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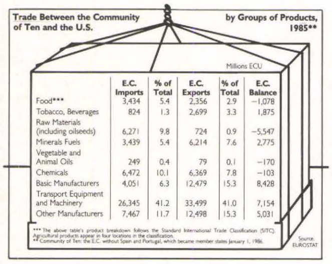


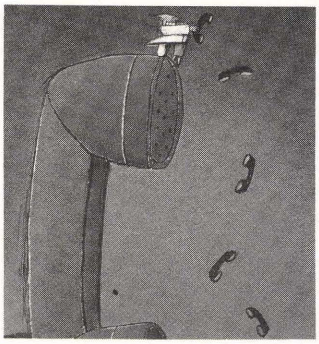
Trade Between the Community of Ten and the U.S. by Groups of Products, 1985**

Millions ECU

	E.C. Imports	% of Total	E.C. Exports	% of Total	E.C. Balance
Food***	3,434	5.4	2,356	2.9	−1,078
Tobacco, Beverages	824	1.3	2,699	3.3	1,875
Raw Materials (including oilseeds)	6,271	9.8	724	0.9	−5,547
Minerals Fuels	3,439	5.4	6,214	7.6	2,775
Vegetable and Animal Oils	249	0.4	79	0.1	−170
Chemicals	6,472	10.1	6,369	7.8	−103
Basic Manufacturers	4,051	6.3	12,479	15.3	8,428
Transport Equipment and Machinery	26,345	41.2	33,499	41.0	7,154
Other Manufacturers	7,467	11.7	12,498	15.3	5,031

*** The above table's product breakdown follows the Standard International Trade Classification (SITC). Agricultural products appear in four locations in the classification.
** Community of Ten: the E.C. without Spain and Portugal, which became member states January 1, 1986.

Source: EUROSTAT



COVER: Chicago's State of Illinois Center, by German-born architect Helmut Jahn. Photograph courtesy Murphy/Jahn.

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PUBLISHER'S LETTER

"Not to know Chicago is not to know America," say Neal Peirce and Jerry Hagstrom in their *Book of America.* The Windy City is the living image of the dynamism and creativity of today's United States, yet it is surprisingly unknown to Europeans, most of whom still see it as a caricature of the Prohibition era as portrayed in many "B" series movies.

It is all the more disappointing that Chicago—aside from being a beautiful city—is certainly the most important meeting point of American and European cultures in the United States, as well as a center of economic interests that are crucial to the trans-Atlantic relationship.

The interaction between American and European culture is nowhere more present than in the architecture of Chicago, where many European-born architects have found an ideal environment to express themselves.

In March, Chicago will host a series of cultural events organized at the initiative of the Consuls General of the member states of the European Community. "The European Community: A Cultural Dimension" will attempt to demonstrate through films, a photo exhibit and various workshops that the E.C. is not only an economic union of 12 independent countries, but also a union of peoples with different historical and cultural backgrounds, bound together by a common will to create a political union in which they will individually retain their original character.

Chicago is also the capital of a region where the policies of the European Community, such as the Common Agricultural Policy, are carefully monitored, as they may affect the economic health of the midwestern United States. Now that yet another trade war has been averted with the solution of the dispute between the United States and the E.C. over U.S. farm exports to Portugal and Spain, one wonders what the next trouble area will be.

Judging by the list of past and present problems in U.S.-E.C. relations, the subject of our dossier this month, the choice is wide. . . . But even if there is no reason why the current spirit of compromise should not continue to prevail in the future, there is danger that continual disputes will slowly erode the friendly relationship between the peoples of the United States and Europe. And there is more to the trans-Atlantic relationship than merely corn and sorghum.

New Issue | This announcement appears as a matter of record only | January 1987

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AROUND THE CAPITALS

PARIS

Old Station, New Museum

During railway strikes this winter, anything to do with trains became a favorite French gripe. But there was one train station where Parisians readily flocked to spend peaceful hours: the new Orsay Museum in the refurbished—and trainless—former Gare d'Orsay station.

The Orsay Museum is a monument to 19th-century painting, sculpture, design and architecture. Although the huge collection of Impressionist art is the treasure of the new museum, there is a trove of other attractions too—starting with the building itself.

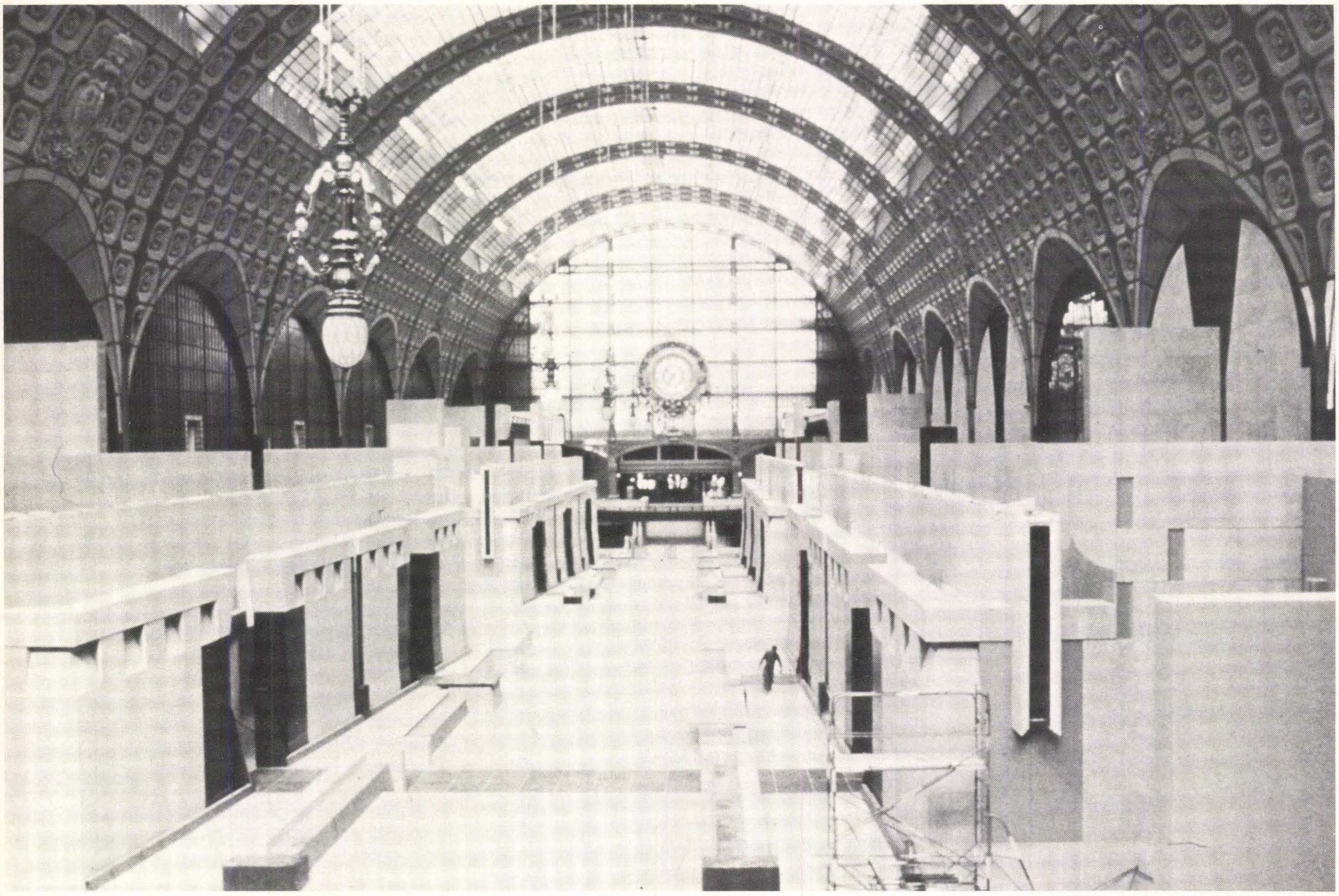
The Gare d'Orsay was built by the Orléans railway company for the 1900 Paris World Fair. It was a symbol of industrial-age architecture—a huge barrel-vault of steel and glass with a facade festooned in ornament and sculpture. The station incorporated what was one of the fanciest hotels in Paris, which "old-timers" still remember as a choice for the venue of society balls and posh receptions.

Within a matter of 40 years, however, the Orsay station fell victim to a new age of railroading and was abandoned as a relic, coveted only for its superb site on the banks of the Seine River overlooking the Tuileries Gardens across the river. Years of haggling over various projects for the site—including a plan to do away with the building and to erect a skyscraper in its place—finally ended a decade ago. Former President Valéry Giscard d'Estaing decided that both hotel and station should be refurbished and made the home of 19th-century art.

Italian architect Gae Aulenti conceived a design that set an ultramodern display space as virtually a second building inside the shell of the old station. The soaring vaults and light airiness of the turn-of-the-century station form a framework for a more human-scale construction of tawny tones of marble and limestone that sets off the art works. The visitor enters through a period-piece grand entrance that opens onto a long, broad and starkly austere nave, littered with sculpture, the length of the station.

Arched chapels with art from the 1830s to the end of the century are nestled behind side alleys, with staid realist works in rooms along one side of the nave and flamboyant idealism on the other. The towers dominating from the far end of the nave lead to displays of the industrial art that was born at the turn of the century. Art in everyday life was a new concept that is honored in bits of ironwork from the Paris Métro, furniture and reconstructed artist-designed interiors of the fin-de-siècle.

The casual visitor, however, undoubtedly will be in line to see the Impressionist paintings. Many works have been transported across the Seine from their old home in the Jeu



The new Orsay Museum of 19th-century art is drawing as many visitors as the Louvre.

COURTESY FRENCH GOVERNMENT TOURIST OFFICE de Paume museum, a small, temporary gallery near the Louvre, that was originally a handball court for kings. The Impressionist paintings have been cleaned up and are now on display in bright rooms with natural lighting. The Musée d'Orsay also called in loans from galleries across France to add to the plethora of Impressionists it already had on display or in storage.

The new museum also pleasantly combines the French appetite for art with the Gallic taste for the gastronomic in the charming café set in the middle of the Impressionist collection. One can nibble croissants under Toulouse-Lautrec *tableaux* and gaze out over downtown Paris from behind the glass face of the enormous old station clock. The more discerning might be tempted by the elegant hotel restaurant that has been restored to a splendor the critics say the food does not quite match.

The Orsay Museum is even more popular with this art-loving society than the planners initially expected. Museum officials say that just a month after opening, it is drawing 15,000 visitors a day—as many as the venerable Louvre and 50 percent more than anticipated! Many visitors and critics disapprove of the design, and especially of the nave, which they complain looks like the Valley of the Kings. But, according to architect Aulenti, "if there is no controversy, there is something wrong. You may have pleased everybody, but you have not done anything new."—BRIGID JANSSEN

LONDON

The Old-Boy Network

Britain's capital draws its name from the square mile at the center of this vast metropolis, known as the City of London. The term "the City" is also used to denote the financial heart of the nation where the great financial institutions, such as the Bank of England and the stock and commodity exchanges, reside.

For many decades the City was the exclusive preserve of the British upper class, which ruled its financial houses through a pervasive "Old-Boy" network, whose rigid traditions and subtle intricacies were supposed to bind the City practitioners to a common ethic of good behavior, using the approach that one could always rely on "old so and so" because "he is one of us."

The City raised the Old-Boy network to an art form, with the whole place working on an extensive network of patronage. Those who kept their "noses clean," a favorite City phrase, could make a very good living. Anyone who "rocked the boat"—another favorite phrase—was ostracized and ultimately driven out. Put somewhat more crudely, as one city editor did recently, the traditional sound of the City was "the sound of a thousand backs being scratched."

This system had been glorified with the description of "self-regulation." Whenever governments suggested statutory controls and vetting by independent bodies, the money men drew their wagons into a tight circle and insisted that they would keep their camp clean, without the need for the Seventh Cavalry.

But last October, the City of London underwent dramatic changes that became known as the "Big Bang." The City's gates were thrown open to outsiders, now allowed to trade on their own account, and the chill wind of untrammeled competition began to blow through the fusty corners of protective tradition. And while it had been expected that these changes might reveal the odd skeleton in a City cupboard or two, it was also thought that basically the City would adjust without any serious disruption.

But then along came Ivan Boesky, the American financier best described as the "singing arbitrageur." He had bought protection from prosecution

for manipulating the markets by telling the investigators of the U.S. Securities and Exchange Commission (SEC) everything he knew about everyone he had ever met. Which led to a tip, and then to a steady stream of revelations, apparently flowing from the SEC's investigation, about the behavior of the people running Guinness, one of Britain's largest and best-known companies.

The scandal revealed by the Boesky tip was that apparently the highly respected and respectable Guinness company had indulged in the manipulation of share prices in order to enable it to win a takeover battle. In January 1986, Guinness had launched a bid to take over Distillers, the company that makes the world-famous Johnny Walker scotch whisky and Gordon's gin. By April, Guinness had won the bid after a series of fierce battles through the winter and spring with the Argyll Group.

It appeared to be a major triumph for Guinness chairman Ernest Saunders. But by December, the investigations into the deal had turned this into Saunders' downfall as the revelations of share-price hanky-panky, cheating, corner cutting and illegal share buy-back deals piled up. The apparently invincible head of the giant drinks concern was forced to resign and along with him went a number of other City highfliers who had allowed greed and arrogance to overcome prudence and the proper management of other people's money.

The scandal threw the City into turmoil as the already tarnished Old-Boy network was totally disgraced by the fact that it was the singing of a New York stool pigeon that caused all the fluttering in the City dovecotes, and not the procedures institutions such as the takeover panel, the Stock Exchange Council or even the Department of Trade, and certainly not the voluntary controls allegedly being exercised by the City fathers.

Had it not been for the SEC investigation, the Guinness affair might never have come to light. Despite the fact that one quarter of the Guinness shares changed hands in the fortnight up to the deadline for the acceptance of the bid for Distillers, nobody in London appeared concerned by either the huge sums involved or the persistent rumors of side deals.

It is clear that the City's traditional way of doing business is becoming as out of date. The Guinness affair has shown that these practices are not simply relics of the past, but a major threat to efforts to keep London's position as a major player in the world of international finance.

The conservative Government, which expects to call an election this year, has been embarrassed by the evidence of malfeasance in the heartland of the capitalist system of which it is the political spokesman. It now seems very probable that tougher regulations to police London's financial houses will be enforced to avoid the City from being relegated still further down the league of big players in the world's greatest game of monopoly.—DAVID LENNON

AMSTERDAM

Migrating Farmers

In a country known for its agricultural abundance and well being, as well as for its flowers, dairy and vegetable products, it might be surprising to find that young Dutch farmers are becoming increasingly dissatisfied with their working conditions and are seriously considering emigration in increasing numbers.

These are the findings of Bumexco, the Dutch agency in charge of Dutch business interests abroad. A recent survey, in which 6,000 young Dutch farmers throughout the country were questioned, revealed some alarming answers: No less than 66 percent had considered emigration, and of these 75 percent were under the age of 40.

There are several reasons for this development. The Netherlands is not large in size, and there is not much room for expansion. Furthermore, land, even when available, is becoming prohibitively expensive. Other factors contributing to this trend include environmental regulations aimed at cleaning up an increasingly polluted environment, which means that the use of fertilizers is becoming more and more controversial. Plans now exist to decrease the levels of phosphates in the soil, and farmers who do not conform will have to pay heavy penalties.

Questioned on where they would go and what they would do after selling their property at home, very few farmers said they would opt to switch to another profession, especially in view of the high unemployment rates in the industrial sector. Most would prefer to stay in agriculture—but preferably abroad.

High on the list of preferences were Canada, Brazil and the United States in particular Texas, for the more prosperous among those interviewed. Others said they would opt for southern Europe, especially France, Spain and Portugal where there is still land to be had, and that at lower rates than at home. And another important point for most farmers is the fact that both Spain and Portugal, the two newest members, still have long transitional periods ahead of them before they need to fully implement the E.C. agricultural and environmental rules which have complicated farming at home.—Nel Slis

LISBON

Stocks On The Rise

Investing in the stock markets is fast becoming an exciting pastime for Portuguese savers, who until now have usually been constrained to accumulating term deposits in banks—most of them nationalized—since there seemed to be no attractive alternative.

The progressive modernization of the financial system that was initiated two years ago, the consequent diversification of instruments in the market and a sharp fall of inflation and interest rates have done much to promote the revival of the Lisbon and Oporto stock exchanges. Indeed, public enthusiasm turned out to be so unexpectedly strong that the major newspapers and the television now run regular, specialized capital market reports.

Some months ago, lines formed overnight when the shares in an 18-month-old private bank, the first financial institution to go public after the 1975 nationalization move, were issued. Within a few days, the shares, which had been issued at 4,000 escudos—about \$280 each—had increased fourfold in value. This confirmed the climate was ripe for action, a situation further reinforced by a scarce supply of the so-called "good names."

During 1986, the volume of transactions in the stock markets was up 350 percent, at about \$300 million overall, and there are no indications that this trend might be reversed in 1987. In January alone, investors in the Lisbon stock exchange made an average profit of 26.4 percent, and of the 42 companies listed, only one saw its price drop. The values of the top 10 firms, in the same period, increased over 30 percent.

These rates are not exactly surprising. Looking at overall 1986 trends, one concludes that prices on the Portuguese stock markets increased by 110 percent—the second-best result in Europe. Under such conditions, it is not surprising that foreign investors, mainly institutional, are coming into the market, thus putting pressure on prices. American Express Co. and some European trust funds based in the Federal Republic of Germany, Belgium and the United Kingdom are said to have been among the major players during the first weeks of this year, studying carefully what to buy and with apparent confidence in the potential maturity of the market.

"There is an increasing interest abroad in Portugal and some important institutions are betting on investment here," says the president of the Lisbon Stock Exchange, Carlos Ross. The pressure of foreign investors in a small, traditional market has raised some concern among Portuguese industrialists and financial institutions. However, the Treasure Secretary, Carvelhe Fernandes, does not see any serious reason for concern: "The problem is being exaggerated," he says. "People focus on corporation takeover strategies, but it does not make sense. Basically, foreign investors want to diversify, not to control."

According to the transitional arrangements agreed with the European Community, stock-exchange investments not exceeding 20 percent of a corporation's outstanding shares are now deregulated. Over that limit, they are considered a direct investment and must be negotiated as such with the authorities.

For the moment, the real problem for investors, both foreign and domestic, seems to be a traditional, structural handicap of Portuguese stock markets: the incapacity of supply to meet quantitative and qualitative demand. European and American investors often send orders worth up to \$5 million each—or so the brokers say. At the same time, a return to Portugal of important amounts of domestic "hot money," kept safely in Switzerland or Spain during the last decade, is being reported. Meanwhile, national institutional investors, frequently associated with foreign firms, are pushing mutual funds that will certainly reinforce the pressures on the market.

Everyone seems to agree that the climate is right for a generalized boom for the better firms on the market. Most analysts think that in a short time no one will even remember the record levels that are now being broken almost every week. In addition, some people estimate that there are nearly 200 other companies that could be listed in the stock exchange but whose owners want to keep the closely held, "family" structures of their firms and so far have shown any great enthusiasm for going public.

An incentive scheme that has been in place in the past two years to stimulate corporations to go public and the good example of several traditional family firms recently listed are positive contributions to improve the situation. In the medium term, however, few doubt that the stabilization of prices and the consolidation of the markets must come through the privatization of some nationalized conglomerates and a cautious internationalization of the Portuguese stock exchanges, following the deregulating trend set in motion by E.C. membership.—JOSÉ AMARAL

BONN

Carnival Scandals

Few German Carnival seasons are without their scandal, and this year was no exception to that rule. The latest affair broke out in Dusseldorf, one of the three Rhineland strongholds of *Fasching* (the other two places being Cologne and Mainz). Also, as usual, it broke into the open in the middle of the Carnival season, only five weeks before it climaxed with the huge Rose Monday procession, and ended with the arrival of Lent two days later.

This year's uproar centered around Wolfgang Schackow, the 61-year-old president of the Dusseldorf Carnival committee, who had falsely claimed to hold the Knight's Cross, the highest military honor awarded to German soldiers in World War II.

But what does this have to do with Carnival, one might well ask. Especially when this particular event is often referred to as the "fifth season of the year," supposedly an occasion for everyone to abandon their inhibitions and to have a good time. In reality, unfortunately, Carnival is just as serious an affair as politics.

So much so, in fact, that it even shaped Germany's political schedule this year. The four-year-term of the German Parliament ran until March 6, so that in the ordinary course of events the German national election should have been held in mid- or late February. But the Carnival associations in the Catholic parts of Germany—which constitutes about half the country—had booked all the big halls for their "sessions" and balls a year in advance, and thus would not have given the political parties a chance to hold their election rallies indoors!

So Chancellor Kohl decided to call the election for January 25, the absolutely *latest* date at which politics would not seriously conflict with Carnival. Admittedly, there was also a second reason. By holding it this early, Kohl successfully avoided the election from being overshadowed by the political criticism of the masked "Fools," who traditionally take the podium at Carnival sessions to find fault with just about everything.

The Fools' standing is a long tradition in Germany, interrupted only by such episodes as Napoleon's occupation of the Rhineland and, later, the Third Reich. The Fools are supposed to enjoy a jester's freedom during the Carnival season, but they mask themselves anyway, just in case the sovereign lacks a sense of humor!

A Carnival prince and princess rule over the Fools every year. In the main, these are artisans or medium-sized business owners who can afford the expense of the ornate costumes and the presents expected whenever the "royal couple" visit a carnival's ball or meeting. Being selected prince, in particular, can help a fellow's business for years to come.

