8515, Commission, Luxembourg, 1983, 182 pages.* Papers of a seminar, Scarborough, April 1-2, 1982 on communicability of diseases between animals and man. **\$11.50**

**Some Important Parasitic Infections in Bovines Considered from Economic and Social (Zoonosis) Points of View.** *EUR 8900, Commission, Luxembourg, 1984, 258 pages.* Papers from a workshop, Lyons, October 24-26, 1983. **\$15.00**

**Paratuberculosis, Diagnostic Methods, Their Practical Application and Experience with Vaccination.** *EUR 9000, Commission, Luxembourg, 159 pages.* Papers from a workshop, Copenhagen, November 22-23, 1983. **\$9.00**

**The Child Between.** *Education Series No. 13, Commission, Brussels, 1984, 236 pages.* Study on the relationship between schools and families. **\$7.00**

## ORDER FORM

Mail entire page to the European Community Information Service, 2100 M Street, N.W., Suite 707, Washington, D.C. 20037, (202) 862-9500. In the New York area, copies of the free publications may be requested from the European Community Information Service, 245 East 47th Street, New York, NY 10017, (212) 371-3804. Sales publications are only available from the Washington office. Telephone orders are also welcome.

Please send me the items for sale and the free items I have checked.

Check enclosed for \$ \_\_\_\_\_  Bill me

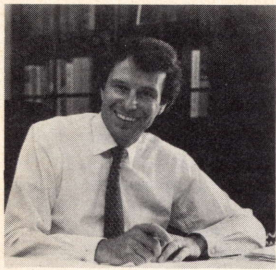
NAME \_\_\_\_\_

ORGANIZATION \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_





**W**hile the U.S. Congress is nearing completion of a new U.S. export control law to liberalize and expand trade, the Reagan Administration is tightening its administrative grip on technology transfers among free-world countries. The result is renewed uncertainty about America's export-control policy that is sure to frustrate the international business community and the Governments of our trading partners, perhaps for the remainder of the Reagan presidency.

Congress began two years ago to rewrite the Export Administration Act to remove unnecessary controls, expedite licensing and improve procedures to help U.S. businesses compete in world markets. The resulting bill also deals with another major complaint in U.S. and foreign corporate board rooms—economic sanctions based on U.S. foreign-policy interests. U.S. lawmakers want to restrict Executive authority to terminate contracts, alleging Presidents have abused that authority particularly in recent years. A "contract sanctity" provision, therefore, will almost certainly be in the final Congressional measure, though Presidents will still be able to demand that affiliates of U.S. firms in foreign countries adhere to U.S. foreign policy sanctions.

Since the House and Senate were unable to resolve their differences in the closing days of last year's session, the export control law expired and the President has since been maintaining export controls under the International Emergency Economic Powers Act. That authority, however, is tenuous and subject to challenge in the courts if Congress doesn't act quickly to restore explicit export control powers. Meanwhile, the Executive is acting as though it were writing its own export control laws. In a flurry of memos and regulations, various departments have expanded their respective, if not competitive, roles in licensing and enforcement procedures.

Congress originally established the Department of Commerce as the sole

agency for administering U.S. export controls, with the Pentagon allowed to review licenses on shipments to Communist countries. Yet under President Reagan no fewer than five major departments have a say in export-control policy, with a White House steering committee chaired by a National Security Council advisor apparently having the final word. Furthermore, the presidential directive establishing this process provides for possible future expansion of Pentagon review to include even licenses for exports to U.S. allies.

The export control issue is so divisive because it puts into conflict two U.S. policy imperatives: national security and international trade. The Reagan Administration, torn by ongoing and often bitter disputes among top officials, has failed to reconcile these policy objectives. Similarly, in the Congress the Senate has favored the national security concerns, while the House has taken the business side.

The chief architect of the national security view is Assistant Secretary of Defense Richard Perle, who claims that a "massive hemorrhage" of Western technology has greatly enhanced the Soviet Union's military capability. Perle and another hard-liner, Customs Commissioner William von Raab, worked together both to expand the Defense Department's role in licensing and to establish a parallel Customs program, called "Operation Exodus," to investigate and embargo technology shipments at the docks.

