JULY/AUGUST 1985 $2.50

EUROPE

FARM TRADE

U.S.-E.C. TENSIONS ESCALATE

EUROPE SEES SDI AS DOUBLE-EDGED SWORD

A DEFENSE OF THE OPEN GATT SYSTEM

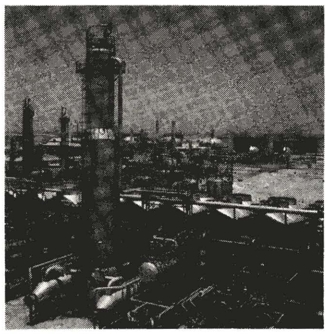
REFINERIES FACE MIDEAST THREAT

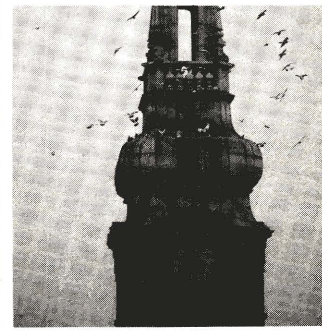
SPECIAL SECTION: AN E.C. PRIMER

JULY/AUGUST 1985 NUMBER 250

EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY





COVER: U.S. wheat. See page 39. © Grant Heilman.

Publisher Denis Corboy
Editor-in-Chief Webster Martin
General Manager Mark Laughlin
Assistant Editor Anke Middelmann
Contributing Editor Stephen Brookes
Editorial Assistants Eva Klerner
Claudia Brown de Colstoun
Design Publishing Directions

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, permissions, and circulation offices:** 2100 M Street, NW, Suite 707, Washington, DC 20037; telephone (202) 862-9500; telex 64215 EURCOM UW.

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

Agricultural trade tensions—those sturdy perennials in U.S.-E.C. relations—are threatening to boil over again just when progress is starting to be made toward a new round of multilateral trade negotiations, and it's too bad. Farmers are having a rough time everywhere, but especially in the United States, where a strong dollar is hurting competitiveness in a world of steadily shrinking agricultural markets. American farmers need pragmatic, long-term strategies of adjustment if they are to meet contemporary market challenges.

Regrettably, such strategies seem to be in short supply, supplanted by actions that, in seizing on scapegoats, threaten to disrupt the fragile stability of world markets and rock an already unsteady trade boat. Two recent U.S. initiatives, the Export Enhancement Program and the unilateral import restrictions on E.C. pasta, appear to offer little real benefit to farmers—but they may give progress toward a new GATT round a tidy kick in the ribs.

Moreover, these actions have been defended as necessary to counteract "unfair trading practices" by the European Community, by which is presumably meant the export refund system in the Common Agricultural Policy. No matter that the E.C. refunds adhere utterly to both the letter and spirit of GATT regulations on agricultural trade; no matter that the refunds have neither disrupted markets nor given the Community any excessive market share; no matter, really, that the E.C. continues to be one of America's biggest markets for agricultural goods, buying $6.7 billion of them last year alone!

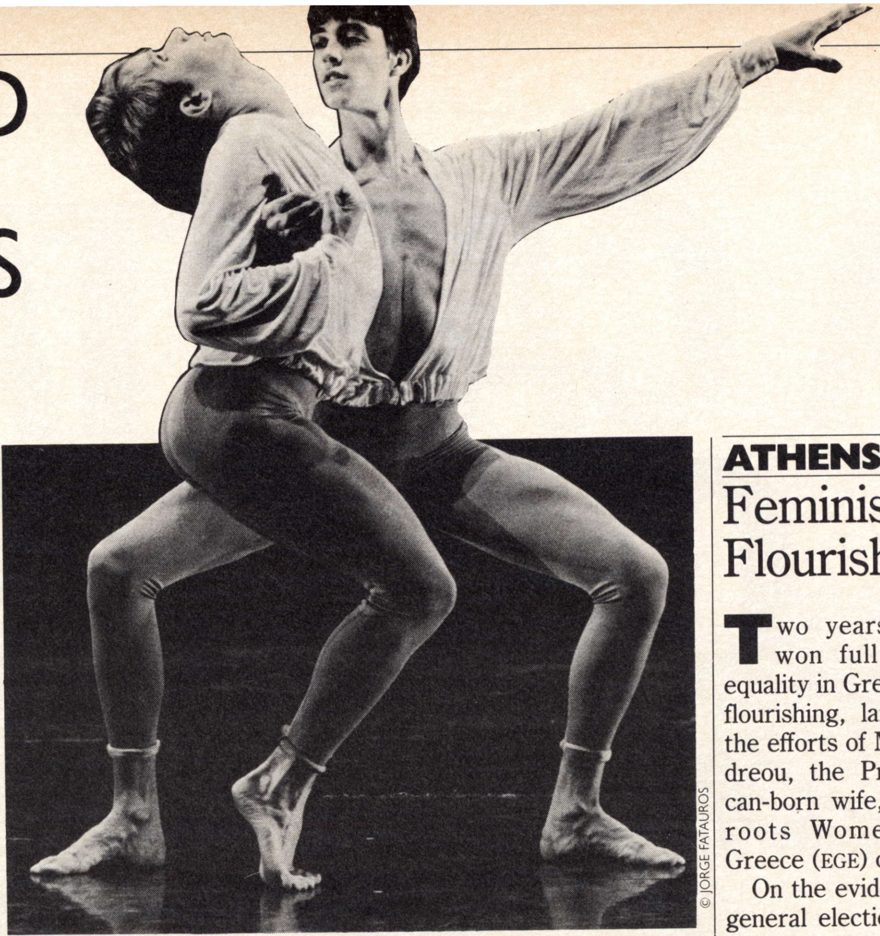
We must not forget that U.S. and E.C. interests in both agriculture and trade policy are, after all, very close. We both want fair and orderly world markets, we're both in the process of reforming our farm policies, and we both want to see agriculture discussed in the proper forum. Serious negotiations in GATT are what we, and the world trading system, need most—not unilateral actions that might undermine confidence in that system.

These problems are the subject of our cover story this issue. We also look at Luxembourg, which holds the presidency of the E.C. Council of Ministers for the next six months; a European view of the Strategic Defense Initiative; and the future of European satellites.

We're including with this issue a special pull-out section of basic information on the Community that we hope our readers will find useful as a quick reference guide.

Denis Corboy

AROUND THE CAPITALS


© JORGE FATAUROS

The Nederlands Dance Theater.

AMSTERDAM

A Cultural Centennial

Nineteen eighty five is a year for honoring the crown jewels of Dutch cultural life. The Rijksmuseum here is celebrating its 100th anniversary with a series of renovations and special exhibitions. The 100-year-old Concertgebouw is undergoing a $10-million renovation to improve the home of its world-renowned orchestra. And construction starts this summer on a new, $7-million building for the Netherlands Dance Theater in The Hague, currently one of the most sought-after ballet troupes in the world.

Napoleon Bonaparte's brother, King Louis Napoleon who reigned over the Netherlands in the early 19th century, felt that the works of the great Dutch masters should be properly presented. He promoted the idea of building a museum for the Dutch art collections as early as 1808 and this led to the construction of the Rijksmuseum, which opened to the public in 1885. Commemorative ceremonies are set for July 13. The gardens around the museum will be returned as close as possible to their original state, while the central gallery of the museum has been completely restored, as has Rembrandt's famous painting "Nightwatch."

The initiative for the construction of the Concertgebouw came in 1881 when six private citizens got together to build the concert hall that now holds 3,000 people. Set on underground pilings like much of Amsterdam, the building's foundations had begun to sag again and restoration was needed.

Among the Concertgebouw orchestra's great conductors was Willem Mengelberg, who made it one of Europe's most important orchestras. Under the direction of his successors, Eduard van Beinum and the present Bernard Haitink, the orchestra has participated in almost all the important musical festivals in the world and makes regular appearances in major European musical centers. Next best is the Rotterdam Philharmonic Orchestra, that recently completed a successful tour in the United States with the American conductor James Conlon.

Also celebrating an anniversary—though only its 10th—this July is the North Sea Jazz Festival. The annual event draws to The Hague thousands of young jazz lovers to hear Miles Davis, Ray Charles, Ella Fitzgerald, Fats Domino, the Count Basie Orchestra and some very good Dutch groups.

Another gem in Dutch cultural life is the Netherlands Dance Theater, although the company is hardly Dutch. Out of 32 dancers only three are Dutch. The others are American, Australian, Belgian, Danish, English, Canadian, French, Spanish, Czech, Israeli, Yugoslav and Swiss.

Czech choreographer, Jiri Kylian, joined the Netherlands Dance Theater first as a choreographer and is now its artistic director. He has placed an indelible stamp on this very talented group of dancers. Kylian, who started out as a dancer, has given the group its neo-expressionist style.

Like Janacek, Kylian gets his sources of inspiration from folk music and folk dance. Before his arrival, the mostly classically trained dancers were influenced by the modern American school, when Glen Tetley, Job Sanders and Anna Ackolow obtained a firm footing in Europe while working with the troupe. The group plans a three-week tour to the Soviet Union this summer and later to North and South America and Canada.—NEL SLIS

ATHENS

Feminism Is Flourishing

Two years after women won full constitutional equality in Greece, feminism is flourishing, largely thanks to the efforts of Margaret Papandreou, the Premier's American-born wife, and her grassroots Women's Union of Greece (EGE) organization.

On the evidence of the June general election results, however, it will be some time before Greek women catch up with their sisters in Western Europe in capturing influential positions in public life. Only 11 women won seats in the 300-member parliament, two fewer than during the previous election in 1981. And all of them ran as candidates in Athens, where attitudes toward women in politics are considerably more liberal than in the countryside.

The election results showed that more women than men voted Andreas Papandreou's Panhellenic Socialist Movement (PASOK) back into power. But PASOK members, including the Premier's wife, readily acknowledge that feminism re-


COURTESY EMBASSY OF GREECE

Margaret Papandreou.

ceives little support from male socialists.

Both conservatives and socialists blamed a new electoral law for the weak performance by women candidates. The law abolished the "preference cross" formerly used by voters to select the candidate of their choice. Instead, parliamentary deputies were elected according to their position on the ballot list—and women candidates almost invariably featured on its lower reaches.

But Greek women emerged for the first time as a political force in their own right at the June elections. They flocked to mass rallies organized by Mrs. Papandreou's union, waving flags and shouting slogans with unselfconscious enthusiasm. In addition, women organized canvassing walkabouts through street markets and door-to-door discussions in a form of personalized campaigning rarely used in the past.

The socialists were obliged to pass wide-ranging legislative reforms under the 1975 constitution which guaranteed women full equality in the home and work place by the start of 1983. The previous conservative Government had dragged its feet as long as possible over women's rights, fearing adverse reaction from rural voters and the steadfastly old-fashioned Greek Orthodox Church.

But the socialists went several steps further than was strictly necessary. They started by granting pensions for women farm workers in their own names, a revolutionary measure by local standards, and followed it up with childbirth allowances, generous pregnancy leave and free medical checkups. A new "council for the equality of the sexes" set up a contact office in each province to make quite sure women were not refused their newfound privileges by provincial bureaucrats.

Mrs. Papandreou's union has become a watchdog organization for women's rights, and it campaigns on sensitive health and welfare issues like abortion and family planning. Mrs. Papandreou, who says she got involved in feminism while the family lived in exile in Canada during the seven-year colonels' dictatorship, started the union with the help of three Greek friends shortly after she returned to Greece following the restoration of democracy in July 1974.

Eleven years later, the organization has 25,000 members from all over Greece. Mrs. Papandreou tours villages and islands on weekends, making speeches and leading discussions in cafés and taverns. As a result, countryside women who carry out much of the agricultural work, have developed a political voice of their own, she says.

But the union has not yet succeeded in bringing about abortion law reform. It took several demonstrations attended by Mrs. Papandreou to persuade her husband's Government to set up a commission to decriminalize abortion. More than 300,000 abortions take place in Greece every year and doctors say abortion is the most common method of birth control here.—KERIN HOPE

BRUSSELS

Papal Visit Stirs Belgians

The contrast between the recent visits by Pope John Paul II to Belgium and the Netherlands was total, and made more striking by the entirely similar concerns which underlay the two trips. The Roman Catholic communities in both countries have a recent liberal tradition. A substantial slice of the laity and clergy alike support so-called "liberation theology," and take a progressive line on such issues as abortion, contraception, homosexuality, married priests and ordination of women.

In both countries those concerns were voiced clearly when the Pope met his flock. The Belgian dissidents, it is true, were a good deal more respectful in style, but the criticism was there all the same. The real difference lay in the response to the visit by the general public.

In the Netherlands, which has six million Catholics, the Pope was isolated by apathy, by necessarily tight security and occasionally by outright violence. He could not be permitted, for safety's sake to visit the great, but radical, cities of Amsterdam and Rotterdam, and in the royal and parliamentary city of The Hague, well under 1 percent of the population turned out to see him. There were no flags, no crowds, no adequate press facilities to encourage coverage, and in spite of valiant efforts by the national Catholic broadcasting network, no great public awareness even of the Pope's presence.

After the sourness of the Dutch experience, the Belgian welcome must have been overwhelming. In this land of ardent linguistic politics, there was one tiny discordant note at the beginning: the Pope had to abandon his seven-year habit of kissing the ground at arrival, for the ground at the airport was Flemish (Dutch-speaking) ground. Instead he was whisked by helicopter to the Cinquantenaire park in French- and Dutch-speaking Brussels, where he could kiss impeccably bilingual ground.

Nevertheless, there were 8,000 people there to cheer and wave and 10,000 more at his next stop, in the beautiful Grand' Place. Altogether, 40,000 citizens turned out that night to line the papal route waving, singing and running alongside the motorcade.

And as it started, so it went on. Everywhere John Paul II went, he was attended by song and pageantry and happy crowds. There were solemn moments, as at Ypres, where he prayed in the shadows of the somber Menin Gate, inscribed with the names of 55,000 British and Empire unburied dead of World War I. There were earnest moments, as when the students of Louvain Catholic university told him frankly of their hopes and fears for the church. But mostly there were happy moments—none more than the Pontiff's 65th birthday, halfway through the tour.—DEREK BROWN

ROME

Communists Lose Locally

Could Italy's Communist Party, the biggest in Western Europe, be at the start of an "inexorable decline," just like that suffered by its counterpart in France? That is the nightmare that is haunting the somber leaders of the party as they contemplate the defeat they suffered in the May local elections in Italy.

Last year, the party won 33 percent of the vote in the elections to the European Parlia-

Pope John Paul II visits the E.C. Commission (from left to right): Foreign Minister Andreotti. Commissioner Ripa di Meana, President Delors, Vice President Andriessen, Commissioner Christophersen, European Parliament President Pierre Pflimlin.

ment, overtaking the long-ruling Christian Democrats for the first time ever (by a whisker) and becoming, as they proudly proclaimed, the largest political party in Europe. In the elections for regional and city governments, which in Italy are almost as important as general elections, the Communists had hoped to go yet higher. Indeed Alessandro Natta, the party leader, talked openly of how he would demand to be asked to form a Government if the Communists were confirmed as top parrty.

Alas, nothing of the kind happened. They fell to 30 percent in the regional test and to under 29 percent in the city elections—sharp falls by the standards of Italian politics. They are likely to lose control of several cities which they took over in the mid-1970s when the Communist advance was at its height.

The setback sparked off agonized heart-searching in the party which could not be kept out of the public eye, despite the Communists' discipline and secretiveness. The party's senior officials asked themselves two questions: Why did we mess up the elections? And is our strategy leading us anywhere but down?

There are plenty of explanations for the election failure, among them the fact that Natta is a less inspiring leader than his greatly loved predecessor, Enrico Berlinguer. Natta was elected almost automatically as the next senior man in the party after Berlinguer. He is affable and loquacious, but doesn't command the same respect and is considered to have made tactical errors.

His own explanation of the defeat, which he called a "severe blow," comes close to the basic problem of the Communist Party's strategy. The party's policy, he said, "did not appear to the voter to have solidity or serious possibilities as a political solution in the short term." That policy is called, in the party jargon, "the democratic alternative." It means that the Communists are aiming to come to power in a coalition of left-wing parties which would beat the present coalition of the center-left led by the Christian Democrats and the Socialists, the party of Prime Minister Bettino Craxi.

There was always a fatal flaw in the strategy of the "alternative." That is that the Socialist Party is pretty content with being in power with the Christian Democrats. What's more, Craxi is personally very anti-Communist and his long term aim is for the Socialists to supplant the Communists as the major party of the Italian left, as did the Socialists in France—a scheme unlikely to be advanced by playing second fiddle to them in a coalition. In fact, not only does the Communist Party strategy make little immediate sense, but the party lately has virtually destroyed what remaining hope it might have had of collaborating in some way with Craxi by trying to block almost everything he does.

So what can the Communists now do to get out of their blind alley? The answer for the moment seems to be: not very much. The "democratic alternative" strategy was sanctified by the last party Congress of 1983 and cannot be suddenly abandoned. The only realistic alternative to it, the idea of coming to power with the Christian Democrats, was tried in the late 1970s without success and subsequently abandoned.

Since then, the party has been content just to be different from other Italian political parties—in its discipline and its pride in being the irreproachable party of honest men. It is not so different from other parties in its view of the kind of Italy it says it would like to see—a country with a mixed economy belonging, while Europe remains divided, to NATO. But it is the Communist Party's very difference from other parties that makes many people suspect it.

So why doesn't it abandon the trappings of a Communist Party altogether and become the Social Democratic Party that many people say it really is? Several senior officials on the right of the party believe that a move in this direction may be the only long-term answer, and that the only other course may be decline. But most Communists like being members of a Communist Party and many of them think that with the ups and downs of Italian politics, their time will come one day anyway. The Communist Party of Italy is not a party that enjoys change.—
JAMES BUXTON

LONDON

Aftermath of Soccer Riot

Many English tourists, including this one, will travel into Italy for their annual holidays this summer with a certain amount of trepidation. As innocents, they will be praying not to be singled out for an emotional, but essentially mindless, retribution for the 38 deaths, mostly Italian, at the European Cup soccer final in Brussels at the end of May. However, these poor innocents were victims of mindless and ultimately murderous behavior by some of the traveling supporters of the Liverpool soccer club. Can anyone now regard himself or herself as immune from man's inhumanity to man?

This line of thought may seem somewhat hyperbolic to anyone who did not sit through the stomach-turning scenes transmitted by live television from the Heysel stadium in Brussels. For a time, events carried all the terror of imprisonment in a runaway car heading for the cliff edge. In this case, however, humanity itself was thundering toward the precipice, drunk on the ecstasy of violence.

The rest of the human race can at least take refuge in the knowledge that such behavior at its most extreme is a peculiarly British phenomenon. My last letter from London described the growing concern—particularly in England, since soccer hooliganism is far less of a problem in Scotland, Wales and Northern Ireland—at the rising incidence of violence at soccer matches. This one has to be about the shattering blow dealt to the self image, the amour propre, of the English by the events in Brussels.

"This is still one of the more agreeable and civilized countries in the world in which to live," wrote Roy Jenkins in 1972, when he was still a leading member of the Labor Party, then in opposition. Most English people have cleaved to this view in the face of growing evidence to the contrary. The country's relative economic decline, its deteriorating public services and its growing political and social polarization have been steadily rendering it less agreeable and civilized.

But life on an island, notwithstanding the huge numbers of people who take foreign


© BETTMANN NEWSPHOTOS

Trapped fans struggle to get clear of the wall that collapsed at the deadly European Cup final at Heysel stadium.

holidays, has tended to mask the deteriorating quality of English life. Poverty, exacerbated by 14-percent unemployment, is more widespread and violence certainly more commonplace (though not yet of U.S. urban dimensions), as the recent pitched battles between miners' pickets and the police highlighted.

This decline may have everything or nothing to do with the assault launched by Liverpool fans in Brussels with such murderous consequences. But that single event is forcing the British to ask themselves some rather difficult questions about the nature of their society. They have been robbed of that certain feeling of superiority over the foreigner which for so long has been responsible for the patronizing disdain with which many regard the rest of the world.

An awareness of this loss explains the instant and widely supported reaction of both the government and the soccer authorities. Realizing that not a shred of national dignity could be preserved by seeking to lay some of the blame for the disaster on the preparedness of the Belgian police to deal with a murderous riot, Prime Minister Margaret Thatcher led the demand for a national penance in the shape of a withdrawal by all English teams from European soccer competitions. The soccer association decided on a one-year withdrawal which, quite understandably, has not been enough for the sport's European ruling body. It has imposed an indefinite exclusion on English teams.

This could spell the deathknell for British soccer—a demise which would be unlamented if it was the only way of rooting out the kind of behavior which reached its apotheosis in Brussels. In the late 1970s, one English team, Leeds United, was banned from European competition for four years because of the hooliganism of its fans at a match in Paris. This marked the beginning of a decline from which the club still has not recovered. The financial loss and the inability to sharpen skills against the best foreign competition is bound to damage English soccer if the ban runs longer than three years.

Will it, however, stamp out the awful conduct of the mindless minority? Other measures to be introduced in England, including the issue of membership cards limiting attendance at matches to "genuine" supporters, should help to reduce the incidence of violence. But a more thorough examination of the roots of such behavior in British society may be needed before more lasting remedies can be found.—John Wyles

PARIS

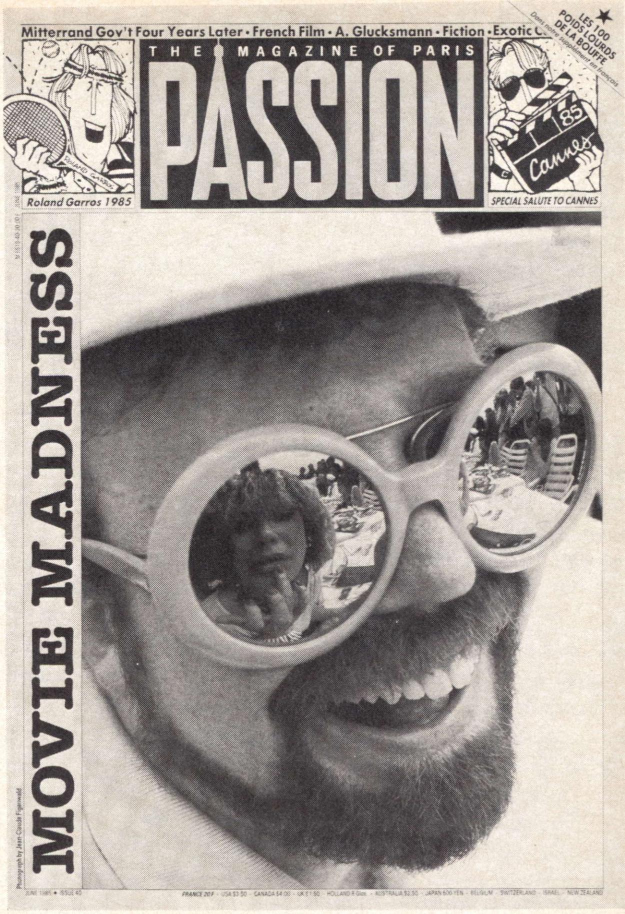
Expatriate Reviews Are Coming Back

In the tradition of the 1920s world of Ernest Hemingway, F. Scott Fitzgerald, Gertrude Stein, Ezra Pound and James Joyce, a new expatriate literary world is burgeoning in Paris. There is a recent new crop of the high-brow literary and art magazines that grew up in Paris 60 years ago around some of the greatest names in English literature.

The *Transatlantic Review*, *Transition* and *Tambour* of yesteryear are finding new incarnations in *Paris Exiles*, *Moving Letters* and *Sphinx*. Like their predecessors, the new reviews are privately financed, have small runs from 50 to 2,000 copies and showcase short stories, poetry and art of expatriates.

The trend was sparked with the introduction four years ago of *Passion*, an arts and lifestyle periodical. Canadian Robert Sarner saw a vacuum after the demise of the last of 16 English-language Paris publications following World War I, and now sells 55,000 issues every two months.

By early this year, there were six English literary magazines in circulation and four of them planned new editions this summer.



Sphinx is a women's—but not feminist—magazine, *Exiles* is the slickest and *Paris Atlantic* is strictly poetry. But they all tend to publish one another and burst from the intellects of a tight-knit coterie of about 20, mostly American, writers.

Like the earlier version of Paris' English literary community, this one has its gurus. The focus of the group was George Whitman, proprietor of Shakespeare and Company bookstore, which is fashioned after Sylvia Beach's 1920s store and reading salon of the same name. He attracted countless young novelists and poets to readings, à la 1920s.

Lately, however, the focus of the community has moved along the Left Bank to the Village Voice café/bookstore, where literary trends are thrashed out over carrot cake and tea. And there is author Jim Haynes, a Louisiana native who started his endeavors in Britain with theater troupes and a bookstore, then moved on to Amsterdam to begin what he called the first European sex magazine. He, too, has financed a small printing operation in Paris, selling privately published books as well as presiding over literary sessions that trail continuously through his apartment headquarters.

The products of this hive of activity across the Left Bank and beyond are efforts at serious literature appearing on everything from rather tattered amateur-typed sheets to slick glossy booklets. The efforts may never go down in history with the same fame as their prototypes, but, said the publisher of *Exiles*, the 1980s versions are trying to retrieve and continue the great Paris tradition of expatriate literary publications in English.—Brigid Janssen

COPENHAGEN

To Build A Bridge

The British and the French are still arguing about the means and merits of the

"Chunnel." But the Danes are now poised to go ahead with one of Europe's most ambitious projects. The first step toward making Denmark literally the bridge between Continental Europe and the Scandinavian peninsula.

The project is a bridge and/or tunnel across the Great Belt, the international waterway to the Baltic. It also effectively divides Denmark into two parts: The Jutland peninsula linked by two bridges to the island of Funen to the west of the Great Belt and the island of Zealand, with the capital of Copenhagen, to the east of the Great Belt and facing Sweden across the sound.

The project has been discussed for so long that some observers consider it a Loch Ness monster. The Danish parliament decided to build a bridge in 1973 and affirmed its decision in 1976, only to shelve the whole issue in 1978, ostensibly because of the cost. This time, however, recent developments may carry the day. The most important factor is that the ferries on the Great Belt, the world's largest train and car ferries, will have to be replaced as they wear out. So many units are close to this that either new ferries must be ordered, or a bridge and/or tunnel must be built. The price tag for the new ferries is so large that the bridge is becoming cost-competitive, even in the short run.

The cost of a bridge is estimated at about 10 billion Danish kroner (about $900 million), and the return on the investment is estimated at about 13 percent. The bridge could be built over a period of 10 years. An alternative project, a rail tunnel, would be cheaper, but industrial users fear bottlenecks. The bridge will reduce transit time across the Great Belt from about one hour and 15 minutes to 15 minutes, cutting travel time between the major Danish cities by 25-50 percent.

Those urging rapid construction of the bridge argue that it is vital to the economic and industrial development of Denmark. It will counterbalance the strong pull of the Federal Republic of Germany on the Jutland peninsula and give Copenhagen and its port and airport a new lease on life.

Sweden wants a bridge between Denmark and Sweden, and Germany wants a bridge between the German island of Fehmarn and the Danish island of Lolland, south of Zealand. The Swedes have offered to finance the sound bridge, and the European Investment Bank, an E.C. institution, will help finance the other two projects. With two bridges to the Continent and one to Sweden, Copenhagen will become a true gateway to Europe.—LEIF BECK FALLESEN


COURTESY DANISH TOURIST BOARD

The proposed bridge/tunnel would cut into the ferry business linking Denmark to the Scandinavian peninsula.

COURTESY GERMAN INFORMATION CENTER

It is a Green Party rule that every party office be filled by three people: above, the spokesmen.

BONN

Green Party Loses Votes

The Green party that has enlivened the Federal Republic of Germany's parliament since the 1983 election may already be losing some ground. Hans-Jochen Vogel, parliamentary leader of the Social Democrats, who were the big winners in two of this year's three state elections, says the answer for the Greens' reverse is simple. "The Greens asked justified and necessary questions," Vogel says. "But the Social Democrats provided the answers."

The Greens themselves blame their failure, or inability, to agree on political priorities. The fact is that almost from the first day they entered the Bundestag, the lower house of the Bonn parliament, the antinuclear, pro-environment Greens have been torn by bitter personality clashes and split by struggles for power between the "*realos*" and the "*fundis*."

"*Realos*" are realistic politicians who believe the party's aim must be to achieve power as part of a coalition with the much larger Social Democrats. "*Fundis*" are those who believe in fundamental opposition and consider the acceptance of any political responsibility to amount to a betrayal of principles and promises to voters. Personality clashes result from the fact that all Greens distrust any thing that smacks of a "cult of the personality." They fear that any of their representatives who remain too long in top jobs automatically lose touch with the mass membership. For that reason, in advance of the 1983 election, they exacted a promise from each candidate for parliament that, if elected, the person would resign after two years and allow his or her substitute to take the seat.

The incumbents were reluctant to step down, however, when their two years were up this spring, and some of them refused to do so. The so-called rotation rule probably will be abandoned before the next election, but there obviously will be a fight over whose names are to be put on the 1987 list of candidates—those elected in 1983 or those sitting when the next election is called.

As a result of these disputes, the party already was in trouble when it went into this year's three state elections. Despite a disagreement over which of two rival groups in Berlin was the real Green party, one of them called the "Alternative List" picked up 10.6 percent of the vote and 15 places in the 144-seat assembly. In the Saar, however, which the Social Democrats won for the first time in 35 years, the Greens drew only 2.5 percent of the vote—half the 5 percent minimum required to be seated in the state legislature.

More important, however, was the election on May 12, a week after President Ronald Reagan's state visit, in the state of North Rhine-Westphalia. About 28 percent of Germany's voters live in that state, which makes it critical not only to the major parties, but even more so to the marginal groups. The Greens captured 4.6 percent of the vote, about half of their poll in communal elections in the state a year earlier.

Christian Schmidt, the Green member from Hamburg, attributed the party's losses mainly to its inability to change anything. "The Greens were successful at the polls as long as they made specific demands not represented by any of the other parties," Schmidt said. "But the voters see that we haven't managed to change things, nor have the Social Democrats, so they vote for the lesser of the two evils, the Social Democrats, or simply stay home."

Furthermore, many potential voters were lost when two Green members of the Bundestag attempted to open a political dialogue with imprisoned members of the Red Army terrorist group. Worries about the Greens becoming too radical also were fueled by the demonstration the party organized in Bonn during Reagan's visit and the seven-nation economic summit in the capital at the beginning of May. About 200 hooded people used the demonstration as cover to smash up the center of town. Most people blamed the Greens, even though they pleaded with the rioters to stop.

Perhaps worst of all, the 60-page platform adopted by the Greens for the North Rhine-Westphalia campaign turned out to include a plank calling for the legalization of "non-violent" sexual relations between adults and children. The proposal was withdrawn after public protests, but the damage had been done. "One resolution to permit sex with kids has undone years of hard work," said former Green deputy Joschka Fischer of Frankfurt.

The next state elections are in Lower Saxony and Bavaria, early in 1986. If the Greens do badly there, too, because of continuing inability to settle the *"realos"* versus *"fundis"* argument, then chances are great that they will be washed away in the 1987 federal election.—WELLINGTON LONG

DUBLIN

On Allowing Divorce

Ireland is the only E.C. country which does not allow divorce, but the pressure to change this situation is growing steadily. A parliamentary committee which has studied the issue for two years has now recommended that there should be a referendum on removing the constitutional ban on divorce.

Nothing to do with public morality in Ireland is simple, however. The committee, while recommending a referendum, refused to say whether divorce legislation was desirable or not. If divorce were to be introduced, it should be restricted, said the committee, to cases of "irretrievable breakdown." Quickie, Reno-style divorces are definitely not on the way.

The increasing rate of marriage breakdown in Ireland is now one of the country's more serious social problems. No one contests that, not even the Catholic Church which opposes the introduction of civil divorce as a solution. The numbers of Irish couples whose marriages have broken up can only be estimated on the basis of court maintenance orders. The pro-divorce lobby claims that there are at least 35,000 broken marriages. This represents a 6 percent failure rate, by far the lowest in Europe compared with 30 percent in some countries.

