

EUROPE



GIOTTO: HEADING FOR HALLEY'S COMET

**U.S. TRADE CHIEF
WALKS A TIGHTROPE**

**E.C. BOOSTS TIES
TO LATIN AMERICA**

**LOBBYING THE E.C.:
A COMPLEX PROCESS**

**U.S., E.C. COMPETE
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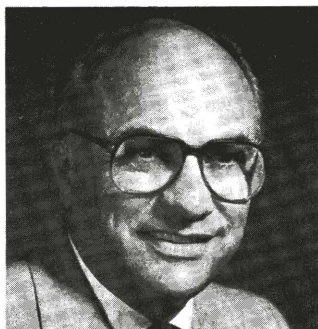


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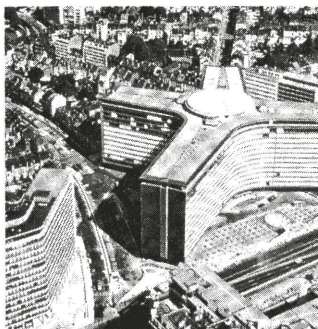


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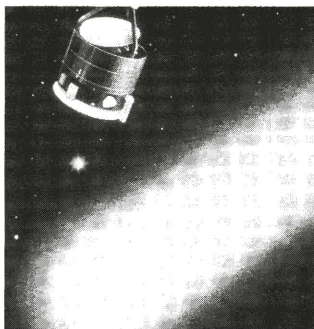
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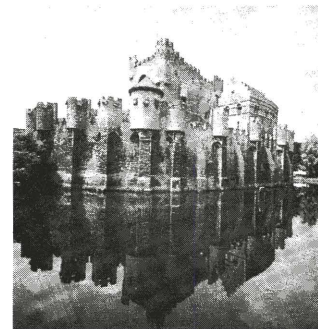
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PUBLISHER'S LETTER

At about the same time this issue of *Europe* hits the newsstands, people everywhere will be searching intently in the night sky for their first glimpse of the return of Halley's comet. It is an event full of mystery and wonder, a once-in-a-lifetime experience—and one that is being eagerly awaited by the scientific community for its promise of new insights into the workings of the universe. A huge international effort spearheaded by the European Space Agency is now underway to approach and explore the comet, and early next March the European spacecraft Giotto will sweep past Halley and send back the closest and most detailed photographs man has ever seen—or will see for another 76 years. This extraordinary project is the subject of this issue's cover story, by David Dickson of *Science* '85.

Closer to home, Stanley Crossick examines the intergovernmental conference now going on in Luxembourg to discuss institutional and decision-making reform in the Community. The conference, the first to debate changes in the E.C.'s founding charter since it was drawn up over 25 years ago, is being watched carefully in Europe by many who see it as an important step in furthering integration between the 10—soon to be 12—E.C. member states.

Europe's relations with much of the world have tended to focus more on economic than political issues, but "remarkable changes" are taking place in the E.C.-Latin American relationship that auger closely and more distinctly political ties, argues Luigi Boselli, the head of the E.C.'s Latin American delegation in Caracas, in this issue. Also this month, Bailey Morris profiles the U.S. Trade Representative, Clayton Yeutter, and examines the problems he faces in U.S.-E.C. trade. John Starrels, meanwhile, looks at foreign trade and the current protectionist mood in Congress—a subject, unfortunately, of continuing concern.



AROUND THE CAPITALS

PARIS

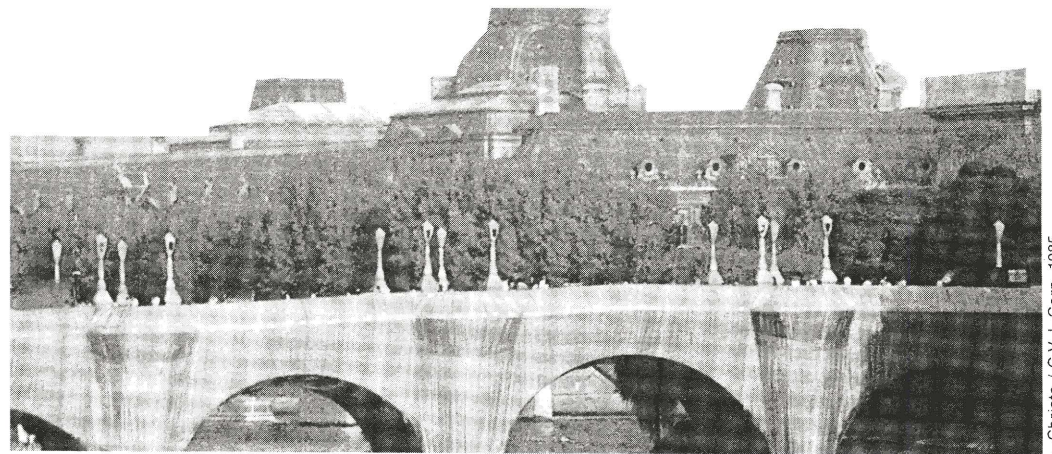
A Bridge Under Wraps

They loved it or they hated it or they thought it was a disgusting waste of money. But Parisians were certainly not indifferent to the latest of a string of new artworks that adorned their city temporarily this fall—the wrapping of the Pont Neuf.

Thousands of curiosity seekers, art lovers and self-made critics wandered by daily during the creation and display of the work. It became an acceptable excuse for being late to the office to say that you were caught in a traffic jam of rubberneckers examining the bridge. Bulgarian-born American sculptor Christo began operations on September 14 to wrap the oldest bridge in Paris in beige-colored canvas.

Sixty-five mountain climbers rappelled down the four-century-old sides of the bridge to sling canvas down to the water line of the Seine river. Then frogmen took over to anchor the material. In all, it took 40,000 square meters of canvas and 11,000 meters of rope, and close to 1,000 people were estimated to have been involved at various stages of the creation.

It cost \$2 million and it was all paid for by Christo, who prides himself on never accepting a commission. He works only on what inspires him—be it wrapping islands off Florida in pink or packaging the Chicago Art Museum or the Australian coast. He was inspired by the Pont Neuf and spent almost a decade getting the



The Pont Neuf is the oldest of Paris' many bridges.

authorizations to make his mark on it. He designed the covering to emphasize the natural form in a way that would "provoke a conceptual impact and a new sensation."

Perhaps his best-spent money was used to hire 300 artists and students to wander around the bridge fielding outraged or enraptured comments. During the week-long creation of the work, and the two-week-long display of it before the canvas was removed, attendants at the site said passers-by often criticized the project as a waste of money, many thought the idea was bizarre and most people were totally baffled by it.

With Jack Lang at the helm of the Ministry of Culture, the Pont Neuf wrapping project was only one of the daring artworks appearing around town. The art scene is never dull, with a dozen new works springing up for the *rentrée* after the summer holidays. Outside the Gare St. Lazare, the busiest train station in France, the sculptor Arman erected a giant column of clock faces. They are all sizes and styles, and they face in every

direction. And just to keep harried travelers guessing, they are all set at different times. On the other side of the station, the artist concocted another column, of stacked, bronze suitcases that are perfect imitations of nylon, leather and canvas bags that might have tumbled off a baggage car of the last train out.

Sculptor César has created a homage to Pablo Picasso that would do the painter proud, with the face done in unevenly matched slabs. There is a sculpture of flashing lights to beautify a pond at the ultramodern La Défense complex in suburban Paris. American artist Richard Serra has made another sculpture for the same area, consisting of five 11-meter-high slabs of steel.

The beautification of the city is part of a plan setting aside 200 million French francs (about \$23.5 million) to commission 100 new statues. They include impressions of personalities ranging from resistance hero Jean Moulin to former President Georges Pompidou and former Prime Minister Pierre Mendès-France.—BRIGID JANSSEN

AMSTERDAM

A Rising Star

With general elections approaching in the Netherlands, attention is focussing on a 47-year old Dutchman who is bound to play a role in the next Dutch Government, be it as an opposition member to be reckoned with or as a Minister in the new Cabinet if the Labor Party scores predicted gains.

He is Wim Kok, who over the past two decades has deftly



Union leader Wim Kok.

Christo / C.V.J. Corp. 1985

© GER DIJKSTRA & ZN. B.V.

handled labor-management relations. When Chris van Veen, recently retired president of the Dutch employers association, left last year, he said: "I have always preferred dealing with an excellent negotiator like Wim Kok, than with a mediocre opponent."

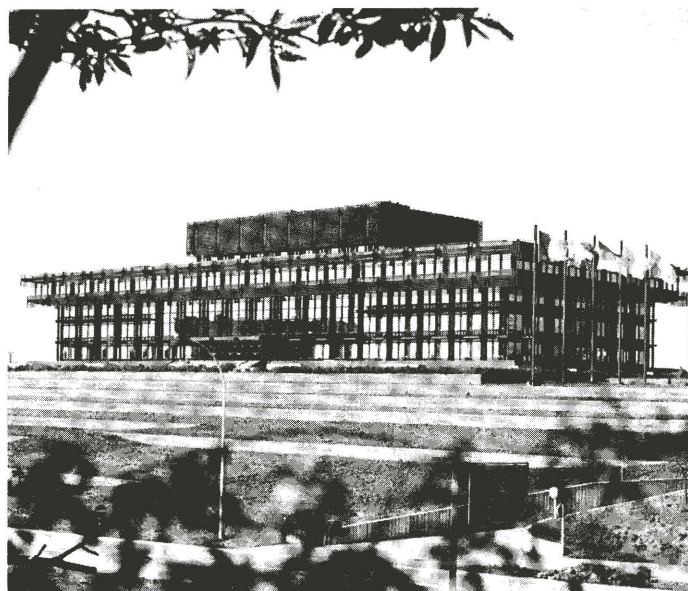
Municipal elections to be held next March will be a barometer for the general elections scheduled for May. Kok is bracing himself for the election campaign that will start next January. Until then, at the request of the E.C. Commission President Jacques Delors, Kok will participate in an E.C. study on the effect of new technology on employment and social policy.

Meanwhile, Kok is drafting a scenario of problems and solutions for a future 32-hour work week, which the Labor Party proposes for 1990. He also will be a guest lecturer on social and economic problems at the Dutch Institute for Social Studies before he enters the election race. Kok is a good linguist and has long been a committed Europeanist.

As the son of the treasurer of the Dutch construction workers' union he was spotted early on as a natural talent. In 1961, Kok began to play a leading role in the trade-union movement. He became chairman of the Dutch trade unions in the 1970s. During the last century, Kok has led the unions through a period of prosperity, with unprecedented social security benefits and rising wages, and through a period of recession and rising unemployment.

He chaired the European Federation of Trade Unions, combining some 40 million workers, between 1979 and 1983, and he was on the board of the international federation of free trade unions. The question now is whether Kok will be as good a politician as a union leader.

In any event, rarely has the Netherlands had two such able men in the two largest parties as now, with Ruud Lubbers heading the Christian-Democrats and Kok earmarked to



The European Court of Justice in Luxembourg is the European Community's judicial body whose verdicts can overrule national laws.

succeed the present Labor Party leader, Joop den Uyl. Recent polls showed a neck-and-neck race between the two parties. The same polls, however, said that Lubbers personally ranks as the most popular post-war Prime Minister since William Drees, who introduced the pension system.

During the seven months remaining before the elections, Lubbers still has to weather the storm over the controversial issue of siting 48 cruise missiles on Dutch territory in the face of considerable popular opposition. Lubbers also will chair the E.C. Council of Ministers from January to July.—NEL SLIS

LUXEMBOURG

The Seat Of E.C. Law

A 59-year-old hospital worker exclaimed joyfully when she read in the newspaper that the British law forcing women to retire at age 60 was against E.C. regulations and would have to be scrapped. But she was puzzled about who had made this ruling and how it could be enforced. Her attitude sums up the situation of the European Court of Justice in Luxembourg. Its

judgments can have profound and immediate effect on the lives of the E.C.'s 270 million citizens, but hardly anyone knows what it is or how it operates.

This is not surprising, for the Court is a unique institution—the first-ever truly international judicial body whose verdicts overrule national laws and against which there is no appeal. It is, in a true sense, the Supreme Court of the E.C., with powers that some critics deem to be a generation in advance of the present level of political and economic integration in the Community.

There are 11 judges—rising to 13 when Spain and Portugal join next year—and each is appointed by a member country. They work in a boldly designed, trendy building in Luxembourg that many tourists mistake for a modern art museum. But you have only to attend a hearing, watching the judges in their scarlet robes and listening to their arcane conversations, to know that this is indeed a serious undertaking with its roots in the legal traditions of all E.C. member states.

The Court is enshrined in the treaties creating the E.C. as one of the four major institutions of the Community, along with the E.C. Commission, the E.C. Council of Ministers and

the European Parliament. On paper, its role seems passive. It interprets and enforces E.C. law as laid down in the treaties and carried out by the Commission and the Council of Ministers. In practice, it is probably the most influential of all. Its judgments and *obiter dicta* are slowly, but surely, filling out the flesh of the Community around the bare bones of the treaties.

To some, the Court seems to have a "federalist" tilt that steers its judgments toward those on the side of greater European union. "That may be an inevitable accusation, given that the Court has to refer to the treaties," comments a prominent British lawyer, "but, in fact, it is entirely impartial and does not seek to impose any political view. In any event, it can act only on cases that are brought before it."

Anyone can bring an action in the Court, and the list of plaintiffs in recent years includes an English Lord upset at price-fixing by airlines, an Irish importer of handicrafts, a flight attendant who had been fired and a Dutch television cameraman. But the biggest customer by far is the E.C. Commission, usually engaged in trying to force a reluctant Government to carry out some unpalatable E.C. measure. France was successfully pursued for its ban on imports of lamb from Britain, for instance, while Britain in turn was found guilty of violating E.C. law by refusing to admit a certain kind of milk from the Continent.

These stories catch the headlines, but, in fact, the key decisions taken by the Court are often those which seem opaque to the public. Last year, the Court upheld an action by the European Parliament against the collective E.C. member state Governments for their failure to agree on a common transport policy as agreed in the treaties. Nobody's life was changed overnight as a result, but the decision has forced Governments into taking a more constructive attitude toward transport. If

truck weights are standardized in a few years, or if a common driving license is introduced, it may well be because of this verdict.

With more judgments flowing from the Court, more attention is being paid to its composition. A radical proposal being considered would provide for half the judges to be elected by the European Parliament rather than nominated by Governments. There are also suggestions to establish a separate, but linked, tribunal to handle internal cases. But reforms come slowly in the legal profession, and few in Luxembourg are willing to bet that the Court will change except through the gradual increase in its sweep and authority.—

ALAN OSBORN

BONN

Extending Store Hours

If a party is dull, a sure way to enliven it is to mutter something—anything—about the *Ladenschlussgesetz*. This is the 1957 law that regulates store closing hours. Specifically, it says that all retail shops must be closed weekdays from 6:30 P.M. to 7 A.M., and that all shops must close on Saturdays at 2 P.M., except on the first Saturday of each month when they may remain open until 6 P.M. Everything remains closed on Sundays and holidays.

The labor unions pushed through that legislation as part of their drive to reduce the work week. These days, the 40-hour work week is normal, and in the metalworking trades, it was reduced, after a long strike last year, to 38.5 hours. The union's goal is 35 hours a week by 1990.

A growing number of consumers, however, are demanding the law be changed, to allow at least evening shopping. Convenience stores such as have sprung up on street corners all over the United States are unknown in the Federal Republic of Germany, although

such neighboring countries as Belgium do have them. Economics Minister Martin Bangemann, now chairman of the Free Democratic Party, believes he is speaking for the small and medium-sized retailer when he proposes to make the store closing hour law more flexible.

The labor unions counter that if stores are allowed to remain open longer, owners and managers will abuse their employees, although it is difficult to see how this would be possible as the 40-hour work week still would apply. Supporters of longer opening hours say the result might actually be the employment of more part-time, semi- or unskilled sales people, precisely those most affected by the continuing high unemployment.

Tempers run high whenever the subject is discussed. That is why it can enliven and, unfortunately, sometimes also ruin a party. One reason for more flexible opening hours is that as the towns have spread outward and suburbs grown up around them, many employed persons now have longer commutes than they did 25 years ago. They therefore need more time to collect spouses and

children and then get back into the center of town to shop.

Smart entrepreneurs have found several ways around the store closing law. For starters, furniture stores often remain open on Sundays to permit shoppers to "look around," although sales persons are not permitted to give advice or answer questions. But more important, the law allows exceptions for stores located in railway stations and airports if they sell articles required by travelers. As a result many such places now boast that they stay open evenings selling everything the traveler needs, from fresh fruit and books to new shirts and socks.

The obverse side of the coin is that, by local option, such stores often are forced to close at the same time as all other retailers in the town, who fear they are losing business to the upstarts cluttered around the terminals. The most famous such shopping center is the Klett Passage, an underground mall leading to Stuttgart's main railway station. Since 1977, the city has allowed shops in that mall to remain open until 10 P.M., Monday through Friday. But that agreement expires on April 30,

1986.

The Klett Passage has become the focus of the argument. Economics Minister Martin Bangemann now proposes that the law be amended to permit, not only the Klett Passage, but all retail shops at airports, railway terminals and subway junctions to remain open evenings. Bangemann's proposal, if adopted by Parliament, would overrule local restrictions.

The Minister proposes that that first step be followed, after the January 1987 parliamentary election, by a general relaxation of store closing hours. If he can pull it off, he will have triggered the biggest change in German shopping habits in 25 years.—WELLINGTON LONG

ATHENS

Opposition Faces Split

A split in the main opposition New Democracy Party has left many Greeks wondering whether the conservative group founded by Constantinos Karamanlis in 1974 is headed for decline now



Political tempers are running high in the debate on making shopping hours in Germany more flexible.

COURTESY, HAMBURG INFORMATION

that the veteran statesman has retired from active politics. Former Interior Minister Constantinos Stefanopoulos' decision to form a conservative splinter group along with nine other New Democracy members of Parliament might set a pattern. Half-a-dozen ambitious personalities, known as "the barons of New Democracy" make no secret of their leadership aspirations.

Analysts here say that Greek political parties have always been loose groupings around a charismatic personality. Once the leader departs, they tend to break up and disappear. Karamanlis, who masterminded Greece's return to democracy after the Colonels' regime and its accession to the E.C., still kept a watchful eye on New Democracy from behind the scenes after he moved up from Premier to President in 1980.

The party dismissed two leaders after defeats by Premier Andreas Papandreou's

Panhellenic Socialist Movement (PASOK) in national and European Parliament elections, but managed to stay united while its former leader served as head of state. But Karamanlis' restraining influence on the New Democracy barons waned considerably after he was passed over as the Socialists' candidate for a second presidential term last March and retired.

New Democracy's current leader, Constantinos Mitsotakis, 67, a liberal from the island of Crete, reinforced his reputation as a political survivor by winning a vote of confidence from the party almost three months after another defeat for the conservatives in last June's national elections. But it came at the expense of an open rift in New Democracy.

There had been earlier rumblings. New Democracy won 126 seats in the 300-member Parliament, to 161 for PASOK, but five conservatives an-

nounced soon afterward that they preferred to sit as independents. Stefanopoulos, 59, a moderate with a reputation for straight talking, admits his Democratic Renewal Party has no radically new ideas to help Greece's conservatives recover their credibility.

In the past, New Democracy advocated firm ties with the West and untrammelled free enterprise for the economy, but showed less interest in regional or social welfare issues. That contrasted sharply with the Socialists' efforts to improve health care and pensions, grant women more rights and start decentralizing. At the same time, PASOK backed a critical relationship with the North Atlantic Treaty Organization and the United States.

During a generation of conservative rule in Greece after World War II, parties in power were never forced to think hard about ideology. New Democracy now is trying harder

to find out what its supporters really want, distributing detailed questionnaires on policies and talking to grassroots organizations. A party congress next spring, the first in seven years, is intended to give New Democracy a new impetus.

To younger conservative lawmakers, however, the problems are clear. They believe most of the barons—former Cabinet Ministers—to have little appeal outside their immediate circles and they want to put the past behind them.

Whatever happens, New Democracy lawmakers agree it will take time for the conservatives to develop their post-Karamanlis role and win back the voters' confidence. In the meantime their much-publicized internal bickering helps distract attention from the Socialists' mounting economic problems in their second term.—KERIN HOPE

ROME

Italy and Foreign Policy

Americans have learned a lot about Italy in the dramas of the past few weeks. They will have seen the Italian Government secure the peaceful ending of the hijacking of the liner "Achille Lauro" through the mediation of Egypt and the Palestine Liberation Organization (PLO)—unaware, the Government here insists, that Leon Klinghoffer, the 69-year-old American aboard the liner, had been murdered by the terrorists.

They will have seen the Prime Minister Bettino Craxi standing up to and defying President Ronald Reagan, first in insisting that Italy and not the U.S. take custody of the four terrorists whom U.S. jets diverted to Italy, and then in allowing the Palestinian leader Abu Abbas, suspected of having organized the terrorist operation as well as mediating its conclusion, to slip out of Italy.

They will have seen the Italian Government collapse be-



The Greek Parliament on Constitution Square in Athens.

COURTESY, EMBASSY OF GREECE

cause one party in the ruling coalition, the Republicans, dissented so violently over the decision of Abu Abbas. Before resigning, Craxi made a strong speech outlining the overbearing way the U.S. had treated Italy during the crisis. Almost immediately Reagan moved to smooth ruffled feathers, and this helped Craxi, despite his resignation, to emerge stronger than before.

Craxi's toughness toward the U.S. Government was provoked by the extraordinarily forceful way the United States behaved over the hijacking. Yet observers in Rome wonder if Craxi was in reality caught by the contradictions of the foreign policy he has been pursuing since he came to power in 1983.

There are three strands to Italy's post-war foreign policy. The first and most important is the U.S. alliance. As a country vulnerable to invasion, projecting delicately into the middle of the Mediterranean, Italy has always been at the behest of the power which controls the seas that surround it. That power is now the United States, through the Sixth Fleet. In the last resort, Italy's defense is in the hands of the United States. This gives the



Bettino Craxi

United States a position of influence in Italy that has no parallel with its role in other Western European countries.

The second strand is Italy's membership in the E.C. It was the hope of the Italian architects of the Treaty of Rome that Italy would find member-

ship of a wider European grouping a good way of defusing the country's internal tensions. Though that has happened to some extent, European unity has not gone as far as Italy would have liked.

The third strand is the Mediterranean and, by extension, much of the Third World. Both for solid commercial reasons and out of lingering anti-colonial sentiment, Italy for many years has had good relations with the Arab states of the Mediterranean shores and in the rest of the Middle East, and has extended its influence into black Africa. It is in the Mediterranean that the Craxi Government felt it could play a prominent part and it is here that Craxi and Giulio Andreotti, his Foreign Minister, appear to feel most at home. Indeed it is an indication of Craxi's sympathies for the Third World that in 1982 he forced the Government of the day to step out of line with the rest of the E.C. on Argentina in its war with Britain over the Falkland Islands.

Since he came to power, Craxi has pushed Italy's Middle East policy further. He has developed close ties with the main Arab states of the region—especially Egypt, Jordan, Syria and Tunisia—with the aim of pushing forward the Middle East peace process. Essential to this strategy has been the involvement of the Palestine Liberation Organization (PLO) which Italy hoped to lure away from violence and to present to Israel as a valid and peaceable negotiating partner.

That policy almost came to grief over the "Achille Lauro" affair and the role of the PLO in it—and it also brought down the Government. For quite apart from the grievous failings of the PLO, once again portrayed on the international stage as a terrorist organization, the policy proved to be at odds with the objectives of the U.S. Government in the Mediterranean. When it came to the crunch, the United States backed its policy with force, by intercepting the Egyptian jet carrying the Palestinian terror-

ists. Italy found itself caught between its Mediterranean ambitions and its U.S. alliance. Craxi now enjoys more respect at home for his handling of the crisis—JAMES BUXTON

DUBLIN

Will Forests Be Sold?

Covetous eyes are being cast on Irish trees. Some Irish banks and foreign capital would like to buy a large chunk of the country's forests, 80 percent of which are state-owned. As an investment, it



could yield at least 5 percent over the current rate of inflation. The Government, which is desperately short of cash, is definitely interested if the price is right.

But what is seen as "creeping privatization" of a valuable national asset has outraged the supporters of public ownership, not all of whom are to be found on the political left. One of the strongest criticisms came from within Fine Gael, the major partner in the ruling coalition Government. Maurice O'Connell, a substitute member of the European Parliament denounced "cut-price hucksters" in the Cabinet and advised them to "move their barrows somewhere else."

But his Fine Gael colleague, Minister for Forestry Paddy O'Toole, said frankly: "If in the morning I was offered what I

regard as a competitive price for a block of forest, and doing my sums I discovered the taxpayers would not be at a loss, I would have no qualms about selling it." Back came the chairman of the Labor Party, the junior partner in the Government, to criticize the handing over of state forests to people whose only objective was to "cream off short-term profits without having taken any risk at all."

It was a criticism which found widespread echo in a country which has been told for years that its forests are a major potential source of wealth. Up to now, private investors have shown little interest in forestry and only own 20 percent compared with 80 percent in Socialist Sweden and nearly half in Britain.

Meanwhile in beautiful but desolate Connemara, 25,000 young trees are beginning to grow thanks to donations from Irish-Americans mainly in the Boston area. It's the beginning of a Trees for Ireland scheme modeled on the highly successful Trees for Israel. The Irish scheme will extend to other parts of the country with New York, Chicago and other U.S. cities being invited to take part. Donors pay \$10 for each tree, get a certificate and their names entered on a special register kept in the Forestry Department.

