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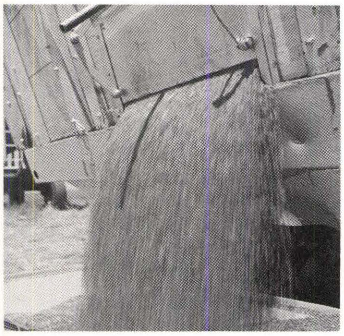

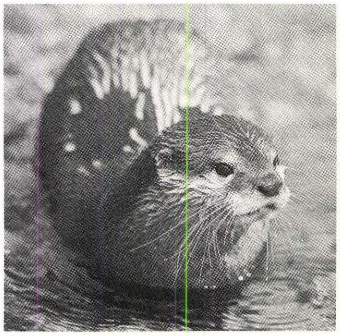

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COVER: Rodin's "Mme. Vieuña" from the Musée d'Orsay in Paris. © Claudia Parks.

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PUBLISHER'S LETTER

Agriculture is once again the centerpiece of political discussions in Europe. But this time, in addition to the now traditional internal difficulty of agreeing on the annual agricultural price proposals, the Community is feeling the additional burden of being watched closely by a particularly tough jury made up of its main trading partners at a time when both the General Agreement on Tariffs and Trade and the Organization for Economic Cooperation and Development are centering their debates on agricultural trade. Derwent Renshaw, Counselor for agriculture at the E.C. Commission's Washington Delegation describes in this issue proposed reforms to the E.C.'s Common Agricultural Policy (CAP). Proof that this reform is taken seriously was given recently at a meeting of the Cairns Group, 13 agricultural exporting nations acting as a pressure group on the E.C., the United States and Japan. Even if a large part of the meeting was devoted to the usual complaints against E.C.—and U.S.—export policies, at least positive comments were heard for the first time on the Community's efforts to reform the CAP. Let us hope that this will prompt the E.C. Governments to agree on this long-awaited reform.

But, as we try to show in every issue of this magazine, agriculture is not everything in the Community. From the protection of endangered species to semiconductors, the E.C.'s influence can be felt in all aspects of economic and social life in Europe. And, it appears more and more necessary for the E.C. to assume the political consequences of its ever increasing economic expansion. The report of the Study Group on the Integration Strategy of the European Community is a welcome confirmation by Europe's most prominent economists that the Community's future lies in the solution of its political problems.

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AROUND THE CAPITALS

MADRID

Trial of the Century

Six years after the onslaught of one of Western Europe's worst public health disasters, one that was caused by the illegal sale of adulterated cooking oil, Spaniards are now watching with a kind of fascinated horror as the trial slowly unfolds. In what is being called the "trial of the century," prosecutors are accusing 38 oil merchants of being responsible for the deaths of 584 persons and for injuries suffered by 24,000 others as a result of the adulterated oil these merchants prepared and sold as "pure Spanish olive oil."

Six years ago, the vendors, themselves allegedly unaware of the terrible condition of their product, went from door to door in Madrid's mainly working-class new dormitory towns and offered the product as cooking oil for bargain prices. The result of the deathly concoction, known technically as the "toxic syndrome," is still visible years later, with victims suffering from respiratory problems, acute muscular cramps and various nervous disorders, and the deaths of a further 52 people last year. Although the exact biochemical agent or agents that caused this massive tragedy have not yet been discovered, the World Health Organization (WHO), after years of investigation, has confirmed that the adulterated cooking oil was its vehicle.

For the trial, the Justice Ministry had to find an extra $3.5 million to equip a former pavilion of Madrid's trade fair as a special courtroom to seat 700 people. Behind the three High Court judges hearing the case are rows and rows of bound volumes, totaling a quarter of a million pages and containing the investigating magistrate's preliminary hearings in the case opened in the summer of 1981. This year, more than 2,000 witnesses are being called, including Cabinet ministers, Roman Catholic nuns—who were among the victims—and international health experts.

Backed by an impressive body of evidence, the Government's case states that the crippling disease stems from victims either cooking or dressing salads with rapeseed oil imported from France, which was intended solely for industrial use and was tainted with aniline dyes. This rapeseed oil could only be imported under a system of licenses in 1981, before Spain joined the European Community. Apparently, the Madrid Ministries failed to check on the oil's final destination.

Despite the WHO's confirmation that the oil was responsible for the deaths and illnesses, defense lawyers have developed their own case, in which tomatoes and lettuce poisoned with pesticides and consumed by the victims, are blamed. They have filed proceedings against Spanish health experts, in which the authorities are accused of a cover-up to protect a well-known West German chemicals multinational.

This issue is touching society, and the impact of the outcome of the trial on public opinion is proving as important as the pursuit of justice. So far, the underlying theme emerging from the trial is one of government accountability in a democracy.

In 1981, Spain's Socialist Party did not hesitate to blame the then ruling Central Democratic Government for the tragedy, maintaining that without administrative slackness, the disaster never would have occurred. During the trial, it has become apparent that the best chance for victims to win compensation lies in pinning the responsibility on government officials. A searchlight has been put on lax commercial and administrative procedures that were born during the economic boom years of the

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In Spain's "trial of the century," 38 oil merchants (below) are held responsible for the deaths of nearly 600 people to whom adulterated cooking oil was sold. Angry victims (above) watch the trial.

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Franco regime, and that somehow survived into the early years of democracy.

Fernando Ledesma, the Socialists' Justice Minister, promised when the trial opened that the Government would "accept the consequences if the court determines that faulty administration was indeed responsible." A second investigation into the possibility of such a situation is underway.

The Socialist Government passed a consumer protection law in 1984. Ignacio Uriarte, Vice Chairman of Spain's Consumer Protection Association seriously questions whether the authorities' systematic checks on the market are indeed adequate, especially since now, under Spain's devolution process, these have become the responsibility of often less well-equipped autonomous regional governments.—RICHARD WIGG

AMSTERDAM
Cultural Capital

Nineteen-eighty-seven is proving to be an outstanding year on the cultural scene in the Netherlands. All the cultural hustle and bustle in 1987 will not fade away in 1988, of course, but the official designation by the E.C. of Amsterdam as the host for 1987's Culture Capital of Europe has turned the city into a virtual European center for the arts. The designation is attracting many more visitors than usual and an extra number of exhibitions and special events.

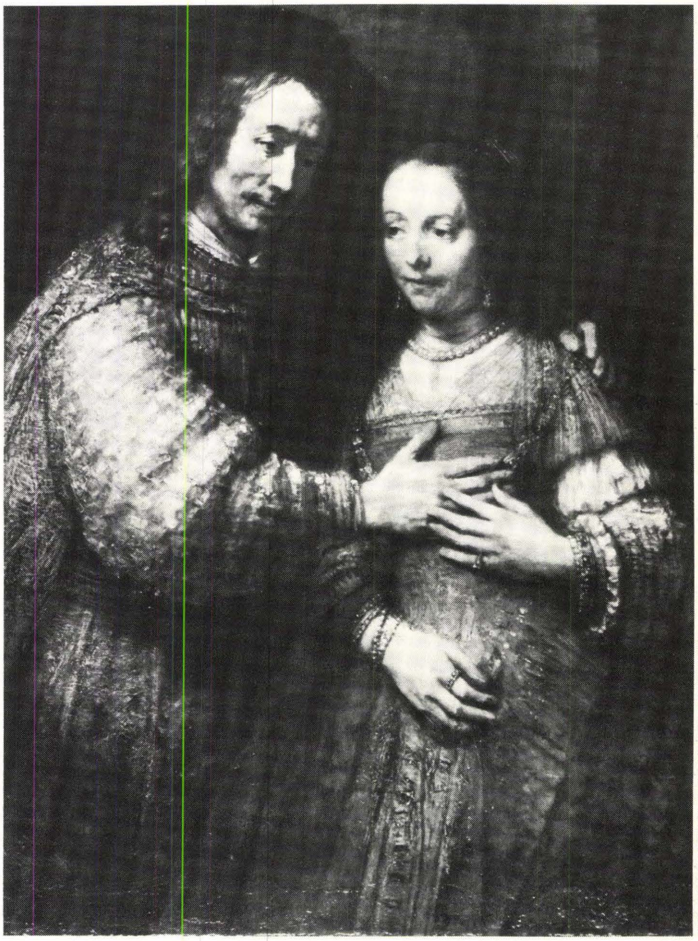
The theme of the Year is "A Future for Ideas," and, in this context, the organizers have incorporated both classical and modern themes—spanning all the arts, from painting and sculpture to dance, theater and opera performances and even to television and the print media—into a large number of exhibitions, seminars and workshops.

Among the outstanding events is the program organized by the Holland Festival, which runs throughout the month of June and will feature performances by Dutch and 17 other European groups, such as the National Opera of Brussels, the Berlin Theater and the Hungarian State Ballet, just to name a few. Conductor Leonard Bernstein will make a guest appearance as well. Later in the year, there will be a major jazz festival.

The visual arts are getting special treatment too. The Netherlands' rich heritage of 17th-century Dutch Masters will be displayed in Amsterdam's Rijksmuseum. The museum is home to many of the famous works of painters of this period, most notably Rembrandt's "Night Watch," his first self portrait and "The Jewish Bride." In addition, as part of the Cultural Capital festivities, the Rijksmuseum is putting on a special exhibit of landscapes by such Masters as Jacob van Ruysdael, Albert Cuyp and Jan van Goyen. This dose of classical paintings will be complemented by the show of contemporary art organized by the Community. In that exhibit, one artist from each of the 12 E.C. member states will have his or her work displayed.

But there is more to the Netherlands' cultural scene than the Cultural Year in Amsterdam. While The Hague may not outdo Amsterdam's many varied activities this year, the reopening of its Mauritshuis National Gallery, which has been undergoing five years of restoration, promises to be a major event. The gallery will once again become the home of an impressive collection of Dutch Masters, including a number of paintings by Jan Vermeer and 10 of Rembrandt's works. Those who incline toward more modern art will not be disappointed either, for The Hague will also show an exhibit that opened in Los Angeles last year, featuring 300 works from about 100 European and American artists during the 1890-1985 period.

Apart from the magnificence and vastness of the large museums, there are also a great many smaller galleries, often specializing in particular themes. There are, for example, the new Jewish Historical Museum and the two renovated 17th-century synagogues in Amsterdam, all located in one part of the city. In Utrecht, the Museum Het Catharijne Convent specializes in the history of Christianity, and is very proud of a most valuable new addition to its collection—a recently discovered painting by Rembrandt, "St. Philip Baptizing the Chamberlain," painted by him before reaching the age of 20.


COURTESY NETHERLANDS BOARD OF TOURISM

Rembrandt's painting, "The Jewish Bride," is on display at the Rijksmuseum in Amsterdam.

This colorful combination and display of both classical and modern art and culture means that there is something for everyone to see in the Netherlands this year. And for those who miss out on the festivities related specifically to the Cultural Capital theme in Amsterdam, there is consolation in the fact that the idea of a European Cultural Year will be seriously pursued in 1988 . . . in Berlin.

COPENHAGEN
A Bonus for Parents

With the second-lowest fertility rate in the world—only that of the Federal Republic of Germany is lower—children enjoy scarcity value in Denmark, as do their parents. Nowhere is this more apparent than in the large and growing financial sector, where the latest biennial wage negotiations were concluded with an extra bonus of 28 weeks of maternity leave, both to the mother and to the father. That is no less than seven months to each parent!

Some bankers privately calculated the costs for a married couple working for the same employer, and arrived at a total of over $30,000, not including the cost involved in hiring temporary replacements. By law, Danish couples are entitled to 12 weeks leave for the mother and two weeks for the father, but at the minimum wage levels applying to unemployment benefits. Most collective agreements call for leave at full pay, but none have given as much as the new agreement in the financial sector. This is almost certainly an E.C., if not a world, record.

Though schooling is free—as are the universities—Danes still consider children expensive items that are planned carefully. Two children are the norm, and as more and more women opt for a higher education and a career, the average age of marriage is rising. This means a postponement of childbirth, and will automatically mean that more second marriages will in the future remain childless. So few Danish babies are unwanted that couples unable to have children often have to travel to the Far East to adopt.

Women are still very much in the minority in the upper echelons of organizations, but there is a more cooperative attitude toward this problem in Denmark than in Sweden or Iceland, where women have formed their own political party. There are demands for positive discrimination in favor of female applicants, but not in the dramatic manner that is seen elsewhere in Europe. Indeed, most top female executives insist that women should rely on their professional merits instead.

Children would not be children if they did not exploit their market value. Danish children are, if the statistics for toy and clothes sales are to be believed, among the most spoiled in the world. On the positive side, however, the sharp drop in the number of children gives the educational system more time for each child and promotes a more individual-oriented set of values.

The French and West German Governments have publicly voiced their concern over the low birth rates, and are trying to implement policies that would induce more births. In Denmark, there is no population policy as such, but Danish women are taking the matter into their own hands at the union level, which is especially important in a country where the vast majority—70 percent to 100 percent—of all unemployed persons are unionized.—LEIF BECK FALLESEN

COURTESY DANISH TOURIST BOARD

Men and women working in Denmark's financial sector can now take seven months maternity leave when they have a child.

ATHENS

Extending Athens' Metro

As the Greek capital expanded over the last 30 years to include most of the Attica Plain, mass-transit experts were examining the problem of Athens' antiquated subway system. Finally, serious digging is now set to begin, prompted by a new sense of urgency: Greece's determination to stage the centennial modern Olympic Games in 1996. Officials realize that the city must spruce itself up to be logistically capable of running a modern Olympiad. This will involve around $1.8 billion to be spent on an Olympic village and Olympic-standard sports facilities. But it will also mean modernizing and extending Athens' subway.

Building a subway was already a lively topic of debate when Baron Pierre de Coubertin organized the first modern Olympics in Athens in 1896. The first line opened in 1904 and was gradually extended until it linked the port of Piraeus with Kifissia, once a pine-forested summer resort, but now an Athens suburb north of the city.

Under the present plan, that 16-mile line will be joined by two new routes criss-crossing the city center. They will be expected to carry up to 50,000 people at rush hour by 1996 and even more if a planned extension to Athens Airport is carried out at the turn of the century. Tests of the friable limestone that underlies the city will start this summer, while full-scale construction should begin early next year.

Nobody doubts that a subway system is the best way of solving Athens' pollution and traffic problems. At present, the 650,000 private cars owned by greater Athens' 3.6 million residents are restricted to driving in the city center on alternate days, according to their license plate numbers. Exhaust fumes are blamed as the major source of the *nefos*, a brown blanket of pollution that lies over the city in windless weather. Bus service is slow and passenger figures are declining as it grows increasingly inefficient. With fares still surprisingly cheap, many Athenians prefer to get around the city by sharing a taxi.

One of the new subway lines will link a seedy commercial district slated for redevelopment with an expanding business and residential area overlooking Mount Hymettus. The other will join two working-class districts, passing through a maze of small-scale industrial workshops and warehouses. The two lines, 11 miles long, will converge at a showpiece, four-level station beneath Central Constitution Square. Both lines have been criticized for missing out major commuter areas, but the planners argue that as business moves out to the suburbs, the new subway routes will help to revitalize declining areas of the capital.

With both ruling Socialists and opposition Conservatives firmly backing the $1.1-billion project, the main source of possible delay will be the remains of ancient Athens that might lie beneath the new subway stations. Although the lines will be tunneled at a depth of at least 40 feet beneath the classical levels, the stations will be constructed from ground level downward. The Constitution Square station is likely to cut through part of a 4th-century B.C. school, the Lykeion, where Aristotle once taught, and there are fears that subterranean motions around a station near the Temple of Olympian Zeus could eventually topple its giant columns.—KERIN HOPE

ROME

An Early Election

A year ahead of time, Italians have been called to general elections this June. For several reasons, most do not welcome this move.

The electorate seems to expect its Parliaments to run their full five-year term—although not a single one has managed to do so since 1968. Moreover, the popular view may also have been soured by the failure of the main political parties to agree on a "tail-end" Government to see out the present Parliament after three and a half years of stability under a single Prime Minister, the Socialist Bettino Craxi.

Although elections have seemed inevitable since the political crisis opened on March 3 with Craxi's resignation, the actual cause of the political breakdown has become a hotly debated election issue.

The Christian Democrats, Italy's largest party, which polled 32.9 percent of the vote in 1983, insist that the election has been forced on the country by Craxi. Their leader, Ciriaco de Mita, has claimed that Craxi entered into an agreement last summer, under which he would hand over the premiership to a Christian Democrat this spring. He added that Craxi's failure to sustain another five-party coalition Government under new leadership until June 1988 showed that the Socialist leader was not a man of his word and that he was unreliable. He has consequently called on voters to "punish" Craxi.

Predictably, the Socialist Party, which polled 11.4 percent of the vote in 1983, contests this interpretation. By resigning on March 3, the party says Craxi was carrying out his undertaking to stand down. He did not, and would not, have promised that a Christian Democrat-led Government would automatically follow. Agreements on policies were necessary, say the Socialists, and it was here, they claim, that the Christian Democrats deliberately erected obstacles.

The issue over which the two parties have staged such a long and acrimonious row has been the holding of two referenda on nuclear energy and judicial reform. From the first day of the crisis, de Mita maintained the position that the parties must find a political agreement that would enable them to call off the referenda, arguing that any new Government would tear itself apart during the referenda campaign without a pre-emptive understanding.

Christian Democrat leader Ciriaco de Mita.

PHOTOS COURTESY ITALIAN EMBASSY

The Socialists, by contrast, have presented themselves as the champions of popular democracy: Since the referenda were taking place by popular demand—500,000 signatures on each issue—the people must be left to decide, and Craxi has added that previous coalitions have survived controversial referenda on emotional issues such as divorce and abortion.

In reality, of course, the extraordinarily bitter clash between supposed coalition allies over the referenda issue is not the real cause of the crisis. At the root of it all lies the desire of one party, the Christian Democrats, to restore their traditional preponderance in Italian politics and to arrest a gradual process of decline, and of another, the Socialists, to dominate a new political order, one that is neither Christian Democrat nor Communist.

De Mita is determined to fight to the last ditch for the principle that power should relate to the share of the popular vote. That principle was fatally traded in 1981 when the Christian Democrats, internally divided, conceded the premiership to the Republican, Giovanni Spadolini, the first postwar Prime Minister to be drawn from another party. The Christian Democrat position was further eroded when, after a disappointing election performance, the premiership was ceded to a very determined Bettino Craxi. Thus, for nearly six years, the party with a "relative majority" has been off the pinnacle of power. Smaller parties that, for 20 years had orbited around the Christian Democrat sun, have come to both enjoy its eclipse and to seek new roles for themselves.

Socialist Party leader Bettino Craxi.

Essentially, Craxi is offering the Republicans, Liberals and Social Democrats the vision of a reformist lay alternative to the Christian Democrats at one end of the political spectrum and the Communists, perpetually the largest opposition party, at the other. However, while wanting to break the mold of Italian politics, Craxi also knows that he cannot do so without the cooperation of either the Christian Democrats or the Communists.

He is without doubt the most determined and skilful of Italy's politicians and the most intriguing question is quite how the Socialist leader will try to ensure a pivotal position for himself and for his party after the elections. He knows that the electoral arithmetic is unlikely to be very different—it rarely is from one election to the next in Italy. Will he, therefore, seek to rebuild the almost totally fractured relationship between his party and the Christian Democrats, or will he begin the historic task of bringing the Communist Party into government and integrating it into European social democracy?

Whatever happens, he will demonstrate that power and influence in Italy is far from strictly determined by the numbers of votes harvested in an election.—John Wyles

BRUSSELS

Promoting Belgium

A 14-year-old Walloon school girl stirred the whole of Belgium last year when she won the Eurovision Song Contest, an annual event intended to give new artists an opportunity to gain fame outside their own countries. Sandra Kim rapidly became a national, and indeed a European, heroine. She was called on to mime to her winning song when the European Community formally unveiled its official flag and other insignia in the company of the Presidents of the E.C. Commission, the European Parliament and the E.C. Council of Ministers. Kim seemed to be telling the world that Belgium was not square, that even after the death of world-famous singer/songwriter Jacques Brel, it still had something to offer in the way of popular music.

In May, Belgium reaped the full commercial fruits of Kim's achievements. As winner of the 1986 Song Contest, Belgium automatically became the host for this year's event. An estimated 500 million people are said to have watched this year's contest on television throughout the world, and besides the songs they witnessed a highly professional promotion of Belgium.

It may have been a surprise for some viewers to learn that the saxophone was invented by a Belgian; that the world's best-selling popular author after Agatha Christie—whose favorite sleuth was that enigmatic Belgian, Hercule Poirot—is the Belgian writer, Georges Simenon; that *art nouveau* is not French, but Belgian in inspiration; and that some of the world's best restaurants are to be found in Brussels.

It was not by accident that one found out all this and more from the song contest. The Belgian approach to the contest was described by one Luxembourg veteran as "the most comprehensive and determined I have seen." I would double this tribute because of the challenges facing Belgium after Kim's victory.

The point is that Sandra Kim is a French-speaking Belgian, and the assumption was that the 1987 contest celebrating her triumph would be held in a French-speaking city in Belgium, such as Liège. But for practical reasons this was not possible. Only the cities of Ostende and Antwerp, both fiercely Dutch-speaking, were physically capable of handling the event and when these were declared politically unsuitable, the choice fell on Brussels, where a new stadium was constructed for the contest.

Small miracles were achieved in building what one observer said was "the biggest television studio in Europe—and we did it in 21 days!" Somewhat smaller miracles were performed in winning advertising. Many agencies had feared that Belgium's hosting of the Eurovision Song Contest would be a flop. A year ago, a Belgian agent was quoted as saying that "Sandra Kim is a one-off effort for us."

The triumph in May laid all these doubts to rest. There were some $15 million of advertising on the program, most of it praising Belgium and its achievements. "I think that as a result of this, the world will think of Belgium in a very different light," said one advertiser. They will, of course, also have been reminded that the country that produced the great Flemish artists is also capable of responding to the pop culture of the 20th century.—Alan Osborn

COURTESY MACAU TOURIST INFORMATION BUREAU

Given to the Portuguese by the Chinese in the 16th century, Macao will revert to China in December 1999, but will maintain its present political, economic and social structure at least until 2050.

LISBON

Macao and China

On April 13, Portugal and the People's Republic of China signed an agreement establishing the conditions for the future of Macao, the last remaining territory of the old Portuguese empire.

Under the agreement—which bears similarities to the one previously signed with the United Kingdom over Hong Kong—Macao will remain under its current Portuguese administration until December 20, 1999, at which date the colony will be handed back to China. And, at least until the year 2050, the People's Republic has pledged to respect those points in the agreement that pertain to Macao's political and economic structure—that of a Western, capitalist society. Indeed, this strategy exemplifies China's call for "one country, two systems," with which it hopes to accomplish the complete reunification of its territories by the end of the century. After 1999, Macao will become a "special administrative region" with a fairly large amount of autonomy.