For the substantial numbers of people who have entered into new relationships and started a second family, their legal situation is a mess. The state will only recognize the first marriage. The children of the subsequent union are illegitimate and attempts to remarry in a registry office or even outside the country are bigamous. Weathier people can get around the bigamy problem by establishing a pseudo-domicile abroad but this remedy is not available to most.

The Catholic Church finds Irish matrimonial law an embarrassment. Small numbers of church annulments are granted in Ireland each year, giving those concerned the right to marry again in the Catholic Church. But the state does not recognize these annulments, although the courts are beginning to interpret the existing civil annulment law more liberally.

The ludicrous situation was reached recently where a wife whose husband had remarried in the Catholic Church after getting a church annulment tried to press charges of bigamy against him. Her case failed because the judge told her that as a "wife," she could not give evidence against her "husband."

The Irish ban on divorce is being tested before the Commission for Human Rights in Strasbourg by a couple whose second illegal marriage has lasted 14 years and has produced a daughter who is illegitimate. The commission's decision has not been officially announced, but is believed to uphold the ban on divorce under national law while condemning the illegitimate status of the child.

This opens up another can of worms for the government which has produced a draft bill to abolish illegitimacy and give the children of illegal unions equal hereditary rights with legitimate offspring. The thought that family farms might have to be shared with the fruits of illicit dalliance in the hedgerows has sent shock waves throughout rural Ireland.

The politicians themselves are beginning to feel the heat. A member of Parliament from the Fianna Fail opposition party who recently failed to win a party nomination in forthcoming local elections blamed it on a whispering campaign about his unhappy marital situation. In a Sunday newspaper, front-page interview, the parliamentarian attacked the "sanctimonious rubbish and hypocrisy" of other politicians.

Recalling the most famous divorce case in Irish history he thundered: "Most people are aware of my current domestic situation but they haven't yet heard of the Parnellite lives of the people from the top to the bottom in Fianna Fail. It applies in other parties as well, up to the level of government. Do TDs (congressmen) want to come clean about the Kitty O'Sheas in Irish politics?"

Do they indeed? Only if they're absolutely forced to. The latest public opinion poll shows 75 percent believe divorce should be permitted in certain circumstances, but only 52 percent would actually vote to remove the constitutional ban. —JOE CARROLL €

CORRESPONDENTS

DEREK BROWN is Brussels correspondent for *The Guardian.*

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

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

BRIGID JANSSEN is a freelance writer in Paris.

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

WELLINGTON LONG is a free-lance 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.*

EUROPE SEES SDI AS TWO-EDGED SWORD

STRATEGIC PREOCCUPATIONS COUNTERWEIGH TECHNOLOGICAL REWARDS.

MARINO DE MEDICI

The Strategic Defense Initiative (SDI) is the newest of those technological attractions that appear quite seductive from a distance, until one can see their shortcomings at closer range. After the initial excitement, the Europeans have come to see President Ronald Reagan's project of the "space shield" as a double-edged sword.

The political and strategic preoccupations of the North Atlantic Treaty Organization (NATO) allies have an economic and technological counterweight in the temptation to cash in on what promises to be one of the richest pork barrels in history. Of course, many Europeans would prefer it if the space-defense gold mine could be exploited without restructuring or altering the strategic system that has assured the protection of Western Europe for 40 years.

The crux of the present problem, in fact, is that the Europeans like the American nuclear shield more than they were ready or willing to admit for a long time. Therefore they have myriad reasons to fear a radical change in the strategic posture of the United States. Some of these reasons are quite valid, others less persuasive.

Among the questions that are most frequently asked in Europe one can list the following: Will SDI boil down to the defense of a few missile silos? As such, will the system be acceptable to Europeans? Furthermore, as the "space defense" concept is integral to the Reagan Presidency, the question that must be asked is: Since Reagan cannot be re-elected, will the development process sustain itself thereafter?

But the reservations of the Europeans are not limited to the defense and strategic fields, and to dark scenarios like "decoupling" and the emergence of a "fortress America" syndrome at the end. The French Government is preoccupied by the possibility that the research and development of SDI may work as a powerful "vacuum cleaner" by attracting the "best and the brightest" and the most promising work out of the European laboratories and industries.

The biggest question mark in Europe, however, has to do with the main concept at the root of Reagan's "space shield"—the transition from offense to defense. The Europeans are not alone in believing that Reagan's new strategic tack may lead them into the perilous waters of a choice between arms control and the search for defensive systems. Sailing between Scylla and Charybdis is no easy task when the Reagan Administration insists that SDI does not represent a deployment attempt, but rather that it will create the "technological base for sound deployment decisions." What will happen in the meantime? A certain fear of missing the boat altogether is only natural.

Chancellor Helmut Kohl has been the first to demand to share the dividends from technological innovation in this area. The other conditions advanced by Kohl, and generally shared by the alliance members, were that a space-based defense system include the strategic unity of the alliance territory; that strategic instabilities in the transitional phase be addressed; that the process enhance "close and trustworthy" consultations among the allies, both bilaterally and at the alliance level; and, finally, that the U.S. space program provide a strong incentive for the Soviets to negotiate.

The most eloquent, and to the United States, most surprising criticism of SDI came from the British Foreign Secretary, Sir Geoffrey Howe, in his now famous speech of last March 15, in which he said that "there would be no advantage in creating a new Maginot Line of the 20th century, liable to be outflanked by relatively simpler and demonstrably cheaper countermeasures."

Sir Geoffrey added that the alliance must make sure that it does not develop what might prove to be an ineffective defense against devastating destructive force. This was even more surprising to Washington since just a month earlier Ambassador Paul Nitze had addressed those problems by stressing his concept of deep cuts in offense and stabilization of the offense-defense relationship for a period of at least 10 years while SDI is explored.

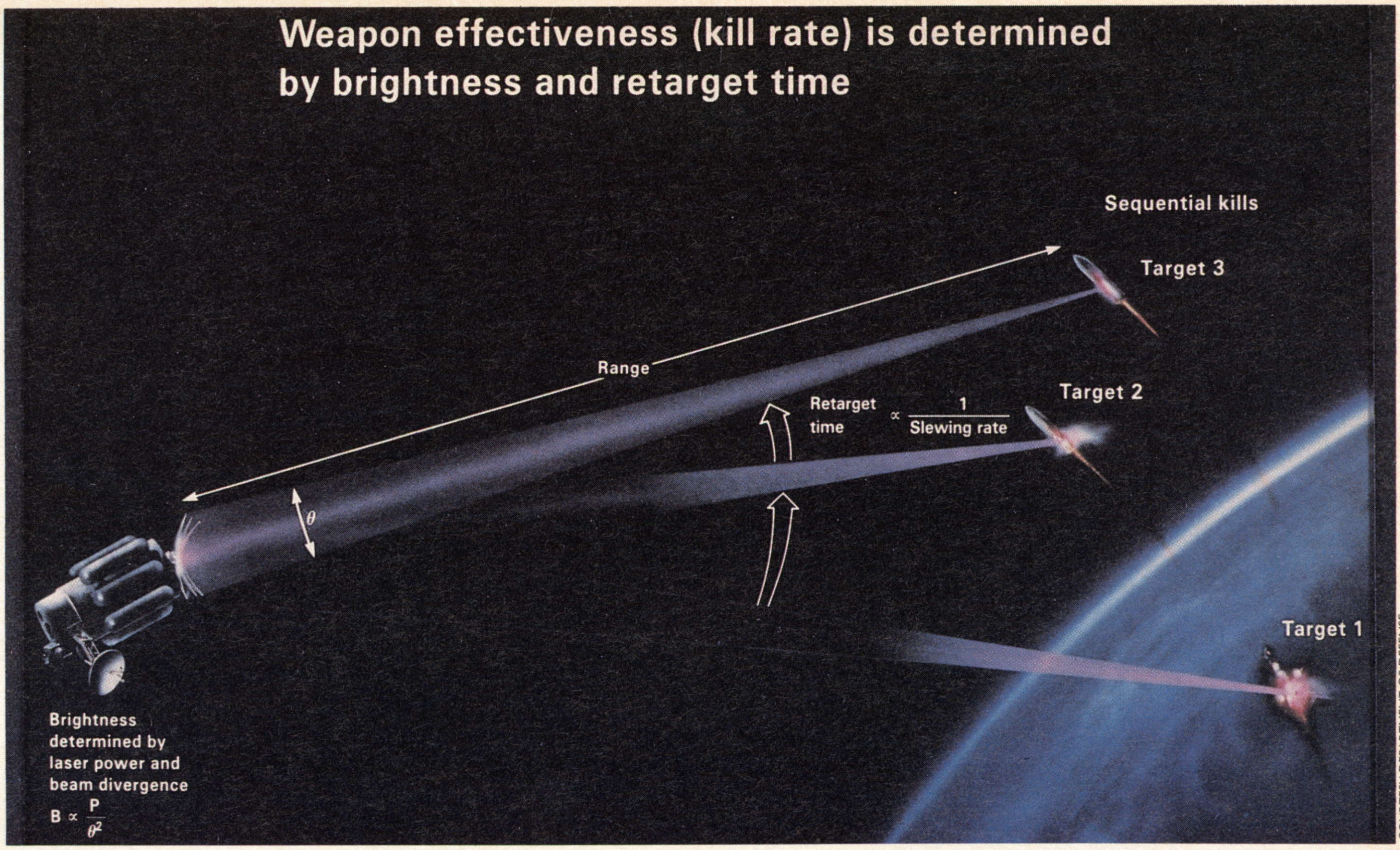
The ship of the alliance seemed headed toward a shoal on another delicate problem: adherence to the antiballistic missile (ABM) treaty of 1972. Both the French and the Italian Governments were emphatic in their insistence on the need to honor the ABM treaty, but while the Italian Prime Minister was careful not to shut the door on a possible technological breakthrough, France adopted a decidedly negative position on "Star Wars" that was to climax in President François Mitterrand's preclusion of French cooperation on SDI at the Bonn summit.

At that meeting the French government gave notice of its intention to promote the EUREKA project (EUREKA stands for European Research Coordination Agency) to foster closer cooperation among the European countries in high-technology areas such as high-powered computers, lasers, artificial intelligence and microprocessors. The paradox of the French project is that it anticipates technological spinoffs from a program that has no real target—all by-product, but no product—and particularly no military justification.

Just as the Europeans have doubts about the feasibility of the American space defense program simply because it is too sophisticated, the Americans downgrade the French program as too insubstantial. Thus "Star Wars" has the potential of becoming a divisive issue within the alliance not just in terms of a common strategic posture, but as a fundamental disagreement over the nature and value of its fallout.

The United States has its work cut out in trying to reassure the Europeans that their anxiety about a destabilization of the existing strategic balance—that is largely based upon mutual vulnerability—is premature and unfounded. The American reasoning, reinforced by Reagan's recent warning to the Soviets to cease their violations of Salt II, is that the ABM treaty has been eroded, just like Salt II, by the Soviets' massive force programs.

The Reagan Administration has gone on record that the United States intends



Although many Europeans want to share in the scientific spin-offs from the Strategic Defense Initiative, they are worried about destabilizing the strategic system that has assured their protection for 40 years.

to remain in full compliance with the ABM treaty obligations. In glossing over the obvious lack of allied agreement on SDI, Reagan has stated, in an interview with *Il Tempo* of Rome, that "all of our partners support our SDI research as prudent and necessary." And he added: "Whether they choose to participate in our research effort is, of course, for them to decide. We know there are a number of questions, but I wish to emphasize that we would welcome participation by our allies."

The only public criticism of the allies came from the director of the Arms Control and Disarmament Agency, Kenneth Adelman, who complained that for too long the NATO allies have remained "silent" in front of the Soviet record of bad compliance with the disarmament agreements. The United States' grievances against the Soviets are directly connected, in point of fact, to the research and development of the "space shield" in the interest of the common defense of North America and Western Europe.

In fact, the old strategic shield has broken down not because of any action or inaction on the part of the United States, but because of Soviet actions. Washington's realization of this fact can lead to doubts and questions unpleasant to the Europeans. For example, if the American forces in Western Europe are doomed to be targets of the Soviet SS20, they might as well be recalled to the United States.

Many Americans believe that defending these troops against Soviet missiles is a prerequisite for keeping them in Europe. Among others, Sen. Sam Nunn (D-GA)—who last year introduced an amendment on the stationing of U.S. troops in Europe—is concerned that insufficient cooperation by the European allies may bring a choice between surrender or immediate nuclear escalation, in the case of an outbreak of hostilities on the Continent.

SDI has the potential of plunging European governments into another debate over the nature of their security ties with the United States, and indeed various developments seem to indicate that the debate has started. The Europeans still believe in a strategy of absolute deterrence through the immediate threat of all-out war, and anything that distracts from this ultimate threat can lead to the decoupling of Western Europe from the American strategic nuclear guarantee. On the other hand, the United States believes that the growth of the Soviet Union's modern, accurate ballistic missile force has reached the point where it threatens NATO's ability to retaliate effectively to a potential Soviet first strike.

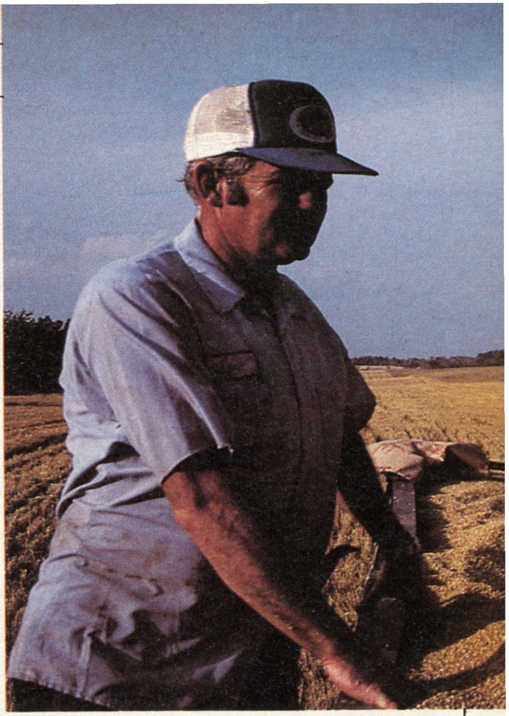
But while the discussion of the strategic implications of SDI can be reasonably handled with an eye to the need not to demobilize the European defense readiness, the project of a space-based defense—with a dark potential for attack as well—has thrown a long shadow over the area of arms-control negotiations, a very soft spot in the European psyche. Like the American critics of SDI, many European experts believe that the United States cannot pursue the development and testing of the "space shield" without harming the prospects for deep reductions of offensive strategic systems. Soviet violations of current agreements, however, raise questions about how realistic those prospects are.

Today, for the first time, the European allies can influence the internal debate in the United States itself. And furthermore, they are conscious of it. This may not be entirely to the good of the Atlantic community, given the different perspectives of the security needs, but the very fact that the Europeans talk in terms of being partners in the decisions concerning new weapons—rather than being "subcontractors"—adds a pluralistic flavor to an alliance that not long ago was dominated by the United States. The days when a U.S. Secretary of Defense could send a letter to the allies, inviting them to send "an indication of interest" within 60 days, are over.

Marino de Medici reports from Washington, D.C., for *Il Tempo* of Rome.

U.S., E.C. NEED OPEN GATT TRADE SYSTEM

E.C. COMMISSIONER SAYS BOTH SIDES HAVE JOINT RESPONSIBILITY TO SEE THAT IT SURVIVES.



WILLY DE CLERCQ

The European Community and the United States need the open trade system of the General Agreement on Tariffs and Trade (GATT). And that system, if it is to survive alive and well into the 21st century, needs us.

Let me begin by defining my terms a little further. I am taking the words "open trade system" to mean the open multilateral trading system based on GATT. That is a system based on fairness, openness of markets and procedures, multilateral cooperation and nondiscrimination. It is based on the concept of global reciprocity—a very different thing from the narrow and distorted notion of sectoral reciprocity, which continues to enjoy some misguided support.

In fact, the natural enemies of the GATT-based open trade system are protectionism, of course, but also bilateralism and sectoral reciprocity. What I mean by sectoral reciprocity is trying to solve problems bilaterally, on a narrow, product-by-product basis, by the threat of erecting new and discriminatory barriers to trade. This derives more from the corrosive philosophy of an eye for an eye, a tooth for a tooth. That philosophy destroys, rather than develops, international cooperation.

It is worth recalling the objectives which the GATT system is designed to promote. The preamble to the General Agreement refers to raising standards of living, ensuring full employment, the growth of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods.

Laudable as they are, however, these objectives are not all. Much more is at stake. Economic and political stability are very closely related. A sound open trade system is an essential component in greater economic stability, which in turn contributes to greater political stability. It is a public good. The sheer extent and weight of our share in that system are such that we must accept and meet our joint responsibility for keeping it in good order.

In saying this, I am well aware of the current mood in certain quarters of disillusion with the GATT trading system. But we need to be objective in looking at the real problems. In one sense the system is overburdened. I think that we sometimes have a tendency to look to the GATT for solutions which it was never intended to provide.

It was not intended to provide the theater for a display of what one observer has recently called the "gunboat economics" of U.S. foreign economic policy. It was never, for example, intended to cope with a world of fluctuating exchange rates and a logic-defying international monetary system. Its vocation is the removal of trade barriers and we cannot expect it to solve all our economic problems.

Keeping this in mind, the GATT trading system works better than many of its detractors would claim. When I had the honor to address the World Affairs Council in Washington, D.C. earlier this year I referred to the "Gatto-pessimists" whose apocalyptic vision leads them to present the open international trading order as being engulfed by a tidal wave of protectionism. Of course there have been setbacks, even entire sectors of economic activity have unfortunately joined the "GATT dodgers" and have evaded GATT discipline. But, in the nearly 40 years of GATT it has been true, year in and year out, that world trade has gone up faster than world production. And last year saw world production increase in volume by 5 percent while world exports leaped ahead by 9 percent in volume terms.

If one believes in a world trade system based on fairness and one which enjoins us to make the most efficient use of the earth's scarce resources, there frankly is no rational alternative to GATT, based on international consensus. I do not believe it is realistic to envisage an international trade law enforcement agency, with the GATT secretariat in Geneva in the role of police force. Nor do I believe that many would welcome more managed trade—or, to call it by its real name, "cartelization," with all the arbitrariness and greater political involvement which that can bring.

We in Europe have a long history of involvement in international trade. E.C. member states rely on their exports to E.C. and third-country trading partners for something like a mean of 25 percent—taking an average of imports and exports—of gross domestic product. Our common commercial policy reflects our need to maintain this vital window on the world. We have "bound" in GATT well over 90 percent of our common customs tariff; quantitative restrictions occupy only a very small place in the Community's trade policy—and even that is dwindling. Our tariffs are among the very lowest in the world. An open economy such as ours requires an open trade system in which to thrive.

The same is true of the United States: It too has an open economy. It too needs the GATT. But there is one big difference in our two situations. While European involvement in international trade has always been considerable, the same has not been true of the United States. I hesitate to call the United States a newcomer to international trade, but what is undeniable is that U.S. dependence on international trade for continued eco-

Willy De Clercq is the E.C. Commissioner responsible for external relations and commercial policy.

Both Europe and the United States rely increasingly on international trade; for example, two-thirds of American wheat is exported.

nomic well-being has been increasing dramatically.

The United States can no longer go it alone. Some observers have calculated that for 1984, 12.5 percent of America's GNP could be related to exports of goods and services, compared with the traditional 4 percent or 5 percent we were used to a couple of decades ago. Forty percent of U.S. farmland is devoted to exports; no less than the two thirds of wheat is exported. The U.S. manufacturing sector depends on foreign markets for some 16 percent of total sales. In fact, over the period from 1950 to 1982, total U.S. exports have increased by a factor of five compared with the smaller, threefold increase in production.

I believe that is is the process of coming to terms with the economic and commercial interdependence of the United States that accounts for the higher profile which is now given to trade policy in Washington. But it is worth stopping to ask how growth in U.S. external trade has been possible. The development of the trade/production ratio over the period 1950-1982 discussed above pretty well covers the life of the GATT system. One could say that the United States and GATT have grown up together. Is it just coincidence? I believe not. It is my thesis that the United States has prospered in international trade thanks to the GATT system. The fact is that the GATT has served us well, both the United States and the E.C., and continues to do so.

However, let me sound just one note of warning. For the world trade system to remain open, it must remain truly multilateral. It is not and never was intended to reflect the interests and priorities of any one contracting party, nor even any given group of contracting parties. It must not be used as a forum for pursuing an essentially nationalistic foreign economic policy. And it must not be denounced as being tilted against any one contracting party because it does not provide the means for implementation of any such narrowly defined policy objectives.

In fact, I believe that the view—which is apparently gaining ground in the United States—of the present world trading system as a playing field tilted against the United States is an unhelpful distortion of reality. It has served the United States well and there is still a clear identity of objective between U.S. policy and the underlying principles of the GATT.

May I submit that it is not the playing field which is tilted against the United States, but U.S. policymaking itself? Earlier this year then U.S. Trade Representative William Brock noted in an address to Congress that "... neither U.S. trade policy nor the trade policy of foreign governments is responsible for the large U.S. trade deficit ..." and that "... the high value of the dollar is principally responsible for the U.S. trade deficit." In May, Paul Volcker, chairman of the Federal Reserve Board made a very similar point: "The governments of the world will have to give more attention to the requirement for greater [monetary] stability lest fluctuations in exchange rates undermine the very goals of the liberal trading order we must support.

International trade can't carry the onus for monetary disorder. We are living in a world where exchange rates are no longer determined by relative prices in different countries. The value of world trade in 1982 is calculated by GATT at about $2 trillion, but international capital transfers are between 10 and 15 times greater! Capital movements determine the exchange rates which have their effects on the trading system. The trade tail is wagged by the monetary dog.

Thus, we must not yield to the temptation to accuse the trade system for problems not of its making. We need the GATT system and we have a duty to uphold it; it is in our interests to do so. The E.C. and the United States are the major actors on the world trading stage. We are under the spotlight. Between us, we account for something like 35 percent of world trade. By definition we have a major joint responsibility for preservation of the open trading system. Intemperate action and reaction by one or the other could very quickly, domino-like, lead to a collapse of the whole system.

Secretary of State George Shultz again put it elegantly in his Princeton address: "For developed and developing countries alike, economic growth clearly depends also on the continued openness of the world trading system and, indeed, on a further liberalization of world trade. This is a collective international responsibility." This is precisely my thesis. I am grateful that Secretary Shultz should have taken the care to state it so clearly!

Quite naturally, the reader will be thinking that if I am really serious in arguing the need to strengthen our present open trading system, then what better way of achieving it than by a successful new round of multilateral trade negotiations.

Let me repeat: The Community is in favor of a new trade round, and agrees that the GATT is the right forum. I have already described how big a stake we have in international trade and therefore the proper functioning of the trade system. But the Community believes that under the present circumstances we cannot afford a failure and therefore, before embarking on such negotiations we must do everything we can to ensure that they will be a success—all the more so if the new round becomes, as we proposed, the "Brussels Round."

That means full preparation and consultation with our partners. My senior officials in recent weeks have been dispatched literally to the four corners of the globe in an attempt to win over some of our developing country partners. And within the E.C. Commission, we are working very hard to prepare for the

Continued on page 51.

JOURNALISTS AND POLICY-MAKERS TRADE VIEWS

AGRICULTURAL TRADE FRICTIONS DOMINATE MEDIA SEMINAR ENTITLED "THE SEARCH FOR COMMON GROUND."

H. PETER DREYER

"E.C.-U.S. Relations: Conflict and Cohesion" had been the theme for the eighth annual European-American Journalists Conference when it met in Knokke, Belgium, in April 1984. This became "U.S.-E.C. Relations: The Search for Common Ground in a Changing World Economy," when the same event took place—precisely 14 months later—in Maastricht, the Netherlands, in early June 1985.

Did the modification of the theme also denote a change, however subtle, in the relationship between the Western world's two most potent economic units? Or has this remained as tense, threatening to deteriorate, and potentially on a collision course, as it was found to be on the previous occasion?

These are difficult questions to answer, not least so because short-term and long-term developments, vie with one another all the time so that there could never be such a thing as a finite and conclusive appraisal. The only constant, it would seem, consists in the scenario and the setting of this event where two dozen journalists from media on either side of the Atlantic are addressed by leading American and European personalities on the outstanding topics—which they subsequently debate—currently determining the relationship.

But as to the latter's substance it is a different story altogether. It can be said, of course, that the parameter has stayed the same, bounded as it is by ever new frictions and irritations, not to say quarrels and confrontation, on the one hand and by a commonality of trans-Atlantic interests on the other.

Going beyond so basic a summing up of the situation, though, the key fact surely is that new problems keep cropping up incessantly while few of the older ones disappear, and many of them actually weigh more heavily now than they did before. In practical terms this has meant that, while last year membership in the E.C. of Spain and Portugal was still an uncertain prospect, discussion in Maastricht dealt with the impact of such membership, now assured, on future tariff structures affecting the United States.

Conversely, neither the Strategic Defense Initiative nor Eureka were even dreamed of in early 1984. True, the possibility of a new round of negotiations in the General Agreement on Tariffs and Trade (GATT) loomed on the horizon even then, but no one as yet seemed to worry much about its timing. This has become an irate issue in recent weeks and months, and was consequently much to the fore also in this year's gathering.

Somewhat in the same vein, the dollar's strength, its possible causes and the consequences its rise and/or fall might have for both the United States and Europe, or the world economy at large, were already seen as problems last year. But they are obviously even more so now, seeing that (against all expectations) the U.S. currency has experienced a further upsurge since.

Last but far from least, there was much talk in Knokke in 1984 about the "technology gap," about Europe's concern at lagging behind the United States and Japan in this respect. Here again, so far from any change for the better, conditions have become more acute. Largely, too, because unemployment in Europe has so plainly failed to yield to "treatment," while millions of new jobs have been created in the United States, Europe's economic and technological inferiority complex vis-à-vis the United States (and indeed Japan) is more marked than ever today.

Where perhaps the changes in the relationship are less easy to detect, where they might be described as a transposition merely of the key in an otherwise constant leitmotif, is in the twin issue of protectionism and agriculture. Of necessity, these were the central topics at both this and last year's gatherings, as presumably they have been at each such gathering to date.

It was intriguing therefore that the start of the Maastricht conference was marked by the juxtaposition of two developments. On the positive side, it appeared that just then the latest of the countless U.S.-E.C. steel hassles was approaching a harmonious settlement. Against that, the U.S. Department of Agriculture had announced the day before its first strike under the Export Enhancement Program. While such a move had not been altogether unexpected, it was not likely to pour oil on troubled waters.

Even without this "incident," it might be argued, there is a formidable list of difficulties, differences of opinion and appreciation and real or potential controversies which besets and plagues the relationship. This is quite true, as in fact it has been true for many years past. Yet at the same time throughout this conference also, and not just on account of the somewhat euphoric mood which such occasions might generate among all participants, there was a clear intent on all sides to de-emphasize the negative. Not that everything was sweetness and love by any manner or means: Areas of real or possible conflict were spelled out very clearly by speakers of both sides. On balance, however, the impression conveyed was that—politically and economically—more unites the United States and the E.C. than separates them, and that in all probability this will remain so in the foreseeable future.

By way of example, when dealing with the protectionism quandary, E.C. Commissioner Willy De Clercq noted that the United States and the E.C. were both opposed to it, had both fought to hold the line against protectionist pressures and had common problems as well. They were both facing the same challenge of adapting to structural changes, and they were both in the process of tackling these common problems, although they did not always use the same methods.

On the same topic Ambassador Peter Murphy, Deputy U.S. Trade Representative, emphasized the importance of the U.S. market for the E.C., of the E.C. market for the United States and of the American desire to get the broadest possible consensus on the forthcoming GATT Round. "We are not making any effort to dictate to countries that do not wish to participate, but we feel that those which want to should be able to," he said. He added that the United States had no op-

E.C. Commission Vice President for Agriculture Frans Andriessen and U.S. Agriculture Secretary John Block called repeatedly for concerted policies aimed at global solutions.

tion for sitting idly by for a long time and, despite its preference for multilateral trade negotiations, would engage in bilateral ones if necessary.

Is Europe's "high-tech" future as desolate as it is often painted? Is Europe being left behind? Quite significantly, neither of the two men from the business world who dealt with those questions surrendered to such pessimism. Lewis Branscomb, IBM vice president, asserted that Europe simply had not realized its true potential in this field and would be all-right once it did. Dieter von Sanden, executive vice president of Siemens A.G., went further still. Giving an impressive account of his company's performance and activities in this field, he effectively contradicted the gloomy, not to say fatalistic, views so widespread in Europe now.

Von Sanden also made it quite clear, however, that with single norms and standards existing in the United States, as against usually a multitude in Western Europe, it was there that the real challenge to Europe lay. Progress in harmonization, he argued, was part of European governments' responsibility for creating the proper "high-tech" climate, a task which he viewed as far more decisive than the setting up and financing of governmental research and development programs.

Would such a basically optimistic evaluation be warranted also in the realm of agriculture which, it could be maintained, has been the central element of the U.S.-E.C. relationship since the early 1960s? If it were possible to reduce or eliminate this eternal source of controversy and strife, would many other things fall into line more easily? Might perhaps even the action taken by Washington on the eve of the Maastricht conference have had a certain cathartic effect by bringing a latent conflict out into the open?

Quite obviously, for such a protracted and deep-seated clash of views and interests there can be no quick solution, and it would be foolish to expect it. As Richard Lyng, then U.S. Deputy Secretary of Agriculture, put it so bluntly in Knokke last year when referring to an earlier such meeting in 1982: "Well, here we are in 1984. The United States and the E.C. still talking, still agreeing that we should agree and still looking for the (mutually acceptable) definition (of what would be equitable world trade) that would make it possible." And here we are one year later still—and no perceptible change yet.

Yet perhaps some comfort might be drawn from the fact that while it was the deputies who came to Knokke, it was the "top boys"—Agriculture Secretary John R. Block and E.C. Agriculture Commissioner Frans Andriessen, who addressed the journalists in Maastricht. Naturally, such an upgrading could have been a pure coincidence, but might it not conceivably have masked a certain, even if still distant, shift in approach and attitude?

Were such an assumption correct, it would owe much to the realization that, as Andriessen put it, agricultural trade problems seem to grow each year. In fact, he said, they are getting closer to what nuclear physicists call critical mass, which in turn may lead to a series of chain reactions.

It was not as if both men had refrained from forceful language and an aggressive stance at times. Complaining about the export losses suffered by U.S. farmers since 1980 (while E.C. exports advanced), Block said that proposed new U.S. farm legislation would commit the U.S. government to move against trade practices that distort and restrict the movement of agricultural products in international markets and would set a deadline for doing so. "There is no question that we mean business in our commitment to straighten out the conduct of agricultural trade," he insisted.

Not to be outdone, in addition to defending the E.C.'s Common Agricultural Policy as being entirely compatible with the GATT, Andriessen countercharged that the exceptions made from basic GATT rules for primary products took place at the urging of the United States. These exceptions, and notably the "waiver" granted on a temporary basis to the United States more than 30 years ago, were still in force.

But both the Secretary and the Commissioner reverted time and again to the need for concerted policies so as to plot, in the words of Block, the course for long-term global solutions. No longer, he added, could any nation develop a domestic farm program without full consideration of its international impact, he said.

In much the same vein, Andriessen conceded that to continue present policies would lead to ever higher surpluses and costs as well as to increasing friction and conflict in international trade. Because those policies serve neither the best interests of our societies as a whole nor the real needs of agriculture, change must be accepted. Furthermore, as agreed by both speakers, it is up to the United States and the E.C. to assume the responsibility for such change, as they are the undisputed leaders in world agricultural trade.

If, at the very least, all this adds up to an attempt to minimize the risks on the economic side, the same very definitely occurred in the realm of political relations. Beginning with the keynote address delivered by former E.C. Commission President Roy Jenkins, speaker after speaker, though admitting that tensions and differences of perspective exist, appeared convinced that they were more than offset by what the two sides have in common and the benefits they derive from their relationship.

