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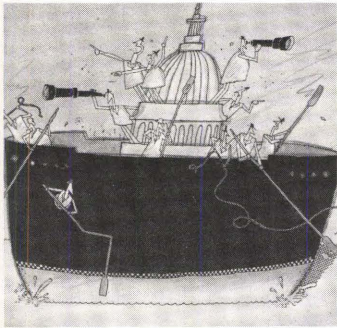


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MAGAZINE OF THE EUROPEAN COMMUNITY



U.S.-E.C. RELATIONS

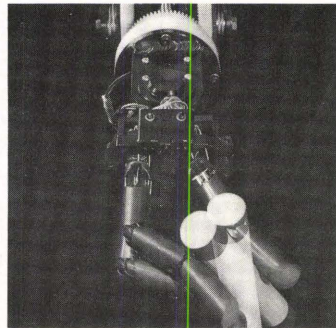
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B	26	17	13
DF	10	14	14
FR	15	20	21
GR	10	15	13
I	18	22	22
J	20	27	24
UK	42	42	38
L	22	24	23
NL	12	13	13
W	21	24	21
A	44	48	45
USA	13	17	17
EUR	14	14	14
OECD	24	28	27
JAP	44	45	43

EXPORTS OF GOODS		Exports of constant price or purchasing power, C.C. USA, Japan 1972-1985	
1972-1985	1986	1986	1987
B	43	45	43
DF	12	14	14
FR	15	20	21
GR	10	15	13
I	18	22	22
J	20	27	24
UK	42	42	38
L	22	24	23
NL	12	13	13
W	21	24	21
A	44	48	45
USA	13	17	17
EUR	14	14	14
OECD	24	28	27
JAP	44	45	43

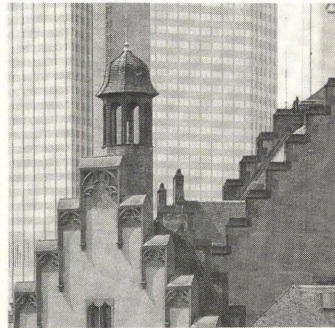
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PUBLISHER'S LETTER

The first week of July is going to be a crucial period for the European Community and for U.S.-E.C. relations. The European Council meeting of Heads of State and Governments in Brussels will tackle the most sensitive issues in a Community that—once again—is on the brink of a crisis over the Common Agricultural Policy. In U.S.-E.C. relations, there is renewed potential for trouble, as agricultural trade will be seen against the background of the discussion of the trade bill. Both on the E.C. front and in the trans-Atlantic relationship, there is little hope for any significant progress.

I will be leaving the United States this summer, after four years in Washington, D.C. Looking back at the evolution of U.S.-E.C. relations during that period, I cannot see much change. Both sides are perhaps more vocal with one another now than they were in 1983, but, then, their internal problems—political and economic—have rather worsened and it is easier to blame one's problems on the other fellow. But, all in all, the relationship remains good. In his article on trade relations between the E.C. and the United States, Quentin Peel describes them as toothless tigers. Dinosaurs would have been a more appropriate description, with the difference that dinosaurs had an excuse for their extinction: They had no control over their evolution.

Bljn

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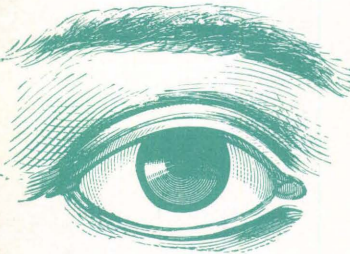


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AROUND THE CAPITALS

LONDON

Neighborhood Watch



According to the latest crime statistics, the average Briton now faces an ever greater chance of having his or her home burgled or car stolen. The effects of this trend are also visible in the British police force: The friendly British "Bobby" strolling around the streets now carries a walkie-talkie to keep him in touch with the station. Ten percent of the "coppers"—as policemen are also known—have been trained in the use of firearms, and the special riot squads look more like army commando units than traditional policemen. And while the changing face of British police forces may not yet have reached the level of the tough-guy image of the gun-doting American cops, another aspect of crime fighting that originated in the United States has been spreading like wildfire in Britain.

This is the "Neighborhood Watch" crime prevention scheme, which bands together residents of a few streets to try

to curb crime in their area by taking precautions such as fitting good-quality locks to windows and doors and keeping an eye on strangers wandering around their streets.

Neighborhood watches were first spoken about in the United Kingdom five years ago following reports of schemes in the United States that had succeeded in halving the crime rate in some areas. Parallel with the strengthening of the tools at the disposal of the police, this form of community self-protection was seen as an ideal way to combat the rising crime rate and to reduce the equally pernicious fear created by it.

Each watch is set up to cover a limited number of streets, usually encompassing a few hundred homes. Volunteers are appointed as street coordinators and are briefed by the police on crime prevention methods and informed of any special anti-crime drives, such as those against car theft, when they are planned. The coordinators are urged to pass this information on to the other residents, either through meetings or a newsletter delivered to each home. Members of the watches further are encouraged to keep an eye on their neighbors' property while they are away, which includes removing junk mail from letter boxes and even occasionally parking in the driveway of the vacationing neighbor to make it less obvious that the occupant is away.

The growth in membership

has been remarkable. The original handful of watches in 1983 has soared to almost 30,000, with some 7,000 of these in the London area alone. Sir Kenneth Newman, Commissioner of the London Police, reported in his 1987 strategy statement that neighborhood watches have contributed to the 9-percent reduction in house burglary in the previous year. And in the West Midlands, chief constable Geoffrey Dear reports that "the community watch schemes in the homeowner suburbs have been so successful that there is now a tendency for crime that might normally have taken place there to spill over into the inner city areas where the majority are not home owners."

Despite the apparent success of the Neighborhood Watch project, however, there is some skepticism. Critics of the concept are concerned that these groups could turn into vigilantes by taking the law into their own hands—that they could be used by local busybodies to legitimize prying into the affairs of their neighbors. And for some of the traditionally reserved British, the scheme smacked of interference into their privacy. Sir Kenneth himself has cautioned that "the demands on police resources to service the neigh-

The British "Bobby" carries a walkie-talkie, but no gun.



COURTESY BRITISH TOURIST AUTHORITY

borhood watch schemes have exceeded my original expectations and to some extent threaten the underlying rationale." Finally, a recent study by Trevor Bennett of the Cambridge Institute of Criminology claims that there is no quantifiable evidence that these schemes have shown any success in reducing crime or of improving detection in the two London areas that he studied.

Nevertheless, in spite of the criticism aroused by these various groups—ranging from policemen who worry about the schemes absorbing more resources than they save, others who express concern that the schemes merely displace crime from one area to another and academics who find no benefit at all—more and more Britons are flocking to participate in a project that offers them some hope of fighting back against the rising tide of crime that is threatening their cherished way of life.—DAVID LENNON

PARIS

A European Harvard

Buried in the ancient royal forest of Fontainebleau, against an idyllic backdrop of flowering trees and a symphony of singing birds, lies a haven for the future managers of Europe and the world.

The string of low-slung, tastefully modern buildings 40 kilometers south of Paris, is the site of INSEAD, officially the Institut Européen D'Administration des Affaires, and what could be called the European equivalent of the Harvard Business School, generally considered Europe's top school of management.

INSEAD opened in 1959, not long after the Treaties of Rome forged a new, more economically united Europe. A group of businessmen predicted that the effort to bolster the European market was doomed unless the continental way of doing business was fundamentally changed. They

pointed to the United States as their example, noting that country had the enormous advantage of an established network of business schools that churned out generation after generation of well-trained managers, while Europe was still chugging along with heavily academic curricula and relying on the evolution of family business and on-the-job training.

With the help of some business leaders—but without any government funding—INSEAD was founded and began teaching its first courses in a converted convent in Fontainebleau 28 years ago. Now it has a full-time staff of 55 professors, many of them Harvard graduates, and about the same number of visiting teachers. The school offers an intensive 10-month course, leading to a Master in Business Administration (MBA), that turns out 300 graduates a year.

The school's determination to maintain a high standard of education is conspicuous. There is already only a one-in-seven acceptance rate, which means that hundreds of excellent candidates are turned down every year. But what is even worse, according to the school's administrators, is that INSEAD cannot fulfill the growing demand from companies that want to hire its graduates. Thus plans are afoot to expand the MBA program by 50 percent next year and also to marginally increase short-term executive courses it offers for company managers.

The formula for INSEAD's success is certainly its international approach, to which the school's alumni from 98 countries can testify. The courses, designed with a heavy component of group work, throw six students together in a team to thrash out real-life-type business problems. It is the intention of such group work to mix students from countries, language groups and academic backgrounds that are as varied and as different as possible. Students invariably say that working in such an environment is the most stressful part

of the course, but the most rewarding and the greatest benefit for real-life situations—especially abroad.

INSEAD also has shifted from its format modelled on Harvard to introducing original research and European case studies into the curriculum, all of which adds another international dimension to the school, which operates in English, French and German. Even though there is still a mystique about a Harvard degree, and although there are 35 times more MBA graduates per year in the United States than in

AMSTERDAM

Magnificent Mauritshuis

Considered by some to be one of the "patricians among museums," the Mauritshuis National Gallery was reopened to the public by Queen Beatrix in early June after five years of restoration.

Apart from being home to some of the greatest masterpieces in Dutch painting—about 40 of them went on a traveling exhibit around the

ardent collector of art.

After Johan Maurits' death in 1697, the house underwent changes and owners several times. It fell victim to fire in 1704, and reconstruction took until 1718. In the 19th century, at a public auction, the property was purchased by the Dutch state, designated as the Royal Museum and turned into a Royal Gallery of painting.

Today the Mauritshuis collection houses works from the 15th and 16th centuries, although the greater part are from the 17th century, including world-famous paintings by



The Mauritshuis, home to the royal art collection, has undergone five years of restoration and modernization.

Europe, INSEAD has rapidly become the most highly respected school in Europe and an institution that is competing in its own way with the traditional American schools. "We are perceived by potential students and by the marketplace as offering something that the American schools don't have—an internationalism of staff, students and thinking," said INSEAD co-dean Claude Rambeau. "It is a special niche that developed because Europe has always been a mosaic of cultures and languages and governments. For once, Europe has the advantage when it comes to understanding internationalism." —BRIGID JANSSEN

United States, Canada, Japan and France during the years of renovation—the Mauritshuis itself is a masterpiece of architecture. It is an early example of the Dutch classicist style, which originated with the revival of Greek and Roman architecture in Italy. A stately mansion, it was built between 1633 and 1644 for Prince Johan Maurits van Nassau-Siegen, one of Queen Beatrix's ancestors, by Dutch architect Jacob van Campen. Prince Maurits served as governor of the West Indies Company in Brazil—where he took Dutch painters such as Pieter Post, whose works can be seen in the museum—and he was an

Rembrandt van Rijn, Jan Vermeer, Frans Hals and Jan Steen. Much of the collection also consists of paintings collected by the Princes and Kings of the House of Orange-Nassau. The visitor will find only one modern painting in the entire museum—a portrait of Queen Beatrix by the late Andy Warhol.

The restorers were careful to maintain the feel of the old building and so, although the public enters the museum through the main entrance, it leaves by way of the basement and pays the entrance fee only at the exit. In this way, the appearance of the stately entrance will be spared the un-

sightly modern cash registers, and the intimate character of the museum is preserved. Modernization did nevertheless take place, and the Mauritshuis was equipped with air conditioning, new lighting installations, and a two-story basement that accommodates a study center, offices and a bomb-proof picture safe.

Several books and catalogues on the paintings in the Mauritshuis have been published, as well as one on the Mauritshuis itself. Now, to coincide with the reopening of the museum, an extensive survey on the "Masterpieces in the Mauritshuis," written by experts on the subject, has come out.

The overhaul of the building has been made possible by generous contributions from sponsors and private individuals. A great deal of support has come from the Foundation of Friends of the Mauritshuis, a body that was established in 1982 in the United States. Its primary aim and function is that of an educational body, enabling, among other things, the trip by an American student to the Netherlands to work at the Mauritshuis as a scholar in residence every six months.—NEL SLIS

BRUSSELS

A Tough Piano Contest

A stunning performance of Rachmaninov's Third Piano Concerto secured the laureate of this year's Queen Elizabeth Music Contest in Brussels for Andrei Nikolsky, a Russian-born pianist who now lives in Munich. Nikolsky was not a gracious winner, however. He criticized the competition as being too long and as demanding too much from its contestants in terms of physical isolation and exposure to new works.

These views were shared by others in the competition. Un-

like most other international music contests, the Belgian one requires the 12 finalists to enter a cell-like habitation for the final week in order to learn a new concerto by a Belgian composer. Almost all of them found this irksome, an American finalist going so far as to call it "a prison camp for musi-



Queen Elizabeth of Belgium, founder of the piano contest.

cians. It's a terrible idea. No movies, no television, nothing but piano."

The winner of the Belgian competition is normally assured of lavish recording and concert contracts. But the last winner, four years ago, an eccentric Frenchman, Pierre Volondat, has not made a name for himself in the international music world. His capture of the Belgian prize made him an instant star but there have not been major concerts or recordings to follow up his win. He is still remembered in Brussels as a shuffling, zombie-like man who played brilliant music but failed to promote himself as a performer.

The Queen Elizabeth Music Contest in Belgium has a kind of "World Series" quality about it. Much play was given in the media to the fact that a Belgian had got into the final 12—he finished fourth, which was the best place any Belgian has achieved since 1964. Past contests have seen the Russians come out in top place, previous winners including such names

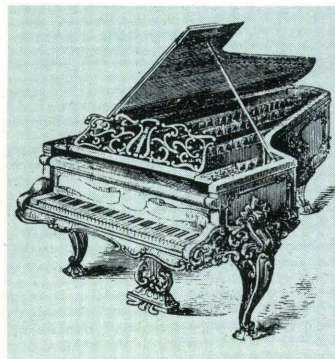
as Emil Gilels, Leonid Kogan and Vladimir Ashkenazy. This year, however, there were no official competitors from the Soviet Union.

The final rounds of the competition were carried live on television. There were sell-out houses for the actual performances, at some of which I noticed members of the audience carrying stop-watches in order to time the execution of difficult passages in Beethoven and Debussy works. This suggests that music is a serious business in Belgium, and the competition is certainly held in high regard. "It's like an up-market Eurovision Song Contest," said an American competitor.

The Brussels competitions were inspired by Belgium's music-loving Queen Elizabeth, grandmother of the present King Baudouin, and an accomplished amateur violinist. The famous piano contests take place every four years, and while there are competitions for violinists and composers in between those years, these do not command the same following or standing.

The Brussels press is in some doubt about whether the piano competitions will survive in their present form, and many commentators argue that the presentation of the contest will have to undergo some changes. "We seem to have lost ground to other piano competitions in Britain, France and the Federal Republic of Germany. Ten years ago, the Brussels contest was regarded as the foremost in the musical world; we cannot make that claim today," wrote one critic.

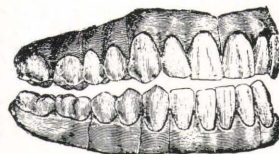
Nikolsky is assured of acclaim and contracts as a result



of his win, just like some of his compatriots, who have gone on to become international performers. But the Belgian prize is not the guarantee of success it was some years ago and Nikolsky seemed to recognize that in his acceptance speech.—ALAN OSBORN

ATHENS

Multi-Purpose Mastic Resin



On the Eastern Aegean island of Chios, a newly opened factory makes what residents claim is the world's healthiest chewing gum out of a unique local product: an aromatic resin from the mastic tree.

The tree, a small bushy evergreen with a reddish-brown trunk, can be found all over the Mediterranean, but only in southern Chios—and nowhere else—does it ooze a colorless resin every summer. Twenty-four villages on the island produce the world's entire mastic crop, which amounts to around 20,000 tons a year. The islanders cannot explain why the mastic tree only "weeps" on southern Chios, but the phenomenon has been known since antiquity. Over the past 30 years, experiments in growing mastic in the north of the island, in nearby Turkey and in Lebanon all failed when the trees refused to produce what the Chiois call "teardrops."

Now, however, after recent laboratory studies have reinforced the resin's traditional reputation for curbing stomach aches and making one's teeth gleam pearly white, the mastic tree may attract more renewed attention. Already in ancient times, the Greek physi-

cian Hippocrates recommended mastic-chewing for gum disorders and stomach pains. The Romans imported tooth-picks from Chios as an aid to digestion, made of the bark of the mastic tree.