On the other side, Secretary of Commerce Malcolm Baldrige speaks for those who are alarmed about the staggering U.S. trade deficit, which reached \$120-billion in 1984. The President's Commission on Industrial Competitiveness recently estimated that as much as \$12-billion of the deficit is attributable to delays and denials from national security and foreign policy controls.

Europeans are particularly chagrined when the U.S. Government extends these controls extraterritorially, constraining European exports. Properly in my judgment, they feel such actions are bad business and bad policy. Bad policy or not, it's important to understand what motivates seemingly extreme U.S. export controls.

There is genuine concern over the contribution that Western technology may make to Soviet military capability and the impact of that contribution on U.S. defense spending requirements. Reflecting such concern, Senator Jesse Helms (R-NC) said recently on the Senate floor: "It

is a historical fact that the transfer of Western goods and technology has created a Frankenstein monster which threatens peace and civilization throughout the world . . . it is high time all of us in the West realize that export control is a form of arms control."

A few highly placed Reagan officials would virtually wage economic warfare against the Soviet Union, breaking contracts, cutting off loans and generally blocking commerce that would earn hard currency for the Soviets in order to rupture the Soviet economy. Others see the problem differently. Admiral Bobby Inman, former Deputy Director of the CIA, has noted that 70 percent of Soviet acquisitions of militarily useful technology were accomplished illegally by Soviet-bloc intelligence services. Secretary Baldrige recently challenged the Department of Defense to put its own house in order by ceasing to declassify documents which he charges have allowed the Soviets "to acquire tens of thousands of scientific and technical studies as well as other strategic information."

Administration officials accuse both the business community and our allies of complacency. Multilateral controls administered by CoCom, they believe, are ineffective, largely because of European resistance and weak enforcement. Such charges, of course, are strongly denied. Britain's Secretary of Trade and Industry, for example, recently affirmed that "we believe in the need for proper controls . . . so that both the West's strategic and security concerns are met and our vital technological advantage is maintained."

The fact is that the United States cannot go it alone and must adapt to the realities of international commerce and the need for multilateral cooperation. Foreign policy controls particularly do not work if applied unilaterally, as on-again off-again U.S. grain embargoes and the 1982 Yamal pipeline controls have demonstrated. The United States must recognize and constantly seek consensus on the technologies to be controlled. Unrealistically long control lists decrease multilateral cooperation. One category alone of CoCom controls—microcircuits—applies to between 5,000 and 10,000 separate pieces of equipment. Europe, Japan and the United States must concentrate on devising a control list small enough to effectively deny the Soviets truly critical technology without interfering with innocent trade. ☾

Rep. Don Bonker (D-WA) is chairman of the House Subcommittee on International Economic Policy and Trade.





# A BERLITZ® LANGUAGE COURSE in a handsome briefcase for only \$135.00

## Just dreaming about that next trip? Waste no time . . . travel with Berlitz!

When you first set foot in the country you're going to, don't regret that you *might* have learned scores of words and phrases before you left. *Know* them before you arrive—and be able to improve your fluency while you're there—with this Berlitz course in a brief case you can take with you!

And travel is so much more fun when you can meet people and talk their language. Now you can. Easily. Painlessly. All thanks to this 50-lesson do-it-yourself Berlitz® language course. Available in French, German, Italian or Spanish—it's yours for only \$135.00.

Packaged solidly in a business-like briefcase, the Berlitz Comprehensive Cassette Course contains:

1. Ten introductory lessons in a 90-minute long first cassette to familiarize you with the spoken language.
2. Forty additional lessons on five convenient 60-minute cassettes, making a total of 6½ hours of recorded instruction in all.
3. Six illustrated workbooks to use with the tapes, each containing 50 pages of easy-to-understand, concise information to help you speak with the least difficulty. 300 pages, in all, to get you on the way to fluency in a second language.
4. A specially prepared, easy-to-use Rotary Verb Finder will help you with irregular verb forms—once you're ready for grammar.