This was perhaps expressed most poignantly by Hugo Paemen, E.C. Commission spokesman. Some people, he said, might feel that it would be better for European integration if the relationship with the United States were to become looser. He, however, was of a totally opposed opinion. For, as he stated, "each time we have trouble with the United States, we find that we have trouble on the inside, too." €

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

DEFINING UNFAIR TRADE PRACTICES

A LOOK AT RECENT CASES BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION.

SEELEY G. LODWICK

(The following reflects Mr. Lodwick's personal views, not necessarily those of the International Trade Commission.)

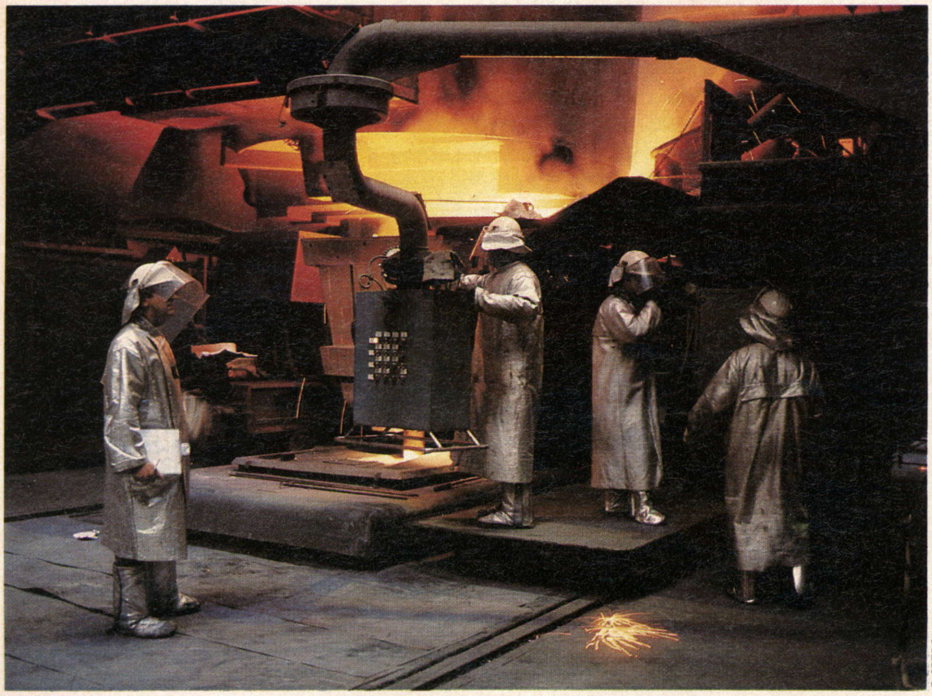
Growth in the U.S. trade deficit continues unabated. Debate over the causes has intensified to unprecedented levels, yet remains confused. Newspaper editors and television commentators, whether in Boston or in Boise, espouse their own viewpoints and explanations about the trade deficit and its effect on the workers, companies, banks and communities in our nation and even on political relations with nations beyond our shores. Many assert that some unfair practices of our trading partners are an important cause of the problem.

By offering some little-known statistics about the cases brought before the International Trade Commission (ITC) under "unfair trade" laws, over the last three and one-half years, this article hopefully will clarify some of the whys and wherefores of some trade issues associated with unfair subsidization and dumping.

The ITC is a bipartisan, quasi-judicial agency established by Congress to make decisions under U.S. trade law in order to provide relief for U.S. industries that are suffering injury from imports. The role of the ITC is interpretive. It does not make law nor does it make or advocate policy.

The focus of this article will be on the laws covering the unfair subsidization and dumping of foreign products imported into the United States—practices which effectively mean that those imports are sold at unfairly low prices in competition with U.S. producers.

The subsidy and dumping provisions are contained in Title VII of the Tariff Act of 1930. The law allows a domestic industry, which believes that it is being "materially injured" by unfairly traded imports, to file a case before the ITC. Further, if the industry prevails in its suit, the U.S. government will impose a remedy of an additional duty on the unfairly traded imports equal to the amount of the subsidy or dumping origin.



The largest number of cases filed before the ITC have sought relief from steel imports. Above, a French steel plant.

© SETBOUN/SIPA-PRESS

Let me begin with some definitions. "Unfairly" traded imports are those that 1) are sold in the United States for less than fair value, that is, below their price in their home market or a third country, or below their cost of production; or 2) are benefiting from certain foreign government subsidies.

When the domestic industry files a petition under Title VII, it does so simultaneously with the Department of Commerce and the ITC. The Department of Commerce determines the existence and extent of the unfair trade practice. The ITC determines whether the unfairly traded imports are a cause of material injury or threat thereof to the domestic industry producing a product like the imported one. This ITC determination is known as an "injury test," i.e. testing whether or not the unfair imports are a cause of material injury.

The United States grants imports an injury test before assessing duties to conform with our obligations under the General Agreement on Tariffs and Trade (GATT), an international agreement to which most trading nations subscribe. While this may make it more difficult for U.S. industries to obtain relief from imports, the converse is also true since it is also more difficult for our foreign trading partners to arbitrarily apply similar duties to U.S. exports.

The statute defines material injury as "harm which is not inconsequential, immaterial or unimportant." The statute also specifically directs the commission to consider certain factors when making its determination of material injury. These factors include: the volume of imports, the effect of imports on prices of the like U.S. product and the impact of imports on the domestic industry, as demonstrated by factors such as the number of employees, plant capacity and profit.

Of great importance is the fact that the ITC applies the provisions of U.S. trade law to each case equitably. Each case, whether it be a $500,000 industry producing woodwind instrument pads or the multibillion dollar steel sector, is decided based on the facts presented in the official record.

The final decision of the ITC in Title VII cases is appealable only through the federal courts.

The statute also defines the amount of time the ITC is allowed to consider the unfair subsidization and dumping cases brought before it. Depending on the individual circumstances, the domestic industry should know within a year of the time the case is filed at the ITC whether or not it is successful.

A brief review of the results of the unfair subsidization and dumping cases before the commission during the past three and one-half years is helpful in identifying which domestic industries are utilizing the unfair trade laws, what success they are having in gaining relief and against whom cases are brought.

In fiscal 1982, 166 Title VII cases were filed before the ITC; in fiscal 1983, 43; in fiscal 1984, 78; and a total of 61 cases were filed in the first six months of fiscal 1985. Generally, more dumping cases were filed than subsidy cases over the total period; by a margin of three to two.

The table below summarizes how these Title VII cases were distributed among broad commodity groupings.

Commodity group	FY82	FY83	FY84	FY85 (6 mos)	Total
Agriculture, forestry & fisheries	3	6	8	1	18
Energy & chemicals	6	6	13	5	30
General manufacturers	2	0	6	3	11
Machinery & equip.	5	11	3	2	21
Metals & minerals	148	13	48	50	259
Textiles & apparel	2	7	0	0	9
Total cases	166	43	78	61	348
Steel cases	144	11	42	44	241
Total without steel	22	32	36	17	107

The number of cases in the minerals and metals category is particularly high since this area includes a large number of steel petitions. These petitions, filed by the major U.S. steel companies in recent years, have been part of their overall strategy to combat import competition. The peak filings in 1982 related to a push for a negotiated restraint program with the European Community. The lull in filings in 1983 related to the industry's concentration on another type of import relief case, covering all carbon steel and products, that was filed to coincide with the 1984 presidential election. The caseload increase in 1984 related to the industry's push to get the Administration to finalize promised voluntary restraint agreements with major suppliers.

In the first half of 1985 the steel strategy seems to be one of filing many cases against smaller, non-traditional supplier countries outside the restraint agreements. This may be due to a fear that importers will shift to the smaller suppliers or it may be a strategy to pressure the Administration to sign agreements with more countries.

When steel cases are omitted from the total, the case load has been fairly stable since 1982. Note that the non-steel cases filed cover a broad spectrum of commodities. Interestingly, the group filing the fewest ITC cases is textiles and apparel including footwear, perhaps reflecting the fact that these industries are concentrating their efforts in other areas.

For the textiles industry, the dispute settling mechanisms may be in the Multi-Fiber Arrangement, a GATT agreement administered for the United States by the Department of Commerce, while the footwear industry is pursuing another type of import relief case under U.S. trade laws.

The question asked most often about the filings before the ITC is, how successful are industries in gaining relief from unfairly traded imports? This is where confusion can really run rampant. The answer depends entirely on how one devises a method to count the successes.

Let me explain. When a domestic industry case comes for a vote at the ITC, the ITC initially determines only whether or not there is a reasonable indication of material injury or threat thereof to the domestic industry due to unfair imports. If the determination is in the negative in this initial stage the case is terminated. If the determination is in the affirmative, the ITC conducts a further and more extensive investigation which often includes a public hearing. Then the ITC makes its final determination as to whether there really is material injury or threat thereof to the domestic industry due to unfair imports.

In the last three and a half years, the ITC has voted in the affirmative in 73 percent of its initial determinations, thereby continuing the cases. This computation does not include the cases that were pending or dismissed. Cases can be dismissed because the Department of Commerce found no unfair margins of subsidization or dumping, or because petitioners obtained some alternative relief and withdrew their petition or because of other miscellaneous reasons.

Over this same period of time the ITC has voted in the affirmative in 72 percent of its final determinations, thereby granting relief to the domestic industry. Again, this computation is made under the same conditions as described for the initial determinations.

On the average, for each 100 petitions filed at the ITC during the last three and a half years, one finds 22 cases found in the affirmative, 35 cases found in the negative, 24 cases pending and 19 cases dismissed. The comparable averages for just the steel cases are virtually the same—22 affirmative, 34 negative, and 44 pending or dismissed.

Incidentally, the total value of all unfair imports from which relief has been granted over the three-and-one-half years is $2.9 billion, of which approximately $2.0 billion is represented by steel imports.

Let me briefly mention the countries against which relief is sought by U.S. domestic industries. With respect to dumping, of the 36 dumping orders imposed since 1982, six have been placed on industries within Japan, five on the Peoples Republic of China, four on the Republic of Korea and three each on the Federal Republic of Germany, Taiwan and Brazil.

With respect to the 41 subsidy/countervailing duty orders imposed since 1982, nine were placed on imports from Spain, eight on Brazil, five each on France and the Republic of Korea, and four each on Belgium/Luxembourg and the United Kingdom.

The following table shows the success rate for cases by commodity groupings.

Commodity group	No. of cases completed	Affirmative Determinations (Percent)
Agriculture etc.	11	9
Energy & chem.	16	62
Gen. manuf.	3	33
Machinery etc.	20	45
Metals & minerals (non-steel)	9	22
Steel	134	39
Textiles etc.	8	37
Total	201	39

Sixty-five percent were imposed against six countries of Western Europe. (There are also countervailing duty orders outstanding that are placed on countries by the Department of Commerce alone. These countries do not receive the benefit of an injury test on subsidized imports by the ITC because they are not signatories to certain international agreements.)

Domestic producers have filed cases against companies and countries throughout the world. Overall, for every 100 domestic producers who filed cases at the ITC seeking import relief under the subsidization and dumping laws of the United States during the past three-and-one-half years, 22 relief orders have been awarded. The total value of imports covered by relief orders over this period is $2.9 billion, approximately 1 percent of all U.S. imports for 1984. €

Seeley G. Lodwick has been a commissioner with the International Trade Commission since August 1983. This article is reprinted from *The Journal of Commerce.*

MIDEAST REFINERIES THREATEN U.S., E.C. PETROCHEMICALS

INCREASING OPEC CAPACITY WILL UNDERCUT WESTERN PRODUCERS.

BARBARA STARR

A new oil crisis is simmering. While the industrialized West has curbed its appetite for imported crude oil, petroleum-industry executives in Europe, the United States and Japan still are casting a worried eye on the Persian Gulf. This time, they are concerned that Arab oil producers are flooding the West with cheap refined petrochemical and oil products, such as gasoline, jet fuel, kerosene, diesel fuels and heating oils. Softening world oil prices and shaky production ceilings set by the Organization of Petroleum Exporting Countries (OPEC) are forcing producing countries to search for new downstream revenue sources. And building oil refineries keyed to exports has always been the main element in that effort.

In the months ahead, as more export refineries start up, Middle Eastern refiners almost certainly will be using their cheap crude to undercut U.S. and European gasoline prices. And while the boon in cheaper Middle Eastern oil products may be good news for consumers in the West, domestic refiners in Europe and the United States—already pressed by falling energy demand—say they must fight back or their industry will collapse.

The Independent Refiners Coalition (IRC)—a group of 18 U.S. independent refiners—recently noted that, since January 1981, U.S. refining industry shut down 3 million barrels a day of capacity and temporarily idled about 1 million barrels of capacity. But, in the last 18 months, OPEC countries have added 820,000 barrels of capacity. While product imports into the U.S. actually have declined in recent weeks, the long-term trend is for increased exports reaching U.S. shores as European and Japanese markets remain closed. Within months, the IRC says, the United States could be importing as much as 500,000 barrels a day of gasoline from OPEC.

In all, OPEC country plans call for more than 2.25 million barrels a day of new refinery capacity to come on stream over the next several years. The European Community estimates that new refining capacity in Saudi Arabia, Kuwait and Libya alone will bring 1.2 million barrels a day of new petroleum products into a glutted world market by 1990. E.C. officials say that, at best, they can only absorb one-third of that output without hurting their own industries. Some of those Arab plants will be jointly owned with Western oil giants, including Shell and Mobil. In March 1985, the E.C. proposed that the United States, Japan, and the Community formally agree to a three-way split of that pie, but it is highly unlikely an agreement will be reached.

Persian Gulf nations, led by Saudi Arabia, are taking a strong free-trade stance and are making it clear they are prepared to use their refinery industry to fight for a spot in the world trade arena. Although it is largely unspoken, the Saudis quietly have threatened trade retaliation against U.S. and European goods if barriers are placed on their own exports.

Indeed, a trade war with the Middle East may be inevitable. While declining crude-oil revenues has resulted in a slowdown in the pace of refinery construction, the output of nearly all new Middle Eastern refineries is targeted for Western Europe, Japan, and the United States, according to a recent study by The Pace Co. Consultants and Engineers, Inc.

© MARTIN ROGERS/WOODFIN CAMP

A flood of cheap oil products from OPEC countries is threatening the survival of European and U.S. refineries. Above, a refinery in Antwerp, Belgium.

Persian Gulf nations, led by Saudi Arabia, are making it clear they are prepared to fight for free trade and a larger share of world markets. Above, a Saudi refinery.

The Reagan Administration remains adamantly opposed to trade barriers, but Europe and Japan are making it clear they will use a variety of measures to preserve their own refining industries. And those protectionist measures may result in more Arab oil products being forced into the United States. The Japanese already have rejected the European sharing plan, and have effectively shut out all gasoline imports. Maintaining high prices for domestically-refined gasoline helps the Japanese subsidize production of kerosene, the major home heating oil fuel. U.S. industry officials say if the Japanese did allow gasoline imports, the effective tarriff would be $2.22 per barrel.

While E.C. tariffs are somewhat lower, more restrictions may be in the offing. It is generally believed the Europeans will seek to restrict imports of refined products into Western Europe to 7 percent of total demand. Right now, crude and naphtha enter the E.C. tariff-free. Arabian and North African gasoline and petroleum products so far are allowed to enter the E.C. under a preferential, duty-free status up to specified limits which have not been strictly enforced. The threat of increased imports has triggered calls within the E.C. for enforcement.

U.S. industry officials say the duty-free flow to Europe tends to back out European production to the United States—further exacerbating the U.S. situation. So far, the U.S. tariff rate on petroleum products is only 1.25 cents ad valorem per gallon. The E.C. does enforce a tariff of 6 percent ad valorem on gasoline imports from non-preferential suppliers such as the United States and Communist countries.

Already the Europeans have taken some steps to hold down petrochemical imports from Saudi Arabia. Last summer, the E.C. imposed a 13.5 percent tariff on Saudi methanol imports above certain levels. In January, the tariff was renewed over the objections of the Gulf Cooperation Council. Saudi officials argue that Gulf petrochemical exports will be used as feedstocks in European plants producing more sophisticated products. The Reagan Administration has remained firmly opposed to any trade barriers against product imports, but a coalition of U.S. oil refiners is taking their case to Congress in hopes of new legislation.

In the House, Rep. Beryl Anthony (D-AK) has introduced a bill calling for a 10.8-percent ad valorem tariff on the first 200,000 barrels a day of imported gasoline. Additional imports would be subject to a second-tier tariff of 21.6 percent. Other proposals are calling for countervailing duties once it is determined the product exports are subsidized through lower crude-oil prices. Reagan Administration officials are determined to oppose that measure, fearing it could touch off a multi-nation trade war within the General Agreement on Tariffs and Trade.

Almost everyone agrees, however, that imports alone are not causing refinery shutdowns. Inefficient operations, declining energy demand and falling prices all have had a hand in the current situation. That means that while the major U.S. integrated oil companies will have a tough enough time surviving, the smaller, independent refiners may not all make it. "These new refineries are coming on stream at a time when the world is already burdened by excess capacity, and practically every oil company—be it major, independent, integrated or non-integrated—is experiencing losses or declining profits from refining and marketing," says Hossein Tahmassebi, chief economist for Ashland Oil, Inc.

And the company's senior management underscores what they see as a threat to the West's security if there is a severe political disruption in the Persian Gulf. "We have put one foot over the threshold of an excessive, dangerous reliance on imported gasoline and refined products," said John R. Hall, chairman and chief executive officer of Ashland Oil, testifying recently before the Senate Energy Committee.

Indeed the Persian Gulf refiners are not hiding the fact that the United States is a key market for their exports. The Pace study concluded that "even in the absence of trade barriers elsewhere, and even if Middle Eastern refiners run at less than maximum capacity, imports of refined products in the United States will capture a significant share of total demand." And Abdulhady Taher, Governor of Saudi Arabia's Petromin, the state refining operation, recently said of the new 250,000-barrel-per-day refinery at Yanbu: "We designed the Yanbu refinery in particular with the United States in mind. The gasoline (which will be unleaded) is not good for Europe."

Still, a resurgence in energy demand—and resulting rising prices—seems to be the only solution that could keep European, U.S. and Middle Eastern refiners happy. Consumers now benefiting from lower prices and international strong competition probably don't have to worry just yet though. A recent analysis from the U.S. Department of Energy noted that despite scores of worldwide refinery shutdowns, free-world refinery capacity remains at 57 million barrels per day, well in excess of the current free-world oil demand of 46 million barrels a day. €

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

LOTUS IN EUROPE: ONE FIRM'S SUCCESS

COMPANY IS ONLY U.S. SOFTWARE MANUFACTURER TO BUILD PLANT IN THE E.C.

IRFAN SALIM

"Stand or sit, but don't wobble." These are Mitchell Kaper's words, the founder and chairman of Lotus Development Corporation. The phrase is not standard business school language, but the concept is very much on target for what Lotus has done with business productivity software in the United States and what it intends to do in Europe—to choose a clear marketing path and hold to it.

Lotus Development is only three years old. But the company's story is one of substantial and sustained success. With revenues projected to top $200 million in 1985, quadrupling 1983's figures, Lotus is the United States' largest independent developer and marketer of business software. With the recent acquisition of Data Speed Inc., Lotus is expanding rapidly into the much broader information marketplace.

Of course, success like this is guaranteed to make any corporation a little heady. But Lotus' entry into Europe—far from recent press epithets like "splashy" or "lavish"—is a carefully-thought-out effort to be for Europe what Lotus is already for the United States—number one in its field. In Kaper's unique phrase, Lotus has invested substantial resources to stand and to stand first, without wobbling in the European software marketplace.

Lotus was the last major U.S. software manufacturer to enter Europe. Operations began in January 1984, with four sales and marketing people in the United Kingdom. But in just half a year of activity, Lotus has sold $10 million in business software with every expectation of topping $35 million in sales in 1985. These figures represent almost 20 percent of Lotus' projected total corporate income for 1985 and make clear how important the European market has become for the company.

Lotus continues to make a very substantial investment in people and money to help meet the growing need for productivity software among Europe's senior corporate managers. The company recently invested $2.4 million in a manufacturing plant in Dublin. In addition, Lotus has a 35-member international software development team based at Windsor, plus more than 160 employees throughout the rest of Europe. Clearly, Lotus is in Europe for the long haul.

The new plant, located near the Dublin airport, is the only U.S. software manufacturing facility in Europe and will begin shipping product later this summer. A European manufacturing base like this

COURTESY LOTUS DEVELOPMENT CORP.

Lotus opened its first office in the United Kingdom 18 months ago with four people. Above, the company's Windsor headquarters.

means that Lotus can respond more quickly and sensitively to European software needs. It also simply makes sense to have manufacturing operations close to marketing operations. The Dublin plant puts us 3,000 miles closer to our customers and should convey to the business community in Europe that the company is backing up its products there with a complete corporate infrastructure—ranging from development and manufacturing to marketing and after-sales customer support.

The Windsor product-development team is a similar effort to respond as quickly and efficiently as possible to the unique needs of Lotus' European customers. Lotus wants its software to look French to the corporate executive in Paris and German to his counterpart in Frankfurt. Because its software products were originally designed for the IBM PC, Lotus is in a strong position with personal-computer users in Europe, 44 percent of whom use the IBM PC.

But this has not prevented the company's development specialists from working hard to put Lotus products on as many indigenous machines and in as many local languages as possible. Versions of Symphony and 1-2-3, for example, have just been issued for the British Apricot computer and are available in French, German, Spanish, Swedish and Italian and, soon, in Dutch.

Lotus' marketing strategy in Europe encompasses 14 countries, 14 cultures and 10 languages. Because of differences in personal computer use and local computer resources, Lotus' marketing strategy varies in each of the 14. For example, in some countries it makes sense to do substantial television advertising, while in others the emphasis needs to be on print. But Lotus' overall philosophy, which emphasizes support the end user, stays the same throughout Europe.

The real challenge is the fact that the uses to which European managers put personal computers are often quite different from those of their counterparts in the United States. For example, many European managers use personal computers for accounting and general ledger activities. The possibilities of productivity software like Lotus' are a new horizon for them. But the picture is complicated because there are countries in Europe—Sweden, for example—whose managers use personal computers and productivity software in ways that are even more sophisticated than in the United States. The marketing strategy in each country must carefully account for these differences.

In the United States, Lotus products

Products made at Lotus' new $2.4 million plant in Dublin, above, gain duty-free access to the rest of the E.C.

are a standard for the corporate and financial world. In Europe, Lotus is working to achieve this status by establishing 1-2-3 and Symphony as products whose electronic spreadsheets can help the European executive plan, organize and play through a variety of financial scenarios for his business.

England was probably the easiest market for Lotus to enter because there was no language barrier. The Scandinavian countries came next because their management philosophies and technology are so close to those of the United States. The Federal Republic of Germany was next, followed by France and the nations of southern Europe. These southern European countries—Spain and Italy particularly—present the most difficult trade and copyright barriers. All have very complicated and stringent currency regulations which make recovering investment—especially in dollars—very difficult.

The fact that Lotus now has both offices and manufacturing facilities within the European Community will help with some of these difficulties. Product shipped from within the E.C. pays no duty and in areas like software protection and copyright, there is increasingly an overall Common Market culture which means a more standardized and acceptable approach to these issues.

Lotus is unique among its competitors in Europe because its operations are managed entirely by Europeans. While most American companies do business in Europe by telex, Lotus' activities are managed by Europeans on the spot. Lotus has always put great emphasis on service and support—not just selling product. Lotus' European initiative was not simply an incremental business move. Lotus felt that to be successful in Europe, the Lotus name had to mean the same things it did in the United States—top quality products and the extended support and education of end users.

To do this, Lotus has established a series of key dealers throughout Europe who understand their own individual markets. Lotus also supports user hotlines and authorized training centers in each country. These authorized, but independent, training centers are only one example of the many marketing techniques Lotus uses in Europe which are new to the United States, where they may have real market potential.

Lotus also depends on third-party relationships to fill in marketing and product gaps while it concentrates on its own strengths. Examples of this philosophy which are significant to the European market include the Symphony-to-mainframe link which Lotus announced two months ago. The link product addresses the specific goals of corporate data processing managers. These and other senior managers in these large corporations represent one of Lotus' most important markets. When these people needed a micro-to-mainframe link, Lotus was able to provide it with the help of third-party developers.

When users needed more memory, Lotus introduced the Lotus-Intel Memory Specification which now allows developers like Intel to build four megabyte add-on boards. In the United Kingdom, Lotus' own development team is working with Barclays Bank to create a productivity tool based on 1-2-3 and Symphony to meet the specific needs of the banking industry in Europe.

Lotus will be undertaking more cooperative ventures like these because they allow the company to meet the specialized needs of a great many more customers than it could on its own. Symphony, for example, with a unique open architecture that supports different characters and languages, should become an increasing boon to third-party developers in Europe.

With predicted sales of $64 billion by the end of the decade, the European business software market is second only to the United States in size. Europe is a market of great opportunity today in which Lotus believes it will be preeminently successful through its own special efforts. Lotus' stated goal is to be the worldwide leader in advanced software for professionals. Its success in achieving this goal will continue to be based on its willingness to invest significantly in foreign markets—both in money and in people—and to go about these efforts with the same "meticulous care" it has shown in Europe. €

Irfan Salim is director of international operations at Lotus Development Corporation.

KANSAS CITY: EUROPEANS DISCOVER U.S. HEARTLAND

FOREIGN INVESTMENT THERE HAS BOOMED IN THE LAST DECADE.

REPPS HUDSON

Tony Bakker remembers very well his company's bold plans for starting its first U.S. operation four years ago. ATI Inc.—a German-French joint venture that makes a seed planter in the $12,000-$14,000 price range—would move to Kansas City, the heart of the breadbasket, would hire and would train 100 factory employees and grow from there. What could be better than to locate in the middle of the nation's grain-growing region, with its converging networks of high-speed freeways, railroads and commercial and freight air routes? Bakker believed ATI couldn't miss.

Today ATI operates a four-person headquarters in a Kansas City suburb and supplies parts for its Monosem planter to 50 dealers throughout the United States, from Texas to North Dakota and from Florida to California. "We haven't sold a planter within 250 miles of Kansas City, but go to Idaho and you'll find farmers with three or four crops of beans, sunflowers, sugar beets and the like using our planters. We've found our little niche," Bakker says.

Four years ago, Bakker, a native of the Netherlands, did not count on the slack demand for precision planting machinery used in more specialized European agriculture. Because farmers in the Midwest grow mostly corn, soybeans and wheat, they have little need for ATI's planter, manufactured in the Bordeaux region of France by a joint venture of Ateliers Rebouleau (France) and Karl Becker GmbH (Germany). Specialty farmers are ATI's market. And they can be cared for efficiently from a small, 5,000-square-foot office with excellent telecommunications. Planters are shipped through the ports of New Orleans and Houston directly to dealers. The Kansas City office handles the paperwork and operates a parts warehouse.

Although he had to adjust his plans sharply, Bakker, his wife and child have fallen in love with Kansas City. As a European, he enjoys the quality of life—the growing interest in the arts, the winding and wooded boulevards, the fountains and the slower pace of life. As a business executive, he likes the ease with which he can ship parts to dealers from coast to coast. With Kansas City in the central time zone, he can service dealers anywhere, usually on a same-day basis if the parts order comes early enough in the day.

Quietly, Kansas City is nourishing a growing sector of foreign investment. Greater Kansas City Chamber of Commerce officials estimate the value of foreign investment at $500 million. Seventy-five percent by value is from European-based companies.

A decade ago, aside from four sister cities in Seville, Spain; Kurashiki, Japan; Freetown, Sierra Leone; and Morelia, Mexico, Kansas City had little formal contact with foreign countries. Direct foreign investment was a rarity. When two Japanese grain trading companies won seats on the Kansas City Board of Trade, that made the front page of *The Kansas City Times.* There were six foreign-owned companies in the area of 1.3 million people that sits astraddle the Missouri-Kansas line.

Today, despite years of currency fluctuations, inflation and smoldering trade hostilities, nearly 40 foreign investors have located in the heart of America. Twenty-five of those are based in Europe, the remainder in Japan and Korea. Several international trade fairs are held.

Had the dollar not been so high priced in the last several years, local trade and investment experts believe the number of foreign investors would be much greater. The Japanese government, with the only formal diplomatic presence in the area, has had a consulate with a staff of 12 in the downtown area since 1977. Five banks provide full services for overseas investors, importers and exporters. The port of Kansas City, which handles sealed containers shipped from the Gulf of Mexico, collected more than $25 million in duties in 1984. In the first five months of this year, duties collected by U.S. Customs are running at almost $20 million.

Kansas City eagerly has rolled out a plush red carpet for foreign investors. Since 1976, the Greater Kansas City Chamber of Commerce has operated a special office to attract foreign investment, primarily from Europe and Asia. Despite pejorative news reports, the governors of Missouri and Kansas and key

Continued on page 24.

COURTESY MISSOURI DIVISION OF TOURISM

Foreign trade zones have made Kansas City attractive to European investors.

ROTTERDAM: U.S. INVESTMENT HAS LEVELED OFF

BUT THE PORT'S "GATEWAY TO EUROPE" STILL ATTRACTS MANY TO HOLLAND.

LAURA RAUN

When the enterprising Rotterdamers began rebuilding their port city from the ashes of World War II, the Americans willingly aided the effort with Marshall Plan money. The generosity, of course, went far in launching U.S. companies in the Netherlands, as well as helping to reconstruct the Dutch economy, which is industrially powered from the Rotterdam region. With that post-war foothold, American business rapidly expanded its presence during the 1950s and today the United States—with $8.65 billion in direct investment—is the largest foreign investor in the Netherlands.

U.S. investment in the region around Rotterdam, the world's largest port, has changed much since the buoyant 1950s. At that time, the Netherlands offered an ample and relatively cheap labor pool as many Dutch eagerly left their farms to go work in factories. Industrial development concentrated in the western part of the country, particularly in the Rotterdam area, as oil refining, chemicals and shipbuilding flourished around the port. American investment in the Netherlands peaked in the decade of the 1950s as the war-devastated Dutch welcomed the jobs and U.S. companies sought international expansion.

By the 1960s, however, the boom was over. Investments by U.S. companies—defined as establishment of a subsidiary, acquisition or joint venture—tapered off and began spreading to the rest of the Netherlands. The southern part of the country, in particular, offered plenty of workers and financial incentives. Fewer industrial concerns and more transportation and service companies—which didn't need such a heavy infrastructure—set up shop.

These trends have accelerated in the last decade and a half and U.S. investment now reflects the more modest economic environment of the times. The dollar amount of investment has stabilized and the physical siting is spread throughout the country, while trade and service companies moving in far outnumber industrial concerns. The United States remains the largest foreign investor by far in monetary and employment terms, but Japan clearly is the fastest growing foreign investor.

The Dutch government at the national, regional and municipal levels declines to release the monetary amount of foreign investment by geographical region. National studies on employment and location of foreign companies, however, have been conducted by the Geographical Institute of the Rijksuniversiteit in Utrecht and Buck Consultants International, a private firm.

The slowdown of U.S. investment in the Netherlands during the 1970s and 1980s reflects recessionary bouts in the United States and the already sizeable amounts of money ploughed into the country in the past. Equally important are the declining yields from Dutch investments as wages far outpaced inflation and taxes and social-security premiums soared. Wage moderation plus tax and premium trimming began in the early 1980s and consequently Holland's competitive position has improved notably.

A labyrinth of corporate regulations and labor laws, however, including lengthy dismissal procedures, remain a deterrent to many foreign firms. Moreover, developed and newly industrializing countries are competing aggressively with each other to attract dynamic companies to their shores in hopes of stimulating sagging economies. Holland established its own commission for foreign investment in 1978 and now has offices in New York, San Francisco, Houston and Tokyo.

U.S. investment in all of the Netherlands was virtually flat at $8.65 billion in 1983, the latest year for which figures are available, from $8.57 billion the previous year, according to the U.S. Commerce Department. That was even slower than the modest 3-percent growth in investment in all of Europe.

U.S. companies employ around 204,000 people in the Netherlands, or about 5 percent of all jobs, according to the Rijksuniversiteit study. In the Rotterdam area, U.S. investment has been fairly stable for several years and now amounts to 59 establishments accounting for 8 percent of all jobs provided by U.S. companies in Holland. Only Amsterdam has more establishments, but Amsterdam,

Continued on page 25.