In the Middle Ages, Chios was fought over by Genoese and Venetian merchants seeking to control the lucrative mastic trade. Genoese noblemen eventually set up one of Europe's earliest shareholding companies on the island: the *maona*, which supervised mastic production and export. When the Ottoman Turks captured the island in the 17th century, the islanders were granted a special tax status in return for providing the Sultan with mastic intended to sweeten the breath of his harem ladies.

Recent studies carried out in Greece and Saudi Arabia indicate that mastic can be used successfully in treating duodenal ulcers, stomach cramps and some jaw disorders—just as Hippocrates had said many centuries before. The Chiot mastic growers now supply mastic oil for a Greek tooth-paste brand that is rapidly growing in popularity. And the unsweetened chewing gum, three times as expensive to produce as regular gum, is sold in health stores.

Although the island's three million-odd mastic trees need little attention as a rule, serious growers prune their trees every spring to ensure a continued flow of resin, and the best trees can go on to produce the resin for 60 years. In the summer, the villagers spread white earth around their trees and carefully cut slits into the bark. Over a six-week period, one tree may ooze up to two pounds of resin, which is left to dry into powdery white lumps. Each piece is then washed by hand, and traces of grime are patiently picked out with a needle. The mastic is sold to a growers' cooperative that handles the packaging, sales and exports—and also operates the chewing gum factory. The islanders are complaining, however, that the mastic cul-

tivation is still a medieval affair, one that is carried out entirely by hand since machinery has not been developed for processing such a specialized crop. Moreover, most of the 40,000 mastic growers are past middle age.

In fact, the resin, even though not yet commercially exploited, already has a bewildering variety of uses. Mastic oil is also used in varnish for oil paintings and as a stabilizer for perfumes and dyes. In Arab countries, lumps of the resin are burnt as incense and in Greece and Turkey it is popular as a powder that gives a delicate flavor to ice cream and cakes, confectionery and liqueurs. A Swiss pharmaceutical firm is now developing a mastic coating for pills and capsules that would permit a gradual, controlled release of medication.—KERIN HOPE

COPENHAGEN

New Sunday Newspapers

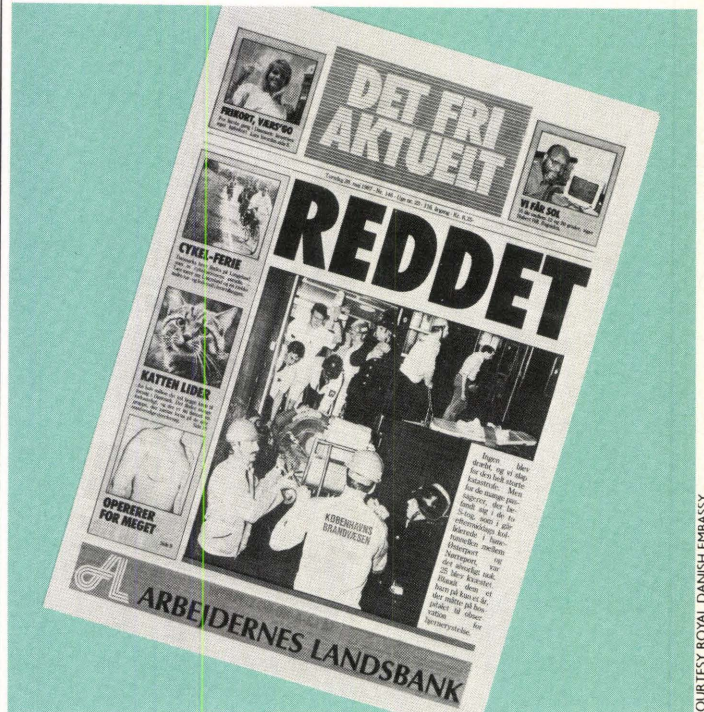
The American influence on the Danish press is conspicuous. Danish newspaper coverage is becoming highly visual, while short news and feature stories, large regionalized weather forecasts—as in the U.S. daily, *USA Today*—and watered-down versions of the investigative journalism of papers such as *The Washington Post* and *The New York Times* are becoming increasingly common. And it is precisely these tools of the newspaper trade that are employed by the new Danish Sunday newspapers as they try to woo Danish readers this summer.

Much is currently happening on the Danish media scene. A new television channel, that will start as a regional version later this fall, will be introduced on a national scale in 1988, thereby ending more than 30 years of a state-run one-channel monopoly for Danish viewers. But more immedi-

ate is the change in the Danish newspaper industry, and especially that of the Sunday papers, on which prime attention is now being focused.

Two of the new papers are Sunday editions of national daily tabloids, *Ekstra Bladet* and *Berlingske Tidende*. The third, *Det Fri Aktuelt*, is a re-

title may be translated as "Current Affairs") only survived thanks to heavy subsidies from the trade unions. Since the paper was so careful to toe the Socialist party line, however, even the most ardent party faithful got bored with its contents. So in the Sunday editions, politics were played



The Danish Socialist newspaper, *Det Fri Aktuelt*, has been refurbished to attract more readers.

furnished and renamed edition of the Socialist newspaper, *Aktuelt*. Top reporters have moved from Danish television to take jobs as editors and staff reporters on these papers, so adapting the printed media to the electronic developments.

Commercially, all three papers—as well as those already on the market—consider the battle for the Sunday readers to be a risky proposition. Especially as the two main media groups, *Politiken* and *Berlingske*, are not only competing with each other, but also, through their tabloids, with their own more serious Sunday papers. From a journalistic point of view, however, the most interesting by far is the Socialist newspaper.

The Socialist press has had little success anywhere in the European Community, and Denmark has been no exception. With a daily circulation of about 50,000, *Aktuelt* (whose

down—and readership trebled! The trade unions decided to go for the readers, and a few months ago two of the stars of Danish television, Joergen Flindt Pedersen and Erik Stephensen, accepted offers to become its editors. Thus armed with new editorial blood, low-key Socialist profiles and a capitalist plan to spend more than \$50 million, the decision was taken to relaunch the stodgy daily as an aggressive and widely read publication. Less Socialism and more dollars was openly revealed to the fund-raisers as the recipe, an attitude that has already changed the paper beyond recognition, boosting daily circulation by 30 percent.

Whether the party and the trade unions will be able to sustain their enthusiasm for the new approach is, however, too early to tell. Denmark will hold elections this fall, and both party and trade unions tradi-

tionally want more open solidarity and general campaign support in the crucial weeks before the elections than is usually considered compatible with good journalism. By accommodating the political pressure—which the editors say they will not do—the paper will lose the credibility associated with the new word *fri* (“independent”) in its name. It will definitely be a balancing act worthy of top performers. But the fact that the major trade unions are at loggerheads and that the party is severely divided, may give the paper some room for maneuver. Nevertheless, whatever the quality of the entertainment and journalism provided, the bottom line is still written by the advertisers. And that battle is nowhere near being won, with advertisers staying away in droves, and Sunday readers proving more stubbornly conservative than expected. But, in media terms, it is still the most interesting Socialist experiment in the E.C.—LEIF BECK FALLESEN

ROME

Hosting the Summit

In the last few years, the Western economic summits have become probably the most extravagant form of modern-day diplomacy, and last month's meeting in Venice was no exception. The seven countries that attended—the United States, Canada, France, the Federal Republic of Germany, Italy, the United Kingdom and Japan—take turns to host the summit and attempt to outdo each other in excellence of hospitality, splendor of the surroundings and lavish facilities for the press. (The European Community as such attends the summit as an equal partner, but does not host the gathering.)

Venice, of course, starts with a few natural advantages in the “splendid surroundings” category. Not surprisingly, Italian Governments have for a long time woken up to its charms as a diplomatic venue,

having held a previous world summit there in 1980 as well as a European Council summit of E.C. Heads of Government and State.

In addition to meeting in the extremely beautiful 16th-century library in the cloisters on the island of San Giorgio—a six-minute ride by *vaporetto* from St. Mark's Square—the Western leaders dined in the Gothic magnificence of the Doges Palace and in the sumptuous Palazzo Grassi, owned and restored by the Agnelli Foundation.

But Venice also presented a problem in this security-conscious age. The need to ferry the leaders around in motor boats was a real headache for the security men, particularly those in charge of President Ronald Reagan, who was kept closely confined to his hotel, the Cipriani, when not otherwise engaged in summit business. During the summit, therefore, the waters around San Giorgio and St. Mark's Square were kept free of all normal traffic, including the *gondolieri*, who complained

loudly of a grievous blow to their earnings. Every waterborne movement by the leaders was followed by swooping helicopters, while security men occupied just about every *campanile* in the vicinity.

Some heads of government were not well pleased by all this attention—both French President François Mitterrand and German Chancellor Helmut Kohl implied that they thought it was overdone, and Kohl was obviously determined to have his freedom. He dined with a few aides at the restaurant where I was having dinner on the eve of the summit, could be spotted walking the streets between the Rialto and St. Mark's Square on another evening and even took night-time coffee at the Café Florian in the square on a third evening.

Russel Baker of *The New York Times* once described the journalists' experience at these summits as “sitting outside locked doors waiting to be lied to.” In Venice, the 2,200 journalists found that the pain of waiting was considerably eased by the excellent cuisine laid on

Venice, with its architectural charms and beautiful surroundings, is a favorite venue for diplomatic summits.



by their Italian hosts: The Milan caterer Indue reported that during the four days it fed the media, it served 15,000 meals involving 800 chickens, 45 turkeys, 127 Parma hams, 600 kilograms of meat and 1,500 kilograms of Venetian cheese. Figures were not available for the consumption of local wines that also were made generously available.

More than the Italian Government's generosity was on display in Venice. The Italian electronics manufacturer, Olivetti, obviously saw the occasion as a useful storefront for its electronic products, equipping the summit's banking and administrative services with more than 200 of the company's personal computers and even developing a sort of "electronic diplomat" for use in the summit library to facilitate the work of the advisers.

During the meetings, each Head of Government or State is accompanied by only one senior adviser, who in the old days was constantly shuttling between the summit room and his delegation's office. Olivetti

made the adviser's life much easier in Venice by devising an electronic console with a static television camera for transmitting notes or documents to the delegation, a special screen for use with an optical pen so that messages could be written for reception in the delegation room and a silent facsimile machine for transmitting documents. At the same time, the advisor could receive messages from his delegation on the console's screen.

As far as I could gather, all delegations found this innovation extremely useful and impressive. In a modest way, it may be a harbinger of things to come, to the extent that, perhaps, electronic communications will eventually link the Heads of State and Government so effectively that they will never need to leave their national capitals to attend annual summits. In the meantime, Venice remains my favorite summit meeting place and, I suspect, the favorite of most of those who travelled to the *Serenissima* in June.—JOHN WYLES

LISBON

Return from Africa

Where are the thousands of people who, 12 years ago, came back from Portugal's former colonies, such as Angola and Mozambique, when those nations became independent? What are they doing now, how have they reintegrated into Portugal? Those are the questions to which a group of young sociologists have tried to find answers in a survey recently published by the Development Institute of Lisbon (IED).

Now that the dust of the post-revolutionary period is settling, Portugal's academics are making an effort to understand the country's recent history and its impact on the present and foreseeable future. The IED study is the first serious analysis on the consequences of the massive return to Portugal in the mid-1970s of colonists from Africa. According to one of the members on the investigating team, the integration of the so-called *retornados* has been a remarkable success story, especially when compared to similar situations, such as in France and the Netherlands, following the independence of their colonies.

The 1975-76 period presented the most serious difficulties for the *retornados*—a period of housing shortages during which the returning colonists concentrated in the Lisbon area—but Government investment of \$150 million over a period of 18 months helped to ease these problems. With time, people began to set up their own businesses, reestablished long-lost family ties and began resettling in the towns and areas they had once left for Africa.

Their return to Portugal has been very important for the economic and social "renaissance" of some parts of the country that had been virtually depopulated with the emigration to other European countries of large numbers of Por-

tuguese workers. The return of an estimated 500,000 to 700,000 people who fled the political instability and unrest in Angola and Mozambique has helped to offset the negative demographic trends that were shaking Portugal.

Their reintegration into Portuguese life was relatively smooth and easy. The reasons for this can be found partly in the well organized and government-financed effort to avoid social and political disruptions some 10 years ago, when Portugal was going through a delicate stabilization period following the revolution. Moreover, the *retornados* were highly skilled, more experienced and younger than the average Portuguese worker, thus able to take advantage of the reintegration programs offered and to bring to Portugal what experts call "a certain degree of modernization in social behavior and habits," along with more aggressive business attitudes.

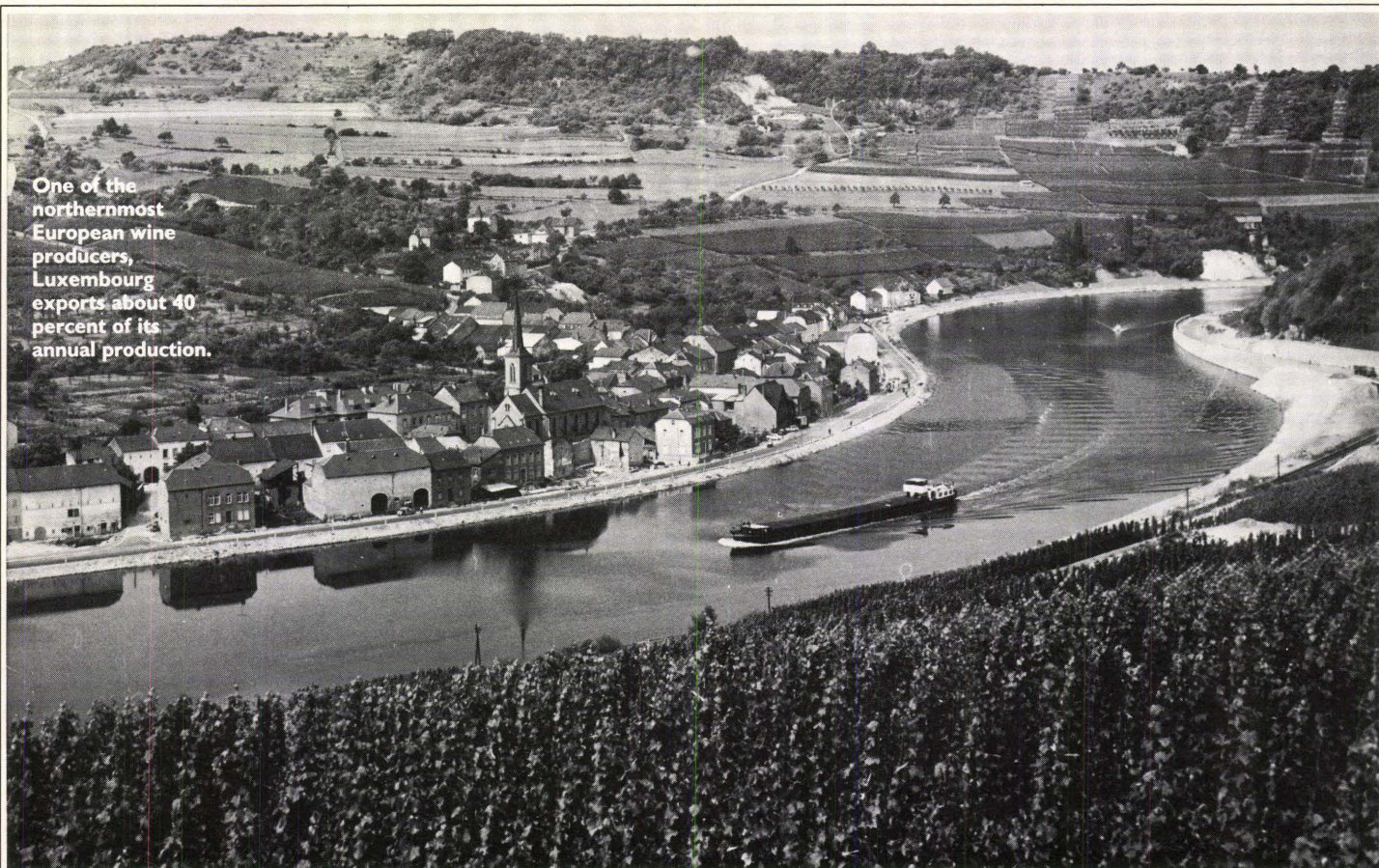
The 1981 census showed that a considerable number of the *retornados* were quick to integrate professionally and to begin climbing the social ladder, becoming managers (11 percent of those surveyed), scientific or technical experts (11 percent), farmers (11 percent), public servants (18 percent) or setting up their own businesses. On a social and political level, they are proving themselves also, with large numbers of them playing leading political roles at the local level.