The colony's social, political and economic structure thus seems to remain assured for another 60-odd years. As a "special administrative region," Macao will be endowed with a legislative assembly, the majority of whose members are elected, which will constitute the basic reference for the appointment of the head of the Executive; judicial power will be separate; individual rights and liberties will be assured in the press, industrial relations, religion, education, emigration and private property. The same applies to the present financial system, which will continue along its basic free-market principles, those of freedom of capital movements, the inclusion of the *pataca*—Macao's currency unit—in the international monetary markets and legal protection for foreign investment. Furthermore, the Macao Government will keep the exclusive right to collect taxes in the territory.

Thus, with the exception of military affairs and foreign relations, Macao will, in fact, be quite autonomous. In the case of the latter, however, the restrictions imposed by the agreement do not include Macao's capacity to settle arrangements with other countries or international organizations—such as the E.C.—in areas of trade, finance, transportation, communications, tourism, cultural affairs, technology and sports.

Also guaranteed is freedom of religion and the Catholic Church of Macao is allowed to maintain its relations with other religious associations all over the world. Last but not least, the Portuguese language will still be used after 1999 by government organizations, the assembly and the courts in the territory. All Macao inhabitants who are recognized as Portuguese nationals by 1999 will be allowed to use a Portuguese passport and will benefit from the protection of the Portuguese diplomatic authorities abroad.

After nine months of negotiation, the agreement seems to be satisfying for both parties. Almost everyone agrees, however, that the attitude of the Chinese upon the handing over of the European colonies will be vital for the functioning of the transitional regimes agreed upon with Portugal and the United Kingdom. Prime Minister Zhao Ziyang has voiced his concern about this skepticism and emphasized in his speech during the signing ceremony that the People'e Republic intended to "observe rigorously" all points of the agreement.

In Portugal, the news were received as something long expected. For once, the major political parties showed mutual approval for the course of events and the negotiation process, and there was relatively little criticism at the outcome and the contents of the final agreement. And this despite the symbolic importance of Macao—the last remaining stronghold of the Portuguese Empire, and thus of permanent Portuguese presence in the Pacific region.

At any rate, the eventual return of Macao to China seemed part of a natural historical course. The small territory, measuring 15 square kilometers, had been given to the Portuguese by the Chinese at the beginning of the 16th century as a reward for their contributions in fighting back the pirates in the area.

The present population numbers about 400,000, of which around 10,000 are Portuguese. When, in 1979, Portugal and China reestablished normal diplomatic relations, Macao was described as "a Chinese territory under Portuguese administration"—a formula that had previously been used in the Portuguese Constitution to define the area.

This led to the mutual agreement between the two countries that the end of Portuguese administration in Macao would be negotiated when both Governments thought it "appropriate." That time seemed to have arrived in May 1985, during a visit to China by the then Portuguese President, a time at which negotiations over Hong Kong had been completed with the British.

According to most political leaders, it is now important to use the 12-year transitional period for a development effort that will allow for a strong and stable Portuguese presence in Macao in the future. And, as the Portuguese Prime Minister put it, "Macao is a great capital of hope as it represents an important factor to improve the relations of Portugal with the Far East and with China in particular. . . ."

From the Chinese point of view, the Macao agreement has a somewhat more practical significance, as it seems to open the way for the last and probably hardest round of negotiations to accomplish their target of reunification: Taiwan.—José Amaral

LUXEMBOURG

A Rosy Picture

Luxembourg's outstanding economic performance, both in industry and in the services sector, has given the Grand Duchy ample reason to be pleased and confident. The latest estimate of the number of people without work has dropped below 2,000. And while this sounds like an amazing feat in itself, perhaps even more striking than the number in absolute terms is the percentage: At 1.3 percent, the Luxembourg unemployment rate must be among the lowest in the world, something that is little short of amazing when considering that the country is one of Europe's major steelmakers, an industry that has been beset with problems since the early 1970s.

But the rosy picture does not stop at the unemployment statistics. The situation with prices is equally remarkable. Earlier this year it was announced that consumer prices had actually fallen by 1.2 percent on an annual basis. "We can hardly term it a deflation rate—but obviously it's not inflation either," a columnist wrote. Just to round off the picture—Luxembourg's national budget is the only one in the E.C. that is balanced. One may wonder why this seeming paragon among countries gets no rating as a borrower in the institutional investor. That is easy—it does not have a cent of foreign debt. When the Organization for Economic Cooperation and Development (OECD) said last fall that the condition of the Luxembourg economy was "one of the most favorable in the OECD area" (that is, in the industrialized world) one newspaper ran the story with the headline, "What do you mean—*one of?*"

Given such a feast of bright statistics, why should Luxembourg Prime Minister Jacques Santer take such a measured view of the economy at his party's annual congress recently ? At least partly this may be due to the fact that, as a former Finance Minister, he understands the extent to which the present condition of the economy and, more important, its future, are dependent on forces outside the country's control. Luxembourg relies on foreign trade for an extraordinary 80 percent of its total gross national product (GNP). "We don't make economic waves—we're more like the cork tossed around on them," says a local banker.

To some observers, this is taking self-deprecation quite a bit too far. The records do not show that Luxembourg has done strikingly worse than its European neighbors in times of general recession while it has broadly outperformed them during booms. And there is another noteworthy statistic to add to those mentioned earlier, which in a way helps explain them. In 1970, Luxembourg depended on the steel industry for nearly a third of its total

Luxembourg's economic picture is one of the rosiest in the E.C., with 1.3 percent unemployment, falling consumer prices, a balanced budget and no foreign debt.

PHOTO BY TONY KRIER

GNP while last year this figure was down to little more than 10 percent even though the economy had more than doubled in value over the period.

The losses suffered in steelmaking were more than handsomely offset, in fact, by growth in the services sector and particularly in banking. This argues for a shrewd grasp by the authorities of the long-term economic realities back in 1970. In one sense, the same long-term challenges confront Luxembourg in the late 1980s. One of the main points now being made by Government economists is that in spite of the retrenchment of the past 10 years, the steel industry—which still employs one in 10 people in Luxembourg—is once again in crisis. The industry has warned that completion of its investment program could require the loss of a further 1,200 jobs.

The problem is that, while banking is healthy and growing, it can hardly be relied on to produce the explosive gains in revenues and employment it did during the 1970s. Some imaginative diversification is taking place in the financial sector—for instance into the "retail" end of the market—but Luxembourg faces formidable competition from London, and its success in the newer fields has yet to be proved.

All this, in short, helps explain the Government's renewed drive to attract foreign investment, and in particular that from the United States. The bid is being supported by new tax breaks, enabling Santer to tell a Boston audience earlier this year that Luxembourg is "the only country on the European continent in which U.S. corporations, both in the industrial and the services sector alike, are not penalized for doing business in Europe. Under the new U.S. tax code, corporations that do business in Luxembourg do not have to pay higher taxes overseas. They can offset the full amount against their overall U.S. tax liabilities."—ALAN OSBORN

BONN

An Aging Student Body

The image of the eternal student, popularly known in German as the *ewige Student,* is one much more common to the Federal Republic than to most other countries. The reason for this phenomenon, according to the conference of university rectors, is that the average amount of time spent in university by students, before taking final examinations, is a whopping 14 semesters.


COURTESY GERMAN INFORMATION CENTER

German students take up to 16 semesters to finish their studies. Above, students at the Free University in Berlin.

This means that German university students enter the workforce at a much later age than, say, their American counterparts. Not only do they take longer to complete their university studies, but they also are required, under the German educational system, to do 13 years (instead of 12 years in most other countries) of schooling to obtain the *Abitur*—the necessary certificate to enter any university. And, in the case of German males, another 15 months to 18 months may be added for their military service, or time served as conscientious objectors to that service.

So the average, university-educated German starts his or her first job at the comparatively ripe age of 26, if not 30, years of age. The fact that they can afford to study for such a length of time is facilitated by generous system of state financial aid, which may be drawn by students until they are 30. And on the railways, students can travel on special discount fares until they reach 28 years of age.

This phenomenon has, however, come under criticism and attack from several quarters. The rectors point out that their universities are beginning to burst, not only because the "baby-boom" generation is now reaching them, but also because once there, students remain for too long, making for overcrowded seminars and lecture halls, and minimizing the possibility of individual contacts and supervision between student and professor. They suggest that it would be the "deed of the century" if the average study time could be reduced from 14 semesters to 12 semesters.

Employers complain that students are already tired by the time they are prepared to start working. Yet others argue that the fact that university graduates enter the workforce much younger in other industrial countries puts the Federal Republic at a competitive disadvantage, something that is disputed by some educators and employers who point to the high unemployment rate of 9 percent, noting that this figure would be even higher if school and university leavers were younger, since many have difficulty finding gainful employment once they finish studying.

Various solutions are being offered to combat the image of the *ewige Student.* The most popular is that state loans to students be converted to non-repayable grants if they finish their studies in four years, or eight semesters. Yet another is to make "long-term students" pay for their tuition fees—something not otherwise demanded by the universities, all of which are run and financed by the state. The point at which a student becomes a "long-term" student has yet to be established, however.

A third suggested solution is to reduce the time needed to obtain the *Abitur* to 12 and a half years, or even to 12 years, and to tighten the requirements by increasing the number of required subjects and reducing the number of subjects in which pupils will be tested at the end.

Fifteen or so years ago, the then ruling coalition of Social Democrats and Liberals eased those *Abitur* requirements by increasing the number of subjects from which pupils could choose. The consequence of this, however, was that pupils quickly learned to pick the most easy courses, in order to obtain a higher final *Abitur* grade, and thus to secure themselves a place in a university of their choice—only for their professors to discover later that they required additional tutoring in certain areas not covered at school.

This has, according to some rectors, had its marked effects at the university level: While the bright students do whiz through university quickly, those who remain for, say, 16 semesters, are generally less well "equipped" intellectually, and should not be in university at all, but should have been weeded out in the *Abitur* tests.

Of course, there is plenty of opposition to all proposals to reduce study time. The argument, which holds up American students as examples, is put down with the reasoning that while American universities may prepare their students for the working environment, they fail to give them as rounded an education as do their German counterparts. And some Social Democratic educators claim that parents worry that if study time were to be reduced, their children would be pushed out into the world of work before they had reached an "appropriate degree of ripeness." And so the debate rages on, with an early solution unlikely.

In the meantime, the Federal Republic is—and probably will remain for some time to come—one of the few countries in which the balding male student is a common sight.—WELLINGTON LONG

DUBLIN

A New Constitution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Eamon de Valera signed the current Irish Constitution.

The Irish Constitution is 50 years old this June, and is generally seen to have served the country well. Nevertheless, pressure is now growing for a review that could result in replacing it with a new Constitution, one that would be more attuned to the country's political, economic and social realities as the century draws to its close.

Ten years ago, an all-party committee of the Dail, the Irish Parliament, made proposals for some radical changes in the document, but there was then little political will to implement them. This time around, however, the recent judgment of the Supreme Court, which found the political cooperation section of the Single European Act unconstitutional, has given a certain urgency to the growing feeling that piecemeal amendments to the country's Constitution had gone far enough and that something more radical was needed, especially once this was underlined by the fact that each amendment requires a referendum to allow the people to decide, which is a costly and time-consuming procedure.

Most of the proposed 10 amendments since 1937 have been approved, except for two attempts to change the electoral system of proportional representation and last year's attempt to remove the ban on divorce. In each case, the main political parties, Fianna Fail and Fine Gael, either disagreed over the amendment or one of them refused active support. From this experience, the Irish have learned that there is little point in trying to amend or replace the Constitution unless there is broad bipartisan support.

The bulk of the existing Constitution, which concerns the roles of the legislature, the executive and the judiciary, and the fundamental rights of the citizens, would generally be regarded as useful and as having proved its worth.

On the other hand, there would be much heart-searching and debate over the present Articles 2 and 3, which define the whole island of Ireland as the national territory, but limit domestic jurisdiction to the 26 counties of the Republic, pending the "reintegration" of the national territory. Those who argue that these articles are a permanent threat to the Unionist population of Northern Ireland rather than a legitimate aspiration for unity would wish to seek a new formulation.

The Liberals would argue strongly for the dropping of the ban on divorce and the sections showing the influence of Catholic social teaching in the 1930s. Eamon de Valera, the virtual author of the Constitution, regarded such principles as a "general headline to the legislature" rather than binding tenets. The Ireland of the 1980s, while still overwhelmingly Catholic, is more conscious of the need to accommodate those of differing religious beliefs, or of no belief at all. Already in 1972, the reference in the Constitution to the "special position" of the Catholic Church as the one to which the majority belonged, was dropped as a gesture to Northern Protestants, although this effort had little obvious effect.

In its day, de Valera's Constitution was widely hailed as a tolerant and liberal one, serving as a model for countries that later achieved independence, notably Burma. Indeed, its strongest critics were some right-wing Catholic groups who demanded an even more privileged position for the church, as de Valera had been careful to consult the other religious denominations about his wording and had obtained their approval.

Even in 1937, the section of the Constitution dealing with the family and its need for protection by the state was criticized as discriminating against women, who were expected to stay at home minding their children rather than working to augment the family income. However, the provisions that

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Room K639, On-the-Green, Guilford, CT 06437 (203) 453-9794 were to guard families from being put in a position to need two incomes in the first place remained a dead letter.

The Supreme Court, as in the United States, was given the role of judging whether the laws of the land were in accordance with its Constitution. But the role the court has come to play in Ireland would probably have surprised de Valera, as it began to hand down decisions in the 1960s with far-reaching effects on Irish society. Dealing with such issues as contraception, taxation, individual rights and, most recently, the freedom of the Government to sign international treaties if they limited national sovereignty, these decisions introduced a "liberalizing" trend that had not been recognized as such in the Constitution. Other decisions deriving from the "private property" guarantee were criticized as damaging to taxpayers by their insistence on large compensation to property owners.

A modern Irish historian has described the 1937 Constitution as an attempt to "give expression to two very different notions—the liberal and secular tradition of parliamentary democracy and the concept of a state grounded upon Catholic social teaching." The new parliamentary committee that is to study constitutional changes will miss the authority and statecraft of a de Valera as it goes about its difficult task.—JOE CARROLL

LONDON

Food for Thought

Fish and chips, bangers and mash, roast beef and Yorkshire pudding, these most English of foods are under attack by a new government campaign that has listed them as health hazards. The traditional English breakfast of fried eggs, bacon and sausages has also not been spared by the recently launched "Look After Your Heart" campaign, the aim of which is to create greater

The British diet

COURTESY ASSOCIATION OF THE BRITISH PHARMACEUTICAL INDUSTRY

awareness among Britons as to their eating habits and thus to cut down on heart attacks, the Number One killer in Britain.

In the words of health official Edwina Currie—who launched the drive by giving a press conference while riding an exercise bicycle—the diet eaten by the average Briton is "horrendous." Around 160,000 people in Britain die from coronary attacks each year—or one person every three minutes. Which may help to explain why the advertising campaign features an attention-getting, if somewhat shocking, picture of a coffin-shaped pie on a plate of chips (French fries).

Fish and chips and the savory meat pie are as institutional in England as the apple pie in the United States. Unfortunately the process of deep-frying the food in animal fats turns this traditional dish into a killer. So the generally grubby, and much loved, fish-and-chip shop (which has faced serious commercial challenges over the years from the cleaner and brighter American-style fast-food chains) is now being accused of slowly, if inadvertently, killing off its customers!

Britain is close to the top of the international league for coronary-related deaths. They account for 40 percent of premature deaths among middle-aged men, the most susceptible group, and for one in nine of all working days lost in the United Kingdom. The annual cost to the National Health Service for drugs, surgery and hospital beds for heart patients comes close to $800 million. While 10 years ago proportionately more Americans than Britons died from heart diseases, this trend has now, due to increased health consciousness in the United States, been proportionately reversed.

The Government is currently spending $4 million on a special campaign aimed at encouraging people to smoke less, eat a better diet and take more exercise. Through advertisements and publicity booklets the British public is being warned about the dangers to the arteries, and thus to the heart, from animal fats, dairy products, sugar and salt, all of which are such an all-pervasive part of the British diet.

Not everyone connected with health matters is happy with the campaign. The Coronary Prevention Group (CPG) thinks it is far from comprehensive enough, pointing to the Government's failure to involve the family doctor in the preventive drive. For, although three quarters of the population sees its general practitioner at least once a year, little effort has been made to ask the doctors to keep comprehensive records of patients' blood pressure, cholesterol levels or family histories of heart diseases.

There were also complaints from various quarters that the campaign will have little impact on the low-income groups who, according to a recent report by the Government's Health Education Council, have the highest risk of heart disease. The report, titled *The Health Divide,* highlighted the poor diet of the low income-groups as a major cause of ill health, and especially heart ailments. The report's recommendation that welfare benefits be raised to enable the poor to eat better food has been rejected by the Government.

Even the E.C.'s Common Agricultural Policy is being dragged into the debate sparked by the campaign against heart disease. The CPG was quick to point out that surplus E.C. butter is being distributed to Britain's old and poor, despite the fact that butter is universally regarded as a substance to be avoided when considering heart diseases.

If the campaign succeeds in changing the eating habits of the nation, the fish and chip shops might be turned into health-food restaurants and the next time you order an "English breakfast," you may not be served eggs and bacon, but a bowl of muesli, raw vegetables and fresh fruit juice!—DAVID LENNON

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E.C. HAS ALREADY BEGUN REFORMING FARM POLICIES

BUT TRADING PARTNERS MUST FOLLOW SUIT IF GLOBAL PROGRESS IS TO BE MADE.

DERWENT RENSHAW

Over the years, the subject of agricultural policy has engaged, much of the time, energy and occasionally the passion of farm state legislators, Agriculture Ministers and assorted academics, but only rarely has it featured in discussions between Heads of Government. However, it is a virtual certainty that it will, for the first time ever, have its own slot on the agenda for the Western economic summit to be held in Venice in early June 1987.

Growing agricultural surpluses have been caused not only by increased productivity and stagnating demand, but also by domestic support policies.

It is true that the leaders of the seven major industrialized nations, together with the E.C. Commission's President, Jacques Delors, discussed the topic at their Tokyo summit meeting in 1986. But there is mounting pressure to return to the subject again and in greater depth.

A major reason behind this determination to revisit an area normally left to less elevated mortals is that the world agricultural situation—already very serious at the time of Tokyo—has deteriorated still further. This deepening crisis has been expertly analyzed by the Organization for Economic Cooperation and Development (OECD) whose recent report was adopted by Finance and Trade Ministers meeting in Paris on May 12-13, 1987.

Adoption by the European Community and its trading partners means that they have all accepted the OECD's stark analysis, which, briefly, concludes that the structural imbalance between supply and demand for agricultural products on world markets has been caused not only by sharply increased productivity and stagnating demand, but also by domestic support policies that have insulated producers from market realities. This is a situation for which all OECD members have accepted blame and toward the solution of which all have agreed to work—each in his own way—by reducing government intervention and by increasing producer awareness. If coordinated action is not forthcoming, then the OECD warns, the already extremely serious situation will become disastrous not only for the world market and the budgets of the relatively prosperous industrialized members of the organization, but particularly so for developing countries.

General agreement and acceptance of responsibility on this scale is both encouraging and remarkable and something that would have been impossible only one or two years ago. But, it is only a first step and, moreover, the least difficult one to take. It should, nevertheless, lend impetus to and help focus the talks on agriculture in Venice that, in their turn, should impart the essential political momentum for the detailed negotiations in the General Agreement on Tariffs and Trade (GATT).

But, clearly, the most difficult step to take is not the drafting of declarations and communiqués, but the painful and politically sensitive actions needed to actually cut support and thereby make farmers more sensitive to the realities of the market place. These steps need not be identical for all—a view accepted in the OECD declaration—since we have each of us landed in today's mess by different routes.

As to a way to climb out of the mess, the Community has already started on the laborious ascent by taking drastic steps to reform its own farm program—the Common Agricultural Policy, or CAP. The CAP has now been in place for some 25 years and the committed Europeans who developed it could never have foreseen the problems that now confront it. For example, who, not only in Europe but around the world, was then predicting the spectacular advances in technology and productivity that have taken place in recent years? Today's conditions are very different from those obtaining in the late 1950s and early 1960s, so the CAP is being painfully reshaped to fit into the changed world of the late 1980s.

The sectors with the most glaring imbalances have been tackled first, starting with dairy farming. Here, after introducing production quotas in 1984 that had already reduced milk production by between 4 percent and 5 percent by 1985, European farm ministers decided last December not only to cut output by 9.5 percent over the next two years, but to abolish the automatic right of producers to sell surplus production to public authorities and to make it available on only a very restricted basis. At the same time, the beef support price was slashed by 13 percent.

E.C. farm ministers decided last December to cut milk production by 9.5 percent over the next two years. At the same time, the beef support price was slashed by 13 percent.

In the grain sector, the first phase of policy reform was introduced in the 1986-87 marketing year. This involved price cuts for feed wheat and barley and a price freeze for the third year running for bread wheat; a cutting back of the period during which farmers could sell their grain to public authorities and the tightening of quality standards when they did so together with the introduction of a co-responsibility levy (Eurojargon for a producer tax) on every ton of grain sold off the farm. These measures taken together effectively reduced price support by between 10 percent and 15 percent depending on the type of grain involved.

But this was only the first phase and the Commission is proposing more of the same nasty medicine for European grain farmers in its price proposals for the 1987-88 marketing year. Briefly, cuts in official support prices will once again be the order of the day, which, together with further reductions in the opportunities for selling to public authorities, plus the continuation of the producer tax, would effectively lower price support by at least a further 10 percent.

Similar steps are being taken in other sectors. The result of these fundamental measures directed at reforming the CAP—reducing support prices, removing the automatic possibility of selling to public authorities, tougher quality standards, and the increased participation of producers in the cost of disposing of surplus production—has been that our farmers now realize that the days of guaranteed outlets for unlimited quantities are gone forever. Anyone who witnessed 20,000 farmers marching through the streets of Bonn in March would have had no doubts on that score. In other words, they are becoming increasingly aware of, and sensitive to, market signals.

Thus the recent OECD declaration on agricultural policy, and the difficult steps that the Community has already taken, are closely matched. However, this is only a start, albeit a tough one, and much remains for us to do. But we feel disinclined to continue down this rough road on our own. The Community has already set off and is looking back over its shoulder to see when its trading partners are going to follow it along the route now clearly mapped out by the OECD to put some order into world agricultural markets.

Encouraged and directed by a determined push from the summit leaders, the Uruguay Round should present us all with the best opportunity we have had for many years to take the unpopular but essential and, hopefully, coordinated steps. Let us hope that the languorous and seductive atmosphere of *"La Serenissima"* will not prevent the summit from sending a clear and firm political message to the negotiators laboring hard and long in the sterner and brisker climate of Calvin's city on the shores of Lake Geneva. €

Derwent Renshaw is the agriculture counselor at the E.C. Commission's Delegation in Washington, D.C.

MARSHALL PLAN FOR EUROPEAN RECOVERY IS 40 YEARS OLD

GERMAN MARSHALL FUND PLANS MANY ACTIVITIES TO CELEBRATE ANNIVERSARY.