Rotterdam, above, is the center for U.S. investment in the Netherlands totaling $8.65 billion.

Continued from page 22.
members of the state legislatures periodically visit abroad on trade missions.

Like more than 25 other states, Missouri maintains offices overseas to attract investment and encourage exports of products produced in the state. Since the late 1970s, Missouri has staffed outposts in Düsseldorf and Tokyo. Each operates at a cost of $250,000 a year. Kansas has not followed suit, choosing instead to make occasional forays into the Far East and Europe.

Both Missouri offices have worked well, state and local officials say. One of the contacts made by the Düsseldorf office is Frankona American Life Reassurance Company, a property and casualty underwriting company for primary insurance firms. The Germany-based company, founded in 1886 in Frankona and now headquartered in Munich, opened its American operation in Kansas City in 1979. Today the operation is three companies with 48 employees, including a software company that has begun marketing its product across the United States and abroad to other insurance companies. In 1984, gross earned premiums totaled more than $25 million.

According to Lynda O. Owings, Frankona's vice president of administration, Kansas City won out over St. Louis, Hartford, Chicago and Atlanta because of its central location, low costs for personnel and office space and the urban ambiance. "The Germans like the quality of life here. Munich has the same kind of feeling as Kansas City. It's a big little town," Owings explained. Frankona officials have quickly developed an avid interest in the diverse art scene, from opera to

Kansas City has rolled out the red carpet for foreign investors, with the Chamber of Commerce operating a special office to attract new business for the region.

world-famous Kansas City jazz and the distinctive Nelson Gallery of Art with its comprehensive collection of Chinese art.

Local officials believe much of the infrastructure to serve direct foreign investments is in place: transportation and communications networks, banking and government services. Another factor is the availability of 3.4 million square feet in the area that are designated as foreign trade zones. A foreign trade zone is a space recognized by U.S. Customs as being outside customs territory. Therefore goods brought into such a zone under certification can be assembled or repackaged and shipped out again with duty collected at the destination.

As one of the few areas in the United States with active foreign trade zones, Kansas City was a natural choice for Waechtersbacher Keramik, the second largest German manufacturer of ceramics. John Junge, president of Waechtersbach USA Inc., found his company could ship its dinnerware made in Spain and Germany inland from Gulf ports and avoid higher coastal handling costs, dock pilferage and excessive breakage. Freight costs from Kansas City are in the 5-percent range instead of 30 percent to 40 percent. And by stockpiling ceramics in the foreign trade zone, Waechtersbach can avoid paying duty until it ships for the major rush seasons like Christmas, thus saving hundreds of thousands of dollars in interest costs annually.

Kansas City once had European consulates, but now is usually served by offices in Chicago or elsewhere. The biggest drawbacks for metropolitan Kansas City seem to be that it is not as well known abroad as New York, Los Angeles, Dallas or Chicago. One official told the story of a conversation with the head of the U.S. distribution center of a major European shoe company. Despite the official's best pitch for moving the operation to the heart of America, with cheaper labor costs, ease of transportation and lower overhead, the European could not be convinced. He liked the opera and symphony found in New York. "For him, New York was the United States. I couldn't change his mind no matter how hard I tried," the official says.

Indications are growing stronger that the foreign investment boom is alive and well far from the coasts. Other European companies have had little hesitation in moving inland. According to the Commerce Department, Europeans account for the greatest share of foreign investments in the United States. That ratio holds for Missouri and Kansas. The European share of 1982 investments was $1.2 billion, out of a total of $2.2 billion. Similar figures apply for Kansas: $659 million in an investment pool of $971 million.

As foreign investment has penetrated the U.S. economy in the last decade, Kansas City has begun to emerge as a prime target of agricultural investment. It has, for instance, a major pesticide- and herbicide-producing plant in Mobay Chemical Corp., a wholly owned subsidiary of Bayer AG of Leverkusen, Germany. That plant produces Sencor, a leading herbicide for soybeans that is shipped worldwide, and Disyston, an insecticide.

Today's investments are less likely to be as large, though area officials continue to seek investments of all kinds. The Kansas City economy is moving toward diversity, and small investors often find the environment and location ideal. So easily do new foreign investors slip into the local economy that today they are virtually unnoticed. Officials are convinced that is the way foreign investment in the middle of America should be—nothing out of the ordinary. €

Repps Hudson is an editorial writer for The Kansas City Star and The Kansas City Times.


COURTESY MISSOURI DIVISION OF TOURISM

In 10 years, six foreign-owned Kansas City companies have grown to 40.

Continued from page 23.
The Hague and Utrecht all provide larger percentages of jobs. The major attraction of the Rijnmond (mouth of the Rhine) area now is its distribution facilities as much as its heavily industrialized infrastructure. The Dutch themselves are engaged in an active campaign to promote Rotterdam as a "Gateway to Europe."

That is because the seven-century-old city of Rotterdam is situated at the estuary mouth of the Rhine river, Europe's most important inland waterway, and the North Sea/English Channel, the heaviest traveled seaway in the world. The strategic importance of the port and the surrounding oil refining, chemicals and shipbuilding industries ensured Rotterdam's destruction in the war. Within days of Holland's liberation from occupation, however, the industrious Rotterdamers set about rebuilding their precious port.

And rebuild they did. This Dutch harbor, stretching 35 kilometers from the city center to the North Sea, grew into the world's largest port by 1962 and has retained that title ever since. The saying in the Rijnmond, which generates about 10 percent of Holland's gross national product, is that Rotterdamers are born with their shirtsleeves already rolled up. Or as native sons boast: The money made in Rotterdam is divided up in The Hague and spent in Amsterdam.

Rotterdam not only is the world's busiest port but also ranks number one in container-cargo handling. The port and stevedoring companies together are spending hundreds of millions of guilders in modernizing quays and bays to facilitate container traffic. Sea-Land Industries Inc. of the United States, one of the world's leading container companies, is the largest customer of European Container Terminal (ECT), which has just built a new facility. The highly automated terminal will handle much of Rotterdam's container freight. United States Lines Operations Inc., meanwhile, has chosen Rotterdam as a hub for its worldwide shipping service.

ITT Corp. last year chose to concentrate its European freight activities through the Rotterdam port and Amsterdam airport. Previously the company's 13 European production plants decided independently how to manage their own ingoing and outgoing freight flows. For Rotterdam, ITT's choice will mean a new distribution center in the port.

Harbor expansion historically has been closely linked to the huge oil-refining capacity in the Rijnmond. With five major refineries and total processing capacity of 90 million tons a year, the Rotterdam region has 10 percent of the European Community's refining capacity. All these oil products are far in excess of what Holland's 14 million inhabitants need and thus largely are exported, by tanker across the seas or by barge up the Rhine river.

While maintaining its industrial base, Rotterdam hopes to break into the services sector to provide more revenue and employment prospects.

The refining and petrochemical sector is where U.S. companies have their greatest presence in monetary terms. Exxon, Mobil, Du Pont and Ferro, among others, are major employers in the Rijnmond. Exxon currently is engaged in one of the largest construction projects in the country. Esso Nederland, Exxon's Dutch subsidiary, is investing 2.5 billion guilders in a new flexicoker facility for its refinery complex. The flexicoker will allow a greater amount of lighter products, which are more remunerative, from heavier types of crude oil. Arco Chemie Nederland also is modernizing its propylene oxide plant along the Rotterdam channel to the North Sea.

Rotterdam, of course, will continue to rely on its industrial base, but hopes to expand in the areas of services and reprocessing value-added goods. Bram Peper, the Mayor of Rotterdam, presciently outlined this goal two years ago: "Processing, administration and marketing not only bring in revenue, they also provide employment. Rotterdam has a vast store of know-how, both industrial and commercial, and I think we should start looking in this direction."

While the heady days of industrial expansion for this city of 560,000 inhabitants have passed, Rotterdam is still considered a magnet for the rest of the country. U.S. investment now is growing fastest in the central provinces between the Amsterdam-Hague-Rotterdam axis and the eastern provinces, according to the Buck study.

The total number of new establishments by foreign companies in the Netherlands slumped by half to about 300 in the 1975-1984 period from the 1960-1974 period, the Buck survey found. Industrial employment provided by the foreign concerns, however, held up much better during the late 1970s and early 1980s than that provided by domestic Dutch companies.

Rotterdam's future in attracting new foreign investment meshes reasonably well with the national government's goals for drawing companies from overseas. As stated in the Economics Ministry's 1983 budget, Holland wants "vital, dynamic companies in flourishing industries which want to expand in Europe and can bring know-how that is domestically lacking." Concerns in telecommunications, office systems and fine chemicals are particularly welcomed. The only problem is that many of the world's other industrialized countries are searching for the same kind of companies. €

Laura Raun reports from Amsterdam for the *Financial Times.*

COURTESY ROYAL NETHERLANDS EMBASSY

Rotterdam ranks as the busiest port in the world for container handling.

NEW ISSUE — *This announcement appears as a matter of record only* — April, 1985

European Investment Bank

US $ 200,000,000
12% 1985-1995 Bonds

BANQUE NATIONALE DE PARIS

DEUTSCHE BANK AKTIENGESELLSCHAFT

SWISS BANK CORPORATION INTERNATIONAL LIMITED

AMRO INTERNATIONAL LIMITED — **BANCA COMMERCIALE ITALIANA**
BANQUE PARIBAS CAPITAL MARKETS — **CREDIT SUISSE FIRST BOSTON LIMITED**
DRESDNER BANK AKTIENGESELLSCHAFT — **IBJ INTERNATIONAL LIMITED**
KLEINWORT, BENSON LIMITED — **KREDIETBANK INTERNATIONAL GROUP**
MERRILL LYNCH CAPITAL MARKETS — **MORGAN GUARANTY LTD.**
THE NIKKO SECURITIES CO., (EUROPE) LTD. — **ORION ROYAL BANK LIMITED**
SALOMON BROTHERS INTERNATIONAL LIMITED — **SOCIETE GENERALE DE BANQUE S.A.**
UNION BANK OF SWITZERLAND (SECURITIES) LIMITED — **S.G. WARBURG & CO. LTD**

ALGEMENE BANK NEDERLAND N.V. — ALLIED IRISH BANKS LIMITED — ARNHOLD AND S. BLEICHROEDER, INC. — BANCA DEL GOTTARDO
BANCA MANUSARDI & C. — BANCO DI ROMA — BANKAMERICA CAPITAL MARKETS — BANK FÜR GEMEINWIRTSCHAFT AKTIENGESELLSCHAFT
BANK MEES & HOPE N.V. — BANK OF TOKYO INTERNATIONAL LIMITED — BANQUE BRUXELLES LAMBERT S.A.
BANQUE GENERALE DU LUXEMBOURG S.A. — BANQUE INDOSUEZ — BANQUE INTERNATIONALE A LUXEMBOURG S.A.
BANQUE NATIONALE DE PARIS (IRELAND) LIMITED — BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A. — BANQUE POPULAIRE SUISSE S.A. LUXEMBOURG
BARCLAYS MERCHANT BANK LIMITED — BARING BROTHERS & CO. LIMITED — BAYERISCHE HYPOTHEKEN- UND WECHSEL- BANK AKTIENGESELLSCHAFT
BAYERISCHE LANDESBANK GIROZENTRALE — BAYERISCHE VEREINSBANK AKTIENGESELLSCHAFT — BERLINER HANDELS- UND FRANKFURTER BANK
CHASE MANHATTAN CAPITAL MARKETS GROUP — CHEMICAL BANK INTERNATIONAL GROUP — CIBC LIMITED
CITICORP CAPITAL MARKETS GROUP — COMMERZBANK AKTIENGESELLSCHAFT — COPENHAGEN HANDELSBANK — COUNTY BANK LIMITED
CREDIT COMMERCIAL DE FRANCE — CRÉDIT LYONNAIS — CRÉDIT DU NORD — DAIWA EUROPE LIMITED
DEN DANSKE BANK AF 1871 AKTIESELSKAB — DEUTSCHE GIROZENTRALE -DEUTSCHE KOMMUNALBANK- — DG BANK DEUTSCHE GENOSSENSCHAFTSBANK — DOMINION SECURITIES PITFIELD LIMITED
ENSKILDA SECURITIES SKANDINAVISKA ENSKILDA LIMITED — EUROMOBILIARE S.P.A. — EUROPEAN BANKING COMPANY LIMITED — FIRST CHICAGO LIMITED
FUJI INTERNATIONAL FINANCE LIMITED — GENOSSENSCHAFTLICHE ZENTRALBANK AG VIENNA
GIROZENTRALE UND BANK DER OSTERREICHISCHEN SPARKASSEN AKTIENGESELLSCHAFT — GOLDMAN SACHS INTERNATIONAL CORP. — HAMBROS BANK LIMITED
HILL SAMUEL & CO. LIMITED — E.F. HUTTON INTERNATIONAL INC. — ISTITUTO BANCARIO SAN PAOLO DI TORINO
KIDDER, PEABODY INTERNATIONAL LIMITED — LANDESBANK RHEINLAND-PFALZ -GIROZENTRALE- — LLOYDS BANK INTERNATIONAL LIMITED
LOMBARDFIN — MANUFACTURERS HANOVER LIMITED — MITSUBISHI FINANCE INTERNATIONAL LIMITED — SAMUEL MONTAGU & CO. LIMITED
MORGAN STANLEY INTERNATIONAL — NOMURA INTERNATIONAL LIMITED — NORDDEUTSCHE LANDESBANK GIROZENTRALE
OSTERREICHISCHE LANDERBANK AKTIENGESELLSCHAFT — PAINEWEBBER INTERNATIONAL — PRUDENTIAL-BACHE SECURITIES INTERNATIONAL
RABOBANK NEDERLAND — L.F. ROTHSCHILD, UNTERBERG, TOWBIN — SHEARSON LEHMAN BROTHERS INTERNATIONAL
SOCIÉTÉ GÉNÉRALE — SPAREKASSEN SDS — SUMITOMO FINANCE INTERNATIONAL — SUMITOMO TRUST INTERNATIONAL LIMITED
SVENSKA HANDELSBANKEN GROUP — TOKAI INTERNATIONAL LIMITED — TOYO TRUST INTERNATIONAL LIMITED
UNITED OVERSEAS BANK SA GENEVE — WESTDEUTSCHE LANDESBANK GIROZENTRALE — WOOD GUNDY INC.

YAMAICHI INTERNATIONAL (EUROPE) LIMITED

SPECIAL PULL-OUT SECTION

The European Community

The European Community is in the forefront of world news almost every day. From the June signing of treaties bringing Spain and Portugal into Europe, to President Reagan's address on East-West relations before the European Parliament in May, to the conclusion this spring of major trade and cooperation agreements with China and Central America, the importance of the European Community in world affairs is underscored again and again.

But just what is the European Community? An international organization, like the United Nations (UN) or the International Monetary Fund (IMF)? A European government? Or is it just a trade bloc usually known as the "Common Market?"

In fact, while the E.C. is the largest trading power in the world, its influence and scope extend much further. Since its inception in 1957, the Community has been the spearhead of Europe's political and economic integration, and has brought peace and prosperity to a historically divided Continent. Through its institutions, the ideal of European integration is slowly but surely becoming a reality, as common European policies, programs and laws gradually replace those of the individual member nations.

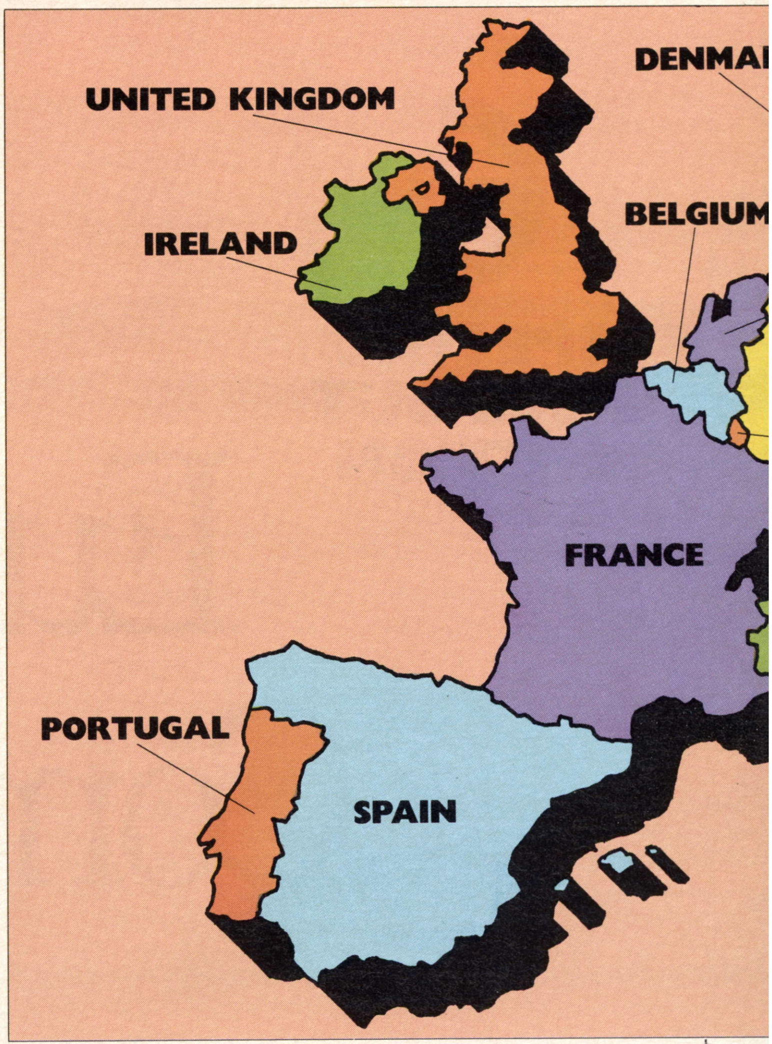
The E.C., as an institutional framework for the building of a united Europe, is still young. But it has changed forever the face of Europe and of the world. The scope of its activities is enormous, from coordinating industrial modernization among its 10 member states and developing Europe's poorer regions, to constructing the world's largest and most advanced telecommunications network. It has common policies in agriculture and external trade, and is developing joint policies in fields as diverse as energy, transport, fisheries, education, environment, social policy and scientific research. It represents Europe's trading interests throughout the world, participates in most major international organizations and conferences—including the Western economic summits—and is an important contributor of development aid to the Third World.

And yet the European Community remains, to many Americans, something of a mystery. We are providing this pullout section to give a

BASIC STATISTICS 1983

Area (square miles)	E.C.	639,833
	USA	3,615,122
Population (millions)*	E.C.	272
	USA	232
Total Civilian Labor Force (millions)	E.C.	116.7
	USA	111.5
%In Agriculture	E.C.	7.6
	USA	3.5
%In Industry	E.C.	35.4
	USA	28.2
%In Services	E.C.	57.0
	USA	68.5
Unemployment (% of labor force)	E.C.	10.3
	USA	9.5
Birth Rate (per thousand)*	E.C.	12.2
	USA	16.0
Death Rate (per thousand)*	E.C.	10.5
	USA	8.6

*1982
Source: EUROSTAT



brief overview of the E.C., explain its institutions and activities, and describe the role it plays in the world today.

ORIGINS OF THE COMMUNITY

The ideal of European unity, suggested in one form or another for centuries, began to come to reality following the end of World War II. The grave social and political instability brought on by the devastation of war had made the development of new forms of cooperation in Europe imperative, and such statesmen as Jean Monnet and Robert Schuman began to plan the creation of an economic and political community that would lay the basis for broader and deeper bonds among the nations of Europe.

Their ambitions began to take shape in 1951 with the formation of the first of the European Communities, the European Coal and Steel Community (ECSC), among Belgium, France, the Federal Republic of Germany, Luxembourg, Italy and the Netherlands. Its success encouraged the original Six to apply the same approach to the entire European economy, and two treaties were signed in Rome in 1957 creating the European Economic Community (EEC) and the European Atomic Energy Community (Euratom).

The immediate objective of the EEC was the establishment of a customs union, with free movement of goods, persons, services and capital between the member states. The treaty also provided for a number of common policies on matters such as agriculture, external trade, transport and competition, as well as the harmonization national legislation and social policy, thus touching virtually all areas of economic and social life.

By 1968, a customs union had been fully established, and, in 1973, Denmark, Ireland and the United Kingdom joined the E.C. In 1981, the Nine became Ten with the accession of Greece, and Spain and Portugal are scheduled to join the Community on January 1, 1986.

COMMUNITY INSTITUTIONS

To achieve the aims of the Community, institutions were set up in the treaties to exercise certain legislative, executive and judicial powers. The E.C. founding nations conferred on these institutions some of their own sovereign power, traditionally exercised at the national level. The current institutional structure, which is based on the principle of separation of powers, is as follows:

The **Commission** is made up of 14 Commissioners (17 following the enlargement) appointed jointly by the national governments. The Commissioners act in the E.C. interest, independently of the member-state governments, and are answerable only to the European Parliament. The Commission is empowered to:

- submit proposals for E.C. action to the Council of Ministers and implement the latter's decisions;
- mediate at meetings of the Council;
- administer various E.C. activities, for example the Common Agricultural Policy (CAP), industrial policy, coal and steel, social policies, and so on;
- act as guardian of the E.C. treaties, and, if necessary, take legal action against firms or member governments that have failed to comply with E.C. rulings;
- represent the E.C. in negotiations involving trade with non-member countries, development aid and other sectors where the member states have agreed to act to-

gether.

The Commission has a term of four years; its current President is Jacques Delors, formerly France's Minister of Finance.

The **Council of Ministers** is the E.C.'s principal policy-decision-making body, and is composed of ministers from each of the member states. Which particular minister attends a Council meeting depends on the subject under discussion (eg. foreign affairs, finance, agriculture, transport, etc.).

Ministers represent and defend the interests of their own country, while seeking to reach agreements that help attain the Community's goals. Decisions by the Council of Ministers must be based on Commission proposals and generally become E.C. legislation. The presidency of the Council rotates among member states every six months.

E.C. Foreign Ministers and the Commission also meet regularly outside the formal treaty framework in **European Political Co-operation** with the purpose of coordinating foreign policies.

The **Committee of Permanent Representatives** (COREPER), made up of the member states' ambassadors to the E.C., prepares the Council's work.

The **European Parliament** scrutinizes proposed Community laws through its 15 specialized committees and acts as the E.C.'s public forum, debating issues of public importance and questioning the Commission and Council. It also supervises the Commission and has the power—never yet exercised—to dismiss it by a vote of censure.

The European Parliament has the power to reject or insist on changes in the E.C. budget. The Parliament is also responsible for ensuring that the budget it passes is actually put into effect.

The Parliament meets in Strasbourg and Luxembourg, where its secretariat is located. Its 434 members (518 after enlargement) are elected directly every five years in European elections. They sit together in the chamber according to party groups and not nationality.

The E.C. **Court of Justice** is made up of 11 judges and five advocates-general chosen by the 10 governments. It interprets E.C. law (when requested to do so by national courts) and ensures that the law is observed in the application of the E.C. treaties. National courts of final appeal are obliged to refer to the court all cases involving E.C. law. Decisions of the court take precedence over decisions of national courts, and its rulings are binding on member states, on E.C. institutions and on individuals.

The **Court of Auditors**, based in Luxembourg, comprises 10 members who supervise E.C. expenditure.

The **Economic and Social Committee** is a 156-member consultative body in Brussels representing labor, employers, agriculture and consumer organizations which advises the Community executive institutions on EEC and Euratom matters.

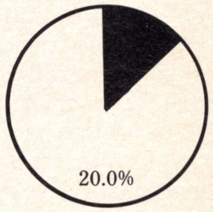
The **European Council**, the summit meeting of the 10 Heads of State or Government and the E.C. Commission President, provides the Community's main political guidance. Since 1974, the Council has met three times a year to give an overall strategic view on the broad direction of Community policy, to review E.C. issues and

EXTERNAL TRADE 1984

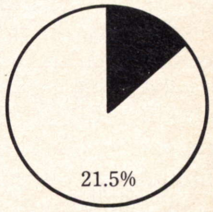
($ millions) †

Total Exports
*E.C. 277,200
**USA 217,888

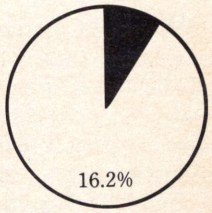
Total Imports
*E.C. 301,569
**USA 314,176



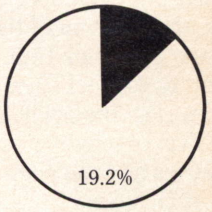
E.C. Exports to U.S.
(% of total E.C. exports)
*55,473



U.S. Exports to E.C.
(% of total U.S. exports)
**46,975



E.C. Imports from U.S.
(% of total E.C. imports)
*48,878



U.S. Imports from E.C.
(% of total U.S. imports)
**60,266

†Estimated
*Source: EUROSTAT
**Source: USDOC

to provide the E.C. with a continuing political impulse.

E.C. FINANCING

The Commission submits a draft E.C. budget each year to the Council of Ministers and the Parliament. About two-thirds of the budget is spent every year on the agriculture sector, while the remainder covers operating costs (5 percent); regional and social sectors (10 percent and 6 percent, respectively); research, energy, industry and transport policies (5 percent); and development cooperation (4 percent).

The E.C. has its own revenue sources comprising agricultural levies, customs duties, and 1 percent (up to 1.4 percent in 1986) of the value-added tax, the consumer tax on goods and services collected in each of the member states. The 1985 budget amounts to 30.556 billion European Currency Units ($22.32 billion).

EUROPEAN MONETARY SYSTEM

In 1979, the E.C. introduced a European Monetary System (EMS) aimed at establishing closer financial cooperation and creating a zone of monetary stability in the Community. The EMS provides for the creation of a system of fixed but adjustable exchange rates (with limited fluctuation margins) between the member currencies, the creation of the European Currency Unit based on a "basket" of Community currencies, the pooling of one-fifth of member states' reserves and the provision of credit facilities.

AGRICULTURE

The E.C. has had a Common Agricultural Policy since 1962, designed to ensure the security of food supplies at stable and reasonable prices, to make farming more efficient by boosting productivity and to bring farmers' incomes more into line with other sectors.

Agriculture has been one of the most successful areas of integration of the E.C., and the Community is now the largely self-sufficient in food. It remains the world's largest importer of agricultural products, and imported $6.7 billion of American farm products in 1984.

E.C.-U.S. INVESTMENTS AS OF 1983
(book value)

E.C. in the U.S.	$82.217 billion
U.S. in the E.C.	$78.9 billion

Source: USDOC

GROSS DOMESTIC PRODUCT 1984

GDP ($ billion current prices)	E.C.	2,200.4
	USA	3,627.9
Increase 1983/84 %	E.C.	2.2
	USA	6.75
Ratio Exports to GDP %	E.C.	12.6
	USA	6.0
Ratio Imports to GDP %	E.C.	13.7
	USA	8.7

Source: OECD, USDOC, EUROSTAT

THE E.C. AND WORLD AFFAIRS

As the world's largest trading power, accounting for over a fifth of world trade, and as a leading economic partner for most countries, the E.C. is a major player on the world scene whose scope increasingly extends beyond trade and economic questions.

Today, more than 120 countries maintain diplomatic relations with the Community. It has observer status at the United Nations, and increasingly speaks with one voice at the IMF, the Organization for Economic Corporation and Development, the General Agreement on Tariffs and Trade, and numerous international conferences on trade, development and East-West cooperation in Europe.

The E.C. also maintains special trade and aid relationships with many developing countries. Under the Lomé Convention virtually all products originating from 66 African, Caribbean and Pacific (ACP) nations enjoy tariff-free access to Community markets. The convention also guarantees the ACP countries stable export earnings from their agricultural products (STABEX) and for certain mining products (SYSMIN), and provides for industrial and financial cooperation.

In the Mediterranean basin, free trade and aid agreements exist with most countries in the region, and other developing countries—particularly in Asia and Latin America—benefit from the E.C.'s Generalized System of Preferences.

The E.C. is also a major donor of food aid and is one of the more important sources of investment and financial and technical assistance for the developing world.

THE U.S.-E.C. PARTNERSHIP

European integration was begun after World War II with the active support of the United States, and the Atlantic partnership has remained firm. "We continue to see a strong and unified Europe not as a rival, but as an ever stronger partner," President Ronald Reagan told the European Parliament in a V-E Day memorial address in May, echoing the importance past American Presidents have placed on the U.S.-E.C. political and economic partnership. The United States and the E.C. are economically interdependent, with visible trade between them totaling more than $100 billion a year.

A permanent dialogue is carried on between the Community and the United States on matters of mutual concern through their diplomatic representatives and through regular consultations at the highest official levels.

FOR ADDITIONAL INFORMATION

For more information, the following are available from the E.C. Commission's offices in the United States:

- EUROPE Magazine, published bimonthly. Available by subscription for $15 per year.
- Basic Statistics of the Community, a pocket-sized, 290-page volume available for $4.50.
- A "Letter From Europe," monthly newsletter from the E.C. Delegation in Washington, available on request.
- A public-inquiries and library service for economic, technical and trade information. Telephone inquiries welcomed.

Call or write:

Information Service of the European Communities
2100 M Street NW, # 707
Washington, DC 20037
Tel: (202) 862-9500

New York Office:
1 Dag Hammarskjold Plaza
New York, NY 10017
Tel: (212) 371-3804

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

European Atomic Energy Community
(Euratom)

ECU 50,000,000

10 per cent. Bonds due 1997

Al-Mal Group　　Société Générale de Banque S.A./Generale Bankmaatschappij N.V.

Abu Dhabi Investment Company　　Alahli Bank of Kuwait K.S.C.
Algemene Bank Nederland N.V.　　Al Saudi Banque ASB
Banca Commerciale Italiana　　Bank Brussel Lambert N.V.
Banque Générale du Luxembourg S.A.　　Commerzbank Aktiengesellschaft
Crédit Commercial de France　　Gulf International Bank B.S.C. Capital Markets Group
Kredietbank International Group　　Union de Banques Arabes et Françaises - U.B.A.F.

Amro International Limited　　Banca Manusardi & C.　　Bank Ippa　　Bank Mees & Hope NV
Banque du Benelux S.A.　　Banque Degroof S.C.S.　　Banque Française du Commerce Extérieur　　Banque Indosuez
Banque Internationale à Luxembourg S.A.　　Banque de Luxembourg S.A.　　Banque Nationale de Paris
Banque Paribas Capital Markets　　Banque de l'Union Européenne　　Caisse des Dépôts et Consignations
Compagnie de Banque et d'Investissements, CBI　　Crédit Communal de Belgique S.A./Gemeentekrediet van België N.V.
Crédit Général S.A. de Banque　　Crédit Industriel d'Alsace et de Lorraine　　Crédit Lyonnais　　S.A. Dewfin N.V.
Dresdner Bank Aktiengesellschaft　　Enskilda Securities Skandinaviska Enskilda Limited　　Istituto Bancario San Paolo di Torino
Lloyds Bank International Limited　　Mitsubishi Finance International Limited　　Nederlandsche Middenstandsbank nv
Nederlandse Credietbank nv　　Pierson, Heldring & Pierson N.V.　　PK Christiania Bank (UK) Ltd.　　Rabobank Nederland
Société Générale　　Société Nationale de Crédit à l'Industrie/Nationale Maatschappij voor Krediet aan de Nijverheid
Soditic (Jersey) Limited　　Swiss Bank Corporation International Limited　　Verband Schweizerischer Kantonalbanken
S.G. Warburg & Co. Ltd.　　Westdeutsche Landesbank Girozentrale

New Issue - March 22, 1985

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

Inter-American Development Bank

ECU 100,000,000

10 per cent. Bonds due 1993

Société Générale de Banque S.A./Generale Bankmaatschappij N.V.

Bank Brussel Lambert N.V.
Banque Nationale de Paris
Crédit Commercial de France

Algemene Bank Nederland N.V.　　Amro International Limited
Banca Commerciale Italiana　　Banque Générale du Luxembourg S.A.
Banque Internationale à Luxembourg S.A.　　Banque Paribas Capital Markets
Commerzbank Aktiengesellschaft　　Creditanstalt-Bankverein
Deutsche Bank Aktiengesellschaft　　Kredietbank International Group
Lazard Frères et Cie　　Morgan Guaranty Ltd
Nomura International Limited　　Orion Royal Bank Limited
Swiss Bank Corporation International Limited　　S.G. Warburg & Co. Ltd.