The fears of social upheaval first expressed upon their return years ago were valid—some voiced concern that it might lead to the establishment of refugee "ghettos"—but common cultural values, strong family ties and the resilience of Portuguese society helped prevent these fears from becoming realities. The fact that these people are no longer commonly referred to as *retornados*, and the difficulty in recalling how hard their initial return to the country of their origin really was, are signs that the integration process really has been successful.—JOSÉ AMARAL

Left: a view of Venice. This page: The bronze horses and clock tower in St. Mark's Square.



PHOTOS COURTESY ITALIAN GOVERNMENT TRAVEL OFFICE



One of the northernmost European wine producers, Luxembourg exports about 40 percent of its annual production.

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In June, Luxembourg's wine producers were considerably more sanguine about this year's production than they had been in January. At that time, admits Jean Claude, a member of the Moselle wine-growers cooperative, "my heart sank when I saw pictures in the newspapers of the Moselle River frozen solid in the winter. But," he added, "it was also important that humidity remain low. And that, luckily, was the case."

The concern was under-

standable. Luxembourg's vineyards are among the most northern in Europe and thus highly susceptible to frost, which, in some years, can kill off half of all production. It is too early yet to judge the size of the 1987 harvest and still less its quality. Furthermore, there remains the constant threat of fierce summer storms that can wash the vines down Luxembourg's steep Moselle banks, but "really, I suppose, we have no more problems than usual at this moment."

In a good year, Luxembourg will produce about 15 million liters of distinctive white wine from a strip of land about 300 yards wide and running for some 15 miles on a south-facing bank of the Moselle. The light, dry character of the Luxembourg wines offers a striking contrast to the fruitier quality of the German Moselle wines, although the two countries' vineyards are often separated by no more than 100 yards of water. This largely reflects the German practice of sugar enrichment, and the Luxembourgers' own taste for less full-bodied vintages.

About 35 percent to 40 percent of Luxembourg wine production is exported—almost all of it to neighboring Belgium. The main wine produced in the Grand Duchy is the Rivaner, a cross between Riesling and Silvaner grapes, accounting for about half of total production. After this come Elbling and Auxerrois wines, and there is a following for the *perlant* or sparkling wines, which at their best can compare with champagne. The wines have in common a delicacy and lightness that make them excellent accompaniments to lunch, especially in cases where the meal is followed by a heavy afternoon's work.

After Belgium, the Netherlands is the second largest foreign buyer, and small quantities are shipped to the United Kingdom, the Federal Republic of Germany and France. Last year, nearly 2,000 liters also found their way to the United States. At a value of about \$1.5 million, total foreign sales represent a useful, though not major, contribution to total Luxembourg exports. There seems little doubt that much

more could be sold abroad, but the capricious growing conditions and the relatively tiny area qualifying for the coveted *appellation controlee* make it difficult to increase production. On the other hand, the 1,600 or so growers, with an average of about two acres, do provide a genuine embellishment to Luxembourg's charms for the tourist, many of whom express surprise and pleasure at the discovery of vintages mostly known only to locals and a few discerning imbibers in neighboring countries.—ALAN OSBORN



MADRID

Fighting Over Television

Foreigners on holiday in Spain's Mediterranean resorts can usually expect to be able to view television programs and news bulletins from their European home countries in their hotel bedrooms, as well as a selection of video films. This choice of viewing possibilities stands in contrast to the overwhelming majority of Spaniards who still are able to choose between only two channels of state-run television, a situation that has remained essentially unchanged since the Franco regime created RTVE (Radio Television Espanola) more than a quarter of a century ago. And although their numbers are growing, especially in the big cities, still only a lucky few can afford to put a satellite dish on their rooftops to receive television programs from abroad.

But as in several other European countries, this situation may change, as it seems that Spain's Socialist Government has finally bowed to the technological "facts of life," by asking Parliament to approve a bill to permit the country's first private networks. But it will still take a while until Spaniards, like their European neighbors, can flip the channels and break a rigid and long-standing state monopoly, for it seems unlikely that the bill will weather its passage through the Cortes before the end of this year.

The ruling Socialists, firm upholders of state television as an instrument for the spread of culture in line with Socialist ideals, came round very reluctantly to perceiving the need to legislate for private television. And even now, critics say, this move does not reveal so much the acceptance of market forces and the phenomenon of today's big television corporations. Quipped one interested group after studying the proposals closely: "If the Franco regime had lived long enough

and had been obliged to legislate for private television, the bill could not have been more restrictive."

And when one considers the favorite phrase of Javier Solana, the Government's Minister of Culture—"We live in a democracy transmitted by television"—this attitude on the part of the Government may not surprise. Especially in a country where less than three million newspapers are sold daily and 80 percent of the population receive their news



and entertainment from television, the politicians' obsession with the small screen may be understandable.

RTVE is currently headed by 46-year-old Pilar Miro, successful Spanish filmmaker and close friend of the Prime Minister, who was instrumental in assisting González in managing the media for his double win last year in the referendum on Spain's decision to stay in NATO and the general elections. Miro has welcomed the bill, arguing that competition from private television would help stimulate the vast bureaucratic machine that has come to run state television, and serve successive Spanish Governments, whatever their political color.

RTVE presently absorbs an estimated one third of all Spanish advertising, just about as much as the daily newspapers all told. The future carve-up of that advertising among RTVE (which has no income from licenses as, for example, the British Broadcasting Corporation in the United Kingdom) and the private channels is the real worry provoked on all sides.

Spain's opposition parties

have introduced alternative bills and even threaten to challenge the future Socialist law before the Constitutional Court: They want *more* channels. Their basic complaint is of the Government's deep suspicion of existing press groups, which is manifested in the stipulation that none of the press groups will be allowed to hold more than 15 percent of the share capital in the new networks, whereas up to 25 percent will be permitted non-press interests.

Another factor that angers the rather staid Spanish press barons is the interest shown in this Spanish project by foreign-

ers, such as the Italian television entrepreneur, Silvio Berlusconi, and British press magnate, Robert Maxwell, and the encouragement that has seemed to emanate from González in this regard. They fear that González, in his demonstrative chats with the foreign magnates, may be seeking to play one group off against the other and thus ensure that the Socialists, although forced to loosen the state monopoly to some extent, nevertheless do not forego all influence over the commercial operation to the opposition and the economic forces behind them.—
RICHARD WIGG

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DUBLIN

Holding Up the SEA

The Single European Act, or SEA, entered into force on July 1, but only after a lone Irishman, Raymond Crotty, had succeeded for six months in withholding its claimed benefits from his 320 million fellow E.C. citizens. At least that is how the Community's press liked to portray the saga. And it was a saga that preoccupied the best legal brains, worried politicians and Eurocrats and bemused the Irish population since last Christmas.

In a cold, almost empty courtroom in Dublin late on Christmas Eve, when most of Ireland was celebrating, Crotty won a legal order preventing the Irish Government from ratifying the SEA by January 1, 1987 along with its other E.C. partners. For most people in Ireland and doubtless in the E.C., this oddity named "Act" meant nothing, but it had been signed by all 12 member state Governments a year before and had been described as the most important step forward in European integration since the setting up of the European Community itself.

The "Single Act" actually consists of two separate treaties: One is a series of amendments to the original E.C. treaties to introduce more majority voting, extra powers for the European Parliament and new sections on economic integration, health, environment and research; the other is an international treaty on cooperation among the Twelve in foreign policy known as European Political Cooperation, or EPC. The SEA was a modest compromise by the E.C. Governments, faced with the much more ambitious plans for a full European Union contained in the late Altiero Spinelli's draft treaty.

The increased majority voting is to be a vital part in the blueprint for a complete internal market by 1992, when it is

hoped the E.C. will resemble the United States in freedom of movement for goods, persons and services. For countries like Ireland, which could have problems in adjusting to the full brunt of competition, there is to be compensation in increased flows from the regional and social funds and sharing in E.C.-wide research projects.

The EPC treaty formalized what the member states had been doing since the process began in 1970 of trying to reach consensus on major foreign policy issues, issuing common declarations on the Middle East, South Africa, East-West relations, Central America and so on. Excluded from such discussions, mainly at Irish insistence, were defense matters that more properly belonged to the North Atlantic Treaty Organization (NATO), Ireland being the only Community member not to belong to the Atlantic Alliance.

This brings us back to Crotty. In 1972 he had been the leading opponent of Ireland's entry into the E.C., a step that had been approved by 83 percent of the country in the referendum necessary at the time to change the Irish Constitution. Crotty became convinced that the SEA was such an important step forward for the E.C. that the Irish Government could not ratify it unless it amended the Constitution—which, like any other constitutional change, would require another referendum.

The Irish Government vigorously contested this view and said that the best legal advice available showed that the SEA was covered by the 1972 amendment. This confidence was shaken, however, when Crotty's lawyers succeeded first in preventing Irish ratification at the beginning of the year and then in successive court hearings that culminated in the Supreme Court finding in Crotty's favor. To the general surprise the court struck down the EPC part of the Act, which does not entail absolutely legal obligations to each common foreign policy position but

merely "best endeavors" to do so. In an historic judgement that has far-reaching repercussions beyond the SEA, the court held that entering into such a treaty "trenched progressively" on Ireland's sovereignty as laid down in the Constitution.

This decision, which vindicated Crotty, caused consternation in government and official circles already embarrassed at holding up the SEA while other E.C. countries were beginning to show some impatience at the fact that one man could prevent 320 million others from getting that for which their Governments had already signed. The SEA had been so drafted that, unless duly ratified by each member country, it could not come into force. For Ireland, there was nothing for it but another referendum, but to make matters worse, the Fianna Fail Government now in power had expressed serious reservations about the SEA when in opposition, now a telling campaign weapon for Crotty and his supporters.

These supporters quickly grew to include a strange coalition of interest groups comprising militant Sinn Fein members and its Marxist foe, the Workers' Party, both alleging the SEA was a "slippery slope" leading into NATO; ultra-conservative religious groups worried about abortion and divorce and urged a "rosary crusade" in favor of a "No" vote; anti-nuclear groups (Ireland has no nuclear plants), who read into the SEA a pledge by Ireland not to continue campaigning for the closure of Britain's leaky Sellafield re-processing plant on the edge of the Irish Sea; and an almost endless list of "concerned" doctors, students, priests, nuns, ex-army officers, nurses, teachers and so on. From the Federal Republic of Germany came Green Party parliamentarians, farmers and an ex-general to support Crotty, and Denmark also supplied an anti-SEA contingent.

For the first week of the campaign, it looked as if no one

loved the hybrid Act, but the major political parties gradually organized themselves and the benefits of E.C. membership were hammered home. While the anti-SEA lobby argued unconvincingly that Irish rejection of the Act would not affect the country's standing in the E.C., the Government and senior political figures attacked the NATO and abortion "red herrings," and farmers compared E.C. prices with world ones and hurried to vote "Yes."

At the end of the day, 70 percent voted for and 30 percent against adoption of the Act. It was a low poll of 44 percent, reflecting a widespread incomprehension about the exact nature of the SEA. In only two countries, Ireland and Denmark, did the people vote on it; in the rest of the E.C., it is something you fish and swim in.—JOE CARROLL

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E.C. CONCERNED OVER PROPOSED U.S. TRADE BILLS

NEW LEGISLATION COULD RUN CONTRARY TO THE LETTER AND THE SPIRIT OF THE G.A.T.T.

JUTTA HENNIG

As global negotiations on new rules for international trade begin in earnest, the U.S. Congress seems determined to remedy America's trade problems with a unilateral course of action. It is preparing to approve sweeping trade legislation that may put the United States on a collision course with its major trading partners, including the European Community.

The E.C. has joined the Reagan Administration in expressing its concern over this apparent congressional disregard for the success of the new round of trade talks and existing U.S. obligations under international trading rules. However, key members of Congress refute these arguments by insisting the pending trade legislation does not hurt the multilateral trading system and seeks to remedy its shortcomings.

Few participants in the trade debate dispute that the proposed laws curb the flexibility of the Reagan Administration in conducting the new round of trade talks in Geneva. In addition, the proposals want to limit the Administration's discretion in resolving disputes over import protection and unfair trading practices. Proponents of the trade bill defend this as increasing the President's accountability, while opponents criticize it as tying the Administration's hands. The E.C. and other trading partners, such as Canada, have argued the pending trade bills as passed by the House and the Senate Finance Committee violate the letter and spirit of the General Agreement on Tariffs and Trade (GATT). This could easily lead to mirror action against U.S. exports by major trading partners, according to high-level E.C. officials. In addition, the trade bills fail to address the macroeconomic reasons for the trade deficit, they point out.

Jutta Hennig reports from Washington D.C. for *Inside U.S. Trade*.

The United States is the E.C.'s largest trading partner, and exports and imports between the two account for 36 percent of world trade and 60 percent of trade between industrialized countries.

The Administration has backed its concerns over the legislation with a veto threat. It also has issued reminders that the United States must reduce its budget deficit, which is one of the macroeconomic reasons for the trade imbalance. These warnings have tempered some provisions in the legislation, but key members of Congress have insisted that their bills are consistent with U.S. obligations under international rules and are an attempt to deal with the new foreign trading practices that have emerged in recent years and are hurting U.S. trade. They charge that the Administration has overused its argument of GATT illegality to preserve the status quo. They explain that the current trade bill emerged out of their frustration with the record trade deficit and with the failure of U.S. exporters to gain access to foreign markets that they say are largely closed by unfair trading practices.

The E.C. does not dispute legitimate U.S. concerns over market access for its exports, but believes that such a U.S. push is best served through multilateral negotiations that aim at a global trade

balance, according to E.C. officials. This precludes unilateral U.S. action through legislation that seeks to fight self-proclaimed unfair foreign trade practices by changing the standards for the enforcement of the trade laws, the E.C. has argued. It also precludes sector-specific provisions that seek to open foreign markets for a certain industry under the threat of U.S. retaliation, according to the E.C. Already, the E.C. Council of Ministers has vouched it will not hesitate to defend its rights through GATT dispute-settlement proceedings or through mirror legislation. Other trading partners that have expressed concern over the trade bill, such as Canada, may follow suit. U.S. companies would be vulnerable to mirror legislation on subsidization and dumping, they insist.

For instance, a provision in the House trade bill, HR 3, allows companies to file a legal claim for compensation against firms that have been found to be repeated dumpers. If such a law were to be passed in Europe, at least 12 U.S. companies would be vulnerable because they have been found to sell their products in the E.C. at unfairly low prices, the Commerce Department said in its lobbying campaign against the provision. According to the department's records, they are Allied Corporation, Babcock and Wilcox Company, Celanese Chemical Corporation, Dow Chemicals, Eastman Chemical International Company, Exxon Chemical Supply Company, Gantrade Corporation, PPG Industries, Sun International Company, Sunoco Overseas, Inc., Tenneco Oil Company and U.S. Steel Corporation.

Perhaps the most dramatic example of unilateral U.S. action is a provision in the House-passed trade bill that would force certain countries to reduce their trade surpluses with the United States. Sponsored by presidential hopeful Rep. Richard Gephardt (D-MO), it would affect countries that have an "excessive and unwarranted" trade surplus and a pattern of unfair trade practices as determined by the U.S. Trade Representative.

If negotiations do not achieve an agreement to eliminate the unfair trading practices within six months and a possible two-month extension, the bill requires a dollar-for-dollar retaliation in the value of the damage these against unfair trading practices do to U.S. trade. However, the bill allows the President to waive the retaliation if he found it caused substantial harm to the U.S. economy and if he determined a surplus nation is encountering balance-of-payment problems.

In addition, the Gephardt language in

the House would provide for an exchange-rate equalization tariff for countries that manipulate their currencies to keep them artificially low in relation to the dollar. The tariff would be imposed after negotiations with these countries failed. The Senate trade bill approved by the Senate Finance Committee did not have a comparable provision on deficit reduction, but asked the President to negotiate with countries that manipulate their exchange rates and otherwise act to gain an unfair advantage in trade.