But to come back to the Carnival scandals, of which Dusseldorf has perhaps had more than its fair share, such as the one several years ago when a Japanese woman was named princess of the Carnival. This was clearly a bow toward the huge Japanese banking, business and industrial community in the city. But she found herself forced to abdicate, because a majority of the Carnival associations felt that only a native German could properly represent German tradition.

The case of Schackow is more complicated, however. He had been a prime mover of the Dusseldorf Carnival for years, lobbying successfully for annual subsidies from the city treasury and arranging for live television reports of Dusseldorf's Carnival activities to be broadcast on the national networks during prime-time viewing hours.

No one is quite sure what occasioned him to claim that, right at the end of World War II, he was awarded the Knight's Cross, for having, as a lieutenant, knocked out 50 enemy tanks on the Eastern front. This award was short-lived, for the chairman of the Association of Bearers of the Knight's Cross declared that Schackow's name was not contained in the Wehrmacht's list of those so honored. Schackow promptly produced a document purportedly signed in Hitler's Berlin bunker on April 1, 1945. But the federal criminal police office experts declared that the document had been written on a typewriter model of the 1950s, whereupon a Dusseldorf court fined Schackow about $10,000 for forging an official document.

Schackow long had been criticized for what many considered his tasteless sense of humor, picking particularly on the wife of Johannes Rau, Minister-President of the Rhineland, and unsuccessful candidate for the federal Chancellory in Bonn. Yet such things left Schackow's position as "chief Fool" apparently unshaken in Dusseldorf. It was the fact that he had falsely claimed to hold a military decoration that brought about his downfall.

Which just goes to show that, as the German newspaper, *Frankfurter Allgemeine Zeitung*, recently stated, "this incident proves yet again that Carnival is a bitterly serious affair."—WELLINGTON LONG

COURTESY GERMAN INFORMATION CENTER

MADRID

A New Model Army

A young man I know is currently doing his national service with the Spanish army. He took a university degree in modern history before being called up under a national system of drawing lots, and was made a military policeman earning about 800 pesetas, roughly $6, a month. At Christmas last year, his family received a letter from his unit's exceptionally public-relations minded commanding officer expressing regret that national defense required their son to be on guard duties on Christmas Day, but promising that the army would make a special effort to see to it that he had genuine Christmas fare.

The letter was a small example of improvements that Spain's security forces have embarked upon since Narciso Serra, the Socialist Defense Minister, an economist by profession, took office. Since then, his overall objective has been to convert army, navy and air force, once the backbone of Franco's dictatorial regime, into forces serving a Western democracy.

Every year millions of Spanish families dread the *mili*—as national service is popularly known—and the lottery system, which selects some 200,000 young men to do 12 months in the ranks. This is a considerable improvement over the 18-month period when the Socialists first came to power in 1982, and 24-month-stint under the Franco regime.

In January, Serra ordered that the armed forces, as part of a general shakeup of service training and education programs, put through even further reforms to make the *mili* less onerous, hoping also that thereby the image of the armed forces might become a little more glamorous in the eyes of the general public.

Having to do one's *mili* is considered by many male Spaniards to be one of the most frustrating experiences of their lives since it can be downright dangerous. Between 100 and 200 recruits are killed each year in various kinds of accidents, a figure far higher than in any other West European country with national service.

Under the new reforms, no national serviceman will be required to perform nonmilitary duties, such as serving as chauffeur to the colonel's wife, doing the laundry or making house repairs with the unit commandant taking payment on the black market—a practice which until recently had been among the choicest abuses. Further attempts to make the army more appealing to recruits include plans to improve the standard, and variety, of the recruits' food and to permit recruits, where possible, to do their military service near their home regions.

Those who have done the *mili* often complain that even when there was no abuse by unscrupulous unit commanders, the excessively bureaucratic and parade-ground mentality of Spain's armed forces has meant too little emphasis on practical training, with videos often replacing field exercises. This is especially grave in a country in which no division, except for the "blue division," a unit that fought beside Hitler in the Soviet Union in World War II, has had any direct fighting experience over the past 50 years.

Serra's approach is wholly in line with his basic strategy to turn Spain's armed forces into modern professionals like those of other members of the North Atlantic Treaty Organization. By maintaining a "citizens army"— one that is fed by an annual intake of recruits—Serra hopes to slowly adapt the forces to the requirements of democracy. In this, he is wholeheartedly backed by King Juan Carlos, who is also their commander-in-chief and who constantly insists on the need for a changed service mentality.

As part of this cautiously timed reform program, which began with the setting up of a chief-of-defense-staff solely responsible to the civilian government, Serra has now also moved to finally settle a military controversy that has dragged on for a decade. A group of nine young officers, who had belonged to a semiclandestine union of military democrats during the final years of the Franco regime, and who were consequently court-martialled and dismissed from the army, have now been reinstated. The Socialists, who had often stressed the "debt of honor" owed these democratically minded pioneers, have given the men the choice of rejoining their units or receiving generous back pay if they prefer to remain in their present professions.—RICHARD WIGG

ATHENS

Protecting History

The islanders of Mykonos, Greece's most popular vacation resort, are contesting a government plan to build a hotel on the nearby island of Delos, a famous ancient sanctuary where half a dozen archaeological service guards are the only year-round residents. Led by the island's mayor and town council, the Mykonots claim that even the small 24-bed hotel that Culture Minister Melina Mercouri has approved, will disturb one of Greece's most important archaeological sites.

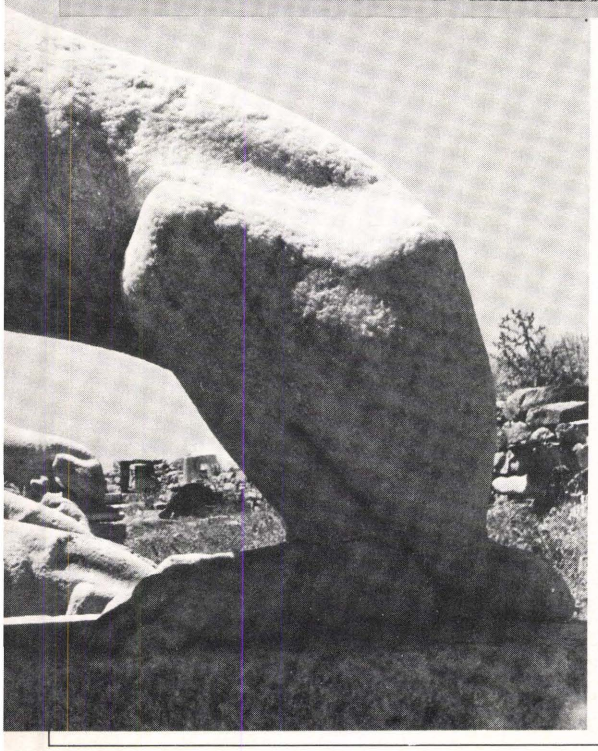
Delos, a barren piece of rock about two miles square, lies in the center of the Cyclades archipelago. Greek mythology has it that Delos drifted around the Aegean before coming to rest off Mykonos as the birthplace of Apollo, the god of music.

A place of pilgrimage in classical times, the island later developed into a flourishing commercial center specializing in commodity trading. In Roman times, it became a tax-free port

and one of the ancient world's biggest slave markets, where up to 10,000 slaves were bought and sold within a single day.

At the high point of its prosperity, Delos had 25,000 residents. Wealthy shipowners and businessmen built luxurious mansions overlooking the sea, with pillared marble porticos, decorated with frescoes and floor mosaics and elaborately furnished. Temples, theaters, a gymnasium and a horse-racing track also were unearthed by French archaeologists who have uncovered several acres of ancient remains in more than a century of digging on Delos. But much still remains to be excavated.

In modern times, Mykonos, the only place from which tours to Delos are available, has replaced the sacred island as an internationally renowned tourist attraction. It draws up to 30,000 visitors daily in the summer. The Mykonots now complain that the new hotel planned for Delos, designed to cater to scholars and botanists, would be built in an area of the island still unexplored by the archaeologists. They suspect that the site at Gourna, the most sheltered anchorage on Delos, may overly an important ancient settlement.



Delos, a flourishing commercial center in ancient times, is inhabited today by half a dozen archaeologists studying the sacred island's history and unearthing its riches.

PHOTOS COURTESY GREEK NATIONAL TOURIST ORGANIZATION

The Mykonos municipality, to which Delos belongs, has twice refused to cede 10 acres of land requested by the Culture Ministry for the hotel site. The town council said that the island is still a sacred site that must be protected from commercial development at all costs.

Mayor Matthaios Apostolou says that an unnecessarily large amount of land has been earmarked by the Culture Ministry for the project and fears that the inn for scholars would soon be expanded into a much bigger resort complex. The handful of modern buildings now on the island includes a museum, a dig-house for the French archaeologists, a café and a group of cottages used by the archaeological service guards. There is no electricity or running water on Delos, which may be cut off for days at a time during winter storms.

The mayor also is worried that pilfering of priceless antiquities from the site, which is already a problem because of the shortage of guards, would increase once visitors have the opportunity of staying on the island overnight. At present, the roughly 40,000 visitors to Delos are ferried from Mykonos aboard fishing boats to spend several hours touring the ruins, which they must leave before sunset.

While some islanders agree that the scholars and scientists studying Delos history and wildlife should be allowed to stay on the island in comfort, they want to see the guard force boosted to at least 30 people and proper infrastructure facilities provided before Delos is opened up to overnight visitors.—KERIN HOPE

ROME

Small Museums

Italy has long been famed for the greatness of its history, art and architecture, the magnificence of its old cities and the multitude of its big museums. And while the traveler to Italy is most often thrilled by this greatness, the country also offers a variety of smaller museums that capture a way of life, tradition and crafts that should not be ignored.

Let us start in Rome. Housed in a small ancient building belonging to the Princess Colonna is the Waxworks Museum, in which one can find 250 wax figures portraying important moments in history, from Christopher Columbus with his caravels to Leonardo da Vinci painting the "Gioconda" and to the last meeting of the "Grande Consiglio" that marked the fall of Fascism.

Then there is the Capuchins' Cemetery, where, for almost three centuries, the Capuchin Fathers of the Church of the Immaculate Conception were buried in the underground cemeteries below the church itself. The cemetery consists of six underground chapels, adorned in Baroque style with the 4,000 skeletons, in the form of arches, friezes and decorations, lamps and false stucco work—all made of bones and skulls. In one of the crypts in the center of the floor is the tomb of the Zouaves who fell in 1870 in the vain defense of the temporal rule of the Pope over Rome.

In the capital also is the Purgatorial Museum, which houses a curious collection that is the only one of its kind in the world. The museum consists of only 18 displayed items, but they are sufficient to have earned it the name of "Devil's Museum." The collection includes brands impressed on missals, clothes and pieces of wood as evidence of supernatural life.

There are several thousand

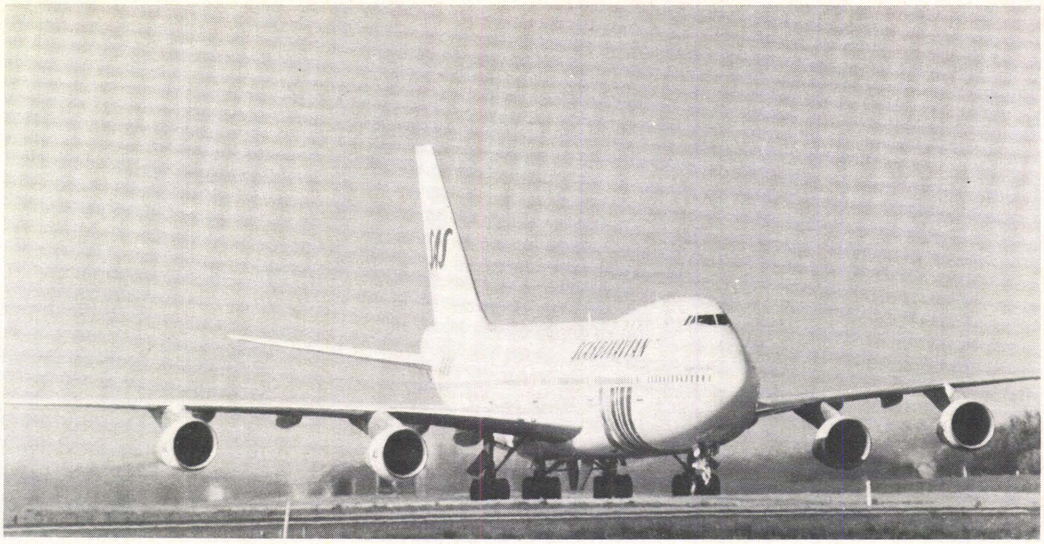
items to admire in the Murano Glassmaking Museum near Venice. The museum provides the visitor with a complete history of the famous Venetian glass manufacture, but does not stop there. Among other things, one can find excavated pieces of glass belonging to all periods and origins, from Ancient Egyptian, Phoenician, Imperial Roman, Hellenistic to modern, although the bulk of the museum is naturally devoted to Murano and the famous glasswork.

Venice also boasts a lace museum—a wonderful display of veils, lacework, embroidered table cloths, doilies and many other items, all from this century. It should be noted, however, that all displays must be allowed to "rest" every six to eight months. The museum also occasionally puts on show private collections whose owners have given permission for their treasures to be exhibited to the public.

Naples also boasts some intriguing museums. For starters, there is the Sansevero Chapel, a baroque building dating back to 1590. Amateurs of horror will undoubtedly relish the chapel. An amazing sight here is that of two corpses standing upright, their skeletons surrounded by a thick cobweb of blackish filaments that embroider around them the complete pattern of the blood veins. They are the result of a crystallization and preservation technique whose procedure is still unknown to science.

The chapel is famous for one of its inhabitants, Prince Raimondi di Sanseverino, an ingenious alchemist and inventor, who gave it its present appearance. His work is surrounded by legend that has made him out to be a magical and mysterious personage.

Worth seeing also is the Coral Museum in Torre del Greco, the center of coral-working craft since the mid-18th century. The collection, consisting of necklaces, knickknacks, inlaid work, decorations and strange sculptures—all the result of skilled carving, chisel work, inlaying and mounting of this precious material—makes the museum unique in the world.

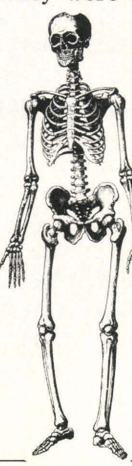


Scandinavian Airlines is worried about the possible consequences of air fare deregulation on its North American and West European routes.

COURTESY SCANDINAVIAN AIRLINES

In Palermo, lovers of puppets will enjoy by the International Puppet Museum, which devotes most of its space to the *pupi*, the probably most famous puppets in the world. Puppets of all types and origins are shown here. There are the Palermitan *pupi*, hardly 80 centimeters in height, with jointed knees and swords capable of being resheathed; the Catania puppets, 1.20 meters high, rigid and with their swords always sheathed; and the Neoploitan ones, one meter high and with the sword attached to the palm of their hands. In addition to these Italian *pupi*, the museum also has a section devoted to other kinds of marionettes from abroad.

The Capuchin Catacombs in Palermo are also worth a visit. They were dug at the end of the 16th century by the Palermo Capuchin monks to bury their dead and over the course of the centuries, nobles, women, soldiers and children have been added to the collection of mummies, making for an extraordinary "museum of the dead" today.



It is a macabre parade of cowls and sacred vestments, luxurious ladies apparel dating from the 18th and 19th centuries and colorful military uniforms, over which has been spread the lint and glaze of death.

COPENHAGEN

Air Fare Battles

Deregulation of air fares has been an extremely slow process in Europe, and air travelers in Europe are finding themselves forced to pay two to three times more per mile than their counterparts in the United States. But now Denmark is making its first concession to the inevitable by allowing two U.S. carriers, Tower Air and Northwest Orient, to offer seats from about $300 for a seven-day round trip. This challenge will be met by all other carriers, including the government-controlled airline Scandinavian Airline Systems, or SAS.

The first crucial battle for deregulation was won by the Tjaereborg Group, one of the largest Danish tour operators and owners of Europe's largest charter airline, Sterling Airways. The group was started in the 1950s by a priest in the west of Denmark, Eilif Krogager, who, now in his 70s, still retains managerial control. The group provoked the Danish Government into action by advertising round-trip tickets at less than half of the cheapest APEX fares. The group does not own aircraft capable of flying nonstop flights to the United States, hence the contract with the small U.S. company, Tower Air.

The liberal-conservative Danish Government is in principle in favor of deregulation, though it certainly did not rush through its blessing. The real problem is that SAS is controlled by three Governments, those of Denmark, Norway and Sweden, and any change in policy in Copenhagen, which is the hub of SAS, will have to be accepted by all three parties. SAS is very profitable, but is fearful of the impact of deregulation on the entire structure of its routes from Scandinavia to North America and especially Western Europe.

European destinations will be the next target of deregulation. The E.C. Commission is strongly in its favor and so are the British and Dutch Governments. Low-fare routes from Copenhagen to these countries are in the offing, and the whole regulatory structure, based on bilateral agreements between the national states, may crumble.

Copenhagen hotels hope that the cheap fares will cushion the negative effects of the weak dollar. But the sure winner will be the United States. More than 15,000 Scandinavians have already booked low-cost flights to destinations in the United States and Canada. And although just devalued 3 percent in terms of the German mark, the Danish krone is still a hard currency in a dollar environment.

Denmark is in a strong position to take advantage of deregulation: The airport in Copenhagen is the focal point of all air traffic in Scandinavia, with a strong market in south Sweden. And Denmark has several independent airlines, large by European standards, ready to do battle. But the partners in SAS will not like it.—LEIF BECK FALLESEN

DUBLIN

A New Wave Of Emigrants

The specter of widespread emigration is once again haunting Ireland. The century from 1847, when the potato famine killed nearly a quarter of the 8-million population, was one of uninterrupted flight from the countryside and the towns to the hope of a better life beyond the seas. The United States, Great Britain, Australia and New Zealand were the journey's end for most of the exiles and few returned.

This annual exodus, which peaked in the 1950s at about 50,000, made Ireland one of the few European countries with a steadily declining population. Then, with the economic boom, the tide began to turn in the 1960s, and emigrants even began to come back to an Ireland that promised even higher wages than Britain. By 1980, for the first time in living memory, there was a net migration into the country and Ireland had become a nation with one of the highest percentages of young people under the age of 25 in the European Community.

The prophecy in a book called *The Vanishing Irish* published in the bleak 1950s seemed to have been happily disproved. The Irish were marrying younger, having the biggest families in europe *and* they were staying at home. Visitors from abroad were startled to see many happy children and teenagers thronging the Dublin streets.

The revelation that emigration has started again due to unemployment, and is running at 30,000 a year, has come as a shock. Social workers in London are sending back reports of young Irish people arriving there with no money, few contacts and quickly finding themselves reduced to vagrancy or trying to live off welfare payments.

It is fairly easy for the emigrant to get to Britain from Ireland. No identity papers, passport or work permit are required. The snag is that jobs are also extremely scarce in Britain. The pay is not very attractive either, after taxes have been taken out and other deductions made.

For those who can get to the United States the propects are much brighter, as jobs in New York for Irish workers are easy to get and the pay by Irish standards is quite generous. In this case, however, the strict immigration controls and the scarcity of working visas, which are not generally available in the United States for those who have no special skills, become major obstacles.

The evidence is that these obstacles have bot been a serious enough deterrent to thousands of young Irish men and women determined to brush aside the red tape. They simply apply for "visitors visas" at the U.S. Embassy in Dublin, and go job-hunting as soon as they get off the airplance in New York. In the first half of 1986, an estimated 50,000 of these visas were issued, of which a substantial number of Irish "visitors" have stayed in the United States to work on construction jobs, in bars and in restaurants.

Some of these manage to secure the coveted "Green Card," which entitles them to reside and work in the United States, but the majority are condemned to live a shadowy existence as illegal aliens facing deportation if caught by the U.S. Immigration and Naturalization Service (INS). Until now, however, the INS has been concentrating on the illegal trafficking across the border with Mexico, and there seems to be little check on the Irish who fly in with the visitor visas and a one-way ticket. Employers for their part seem happy to take on illegal Irish immigrants who are quickly supplied with the names of bars and restaurants where no awkward questions will be asked.

All this seems destined to change with the new immigration laws that have just entered into force after six difficult years getting through Congress. In future, employers will have the responsibility of ensuring that new workers are entitled to work in the United States, and the penalties for noncompliance can be fines up to $10,000 for each illegal worker and possible prison sentences. An amnesty is available for illegal aliens who have been in the United States since before 1982, but it is since this date that Irish emigration has suddenly increased, so there is resentment among the Irish because this is of little use to them.

Further resentment has been caused by the fact that the 10,000 special visas to be made available over the next two years, the so-called "Donnelly visas," named after Rep. Brian Donnelly (D-MA), will not be restricted to Irish immigrants as orignally intended, but have to be sahred with 35 other countries. Donnelly had successfully argued in the House of Representatives that Ireland had been unfairly discriminated against in the 1965 legislation that tightened up immigration rules and abolished the generous Irish quota. But in the Senate there was less sympathy for Ireland's case for compensation.

If the INS now starts to chase illegal Irish immigrants with the same zeal as it has been hunting down the Hispanics, there will suddenly be a lot of new "Returned Yanks" reappearing on Irish shores to swell the already record-high 18-percent unemployment rate.—JOE CARROLL

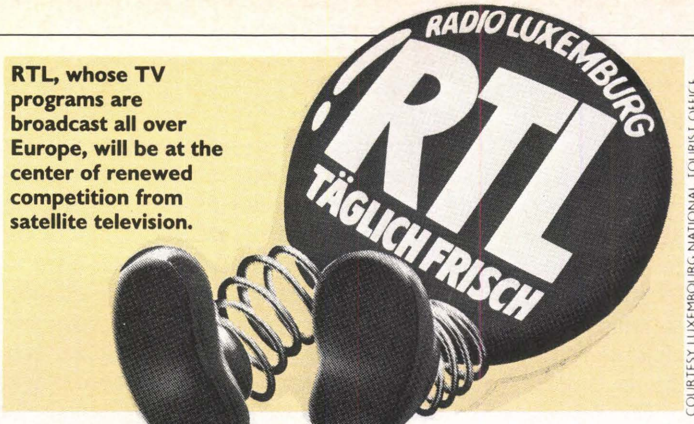
LUXEMBOURG

From Radio To T.V.?