Abu Dhabi Investment Company　　Al Saudi Banque ASB　　Banca del Gottardo　　Banca Manusardi & C.　　Banca Nazionale del Lavoro
Banco di Roma　　BankAmerica International Group　　Bank Gutzwiller, Kurz, Bungener (Overseas) Limited　　Bank Ippa　　Bank Leu International Ltd.
Bank Mees & Hope NV　　Bank of Tokyo International Limited　　Bank of Yokohama (Europe) S.A.　　Bankers Trust International Limited
Banque Arabe et Internationale d'Investissement (B.A.I.I.)　　Banque Belge Limited　　Banque du Benelux S.A.　　Banque Continentale du Luxembourg S.A.
Banque Crédit Commercial　　Banque Degroof S.C.S.　　Banque Française du Commerce Extérieur　　Banque Indosuez　　Banque de Luxembourg S.A.
Banque Nagelmackers　　Banque Paribas Belgique S.A./Paribas Bank België N.V.　　Banque Privée de Gestion Financière 'B.P.G.F.'　　Banque de l'Union Européenne
Banque Worms　　Baring Brothers & Co., Limited　　Bayerische Landesbank Girozentrale　　Bayerische Vereinsbank Aktiengesellschaft
Berliner Bank Aktiengesellschaft　　Berliner Handels- und Frankfurter Bank　　Caisse Centrale des Banques Populaires　　Caisse des Dépôts et Consignations
Caisse d'Epargne de l'Etat du Grand-Duché de Luxembourg (Banque de l'Etat)　　Caisse Générale d'Epargne et de Retraite/Algemene Spaar- en Lijfrentekas
CERA-Centrale Raiffeisenkas C.V.-Belgium　　Chase Manhattan Capital Markets Group　　Citicorp Capital Markets Group
Compagnie de Banque et d'Investissements, CBI　　Compagnie de Gestion et de Banque Gonet S.A.　　Copenhagen Handelsbank A/S　　County Bank Limited
Crédit Agricole　　Crédit Communal de Belgique S.A./Gemeentekrediet van België N.V.　　Crédit Européen S.A. Luxembourg　　Crédit Général S.A. de Banque
Crédit Industriel d'Alsace et de Lorraine, Luxembourg　　Crédit Industriel et Commercial de Paris　　Crédit Lyonnais　　Crédit du Nord　　Credit Suisse First Boston Limited
Credito Italiano　　Daiwa Europe Limited　　Den Danske Bank International S.A.　　Den norske Creditbank (Luxembourg) S.A.　　S.A. Dewfin N.V.
DG Bank Deutsche Genossenschaftsbank　　Dominion Securities Pitfield Limited　　Dresdner Bank Aktiengesellschaft　　Enskilda Securities Skandinaviska Enskilda Limited
Euromobiliare S.p.A.　　European Banking Company Limited　　First Interstate Limited　　Gefina International Limited　　Goldman Sachs International Corp.
Hambros Bank Limited　　Hypobank International S.A.　　IBJ International Limited　　Kidder, Peabody International Limited　　Roger Kirschen & Co. V.G.N.
Kleinwort, Benson Limited　　Kyowa Bank Nederland N.V.　　Lloyds Bank International Limited　　LTCB International Limited　　Manufacturers Hanover Limited
Merrill Lynch Capital Markets　　Mitsubishi Finance International Limited　　Samuel Montagu & Co. Limited　　Morgan Grenfell & Co. Limited
Morgan Stanley International　　Nederlandsche Middenstandsbank nv　　Nederlandse Credietbank nv　　The Nikko Securities Co., (Europe) Ltd.
Nippon Credit International (HK) Ltd.　　Nippon European Bank S.A.-LTCB Group　　Norddeutsche Landesbank Girozentrale　　Overland Trust Banca
Peterbroeck, Van Campenhout & Cie S.C.S.　　Pierson, Heldring & Pierson N.V.　　PK Christiania Bank (UK) Ltd.　　Privatbanken A/S　　Rabobank Nederland
The Royal Bank of Canada (Belgium) S.A.　　Salomon Brothers International Limited　　Sanwa International Limited　　Sarasin International Securities Limited
Shearson Lehman Brothers International　　Smith Barney, Harris Upham & Co. Incorporated　　Société Européenne de Banque S.A.　　Société Générale
Société Générale Alsacienne de Banque, Luxembourg　　Société Nationale de Crédit à l'Industrie/Nationale Maatschappij voor Krediet aan de Nijverheid
Soditic (Jersey) Limited　　Sparekassen SDS　　Standard Chartered Merchant Bank　　Sumitomo Finance International　　Sumitomo Trust International Limited
Svenska Handelsbanken Group　　The Taiyo Kobe Bank (Luxembourg) S.A.　　Takugin International Bank (Europe) S.A.
Tokai International Limited　　Union Bank of Switzerland (Securities) Limited　　United Overseas Bank (Luxembourg) S.A.　　Van Moer Santerre & Co.
Verband Schweizerischer Kantonalbanken　　J. Vontobel & Co.　　Westdeutsche Landesbank Girozentrale　　Wood Gundy Inc.　　Yamaichi International (Europe) Limited

New Issue - April 3, 1985

EUROPE AND THE WORLD IN FIGURES

EUROSTAT DATA BANKS ARE AVAILABLE TO THE GENERAL PUBLIC.

AXEL SZAUER

EUROSTAT, the Statistical Office of the European Communities, is located in Luxembourg and is one of the Directorates-General of the E.C. Commission. Its task is to collect and process statistical data in the E.C. member states and their main trading partners to serve as a basis for the policy decisions that have to be taken at Community level. The aim of this article is to describe the dissemination of EUROSTAT statistics to the general public.

In the present unfavorable economic climate, it is more important than ever that the decision-making process be based on rational arguments. This applies equally to politicians and the top decision-makers in the industrial sector. The monitoring of past fluctuations of key indicators such as exchange rates, the balance of payments, external trade and unemployment is an essential factor in the recognition of current or future trends.

The general public has hitherto taken very little notice of the corresponding mass of data that is simply waiting to be used. EUROSTAT, for its part, gathers information on the economic situation of the E.C. member states and their trading partners. It does not collect these data itself; they are received from the statistical offices of the member states and other national or international institutions such as central banks, the OECD, the IMF and the World Bank.

EUROSTAT harmonizes and aggregates these data wherever this is feasible and necessary. In the past, the data were mainly issued in the form of printed publications, and this form of dissemination is still an important aspect of EUROSTAT's activities. There are approximately 100 publications. These appear at various intervals and cover the following sectors:

- economic accounts, finance, balance of payments;
- population and social indicators;
- industry and services;
- agriculture and forestry, fisheries; and
- external trade.

In recent years an increasing proportion of the data on which these publications are based has been managed by means of the various computer systems at EUROSTAT's disposal. The creation of the national and international data transmission networks (EURONET, TELENET, TYMNET, etc.) has provided a new means of ensuring the availability of statistical data by giving the end user all over the world direct access to them.

The advantages of such networks, compared with printed publications, are considerable. They greatly enhance the degree of detail, the data can relate to long periods of time and users can receive retroactive corrections; above all, however, they ensure that the data are absolutely up to date. EUROSTAT has developed a whole range of data bank systems adapted to the contents in each case. The data in three of these data bank systems are currently available to the general public.

CRONOS contains 750,000 macroeconomic time series, covering every part of the economy. The data normally relate to the E.C. member states and are also available in many cases for Japan, the United States, Spain and Portugal. The periodicity of these time series is monthly, quarterly, half-yearly or yearly, depending on the statistical field covered.

It is a particular advantage of CRONOS, in the model-building context, that many of the time series stretch back over an extended period: Certain series date back as far as 1950. The content of CRONOS is broken down into 23 domains, and one or several domains extend over a specific part of the economy (e.g. economic accounts, balances of payments, industry, agriculture, social indicators, etc.).

It has also proved necessary, for the purposes of E.C. agreements with non-member countries (e.g. the Lomé Convention), to ensure the availablility of the most important statistical data in respect of the various countries concerned. Hence the presence in two domains of CRONOS, for approximately 150 countries, of demographic statistics and data relating to the balance of payments, debt, production and external trade.

The following are a few typical queries that can be answered with the help of CRONOS:

- What is the monthly trend of the four main economic indicators, i.e. consumer prices (inflation), the global or branch-related index of industrial production, unemployment and the trade balance? (see Fig. 1).
- What is the significance of a specific branch of industry (on the basis of production, turnover and labor costs) in relation to the national economy or the same branch of industry in other countries?
- What is the productive capacity of a specific branch of industry, considered from the standpoint of investment and

Fig 1: MAIN ECONOMIC INDICATORS FOR THE E.C. (EUR-10)

Month	Consumer price index (change from previous year) Base 1980=100	Unemployment rate (%) of active civilian working population	Production index (change from previous year) Base 1980=100	Trade balance FOB/CIF (mio ECU)
01.84	7.0	11.2	5.2	−5,209.4
02.84	7.0	11.2	3.3	−2,690.9
03.84	7.0	11.0	3.4	−2,104.7
04.84	6.7	10.7	1.3	−2,931.9
05.84	6.6	10.5	3.2	−2,447.3
06.84	6.6	10.3	0.4	−4,130.0
07.84	6.1	10.5	3.4	−1,060.5
08.84	6.0	10.6	4.9	−2,772.0
09.84	5.7	10.9	2.8	−3,489.7
10.84	5.8	11.0	4.6	−2,030.5
11.84	5.6	11.1	1.7	−1,131.7

Source: EUROSTAT—CRONOS

external trade?
• What is the state of penetration of the European market for textiles or for household products (ratio of imports to total consumption)?

It will be realized that CRONOS can provide answers to practically every macroeconomic query at the level of the individual countries. However, users requiring data at regional level must consult the REGIO data bank. The latter contains information on the main aspects of the economic life of the various regions of the E.C. member states. The regional breakdown into three different levels is based on a special nomenclature (NUTS). At the first level there are 54 E.C. regions (e.g. Yorkshire and Humberside in the United Kingdom) while the third level comprises 742 regions (e.g. counties in the United Kingdom).

The data in REGIO relate to population structure, employment, economic accounts, agricultural production and industrial structure. The data are stored in tabular form and are normally available from 1970 or 1975. Apart from unemployment statistics (monthly), the periodicity of all these data is annual.

The following are a few typical queries that can be answered with the help of REGIO:
• Are comparable statistics on the structure and age of the population, unemployment trends and productivity available for the regions of Bavaria, Brittany, Scotland and Lombardy? (see Fig. 2)
• How is energy production distributed over the territory of the European Community (coal mines, oil refineries, nuclear power stations, etc.)?
• What is the relative importance of the various transport networks (road, rail, waterway) for goods transport in England's East Midlands and Southwest?
• Which regions are affected by a reform of the E.C.'s agricultural policy? Where are the E.C.'s dairy cow herds concentrated? What is the trend of agricultural production and yields in the various regions (e.g. for wheat or sugar beet)?

Like regional policy, external trade plays an important role in the relations between the E.C. member states (e.g. in tariff negotiations). Hence the existence at EUROSTAT of a considerable volume of relevant data, stored in the COMEXT data bank. COMEXT contains the statistics of external trade between the E.C. member states and of their trade with some 200 non-member countries. These trade data are broken down on the basis of the European nomenclature (NIMEXE) into 7,500 different goods. Export and import data are given in each case in European units of account (ECU), in tons and in specific units of measurement (e.g. liters, single items, pairs, etc.).

The periods for which the data can be accessed on-line are 18 months for the monthly statistics and three years for the quarterly figures. COMEXT shortly will include external trade data for the United States, Canada and Japan, but the breakdown of the information on these countries will be based on the SITC international classification of goods.

The following are a few typical queries that can be answered with the help of COMEXT:
• What is the monthly trend of the balance of external trade in crude oil products (imports, exports, balance) of various E.C. member states?
• What are the respective shares of the E.C.'s main trading partners in the Community's imports of crude oil?
• What was the trend of the E.C. member states' total external trade over the period 1976-1983 (absolute values and index with base year 1975=100)?
• Which 30 countries are the E.C. member states' main trading partners for exports of agricultural products?
• What is the trend of external trade in steel products with the United States for the E.C. as a whole and country by country (see Fig. 3)?

Fig 3: **FOREIGN TRADE OF IRON AND STEEL FROM JANUARY TO SEPTEMBER 1984 BETWEEN THE E.C. AND THE U.S.**

	Imports from the U.S.		Exports to the U.S.	
Reporter	Value (000 ECU)	Value Market share	Value (000 ECU)	Value Market share
EUR 10	433,347	100.00	2,870,556	100.00
United Kingdom	125,048	28.86	296,321	10.32
Italy	88,982	20.53	383,888	13.37
F.R. Germany	67,873	15.66	1,062,737	37.02
France	53,008	12.23	601,507	20.95
Belg./Lux.	38,135	8.80	279,563	9.74
Netherlands	35,863	8.23	182,285	6.35
Ireland	12,720	2.94	2,697	0.09
Greece	8,065	1.86	52,727	1.84
Denmark	3,653	0.84	8,831	0.31

Source: EUROSTAT—COMEXT

To facilitate direct access by private clients to the data banks we have described, EUROSTAT has concluded contracts with various on-line information suppliers. The hosts' computers are all connected to the abovementioned data transmission networks and can therefore be accessed by every user whose own terminal is also connected to one of these networks.

This means, in practice, that the EUROSTAT data banks can be directly accessed from all countries of Europe and, furthermore, from the United States, Japan and Australia. The authorized hosts for the CRONOS data bank are currently CISI/Wharton (in France, with its offshoot CISI/Wharton in Philadelphia), Datacentralen (Denmark), GSI-ECO (France) and ADP (Netherlands). Dissemination contracts for the COMEXT data bank have been concluded with CISI/Wharton (France/USA) and EURIS (Belgium). Public dissemination of the REGIO data bank by various hosts is scheduled to begin at the end of 1985.

Further information regarding EUROSTAT publications and data banks is available in the United States from the Public Inquiries Service, Delegation of the Commission of the European Communities, 2100 M Street NW, Washington DC 20037. In Europe, contact Axel Szauer, Division A2-Dissemination, Statistical Office of the European Communities, BP 1907, L-1019 Luxembourg. €

Fig 2: **KEY REGIONAL INDICATORS**

Month	Area Total/Woodland (1,000 ha)		Population <25/Total (1,000) in 1982		Population density (inh./km2) in 1982	Birth rate (%) in 1982	Unemployment rate (%) in 04.1984
Bavaria	7,055	2,374	3,733	10,959	155	10.6	5.5
Brittany	2,751	314	1,018	2,703	99	14.3	8.8
Lombardy	2,385	472	3,094	8,887	373	9.4	6.4
Scotland	7,878	917	1,953	5,167	66	12.8	13.5

Source: EUROSTAT—REGIO

Axel Szauer is a Eurostat official in Luxembourg.

'SPOT' SATELLITE TO COMPETE WITH U.S.

FRENCH-BUILT REMOTE-SENSING DEVICE CAN 'SEE' BETTER THAN LANDSAT.

DAVID DICKSON

Hoping to imitate the recent successes of the European Space Agency's Ariane launcher, next November will see Europe taking the first independent step into another field of space technology currently dominated by the United States, namely the use of remote-sensing satellites to provide detailed pictures of the earth's surface.

The key event will be the launch by Ariane of the French-designed satellite SPOT—a French acronym meaning Probe System for Earth Observation. Following a fixed orbit over the two poles and flying at a height of 800 kilometers, SPOT will provide images of the surface as it rotates below that can pick out details down to 10 meters, the size of a bus.

A sophisticated pointing apparatus on the satellite will allow it also to take photographs of the same area from different angles on successive orbits. Putting two of these photographs together will result in a three-dimensional image, an important asset for one of SPOT's major applications, the preparation of maps.

French officials are hoping that these two characteristics—neither of which are offered by America's remote-sensing satellite LANDSAT—will be sufficiently attractive to provide substantial markets for the company, SPOT Image, which they have set up to find commercial customers either for the photographs, or for the raw computer-based data from which they are compiled.

Europe is also hoping that the commercial success of SPOT will pave the way for the first joint European venture in this field, the European Remote Sensing Satellite (ERS-1), scheduled for launch by Ariane in mid-1989, and considered as the first step toward an operational satellite system that would be a full competitor to any system which the United States may develop in the 1990s.

Enthusiasm in Europe for remote-sensing technology is relatively new. When France first suggested SPOT to ESA as a joint European project in the late 1970s, the offer was rejected, largely because of the commitments that the agency already had in hand to the successful development of Ariane and to the German-built Spacelab. Undaunted by this rejection, France decided to shoulder the $400-million development cost of the satellite on its own, although it managed to obtain a small amount of support from the governments of Sweden and Belgium, each of which agreed to cover 4 percent of the final costs.

Research and development has been carried out primarily by France's National Center for Space Studies (CNES), and the satellite and its operating systems has been built by a consortium of companies headed by the French electronics and aerospace manufacturer Matra.

The design of SPOT contains several novel features. One is the fact that no moving parts are used in the detecting mechanism, but that the earth's surface is scanned a line at a time as it passes underneath the satellite (a bit like pictures on a television screen) by a row of 6,000 detectors, each of these recording the image of an area 10 meters square.

The signals from the various detectors are subsequently transmitted to receiving stations on the ground, where they are put together by computer to form a continuous black-and-white image of the surface 60 kilometers wide. There are two such High Resolution Visible (HRV) spectrum instruments on board the satellite, so that when working in parallel they can cover a width of just under 120 kilometers.

In addition to the black-and-white images, both instruments also have another set of detectors with a slightly lower resolution of 20 meters which are set to register the light received in three narrow wavebands, two near the infrared and one nearer the color green.

These wavelengths have been chosen as being particularly sensitive to the light given off by specific phenomena, such as agricultural crops and vegetation in the first two cases, and geological formations in the third. The resulting images are therefore hoped to be of special value in two of the major fields of application, namely agricultural forecasting—providing detailed information of the crop yields that can be expected from different regions in the world—and geological prospecting for new deposits of oil and minerals.

The agricultural application also will be helped by SPOT's ability to twist its line of sight away from the vertical. This is achieved by a mirror which reflects light received from the ground into the various sets of detectors, and can be turned by an angle of up to 27 degrees to each side.

Although the satellite will only pass directly over the same point on the earth's surface once every 26 days (or 365 orbits), this ability to look sideways means that it will be able to observe the same area every two or three days. In this way, it will able to provide virtually continous images of crop growth, a major advantage over LANDSAT, whose fixed orientation means that it can only observe the same region once every two weeks.

The first SPOT satellite will be followed by a back-up, SPOT-2, officially scheduled for launching in 1987 or 1988, although this date can be brought forward to 1986 if SPOT-1 develops problems. Given continuing uncertainties over the long-term prospects for LANDSAT, Gilbert Weill, the president of the Washington-based SPOT Image Corp. which has been set up to find potential American customers, is hopeful that the French system will be able to capture up to 40 percent of the U.S. market for remote sensing data.

In the longer term, preliminary designs have already been carried out for an upgraded version, SPOT-3, which, if the market holds its promise, would be ready for launching in the early 1990s. By this time, however, other European alternatives may also be on offer. The German government, for example, has already financed the development of a different remote-sensing instrument, the Modular Optoelectronic Multispectral Scanner (MOMS), which was successfully flown on board the space shuttle Challenger in early 1984.

Although offering less detailed photographs than SPOT, the MOMS instrument is able to detect reflected light in a much wider range of wavelengths, making it

The satellite will be used especially in agricultural forecasting and geological prospecting.

particularly suitable for collecting information about meteorological conditions (and even able, unlike SPOT, to "see" through cloud cover). An upgraded version of the MOMS is currently under development by the German company Messerschmitt-Bölkow-Blohm GmbH which built the instrument. Discussions are currently taking place with the U.S. National Aeronautics and Space Administration (NASA) about using it to provide a regular commercial service.

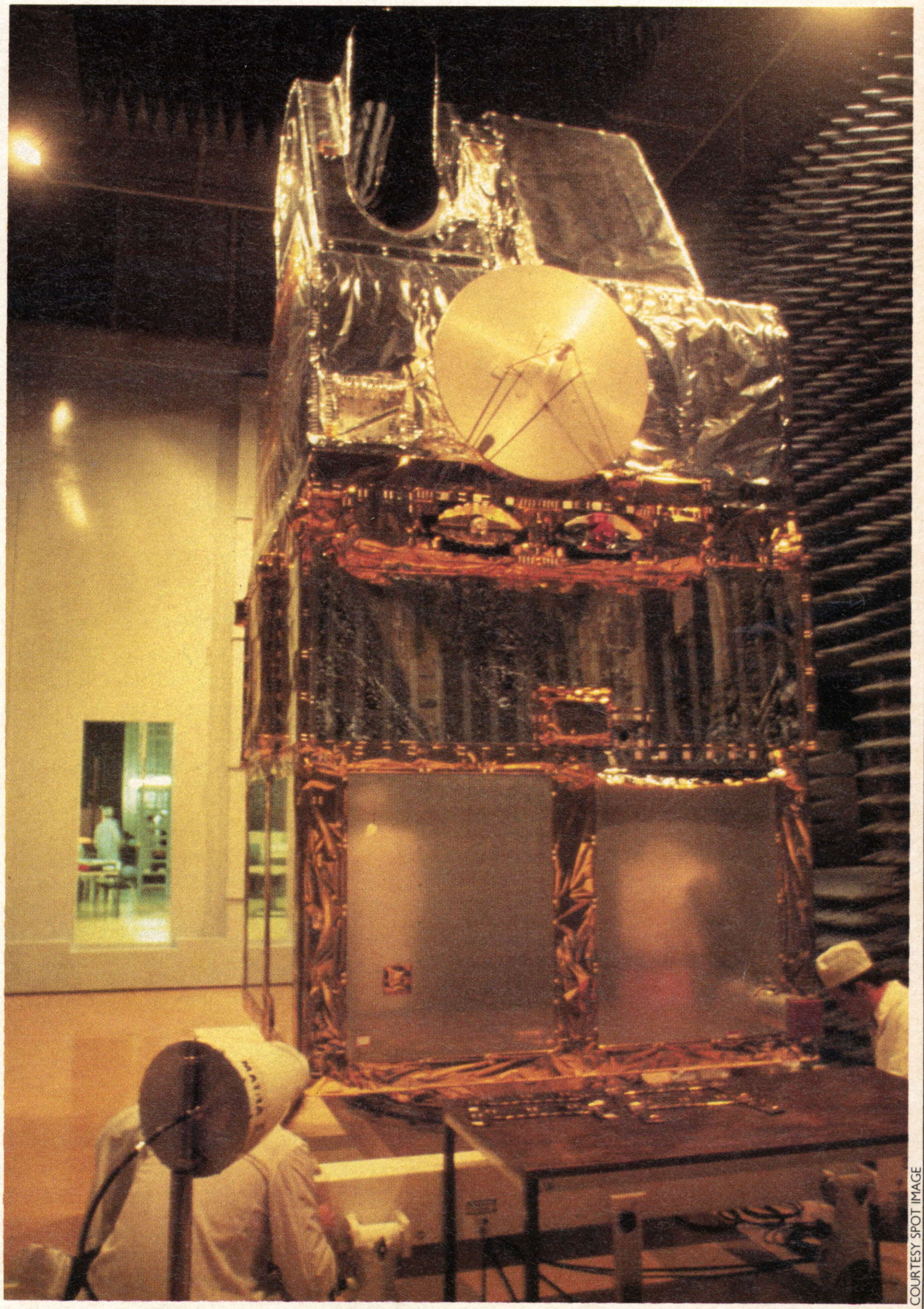
France and the Federal Republic of Germany are also discussing the possibility of pooling their resources to develop a joint military observation satellite, although there remains considerable disagreement on whether this should be an upgraded version of SPOT (the French abandoned plans to do this unilaterally in 1982) or whether it should make use of the scientifically more advanced German technology.

Finally, ESA, with the successful development of both Ariane and Spacelab now under its belt, is already working on ERS-1, which is hoped to be the prototype for the next generation of remote-sensing satellites. Technical discussions within the Paris-based agency have led to the decision to concentrate the instrumentation which ERS-1 will carry on that able to provide information about the ocean surface and its interaction with the atmosphere, now considered to be the key factor in understanding climate problems and the evolution of the weather.

ERS-1 also will carry a device known as a Synthetic Aperture Radar, which will be able to provide high-resolution images of land surfaces in all weather conditions. Another satellite, known as POPSAT, is also being planned by the agency, for possible launch in 1992 or 1993, specifically to gather data relevant to an understanding of the physical forces and processes which are active below the earth's crust. Such data are important not merely for providing scientists with accurate information about the day-to-day movement—both vertically and horizontally—of the different continents, but also in predicting major geological events such as earthquakes and volcanic eruptions.

Looking even further ahead to the middle of the next decade, Britain's main aerospace company, British Aerospace, is already drawing up proposals for an orbiting vehicle to be used in connection with NASA's planned space station as a platform for even more sophisticated remote-sensing equipment. Two such vehicles are expected to be built, one of which would be towed behind the space station on a long rope, the other launched in an orbit over the two poles, meeting up again with the space station for any necessary servicing or refueling. €

David Dickson reports from Paris for *Science* magazine.



The SPOT satellite, scheduled for November launching, will take pictures from different angles, allowing three-dimensional images.

FARM POLICY IS FUNDAMENTAL TO E.C.

WHAT IS THE 'C.A.P.' AND WHY IS IT SO IMPORTANT?

The E.C.'s Common Agricultural Policy (CAP) accounts for about two-thirds of the $20-billion E.C. budget. Above, a harvest in France.

DAVID M. CURRY

The European Community's Common Agricultural Policy (CAP) is spiraling into a deep and quasi-permanent crisis. It is a crisis fueled both by budget shortages and by world market competition. Attempts to change the policy to meet the new circumstances has provoked a bitter and acrimonious debate about the role of the policy within the E.C. and the extent to which the Community should aim to be a major supplier of food to world markets. How did we get to the present crisis, and why does the CAP play such a central role in the E.C.'s attempts at internal change? And why does it so dominate the profile of the Community in world affairs?

First the crisis. The entire E.C. budget of the European Communities amounts to about $20 billion which makes it 10 percent of the U.S. federal *deficit.* The CAP accounts for about two-thirds of that budget. The predominant element within the farm budget is the cost of subsidizing surplus E.C. products onto the world market, since in all normal circumstances the world price is substantially below the price which is guaranteed to E.C. farmers.

The E.C. is not like a government: It can neither print nor borrow money for current expenditure. It depends on three sources of income for its revenue: the customs duties collected on manufactured goods imported into the E.C., the levy collected on food imported into the E.C. and, by far the most important, a share of the value-added tax (VAT) collected by E.C. member states. The only dynamic element on this is the VAT contribution, but E.C. law lays down maximum limits for this contribution.

In 1984 and 1985, the E.C. exhausted its conventional revenues and had to rely on special government cash contributions. Even though new revenues will apply from 1986 onward, to coincide with the entry of Spain and Portugal into the E.C., these new revenues are already substantially mortgaged to existing policies, and very few people imagine that a further increase in revenue will be sanctioned before the end of the decade.

On top of that, E.C. governments, primarily under British pressure, have agreed to guidelines for the growth of spending on agriculture which will restrict it to half its historic 15-percent annual growth rate. The combination of constrictive budget pressure and external financial disciplines will impose severe constraint on the CAP. But even if the budget problem did not exist, the market problem would be pressing.

The E.C. is now a major exporter to the world markets. It is the leading dairy product exporter. Last year putting some 800,000 tons of beef on the world market. The E.C. holds roughly 15 percent of the world wheat market, but it faces two constraints. One is the problem of a U.S. counter-offensive on export markets supported by a subsidy program; the other is the lack of purchasing power on the world market and the dependence to an unhealthy extent of all major suppliers on the Russian market. And this year the experts are forecasting that the Soviets will product a 195-million-ton grain crop which could lessen that country's need for imports significantly.

Yet with a fiercely competitive world market, the E.C.'s own output is forecast to continue to grow, perhaps leading to a grain surplus of upwards of 40 million tons by the end of the century. There simply isn't room for this on the market. The Community does not even control its own destiny: The most important leader at any European Council meeting is President Ronald Reagan (even though he does not attend them). For a 1-percent fall in the value of the dollar against the Community's European Currency Unit (ECU) adds about $70 million to the E.C.'s farm bill in a full year, while a 1-percent drop in the world cereals price adds some $55 million.

So there is a desperate search in the E.C. to find ways of controlling farm spending, which means, ultimately, curbing production. Dairy farmers have already had quotas slapped on them because it was impossible to agree on price cuts which would bring the market into balance, and there is now an immensely bloody battle being fought over the cereals price—a battle which led the Federal Republic of Germany to use the veto in E.C. Council of Ministers meetings for the first time in its history of E.C. membership to prevent a relatively modest 1.8-percent grain-price cut.

Why is it that a policy which is more than a generation old and which applies to a sector in historical decline should command so much attention and generate so much passion? The reasons are institutional, political, social and economic, as often as not inextricably involved in any decision-making.

The CAP was fundamental to the birth of the Community. The founders of the E.C. were aiming for the rapid creation of a federal European state. General Charles de Gaulle came to power in France in the final stages of the negotiations to create the Community. His concept was not federal: It was of the assertion of sovereignty within France's borders and of reconciliation with Germany as the guarantor of security outside them. The essential political equation of the Community was the mechanism it provided for Germany to recover sovereignty and respectability inside a framework that ensured her commitment to the Western partnership—a mechanism which corresponded to Germany's own needs.

But at a time when it was assumed that resurgent German industry would dominate Continental markets, France needed its own economic security, and it saw that in exploiting its potential as the prime agricultural producer of Europe. France sought guarantees for the outlets of its farmers, which would be equivalent to the market created for industrial products, particularly as France had embarked upon a policy of modernizing its agricultural structures.

The answer was the "Europeanization" of the support mechanisms being introduced in France—the guarantee of a price for what the farmer could grow, backed up by protection at the external frontiers of the E.C. It corresponded to the political need to give France a major vested interest in the creation of the Community of open markets, and the social requirement to make sure that the rapid industrial modernization of Europe (an era best symbolized perhaps by the Fiat 500 car which, for the first time, put the ordinary working class on wheels) did not create prosperity which passed the peasant by.

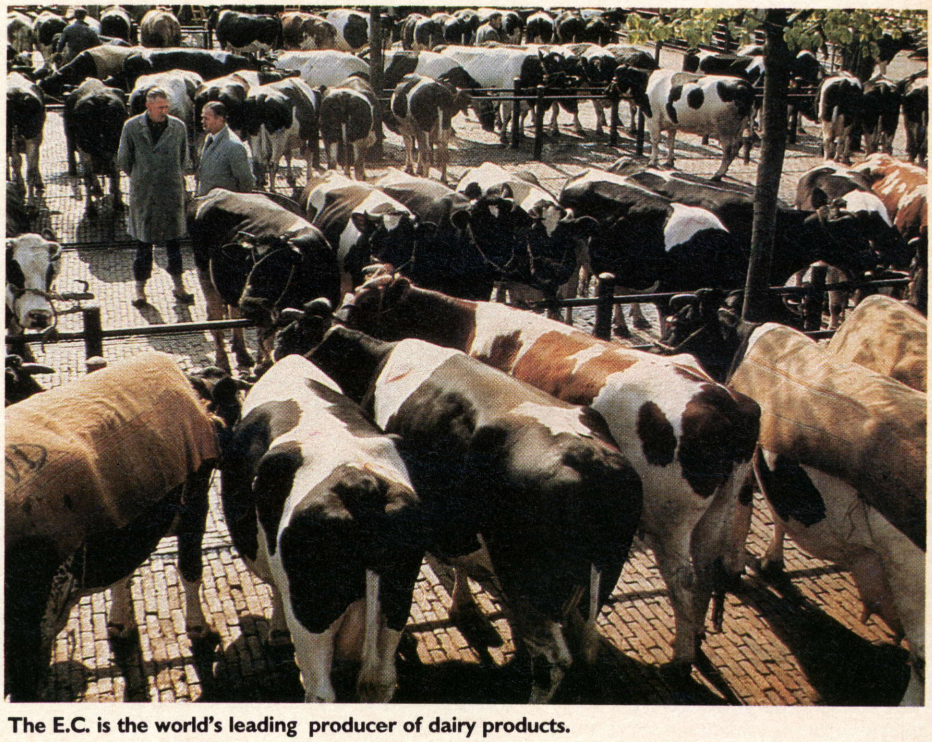
There was a political reason to add to that: In France in particular, but also in Italy, the peasant farmer represented a generation ago more than 20 percent of the active population, and it was divided in political allegiance. A policy which was designed to manage the exodus from the countryside into the new jobs in industry and bring prosperity to the countryside was a policy for political conservatism and stability.