The trees are a "vehicle for Irish-Americans to do something positive for their country," says Dr. Eoin McKiernan, president of the Irish-American Cultural Institute in St. Paul, Minnesota. "We don't mention guns, but it is implicit that planting trees is much better than providing guns."—JOE CARROLL

LONDON

Center Alliance Gains Strength

Autumn is the party political conference season in the United Kingdom and the one just past has confirmed that the political mold, set so

solidly since the 1930s, is most certainly changing its shape. After decades in which voters appeared content with a two-party system, Britain has most certainly entered a new era of a three-party system. Both voting behavior and opinion polls confirm that the alliance between the Liberals and infant Social Democratic Party (SDP) represents an inescapable threat to the stranglehold on power previously enjoyed by the Conservative and Labor Parties.

While the odds must still remain stacked against the alliance winning an absolute majority at the next general election in 1987 or 1988 (because of the British first-past-the-post voting system which fails to deliver parliamentary seats in proportion to votes cast), there is a strong probability that the combined strength of the two alliance parties could give them the balance of power.

The implications are formidable and British politicians and constitutional experts are only just beginning to grapple with them. Imagine a situation where, say, Labor was the largest party in Parliament, but lacked a majority over the

other two other parties combined. The first person in difficulties would be the Queen. Whom should she ask to form a Government?

Neil Kinnock, leader of the Labor Party says that in such circumstances, he should be appointed Prime Minister and asked to form a Government. The Labor Government, says Kinnock, should then present its program to Parliament and if it immediately loses a vote of confidence, then the Queen should dissolve Parliament and call another election.

The Social Democratic leader, David Owen, and the Liberal leader, David Steel, dispute the Queen's obligation to call another election. Other avenues should be explored first to see if a Government could be formed capable of commanding a majority. In such a situation where the alliance is holding the balance of power, though with the smallest parliamentary representation, it is clear that a Government could not be formed without the participation of the alliance or at least its support.

Kinnock says that he would refuse to try to negotiate a coalition with either of the other two parties, although he

has not excluded the possibility of governing with the support of another party. The alliance is variously attracted by the idea of forming a coalition, although Steel's Liberals are reluctant to contemplate joining a Government under the leadership of Prime Minister Margaret Thatcher, while many members of the SDP are repelled by the prospect of climbing into bed with the Labor Party. The alliance's price for supporting any Government would be a change in the electoral system to proportional representation so that voting shares would be more accurately represented in the Parliament.

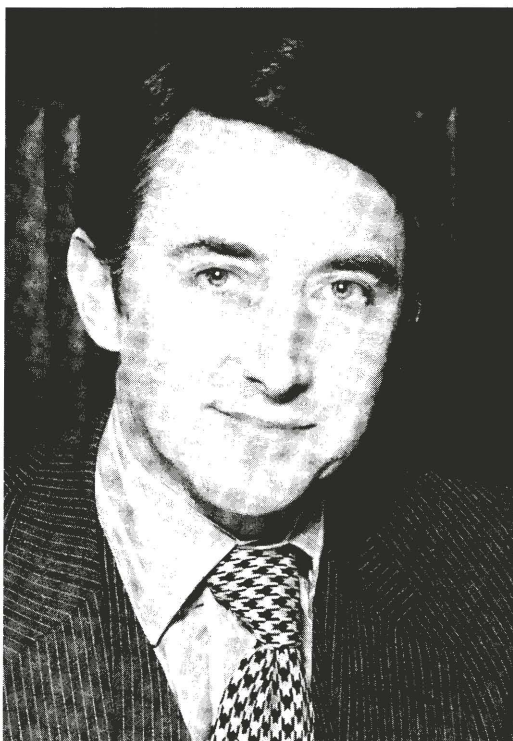
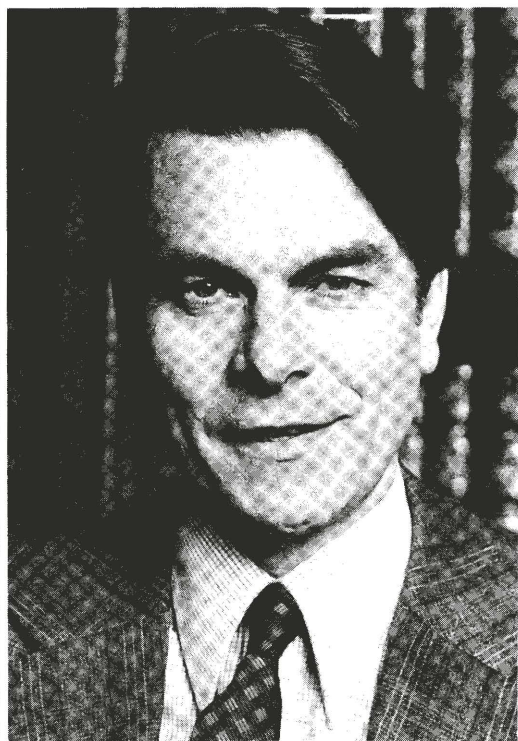
Clearly a hung Parliament would risk embroiling the Queen in party politics, with the attendant controversy and possible damage to the Monarchy. Already, discreet studies are being made of procedures in Continental Europe where coalition Governments are a way of life. Most countries there avoid involving the Head of State directly in the messy business of negotiating with party leaders. Instead, the task is given to a senior politician who sounds out the parties with the aim of presenting the

Head of State with a ready-made coalition. It is a process which has been known to take weeks or months in countries such as the Netherlands and Belgium.

Thatcher has not yet given any indication as to how she would tackle the various options facing her in a hung Parliament. Many observers believe that she would not have any, since the alliance's price of support would be a change of the Conservative Party leader. She may well be hoping, as Kinnock certainly appears to be, that the alliance will not poll anything like the strength it is currently showing in the opinion surveys at the next election.

But a recent, highly detailed sociological study on voting behavior suggests that the alliance's support is rooted in important social change. Quite simply, the bedrock of Labor's traditional support is being eroded because the manual working class employed in industry and agriculture is dwindling in numerical importance. Whereas this group comprised 47 percent of the electorate 20 years ago, it has now shrunk to 34 percent, while the salaried class (defined as managers, administrators and professionals) has risen from 18 percent to 27 percent of the electorate. Only 14 percent of this group voted Labor in the 1983 election, but 31 percent voted for the alliance, accounting for 35 percent of its total votes.

Other factors, such as the rising number of people with educational qualifications, are also working to the alliance's advantage. In the last election, the alliance took 41 percent of the votes of university graduates. Significantly, the alliance's policies—which can be characterized as favoring a market economy disciplined by liberal, social-welfare values—are proving more attractive to a population disenchanted by Labor's support for public ownership and accommodation with union power and the Conservatives' unfettered market economy.—JOHN WYLES



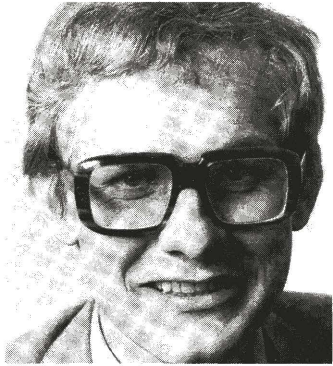
COURTESY BRITISH EMBASSY

The political alliance between Britain's Social Democratic Party, led by David Owen (left), and the Liberal Party, led by David Steel, is gaining strength.

COPENHAGEN

Defense and The Social Democrats

When the USS Iowa visited Copenhagen in the late fall, the Danish peace movement did not disappoint the crew of the rejuvenated battle-



Sven Auken: next Social Democratic party leader?

ship. A demonstration against a ship possibly carrying nuclear armaments was duly provided, but it was rather tame by European standards. And though the most recent poll shows that there is now less support for the North Atlantic Treaty Organization (NATO), the actual number of opponents is not growing, despite years of uncertainty about the NATO policy of the Social Democratic Party, in opposition, but still Denmark's largest.

In fact, there are signs that the Social Democratic Party is slowly veering to the right in defense policy, maybe even preparing for a return to the former consensus on major issues indicative of most of the 1970s. Two events, both related to personalities within the party, are precipitating this movement.

One is that Kjeld Olesen, former Defense and Foreign Minister, and member of the three-man party group that visited Moscow and the United States last year, has decided not to stand for re-election for Parliament. He has turned his stand on nuclear disarmament into a personal crusade, including participation in the Greenpeace move against French nu-

clear testing in the South Pacific. The three-man party group discussed, among other things, the possibility of a nuclear-free zone in the Nordic countries, something most Danish NATO supporters consider a Soviet ploy to detach Denmark and Norway from the first line of defense in NATO.

The second event is the ascendancy of Svend Auken in the party. He is now the likely successor to the present party leader, former Prime Minister Anker Joergensen. In his early 40s, Svend Auken may become the next Danish Prime Minister, especially if the return to power of the party is a matter of four to five years, as many believe.

Auken was considered to be a leftist for many years, partly because of his anti-E.C. views and his outspokenness on all Social Democratic Party issues of the day, defense included. But now he is more often seen as a moderate, with potential for attracting the centrist votes needed by the party if it is to return to power.

Auken has excellent rela-

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tions with many of the trade unions, and the most powerful of these, the metalworkers, does not want the party to challenge Danish NATO policy. The polls also show that there are no votes in a shouting match with the left wing, in the hope of luring back Social Democratic voters from these parties.

It is far too early in the day to expect Auken, a trained political scientist, to become a charter member of any "Support-the-SDI" club in Denmark.

He believes in incremental change. But it is interesting to note that while the United States, in accordance with normal practice, declined to comment on whether or not the USS Iowa was carrying nuclear arms—they are not allowed on Danish territory in peacetime—the Social Democrats declined to make it a major policy issue. The first step on the path to righteousness is to resist small temptations, as one Defense Ministry official said—LEIF BECK FALLESEN

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CLAYTON YEUTTER: WALKING A TIGHTROPE

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BAILEY MORRIS

Clayton Yeutter has already passed his first test as the new United States Trade Representative. Less than three months after assuming his new job, he orchestrated an inter-agency taskforce that culminated on September 24 with the White House announcement of a new, three-pronged trade program, described as one of the policy centerpieces of President Ronald Reagan's second term.

It was generally conceded that Yeutter was the maestro who melded dissonant chords and disparate views into a single

program which succeeded in blunting a groundswell of Congressional protectionism unrivaled since the 1930s. But now Yeutter faces a second, more difficult challenge. Having persuaded the Administration to articulate a new, "get-tough" trade policy, he must now demonstrate that the program has teeth.

Failure to implement the new Reagan Administration offensive against the "unfair" trading practices of other nations in a manner that will satisfy both Congress and corporate America will unleash another political storm given the projected U.S. trade deficit of \$150 billion. The "Roaring Eighties" of Reagan's first

term could turn abruptly into the second Great Depression, much as the "Roaring Twenties" turned into the first, if the bogeyman of protectionism is allowed to roam unchecked.

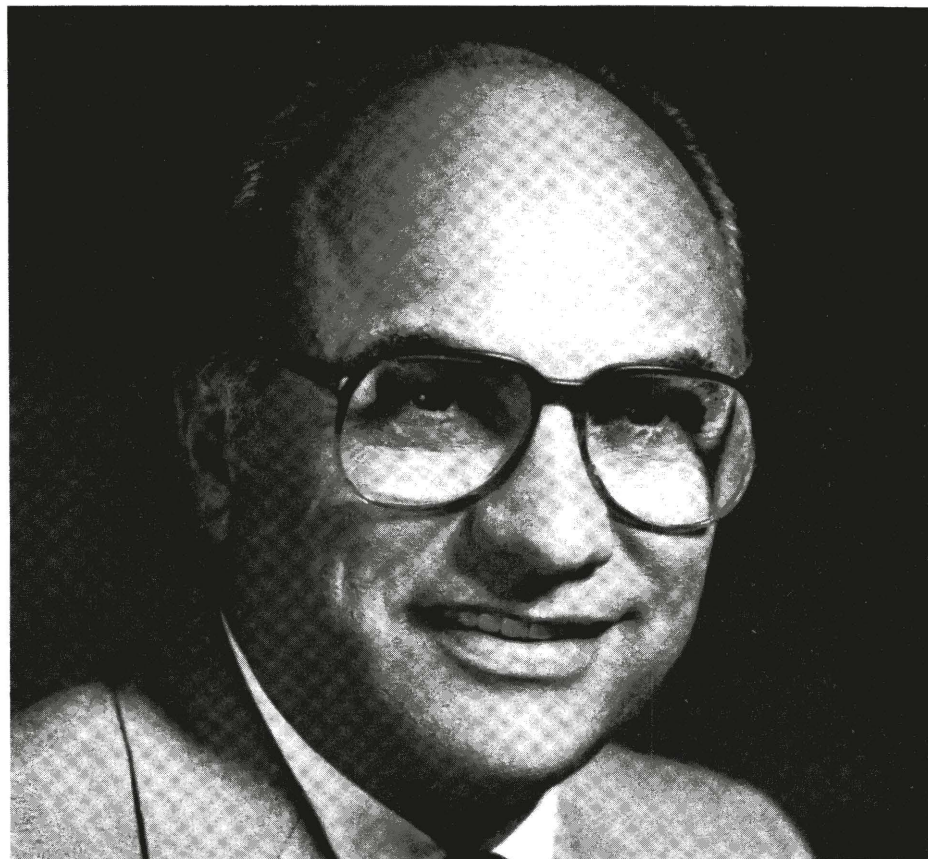
Yeutter is well aware of the stakes involved. In statements and interviews, he refers often to the awful legacy of the Smoot-Hawley legislation which prolonged the Great Depression. He must walk a difficult tightrope in the months ahead, promoting the Administration's new "unfairness doctrine" on trade matters, without allowing the temporary restrictive measures it advocates to be passed into permanent laws.

In the past, Yeutter has demonstrated the ability to perform this difficult balancing act. He talks tough for public consumption, but negotiates privately with an eye toward compromise. The truce he negotiated in the citrus-pasta war between the United States and the European Community is a good example. But in the months ahead, Yeutter's "hands-on" style of management will be strained severely as he heads into potential confrontations with the E.C., Japan, Korea and other nations named in the Administration's new trade cases under Section 301 of the 1974 Trade Act. They give the President broad authority to raise tariffs, impose quotas and take other restrictive measures to halt imports.

By early November, Yeutter must negotiate a truce with the E.C. on a host of trade matters, notably steel, citrus, pasta and canned fruit, or risk a damaging commercial war which could strain relations in other areas. It will not be easy. "U.S. trade relations with Europe are the worst they have been since the founding of the European Community," said a gloomy U.S. official.

At the same time, the White House is considering up to one dozen additional "301" cases which are likely to produce an outcry against growing U.S. protectionism. Malcolm Baldrige, the U.S. Commerce Secretary, said the 301 trade authority allows the President to go as far as some of the most restrictive legislation proposed by Congress without actually advocating tariffs and quotas. Yeutter himself believes "301 cases are the right policy at the right time," but he does not want to overdo it. He cannot afford to alienate U.S. trading partners to the degree that they retaliate in kind as well as refuse to support a new round of international trade negotiations, a key objective of the Reagan Administration.

And then there is the Japan question. The Administration, in an effort to con-



"It is generally conceded that Clayton Yeutter is the maestro who melded dissonant chords and disparate views into a new, three-pronged trade program that is described as one of the centerpieces of President Ronald Reagan's second term."

tain public antagonism against the Japanese, is working against the clock to negotiate by December a package of market-opening measures designed to reduce the soaring U.S. deficit with Japan, projected at \$50 billion this year.

There are brushfires breaking out everywhere, but Yeutter may be uniquely qualified to put them out. At 54, he has broad experience in both business and government. He cut his negotiating teeth in the 1960s as a young U.S. agriculture official thrust abruptly into the "chicken wars" between the United States and Europe.

Later, after serving as an Assistant Secretary of Agriculture, he was deputy U.S. Trade Representative during the crucial period from 1975 to 1977 of the Tokyo Round of multilateral trade negotiations. It was during this period that Yeutter, who had responsibility for bargaining with the E.C., became thoroughly conversant with things European. He made friends then which will serve him well during the current period when the ties which have traditionally bound the United States and Europe are severely strained.

Unlike many bureaucrats, however, Yeutter also has sound business experi-

ence, having served as president of the vast Chicago Mercantile Exchange and manager of a 2,500-acre family farm near Lincoln, Neb. He holds a Ph.D. in agricultural economics as well as a law degree, a combination which has earned respect on Capitol Hill. "He is a Middle Western farmer who knows first-hand the need for vigorous export markets. He will be an effective negotiator," said Kansas Senator Robert Dole, the majority leader.

Yeutter's effectiveness as a negotiator will depend in large part on the support he gets from both the White House and Congress. Maintaining this support will be his third big test. In this vein, Yeutter is exploring his positions, attempting to find the ones which will strike the right chord.

On trade policy, for example, he has made statements which are sweet music to frustrated Congressmen unable to cope with the real cause of the U.S. trade problem—the huge budget deficit, which has given rise to an overvalued dollar. "There is no sense in pursuing free and open trade if nobody else does. The United States has not been as strong as it should have been on trade issues," Yeutter said during a Chicago press conference.

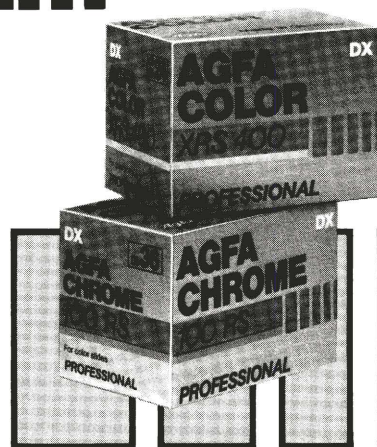
This philosophy has led him to pursue the notion of reciprocity legislation, but only if it is sufficiently flexible to avoid mandatory retaliation against countries which do not provide equal access to U.S. companies. Yeutter says he likes the idea of opening up marketing opportunities in other countries by saying, in effect, "we expect you to provide American exporters access to your markets that is substantially equivalent to the access we provide to your exporters in our markets." He does not like, however, the key provision in most proposed reciprocity legislation which demands mandatory retaliation. "Every President, including President Reagan, will want some discretion as to whether to act."

In the meantime, ever the consummate juggler, Yeutter says he supports the threat, if not the substance, of protectionist Congressional legislation as an effective bargaining tool. "I have told members of Congress that some of their legislative proposals are useful as leverage, as long as they don't pass them." €

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

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E.C. BOOSTS TIES TO LATIN AMERICA

POLITICAL AND ECONOMIC DIALOGUE IS INSTITUTIONALIZED AT MINISTERIAL LEVEL.

LUIGI BOSELLI

"As one who has followed the often difficult relationship between the two partners for more than 20 years, I have come to the conclusion that wrangles about trade and tariffs are caused—or at least exacerbated—by an ill-defined, but nonetheless real, feeling on the part of the Latin Americans that Europe pays them less than their fair share of attention in a number of fields, from the economic to the cultural. This sentiment is made all the stronger by the fact that Latin Americans have much more in common culturally with Europeans than have the inhabitants of any other part of the developing world."

The political dimension of the relationship between Europe and Latin America seldom has been better identified than in those words taken from an article written two years ago by Hugh O'Shaughnessy in this magazine. If attention—perhaps one should say political attention—is the keyword in Euro-Latin American relations, then a remarkable change has taken place in the last two years. Neither O'Shaughnessy nor any other outstanding expert on the region could have foreseen the upsurge of European interest for Latin America that has characterized the last 15 to 20 months.

The end of 1983 had already seen encouraging signals, such as the timely finalization of the negotiations for, and the ministerial-level signing of, the E.C.-Andean Pact cooperation agreement. In addition, there was unanimous satisfaction with the democratic change of government in Buenos Aires, reflected by unprecedentedly high-level European representation at the transmission-of-power ceremony. Last year started with a successful visit by Pieter Dankert, then President of the European Parliament, to various Contadora and Central American countries, followed by a whirl of presiden-

tial and ministerial visits from both sides, seminars, common official meetings and consultations.

The turning point was undoubtedly the San José ministerial conference held last fall when, for the first time in history, members of the E.C. Commission and Foreign Ministers from all 10 current E.C. member states plus the two future members, Spain and Portugal, met—on Latin American soil—with the Foreign Ministers from Contadora and Central American countries. The economic and political dialogue which was initiated in San José will be institutionalized in Luxembourg with a second ministerial conference having the same participation on November 11-12 this year. It constitutes the first common endeavor of the E.C. as such within its European Political Cooperation structure. The signing of a far-reaching cooperation agreement will be accompanied by the E.C.'s first legal commitment in the political field, giving birth to an institutionalized political dialogue with a view to contributing to peace and democracy in Central America.

The new Commission headed by President Jacques Delors deliberately chose to give a higher priority to Latin America than had previous Commissions. Answering a question during the first debate in the European Parliament on his program, the President mentioned Latin, and espe-



The Paseo Reforma in Mexico City.

cially Central America as the geographic area where the need for an enhanced European presence was felt most intensely. The attribution of the responsibility for Latin America to a Commissioner of the stature of Claude Cheysson—in the context of a portfolio covering North-South issues and Mediterranean, Asian and Latin American countries—has already proved to be an effective step toward that objective.

Positive achievements since Cheysson's appointment include his three visits to Latin America in the first 10 months of his mandate; the establishment or renewal of close contacts with the principal leaders of the continent; the serious concern shown by the Commission on the debt problem, which led to a first meeting with the Cartagena consensus countries in Brussels; an official visit to the Latin American Economic System (SELA) headquarters in Caracas, reversing a long record of mutual misunderstandings; and, in a more conceptual framework, the launching of a series of reflections designed to address the debt problem within a context of economic growth, social stability and democracy.

The new course in European policies toward Latin America is intended to follow quite closely what may be considered as a natural tendency in the relations between Europe and Latin America—a progressive, but steady, shift of emphasis from the economic to the political. Introduced in highly dramatic terms by the South American conflict in 1982, politization of Euro-American relations later developed along more positive lines. Reasons include the acceleration of the democratization process in the Latin American subcontinent, the increasing consciousness on the Latin American side of the role which the E.C. could play in the search for solutions to the debt predicament and the decision taken by the E.C. to define and conduct an autonomous and integrated, economic and political policy for Central America, founded on its own conception of the socio-economic origins of the crisis and on the consequent attempt to depolarize the conflict by supporting the Contadora initiative, the revitalization of regional integration and autonomous solutions.

The position taken by the new Commission, and in particular by Cheysson, on the debt problem shows not only political attention, but also genuine preoccupation for the serious danger that this problem represents for the survival of the youngest Latin American democracies. In this sense, the Commission, supported by the

European Parliament, is faithful to its traditional role of encouragement and defense of democracy in Latin America. But in a larger sense, the situation of some of the most heavily indebted countries is extremely alarming for the whole international economic and monetary order.

Cheysson has denounced the paradox of the situation of 1984 when the negative flow from Latin America to the North was about \$30 billion. Latin American countries have made and continue to make considerable adjustment efforts, they are repaying their debt; but there is no improvement of the economic situation, no prospect for growth. "Can we really believe," said Cheysson in the European Parliament, "that this can last for a long time, that this can be only endured by the people of those countries? I do not believe so. This is currently, in my opinion, the most urgent problem for the world economy—North-South relations."

The countries of the Cartagena consensus have appealed to the industrialized world, in particular the E.C., asking for a dialogue of global nature. The Commission made a first step toward this objective by organizing a meeting with the whole group, headed by Enrique Iglesias, Uruguay's Foreign Minister, on April 15, 1985, in Brussels. It is obvious, however, that nothing can be decided, nor much achieved, in such a limited framework as that of a dialogue between the Commission, or indeed the E.C., and Latin America. Several E.C. member states are already convinced of the need for such a dialogue which, by the way, was never meant to replace the case-by-case treatment of individual situations of debtor countries.

While developments in the restoration of democracy, debt and Central America have been the object of greater attention than ever before on the European side—virtually every European Political Cooperation meeting in the last two years has considered one of these themes, on which innumerable declarations have been issued—a more traditional field in Euro-American relations, the promotion of regional integration, has not shown appreciable progress. As in the past, the E.C. has given a high priority to this field. In Central America, new regional projects have been financed through the Central American Bank for Economic Integration (CABEI) and the formal participation of the Central American Economic Council in a cooperation agreement with the E.C. has been strongly encouraged. The existing links with the Andean Pact have been strengthened by greater financial and technical cooperation and en-



The present E.C. Commission has given a higher priority to relations with Latin America than have previous Commissions. Above, an oil refinery in Venezuela.



While both sides recognize that no significant trade concessions can be expected in the near future, efforts can be made in economic and financial cooperation. Above, a steel mill in Columbia; below, a Mexican automobile plant.



hanced by Cheysson's visit in July 1985, even though the cooperation agreement signed in 1983 has not been ratified. The new Commission also renewed and intensified its contacts with SELA and the U.N. Economic Commission on Latin America. Unfortunately, these efforts could not modify the gloomy prospects offered by Latin American regional integration following the dramatic economic crisis.

In the last two years, moreover, the physical presence and the breadth of activities of the Commission in Latin America have been substantially enlarged. The Commission's Delegation for Latin America in Caracas has grown steadily. A new Delegation has been opened in Brasilia and a new Central-American branch of the Caracas Delegation has been established in San José. The Santiago office, meanwhile, has played a more important role. At the same time, relations with the Latin American press have been extended considerably. New cultural activities were undertaken, such as a traveling exhibition on "Simon Bolivar in Europe," musical events, art shows and others. A senior E.C. official was appointed in the Caracas Delegation to establish contacts with the academic, scientific and cultural milieux.

In the same spirit, the Commission and the European Parliament sponsored the creation of an independent Institute for European Latin-American Relations whose European branch began operations at the beginning of September 1985 in Madrid. Backed by a large number of well-known Europeans and Latin Americans, the institute hopes to intensify the political and economic dialogue between the two regions, to facilitate research and to contribute to the process of consensus-building in favor of this dialogue. A number of activities—seminars, workshops, inter-regional fora—already have been launched by the institute.