About 25 years ago, kids in England listened to Radio Luxembourg for their source of information about pop records; it was the only commercial radio station at the time and—oh, boy—did we hang on its words!

A lot of us have grown up since then. Radio Luxembourg has, too. It is now a swank television operation with business in France, the Federal Republic of Germany and Belgium, and with transmissions into other neighboring countries. But why does Radio Television Luxembourg (RTL) not want to go further? Has it shirked the task of maintaining Luxembourg's prominence in broadcasting in the years to come?

The question is legitimate because there has sprung up in Luxembourg a new private company that looks like commanding the commercial television waves throughout Europe unless someone steps in to prevent it, which is becoming increasingly unlikely. The company, Société Européenne de Satellites (SES) is to exploit a 16-channel satellite that will in 1988 provide programs beamed throughout most of Europe from Stockholm down to Sicily.



RTL, whose TV programs are broadcast all over Europe, will be at the center of renewed competition from satellite television.

COURTESY LUXEMBOURG NATIONAL TOURIST OFFICE

One will have to pay upward of $300 to purchase an antenna to be able to receive the programs. While this is not thought a great obstacle in prosperous Europe, the main question asked is whether the effort will be worth the expense. And is this a proper enterprise for a company based in Luxembourg, which, for all its talents, is not renowned as one of Europe's greatest cultural centers?

Yes and yes, say the backers. For a start, SES is supported by the Luxembourg Government, which has a 20-percent share in the company and has played a major part in guaranteeing borrowings for the enterprise. Secondly, the company has secured a major investment from Thames Television in London, the largest private television company in Britain. Thirdly, it has landed—if that is the right term—a position on the 1988 Ariane space launch, which may or may not come off, but which followers in Europe believe is a better bet than the American launches planned for next year.

That said, the SES initiative faces some political obstacles. Both the Federal Republic of Germany and France want to preserve and promote their own national broadcasting systems, and their means of doing so is via the Eutelsat system that has proved neither technically or artistically encouraging so far. The two countries are frankly ganging up together against SES which is seen as a menace in both countries.

It is seen differently in Luxembourg, of course. The SES proposal is a way of putting Luxembourg back on the world map. There is a tradition of prominence in popular music here that the Luxembourgers do not easily give up. The country has had more winners in the European Song Contest per capita than any other country.

This remarkable grip on popular taste was demonstrated when I was speaking to a group of young American students, passing through Luxembourg on their way to Germany. What did they know of Luxembourg? "Good songs, good singers, good backing," I was told. A country might well seek a more comprehensive tribute from its admirers, but from that generation it is about as good an accolade as one could hope for.

There are numerous technical, financial and political reasons why SES may not succeed. While the company has raised over $100 million of backing so far, it is still not clear that it will be able to negotiate the frequencies for its planned broadcasting from national authorities. It is winning subscribers in Europe, but as yet not enough of them to make the investment certain. The company does not plan its own production of television programs, but intends to relay already proven series in the United States and Europe. This is a tempting formula to potential backers, but correspondingly worrying to the national authorities, which means the company is having to tread delicately to promote its services without arousing official unease.

Exactly why RTL has not taken an initiative to start up commercial television broadcasting in Europe is something of a puzzle. There are cynics who say that the major shareholders in the company are in fact the very concerns in Belgium, France and Germany whose media interests could be harmed by the emergence of an ad-based competitor. If this is their view, it must be shortsighted since the emergence of SES shows that there is a strong following in Luxembourg for a company ready to attempt the same challenge to authorities in television that Radio Luxembourg presented to radio in the 1950s.—ALAN OSBORN

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U.S., E.C. SETTLE TRADE DISPUTE OVER GRAIN EXPORTS

A EUROPEAN JOURNALIST'S OPINION ON THE AFTERMATH.

PHILIPPE LEMAITRE

Some E.C. member states are not entirely pleased with the way the latest agricultural conflict between the Community and the United States unfolded—and with the way it was ultimately resolved. The dispute arose over compensation to U.S. corn producers for their loss of export markets which would have resulted from the enlargement of the Community to include Spain and Portugal if this agreement had not been negotiated. To be sure, all of the E.C. member Governments, without exception, wanted to avoid the dangerous snowball effect of retaliation and counter-retaliation. But despite official pronouncements on the "honorable" nature of the compromise reached by the two sides, there are many Europeans who believe that the price they had to pay to avoid a trade war was rather high.

It was high when one considers what was at stake, namely the Spanish market for feed grains. Defenders of the compromise settlement reached between the two sides (see page 16 for details) explain that the levels set for Spanish imports from countries outside the E.C.—2 million metric tons of corn and 300,000 metric tons of sorghum per year for the next four years—are far less than those demanded by Washington: 12 million tons last fall, down to 4 million tons during the last phases of the negotiations.

The U.S. demands were so excessive, however, that this defense just does not hold up. Spanish production of feed grains has increased considerably, with import needs currently hovering around 3 million to 3.5 million tons per year, and there are indications that these numbers could decrease further. Thus, under the agreement extracted by the Americans, two-thirds of the Spanish market will be reserved to non-E.C. countries—which means largely the United States—and thus removed from the system of Community preferences. Had the Community wanted, and been able, to pursue the matter through legal channels—meaning arbitration by a General Agreement on Tariffs and Trade panel—it is not at all certain that its conclusion would have been so severe. This is all the more so since on the agricultural front alone—without even taking into account the industrial sector—enlargement of the E.C. to include Spain presents very real advantages to American exporters in terms of market access.

The price was heavy, too, in terms of the way it was obtained. The United States pulled no punches with the Community, even though the E.C. had in no way dodged the negotiations. The U.S. Ambassador to France, Joe Rodgers, proclaims the contrary, but one cannot help but feel that the U.S. Administration resorted to threats. Threats of slapping prohibitive tariffs on imports of European brandy, gin, white wine, cheese and other farm products if the Community did not back down.

Some among the Twelve believe that such pressure should not be encouraged and that, precisely because of the methods used, it would have been preferable not to concede as much as was done. The irritation was all the more raw since certain E.C. member states (France, in particular), whose public opinion once worried about the implications of E.C. enlargement, believed they had helped further U.S. foreign-policy goals by giving the green light to enlargement. They had the unpleasant feeling they were getting little in return for their support.

Finally, the agreement itself is particularly painful if one compares its content—in other words, the outcome of the conflict/dispute—to the words expressed beforehand by European leaders. Until January, the tone set by them was one of utmost firmness. Among certain ministerial staff members, it was almost as if they were saying that the 1.6-million-ton offer announced in December by the E.C. Commissioner responsible for external relations and trade policy, Willy De Clercq, was dangerous because it was too generous. The United States, of course, bears no responsibility for this aspect of the deal, but the concessions that were made seem all the more like a retreat when contrasted to the determined posture of preceding weeks.

This affair would not be serious if it could be considered an isolated episode. Unfortunately, that is not the case. The picture offered by the United States, as seen from Brussels, is not the most reassuring these days. Europeans are afraid that the jockeying between the U.S. Congress and the Reagan Administration over trade legislation is monopolizing the dialogue, to the detriment of consultation with America's European and Japanese partners and to the detriment of free trade. There are other contentious issues ahead: Airbus, telecommunications, a tax on vegetable oils recently proposed by the Commission—which the United States says would have a significant impact on its soybean exports to the E.C.—and others. Add to this a political and economic environment little conducive to serene thought on how to solve these problems.

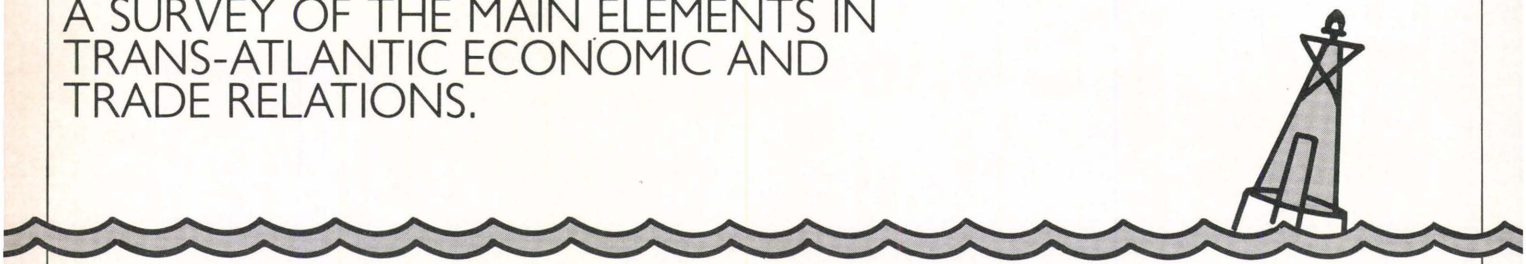
In the agricultural sector, overall trans-Atlantic negotiations nevertheless seem necessary since tensions are growing so fast. Seen from the European side of the Atlantic, the time seems right. Europeans are devoting considerable energies to reforming the E.C.'s Common Agricultural Policy. In each of the last three years, the Community has reduced its support to farmers, with a goal of producing less and at lower prices. The Community is aware that it subsidizes its agriculture less than does the United States (a fact recently confirmed by the Organization for Economic Cooperation and Development). Yet the Community, in a way the more virtuous of the two, can more easily take chances in a negotiation.

It is understandable that the United States, faced with the trade-deficit problems we all know about, is upset that its share of world grain exports has dropped considerably, while the Community's share has risen (albeit not in the same proportion). The United States and the Community, which have common interests to defend, have here substantial matters for discussion. The key is finding a way to talk. €

Philippe Lemaitre is the Brussels bureau chief of *Le Monde*.

1986 REVIEW AND CURRENT PROBLEMS

A SURVEY OF THE MAIN ELEMENTS IN TRANS-ATLANTIC ECONOMIC AND TRADE RELATIONS.



The European Community and the United States are closely linked politically and economically. At the same time, they are competitors in the trade sphere, and this regularly leads to friction between the two. This article examines some of the main areas of tension.

RECENT PROBLEMS

Machine tools

On December 16, 1986, the United States informed the Federal Republic of Germany that it would take unilateral action if exports of certain categories of machine tools exceeded specified levels during the following five years. The United States later also threatened to act against the United Kingdom, Italy and Spain if their companies' exports captured an increased share of the U.S. market for these products. The Community has complained that such matters fall under its exclusive competence, and that the threatened measures violate international trading rules. The E.C. Commission said it would propose remedial action if the United States enacted restrictions.

Semiconductors

The Community has protested against the agreement concluded on July 30, 1986 between the United States and Japan on semiconductors. In its opinion, some aspects of the agreement jeopardize international trading rules and threaten the Community's legitimate interests.

Three aspects of the agreement are of particular concern: The monitoring of Japanese exports to third countries and the subsequent price increases for semiconductors on the Community market; the potentially privileged access of U.S. firms to the Japanese market; and the agreement's general lack of transparence.

The Community has therefore started proceedings in the General Agreement on Tariffs and trade (GATT) under both Article 22 and the antidumping code.

Fisheries

An agreement on access by Community fishermen to U.S. fishing zones was signed in February 1977, and renewed for the period 1984-89. The Community is concerned that its usual quotas for squid and mackerel have not been established for the 1987 fishing year, and is seeking early consultations with the United States. The E.C. warns that this matter could risk future cooperation between Community and U.S. fishing interests to the detriment of both parties.

Other subjects

The Community has also expressed concern to the United States about a number of other matters, including extraterritoriality, customs user fees, Superfund legislation and certain aspects of tax reform.

In July 1985, the U.S. Congress renewed the Export Administration Act, which authorized the U.S. Government to exercise extraterritorial jurisdiction for reasons of national security and foreign policy. This law, designed to prevent U.S. high-technology products from falling into the hands of the Eastern bloc countries through export and reexport, is unacceptable to the Community for reasons of sovereignty.

The United States recently introduced customs user fees relating to merchandise, and to shipping and aviation services. The Community is concerned about the proliferation of fees of this kind, particularly those relating to the inherent obligations of the state. In such cases, no fees should be levied. Other user fees should be based solely on the costs of the services rendered. The Community has initiated proceedings under GATT Article 22 on this issue.

The Superfund legislation to finance the cleanup of sites in the United States contaminated by toxic waste discriminates by providing for a higher tax on imported crude oil than on the domestic product. The Community has called for consultations under GATT Article 22 on this matter. It will do the same for provisions of the new tax reform law that excludes foreign suppliers of small tourist aircraft from certain forms of credit.

There have also been certain settlements between the two trading partners, which include the following.

RECENT SETTLEMENTS

Enlargement

Spain and Portugal joined the Community on January 1, 1986. In March, the United States raised objections about the implementation by the new member states of the provisions on agriculture in the Accession Treaty. It claimed that these provisions would adversely affect their grain and soybean exports to Spain and Portugal. The United States asked the Community for immediate compensation to cover loss of earnings, which it put at $1 billion.

The Community considered the U.S. objections unjustified, and argued that the effects of E.C. enlargement had to be evaluated as a whole, without singling out the agricultural sector. Spain's and Portugal's trading partners should benefit from significantly lower customs duties on industrial products, and from the extension of certain Community tariffs that are "bound" at a low rate—that is, they cannot be changed without negotiations and compensation. The tariff for soybean products, for example, is bound at zero.

Nevertheless, on May 15, the United States imposed nonrestrictive quotas on a number of Community agricultural products in response to treaty provisions affecting Portuguese imports. The Community retaliated on June 16 by introducing surveillance of a number of U.S. exports that would be subject to possible countermeasures if the U.S. quotas became restrictive.

The United States also announced it

CHART ILLUSTRATION BY CONNIE DILLMAN

Trade Between the Community of Twelve and the U.S. by Country

Million ECU

	IMPORTS		EXPORTS		BALANCE	
	1985	1986 (6 mos.)	1985	1986 (6 mos.)	1986	1986 (6 mos.)
France	9,066	4,167	11,090	4,542	2,024	375
Belgium-Luxembourg	4,483	2,122	4,465	1,834	−18	−288
Netherlands	7,568	3,393	4,765	1,929	−2,803	−1,464
F.R. Germany	13,517	5,976	24,957	12,968	11,440	6,992
Italy	7,114	3,228	12,679	5,311	5,565	2,083
United Kingdom	18,627	7,417	19,602	7,831	975	414
Ireland	1,892	780	1,333	545	−559	−235
Denmark	1,333	628	2,326	945	993	317
Greece	420	180	485	154	65	−26
Portugal	982	369	689	248	−293	−121
Spain	3,933	1,723	3,133	1,208	−800	−515
E.C. Total	**68,935**	**29,983**	**85,524**	**37,515**	**16,589**	**7,532**

planned to increase tariffs on certain European agricultural products after July 1, if a solution had not been found to the conflict over Spanish imports. The Community prepared a retaliatory package that targeted corn gluten feed, rice and wheat.

These plans were suspended when the two sides on July 1 reached an interim agreement, in effect until December 31, 1986. The Community agreed to monitor U.S. exports to Spain of corn, sorghum, corn gluten feed, brewing residues and citrus pellets. If they fell below 234,00 metric tons a month, the E.C. would enable the shortfall to enter its market by setting up a quota at a reduced levy.

The two parties entered negotiations on this issue under Article 24/6 of the GATT, but had not reached an agreement as the year came to a close. President Reagan announced on December 30 that he was imposing duties of 200 percent on E.C. exports of canned ham, certain cheeses, carrots, unripe olives, white wine, brandy and gin.

Willy De Clercq, the E.C. Commissioner responsible for trade and external relations, responded that when those duties took effect, the Community would be obliged to enact equivalent measures on corn gluten feed, wheat or rice as announced in June.

Finally, just before the American measures were scheduled to take effect at the end of January, the two sides reached an agreement that includes the following elements:

- The Community will extend to Spain and Portugal E.C. tariffs that are "bound" at a low level under the GATT. These include zero tariffs on soybean products and corn gluten feed. A bound tariff was negotiated in previous trade rounds and cannot be changed without compensation.
- The Community will ensure that Spain imports 2 million metric tons of corn, and 300,000 metric tons of sorghum annually from non-E.C. sources. It will accomplish this by setting reduced-levy quotas and, if necessary, by direct purchases on the world market under the E.C. Commission's authority. Spanish imports of grain substitutes—corn gluten feed, citrus peels and pellets and brewing residues—will be deducted from the quantities set for corn and sorghum. This arrangement will apply from 1987 through 1990.
- The Community will reduce customs duties on some industrial and processed agricultural products, including bourbon, some fruit juices, cigars, certain polyesters and bromides.
- Portugal will no longer reserve 15 percent of its grain market for E.C. suppliers in the enlargement treaty. Because of its objections over this requirement, the United States last year imposed nonrestrictive quotas on E.C. wine, apple juice, candy and chocolate. It has now agreed to relax these quotas.

Citrus and pasta—GATT disputes

The Community and the United States in 1986 managed to resolve a long-running dispute concerning objections to E.C. tariff preferences for citrus fruit from certain Mediterranean countries. The dispute had taken a turn for the worse in June 1985, when the United States retaliated by slapping high customs duties on pasta products from the Community.

The United States selected pasta because it objects to Community export refunds for that product. The parties had attempted unsuccessfully to resolve both the citrus and pasta questions under GATT dispute-settlement procedures.

The Community countered the pasta duties in July with measures to increase sharply the duties on walnuts and lemons from the United States. These took effect in November. In August 1986, the parties reached an agreement:

- The United States recognized the Community's Mediterranean agreements and undertook not to make any further complaints about the preferences for Mediterranean citrus fruit;
- The parties agreed on a number of trade concessions, the Community on citrus fruit and almonds, the United States on products important to the Mediterranean member states, notably olives and olive oil. These concessions are expected to be implemented in 1987.
- They established a *modus operandi* for resolving the pasta dispute. Talks are continuing on this issue.
- Both sides agreed to lift the retaliatory measures they imposed on each other.

Steel

Since early 1985, steel has been a major bone of contention between the Community and the United States. Following a series of negotiations, the last of which ended in September 1986, virtually all the Community's steel exports to the United States (about 6 million tons a year) are now covered by arrangements that will expire in September 1989.

AGRICULTURE

The United States often attacks the E.C.'s Common Agricultural Policy, charging that export subsidies give European farmers an unfair advantage in world trade. The Community argues that these subsidies fully comply with GATT rules. U.S. farmers also complain that Community farm policy is protectionist.

American criticism notwithstanding, the Community has traditionally recorded a deficit in agricultural trade with the United States. Although this deficit, at $2.3 billion in fiscal year 1986, is lower than in previous years, the Community remains the U.S. farmer's best customer and the world's biggest importer of agricultural products.

Tensions between the Community and the United States over agriculture stem largely from the decline in U.S. farm exports, which fell from $48 billion in 1981 to $32 billion in 1986. However, U.S. exports to the Community declined last year by only 3 percent, compared with a fall of 19 percent to other destinations, and they represent almost 25 percent of all U.S. foreign sales.

The United States has embarked on an aggressive policy of increasing its share of world agricultural markets. One example of this is the Export Enhancement Program, which will provide $2 billion to U.S. exporters over a three-year period to help them boost agricultural sales, especially of wheat, on foreign markets.

The E.C. Commission has condemned this move, which it believes is unwarranted and liable to disrupt world trade in agricultural products. It argues that although the U.S. share of the world wheat market has shrunk from 49 percent in 1981-82 to 25 percent in 1985-86, it is hardly the Community's fault. Its market share during this period remained within a margin of 14 percent to 17 percent.

BACKGROUND

Although there is no formal agreement establishing a general framework for relations between the Community and the United States, contacts between the two sides are frequent: consultations between officials, exchanges of visits by U.S. Secretaries and E.C. Commissioners, and close contacts through the Commission Delegation in Washington and the U.S. Mission in Brussels have taken place since the founding of the Community. Members of the U.S. Congress and the European Parliament also meet twice annually.

In 1981, it was decided to step up dialogue at the political level and since then a large U.S. Cabinet-level delegation, led by the Secretary of State, has met each year with a Commission delegation headed by the Commission President.

Trade Between the Community of Ten and the U.S. by Groups of Products, 1985**

Millions ECU

	E.C. Imports	% of Total	E.C. Exports	% of Total	E.C. Balance
Food***	3,434	5.4	2,356	2.9	−1,078
Tobacco, Beverages	824	1.3	2,699	3.3	1,875
Raw Materials (including oilseeds)	6,271	9.8	724	0.9	−5,547
Minerals Fuels	3,439	5.4	6,214	7.6	2,775
Vegetable and Animal Oils	249	0.4	79	0.1	−170
Chemicals	6,472	10.1	6,369	7.8	−103
Basic Manufacturers	4,051	6.3	12,479	15.3	8,428
Transport Equipment and Machinery	26,345	41.2	33,499	41.0	7,154
Other Manufacturers	7,467	11.7	12,498	15.3	5,031

*** The above table's product breakdown follows the Standard International Trade Classification (SITC). Agricultural products appear in four locations in the classification.
** Community of Ten: the E.C. without Spain and Portugal, which became member states January 1, 1986.