FRANK LOY

Although it turns 40 in June, the Marshall Plan is not going through any midlife crisis or fading into distant memory. On the contrary, its success is still regularly hailed by statesmen and strategists from Manila to Manhattan. The rich legacy of that remarkable period includes a prosperous and somewhat unified Western Europe, a healthy spirit of trans-Atlantic cooperation and an unusual organization called the German Marshall Fund of the United States.

It was under the elms at Harvard University, on June 5, 1947, that Secretary of State George C. Marshall made his offer of massive economic aid to revive war-shattered industry and agriculture in Europe. From the beginning, Marshall recognized that the Germans would have to be included, despite the misgivings of those who were still embittered toward their wartime foes or fearful of revived militarism. As George Kennan, Marshall's chief policy planner, put it: "To talk about the recovery of Europe and to oppose the recovery of Germany is nonsense. People can have both or they can have neither."

The Federal Republic of Germany's eventual share of the $13.3 billion of Marshall Plan aid (more than $60 billion in today's dollars) was not the largest—the United Kingdom, France and Italy received more—but no country felt its benefits more deeply. Not only did the Marshall Plan play a vital role in a pivotal postwar event in Europe—the birth, in 1949, of the Federal Republic of Germany, allied with the West—but it was also the spark that fired the engine of Germany's famed *Wirtschaftswunder*, or economic miracle.

In 1972, on the 25th anniversary of Secretary Marshall's historic offer, the Federal Republic made public its decision to extend a magnanimous thank-you to the American people. Its multimillion-dollar present would not be wrapped in marble, brick or bronze, but would be a living memorial. It would memorialize not just an event, but a whole new interdependent way of thinking about the world that had begun with the Marshall Plan. After all, had not the Marshall Plan awakened the United States from its reverie of isolationism, while nudging 17 European countries into beginning to rethink their economic nationalism?

On the same Harvard campus where Marshall had announced his plan to help postwar Europe, German Chancellor Willy Brandt announced the plan for a German Marshall Fund of the United States. This independent American foundation would be given 10 million Deutsche marks a year for 15 years.

The Marshall Plan prodded the nations of Europe to discard narrow economic nationalism. The Germans insisted that their memorial follow in the same internationalist and cooperative spirit. The German Marshall Fund, despite its singular name, should concern itself with U.S.-European affairs generally, not just with those of particular interest to Germany. Indeed, the fund represented not simply a gift to the American people, but a gift to the entire Atlantic community.

And just as Marshall had asked the Europeans to come up with their own program for recovery back in 1947, the Germans left the new foundation's American overseers to do as they might with the gift. The memorial had no strings attached. There was to be no direction or guidance from Germany, no reporting back, no periodic review or oversight; and the board of trustees was to be entirely American.

The Marshall Plan was primarily a program of grants, since loans and piecemeal aid to Europe in the early postwar years had had little effect on recovery. Most projects had to be approved by representatives of the U.S. Government, but Europeans designed, proposed, and carried them out. The fund works rather similarly today, fielding proposals from and making grants to other organizations and individuals—splitting up its gift from the Germans into hundreds of smaller gifts. In fiscal year 1986, the fund's budget of $5.8 million provided grants averaging $20,000—with a range from a few thousand dollars to $825,000—to 79 different institutions in the United States and Europe. In addition, 293 individuals received grants, mostly in the form of travel-and-study stipends or fellowships of various kinds.

The largest and most significant of the fund's fellowship programs, the Marshall Memorial Fellowships, taps the younger leaders of Europe for what amounts to a traveling seminar on the American nation. Each year, 50 of the most promising younger political figures and journalists from Denmark, France, Germany, Spain and the Netherlands arrive in the United States armed with questions, strong unproven notions and a lively curiosity. After six weeks of meeting everyday and not-so-everyday Americans, these future policymakers and pundits return to Europe with a deeper understanding of the United States. The program will be judged a success to the extent that this more sophisticated perception becomes evident in the decisions they make and the stories they write further down the road.

In the late 1940s, journalists in Paris and in Washington played a vital role in selling the Marshall Plan to the American public. Today, because of their "multiplier" effect on public perception, journalists form a special target group for the Fund. The media program seeks to inform the American public about developments in Europe and to spur interest in European perspectives. It also tries to

Frank E. Loy has been president of the German Marshall Fund of the United States since 1981.

offer the European media opportunities to view the United States from perspectives not readily available to foreign correspondents residing in the larger cities. Two examples:

- If Americans driving to or from work hear a radio report about the Dutch elections or a transit workers' strike in France, chances are they are listening to National Public Radio (NPR). Ever since NPR opened its London office eight years ago, the Fund has sponsored its coverage of foreign developments that are often only superficially reported by other news organizations.
- A series of grants pay for European reporters to spend anywhere from two months to an academic year in professional journalism programs at Duke, Stanford and Harvard universities. The Europeans work and study with American reporters and editors who are also on sabbatical and, through them, have frequent access to business and labor leaders, politicians, and other newsmakers.

When the U.S. Congress was debating Marshall Plan aid in the winter of 1948, the report of the Herter Committee, which had traveled to Europe to inspect the economic malaise there, was critical in securing passage of the Economic Cooperation Act. Thereafter the exchange of techniques and technologies between American experts and European companies contributed to the plan's ultimate success. Not surprisingly, study tours and conferences built around similar sharing of expertise account for a good chunk of the German Marshall Fund's current budget. A typical month might find the fund supporting a group of U.S. Governors in Germany's Black Forest to observe foresters struggling to control acid rain damage, a team of French economic development specialists in Pittsburgh hashing over the best U.S. programs for reducing youth unemployment, and members of Parliament from both sides of the Atlantic caucusing in Salzburg on defense and trade issues.

Fund grants make their way to players on the front line and in the trenches—government administrators, political figures, journalists and issue specialists, often those not ordinarily part of the foreign policy establishment. What these professionals learn today, they put into use tomorrow. With just $5 million a year to give away, there could be no question of funding top-level meetings on the order of a Reykjavik or economic summit, but it is possible to open up a dialogue among behind-the-scene players in debates such as these.

And occasionally it is even possible to provide seed money to build an institution that will have its own life and influence. The proudest instance in the German Marshall Fund's 15-year history is the Institute for International Economics in Washington, D.C., headed by C. Fred Bergsten. Just five years after being established by the fund, the institute has become the premier institution in the United States addressing international economic policy. And it does so in a fresh and vigorous style that makes both Washington and foreign policymakers take note. While the fund continues to make a substantial annual contribution to its endowment, the institute now gets the largest part of its funding from other sources.

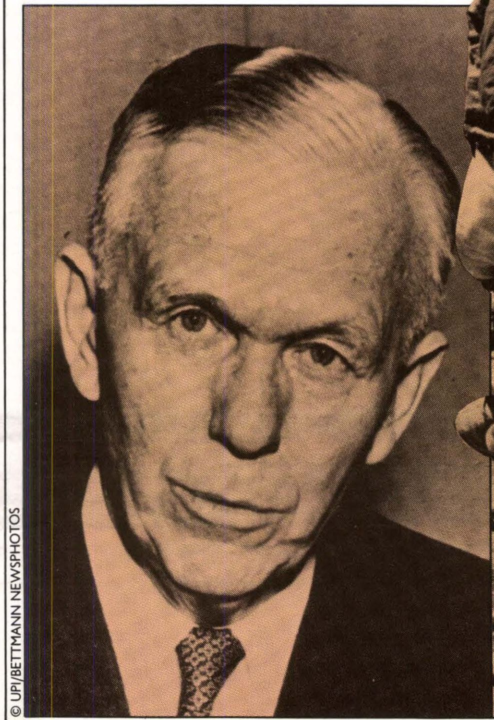
The Marshall Plan story that so many world leaders are fond of invoking is an unfamiliar tale to many. To raise public consciousness about that four-year period of extraordinary cooperation, the German Marshall Fund is sponsoring a number of activities during this anniversary year.

First among them is an international conference that will be held in West Ber-

Continued on page 46.

Secretary of State George C. Marshall (below), fearing imminent European economic collapse, galvanized State Department planners in 1947 to work on a European Recovery Plan (ERP)—later known as the Marshall Plan. The initial document was prepared in less than two weeks. Right: A Greek mother wears an apron made from an ERP flour sack.

Although the Marshall Plan provided desparately needed humanitarian aid, it was primarily an economic program. U.S. dollars often were the critical margin in financing the steel, machinery, fuel and raw materials needed to restore production. Here an Austrian machinist works on a U.S.-made drill press; the ERP sticker, a red, white and blue shield, is at left, above his hand.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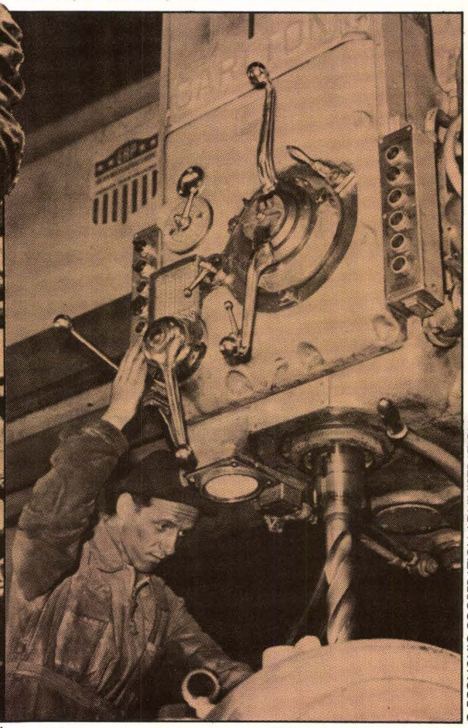
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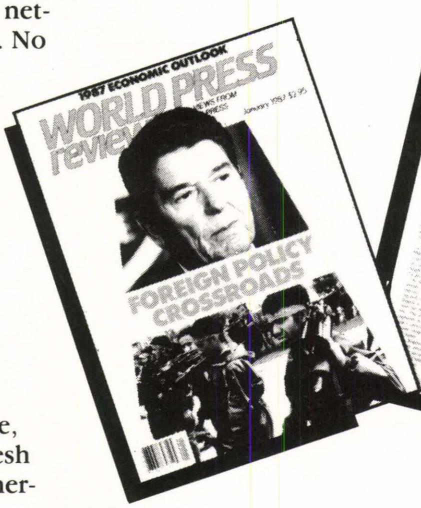

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WINNING IN THE GLOBAL MARKET

AMERICAN BUSINESS CONFERENCE PRESIDENT WILLIAM LILLEY III DISCUSSES TRADE, EUROPE AND THE PROTECTIONIST THREAT TO BUSINESS.

STEPHEN BROOKES

Is American business falling behind in the race for international competitiveness? A new report by the American Business Conference—a group of 100 mid-sized, high-growth companies that have been highly successful both domestically and abroad—contends that opportunities abound in foreign markets for companies willing to fight for them, and that protectionist actions are "of no help at all." ABC executives believe that "international competitiveness is largely a question of managerial will and skill" and that "current trade law, streamlined and vigorously enforced, is sufficient" to ensure fair international trade, according to the report. ABC President William Lilley III talked to Europe Magazine's Stephen Brookes in early May on the current protectionist mood in Congress and the experience of ABC companies doing business in the European Community.

© STEPHEN BROOKES

ABC President William Lilley III: "American companies have got to realize that what used to be a slogan—the global market—is now a reality."

We're hearing a lot about the "competitiveness issue" lately. Is American business really losing its ability to compete internationally, or is this just a fashionable slogan?

Oh yes, it's a problem. I think there are two major causes for the loss of competitiveness. The first has been the propensity of the Federal Government to run large deficits, both in recession and boom, which cumulatively eat up the country's savings. Savings are very small or negative, and that has raised the relative cost of capital for American companies vis-a-vis their competitors—Germany and Japan, for example. And as a result, it has lowered capital formation—both fixed-capital and knowledge-capital formation—and therefore has lowered the growth of productivity in this economy.

That's one cause. The other has been the high level of comfort that executives—particularly of very large established corporations—have had in being successful in the American market. And because this has been by far the biggest market, executives grew comfortable measuring their success by how well they did domestically. It was thought that success abroad followed automatically from success at home, and that you did not have to make any special effort to penetrate international markets.

But European and Asian countries and companies became vibrant and innovative over the same 25 to 30 year period, and while many American executives were focusing on just the domestic market, foreign companies became strong abroad then came in and challenged them in the domestic market. So you have, not so much a complacency as an inward-looking attitude on the part of executives.

Then, when we went into a trade deficit situation after 1981, it turned out that many of our companies, because of the culture that had grown up during this inward-looking period, simply could not readjust and take the kinds of steps that ABC companies, because they're younger, highly entrepreneurial, and nonbureaucratic, were willing to take: go into markets, take risks, be patient and be willing to absorb the four or five years of losses that are necessary before you penetrate a foreign market.

We're now in a period where the very large corporations in this country are under heavy pressure from the financial markets and intense scrutiny from the financial analysts, and therefore they are under very tough quarterly pressure to have smooth earnings results. So at a time when the culture should have changed in corporate America, pressures had been building which made it difficult for them to take the kinds of risks that had become necessary. Our companies were not in that sort of situation.

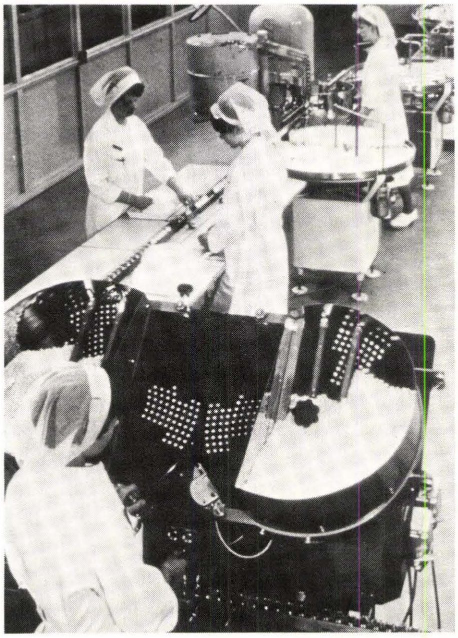
The Department of Commerce reported last year that only 30,000 out of 300,000 American companies produced for export, and that there are some 18,000 companies that could export, but don't. Are we going to see wider appreciation of the need to be internationally competitive, of the link between that and domestic competitiveness?

That's the $64,000 question. Our companies see it as absolutely imperative that you be successful abroad. And they love doing it—it's a great challenge. But there's a kind of schizophrenia in the business community. On one hand, you have the pride in American companies like ours going abroad and being successful for the first time in our history and our culture. Only now, for example, would a President of the United States go to a Harley Davidson factory to celebrate the rebirth of the hog motorcycle, now that they're selling it abroad. It's starting to click that *that's* what success means now. So you've got a public and a culture hungry to show that we can do it—we can cut it.

On the other hand, you have almost an orgy of protectionism running loose in the country. And the Government is part of the problem; there are too many people unwilling to say, "We brought this on ourselves, so let's get our house in order." Instead you hear, "Something's wrong, it can't be our fault so it must be somebody else's fault—let's punish them."

But isn't there a real problem with unfair trade practices? Is existing trade legislation tough enough to "level out the playing field" for American traders?

There *are* government-imposed trade barriers in other countries which restrict the ability of U.S. companies to enter those markets. Those barriers are real, and they should be lowered. But I think it's a fair statement that over the last decade those barriers have been going down generally in most countries, including Japan. Of our $170 billion deficit, maybe $20 billion is attributable to those government-imposed barriers. Broadly spoken, 15 percent of the competitiveness problem is the unfair trade problem. Government should keep working on those barriers; the laws that are on the books now are completely adequate to deal with it.



COURTESY GERMAN INFORMATION CENTER

Manufacturing and agriculture: two key areas of trade between the United States and the European Community.

Are we in for a long period of protectionism?

I think that if we do what we usually do, we'll go through a period of chest-beating and hand-wringing and finger-pointing, and then we'll say, well, that makes us feel better but we've got to get our act together macroeconomically, through the Government, and get our act together within companies with the quality of our goods. And I think that there are signs of the latter going on all over. I see the rates of acceleration in our companies in penetrating foreign markets—particularly in Europe—and I'd like to think that we are the bellwether leaders in this area; our rates of growth abroad are just so much bigger by any measure than the Fortune 500 or Forbes 500 companies.

But I think that the American business community now has been encouraged—and I think the Democratic leadership in Congress bears responsibility for this—to think that, because of the so-called unfair activities of our trading partners, it's O.K. for us now to be protectionist for some little period, to "get even" or something. We're in a period where a number of industry sectors are actively up on the Hill trying to get coverage for themselves, but free trade everywhere else. They want to be able to sell high and buy low.

But with a trade deficit of $170 billion, there's probably going to be more than just finger-pointing—the Gephardt amendment, for example.

Roy Denman [Head of the E.C. Delegation in Washington, D.C.] made a very good statement a few weeks ago. He said that if anyone had wandered into his office in 1980 and said that the E.C. ought to start a legislative process whereby the countries with whom it was in trading deficit should be punished 10 percent per year, he would have run them out of the office! And I think that's a fair statement.

So sectoral and bilateral trade imbalances are really non-issues?

In any kind of trading relationship somebody's going to be in deficit and somebody's going to be in surplus. As long as the great percentage of the reasons for one or the other are not some form of GATT-illegal activity, well then, that's life. That's how comparative advantage works. As to sector-by-sector imbalances, some countries are skilled at doing some things and other countries at doing other things. Even if the U.S. and E.C., for example, were in perfect aggregate balance, you would still have enormous sectoral imbalances.

The notion of sectoral reciprocity is an even more economically pernicious notion than bilateral equality. Eventually we will have to run a surplus, and when we do we should not have established some form of legislative predicate that it's O.K. now for the Common Market to beat up on us until we're in deficit again. We never complained about this problem before, when we were in surplus.

Let's cross the Atlantic for a minute. What kinds of barriers have American companies found to exporting to the European Community?

Well, you've got the 15 percent part of the problem that we talked about a few minutes ago. The Common Market obviously has its barriers, just as we have some barriers here. The problem of agriculture is a very serious one—a number of our companies were caught up in the corn issue, and we were very afraid a retaliatory cycle would start up. But aside from that, the biggest problem in the E.C. countries has been the fact that American goods are perceived there—either fairly or unfairly—to be of inferior quality. That creates a cultural barrier that has to be penetrated, and that takes four or five years. The only way you get through it is to upgrade the quality of your products, which many of our companies did, and/or you have to market very aggressively for a period to establish that quality trademark. Once you've established it, you're in.

Should American companies aiming at European markets try to form joint ventures with European companies? And take advantage of the marketing skills those companies have on their own turf?

At the ABC, the executives prefer to avoid joint ventures because it leads to a form of governance by committee. To break into a market takes agility, aggressiveness, risk-taking and patience—but most of all agility. Let me give you an example. I got a call the other day from John Rollwagon, the head of Cray Research, one of our ABC companies. He was calling from Paris, where he told me he was setting up an office for a few months. He'd decided that he was going to sell five supercomputers to the French this year, so he'd gone over there to learn French and learn the territory. I'd moved offices abroad when I was with CBS, and I know what a massive and complicated operation it usually is, so I asked him how big the office there was going to be. You know what he told me? Just himself and a secretary. *That's* the kind of flexibility and agility you have to have if you're going to get into these markets. And all our ABC companies say that the only way that you can maintain, upgrade or innovate quality is hands-on management. You have to go and really do it hands-on.

Now that the dollar has declined 35 to 45 percent over the past two years against the European currencies, but little if any against the currencies of other countries—Canada and Korea, Brazil for example—hasn't Europe become a particularly good market for American exporters?

I think that Europe is better now than it was before, and it was good before. The experience of the ABC companies proves that. And the decline of the value of the dollar will make our rates of achievement even greater in the Common Market. But the problem which I believe has compounded the view of the J-curve (and this is the longest "J" in the history of macroeconomic thinking) is that you have a quality problem. And until you break the quality barrier and convince consumers that they want to buy these goods, you're going to have price inelasticities that will stick with you. I think that *that's* what we're seeing, as much as we're seeing companies willing to cut profit margins to stay where they are.

Is American business aware of the opportunities in Europe? And is there a feeling that Europe is more economically buoyant than it was four or five years ago?

I think that we're maybe a year or two away from most companies seeing the opportunities in the E.C. countries that ABC companies see now. The big scramble on in the big companies is to regain control of the domestic market, and after that the Japanese market and the European market. Our companies have simultaneously penetrated Europe as well as the Pacific Basin and have been very successful.

An important factor in Europe is that in many places, capital is cheaper than it is here, and it's up to American companies to take advantage of this. A number of our companies have built plants abroad, many in the Common Market, not for any wage differentials at all (all of our 100 companies are high-wage companies) but because the cost of capital is cheaper.

That's the key element?

That's the key. The companies that are making it abroad are value-added quality companies. They aren't low-cost, volume producer companies. And these companies are technology-intensive, capital-intensive, knowledge-intensive. And therefore the cost of capital is critical.

A few months ago Michel Noir, the French Trade Minister, floated the idea that the U.S. and the E.C. ought to join forces in pressuring Japan to open its markets and fix its trade imbalances. Is that a useful approach?

I think so. I think there are clearly sectoral clusters in Japan where something has to be done. If you're going to have all the benefits of being the leader, you have to assume some of the burdens. And that means there have to be some changes at home.

We also have to get together to do something about this agricultural subsidy business. It's costing the taxpayers and the consumers fortunes, and the price enhancement effect is just enormous. And it hurts poorer people more than it hurts the wealthy. The whole thing is a mess.

That should be done—as I'm sure the French Minister meant it—not in a spirit of Japan-bashing, as if the Japanese had done something naughty and that's why we're a little behind, but should be done in a sense that the further barriers are reduced worldwide, the more companies then can go out and trade and export and be constructive and be competitive. And I think that any kind of collaboration in this area is very healthy; it tends to be much more positive than a country declaring unilaterally that it is going to take up its marbles and go home because everyone is being mean to them. Which is a very unconstructive attitude. So I think it's a good suggestion.

What could the U.S., Japan and the E.C. do together to create a better climate for global economic growth?

There are obvious things that are the Government's responsibility. This agricultural thing is serious, and it can't be solved unilaterally. It has to be worked out in tandem, because if the U.S. tries to do it unilaterally it would just worsen the situation.

Then there's what [U.S. Treasury Secretary] Jim Baker has been driving at: growth strategies, particularly in West Germany and Japan. Those two countries have to assume the kinds of obligations that a "locomotive" economy has, as the United States has. On the other hand, we have to do something about our deficits.

Having said that, I think the rest devolves upon the shoulders of people running companies. American companies have got to realize that what used to be a slogan—"the global market"—is now a reality, and that the only way you will protect your domestic market is to capture foreign markets. They've got to realize that much of the technology and innovation in markets is now worldwide, and that to capture innovation and bring it home you have to have integrated presences abroad. A good part of the innovation is coming from abroad, just as a good part is coming from the United States, but you've got to be integrated abroad to bring it back. You've just got to be integrated abroad. €

Stephen Brookes is a contributing editor of *Europe*.