Are this new political engagement and the enlarged European presence in the region sufficient to change radically the traditionally negative balance in Euro-Latin American relations? Probably not. Indeed, the economic aspects of these relations are lagging far behind. It is true that the trade balance showed in 1984 a surplus of almost \$8 billion for Latin America, but that is rather the fruit of a disastrous, recession-induced drop in Latin American imports from Europe than of the healthy expansion of exports which would be needed to pay the debt.

The European side cannot honestly boast of any improvement in market access for the Latin Americans. In fact, increased problems in oil-seeds, meat and steel are worrisome. It is also true that,

while there has been an increase in E.C. financial involvement in Central America in recent months, there are limits to what the E.C. can do in terms of commercial assistance. A certain E.C. rigidity on the choice of economic themes to be discussed may have influenced the prolonged Latin American decision to suspend the Brussels dialogue between the group of Latin American Ambassadors (GRULA) and the E.C.

If the E.C. wants its new political commitment to Latin America to remain credible, it must also be more forthcom-

If present political affinities translate into economic relations, Europe and Latin America could become the natural partners of the third millenium.

ing in the economic field. There is an increasing realization on both sides that no significant trade concessions are to be expected in the foreseeable future, except some improvement in the Generalized System of Preferences. But efforts can be made in the field of economic and financial cooperation.

Two specific objectives seem to recommend themselves to E.C. attention. The first is an enlargement of Latin America's own internal market as a central element of economic and social development in the subcontinent, with, as a natural corollary, encouragement of self-induced growth. The second is promotion of European direct investment in the region, which might play a surprisingly important role in the economic and financial recovery of Latin America. Training assistance, especially if linked to technology transfer, should be also increased. Recent encouraging achievements realized in the framework of an E.C.-Mexican agreement in the field of industrial cooperation and energy research should be intensified and extended.

Why should Europe make a special effort to help Latin America out of its

present dramatic difficulties? Attachment to the recent achievements in terms of democracy and respect of human rights? Undoubtedly, but that is not the whole answer. The true reason is that Europe needs a stronger, more integrated, homogeneous and consequently influential Latin America.

As was recognized in a recent SELA paper, the platform of European and Latin American common interests has grown dramatically in the last two years. As the two most vulnerable regions in the economic turmoil of recession and debt, Europe and Latin America have been fighting the same battle separately. On the world economic stage, they have been singing the same melodramatic arias without quite listening to each other. Yet, there is hardly any difference in Latin American and European positions on interest rates, the U.S. deficit, the value of the U.S. dollar and the need for a capital increase in the World Bank.

Thus, new forms of consultation are seeing the light, such as the meeting with the Cartagena countries, the periodic informal dialogue between Cheysson and the Latin American Ambassadors in Brussels, the regular consultations between the Commission Delegation and the SELA Permanent Secretariat in Caracas.

While the imminent enlargement of the E.C. to include Spain and Portugal is quite naturally raising high expectations of closer links, the first coordination efforts are encouraged by astonishing results. Interest rates have dropped. So has the U.S. dollar. Major departures from previously firm U.S. positions were registered both in this field and on the political dialogue over the external debt. A distinct possibility of the Contadora Act being signed before the end of 1985 seems to rise on the stormy horizon of Central American pacification.

It would be imprudent to jump to the conclusion that these unexpectedly favorable events are the direct result of European and Latin American common efforts. But, whatever their causes, they stress the political and economic case for a new partnership. Should the present political affinities translate into an intensification of economic relations, Europe and Latin America might well become the natural partners of the third millennium.

Luigi Boselli is Head of the E.C. Delegation for Latin America in Caracas.

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U.S. CONGRESS IS PREOCCUPIED WITH FOREIGN TRADE

E.C. KEEPS CLOSE WATCH ON PENDING PROTECTIONIST LEGISLATION.

JOHN STARRELS

The U.S. Congress has become a major force in American trade policy. Since 1975, the U.S. trade balance has dramatically shifted from a surplus of \$1.2 billion to a projected deficit of \$150 billion this year—with the most significant change taking place between 1983 and 1984 when America's propensity to import far more goods than it sells abroad jumped from \$69.3 billion to \$123.3 billion. The 535 members of Congress are very sensitive to the nation's changing trade position.

Congress is worried about the domestic economic impact of those adverse trends. Accordingly, more than 300 trade bills have been introduced on the Hill, which in the words of *The Wall Street Journal*, are designed to protect "everything from textiles and shoes to roses and water beds." In a July 14, 1985 interview with *The New York Times*, Rep. John D. Dingell (D-MI), the powerful chairman of the House of Representatives Energy and Commerce Committee, voiced his concerns in response to a question involving how import restraints against Japan might affect the average U.S. consumer. "A consumer with no money is not a consumer," said Dingell, "he is a welfare client. Industrial jobs in Ohio, in Michigan have been replaced with minimum wage jobs in service industries....Every other country is protecting its basic industries, at the cost of its consumers. This country is doing virtually nothing to defend its basic industries and in theory the consumers are getting buys. Those buys will be as good as long as the consumer is able to buy. Very shortly that situation will change."

In light of America's trade difficulties, Democrats in the House and Senate have seized on the issue—hoping to turn it to their advantage in the 1986 Congressional election. With numerous industries—from textiles to semiconductors—

suffering from severe import competition, Democrats believe they are in a powerful position to make inroads against both the White House and Congressional Republicans. "Trade is the No. 1 Democratic issue," says Rep. Stan Lundine (D-NY). Adds House colleague Tony Coelho (D-CA), head of the Democratic Congressional Campaign Committee, trade is "a Democratic macho issue. We're for American strength."

The most publicized Democratic effort to capitalize on this issue so far is the "Trade Emergency and Export Promotion Act." Introduced by Rep. Dan Rostenkowski (D-IL), Rep. Richard Gephardt (D-MO) and Sen. Lloyd Bentsen (D-TX), the bill calls for the imposition of a 25-percent duty on goods coming from U.S. trade partners which enjoy large surpluses with the United States—and which restrain imports of U.S. goods. In theory, the bill applies to any number of countries with which the United States runs large deficits. In practice, however, the Rostenkowski-Gephardt-Bentsen initiative is directed at four countries, namely: Japan, Taiwan, South Korea and Brazil. "My legislation," Bentsen explains, "puts Japan, and others who would follow that country's example, on notice that we will no longer accept enormous trade deficits."

Democrats hardly enjoy a monopoly on the subject of trade, however. The Republicans on Capitol Hill are equally involved with this issue. Indeed, two of the most powerful, and articulate, voices within the Senate belong to Finance Committee members John Danforth (R-MO) and John Heinz (R-PA), both of whom advocate tough, new Administration actions to obtain greater market access for U.S. goods in foreign markets. A case in point is Danforth's bill to open foreign telecommunications markets to U.S. producers. Its initiative would require President Ronald Reagan to limit access of foreign telecommunications producers to

the American market if U.S. sales abroad do not increase. Japan and the Federal Republic of Germany would be particularly affected by such legislation.

House Republicans are no less active. Witness this September 11, 1985 statement by their leader, Rep. Robert Michel (R-IL): "We have been too tolerant of intervention by foreign nations in the flow of goods and services worldwide. We have permitted foreign government subsidies, foreign trade restrictions and foreign attitudes to undermine American competitiveness here and abroad. It is time the Administration initiated an offensive against such illegal and patently unfair practices."

To improve U.S. trade performance, House Republicans offer a variety of solutions, including measures to promote American exports and job retraining, along with calls to retaliate against "unfair overseas trade practices where necessary"—notably through the use of Section 301 of the 1974 Trade Act.

Congress has a long history of involvement with trade issues. Some of that involvement has been fateful, notably passage of the Smoot-Hawley tariff of 1930 which, despite the opposition of 1,038 economists, was signed into law by President Herbert Hoover. By 1932, U.S. exports had dropped to one-fourth of their 1929 level. The current legislative clamor notwithstanding, it appears highly unlikely that Congress will enact a similar measure. But neither is there any doubt in Washington that Capitol Hill is seriously considering hard measures in response to the deterioration of the U.S. trade account throughout the world.

What does all this mean for the European Community? Despite a number of recent confrontations between the United States and the E.C. involving agricultural and steel trade, most of Congress' attention is devoted to Japan. This is hardly surprising in light of January-August 1985 trade figures which show a \$32.1-billion U.S. deficit with that country—nearly half again as large as the equivalent \$18-billion U.S. deficit with the E.C. over the same period. Nevertheless, the E.C. keeps close track of what is going on in Congress for two primary reasons.

First, a number of U.S. sectors face keen competition from E.C. counterparts. Hence, any Congressional action designed to limit the market access of European firms in the United States is bound to have ramifications for an organization whose members heavily rely on trade with the United States to stimulate



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The E.C. has warned that the proposed U.S. Textile and Apparel Enforcement Act could hurt efforts to get a new round of multilateral trade negotiations accepted by influential Third World countries.

growth within E.C. member states. Nowhere is this more true than in the steel industry. Heinz speaks for a number of colleagues in both houses of Congress in calling for a new comprehensive arrangement to restrict E.C. steel exports to the United States through 1989. "I believe that we have the necessary authority to achieve these reductions and the necessary support from the steel industry, from the people of this country and from Congress," wrote Heinz in a September 17 letter to U.S. Trade Representative Clayton Yetter.

The E.C. also watches the direction of Congressional thinking on telecommunications and agriculture. "The Danforth bill would restrict market access here for E.C. telecommunications firms if they fail to open up their markets to our firms," explains one well-placed trade analyst in Washington. Congress also has voiced extreme displeasure with E.C. farm poli-

cies. During the 98th Congress, for instance, the Hill considered legislation that would have provided for sectoral reciprocity for American wine growers. This would have been done, in effect, by authorizing retaliation against foreign nations—notably E.C. member states—that allegedly treat wine imports from the United States less favorably than the United States treats theirs. Tensions between Brussels and Washington over agriculture are not expected to go away.

The E.C.'s second primary reason for concern is that it also has a vital interest in pending Congressional efforts to obtain broader import limitations which could also hurt its members. Textiles and apparel products provide a case in point. In response to huge import surges recently in this sector, Sen. Strom Thurmond (R-SC) and Rep. Edgar Jenkins (D-GA), have obtained powerful support in both houses of the Congress to arrest these market

penetrations. Their "Textile and Apparel Enforcement Act" accordingly calls for maximum targeted import reductions of up to 30 percent from three countries—Hong Kong, South Korea and Taiwan. With the exceptions of Canada and the European Community, all other textile export countries would be held up to their 1984 levels.

The bill has been watered a good deal over the past few months. And even in its present form, Reagan has promised to veto it. But the E.C. remains worried. In a recent letter sent to the House Ways and Means and Senate Finance Committees, for example, the E.C. warned that this Congressional initiative would "seriously and maybe fatally hurt" efforts to get a new round of multilateral trade negotiations accepted by influential Third World countries. ☛

John Starrels is an economist with the Joint Economic Committee of the U.S. Congress.

LOBBYING THE E.C.: A DIFFUSE PROCESS

PROFESSIONAL ASSOCIATIONS MUST
PUSH NATIONAL GOVERNMENTS AS
WELL AS E.C. COMMISSION.

PAUL CHEESERIGHT

Robert Lutz was unhappy. The chief of Ford in Europe took his worries about the competitiveness of the European Community automobile industry to the E.C. Commission in Brussels. There, he saw Jacques Delors, the Com-

mission's President, and laid out for him a plan which included a way of stopping the spread of Japanese manufacturers into the market.

Lutz was lobbying at high level, but he knew that the Commission on its own cannot change industrial or trade policy. Ford eventually circulated Lutz's ideas to

the international press, presumably to help create a climate of opinion for change. That would help work on the 10 E.C. member-state Governments.

And here is the problem for the lobbyist in the E.C. The power is diffuse, crystallizing from time to time in a meeting of Ministers or a committee where the Commission sits with representatives of the Ten. The Commission puts forward the ideas, the policy proposals and the draft legislation, but the E.C. Council of Ministers decides. Only then can the Commission execute. So the lobbyist is not dealing with one center of power, but 11 altogether (soon to be 13 when Spain and Portugal join the E.C. next year).

Even where the Commission has the power to act on its own, notably in the anti-trust area, the same diffusion exists. There is an elaborate system of consultation which reduces the chances of the Commission doing anything which would



The E.C. Commission is housed in this building, known as the "Berlaymont," in Brussels.

fly in the face of the national Governments. This diffusion sets lobbying in the Community off from Washington. There, different agencies and pressure points exist, and the Congress has a mighty role, but in the end there is only one hydra-headed Government. E.C. capitals are a microcosm of Washington.

The other side of the coin is that because the E.C. market remains fragmented, industry is fragmented as well. Thus, when there is an E.C. industry grouping, it—like the Governments themselves—can only move at the pace of the slowest if it wants to maintain any homogeneity.

Take the Ford case. Lutz came out against E.C. car makers signing up joint ventures with Japanese companies. That might suit a multinational like Ford, but it is not a view which would be greeted with much enthusiasm at Austin Rover in the United Kingdom or Alfa Romeo in Italy. They already have ventures with the Japanese.

This points up the fact that, for a company, lobbying the E.C. can be very much national lobbying, especially when it comes to the definition of a new E.C. policy. This can be seen working all the time, as Governments take up political positions which reflect the interests of their own industries.

For example, proposals on the table for stiffening up the regulations and controlling the amount of pollutants which can be emitted from large industrial plants such as power stations are being strongly opposed by the United Kingdom because its main electric utility, the Central Electricity Generating Board, fears the extent of the capital investment involved. The board has less need to lobby at E.C. headquarters in Brussels if it can achieve what it wants through London.

Similarly, the German Government is reflecting the demands of its steel industry as it opposes an extension of the collective program to help restructure the E.C. steel industry using subsidies. By pushing the Bonn Government into this position, the industry at one remove is also pushing the Commission into trying to devise a steel program which moves nearer its wishes.

What results is a two-layer system of lobbying. On one layer, there is the influence which can be brought to bear on the Commission as it draws up its proposals to go into the Council of Ministers. On the second layer, there is the pressure brought to bear on national Governments to act in a certain way at the time of decision-making.

When consumer electronics manufacturers such as Philips and Thomson were

worried about low tariff levels on products from Japan, they engaged in discussions with the Commission on ways to make this tariff more uniform over the whole range of the sector's products. But they also enlisted the French Government's support to argue the case at the political level for a higher tariff. The Commission knew, though, that to obtain support for such a measure, it would have to construct a broader package which would include lowering duties on semi-conductors—because that was what the British industry wanted.

It is a complex and changing pattern in which one point is clear. The Commission is open to lobbying because it is anxious to have a genuine rapport with the people who are actually earning the money to make the E.C. economy tick.

Significantly, the most imaginative research and development programs adopted by the E.C. were demanded of the Commission by industry. The Commission responded and then negotiated proposals through the Council of Ministers for the Esprit program, designed to strengthen European capabilities in the key information-technology sector. It started when the major companies in the sector came together and said, in effect, that unless something were done, the E.C. would lose out to the United States and Japan.

Here the Commission responded to a need expressed from outside. But it also invites lobbying under the guise of consultation. Hence it has been calling in representatives of the employers and the trade unions—what the Europeans call the "social partners"—to try and devise a broad strategy for quickening the pace of the economy. That it does under its own initiative.

And there are areas where the E.C. is obliged to consult, where it has to pick its way through competing claims while at the same time keeping the national Governments both informed and relaxed about what is going on. Antitrust is one such area. For years, opposition from industry groups stalled Commission plans to relax antitrust rules slightly for companies licensing other companies to use their patents. It was only when the proposals gave industry the freedom it thought it needed that the proposals came out in legal form.

The Commission wanted to free up the exclusive agreements which automobile manufacturers had with their dealers, so that consumers could buy cars in any market they wished at roughly the same price. It was egged on by consumer groups and held back by the car industry. As draft succeeded draft of the new legis-

lation, the Commission ideas of consumer freedom seemed to get whittled down, so that in the last analysis the consumer representatives were left dissatisfied. While this process was going on, both sides were watching like hawks, talking to the officials and seeking to push the trend of thinking this way and that.

The general pattern is for an industry to have a trade association in Brussels which acts as a listening post and then lobbies according to instructions. Major national federations—the Confederation of British Industry for example—keep offices in the city and act as liaison points for company representatives making special visits to express a particular point. And big companies, or companies which see their immediate future as being vitally affected by moves in Brussels, keep their own people on the spot.

Around Brussels, it is generally thought that one of the most vigorous and technically best-equipped trade lobbying groups is that of the chemical industry—CEFIC. And the success of its operation can be seen through the host of antidumping complaints it manages to persuade the Commission to investigate, often against the U.S. industry.

But Eurofer, the steel manufacturers' federation, is strong as well, though prone at times to break up. The measure of its success, both in obtaining what it wants and in administering for the Commission part of the steel industry control system, has been made evident by the steel users. They complain that the steel industry support policy simply does not recognize the problems that ensue to their competitive position when they have to pay more for steel than their rivals outside the Community.

Over the years, though, the farm lobby has been the most successful of all. It has been insatiable, drawing to its members some three-quarters of the E.C. budget. And it has been successful at least in part because it has managed both to keep its links with the E.C. institutions in Brussels and to create a strong political niche inside the member states.

Only this year have the national Governments and the Commission started to rein the power of the lobby by putting a ceiling on what they are prepared to spend on farming. This in turn has had a corrosive effect on the unity of the lobby itself, as the national groups have sought to extract the best fruit from a diminishing cake. COPA, the farmers' umbrella organization, is both a model and an object lesson for its less powerful and less influential industrial counterparts. €

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

E.C. SETS STANDARDS ON PRODUCT LIABILITY

NEW DIRECTIVE FORCES E.C. STATES TO HARMONIZE LAWS BY 1988.

UTZ TOEPKE

Notwithstanding its sweeping scope (compared to present legislation in most E.C. member states), the new E.C. directive concerning product liability does not create, at least until August 1988, any direct rights for persons damaged by defective products, and thus does not yet provide any such person with the right to sue.

Under E.C. law, directives such as the new one are legislative tools used by the E.C. Council of Ministers for the purpose of harmonizing national laws where discrepancies between the laws, regulations or administrative actions of several member states prevent the establishment or functioning of the Common Market. As a rule, directives have no direct effect for individuals until implementing legislation commensurate with the scope of the directive has been enacted in the given member state.

Under Article 189 of the Treaty of Rome establishing the E.C., a directive is binding, as to the result to be achieved, upon each member state to which it is addressed. In certain circumstances, i.e. where a member state has failed to adopt implementing legislation required by a directive within the prescribed time period and where the provisions of the directive are, as to their subject matter, unconditional and sufficiently precise, the provisions of a given directive may exert direct legal effects. In such a case, individuals may rely upon the directive "as against any national provision which is incompatible with the directive." National authorities are free in their choice of form and methods regarding implementation of such directives.

Nevertheless, the adoption of the new product-liability directive can be called a victory for consumers. The reason is the directive's approach of adopting for the entire Common Market a system of strict liability, in principle, after many years of



intense discussions and political fights. In seven of the present 10 member states, this will result in a dramatic change from the traditional liability system, based on negligence, to a system of no-fault. Undoubtedly, this change will make it easier for consumers or their families to obtain compensation for personal injury and death caused by defective products.

On the other hand, the directive represents a compromise between these consumer-protection objectives and the strong views propounded by industry representatives during the discussions that led to the adoption of the directive. Industry had demanded some sort of limitation of liability, and the directive allows manufacturers to free themselves from liability if they prove the existence of certain exonerating circumstances in the individual case.

The directive will most likely have direct effect, resulting in enforceable rights for consumers, as of July 31, 1988. This assumes that courts would hold that the provisions of the directive are unconditional and clear as to their subject matter—not an unreasonable assumption in light of the details discussed below.

Article 1 of the directive contains the new European ground rule for manufac-

turers' liability concerning defects of their products. A manufacturer shall be liable for damage caused by such defects, without any burden on the injured party to prove any fault on the part of the manufacturer. The injured person shall be required to prove only the defect, the damage and the causal relationship between both. Any contractual limitation of exclusion of this liability is prohibited.

This new rule of strict liability represents a substantial shift in the law for the Federal Republic of Germany, the Netherlands, the United Kingdom, Ireland, Denmark, Greece and Italy. These seven member states will have to change their laws concerning liability for defective products which, so far, were based on proof of negligence. This change can occur any time from now until 1988, and must occur no later than July 30, 1988.

The main target of the new liability provisions concerning defective products is the product's manufacturer. Article 3 of the directive calls it the "producer" of any raw material, as well as any component part of the defective product. In addition, any person who presents himself as the product's producer, i.e. by putting his name, trademark or other distinguishing feature on the product, is liable for any product defects, as is the manufacturer.

Derivative liability rests with any importer of a defective product, without prejudice to the producer's liability. "Product" is broadly defined in Article 2 to include components, ingredients, additives, etc. incorporated into another product. Thus, derivative liability would appear to expose a company to the new strict liability of E.C. law, even if the company's own product was free from any defect, but incorporated a defective component with which it was imported into the E.C.

Article 3.3 creates a vicarious liability for every supplier of defective products in case the producer of the product cannot be identified. Where two or more persons are liable for the same damage as a result of the foregoing provisions, such liability shall be joint and several, notwithstanding any national law concerning joint tortfeasor contribution or recourse.

The directive does not set any financial ceiling on manufacturers' strict liability. However, member states may derogate from the principle of unlimited liability by providing in their national legislation for a limit of total liability for damages caused by identical products with the same defect of no less than 70 million European Currency Units (ECU); approximately \$50

million.

The directive covers both compensation for death and personal injury and compensation for damages to property, other than the defective product itself. The latter type of compensation, however, is subject to a lower threshold of 500 ECU. Whether "pain and suffering" is recoverable remains a question of national law. There is no provision in the directive permitting punitive damages.

The directive says a product will be considered defective when it does not provide the safety which a person is entitled to expect under the circumstances. Such circumstances include product presentation, reasonably expected use and the time of sale. However, subsequent product improvements by the manufacturer shall not be evidence of prior defects.

Products placed on the market by a manufacturer in any given member state prior to the date of adoption of implementing national legislation cannot expose the firm to strict product liability under the directive or under that country's national law, provided the sale takes place prior to August 1988. Beginning at that time the directive will most likely exert direct legal effects, without national legislation, if a given member state should fail to enact laws implementing the directive by such date.

However, considering the principle of free movement of goods prevailing in the Common Market, a manufacturer will be exposed to strict liability for any product defect once the first member state has adopted implementing legislation pursuant to the new directive even if the original sale (import) did not occur in that member state. The defective product may subsequently be sold in any member state that has implemented the directive, and the manufacturer may accordingly be sued there by any injured person.

Thus, it would appear mandatory for any responsible manufacturer selling its products in the Common Market to carefully monitor legislative developments concerning product liability laws in every member state. Undoubtedly, there will be a transitional period during which product-liability laws of several member states will differ and manufacturers thus may be exposed to strict liability in some European countries, while having defenses other than a "state-of-the-art" defense (discussed below) available in other countries. This may raise complex questions of procedural law in case of litigation and will almost certainly have an immediate effect on the manufacturer's product-liability insurance policies.

Subject to certain conditions, manufac-

turers can exonerate themselves from themselves from liability. Most importantly, the so-called state-of-the-art defense permitted under Article 7(e) of the directive will allow a manufacturer to exclude any development risks with respect to its products, if it proves that the state of scientific and technical knowledge at the time when it put the product into circulation was not such as to discover the existence of a defect. However, this provision is not a mandatory one and member states may, in their implementing legislation, derogate from Article 7(e).

Other defenses are enumerated in Article 7 of the directive, as follows: The manufacturer shall not be liable if it can prove that 1) it did not put the product into circulation; 2) it did not put a defective product into circulation; 3) it neither manufactured the product for sale or for any other form of distribution for economic purposes nor manufactured or distributed such product in the course of its business; 4) the defect is the result of compliance with mandatory regulations issued by the public authorities; or 5) in the case of a manufacturer of a component, it has followed the design or instructions by the manufacturer of the product and the defect is a direct result of such design or instructions.

With the exception of Article 7(e), which can be circumvented by those member states that wish to cover even development risks, all other defenses must be made available by implementing national legislation.

It must be assumed that the list of six defenses described above is exhaustive. For instance, it is not a defense that damage is caused both by a defective product and by the act or omission of a third party. In such a situation the liability of the manufacturer shall not be reduced. Nevertheless, provisions of national law concerning contribution or recourse shall remain applicable. Contributory negligence by the injured person, or any person for whom the injured person is responsible, shall have the effect of reducing or excluding liability of the manufacturer.

Implementing national legislation shall provide for a limitations period of three years concerning all proceedings for recovering damages. The limitations period shall commence as of the day on which the plaintiff became aware, or should reasonably have become aware, of the damage, the defect and the identity of the defective product's manufacturer.

In addition to the three-year statute of limitations applicable in the specific case, member states shall provide in their im-

plementing legislation that all individual rights for compensation shall be excluded 10 years after the product that caused the damage has been put into circulation by its manufacturer, unless the injured person has sued for damages at such time.

All member states shall communicate to the E.C. Commission the main provisions of their new laws with respect to product liability adopted subsequent to the notification of the directive. Based on these reports (which are likely to be made public, in one way or another, and will thus provide a basis for monitoring developments) the Commission itself will prepare every five years a report to the Council on the application of product-liability laws in the member states.