Source: EUROSTAT

The ground rules applied to the bilateral relationship between the Community and the United States are those of multilateral organizations such as the GATT and the Organization for Economic Cooperation and Development (OECD). In trade, general GATT rules apply, notably the Most-Favored-Nation clause. Thanks to these rules, the GATT contracting parties have been able to set up a relatively transparent nonpreferential structure for trade tariffs and, through the GATT rules and codes, accept binding arrangements for most other matters concerning trade. In terms of quantitative restrictions, trade has been almost totally liberalized.

The Community and the United States cooperated to launch the Uruguay Round of multilateral trade negotiations in September 1986. The talks, which will intensify this year, will cover agriculture, services, intellectual property rights, textiles, safeguards, dispute settlement and other subjects.

Economic and Trade Links

There are close economic links between the Community and the United States, both leaders in the world economic and trading systems. Alone, they account for over 30 percent of world trade, and thus have a major responsibility for the management of the system.

They also represent more than 70 percent of the industrialized world's gross domestic product (GDP). European investment in the United States amounts to $106 billion (out of a total foreign investment of $160 billion), while U.S. investment in the Community accounts for $82 billion (out of a total of $233 billion). They are also linked by the size of their combined industrial output: some 35 percent of world steel production, 50 percent of world car production and 70 percent of world aircraft production.

The Community and the United States are major markets for each other, with trade between them totaling 148 billion European Currency Units (ECU), which is more than $120 billion, in 1985. The Community of Twelve takes 21 percent of U.S. exports, making it the United States' second largest market, a little behind Canada (22 percent).

Over the years, the Community has regularly run up a trade deficit with the United States. At times, this deficit has been enormously high, as in 1980, when it was almost 180 billion ECU. However, because of the strength of the U.S. dollar, the trend has been reversed. In 1985, the Community had a surplus of 16 billion ECU, although it still recorded a deficit on agricultural products.

While there is no overall agreement between the E.C. and the United States, specific accords have been concluded.

Euratom-U.S.

This was the first agreement signed on behalf of the European Atomic Energy Community, less than five months after the entry into force of the Euratom Treaty in 1958. This agreement, supplemented by another accord later that year, establishes a framework for cooperation on peaceful uses of nuclear energy, including the supply of nuclear fuel to the Community by the United States.

At the end of the 1970s, the U. S. Government proposed updating parts of the agreements relating to safeguards throughout the nuclear cycle, and talks have been taking place.

In July 1986, the Community and the United States signed a joint declaration of intent on research into radiation protection. In December, they signed a scientific and technical cooperation agreement on thermonuclear fusion.

Environment and work safety

In 1974, the E.C. Commission and the U.S. Administration agreed to hold regular consultations between officials and, where necessary, to take joint action on environmental issues. In 1979, they agreed to examine together various aspects of work health and safety. €

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THE EUROPEAN COMMUNITY'S VISITORS PROGRAM

STUDY-GRANT PROGRAM ENABLES INDIVIDUALS TO MEET OFFICIALS OF E.C. INSTITUTIONS AND MEMBER-STATE ORGANIZATIONS.

In 1974, the E.C. Commission and the European Parliament established a fund providing for the creation of a European Community's Visitors Program (ECVP). The program was inspired by the U.S. Department of State's Leader Grant Program founded in 1950. The aim of the ECVP is to enable young leaders from certain countries—the United States, Canada, Latin American nations, Australia, New Zealand and Japan—to visit Europe as guests of the European Community. They discuss matters of mutual interest with officials of the Community's institutions as well as with organizations and individuals in the 12 E.C. member states. They gain at first hand a better understanding of Europe in the hope that they will benefit both professionally and personally in future years.

The ECVP sends a total of 50 visitors to Europe each year of which 21 are Americans. Applications are screened by the Delegation of the Commission of the European Communities in Washington before being submitted to the ECVP Steering Committee in Brussels. Each spring, the committee selects the grantees who will travel to Europe the following year.

Program participants are involved in policymaking fields such as federal and state government, the media, banking, industry, labor, agriculture and so on. The program is designed essentially to help young Americans who are already embarked on careers in areas of public responsibility to become more aware of contemporary issues and problems in Europe and the concerns that Europe shares with the United States.

An ECVP study-grant is valid for one calendar year and, for practical reasons, cannot be extended. A normal stay is 3 weeks (maximum 21 days).

Grantees may visit up to three of the 12 member states of the Community: Belgium, Denmark, France, the Federal Republic of Germany, Ireland, Italy, Luxembourg, the Netherlands, the United Kingdom, Greece, Spain and Portugal.

The first part of the travel is spent in Brussels for meetings in the E.C. institutions—the European Parliament, the E.C. Commission, the E.C. Council of Ministers, the Economic and Social Committee, and so on. A further two or three days are then spent in Strasbourg for meetings with members and officials of the European Parliament and, where appropriate, in Luxembourg for meetings at the Court of Justice of the European Communities, the European Investment Bank, the Court of Auditors, the European Community Statistical Office, or others. The remainder of the study grant is spent visiting other E.C. member states.

The ECVP fund pays for trans-Atlantic travel (tourist class) from the grantee's home in the United States to Brussels; for all air, rail and bus travel inside the Community; and for the return journey to the United States from the last place of visit. Each grantee receives a per-diem allowance in addition to travel expenses. The allowance covers all accommodation and food plus incidental expenses.

Applications should be made in writing describing the candidate's current background and topic of interest to be pursued in Europe—a résumé should also be included.

Deadline for receipt of applications for the 1988 program is Friday, April 17, 1987. Address for applications is:

ECVP **Steering Committee**
c/o ECVP Program Officer
Delegation of the Commission of the
European Communities
2100 M Street, NW—7th Floor
Washington, D.C. 20037.

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ITT ADOPTS NEW ROLE IN EUROPE

MERGER WITH FRENCH COMPANY REFLECTS CHANGES IN EUROPEAN TELECOMMUNICATIONS.

TERRY DODSWORTH

In the carefully regulated and highly regimented European telecommunications equipment manufacturing industry, one company has stood out for years as different from all the others. Unlike its main competitors in the region, International Telephone and Telegraph (ITT) of the United States has had no particular national allegiance. It was the only supplier able to manufacture widely throughout the region, sell to a variety of public telephone operating companies (PTTs) and develop a genuine pan-European identity.

This universal entree to a wide variety of European countries was the key attraction in the recent $1.3-billion deal bringing ITT's telecommunications empire under the control of Alcatel of France. The agreement, finally signed in the dying hours of last year, leaves ITT with a 37-percent stake in the joint business, but a secondary managerial role. It will also allow the U.S. company to take $902 million in cash out of the business, in a maneuver that suggests that it will now be able to run down its expenditure in telecommunications and concentrate its resources on the financial services side of its activities.

Alcatel's ability to perform this U-turn came about because of changes in telecommunications technology and the political environment in the industry. For many years, the U.S. company's pan-European identity posed no difficulty to the different national telephone operating groups ordering the central telephone switches that are the core of the telecommunications system.

Because PTTs were mainly Government-owned, and telecommunications was regarded as a strategic industry, most of the telephone companies felt that they had to support a local champion in the public exchange manufacturing area. But they also liked to have an alternative source of supply, both as a prudent business arrangement and as a means to keep local manufacturers on their toes. ITT was perfectly equipped to become this alternative because its political neutrality meant that no country was giving away market share to a supplier from another European nation.

With the development of the new generation of digital public exchange equipment, however, ITT's position became steadily more difficult. Indeed, its formidable market power and high volumes had, in a sense, become an embarrassment. The economics of scale in the industry were changed to such an extent by the new technology that all manufacturers began to look around for new markets; and there was ITT, sitting on the largest share in Europe, and without any Government to defend it.

In France, the U.S. company was forced out in a series of Government-led reorganizations beginning in the 1970s. In the United Kingdom, it eventually withdrew from the consortium set up to develop the new System X public exchange, under the impression, it says, that the British Government no longer really wanted it as a supplier of central switches. Similar pressure was being exerted in some other countries, with the notable exception of the Federal Republic of Germany, where the ITT subsidiary, Standard Elektrik Lorenz (SEL), had the 30-percent share of the market not held by Siemens, the favored local manufacturer.

While the political environment in which ITT was conducting its business in Europe was changing, the company also was encountering difficulties and high expenditure in the development of its new digital exchange, System 12. ITT spent $1 billion on System 12, depressing its financial performance over several years through its high research and development budget. The returns were slow to materialize, and it did not help when the switch hit teething problems in its initial installations.

A further blow came when ITT reluctantly abandoned its long-awaited drive to take on AT&T, the leading U.S. group, in its home market. This effort was precipitated by the deregulation of the U.S. telecommunications industry, which allowed new manufacturers to enter the business, and which has already led to a surge of imports to the United States in many kinds of equipment.

In the market for big public exchanges, American deregulation has already led Siemens of the Federal Republic of Germany to attempt a linkup with GTE, the main non-AT&T producer in the country, while Plessey of the United Kingdom has acquired Stromberg-Carlson, another local supplier. ITT itself eventually baulked at the cost of adapting its product to the U.S. operating requirements.

This turbulent background of increasing world competition and rising public tension over accelerating imports formed the background against which ITT decided to abandon its inheritance in the telecommunications industry. The deal started almost by chance, when Rand Araskog, the ITT chairman, met Georges Pebereau, his opposite number at the Compagnie Générale d'Electricité (CGE), the holding company for Alcatel, for a wide-ranging, friendly discussion about the industry.

Pebereau, a brilliant, effervescent technocrat and dealmaker, who was always prepared to look at a wide range of options, began to think about an alliance. Gradually, the talks turned serious, and then, in an intense, highly secret round of discussions last summer, the two men set down the basic requirements of the new company.

From the French point of view, the takeover represented a strategic, preemptive strike to establish a strong position in the European market that would place Alcatel in a dominant position with or without deregulation: If deregulation is slow to take hold, it will retain its own markets, and those of ITT; if deregulation comes, however, it will be well positioned in most European countries to take advantage of a liberalized buying regime.

There are plenty of sound arguments for skepticism at this approach. For one thing, the technology of the two switches, System 12 and the E10 made by Alcatel, is entirely different. Maintaining both of them in service, as the new Alcatel group has promised, means there are no obvious operating economies to be gained immediately in bringing the two companies together. Each switch will demand large expenditure for the enhancements in operating performance that will be demanded constantly by the PTTs.

Second, it will undoubtedly prove difficult to combine the cultures of two such different companies. Alcatel is purely French, even though it has been one of the most export-conscious telecommunications equipment manufacturing companies in the world. ITT has a mixed nationality base because it manufactures and does business throughout Europe—a diversity that is said to have led to stress in the past between different national divisions. Merging the divergent groups into a coherent management force will take time, and it could be 10 years, according to Alcatel's new management, before the company is selling an integrated new product line.

Whatever the pros and cons of the Alcatel deal, however, it has radically disturbed the distribution of power within the European telecommunications industry and forced a reaction from the other equipment suppliers—and Governments. In terms of sheer size, putting the market base of the two companies together will create a giant in the industry, the second largest equipment manufacturing company after AT&T, and the current world leader in terms of its installed base of digital switches—a position it owes to the early digitization of the French telephone system.

The emergence of such a powerful competitor is forcing other companies to respond. The most visible sign of this reaction has occurred in the battle for control of CGCT, a loss-making French equipment producer that has historically been allowed to hold 16 percent of France's switching market. CGCT is now being sold in the French Government's denationalization program, precipitating a scramble among overseas manufacturers to take it over and capture a stake in the French market.

For a long time last year, the front runner in this battle was a consortium owned by Philips of the Netherlands and AT&T, the former providing the market know-how, and the latter the technology. AT&T's new digital switch had met with the approval of the French PTT, and the consortium appeared to have won the contract, when Siemens of Germany emerged last fall with a counter-proposition. Siemens was backed up by the German Government, which began to put pressure on the French on the grounds of reciprocity of markets—if Alcatel was to take over ITT's stake in the Federal Republic, it argued, Siemens should be allowed to have a counteracting share in the French market.

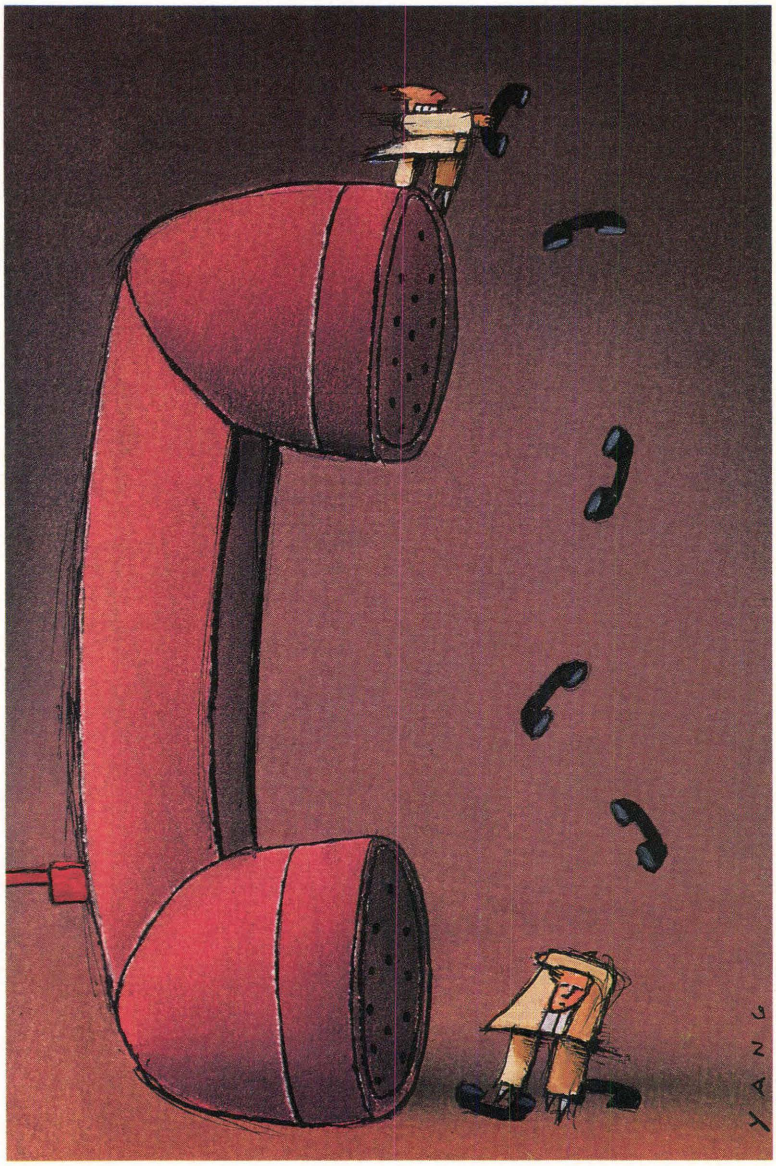

ILLUSTRATION BY JAMES YANG

This political battle, difficult for the French to resolve, has spilled over into the wider trade conflict over telecommunications business between Europe and the United States. Laboring with a $1-billion trade deficit in telephone equipment, the United States has protested vigorously against what it sees as a blatant European effort to tip the scales against a competitive U.S. bid through the use of political influence. Through the Federal Communications Commission (FCC), the United States is threatening political action of its own in response: If AT&T loses its bid, the FCC says it may use its regulatory powers to block Siemens' efforts to sell its large switches to the Bell operating companies.

The struggle for CGCT is still waiting to be resolved, with Ericsson of Sweden also throwing its hat into the ring recently with a third bid. Meanwhile, other alliances are constantly being mooted. In the United Kingdom, for example, Plessey and GEC, the two manufacturers of System X, have sporadically had discussions about some sort of joint venture or merger, a union that would have been forced through at shotgun point if the unsuccessful GEC bid for its rival had not been scotched on antitrust grounds last summer.

More recently, the two British companies have collectively and individually been linked in suggestions of a similar joint venture in Italy with the two Italian equipment manufacturing groups, Italtel and Telettra. The Italian groups have been in negotiations about a merger for some time, but it is widely felt that they need another partner with strong technology in the switching field. This could be provided by the U.K. companies, though they both deny that serious discussions have begun as yet.

Thus the Alcatel deal could well mark a significant turning point in the process of merger and cross-frontier consolidation in the telecommunications supply industry kicked off by deregulation in the United States. It has underscored the fact that Europe, while at the moment a collection of individual and highly idiosyncratic markets, is being pushed together by the technology and the economics of the industry; and it has demonstrated that this redistribution of the cards in the world market means that the Americans will seek to become players in Europe, while the Europeans try to take some of the U.S. market for themselves. €

Terry Dodsworth is industrial editor at the *Financial Times* in London.

CRISIS IN EUROPE'S SHIPYARDS

IS THE INDUSTRY FOUNDERING, OR CAN IT SURVIVE THE SHAKEOUT?

STEPHEN BROOKES

Europe's shipbuilders are in trouble. Battered by crumbling markets, low-cost Asian competitors and broad, basic changes in the world economy, the shipbuilding industry has sunk deep into the most intractable crisis it has ever had to face. In less than a decade, the great shipyards of coastal Europe have gone into receivership or been hacked down to skeletal operations, stumbling along as lame, subsidy-dependent industrial dinosaurs. Industry observers agree that conditions are unlikely to improve quickly, if they improve at all; what was once thought to be a temporary problem of cyclical demand increasingly looks like a fundamental structural crisis, with no easy solution at hand. Europe may even be on the verge of another wrenching step into the post-industrial future: the collapse of its once-great shipyards.

While collapse may not be inevitable, the industry is facing an unavoidable and painful period of adjustment. World shipbuilding has fallen about 36 percent since hitting a peak in 1975; orders for new ships from European yards are less than a quarter of what they were a decade ago, and employment has dropped by more than 50 percent. Overcapacity in the industry is estimated at some 150 million tons—about six years' worth of production—while fiercely cost-competitive builders in Asia are expanding their operations and fighting tooth and nail for a share of the contracting market. South Korea, one of the most ferocious contenders, increased its share of the world market from 3.5 percent in 1980 to 17 percent last year, and China and Taiwan are making equally determined bids to enter the fray.

With forecasters adjusting their market predictions steadily downward, E.C. Governments have been trying to bring about an orderly adjustment and downscaling of the industry. While no broad restructuring plan (like the Davignon Plan for the steel industry) currently exists, E.C. guidelines for state aids, aimed at keeping national Governments from getting drawn into internecine subsidy wars, have been in place for several years. The newest set of these, known as the Sixth Directive on Shipbuilding, was approved last December; designed to provide a framework for cutting production and focusing on areas where European yards are most competitive, it sets a common maximum subsidy ceiling of 28 percent, with additional aid allowed for restructuring.

"We need and want a more organized system of regulations," said German Economics Minister Martin Bangemann in support of the plan, echoing a view held widely in both industry and Government. And the Sixth Directive should help untangle the mess of different and sometimes conflicting subsidies now being granted in Europe. Grants—on which almost all European shipyards depend for survival—will only be given to the yards that stand a real chance of survival, and the new 28-percent ceiling on production aid (which was set following a study of the price-cost gap between the most efficient European and Asian yards), should spur more restructuring. But given the current doldrums in the industry, will the plan be able to keep European shipbuilding afloat?

The roots of the current crisis are deep and probably irreversible. The postwar expansion of trade that fueled the world economic boom kept shipyard production high; the steady growth reached a peak between 1968 and 1974, when orders for new ships doubled. E.C. shipbuilders (excluding current members Greece, Spain and Portugal) were able to expand production to an all-time high of 7.8 million gross registered tons in 1975.

But in the mid-1970s, as the effects of the 1973 oil shock, induced by the Organization of Oil Exporting Countries (OPEC), rippled through the global economy, that expansion came to a halt. Tanker production was cut back as oil consumption began to fall. Advances in technology, more efficient use of raw materials and the development of new metals and plastics meant less demand for the main bulk commodities, especially oil and iron ore, while the spread of data transmission made a number of manufactured goods redundant. New materials and miniaturization led to lighter and more versatile products, which producers found easier and more economical to ship by air than by sea. Installations and engines became more fuel-efficient, and an increasing percentage of energy—especially in Europe—began to be generated by nuclear energy. Agricultural technology also enhanced self-sufficiency for some regions in a number of farm products, especially cereals.

Meanwhile, the newly-industrializing countries were well into their surge of development. Production facilities for heavy industry began springing up close to the sources of raw materials. World shipping patterns altered; the average distances that bulk commodities travel have fallen steadily for the past decade. Other trade factors, like the Japanese voluntary export restraints on automobiles, put a further crimp on shipping growth, and the result has been a drop in world maritime commerce of about 10 percent since 1975.

Within Europe, meanwhile, the straitened conditions were prompting shipyards to look to the state for help, and the state was in most cases ready to oblige. Subsidizing the shipbuilding industry was easy to justify: shipyards employed thousands of people, and the crisis appeared to many in the early years to be a tempo-

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rary one that would resolve itself with the eventual decline of OPEC. Moreover, shipyards were among the prime users of steel, an industry that was experiencing a severe crisis of its own. So Government subsidies (which included building costs subsidies, assumption of losses, investment aids, operating cost subsidies, etc.) began to spread.