U.S. trading partners are troubled by the Gephardt provision because it blames the U.S. trade deficit on unfair foreign trade practices without acknowledging the domestic U.S. reasons for the deficit: the overvalued dollar in 1983-85 and the budget deficit. In addition, the E.C. believes the provision overlooks the fact that the United States ran large surpluses in the 1960s and 1970s when trade barriers were higher than today. Moreover, it is apparent that the United States must export more than it imports in the 1990s in an effort to pay for its debts, opponents of the Gephardt provision argue. If other countries adopted mandatory deficit reduction laws, they would affect the United States at that crucial time, oppo-

nents of the Gephardt language have pointed out.

The focus on foreign unfair trade practices is apparent throughout the trade legislation that addresses a host of laws, including those on dumping and subsidies. Both the House version and the Senate Finance Committee version seek to change the standards for enforcement of the laws by expanding the definition of what constitutes an unfair trading practice or by declaring a trading practice actionable under U.S. law even though there is no international consensus on its legality.

"Changes in these standards must be agreed upon multilaterally," Sir Roy Denman, head of the E.C. Commission's Delegation to the United States, told members of Congress during their trade debate. "They cannot be imposed by the United States alone in the world trading system."

The E.C. also has been concerned about provisions in the House trade bill and the Senate Finance Committee's bill that make it easier for U.S. firms to fight patent infringements by foreign companies. Both bills change Section 337 of the

Tariff Act of 1930 by removing the requirement that U.S. firms prove they are being injured by the alleged patent infringers. They also make it easier to prove that the U.S. firm bringing a patent case is in an "efficiently and economically operating industry."

These charges further strengthen E.C. opposition to Section 337, according to E.C. officials. They pointed out that the E.C. challenged the existing law in the GATT earlier this year as a violation of U.S. obligations under international trading rules. Similarly, the E.C. has protested the House trade bill's provision on process patents, which it says is broader than existing international agreements. In the worst case, this could invite U.S. firms to take legal action aiming at blocking imports to the United States that incorporate a product made in violation of a process patented in the United States, E.C. officials said.

Furthermore, the E.C. has protested congressional efforts to limit the procurement of U.S. government agencies to imports from countries the United States considers to have open markets. This finding would be made by the Office of the U.S. Trade Representative, which would

Continued on page 44.

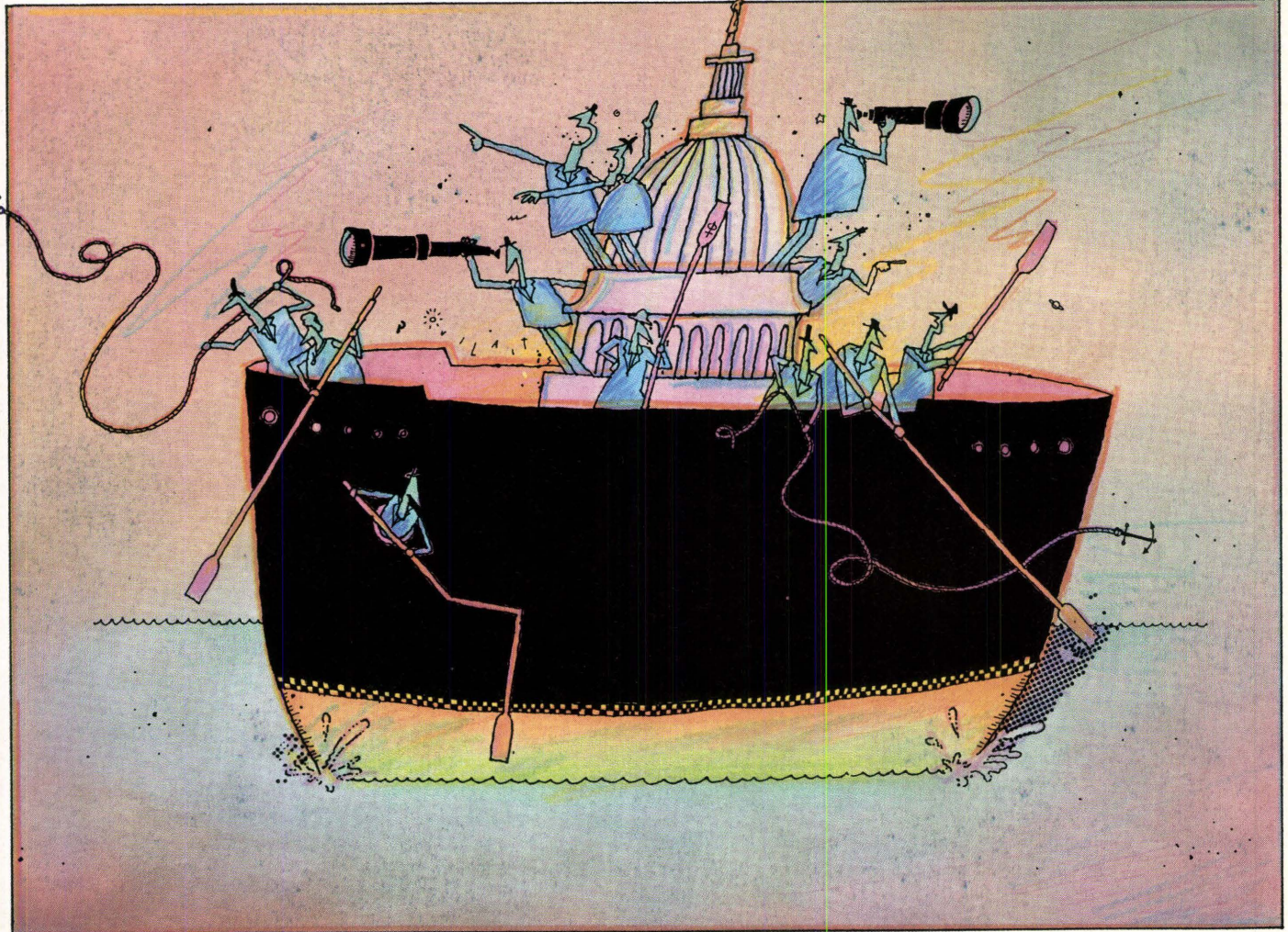


ILLUSTRATION BY DAVID POVILAITIS

FROM "J-CURVE" TO "GATTABLE"

A LEXICON OF TRADE BUZZWORDS.

SUSAN F. RASKY

Determined to reverse America's soaring trade deficit and to get tough with countries that close their markets to American goods, Congress has moved swiftly this session to pull together major trade legislation. Both the House of Representatives and the Senate have already passed omnibus trade bills, and a conference committee to reconcile the two is expected before Congress recesses for the summer.

Not surprisingly, the process has produced jargon that may need some explanation for those who normally do not follow trade closely. Herewith, a sample:

"Gattable"

An adjective to describe practices that can be shaped to comply with the international free-trade treaty known as the General Agreement on Tariffs and Trade, or GATT. Gattable practices lie somewhere between those that are accepted under the treaty (GATT-legal) and those that are clear violations.

For example, paying for worker retraining programs out of money collected from customs duties, as the Senate trade bill would do, may be Gattable. Ordering a naval blockade of Japan to prevent it from sending its products to the United States almost certainly would not.

"Mandatory Retaliation"

What both the Senate and House bills

would require of the President in response to countries that engage in unfair trade practices. Sen. Bob Packwood (R-OR), the ranking Republican on the Senate Finance Committee, has tried to draw a distinction between this approach, which still gives the President some discretion on how to retaliate, and what he calls "compulsory retaliation"—provisions that would tie the President's hands completely.

In debate, Sen. John C. Danforth (R-MO) conceded that he certainly could not tell mandatory and compulsory retaliation apart. But he said Sen. Packwood had spent the past several months in Zen meditation to come up with the distinction in hopes of making the Senate bill palatable to the Reagan Administration.

"The J-Curve"

A mathematical curve that economists use to explain how a decline in the value of the dollar makes the trade deficit worse before it makes it better. (A

contract that economists are using to explain why the trade deficit really would have improved after it worsened but for the continuing fall of the dollar. It seems that a steadily declining dollar produces lots of little J-curves instead of one big one. So just when the trade deficit is starting to improve, a new drop in the dollar sets the whole chain of events off again and makes the deficit worse.

"The 'C' Word"

Shorthand for "competitiveness," last season's all-purpose buzzword to describe what the country really needs to get its economy and trade balance back in order. The abbreviated form is favored by lobbyists, trade specialists and Congressional aides to show their disdain for the device they helped invent, now that everyone else has started using it. €

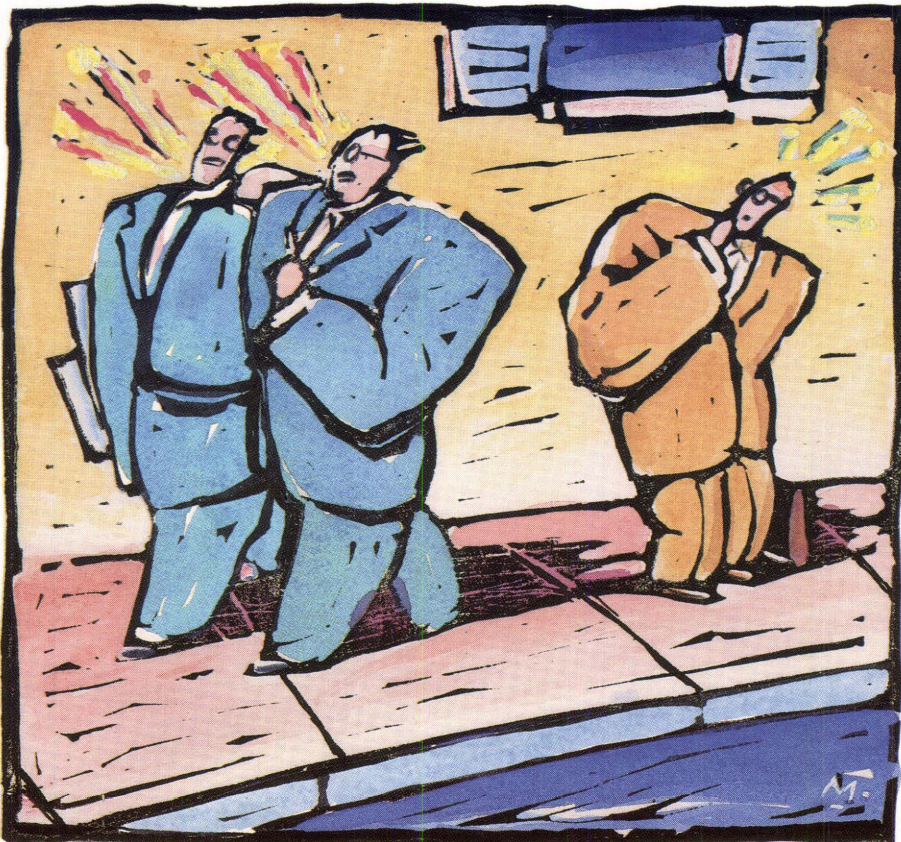


ILLUSTRATION BY MARK MATCHO

cheaper dollar automatically raises America's import bill and lowers its profits on exports.) Eventually, price changes are supposed to make Americans buy fewer imported items and make foreigners buy more American goods, so that the trade deficit is reduced, but most members of Congress no longer listen to economists who try to explore the J-Curve.

"Cascading J-Curve"

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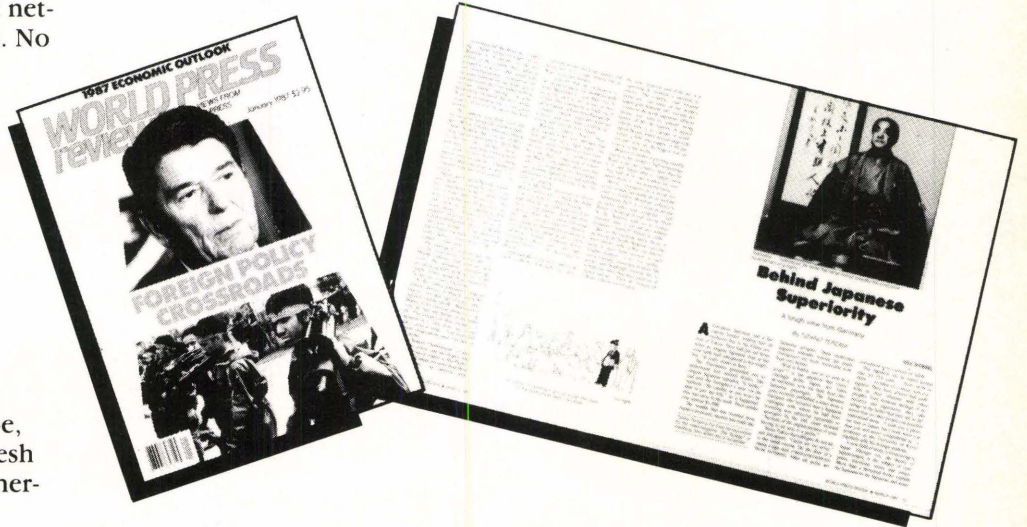
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TOP E.C. OFFICIALS VISIT U.S. FOR TALKS ON TRADE

U.S. LEGISLATION, E.C. PROPOSAL FOR OILS AND FATS TAX ON THE AGENDA.

QUENTIN PEEL

Willy De Clercq is one of the most popular members of the present E.C. Commission—unusual enough for a former Finance Minister of Belgium, a country known for its heavy tax burden. As the man most responsible for external trade relations of the 12 E.C. member states, his reputation for good-humored straight dealing is a valuable asset in the interminable negotiations that he has to conduct, with billions of dollars at stake.

When asked in a recent interview about his greatest preoccupation for the remaining 18 months of his term of office, he was in no doubt. It was not the Japanese trade threat, nor that of Southeast Asia, not the new round of trade liberalization talks in the General Agreement on Tariffs and Trade (GATT), nor the general slowdown in world trade growth. It was the threat of U.S. protectionism.

When De Clercq met U.S. Treasury Secretary James Baker at the Venice economic summit of Western industrialized nations last month, he got a stern warning in return. "Willy," Baker apparently said, "I want you to go back and tell your 12 members that if they approve this oils and fats tax they are planning, it will mean a trade war to end all wars."

It must seem strange to many that these two huge trading partners, whose two-way trade in goods and services totaled some \$132 billion in 1986, should now be regarding each other with such alarm. There is no doubt that the temperature of trans-Atlantic intemperance has risen sharply in recent times. Is it real, or just for show? Too many threatened trade "wars" across the Atlantic have evaporated in ultimate reconciliation for one to take the rhetoric at face value. But if, for once, it is real, what has

brought this sorry state to pass?

De Clercq arrives in Washington, D.C. in early July with his Dutch colleague Frans Andriessen, the Vice-President of the Commission responsible for agriculture, in a bid to bring home to the political powers that be in the U.S. capital just how seriously Europe is taking the rising tide of protectionism on the Hill. Their aim is to arrive sometime between the Senate vote on its trade bill and the conference meeting between the two houses of Congress to reconcile their respective drafts.

Both proposals for legislation are regarded with undisguised horror in Brussels, headquarters of the E.C. Commission and meeting-place of the E.C. Council of Ministers. They are taken seriously enough to be discussed every month by the 12 E.C. Foreign Ministers, to monitor their progress and decide how best to coordinate their struggle to resist them.

The same sort of campaign is being waged by the United States back in Brussels to oppose the Commission's plan for a tax on vegetable oils and fats—a measure that, according to the United States, would hurt U.S. soybean sales. Some people on both sides of the Atlantic believe the proposals at stake threaten to create a climate of self-justifying protectionism and a tit-for-tat series of disputes that could rapidly undermine progress in the new Uruguay round of the GATT.

The oils and fats tax is intended to force the E.C. member states to find an alternative way of financing their budget deficit, on the assumption that the tax would prove too awful to contemplate. The trouble is that in the meantime it has appealed to the instinctively protectionist farm lobby in many E.C. countries as an ideal way of cutting back rival imports, and they now do not want to give it up.

As for the sort of ideas doing the rounds in the U.S. Congress, many are equally confused and blatantly protection-

ist. Indeed, the whole concept of "unfair" trade practices seems to be simply another way of complaining about any action, legal or not, that leaves the United States at a disadvantage. The European employers' federation, UNICE, is most concerned that the bills under discussion would provide "automatic or mandatory recourse to U.S. legislation on unfair trade." In Europe, the organization points out, "trade-policy decisions are subject to a system of checks and balances which prevents narrow protectionist interests from precipitating retaliatory action and severe friction in trade."