If necessary, the Commission shall propose changes to the directive to correct any unwelcome national developments. This is true particularly with respect to the state-of-the-art defense and any effects that rulings by the national courts as to the application of this defense may have on consumer protection and the functioning of the Common Market. A special report shall be prepared on this subject in 1995. €

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U.S., EUROPE EYE AEROSPACE PLANES

NEW AIRCRAFT WOULD CUT TRAVEL TIME DRASTICALLY.

PETER HOFFMANN

Periodically, reality has a way of overtaking science fiction. Another such leap is being launched now in the capitals of London and Washington and in laboratories and plants in Hertfordshire, England, and on America's West Coast. It is the development of an economical, hybrid aircraft that can take off from normal airports, fly to the edge of space, go into orbit and land like the U.S. Space Shuttle. The American aerospace plane is known as the transatmospheric vehicle (TAV), and the British project is called a horizontal take-off and landing satellite launcher (HOTOL).

Government, military and civilian planners on both sides of the Atlantic are already juggling strained budgets to finance the development of a type of machine that combines the best features of the Space Shuttle with those of advanced jet aircraft. Such a family of aerospace planes, fueled by liquid hydrogen, would be able to take off from conventional 10,000-foot runways, climb beyond the atmosphere in something like a quarter of an hour, go into orbit typically 300 kilometers up and reenter the atmosphere and land on another conventional runway within one hour anywhere on the planet—give or take a few minutes.

Additionally, some aircraft makers are studying a "detuned" version of such a vehicle that could fly like an airplane high in the atmosphere between 100,000 and 150,000 feet and faster than five times the speed of sound—more than double the speed of the supersonic Concorde. These would be fueled by other exotic, high-energy fuels, such as liquid methane. Already U.S. airplane maker McDonnell-Douglas and engine manufacturer Aerojet General are lobbying for a so-called "Orient Express," a 300-passenger craft that could reach Pacific Rim nations like China and Japan in a fraction of the time it takes now.

However, it is mostly the aerospace plane concept that excites both air force strategists and airline industry planners. In fact, some experts think that while the "Orient Express" idea is splendid, it may be bypassed by the potentially much more versatile aerospace plane which can fly within or outside the atmosphere. White House science adviser George A. Keyworth II is enthusiastic about the TAV and is aggressively pushing the concept. He has said at a Congressional hearing that, in view of the aerospace plane's potential, a hypersonic transport (HST) might be an "anachronism."

TAV performance would be truly awesome. Lockheed, which has been interested in the idea for several years and which uses the TAV concept in corporate advertisements already, says a TAV could jump in a suborbital, 300,000-foot-high arc from Los Angeles to New York in 12 minutes. It could reach Tokyo from Los Angeles in 30 minutes. Unlike the Shuttle, the TAV does not need an elaborate vertical gantry system of the type used at Cape Canaveral to shoot the Shuttle straight up. A Lockheed press release quotes the company's TAV manager Gene Salvay as saying that "it can take off horizontally from most commercial airports in conditions varying from tropical rain storms to arctic blizzards. Turn-around time between suborbital or supersonic missions would be about the same as for today's commercial airliners."

At the last Paris Air Show, British Aerospace displayed a mock-up and handed out a brochure, saying that a 21st-century HOTOL passenger version would link London and Sydney in 67 minutes from takeoff to touchdown, "allowing for normal air traffic procedures."

In the United States, the TAV idea started as an Air Force project several years ago, a continuation of efforts that began in the 1960s to develop extremely high-flying aircraft that would operate close to the fringes of space in a near

vacuum. The Air Force essentially wanted something that could operate either as an orbital bomber, a global reconnaissance craft—a sort of orbiting U-2—or a transport powered by rockets, essentially improved Shuttle-type engines.

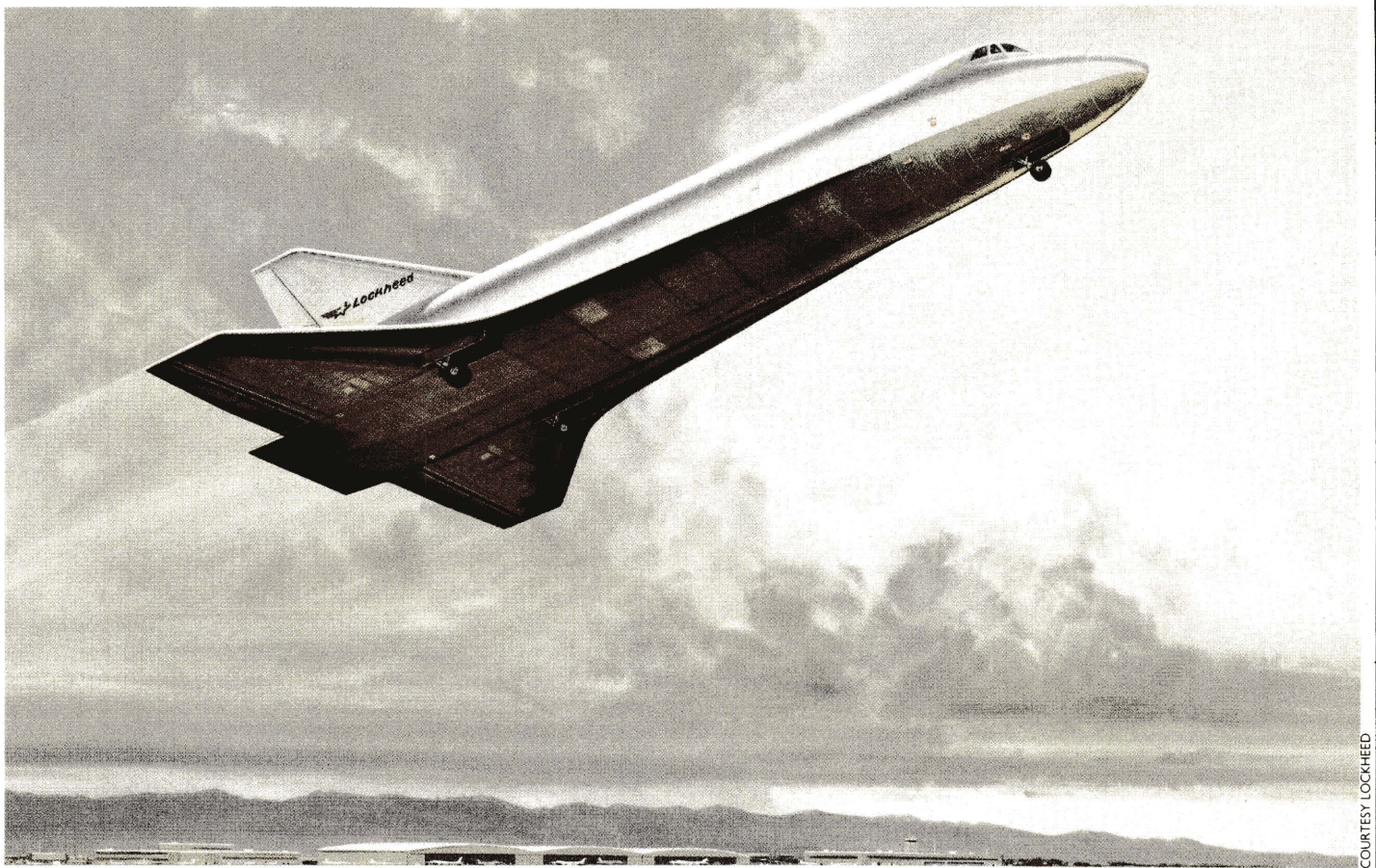
The key to making such a machine much more economically viable is the so-called "airbreathing" engine concept. In Britain, Rolls-Royce is working on it as a key ingredient of the HOTOL. In the United States, the Pentagon's Defense Advanced Research Projects Agency (DARPA) and the National Aeronautics and Space Administration (NASA) want to develop such an engine, the general outlines of which were described in hearings before a House of Representatives subcommittee last August.

The improved economics have to do with the chemistry of combustion and the physics of orbital travel. Any fuel needs oxygen to burn. The Shuttle carts all of the required oxygen into orbit in the form of a very heavy cryogenic liquid, plus the very light, but voluminous, liquid hydrogen—in effect, water broken down into its elements. An airbreathing engine would do just that—use oxygen from the air to burn the fuel during that part of the flight that takes place in the atmosphere. The result is that only a much smaller amount of oxygen would have to be carted up into space to fire the engines for maneuvering in the vacuum of space.

The American engine is conceived as a hybrid combining elements of a normal turbo jet, a so-called ram jet and a pure rocket. Rolls-Royce has classified its design, but American observers think it is a variant of the liquid air cycle engine (LACE) concept developed in the 1960s in which air is liquified on board and then combusted rocket-style with the liquid hydrogen.

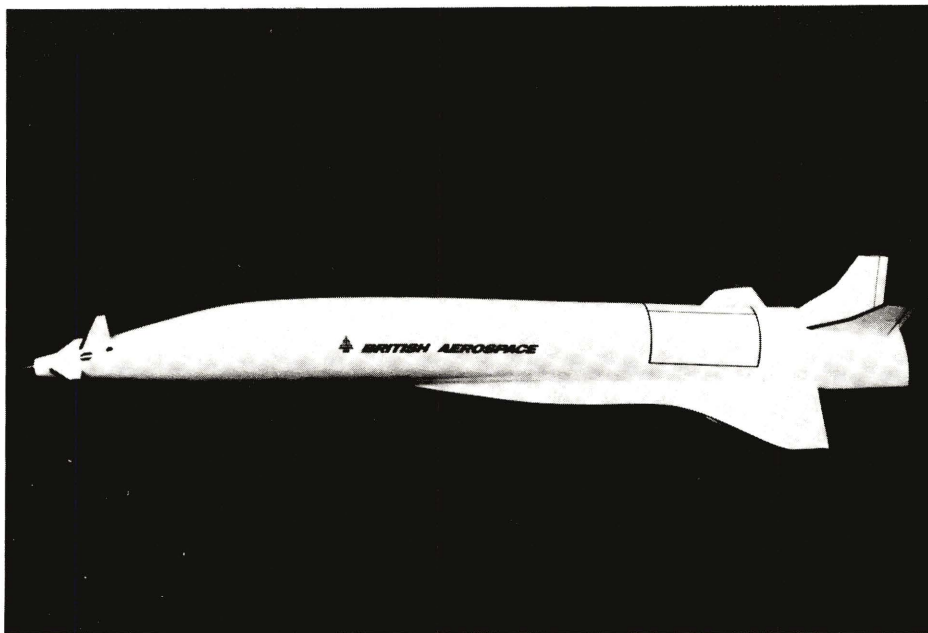
Whatever the technical details, such an engine would drastically reduce the overall launch weight and proportionately increase the payload. According to Keyworth, cost reductions by two orders of magnitude per payload pound are possible—one-hundredth of the current Shuttle costs. The U.S. Air Force believes costs could be cut by two-thirds: One spokesman said an airbreathing TAV would weigh less than one-sixth than the Shuttle at liftoff, but could lift slightly less than five times the Shuttle payload into orbit. British Aerospace believes its HOTOL would cut launch costs by a factor of five for each low-earth orbit and in half for geosynchronous orbit.

Both DARPA and NASA are asking for more funding from Congress, and the



COURTESY LOCKHEED

Lockheed says a "transatmospheric vehicle," or TAV, could jump in a sub-orbital 300,000-foot-high arc from New York to Los Angeles in 12 minutes. British Aerospace, which has a similar project (below), displayed a mock-up at the last Paris air show.



COURTESY BRITISH AEROSPACE

chances of getting it seem reasonably good. DARPA believes it could complete a research aerospace plane in five to six years at a cost of maybe \$1 billion, and an operational version could fly by the end of the century at a cost of \$5 billion to \$10 billion. British Aerospace also thinks it could develop HOTOL at a cost of about \$5 billion. Rolls-Royce recently asked for government funding to develop its engine concept. To spread the cost, British Aero-

space reportedly wants other members of the European Space Agency (ESA), especially France, to join the program.

The bottom line is that a rerun of the transatlantic competition of the 1960s to develop a supersonic transport (SST), but for literally much higher stakes, may now be in the offing. At that time, the Americans dropped out and cancelled the SST program. Britain and France got together and developed the Concorde, commer-

cially a mixed success. It is too early to tell, but for both business and military reasons, the Americans may well want to stay the course this time: the U.S. aerospace industry is worried about losing its global preeminence, suggested by the successes of the Airbus and the Ariane launch rocket. A viable aerospace plane would leapfrog the competition by two or three generations. The American defense establishment wants an "orbit on demand" vehicle ready to get to any part of the globe within an hour or so.

Looking beyond these revolutionary aerospace concepts, many people with an interest in hydrogen as the quintessentially clean, ecologically benign fuel that some day may replace fossil fuels, think a sustained TAV/HOTOL program will provide the leading-edge impetus to wider use of hydrogen. Rep. George Brown (D-CA), chairman of the House Subcommittee on Transportation, Aviation and Materials that held the August hearings, phrased it succinctly: This "frontier of aviation technology" is "exciting not only because of the potential for much faster air travel and substantially cheaper access to space, but also because of the fallout in a number of technological areas." €

Peter Hoffmann reports for *McGraw-Hill* from Washington, D.C.

U.S., E.C. COMPETE FOR MARKETS IN ASEAN COUNTRIES

MINISTERS AGREE TO EXTEND INDUSTRIAL AND FINANCIAL LINKS.



MALCOLM SUBHAN

The European Community's biggest market in Asia is....Well, it is not any of the countries which attract the largest trade delegations or raise the most hopes. The E.C.'s biggest market, in fact, is the group of six countries that make up the Association of Southeast Asian Nations (ASEAN)—the five founding members are Indonesia, Malaysia, the Philippines, Singapore and Thailand; Brunei joined in 1984, on becoming independent. Last year, E.C. exports to ASEAN amounted to 9.9 billion European Currency Units (ECU)—about \$7.8 billion—and were some 1 billion ECU more than exports to Japan. Exports to Singapore alone almost equaled those to China, and they grew almost as fast, during 1984.

E.C.-ASEAN relations are not limited to those twin pillars of general North-South relations, trade and aid. Since 1978, there has been an ongoing political dialogue between the Governments of the E.C. member states and of the ASEAN countries. E.C. Foreign Ministers have

E.C. exports to the ASEAN countries amounted to about \$7.8 billion in 1984, up 83 percent from 1983. Above, Jakarta's largest thoroughfare; below, Manila.



been meeting regularly with their ASEAN counterparts, a privilege they have not yet accorded to other countries in Asia.

E.C. Foreign Ministers and the E.C.

Commissioner with special responsibility for Asia, Claude Cheysson, flew to the Thai capital, Bangkok, for the first E.C.-ASEAN ministerial conference on economic

matters on October 17 and 18. The decision to hold such a conference was taken in Dublin last November, during the fifth of the regular E.C.-ASEAN ministerial-level conferences.

There are a number of reasons why the Bangkok conference marks a new and more venturesome phase in the E.C.'s trade-and-aid relationship with ASEAN. The most important perhaps is that the conditions for it have been created over the last five years—in fact since the signing of the 1980 E.C.-ASEAN cooperation agreement. This is not a preferential agreement, as are those the E.C. has concluded with its southern Mediterranean neighbors, for example. It does provide, however, both a legal framework and, in the E.C.-ASEAN Joint Cooperation Commission, an institution for developing two-way trade and extending a relationship based on trade into such related areas as the transfer of technology, creation of joint ventures and cooperation between financial institutions in the E.C. and ASEAN.

The Foreign Ministers had the balance sheet of the cooperation agreement before them at their Bangkok meeting. It showed that E.C. exports to ASEAN increased by 83 percent between 1983 and 1984, rising from 5.4 billion ECU to 9.9 billion ECU. During this same period, imports from ASEAN rose from 6.9 billion ECU to 9.7 billion ECU, an increase of 40 percent. The E.C.'s trade surplus totaled nearly 2 billion ECU over this period.

It is natural to compare the E.C.'s share in ASEAN's foreign trade with those of the other major trading powers, the United States and Japan. The E.C. remains ASEAN's third largest supplier, with 16 percent of its total imports in 1983. It was still well out-distanced by Japan (with 28 percent), but not far behind the United States (20 percent). This was only to be expected, however, especially in the case of Japan, which is favored not only by its geographical proximity to Southeast Asia, but also its special position in Asia as one of the leading industrial and financial powers. And, to the extent that ASEAN is beginning more and more to feel part of the Asia-Pacific region, the United States is automatically favored.

But the E.C. is far from being the poor relation at the ASEAN table. It is both a major supplier to ASEAN and a major market for its products. What is more, ASEAN attaches special importance to its relationship with the E.C. and would welcome an expansion not just of trade, but also new industrial and financial links. Despite running a trade deficit with the E.C., ASEAN, as one of its representatives noted during a recent meeting of the Joint Co-

operation Committee, positively welcomes European exports.

Fortunately for the E.C., the Bangkok ministerial conference took place at a favorable moment for its export industries. The relatively long and painful process of restructuring, often under pressure from foreign competition, has now reached the stage at which many sectors of European industry are well equipped to meet such competition. They can be expected, therefore, to prospect export markets more aggressively than before, especially markets such as ASEAN, in which they have been losing ground.

But European exporters will need to take into account the fact that direct exports, even of industrial plants, are becoming more difficult. This is because the ASEAN countries, like many others in Asia, are undergoing rapid industrial development. They therefore represent a growing market for industrial goods. But the import of such goods is viewed increasingly in the broader context of the transfer of technology.

ASEAN firms want to acquire not only modern machinery, but also the capacity to improve on it themselves. They want to involve their suppliers more directly, and on a more long-term basis, in their manufacturing operations and even in the marketing of the finished products. In the more extreme cases, the supplier may even be asked to make a financial investment in the deal.

If exports are to develop beyond a certain level, European firms will have to be present in the ASEAN countries on a permanent basis. There already is a strong European presence in ASEAN, of course. The E.C. is the principal foreign investor in Malaysia and Singapore, the two ASEAN countries which qualify as newly industrializing countries. It ranks second in Indonesia, Thailand and the Philippines, so that, all in all, it is not so badly placed in relation to the United States and Japan.

Firms are the main investors, of course. The 1980 cooperation agreement provided, however, for action by Governments "to improve the existing favorable investment climate." Since then, the E.C. has actively encouraged European firms, especially small- and medium-sized ones, to look more closely at investment opportunities in ASEAN. To help them, the E.C. Commission has organized investment seminars in Paris, Bonn and London and published an ASEAN investment guide.

Even medium-sized firms, however, are likely to resist the idea of investing in developing countries halfway round the world from them. The Commission, therefore, has presented the idea in the

broader context of industrial collaboration and the transfer of technology. An industrial conference held in Kuala Lumpur in 1983 brought together European manufacturers of machine tools, agricultural machinery and processing machinery with interested ASEAN firms. A similar sectoral conference on food and agriculture is to be held in Manila this November.

The 1980 cooperation agreement also provides for cooperation in the field of science and technology. This is hardly surprising, given the close links between industrial development on the one hand, and the development of science and technology on the other. The Commission, in collaboration with ASEAN, has used most of the financial resources available to it for this purpose not only in such areas as health and environment, but also metal mechanics and telecommunications. The E.C. also has helped strengthen ASEAN research and advanced technical institutions in a number of disciplines, among them electronics and computers.

E.C.-ASEAN relations clearly have progressed along a broad front in the five years since the cooperation agreement was signed in the Malaysian capital on October 1, 1980. The biggest gains have been made in trade, of course, and to the benefit of ASEAN no less than of the E.C. This admittedly is half the growth rate recorded by the E.C. over the same period. Moreover, since 1981, ASEAN has run a considerable deficit in its trade with the E.C. Even so, the E.C. is ASEAN's third largest export market. What is even more significant is that nearly half of all E.C. imports from ASEAN are of manufactured products.

This underlines the qualitative importance of the E.C. market to ASEAN and its contribution to the diversification of ASEAN exports on the one hand, and to the region's industrialization on the other. It is not surprising, therefore, that ASEAN should have emerged as the major beneficiary of the E.C.'s Generalized System of Preferences, in which tariff preferences are used to promote imports, especially of manufactured products, from developing countries.

Despite their achievements, the E.C. and ASEAN are still in the early stages of their relationship. The potential for growth, whether in trade, investments or in scientific cooperation, clearly is there. Realizing this potential will require political will, but the presence in Bangkok this October of E.C. and ASEAN Foreign Ministers is proof that the will exists. €

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

GIOTTO SPACECRAFT TO FLY THROUGH HALLEY'S COMET

MISSION IS EUROPE'S FIRST ATTEMPT AT OUTER-SPACE EXPLORATION.

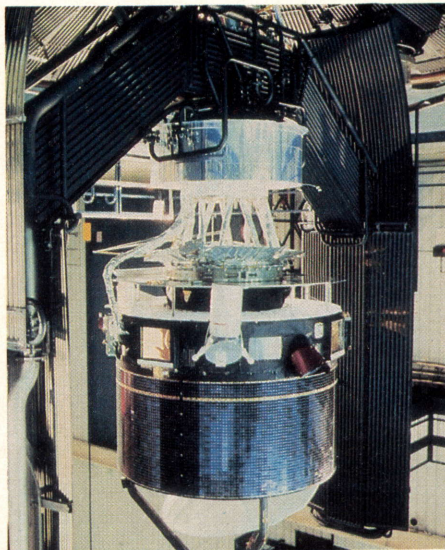
DAVID DICKSON

Just over 300 years ago, the British astronomer Edmund Halley scored a notable first for the laws of motion that had recently been proposed by his friend Isaac Newton when he used them to explain the reappearance in the night sky of a bright object with an elongated tail that previously had been seen at intervals of 76 years. Next year, the phenomenon identified by Halley as a comet—and which has borne his name ever since—will take on new significance for Western science when it becomes the target for Europe's first independent effort at space exploration outside the earth's gravitational field.

At exactly midnight on March 13, a spacecraft that was launched last July by the European Space Agency (ESA) on its Ariane rocket will pass—if all goes according to plan—within 100 kilometers of Halley's Comet after a journey of 700 million kilometers, approaching the comet at a speed of 290,000 kilometers an hour. Photographs and other scientific data transmitted back to earth from the spacecraft are expected to give scientists important clues not just about the physical characteristics of comets in general, but also about the conditions that existed at the beginning of the universe.

This information is expected to be revealed by analysis of the highly refrigerated dust making up the comet, which spends most of its life more than 7 billion kilometers away from the heat of the sun. Indeed, ESA chief Roger Bonnet describes all comets, despite their fiery appearance, as "dirty snowballs."

In addition to its scientific goals, the mission also will have symbolic significance. It marks a major step forward both for the European space program and for efforts to mount truly international space research projects. This is because the full success of the European mission will depend on the assistance provided by scien-



Giotto carries 10 scientific instruments.

tific teams in the Soviet Union, Japan and the United States, each of which is planning its own encounter with the comet but on a more modest scale.

The European spacecraft is named Giotto after the 14th-century Italian painter who spotted the comet in 1301 and used it as the inspiration for the Star of Bethlehem in his painting of the Adoration of the Magi. The craft was built by a consortium headed by British Aerospace Dynamics, but involving many other European companies, including AEG-



The spacecraft is named after the 14th-century Italian artist who painted this Adoration of the Magi.

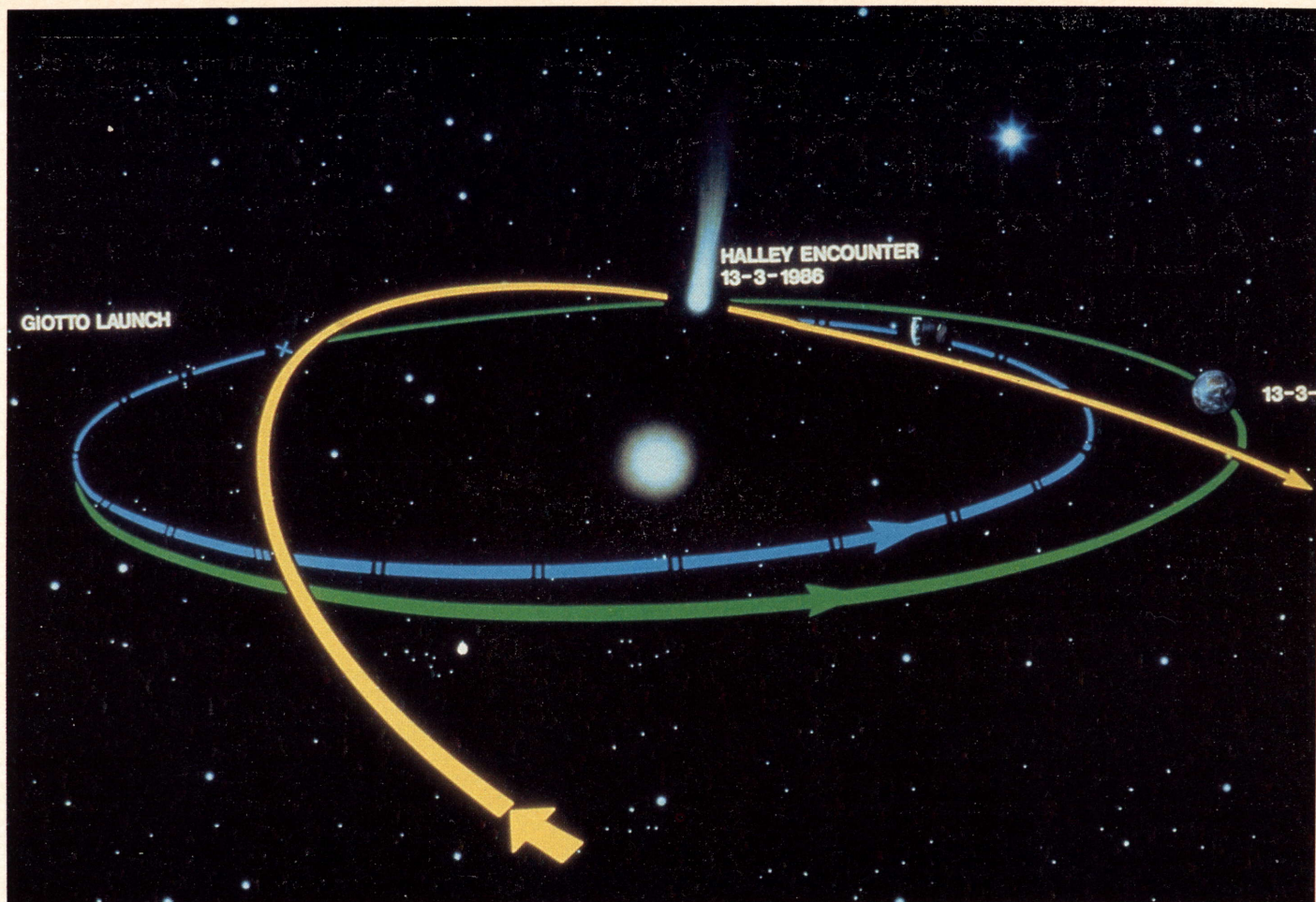
Telefunken and Dornier from the Federal Republic of Germany, L.M. Ericsson from Sweden, Fokker from the Netherlands and CSF-Thompson of France.