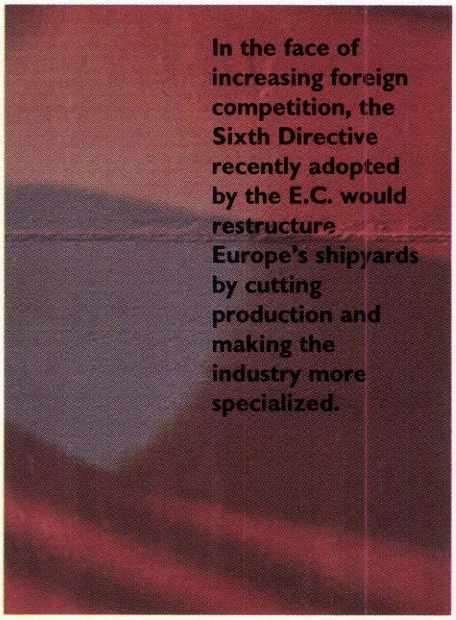
But no overall plan for restructuring the industry lay behind the Government aid. Subsidies were given out in various and sometimes conflicting ways, and as they expanded they created artificial barriers to trade within the Community. Intra-E.C. deliveries contracted substantially, falling from 20 percent of total exports in 1973-75 to less than 5 percent in 1981-86. With the exception of a short-lived revival of orders for new ships between 1979 and 1981, shipyards suffered a steady decline, shifting into repair work and laying off thousands of workers. Attempts to diversify (into production of offshore oil rigs, for example) met with only limited success. And European shipyards' ability to compete in world markets, even with help from the state, continued to deteriorate.

The problem was and is tough competition for shrinking markets. European prices for the larger, most common types of vessels—tankers, bulk carriers and container ships—are at least 40 percent higher than those charged by Asian producers. While Japan, which has some 50 percent of the world market, has been hard-hit by the rise in the value of the yen, the currencies of Korea and Taiwan have depreciated with the dollar and put them into an even more competitive position. European observers expect that any improvement in market prices in the near future would set off an expansion in Asian shipyards—which would be able to turn a profit long before the European yards could even meet their operating costs. A recent rise in orders for new tankers, in fact, benefited primarily the low-wage, integrated shipyards of Korea and Yugoslavia.

Japan, long the most notorious villain of the shipbuilding glut, has itself been forced into retreat. One of the biggest Japanese yards, Ishikawajima Harima Heavy Industries, unveiled a restructuring plan late last year that called for cuts of 30 percent in its labor force and 60 percent in production over the next two years. Of the top five Japanese shipbuilders, in fact, four announced first-quarter losses in 1986, while the fifth—Mitsubishi Heavy Industries, Ltd—said profits had fallen by more than half from 1985. A Japanese Government study recommended that the 44 Japanese shipyards cut their production 20 percent this year, and Tokyo has drawn up a plan to support the restructuring of the shipbuilding industry, backed up with 80 billion yen.

Most other producers are suffering too. Brazil, the world's third largest shipbuilder, survives on state orders and has not really figured on world markets since the early 1980s. Poland, another large producer, gets by thanks to orders from the Soviet Union, but even yards as strongly placed as those in Taiwan have been forced to compensate for the drop in orders by shifting more into demolition and repairs.

Things may be starting to look up, but not by much. The general upturn in the world economy has been "decoupled" from seaborne transport, and while lower



oil prices and higher rates between the Gulf and the energy-consuming countries are contributing to a brighter picture for tankers, rates have fallen so much for bulk cargoes like coal and grain that, as one industry expert put it recently, "owners have virtually given up expecting them to bottom out." The E.C. Commission expects no more than 7 million compensated gross tons of new orders in 1988, and much of these are speculative orders that are cutting into potential orders of the 1990s. Europe will have to cut its shipbuilding capacity by about a third by the end of the decade just to bring itself to a point where it can operate at 70 percent capacity—still well below profitability.

These cuts mean massive layoffs. About 30,000 more shipyard jobs will have to go by the middle of this year, and some 45,000 more by the end of the decade. The coastal shipyards are located in areas structurally weak in economic terms, and broad provisions have been made not only for retraining but also for relocation and early retirement of workers, and encouraging new business in the area. The European Regional Development Fund has allocated over $75 million through 1990 toward providing alternative employment in some of the harder-hit areas (including Bremen-Bremerhaven, Loire-Atlantique, Trieste, Palermo, Merseyside and Belfast).

The Commission also approved in late January the setting-up of three "enterprise zones" in France to help create jobs in Dunkirk, La Seyne and La Clotat, all of which have been heavily affected by shipyard closings. The move, which is aimed at creating small- to mid-sized businesses, exempts industrial and commercial companies that set up in the areas from taxes for up to ten years.

The effectiveness of the new measures remains to be seen. The Sixth Directive aims at reducing European shipbuilding to a specialized, profitable industry by the mid-1990s, and with a little help from world markets it may be able to do so. But the same factors that shrank markets in the 1970s are still at work, and the struggle over the remaining bones is far from over. Competition with Japan over specialized ships may heat up as Japanese yards are pushed out of large-vessel production by Korea, Taiwan and in particular China—which, with its determination to industrialize, and a big domestic market to fall back on, is a major threat. War in the Middle East, a drastic decline in the value of the dollar or a rise in protectionism around the world could also put a damper on shipping in general and E.C. shipbuilding in particular.

The demise of its shipbuilding industry would be a loss for Europe, but not an insufferable one. Industries have their own lifespans, and the costs of keeping them alive artificially are enormous. If Europe's shipbuilding capacity can be cut in a coordinated way, as a deliberate adjustment to new global economic realities, it will be an extremely constructive step toward restoring a better balance in world markets while freeing up resources for the development of Europe's "sunrise" industries. Taking steps that add to the already high unemployment in Europe is not pleasant (and certainly not easy for politicians), but there is no job security in loss-making industries anyway. And while the immediate beneficiaries would seem to be the newly-industrializing countries, growth there means more development and bigger markets for the export-oriented E.C. economies. €

Stephen Brookes is a contributing editor of *Europe*.

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PFLIMLIN ASSESSES EUROPE'S PROGRESS

AN INTERVIEW WITH THE FORMER PRESIDENT OF THE EUROPEAN PARLIAMENT

Pierre Pflimlin, retiring President of the European Parliament, spent over four decades in political life. Elected to the French National Assembly in 1945, he served in a variety of government posts almost continuously from 1946 until 1958.

In 1959, he became Mayor of the city of Strasbourg, a post he held until 1983. In 1959 also, he joined the European Parliament for the first time. Following the Community-wide elections to the Parliament in 1979, Pflimlin became Vice-President, and was elected President after the second elections in 1984. His term of office ended in January 1987.

In this interview with EUROPE, *President Pflimlin talks about the major events of his presidency.*

Mr. President, how would you say the European Community has progressed in the two and a half years of your presidency?

Two important events have taken place. The E.C. has grown with the accession of two new member states, Spain and Portugal. And the Community's tasks and responsibilities have been extended through the adoption of a new Treaty.

It has been said that the coherence of the Community has been weakened by enlarging it to 12 members. Do you agree with this?

It is true that there was some danger of this because Community decisions have usually been taken on the basis of unanimity, each state having a right of veto. So the more states you have, the more difficult it becomes to reach unanimity on tricky issues. But the new Treaty I have referred to—known as the Single European Act—should largely dispel this danger by providing that many decisions in future will be taken by a qualified majority vote in the Council of Ministers. Moreover, I believe that there is plenty of good will and determination in the Community's institutions to make sure that things work.

From the political point of view, Spain's and Portugal's membership have always been vital. First of all because, historically and culturally, both of these countries belong to Europe; and, second, because the Community has an obligation to give its wholehearted support to these two newly democratic Mediterranean countries. So, no, I do not believe that our Community has been weakened. On the contrary, for the reasons I have given, enlargement will make Europe—and therefore the Community as a whole—a more stable and more secure partner.

But this enlargement resulted in a trade conflict between the Community and the United States. What were your feelings about that?

The United States argued that its agricultural exports to the Iberian countries would suffer because they would be subject to a special Community levy. We countered this argument by saying that U.S. exports of manufactured goods stood to increase because Spain and Portugal would apply lower E.C. tariffs in the future. In any event, compromises were made and a settlement of the dispute was agreed in late January (see story on page 14).

But that said, I do not think that the accession of these two countries is something that should be weighed up merely in dollars and cents. As I have pointed out, there is a strong political dimension to this enlargement of the Community. We are talking about "completing" the Community by opening it up to the south, and we are also talking about consolidating the young democracies of these two countries.

There is also an important strategic aspect to be taken into consideration. The same considerations that led to Spain's E.C. membership convinced its citizens to vote in favor of continued membership of the North Atlantic Treaty Organization. This is obviously in the interests of the West as a whole. The other countries of the Community know and accept that this act of European solidarity has an economic price; and we believe that the United States, as Europe's principal partner in the alliance, understands this too and will be ready to make its own contribution.

Is there anything the European Parliament can do to help defuse such situations in the future?

Parliament has for many years warned against the dangers of protectionism and supported free and fair trade. In my own meeting with President Ronald Reagan at the White House last November, I stressed this point, and at the same time expressed the Community's appreciation of the strong anti-protectionist stance that the present U.S. Administration has taken over the years and the hope that it would continue to do so. I think the President is aware of the risks and does not want to see a trade war develop.

The European Parliament has another direct channel to U.S. opinion, and that is through its standing delegation which, since 1972, has met twice yearly with a delegation from the U.S. Congress. This dialogue, which takes place between elected representatives of the world's two largest democracies, provides us with a chance to talk directly to American legislators and to persuade them of the need for moderation that can lead to an acceptable compromise. This is certainly what we shall do at our next meeting, scheduled to take place in Madrid in April.

Mr. President, you mentioned the adoption of a new Treaty, the Single European Act. Is it true that the European Parliament is not entirely happy with this Treaty?

We proposed that the new Treaty, which was designed to be a further step on the road toward European Union, should give to the European Parliament new powers leading to a greater legislative role. At present, Community laws are enacted by the Council of Ministers, which consists of representatives of our 12 national Governments. Parliament is asked for its opinion, but its role remains essentially consultative. It is rather as if the U.S. Administration were to have the

During a meeting at the White House on November 20 of last year, Pflimlin thanked President Reagan for the firm stand he has taken against protectionist tendencies in the United States.

COURTESY OF THE WHITE HOUSE

power to enact laws without the approval of Congress.

Of course, the situation is not directly comparable, since the E.C. does not have a single Government. We have therefore never asked to have total legislative power in the same way as a national parliament. Nevertheless, we did call for the setting up of a system of "co-decision"—as we already have with respect to the Community's budget—under which the Council and Parliament would have an equal say in the legislative process. But instead of this, we succeeded only in obtaining a somewhat reinforced consultation procedure, which gives us certain additional opportunities to intervene in the legislative process, but which still leaves the last word to the Council. So to that extent we are indeed disappointed with the provisions of the Single Act.

What will the Parliament do now?

It will continue to press for greater powers, I am sure. The European Parliament is directly elected by the people of the Community. Its will cannot be ignored indefinitely.

But you will agree that there are also some positive sides to the new Treaty?

Of course. The Single European Act lays the foundations for progress in four main areas.

The first of these is the commitment to turn the Community into a real common market by 1992. This means effectively abolishing Europe's internal frontiers so that not only goods, but also services, people and capital can circulate freely within any of the 12 countries. We have, of course, already abolished customs duties in trade between our countries. But there are still a host of other obstacles, such as different technical and safety standards, health regulations, environmental provisions and excessive red tape. All of these obstacles are to go. It should also become possible for the citizens of any Community country to take up residence in any other country and to freely practice their professions there.

The second area is more cooperation in the field of research and technological development. The Community's leaders recognize that Europe has fallen behind in the race to develop certain new technologies when compared with the United States and Japan. It is not that we do not have the brains or the facilities. The Concorde, the Airbus, the Ariane rocket, the Joint European Torus nuclear fusion project—all these are examples of European technology at its best, and they show what we can do when we work together. But at the same time, we have often suffered from a tendency to fragment our efforts. The Single Act now lays the foundations for a greater *common* effort to ensure that Europe once again becomes competitive in areas where it has lost the lead.

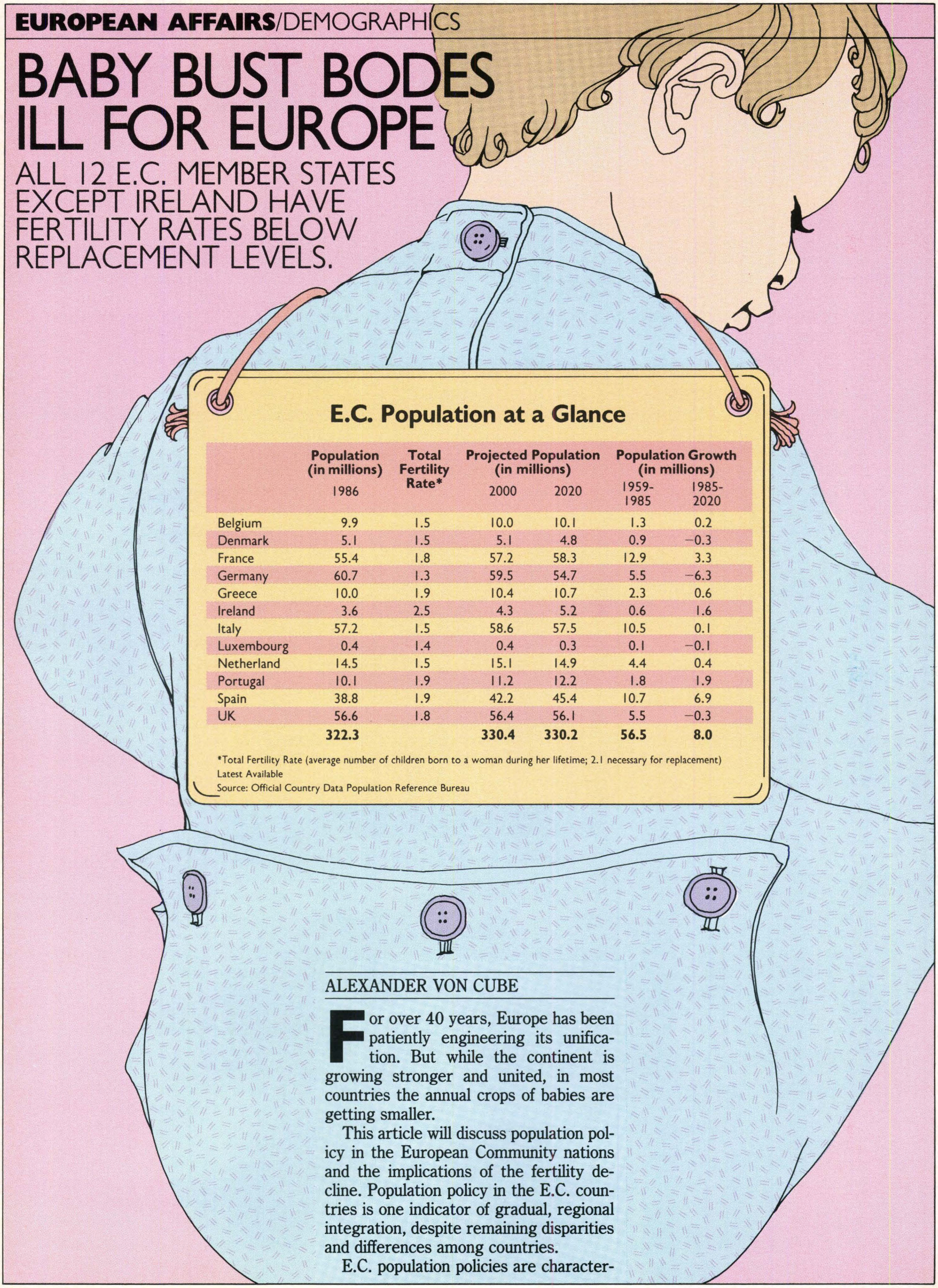
Another area is monetary cooperation. We already have the European Monetary System and an embryonic currency, the European Currency Unit (ECU). The new Treaty pledges the Community's member states to move forward in this field. There is a recognition here that you cannot have a real common market, a single economic area, without eventually also having a single currency.

You have mentioned the abolition of the Community's internal borders, coordination of new research and

Continued on page 48.

BABY BUST BODES ILL FOR EUROPE

ALL 12 E.C. MEMBER STATES EXCEPT IRELAND HAVE FERTILITY RATES BELOW REPLACEMENT LEVELS.



E.C. Population at a Glance

	Population (in millions) 1986	Total Fertility Rate*	Projected Population (in millions) 2000	2020	Population Growth (in millions) 1959-1985	1985-2020
Belgium	9.9	1.5	10.0	10.1	1.3	0.2
Denmark	5.1	1.5	5.1	4.8	0.9	−0.3
France	55.4	1.8	57.2	58.3	12.9	3.3
Germany	60.7	1.3	59.5	54.7	5.5	−6.3
Greece	10.0	1.9	10.4	10.7	2.3	0.6
Ireland	3.6	2.5	4.3	5.2	0.6	1.6
Italy	57.2	1.5	58.6	57.5	10.5	0.1
Luxembourg	0.4	1.4	0.4	0.3	0.1	−0.1
Netherland	14.5	1.5	15.1	14.9	4.4	0.4
Portugal	10.1	1.9	11.2	12.2	1.8	1.9
Spain	38.8	1.9	42.2	45.4	10.7	6.9
UK	56.6	1.8	56.4	56.1	5.5	−0.3
	322.3		**330.4**	**330.2**	**56.5**	**8.0**

*Total Fertility Rate (average number of children born to a woman during her lifetime; 2.1 necessary for replacement)
Latest Available
Source: Official Country Data Population Reference Bureau

ALEXANDER VON CUBE

For over 40 years, Europe has been patiently engineering its unification. But while the continent is growing stronger and united, in most countries the annual crops of babies are getting smaller.

This article will discuss population policy in the European Community nations and the implications of the fertility decline. Population policy in the E.C. countries is one indicator of gradual, regional integration, despite remaining disparities and differences among countries.

E.C. population policies are characterized by two concerns: the presence of foreign populations and the sharp decline in fertility. Neither issue is easy to deal with and the two areas differ in their amenability to policy manipulation. The foreign population is within the policy province of the state, and though sensitive to party politics as well as bi- and multilateral relations, it can, nevertheless, be managed by negotiations and edict. This is not the case with fertility issues. Reproduction is based on private decisions and, as such, is controlled by the individuals involved. The state's leverage is limited to expensive social support measures—provided it knows what drives the fertility process, or, more directly, what motivates people to have more children.

Migration

With the drop in the countries' natural growth rates (births minus deaths), the migration picture has moved more into the spotlight because immigration or emigration figure more prominently into the overall population size, curbing the decline in countries with surplus migration—such as the Federal Republic of Germany—or even achieving modest growth rates—in countries such as Denmark and Luxembourg. In the past 10 years, emigration has exceeded immigration in Belgium, Portugal and the United Kingdom.

Currently, of the 13 million people living in the Community who are not nationals of their country, 8 million are outsider-citizens of non-E.C. member states. In view of strained economic conditions, entry of workers from outside the E.C. has become more restrictive. For all practical purposes, immigration into E.C. countries has been halted except for family unification for those already present. The Federal Republic of Germany has had some success offering premiums to "guest workers" and their children to return home.

The Fertility Decline

Of the Community's 12 member states, all but Ireland have a total fertility rate below replacement. This means that, on average, women in those countries do not bear the 2.1 children necessary to replace the country's population. Below-replacement is a general trend in industrialized nations; it is increasingly perceived as a problem for the state and family.

What demographic trends encourage fertility decline? Delayed marriage, delayed childbearing and an increased number of divorces. For example, in 1985, Denmark's mean age of women at first marriage was 26.3 years. What are some results? With falling birth rates, the average age of the population automatically increases, so that today about 14 percent of the E.C. countries' population is 65 years old or over. As a result, a shrinking labor force will have to come up with the retirement benefits for pensioners.

Political leaders have traditionally viewed declining fertility as tantamount to declining national power. Modern nations—in need to make precise fiscal and economic plans—tend to perceive fertility decline as destabilizing, with major consequences for economic markets, national power and social services. Concerned by the trend, the Council of Europe recently commissioned a study on the subject.

Meanwhile, a recent public opinion poll revealed that by no means do all citizens of European countries perceive the fertility decline as alarming. The Netherlands, Belgium and Italy all viewed the decline as beneficial, and expressed opposition to possible Government intentions to institute pronatalist measures. French and German publics, however, both supported such possible pronatalist measures.

Policies

The Governments of the majority of E.C. countries have no explicit national population policy; instead, emphasis is given to family policy. The Governments of France, Luxembourg and Greece, however, have all stated their objective of raising fertility to replacement levels or slightly above. Only the Netherlands officially considers "fertility now observed" as a favorable deployment. We should not, however, conclude that other E.C. countries are indifferent to objectives with regard to the birth rate. Their concern is expressed in a variety of measures to induce the storks to deliver again.

What are some of these policies? Progressive systems of child allowances have been introduced in most countries whereby families are given a certain sum of money when their first child is born and increasing amounts for subsequent children. Many of the allowances have been raised several times in very recent years as fertility dropped lower and lower.

Considerable improvement also has been made in maternity benefits. A typical example is Denmark where maternity leave is four weeks before and 18 weeks after confinement, at 90 percent of earnings (up to a specified ceiling). France has launched an awareness campaign to garner support for its pronatalist policy. In late 1986, it strengthened the High Council on Population and Family, which reports directly to the President of the Republic. Earlier, French maternity leave was extended from 16 weeks to 26 weeks for women giving birth to a third child.

Luxembourg provides maternity allowances for women not in gainful employment, as well as for working women. The Federal Republic of Germany recently changed pension requirements for women so that they need only show eligibility for five instead of the previous 15 years. They also receive an extra year of eligibility for every child raised.

It is not overstating the case to say that E.C. countries are moving toward a common population policy coordinated through the initiative of the E.C. Commission. In the words of a communication from the Commission to the E.C. Council of Ministers: "The free movement of persons should gradually become accepted in its widest sense, going beyond the concept of a Community-wide employment market, and opening up the notion of European citizenship." The free movement of persons among member states with the same right to seek and obtain work as the native population has been the first leg of such a population policy. With the twin oil shocks of 1973 and 1979, and the subsequent economic crises, limitations on workers from countries outside the E.C. were put in place.