De Clercq himself singles out a series of proposals as most offensive:

- the Gephardt amendment in the House of Representatives' bill, designed to penalize countries with "an excessive and unwarranted trade surplus" with the United States, blames foreign alleged unfair trade practices for problems largely caused by the overvalued dollar of 1983-85 and the U.S. budget deficit;
- the telecommunications provisions that, while based on the idea of negotiations to reduce trade barriers, seek to set mandatory deadlines and strict reciprocity;
- discriminatory provisions affecting foreign investors in the United States, but not applying to private U.S. companies;
- a whole range of anti-dumping and countervailing duty provisions, taking U.S. legislation "beyond GATT rules";
- provisions tightening existing laws on "unfair trading practices"—particularly the mandatory trade retaliation against alleged offenders.

If such legislation does become law, the Community is threatening "mirror action."

"The unilateral rewriting of the rules (of the GATT) now proposed in the U.S. Congress constitutes a serious and unacceptable expansion of the concept of unfair trade practices," De Clercq says.

All this comes on top of the plethora of
Continued on page 45.

Quentin Peel is the *Financial Times*' bureau chief in Brussels.

The visit to the United States by E.C. Commission Vice-President Frans Andriessen and E.C. Commissioner Willy De Clercq for talks with



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U.S. officials follows the Western economic summit in Venice where E.C. Commission President Jacques Delors (left) represented the Community.

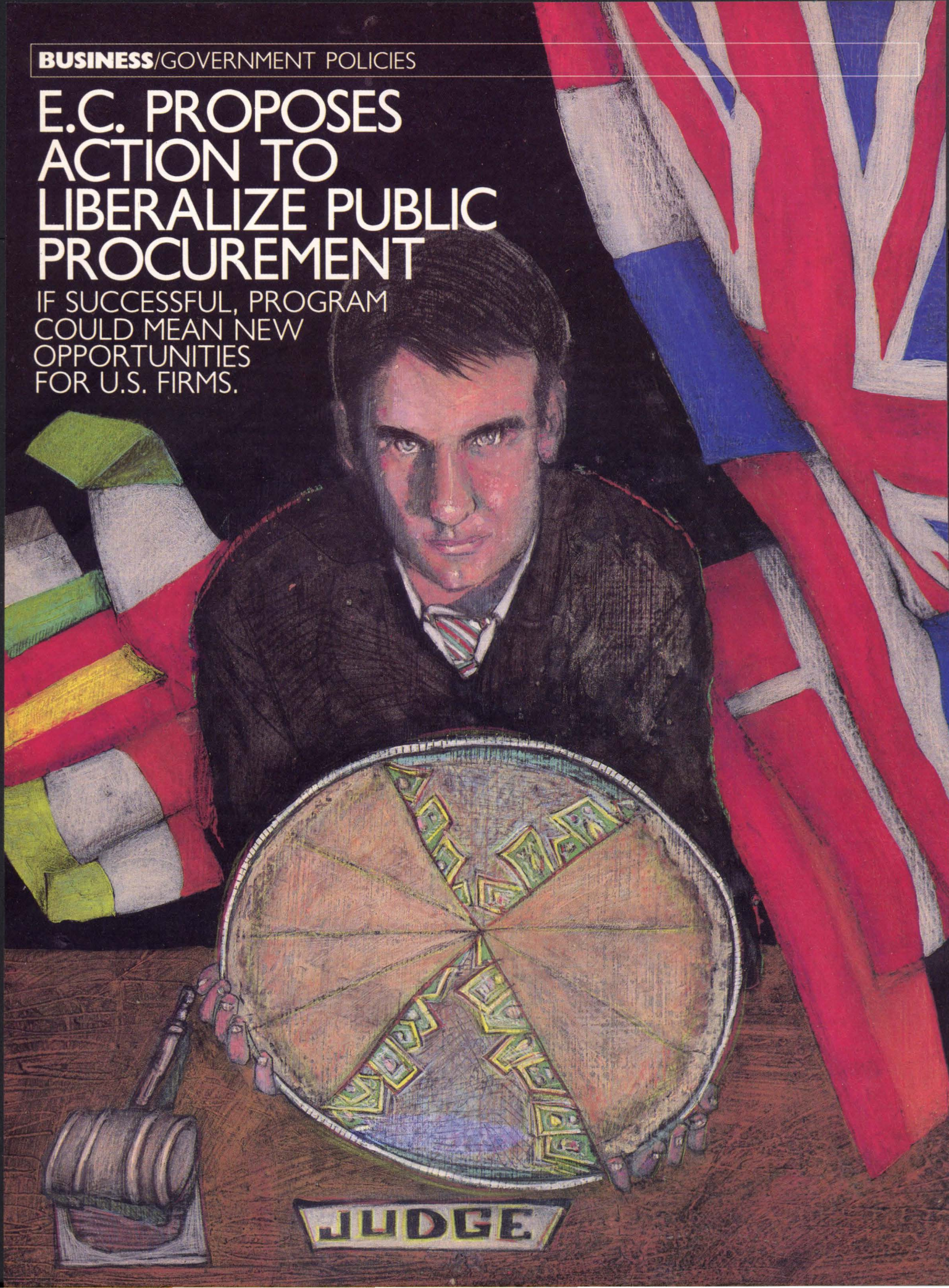


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BUSINESS/GOVERNMENT POLICIES

E.C. PROPOSES ACTION TO LIBERALIZE PUBLIC PROCUREMENT

IF SUCCESSFUL, PROGRAM
COULD MEAN NEW
OPPORTUNITIES
FOR U.S. FIRMS.



In a move that may have considerable significance for U.S. companies with European subsidiaries, the E.C. Commission has decided to create a special public procurement directorate. The decision, which underlines the importance attached to this subject by the Commission, follows a recent Commission action in bringing individual member states before the European Court of Justice.

In February of this year, the Court suspended an award of a public works contract in Ireland three days after the Commission submitted its application to the Court. The Court did this by way of an injunction *ex parte* (that is, without hearing the Irish Government). Even more recently, the Commission decided to open infringement proceedings against the Netherlands, for requiring the contractor

The value of the E.C. public-procurement sector—that is, purchases and works by government, regional or local authorities—together with contracts by public-sector enterprises amounts annually to around \$460 billion.

for a roadworks tender to be domiciled in the Netherlands.

The value of the E.C. public-procurement sector—that is, purchases and works by government, regional or local authorities—together with contracts by public-sector enterprises amounts annually to around 400 billion European Currency Units (ECU), currently about \$460 billion. Of this, only 20 percent is at present subject to open tendering. The Commission recognizes that the opening of public procurement is a keystone to the completion of the internal market, targeted for 1992, and that the subject is therefore a top E.C. priority.

Stanley Crossick is the founder of the Belmont European Community Law Office in Brussels.

Existing Legislation

This consists mainly of two E.C. Council of Ministers directives, one coordinating procedures for the award of public work contracts (July 26, 1971) and the other coordinating procedures for the award of public supply contracts (December 21, 1976). There is also a Council recommendation (not legally binding) covering the first phase of opening access to public telecommunications contracts (November 12, 1984).

Proposed Legislation

The Commission proposed two further directives in 1986, tightening up the rules applying to public supply contracts (June 19, 1986) and public works contracts (December 23, 1986). The Council adopted in principle the public supply contracts directive in December 1986 and is now awaiting the European Parliament's opinion. It hopes to adopt the public works directive by October 1987.

Main Obstacles

There are three main obstacles to the opening of public procurement:

- First, the existing E.C. rules are not satisfactory. Member states have not always effectively adopted in national law all the provisions of existing E.C. legislation and they wrongly exclude many corporations from application of the rules (for example, by abusing the use of exclusion provisions on the grounds of urgency and industrial security).
- Second, there are legal, administrative and practical problems in the enforcement of existing rules (for example, the non-existence of or failure to use European standards).
- Third, important sectors such as telecommunications, transport, energy and water supply are excluded from the scope of the present rules. There are also excessive interpretations of these excluded sectors.

What normally happens is that when the procurement rules are broken, an individual firm lodges with the Commission a complaint against the member state on the basis of Article 169 of the Treaty of Rome establishing the Community. The Commission, after investigating and if thought appropriate, takes the case to the Court of Justice.

This procedure has proved unsatisfactory mainly for the following reasons:

- individual firms are reluctant to lodge a complaint against a member state;
- procedures are lengthy, both at Commission and Court of Justice levels;
- the Commission is often not informed in time of irregularities;
- the decisions of the Court of Justice are

not always implemented; and

- the Article 169 procedure does not provide for fines or indemnities to compensate for the damage caused.

March 1987 Package

In March 1987, the Commission formally adopted a further package of proposed measures that includes the following:

- The creation by the end of 1987 of a legislative framework opening up public procurement to the sectors that have so far been excluded from the existing legislation, namely: transport, telecommunications, energy and water supply.
- The adoption of a proposal for a directive strengthening the Commission's role in controlling the proper implementation of E.C. rules on public procurement. The Commission would be able to intervene swiftly and directly into national awarding procedures and suspend the award for three months before securing the application of E.C. rules.
- The requirement that disbursements of all E.C. funds (European Investment Bank, structural funds, etc.) will be conditioned on the public procurement rules being applied.

The March package is significant in two respects. It emphasizes that the Commission really means business and it contains precedents that have far-reaching effects for completing the internal market and indeed beyond. The outcome of the Commission's initiative depends on the attitude of the member states. While, in principle, they support the opening up of public procurement, old habits die hard and it is what happens in practice that matters.

The Commission proposals are part of a broader move by the Commission to encourage the direct bringing of actions in national courts and giving to the Commission a role as a kind of *amicus curiae*. The European Court of Justice is overloaded with work and, in any case, the procedure at E.C. level is too slow and cumbersome. Enforcement can be more effective at national level.

A Challenge to Industry

In addition to improving existing legislation, the Commission is carrying out a parallel study of methods to improve the implementation of the law. This may be either by strengthening the Commission's role (centralized control) or by coordinating national procedures (decentralized control). These are important developments for industry: The Commission is trying both to make it easier for aggrieved firms to seek redress in the courts and to make the application of E.C.

Continued on page 44.

E.C. FORECASTS SLOWER GROWTH IN 1987 AND 1988

NEW PREDICTIONS REVISE 1987 GROWTH DOWNWARD FROM 2.8 PERCENT TO 2.2 PERCENT.

The E.C. Commission, which publishes economic forecasts twice a year, released its most recent projections in May. The following article summarizes the report.

The European Community's economy will grow by 2.2 percent in 1987, according to a new forecast by the E.C. Commission. This is down from the 2.8-percent growth that was forecast for 1987 by the Commission last autumn. Growth in 1988 is expected to be about the same as in 1987.

This downward revision was mainly caused by developments in the international environment, and more particularly by the larger than expected fall of the dollar exchange rate against the European Currency Unit (ECU). The prospects for exports and consequently those for business investment have deteriorated sharply.

The slackness of economic activity influences employment, which is forecast to grow by around 0.5 percent in both 1987 and 1988. This growth will produce only a stabilization of unemployment at a high and unacceptable level (around 12 percent). The previous forecast of low consumer price inflation in 1987 is confirmed (+3.2 percent), and about the same rate is expected for next year. Meanwhile, the E.C.'s external surplus on current transactions, which went down from 1.1 percent of gross domestic product (GDP) in 1986 to 0.7 percent in 1987, is likely to decline further in 1988 (0.4 percent).

The International Economic Environment

The problems that cast a shadow on the prospects for the world economy last autumn have not eased since then. The huge imbalance in the international payments position are seen to continue unabated in the forecast period. In fact, the current-account deficit of the United States will remain very large in 1987 and 1988. Besides, several recent events

have called attention once again to the fact that the world debt problem has not been overcome yet. Furthermore, protectionism continues to threaten the prospects for a smooth development of international trade.

World trade (E.C. excluded) is now assumed to grow by 2.5 percent in 1987, which is about half a point lower than expected in the autumn. With some improvement in activity later in the year, world trade is, however, seen to recover modestly from mid-1987.

The present forecast for the United States assumes a continuation of a moderately restrictive budgetary policy and low real income growth. In these conditions, GNP at constant prices may be expected to grow by around 2.5 percent in the two forecasting years.

The rise in the yen over the past two years has substantially reduced the competitiveness of Japanese exports. The Japanese Government has recognized that domestic demand must now take over from exports as the driving force in the economy. However, the budgetary policy stance has remained restrictive even with the addition of a stimulative package in autumn 1986. As a consequence, the increase in domestic demand in 1987 and 1988 is unlikely to compensate fully for the poor export performance, and GNP should increase by 2.7 percent in 1987 and by a little more than 3 percent in 1988.

Turning to non-oil producing countries, it should be recalled that their indebtedness has not diminished since the crisis of 1982, and servicing costs for the heaviest debtors now exceed one-third of export earnings. Although developing countries are gradually moving into manufacturing, the continued weakness of primary commodity prices implies a long-term deterioration of their terms of trade and leaves little hope that they will make a strong positive contribution to the growth of world trade.

The Far Eastern Newly Industrializing Countries have profited substantially over the past year from the exchange-rate shifts and have been able to expand their exports not only to Japan and the Community, against which they have devalued, but also to the United States, where they have gained market share against European and Japanese competitors. They are now as a group in a strong external position and their import growth is assumed to remain a relatively strong element of the Lesser Developed Countries' overall external demand over the next year.

The E.C. Economy

The slower-than-expected expansion of world trade and the further fall of the dollar exchange rate combined to depress the volume of E.C. exports more than expected in the autumn forecast. This deceleration, together with the parallel weakening of business investment, is the main element behind the downward revision of overall growth in 1987.

Turning to domestic demand in Europe, the revisions to the earlier forecast for 1987 are less dramatic, but still important. One part of the downward change may be linked directly to the gloomier outlook for foreign demand and is reflected in business investment; another part stems from the spending behavior of households. In 1988, the rate of growth of domestic demand should reach only 2.7 percent, against 3.7 percent in 1986.

The increase in private consumption in the current year has been revised downward from 3.5 percent in the autumn forecast to 3.1 percent. It was supposed in the autumn that the savings ratio of households would rise in 1986 and decline noticeably in 1987, as consumers adjusted their spending behavior with a certain lag to the sudden income rise of 1986. It seems now that this pattern of behavior has been less pronounced. In fact, the average savings ratio of the Community may not have risen last year, but is still expected to decline somewhat in 1987. Real disposable income of households is forecast to grow by 2.7 percent this year, 0.3 points less than in the autumn forecast. Next year, real household incomes would rise by 2.4 percent on present hypotheses; assuming a slight fall in the savings ratio, private consumption could increase by 2.8 percent.

The slump in foreign demand seems to have affected capital formation in equipment immediately. Its 1987 growth rate has been revised downward by around a

IMPORTS OF GOODS

(% change at constant prices on preceding year, E.C., USA, Japan, 1972-1988)¹

	1972 - 1982	1983	1984	1985	1986	1987	1988
B	4.3	-0.4	5.0	1.1	7.0	4.0	3.5
DK	1.2	1.7	6.6	8.0	6.5	-2.6	-2.4
D	3.7	2.5	6.6	5.2	3.7	4.0	3.8
GR	5.2	9.4	-0.1	13.4	4.2	0.0	1.0
E	5.1	-0.1	-1.0	5.0	17.6	14.2	8.5
F	7.8	-0.8	3.6	5.8	7.3	4.4	4.3
IRL	5.1	4.5	10.5	3.0	0.3	3.0	4.0
I	4.6	-0.7	9.0	8.8	7.5	7.0	5.9
L	1.8	1.5	14.6	5.5	4.0	2.5	2.4
NL	2.6	4.5	6.1	5.9	4.0	4.4	3.0
P	—	-7.2	-2.7	3.0	18.1	11.0	8.5
UK	2.9	8.0	11.1	3.2	6.2	7.8	5.0
EUR	—	2.2	6.6	5.5	6.7	5.8	4.6
USA	—	13.1	24.0	4.7	13.5	3.1	3.5
JAP	—	1.2	10.8	-1.9	13.0	9.9	7.8

NUMBER OF UNEMPLOYED

(as % of the civilian labor force, E.C., USA, Japan, 1972-1988)¹

	1972 - 1982	1983	1984	1985	1986	1987	1988
B	7.0	14.3	14.4	13.7	12.7	12.8	12.8
DK	5.3	10.1	9.9	8.8	7.6	8.0	8.6
D	3.5	8.4	8.4	8.4	8.1	7.9	8.0
GR	—	7.8	8.1	7.8	7.4	8.0	8.7
E	—	17.7	20.6	22.0	21.5	21.3	21.3
F	4.8	8.9	10.0	11.0	11.5	11.6	12.2
IRL	8.2	14.9	16.6	17.8	18.3	18.7	18.3
I	6.3	10.9	11.9	12.9	13.0	13.0	12.6
L	0.5	1.6	1.8	1.6	1.4	1.3	1.2
NL	5.8	14.3	14.5	13.1	12.1	11.4	11.1
P	—	—	8.5	8.7	8.6	8.5	8.5
UK	5.2	11.6	11.8	12.0	12.1	11.3	10.8
EUR	—	—	11.7	12.1	12.0	11.8	11.8
USA	6.9	9.6	7.8	7.2	7.0	6.7	6.8
JAP	1.9	2.7	2.7	2.6	2.8	3.2	3.3

CHART ILLUSTRATIONS BY DALE GLASGOW

point and a half to 5.3 percent. However, a further significant weakening in the forecast period is not expected; the financial position of businesses is seen to remain favorable, and the degree of capacity utilization in industry is relatively high. Equipment investment is forecast to rise by 4.6 percent next year. An element of stability in the present situation is provided by the moderate recovery of investment in construction, which is expected to continue this year and next (around 3 percent).