Despite some last-minute scares about whether the equipment would be ready in time, Giotto was successfully launched from ESA's space center in Kourou, French Guiana, on July 2. After three orbits around the earth, it headed out on its eight-month journey into space on a mission whose total cost will be about \$130 million. During this period, the spacecraft will be closely monitored and kept on course by a number of ground-based tracking stations, including ESA's own facilities as well as the U.S. National Aeronautics and Space Administration's (NASA) Deep Space Network, with its stations in California, Spain and Australia.

Ground-based measurements of the comet's position, however, will not be sufficient to provide a highly accurate assessment of its precise position. Although the solid mass at the center is thought to be only about six kilometers in diameter, it is surrounded by a cloud of dust particles which it has thrown off and which act as an effective smokescreen (as well as making it possible to see the comet's trajectory with the naked eye).

This is why, in a step that is unprecedented in the history of space exploration, a joint navigational effort is being mounted by ESA, NASA and the Soviet space agency Intercosmos. Two Russian Vega spacecraft were successfully launched last December and are due to encounter Halley's Comet seven and four days, respectively, before Giotto arrives next March. The two spacecraft are expected to pass within 10,000 kilometers of the comet. Data obtained from cameras and then broadcast back to earth will be transmitted back to Giotto in the form of steering instructions which scientists hope will enable it to approach within 100 kilometers of the center. Without the Soviet help, the closest possible distance was only 500 kilometers. Indeed, ESA describes the Soviet data as "absolutely essential for the success of the mission."

More information also will be obtained from two other spacecraft that are heading for the comet, both launched earlier this year by the Japanese Institute of Space and Astronautical Sciences and due to arrive a week before Giotto. They will be considerably further away, however, than the Soviet Vegas—the closest encounters of the Japanese spacecraft, known as MS-T5 and Planet-A, are 4-5 million kilometers and 200,000 kilometers respectively.



COURTESY EUROPEAN SPACE AGENCY

At midnight on March 13, Giotto should pass within 100 kilometers of the comet after a journey of 700 million kilometers. It will be traveling at a speed of 290,000 kilometers an hour.

The United States will not be left entirely out of the act. Four years ago, budgetary pressures forced NASA to abandon its own plans for a major encounter with the comet—a move which NASA director James Beggs now says could have been unnecessary—and its scientists have put most of their effort into the European mission. However, NASA engineers subsequently have been able to achieve a mini-scoop by redirecting a small satellite that previously was taking measurements of solar emissions into a brief encounter with the smaller comet Giacobini-Zinner in the middle of September, thus obtaining the first data from within a comet's tail.

The spacecraft, known as the International Cometary Observer, is now heading for a separate encounter with Halley. The U.S. craft, however, is not likely to pass closer than 32 million kilometers, and, although this will allow some data to be recorded on distortions in the solar wind, the craft's scientific capacity will be limited by the equipment it was already carrying.

In contrast, 10 separate scientific instruments will be carried aboard Giotto to enable it to conduct a range of experi-

ments aimed at measuring the neutrons, ions and dust particles. Some of the instruments, such as a camera and an optical probe, are designed to take visual measurements of the light waves being radiated from the comet and its tail. These will provide important clues to the comet's surface.

Other scientific data will be gathered by an ion mass spectrometer, two plasma analyzers and a neutral mass spectrometer, while a magnetometer will measure the magnetic field through which the spacecraft passes as it approaches the comet. All of the scientific equipment has been tested since the launch and is working properly so far.

The major hazard facing the spacecraft as it approaches the comet will be the dust particles that are continuously thrown off. Given the speed at which the spacecraft will be moving, even a relatively small particle—which would hit it while traveling 50 times faster than a bullet fired from a gun—could pierce even a thick metal cover. In order to reduce the chances of such an accident, the spacecraft has been designed with a special buffer chamber, or "bumper," made of two separate shields separated

by a space of 23 centimeters. If a particle hits the first shield, it will be vaporized by the energy released in the collision and the resulting gas will expand to fill the volume between the two shields, thus cushioning the impact on the second.

There still remains a small chance that Giotto will be destroyed before it reaches its minimum planned distance of 100 kilometers from the comet. However, recent calculations by European and American scientists, some based on new analyses of photographs of the 1910 passage, now suggest that the particles may be smaller than originally thought, and the danger therefore correspondingly less.

Indeed, some scientists on both sides of the Atlantic recently have become sufficiently confident about Giotto's new chances of survival that they have asked ESA to plan for the possibility of receiving and analyzing data emitted by the spacecraft for two days after the encounter as it passes back out through the comet's large gas coma. Previously, it was thought the mission almost certainly would end with the destruction of the spacecraft. ☛

David Dickson is a European correspondent of *Science* '85.



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September, 1985

EUROPE RUSHED AID TO QUAKE VICTIMS

E.C. MONEY COMPLEMENTS RESCUE TEAMS SENT TO MEXICO BY INDIVIDUAL GOVERNMENTS.

ALEX SCOTT

When the full horror of an earthquake hit Mexico on September 19, the scale of the disaster remained very unclear to the outside world, as much of the telecommunications infrastructure was destroyed or disrupted. In the day or two which followed the quake, reports filtered out, mostly from foreign embassies, of death tolls of anything up to 30,000, with varying estimates of the numbers injured and of the extent of damage caused to Mexico

City and other towns and cities in the country. As we now know, the death toll was mercifully much lower than those first estimates, and damage to Mexico City itself was limited mostly to about two percent of buildings in the center. This of course does not take account of the widespread destruction of shanty-town dwellings around the city, already in shaky condition.

As is usually the case, international relief organizations and Governments alike swung into action to care for the immediate problem, and in the first few

days after the disaster, plane loads of emergency supplies arrived in Mexico to care for the earthquake's victims. Within 24 hours of the disaster, the League of Red Cross Societies in Geneva said that it received \$1 million in spontaneous pledges from its member organizations. On the ground, a Red Cross team was sent into Mexico City, equipped with a satellite dish to enable communication with the Red Cross base in California, which would then pass on details of the emergency requirements to other parts of the world.

But the initial problem remained an accurate assessment of the needs of the country in the short term. Clearly, there was an immediate need for cash to obtain supplies and medical equipment, and many countries announced promises of funds. Alongside the pledges to the Red Cross from Sweden, Norway and the Federal Republic of Germany, among others, individual Governments put up further sums. For example, the Netherlands gave \$31,000, the United Kingdom \$13,500 and New Zealand some \$2,500 in initial emergency funds. In many cases they stressed that this was just the beginning



Disaster hits Mexico City.

©EXELSOR/SIPA/SPECIAL FEATURES

of their efforts. The European Community, which has a limited amount of funds at its disposal for emergency aid, announced it would be sending some \$380,000 to help cope with the disaster. The E.C. as such is accustomed to making its own donations alongside the 10 national Governments, as has been the case for past natural disasters in Colombia and Venezuela, for example, or the floods which caused considerable damage in South Yemen last year.

Perhaps more than cash help, it was the teams of rescuers sent out to extricate victims from damaged buildings which caught the public's imagination. One of the first teams in was a party of 30 rescuers from Zurich in Switzerland, accompanied by nine dogs specially trained to operate in avalanches and in disasters such as the Mexico earthquake. Others which went in early on to help the veritable army of Mexican volunteers included a team of firemen from the London Fire Brigade, and social welfare groups from the Federal Republic of Germany also offered tracking dogs and handlers to be used to find victims buried in rubble from destroyed buildings.

Specialized equipment was also flown in to help. British troops based in Belize were brought in by the Royal Air Force,

together with equipment such as cutting tools, water pumps and light towers. Several different techniques were brought into use for locating live victims of the earthquake, including special sonar scanners to detect any sounds of life, and infra-red equipment to pick up the signs of heat which surround the body when alive.

And, of course, many countries provided medical teams to help deal with the victims after they had been brought out. The Belgian Government flew a team of surgeons and medical supplies by Air Force C-130 transport planes, and the French Government made available 15 medical teams, each equipped with an anesthesiologist, a nurse and a doctor trained in resuscitation techniques.

With all this help flowing in from so many different places, it was perhaps inevitable that there should be problems of coordination. The rescuers fought on for many days after the initial earthquake, even up to two weeks in a case which seemed hopeless, and indeed ended in disappointment. And, once it became clear that the damage was less extensive than at first feared, the Mexican authorities were able to call a halt to appeals for blankets and tents to help with homeless victims of the disaster. This posed a small

problem for the Mexican Embassy in London, which had been turned into a veritable warehouse for donations of these comforts, although much had already been flown out of the country by British airlines.

The process of rebuilding has now begun in earnest, and life is apparently nearly back to normal in Mexico City. The need they have now in Mexico is for long-term aid to help in this process, and on past experience, Europe and other parts of the world will be offering their help again. It is perhaps not surprising that the problems are well understood in Europe, with a history of natural disasters such as Turkey or Italy have experienced. The E.C. Commission, for example, will be studying any requests for aid in the longer term, with a view to providing possible finance under its aid programs. Other international financial bodies such as the World Bank will also be playing their part.

It is comforting to know that international solidarity of this kind can take place so spontaneously when it is required in an emergency. But it is unfortunate that this is often what is needed to bring countries together. €

Alex Scott, a freelance writer in Brussels, is a former editor of *European Report*.

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E.C. CONFERENCE FOCUSES ON REFORMS

LUXEMBOURG MEETING STUDIES PROPOSALS FOR INSTITUTIONAL RESTRUCTURING.

STANLEY A. CROSSICK

The European intergovernmental conference which opened in Luxembourg on September 9 was the first since the one in Messina, Italy, in 1955 to consider questions of constitutional relations between European nation states. Messina led directly to the signing of the Treaty of Rome creating the E.C. Will Luxembourg mark a watershed in European development or turn out to be just another gathering, high on rhetoric and low on results? No realistic appraisal is possible until further meetings of the intergovernmental representatives are held and a report is made to the European Council Heads of Government summit meeting scheduled in Luxembourg for 2-3 December.

The previous summit in Milan in June 1985 was billed by the media as a critical meeting where landmark decisions were expected from the Heads of Government on institutional reform, completing the internal market and technological cooperation. When the results of the summit did not measure up to this artificially high billing, it was written off altogether by some of the media.

These high-level meetings should be seen in perspective and measured against the relevant criteria. First and foremost, the E.C. is less than 30 years old: Europe is at a stage of development comparable with the United States had there been a Confederate victory in the Civil War followed by a weak central government and strong state legislatures. Second, critically important decisions are required from 10 (soon to become 12) very different political leaders, ranging from British Prime Minister Margaret Thatcher on the right to Greek Prime Minister Andreas Papandreou on the left. They run very different countries—ranging from Ireland, with a predominantly two-party system, to Belgium, with more than a dozen political parties—and the sys-

tems of government are very different—ranging from the United Kingdom, whose Prime Minister is largely dependent upon parliamentary support, to France, whose President has much more substantial legislative and executive powers. Third, most E.C. decisions, although made in private, are debated in public in very different terms in the individual member states.

The Milan summit referred four questions to the intergovernmental conference:

- improving the E.C. Council of Ministers' decision-making procedures,
- strengthening the E.C. Commission's implementing powers,
- increasing the power of the European Parliament and
- extending the scope of the E.C. to new areas of activity.

Paul Cheeseright, in his article "Toward a Real Common Market" in the September/October issue of *Europe*, explained how the E.C. is now committed to a wide-ranging series of reforms which will have the effect of a decisive movement toward a market without frontiers of 12 countries and over 300 million people. The Commission's White Paper on completing the internal market contains 312 legislative and other proposals with a precise timetable for each proposal to be adopted by 1992 and is a challenge to the Council of Ministers to convert words into deeds. The White Paper was unanimously approved in principle at the Milan summit. All the member states also agree that there is no hope of achieving this essential aim without substantial improvements to the Community's decision-making process. Apart from the intergovernmental conference, the Council of Ministers also was asked to study institutional conditions for timely completion of the internal market.

Council of Ministers

The Treaty of Rome imposes majority voting for some fields of legislation and

unanimous voting for others. Unanimity is obviously much more difficult to achieve than a majority and inevitably slows up decision-making. However, even where majority voting is allowed by the treaty, the member states still adhere to the 1966 Luxembourg Compromise, drawn up to resolve an E.C. crisis precipitated by former French President Charles de Gaulle. This provides that even where the treaty requires majority voting, the Council of Ministers must continue discussions rather than vote by majority against a member state which claims that the decision would affect its very important national interest.

The Luxembourg Compromise means that any of the 10 (and soon 12) member states may veto legislation if in its own judgment a very important national interest is affected. The veto is not actually used very often, but its existence has stultified decision-making at all Council levels—even among expert committees—where unanimity is invariably sought. Nearly half of all Council decisions are currently taken by unanimity.

Although informed legal opinion believes the Luxembourg Compromise to be illegal, it has never been challenged before the European Court of Justice. A number of the treaty articles relevant to completing the internal market and perhaps 90 percent of the proposals in the Commission's White Paper require unanimity. This is why seven member states are seeking a treaty amendment to substitute majority voting in such circumstances. The United Kingdom and others argue that a treaty change is not required: Even where the treaty requires unanimity, majority voting can be achieved by the member states abstaining rather than opposing the relevant proposal. It has also been suggested that a more rigid procedure for the use of the veto—and allowing it to operate only at Council and not at committee level—is a more realistic solution than its abolition.

The prospect of enlargement is a spur to action of one kind or another. If Europe's decision-making is so slow now, it risks becoming paralyzed when there are two more states' national interests to consider. Commission procedures will inevitably also slow down when there are 17 Commissioners required to take collegiate decisions.

Commission and Parliament

The European Parliament is a consultative body and not an actual legislature, although by holding up its formal opinions (usually required before the Council of Ministers can legislate), it does now influ-

ence the content and speed of legislation. The Parliament is not represented at the intergovernmental conference but is being consulted and will have some say in the conclusions.

Although it appears to be agreed that the Parliament has too little power to exercise any real democratic control, and that its role should be enlarged, there is no consensus on the desired extent of such enlargement. One proposal is that its right of initiative be extended to legislative and budgetary matters. In the sensitive area of political cooperation, an extended role almost invariably means the right to demand information, much of which the member states might regard as secret.

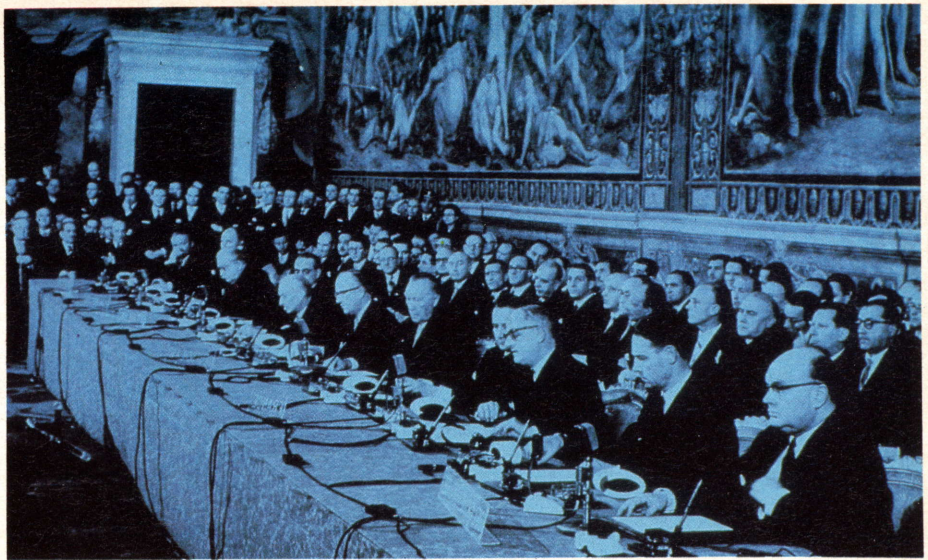
Extending the E.C.'s Role

The Treaty of Rome does not expressly cover technology and environment despite the use of Article 235, which provides for legislative action in areas where it is necessary to attaining an object of the Common Market. This is still, however, a limited instrument and decisions must be unanimous.

There has been political cooperation since 1970 and there are now more common approaches in foreign policy, but there is a feeling that the ad hoc arrangements should be institutionalized in a treaty. Several draft treaties have been proposed. The United Kingdom would prefer a new treaty or other form of binding agreement (which would stand beside the Treaty of Rome and the two Treaties of Paris which established the European Coal and Steel Community and Euratom). Other states would prefer to include in one of the existing treaties a section on political cooperation.

The Commission is adamant that political cooperation should not be dealt with separately, since this would lead to an artificial distinction being made between politics and economics. There is no common agreement that the Commission should have the right to initiate political activities which would inevitably increase substantially its importance. One of the underlying problems today is the power struggle between institutions.

The Milan summit majority decision to hold the intergovernmental conference was at first seen in controversial terms. Viewed as positive by seven member states (the six original members and Ireland) and negative by Greece, Denmark and the United Kingdom, attitudes have quickly changed. At the first meeting of the conference on September 9, the United Kingdom was willing to consider practical treaty amendments which would improve the decision-making process. Denmark proposed that the three trea-



The conference may seek amendments to the original Treaty of Rome establishing the E.C. which was signed in March 1957.

ties be fused and only Greece so far has remained reticent. Several proposals were submitted for a treaty on political cooperation based on the Franco-German and British drafts discussed at Milan. Both the Italian and Dutch texts go further than those tabled at Milan.

The Commission has produced an extensive proposal which (with limited exceptions) provides for majority voting on the internal market and, pending E.C. legislation, requires each member state to recognize the basic regulations of the other member states. The principle of intervention in new areas of competence (e.g. environment and technology) would be decided upon unanimously by the Council of Ministers, but the individual measures then would be adopted by majority. There is now some doubt about whether the intergovernmental conference will be able to submit its report to the Luxembourg summit on December 2-3 if the European Parliament is to be consulted on the proposed amendments. Any amendments to the treaty agreed by the summit would have to be ratified by all 12 national Parliaments.

All 12 member states agree that the internal market must be completed by 1992 and that for this to be achieved, the present decision-making process must be drastically improved. The only disagreement centers around the means. There is also a considerable amount of agreement on the need to expand political cooperation. Once again, the disagreement concerns how to achieve it.

Member states are less agreed on whether the E.C.'s competence should be expressly extended. Even without direct treaty powers, it already acts in the fields of environment and technology. There is no agreement as to the extent to which

the powers of the Commission and the European Parliament should be extended.

The Community's first priority is to start implementing the program to complete the internal market by 1992. Once this happens, the necessary improved decision-making process will provide an impetus for the other major changes under discussion. Economic, political and social life are, after all, interdependent.

A sequence of events has been set in motion which began with the Commission's White Paper and was followed by the decisions of the Milan summit and the opening of the intergovernmental conference. These events have built up a greater political movement for the development of the E.C. than we have seen for many years. This is variously described as moving toward European union or European unity or just closer cooperation. The words are not important—it is the reality that matters.

This writer believes that Europe will get its act together, a little late perhaps, but in time to ensure that Europe continues to play an important political, economic and social role in today's free world, whose long-term interests need a strong and interdependent United States, Europe and Japan. Since World War II, the United States always has encouraged the building of a strong Europe. Enthusiasm is perhaps overcoming the caution of some of the member states immediately following Milan. There is perhaps room for optimism—very few would have predicted a year ago that an intergovernmental conference would have been convened at all, let alone opened in such a constructive manner. €

Stanley A. Crossick is the founder of Belmont European Community law office in Brussels.

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BELGIUM

CENTER-RIGHT COALITION IS RE-ELECTED AFTER DELIVERING STIFF CONSERVATIVE MEDICINE.

ALAN OSBORN

A sharply divided country does not have countless political or economic options open to it. Anybody who drives a car, buys a newspaper or asks directions in Belgium is immediately made aware of the cleavage of the country into two highly distinct communities. Closer knowledge of its history and culture mainly serves to reinforce the impression. Between Flanders, the northern Dutch-speaking half of the country, and Wallonia, the French-speaking region to the south, lie differences in wealth, tradition and political outlook as profound as those you will find between Holland and France. And all this in a country roughly the size of Maryland.

There is certainly an explanation here of the relatively short life of Belgian Governments—little more than a year on average for each of the 37 Administrations since the war. A Belgian Prime Minister, of course, has to be either a Fleming or a Walloon—which means he faces a built-in natural opposition on top of the usual political one. The wonder, surely, is that taking a broad view of the postwar years, Belgium has been so successful.

The economic record in the past 10 years is not flawless, of course, but the country's export growth throughout the 1960s and much of the 1970s was enviable. Belgium's citizens, by and large, stand high in the per-capita wealth stakes of Europe and the country's response to the challenge presented by dying industries bears comparison with that of all its neighbors. There are many shabbier, more violent and less well-behaved capitals in Europe than Brussels.

What changes, if any, the new Government now being formed following the general election in October will want or be able to bring about will be impossible to judge for some time. What can be said is that the center-right coalition which

stepped down from office in September came as close to breaking the rigid pattern of Belgian politics as any of its predecessors since 1945.

It stayed in power for nearly four years—an achievement made all the more remarkable by virtue of the many unpopular decisions it was forced to take. Many credit this to the personal qualities of Prime Minister Wilfried Martens—still only 46 and yet by any measure a political veteran. The Government which ended in September was the fifth to be headed by this shrewd and popular Flemish Christian Democrat and surely the one in which he felt his sympathies to be most strongly realized.

Another interpretation of the relative stability of Belgian politics since 1982 is that the public had become increasingly impatient of Governments in the late 1970s, constantly riven by factional bickering, and it somehow grasped that a restoration of the country's economic fortunes could only be achieved by a resolute and principled Administration. Put a different way, there was a feeling that it might be worth suffering a stiff dose of austerity for a year or two as the price for a return to the good old days. The language war of the 1970s, with all this implied for political feuding, was put aside and a vote was cast for economic rectitude.

This view, at any rate, seemed to shape the voting in the October 14 elections which resulted in the coalition being returned to power with a slightly increased majority. It will hold 115 of the 212 seats in the new Parliament, compared to 113 in the last. The headlines in the national press, and indeed the verdict of most political commentators, proclaimed that Belgians had shunned the lure of the reflationary policies offered by the Socialists and had chosen more of Martens' stringent economic medicine. If you assume that 7 million voters behave like one, this is a reasonable interpretation.

But it is a little more complicated than that.

In fact, the Socialists did quite well in the voting, picking up six seats to bring their representation to 67 in the chamber. Even more striking perhaps is that the Socialist gains were all made in Dutch-speaking Flanders, the prosperous northern half of the country. The main casualty of the Socialist advance was the Liberal Party, which on economic policy has certainly proved to be the more conservative and doctrinaire of the coalition partners. So, on this reading, you could say that the average Belgian voter said yes to more austerity, but not too much and fairly shared.

Such a message may well suit Martens, whose unease with his Liberal partners on economic policy has not always been well disguised in recent months. He may well feel that the most brutal of the decisions necessary to put Belgium back on the path of economic prosperity have already been taken, and that the coming months could allow room for some modest reflation. It would certainly have been difficult to persuade the Liberals of the need for this earlier in the year, but in their weakened condition, the voices of economic restraint are likely to be quieter. They may well feel that their point already has been made.

Whatever criticisms might be made of it, the fifth Martens Government cannot be accused of failing to deliver the stiff conservative medicine it promised. Composed of a coalition of Christian Democrats and right-wing Liberals, the Administration took three provocative and generally deemed effective actions in early 1982 to reverse Belgium's declining competitiveness and cut back its increasingly unwieldy public sector. Its first act was to seek and win emergency powers that enabled it more or less to bypass the Parliament on economic matters. It swiftly followed this by devaluing the franc by 8.5 percent and, at the same time, it suspended the indexation system which provided for wages to rise automatically in line with inflation.

Inevitably, in 1983, the real standard of living of the average Belgian fell for the first time since the postwar boom began in the early 1960s. At the same time, the Government acted boldly to cut back capacity in the important steel-making industry in Wallonia. The Socialists, out of Government for the first time in 10 years, moved into the attack, and, for a brief period in 1983, there was a real threat the Government would fall as the Socialist unions mounted huge and angry

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protests in the streets of Brussels. The crisis was weathered, at least partly because of splits between the French- and Dutch-speaking wings of the unions—an interesting development which seems to illustrate that while the linguistic divisions make Government difficult, they also offer some kind of safeguard against its total collapse.