Taken as a whole, the diversity of policy measures in E.C. countries during the mid-1980s—from marriage grants and family funding loans to birth grants and child allowances—constitute a serious effort to provide an environment encouraging couples to produce additional children. At the same time, illegal immigration and the misuse of refugee status are ongoing policy concerns of E.C. countries.

Policy measures to raise fertility are still being modified too frequently and have not remained constant long enough to reveal their effect. In large measure, the fertility decline has been viewed as a function of demands by individuals for a higher standard of living and greater material well-being. Individuals protect themselves against a backward slide from affluence, and having few children will give them this insurance.

Personal values, however, are not driven only by economic considerations. It will be the policymakers' responsibility to ensure that measures aimed at raising fertility make sense in relation to values people hold—only then might the stork return to Europe. €

Alexander Von Cube is a population information specialist at the Population Reference Bureau.

BELGIUM

AFTER AUSTERITY, A STRONG RECOVERY IS EXPECTED FOR 1988.

ALAN OSBORN

Throughout the 1960s and 1970s, Belgium was Europe's supreme exporter. Its foreign sales per capita—of such items as railroad rolling stock, armaments, fancy lacework and high quality glassware—easily outdistanced exports by competitors like the Federal Republic of Germany and France. But last year Belgian exports actually fell at a time when world trade increased.

While there is no single clear explanation for the decline, many critics of the Government blame the "high-franc" policy pursued in recent years, which has involved relating the value of the Belgian franc to the German mark and the Dutch guilder. To support the franc at such a level, the authorities have had to maintain high interest rates, which in turn has led to a slump in business investment and a loss of international competitiveness. One recent bank survey even claims that the policy has cost Belgium about 100,000 jobs in the manufacturing industry in the past five years.

The Government maintains that its policies were made necessary by the size of the national budget deficit. If all goes well, the deficit should be cut from 12 percent of the gross national product to 8 percent by the end of this year. This is to be managed through cuts in public spending accompanied by adjustments in personal tax reliefs. It is, as might be imagined, a hugely unpopular plan but the consequences of inaction could be even more worrisome. "There is a serious prospect that Belgium could be the first European nation to declare itself formally bankrupt," said a senior Treasury official recently.

The most remarkable development politically, though, is surely the survival of the Government. To many outside observers, it seemed a miracle that the center-right coalition headed by Prime Minister Wilfried Martens won a new term of office in late 1985 after presiding over two years of Government in which living standards for most Belgians had actually fallen for the first time since World War II. There was a feeling that the public had recognized the economic difficulties facing the country and was prepared to back the leadership in its austerity drive.

More than a year later, there has been a dramatic fall in inflation, which is now down to around zero. But the presumed gains to export trade will be offset by the 2-percent revaluation of the Belgian franc in January—a move that has upset the business community. The number of unemployed has fallen, though not spectacularly, and the balance of payments has improved markedly, though more from the fall in imports than the rise in exports. The latest Organization for Economic Cooperation and Development (OECD) report on Belgium suggests that real economic growth will fall back this year under the impact of the Government's austerity programs.

Prime Minister Wilfried Martens' Government has survived a difficult time of economic adjustment. Above: Brussels. Right: Bruges.

Meanwhile, there are the makings of a a strong economic recovery from 1988 and this is presumably what the Government plans. "We have labor costs fairly well under control now, thanks to the indexation of wages to inflation—and on inflation we are now close to the Federal Republic of Germany with zero price rises," says a top Treasury official. He suggested that the assault on the national budget deficit this year could, if successful, pave the way for a more expansionary budget next year that would mean higher standards of living generally for most Belgians and the long-awaited recovery in business investment.

The auguries are good, mainly for the reason that the wave of union outrage at the public spending cuts which threatened to unseat the coalition a year ago has now largely abated. At times in early 1986, there were indications the Government was losing control over the public sector. Garbage stood uncollected on the streets of Brussels, the coal mines were idle, intercity transport was at a standstill and postal deliveries were at best intermittent. Anger over the cutbacks still simmers, but it is largely confined to the education sector where its long-term consequences may be serious, but its immediate economic effect is limited. In general, public-sector employees are working normally again.

The Government's victory over the unions last year was in one sense a repetition of that it won two years earlier following its decision to make massive job cuts in the steel industry, a move that sparked violent street demonstrations. What finally saved the day for Martens was the inability of the mainly French-speaking Socialist unions to enlist their more conservative Flemish-speaking colleagues in a drive to bring down the Government.

The point here is that the trade unions, like virtually all elements of Belgian society, are split into two roughly equal lin-

LEFT: © MARTIN ROGERS/WOODFIN CAMP

RIGHT: © LEE SNIDER/PHOTO IMAGE

guistic wings, each with strong political allegiances to one or other of the two main parties. For the Christian unions traditionally dominant in Dutch-speaking Flanders, loyalty to the Government proved stronger than fraternity with the aggrieved workers in French-speaking Wallonia in 1983, and the pattern repeated itself last year.

But there was an additional element in the later dispute. While the big cuts in spending on health, education and public transport and the reductions in family allowances spelled hardship for virtually all Belgians, the immediate job losses fell almost entirely into the public sector. To employees in the private sector, the development seemed, if not exactly desirable, at least not wholly unfair. For years, workers in the steel, coal and textile industries had borne almost the entire burden of Belgium's economic retrenchment. With unemployment running at 12 percent, there was little disposition by union leaders to extend the strikes into the private sector, and the protest withered for lack of broad support.

Alan Osborn is the Brussels correspondent of *The Daily Telegraph.*

There is a new labor dispute in the mining sector, but what makes this problem different is that the afflicted region is in Flanders, which in general is by far the more prosperous of the country's two communities. The plan is to close three coal mines in Limbourg, reducing the work force by almost half from 17,200 to 9,000 by 1991. This will be accompanied by a $2.5-million program to restructure the industry—a plan that has already drawn fire from Flemish Members of Parliament as being insufficient. To many disinterested observers, it would be a supreme irony if a dispute in Flanders touched off union protests that finally bring down the Government, but the early signs are that the Christian workers will prove no more successful than their Socialist comrades in uniting the deeply fissured labor movement.

© MIKE YAMASHITA/WOODFIN CAMP

Lace making is a traditional Belgian industry.

In practice then, the Government can probably count on relative quiet on the union front over the next 12 months in contrast to the angry confrontations of recent years. This is vital—as is pointed out by both the Organization for Economic Cooperation and Development and by the E.C. Commission in their prescriptions for the Belgian economy—since the projected recovery from 1988 depends above all on increased competitiveness, which in turn means severe wage restraint. The long austerity drive is not ended yet, but with any luck this year should be the last in which Belgian workers see little or no increase in real incomes.

There is more than a suspicion that Martens, the shrewd captain of Belgian politics for more than a decade, has devised events to ensure that he will head his seventh Government before long. A Belgian leader has to take into account the division of his country into two separate linguistic groups, but this is a problem that Martens, a Flemish Christian Democrat, has proved surprisingly able to overcome. He said after his last election that "the essential objectives are common to the two political families—the competitiveness of the economy, redressing the public finances, tackling unemployment and social security reform. The need to continue recovery on these four points is so evident that there is no place for philosophical discussions."

Martens' political skills are nevertheless about to be tested by a recurrence of the language dispute that some political commentators in Brussels believe could bring about the collapse of the Government. The issue is an extremely local one involving the election to Mayor in a Dutch-speaking community, Les Fourons, of a militant French-speaker who refuses to speak the official Flemish language.

The official concerned, José Happart, was dismissed from his post for his stand. He has now been reelected by voters and

Continued on page 46.

BELGIUM TO PUSH POLICY COOPERATION

BELGIAN PRESIDENCY OF E.C. WILL ASSURE IMPLEMENTATION OF THE "SINGLE EUROPEAN ACT."

LEO TINDEMANS

During the first days of spring, on March 25, the Treaties of Rome establishing the European Community will be 30 years young.

During its presidency of the E.C. Council of Ministers in the first six months of 1987, Belgium faces the exciting task of assuring the implementation of the first substantial modification of the Treaties: the Single European Act. In the institutional field, this means that special attention must be given to the procedures of cooperation with the European Parliament, to decision-making within the Council by a qualified majority and to the delegation to the Commission of increasing responsibility for management and implementation. The Single Act also gives legal basis to political cooperation and the Belgian presidency will strive to strengthen this instrument toward the gradual achievement of a European Foreign Policy.

Without hampering the normal working procedures of the North Atlantic Treaty Organization or the Western European Union, political and economic aspects of security will henceforth also be discussed as an element of European political cooperation.

Its development will be marked not just by meetings such as the third ministerial conference that recently took place in Guatemala and where the Community was able to reaffirm its political and economic support to the countries of Central America and the Contadora in their search for a regional solution. Other questions, such as South Africa and the Middle East, will be the object of common analyses leading to common decisions. European political cooperation also entails the hammering out of a common policy on immigration and on fighting terrorism, drug trafficking and high crime.

Among the many areas of economic activity in which Belgium hopes to mark progress, there are some that it particularly values, the most important of which is the achievement of a true internal market, without borders, by 1992. Here again, the Single Act provides new means to follow up the collective effort already undertaken; it is a hopeful sign that nothing fundamental stands in the way of the member states to assure the free flow of goods, persons, services and capital. The presidency will do its utmost to move forward in all areas of the "Internal Market" and will concentrate its attention on issues like patents, trademarks, tests and certifications, services, transportation and measures concerning food products.

Belgian Foreign Minister Leo Tindemans

A second fundamental theme will mark the Belgian presidency—what Commission President Jacques Delors calls the "rendez-vous of the Community with itself"—its own resources, the reform of its Common Agricultural Policy and structural funds. This rendez-vous will determine the very future of the Community. The budgetary and structural implications of these issues are unique, and, in order to free up new resources, it is essential that the Community prove itself a good manager. Belgium is determined to gain adoption of the much-needed program framework that will contain the broad outlines of Community action for coming years.

Special importance will be given to the rapid adoption of measures assuring the best possible unity between the north and south of the Community. A cooperative strategy for economic growth and employment will further indicate the policy to follow.

The Community as foremost commercial power in the world will fully play its role in a series of important meetings that will take place this year: the Uruguay Round in the framework of the General Agreement on Tariffs and Trade, the summit of the Western industrialized nations in Venice and the UNCTAD conference in Geneva. The Belgian presidency will be actively involved in trade relations with the United States and Japan. Regular contacts should eliminate misunderstandings and lead to mutually satisfactory solutions. Without neglecting European industry and agriculture, nor technology and diplomacy, the Belgian presidency will listen carefully to the pulse of public opinion. The "European Year of the Environment" and the fight against pollution is responding very directly to the aspirations of the European people.

European integration is an edifice for its people—all European initiatives in the end must help them flourish. It is to be hoped that European integration will become better understood by the citizens and become part of the education of youth, an answer to their quest for the original *universitas*. The Erasmus program, designed to facilitate university exchange and the launching of the European foundation will certainly contribute to the feeling of a united Europe.

The Community is at a crossroads: The Belgian presidency is totally committed to carrying out this vision, which has marked our era: that of a United Europe, democratic, dynamic and generous, open to the world.

Leo Tindemans is Belgium's Foreign Minister, and is presiding over the E.C. Council of Ministers during the six-month Belgian presidency.

CHICAGO: A STUDY IN EUROPEAN INFLUENCE ON U.S. ARCHITECTURE

EUROPE'S HAND IN THE SHAPING OF THE WINDY CITY'S SKYLINE.

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The old and the new mix well in Chicago. Above, the Associate Center and the Cultural Center.

CHRISTIAN K. LAINE

At immediate glance, Chicago looms into the sky like an enormous phoenix rising from its shoreline location on Lake Michigan. Giant towers of glass, steel and concrete lift skyward like an epic poem of strength and futuristic 20th-century architecture and culture. The city's profile from the distance looks persuasively all-American in its newness, optimism and magnificent proportion. The skyline is breathtaking, almost omnipresent; and unlike most East Coast American cities, Chicago appears as the first truly American city built in the heartland of America's economically successful and hardworking Middle West.

At ground level, however, another city exists apart from the towers that overwhelm one's initial impression. A smaller city, composed of intimate scales, shapes, forms and textures, looks more European in its flavor and sense of refined civilization. In actuality, Chicago is composed of two cities: one that looks profoundly and sternly in the face of a modern, uncompromised future, and another that reflects back to the European history, traditions and peoples that built its present urban forms.

Much of what is considered as old Chicago is remnant of what one would find in the grand cities of Europe. Inside Chicago's tight modern grid, an abundance of squares, parks and promenades exist much like in Rome, London or Paris. Turn-of-the-century buildings line many Chicago streets giving a sense of Continental beauty and charm. Grand Beaux-Arts banks, museums and government buildings inspire passers-by with sublime civility, much as they do in any European capital.

Throughout Chicago's history as an urban entity, European influences were always major considerations in the building and design of Chicago; and in reality, perhaps more so than any American city. Some influences were more subtle than others. Some, too, are more direct as architectural models built in their entirety, while others were indirect as "translations" of certain architectural thoughts poured forth by Chicago's famous architects.

In the early years, Chicago immigrants brought with them the same urban sensibilities that they had left behind. Palatial churches were built by the Irish, Polish, French, Italians, Germans and Lithua-

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nians, either in the style of their countryland church, or as a copy of some imposing Italian Renaissance masterpiece. Some basilicas were profoundly influenced by the 13th- or 14th-century Medieval English or Victorian Gothic styles, like All Saints or St. Alban's in London. Gothic spires rise triumphantly throughout the city with their strong Ruskinian tinge. In other cases, word-for-word copies of Austrian Baroque or Greek and East European Byzantine churches are also found in many ethnic neighborhoods.

The "simple" neighborhood church was more imposing, more on a grand scale, than the central Roman Catholic Cathedral itself. So, too, were the aspirations of the people who settled in the early neighborhoods: to create an image of the city, not just like the one in their homeland, but one that was equivalent to the prosperity and democratic ideals that they had sought in the New World.

Around their churches, shops and homes were positioned in the same urban footprint of Europe itself. In the working-class neighborhoods of Hyde Park, Bridgeport, Canaryville and Brighton Park, large populations of Irish and Germans created storefronts, industrial housing and factories or established the corner saloon in the spirit of their traditional cities. In Pilsen, which had been a Czechoslovakian neighborhood, now reclaimed by Hispanic-Americans, 18th Street has an assortment of commercial buildings designed and detailed in Bohemian Gothic and Art Nouveau, or what you would find in the city of Prague.

The new wealth also erected stately urban villas in the modish French or Palladian style with Athenian marble fronts and verandas with iron trellises. The middle class, meanwhile, built bungalows, a vernacular Chicago architecture, in variations of important, grand European prototypes. Although these bungalows were built in a more modest scale and proportion, these houses that line many an identical Chicago street were subject to individualization through copying leading European residential architecture, Swiss or English Tudor, or built directly from pattern books exported from Europe.

Throughout Chicago, the rich architectural styles of Europe are seen on many buildings of large and small scale from the Gothic, the Victorian and the Queen Anne to Art Nouveau and Art Déco. In the Loop, downtown, banking houses, office buildings and storefronts come in a range of French and Italian precedents. Imposing cornices on some buildings are recognizably influenced by Charles Garnier's famous Nouvel Opéra—the architectural wonder of the world from the reign of Napoleon III. In other instances, heavy-handed mansard roofs or chaste classical temple cornices resound old French squares or Italian piazzas.

The only difference between Chicago and its European prototypes is that these styles appear in a strange mélange of undisciplined orders—a free-for-all of unrestrained combination and taste. It is not uncommon to see a Norman-Romanesque-Byzantine building with Italian ornament and a French mansard roof. In Chicago, one can find the worst or the most creative jumble of illegitimate European styles America has ever produced, including travesties of French classicism or Second Empire with cast-iron fronts and galvanized iron cornices of the Victorian Gothic. The effect is funny and jolting, naively absurd. In a most humorous way, one Chicagoan even replicated the leaning Tower of Pisa, erected out of context on a used-car dealership and along a major thoroughfare in a near north suburb!

Many master builders who raised prominent Chicago landmarks and who transformed the city into an international capital of architecture in this and the last century were direct sons of the European heritage. German-born Frederick Bauman, August Bauer, Dankmar Adler, Otto H. Matz and Frederick L. Foltz contributed many treasures to pre- and post-fire Chicago. Others pioneered important technology, as English-born George H. Johnson with his fire-proof building construction or John E. Oldaker Pridmore with his theater work. The Irishmen James J. Eagan and James Howland Willett were architects of outstanding church design, while Frenchman Adolph Cudell's office gave birth to Richard E. Schmidt and other celebrated designers.

Other renowned architectural giants were trained in European schools after their basic education in the United States. Such masters of 19th-century Chicago architecture as Louis Sullivan, William LeBaron Jenney, Richard Gustave Schmidt, Pierce Anderson, David Adler and John A. Holabird were students in the Ecole des Beaux-Arts in Paris. Their French academic training was most evident in the masterpieces they later produced. William LeBaron Jenney, credited as the father of the modern skyscraper, sheathed his buildings in an assortment of European classical motifs. Louis Sullivan, too, discovered the Art Nouveau style in Europe, which was most influential in his thesis for the first truly "American Architecture."

Chicagoan Daniel Burnham, America's Olympian architect of the 19th century,

Continued on page 47.

"TOWNSCAPES OF EUROPE" EXHIBITION

"Townscapes of Europe," a photographic exhibition, will open its United States Tour on March 3, 1987 at the Daley Center in Chicago.

The "Townscapes of Europe" exhibition is a unique collection of photographs and watercolor plans of town squares , marketplaces and *piazzas* (plazas) of the 12 member countries that make up the European Community. The exhibition traces the history and development of the town square beginning with the Greek Agora and following its role in town planning through the centuries to urban design in modern times.

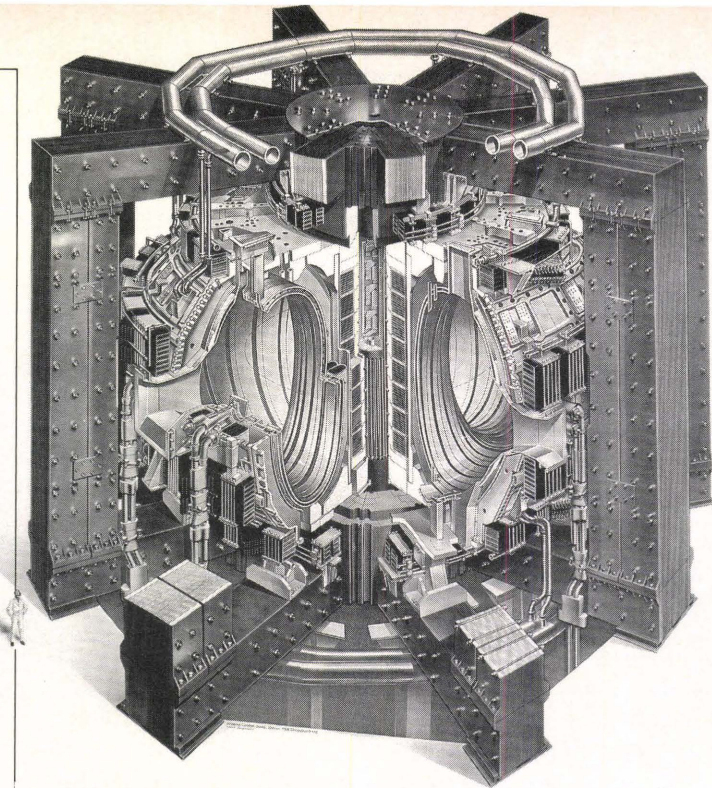
The cultural and political importance of the town square is portrayed through selected architectural subjects—some familiar sites, such as the Champs-Elysées in Paris, and other lesser-known centers of community life, such as the local marketplace or *piazza.*

The exhibition was initiated by the Georges Pompidou Center in Paris, and was produced in cooperation with the European Community and the Italian Touring Club in Milan. A team of over a dozen photographers contributed to this project.

"Townscapes in Europe" began its international tour at the Georges Pompidou Center in Paris in 1984, and has been showing most recently in Australia. Future tours to New Zealand and Turkey are also planned. It comes to the United States under the sponsorship of the Washington Delegation of the E.C.

The exhibit's booking in Chicago March 3-27 will coincide with a program of events entitled "The European Community: A Cultural Dimension". Activities will include film showings, a teachers' workshop and a seminar on European cinema. This cultural program is an intitiative of the Consulates-General representing the member countries of the E.C. in Chicago, and is sponsored by the E.C. Delegation in Washington, D.C.

NEWS OF THE E.C.



©COURTESY JET JOINT UNDERTAKING

Energy produced by nuclear fusion will play an increasing role in meeting the world's energy needs. Above: a section of the Joint European Torus (JET).

ENERGY

U.S. AND E.C. SIGN FUSION ENERGY AGREEMENT

The European Community, represented by Commission Vice-President Karl-Heinz Narjes, and the United States, represented by Ambassador J. William Middendorf II, signed an agreement on December 15 for cooperation in the field of controlled thermonuclear fusion. "The conclusion of this agreement is further proof of the Community's increasing role in research and technology," said Narjes. "The Community's fusion program shows quite clearly the benefits which E.C. member states can draw from pooling their resources at the Community level. A satisfactory decision must now be reached on the Community's 1987-1991 framework program for research and technological development if Europe wants to keep and reinforce its position in key R&D sectors."

Research into thermonuclear fusion is of major importance, whether oil prices remain at relatively low levels in the future or not. Fusion has significant long-term potential as a virtually inexhaustible and economically competitive source of energy, with almost no impact on the environment. And because of its demand for high technology, fusion research tends to stimulate other areas of science and industry.