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STEPHEN BROOKES

Semiconductor chips have become the "brains" of everything from computers to toaster-ovens. Right and below: The delicate process of chipmaking at the Siemens factory in Germany.

Top: © GAMMA LIAISON/GABY SOMMER Bottom: © SIEMENS Background: © ALFRED PASIEKA/ TAURUS PHOTOS

The shadow of yet another trade war fell across the world economy in April, when the United States slammed down a ball-and-chain 100-percent tariff on a carefully-chosen selection of Japanese electronic goods. The move rocked stock markets, threw currencies into a tailspin and sent waves of grim-faced trade negotiators shuttling back and forth across the Pacific. The subject of the dispute was an agreement that went sour—an agreement that tried to instill some order into the volatile world market for the tiny, fragile, awesomely powerful chips of etched silicon known as semiconductors.

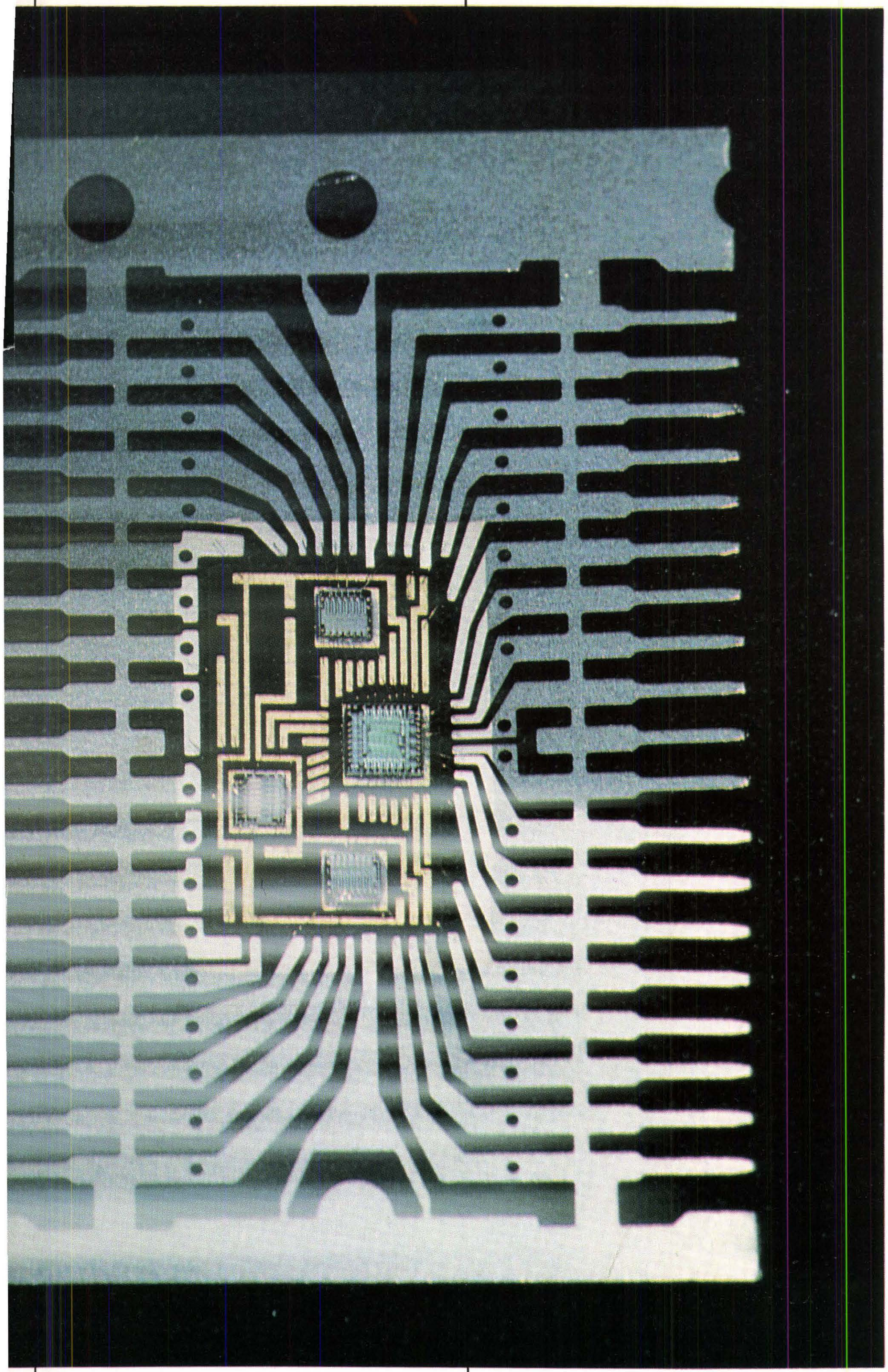
The chip war is still running its course, and a new battle was recently engaged in Europe on April 9, when the E.C. Commission opened an unfair trade investigation of its own into Japanese semiconductors. The American and European complaints both reflect broader concern over Japanese actions in world trade generally, but they also throw a spotlight on the cutthroat competition the semiconductor industry is engaged in, the strategies they are adopting to cope, and the stakes at risk.

Semiconductors—they take their name from their position midway between conductors and insulators in their ability to carry electricity—channel electrons along microscopic, photographically etched pathways. They function as miniature adding machines and memory banks, capable of carrying out millions of digital operations every second. They've become the brains of almost everything we think of as high-tech, from computers and robots to (as one appliance dealer has christened them) "smart toaster-ovens." They've become so important that the way the semiconductor industry organizes and strengthens itself—both in the United States, Japan and Europe—is going to affect not only the temper of the trade climate but the internal dynamics of all the technological economies as well.

The chip war began as a result of the dramatic falloff in computer sales that started in early 1985, bringing with it an equally dramatic drop in demand for their component semiconductors. The markets got bloody almost overnight. Within six months, the Japanese had cut prices for their most common and widely used dynamic random access memory (D-RAM) chips by about 70 percent. Intel, Motorola and National Semiconductor, three big American D-RAM makers, pulled out of the race in order to focus on other chips. And over the next two years, the industry chopped away at itself, cutting 25,000 jobs but still finding itself $1 billion in the red at the end of last year. Industry lobbyists descended on Washington, and the war drums began to beat.

That there was overcapacity in the industry for basic memory chips, no one

Stephen Brookes is a contributing editor of *Europe.*



doubted. And the charge that the Japanese were selling their chips abroad at below cost (a practice known as "dumping") was also widely accepted. But the solution adopted by the Reagan Administration—a bilateral agreement setting an artificial base price for the chips Tokyo sold not only in the United States but *anywhere in the world* outside of Japan—was unworkable from the start, and bound to exacerbate trade frictions.

Not only did the agreement founder, it even proved destructive while it lasted. Chips piled up in Japan, pushing prices down further and making the Japanese market even more impenetrable than it had been before. American chipmakers found they didn't benefit much from the slight price rise of 15 percent or so that did occur, and users of the chips were furious; as their costs rose, a number of them watched their products get priced out of the market.

For Europe, still a net importer of chips, the implications of the agreement and its final result are especially high. Japan and the U.S. hold by far the lion's share of the world market; they set the pace and rules of the race, and that race is heating up quickly. A study by 12 representatives of government, academia and private industry released earlier this year concluded that the American semiconductor industry had lost its position of world leadership to Japan. At least $2 billion should be funneled into the industry through the Pentagon over the next five years, the report asserted, if the United States was not to lose the research structure that it needs to develop the "superchips" of the future. And many industry observers say that the time has come to take certain steps to keep the United States competitive: closer cooperation on research within the industry, additional government funding of research efforts, changes in tax laws and fair competition in international trade and access to markets.

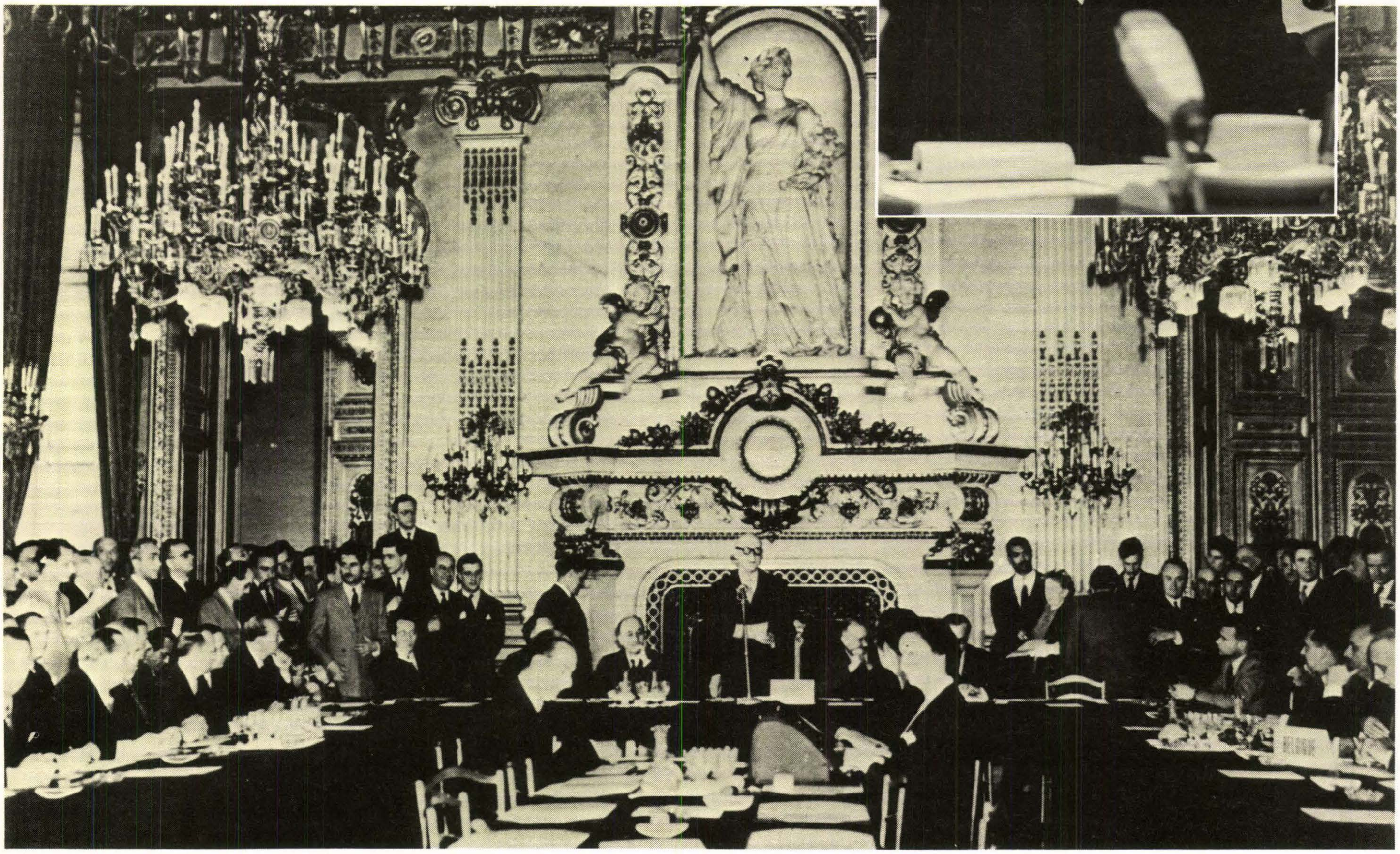
Such actions, together with continued Japanese protectionism and the new advantage American chipmakers now have with the lower dollar in penetrating European and Japanese markets, pose a serious challenge to Europe. And while the computer industry seems to be reviving, other competitors are entering the fray: Korean plants are now producing 256K D-RAM chips for 15 percent less than the cheapest Japanese producers. If Europe is going to make sure it doesn't get cut out of future markets and technologies, it has to respond quickly and boldly to the new trends in Japan and the United States.

One of the key hurdles Europe's chipmakers face now is the small size and fragmented nature of their home market. European producers had just over 11 percent of the $31 billion world chip market last year, down slightly from 1985 but substantially higher than the 8.4-percent share it had in 1984. Domestic manufacturers control only about 40 percent of the European market—roughly equivalent to the American share—and foreign producers are making further inroads. The Japanese company NEC said late last year it would build a chipbuilding facility in Scotland, and Toshiba and Hitachi have also set up chip factories within the E.C. in order to get around external tariffs. Local content rules (requiring that up to 60 percent of a product's components be made where the final product is assembled) have forced foreign producers to manufacture chips in Europe in order to keep their position as suppliers to their own electronics concerns. So the Euro-

Continued on page 44.

HISTORIANS DEBATE EARLY YEARS OF THE COMMUNITY

ARCHIVES OF EVENTS LEADING TO THE TREATY OF ROME ARE OPENED.



Clockwise, from top: E.C. founding father Jean Monnet; French Finance Minister Robert Schuman reads the declaration May 9, 1950 that led to the European Coal and Steel Community; Schuman and Monnet; Monnet presides over the opening session of the ECSC's High Authority on August 10, 1952.

CLIFFORD HACKETT

Not many years ago, young people told each other not to trust anyone over 30. For historians, however, age 30 is just the start of trustworthiness, since the archives of government generally are not open for study until three decades after an event.

This contrast of youthful skepticism and scholarly caution comes together this year as the European Community turns 30. What measure should be taken now of this established fact of European integration which excited young and old when it was only an idea and which now plods along toward something called European Union?

Public opinion polls today show a considerable indifference to European problems among young people there. Yet the historians—who are presumably teachers of the young—show much interest in exactly how the movement for a united Europe developed in the late 1940s and early 1950s.

In Rome this spring, some of these European historians came together to discuss the early years leading to the Treaties of Rome establishing the E.C. in 1957 and to confront some of the participants in those events which turned the Continent's course so decisively. How they came together for such a meeting—which was the third of a series on the early history of the E.C.—what they learned from each other and what this all means for European unity is an interesting interplay of academic and political life.

The Rome conference, as well as its two predecessors, were organized by the E.C. Liaison Committee of Historians, a group organized several years ago with help from the E.C. Commission. The committee came about because of the 30-year rule on access to archives. Until the late 1970s, European historians could not get into those records which covered the occupation of Germany, the deliberations on postwar reconstruction and the French-German reconciliation which finally led, in 1950, to the Schuman Plan. The latter was the first step toward a united Europe. It proposed a European Coal and Steel Community (ECSC) under French and German leadership, but also including the Benelux countries and Italy.

Historians naturally had questions about these momentous events. They tended, even more than their American colleagues, to distrust memoirs, speeches and oral histories as possibly self-serving productions by interested parties. Only the archival documents, they believed, could answer some key questions. When the documents from the 1948-1950 period became public by 1980, the historians went to work. Two years later they formed their organization at a Luxembourg session. Two years after that, in 1984, they held a conference in Strasbourg to discuss what these earliest Community archives revealed.

Was everything now clear? Did the documents answer all of the outstanding questions? To no one's great surprise, the meaning of the long-secreted archives is still not entirely agreed upon either among the historians or some of the participants in the events who are still around to offer an opinion. The gradual unfolding of the historical data, however, means that with each successive year, more interpretative material becomes available and more interpretations possible. Each event of the 1948-50 period, for example, becomes a bit clearer when seen not only from the archives of those years, but from the records of 1950-52 as well.

In 1985, a second conference was held on the 1950-52 period, covering the negotiations which the Schuman Plan produced to obtain the Treaty of Paris establishing the ECSC and the first months of its operation from its Luxembourg headquarters under President Jean Monnet.

These exciting years produced their own differences in interpretation among the scholars, but also a realization that another dimension, perhaps rivaling the archives themselves in importance, was still missing: the testimony of the officials who actually participated in the decisions, advised the ministers and wrote the documents now in the archives. Should they not be called on to witness these discussions and offer their views on what happened?

Again, the answer was not as simple as the question presumes. Some historians reject the idea of participants discussing the scholars' work 30 years after the events. Memories fade; new friendships or animosities replace those of the past; officials retire, reflect, change their minds, resolve doubts or entertain new ones. Can these old boys really be trusted with history? Some of the officials had their own doubts. Who are these historians, anyway, to second guess our work? We knew what we were doing and why. Let history, not mere historians, judge.

With this uneasy circling, the historians' committee and the Commission conferred. A solution appeared when the approximate date from the next conference was considered. The spring 1987 session would consider the crucial 1955-57 years leading up to the Treaty of Rome. This is the "relaunching" of the idea of a united Europe after the devastating defeat in 1954 of the European Defense Community by the French Assembly.

A decision was made to convene the historians meeting in Rome itself, starting on the 30th anniversary of the signing of the treaty which is really the Community's constitution. Since ceremonies were already planned in that city for the anniversary, a number of the well-known participants in the 1955-57 events would be coming to Rome already. Why not invite them to the historians' third conference?

On March 25, 1987, on the Campidoglio, the Roman Capitol Hill, in the same room where the Treaty of Rome was signed three decades earlier, the historians and their guests sat together to look again at both the process and product of history. The conference opened with some inspiring words (read by a deputy) from Guilio Andreotti, Italian Foreign Minister, and some plain truths by Jacques Delors, President of the Commission. (He said Europeans were bored by the Community's institutions.) At the last minute, Andreotti's speech was read by a deputy while his boss tried to put together a new Government.

The next day, the historians began a three-day program of presenting papers, questioning each other and hearing the views of several key participants on the events which culminated in the Treaty of Rome. Among the latter were Christian Pineau and Maurice Faure who signed the treaty for France as Foreign Minister and State Secretary, and Joseph Luns and Baron Snoy et d'Oppuers, who signed for the Netherlands and Belgium, respectively. Also present were Max Kohnstamm and Pierre Uri, long time colleagues of Jean Monnet; Hans von der Groeven, member of the first single Commission of 1967, Emile Noël, Secretary-General of the Commission since 1967 and a direct link with the years under study since he assisted French Prime Minister Guy Mollet in the 1956 debates on the treaty; and many other advisers and officials, most of whom are now retired.

No dramatic revisions of actions leading up to the Treaty of Rome came from this conference, but something more vital and more interesting did occur: The historians and the history-makers stopped to listen to one another. It would be an exaggeration to say that they found immediate and profound agreement. Rather, they listened and then tried, sometimes not too gently, to correct the

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Clifford Hackett is writing a book about U.S.-E.C. relations.

REPORT EXAMINES FUTURE OF THE E.C.

FASTER GROWTH, MORE ECONOMIC REDISTRIBUTION AND BETTER INTERGOVERNMENTAL COORDINATION ARE URGED.

JOHN WYLES

"Where will it all lead?" was once a fairly standard theatrical cliché, posed as a question by an overwrought actor in the face of cataclysmic events. It is a question that the European Community, arguably, has not asked itself often enough over the years as political compromise has piled upon political compromise without sufficient reference to the "big picture."

To his credit, Jacques Delors, the President of the E.C. Commission, decided to put just this question to a very distinguished group of economists.[1] But rather than ask them just to look into the future, he also requested guidance as to how E.C. policies must be adapted to achieve the basic objectives of economic growth and political harmony.

The desire to have somebody stand back and take a view of future requirements was prompted by the two most important developments in the E.C. in recent years: the decision by the Heads of Government to aim for a full removal of the barriers to a common market by 1992 and the enlargement of the E.C. to include Spain and Portugal.

The report of the group led by Tommaso Padoa-Schioppa, a vice director-general of the Bank of Italy, is probably the most comprehensive picture ever produced of how one aspect of the E.C. relates to another. Its 149 pages and five annexes are not a light read, although Padoa-Schioppa's introductory letter to President Delors and a summary chapter provide an admirable shortcut to its main conclusions for those less interested in the detailed argument.

> The report gives a ringing endorsement of the E.C.'s objective of creating a fully open internal market by 1992 since much of the Community's past progress has come from the removal of formal trade barriers.

The answer to the question "where will it all lead?" implied by the six economists is "toward even greater internal political stress and economic inequalities within the Community." Their recipe for avoiding such unfortunate consequences to enlargement and the dismantling of all internal trade barriers is a set of policies aimed at:

- promoting faster economic growth within the E.C.,
- redistributing economic benefits from richer to poorer members and
- reducing the scope for member states to pursue autonomous economic policies.

The E.C.'s achievements to date

It is hardly surprising that the report should give a ringing endorsement of the objective to create a fully open internal market by 1992—as it points out, much of the E.C.'s past economic progress derives from the removal of formal trade barriers, particularly among the six founding member states.

Sadly, the process began to stall around 1973 as economies were hit by the oil crisis and covert barriers to internal trade began to come down. Equally sadly, says the report, the E.C. began to shoot itself in the internal trading foot by introducing border taxes in agriculture and production or trade quotas in agriculture, steel and textiles.

While each measure, considered in isolation, may have appeared a reasonable political response to the needs of the moment, they are now not only the source of distortions, but also real obstacles to equal opportunities for the new member states looking to offset the impact of full E.C. competition. "The only proper solution to this problem is to avoid creating new quota systems in the organization of Community markets, and to phase out existing systems in a fair way," says the report. Overall, the E.C. system "shows a mixed pattern of achievement and regress, of innovation and stagnation."

Economic growth and the internal market

How to draw a straighter line of development rather than the zigzag of the past? First of all, by recognizing that the internal market program may not succeed unless it is balanced by changes in economic management and a redistribution of the fruits of economic growth.

Achieving this growth, in the first place, is held to be a fundamental condition of the success of the internal market program. In themselves, the removal of non-tariff barriers and the freeing of labor and capital markets should deliver higher output. The report refers to an estimate, which it thinks may be slightly on the high side, that the gain could be a little over 1 percent a year in the growth of the industrialized countries.

Government polices need to be geared toward nurturing the delivery of this higher rate of economic growth, which, to ensure success of the internal market program, must be above the recent average of 2.5 percent per year. A vigorous implementation of the market-freeing plan could even raise the growth rate to around 4 percent a year, say the economists, and the prospect of such a success may stifle the protectionist instincts still impeding the necessary agreements.

The economists are not wholly sympathetic with the Commission's approach to managing the negotiations on the internal market program. Its 1985 White Paper lists over 300 items of E.C. legislation

[1]Study Group on the Integration Strategy of the European Community. Chairman: Tommaso Padoa-Schioppa, vice director-general, the Bank of Italy. Members: Mervyn King, London School of Economics and Political Science; Jean Paelinck, Netherlands Economic Institute and Erasmus University, Rotterdam; Lucas D. Papademos, economic adviser, Bank of Greece; Alfredo Pastor, president, Em—pres—sa Nacional Hidro-Electrica del Ribagorzana, Barcelona; Fritz W. Scharpf, director, Max-Plank-Institut für Gesellschaftsforschung, Cologne. Rapporteur: Michael Emerson, E.C. Commission.

John Wyles is the *Financial Times* bureau chief in Rome.

that are needed and the Commission has been regularly issuing a "score card" demonstrating how member states are falling behind in producing the necessary pace of agreement.