The devaluation and the check on wage increases have had their effect. Wages in Belgium have risen less fast than those in its major competitors in the past two years, and the country's relative competitiveness—a somewhat arbitrary yardstick—is regarded as back to a realistic level after threatening to rise out of sight in the early 1980s. The growth in exports has not been dramatic, but it has contributed to a trade surplus and balance-of-payments equilibrium. Unemployment, which had soared to the highest in the E.C. in the early 1980s, has stabilized, though the jobless rate is still high at 13.5 percent. Inflation this summer was down to half its rate five years earlier at 4.65 percent annually and this year's real economic growth rate is put at a respectable 2 percent to 2.5 percent.

This uninspiring, though not negligible, economic performance has served as the main meat of the election campaign since new elections became inevitable in the

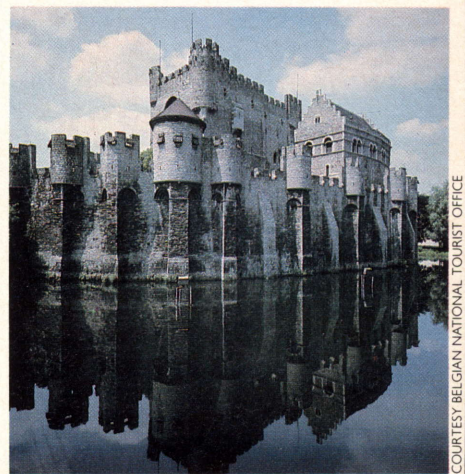


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Belgium's citizens stand high in the per-capita wealth stakes of Europe, although the indexation system which kept wages in line with inflation has been suspended. Clockwise from top: downtown Brussels, tapestry works in Maline, castle of the Counts of Flanders and Bruges, above.



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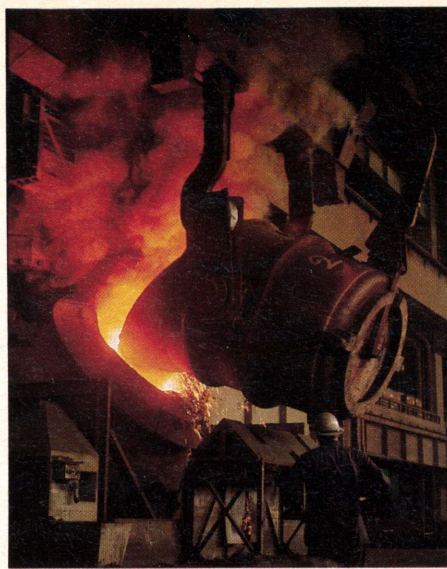
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early summer. The Government claim was that all was going according to plan, but the problem was not yet solved, so there would have to be more of the same treatment. The Socialists maintained that there was nothing to show for two years of falling living standards, that unemployment was still intolerably high and unfairly distributed and that the projected growth rate was insufficient to restore to consumers the losses they had suffered as resources were switched away from the public to the private sector. As Martens said shortly before the polling: "The choice is between two basically different economic attitudes, only one of which has proven itself, and that is the one of the government since 1982."

The specific catalyst for the October elections (which would not normally have been due until December) was a totally unexpected and highly dramatic event which, in retrospect, proved to have no bearing on the voting. In May, a tragic riot at the Heysel soccer stadium in Brussels caused 38 deaths, most of them among Italian supporters. English soccer fans were widely blamed for the rioting, but serious charges over the preparation for the match were laid at the door of the Brussels police and civil authorities. An all-party parliamentary committee of inquiry said the ultimate responsibility was that of the Interior Minister, Charles-Ferdinand Nothomb, who is also the leader for the Christian Democrats in the coalition.

For whatever reason, Nothomb roundly repudiated the charges and refused to resign, an act which in turn prompted the leader of the Liberal coalition partner Jean Gol, to resign on the grounds that he could no longer serve with Nothomb. When other Liberals followed Gol's example, Martens had no alternative but to ask the King to dissolve Parliament. The shock-waves felt throughout Belgium were due less perhaps to a sense of outrage that English soccer hooligans should have helped bring down the Government than to the sudden disclosure of deep and hitherto hidden rifts within the coalition. Until June, it had seemed that the morale of the Government was high and that it had surmounted the most probing tests of its resolve. What the business in June showed was that tempers were at breaking point. Later analysis showed that the two Government partners had been drifting apart for several months in the face of opinion polls showing a steady erosion in the coalition's popularity.

In fact, mounting unemployment and growing public impatience with the austerity program had caused many Chris-



The Government has acted to cut back steel-making capacity.

The October election result indicates Belgium does not relish a return to unstable, short-term Governments.

tian Democrats to suggest that some economic compromises should be made in the form of tax cuts, increased social spending and a return to regular wage indexation. Such ideas were heresy to their economically orthodox Liberal partners who, in turn, were accused of risking a Socialist Government rather than allowing a modest turn toward expansionist economic policies.

These were not the only differences between the two parties. A dispute arose shortly before the dissolution between the two sides (or rather four, since each party is split into French- and Dutch-speaking halves, just as the Socialists are) over education. This was a vintage quarrel in Belgian terms, arising out of the complexity of parliamentary procedures and the enduring, but in recent years relatively quiescent, language issue.

The point is that a new Government can only change the constitution on specific issues if given authority to do so by the outgoing one. One such issue was the handing over of educational responsibility from the national Government to the regions. Three of the four coalition partners agreed, but the French-speaking Christian Democrats were opposed. They felt that such a move could mean that control of education in Wallonia, which although

French-speaking is also Socialist, would pass away from their own power of patronage into the hands of their political opponents.

On this complex but bitterly argued point, the Government divided and left office having secured no agreement for constitutional changes by its successor. The split between the center-right parties greatly cheered the Socialists and might have caused some tremors among NATO officials in Brussels over cruise missile deployment were it not for the virtual elimination of this as a serious political issue earlier in the year.

At one time, the Martens Government had been threatened with collapse by a surprising revolt in the ranks of the Christian Democrats themselves who wanted a postponement of cruise missile deployment in March. Martens outmaneuvered a faction in his own party on this point, but the growing strength of the Socialists in the polls had made a reversal of the deployment decision seem possible next year. But the Socialists subsequently showed themselves split on the issue and the Soviet disarmament offer in early October did much to eliminate the cruise missile as a major factor in the voting.

In fact, the October result more or less disposes of the controversy. With Martens' personal authority newly fortified, any further rebellion from his own ranks is highly improbable, while the Socialist move against deployment can now be considered part of history.

Whether the new Martens Government perseveres with the bold, but increasingly controversial, economic policies of its predecessor, or whether there might now be some modest turn toward reflation is for the next few months to tell. The fifth Martens Government showed that it is possible for an Administration to introduce harsh economic measures, make them stick and stay in power for an exceedingly long time. Having done that once, it might be difficult for the same team to repeat the trick. Many Belgians are likely to grow uneasy if real results are not produced soon in return for the sacrifices of the past few years. But whatever else, the October vote could be called one in favor of political stability. Belgium does not relish a return to the old years of unstable, short-term Governments continually split by linguistics disputes. The losses suffered by the extreme separatist parties in the October voting, as much as the overall result itself, strongly suggest that Belgians want to put their internal divisions aside for the time being. €

Alan Osborn reports from Brussels for the *Daily Telegraph*.

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BRUSSELS MUSEUM OF MODERN ART DRAWS BIG CROWDS

'WELL OF LIGHT' CHARACTERIZES NEW UNDERGROUND BUILDING.

CATHARINE BROWNE

When Brussels' new Museum of Modern Art opened its doors on October 25, 1984, it was after more than a quarter century of passionate debate and consideration of numerous proposals and counterproposals. But now that the dust has settled, literally and figuratively, Belgium can proudly show the world an impressive collection of art from the 1880s to the present, much of which has been hidden from the public eye for years while awaiting a permanent home.

The museum stands next to its neo-classical sister, the Museum of Ancient Art, which provides one of its entrances. A common hallway serves as a bridge between the two collections. A second entrance is through the extensively renovated "Altenloh Mansion," a former jewelry shop facing out on the majestic 18th-century Place Royale, a short distance from the Royal Palace. From 1962 to 1979, the Altenloh Mansion was the home of Belgium's modern art collection and will continue to host temporary exhibitions.

The most striking aspect of the new museum is the subterranean "well of light" which partially illuminates four of the six exhibition levels below ground. This two-story-high glass hemisphere faces a wall of light-colored Meuse stone across a reflecting pool and allows the mixture of natural and artificial light considered favorable for the presentation of works of art. Partitions divide the large spaces inside the building and serve as display areas which can be moved according to the needs of the exhibition. Paintings also hang on the back walls of the museum, behind which runs a belt of storage and technical rooms.

The modern art collection comprises 2,660 paintings, 1,327 pieces of sculpture, 7,154 graphic works and 89 objets d'art. The different art forms are mixed

throughout the museum. It is a showcase for the works of Belgium's most significant artists, including James Ensor (1860-1949), whose works begin the collection, Rik Wouters (1882-1916), Constant Permeke (1886-1952), Paul Delvaux (1897-present), and René Magritte (1898-1967). Among the foreign artists represented are Paul Gauguin, Georges Seurat, Pierre Bonnard, Francis Bacon, Salvador Dali, Oscar Kokoschka, Raoul Dufy, Maurice Utrillo and Henry Moore. The large majority of the works, however, are by Belgians. The underground museum has a total surface of 15,000 square meters, of which 12,000 are reserved for exhibitions. It was built in six years at a cost of some 1 billion Belgian francs (about \$16.6 million).

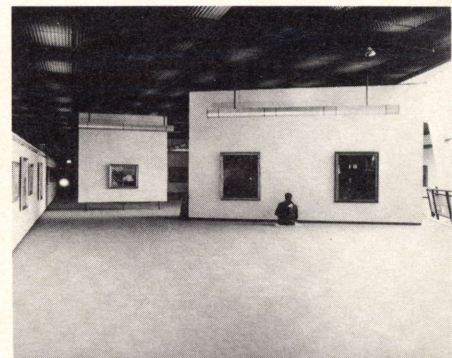
Until the museum's doors actually opened, the citizens of Brussels wondered whether they would ever really get their museum: Its construction was dogged by controversy and delay almost from its conception. The debate centered on three main questions: the choice of site within Brussels, the form the museum should take and its integration with the surrounding area.

On the matter of site, there were two main schools of thought. One, led by Philippe Roberts-Jones, head curator of the Royal Museum of Fine Arts of Belgium, felt particularly strongly about having the Museum of Modern Art next to that of Ancient Art, in order to offer the visitor a panorama of the artistic production of the Belgian provinces from the 14th century to the present. A second school of thought, led by Jean Lameere, professor of museology at the Free University of Brussels, favored the *extramuros* idea. Lameere saw the Museum of Modern Art as a series of pavilions connected by a walkway in the middle of a park. In such a sylvan setting, art lovers could reflect quietly on what they had seen as they strolled from pavilion to pavilion.

The partisans of a central site carried the day and a number of locations within Brussels were studied, among them the fashionable Avenue Louise, the Cinquantenaire and Woluwe parks, the Egmont Palace, the Ile Robinson (a small island in the middle of the Bois de la Cambre, a wooded city park) and the Petit Sablon (not far from the present museum). After much deliberation, the Mont des Arts/Place Royale section of Brussels was chosen. The choice had both an historical and a practical basis.

It was historical because, as its name indicates, the Mont des Arts ("Mountain of Arts") is already the site of many of Brussels' cultural institutions including the Museum of Ancient Art, the Royal Library, the Royal Archives, the Fine Arts Palace and the Collections of Medals and Engravings. It was the site of the old Museum of Modern Art, demolished in 1959 to allow renovation of neighboring buildings. In fact, it was the great dream of Leopold II, great-great uncle of the present King, to have a center of art and thought on this site, which was developed in the late 19th century during his reign. The practical reasons for the choice of the Mont des Arts included its central location (five minutes by foot from the Grand' Place): its ease of access by car, train, tram and, eventually, Metro (another long-running Brussels saga); and its proximity to other museums, which would allow it to share common facilities and thereby keep costs down.

To design the new museum, the distinguished Belgian architect Roger Bastin was chosen by the Ministry of Public Works, which had been impressed by Bastin's museum at Mariemont. His work is known for its simplicity, its use of natural lighting, its dignity and its integration into its surroundings. The first set of plans proposed by Bastin and his team called for two levels of underground exhibition space, an underground parking lot, renovation of the Altenloh Museum



Different art forms from the 1880s to the present are mixed throughout the museum.

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and construction of an entirely new building above ground. (In proposing an underground museum in his first and subsequent plans, Bastin was taking advantage of the large crater created by renovation work on the surrounding buildings).

When Bastin's plans were unveiled in 1972, they met with a chorus of disapproval from various environmental groups as well as from the Dutch-speaking section of the Royal Commission of Monuments and Sites. The proposed above-ground building was dismissed as a "bunker," completely out of keeping with the neo-classical style of the surrounding buildings. Further arguments were that the project was too expensive, the source of lighting inadequate and that the plans had been conceived in secret.

The harshest criticism was on grounds of urban policy and came from groups such as the Belgian Aesthetic League, the Urban Research and Action Workshop (ARAU) and the Archives of Modern Architecture.

ARAU, for example, claimed that the demolition of residential dwellings necessary for the construction of the new museum would destroy the fabric of the neighborhood. Although never questioning the need for a Museum of Modern Art, ARAU was very much opposed to its being on the Mont des Arts. According to ARAU, housing, trade, commerce and culture should be integrated within a city and not relegated to one-purpose zones. Siting the new museum on the Mont des Arts would do just that, ARAU argued, creating a type of "cultural ghetto" as nasty as any concrete jungle of office buildings. Instead of being a center of attraction for activity, it would push it away, becoming a dead zone outside of office hours.

The groups opposed to Bastin's plans carried out a vigorous campaign involving public-opinion surveys, press conferences, posters and a submission of counterproposals to building authorities. The theme of proposals and counterproposals was to be a constant one in the history of the museum. Such was the political heat generated by the debate that Bastin's plans were not accepted and he was sent back to his drawing board. Five years and much study later, Bastin's team submitted a revised set of plans to the building authorities. This time they were accepted. Permission to build was signed on December 3, 1977, by the Minister of Public Works and the then Secretary of State for the Regional Economy of Brussels—former E.C. Commission Vice-President Henri Simonet. Ground was broken on September 13, 1978.

Even with the cornerstone in place, the



The museum is a showcase for Belgium's most significant artists, among them Ensor, Wouters, Permeke, Delvaux and Magritte.

controversy was far from finished. A fresh round of debate was set off by the question of what to do with 10 houses standing on the Montagne de la Cour, a winding road flanking the east side of the Altenloh Mansion. Bought by the museum authorities in 1970, two were set for demolition, but restoration was planned for the remaining eight. But work on the buildings was delayed, decay worsened, renovation was then judged too expensive and the whole site was finally razed, to renewed cries of protest from ARAU, which claimed that here was yet another example of the needless destruction of Brussels' heritage.

The Montagne de la Cour was once the only direct link between uptown and downtown Brussels and had been an elegant mix of small businesses and private homes. ARAU wanted to see some of these former functions restored as part of its campaign to bring life back into the city center. The museum authorities, justifying their decision to demolish the build-

ings, claimed that their historical importance was debatable. A new complex of buildings now stands on the Montagne de la Cour and will house museum offices and private businesses.

As the new museum's first anniversary rolls around, there is no doubt that it is a success. Within 11 months of its opening, 425,000 visitors had passed through its doors; the 1984 total for both the Ancient and Modern Art Museums was only 340,000. Attendance figures for 1985 should be boosted even more by the thousands expected to visit an exhibition of Spanish Art put on in connection with the Europalia arts festival. Until December 22, a rare selection of Goya's paintings, etchings and drawings will be on display in the Museum of Ancient Art, while its modern counterpart will be showing the works of painters Antoni Tapies and Antonio Lopez-Garcia and sculptor Eduardo Chillida. €

Catharine Browne is a freelance writer based in Brussels.

COURTESY BELGIAN NATIONAL TOURIST OFFICE

RENOIR EXHIBITION OPENS IN BOSTON

MAJOR RETROSPECTIVE RUNS THROUGH
JANUARY 6, 1986.

A major retrospective highlighting 97 of Jean Renoir's most celebrated works is now on view at the Boston Museum of Fine Arts through January 5, 1986. One of the most widely recognized and universally loved of all painters, Renoir created some of the greatest masterpieces of the 19th century, including "Dance at Bougival," "Madame Charpentier and her Children" and "Children's Afternoon at Wargemont." These and other noted works included in the show reflect the splendid range and achievement of this French Impressionist's paintings.

The Renoir show has been organized by the Arts Council of Great Britain in collaboration with the Réunion des Musées Nationaux de France and the Boston Museum of Fine Arts. It features a highly selective group of Renoir's most significant works representing his long and prolific career. The exhibition premiered at the Hayward Gallery in London earlier this year and traveled to the Grand Palais in Paris. The tour concludes with this only American viewing of the show.

The works included in the exhibition represent many of Renoir's greatest accomplishments in figure painting, still life, portraiture and landscape. The show offers a full view of the artist's career, from his youthful production of the 1860s to the last works executed just before his death in 1919. In addition to paintings lent by 38 museums and 19 private collections around the world, the exhibition includes seven important works from the Boston Museum's own collections.

Of special note are the works drawn from the unequalled holdings of Renoir's art owned by the Musée d'Orsay (Jeu de Paume collection) in Paris. Other major lenders include the Musée de l'Orangerie in Paris, the Museo de Arte de Sao Paulo in Brazil, the Nationalgalerie in Berlin and, among museums and institutions in this country, the Art Institute of Chicago,

the Metropolitan Museum of Art in New York, the National Gallery of Art in Washington and the Sterling and Francine Clark Art Institute in Williamstown, Massachusetts. Ten paintings from various American public and private collections will be seen only in Boston.

Jan Fontein, director of the Boston Museum of Fine Arts, says: "In spite of Renoir's widespread reputation, no recent exhibition has selectively and authoritatively reviewed his achievement, exploring his relationship to the traditions of European figurative and landscape painting and documenting his significant contribution to the Impressionist movement. This project provides a timely re-evaluation of Renoir's work, as well as an exhibition of incomparable visual delight."

Renoir reconnoitered in all fields explored by the Impressionists: landscape, formal portraiture, scenes of modern life—including intimate family and other genre scenes—and still life. Highlights among the Impressionist landscapes in the exhibition include "Skaters in the Bois de Boulogne" and "Spring at Chatou." The paintings "Claude Monet Reading" and "Monet Painting His Garden at Argenteuil" attest to the warm friendship which existed between the two artists. Having studied together under Gleyre, Monet, Sisley and Renoir frequently painted the same subjects—the spirited life of French cafés, as well as picturesque scenery along the Seine. Renoir's "The Pont Neuf," for example, addresses one of the most popular subjects of Impressionist cityscapes.

In other works, Renoir captures the carefree mood of city people taking their ease on an outing in the country in paintings like "The Seine at Argenteuil" and "Woman with a Parasol." His gay medley of colors complements the festive subjects of his masterpieces "Oarsmen" and "The Swing." In other works, such as "The Promenade," he evokes the deli-

cacy of decorous courtship. Never cloying, these scenes have a directness and immediacy which engage and delight the viewer.

The Museum of Fine Arts was one of the first American museums to collect works by the French Impressionists. "Dance at Bougival," long a major attraction at the museum, is a highlight of the current exhibition. This colorful, virtually life-size canvas is shown with "Dance in the City" and "Dance in the Country," both from Paris, thus reuniting the three works which, in 1882-1883, he devoted to the serialized investigation of the charming theme of dancing couples. Other Boston Museum favorites include "Flowers in a Vase," "In the Meadow," "The Seine River at Chatou" and "Woman with a Parasol."

More than in the work of any other Impressionist, the nude was central to Renoir's art. What the sun-dappled haystacks and cathedral facades were to Monet, the nude was to Renoir. The recurrent images of bathers in Renoir's art explore the gentle sensuality of the human form. Even in his last works, such as "The Judgment of Paris" (on loan from Japan), Renoir continued to assert the primacy of the nude.

The Renoir show stands in the museum's tradition of exhibitions which examine the individual artist, revealing the range and achievement of his work and investigating the painter's relationship not only to his fellow Impressionists, but also to French art and culture generally.

A 324-page, color catalog illustrating each painting and a selection of details accompanies the exhibition. Three scholarly essays written by John House, Courtauld Institute of Art, University of London; Anne Distel, Musée d'Orsay; and Sir Lawrence Gowing, Slade Professor, University College, London address the success of Renoir as a landscape and figure painter and his relationship to the collectors and patrons of art.

The museum has implemented special ticketing procedures for the exhibition. Tickets for a reserved date and time of entry are on sale at over 700 Ticketron outlets throughout the United States and Canada, through Teletron and at the Boston Museum ticket office. The exhibition and catalog are made possible by a grant from the IBM Corporation. Additional support for the presentation in Boston has been provided by the National Endowment for the Arts, and the exhibition is supported by an indemnity from the Federal Council on the Arts and the Humanities. €



©MUSEE D'ORSAY, PARIS

Renoir's "Dance in the Country," from Paris, joins the two other paintings he devoted to the theme of dancing couples.

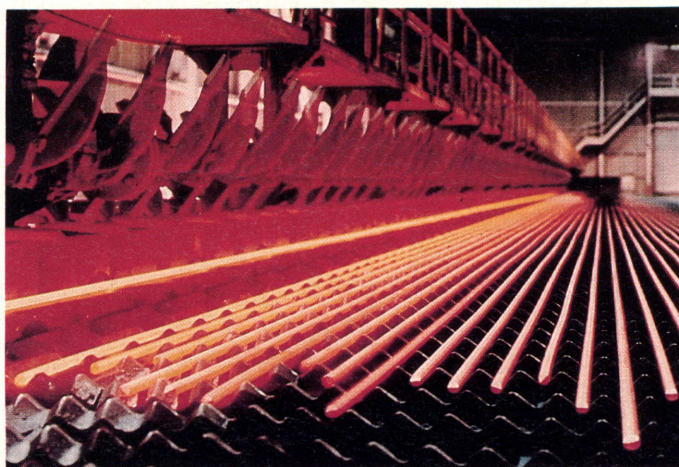
NEWS OF THE E.C.

U.S., E.C. OPEN STEEL NEGOTIATIONS

Negotiations on extending the 1982 U.S.-E.C. agreement on certain carbon and alloy steel products opened in Washington last month, and will continue through October. Talks on the future of the 1982 accord, which expires at the end of this year, are focusing on both the duration and scope of continued restrictions on European steel exports to the United States.

The 1982 agreement has held E.C. exports of 10 steel product categories (which, from 1982 through 1984, accounted for approximately two-thirds of E.C. steel exports to the United States) to about 5.4 percent of the U.S. market, and shorter-term agreements were signed this past year limiting exports of certain other steel products not covered under the 1982 pact. U.S. negotiators are aiming now for a more comprehensive agreement that will cover not only the original ten product categories, but also stainless steel, pipes and tubes, semi-finished goods and so-called "consultation products," and are calling for further reductions in the European share of the American market in all steel categories.

U.S. negotiators also want to see the 1982 agreement extended for four years, to make it coincide with the five-year agreements signed this past year with other exporting countries under President Reagan's steel import program. E.C. negotiators point out that a four-year extension would put the Community under a total of seven years of constraint, two



COURTESY AMERICAN IRON AND STEEL INSTITUTE

The United States and the E.C. are negotiating a renewal of the 1982 agreement restricting U.S. imports of certain European steel.

years more than competitor countries such as Japan and Brazil. The Community believes a two-year extension—bringing the total E.C. restraint period to five years—would be more equitable, especially as reduced European exports have allowed other countries to increase their U.S. market share and replace European steel over the past several years.

E.C. THREATENS LEGAL ACTION ON AIRLINE REFORM

In an effort to speed up reform of the Community's air transport system, the E.C. Commission is threatening legal action against the "cartel-like arrangements" some E.C. Governments and airlines have used to block the introduction of lower fares.

In recent remarks to the press, E.C. Commissioner Stanley Clinton Davis, who is responsible for transportation, underscored the Commission's determination to bring about changes in the present system as soon as possible. If no progress is made by June 1986, the Commissioner warned, "we shall have no option but to use other weapons"—including legal action in the European

Court of Justice. "We can either work quickly to bring about change through balanced political negotiations," Clinton Davis said, "or the industry and Governments can stall and then we shall be compelled to deregulate in a piecemeal and unpredictable way through Court procedures."

The Commission's strategy for reform differs from American-style deregulation in that it attempts to build on certain strengths of the European system and to avoid a free-for-all in the air transport market. In particular, consumer benefits need to be preserved; European airlines offer a comprehensive network with regular schedules, they give many travelers the freedom to switch flights without warning and without penalty, and there are compensation schemes for denied boarding.

Instead of deregulation, then, the Commission has proposed an approach based on five main points. These include giving priority to improving air transport within the E.C. while maintaining compatibility with wider European and international systems; allowing enterprising airlines to introduce lower fares; limiting government interference in setting so-called "capacity arrangements" that restrict the size of planes and

the number of flights; exempting some airline practices, including revenue sharing and consultation on fees, from E.C. competition regulations; and designing comprehensive guidelines for the control of state aids in air transport.

E.C. TO CAP CERTAIN TEXTILE IMPORTS FROM TURKEY

Following the failure of a third round of trade negotiations on textiles between the E.C. and Turkey earlier in the month, the Commission announced on September 20 its decision to impose quantitative restrictions on imports of certain Turkish goods. Imports of T-shirts, trousers, shirts, sweaters, nightwear and other articles of clothing will be reduced through July 1986, in an action the E.C. believes necessary to protect European producers.