With this new framework agreement—the first that the Community has concluded with another large fusion program—the two parties will reinforce a long tradition of cooperation in the energy field. The similarity in the strategies of the two programs and the complementary nature of a number of their constituent actions make tangible cooperation highly desirable. This cooperation will extend to research on experimental fusion machines, including the large existing "tokamak" projects and magnetic fusion technology. It will include the exchange of specialists, materials and instruments, and the execution of joint projects.

The agreement will also give a quick start to several important cooperative projects, including American participation in the Joint European Torus (JET) near Oxford in Britain, and the TORE-SUPRA, the largest superconducting tokamak in the world, currently under construction at Cadarache in France.

POLITICS

BELGIAN PRESIDENCY PLEDGES PROGRESS ON INTEGRATION

In an address to the European Parliament on January 22, Belgium's foreign minister Leo Tindemans pledged that Belgium would use her six-month presidency of the European Community to tackle the Community's financial crisis. Tindemans also said that Belgium would promote the integration of Europe at what he called a "moment of truth" for the Community.

Citing the debate over E.C. resources and reform of its surplus-creating farm policies as the "burning issues" of the day, Tindemans said, "What is at stake is quite simply the future of our Community." The E.C. faces a budget shortfall this year of as much as $4.4 billion.

Tindemans said the Belgian presidency would maintain pressure on progress toward creating a genuine common market by 1992, but would not indulge in a numbers game of how many products for which to harmonize standards. "There is nothing essential dividing us, nothing essential preventing us from uniting in an are in which free movement of goods, persons, services and capital is agreed," he said.—*Reuters*

TRADE

E.C. TO OPEN CHINA TRADE OFFICE

Following high-level talks between the E.C. and China in January, the Commission announced that it would open an office in Beijing this year. The decision came in response to the growing importance of trade between the European Community and China, which increased 54 percent in 1985.

Official diplomatic relations were established between China and the E.C. in 1975, and regular meetings at the ministerial level have been held since 1983. Since 1975, all trade relations between China and the E.C. member states have been handled by the E.C., and a five-year commercial cooperation agreement was signed in April of 1978. A new and broader accord, which included economic cooperation, was signed in 1984.

An E.C. spokesman noted that the Chinese delegation "underscored the importance it attaches to developing European investments in China," and said that the Commission had noted the request but stressed that "China must adopt concrete measures to improve investment conditions."

China's main trading partner in 1985 was still Japan (30.1 percent) followed by Hong Kong (17.8 percent), the E.C. (11.9 percent) and the United States (10.7 percent). The Community, which imports primarily textiles from China and exports primarily machines and transport equipment, had a trade surplus of 2.735 billion ECU in 1985. Trade with China represented about 1.3 percent of the E.C.'s overall trade.

AIRBUS ANNOUNCES $2 BILLION DEAL, LEASING VENTURE

Airbus, Europe's aircraft consortium, announced on January 13 it was setting up a joint venture with the Irish-based Guinness Peat Aviation (GPA) group to lease the new Airbus A320 short-haul passenger jet to airlines worldwide.

Airbus president Jean Pierson announced that the joint venture, to be called GPA Airbus 320, would buy 25 A320 airliners for delivery between 1990 and 1992 and take options on a further 25 in a deal worth $2 billion.

Guinness Peat Aviation will have a majority stake in the joint venture, while Airbus (which is a consortium comprising France's Aerospatiale, Germany's MBB, British Aerospace and Casa of Spain), Pacific Western Airlines Corp. of Canada and the French banking group Banque Paribas will be minority partners, Pierson told journalists in Paris. Guinness Peat seeks to exploit what it sees as a burgeoning market for leased aircraft. Leasing is often less of a financial burden than outright purchase for the airlines.

The new order meanwhile takes the total number of firm orders for the Airbus A320, which has yet to fly but which is due to enter service in March 1988, to 262 with options on more than 170 others. The A320, which is competing with models by U.S. aircraft manufacturers, will be a narrow-bodied twin-jet able to carry up to 176 passengers, using advanced fly-by-wire technology and with a range of 3,750 miles.

"I don't think we could survive without the A320 in our fleet," Guinness Peat Aviation President Tony Ryan said. The company aims to have a fleet of up to 330 commercial jets in the 100 to 150 seat range available for leasing by 1990. It anticipates that, by then, 20 percent of the world air fleet of around 7,500 aircraft will be leased rather than owned by the airlines. This compares with about 800 aircraft now in service which are leased, Ryan said. Airbus has been keeping a close eye on the growth of the leasing market, which has given airlines much greater flexibility between the new and second-hand aircraft market.

The agreement with Guinness Peat comes at a critical time for the Airbus consortium, which is also aiming to launch its new A340 long-range four-engine passenger jet by the end of March but has yet to announce any firm launch customers. Funding for the A340 project, which with the A330 medium-range jet will cost $2.5 billion to develop and build, has still not been finalized, with the British Government notably reluctant to commit the £750 million that British Aerospace has requested in long-term loans.

While uncertainty surrounds the A340 project, Airbus' U.S. rival McDonnell Douglas formally launched its MD-11 jumbo jet at the end of December with a total of 12 firm launch customers.—*Reuters*

COURTESY AIRBUS INDUSTRIE

The Airbus A320, a medium-range airliner built by a consortium of European manufacturers, is due to enter service in 1988. Airbus has already garnered hundreds of orders for the plane.

E.C. AND MOSCOW HOLD TALKS ON TIES

The European Community and the Soviet Union held their first official talks on January 15 and 16 in a bid to establish formal diplomatic ties. The talks, which are to be followed by further discussions in February, followed an exchange of letters between Willy De Clercq, the E.C. Commissioner responsible for external relations, and Soviet Foreign Minister Eduard Shevardnadze.

A Commission spokesperson said the talks had merely been the first stage in discussions toward establishing formal ties. "It took place in a constructive atmosphere and both sides welcomed the talks," she said.

Moscow initiated the contacts with the Community soon after Soviet leader Mikhail Gorbachev came to power two years ago, in a reversal of its earlier refusal to recognize the Community. The Soviet Union has so far insisted that trade accords with individual states in the Soviet-dominated economic grouping Comecon should not be signed before official relations were established between the two blocs.

But diplomats said that Moscow has been keen for the two blocs to issue a declaration of mutual recognition which would also commit both of them to signing a cooperation accord. The Soviet Union has therefore reluctantly conceded that individual Communist-bloc states may sign cooperation agreements after an overall E.C.-Comecon accord.

The Soviet Union is the last European Comecon state to open individual talks on formal ties with the E.C. since contacts began last year with the Communist bloc, which includes the German Democratic Republic, Poland, Czechoslovakia, Hungary, Bulgaria and Rumania.

Diplomats said that the E.C., while still suspicious over Moscow's motives, has broadly welcomed the Soviet change of attitude on establishing ties with the Community and is keen to encourage greater economic cooperation with smaller East European states. E.C. member states would like to boost trade contacts as a means of loosening the Soviet hold on the economies of the rest of Eastern Europe and of encouraging liberalization moves in states such as Hungary and Czechoslovakia, they added.—*Reuters*

Also in trade news:

• In its report *International Trade 1985-86,* the multinational trade body GATT notes that world trade grew by 3 percent in 1985 and by an estimated 4 percent in 1986. Germany, the report indicates, was in dollar terms the world's largest exporting country.

• The Commission said on December 30 that it was not satisfied with a Japanese plan to reform taxes on imported alcohol, which it believes are discriminatory and protectionist, and said it would pursue dispute settlement proceedings in the General Agreement on Tariffs and Trade (GATT).

• The E.C.'s exports to third countries remain "undynamic", according to Paul Luyten, deputy Director General for external relations at the Commission. "Since E.C. imports will continue to show substantial growth (of about 6.5 percent), the effect will be that the Community will continue to contribute towards levelling out disequilibria affecting world trade," he told a recent GATT session of Contracting Parties.

• Japan said in December it would rescind its safety standards for ski equipment, which the E.C. had complained discriminated against imports of European skis.

• The E.C. opened anti-dumping procedures in December against imports of some sheet and plate steel from Mexico, following a complaint from the European steel producers group Eurofer.

• The Council authorized the Commission on December 15 to negotiate a new trade and economic cooperation agreement with Rumania, to replace the existing sector agreements. Rumania is currently the only Eastern European country linked to the E.C. through a commercial agreement.

• The Commission opened an investigation in December into complaints that Japan, South Korea and Singapore were dumping microwave ovens on E.C. markets. The Commission also extended surveillance on imports of tape recorders from South Korea and some sensitive industrial products from Japan until the end of this year.

• At the fifth meeting of the E.C.-India Joint Committee in January, officials established a working group on industrial cooperation and reached agreements on developing common programs in biotechnology, energy, agriculture and the environment.

• The Commission extended in January the E.C.'s a posteriori control on shoe imports, which has been in effect for several years, until the end of 1987.

POLITICS

BRITAIN REPORTS ON E.C.'S PROGRESS

Britain's six-month presidency of the European Community, which ended on January 1, was a fruitful one, as Foreign Secretary Sir Geoffrey Howe pointed out recently. Among the agreements reached among the 12 E.C. member states were:

Foreign Relations:

• Trade agreements with the United States on citrus, pasta and steel.

• A ban on new investments in South Africa and imports from South Africa of gold coins, iron and steel.

• An import quota of 76,000 tons of New Zealand butter for 1987 and 74,500 tons for 1988.

• 26 bilateral agreements under the MFA on textile imports.

• An agreement on Mediterranean imports enabling traditional trade patterns to be maintained after enlargement.

• Preferential access for products from areas of the West Bank and the Gaza strip where Palestinians are living.

• A regulation enabling food aid to be part of development policy rather than used for dumping surpluses.

• A new system of GSP imports designed to help poorer countries and to include agricultural products such as coffee and tobacco.

Internal Market:

• Common standards on advanced telecommunication equipment.

• A directive to provide copyright protection for microchips.

• Agreement on a standard single customs form, simplification of customs checks, replacement of customs signs with an E.C. sign containing the twelve stars, easing of rules on customs duties and standard rules on outward processing.

• The 13th VAT directive affecting tax refunds to non-E.C. residents.

• A framework agreement on sales of goods.

• Adoption of the MAC/PAC standards for satellite broadcasting.

• Impounding of counterfeit goods.

• Adoption of international standards affecting chemicals, especially important for the perfume industry.

• Five directives and one recommendation on testing pharmaceutical products.

• Revised rules on plant protection products containing ethylene oxide and on animal feedstuffs containing alfatoxin.

• Directives establishing maximum levels for pesticide residues in cereals and foodstuffs of animal origin.

• A directive upgrading standards in slaughterhouses.

• A directive for testing for chemical residues in meat.

• Two directives for standards for tractors.

• A directive providing for mutual recognition of national standards for telecommunications terminal equipment.

• A directive on noise level standards for household appliances, including lawnmowers.

Agriculture:

• Measures to reduce wine production in Portugal, assistance for the olive oil sector, levies on poultry and egg imports, regulations to protect forests from damage by acid rain or fires.

• A regulation to conserve fish stocks, measures to improve monitoring of E.C. rules on fisheries and reduced tariffs on imports of whitefish.

Freedom of Movement:

• Mutual recognition of qualifications for general practitioners.

• A directive on freedom of capital movement enabling bonds and shares to be traded across the Community and restrictions on long term business financing across borders to be reduced.

Education:

• Adoption of the COMETT program which provides for cooperation between industry and higher education.

Hotel Safety:

• A recommendation defining minimum safety standards.

Environment and Food Protection:

• A ban by the food industry on the use of eggs which have been in an incubator but not hatched.

• Controls on asbestos pollution.

• A directive reducing noise from motorcycles.

• Rules on the disposal of waste oil.

• A directive on exhaust emissions.

• A directive on the protection of animals used in experiments.

Regional Policy:

• Adoption of the STAR (telecommunications) and VALOREN (energy) programs.

British Foreign Secretary Sir Geoffrey Howe.

BUSINESS

COMMISSION CONCERNED AT ANGLO-U.S. BANKING PACT

The E.C. Commission expressed concern to the British Government in late January over the legality of a pact on banking supervision London reached earlier in the month with the United States, Commission sources said. Sources indicated that Britain may have violated E.C. law by agreeing the bilateral pact, which was described by Robin Leigh-Pemberton, the Governor of the Bank of England, as a "landmark in international supervisory cooperation."

Lord Cockfield, the E.C. Commissioner responsible for financial institutions, has told the British Chancellor of the Exchequer Nigel Lawson that the accord is being studied by the Commission's legal services. The agreement, aimed at harmonizing international banking standards, sets out rules on the minimum level of capital banks should have to cover their risks. The Commission sources said the subjects covered in the agreement were almost exclusively the sole competence of the Commission.

"Where the Commission has competence, bilateral accords with third countries violate Community law," one said. Commission officials were also said to be annoyed by Britain's apparent disregard for its E.C. partners in doing a private deal with the United States. The Commission was informed of the plan just one day before it was announced on January 8.

The Anglo-American move coincides with Community efforts to harmonize supervision of banking practices within the E.C. as part of its effort to create a completely barrier-free common market for goods, services and capital. It has, for example, already made a proposal for harmonizing the technical issue of what constitutes a bank's "own funds", a matter dealt with in the London-Washington agreement.

The sources said that the Commission was concerned that British banks' obligations under the trans-Atlantic pact could clash with those set out in future E.C. directives. Final judgement, however, is being reserved pending the study of the legal position. Sources said the issue was clouded by uncertainty how formal the agreement actually was.—*Reuters*

EUROPEAN COURT TO CONSIDER NEW AIR FARES CASE

The European Court of Justice will be asked to rule this year on whether a travel agent can be stopped from offering cut-price flights by buying tickets outside the country in which he is based. Court sources said in January that the judgement, expected later this year, could have important implications for the campaign by the E.C. Commission and some member states to liberalize the E.C. air transport system.

The case is that of Ahmed Saeed, a Lebanese travel agent based in Frankfurt who bought tickets in Lisbon for flights routed through Frankfurt on the German national airline Lufthansa. He was able to throw away the Lisbon-Frankfurt portion of the ticket and still offer the remainder at prices up to 60 percent below those of his competitors.

Court sources said the German Supreme Court has referred to the Court of Justice a case brought by an official German competition monitoring group, in which it had been asked to rule illegal Saeed's offer of cut-price tickets. Preliminary arguments will be heard on May 6, with a final judgement expected by the end of the year.

A Court of Justice ruling last year that air transport is subject to E.C. competition rules has been followed by Commission efforts to persuade member states to compel airlines to relax route sharing and fare-fixing practices. The Commission has sent letters to leading airlines outlining the way it believes they breach E.C. rules at present. Commission sources say it could eventually bring the airlines before the Court if efforts by member state officials to resolve the question continue to prove fruitless.

Belgium, which currently holds the Presidency of the Community, said in January it would press for rapid introduction of cheaper fares and more competition among airlines during its six-month term. Transport Minister Herman De Croo told reporters he would use all opportunities given by new rules streamlining E.C. decision-making to give European airline customers the benefit of increased competition.—*Reuters*

EUROPEAN BUSINESSMEN WARN OF DANGER TO TELECOMMUNICATIONS INDUSTRY

European businessmen warned the E.C. Commission in late January that the European Community could lose the battle for the rapidly growing world telecommunications market unless monopolies enjoyed by state telephone authorities are severely limited.

The E.C. Union of Industries (UNICE) submitted a document to the E.C. Commission urging freer competition within Europe and harmonization of technical standards to help the E.C. industry face the challenge from Japan and the United States.

At a news conference called to present the document, UNICE Vice President André Leysen said, "We are going to disappear from the market if we don't take action very, very soon." The document says that on present trends, the E.C.—which currently has a positive trade balance of 1 billion ECU (about $1.15 billion) in telecommunications—could be in deficit by the end of the decade.

Leysen, chairman of the Agfa-Gevaert photographic company, said if state telephone authorities were to remain, their functions should be limited to the provision of lines. The document calls on E.C. states to abandon policies under which they buy almost all telecommunications equipment from domestic manufacturers. However, it says that this should be done gradually as E.C. firms are not yet big and efficient enough to withstand the resulting competition from Japanese and U.S. rivals.—*Reuters*

E.C. CRACKS DOWN ON EMPLOYMENT LAW LOOPHOLE

Some European Community member states are illegally discriminating against non-nationals in state-owned schools, museums and television stations, the Commission said in a January 15 decision. The Commission is writing to France, Italy, Britain and Belgium saying they are abusing E.C. rules which exempt public administration from the principle that jobs in the E.C. should be open to all Community citizens, Commission sources said.

They said the Commission had received complaints from a number of E.C. citizens who said these rules had been cited to justify excluding them from jobs. They included an English piano teacher denied a job in a French conservatory, a Dutchman who sought work as a research assistant in the British Museum, a Frenchman who wanted to present the news on Belgian television, and an Englishman who was told he could not teach English in an Italian school.

The sources said the Commission recognizes the right of member states to exclude foreigners from jobs involving the use of public power, such as administrative work in ministries. Some member states, however, appear to have concluded that they can discriminate in favor of their own nationals in all public sector jobs, one official said.

The Commission is asking the four member states to explain their refusal to employ foreigners in the cases cited and inviting them to change their employment practices. If they refuse, the Commission could take a case to the European Court of Justice to ensure compliance, the sources said.—*Reuters*

AGRICULTURE

COMMISSION SEES HEALTHIER WORLD DAIRY MARKET

An E.C. agreement to curb milk output reached in December could be a crucial step in restoring the world dairy market to health, said Frans Andriessen, the E.C. Commissioner responsible for agriculture, after announcing the new steps. Measures to curb beef surpluses, agreed at the same time, would result in the culling of 2.5 million dairy cows, but Andriessen said he hoped this would not result in a new growth in surplus beef stocks.

The milk package was said by officials to be by far the most important of the measures agreed yesterday as a major first step in ridding the Community of costly food surpluses. Andriessen said developments in the United States and New Zealand, the major world exporters of dairy produce after the E.C., could help bring world milk production back into balance with demand.

Andriessen said that if present trends continue, "We will be in a more comfortable position to put the world market for dairy products in order."

The E.C.'s Agriculture Ministers ended seven days of negotiations on December 16 by agreeing a package of reforms designed to cut E.C. milk production by 9 million tons a year over the next two years, largely through payments to farmers to cease or reduce their output. The package also included measures to reduce the previously open-ended commitment of the Community to buy surplus butter and skimmed milk powder at guaranteed prices.

The Ministers agreed to cut the guaranteed price for beef by around 13 percent in a bid to deter over-reliance by producers on sales into E.C. storage. Andriessen said the dairy agreement would give the E.C., which last year exported dairy products equivalent to 12.2 million tons of milk, a stronger stance in the new round of multilateral trade talks just begun under the auspices of the General Agreement on Tariffs and Trade (GATT). "It is clear we have strengthened our negotiating position for the new GATT round by putting our own house in order," he said.

Diplomats said developments in other countries were unlikely to have as great an effect on the world dairy market as decisions taken in Brussels. They noted that in 1984, the last year for which figures are available, the Community's share of world butter and butter oil exports was 50 percent and that for whole milk powder was almost 70 percent.

They also noted that the disposal of one million tons of stockpiled E.C. butter over the next two years, for which the Farm Ministers gave outline approval, was bound to slow the rebound of world market prices from currently depressed levels. Andriessen said the agreement would make it easier for him to hasten the reform of E.C. farm policy in other areas where production is in heavy surplus, singling out cereals and the oils and fats sectors, where the E.C. overproduces olive oil. "Farmers' incomes will have to be secured, but expenditure will have to come under control so as to make it possible to release funds for other policies essential to the development of the European Community," he said.
—*Reuters*

SOCIETY

BELGIAN JUSTICE MINISTER CALLS FOR TIGHTER SECURITY

Belgian Justice Minister Jean Gol called on E.C. countries in late January to step up a coordinated fight against terrorism, drug trafficking and football violence within the Community. Gol, who under the E.C.'s six-month rotating presidency now heads ministerial discussions on security issues, told a news conference that Justice and Interior Ministers would also be working more closely in other areas.

These included speeding up the transfer of information between police forces, adopting common extradition procedures, and tightening controls on the Community's external borders to allow member states to relax frontier controls within the Community. E.C. Justice and Interior Ministers meet next on April 27 and 28, with U.S. Attorney-General Edwin Meese observing, Gol said.—*Reuters*

E.C. PLANS ANTI-AIDS CAMPAIGN WITH AFRICA

The E.C. Commission announced in February that it planned to set up a joint anti-AIDS campaign with African countries hard-hit by the disease. Lorenzo Natali, the E.C. Commissioner in charge of development, said in a speech to a trade and aid conference of European Parliamentarians and African diplomats in Arusha, Tanzania that collaboration was essential on research and preventive action against the incurable virus.

"Our human sentiment and sense of solidarity oblige us to provide those responsible for health care in these (African) countries with the technical means, the money and the medical assistance they require to cope with this emergency," he said.

The joint program would be based on tightening control at blood banks in certain African states, providing medical equipment such as syringes and setting up links between European and African laboratories, a Commission spokesman said.—*Reuters*

COMMISSION LAUNCHES NEW HIGH-TECH TRAINING PROGRAM

The Commission announced in early February that it has begun inviting companies and universities to apply for a new program aimed at boosting training in high-technology areas. The three-year, 40 million ECU ($46 million) program, known as COMETT, is designed to improve cooperation on training between E.C. universities and industry.

The COMETT program will help set up partnerships between firms and universities, pay for students to spend several months at universities in other member states of the Community, pay for university studies for workers in industry and promote improved training methods.

The announcement marks the opening of the operational phase of the program, which was adopted last July by the E.C. Council of Ministers. The Commission has set a deadline of March 31 for the first series of projects for this year. Proposals for a second wave of projects must reach the Commission by July. €

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.*

Peace & Disputed Sovereignty: Reflections on Conflict Over Territory. By Fredrich Kratochwil, et.al. University Press of America. Co-published by Columbia University Institute of War & Peace Studies, New York, 1985. 159 pp.