"Given the ambitious scale of the program, it becomes necessary to reflect on priorities, so as to decide which questions warrant attention at the highest level," the report says somewhat critically.

Nevertheless, the change in the E.C.'s approach of seeking harmonization of all technical regulations is warmly welcomed. In making a break with past attempts to harmonize the time of the day during which lawn mowers could be used or the legal definition of ice cream, how could it not be?

Instead, the Commission has postulated the much more sensible approach of mutual recognition of slightly differing standards in member states. In other words, national legislation will be framed in such a way as to respect minimum E.C. requirements. This decentralizing approach is heartily endorsed by the report, which affirms that it will need to be more extensively used if the 1992 deadline is to be met. Effective E.C. policing of competition and state subsidies will be even more important after the completion of the internal market. Private-sector confidence could be badly shaken by state subsidies that affect competitive conditions, says the report. But the E.C. should not try to over-regulate and should set thresholds for regional and state subsidies to free itself of concern with more marginal cases.

Competition policy could also take a benign view of some collaborative industrial ventures, particularly in sectors where non-E.C. companies have a monopolistic or oligopolistic grip on markets. As far as a common corporate tax system is concerned, the economists urge governments to turn toward a cash flow tax rather than the tax treatment of dividends that has been the traditional focus of E.C. harmonization efforts.

Capital mobility and monetary policies

One of the most potentially stressful and politically sensitive aspects of the internal market program is the freedom it will confer on the movement of capital. The report makes crystal clear that this freedom will put the management of the small economies at the mercy of the larger ones. The larger, moreover, must agree on closely collaborating policies if the European Monetary System (EMS), one of the E.C.'s most important achievements of recent years, is to survive.

"A small country must be prepared to accept the level of interest rates set in the larger partner country, together with exchange-rate intervention rules. . . . Nor can such a country set any other strategic variables of monetary policy independently," says the report.

Put simply—too much so for the economists—a small country trying to maintain a fixed exchange rate must maintain its interest rates at levels that will not risk a capital outflow and reserve losses to other, larger partner countries who must inevitably set the interest-rate regime for the E.C. as a whole.

The report says that a group of countries of comparable size—which it does not identify, but which would probably, but not exclusively, be the Federal Republic of Germany, France, the United Kingdom and Italy—has to find an agreement on how monetary policy is to be determined. It could either leave the job to an informal leader of the group—again not identified, but probably Germany—or establish monetary policy jointly. The best way to achieve this would be to strengthen EMS mechanisms and monetary coordination. In the absence of the latter, the EMS would cease to function properly.

> One of the most potentially stressful and politically sensitive aspects of the internal market program is the freedom it will confer on the movement of capital. Close policy coordination will be essential.

The economists sketch out a two-stage development for the EMS that would preserve exchange rate stability in an E.C. of high capital mobility. The essential elements of the second stage would be:

- Stronger co-ordination and joint management of monetary policy.
- Stronger EMS mechanisms that would guarantee more consistent and forceful intervention to resist realignments when they are judged unnecessary. Intervention burdens would be shared and a public determination exhibited not to yield to unwarranted market pressures.
- Safeguard clauses that would allow member states to adopt protective capital controls in exceptional circumstances. Controls would never be unilaterally imposed without reference to other member Governments (as has been the case in the past). Instead, the restrictions would be decided on a collective basis in the same way that EMS central rates can only be changed by a common procedure.
- Well structured participation of the E.C. in international monetary cooperation so that the additional bargaining power of a common European monetary position is exploited in monetary negotiations with the United States and Japan.

As well as these developments, the role and adequacy of the E.C. bodies currently responsible for monetary discussions would need to be reviewed while the European Currency Unit's (ECU) role would have to be further developed.

Stage two, the report stresses, would not amount to a monetary union, which the economists caution should not be approached in too much of a hurry. However, it would clearly require a much greater surrender of national economic policy-making autonomy to E.C. institutions than currently exists. Among other things, this process would eventually have to subject national budgets to greater common disciplines.

Responding to the "triple challenge"

The internal market program, the entry into the E.C. of more diverse and comparatively less developed economies and new trends in industrial technologies will intensify the need for an adequate regional policy in the Community.

There is little basis in economic history or theory, says the report, for believing that an "invisible hand" will respond to this triple challenge. Rather, current trends that are tilting the industrial structure toward high technology industries point to a worsening of the problems of backward and geographically peripheral regions.

The regional interest needs to be considered in operating the broad array of E.C. policies, from agriculture to research and development, say the economists. Equally important, though, is to increase the size and concentration of the E.C.'s so-called structural funds on the backward and peripheral regions and on the old industrial regions now in decline.

The report notes the Commission's proposals for raising spending from the structural funds from 7 billion ECU (currently about $8.2 billion) in 1987 to 14 billion ECU in 1992 (at constant prices). This would represent a transfer of about 2 percent of the poorest regions' current gross domestic product and should con-

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E.C. WILDLIFE POLICY IS TAKING SHAPE

COMMUNITY-WIDE DIRECTIVES ARE FORCING MEMBER STATES TO ACT.

MIMI BRIAN

The European brown bear, the European mink and the Mediterranean monk seal find themselves in a situation more commonly associated with such animals as the African elephant, the panda and the snow leopard. In fact, data from the European Community show that 31 of the 86 wild mammal species found in the E.C. are in danger of extinction, and 15 are threatened. Other species listed as threatened are the wolf, the otter, the lynx, the beaver, the red deer and the chamois. Bats, which count for nearly one-third of the indigenous terrestrial mammal species in the E.C., are all threatened to some extent. The same is true of the over 100 breeding species of reptiles and amphibians.

The lynx is listed as "threatened" by the E.C. © FPG/A. SCHMIDECKER

The European Community recognizes the danger to and the importance of protecting indigenous European wildlife. Its overall wildlife policy is found in the Fourth Action Program on the Environment and reflects a growing concern among European officals about the plight of wildlife on the following themes:

- Genetic variety, which is a part of common heritage, constitutes an important resource and is an essential factor in providing ecological balance.
- As a general rule, the measures taken to protect the overall environment have also had a beneficial effect on the fauna and flora. The protection of the latter, however, also requires specific measures and, to make these effective, the Community provides an important stage between the national level (often too narrow as a base) and the world level (where the institutional framework for binding action is entirely lacking). The specific measures needed are: the conservation of habitats, the monitoring of the collection of wild fauna and flora and the monitoring or banning of trade in endangered species and in goods or products derived from these species.

The Directive on the Protection of Wild Birds is one example of European wildlife policy. Seventy-four species of wild birds were listed as endangered on the 1979 E.C. birds directive. In 1985, the birds directive was amended: 70 more bird species were added to the list for a total of 144. Species of birds on the directive are listed as being in danger of extinction, vulnerable to specific changes in their habitat, considered rare because of small populations or restricted local distribution and/or requiring special attention because of the specific nature of their habitat.

The birds directive not only lists endangered and threatened species, but also states basic rules of protection, restricts hunting to certain species, dictates hunting methods, limits trade of certain species and provides guidelines for habitat protection. The expansion of agricultural lands has increased the pressures on European wildlife. Clearance of forests and hedgerows decreases habitat areas, particularly for birds. Most British birds are arboreal, and, since woodlands amount to only about 5 percent of the land surface in Britain, hedgerows are important habitats. The birds directive attempts to compel E.C. member states to recognize and protect such restricted wildlife habitats.

The E.C. Commission provided 50 percent of required funds to 11 nature conservation projects in 1985. One project was to include a survey of the wild-bird population of Europe and to suggest a suitable administrative structure for surveillance of that population. A second project was to evaluate the effectiveness of Community policy of protecting wetlands as a way of preserving bird populations.

The other nine projects follow from this policy of wetlands protection in order to preserve bird populations. The projects were to be in Lac de Virelles, Belgium; Elzwasserwiesen, Germany; Lorraine and the Nord-Pas-de-Calais in France; the provinces of Ferrara and Ravenna and the Circeo National Park, Italy; Overijssel in the Netherlands; and Frampton Marshes, Lincolnshire, England. The funds for these 11 projects totaled approximately $1,629,400—an average of $150,000 per project. In addition to these efforts, the E.C. has plans to identify and protect a network of representative habitats throughout Europe in hopes of ensuring the survival of threatened species.

A ban on whale products was imposed in January of 1981 in response to public outcry. A Council directive of March 28, 1983 bans the importation of products from harp and hooded seal pups. It is interesting to note a substantial reduction in the reported number of seal pups killed during the 1983 hunting season, the first season to be affected by the ban. While no E.C. member countries are involved in whaling activities, Norway and Iceland have not eliminated their whaling industries, much to the protest of conservationists.

E.C. wildlife policy statements recognize that wildlife protection is an area in which wider international actions are not only important, but also necessary to complement national or local measures. The E.C. therefore works closely with other international organizations such as the Organization for Economic Cooperation and Development, the Council of Europe and the United Nations Environment Program in formulating its own wildlife policies.

The E.C. is a member of several international conventions concerning wildlife, including the following:

- The 1973 Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- The 1979 Bonn convention on the Conservation of Migratory Species of Wild Animals.
- The 1979 Berne Convention on the Conservation of European Wildlife and Natural Habitats.

• The 1976 Barcelona Convention on the Protection of the Mediterranean Against Pollution (which includes protection of Mediterranean flora and fauna).

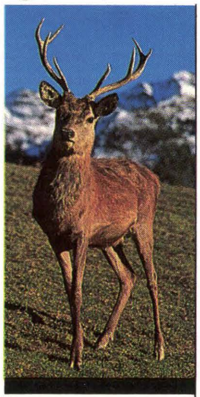
All but two of the E.C. member states are contracting parties of the 1971 Ramsar Convention on Wetlands of International Importance Especially as Waterfowl Habitat. (France and Portugal are the exceptions.) The other 10 states have designated a total of 157 wetlands, covering roughly 1,492,160 hectares, as areas to be protected according to this convention. The E.C. has observer status in the International Whaling Commission and in some of the fisheries committees of the Food and Agriculture Organization of the United Nations.

The brown bear is one of 31 wild mammal species in the E.C. that is in danger of extinction. © FPG/H. ROSS

Other actors important to the wildlife preservation movement are private, non-governmental organizations. These are important sources of technical information and expertise in the field of wildlife preservation. In addition to being information sources, they are also a source of funds and lobbying efforts, and they play the role of watchdogs over activities relating to wildlife policy.

The effectiveness of international conventions and treaties depends on several factors. As there is no international enforcement agent, the ability of a treaty or convention to keep its signing parties actively working toward compliance is important. Requiring the regular submissions of reports and holding of meetings are two methods by which conventions may keep their signatories active. Nongovernment organizations act as lobbyists to promote compliance to international conventions and treaties.

Two of the most widely recognized non-governmenal organizations involved in wildlife preservation are the World Wildlife Fund (WWF) and the International Union for the Conservation of Nature and Natural Resources. The WWF finances many wildlife projects throughout the world. Its 1986 contribution to programs in Europe totalled $12,370. This, however, represented only .16 percent of WWF's contributions to projects worldwide. Approximately 10 percent of its 1986 expenditures were in the area of public policy. The European contributions were divided between two projects: one in Mallorca, Spain, which received $10,370 for park establishment and management, and one in the Netherlands, which received $2,000 for institutional support and public policy development.



The red deer also faces extinction unless preventive measures are taken. © FPG/A. SCHMIDECKER

Some of the most prominent groups active in promoting the efforts to preserve wildlife include the following: the Nature Conservancy; Trade Records Analysis of Flora and Fauna in Commerce (TRAFFIC), which is involved in the enforcement of CITES); the International Council for Game and Wildlife Conservation; the International Foundation for the Conservation of Game; the International Council for Bird Preservation; the International Association of Fish and Wildlife Agencies; the World Pheasant Association; the International Waterfowl Research Bureau and the Royal Society for the Protection of Birds.

Problems for E.C. Wildlife Policy

Obstacles encountered by the E.C. in trying to make and implement policy concerning wildlife are generally the same obstacles encountered by all efforts concerning wildlife. Movements to preserve wildlife and its habitats must compete against the political and economic strengths of sectors that threaten its survival.

Pollution of air and water by industries and other sources is very detrimental to wildlife. The connection between water pollution and marine wildlife destruction is perhaps more visible than destruction caused by air pollution. The recent incidents on the Rhine River had immediate damaging effects, as well as long-term repercussions. The results of air pollution, however, are no less devastating. Damage and even "death" of forests as a result of air pollution (and/or other factors) can have a multiplier effect on wildlife elimination. For example, up to 7,000 species may live in a healthy beech wood, and loss of a single plant species can mean extinction for 30 or more species of animal. In Great Britain alone, between one-third and one-half of the ancient forest has been lost since 1946. It is difficult to compete against powerful industrial/manufacturing lobbies unwilling to bear the burden of increased production costs due to pollution control requirements simply for the sake of animals.

Pressures of growing populations result in the urbanization of an increasing number of areas in Europe. Wildlife preservationists must combat the desires and needs of humans for limited lands. In an effort to turn more lands into agricultural fields, farmers may essentially eliminate unprotected woodlands, hedgerows, marshes and other wetlands. The E.C.'s Common Agricultural Policy, which guarantees a market for many farm products, may have helped create—inadvertently, of course—a situation in which some destruction of wildlife habitats could occur unnecessarily.

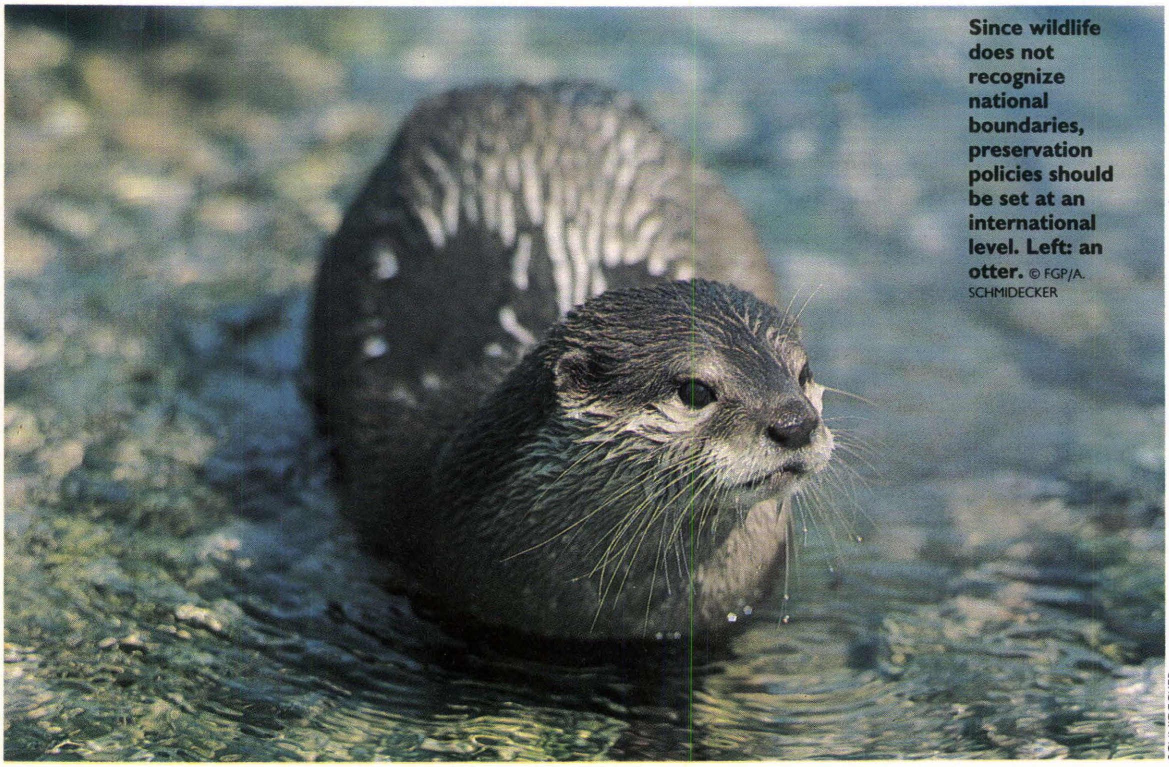
Many disruptions of animal populations do not occur through malicious intent. There are many examples of inadvertent, yet detrimental effects of human actions on wild populations. The building of canals between different bodies of water may change the salinity and silt content of the water. This in itself may cause the death of some species of marine life, and the resulting change in marine plant life may cause the death of others. Another example of inadvertent harm to wild populations include the effects of vehicle speed and noise and the barriers created by the building of roads through wildlife habitats. Recreation in wildlife breeding areas has resulted in breeding failures in the little tern in Britain.

Hunting, collecting and trapping are perhaps the oldest means of extermination of animals by humans. Powerful hunting and sportsmen's lobbies argue that hunting has a positive effect on wildlife management. They contest that hunters serve to cull existing herds and thereby make them stronger. There is truth to this argument when regulations concerning hunting season lengths, bag limits and species restrictions are carefully set, monitored and enforced. The decline of wildlife populations in Europe suggest that this is not the case, and that instead of helping to strengthen them, hunting is only adding to the already oppressive pressures on those populations.

Wildlife losses to such methods as hunting and collecting are deliberate acts, and are therefore theoretically controllable by regulations. The listing and protection of wild birds by the E.C. birds directive is one example of an attempt to preserve species on an international scale. Enforcement of protection, however, remains in the hands of national authorities. Failure by E.C. member states to correctly or completely enforce the birds directive has resulted in the E.C. Commission's entering into legal proceedings against all of them. In fact, the E.C. Commission has filed 216 cases against the member states for not having correctly implemented European environmental legislation.

Growing demand for products from the sea has resulted in over-exploitation of marine wildlife. New measures requiring increasing the size of fishing net meshes, a limit to the strength of beams used to drag fishing nets on the sea bed and more stringent regulations concerning fishing near breeding areas were formally approved by the E.C. and went into effect on January 1, 1987. These measures are intended to allow species such as cod, haddock and sole to recover from overfishing in the North Sea. Another problem posed by fishing vessels involves dolphins and porpoises. Tuna fishermen have long known that, for reasons unknown to scientists, schools of tuna often swim below the pods of dolphins. Fishermen surround the dolphins with nets that extend some 450 feet below the surface, thereby surrounding the tuna. The dolphins are also caught in the nets, get tangled and drown. Measures to protect the dolphin population will inevitably require changes in fishing methods by tuna fishermen that will likely be costly. Convincing fishermen to bear the brunt of this cost for the sake of dolphins, which have no commercial value to them, may not be easy.

There has been a growing recognition of the interdependence of the parts of the world in the past three decades that has initiated a movement to consider environmental issues more as part of, rather than peripheral to, economic, social and political questions. However, like many environmental issues, wildlife policy is still widely treated as marginal a policy to be pursued in times of economic prosperity, but expendable during times of economic difficulty. The fact that wildlife policy is treated marginally helps to explain the lack of funding and manpower devoted to it. Efforts to carry out much needed programs are thereby restricted in scope and efficiency.



Since wildlife does not recognize national boundaries, preservation policies should be set at an international level. Left: an otter. © FGP/A. SCHMIDECKER

Recent developments in Italy, however, suggest that the importance of wildlife issues is gaining recognition. (See also *Europe*, July/August 1986.) Italy is the most heavily hunted country in the E.C. According to the Federation of Hunters Associations of the E.C., 1.46 million people—approximately 2.6 percent of the population—are considered hunters. Italy has the least rigid hunting regulations in Europe. The E.C.'s main complaints with Italian hunting regulations are lengthy hunting seasons, lack of restrictions of huntable species of birds and permitting the use of guns capable of firing more than twice without reloading. Access to wildlife is much easier in Italy than it is in other European countries. While in other countries hunting rights generally go with land ownership, an Italian hunter is only restricted from hunting within special reserves, within 150 yards of a house or in areas enclosed by a six-and-a-half-foot fence.

The situation in Italy has been challenged. A 1986 petition for a referendum proposing the total abolition of hunting succeeded in collecting the minimum of 500,000 signatures required for review by the Constitutional Court. The petition was circulated by a coalition of wildlife groups. In favor of the abolition of hunting are environmentalists and many farmers tired of having their fences and crops trampled down by hunters. Those opposed to such a move are hunters, arms and munitions manufacturers and business involved in the sale of arms, munitions and other hunting gear.

Backed by the political and economic strength of the pro-hunting lobby, a coalition of the Christian Democrats and Communists brought a pending bill to the attention of Parliament. The bill proposed changes that would bring Italy's hunting laws more in line with the E.C. directive. It would prohibit trap shooting with pigeons, shorten the hunting season and limit hunters' access to private property.

This law would also place the authority of establishing hunting seasons and restricting the hunting of certain species in the hands of its regional Governments. Whether or not this bill would compel the regional Governments to comply with the E.C. directive remains to be seen. The coalition introduced the bill in hopes that its passage would preempt the referendum. Other efforts to prevent a vote on the referendum have included challenging the validity of the signatures on the petition, and requiring proof of voter registration by the signers. Another proposal would place a two-year moratorium on all hunting in order to allow collection of data on Italian wildlife upon which new hunting regulations would later be based. Early in 1987, however, hopes for a vote on the future of hunting in Italy were dashed when the Constitutional Court declared this type of referendum unconstitutional.

This is a situation in which the issue of wildlife preservation has attained national importance. Although the referendum has been thrown out, the discussions about the plight of wildlife and hunting continue, and will likely do so until Italy brings its policies more in line with those of the E.C.

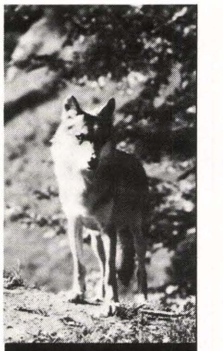
Changes in E.C. Wildlife Policy

The current E.C. policy reflects a change in attitudes toward wildlife. In a paper published by Worldwatch Institute, Erik Eckholm insists that "richer countries can afford to virtually halt exterminations within their borders without imposing serious hardships on anyone, if only they can muster the will to do so." The Fourth Action Program on the Environment suggests that the E.C. is attempting to do just that on an international scale. The program reflects a continuation of a shift in emphasis. Earlier programs tended to emphasize the containment of environmental damage, but there has been a gradual shift toward a policy of prevention. The program calls for the integration of environmental (including wildlife) concerns into the planning and development stages of activities in agriculture, industry, transport, energy and tourism.

The move toward integration of environmental questions into other policy areas is based on the following statements: "... the resources of the environment are the basis of—but also constitute the limits to—further economic and social development and the improvement of living conditions. [Environmental policy] ... cannot be dissociated, therefore, from measures designed to achieve the fundamental objectives of the Community." In short, environmental and wildlife policy questions have been given a high priority in the Community. The implementation of the action program's intention to integrate environmental issues is to be done through the wider use of environmental impact statements.

Despite the move toward integration of environmental and wildlife policies into the major areas of concern to the E.C., methods of implementation and application of the use of environmental impact statements into areas such as energy and technology have not been spelled out. Existing policies have helped slow, but not prevent further degradation of the European environment.