Between 1977 and 1984, Turkey became the primary supplier of textiles to the E.C., surpassing even Hong Kong, and its exports this year have been rising at an accelerating rate. The Commission has been trying since 1977 to come to an informal arrangement with Turkey similar to those it has with its other preferred trading partners.

"We remain favorable to a negotiated solution, and we continue to be open to a resumption of negotiations if our Turkish partners are willing," the E.C. Commissioner responsible for trade relations, Willy De Clercq, commented. "We regret the failure of the recent negotiations, and hope our

Turkish partners will revise their attitude so that we might arrive at a stable regime for trade in textiles and clothing with them, as we have with all our other preferred partners."

E.C. EXTENDS BAN ON SEALSKIN IMPORTS

The E.C. Council of Ministers agreed in late September to continue the Community's ban on imports of baby sealskins and products derived from them for at least four years, after which it could, on a majority vote, extend the ban further.

Commenting on the decision, E.C. Commissioner Stanley Clinton Davis, who is responsible for environmental issues, approved the extension of the ban, but regretted that the Council had stopped short of imposing an indefinite halt to the sealskin imports. "I believe an indefinite ban to this repugnant trade would have been justified on both conservation and humane grounds. It is also clearly what the public wants. However, I hope that this Council decision will remove any doubts concerning the Community's long-term commitment to end the slaughter of baby seals."

The sealskin import ban was first introduced in October 1983 for a two-year period. The extension takes effect immediately.



COURTESY GERARD KUIJN/CHURCH WORLD SERVICE

The E.C. recently granted about \$3.3 million in immediate emergency aid to the United Nations High Commission on Refugees for victims in the Sudan.

EMERGENCY AID, GRANTS

The Commission is giving emergency aid of 500,000 European Currency Units (ECU)—about \$360,000—to help the victims of last September's earthquakes in Mexico. The aid will be disbursed through the International Red Cross and other humanitarian organizations.

The E.C. also has given immediate aid of 1 million ECU to the victims of an earthquake last summer in Northern Italy, 4 million ECU to the International Red Cross for its programs in Ethiopia and Angola,

4.1 million ECU to the United Nations High Commission on Refugees for the Sudan, and it is providing 100,000 ECU to help boat people in the China Sea.

The E.C. aid will go to Medecins du Monde (World Doctors Organization) to help it pursue its efforts on behalf of the Asian boat people, mostly Vietnamese refugees who have fled their country aboard flimsy boats. The aid will help cover the cost of sheltering the boat people as well as operating the organization's ship, which has saved hundreds of lives on the high seas.

COMMISSIONER DE CLERCQ ON TRADE

The E.C. Commissioner responsible for external relations and trade policy, Willy De Clercq, affirmed the E.C.'s commitment to a free and fair world trading system in remarks before the Chambers of Commerce and Industry of the E.C. recently.

Noting that the E.C. had been making efforts "to broaden further our external economic relations and to bring about a more coherent European presence in international affairs," De Clercq noted that

"our objective is to contribute to the preservation and strengthening of the open multilateral trading system—in other words, to the maintenance of free trade, in which, as the world's largest trading entity, the Community has a vital interest."

Underlining the E.C.'s commitment to launching a new round of trade liberalization talks in the General Agreement on Tariffs and Trade (GATT), De Clercq noted that the E.C. had already submitted its first ideas on what the content of such a new round should be. "We are looking for a better balance of rights and obligations as between *all* Contracting Parties. A balanced package of topics for negotiation should be agreed in which all participants will find advantage for themselves."

On trade in textiles, De Clercq noted that the E.C. was looking for a "reasonable and equitable solution," and was ready to adjust the MultiFibre Arrangement and apply it with more flexibility as long as the E.C.'s trading partners made parallel efforts toward opening their markets.

On existing or potential trade problems between the U.S. and the E.C., De Clercq stressed again his concern over recent protectionist initiatives in Con-



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The sealskin import ban, introduced in October 1983, is extended for four years.

gress which, should they succeed, "would go far beyond creating a bilateral problem—they would call into question the viability of the open world trading system."

"There is for the Community no alternative to free trade," De Clercq concluded. "This places on us an inescapable constraint: that our industries have to be able to face up to international competition. It is our responsibility to create the best possible environment for our firms to be competitive and to ensure that the conditions of competition remain fair."

REGIONS GET A NEW VOICE IN EUROPE

With the creation of the European Regional Council (ERC) in Belgium this summer, Europe's regions have found a stronger and more united voice in European affairs. The new body, which brings together the regions of the E.C. member states as well as those of Spain, Portugal, Switzerland and Austria, will handle the regions' relations with the European Community and the Council of Europe.

While efforts have been made in recent years to give Europe's regions more say in managing their own affairs, past attempts at joint action have not been successful, and the regions until now have been represented by national bodies in their dealings with the E.C. Re-

gional authorities consider it essential that they be able to deal directly with the E.C. in order to make their needs and concerns known and to take advantage of the grants and loans the E.C. makes available.

Nearly 80 regions and 50 inter-regional associations have joined the new body, which is based in Strasbourg. Offices will open soon in Brussels, Paris and Majorca.

U.S. GRAPE GROWERS' PETITIONS REJECTED

The U.S. International Trade Commission rejected in late October petitions filed before it by U.S. grape growers who claimed substantial losses due to low-cost wine imports from the E.C. The grape growers wanted the Department of Commerce to impose duties on French, Italian and German table wines. The E.C. had opposed the complaints.

The Grape Growers Alliance for Fair Trade filed its petitions under provisions of the U.S. Trade and Tariff Act of 1984 that the E.C. believes clearly violate U.S. obligations under international trading agreements. U.S. law was recently revised to allow producers of a raw material—in this case grapes—to file trade complaints against imported finished products. The revised provisions of the law, however,



San Marino is the world's smallest republic, with a territory of 24 square miles and a population of about 22,000.

violate the codes on subsidies and antidumping in the General Agreement on Tariffs and Trade (GATT).

"If these petitions were to lead to the adoption of protective measures under conditions inconsistent with GATT rules, this would be in contradiction with the overall objectives of impending trade negotiations," the E.C. Commissioner responsible for trade policy, Willy De Clercq, had said recently. "It would also lead to a serious deterioration of our agricultural trade relations, bearing in mind that wine is the E.C.'s largest agricultural export item to the U.S., and that our overall agricultural trade is characterized by a \$3.6-billion imbalance in favor of the United States."

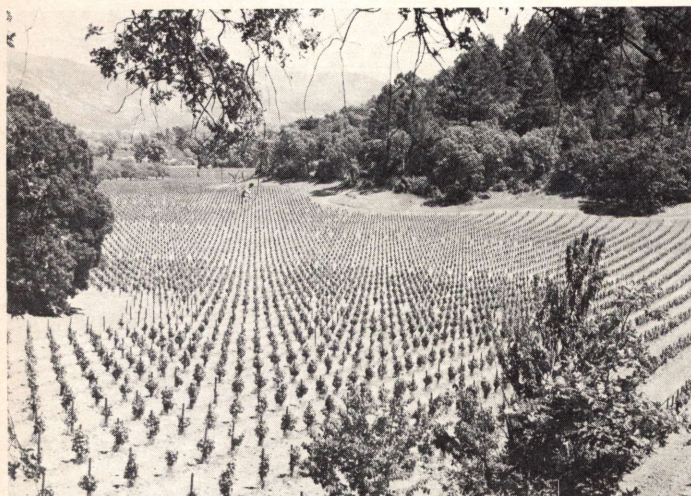
The E.C. challenged the new legislation in the GATT, which agreed to set up a panel under its dispute settlement procedure. The E.C. also rejected the allegations by the Grape Growers Alliance that E.C. producers dump and that the E.C. unfairly subsidizes wine. E.C. wine policy is designed to maintain market stability by withdrawing, through storage and distillation,

excess wine from the market—measures that neither depress prices nor lead to an increase in exports. The E.C. does not provide refunds for exports of wine to North America.

E.C. TO OPEN RELATIONS WITH SAN MARINO

The Commission recently adopted a communication to the Council of Ministers on opening relations with the Republic of San Marino. San Marino, the world's smallest independent republic with an area of 24 square miles and a population of about 22,000, is located near the Adriatic coast in east central Italy. It is, however, neither part of the Italian Republic nor a European territory for which Italy assumes external relations, and is thus in the E.C.'s view a third country, despite the fact that it has been included in the Community's customs territory since 1968.

Goods can travel freely between San Marino and the E.C., and customs duties paid on



The grape growers filed their petitions under provisions of U.S. trade law that the E.C. believes violate trade agreements.

AROUND THE CAPITALS



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

NEWS OF THE E.C.



E.C. URGES ACTION ON SIGS.

PARIS

Socialism and Fashion

Through mass production economic crisis socialist government, at New York, Milan

U.S.-E.C. RELATIONS/SECURITY

EUROPE SEES SDI AS TWO-EDGED SWORD
STRATEGIC PROBLEMS WEIGH

MEMBER STATE REPORT/SOCIETY

PARIS SHOWCASES NEW ARCHITECTURE
DESPITE CONTROVERSY, THE BUILDING DRIVE IS GOING ALIVE

EUROPEAN AFFAIRS/ENVIRONMENT

EUROPEANS ACT ON ENDANGERED SPECIES

THE E.C. ALSO CONTRIBUTES TO THE PROTECTION OF NATURE THROUGH LEGAL ACTIONS.

BUSINESS/FINANCE

EUROPEAN MARKETS: A BUSINESS OVERVIEW

WHICH SECTORS PROVIDE BEST EXPORT AND INVESTMENT OPPORTUNITIES?

BOOKS IN REVIEW



Europe's Stagflation, edited by Michael Emerson, Oxford University Press.

U.S.-EUROPEAN RELATIONS/ALLIES

REVIVAL OF W.E.U. MAY BREAK ICE ON EUROPEAN DEFENSE
30-YEAR-OLD GROUP COULD BE FORUM FOR NEW POLITICAL COOPERATION

U.S.-E.C. RELATIONS/FINANCE

MONETARY RELATIONS ACROSS THE ATLANTIC

OR: HOW TO "UNSTABLE NO"

ANDRÉ SZÁSZ

Financial and monetary relations between the United States and Europe in recent years have been free from irritants and recrimination. These have gone to the sphere of monetary and financial policies have been criticized by Prime Ministers, by Presidents by a King. Listening to the arguments going back and forth, I sometimes like that judge who, after having the plaintiff, concluded he was right and the world. In the c

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EUROPEAN AFFAIRS/INSTITUTIONS

E.C. ENLARGEMENT TESTS
NEGOTIATION

SPAIN AND INDEMNED

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goods from third countries destined for San Marino, but imported through an E.C. member state, are retained by the E.C. Italy makes annual payments to San Marino, however, to compensate for duties and levies not collected by San Marino itself.

Diplomatic relations between the E.C. and San Marino were established in May 1983, shortly after which the San Marino authorities expressed the desire to open negotiations with the E.C. toward concluding an agreement. The Commission is now proposing that an agreement aimed at resolving certain legal and economic problems between the E.C. and San Marino in the fields of agriculture, trade, customs, transport and social security be discussed by the Council.

FORD LOSES ANTITRUST APPEAL

In a ruling that reinforces the European consumer's right to buy a car anywhere in the E.C. at the lowest possible price, the European Court of Justice rejected on September 17 an appeal by Ford Werke AG, the German subsidiary of Ford Motor Company, over an antitrust dispute with the Commission.

The Court upheld a 1983 decision by the Commission that Ford AG's refusal to supply right-hand-drive cars in the Federal Republic of Germany violated E.C. competition rules. Ford had begun a policy in 1982 of refusing to sell the British-style cars in Germany, due to the growing number of U.K. buyers who were flocking there to take advantage of considerably lower prices. Concerned over dwindling sales in the U.K., Ford told its German dealers that all further orders for right-hand drive cars would have to be made from dealers in the U.K. or from a subsidiary of Ford Britain.

The European consumers union BEUC objected immediately, and the Commission quickly began taking steps to force Ford to continue supply-



The European Court of Justice upheld a 1983 decision by the E.C. Commission that Ford AG's refusal to supply right-hand-drive cars in the Federal Republic of Germany violated E.C. competition rules.

ing the right-hand drive cars to German dealers. In November 1983, the Commission reached a final decision that Ford's action was in breach of Article 85(1) of the Treaty of Rome, a decision that Ford appealed in January 1984.

The E.C. Commissioner responsible for competition, Peter Sutherland, welcomed the Court's action, saying "this is a significant decision which is fully in line with the Commission's determination to create a truly open internal market throughout the E.C. It supports the Commission's policy that manufacturers should not be permitted to put artificial barriers in the way of free trade between different parts of the Community. Consumers will thus have a greater choice to buy cars and other goods. I intend to explore the possibilities for further E.C. action."

EUROPEANS ARE HAPPIER

Europeans are feeling better than they have for some time, the latest Eurobarometer public opinion poll indicates. Questioned earlier this year about their attitudes toward life, their democracies and Europe itself, almost 80 percent said they were satisfied with their way of life, up from 77 percent in 1984. Of that total, 23 percent said they were "very satisfied"—the highest level recorded in 10 years.

The degree of contentment, however, seems to depend on the country. As many as 90 percent of those living in Denmark, Luxembourg and the Netherlands say they are happy, while fully a third of those questioned in Italy and Greece said they were dissatisfied with life.

The survey also showed that the image of Europe has improved in the public eye. This year 77 percent of those questioned were in favor of the unification of Western Europe, compared with only 71 percent over the past decade. And while there are substantial differences between the member states, only Denmark showed a majority opposed to greater integration.

The survey also revealed that 19 percent thought there was less friction between the member states than a year earlier, the highest figure since the late 1970s. Exactly half thought their country had profited from E.C. membership, up from 46 percent last year. Only in the United Kingdom was there a prevailing impression that membership in the E.C. had been a "bad thing" for British citizens.

NEW U.S. AMBASSADOR TO THE E.C.

Ambassador J. William Middendorf II has assumed his position as Head of the U.S. Mission to the E.C., where he will be responsible to the institutions of the Community for all aspects of the U.S.-E.C. relationship. Middendorf, who was sworn in last July, was previously the U.S. Permanent Representative to the Organization of American States, a post he has held since 1981. A guest column by Ambassador Middendorf appears on page 56.

Following a long career in investment banking, Middendorf entered government service in 1969 when he became Ambassador to the Netherlands. From 1973 to 1977 he served as Secretary of the Navy, after which he returned to private business as president of Financial Bankshares, Inc. Middendorf is the author of numerous articles, a frequent lecturer on international security and economic issues and a member of several national and interna-

tional organizations concerned with defense, trade and monetary questions.

E.C. INCREASES WHEAT EXPORT REFUNDS

Heightening competition for world agriculture markets is heating up trade tensions between the U.S. and the E.C. again. Responding to a recent American sale of 500,000 tons of subsidized wheat to Egypt at prices well below that of the world market, the E.C. announced on September 19 that it would increase its own refunds for wheat exports to the Mediterranean region, in an effort to protect its interests in what have traditionally been European markets.

The Commission said it regretted the transactions under the new U.S. Export Enhancement Program, which it believes will depress world market prices. The E.C.'s export refunds were increased by about 30 percent (from 41 ECUS, or \$31.57, to 55 ECUS, or \$42.35, per metric ton), allowing European exporters to sell

wheat at a price equivalent to that agreed by the United States and Egypt.

E.C. AGREES EMERGENCY BEEF PRICE MEASURES

In an effort to combat the falling beef prices that have resulted from poor weather conditions this year, the E.C. announced in late September temporary measures designed to bolster prices and protect E.C. beef producers from further losses. The emergency measures will expand the present aid system, under which certain cuts of E.C. beef are guaranteed minimum prices. The measures are expected to increase surplus E.C. beef stocks (already at a record 750,000 tons) by about 25,000 tons per week. Governments lobbying for the emergency aid noted that many farmers were forced to slaughter large numbers of cattle prematurely this year, due to the destruction of fodder crops by heavy rains in recent months. The emergency measures are expected to last for several months.

E.C. ADOPTS MEASURES ON SOUTH AFRICA

Stepping up their pressure on South Africa to abandon its apartheid system of racial separation, the 10 E.C. member states and future members Spain and Portugal agreed unanimously in September to impose a series of restrictive measures against Pretoria, including a ban on arms trade, the recall of military attachés, a freeze on official sports contacts, and an end to oil exports.

Foreign Ministers of the Twelve also decided on a number of positive measures, such as strengthening the E.C.'s Code of Conduct for companies doing business in South Africa and establishing programs to help nonviolent anti-apartheid organizations which assist the education of the nonwhite community. They also agreed to intensify political, cultural, scientific and business contacts with the nonwhite community in South Africa.

The decision to impose restrictions came after a mission to South Africa in late August by Willy De Clercq, the E.C. Commissioner responsible for external relations, and the Foreign Ministers of Italy, Luxembourg and the Netherlands. The European delegation expressed to South African authorities the Community's strong opposition to apartheid. The group called for the immediate release of Nelson Mandela and other political prisoners, an end to detention without trial and forced relocation, a commitment by the South African Government to dismantle its discriminatory legislation, and real negotiations with the true representatives of the South African people, including those in prison.

"There is an urgent need for the South African Government finally to take measures of the kind called for by the European delegation," the Foreign Ministers noted, "in order to create a new political climate by opening up a prospect of profound, peaceful change." €



The E.C. action was in response to a U.S. sale to Egypt under the new Export Enhancement Program.

BOOKS IN REVIEW

Helmut Schmidt: Helmsman of Germany, by Jonathan Carr, St. Martin's Press, New York, 208pp., \$25.00.

CLIFFORD F. BEAL

If biography is considered to be one of the more difficult literary forms, then surely contemporary biography is doubly difficult. In writing the first English-language account of the life of Helmut Schmidt, author Jonathan Carr clearly had his work set out for him. Carr, a journalist for the *Financial Times*, has been based in the Federal Republic of Germany for many years and was able to meet with Schmidt and close associates during the course of his research. His end product is a reasonably good account of one of the world's best-known statesmen and architects of détente.

The author's loosely chronological format is highly readable and allows Carr to bring in details related to the moment he is examining. Far from confusing the reader, the format helps clarify the narrative as well as elucidate the event—especially for the reader unfamiliar with recent German history.

Since he was brought up in a "generation between generations," as Schmidt himself refers to his era, it is easy to see how his social consciousness was formed. Too young to help the struggling Weimar Republic survive or even to understand the true nature of Nazism, he was nonetheless just old enough to take part in the war in 1939. During his youth, Schmidt very probably espoused his parents' views as his own.

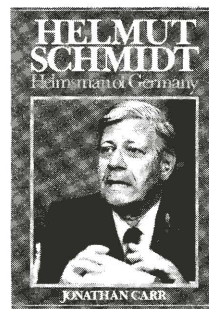
As Carr points out, Schmidt himself

once said, "I was influenced atmospherically by my father *against* the Third Reich, but not *in favor* of anything else...It was clear to me that the scornful rejection of Western democracy by the Third Reich couldn't be correct. But I had no concrete impression of what a democracy looked like, how a state based on the rule of law should be organized." Undoubtedly, many other Germans felt the same way. The fractious and weak Weimar Government had been a poor introduction for Germans to the democratic system.

Schmidt's wartime experiences, his incarceration in a British prisoner-of-war camp, the secret of his part-Jewish ancestry, his belief in democracy—all coalesced into the transformation of an apolitical man into a political one. It was the Social Democratic Party that suited his world view; within two decades he would be charting the party's very course.

And as Carr charts Schmidt's personal course, one sees the "Iron Chancellor" as not only a gifted politician—an orator, administrator and leader—but also as a deep thinker and intellectual. If Schmidt's political savvy allowed him to attain the chancellorship, then it was his force of intellect that allowed him to retain it and make his mark on the Federal Republic and indeed Western Europe.

Schmidt, ever the liberal philosopher, nevertheless understood the force and value of political realism. Perhaps his brand of statesmanship—as distinct from Willy Brandt's earlier *Ostpolitik*—was born of this blending of ideas. During a conference on the 18th-century philoso-



pher Immanuel Kant, Schmidt once remarked that Kant emphasized the need for a balance of power to help maintain international security. However, Schmidt went on to say: "Balance is a necessary condition for peace, but not a sufficient one. It must be complemented by a peaceful disposition, the will to show restraint toward others, the will to speak to one another and to listen when the other speaks...."

Throughout this biography, the author makes clear the complexity of Schmidt's character, but fails to fully explore the underlying reasons. He does not linger often enough on areas—Schmidt's youth, his days in the prisoner-of-war camp or his Euro-Socialist indoctrination in the years following 1946—which might shed light. Two-thirds of the book deals with the hectic world of the Bundestag and Schmidt's time as a member of the Cabinet and as Chancellor.

As a result, the work wanders into becoming a modern political history of the Federal Republic of Germany rather than a strict biography. Despite a brief section on Schmidt's activities in music and art this reader nonetheless is left wishing to know more of Schmidt's personal side. Instead, there is a heavy portion on the very public—and unforgiving—cut-and-thrust atmosphere of Bonn.

This, however, is the only criticism in what is otherwise a well-written and researched work. Although an understanding of Schmidt the man remains only a half-attained goal, one's understanding of Schmidt's political and social contribution is greatly enhanced. As Carr sums up: "Schmidt consolidated in hard times what his predecessors had built, steered his country with a sure hand through the economic storms which followed the first oil crisis, and won a crucial domestic battle against terrorism....Schmidt's steady leadership, his clear-sighted defense of the middle ground in politics against dreamers and fanatics, helped bring his country stability and won it more respect abroad." €

Clifford F. Beal is assistant editor at the *Journal of Defense and Diplomacy*.

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.

Ten European Elections. Ed. Karlheinz Reif, Gower, Brookfield, VT, 1985, 223pp., \$34.95.

A collection of empirical election studies of ten European nations. Examines the campaigns, results, and significance of the first direct elections to the European Parliament in 1979. Essays analyse the internal political forces and issues as well as the transnational parties and plat-

forms that influenced the outcome of the elections. Includes complete tables listing the results by country compared to recent national elections.

Has the Cavalry Arrived? Trade Policy Research Center, London, 1984. 127 pp. paper.

A revised draft of the report compiled for the Seoul Trade Conference. Focuses

on the need for trade liberalization during a period of economic recovery. Argues for stronger adherence to GATT principles, simultaneous reduction of tariff barriers by the developed and developing countries, and greater effort to increase public understanding of the GATT. An analysis of the debt crisis and international trade situation are also included.

Regional Integration in East and West. Christopher Saunders, ed. St. Martin's Press, New York, 1983. 261 pp. \$32.50.

A critical analysis of the strengths and weaknesses of the EEC and the CMEA and

the differences and similarities between them. Collection of essays include a comparative analysis of socialist and capitalist integration, the effects of integration on non-member countries, as well as an outline of specific programs such as the CAP and Long Term Targets of the CMEA.

Britain and the European Community Made Simple. K. Perry. Heinemann, London, 1984. 256 pp.

Helps identify and clarify major policy areas of the EC and how they affect the lives of the British people. A point by point summary of the objectives and function of the EEC, Community institu-

tions, the CAP, Social and Industrial Policy as well as an examination of the relations of the Community to non-members and Britain's unique position within the EC are all included.

International Personnel Policies and Practices. Henri Reymond. Praeger, New York, 1985. 241 pp. \$36.95.

A probing examination of the structures, management and processes of international organizations, in particular the United Nations. Discussion of environmental factors and personnel issues such as the relationship of a staff member to the organization, the place of women in the Secretariats, recruitment, and management development are included. An analysis of the institutional framework of the United Nations and samples of evaluation forms and salary categories add greater understanding to the functioning of an international service system.

The World's Largest Industrial Enterprises 1962-1983. John H. Dunning, et al. St. Martin's Press, New York, 1985. 186 pp. \$65.00.

A detailed study of the structure, growth, performance and international involvement of the largest eight hundred companies in the world. Analyzes in detail the operating methods of the largest firms and projects possible future growth in multinational enterprises. Companies' data by country and industry are analyzed and interpreted along with their current profitability. Identifies which countries are strong in new technologies and markets.

Politics and Policy in the European Community. Stephen George. Clarendon Press, Oxford, 1985. 196 pp. \$24.95, cloth

An analysis of internal developments within the European Community and throughout the international system. The book attempts to link these two processes and in doing so, confronts the neofunctionalist theory of the process of European integration. Final chapters include explanations of the pattern of failure and success in six areas where the Community might be expected to have already developed common policies.

Agriculture and International Relations. Hartwig de Haen, ed., et al. St. Martin's Press, New York, 1985. 301 pp.

A collection of essays by leading agricultural economists. The main theme is the contribution which analysis can make towards understanding and improving policy, especially in agriculture and trade. A wide range of topics are discussed, including the social role of analysts, economic modelling, and the relationship between U.S. agricultural trade policy and Europe. The concluding sections discuss agricultural trade policy of the 80's and opportunities to develop an improved international food policy.

World Politics-The Menu for Choice. Bruce Russett, ed., et al. W.H. Freeman & Co., New York, 1985. 617 pp. \$22.95.

A comprehensive introduction to international relations. Represents a balance of traditional concerns and new social-scientific approaches to this field. Analyzes critical strategic and arms control

issues, governmental, societal, as well as international constraints that limit policy decisions, the integration of contemporary theories of world politics and recent research findings and historical examples.

The European Community at the Crossroads. Nils Ovrík, ed., et al. Kingston, Canada, 1983. 301 pp. \$15.00

A collection of essays on the member states of the European Community and their relationship to the community structure. Essays include information on West Germany, Belgium, Britain, Ireland, and Scandinavia. A piece on European perspectives is also included. The Community's policies concerning the monetary union, energy, and NATO are also discussed.

Deterrence in the 1980's - Crisis and Dilemma. R.B. Byers, ed. St. Martin's Press, New York, 1985. 223 pp. \$29.95, cloth.