This concise book starts off with easy to understand explanations of national boundaries, borders and disputed sovereignty. The authors distinguish the legal from the functional (i.e. social) aspects of these concepts. Data concerning border and boundary disputes—such as casualties, length of conflict and role of third parties in conflict—form the base on which patterns of conflict are developed. Eight short case studies ranging from the Falkland Islands to the Soviet-Japanese "Northern Territories" dispute are then discussed. To conclude, the authors give several practical implications for the settlement of border and boundary disputes.

Transfrontier Movements of Hazardous Wastes: Legal and Institutional Aspects. OECD, Paris, 1985. 304 pp.

A collection of essays concerning the transfrontier movements of hazardous wastes. These contributions are a result of a seminar on Legal and Institutional Aspects of Transfrontier Movements of Hazardous Waste which was held in Paris, June 12-14, 1984. This book provides background information as well as suggestions for international cooperation in certain areas in order to ensure a safe continuance of transfrontier movement of hazardous waste.

The Space Industry: Trade Related Issues. OECD, Paris, 1985. 87 pp.

With special attention given to the role of national governments in the development of the space industry, this book analyzes how the relevant markets operate and what trade barriers exist. Worldwide activities in the space industry, starting from the 1960's, are first outlined; then, a concise picture of this industry's markets and demand, costs and competition, production level and government regulations is drawn. The book concludes with various strategic trade issues that will have a strong impact on the future of the space industry.

European Interests in Latin America. By Esperanza Duran. Routledge & Kegan Paul Ltd, London, 1985. 103 pp. $10.95.

This book deals with the increasingly important role that Latin America plays in Western European foreign policy. Ms. Duran first identifies the general social, economic and political factors in Latin America that influence its relations with the E.C. Germany, France and the United Kingdom which hold the greatest interest in Latin American affairs and have various economic ties with this area; examples are in the form of trade, development assistance, direct investment and debt negotiation. With the decline of American influence in Latin America, European countries are seen as having a growing political interest in the region. Following a brief description of collective European policies towards Latin America, a country-by-country analysis gives a clearer idea of the current political and economic situation in this vital area.

Strengthening Conventional Deterrence in Europe: A Program for the 1980's. By General Andrew J. Goodpaster, et.al. Westview Press, Boulder, Colorado, 1985. 136 pp. $20.50.

Members of the European Security Study analyze the question of nuclear parity and conventional imbalance between NATO and the Warsaw Pact. The group determined a strong need for greater conventional capabilities if deterrence, defense and reassurance are to be maintained. The book starts with a review of Soviet strategic and operational concepts and the NATO missions required to exploit their vulnerable points. The authors recommended improvement in six areas in order to combat the overall Soviet operational concepts of surprise, combined arms action and combat momentum. For each of these proposals, costs and potential deployment schedules are estimated. The study ends with a discussion of the challenge of finding a balance between force improvements and arms reduction initiatives.

Soviet Policy Toward East Germany Reconsidered: The Postwar Decade. By Ann L. Phillips. Greenwood Press, Inc., Westport, Connecticut, 1986. 221 pp.

This book focuses on the Soviet political and economic policies toward East Germany during the postwar decade from 1945 to 1955. The Soviets' ambivalent role in East German affairs directly after the war is seen as a result of the unclear relationship among the World War II Allies sharing joint occupation of Germany. This original uncertainty, evident in the opposing policies of economic extraction and moderation in socialist transformation, was converted into full-fledged support by 1955. This book attempts to define the complex factors that contributed to the shift in Soviet policy. The author finishes with a comparison of Soviet political and economic policies toward East Germany and the Soviet bloc countries.

Legal Issues on European Integration. By Gary Horlick, et.al. Kluwer Law and Taxation Publishers, Deventer, The Netherlands, 1986. 138 pp.

This law review published half-yearly covers a variety of topics that are of key interest at the present time. The first section deals with government actions against domestic subsidies, the international rules on subsidies, and the United States' use of countervailing duty laws as weapons against domestic subsidies. The second section discusses the protection of property rights under the European Convention on Human Rights. The third section addresses recent developments in the efforts for equal treatment of male and female employees under E.C. law. The final section is concerned with the GATT dispute settlement about Domestic International Sales Corporation legislation.

Alternative Uses For Agricultural Surpluses. Edited by W. F. Raymond and P.Larvor. Elsevier Applied Science Publishers, Ltd., New York, 1986. 134 pp. $33.

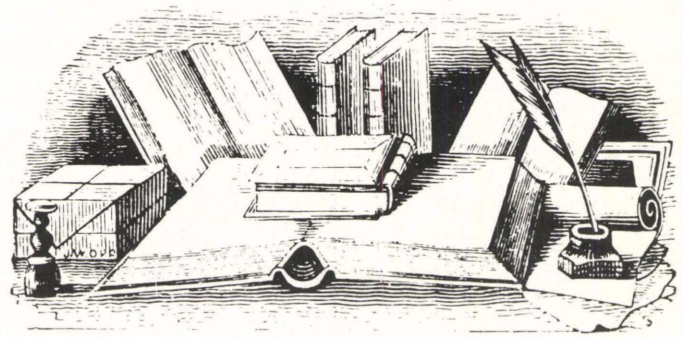
Proceedings of a seminar on "Research and the Problems of Agricultural Surpluses in Europe," organized by the Directorate-General for Agriculture and the Directorate-General for Science, Research and Development of the Commission of the E.C. held in Brussels, June 25-27, 1985.

Mediterranean Policy of the European Community: A Study of Discrimination in Trade. By Richard Pomfret. Macmillan Press Ltd., London, 1986. 104 pp.

This book discusses many aspects of the E.C.'s current trade policy with the countries in the Mediterranean region. The central theme of this book is the conflict between immediate self-interest or preferential treatment and global welfare as exemplified by GATT's nondiscrimination policy. Mr. Pomfret proceeds to demonstrate the existence as well as the results of the E.C.'s blatantly discriminatory Mediterranean policy. The author stresses the responsibility of the larger trading nations to maintain a multilateral trading system; this, he claims, will prove more beneficial for all in the long run than immediate economic and political gains for a selected group of Mediterranean nations.

International Capital Markets: Developments and Prospects. By Maxwell Watson, et.al. International Monetary Fund, Washington, D.C., 1986. 152 pp. $15.00($11.00 to university libraries, faculty members, students).

This study, prepared by the Exchange and Trade Relations Department of the International Monetary Fund, describes and analyzes current trends in international capital markets as well as assesses prospects for private financial flows. It deals chiefly with the recent liberalization and innovation in international financial markets, especially those concerned with developing countries; this is primarily in the form of changes in supervision or developments in the debt situation. This book specifically addresses the issues of financial distribution and terms within the various regions, the restructuring of money packages, direct investment, currency swaps and multilateral development banks. A large portion of the study is devoted to statistical research relevant to the above mentioned subjects.



American Green Power. By Alain Revel and Christophe Riboud. Johns Hopkins University Press, Baltimore, 1986. 182 pp.

This book discusses two relevant issues of today: the evolution of agricultural equilibrium at the world level as well as at the European and the United States levels, and the agricultural situation and policies in the United States. The United States' current ability to control food production is of great importance since ensuring adequate nutrition of the developing countries is a principal international concern today. According to the study, American green power is a result of the American model which stresses new technology and expansionism for each of its crops. The authors conclude with the acknowledgement that although adequate agricultural production is feasible, no country or group of countries will be able to challenge American agricultural dominance.

Policy Making in a Three Party System: Committees, Coalitions and Parliament. By Ian Marsh. Methuan & Co., London, 1986. $65.00.

In this study, Mr. Marsh explores the possibility of restoring a deliberative role to the House of Commons. That is, the two-party system would be replaced with Parliamentary select committees in trying to build the necessary support for government proposals. The author also delves into the issues of interest groups and the present and potential influence that select committees hold over them. The final chapter deals with the changes required in policy making procedures under a multi-party parliament.

Arms Control: Management or Reform? By Lawrence Freedman. Routledge and Kegan Paul, London, 1986. 102 pp.

This brief survey of the arms control process traces the negotiating history of the superpowers, highlighting SALT, START, INF and MBFR talks. Ideological objectives as well as political realities that influence arms negotiations are discussed, and a general critique is given regarding Western techniques and proposals. There is a particular emphasis on recent superpower discussions, touching on the "Star Wars" debate and its implications for European security.

Origins of the European Integration: March 1948—May 1950. Edited by Raymond Poidevin. Editions Bruylant, Brussels, 1986. 480 pp.

A collection of essays presented at a colloquium in Strasbourg, November 28-30, 1984. The objective of this European seminar was to delve into the archives of European research dating back to the original records and writings on the European Community, and to reflect on the objectives and subsequent progress of the E.C. More than forty specialists from thirty-five European universities or institutions participated, and their essays revolved around five major themes: the influence of the U.S. on European unification; the first attempts at unification (OECD, Benelux, etc.); the role of public opinion; the problem of Germany and Europe; the attitudes of the English and the Dutch. The analyses are both informative and thought-provoking. Papers appear in several languages (French, German, Italian, English).

Wage Determination and Incomes Policy in Open Economies. By Anne Romanis Braun. International Monetary Fund, Washington, D.C., 1986. 380 pp.

This volume surveys the wage and incomes policies of fourteen industrial countries which are defined as having "closely integrated economies". The book entails a four-part study beginning in the late 1940's and ending in the early 1980's. Aggregate demand policy, inflation tendencies, productivity growth and employment, and other economic factors are reviewed and closely analyzed in conjunction with the changing wage and incomes policy of the fourteen. Part III offers detailed case studies of four large economies and three small economies in a comparative fashion, outlining national policies and bargaining systems. A thorough, well-written study.

The European Monetary System: Recent Developments. Occasional Paper No. 48. By Horst Ungerer, et.al. International Monetary Fund, Washington, D.C., 1986. 75 pp.

The authors of this short paper trace the genesis of the EMS from its inception in March 1979 to its present-day operations in the world economy. The exchange rate and intervention mechanism as well as the various credit facilities are outlined and discussed in the context of future development of the EMS. The role of the ECU in European and world economies is detailed, and the problems and successes of economic convergence among EMS member countries are reviewed. Extensive statistical tables accompany the report.

Countertrade in the World Economy. Edited by Robert Pringle. Group of Thirty, New York, 1985. 77 pp.

This publication consists of nine articles prepared by members of a study group of the Group of Thirty and other experts on countertrade. These papers give insight into the benefits and disadvantages associated with countertrade. Some issues addressed are the motivation for countertrade, the effects of countertrade, its link to foreign direct investment, and its use among developed countries.

Community Bureaucracy at the Crossroads. Edited by J. Jamar and W. Wessels. College of Europe, Bruges, 1985. 415 pp.

This book is the result of a colloquium on Community bureaucracy that was organized by the College of Europe in Bruges, October 21-23, 1982. First discussed are the relations of Community bureaucracy with the sociopolitical environment; that is, the reader learns about the current situation between the Community organizations and the Community's interaction with national bureaucracies. Administrative problems and the question of a bureaucracy's efficiency are addressed. Two other subjects of importance are the role of law as an instrument of change and the induction training of E.C. entrants.

Arms Control and the Arms Race. Introduced by Bruce Russett and Fred Chernoff. W.H.Freeman and Company, New York, 1985. 229 pp. $14.95.

This provocative collection of fourteen articles from *Scientific American* thoroughly discusses the evolution of nuclear weapons since 1945 and the attempts to control the nuclear arms race through national action and international negotiations. The articles combine technical information on weapons and deployment systems with astute political analyses of current arms strategies and diplomacy.

PUBLISHED FOR THE COMMISSION

Asbestos: Directory of Unpublished Studies. 2nd edition. *EUR 7810.* By S. Amaducci. Elsevier Applied Science, London, 1986. 222 pp. $41.25.

Updated directory of studies put together by a joint EEC-Canadian subcommittee which provides a broad progress report on international activity in the field of research into asbestos.

The Contribution of Credit Institutions to the Renewal of the Economy. *EUR 10591,* Edited by J.M.Gibb. Kogan Page, London, 1986. 135 pp.

Proceedings of a conference held in Luxembourg, November 28-29, 1985.

Organo-Chlorine Solvents: Health Risks to Workers. *EUR 10531.* Royal Society of Chemistry, London, 1986. 254 pp.

Reports prepared by an Expert Committee of the Royal Society of Chemistry for the E.C. Commission, Directorate-General for Employment, Social Affairs and Education, Health and Safety Directorate, Division for Industrial Medicine and Hygiene.

Pharmacodynamic Models of Selected Toxic Chemicals in Man. Two volumes. *EUR 10409.* Edited by A.D.Smith. MTP Press, Ltd., London, 1986. 663 + 418 pp. $129.00 + $109.00.

The volumes are the result of two studies undertaken for the Directorate-General of Employment, Social Affairs and Education of the E.C. Commission. The purpose of the reports was to review available data concerning the metabolism of a selection of toxic chemicals in man and to formulate mathematical models reflecting this metabolism.

BELGIUM

Continued from page 36.

awaits confirmation in his office by the local Dutch-speaking authorities. Whatever decision the burgomasters take seems likely to provoke outrage. Already one Cabinet minister has resigned over the matter: Interior Minister Charles Ferdinand Nothomb stepped down last year when he failed to find a compromise solution.

The quarrel is immensely irritating to the Government and to Martens in particular, who feels it is distracting attention from the more pressing economic and political problems facing Belgium. Martens is not acknowledged to have specially strong views on the language problem, but he realizes that his coalition depends on bilingual support. The Fourons case threatened to bring his Government down at least once in 1986 and may well do so this year unless he shows exceptional skill in handling it.

The recurrence of the problem is especially troublesome at the moment since Belgium holds the presidency of the E.C. Council of Ministers. More than perhaps any other E.C. member country, Belgium is devoted to the idea of European unity and the Government seeks to promote closer union between the 12 member states during its six-month presidency. The Belgians have already set out a list of decisions they want taken and policies they want promoted in the first six months of 1987.

These include a new peace initiative by the Community in the Middle East, speeded-up progress toward a single internal market and a greater drive by justice and police forces in the Community in the fight against international terrorism and drug trafficking.

But Belgium would be pleased "most of all," said a diplomat, by agreement among the Twelve on a new E.C. budget arrangement to replace the present ramshackle system of Community financing. The Belgian Government has its own ideas on how to reform the Common Agricultural Policy and how to ensure adequate financial resources for the Community, but these will not be presented until the E.C. summit meeting in Brussels later this year in June.

Belgium is keeping an even closer tongue over its ideas for securing the seat of the European Parliament. The Euro-MPs have voted to authorize the construction of an assembly chamber in Brussels, which obviously delights the Brussels city authorities, but which has caused great unease in Strasbourg where the Parliament is situated at present. Whatever the legal obstacles facing the project, your correspondent can report that a great deal of preliminary groundwork has already been completed. €

PFLIMLIN

Continued from page 31.

monetary cooperation. What is the fourth area to which you are referring?

Community action on the environment. Remember that the total land area of all 12 Community states is less than a third of that of the continental United States. What happens in any one of our countries inevitably has a spillover effect on its neighbors. There are those who argue—wrongly, in my view—that national economic problems can best be dealt with by national measures. But Chernobyl, the Rhine pollution disaster or acid rain have made it all too clear that this can never be the case where the environment is concerned. The winds, the rivers, the clouds and the sea know no frontiers. So the Single Act now commits the Community to coordinate its policies on the environment much more closely, and indeed to seek to cooperate with non-Community countries and international organizations as well.

Mr. President, you have seen Europe grow from a mere idea to a Community of 12 nations. What are your hopes for its future?

President John F. Kennedy once said that the United States of America would regard the United States of Europe, once it had come into being, as an equal partner. It is my hope that the European Community will succeed in making new progress toward political unity so that we can take our place in the world not only as an economic and commercial power, but also in terms of our own defense. I think we owe this not only to ourselves, but also to our friends and allies. Together with the United States, a strong and politically united Europe can make a major contribution in enhancing the security of the free world. But the achievement of this political unity, which I regard as essential for our future, will require bold decisions. I hope Europe's leaders will have the courage to take them. €

CHICAGO

Continued from page 39.

frequently visited Europe to inspect the Continent's capitals as a source of information for the planning of American cities. Burnham studied Versailles, classical Athens, Baron Georges Eugène Haussmann's plan for Paris and the imperial boulevards of Berlin, and he incorporated those models into his plans for Chicago, Cleveland, San Francisco and Washington, D.C. These cities, or what was realized from Burnham's plans, have the exact spirit of their European precedents.

All of these European influences, though, are summed up in Chicago's most provocative and celebrated event: the planning and building of the World's Colombian Exposition of 1893 on the shore of Lake Michigan. There, Richard Morris Hunt designed the Administration Building in the cool, correct French Academic style. The Fine Arts Palace, now the Museum of Science and Technology, was copied by Charles Atwood from an earlier French architect's Prix de Rome design. Louis Sullivan's Transportation Building, which evokes southern French cathedrals, won three medals from the Union Centrale des Arts Décoratifs in Paris.

But, perhaps, the leading Chicago architect that was most indebted to Europe was no other than Frank Lloyd Wright. Voyages to Vienna supplied him with a Viennese Successionists vocabulary that one could only modestly say was "borrowed." The work of Otto Wagner and Josef Hoffmann was fundamental in the development of Wright's Prairie School theories and served as the foundation of Oak Park's Unity Temple and later designs for furniture, textiles, tableware and stained glass.

In terms of modern architecture, two strong European movements weighed heavily in the design of Chicago and its architecture: the 1925 Exposition Universelle des Arts Décoratifs et Industriels Modernes in Paris, which coined the word "Art Déco," and the German Bauhaus. Leading Chicago architects, such as John A. Holabird and John W. Root, Jr., who were inspired by the Exposition and who traveled to France in the 1920s, returned to design such prominent Art Déco treasures as the Palm Olive (now Playboy) and Chicago Board of Trade buildings. Bertrand Goldberg, architect of Chicago's famed Marina City, went to the Bauhaus in the 1930s and was influenced by German modernism in his architectural theories of the 1940s and 1950s.

Chicago also became the home of the new Bauhaus when its leading theoreticians were expelled from Germany. Laszio Maholy-Nagy and Walter Gropius, both Bauhaus architects, came to Chicago and established the School of Design in 1939, which became the Institute of Design in 1944. The new Bauhaus, later the Illinois Institute of Technology, achieved milestone status in the history of modern architecture.

But more than any European movement or architectural style, the German-born Ludwig Mies van der Rohe's arrival in Chicago was to have the most impact on the three most recent decades of Chicago's contemporary architecture. His clean-lined, stripped-down and all-glass designs became an international standard of architecture that developed first in Chicago and proliferated around the world. His Chicago buildings for IBM and Illinois Center were venerated international monuments. Moreover, his students continued his philosophy with other key landmarks of the 1960s and 1970s, even building Lake Point Towers—a design Mies initially drew up for Berlin in 1919.

Another influential, German-born architect, Helmut Jahn, a student of Mies, has strong ties to his origins in Europe. Jahn, a chief designer of the Miesian-inspired McCormick Place, subsequently designed such important contemporary buildings as Xerox Centre, North Western Atrium, the State of Illinois Center and numerous buildings on America's East and West Coasts and now in his native Germany with the Frankfurt Messe project. Jahn firmly believes in a European sense of urbanism that incorporates pedestrian amenities, arcades and an architectural design of unique cosmopolitan flair. His recent design for O'Hare Airport's International Terminal has root in the 19th-century European exposition hall, mostly Thomas Paxton's Crystal Palace.

More than a mere crossroads of European architectural expression, Chicago continues as the major destination of European-born design theories and ideas. The current wave of rebellion against modern architecture, which originated on the Continent with the Italian rationalist Aldo Rossi, the Belgian architect Maurice Culot and the Luxembourg-born architects Leon and Rob Krier, has gained a greater momentum in Chicago than in Europe itself with the current generation of Chicago architects looking again to the classical and vernacular traditions of Rome, Athens, the Beaux-Arts of France and the Arts and Crafts movement of Great Britain.

1987 meets 1887 as Europe's continued influence reinforces Chicago as the most important center of international architecture—now and for the last 100 years. €

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☐ **Common Customs Tariff 1987.** *Official Journal of the European Communities, Vol. 29, L 345, Office of Official Publications, Luxembourg, December 8, 1986, 385 pages.* Schedule of customs duties assessed on goods entering the E.C. in 1987. **$24.00**

☐ **Court of Auditors: Annual Report Concerning the Financial Year 1985 and Accompanied by the Replies of the Institutions.** *Official Journal of the European Communities, Vol. 29, C 321, Office of Official Publications., Luxembourg, December 15, 1986,* 260 pages. Analysis of E.C. expenditure in 1985 and the use of funds by the European Development Fund for assistance to Lomé signatories. **$17.00**

☐ **Associations: EEC-Cyprus-Malta-Turkey, Compilation of Texts II (1985).** *Council, Brussels, 1986, 115 pages.* Texts adopted during 1985 for the implementation of the agreements. **$4.50**

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☐ **External Trade Statistical Yearbook 1986.** *Statistical office, Luxembourg, 1986, 75 pages.* Summary tables of trade data for 1958-1985. Provides general information on the position of the E.C. in world trade and in trade of non-E.C. members. Gives trends in trade broken down by geographical groups, countries, and broad commodity categories. **$7.50**

☐ **Regions: Statistical Yearbook 1986.** *Statistical Office, Luxembourg, 1986, 233 pages.* Data on population, employment, education and other social indicators, economic aggregates and E.C. funding broken down by regions. **$20.00**

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