So the CAP lay at the focal point of a series of converging interests which lay at the heart of the Community: the Franco-German reconciliation, the creation of industrial free trade within the E.C. and the achievement of political stability at a time when the major non-conservative parties in both France and Italy were Communist.

A generation ago it was assumed that the E.C. would achieve rapid economic and monetary union within federal structures and that other common policies would emerge. This ambition failed, leaving the CAP as the major common economic policy in the Community—a fact which endows it with a particular psychological importance. If that were to go to the wall, it is commonly stated by politicians of all parties, the whole E.C. would fall apart. Whether such a belief is justified or not can be argued, but the belief has had a persuasive political impact.

Then CAP's origins must also be seen against the background of food shortage and post-war austerity. The Community was lacking in all major commodities. The goal of increasing self-sufficiency was a macroeconomic objective which was easily added to the other factors encouraging the establishment of an agricultural policy characterized by unlimited guarantees to the farmer. The idea that the Community could itself emerge as a major factor on world markets was simply improbable in the circumstances of the early 1960s.

What happened was not what had been anticipated. Broad industrial growth embraced the whole Community—and so did the growth of agriculture to the point to which Germany is now one of the top handful of leading food exporters. But for many countries the essential purpose of



The E.C. is the world's leading producer of dairy products.

the CAP has remained social, not economic, in character: It has been to "manage" the exodus from the countryside, to promote agricultural modernization and to guarantee the continuation of economic and social vitality in the regions. And as food production grew, so it became increasingly prohibitive in financial terms for countries with major agricultural sectors to contemplate the renationalization of agriculture, particularly as under the E.C. budget system, the Federal Republic and the United Kingdom became the major cash contributors to the E.C.

The CAP has brought major distortions to agriculture. In particular, it benefited the major arable productions of temperate Europe above the Mediterranean-type output: wine, olive oil, fruit and vegetables of the south. It benefited the large-scale producer over the peasant. And it profited the producer of grain and other arable crops rather than the livestock producer. At the same time, the financial mechanisms of the CAP promoted the exports within the Community of strong currency countries like Germany, and to some extent the United Kingdom, over the relatively weaker monies like the French franc.

This added a new set of demands: the improvement of guarantees for the south, and the introduction of special measures to help the small producer—both demands reinforced by the prospect of enlargement of the E.C. to Spain and Portugal. And as the Community began to supply world markets, so the maintenance of exports became a demand in itself because the alternative was for a radical cut-back more likely to hurt the small peasant than the "industrial" producer. Indeed, the battle for reform has been, in many respects, a battle between those arguing for the "economic" solution of establishing conditions which enabled the large efficient producer to survive and those claiming that any reform should take the form essentially of constraining the larger producer to enable the peasant to continue to make a living.

And as the pressure for change built up in the Community, so the argument was pressed for measures to restrict imports, particularly of raw materials like soybeans, corn gluten feed and manioc, which enter the E.C. either free of duty or with relatively light taxation under the GATT and which are seen as stimulating surplus livestock production on industrial-type units.

This is where the institutional constraint appears. For the E.C. is a semi-federation of nations which have retained the essential parts of their sovereignty. Every change has to be argued through a Council of 10, soon to be 12, nations, each one calculating the benefits and penalties involved. And governments have different electorates, different political needs and face elections at different times. The logic of the Community is that decisions will always, finally, be taken. But the logic is that they will always tend to represent the lowest denominator of agreement.

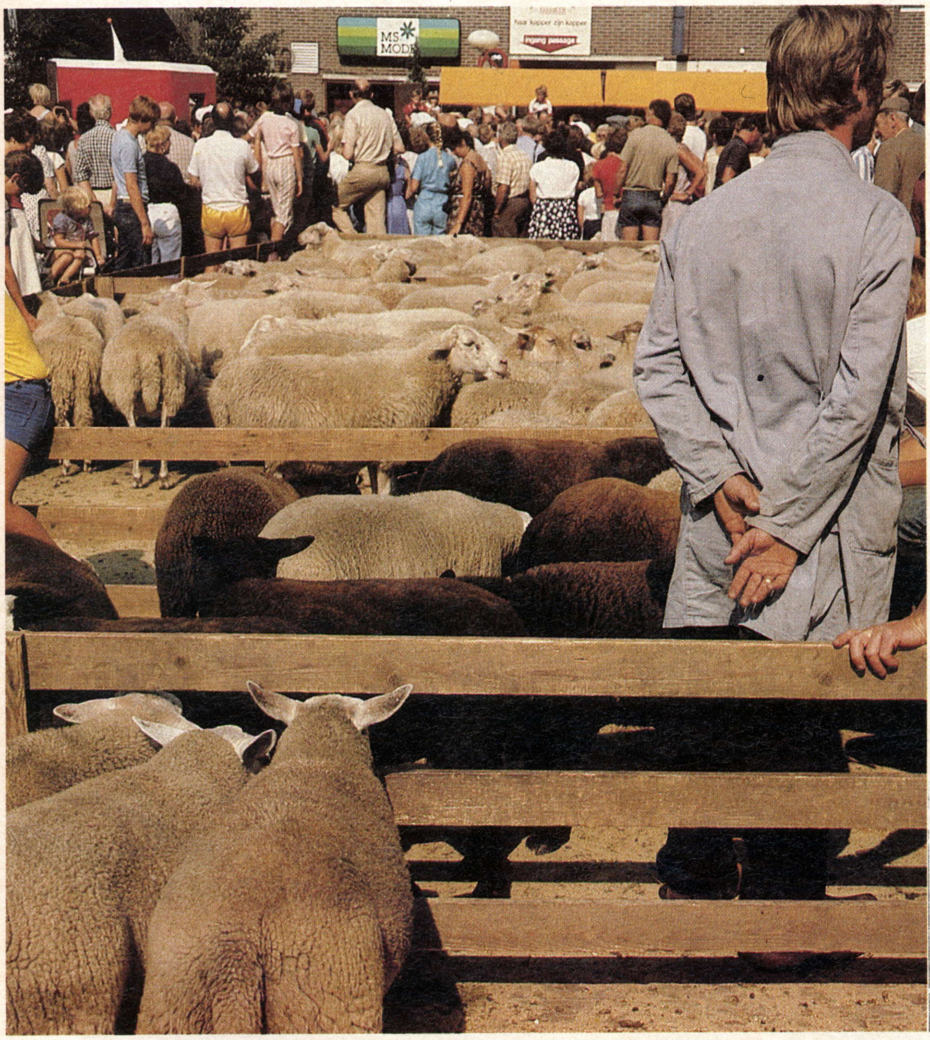
That is what is happening now. The constraints on the CAP are inescapable and many commentators are already assuming that the E.C. is set for a universal system of quotas of one sort or another. It is too early to be categoric about that, but it is possible to discern three major lines of policy for the CAP. They are:

- A continuing policy of price restraint which will mean the progressive penalization of farm incomes.
- Direct aids to farm incomes to help those who cannot withstand price-cutting.
- A closer integration of agricultural policies which have structural changes as their objective with broader social and regional policies.

But the Community will only be able to "sell" this policy to farmers—which still account for up to 40 percent of the active population in some lesser-developed countries and for almost half as much as this in some regions of relatively prosperous countries—if it also sets as a policy goal the maintenance of a major presence on world markets.

The CAP has already changed out of recognition over the past few years. The day of the unlimited guarantee has gone. A new rural exodus is virtually inevitable (and over the past 20 years, one farmer has quit production on average every two minutes across the E.C.). The CAP has to cohabit in an aggressive and competitive world.

The only choice which exists in practical terms is whether the Community will improve its decision-making mechanisms so that change and reform can be accomplished by predictive political action or whether it will suffer arbitrary change through continuous crisis. €



© HALBER/FIRST FOTO BANK

The CAP has benefitted the producer of grains and other arable crops more than the livestock farmer. Above, a sheep market in the Netherlands.

David M. Curry is a Member of the European Parliament from the United Kingdom.

FARM TRADE: TENSIONS ESCALATE

DERWENT RENSHAW

"So, what's new around town?" a world-weary observer was heard to remark on hearing the U.S. Department of Agriculture's (USDA) recent announcement of its proposed subsidized 1 million ton wheat deal with Algeria. "Haven't they been subsidizing for years?" Well, of course, our astute commentator was right, what with such export goodies as PL-480, Blended Credit and plain unvarnished subsidies available for farm goods. But what was new was the provocative presentation of this first initiative in the U.S. Export Enhancement Program. A few days later, the United States announced the imposition of prohibitive duties on imports of E.C. pasta. Whatever the final (practical) effect of these two unfortunate measures may be, they are both disturbing evidence of a dangerous upsurge of tension in U.S.-E.C. farm trade relationships.

The two major justifications offered for the Algerian move—the latest manifestation of "market orientation" and "getting the government out farming"—were to counter the E.C.'s alleged unfair trading practices and to react against what was claimed to be a refusal by the E.C. to start a new trade round.

It was said that the United States had been losing wheat market shares to the E.C. because of the latter's unfair use of export subsidies. However, export subsidies are permitted under GATT trading rules, provided their use does not lead to an exporter gaining an inequitable share of the market nor to price undercutting. Trade statistics support our view that we have observed these rules.

The June announcement by USDA was accompanied by some misleadingly selective statistics confined to a single country market. No mention was made, for instance, of the fact that over the last four marketing years, the E.C.'s share of the world wheat market as a whole had remained remarkably stable. It is true that the U.S. share had declined over this period but the culprit—if that is the proper description—needs to be sought elsewhere. But if selective statistics are now the order of the day, let us move westward along the North African coast to Morocco where, as USDA recently reported, with great satisfaction, the U.S. share of the wheat market had risen from 19 percent to 90 percent—largely through the use of Blended Credit. So much for unfair trading practices.

As to the second and equally shaky excuse that was trotted out—that of the E.C. blocking a new trade round—nonsense! The E.C. has publicly declared its unanimous support for a new round. With so much of its livelihood dependent on world trade, the E.C. would be foolish not to do so. Neither does the E.C. exclude discussion of agricultural issues provided this is part of a comprehensive and well balanced package. The real reason for the Algerian thing and for the program as a whole was, as most informed observers diagnose, the price that had to be paid for a budget compromise.

The more recent U.S. move—the unilateral measure decided by the President to impose prohibitive duties on U.S. imports of European pasta—is even more difficult to comprehend than the Export Enhancement Program unless it has been designed as a deliberate, but misguided, attempt to raise the temperature and to force concessions from the E.C. The new rates of duty will effectively kill E.C. pasta exports. The decision is said to have been taken because of U.S. dissatisfaction with the preferential treatment accorded by the E.C. to citrus exports from certain Mediterranean countries (for example, Israel, Morocco and Cyprus).

The arrangements were not designed to promote E.C. exports and, indeed, are of no economic advantage whatsoever to the E.C. They were, on the other hand, designed to promote political stability in that troubled area of the world, an aim which one would imagine the United States would share. Indeed, they are much the same objectives as those of the Caribbean Basin Initiative in the less than stable area on the United States' southern flank—a U.S. program to which, incidentally, the E.C. lent its full support in the GATT.

The reaction by the E.C. to the U.S. measure, which it considered to be without legal justification, contrary to the rules of the GATT and to be in total contradiction to the agreement reached between the E.C. and the United States in 1973 regarding these preferences, was both swift and measured. It should have come as no surprise since the Council of Ministers had clearly warned that the E.C. would have to take counteraction.

The countermeasures which have now been taken—on lemons and walnuts—should, to borrow the words of Sen. Pete Wilson (R-CA), demonstrate the seriousness with which we view the situation. The E.C.'s view of this particular incident regarding pasta is much as one should expect as indeed, one imagines, are the views of durum wheat growers in North Dakota, the value of whose exports to Europe of the essential ingredient of pasta have so far outweighed that of the processed product which finds its way back to these shores.

Thus, both these separate, but linked, incidents are seen from the European side of the Atlantic as unjustified, aggressive and totally incompatible with American declarations in favor of a new trade round. They may be seen by some on the U.S. side as evidence that the Administration has stopped wringing its hands over recent developments on the world market and has started to act decisively. They are not, however, the best way to prepare the ground for a new round nor will they accelerate changes in the E.C.'s farm policy.

Perhaps the E.C.'s firmness and its decisive reaction to this protectionist move on pasta will create a situation where negotiation can take place not only on this but on the broader issues and that compromise can be found.

This will not be easy since compromise involves concessions by both sides and the way of the peacemaker in the months ahead does not look as though it will be smooth. It is clear that both the E.C. and the United States have strikingly similar problems in their farm sectors, but it is equally clear that as both the E.C. and the United States seek to restrain farm spending, the more domestic pressure there will be both to develop export promotion and to get tough on imports.

We should all be aware of the yawning abyss that awaits us—and not exclusively for farm trade, damaging as it would be particularly for those who are heavily dependent on export markets.

Never has the time been riper for us both to reassess our internal and external farm policies in the appropriate GATT forum. And one ray of hope shining through today's sombre sky is that E.C. Commission Vice President Frans Andriessen and U.S. Agriculture Secretary John Block are personally at one on this vital point.

Derwent Renshaw is first secretary for agriculture at the E.C. Commission's Delegation in Washington D.C.

E.C. PLANS PROGRAMS AIMED AT YOUTH

COMMISSION TO ENCOURAGE NEW TRAINING, EXCHANGE SCHEMES.

GEOFFREY MEADE

Concern is growing that tomorrow's European leaders, the backbone of the next generation of the European Community, are currently floundering somewhere on the mountain of Europe's young unemployed. Stifled ambition, limited jobs choice and disillusion among top students is seen as a serious threat to European unity and to the E.C.'s survival as a top trading force.

That is why International Youth Year has been seized upon by the E.C. Commission in Brussels as the occasion to launch a comprehensive assault on the complex problems of education and training for a technological future. It is a future in which the competition is intense, and the United States and Japan are already one jump ahead.

Youth unemployment is not exactly a new problem, in the Community or elsewhere: America's 38.1 percent redundancy rate for under-25s is barely better then the E.C.'s own 38.5 percent, while a fraction over one fifth of Japan's jobless people are in the critical youth bracket.

What is now urgent is not just to find enough jobs, but to create the right kind of jobs and match education needs to them. The world is turning on the "new technologies" and the Commission is anxious that the E.C. is not left behind.

Hence a sweeping education and training reform program to be unveiled in the coming 12 months, with the aim of closing the gap on Europe's two giant trade and industry rivals. Statistically, both have already built up a fair lead in adapting to the technology changes and preparing today's students for tomorrow's

© COTTON COULSON/WOODFIN CAMP.

Offering better career prospects for Europe's numerous unemployed young people is vital for the future of European unity.

world. Both have a higher proportion of students staying on for higher education, and both are turning out many more scientists and researchers than the 10 E.C. member states.

The Commission wants to change attitudes in teaching, at the same encouraging the kind of economic growth to provide the jobs necessary to maintain the E.C.'s position as a world production and trading force for goods and services.

It really is a question of survival for the E.C., not just in trade and commerce, but also in terms of the European ideal underpinning the creation of the Community: Without that healthy jobs market and a work force suitably prepared for the biggest industrial upheaval in centuries, tomorrow's E.C. will lose interest in preserving the dreams of its founders.

The Commission list of things to be done in the coming months and years includes the encouragement of a greater sense of European unity, "particularly among undergraduates and graduates, many of whom will hold positions of responsibility in the E.C. of tomorrow." It may take time, but the Commission is intent on an economic turn-round as the springboard to a glowing future for the E.C.: "The key to a lasting and substantial improvement in the situation of young people continues to be economic revival, leading to greater growth, which in turn will create employment."

There are 48 million young people in the E.C., young meaning anyone between the ages of 15 and 25. Most of them are still in school, 18 million of them have jobs and more than 5 million of them cannot find work. Even worse, 1.5 million of the jobless have been unemployed for more than a year. Compared with the rest of the E.C. work force, the unemployment rate is three times higher amongst the young.

The Commission also points out that although 18 million people in the youth sector do have jobs, "many of them have little choice on the labor market and are unable to develop their potential to the full." Specific categories among young people are even more disadvantaged. They are young women, who face a jobless rate of 22 percent compared with 20 percent for men; the children of migrant workers, who face huge difficulties settling into suitable jobs; and young handicapped people.

The answer, as the Commission will be pressing home to member-states governments, the European Parliament and the E.C.'s Economic and Social Committee, is a fundamental rethinking of the education and job training needs in schools, universities and at work. It involves boosting existing exchange programs within the E.C. conferring with industry to establish precisely what will be needed in future and absorbing the new information and communication technologies into the scholastic curriculum across the E.C.

These are general aims, but there are some specific needs the Commission has identified, not least of which is the need to extend higher education and concentrate more efforts in the fields of research and development to match the United States and Japan. In the United States, for example, the number of people aged between 20 and 24 continuing in education represents 58 percent of the total. In Japan, the figure is 30 percent. In the 10 E.C. countries, it is 25.7 percent.

Similarly, the United States already has 30 scientists and engineers working in research and development per 10,000 inhabitants. Japan can boast 42 per 10,000. In Europe, the highest proportion per nation is the Federal Republic of Germany's 21 per 10,000, followed by the Netherlands with 20. But the average across the Ten, which is the only true measure of the fortunes of the E.C., is only 14.5 per 10,000. When Spain and Portugal make it a Community of 12 in January, the statistics will look bleaker still.

Along with more scientists and engineers, the E.C. needs a wider scale of learning about these "new technologies." The message is that they must be mastered and understood—and not just by the specialist student. The Commission is very keen to encourage more exchange schemes for teachers and students, for, despite more than 27 years of the E.C., only 1 percent of students in the E.C. member states attend courses in another member state.

Mobility is seen as another great feature of the education systems in the United States and Japan, where students form part of "major national intellectual communities." Prime targets set by the Commission are to double between now and 1991 the number of E.C. universities involved in exchange schemes (600 at present out of a possible total of 3,500 higher-education institutions), to launch a program to encourage cooperation between universities and industry, to give priority treatment through the European Social Fund to training programs which include 40 hours of training broadly related to new technology, and—crucial in a multinational community—to encourage the teaching of foreign languages.

The strong emphasis on joint action rather than individual, national-government efforts on youth, is in line with the European mood, according to latest polls. A Euro-barometer sounding shows that in 1976 only 38 percent of the population favored joint, E.C.-wide action to fight unemployment. Two years later the figure rose to 48 percent. By October 1982, it was 54 percent, and the figure peaked in April 1983 at 66 percent.

International Youth Year was the idea of the United Nations in 1979, but concern for Europe's young is not a recent development. The 21-nation Council of Europe set up the European Youth Center, a residential youth establishment in 1972, and set up the European Youth Foundation a year later. The center organizes seminars, training courses for future leaders of youth organizations, conferences and language courses. The fund has as its aim the promotion of peace, understanding and cooperation, and it helps by financing international youth activities.

Now, in International Youth Year, there will be a European Youth Week July 1–6 at the Council of Europe headquarters in Strasbourg. About 500 people aged up to 25 will be there, representing international non-governmental organizations and the 21 national Council of Europe delegations. Their week of debates and meetings is designed to cover just about everything of concern to today's youth—unemployment, education, the Third World, racism, lifestyles and xenophobia.

In November, Strasbourg will host a four-day conference of European ministers responsible for youth affairs. So plenty is being done in International Youth Year, and the Commission's initiatives are aimed at winning the full and immediate backing of governments and electorates.

The importance of success is best summed up by a Greek Member of the European Parliament, Kyriakos Gerontopoulos, in his report to the Parliament on behalf of its Committee on Youth, Culture and Education. He says it is imperative to make Europe's young people a pivotal force in socioeconomic development and cultural advance.

"The Community, as it was set up after World War II, does not fulfill the expectations of Europeans 30 years later. The original motive forces, pace and cooperation among the peoples of Europe have faded from memory, swamped in a wave of social and economic developments," he says. "Europe however, is still the hope for tomorrow, provided realistic efforts are made to transform it, on new bases and fresh premises, with due regard for aspirations, needs and ideas and not just for economic dimensions." €

Geoffrey Meade is the Brussels correspondent for the British Press Association.

LUXEMBOURG

ECONOMIC RESTRUCTURING IS SUCCEEDING AS RECOVERY ARRIVES.

PAUL CHEESERIGHT

The guidebooks say so. The advertisements proclaim it. Luxembourg is the center of Europe. And for the second half of this year, the tiny Grand Duchy will be, in a very real political sense, the crossroads of Europe. Luxembourg takes its turn holding the presidency of the E.C. Council of Ministers.

In a way it is appropriate. It shows that the small can coexist with the big, that there is a place in the E.C. for all sorts. Indeed, for Luxembourg, membership in the E.C. is one guarantee of the success of its diplomatic policy which, seen over centuries, is simply that of avoiding being trampled on.

And there is another point. Despite its size, Luxembourg brings together many of the economic and social problems that European nations ten times its size are having to face. Luxembourg was a one-product country, overwhelmingly dependent on steel. Steel served it well. The industry provided the funds to satisfy a high standard of living and induced a prosperity which in itself was the basis of an elaborate series of checks and balances, making up what these days is called social harmony.

However, the fortunes of the steelmakers are no longer assured. Arbed, the Luxembourg steel company with interests stretching across Europe and into the United States, has paid no taxes to the government of the Grand Duchy since the 1970s. On the contrary it has been devoring funds. Arbed in trouble traditionally has meant Luxembourg in trouble. Although the company still provides 44 percent of the Grand Duchy's exports, the economy is more diverse. Rescuing Arbed can be spread over a wider base.

Pitched into a wider context, then, Luxembourg has been facing the problems of restructuring an economy in just the same way as other countries with an over-reliance on traditional industries. To that extent it is a model. Yet few countries will have carried through the restructuring with quite the same degree of social equanimity, for the company has slimmed down without forced lay-offs. Yet the number of jobs lost is the equivalent of 10 percent of the total Luxembourg labor force.

Broadly this has been done by two methods. Those who have left have been given public works jobs by the state. This is better than having people hanging around the streets, the trade unions have pointed out. And others have taken early retirement. The slimming will continue until the labor force of Arbed stabilizes at around 12,500 in 1987—a total which will be around 12 percent to 15 percent of the national work force. While this has been going on, the company has been rationalizing its plants, raising its productivity and, as the European economy has started to recover, boosting production—around 20 percent in 1984.

The company's financial fortunes have improved too. Last year it posted a profit for the first time since the start of the steel crisis in the 1970s. But this was partly artificial. It would not have taken place without the infusion of state funds. The resources of the Luxembourg treasury are not infinite, so special taxes were raised to finance the steel giant and those who worked in it negotiated what, in effect, were pay cuts. The result is that the state itself is now the biggest shareholder in the enterprise.

The costs of steel have constrained the government, which has seen a rise in its long-term debt of over 60 percent since 1981, although the total remains the equivalent of less than 10 percent of the gross national product. This year the government is budgeting a surplus of 3.2 billion Luxembourg francs (currently about \$52.5 million), but in 1983 it had a deficit of 2.1 billion francs (then about \$41.1 million), before returning to a surplus in 1984.

As in other countries, the shedding of labor in one part of the Luxembourg economy has set off a search for other forms of activity. In the earlier part of the steel crisis this was no great problem for the Grand Duchy. For every job disappearing in the steel industry, another was cropping up in banking.

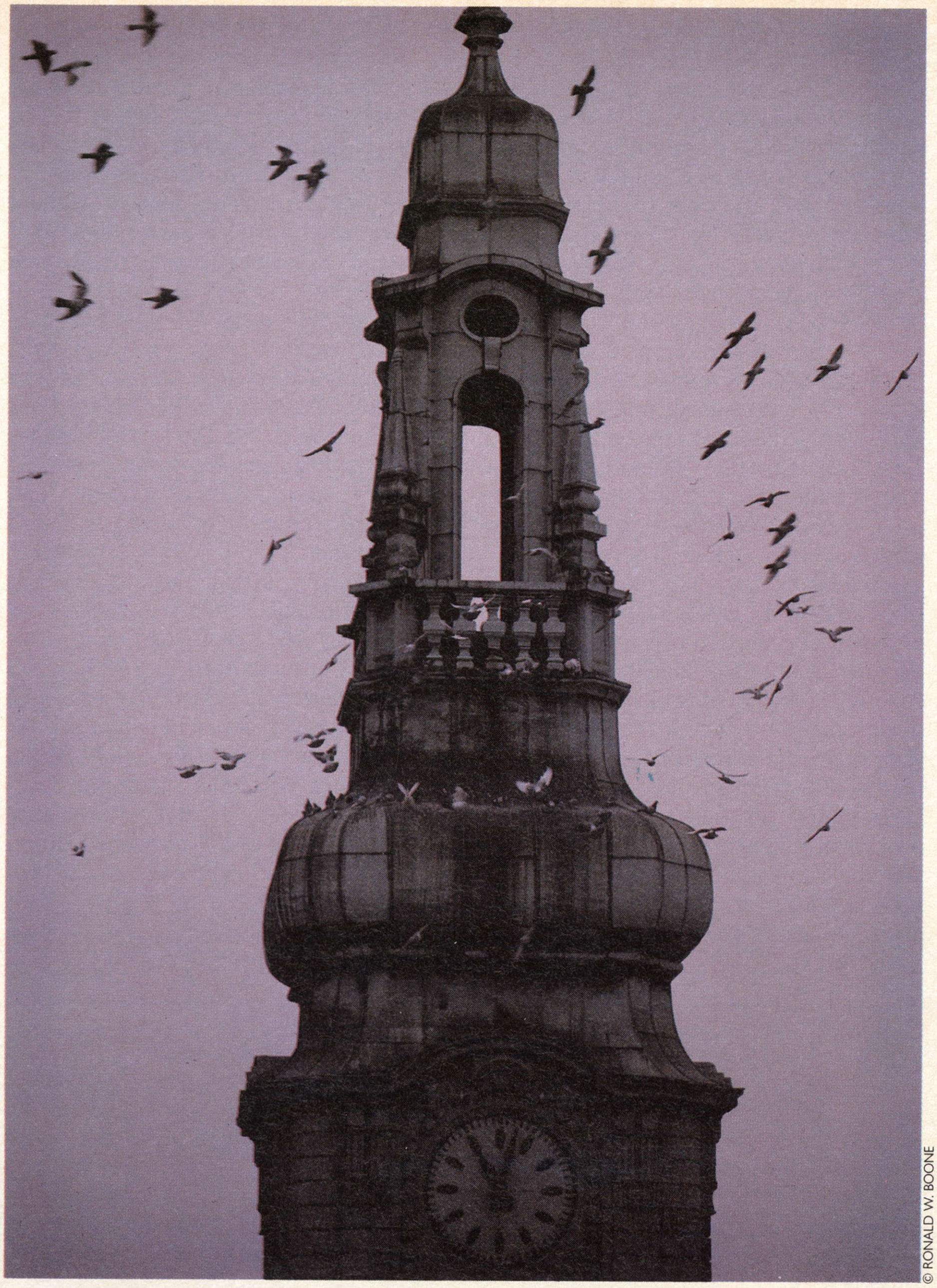
But that has stopped now. The heady days of fast expansion in banking are over. Luxembourg's offshore financial services sector is stabilizing. Growth is down from a massive 50 percent a year to 10 percent. Profits in the sector have flattened out. There was an explosion in the early 1980s to a peak for the sector of 68.7 billion francs (then about \$1.35 billion) in 1983 and a slight reverse last year to 67.9 billion francs (then about \$1.18 billion).

Nevertheless, the financial services sector has emerged as the biggest sectoral taxpayer in the economy. Although the number of banks has settled at around 115, applications from investment funds to set up in Luxembourg have been pouring in. And this points to the diversification of the sector as a whole. The early expansion of banking rested on finding a niche in the Eurocurrency markets. Now the stress is being placed on the provision of services at the retail level. This is reflected in commission income which last year topped 5 billion francs (then about \$86.8 million), more than double that of 1980.

The Grand Duchy is thus stressing its role as a regulated, but secure and discreet haven for funds. Put politely, it is like a safety valve for the countries around, handling funds seeking a refuge from the tax systems of others. A Belgian might place money in Luxembourg, but the Luxembourg market is not large enough to retain all the funds, so they are recycled back into the Brussels market.

The sector's employment roll is now moving toward 10,000, or about 6 percent of the Luxembourg labor force. But because it is not expanding at the late 1970s rate, the government is being forced to look for new schemes to foster employment. It runs investment incentive programs, but not with the same lavishness of its neighbors. It concedes that wages are high but argues that labor costs are lower than in France, the Federal Republic of Germany and Belgium in the longer run, because of social harmony. Strikes are few and far between in the Grand Duchy.

At first sight, the obvious choice for the government would have been to try



© RONALD W. BOONE

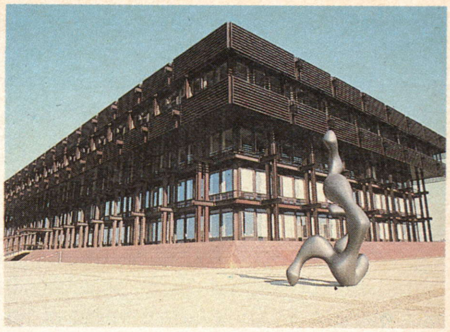
Around 80 percent of everything produced in Luxembourg is exported, making this small state dependent on the still-fragile European recovery. Above, the capital's train station.

and create a stampede into high-technology industry. But Europe is littered with pale imitations of Silicon Valley. And the trouble with much high-technology enterprise is that it does not necessarily employ many people. So the government has been trying to strike a balance.

Luxembourg wants high technology, of course. To encourage it, higher write-offs on research-and-development expenditure are permitted in the tax system, as long as the research is used in Luxembourg. And on its own account, the government has been seeking to promote Luxembourg as a communications center by encouraging a satellite project. So far, it has not succeeded. None-too-covert pressure from France and Germany has prevented take-off until now and there has been no rush to put in sufficient investment.

At a more prosaic level, industrial parks have been set up and tax incentives can be applied not only to new ventures but the expansion of existing ones. Since the 1970s, Luxembourg has had its own investment company which handles applications to set up shop. Its pride is its ability to act quickly. No negotiations are dragged out over weeks or months. The company says that if a firm comes in with plans all worked out, it can give approval—or not—in 24 hours.

Over the last decade or so, more than 50 companies have set up new business in Luxembourg, often in processing, and jobs have been coming on stream at the rate of about 500 a year. The official aim



Luxembourg is host to several E.C. institutions such as the Court of Justice, above.

is at least to double that. But the government has been heartened by the readiness of U.S. companies like Du Pont, General Motors and Goodyear to expand their investment. Meanwhile it is looking longingly at Japan as a source of new companies and new jobs.

There is concern in the Grand Duchy that the government, by trying to seek this balance between different levels of technology, between the new and the established, is not being radical enough. The argument here is that the level of tax revenue received by the government is higher than expected. This in turn has led to a more extravagant approach than is justified to propping up what already exists, thus increasing the ties to existing social interests. This amounts to propping up steel, a somewhat sluggish medium-sized business sector and the social security net.

This sort of criticism comes from the Liberals, a party now regrouping and rethinking after coming out of power last year for the first time in 15 years. At the last general election in June 1984, the Christian Social Party, a centrist party, and the Socialists formed a new coalition. Working out the program for this new coalition was a long and complex business, because it meant not a lurch to the

© RONALD W. BOONE

The Grand Duchy is stressing its role as a secure haven for funds.

left, but the reorientation of some policies toward taking into account Socialist predilections. The coalition, said the new Prime Minister, Jacques Santer, was not a marriage of love, but a marriage of reason.