Many efforts have been made to improve the provisions for wildlife survival. The results of many of these may only be seen in long-term trends. There is a time lapse between the inception of actions that may affect wild populations and the overall environment and the moment when the effects are seen. This creates a problem not only in making wildlife policy, but has also been the root of many previous problems concerning wildlife. Often, it is not until a critical point has been reached and surpassed that there is a realization of a problem.



Human pressures on wildlife habitat are heavier in Europe than in the United States. Above: a wolf, also near extinction. © FPG/A. SCHMIDECKER

The increased use of environmental impact statements should help to alleviate the problems of unexpected consequences of human actions. While this is a step toward ameliorating the situation, the use of environmental impact statements is by no means the perfect solution. Due to the complexities of the environment and the intricate interdependent linkages of ecosystems, predicting precise cause-and-effect relationships is difficult.

There are generally accepted and proven methods for improving the status and condition of wildlife populations. The British example indicates the possible success of wildlife legislation. As a result of Britain's Sea Birds Protection Act of 1869, its Wild Birds Protection Act of 1880 and other bird protection acts, in the last 50 years no species of British breeding birds have been lost due to lack of protection.

The major obstacles facing E.C. wildlife policy are centered around the structure of policy-making. Most wildlife legislation is enacted on a species-by-species basis. Given the complexity of environmental issues, this step-by-step method has been considered the functional path to a solution. The biggest threat to wildlife in general, however, has become habitat destruction. Until policies come to terms with the necessity of preserving areas adequate in size and biological composition (for example, areas native to the various species, or similar to their native habitats), piecemeal legislation will only perpetuate the marginal status of wildlife policy.

Much progress has been made in wildlife policy, but much remains to be done. The question of political support for environmental and wildlife issues is an interesting one. The E.C.'s environmental policy claims that "the transfrontier nature of environmental problems has made the environment a leading field of international discussion and cooperation, cutting across ideological as well as geographical boundaries." However, until priorities of wildlife preservation are set in practice as well as in rhetoric, progress in this field will no doubt be slow. In addition to national, Europe-wide and international policies and conventions, cooperation with non-governmental organizations that deal with wildlife must continue and increase. Furthermore, there is a great need for general education and widespread dissemination of information concerning wildlife issues in order to increase public awareness and concern over such an important and too often overlooked issue. €

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FRANCE

CHIRAC GOVERNMENT HAS BEEN SUCCESSFUL WITH THE ECONOMY, BUT RECENT FORECASTS BRING SOME BAD NEWS.

AXEL KRAUSE

Until recently, the conservative Government of Prime Minister Jacques Chirac felt confident it held a winning card in approaching next year's presidential elections—the economy. Expansion, while sluggish, was continuing. The inflation rate was falling, along with budget deficits. The highly popular privatization of leading companies was generating substantial government revenues. But new forecasts for 1987, published by the National Statistics Institute in mid-May, hit Chirac advisors like a cold shower.

The institute predicted, surprisingly, that the annual inflation rate was accelerating and would reach 3.5 percent by year's end, not 2.4 percent as projected earlier by the Government. Rates of industrial production and investments would decline from year-earlier levels, while the gross domestic product (GDP) would rise by only 1.5 percent over 1986—well below earlier Government forecasts. Meantime, the institute added, unemployment would continue to rise, reaching a record 2.8 million, nearly 12 percent of France's working population.

Edouard Balladur, Finance Minister and a key Chirac strategist, blamed the somber outlook on the "lack of dynamism in the world economy." Privately, he expressed annoyed disappointment at the stubborn refusal by the Federal Republic of Germany, France's largest trading partner, to stimulate its economy. The day before the French figures were announced, West German Finance Minister Gerhard Stoltenberg said Bonn "had no maneuvering room" for expanding planned tax cuts—moves that had been previously, and repeatedly, urged by France and the United States.

"Time continues to press upon us all," Balladur said, adding "we in France shall continue to pursue our policies and reform programs for the economy, confident that we will succeed." He and other Chirac strategists pointed to the following achievements since their conservative coalition took power in March 1986:

- As part of a new effort to reduce the historic role of the French state in the economy, the Government, through spending cuts, will have reduced the national budget deficit to 2 percent of GDP by next spring. That compares with 3 percent currently, the goal being to balance the budget within three years. GDP measures output of goods and services, minus foreign investment.
- Inflation, which was running at 4.7 percent in 1985, had declined to 2.1 percent in 1986, the lowest in several decades. Despite the recent gloomy forecasts, Balladur said he did not intend to revise the Government inflation projection of 2.4 percent for 1987. He noted that even with 3.5 percent inflation, the spread between France and the Federal Republic of Germany would only represent a "comfortable" two points, compared to 3.2 points at the end of 1986.
- The current account of the balance of payments, despite a deteriorating merchandise trade deficit, will again wind up in the black at the end of 1987, Balladur and the institute agreed, but not as much as in 1986. Last year, for the first time since 1979, France registered a current-account surplus of 25.4 billion francs (about $3.7 billion), mainly because of growth in exports of French service industries, and increased tourism to France.
- Income taxes on French companies will be cut to a basic rate of 42 percent in 1988 from 45 percent currently. Chirac, meanwhile, has pledged that personal income taxes will be cut by a "similar" amount. But neither he nor Balladur have elaborated on that proposal since it was made by the Prime Minister in a television interview in March.
- Finally, amid a euphoric reaction by the Paris Bourse and private investors abroad, the Government began privatization of 65 companies, banks, insurance, financial and media groups, which by mid-May had generated more than 30 billion francs for the Government. Sale of government-held shares in 10 state-controlled groups was completed or underway in mid-May, including Elf-Aquitaine, Saint-Gobain, Parisbas, Compagnie Générale d'Electricité (CGE) and TF1, France's largest and oldest television network.

French and U.S. officials were particularly upbeat over what they said was the first, sizable offering of shares in a denationalized company in the United States—CGE, France's second-largest industrial company that was brought under state control by the Socialist Government in 1982. The move stemmed from a ruling by the U.S. Securities and Exchange Commission (SEC) allowing large institutional investors to buy CGE shares, only on the condition that they not resell to other Americans.

"We have set a precedent here that may be followed in other cases," said Evan G. Galbraith, a former U.S. Ambassador to France, and now a director of Morgan Stanley International, a New York bank that directed CGE's offering. Six other groups being considered for privatization during 1987 included the Suez finance group, the Havas advertising firm and Rhône-Poulenc.

Some observers even suggested that the Chirac Government had already started a growth-stimulation program. They cited the Prime Minister's recent announcement that about 10 billion francs in receipts from privatized companies this year would be spent on highways, high-speed trains and research projects, including aerospace. An example is the French Government's commitment to building a new line of long-range Airbus aircraft, in partnership with its British, German and Spanish partners.

"With a presidential election looming in May 1988, the Government has unabashedly announced measures that add up to a stimulative package," said J. Paul Horne, the Paris-based economist of Smith Barney, a New York investment bank. Horne said the Chirac spending program would add "perhaps" between 0.7 percent and 0.8 percent to GDP during the next 12 months. But can France do more?

Balladur has privately expressed interest in decreasing interest rates to spur investments, while suggestions regularly surface within the Government to further

Axel Krause is the economics correspondent of the *International Herald Tribune* in Paris.

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France is famous for its quality of life. Clockwise from above: Cannes, on the French Riviera; Aix-en-Provence; tasting the wine; glassware factory in Biot.

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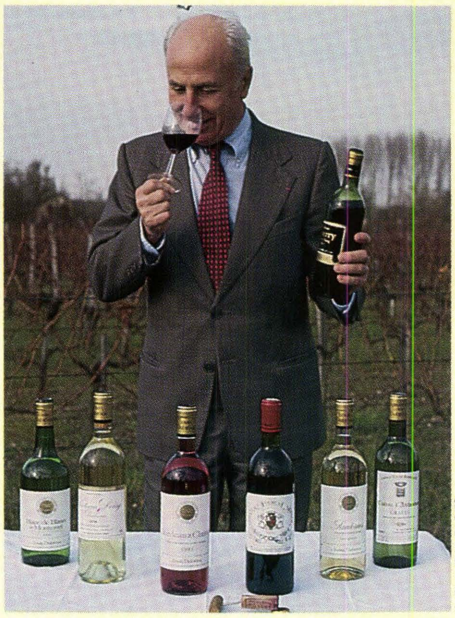

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cut taxes, or spend more on job creation schemes. Even though the Government's popularity has slipped in recent months, and strikes have become more frequent, particularly in the public sector, Chirac and Balladur appeared calm and not anxious to move. "Every time we reflate, our imports go up and we cannot risk that danger," the Prime Minister recently told a visitor. "We cannot reflate now."

Thus the Government faced a dilemma: The Organization for Economic Cooperation and Development (OECD), in its annual review of France, warned that the Government had "little scope" for stimulating expansion without provoking a new round of inflation. But the OECD and other analysts were also emphasizing that the key problem facing the Government—growing unemployment—could not be successfully tackled under current policies. The OECD also predicted that France's unemployment rate would reach 12 percent by next year's elections.

"Unless competitiveness [of French industry] has improved sufficiently, the authorities will continue to have little scope for macroeconomic policy maneuver," the OECD concluded, while urging the Government to continue reducing the role of the public sector, modernizing the financial sector, lifting price and foreign-exchange controls and making the labor market more flexible.

What the OECD, private economists and bankers were saying, in effect, was that the Chirac Government was on the right track and had no choice but to continue. The outlook was summed up succinctly by Michel Develle of the Paribas economic and financial department, who concluded that the situation of France "remains fragile."

Meantime, the Socialists have been scoring higher than Conservatives in opinion polls, mainly because of President François Mitterrand's low-key role at the Elysée Palace under a power-sharing agreement with the Chirac Government known as "cohabitation." Determined to keep that role, Mitterrand has avoided major clashes with the Government over

Continued on page 45.

LE PEN IS THE WILD CARD IN 1988 ELECTION

THE EXTREME RIGHT VOTE COULD DETERMINE WHETHER PRESIDENCY GOES TO THE LEFT OR THE RIGHT.

BERNARD MAZIERES

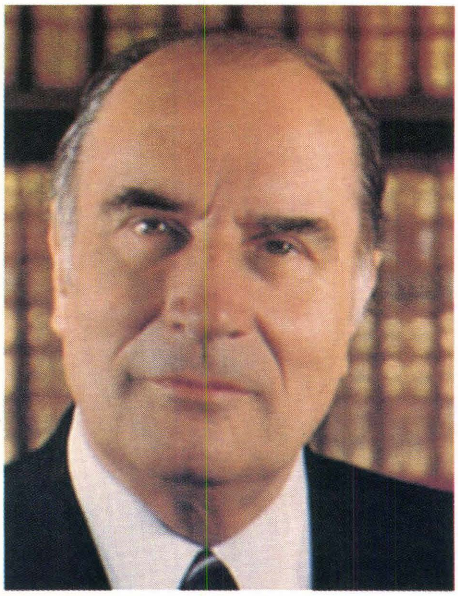
Will French President François Mitterrand run again in 1988? Will Prime Minister Jacques Chirac get the backing of a ruling coalition split between his own ambitions and those of former Prime Minister Raymond Barre? And finally, will the extreme right cast the deciding votes between left and right when France goes to the polls to choose a new president next April?

Halfway through the "cohabitation" between a Socialist President and a conservative majority in Parliament and less than a year before the election, everyone is asking questions. In any event, even though the major players have not officially announced their candidacies, the race for the Elysée Palace is definitely on. The political parties are dressed for battle and the French people—who so far seem to have accepted this unusual coexistence between President and Prime Minister—are gearing up for the campaign to start in earnest in the fall.

It is true that 14 months after the Socialists lost their majority in the legislative elections, the balance of power in the country has not changed significantly and remains favorable to the right. Even so, the political landscape is changing. Never has the President been so popular in the opinion polls. Never has the majority on the right been so divided by internal rivalries and over the attitude to adopt with regard to Jean-Marie Le Pen and his extreme-right National Front.

And, in another new development, never have social problems such as immigration, racism and crime taken on such importance in the electoral debate. This is due partly to the National Front, which makes these issues its battle cry, but also to a fact that is becoming increasingly evident to the French people: neither left nor right seems to be able to do anything about improving unemployment figures.

Bernard Mazières covers politics in Paris for *L'Express* magazine.



The first phase of "cohabitation" seems to have done wonders for President Mitterrand. After dipping to record lows in the popularity polls when his own party was in power, today the same polls show him as the "best Fifth Republic President since De Gaulle," beating out Georges Pompidou and Valéry Giscard d'Estaing. At the same time, a majority of the French people believes Mitterrand's election in 1981 was a good thing and thinks he will beat Chirac in next year's election.

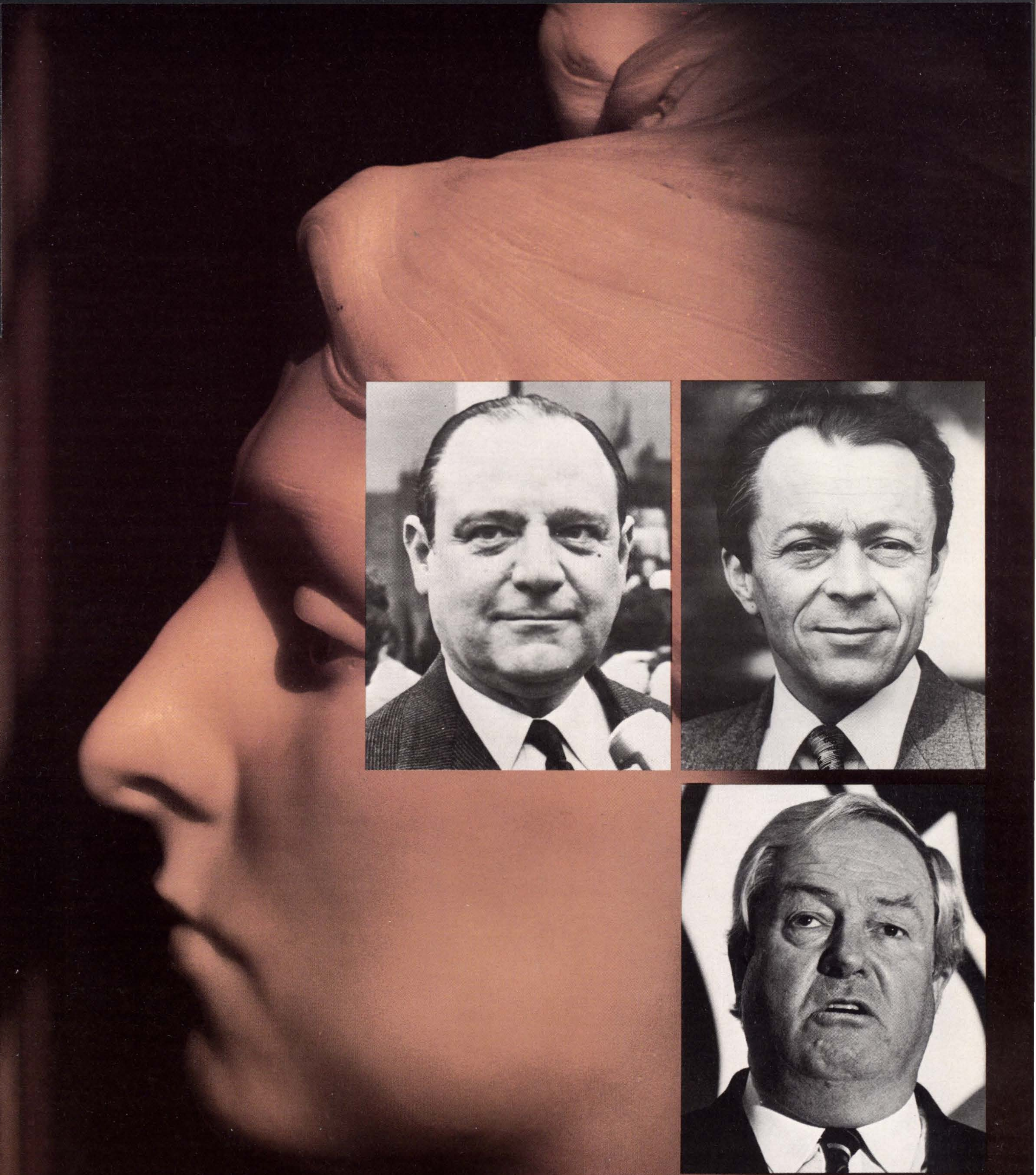
Mitterrand has been adept at taking advantage of "cohabitation." Until now, he has played his role without missing a step. Far from appearing to be a powerless President, at 70 years of age he created a new image for himself: that of a consensus President who is above the fray of political parties, a "wise man" outside of partisan politics.

Nevertheless, beneath his air of a quiet father figure, Mitterrand stays very much on top of things. He knows how to take advantage of the divisions on the right and of the virulent politics of the extreme right wing—sometimes even inflaming them. His political criticisms may one moment be aimed at Barre, the next at Chirac, without ever forgetting Le Pen (whose party entered Parliament as a force to be taken seriously thanks to the introduction by Mitterrand of a proportional representation system at the last round of legislative elections). The National Front leader is playing into the hands of the left . . . by dividing the right.

What is more, to make the game even more complicated, Mitterrand refuses to commit himself on his candidacy. "I will announce my position in due course," is his constant refrain. After all, is it not better for him to finish up his seven-year term as a winner than to double his bet, with all the attendant risks? And, in a year, the opinion polls could change radically. After all, in the autumn of 1980, several months before the last presidential election, the pollsters gave Giscard d'Estaing a substantial lead over Mitterrand. Consequently, the Elysée remains cautious; there is no point in reducing a Head of State to a candidate too soon.

Some members of the Chirac Government say Mitterrand remains so popular because he is not faced, as they are, with the day-to-day running of the country. That may be true, but is that all there is to it? The right has taken Mitterrand's measure and finds him formidable. In 15 years, he has flattened the Communist Party—which now gets only 5 percent in the polls on voters' intentions—and made the Socialists the largest party in France. The Socialists have modernized, gravitated to the center and moved ideology off to the side. At the last party congress, the Socialists actually managed to keep internal rivalries quiet. Even Michel

Continued on page 45.



Principal players in next year's election include, from opposite page: President François Mitterrand, Prime Minister Jacques Chirac, former Prime Minister Raymond Barre, former Agriculture Minister Michel Rocard and National Front leader Jean-Marie Le Pen. Background: a Rodin sculpture.

PORTRAITS COURTESY EMBASSY OF FRANCE.
RODIN: © CLAUDIA PARKS.

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- **Raymond Barre**, Former Prime Minister of France
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- **Jean-Claude Paye**, Secretary-General, Organization for Economic Cooperation and Development
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SOCIÉTÉ GÉNÉRALE USA

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NEWS OF THE E.C.

With the liberalization of capital movements in Europe now well underway, the control of insider trading has become especially important. Above, Wall Street financier Ivan Boesky arriving at Federal Court in April to plead guilty to criminal charges stemming from insider trading.

BUSINESS & ECONOMICS

COMMISSION PROPOSES INSIDER TRADING RULES

Cross-frontier transactions in securities between different E.C. member states are increasing rapidly with the recent liberalization of capital markets in Europe. And while there are a number of national regulations on the books controlling insider trading, no Europe-wide legislation exists—a situation that has prompted the Commission to recently adopt proposals aimed at creating a uniform basis for fighting the problem.

Creation of a true Community capital market requires the coordination of certain rules governing the operation of securities markets in each member state. The prevention of insider trading—the exploitation of inside information in securities transactions—is an essential step along the road to a true Community securities market. Such exploitation enables insiders to make gains at the expense of other investors, thereby destroying equality of opportunity for investors and undermining public confidence in securities markets. Recent scandals in international markets have demonstrated the need for legislation to combat insider trading and the necessity for increased cooperation among the authorities responsible for supervising securities markets.

The Commission's proposed Directive is designed to contribute to increasingly strong interpenetration of the Community's financial centers, and will enable the Community to assume its responsibilities in the face of the growing internationalization of securities markets.

A number of E.C. member states already have legislation outlawing insider trading, including France, the United Kingdom and Denmark, while others are planning to introduce such legislation. The Federal Republic of Germany has a set of voluntary rules under which market operators undertake not to exploit inside information at their disposal.

The Commission's proposal applies not only to "primary" insiders—those who have acquired inside information in the exercise of their profession or duties, but also to "secondary" insiders, who have knowingly received such information from a primary source. The proposal defines insider information as information unknown to the public which, if it were published, would be likely to have a material effect on the price of a security.

The proposed Directive prohibits insiders from taking advantage of inside information at their disposal to buy or sell securities, from disclosing such information to third parties, or from using inside information to recommend or give tips to third parties to buy or sell certain securities. It also includes provisions on cooperation between the competent authorities in the member states, together with rules governing professional secrecy. Such cooperation between the competent authorities, and particularly the exchange of information, is considered very important for identifying the real principal in the case of cross-frontier insider trading within the Community.

The member states will be responsible for ensuring that these rules, which are to be regarded as minimum requirements, are complied with. Member states may therefore opt for more stringent national legislation provided that it is of general application, the Commission noted.

The new proposal is part of a wider program for creating a uniform framework of rules and regulations for financial institutions and services within the Community. The Community approach is intended to insure that there is the same degree of investor protection and operator responsibility on all Community markets. The Community has already adopted Directives on the admission of securities to stock exchange listing and on the information which listed companies are required to publish on a regular basis, and says it intends to put forward further proposals in the next few months.

INTERNAL MARKET PROGRESS SLOW, BUT UNDERWAY

The Commission published early in May its second annual report on the completion of the internal market in Europe, noting that progress has been "disappointing but not disheartening" in removing all of the remaining barriers to internal trade by 1992.

The report traces the progress on implementing some 300 proposals outlined in a 1985 White Paper drawn up by Lord Cockfield, the E.C. Commissioner responsible for the internal market. During the last two years, the Commission report notes, considerable effort has been put into devising and improving working procedures, and that during 1986 there was "consolidation rather than breakthrough."

The Commission has now tabled 170 of the 300 proposals, slightly under its original target of 200. Nearly half of the backlog relates to the agricultural sector, in particular to the abolition of veterinary and phytosanitary controls. In areas of particular strategic importance—public procurement, standards, free movement of capital and common structure for indirect taxation—the Commission said that it would submit all the required proposals during the course of the year.

Progress in the Council of Ministers, however, has been disappointing. The Council has adopted only 57 of the White Paper proposals submitted by the Commission, and during the past 12 months no directives were adopted by the Council in the vitally important farm and agri-foodstuffs sector.

"Left to their own devices," a Commission statement read, "Ministers of Agriculture and of Finance and their officials have not shown sufficient recognition of the fact that the clearly laid down 1992 target requires a major change in their outlook and in the pace at which they deal with Internal Market-related dossiers. In marked contrast, the results produced by the Internal Market Council in the second half of 1986 were particularly good in relation to previous performance. This was the product of political determination at the very top backed up by positive action below. The inescapable conclusion must be that it is for the Heads of State and Government themselves to ensure that their administrations translate their political will into positive tangible results."