Offers analysis by American and Canadian scholars in the field of strategic studies, examining deterrence - both nuclear and conventional - as a means of attaining international security. Complexity of deterrence theory and practice are outlined and policy proposals are given regarding future viability of deterrence. Soviet-American strategic relations are analyzed. The dilemma of extended deterrence is also discussed.

Public Planning in the Netherlands. Ashok K. Dutt, ed., et al. Oxford University Press, 1985. 261 pp. \$29.95, cloth.

A comprehensive treatment of Dutch public planning. Concentrates on the relationships between planning ideas and government framework, and planning procedures and the changing economic and social issues. Ideas about the proper role of planning in the 1980's in Western Europe are discussed. Several chapters are devoted to specific functional aspects of planning.

Europe's Money: Problems of European Monetary Coordination and Integration. Oxford University Press, New York, 1984. 258 pp. \$24.95.

A collection of updated versions of papers presented to the Monetary Affairs Group on the "Problems of European Monetary Coordination and Integration." Chapters draw attention to monetary and fiscal policy as a key factor in the context of high and variable inflation. Issues discussed include: Global and regional perspectives, the EMS, financial innovations, and fiscal constraints on monetary coordination.

Politics and Government in the Federal Republic of Germany, Basic Documents. C.C. Schweitzer, ed., et al. St. Martin's Press, New York, 1984. 420 pp. \$37.50.

Describes the political system in Bonn as it is in 1983, with references to appropriate historical background. Each section, such as the Bundestag or the political parties, is treated as a separate unit, each with separate introduction and editorial comments. Will suitably serve both as a description of the federal system and as a source book for students.

Ireland: A Directory. Institute of Public Administration, Dublin, 1985. 440 pp. \$65.00, cloth.

A reference guide to public and private institutions and agencies in Ireland. Includes information on county council, embassies, private companies, youth organizations and more. Statistics on agriculture, industry and population are also included. "General Information" includes European telephone codes, postage rates, and salaries of public officials.

Political Parties in Western Democracies. Klaus von Beyme. St. Martin's Press, New York, 1985. 372 pp. \$39.95

Presents an up-to-date comparative study of political party research on Western democracies. The history of modern party systems is examined along with the development of ideologies and organization, including membership, affiliated associations, party finance, elite recruitment and internal party democracy. Concentrates mainly on the European democracies and the USA. Australia and New Zealand are included in relevant chapters of the book.

Security and Detente - Conflicting Priorities in German Foreign Policy. Helga Haftendorn. Praeger, New York, 1985. 336 pp. \$39.95, cloth.

Relates Bonn's foreign policy to its broader national experience and international approach. Also deals with West German foreign policy since 1955 and analyzes the latent conflict of priorities between its Western orientation and its policies directed toward the East. Multilateral arms control, integration, the German question and recent developments are also discussed.

Institute for International Economics: The Exchange Rate System. MIT Press, Cambridge, MA., 1985. 110 pp. \$10.00, paper.

New edition updates the analysis of the exchange rates system. This study recalculates the "fundamental equilibrium of exchange rates." Discusses the role of surveillance by the International Monetary Fund and the case for a degree of management of the exchange rate in order to limit misalignments.

Report on ETUI Activities, 1984. European Trade Union Institute, Brussels, 1985. 39pp.

Provides a brief summary of developments in the ETUI and the work in progress in 1984. Concentrates on new developments and results attained in 1984. Also includes an overview of the ETUI work program for 1985, seminars and workshops, meetings, and main areas of research. Annex holds a list of published ETUI reports and information.

The EEC Grain Market Regulation 1984/85. Toepfer International, Hamburg, 1985, paper.

Compiled brochure gives an up to date impression of the EEC grain market regulation, its basic features, and the major changes applying in 1982/83. Includes information on EMS, ECU and MCA along with tables and statistics on feed production, grain production, intervention quality requirements, and EC grain prices for 1984/85.

Technological Change and United States-European Community Relations. Micheal Smith, ed. University Association for Contemporary European Studies, London, 1985. 104pp.

A series of papers dealing with technological change. Tries to capture the importance of technology-related problems at a variety of levels. Discussion focuses on change and policy responses, the Community's strategy in science and technology, automation and apparel, U.S. controls on technology transfer, and technology controls, U.S. and EC perspectives and relations.

International Trade and Lending. Micheal B. Connolly. Praeger, New York, 1985. 144 pp. \$28.95, cloth.

Attempts a succinct treatment of the pure theory of international trade. Also deals with trade theory problems involving borrowing and lending over time. The pattern of comparative advantage and trade equalization of factor prices are treated in detail. One-to-one correspondence between capital theory and trade theory is stressed throughout. Includes numerous graphs and legends.

The Trade Union Movement in Italy. European Trade Union Institute, Brussels, 1985. 76 pp.

Gives a concise description of the trade union movement in Italy. Includes a brief history of trade union membership, trade union structure, Italian General Confederation of Labor, collective bargaining, relations with other national trade unions, and international affiliations.

Flexibility and Jobs: Myths and Realities. European Trade Union Institute, Brussels, 1985. 157 pp. BF 700, paper.

An attempt to systematically analyze the relationship between flexibility and employment, including the most recent developments in the U.S. Includes information on employment trends in industrialized countries, real wages and jobs, labor mobility, labor market organization and flexibility of working time.

Public Opinion, Ideology and State Welfare. Peter Taylor-Gooby. Routledge and Degan Paul, London, 1985. 142 pp. \$14.95, paper.

Provides a new and comprehensive examination of diverse theories about the welfare state cited by both academic circles and the general public. Reviews issues of current thought about the welfare state, the development of welfare policy since World War II, and its present crisis. Presents popular and academic appraisal as well as an alternative account of its current development.

The Europa Year Book 1985, Volume I & II. Europa Publications Ltd., London, Gale Research Co., 1985. 2952 pp. \$210.00.

Valuable source of political, economic, statistical and commercial information on the countries of the World. Volume I deals with international organizations, European nations and other countries from Afghanistan to Burundi. Volume II covers the rest of the world arranged alphabetically from Cameroon to Zimbabwe. Recent history, information about governments, political parties, judicial systems, and religions are included. A directory gives information on newspapers, publishers, radio, television, etc.

Collective Bargaining in Western Europe in 1984 and Prospects for 1985. European Trade Union Insti-

tute, Brussels, 1985. 160 pp. BF 700, paper.

Sixth annual European Trade Union Institute review studies collective bargaining developments in 1984 and prospects for 1985 in the countries of the E.C., Sweden, Norway, Finland, Iceland, Spain, Portugal, Switzerland, Austria, Malta and Cyprus. Concentrates on the issues of wages, working time, purchasing power and pay systems, non-wage and social benefits, trade-union rights, working conditions, industrial democracy and job protection and creation.

The World Shipbuilding Industry. By Daniel Todd. St. Martin's Press, New York, 1985. 376 pp. \$37.50.

Presents an overview of the world shipbuilding industry against the background of its global realignment. Contrasts the conditions which foster its development in newly industrialized countries such as Japan, South Korea and Brazil with the problems leading to its decline in Western Europe. Also discusses supply and demand factors, the inherent instability of the industry and reactions to this instability from the viewpoints of both shipbuilders and Governments.

NATO's Anxious Birth: The Prophetic Vision of the 1940's. Edited by Nicholas Sherwen. St. Martin's Press, New York, 1985. 192 pp. \$25.00.

Examines the paths to membership in the North Atlantic Treaty Organization taken by the 12 founding members. Reviews the motives which were paramount for each country at the time it joined and studies the actual process of accession. The troubles faced by Europe after 1945—and the determination of the political leaders whose task it was to confront them—are treated extensively.

Guests Come to Stay: The Effects of European Labor Migration on Sending and Receiving Countries. Edited by Rosemarie Rogers. Westview Press, Boulder, 1985. 344 pp. \$25.50, paper.

Analyzes the impact of 30 years of labor migration from the Mediterranean region and Finland to western and northern Europe. Considers the role foreign migrants play in host countries' economies, the formation of new ethnic communities, choices made concerning the education and occupational integration of the second generation and models of political integration of the foreign populations. Also studies the impact of migration on the home countries, discussing patterns of outmigration and the effects of return migration.

European Marketing Data and Statistics 1985. 21st edition. Euro-monitor Publications, London, 1985. Available from Gale Research Co., De-

troit. 360 pp. \$160.00.

An annual statistical handbook of market information on 30 European countries. Contains country profiles with maps divided into major marketing regions, lists of major towns and other pertinent geographical information. Statistical data formulated into approximately 240 tables fall into 15 sections, including population, employment, production, trade, economy, standard of living, consumption, market sizes, retailing, consumer expenditure, health and education and travel and tourism.

PUBLISHED FOR THE COMMISSION

The Managerial Challenge of New Office Technology. Edited by Harry J. Otway and Malcolm Peltu. Butterworths & Co., Boston, 1984. 246 pp.

A publication of the Interinstitutional Integrated Services Information System Program of the E.C. Commission. Contributions discuss the challenge of new management roles, information technology for managers, planning for successful innovation and assessing costs and benefits in system design and selection, among other topics.

Enzyme Activation in Blood-Perfused Artificial Organs. EUR 9542. Edited by H. Schmid-Schönbein, et al.

Martinus Nijhoff Publishers, Boston, 1985. 235 pp. \$50.50

Proceedings of an interdisciplinary meeting sponsored by the E.C. Commission.

Genetic Engineering of Plants and Microorganisms Important for Agriculture. EUR 9400. Edited by E. Magnien and D. de Nettancourt. Martinus Nijhoff Publishers, Boston, 1985. 197 pp. \$36.00

A seminar held in the framework of the Biomolecular Engineering Program of the E.C. Commission at the Carlsberg Laboratory in Copenhagen, October 9-10, 1984.

The Male in Farm Animal Reproduction. Current Topics in Veterinary Medicine. Edited by M. Courot. Martinus Nijhoff Publishers, Boston, 1984. 377 pp. \$69.50

A seminar in the E.C. Program of Coordination of Research on Animal Production held at the Institut National de la Recherche Agronomique, Nouzilly, France, October 6-7, 1983.

Economic and Medical Evaluation of Health Care Technologies. Edited by A.J. Cuyler and B. Horisberger. Springer-Verlag, Berlin, 1983. 405 pp.

Papers presented at a symposium held in Wolfsberg, Switzerland, April 13-16, 1982. €

TRADE: TIME FOR ACTION Continued from page 56.

growth will be difficult for those Governments which have employed policies of slow economic growth to cure inflation. And we are certainly not proposing to return to inflationary pump-priming. Rather, structural adjustments to reduce economic rigidities and tax measures to encourage investment are in order. Also, reductions in the government's role in the economy and a cut in its take of the economic pie are in order in many cases. We know it will be difficult for those Governments to further tighten budget spending in these times of continuing socio-economic hardship. These are difficult, often unpopular, but very necessary measures which must be undertaken and the present Administration will be watching carefully to see that all of our undertaking is followed by actions.

The United States thinks that as part of the worldwide effort both to shore up the commitment to free trade and to battle protectionist sentiment, it is imperative that we begin a new round of GATT trade negotiations. Douglas McMinn, U.S. Assistant Secretary of State for Economic and Business Affairs, recently pointed out in testimony before a Senate subcommittee hearing that "the current set of international trade rules was designed at a time when both the structure and the pace of change in the global

economy were different." The second leg of a sound U.S. trade policy then must represent the initiation of a new round of trade negotiations that can change and broaden the existing set of trade rules to more accurately reflect the current configuration and pressures of our economic environment. A new round of GATT negotiations supported by the major Western industrial nations would demonstrate to the world that we are moving ahead vigorously to reduce barriers to trade in goods and services. Instead of bowing to the pressures of protectionism, we must show new momentum in these continuing efforts to improve the free trade system which has helped enable us to achieve an unparalleled degree of prosperity during the last 40 years.

As the President's recent speech reminded us, although the United States is by far the world's strongest and most important economic power, it cannot alone shoulder the burden of single-handedly trying to reform the international trading system. Former U.S. Ambassador to the E.C. George S. Vest remarked recently that the United States was "no longer the omnipotent power responsible for all the progress—or all the problems—in the Western democracies." All Western nations have profited greatly from the postwar open trading system, and all, especially the leading industrial nations of Europe as well as Japan, must play a role in making the necessary

changes to the system. This will require patience, fortitude and courage on behalf of our trading partners, particularly the European nations which are only beginning to emerge slowly from the worst postwar recession.

E.C. Commissioner Peter Sutherland, who is responsible for competition matters, expressed these necessary qualities when he said that "the fight against protectionism is something which is essential to the generation of world economic growth, and Europe, which is even more dependent on foreign trade than the United States and which continues to be the largest export market for the U.S. agricultural and manufactured products, is more than willing to engage in talks toward that end." I commend brave words such as these, but emphasize that they must be followed by concrete actions. None of us is perfect and we have all uttered pious words without translating them into effective deeds. The crisis at hand demands that we put such practices behind us and leave the world of theory for the field of well thought-out action. The U.S., in concert with its major trading partners, has begun to take active steps to strengthen the international trading system. We look forward to working together in this urgent task of restoring the free trade consensus which underpins our collective prosperity and of overcoming the dangerous temptation of protectionism. €

THE COMMUNITY BOOKSHELF

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

The Other European Assembly. Economic and Social Committee, Brussels, March 1985, 25 pages. Basic brochure on the committee's organization and role in the E.C. decision-making process. **Free**

Migrants in the European Community. European File No. 13/85, Commission, Brussels, 1985, 10 pages. **Free**

The European Community and Culture. European File No. 14/85, Commission, Brussels, 1985, 10 pages. **Free**

The European Community and the People's Republic of China. Europe Information: External Relations No. 79/85, Commission, Brussels, May 1985, 12 pages. **Free**

European Union, A People's Europe and the Economic and Social Committee. Economic and Social Committee, Brussels, 1985, 71 pages. Speeches by chairman Gerd Muhr to the *ad hoc* Committees for Institutional Affairs and a People's Europe. **Free**

The European Parliament: Bibliography 1984. European Parliament, Luxembourg, 1985, 73 pages. **Free**

Public Opinion in the European Community on Energy in 1984. Commission, Brussels, 1985, 101 pages. Results of an opinion survey conducted in October 1984. **Free**

The Lomé Convention: Practical Aspects, Past Experience and Future Prospects. Europe Information Development, Commission, Brussels, March 1985, 36 pages. Text of a speech by Dieter Frisch, E.C. Commission director-general for development, Berlin, November 30, 1984. **Free**

Progress Towards a Common Transport Policy: Maritime Transport. Bulletin of the European Communities, Supplement No. 5/85, Commission, Brussels, 1985, 68 pages. Commission Communication to the Council, March 19, 1985. **Free**

Report on Social Developments: Year 1984. Commission, Brussels, 1985, 228 pages. Survey of the main developments in the Community and in the individual member states on labor and social policies. **\$13.00**

Money, Economic Policy and Europe. European Perspectives Series, Commission, Brussels, 1985, 215 pages. Collected papers by Tommaso Padoa-Schioppa, former E.C. Commission director-general for economic and

financial affairs on European monetary issues, international monetary problems and economic policy and institutions. **\$7.60**

An Ever Closer Union: A Critical Analysis of the Draft Treaty Establishing the European Union. European Perspectives Series, Commission, Brussels, 1985, 345 pages. Collection of essays on the substance of the draft treaty and the constitutional and political aspects of its implementation in the member states. Includes the text of the draft treaty and the March 1985 report of the Dooge committee on institutional reform. **\$7.50**

The Rights of Working Women in the European Community. European Perspectives Series, Commission, Brussels, 1985, 244 pages. By Eve C. Landau. Survey of women's rights in Community law, the legal position of women in the member states, the interplay of Community and national law and the evolution of norms through case law. Includes the basic Community directives and texts of the member states' laws on equality. **\$4.50**

Guide to the Council of the European Communities: 1/1985. Council, Brussels, 1985, 140 pages. Directory of the Council's secretariat and the member states' permanent missions in Brussels. **\$2.50**

Ten Years of Community Consumer Policy: A Contribution to a People's Europe. Commission, Brussels, 1985, 134 pages. Review of Community actions on behalf of consumers since 1975. **\$8.00**

Community Law 1984. Commission, Brussels, 1985, 27 pages. Offprint from the 18th general report on the activities of the European Communities in 1984. **\$2.50**

Economic Trends and Prospects 1984-85. European Economy No. 23, Commission, Brussels, March 1985, 118 pages. Short-term forecast for the world, Community and individual member states' economies. **\$9.00**

Commission Report to the Council and to Parliament on the Borrowing and Lending Activities of the Community in 1984. European Economy No. 24, Commission, Brussels, July 1985, 60 pages. **\$9.00**

Annual Report of the Economic and Social Committee 1984. Economic and Social Committee, Brussels, 1985, 116 pages. **\$3.00**

Euratom Supply Agency Annual Report 1984. Commission, Luxembourg, 1985, 56 pages. Survey on nuclear energy developments, fuel

supply and enrichment services, agreements with supplier countries. Includes a statistical annex. **\$4.00**

Second ACP-EEC Convention of Lomé: Compilation of Texts, Vol. VIII, 1983. ACP-EEC Council of Ministers, Brussels, 1985, 243 pages. Texts adopted for the implementation of the Lomé Convention in 1983. Earlier editions are not available. **\$3.50**

The Third ACP-EEC Convention. ACP-EEC Council of Ministers, Brussels, 1985, 580 pages. Text of the convention signed on December 8, 1984, and annexed documents including minutes of the signing, exchange of letters on beef and veal and minutes of the negotiations. **\$4.50**

European Educational Policy Statements 1984. Council of Ministers, Brussels, 1985, 18 pages. Addendum for 1984 to "European Educational Policy Statements 1974-1983." **\$2.00**

Interim Report to the European Council (Dublin, 3-4 December 1984). Council of Ministers, 1985, 26 pages. Report of the *ad hoc* Committee on Institutional Affairs chaired by James Dooge. **\$2.00**

Yearbook of Regional Statistics. Statistical Office, Luxembourg, 1985, 243 pages. 1985 yearbook with data for 1980-1982/83 on the economic and social factors in E.C. regions. **\$16.00**

Yearbook of Industrial Statistics 1984. Statistical Office, Luxembourg, 1985, 171 pages. Selection of statistical series on industrial structure, production, investment, data by size of enterprises, short-term trends and external trade. Data is for 1980-1981/82. **\$10.00**

National Accounts ESA: Detailed Tables by Sector 1970-1982. Statistical Office, Luxembourg, 1985, 343 pages. **\$20.00**

Statistical Yearbook Transport, Communications, Tourism 1970-1983. Statistical Office, Luxembourg, 1985, 196 pages. **\$20.00**

Yearbook of Fishery Statistics 1978-1983. Statistical Office, Luxembourg, 1985, 119 pages. Covers catches by fishing region, catches of principal species, fishing fleet and foreign trade in fish products. **\$6.00**

Regional Accounts ESA: Detailed tables by Branches 1981.

Statistical Office, Luxembourg, 1985, 125 pages. **\$9.00**

The Main Indicators of Economic Accounts in the E.C., The United States and Japan 1970-1983. Studies of National Accounts No. 8, Statistical Office, Luxembourg, 1985, 87 pages. **\$2.00**

ACP Basic Statistics 1985. Statistical Office, Luxembourg, 1985, 175 pages. Macro-economic and social statistics for the African, Caribbean and Pacific countries party to the Lomé Convention. Data is for 1979-1982. **\$6.50**

Economic Accounts: Agriculture, Forestry 1979-1983. Statistical Office, Luxembourg, 1985, 117 pages. Time series for final output, intermediate consumption, value added, and fixed capital formation in agriculture and forestry. **\$6.00**

Demographic Statistics: 1985 Yearbook. Statistical Office, Luxembourg, 1985, 220 pages. Basic demographic data for 1980-1983/84 and some projections up to the year 2000. **\$13.00**

National Accounts ESA: Aggregates 1960-1983. Statistical Office, Luxembourg, 1985, 137 pages. **\$8.00**

Eurostat Review 1974-1983. Statistical Office, Luxembourg, 1985, 238 pages. Time series of basic economic, demographic, industry, agriculture, and foreign trade statistics for the E.C.-10, Spain, Portugal, Sweden, United States and Japan. Special tables on the E.C. budget and institutions. **\$10.00**

Europa Transport: Analysis and Forecasts 1985. Commission, Brussels, 1985, 26 pages. General trends in transport activity in 1984 and estimates for 1985. **\$2.00**

Euro-Arab Dialogue: Commentaries and Guidelines for Contracting in Industrial Projects. Commission, Brussels, 1985, 106 pages. Review of certain model contract conditions commonly used in international business. **\$6.50**

Employment in Retail Trade in EC-Countries. Commission, Brussels, 1985, 112 pages. Analysis of employment trends, since 1970, in the retail sector and prospects for developments in the next decade. **\$7.00**

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GLOBAL TRADE: A TIME FOR ACTION

One of the main engines of post-war Western economic growth and prosperity has been the open international trading system. Not only the United States, but also the recovering industrial economies of war-ravaged Europe and East Asia were able to profit greatly from the free-trade consensus of the 1950s and 1960s. Factories hummed, churning forth products in North America, Western Europe and Japan which were then exported and imported throughout a demanding world. It is no coincidence that this same "golden age" of free trade witnessed the greatest improvements in the standard of living of hundred of millions of people that the world had ever seen.

In recent years, however, this consensus regarding free trade has come under increasing pressure. Structural changes in the world economy have enabled many developing nations to industrialize at the same time that many older industrial nations have seen their manufacturing sectors lose their competitive edge and their economic growth falter. Imbalances in the recent economic performance of the leading industrial nations have led to currency and trade misalignments, a process which has encouraged the growing clamor for protectionism by many beleaguered businessmen and factory workers in Western Europe and especially the United States. Indeed, many experts regard this rising tide of protectionist measures in the United States as the greatest threat to free trade that the world faces today. Over 300 protectionist bills have been introduced in Congress. Many American politicians speak ominously about protective tariffs and economic retaliation. Should nothing be done quickly to rectify this worsening situation, the prosperity of the Western world appears greatly threatened.

The health of the postwar international trading system based on the principle of free trade is an especially vital concern for the nations of Western Europe. The European Common Market is the world's largest single trading bloc, accounting for almost one-third of world trade. Even disregarding intra-E.C. trade, the E.C. is

by far the world's foremost trader. In 1984 alone, the total value of the E.C.'s exports and imports amounted to about \$300 billion each. Excluding U.S. trade with China, we are each other's biggest customers with more than \$60 billion worth of bilateral trade in 1984. Last year, E.C. exports to the United States accounted for almost 20 percent of total E.C. exports, and imports from the United States amounted to over 16 percent of total E.C. imports.

We also have large investments in one another's economies. In 1984, American direct investment in the E.C. totaled approximately \$79 billion, while E.C. direct investment in the United States was even greater, amounting to \$82 billion. The U.S. investments alone generated intra-Community sales approaching \$400 billion and European sales from their investments in the United States are equally impressive. These extensive investments in one another's economies further underscore the tremendous significance of U.S.-E.C. economic relations.

The United States and the E.C. have benefited greatly from an international trading system based on the principle of open markets and non-discriminatory treatment. In recent years, however, the post-war trading system has come under increasing criticism, and its ability to function as an effective framework for international trade has been questioned. The United States, together with its European partners have recognized, quite rightly, that no equally satisfactory alternative framework exists. Working together with other like-minded countries, we have worked hand-in-hand to set in motion a new round of multilateral trade negotiations in the General Agreement on Tariffs and Trade (GATT), with the express purpose of strengthening the international trading system, so that all countries may benefit from freer trade in goods and services.

President Ronald Reagan's recent address on U.S. trade policy and his courageous decision to reject proposed restrictions on imported footwear underlined the continuing U.S. commitment to a free trading system while at the same time

signaling that the United States will undertake more aggressive measures to combat unfair trading practices injurious to U.S. economic interests. I think the U.S. Secretary of Commerce, Malcolm Baldrige, concluded quite correctly that this trade initiative is a market-opening, and not a market-closing, policy. The President's commitment to initiate investigations of unfair trade practices under section 301 of the U.S. Trade Act of 1974 means that the President "can do almost anything....the Congress would do if he thought it was proper policy." The major difference, Baldrige pointed out, was that "once [you impose] those quotas or tariffs by legislative fiat, history has shown that they're extremely difficult to have removed."

Taken together with the announcement of the agreement by the West's five major industrial powers to undertake more vigorous and concerted measures to promote stronger and more balanced economic growth in their economies and a strengthening of their currencies vis-a-vis the dollar, these developments inaugurate a new and determined effort by the United States and the other major industrial powers to begin to remedy potentially damaging economic developments.

Given the extremely large size of the recent U.S. trade deficits (expected to exceed \$140 billion this year) and the resultant protectionist mood of the U.S. public and Congress, this continuing firm support of the principles of free trade has demonstrated great political courage by the President. The Commission President, Jacques Delors, observed that given the domestic pressures in the United States, Reagan's resolute battle against protectionism "should be saluted."

The political leadership of our four largest industrial partners have pledged to undertake equally difficult measures as seen in terms of domestic political considerations. I know that promoting measures to achieve more rapid economic

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J. William Middendorf II is the U.S. representative to the E.C.

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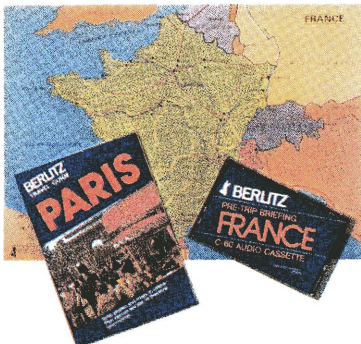
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