What happened at the election was that the Socialists picked up ground at the expense of the Liberals and the Social Christians preserved their position. In fact, the old coalition Government of Social Christians and Liberals still held a comfortable majority. But, characteristically of Luxembourg and regardless of the figures, the new shift in opinion had to be taken into account.

However, the program produced by the Government was scarcely radical. The emphasis was on continuity. The Socialists had made a great point of returning to the traditional system of wage indexation, suspended by the previous Government. They won their way on that—in principle. But the move turned out to be hedged in with conditions. The base of the indexation was changed and no indexation would apply anyway if wage rates ran up out of proportion with those of Luxembourg's trading partners.

Perhaps the key political fact of the election result was to bring the trade union movement—through its links with the Socialists—back toward the center of power. Although each party has links with a confessional trade union movement, the Socialist union is by far the biggest. Even though the unions might have come back to the focus of power, they had always been and will continue to be a crucial influence in affairs of state. This is because Luxembourg works less as a government sitting on top of competing economic factions and more as a partnership.

There is a system of what are called "tripartites." The unions sit down with employers and the government and negotiate both at national and sectoral level. Thus one tripartite or another decides whether there will be a rise in indexed wages or not. It settles wage rates in the steel and other industrial sectors.

It looks clumsy, but the fact is that labor unrest is rare. The emphasis is always on keeping the system going and making changes gradually. Companies coming are expected to respect that. The unions make no secret of the fact that their approach is pragmatic. They would always accept less to keep employment rates high. The system is intimate and probably could only work in a small country. But substantial restructuring of the economy has taken place without a massive rise of unemployment. The number of jobless is about 1,500.

The government is beginning to see the end of fundamental restructuring and is thinking more in terms of growth. The arrival of the Socialists has not led to any sharp rise in internal costs. The government wants to foster demand without letting these costs rise and, to this end, it maintains an elaborate system of price fixing.

The scheme could be working. Inflation last year was running just under the E.C. average at 5.6 percent and this year is expected to decline to 3.6 percent. This will allow the Grand Duchy to capitalize on the still-fragile European economic recovery, on which it is so dependent. Around 80 percent of everything produced in the Grand Duchy is exported.

In the early 1980s, Luxembourg was underperforming relative to the rest of the E.C. But this is changing. There was a 1 percent growth rate in 1983, but 3 percent last year. Trade figures are mixed in with those of Belgium, but for the first time since 1976, the Belgo-Luxembourg Economic Union ran a surplus on the current account of the balance of payments, largely because of an improvement in the merchandise trade. €

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

Tradition associated with progress for guaranteed success.

The oldest financial institution in the Grand-Duchy of Luxembourg (founded 1856).

The domestic market's number one.

A bank with a growing activity in international business.

CAISSE D'EPARGNE DE L'ETAT LUXEMBOURG **BANQUE DE L'ETAT**

STATE SAVINGS BANK

Head Office: 2954 Luxembourg, 1, place de Metz
Telex: 2287 Epacha, 2839 Epacli, 3417 Epacom, 1535 Epafon, 3456 Epatit
Phone: 2 98 51 / 47 04 01

NEWS OF THE E.C.

President Reagan told the Parliament America remains committed to European unity.

REAGAN ADDRESSES EUROPEAN PARLIAMENT

In an address to the European Parliament on May 8, the 40th anniversary of the end of World War II in Europe, President Ronald Reagan praised the growth of a strong and unified Europe from the rubble of the war and outlined a four-point plan for reducing tensions in East-West relations.

"I am here to tell you that America remains, as she was 40 years ago, dedicated to the unity of Europe," Reagan told Europe's directly elected representative body. "We continue to see a strong and unified Europe not as a rival, but as an ever stronger partner. I do not believe those who say the people of Europe today are paralyzed and pessimistic. You are, today, a new Europe on the brink of a new century—a democratic Community with much to be proud of."

Recalling President John F. Kennedy's vision of Europe and America as twin pillars of a larger community that shared common goals and values, Reagan went on to say: "We were at your side through two great wars; we have been at your side through 40 years of a sometimes painful peace. We are at your side today because, like you, we have not veered from the ideals of the West—the ideals of freedom, liberty and peace. Let no one—no one—doubt our purpose."

While a small number of Members of Parliament left the chamber in protest when Reagan referred to Soviet involvement in Central American affairs, the speech was interrupted by applause more than 30 times and was met with a standing ovation at the end.

E.C., CHINA SIGN TRADE AGREEMENT

China and the E.C. have signed a new agreement on trade and economic cooperation that will provide a framework for enhancing and diversifying the cooperative links that have been developing between the two since the signing of the last trade agreement in 1978.

The new accord, signed in Brussels on May 20 for a period of five years, is designed both to promote and intensify trade and to encourage the steady expansion of economic cooperation. Economic links will be broadened into areas as diverse as mining, agriculture, transport, environmental protection and cooperation in third-world countries. Joint productions, cooperation between financial institutions and technology transfers also will be encouraged, and a Joint Cooperation Committee will be established to monitor and review the projects that result from the agreement.

"We are crossing today a new and important step in the progressive expansion of the relationship that the E.C. and China began to establish 10 years ago, and which has been growing almost on a daily basis," said E.C. Commissioner for External Relations Willy De Clercq at the signing ceremony. "Over the past decade we have learned to understand each other and to work together," he said. "But while our cooperation has given us more than satisfactory results, its potential is far from being exhausted. The new agreement will give us a wider and more solid base for the development and diversification of our cooperation."

Trade between the E.C. and China has expanded enormously over the last decade. E.C. imports from China went from 668 million ECU in 1975 to 3.209 billion ECU in 1984. Over the same period, exports rose from 1.154 billion ECU to 3.511 billion ECU. Trade with China still represents less than 1 percent of the Community's external commerce. The E.C. imports primarily textiles, clothing, farm products and chemicals from China. It exports machines, chemicals and steel products.

E.C. "CONCERNED" OVER U.S. TRADE EMBARGO ON NICARAGUA

The E.C. Commission recently expressed its "grave concern" over the U.S. decision to impose a trade embargo against Nicaragua, linking its position with the new economic and political dialogue it is currently developing with Central America.

"In the Commission's view," Commissioner Stanley Clinton-Davis told the European Parliament on May 9, "(the embargo) will make it even more difficult to restore badly needed stability to the whole

Central American region . . . and could seriously jeopardize the steps toward peace being taken in the context of the Contadora process.

"It is broadly the view of the Community that the source of the problems troubling the region is to be found in its social and economic imbalances. Economic measures of the kind taken by the United States can, in the view of the Commission, only aggravate a situation which has brought misery to thousands of people."

E.C. STEEL INDUSTRY LOSES MORE JOBS

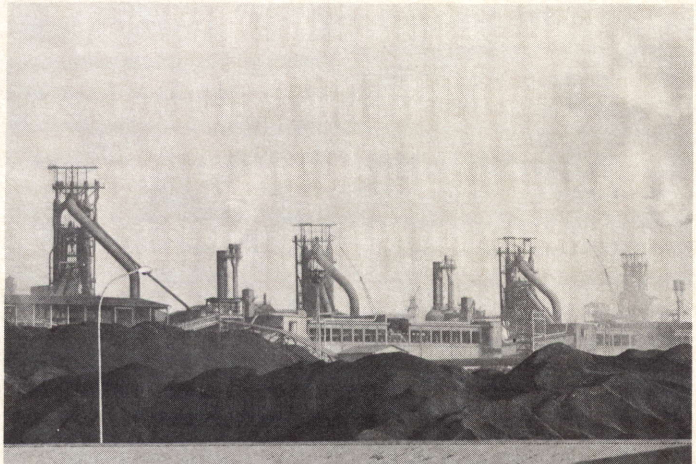
Europe's steel industry shed another 32,900 jobs last year despite a 9.9-percent increase in production, according to a recent Commission report. Crude steel production in the E.C. rose to 120.3 million tons in 1984 from 109.5 million tons in 1983, but remained well below the 140 million tons produced in 1979.

The decline in employment in the steel industry is, according to E.C. officials, "a clear sign of the long-term decline in real consumption of steel" in Europe, and reflects the depth of the recent recession in steel-using sectors. About 224,000 jobs have been lost in the steel industry since 1980, when an E.C. strategy for restructuring and rationalizing the industry—the so-called "Davignon Plan"—was implemented.

Under the restructuring plan, redundant steelworkers are eligible for retraining and resettlement loans and grants from European Coal and Steel Community (ECSC) funds. Last year the Community provided 44.9 million ECU ($32.5 million) in aid, as well as 62.5 million ECU ($45 million) in special grants to help finance early retirement schemes, alleviate the financial effects of short-time working and promote the reintegration of redundant steelworkers into the job market.

E.C. officials remain cautious about prospects for the industry this year, as forecasts of the E.C.'s growth remain moderate. With predictions of about 2.4 percent economic growth this year, Commission experts expect demand for steel to remain static, without the usual seasonal upturn.

In a working paper on "General Objectives for Steel—1990" which it recently released, the Commission noted that surplus capacity in the steel industry remains considerable, and that Europe faces increasingly tough competition in world markets. Among its recommendations: Europe's steelmakers must become flexible enough to withstand fluctuations on the world market, and prices must be kept low enough to remain competitive.



Despite a 9.9-percent increase in steel production in 1984, output remained well below 1979 levels.

E.C. PUSHES STANDARDS FOR TELECOMMUNICATIONS

Standardization of Europe's information technology sector is crucial to the creation of a true "common market" in European telecommunications, and a number of directives designed to harmonize equipment and services have recently been approved by the Commission. Development of the information technology and telecommunications sectors is considered essential to Europe's future, and the Commission is making a priority of heightening the competitiveness of the market structure and strengthening links between computing and communication systems in the E.C. "Without a standardization policy," Commissioner for information technology Karl-Heinz Narjes said recently, "Europe will inevitably be condemned to Babelization."

Traditionally, technical standards have been established by codifying and harmonizing existing practice in a given technical field. But this procedure is not effective in advanced information technologies, where engineers and technicians need agreed technical specifications for particular communications functions, and they need them early enough to avoid developing systems and machines that won't be compatible.

Standards are, moreover, highly specific due to their complexity and precision at the level of codes and protocols. The new proposal on standardization takes these considerations into account, with a view to rapidly implementing international standards in all of the Community.

Another new Commission directive, on mutual recognition of type approval for telecommunication terminal equipment, complements the standardization proposal. Based on the same technological considerations, it deals with the special situation of telecommunications operators and testing services. Mutual recognition of tests and type-approval will reduce the costs to those firms desiring to market new terminal products throughout Europe.

The Commission also has approved a feasibility study on the setting up of an intergovernmental video-communications network between the national authorities of the E.C. member states and the E.C. institutions. The Commission is recommending a preliminary pilot network system and the installation of a video-conference studio in Brussels.

The Commission also is recommending that member states adopt over the next three months common norms for direct television transmissions by satellite. Such norms are becoming increasingly important with the expansion of satellite transmission if Europe is to avoid the drawbacks of the current "double standard" of transmission.

BETTER USE OF E.C. SOCIAL FUND

More effective allocation of aid, greater emphasis on job creation, and the development of the use of new technologies are to be the main objectives of the European Social Fund from 1986 to 1988. The fund, set up in 1960 to help improve the living conditions of Europeans, has provided assistance to over 3.5 million workers since that time. But with a massive increase in the number and value of applications from E.C. member states for fund assistance, new guidelines for management of the fund recently adopted by the Commission lay down stricter selection criteria than has been necessary in the past.

The increasing demand on E.C. financing reflects the rise in unemployment, which has doubled since 1980 and now averages 12 percent throughout Europe. The hardest hit have been the young; people under 25 now account for 37 percent of the unemployed, and long-term unemployment rates are also on the rise.

As the situation has worsened, demands on the fund's resources have become overwhelming. While its budget has remained essentially unchanged since 1983, the number of applications has increased by over 600 percent. The Community's social aid, officials fear, is in danger of losing its impact.

Specific priorities therefore have been set, employment foremost among them. At least 75 percent of future financing will go to those under 25. Professional training will continue to receive support, but priority will now be given to larger-scale projects that involve a minimum of 200 hours, 40 of which must be in training in the use of new technologies.

E.C. TO SEEK GREATER COMPETITION IN TRANSPORT

The Commission is making a priority of increasing competition in the E.C.'s airline and maritime industries by the end of the year, said Peter Sutherland, the E.C.'s Commissioner for competition, during a recent trip to the United States.

Sutherland, who met with U.S. Attorney General Edwin Meese and Secretary of Labor William Brock while in Washington, told the American Bar Association: "Far from promoting overregulation, the adoption of (measures proposed by the Commission) will develop business opportunities and thus give a positive impetus to the European economy."

The Commission believes that the provisions in the treaties establishing the E.C. that prohibit restrictive business practices and abuse of a dominant position—Articles 85 and 86—can be applied to air and sea transport. It has submitted a memorandum to the Council calling for greater priority to be given to the matter. If the Council fails to act, "the Commission will not hesitate to consider its options," Sutherland said.

Such options might include proceeding against individual E.C. member states in the European Court of Justice. Such proceedings have already begun against seven member states which have refused to provide information on inter-airline pooling arrangements.

In a separate but related move, the European Court of Justice, ruling on a case brought two years ago by the European Parliament, found on May 22 that the Council of Ministers was in breach of the treaties establishing the E.C. and had not sufficiently liberalized rules on operating transport companies nor laid down conditions where operators could work in countries where they did not live.

The E.C. Commission hopes that increased airline competition will give the European economy a boost.

NEW APPROACH DECIDED ON INDUSTRIAL STANDARDS

One of the more tenacious obstacles to the realization of a complete common market in Europe has been the proliferation of national technical and industrial standards, which have often served as effective non-tariff barriers to intra-E.C. trade. While attempts have been made over the years to develop Community technical standards and thus liberalize the market, these have enjoyed only a mixed success and the barriers have remained.

The decision taken on May 7 by the E.C. Council of Ministers to adopt a new approach to technical harmonization and standards in E.C. markets could contribute greatly to freeing internal European trade. The new approach will simplify the standards procedures, so that the E.C. from now on only will set standards for safety, health and related areas, to which products must conform in order to be allowed to circulate freely in the E.C.

According to the new procedure, member states will set their own national technical standards. These standards, which must conform to the appropriate E.C. safety directives, must then be approved by a procedure at E.C. level managed by the Commission, assisted by a standing committee composed of officials from national administrations. This committee, which has essentially an advisory role, will provide a forum for discussion of any objections to proposed new standards that the Commission or a member state might have. Once approved, the standards would be valid throughout the E.C.

The two E.C. standards bodies, CEN and CENELEC, will be responsible for drawing up the technical specifications needed for the production of products and their placement on the market.

The directives on safety and other matters of collective concern will be based on Article 100 of the treaties establishing the E.C., and will be designed to ensure both consistency of approach and total harmonization, so that any product placed on the market falling within the scope of the directive will have to conform to its requirements. One of the main purposes of the new approach is to settle at one stroke, with the adoption of a single directive, all the problems concerning regulations for a large number of products, without the need for frequent amendments or adaptations to that directive.

The aim of the new approach, as the Commission sees it, is both to complete the complex process of harmonizing technical legislation and to promote the development and application of European standards—essential conditions for increasing the competitiveness of European industry.

BOOKLET OF BASIC E.C. STATISTICS AVAILABLE

Eurostat has just published its 1984 edition of "Basic Statistics of the Community," containing data up to and including 1983. The pocket-sized volume includes statistical tables as well as color graphs and charts on basic trends in labor, industry, agriculture, external trade and other areas. Available now for $4.50 from the European Community Information Service, 2100 M Street NW, Suite 707, Washington, DC 20037.

E.C. SEEKS EXTENSION OF SEAL SKIN IMPORT BAN

The Commission has adopted a recommendation to the Council that would extend a directive prohibiting the import of skins of certain baby seals and their by-products. Adopted in 1983 for a period of two years, the directive is designed to help stop the slaughter of the seals, which has prompted widespread protest in both the E.C. and the United States. "It is clear," said Commissioner Stanley Clinton-Davis recently, "that the European public will accept nothing less than a continuation of the import ban."

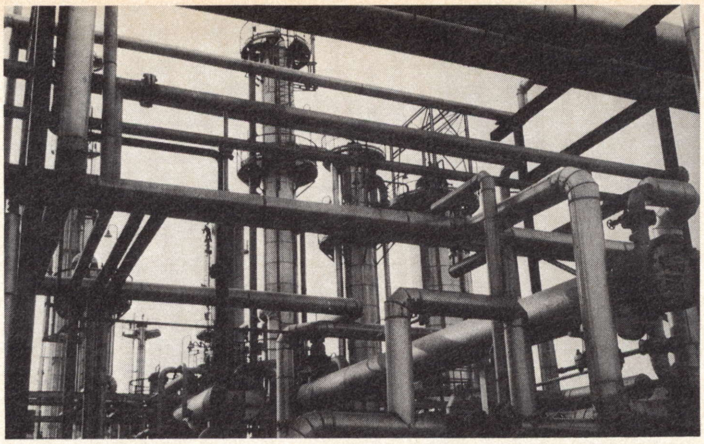
The Commission is proposing an unlimited extension of the ban, which applies to whitecoat pups of harp seals and blueback pups of hooded seals. At the 24th high level meetings between Canada and the Community on June 4, Canada expressed its disappointment that the Commission had recommended extending the ban before the Royal Commission on seal hunting had published its conclusions. The Commission said it would examine the Canadian findings when they were released.

E.C. ENERGY OUTLOOK FOR 1985

The E.C. has just completed its periodic assessment of the Community's short-term energy outlook for the rest of the year, and is anticipating a slower rate of increase in consumption (about 2.6 percent) than in 1984. Overall oil demand in the E.C. seems likely to be close to last year's levels, with possible increases in heating oil (due to the cold weather earlier in the year) and in diesel fuel.

Natural gas demand is expected to increase by about 3.8 percent in 1985, and demand for electricity could grow by 3.6 percent, reflecting increased consumption in both industrial and domestic sectors. Coal demand will be heavily influenced by the response of the market to the ending of the U.K. miners' strike last March, and it remains uncertain how quickly British coal production will be re-established.

The study, included in the new E.C. publication "Energy in Europe," also forecasts a 3-percent rise in nuclear power station output, reflecting the commercial start-up of 14 more nuclear power plants. Average net nuclear capacity will be about 12 GW more than in 1984, and demand for electricity from conventional thermal plants will fall for the sixth consecutive year. Community crude oil production is expected to increase slightly, while natural gas production could fall slightly from last year's level. Net energy imports will thus remain close to 1984 levels, meeting about 43 percent of the Community's energy needs.



Natural gas demand is expected to increase by 3.8 percent in 1985.

"Energy in Europe," to be published three times a year, will regularly include both short- and longer-term forecasts as well as related articles of interest on the Community energy scene. Subscriptions for the publication are available for $8.50 through the European Community Information Service, 2100 M Street NW, Suite 707, Washington, DC 20037.

ECU BONDS SET FOR JAPANESE MARKET

The E.C. has notified the Japanese Ministry of Finance that it intends to carry out a private placement of bonds denominated in European Currency Units (ECU) in the Japanese capital market. The placement is expected to be the first domestic offering of ECU-denominated bonds in the Japanese capital market and the first foreign-currency-denominated issue since 1979.

The opening of the Japanese capital market to ECU-denominated issues represents, the E.C. believes, a significant development in the growth in the international use of the ECU. The Community is also pleased that the ECU is the first currency to be used in this new phase of the liberalization of the Japanese capital markets.

The placement will be of 50 million ECU with a life of 10 years, and will be arranged by the Bank of Tokyo Ltd. and Daina Securities Ltd. The funds collected by the placement will help to finance investments of small- and medium-size enterprises under the New Community Instrument.

E.C. LABOR COSTS FALLING

Unit labor costs in the 10 E.C. countries fell by 7 percent against those of the Community's main trading partners, according to figures recently released by the Commission. The decline, which enhances Europe's competitiveness in world markets with Japan and the United States, is part of a four-year trend which has seen Europe's relative cost position improve by nearly 30 percent.

The improvement is due partly to stronger dollar and yen exchange rates, say E.C. officials, but also to higher productivity brought on by labor cutbacks. The most marked decreases in labor costs last year, aside from those resulting merely from exchange-rate fluctuations, were recorded in the Netherlands, Denmark and the Federal Republic of Germany. The biggest increases were in Italy and Greece. Ireland, France, the United Kingdom and Belgium all registered slight increases.

U.S., E.C. DISCUSS STEEL TRADE

Intensive and wide-ranging talks on U.S.-E.C. steel trade began in June in Brussels, following an agreement allowing the E.C. to ship an additional 100,000 tons of line pipe beyond the quota limit in 1985, for use in the construction of the All American Pipeline.

The 100,000 short tons of pipe will be imported under a "special issue license," rather than under the "short-supply" clause of the Pipe and Tube Arrangement, the application of which has been disputed.

The talks this month, which are scheduled to conclude by mid-July, focus on a U.S. request for E.C. licensing and restraint of exports of so-called "consultation products." Negotiations are also to begin soon on extending and possibly modifying the 1982 U.S.-E.C. steel agreement, which ends this year. Future talks on a possible extension of the current Pipe and Tube Arrangement may also be forthcoming.

E.C. PLANS TALKS WITH CENTRAL AMERICAN STATES

The E.C. Commission approved in May a plan to open negotiations with Costa Rica, Guatemala, Honduras, Nicaragua, El Salvador and Panama on increasing political and economic cooperation over the next five years. The proposal is aimed at helping stabilize the region through increased economic assistance, enhanced trade, progress in regional integration and the development of a political dialogue between Europe and Central America.

The plan grew out of a meeting last September in San José, Costa Rica, between E.C. ministers and representatives of the Contadora Group countries. That conference, described by the participants as the inauguration of "a new structure of political and economic dialogue," reaffirmed E.C. support for the Contadora aims of peace, democracy, security, economic and social development and political stability in Central America. A decision was taken at that time to negotiate a region-to-region framework cooperation agreement. The E.C. has long been a supporter of the Contadora process, and it provided the region with an average of 16.7 percent of the total yearly aid it received between 1979 and 1982.

The Commission's plan, now awaiting final approval from the E.C. Council of Ministers, would grant the Central American states most-favored-nation status in their trade with Europe, and it would give them special concessions on some agricultural and tropical goods. It also provides for increased regional cooperation both within the Contadora Group itself and between the Group and its neighboring states, and the plan would increase substantially E.C. financial aid to the region.

INTEGRATED MEDITERRANEAN PROGRAM

A wide-ranging plan aimed at modernizing crucial economic sectors, creating jobs and enhancing professional training in the Mediterranean areas of the E.C. is starting to take shape, according to a set of proposals recently submitted by the Commission to the Council of Ministers. The aid plan, known as the Integrated Mediterranean Program, was approved at the European Council meeting in March, and involves a total of 6.6 billion ECU ($4.75 billion) in grants and soft loans over a seven-year period.

The regions that will benefit from the plan include the whole of Greece; the Mezzogiorno, Liguria, Umbria and Tuscany in Italy; and the French regions of Corsica, Aquitaine and Midi-Pyrenees. Priority will be given to the most disadvantaged areas of the regions; the cities of Rome, Marseilles and Naples will not directly benefit.

In agriculture, aid will be given to farmers to modernize their holdings and convert to more profitable and economic crops. In fisheries, the plan will assist in the renovation of fishing fleets throughout the region, as well as the modernization of harbor installations and related industries, such as processing and canning.

Various small and medium-sized business will also benefit from the program, and the infrastructure necessary for general economic development and for the tourist industry will be built up. Money will be made available for local industrial zones, communications networks, energy distribution and research facilities. And the development of professional training centers for all sectors, as well as assistance in job placement, will be a priority under the plan.

Up to 70 percent of the financing for each of the projects will be provided by the Commission, which will also be responsible for strict control and assessment of the efficiency and usefulness of the projects.

An EIB loan will help prevent floods in historic Florence.

FLORENCE TO GET ANTI-FLOOD LOAN

The European Investment Bank (EIB) has announced a loan of 21.7 million ECU for projects to prevent the repetition of floods that destroyed many of Florence's historical art treasures in 1966. The major part of the loan will go toward flood protection measures in Florence and Pisa, including the enlargement of an escape channel on the Arno River crossing Florence and the construction of a dam on its tributary, the Sieve.

Other projects included in the overall plan involve building a small hydroelectric station on the Sieve to increase local generating capacity and the development of the sewerage network. The loan to Florence is only part of more than 257 million ECU in EIB loans to Italy, much of which will go to support industrial innovation, rational use of energy and the implementation of advanced technology.

BETTER LINKS URGED FOR E.C. OVERSEAS TERRITORIES

The E.C.'s overseas countries and territories (OCT) must cooperate more closely in a number of areas with the African, Caribbean and Pacific (ACP) states, according to proposals recently submitted to the Council of Ministers by the Commission on the next phase of the association agreement.

The territories concerned include British possessions such as the Falkland Islands, the Cayman Islands and the British Antarctic Territory, as well as New Caledonia and French Polynesia and the Netherlands' Curaçao. Greenland has also become an OCT member since leaving the E.C. proper this year, but is subject to a special regime. In all, the territories involve a total population of over 700,000 people.

The overseas territories have been party to a cooperation regime with the Community since 1981, paralleling the relationship with the ACP states under the Lomé Convention. Last December, the Lomé Convention was renewed for five years; the OCT agreement also ran out at that time, and the new proposals will continue Community aid for 1985-1990.

The strengthening of the relationship between the ACP countries and the OCT regions is the primary aim of the Commission's proposals, especially where members of the two groups enjoy close proximity. Such cooperation, the proposals suggest, could take the form of exchanges of information, teachers and technicians.

U.S., E.C. NEED GATT

Continued from page 13.

meeting in GATT of senior officials which are committed to hold before the end of the summer.

As part of the preparatory process we have referred to the need to address, in parallel, other aspects of the international economic system such as world monetary and finance problems. These are not delaying tactics. The Community is anxious that the underlying economic and monetary fabric of the trading system should not again undo some of the stability and prosperity which the GATT based trade system has unquestionably engendered. I think our anxieties are beginning to be more widely shared by businessmen as well as members of the U.S. Congress and Administration.

There is another aspect of the E.C. Council of Minister's declaration on the new round which is important for setting the scene for the new negotiations. I refer to the need for a standstill on new protectionist measures. The Community has respected its international standstill obligations and we expect our partners to follow suit. In fact, in a small but significant way, we have gone even further by rolling back some old quota restrictions which had been around for several years.

Why does the Community attach so much importance to standstill? Firstly, because to call for a new round in GATT and then with a shrug of the shoulders adopt or seriously consider adoption of a string of protectionist devices ranging from damaging labeling requirements, through "reciprocity" legislation, to an import surcharge, would undermine the credibility of the whole exercise. On the surcharge, I am grateful for the statesmanship which the U.S. Administration has shown in resisting the temptation to consider it as a serious policy option.

But I remain personally seriously concerned about the growing number of our bilateral differences, and more significantly the openly aggressive manner by which the United States seeks to resolve them. As stated very recently by the American Chambers of Commerce in Europe "it looks as if the ocean between us is every year getting deeper and wider."

On the question of our tariff preferences on citrus which we grant to our Mediterranean partners, the U.S. position seems to overlook the essential political realities. Our Mediterranean partners which benefit are developing countries and our preferential arrangements are part of a wider framework designed to assist them in the development process, and contribute thereby to political stability in such a strategically sensitive part of the world. Surely, these are objectives which the United States shares. Does the alleged trade effect on California and Florida interests justify such intransigence and even the much publicized threat of retaliation against the Community? And what would be the basis for any such unilateral retaliation in international law?

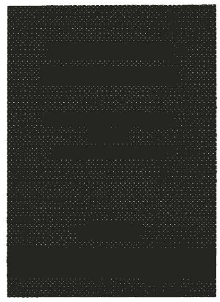
All this arises because the Community has done what the United States itself has just done through the Caribbean Basin Initiative. Is there no parallel between the U.S. initiative in the Caribbean Basin, and the E.C. effort in the Mediterranean Basin? I hope that with time and goodwill on both sides we can put the problem into its true and wider perspective.

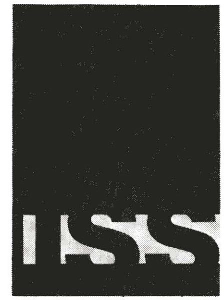
And, most recently, the United States has announced a new export incentive scheme in the agricultural sector, the Export Enhancement Program, which would be "targeted to markets identified as those taken over by competing nations with the use of unfair trade practices." We regret the way in which the new scheme has been presented as being targeted against the Community. We are looking at it very carefully to see whether it is in compliance with the international obligations of the United States. But already I can say that we reject any implication of our having used unfair trade practices. Our exports refunds are consistent with GATT rules. Is it an example of that eye-for-an-eye philosophy I referred to earlier? If so, I do not think that is it conducive to promoting the spirit of dialogue which we need if we are to promote an improvement in the GATT system.

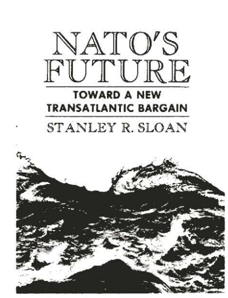
In conclusion, the Community and the United States need to contain protectionism; we need conciliation, not confrontation; we need dialogue, not dispute. As I said above, there is much more at stake here than trade. The part we play in the functioning of the open trade system, and more generally in a stable and peaceful world, places special responsibilities on our shoulders. It makes it a compelling duty for us to find ways to manage and resolve peacefully the unavoidable differences which arise between us. If we were to let these disputes degenerate, it would be a tragic failure to live up to our responsibilities.

For my part, I remain confident in my belief that our two societies, with their shared values of freedom, respect for the individual and dialogue, have far more to unite, than to divide them. Against this background, I have no doubt that we are both able and willing to overcome problems, and that dialogue and cooperation will prevail. €

BOOKS IN REVIEW







The European Missiles Crisis: Nuclear Weapons and Security Policy. Edited by Hans-Henrik Holm and Nikolaj Petersen. St. Martin's Press, 274 pp. $27.50

Arms Control and European Security. Edited by Jonathan Alford. St. Martin's Press for the International Institute for Strategic Studies, 148 pp. $22.50.

Nuclear Weapons and European Security. Edited by Robert Nurick. St. Martin's Press for the International Institute for Strategic Studies, 142 pp. $22.50.

European Defence Cooperation. By Trevor Taylor. Routledge & Kegan Paul for the Royal Institute of International Affairs, 98 pp. $10.00.

Defense and Consensus: Domestic Aspects of Western Security. Edited by Christoph Bertram. St. Martin's Press, 136 pp. $25.00.

NATO's Future: Toward a New Transatlantic Bargain. By Stanley R. Sloan. National Defense University Press, 244 pp, $ 6.50.

JAMES DAVID SPELLMAN

In December 1979, the North Atlantic Treaty Organization (NATO) decided to counter the increasing threat posed by new Soviet nuclear weapons, the SS20s, arrayed against Western Europe. NATO would begin deploying 108 Pershing II missiles and 464 ground-launched cruise missiles while attempting to negotiate with Moscow restraints on such theater forces within the framework of the Strategic Arms Limitation Treaty (SALT).

Forging a Western alliance strategy to meet the Soviet challenge affected Europe's role in the U.S.-Soviet strategic balance, the cohesion of NATO, and Europe-Soviet ties. Domestic political opposition emerged, such as the "Greens," in Europe. The promise and limitation of achieving European arms control was debated anew. Analyzing and assessing the impact of the "double-track" decision is pursued with varying degrees of success by the books reviewed.

Comprehensive with solid analysis, **The European Missiles Crisis** is a collection of scholarly essays by mostly Danish experts. This survey retraces the events culminating in the double-track decision, outlines the intermediate nuclear force (INF) policies of the United States and the Soviet Union and explores past attempts to limit European theater forces—for example, the Mutual Balanced Force Reduction (MBFR) talks in Vienna in the 1970s. A view of NATO's nuclear defense strategy from the Federal Republic of Germany and an inquiry into the political unity among NATO members conclude the book.