This course avoids the dry and the dull—mixes voices, sound effects and useful text in the delightful manner only Berlitz, the world's best known language instructor, can offer.

Enjoy the social advantages only a second language can bring. For \$135.00, choose the course you need to start talking like a native. Use the coupon and order today.

### MONEY BACK GUARANTEE

Try this Berlitz course for ten days. If you are not satisfied for any reason, simply return it, and obtain a complete refund. You take no risk, so order today. The four Berlitz Travel Guides are yours to keep, even if you return the course.

For credit card orders dial toll-free,  
24 hours a day, 7 days a week



**1-800-431-9003**

Why not give us a ring—right now! (our expense),  
and refer to Dept.2048

Complete and mail to:

BERLITZ PUBLICATIONS, Inc. Dept.2048  
P.O. BOX 506 Delran, NJ 08370-0506

YES! Send me your Berlitz Comprehensive Cassette Course today at \$135.00 each, plus \$5.00 each to cover postage and handling.

- French 96100  German 96101  Italian 96102  Spanish 96103  
 Send me my 4 Berlitz Travel Guides **free**. (96943, 96947, 96939, 96966)

Please indicate method of payment:

- Check or money order—payable to Berlitz Publications  
 American Express  VISA  Diners Club  
 MasterCard InterBank # \_\_\_\_\_

Card # \_\_\_\_\_ Exp. Date \_\_\_\_\_

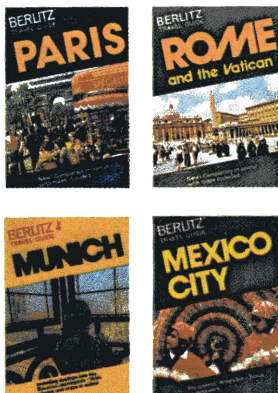
Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Signature \_\_\_\_\_

N.Y. residents add sales tax. Allow 2 to 3 weeks for delivery.



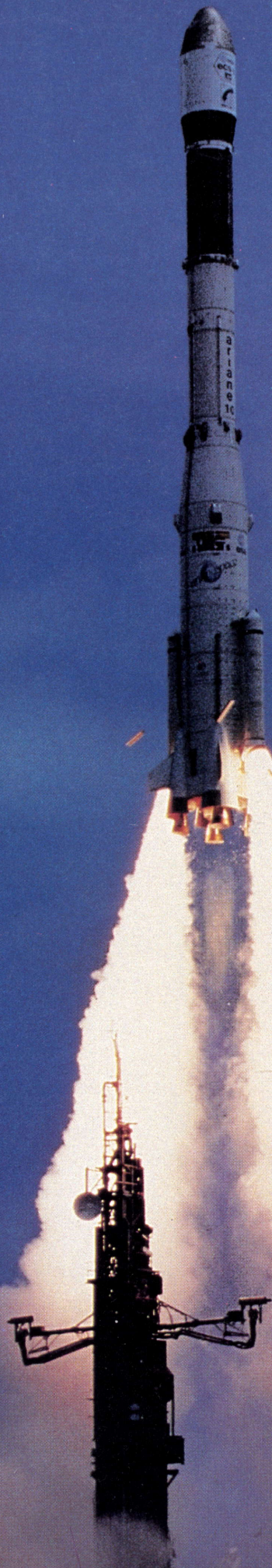
## FREE!

### 4 BERLITZ TRAVEL GUIDES

Informative, accurate, up-to-date. Full color Berlitz Travel Guides cover single destinations thoroughly, feature maps and illustrations, slip easily into pocket or purse. Yours to keep, even if you return the course.

(At bookstores \$4.95 each)





ARIANESPACE  
1, Rue Soljenitsyne  
91000 Evry — FRANCE  
Tel. (33) (6) 077.92.72 +  
Telex ARESP 692392

ARIANESPACE, INC.  
1747 Pennsylvania Ave., N.W.  
Suite 875  
Washington, D.C. 20006  
Tel. (202) 347-6200