In contrast to the other components of demand, the growth rate of government consumption in 1987 has been revised upward in this forecast (from 1.3 percent to 2 percent). However, the underlying

trend is seen to remain on the moderate path of the last couple of years (1988: +1.7 percent).

As a consequence of weaker economic activity, the prospects for the labor market have deteriorated since last autumn. Total employment is expected to increase by 0.6 percent this year and by 0.5 percent next year. This would just be sufficient to stabilize the average unemployment rate (from 12 percent in 1986 to 11.8 percent in 1988).

The effects of the various revisions to the external and domestic environment on inflation have approximately cancelled out at the Community level. In fact, the forecast for the rise in the deflator of private consumption in 1987 is practically

unchanged from the previous forecast (+3.2 percent). However, the domestic element in this rise has been revised upward. The stronger increase in the gross domestic product (GDP) deflator (+4.1 percent, against 3.5 percent in the autumn forecast) is accounted for by an upward revision of unit labor costs (from 2.8 percent to 4.1 percent), which is due both to higher nominal per-capita wages and lower productivity than expected. It is assumed that labor costs will slow down in 1988, so that consumer-price inflation would remain approximately stable (+3.2 percent) despite some pick-up of import prices (+2.9 percent).

The expected increase of export volumes in 1987 has been lowered from 3.7

GROSS DOMESTIC PRODUCT

(% change at constant prices on preceding year, E.C., USA, Japan, 1972-1988)¹

	1972-1982	1983	1984	1985	1986	1987	1988
B	2.6	-0.3	1.7	1.5	2.2	1.2	2.1
DK	2.0	2.0	3.4	3.8	3.4	-0.2	0.5
D	2.1	1.5	2.7	2.6	2.5	1.5	2.0
GR	3.6	0.4	2.8	2.1	1.3	-0.7	0.6
E	3.0	1.8	1.9	2.2	3.0	2.8	3.0
F	3.0	0.7	1.5	1.1	2.4	1.5	2.4
IRL	4.4	-1.9	4.2	2.0	0.5	1.1	1.6
I	2.2	-0.2	2.8	2.3	2.7	3.2	2.8
L	2.4	3.2	5.5	2.9	2.3	2.0	1.6
NL	2.1	1.4	2.4	1.7	2.1	1.7	1.1
P	4.4	-1.4	-2.8	4.1	4.3	3.4	3.0
UK	1.5	3.8	2.1	3.7	2.4	3.1	2.6
EUR	2.4	1.4	2.2	2.4	2.5	2.2	2.3
USA	2.2	3.6	6.4	2.8	2.5	2.3	2.5
JAP	4.4	3.2	5.0	4.5	2.5	2.7	3.2

EXPORTS OF GOODS

(% change at constant prices on preceding year, E.C., USA, Japan, 1972-1988)²

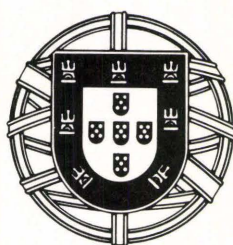
	1972-1982	1983	1984	1985	1986	1987	1988
B	4.6	2.4	4.9	2.2	5.0	3.4	4.3
DK	4.9	6.2	5.4	3.9	0.1	0.5	2.5
D	5.5	-1.0	8.5	7.9	-0.4	-1.0	1.0
GR	8.4	14.2	21.4	-0.1	16.9	3.5	4.0
E	9.5	10.2	13.1	2.9	-3.5	2.5	4.3
F	6.8	4.9	7.6	2.3	0.3	2.7	4.8
IRL	7.9	12.0	17.6	6.7	1.9	4.5	4.9
I	6.5	4.4	6.1	7.3	5.0	2.2	2.0
L	0.8	4.3	21.7	10.3	2.0	0.8	1.6
NL	4.3	4.6	6.9	5.1	2.7	2.0	3.3
P	—	22.8	15.2	10.7	9.0	5.3	6.5
UK	3.9	1.8	8.4	5.4	3.7	5.3	3.7
EUR	—	3.1	6.0	5.4	2.1	2.2	3.4
USA	—	-3.2	7.3	2.2	4.4	12.0	7.8
JAP	—	8.7	16.0	4.0	-2.0	3.0	0.0

percent to 2.2 percent. Next year, exports are assumed to rise by 3.3 percent. The growth rate of imports at constant prices (goods and services) for 1987 has been revised downward by one percentage point (to 5.4 percent); next year, import volumes are forecast to grow by 4.5 percent. The E.C.'s surplus in the external balance on current transactions is likely to fall from 1.1 percent of GDP last year to 0.7 percent in 1987 and 0.4 percent in 1988, because the negative volume effect outweighs by far the positive price effect; in fact, the terms of trade are expected to improve only modestly this year (+1 percent) and to turn negative next year.

The outlook for government finances in 1987 has changed in line with the dimmer prospects for economic activity. While government receipts are now estimated to grow approximately as forecast in the autumn, the increase of expenditure is expected to accelerate by almost one percentage point. This implies that the government borrowing requirement in 1987 has been revised upward by 0.6 points of GDP to 4.7 percent, which is, however, still 0.3 points lower than in 1986. The declining trend that started in 1983 is forecast to continue in 1988 (4.4 percent of GDP).

Main Assumptions

Most of the assumptions on which this forecast is based have been modified in recent months in a sense that is detrimental to economic growth in the Community. The new working hypothesis on exchange rates is that of a stability at present levels until the end of the forecast period. This implies for the 1987 average a depreciation of the U.S. dollar against the ECU of 13.5 percent over 1986, compared to 5.5 percent in the autumn forecast. The hypothesis on dollar oil prices has been revised upward. For the purposes of the forecast the price is assumed to average \$15 per barrel in 1987 and \$16 in 1988.



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U.S.-E.C. RELATIONS IN CHARTS AND GRAPHS

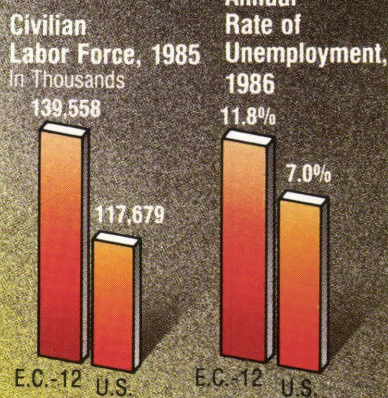
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"I remain confident in my belief that our two societies, with their shared values of freedom, respect for the individual and dialogue, have far more to unite than to divide them."

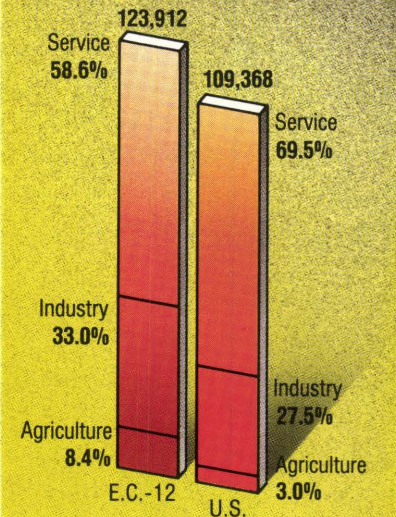
—Willy De Clercq, E.C. Commissioner for External Relations, on the E.C.-U.S. relationship.

The European Community and the United States are linked by a common heritage and common political values, including a commitment to democracy. The United States actively supported European integration after World War II, and the Atlantic partnership has remained firm ever since.

Employment in the E.C. and U.S.



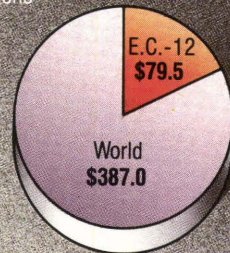
Civilian Employment by Sector, 1985



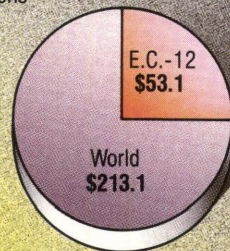
Source: Eurostat

U.S. and E.C. Trade, 1986

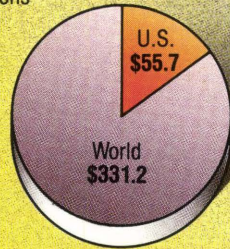
U.S. Imports¹



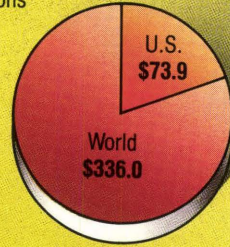
U.S. Exports¹



E.C. Imports²



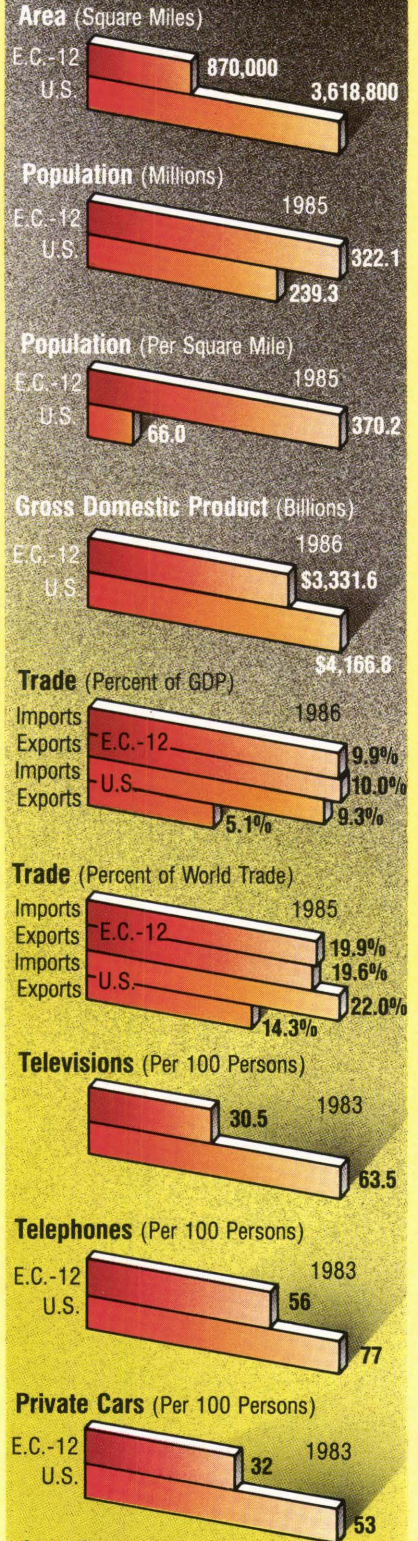
E.C. Exports²



*Figures are converted from ecu at the 1986 average exchange rate, 1 ecu=\$0.98

Source:¹U.S. Dept. of Commerce, ²Eurostat

Profiles: E.C. and U.S.



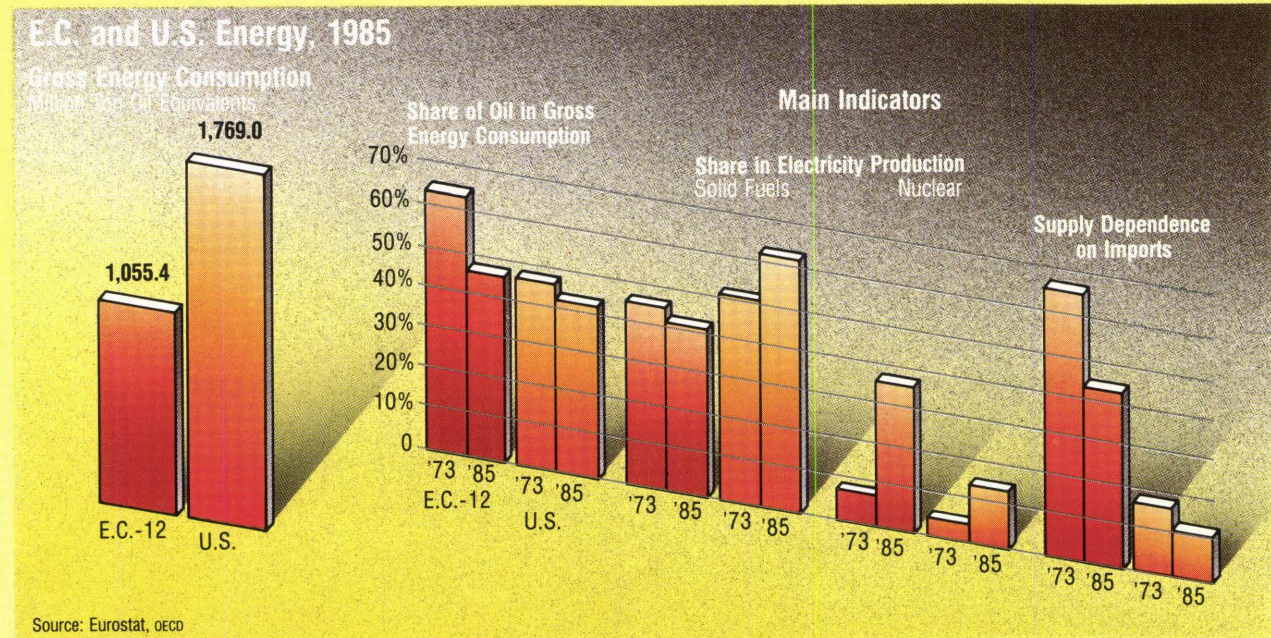
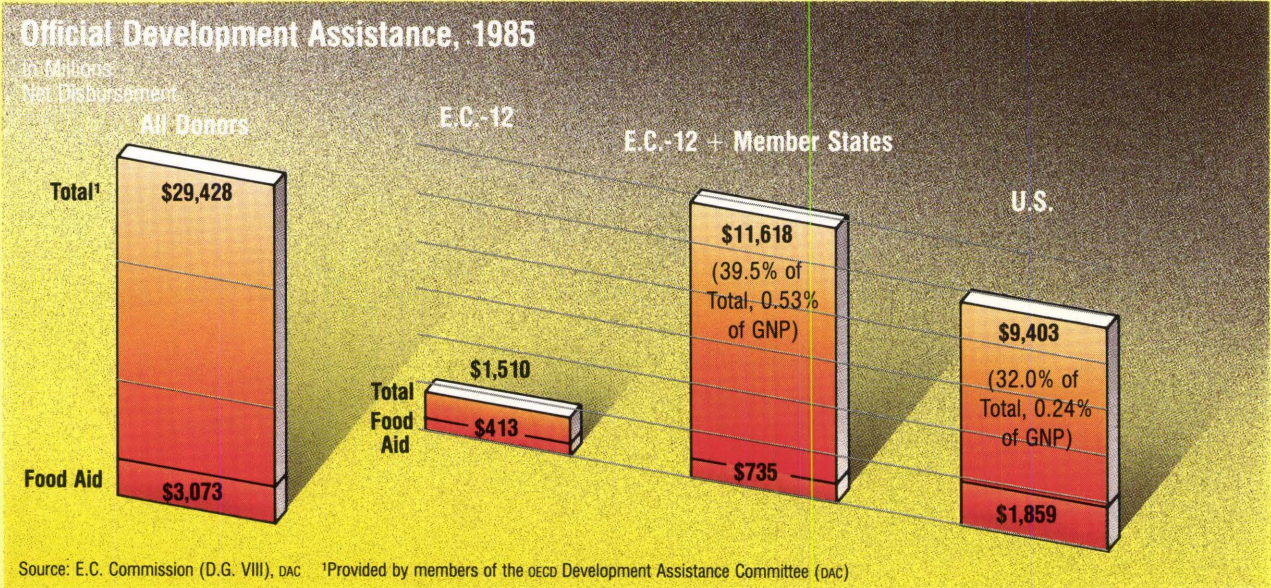
Source: Eurostat, oecd

"We do not regard a strong and united Europe as a rival," said President John F. Kennedy in 1962, "but a partner . . . capable of playing a greater role in the common defense, of responding more generously to the needs of poorer nations, of joining with the United States and others in lowering trade barriers, resolving problems of commerce and commodities and currency, and developing coordinated policies in all economic and diplomatic areas."