Much of the discussion centers around the reasons why the solidarity of Western allies was undermined by NATO's move. One source of contention was the different ways in which European nations saw the SS20 deployment as representing the Kremlin's failure to demonstrate restraint in the arms race. Some governments and publics were more married to détente than others. This translated into differences in objectives for arms control talks. Some wanted the missiles and no accord. Others sought missiles and an agreement. Still others pressed for disarmament and no missiles.

Unity also was obstructed, in one contributor's view, by the widespread "fear of nuclear war" and "the absence of a long-term strategy for East-West relations." Despite the stress on equal burden sharing, NATO's deployment scheme inflicted more pain on the United Kingdom, the Netherlands and the Federal Republic of Germany than it did on other members.

Two collections of essays published by the International Institute for Strategic Studies (IISS) in London pursue similar questions. The first, **Arms Control and European Security**, gives us an account of Europe's past experience in controlling theater and strategic forces; Germany's unique, central role in the INF debate; and the inextricable links between European arms-control issues and the superpowers' strategic balance.

Theodor H. Winkler's essay is one of two that stand out. Arms control, he argues, is in a "serious crisis which is likely to continue." Negotiations to resolve the European issue follow the general trends in arms-control talks, becoming "more protracted" and "more multilateral." Further, "propaganda tends to threaten the place of serious negotiations."

A solution must start from within NATO, in Winkler's view. By creating a permanent body to oversee and coordinate strategic limitation talks while building a consensus among leaders and the electorate, "the risks of an inherently unstable East-West relationship" could be contained.

The second essay is by Lawrence Freedman, one of Europe's preeminent strategic thinkers. TNF negotiations must be pursued within the SALT framework since Europe's strategic balance cannot be neatly separated from the U.S.-Soviet balance and independently negotiated. Even if the negotiations were separate they would be seen inevitably as linked. Joint talks would also compel the Americans to expend some "negotiating capital" on TNF issues as part of an overarching accord. That would tangibly reinforce the United States's commitment to Europe.

Nuclear Weapons and European Security confronts the central dilemma —the credibility of America's pledge to risk nuclear attacks in its own cities to deter Soviet destruction of European cities. The problems with this "extended deterrence" stem less from the relative capabilities of the U.S. nuclear-weapons arsenal, in contributor Anthony Cordesman's view, than from Soviet perceptions about NATO in two respects.

First, NATO is seen as ineffective in managing such internal conflicts as TNF. Second, in the Soviet perception that "NATO currently has a mix of forces whose vulnerability and limited command-and-control capabilities have sufficient first-strike characteristics to create a strong Soviet incentive to launch large-scale disability strikes in an initial attack, or to preempt at the first rough indications that NATO may be bringing its forces to readiness."

Cordesman concludes by laying out several "low-cost" steps that NATO could follow to bolster trust in America's nuclear umbrella protection over Western Europe. First, strategic planners should reject outright the United States's strategic superiority and accept its parity with Moscow's arsenal. Second, intelligence assessment and command/control capabilities should be strengthened. Third, U.S. support, such as satellites to conduct middle-or long-range strikes against Soviet missiles aimed at Western Europe, should be improved. Fourth, the vulnerability of TNF should be reduced, perhaps by moving Pershing II missiles frequently to disrupt Soviet targeting.

The contribution to the debate from The Royal Institute of International Affairs, **European Defence Cooperation**, looks at the post World War II history of Europe's collective decision-making. Given this experience, author Trevor Taylor surveys the path for Europe to establish a more parochial defense policy less dependent on U.S. weapon systems.

Taylor pinpoints five obstacles that block Europe's ability to form a common nuclear defense front. Military issues are more difficult to negotiate than economic ones. Building a European defense policy that is somewhat estranged from the United States could be seen as anti-American and generate new strains in trans-Atlantic relations. There is limited domestic political appeal for efforts to develop a European response to the "balance of terror." Finally, policy-making institutions are inadequate for coalescing European countries.

Two factors, in Taylor's view, should encourage cooperation. "First, Europeans need to reassure their publics that NATO is not driven by American initiatives and dominated by American policy. Second, in order to balance the sheer weight of analytical resources that the United States can muster for the solution of any problem," Europe needs to combine its intellectual expertise and fund research to develop European perspectives on strategic issues.

One of the most difficult barriers that European defense ministries face is the deeply entrenched and new domestic political resistance symbolized by the U.S. military base at Greenham Common, England and the human-chain demonstration there. **Defense and Consensus**, a collection of papers presented at the IISS International Institute's 1982 annual conference, delves into how public opinion emerges and shapes NATO's agenda.

Adam Roberts offers a superb essay that distills out the main elements of the prevailing critique of an international order built on nuclear deterrence. The mutual assured destruction doctrine, so-called MAD, is losing faith as an alternative, "counter-force doctrine"—meaning limited nuclear defense attacks to match in kind the offensive strikes—gains supporters. This evolution in strategic thinking is viewed in the critique as increasing the possibility of fighting a limited nuclear war. Another source of despair is the lack of real, enduring progress in arms talks. "The limited nature of the achievements of arms control so far, and its failure to improve East-West relations in a lasting way, add to the sense that arms control has delivered rather less than was once hoped for."

What strikes one in reflection is the richness and diversity of European voices in the debate about the region's future in the strategic balance. Such evidence suggests progress in the gradual evolution of European defense strategy. But the arguments and analyses advanced have been quickly dated by the rapid ascent of "Star Wars" research and development in the United States.

In **NATO's Future**, Stanley R. Sloan argues that the moorings upon which NATO was built have been buffeted by rapid shifts in Europe's economic and strategic posture. The original bargain—the United States would guarantee Europe's defense against the Warsaw Pact in exchange for Europe's unbridled commitment to promote internal stability and support Washington's initiatives—has inevitably become dated. France's emergence as an independent participant under former President Charles de Gaulle; the deployment of a complex, large array of nuclear weapons in Europe; the Federal Republic of Germany's rise to dominate the Continent's economy; and the United Kingdom's increased involvement in European affairs—all have generated new strains that affect NATO's ability to make defense policy, Sloan maintains.

With these changes have persisted the old, intransigent issues. Americans still question whether their burden is excessive and Europe's inadequate. The Atlantic community is still divided over how to counter the Warsaw Pact's threat and cooperate with the Soviet Union on arms control, trade and other issues.

Sloan concludes with an outline of a new arrangement NATO should iron out. "The new bargain must bring greater European responsibility and leadership to the deal; it must ensure continued American involvement in European defense while at the same time construct a new European pillar inside, not outside, the broad framework of the Western alliance." €

James David Spellman is press secretary to Rep. Les Aspin (D-Wisc.).

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.*

Le droit de la Communaute economique europeenne. Vol. 10: La Cour de Justice; Les Actes des Institutions. By M. Waelbroeck et al. Editions de l'Université de Bruxelles, Brussels, 1984. 1017 pages. BF 2,845, paper.

An examination of E.C. law, as created by the Court of Justice (E.C.), the Council of Ministers and the E.C. Commission. Describes the court's organization, powers and procedures, and attempts to evaluate its role in the scheme of E.C. law. Chapters on the acts of the other E.C. institutions include an analysis of Articles 189-192 of the EEC Treaty and a discussion of direct effect, primacy, the division of powers and the implementation of E.C. law by the member states.

Prohibiting Trade Restrictions within the EEC: The Theory and Application of Articles 30-36 of the EEC Treaty. By Laurence W. Gormley. North-Holland Publishing Co., Amsterdam, 1985. 458 pp. $55.50. Available in USA/Canada from Elsevier Science Publishing Co., P.O. Box 1663 Grand Central Station, New York, NY 10163.

A survey of E.C. law on quantitative restrictions on imports and exports and measures having equivalent effect, as developed by the E.C. Court of Justice. A case-based study involving an analysis of the judgments delivered to date and an examination of the central place of Articles 30-36 in the structure of the EEC Treaty.

Foreign Direct Investment in Developing Countries. *Occasional Paper No. 33.* International Monetary Fund, Washington, D.C., 1985. 44 pp. $7.50, paper.

Examines the causes and consequences of the decline in the relative importance of direct and portfolio equity investment in developing countries since the early 1970s. Among topics discussed are the role of foreign direct investment in development and adjustment, recent trends in the size and composition of foreign private investments, foreign investment policies of host developing countries and capital-exporting countries and future prospects for and policies toward investment.

Reflections on a Troubled World Economy. Edited by Fritz Machlup et al. St. Martin's Press, New York, 1983. 381 pp. $32.50.

Written in honor of economist Herbert Giersch, this series of essays focuses on the sources of growing difficulties in domestic economies and in the international system of trade and payments. Topics include the limits of coordinating national macroeconomic policies, strengths and weaknesses of the E.C. and exchange-rate intervention. Considers also supply-side policies, industrial policies and development strategies.

British Politics in Perspective. Edited by R.L. Borthwick and J.E. Spence. St. Martin's Press, New York, 1984. 235 pp. $27.50

A collection of essays which analyzes recent changes in the British political system and the capability of the system to cope with future challenges. Includes coverage of the electoral system, the Parliament, political parties, interest groups and the Prime Minister and Cabinet. Also considers relations with the E.C., control of public expenditure and the role of foreign policy.

World Economic Outlook April 1985: A Survey by the Staff of the International Monetary Fund. International Monetary Fund, Washington, D.C., 1985. 283 pp. $12.00, paper.

An annual report which surveys prospects for the performance of the global economy. Considers the current situation, short-term prospects and medium-term scenarios for fiscal, monetary and structural policies of the industrial countries and debt, adjustment and growth in the developing countries. Contains statistical appendix.

Agenda for the Commission of the European Communities. The Common Market: An Agenda for Jobs and Economic Growth. By the Institute of Directors, London, 1985. 44 pp. £4.95, paper.

Sets forth a list of priorities for the new E.C. Commission. Based on the premise that the E.C. should contribute to economic recovery as rapidly as possible without incurring additional public expenditure, the agenda's four main themes are consolidation of the internal market, opposition to irrelevant but potentially damaging proposals for social engineering, the need for stronger control on Community expenditure and the need to free trade as much as possible between the E.C. and the rest of the world.

European Decolonization 1918-1981: An Introductory Survey. By R.F. Holland. St. Martin's Press, New York, 1985. 321 pp. $29.95

Through a series of case studies, attempts to identify factors that influenced the 20th-century decline of the European colonial empires. Focusing primarily on the British Empire, also considers developments in the French, Belgian, Dutch and Portuguese dependencies. Chronologically arranged sections look at sources of weakness in the European empires between 1918 and 1939, at the impact of World War II and its aftermath, at the decolonization movements of the 1950s and 1960s and at the subsequent change in relations between industrialized and developing nations.

The Federal Republic of Germany and the United States: Changing Political, Social and Economic Relations. Edited by James A. Cooney, et al. Westview Press, Boulder, 1984. 253 pp. $22.00, paper.

A volume of papers examining the contemporary and historical dimensions of relations between the United States and the Federal Republic of Germany, focusing on the complex economic issues that make the two countries interdependent and on the resulting policy implications. Contributors analyze the reasons for increasingly problematic relations, arguing that the situation is exacerbated by the inadequate understanding Americans often have of the changing nature of society, politics and culture in Germany.

International Acronyms, Initialisms, and Abbreviations Dictionary, Vol. 1, 1st edition. Edited by Ellen T. Crowley and Helen E. Sheppard. Gale Research Co., Detroit, 1985. 730 pp. $140.00

An alphabetical listing of over 90,000 non-English acronyms. Includes abbreviations for military terms, political parties, trade and commerce terminology, labor unions, government units and others. Also contains commonly abbreviated words in approximately 24 languages. Each entry provides the foreign abbreviation, its expansion in the foreign language, an English translation, where possible, and an identification of the language or country of origin.

Europe: the Case for Unsustainable Growth. *CEPS Papers No. 8/9.* By R. Layard et al. Centre for European Policy Studies, Brussels, 1984. 71 pp. BF 200, paper.

Calls for a reduction in European unemployment through a temporary fiscal expansion in the European economy which exceeds a sustainable long-run growth rate. Explores three possible impediments to reflation: real resource constraints, financial constraints, and limitations arising from lack of economic policy coordination between the member states of the E.C. Includes both a section with commentaries on the report and a statistical annex.

An Atlas of EEC Affairs. By Ray Hudson. Methuen & Co. Ltd., London, 1984. 168 pp. £14.95 hardcover, £6.50, paper.

Designed to serve as an introductory text on the E.C., begins with a synopsis of the E.C.'s history, organizational structure, powers and major policies. Includes chapters on recent trends in population, employment and unemployment; in economic peformance and resources; and in social conditions. Also identifies issues that will continue to challenge the E.C. during the remainder of the 20th century: specifically, deindustrialization, mass unemployment, energy needs, budgetary shortages and the enlargement of the E.C. to include Spain and Portugal. Maps, figures, and tables.

The Federalist: A Political Review. Edited by Mario Albertini. EDIF, Pavia, Italy. Subscription price: $20 in the E.C.; $30 elsewhere.

A journal founded in 1959 by members of the Movimiento Federalista Europeo. Philosophically based on the rejection of any exclusive concept of the nation and on the hypothesis that a supranational era of history has begun, seeks to discuss theoretical and practical issues regarding federalism. Formerly published only in Italian, it is now available in an English edition. Three issues per year.

Evolution of the European Idea 1914-1932. By Carl H. Pegg. University of North Carolina, Chapel Hill, 1983. 228 pp. $28.00.

Argues that the ideological foundation of the E.C. was laid during World War I and its immediate aftermath. Demonstrates that the notion of a European federation was debated extensively during the 1920s and summarizes the thinking of writers, politicians and industrialists active in this debate, including Anatole France, Thomas Mann, Jules Romains, Charles Gide, Emil Mayrisch, Louis Loucheur, Hermann Bucher, Edouard Herriot and Richard Heilner.

State of the World 1985: A Worldwatch Institute Report on Progress Toward a Sustainable Society. Edited by Linda Starke. W.W. Norton & Co., New York, 1985. 301 pp. $8.95, paper.

Second annual report from the Worldwatch Institute on how changes in the earth's natural systems and resources affect the global economy. Evaluates progress in the management of resources such as water, soil, forests, fisheries and energy sources. Specific issues addressed include reducing world hunger, protecting forests from acid-rain pollution, conserving biological diversity and halting population growth.

The Reconstruction of Western Europe 1945-51. By Alan S. Milward. Methuen & Co. Ltd., London 1984. 527 pp.

An analysis of the economic and political nature of Western Europe's recovery from World War II. Attempts to explain how Europe's postwar economic boom began, why it was not stopped by government action in 1947 and why it continued in unpropitious circumstances in 1949. Makes suggestions about how the economic boom changed in nature from 1949 onward. Based in part on recently released archival sources from six countries, argues that the success of Western Europe's reconstruction came from the creation of a unique European pattern of institutionalized, international economic interdependence.

Europe and the Superpowers: Political, Economic, and Military Policies in the 1980s. Edited by Steven Bethlen and Ivan Volgyes. Westview Press, Boulder, 1985. 164 pp. $20.00, paper.

A collection of papers assessing the current political, economic and military dimensions of Europe's international relations. Considers the prospects for change, focusing on the role of the North Atlantic Treaty Organization (NATO) and the Warsaw Pact, Soviet conceptions of the future of Europe, U.S. goals concerning the maintenance of NATO and Europe's assessment of its own interests and objectives. Concludes by addressing the impact of Soviet and East European domestic developments on present and future East-West relations.

Europe and the World. The Hudson Institute, Indianapolis, 1985. 70 pp., paper. Available free.

An assessment of Europe's economic and political future which concludes that cautious optimism about both the Atlantic alliance and Europe's economic future is much more justified than a pessimistic view.

THE COMMUNITY BOOKSHELF

To order these publications, please check the desired items and fill out the order form.

☐ **The European Community and the Third World.** *European File No. 9/85, Commission, Brussels, May 1985, 11 pages.* Free

☐ **The European Internal Market.** *European File No. 8/85, Commission, Brussels, April 1985, 11 pages.* Free

☐ **European Regional Policy.** *European File No. 7/85, Commission, Brussels, April 1985, 11 pages.* Free

☐ **The Community and Transport Policy.** *European File No. 10/85, Commission, Brussels, May 1985, 11 pages.* Free

☐ **Court of Auditors of the European Communities.** *Court of Auditors, Luxembourg, November 1984, 24 pages.* Describes the organization and functions of the Court of Auditors. Free

☐ **The European Community's Fishery Policy.** *European Documentation No. 1/85, Commission, Brussels, 1985, 77 pages.* Free

☐ **The European Community's Research Policy.** *European Documentation No. 2/85, Commission, Brussels, 1985, 41 pages.* Free

☐ **Public Opinion in the European Community.** *Euro-barometre No. 22, Commission, Brussels, December 1984, 221 pages.* Results of the opinion survey conducted in October/November 1984. Free

☐ **European Investment Bank.** *European Investment Bank, Luxembourg, January 1985, six-panel leaflet.* Free

☐ **The EEC's Trade Relations With the Developing Countries.** *Europe Information Development, Commission, Brussels, 1985, 61 pages.* Free

☐ **Tourism.** *Economic and Social Committee, Brussels, 1984, 59 pages.* Opinion and report adopted by the Committee in June 1983. Free

☐ **Consumer Redress.** *Bulletin of the European Communities Supplement No. 2/85, Commission, Brussels, 1985, 43 pages.* Commission memorandum to the Council of January 4, 1985. Free

☐ **Programme of the Commission for 1985.** *Bulletin of the European Communities Supplement No. 4/85, Commission, Brussels, 1985, 61 pages.* Statement by Jacques Delors, President of the Commission, to the European Parliament, Strasbourg, March 12, 1985. Free

☐ **The European Monetary System.** *European Perspectives, Commission, Brussels, 1985, 145 pages.* Study by Jacques van Ypersele on the mechanisms and economic significance of the EMS, as well as its first results and its prospects. $4.50

☐ **Fourteenth Report on Competition Policy.** *Commission, Brussels, 1985, 248 pages.* Overview of antitrust policy developments in 1984. Reviews decisions affecting companies, state aids and state monopolies. Reports on the development of concentration, competition and competitiveness in Community industries. $9.00

☐ **The European Consumer Electronics Industry.** *Commission, Brussels, 1985, 242 pages.* Study of the structure of the industry and market for color televisions, video recorders, audio and other consumer electronic products. Gives general information and data on the major manufacturers. $13.00

☐ **The Community's Pharmaceutical Industry.** *Commission, Brussels, 1985, 170 pages.* Study on the structure of the drug industry and the market for pharmaceuticals in the Community. Investigates the degree of concentration and extent of competition. $9.00

☐ **European Women in Paid Employment 1984.** *Commission, Brussels, 1984, 120 pages.* Opinion survey conducted in early 1984 on women's perception of discrimination at work. $8.00

☐ **The Insurance Industry in the Countries of the EEC—Structure, Conduct and Performance .** *Commission, Brussels, 1985, 240 pages.* Study on the regulatory environment, growth of insurance markets, structure of the industry, competition, profitability and transnational operations. $13.00

☐ **The Tourism Sector in the Community.** *Commission, Brussels, 1984, 184 pages.* Examines the economic significance of tourism in the E.C., the structure of the industry and suppliers of tourist services and the degree of competition in the industry. $10.00

☐ **Rules of Procedure.** *European Parliament, Luxembourg, 1984, 3rd edition, 109 pages* $4.00

☐ **University Research on European Integration No. 13.** *Commission, Brussels, 1985, 457 pages.* Register of doctorate theses and other studies on European integration completed since 1980 or in progress. $14.00

☐ **Concentration, Competition and Competitiveness in the Beverages Industries of the European Community.** *Commission, Brussels, 1984, 140 pages.* Study on the changes in the structure of the beverage industry from 1970 to 1980. $9.00

☐ **The Textile Machinery Industry in the EEC.** *Commission, Brussels, 1984, 101 pages.* Study on the development of concentration competition, and competitiveness in the textile machinery industry from 1975 to 1980. $7.00

☐ **The Regions of Europe: Second Periodic Report.** *Commission, Brussels, 1984, 270 pages.* Report on the social and economic situation in the regions of the EC. $15.00

☐ **Efforts to Equalize Opportunities for Young Women.** *Commission, Brussels, 1984, 154 pages.* Case studies of vocational training programs in the Federal Republic of Germany and the United Kingdom and the impact of new technologies on training. $10.00

☐ **Continuing Training as a Means of Preventing Unemployment.** *European Centre for the Development of Vocational Training, Berlin, 1984, 317 pages.* $7.00

☐ **Basic Statistics of the Community 1983-1984.** *Statistical Office, Luxembourg, 1985, 289 pages.* 22nd edition. Statistics on the E.C. economy, demography, industry, agriculture, trade and living standards, with a comparison to other European countries, the United States, Canada, Japan, and the Soviet Union. $4.50

☐ **Energy Statistics Yearbook 1983.** *Statistical Office, Luxembourg, 1985, 184 pages.* $12.00

☐ **Structure and Activity of Industry: Annual Inquiry—Main Results 1980/1981.** *Statistical Office, Luxembourg, 1984, 279 pages.* $15.00

☐ **Analysis of E.C.-Latin America Trade: Recent Trends.** *Statistical Office, Luxembourg, 1985, 99 pages.* Analysis and data on E.C.-10, Spain, Portugal and U.S. trade with Latin America. $4.50

☐ **E.C. Raw Materials Balance Sheets 1979-1982.** *Statistical Office, Luxembourg, 1985, 238 pages.* $9.00

☐ **Current International Thinking and Objectives for the Revision of the Systems of National Accounts.** *Studies of National Accounts No. 7, Statistical Office, Luxembourg, 1985, 73 pages.* Paper by Piero Erba presented at a conference in Sorrento, April 11-13, 1984. $2.00

☐ **Comparison of Price Levels and Economic Aggregates: The Results for 15 African Countries—1980.** *Statistical Office, Luxembourg, 1985, 223 pages.* Comparison of price figures for household consumption, government spending and investment and gross domestic product. $16.00

☐ **Recent Development in the Analysis of Large-Scale Data Sets.** *Statistical office, Luxembourg, 1985, 323 pages.* Papers presented at a symposium held in Luxembourg, November 1983, focusing on new methods of data analysis. $9.00

☐ **Structure of Earnings—Principal Results 1978/79: Vol. 6, Nederland.** *Statistical Office, Luxembourg, 1985, 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

☐ **Geothermal Energy R & D Programme.** *EUR 8832, Commission, Luxembourg, 1984, 12 pages.* List of R & D contracts for the second research program on geothermal energy, giving contract titles, the scientist and firm responsible. $3.00

☐ **An Experimental Study of Factors in the Recovery of Plutonium from Combustible Wastes Treated by Incineration, Pyrolysis and Other Processes.** *EUR 9302, Commission Luxembourg, 1984, 171 pages.* $10.00

☐ **Subcontracting Terminology: Plastics and Rubber Sector.** *Commission, Brussels, 1984, 465 pages.* English/Danish/German/Greek/French/Italian/Dutch/Spanish/Portuguese/ glossary for the plastics and rubber industry. $13.00

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 ________

TOWARD EUROPEAN UNION

The Community is about to embark—on the basis of a report furnished by a specially-appointed committee of personal representatives of the 10 Heads of State or Government chaired by the leader of my party in the Irish Senate, Professor Dooge—upon a close scrutiny of the current functioning and the possible future development of the E.C. institutions. This, we hope, will in turn provide a blueprint for a systematic advance toward a more comprehensive and coherent European Union, creating a Community which could contribute more effectively to peace and stability throughout the world.

Let me identify some of the factors which I believe are essential to progress. There is a reality which I believe is sometimes ignored by those seeking to "build" Europe. As an economist, I am perhaps more conscious than most of the economic basis of political power. I know that full-blown federations, or even looser confederations of nations, require for their cement a certain minimum level of common financial resources at the center, without which the centrifugal forces of the components cannot be prevented from weakening the cohesion of the union.

I would have had no hesitation at all in saying that to try to build any kind of serious political/economic structure on the present foundation of sharing together something like 1 to 1.5 percent of the GNP of the component E.C. member states is to attempt a self-evident absurdity. There is no possibility of securing a common direction of economic policy in the interests of all inhabitants of an area if virtually 99 percent of the resources are held back to be disposed of at local—which in the case of the present Community means national—level.

This leads me to another economic issue, viz. the failure to face the broader reality of the economic potentialities of a Community of 272 million—soon to be 320 million—people, acting as a single economic unit, with an immense network of trade and financial relationships with the rest of the world, especially, of course, if it had a single currency. Within such a single market, there would be obvious opportunities for concerted conjunctural policies designed to moderate the effects of recessions and, at an appropriate moment, to stimulate non-inflationary growth.

These opportunities are still in practice ignored in favor of the pursuit by individual member countries of national policies influenced in some instances by ideological views of economic policy which hinder an objective appreciation of the course of common action that would, I feel, be most beneficial.

The Community, especially if real progress were made in the monetary field, could, acting as a unit, exercise the kind of power over its own economic future that the United States has the capacity to exercise, even if we may at times question the wisdom of the manner in which the United States has, in fact, utilized this power!

Any union of the kind we are trying to build in Europe must be founded on a widely perceived sense among the people of the union of a common interest, transcending their separate local and national interests. It is this sense of a common interest that binds nations together against the pressures of regionalism and localism which constantly tend in a greater or smaller degree to pull them apart.

I do not believe that any of the large E.C. member states have yet fully come to terms psychologically with the reality of a world in which there are only two superpowers in economic terms, the United States and Japan, and that attempts to compete on an equal basis in the economic sphere with these superpowers by independent, individual, national action are quite simply bound to fail.

Let me turn to another aspect of the European exercise. In the world of foreign policy, the influence of Europe could be enormously enhanced—and, I believe, be enhanced in a manner that would be beneficial to the world at large—if we developed still further the process of political cooperation, building on the ever-expanding common elements of our perception of the world outside Europe.

As I read accounts of the discussions between officials and between ministers which take place week by week in the context of European Political Cooperation (EPC), I continue to be struck by the extent to which there has developed over the years a common European viewpoint on so many issues. This viewpoint is clearly differentiated from that of the superpowers or other political blocs—although one that is naturally a good deal closer on many issues to that of the United States than to that of the Soviet Union, I hasten to add.

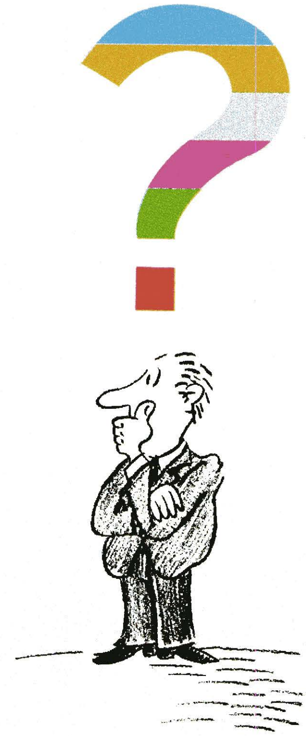
Of course, this does not mean that there are not, on particular issues, differences of emphasis between member states, nor does it mean that, even when there is a common view, there is an equal willingness on the part of all to express it publicly. But a European identity is, in fact, being forged, in part at least through the process of EPC, and is being forged successfully because it is not being forced upon the participations by any procedural constraint, but is emerging by a genuine process of growing consensus.

Upon all of this work that has been done within the Community in economic integration—albeit with the qualifications I have mentioned—and in EPC, it is now time to build. I believe the moment is ripe to do so. Most of the smaller countries of the Community are ready and willing to move forward. Having reached the end of a period of introverted, internecine arguments about the pitifully small domestic E.C. budget, and about the conditions for enlarging the E.C. to include Spain and Portugal, the governments of larger countries as well as the smaller ones are becoming free to turn their minds to the question of where we go from here.

Chancellor Helmut Kohl and President François Mitterrand are giving, by their evident conviction and determination to make a leap forward toward European Union, inspiration to the rest of us. Prime Minister Bettino Craxi speaks for Italy, which has always favored the further development of the E.C. And from Britain too, now that the quarrel over its budgetary rebates has come to an end, there have emerged constructive suggestions as to how Europe should move on from here. €

Dr. Garret FitzGerald is Prime Minister of Ireland.

UNDERSTAND EUROPE



THE PUBLICATIONS OF

eurostat

Information:

eurostat

Press and Information Office of
the European Communities
Europe Magazine
Dept. e
2100 m street nw
(suite) n° 707
Washington dc 20037

FREE GIFT With Your Order

With BERLITZ®... It Takes Less Time Than You Think to Learn a Foreign Language.

Try The BERLITZ® Learn-At-Home Language Program for 10 Days... *RISK-FREE.*

Available in Spanish, French, German, and Italian Programs

The ease and effectiveness of this learn-at-home program should come as no surprise. It has been developed by the experts at BERLITZ, a name synonymous with excellence in language instruction.

Begin with the famous Berlitz ZERO™ exercises, so named because they start you "from zero" in your new language. You learn the same way you learned English, by listening and absorbing the language as it is used in everyday settings ... then repeating what you hear. In a short while, you'll even be thinking in your new language.

Perhaps you want to learn a foreign language to help yourself in your business career, or simply to get more enjoyment out of foreign travel. Whatever your reasons, you'll find the Berlitz Learn-At-Home program to be a fast, fun, and effortless way to learn the language of your choice.

If your company is not reimbursing you for this course, it is tax deductible if used for business purposes.

The program, which comes in a handsome briefcase, contains:

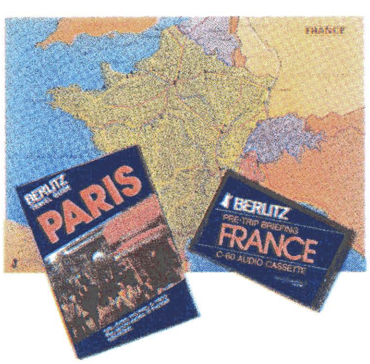
- The 10-lesson, 90-minute ZERO cassette to familiarize you with the spoken language. You begin speaking immediately.
- Forty additional lessons on five 60-minute cassettes to put your growing command of the language to work in a variety of real-life situations.
- Six illustrated workbooks to visually reinforce what you're hearing and explain the usage of the language you're learning.
- A pocket-size two-way dictionary that makes word-finding a snap — whether it's finding the English meaning of a foreign word or vice versa.
- The Berlitz Rotary Verb Finder that lets you instantly change any of four dozen common verbs into present, past or future tense.

FREE!

A Berlitz Travel Kit

(to the country of your choice)

These unique new travel kits help you get the most out of every day of your trip. Each country kit contains: a 60-minute cassette of practical travel tips to give you a sneak preview of the country, a color travel guide to the country's major city, and a route-planning travel map. The kit is yours to keep, even if you return the course. (A $14.95 value)



Choose from:

France
Spain
Mexico
Germany
Italy
Switzerland
Great Britain

Berlitz Money Back Guarantee

Try the Berlitz Learn-At-Home program for ten days. If you are not satisfied for any reason, simply return it and receive a complete refund.

For your convenience on credit card orders dial toll-free

1-800-431-9003
and refer to Dept. 2092
24 hours a day, 7 days a week.

BERLITZ PUBLICATIONS, Inc. Dept. 2092
P.O. BOX 506 Delran, NJ 08370-0506

Send **Berlitz Comprehensive Cassette Course(s)** checked.
$135.00 each in briefcase plus $5 for shipping and insured delivery.

☐ **French** 96100 ☐ **German** 96101 ☐ **Italian** 96102 ☐ **Spanish** 96103

☐ Send me my FREE Berlitz Travel Kit (check one)
☐ France 86474 ☐ Spain 86472 ☐ Mexico 86471 ☐ Germany 86478
☐ Italy 86476 ☐ Switzerland 86475 ☐ Great Britain 86473

Enclosed check________ money order________ payable to Berlitz.
Or charge my AMEX________ Diners Club________ VISA________
MasterCard InterBank #________ Exp. Date________
Card #________ Exp. Date________
Name________
Address________
City________ State________ Zip________

N.Y. and N.J. residents add sales tax. Allow 2 to 3 weeks for delivery