E.C. BUSINESS INFORMATION CENTERS TO BE ESTABLISHED

E.C. Commissioner Abel Matutes submitted in April a plan for one of the key aspects of the Community's action program for small- and medium-sized businesses (SMEs): a pilot project to develop a number of Centers for European Business Information.

The 28 pilot centers, which are scheduled to open in September, are designed to serve as fora for exchanging information between the E.C. Commission and the Community's SMEs. Small and medium-sized business play a vital role in the Community's economy, accounting for some 80 percent of European firms and creating most of the new jobs. Through the new centers, the Commission now wants to create a two-way flow of information that will provide SMEs with as much information as possible about how Community policies and facilities can help them, and also give the Commission information about the needs of the SMEs themselves.

The centers will be equipped with the best information-processing facilities for answering questions from SMEs, particularly those concerning the internal market (legal, regulatory, social and technical aspects of intra-Community trade) and how they can benefit from Community policies such as grants and financial instruments, research and demonstration programs, measures in specific sectors, regional policy measures, training plans and trade with non-Community countries. By the same token, as they will be constantly listening to the concerns of SMEs, the centers will enable the Commission to take greater account of the aspirations of firms when formulating its policies.

The pilot scheme, which is budgeted at some $110,000 per center, is due to be completed at the end of 1988, when the Commission will assess the results and determine the future of the plan.

SOCIAL ISSUES

E.C. LAUNCHES CAMPAIGN TO PROTECT CHILDREN

The European Community Commission announced on May 7 a campaign to prevent the deaths of thousands of children in accidents at home each year. About 20,000 children and young people under 18 die every year in Europe at home or at play. Around 20 million—equal to the combined population of Greece and Belgium—are sent to the hospital every year, and some 30,000 of these are maimed for life.

These accidents cost Europe about 15 billion ECU (about $18 billion) in hospital and health insurance fees, the Commission said. The new campaign, aimed particularly at those in charge of children, is designed to warn people of the dangers of accidents in a bid to cut injuries and deaths by 10 percent to 20 percent a year.

The Commission also announced two moves to safeguard E.C. consumers. One would make all manufacturers and distributors responsible for the safety of their products, and the other aims to make it easier for consumers to take their problems to court.—*Reuters*

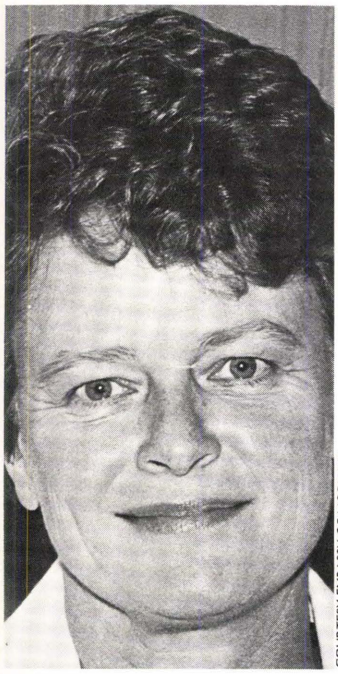
The Commission has started a campaign to keep Europe's children safer and healthier.

FOREIGN AFFAIRS

NORWAY CALLS FOR CLOSER E.C. TIES

Norwegian Prime Minister Gro Harlem Brundtland said in early May that her country wanted closer links with the European Community, but was not preparing a second application to join. She told reporters after talks with the E.C. Commission, "We want to work through the European Free Trade Association (EFTA) and bilaterally to improve and increase cooperation, but without preparing or announcing membership." Norway signed a treaty of accession to the E.C. in 1972, but this was overturned in a national referendum.

Brundtland, whose country is a member of the North Atlantic Treaty Organization (NATO), spoke in favor of greater European cooperation on security and restated Norway's support



COURTESY EMBASSY OF NORWAY

Norwegian Prime Minister Gro Harlem Brundtland.

for the proposal to remove shorter-range and medium-range missiles from Europe.

Brundtland said her Government would soon present a White Paper on Norway's links to the Community. Commission officials said she asked the E.C. to establish an office in Oslo to facilitate E.C.-Norwegian relations, and was told that the Community was in favor of the idea.

Brundtland, who earlier met with Belgium's King Badouin, was in Brussels to present a report by the World Commission on Environment and Development, of which she is chairman, to the Commission and Ministers from the E.C. and EFTA. The 340-page report, entitled "Our Common Future", calls for a new era of economic growth to overcome mass poverty and enable growing environmental problems to be solved. The report will be presented to the United Nations General Assembly later this year.—*Reuters*

EUROPEAN POLITICS

EURO-SOCIALISTS CALL FOR JOBS, ARMS ACCORD

Western European Socialist and Social Democratic parties urged the Soviet Union and the United States in early May to sign an agreement withdrawing medium-range nuclear missiles from Europe. The Confederation of Socialist Parties in the European Community, meeting at a Congress at the Portuguese town of Estoril, also called on the E.C. to play a more active role in encouraging dialogue and easing tensions between the superpowers.

A resolution on European foreign policy adopted at the end of the two-day Congress forsaw creation of a "stronger and more active Europe with confidence in itself as a force for peace, justice and freedom." Europe should not seek a superpower role, but could intensify its part in East-West relations and in the North-South dialogue between developed industrial nations and Third World countries, the resolution said.

Another resolution passed at the meeting called for a unified European policy of economic expansion aimed at creating new jobs for the 16 million unemployed in the Community. "The increase in the profits of companies registered in the last few years permits the relaunching of investment, both public and private . . . and the creation of new jobs," the document said.

The resolution added that one of the essential conditions for effective economic growth was the establishment of fixed exchange rates within the Community and in the world economy. A stable monetary environment, it said, would reduce differences between national inflation rates and boost trade.

The Congress' statement also noted that the creation of a unified internal E.C. market would only be successful if such a market was prevented from becoming a battleground for U.S. and Japanese companies. The E.C. should press the United States and Japan to open up their markets to the same extent as its own, it added.

Spanish Prime Minister Felipe Gonzales earlier told the Congress that social equality and help for the less-developed regions should be an essential part of the E.C. plan for an internal market, which foresees the removal of all trade barriers. "A merely free-trade vision of the internal market would make those who are poorer foot the bill and would create unbearable tensions in an increasingly divided Europe," he said.

The Congress also elected Portuguese Socialist Party leader Vitor Constancio as president of the Confederation. Constancio said in a speech after his election that only Europe's socialist parties could really aspire to create a European union that would be "politically strong, economically progressive, socially united and culturally independent."

At the Congress, E.C. Commission President Jacques Delors said that the E.C.'s aim of creating a unified internal market was not enough in itself to energize the economy of Europe. He called for the introduction of policies which went beyond the program of budgetary austerity and monetary restrictions he said were imposed by conservative governments, and appealed for more social dialogue involving workers, increased economic cooperation in research and technology and defense of the environment, and a strengthening of the European Monetary System (EMS) to free more funds for the creation of jobs. He also called for the implementation of projects to favor the young, the unemployed and the less-developed regions of the Community.—*Reuters*

EXTERNAL TRADE

JAPANESE CAR EXPORTS TO E.C. RISE IN FIRST QUARTER

Japan's car exports to the European Community have shot up again in recent months, putting new strains on trading relations

A recent meeting of Socialist Parties in the E.C. called for economic expansion aimed at creating employment. Below: French unionists take to the streets over proposed job cuts.

between Europe and Japan. E.C. Commission officials said in early May that Japan exported a record 381,200 cars to the Community in the first three months of this year, which was 30 percent more than in the same period of 1986, despite a "gentleman's agreement" that the annual rise in exports would be held at 10 percent.

E.C., CYPRUS CLOSE TO CUSTOMS AGREEMENT

The European Community and Cyprus are close to a final agreement on a proposed customs union which would lead to the removal of all obstacles to trade between the two, Commission sources said in May.

Cyprus is already linked to the E.C. by a 1973 cooperation agreement which gave the Community preferential trade treatment. The E.C. currently gives Cyprus duty-free access for most industrial goods, and Cyprus grants a 35 percent tariff reduction on many industrial imports from the Community. Under the proposed customs union, the E.C. would dismantle all customs duties and quotas on Cypriot produce, and Cyprus would also apply Community customs tariffs to non-E.C. imports. Most barriers would be dismantled by 1997, after which the two would move toward full customs union over the next four to five years, the officials said.

The E.C. is the island's main trading partner, accounting for 54 percent of Cypriot imports and 28 percent of its exports. In recent years, Cyprus has been diversifying its exports and the proportion going to the Community fell from 44 percent in 1975 to 28 percent in 1985. Since the Community's share of Cyprus' imports has remained steady, the resulting trade balance has moved considerably in the Community's favor, with the gap increasing from 97 million ECU (about $110 million) in 1976 to 811 million ECU (about $900 million) in 1984.

AGRICULTURE

E.C. FUNDS FISHING FLEET IMPROVEMENTS

European Community Fishing Ministers agreed in early May to grants of about $11.2 million to help modernize fishing fleets throughout the 12 E.C. member states. Diplomats said the money would be made available for projects improving communications, data-processing equipment and new vessels. The grants are to financed out of the E.C.'s 1988 and 1989 budget and, in addition, national capitals would have a right to match any amount awarded from joint E.C. coffers.

Diplomats said the Ministers were having difficulty in dividing into national quotas the total authorized catch in international waters of the North Atlantic and around the Spitzberg islands. Last December, the Ministers agreed a total catch, but not the individual share-out between member states. In 1986, a row between Spain and Germany led to Norwegian inspectors boarding Spanish ships to check catches.

The Spitzberg waters are international and jointly managed by Norway and the Soviet Union, but E.C. fishermen have historic rights to fish there. With stocks dwindling in the North Atlantic, other E.C. countries are now pushing for higher quota rights.—*Reuters*

The Community is making funds available for an upgrade of E.C. fishing vessels.

COMMISSION DRAWS UP FARM SUPPORT PLANS

The Commission recently drew up a three-part proposal for support of agricultural incomes in the European Community, which is now under discussion in the Council of Ministers. The measures provide for: support for farm incomes on a Community basis; a regulation setting up a framework within which the member governments can aid farmers financially; and a system of Community incentives aimed at encouraging early retirement.

The first part of the proposal relates to farms of intermediate size which, while potentially viable, find themselves facing an uncertain future because of the ongoing reform of agricultural markets. The aid, to be phased out over a five-year period, could be extended whenever incomes were less than 125 percent of the average for the region, increased by an amount representing a national adjustment factor, although the total need not exceed 125 percent of the regional average. The Community's financial contribution would vary from region to region; 80 percent would be covered by the Community Agricultural Guarantee Fund and 20 percent by the Agricultural Guidance Fund.

The second part of the proposal would authorize the member states to help farmers whose incomes were below the average for the region, as eventually increased by the national adjustment factor. Once again, the aid given could not raise incomes to a level above the average for the region. Even so, compensation which provided for a price supplement or was calculated on the basis of production or production factors (other than labor) employed would be disallowed. This aid would be financed entirely by the member governments themselves.

The third part of the proposal relates to farmers 55 years old and older . It provides for two forms of early retirement, depending on whether the land would be put up to non-farm use or continue to be farmed with reorganization, on condition that the farms became viable and that their reorganization did not result in an overall increase in production.

Community financing would be provided at a uniform rate (50 percent) in the first case and at a variable rate in the second, depending on the prosperity of the region, the level of farm employment and the gravity of the structural problems.

COURTESY GERMAN INFORMATION CENTER

Facing planned production cutbacks, Europe's farmers need income assistance to survive.

The number of farmers likely to take advantage of the plan has been estimated at 40,000, plus 4,000 farm workers. Some 480,000 hectares should be eventually withdrawn from production for the period 1988-1992, at a cost to the Agricultural Guidance Fund of almost $300 million.

INDUSTRY

STEELMAKERS GIVE UP PRODUCTION CUT PLAN

European Community steelmakers have abandoned efforts to close plants voluntarily as a way of cutting 20 million tons of excess capacity by 1990, a German official said in May. Ottokar Hahn, Minister For European Affairs in the steel-producing Saarland state, said the industry's lobby group Eurofer told the E.C. Commission in a letter it could not agree among its members on how to share the cuts. "The letter is brief and to the point. They have given up," Hahn told *Reuters*.

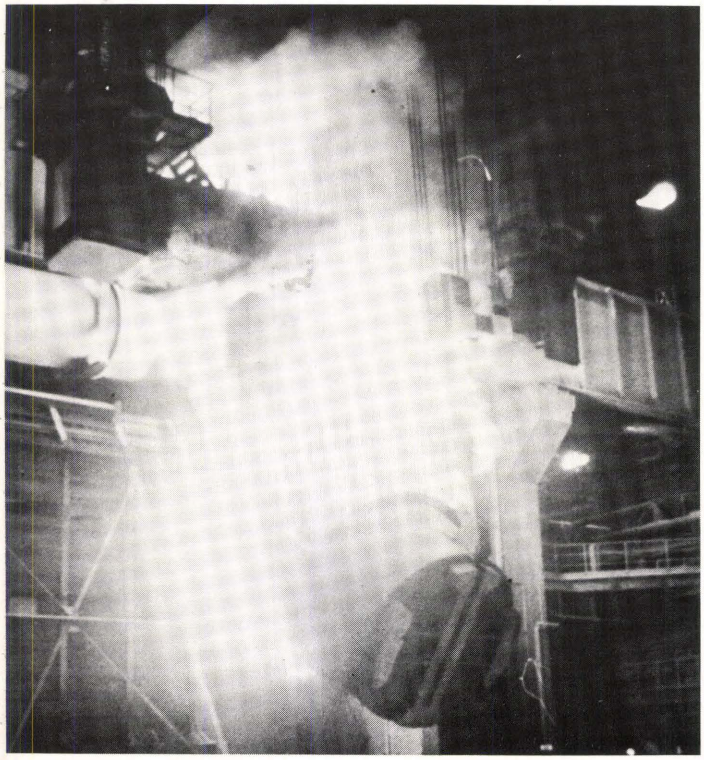
Eurofer's plan was aimed at persuading the Commission not to liberalize the E.C. steel market by scrapping a seven-year-old production quota system which currently covers about 60 percent of E.C. steel output. Its planned cutbacks of 19.9 million tons still fell far short of the Commission's estimates that the industry would need to shed 27.1 million tons between now and 1990. Restructuring has already resulted in capacity cuts of more than 31 million tons and the loss of about 240,000 jobs since 1980. The E.C. Commissioner responsible for industry, Karl-Heinz Narjes, has termed the plan inadequate.

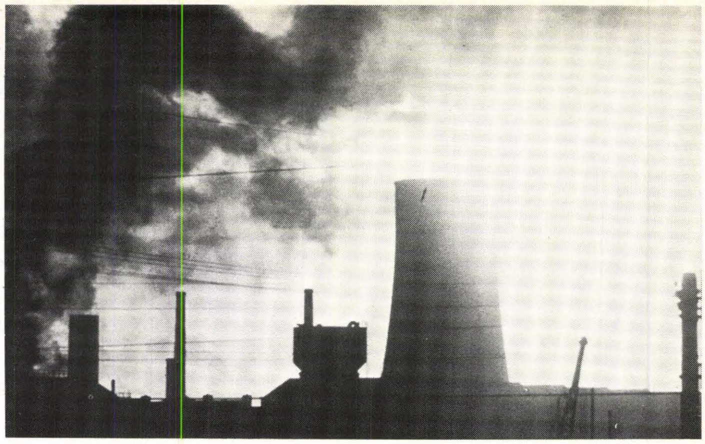
There was no immediate Commission comment on the letter, but E.C. steel experts said Eurofer's failure to agree on the share-out of 19.9 million tons of capacity cuts was likely to strengthen the Commission' determination to fight for a liberalization of the E.C. steel market.

In March, Eurofer said its members were prepared to make reductions of 15.26 million tons on condition that the Commission kept the quotas system at least until 1990. It also pledged to find cuts of another 4.6 million tons. The identity of the companies found to have surplus capacity has been a closely guarded secret by the independent consultants who conducted the survey.

Eurofer argues that, with the world steel industry suffering from overcapacity and the lower dollar, E.C. steel production still needed to be held down through the quota system to enable Community producers to maintain their market share.—*Reuters*

European steelmakers are grappling with ways to reduce the Community's 27 million tons of excess production capacity.





The cost of losing its nuclear energy plants would be "incalculable" for Europe, the Commission said in a recent debate before the European Parliament.

ENERGY

E.C. AFFIRMS COMMITMENT TO NUCLEAR ENERGY

Despite the nuclear accident at Chernobyl last year, which resulted in fallout that contaminated vast amounts of European agricultural products, the European Community was advised by the European Parliament recently not to abandon nuclear energy as a source of electricity.

Voting 180 to 161, the Parliament adopted a resolution presented by a British Conservative, Madron Seligman, calling for the continued development of electrical production from nuclear power and coal. Members of the European Parliament (MEPs) favoring nuclear energy came from the ranks of the Conservatives, Christian Democrats, and Liberals, and were joined by some Socialists, Communists, neo-Gaullists and members of the European Right. The opposition consisted largely of Socialists and Communists, as well as the Greens.

During the debate, the MEPs rejected by 163 votes to 135 a text submitted by the Greens asking the Twelve to abandon the construction and use of fast breeder reactors, currently the most advanced type of nuclear reactor.

The Commissioner responsible for energy in the European Community, Nicolas Mosar, reminded the Parliament that nuclear energy presently accounts for 14 percent of the Community's energy requirements. This is the equivalent of over 100 million tons of gasoline, or half the annual output of Saudi Arabia. The Commissioner held that the economic consequences of a Community decision to give up nuclear energy would be "incalculable," and said that the present temporary fall in oil prices was no reason for such a step.

The Commissioner responsible for environment, Stanley Clinton Davis, stressed that safety should be the primary consideration. He indicated that the European Commission still favored the creation of a corps of European nuclear inspectors, although several member states were opposed to the idea. Davis recalled the Commission's recent proposal for setting up a rapid information system, covering all nuclear installations and activities, including military ones, and warned that, where nuclear energy production was concerned, "complacency kills."

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EURO-CHIPMAKERS
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pean industrial base is still fragile and the home market vulnerable, and continued non-tariff barriers keep chipmakers from achieving the economies of scale they need to make memory chips profitably.

The international market is therefore critical. No country—not even the United States, certainly none of the European nations—can support a profitable semiconductor industry on its own. The pace of development has become so rapid that delays in penetrating highly fragmented markets can make a new product obsolete by the time its development costs have been recouped. It's a crippling burden for the semiconductor industry to bear.

But if the Japanese can make them so cheaply and effectively, why not just import the things and focus on developing new products and ways to use them? In Europe, as in the United States, there is a broad consensus that the ability to design the most advanced end product depends to a large extent on the experience gained in designing and manufacturing the starting point: the chips themselves. European manufacturers argue that the technological lessons learned in the process yield valuable by-products in other areas of sophisticated electronics manufacturing. And access to the best chips means an advantage for companies using them, so a loss in leadership translates into a loss across a range of products. Nurturing the semiconductor industry has come to be seen as a way of laying the groundwork for broader economic growth. The Japanese even have nickname for chips that underscores this idea: they call them "industrial rice."

These forces are bringing about a broad and important restructuring of the industry. Europe is by far the smallest of the three in terms of production capacity (most American producers don't see it as much of a threat), and faces particular difficulties in overcoming the problems of strong foreign competition, the fragmented domestic market and global overcapacity. But Europe has certain advantages as well; capital is available and affordable, there is a good knowledge base and well-developed research facilities, there is an appreciation on the part of governments of the value of the industry and a willingness to support research, and, perhaps most importantly, there are strong actual and potential markets.

A "two-track" European strategy has started to evolve: First merge companies with complementary strengths, then use those stronger, more integrated companies to focus on specialized, knowledge-intensive chips that European industry needs and that will keep its technological abilities alive.

The market question is crucial, and European chipmakers are tuning in to a potentially huge one now emerging in small manufacturers of machinery in countries like Germany and Italy, where semi-custom chips are increasingly being used to run machinery and link it up with company computer systems. The chips are called ASICs—"application-specific integrated circuits"—and can be tailored to the specific needs of the companies using them. Their use, by some accounts, is doubling every year. And while the ASICs are more expensive than the general-use D-RAM chips coming out of Asia, they are also a lot more profitable—both in financial and knowledge terms—and are going to be the sharp edge of the industry's market-penetration strategy.

In addition to the ASICs, chipmakers are also developing ultra high-powered semiconductors thousands of times more powerful than most of the chips currently available. Siemens recently revealed such a "superchip" it has been developing with Philips (4 million bits on a chip one-and-a-half inches square) that it says will "help to speed up the process of establishing control over the new technology." Developing the chip was a financial risk (even though almost a third of the costs are being met by the German and Dutch Governments), and it may never deliver a return. But it had to be done if the companies were going to keep up with what's being done in the United States (where International Business Machines [IBM] is working on a similar chip), and Japan, which is reportedly developing a chip of no less than 16 million bits.

The second side of the industry's strategy is its consolidation and reconfiguration. Perhaps the most important of recent actions was the merger announced on April 29 between Thomson Semiconducteurs S.A. of France and SGS Microelettronica S.p.A., Italy's only chipmaker. With annual sales of some $800 million, the merger created the second biggest chipmaker in Europe and the eleventh largest in the world. Not a big threat to the American or Japanese companies, but with an annual research budget of about $200 million a year (half from the companies and half provided by the French and Italian Governments), the SGS-Thomson venture will be well positioned to hold its own in the development of industry-specific chips.

The merger could turn out to be a bellwether for the industry. With size and access to big markets increasingly critical, the small simply won't survive. Chipmakers with less than $1 billion in annual sales risk going under, says SGS director Pasquale Pistorio, and most of the European companies are well under this figure. Only six, in fact, had sales over $100 million last year: The Dutch company Philips-Signetics led the pack with sales of $1.36 billion, followed by France's Thomson ($436 million), Germany's Siemens ($429 million), the Italian SGS ($370 million), Telefunken of Germany ($219 million) and the British company Plessey ($112 million). Moves are underway to expand both domestic and international presence; Plessey just opened a new plant in Britain in May, and Thomson took over the American chip group Mostek two years ago in order to start positioning itself in the American market.

Vertical as well as horizontal integration will also play a key role in the Europeans' competitiveness. Almost all the Japanese producers are set up this way, with their chipmaking operations designed primarily to serve their equipment divisions. The size and resources of the parent allow the semiconductor sections to survive the ups and downs of the market, make capital investments larger than chip profits alone could provide, and maintain substantial research and development teams. Philips, Siemens and some of the other large semiconductor companies are units of broader, more diversified electrical and electronics companies that use a range of memory and logic chips in all the products they make.