The United States and Western Europe cooperate militarily through the North Atlantic Treaty Organization and politically on such issues as East-West relations and terrorism. They have worked together to improve the stability of the international monetary system, and to liberalize world trade through the General Agreement on Tariffs and Trade (GATT).

While much contact across the Atlantic takes place at the bilateral level, the E.C.

is increasingly speaking with one voice on issues of interest to the United States. E.C. member states, for example, in 1980 imposed joint sanctions against Iran in an effort to secure the release of American hostages. After Libya was implicated in the hijacking of an American airliner and the bombing of a Berlin discothèque frequented by Americans in 1986, E.C. countries cooperated to restrict Libyan diplomats in Europe. The E.C.'s viewpoint is represented at the annual "eco-



conomic summits" attended by the United States and six other countries.

There is no formal agreement outlining a framework for E.C.-U.S. relations, but consultations between officials, exchanges of visits by U.S. Cabinet members and E.C. Commissioners, and close contacts through the Commission's Delegation in Washington and the U.S. Mission in Brussels have taken place since the Community's founding. Members of the U.S. Congress and the European Parliament also meet annually.

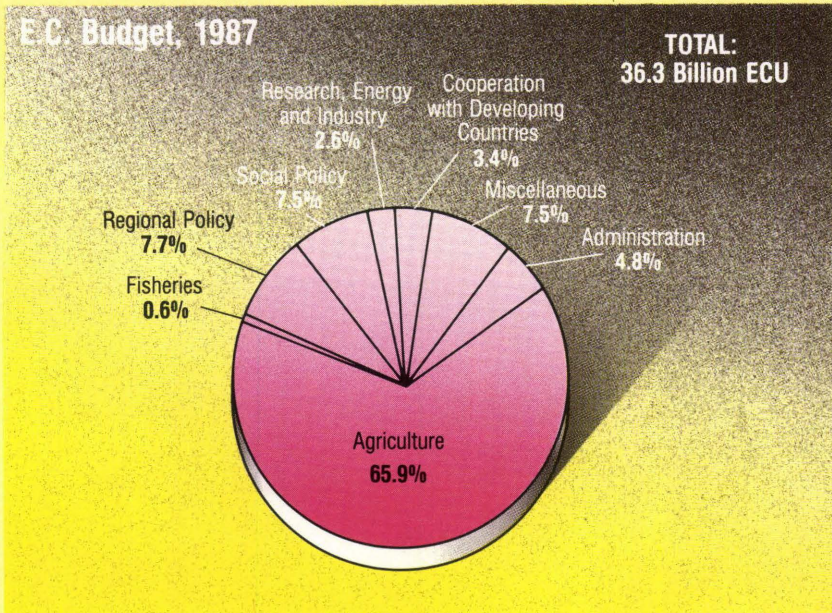
The two sides decided in 1981 to step up their political dialogue; since then, high-level delegations headed by the U.S. Secretary of State and the E.C. Commission President have met each year. Their talks have covered a wide range of subjects, from internal economic and political developments and trade conflicts to drug



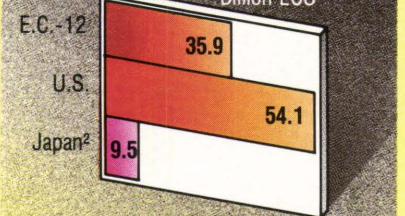
trafficking and Third World debt.

Economic and Trade Links

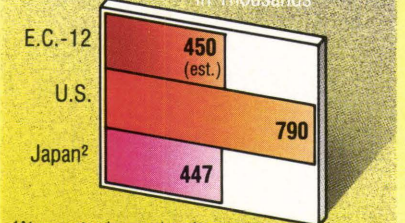
Under the visionary Marshall Plan, the United States pumped \$13 billion into Western Europe for postwar economic reconstruction. That investment has been repaid many times over. Today, E.C.-U.S. trade amounts to nearly \$133 billion a year, and the E.C. of Twelve is the U.S.'s biggest export market. The book value of E.C. investment in the United States in 1985 was \$106 billion (of a total foreign investment of \$160 billion), while U.S. investment in the E.C. was worth \$82 billion (of a total of \$233 billion).



Public Financing of Research and Development, 1986



Scientists and Engineers, 1986



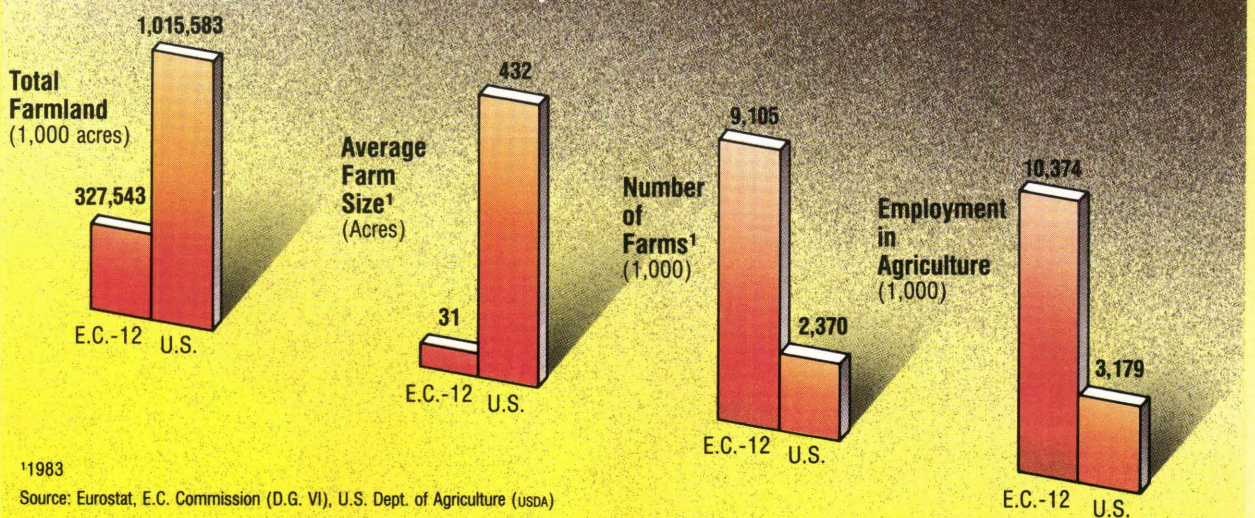
¹At current values and exchange rates

²1984

³Fulltime equivalent researchers, all sectors of R&D activity

Source: Eurostat, Organization for Economic Cooperation and Development (OECD)

E.C. and U.S. Agriculture, 1985: A Comparison



Over the years, the E.C. has regularly had a trade deficit with the United States. However, this trend has been reversed in recent years. In 1986, the E.C. had a surplus of about \$18.2 billion, although it maintained a deficit in agricultural trade.

The E.C. and the United States account for more than 30 percent of world trade, and for more than 70 percent of the industrialized world's gross domestic product. As such, they are major actors in the world economic and trading system.

As competitors in the trade sphere, however, they are at odds on some issues.

The United States, for example, regularly attacks the Common Agricultural Policy, or CAP (see below). Steel has also been a major bone of contention, with the United States complaining of unfair competition from Europe.

A Continuing Partnership

Despite their trade conflicts, the United States and the E.C. share a fundamental commitment to the "one world trading system" that has contributed to their postwar prosperity. The E.C.-U.S. partnership withstood an important test when

the two parties cooperated to help launch a new round of GATT negotiations in September 1986.

Both parties also emphasize the importance of the broader trans-Atlantic relationship. When President Ronald Reagan addressed the European Parliament in 1985, the first U.S. President to do so, he noted that the United States "sees the New World and the Old as twin pillars of a larger democratic community. We Americans still see European unity as a vital force in that historic process." €

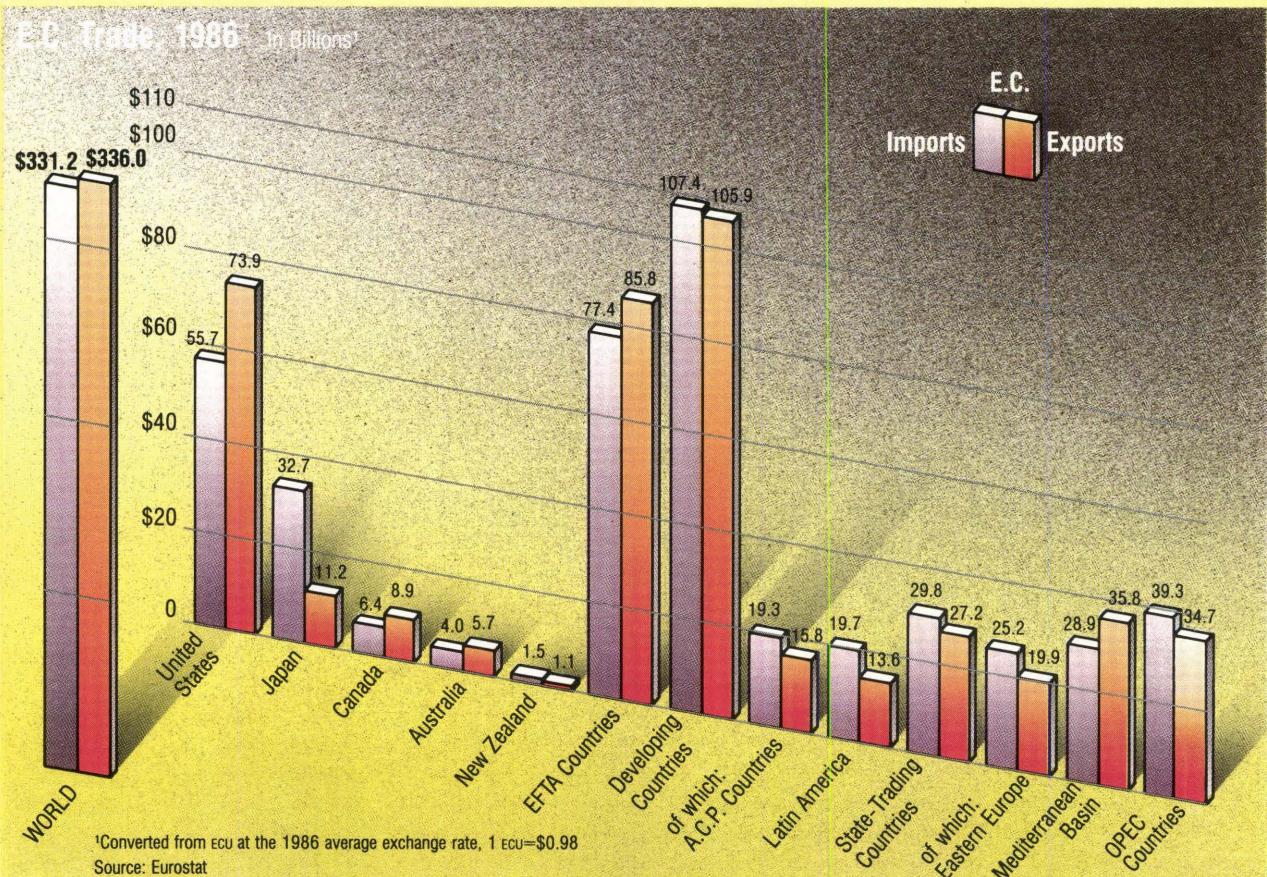
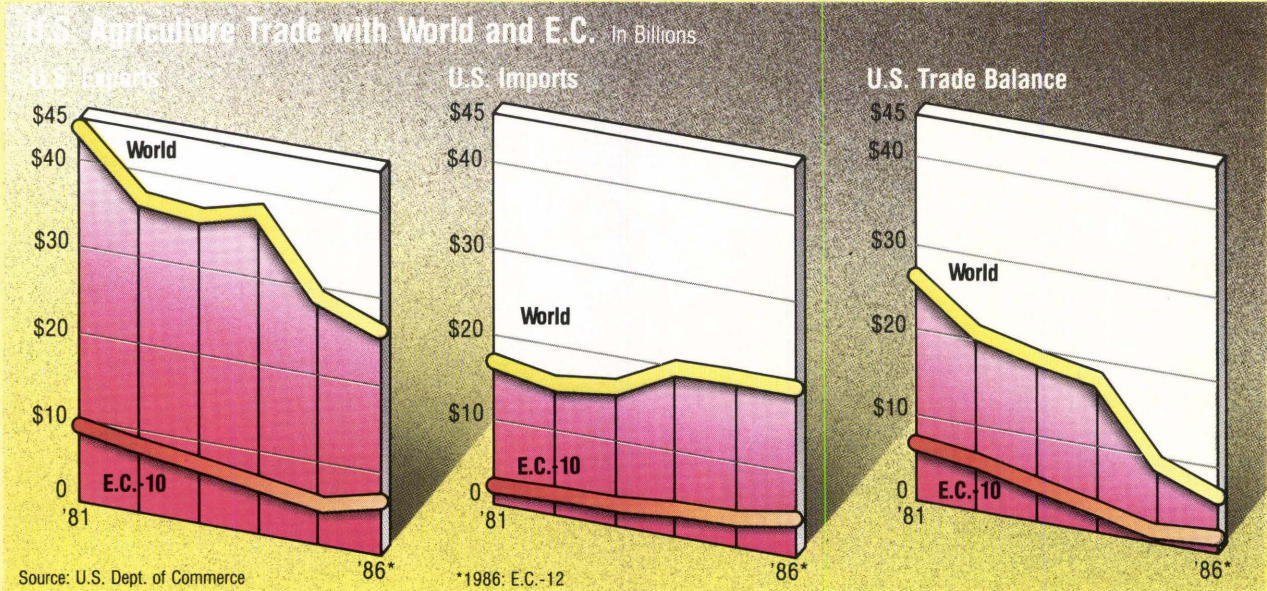
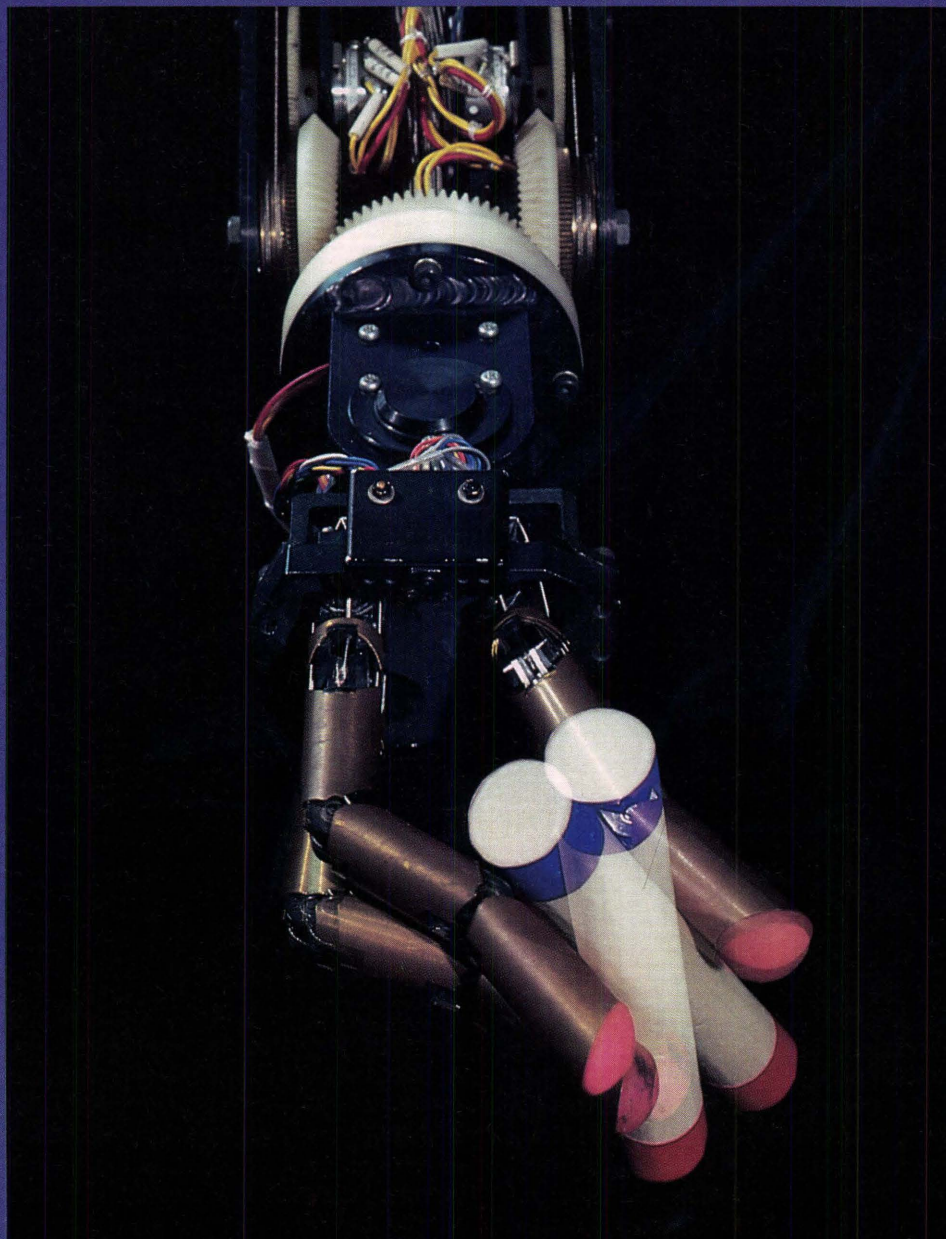


CHART ILLUSTRATIONS BY DALE GLASGOW

EUROPE CAN LEARN FROM U.S. MODELS FOR DEVELOPMENT

RESEARCH PARKS AID JOB CREATION BY SMALL, HIGH-TECH COMPANIES.