This kind of vertical integration, with a focus on specialized chips, may well ensure the industry's survival. The example of IBM is instructive. As George Gilder pointed out in the *Wall Street Journal* earlier this year, IBM produced about $3 billion last year of semiconductors. Faced with an unpredictable market for its computers, the company decided to import basic memory chips from Japan, rather than invest huge amounts to build these commodity items themselves. Using the cheap Japanese chips, IBM was able to expand its sales of computers by 30 percent a year, while maintaining a lead in advanced specialized chips. "Because IBM decided not to mass produce 64K or 256K D-RAMs," Gilder argues, "the company—and the U.S.—may have increased its lead in semiconductor technology over the past four years. While the Japanese chip revenues are puffed with money-losing commodity semiconductors, U.S. production totals, including IBM, are dominated by more complex and ambitious designs." It's an example Europe is no doubt watching carefully.

FRANCE

Continued from page 35.

economic policy, amid widespread questioning as to whether he will present himself as the presidential candidate of the left, thus challenging Chirac.

Indeed, neither Mitterrand, nor other leftist presidential hopefuls—Michel Rocard, Laurent Fabius, Pierre Bérégovoy and Jacques Delors—have yet attacked the Chirac economic program head on. Bérégovoy, the previous Finance Minister, has criticized the privatization program as wasteful. Delors, President of the E.C. Commission, has limited his comments in France to urging greater support for the E.C., but has hinted he would be an ideal candidate if Mitterrand decides not to run. Fabius has described Chirac as skiing downhill fast, probably headed for a crash landing.

Looking ahead to next spring, and judging from polls, newspaper editorials and comments heard in daily conversations throughout France, the following conclusions emerge: The quality of French life will remain comfortable. Unions will remain quiet, but frustrated. The Government will continue emphasizing success, while the left will have a difficult time showing it can better resolve major economic problems, notably unemployment. But surprises are always possible, as the 1968 student riots showed. And the unknowns, which often hinge on France's mood at any given moment, may turn out to be the most crucial factors in determining what happens. €

LE PEN

Continued from page 37.

Rocard, Mitterrand's rival on the left, seems to have closed ranks. This ecumenical unanimity is no doubt somewhat forced, but the results are evident: The Socialists no longer frighten the French people and appear to be a credible alternative.

On the right, the power struggle at the top is very much out in the open. The closer we get to the election, the more the divisions grow. The Rally for the Republic (RPR) and the Union for French Democracy (UDF) will contest the election in disarray, the former voting for its candidate, Jacques Chirac, and the latter, Raymond Barre. There may even be a third splinter force if François Léotard, a Liberal who is currently Minister of Culture, gives in to a temptation to run.

This situation presents quite a puzzle for the Prime Minister to solve as he must keep his Government together while the various elements line up in favor of these three contenders for the presidency. Add to this the candidacy—official since April 26—of the leader of the extreme right. Le Pen's entry into the race presents a real problem for the right. The National Front, with nearly 10 percent of the vote in the last legislative elections and as many in the latest opinion polls, is now comfortably a part of the French political scene. It will be very hard for the right to gain a majority in 1988 without the extreme right-wing vote.

How to get the votes without entering into an alliance with the National Front? How to discredit Le Pen's views without cutting off his voters? It is a perilous exercise, and it is dividing the right. For Chirac to harden the line—notably on immigration—to seduce Le Pen's followers means taking the risk of pushing his more moderate voters into the arms of the left. But not taking the harder line disappoints the more conservative voters. Thus the hesitation waltz goes on while the Government agrees on which course to take.

In addition, the Le Pen's candidacy presents another danger: It deepens the gulf between left and right in the first round of the presidential election. Ten percent of the vote for Le Pen means Chirac and Barre are almost certain to get no more than 20 percent to 23 percent each of the votes, far behind the Socialist candidate with 35 percent to 37 percent. This is a large psychological handicap that will be hard to overcome in the second round.

Chirac, unlike his rival Barre, chose "cohabitation" with Mitterrand after the 1986 elections and he is well aware of the risks he is running. Watched closely by Mitterrand, just barely supported by Barre and openly criticized by Le Pen, he is more exposed and his margin for maneuver is narrow. It is all the more narrow in that the economic results he promised will undoubtedly not be forthcoming in 1988. To be sure, privatization of elements of the public sector has been a big success. But unemployment continues to climb and on many social questions, the Government faced with negative public opinion has had to backpedal. The net result is that Chirac and Barre are running neck-and-neck in the polls.

Is the present state of play liable to change much? To a large degree, everything depends on the suspense maintained by Mitterrand on his candidacy. The "sphinx," as he is nicknamed, will not decide until the last minute. €

E.C.'S FUTURE

Continued from page 29.

tribute toward reducing regional disparities say the economists. However, they point out that at 0.3 percent of total E.C. gross domestic product, this 14 billion ECU is less than one-tenth of intergovernmental grants industrial federations such as the United States and Germany have believed it necessary to make.

Turning to the vexed problem of funding the E.C. budget, the report recommends that the main revenue sources should be either neutral or a progressive charge on national income. It recommends a number of budget reforms that should do away with the need for ad hoc settlements of the type that have been reducing the United Kingdom's contributions in recent years. Cases of budget inequity must be dealt with systematically and permanently through a safeguard mechanism, says the report.

Conclusion

To anyone who has followed the E.C. in recent years, the report represents both a sensible and broad-based statement of needs and priorities. But it also makes abundantly clear the fact that the ambitious internal market program requires a number of accompanying measures, particularly in the field of monetary policy, which are equally ambitious.

Fulfilling what the group of economists sincerely believes to be the necessary conditions for carrying the E.C. forward will be a severe test for an E.C. whose political development is even more primitive than its state of economic integration.

The report sets out some useful institutional changes, but the political problem is admirably set out in Padoa-Schioppa's introductory letter. ". . . . It needs to be borne in mind that the E.C.'s scope for economic action and successful development is, rather paradoxically, limited by the strictly economic nature of the Community itself. This is because the Community, unlike fuller political systems, is not responsible for the provision of essential 'public goods' such as defense, justice and social security, with the important economic consequence that distributive issues become more acute owing to the need to balance costs and benefits for members in more narrow terms than in a complete political system. . . . From an economic point of view, if the reemerging anxieties about European security gave rise to greater involvement of the E.C. in its own defense, then some of these economic problems could also be considerably eased." €

MARSHALL

Continued from page 17.

lin in late June. The participants will include younger members of Parliaments, newspaper and television editors, party officials and government policymakers from the 17 Marshall Plan nations, Spain and the United States. Guests include a group of distinguished Europeans and Americans who were among those who devised and carried out the Marshall Plan. The conference will challenge the younger generation of Americans and Europeans—those born since the time of the Marshall Plan—to rekindle the plan's cooperative spirit and to find contemporary applications for its historical lessons.

A major traveling exhibit making vivid the events of the Marshall Plan period also opens in June. "The Marshall Plan: Cooperating to Rebuild Europe" draws on photographs, documents, letters, maps, cartoons, posters and period film to explain why the Marshall Plan was needed, what it did, and why it worked. Over the next two years, the exhibit will travel to more than a dozen U.S. history museums and presidential libraries. A German-language exhibit will circulate in Germany during the same period.

A set of 12 colorful posters tells a briefer version of the story of trans-Atlantic neighbors coming together to work on a problem—economic prostration in Europe—that in the long run threatened them both. Produced in both English and German, these poster sets will be distributed widely to schools and libraries—in the United States, with the help of the State Humanities Councils. Exhibit curator Robert J. Donovan has also produced a more permanent record—a richly illustrated popular history. "The Second Victory: The Marshall Plan and the Postwar Revival of Europe," with a foreword by Clark Clifford, will be published by Madison Books in September.

Forty years after George Marshall's speech, guests at this year's commencement under the elms of Harvard Yard will be able to relive that moment of history. Plans call for recorded excerpts from the speech to be played just before the afternoon's main address, to be delivered, fittingly enough, by President Richard von Weizsäcker of the Federal Republic of Germany. And 15 years after Chancellor Brandt's Harvard speech launching the German Marshall Fund of the United States, Chancellor Helmut Kohl has announced that all German political parties have approved a further gift of 100 million marks (about $55 million at the current exchange rate), to be paid over the next 10 years to their permanent memorial to the Marshall Plan, the German Marshall Fund of the United States. €

HISTORIANS

Continued from page 27.

quite obvious misapprehensions which the other side held.

Witness this four-way exchange between a former Foreign Minister, one of his advisers, the adviser to another Foreign Minister and a historian:

Foreign Minister: "Historians will never find the truth in the archives nor, of all places, in the parliamentary records, on what really happened in our Government. My Prime Minister and I knew what we wanted, and we knew how it could be made to happen."

His adviser: "Historians are unrealistic in thinking they can find the truth in the archives. This is fluent science fiction!"

Adviser to another Foreign Minister. "Beware the archives! Many of my colleagues or superiors said at the time: 'Don't put that in the archives. Imagine what people will think in 30 years!' "

Historian: "Although politicians and officials can try to influence the journalists of the day or the historians later on, neither of these observers can be controlled. The participants who now look back at the events of 30 years past must dispute or refute the historians with some record, some account or some other witnesses. Their opinion alone may be interesting, but not necessarily decisive." (Applause.)

First Adviser: "We don't want to control either journalists or historians. There is no absolute truth with either the witnesses to history nor with the historians." (Applause.)

This exchange would not be improved by identifying the participants. They were discussing the behavior and the motives of several top government officials in a key European country in 1956. The historian's question is why the officials behaved as they did. The witnesses know that they know the answers. But as the paraphrased dialogue indicates, this is not a simple question-and-response matter.

The historians, as organizers of this study project on the early years of the Community, must decide how to proceed next. Much still remains to be studied in the 1945-57 period: the crucial debate over defense policy as East-West relations congealed; the behavior of key outsiders in the European integrative process, especially the United States and the United Kingdom; and the role of sometimes competing organizations like the North Atlantic Treaty Organization and the Council of Europe.

The 1957-60 period, which would come next in strict chronology, however, is also extremely important to understand the Community; it covers the first stage of the Common Market, the start of the Common Agricultural Policy and the traumatic de Gaulle years. But looking at events as recent as these will continue to provoke memories for the many participants who are still around to discuss them. Will the historians again invite the witnesses? Are they, perhaps, trying to do the impossible by allowing those involved in events to participate in their scholarly analysis?

These questions seem to give this story a particularly European flavor, partly because the gulf between traditional diplomatic history on one side, and more popular, contemporaneous accounts of current and recent events is greater in Europe than in America. The committee of historians on the early Community seemed to be taking a leap forward by inviting the participants in major events to comment upon their analysis by the scholar.

Now the scholars presumably will reconsider their methodology because their audacity certainly raised powerful sentiments at the Rome meeting. Edward Gibbon did not have to entertain the comments of Nero nor did Herodotus listen to either the Greeks or the Persians before writing. Thirty years seems a long time when you are young, but to a historian, it may be too soon.

Meanwhile, the first volume covering the 1984 Strasbourg conference was published last year with the title: *Origins of the European Integration, March 1948-May 1950,* edited by Raymond Poidevin. (Brussels: Bruylant, 1986; also published simultaneously by Guigffré, Milan; L.G.D.J., Paris; and Nomos Verlag, Baden-Baden.) A volume will appear later this year on the Aachen conference which covered the years 1950-1952.

In about two years, the record of this Rome discussion will also appear in book form. The tensions between historians and their subjects will then be preserved and available for others to read and to judge. But even then, judgments may be premature. Long after the departure of the witnesses and participants of these truly decisive events for Europe, the historians' successors will still be wondering, reading documents and memoirs, and even the record of conferences like these, trying to find our what really happened when Europe decided to unite. €

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.

Television by Satellite: Legal Aspects. Edited by Stephen de B. Bate. E.S.C. Publishing Limited, Oxford, 1987. 146 pp.

This book addresses the questions involved in the establishment and operation of satellite delivered television services. This collection of papers resulting from two conferences on satellite television in November 1984 and February 1985 concerns itself with two topics of interest: the legal issues relevant to telecommunications and the laws and regulations governing the content of television programmes.

Cyprus in Transition 1960—1985. Edited by John T.A. Koumoulides. Trigraph Ltd., London, 1986. 173 pp. $18.00.

This collection of essays gives an in-depth understanding of the many complex factors affecting modern Cyprus. Subjects covered include Cyprus' political background, American policy concerning Cyprus, the United Kingdom's role in Cyprus, and peacekeeping in Cyprus. A chronology of events concludes this source, not necessarily of miracle solutions, yet of beneficial information on a situation requiring immediate attention.

Government Intervention in Agriculture: Measurement, Evaluation, and Implications for Trade Negociations. Economic Research Service. United States Department of Agriculture, Washington, D.C., 1987. 50 pp.

This study analyzes government intervention in the agricultural sectors of the market-oriented countries most active in trade. Producer and consumer subsidy equivalents calculated during the period 1982—1984 reveal a tendency for less-developed countries to assist consumers and for developed nations to assist producers. Statistics on the individual countries and individual commodities point out the barriers to be surmounted in GATT's efforts to reduce protectionism.

Soviet Oil and Gas Exports to the West:ial Transaction or Security Threat? By Jonathan P. Stern. Gower Publishing Company, Brookfield, Vermont, 1987. 123 pp. $41.95.

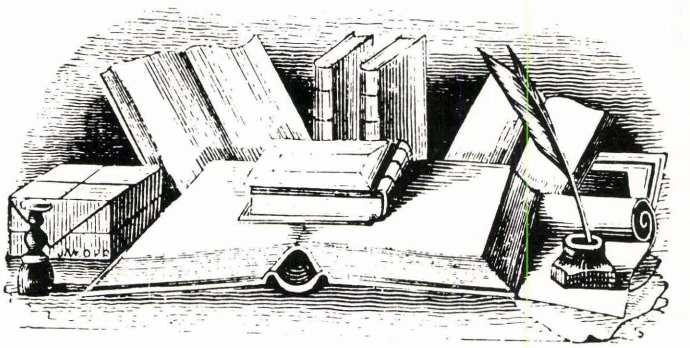
This paper—one of a series of energy papers co-sponsored by the Policy Studies Institute and the Royal Institute of International Affairs—researches the complex role played by the Soviet Union in world oil and gas markets. As the USSR increases its exports to OECD countries, there is a growing concern for the political and security implications. Tables and charts accompanying the study define more clearly the trends in this industry and the possible correlation of control in this sector of world trade to control in world politics.

World Economic Outlook: A Survey by the Staff of the International Monetary Fund. World Economic and Financial Surveys. International Monetary Fund, Washington, D.C., 1987. 194 pp. $15.00.

This compilation of information from the five Area Departments of the International Monetary Fund provides a comprehensive review of world economic developments. The study begins with a discussion of short-term and medium-term trends and prospects in the world economic situation. This is followed by individual analyses of the economic outlook in industrial countries and in the developing world.

Europe and North America: An Atlas/Almanac of Allies and Adversaries. By John C. Kimball. Peppin Press, Chevy Chase, Maryland, 1986. 80 pp.

Kimball intends to increase interest in and understanding of the most vital problems and challenges facing the power blocs of NATO and the Warsaw Pact through presentation of short discussions on the differences in people, culture, economics, military, and other relevant criteria. This book with its maps, tables, and anecdotes provides interesting reading of a light nature.



Academic Year Abroad 1987—1988. Edited by Edrice Howard. Institute of International Education, New York, 1987. 525 pp. $16.95.

Concise descriptions of more than 1200 programs worldwide provide the basic information on costs, academic programs and credits, dates and contacts. Also included are tips on living and studying abroad.

Le Role de l'Entreprise Publique face au Renouveau Economique de l'Europe. Congres du CEEP. Centre Europeen de l'Entreprise Publique, Brussels, 1984. 232 pp.

A collection of speeches from the Tenth Congress of the European Center of Public Enterprises held in Lisbon, June 27-29, 1984. The underlying theme of this conference was the role of public enterprises in the advancement of a more effective Common Market.

EEC Consumer Law. By L. Kramer. Kluwer Law and Taxation Publishers, Deventer, The Netherlands, 1986. 432 pp.

This research analyzes the impact of E.C. activities on the individual citizen, or consumer. The various areas discussed include pricing, consumer information, marketing, consumer health and safety, quality of products, credit and insurance, and consumer status and rights within the Common Market.

EEC Law for Consumers: A Summary. Edited by Bill Buckley. Deloitte Haskins and Sells, Surrey, United Kingdom, 1987. 86 pp.

This handy reference book summarizes major legislation affecting companies operation in the Community. These brief analyses cover topics such as capital movements, social affairs, banking, insurance, adn competition law.

Economic Effects of Sanctions on Southern Africa. By J.P. Hayes. Trade Policy Research Centre, London, 1987. 100 pp.

This study delves into the economics of sanctions on South Africa; that is, the author explores the effects not only on South Africa but also on neighboring countries and on those imposing sanctions. The book concludes with an estimation of the adjustments that must occur in South Africa's net capital movements in response to sanctions.

Collective Bargaining in Western Europe in 1986 and Prospects for 1987. Edited by Gunter Kopke. European Trade Union Institute, Brussels, 1987. 93 pp.

This report describes the trade union claims and settlements reached in 1986 and also looks ahead to 1987. The trade unions' main collective bargaining goals in Western Europe in 1986 were safeguarding and improving purchasing power and a reduction in working time as well as the creation of job opportunities, especially for young people. This study compares the different situations existing in the individual countries and supplies an overall view of the collective bargaining scene in Western Europe.

Les Vertiges de la Finance Internationale. By Henri Bourguinat. Economica, Paris, 1987. 295 pp.

This publication assesses the current situation of international finance. Without being extremely technical, Bourguinat concentrates on three areas: the international role of the dollar, the adaptation of financial systems to international debt situations and the reform of the International Monetary System. Emphasis is placed on exploring ways and means of improving international debt payments.

Retrait et Abrogation des Actes Administratifs Individuels en Droit Communautaire et en Droit Anglais. By Miren A. Letemendia. Editions de L'Universite de Bruxelles, Brussels, 1987. 259 pp.

This study examines the problem of knowing under what circumstances the administration—in Community and British law—has the competence to withdraw or revoke its individual acts. Withdrawal or revocation is considered permissible in the instances of conflict of interests, of illegality of an act, and of threat to judicial security.

Europe's Second Demographic Transition. By Dirk K. van de Kaa. Population Reference Bureau, Inc., Washington, D.C., 1987. 59 pp. $5.00.

This report focuses on the long-term population decline that appears inevitable for most of Europe. Van de Kaa claims that progressiveness and individualism are steering people away from marriage and parenthood. Statistics support the discussions on fertility, birth control, abortion, household patterns, and international migration.

The Economic Consequences of European Union: A Symposium on Some Policy Aspects. Contributions by Dermot Scott et. al. The Economic and Social Research Institute, Dublin, 1986. 49 pp.

Using Ireland as a case study, this paper delves into the economic implications of European Union on the individual member states. Following a brief background of the situation, the macroeconomic consequences of completing the market is discussed. The implications of tax harmonization and the principle of subsidiarity are two other issues addressed in this study.

Nuclear Fallacy: Dispelling the Myth of Nuclear Strategy. By Morton H. Halperin. Balinger Publishing Company, Cambridge, Masssachuesetts, 1987. 173 pp. $19.95.

The integration of nuclear explosive devices into the U.S. military forces not only intensifies the possibility of a nuclear holocaust but also reduces the ability to fight conventional wars. Halperin supports this thesis with recollections of past nuclear crises and descriptions of the nuclear policy options available to the United States. Alternatives for current American positions on strategic forces, weapons in Europe, and our policy regarding the Third World are given as a means of lessening the recent emphasis of a strategic first strike.

Toward a Theory of Eurocommunism: The Relationship of Eurocommunism to Eurosocialism. By Armen Antonian. Greenwood Press, Westport, Connecticut, 1987. 188 pp. $35.00.

This book defines the concept of Eurocommunism by tracing its growth from the 1970s to present day and by contrasting it with other trends in the Communist movement such as Leninism and Trotskyism. Other facets considered are the existence of Eurocommunism as a true political movement or solely as an ideology and the relationship of Eurocommunism to Eastern European socialism.

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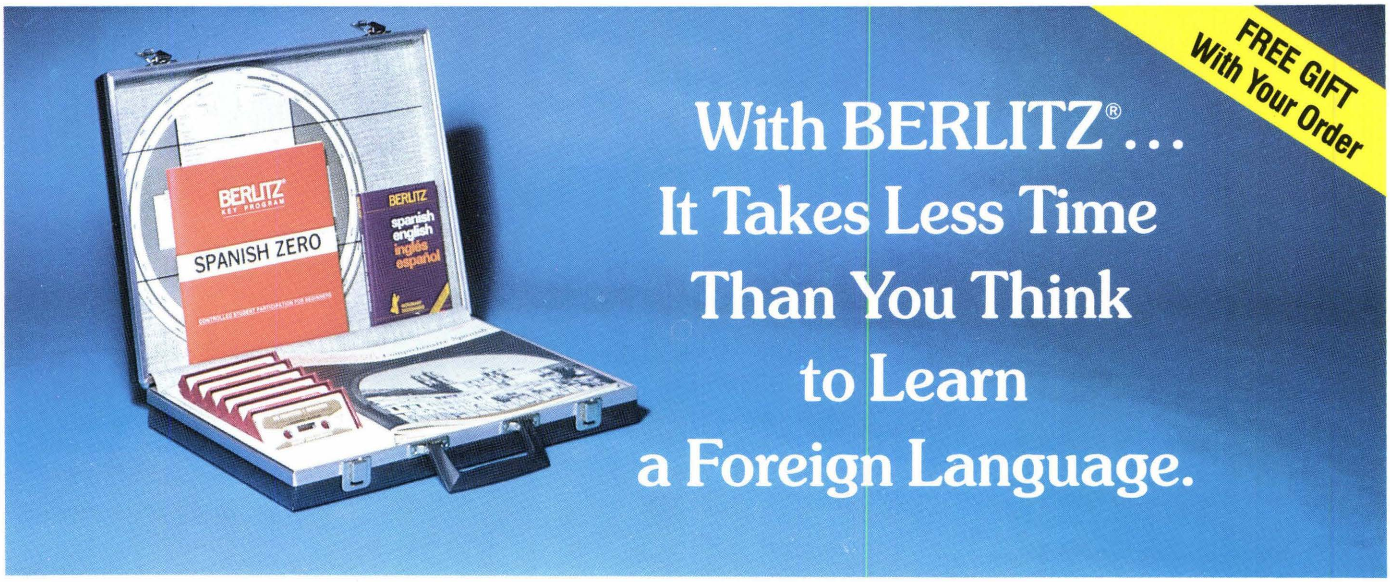

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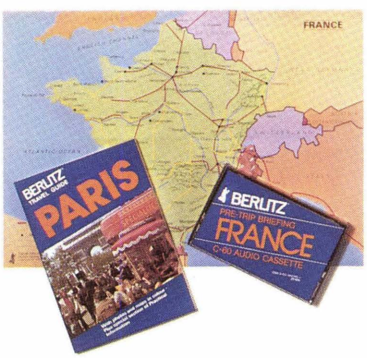

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