©CHUCK O'REAR/WOODFIN CAMP

JULIAN M. WEISS

The quest for technology-related economic growth spawned by the private sector is shared by the nations on both sides of the Atlantic. During the past few years, governments have started abandoning their traditional, short-term oriented "smokestack chas-

The development of a robotics industry has helped transform the manufacturing base in some areas of the United States.

ing" techniques. The old incentive plans that lured companies to relocate focused on labor costs and transportation, the first of which is less important today.

Europeans are now engaged in a dramatic reversal of standard incentive plans offered to the technology-based firms that are vital to growth. The notion that smaller-sized business can generate jobs—and often launch commercially viable innovation—is now widely accepted. At the same time, the E.C. members seek value-added products capable of producing economic spinoffs in such areas as electronics, telecommunications, synthetic materials and biotechnology.

Few doubt that the world economy is in transition. Can economic development led by high technology meet the challenge? Which formula can bring together the best mix of resources, people, capital and technologies? Richard Horton, first secretary for technology at the British Embassy in Washington, D.C., believes that "the mere fact of shortened product life cycles and customized manufacturing" mandates new alliances. "Research and industry have to work together more closely than in the past." Yet, nobody is completely sure how to build those alliances. "In the United States, you have many types of models functioning simultaneously. That in itself bears watching."

The E.C. is not sitting still. It has a strong base of its own by which job creation in high-technology, "sunrise-industry" sectors can occur. While differences of language and the relatively small size of the individual national markets hinder a cost-effective, common approach to the task of structural adjustment, the E.C. has made notable strides in overcoming these handicaps. The common effort in advanced computer development (ESPRIT) and the E.C.'s industrial automation effort (BRITE) are achieving tangible successes in their respective fields.

Recently, Western Europe has come to look at some aspects of the U.S. high-technology economic development model as applicable on the Continent. Jacques LaFontaine, a French official who is an expert on technology and its impact on the economy, thinks that there is a "catalyst" often missing from existing programs. "Actual on-site visits to sites in the United States are bringing results. We also understand that this process is a two-way street, so to speak, with Americans eager to set up joint ventures with our firms."

Some lessons can be transplanted back to the European environment. For example, steps used to assist investors in commercialization of products in the United States can be applied in the Community.

"Use of umbrella groups that help researchers communicate better is important," declares Hans Siebel, a West German expert. Emile Louzada, science attaché at the Netherlands Embassy in Washington, D.C., agrees: "The American use of R&D tax credits is worth studying. We think that it overcomes business reluctance to take chances . . . on possible innovations. It could make up for tighter budgets."

"What really started us looking at the United States," says Claudio Orzalesi at the Italian Embassy, "was industrial competitiveness." Its direct link to job creation is becoming more profound than ever as both sides of the Atlantic race against Asian competitors. He thinks that lessons in creating sustainable jobs in industries with long-range competitive possibilities can be learned from E.C. member tours of American "incubator" sites.

Horton, like his colleagues from other nations in the E.C., has watched the United States experiment with new strategies in economic development. He agrees with other experts that the most promising model to explore comes in the network of university research parks created in the early 1980s. "The United States is a good intermediary between Asia and us," says a West European official. "By looking at the R&D parks in your country, we can get a better sense of how to implement "just-in-time" manufacturing concepts . . . from Asia."

Since the mid-1980s, teams of public and private officials have been touring those research parks for practical guidance on high-technology economic development. "This small-business emphasis may be more applicable to Western Europe than we once thought. Catering to those kinds of companies is very different from putting all your effort into just attracting multinationals from the outside," according to Louzada.

Government gifts of space to business is not a new idea. Locating that space at carefully selected universities is. When Pierre Laffitte, director of France's Ecole des Mines, started his Côte d'Azur research parks, many in the E.C. were skeptical. After seeing the results of similar experiments around the United States, however, Europeans are willing to risk setting up shop at Valbonne Sophia Antipolis along the Riviera. Company relocations to this office-park setting in turn are adding a potent scientific—and ultimately commercial—base, aiding the tourism sector.

The new element of intermingling scientists from different disciplines within a company has flourished in Silicon Valley.

"We think it can work in Silicon Glen as well," notes the United Kingdom's Horton. "The idea of getting engineers and materials scientists together in a close relationship seems to have merit."


The high-technology-oriented strategies observed by E.C. teams do not attempt to turn every region into a mini-"Valley" or "Glen." Instead, they are building on indigenous resources. One French scientist recalls a visit to Detroit, home for the depressed U.S. automobile industry. "What impressed me most was the way that the manufacturing base was transformed to satisfy a robotics industry. Whole plants were converted." The Detroit region might have chosen a costly strategy to attract service industries, but "counted on converting the physical plant and the same workforce," which seemingly "had no chance" of economic survival.

Worth noting is that "rustbelt" Michigan's manufacturing output is about \$60 billion—over 80 percent higher than it was just five years ago. Another fact that impresses Europeans is that this hard-hit industrial "smokestack" state attracts Japanese and other East Asian investors. They come because of what they sense is a new incentives plan, one where government provides business tools such as access to universities.

Use of scarce financial resources is another issue where both sides of the Atlantic can learn from each other. Louzada asserts that this is critical. "Of course, it's a different idea than before. Now we see that science can still be supported without large government procurement budgets and contracts the size of ones awarded by the National Aeronautics and Space Administration. We are keen on examining those case studies further. Those are the lessons that will help the E.C."

America's states have been useful models because of their size. While not all U.S. states have aggressive economic development programs, several actually consider export promotion part of their responsibility. Other issues probed by the E.C. include the impact of venture capital and improvements in licensing and patents. Experts insist that the benefits are truly two-way. As Bruce Merrifield, U.S. Assistant Secretary of Commerce for Innovation and Technology, says: "Visits here by European groups can help America come to grips with its own dilemmas in antitrust and in other regulatory matters." €

Julian Weiss is the Washington, D.C. correspondent for *Asiaweek* and writes for business magazines in Asia, the United States and Europe.



**“Whoever said,
‘It’s not whether you win
or lose that counts,’
probably lost.”**

Martina Navratilova, Tennis World champion.

“There are winners, and there are losers. And if you chose to be one of the former, the journey through life can be a little lonely.

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You have to battle against the fatigue, the intimidation, the human tendency to just want to take things a little easier. You have to be able to come up with, time and again, one consistently great performance after another.

It’s grueling. And I don’t know many people willing to make the effort. But it’s those few true professionals you meet along the way that help make the journey just a little easier to manage.”

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THE FEDERAL REPUBLIC OF GERMANY

ECONOMIC GROWTH FOR 1988
SEEN AVERAGING 1.5 PERCENT.

WELLINGTON LONG

Chancellor Helmut Kohl's coalition of Christian Democrats and Liberals was no sooner elected on, among other things, a forecast of 3-percent economic growth this year, than all of the experts began revising their predictions downward. By mid-June, most were talking about an average 1.5-percent growth this year, if nothing unexpected happens.

The situation was in fact so gloomy, that the Federal Statistical Office was prevailed upon to withhold its figures for the first quarter of the year until the day after the Venice Western economic summit had ended. When finally published, the figures showed that the gross national product (GNP) fell by half a percentage point during the first quarter.

Delay in publication of the figures obviously improved Chancellor Kohl's position at the Venice summit, although it also helped that he had won a national parliamentary election only in January and appears to be solidly in office until the end of 1990, whereas U.S. President Ronald Reagan is a lame duck, the United Kingdom and Italy were holding elections at the end of the summit week and the Japanese Government is in domestic difficulties.

At Venice, Kohl missed no opportunity to point to his plans to cut taxes by about \$7.7 billion from 1986 through 1988, and by a further \$11 billion in 1990. He described this as all of the boost the West German economy required and a more than adequate contribution by Bonn to international recovery.

After winning the election in January, Kohl pulled part of his original tax-cut program forward, to next year, but said he would wait until the end of this year to decide which subsidies should be cut in order to finance the anticipated loss of revenue. Probably he should have forced

Wellington Long is a freelance writer based in Bonn.

his political coalition to decide on subsidy cuts right after the election, while it still had momentum and before the general public began to realize that growth was not to be as great as anticipated.

By waiting for almost 12 months—Finance Minister Gerhard Stoltenberg says he wants the matter decided by Christmas—he has given every special interest plenty of time to marshal its forces. Otto Wolf von Amerongen, president of the Association of German Chambers of Industry and Commerce, says the best route for the Government to take is a linear cut of all subsidies of 10 percent. But Lothar Späth, the Christian Democratic Minister-President of Baden-Württemberg, argues that because of the revised growth figures, the tax-cut program itself must be amended. He doubts the tax cuts actually can be carried through as now scheduled, saying the program may have to be stretched through 1992.

The trouble is, the economic statistics suggest the pump needs priming now, and that most certainly is what the United States has been demanding of its Bonn ally. All of this spells trouble for Kohl's Christian Democrats down the road, even though they are for the moment firmly in the saddle. While the Christian Democrats and Liberals together did win the January election handily, there was a shift in the alliance, with Kohl's Christian Democrats dropping about 4 percent below their previous poll. By contrast, the Liberals gained more than 2 percent.

In subsequent state elections, the Christian Democrats failed to oust the Social Democrats in Hamburg and remained in power in the Chancellor's home state, Rhineland-Palatinate, only with the help of the Liberals. This despite the fact that the Social Democrats were in disarray after their January defeat and retirement of Willy Brandt from the party chairmanship.

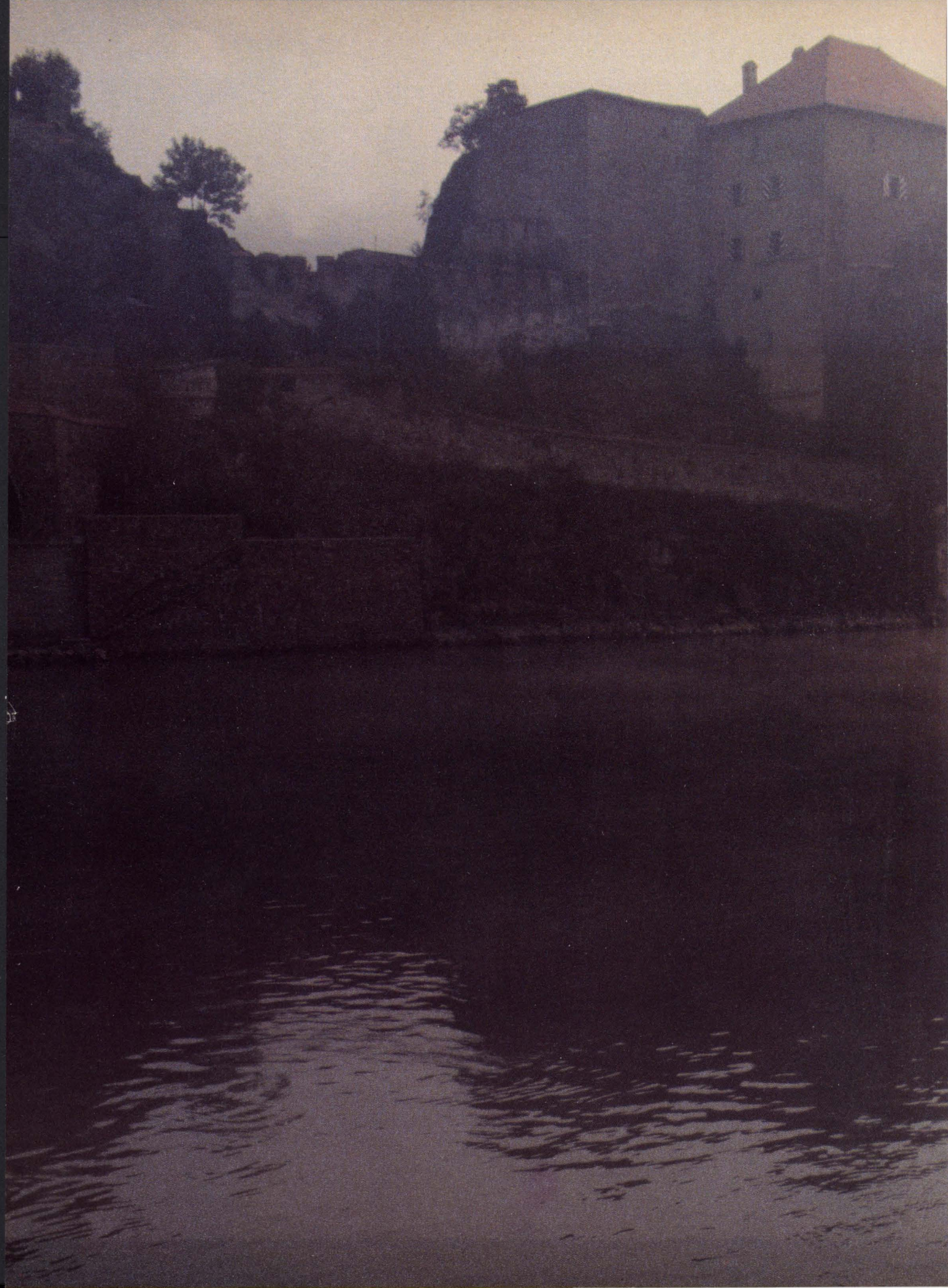
The leadership mantle fell on Hans-

Jochen Vogel, chief of the Social Democratic parliamentary group and once its unsuccessful candidate for Chancellor. He faces a tough job of reuniting a party that Brandt had lately let run on a loose rein, and that has to decide whether it wants to work in double harness with the upstart ecological Green Party, or to strictly fence itself off from the group to its left. Vogel's brother, Bernhard, is the Christian Democratic Minister-President of Rhineland-Palatinate. He has sent word around to journalists to be sure to use first names when referring to either of the Vogel brothers—he does not wish to see headlines reading "Vogel accuses Kohl."

Since the beginning of the 1970s, when the neo-Nazi National Democratic Party of Germany (NPD) faded away, the Christian Democrats have not had to worry about anyone on their right. Their problem was to expand to the left, to absorb the political center. But a small cloud has come up over the right horizon in the form of a Bavarian group styling itself the Republicans, whose older members like to parade their wartime service in the SS. They have voted Christian Democrat until now, but claim Kohl's party has gone soft on such issues as foreign laborers and AIDS.

In the January election, the Republicans polled only about 1.5 percent in Bavaria, the only state in which they campaigned. But Kohl's strategists are worried that next time around, they might campaign nationally and draw off just enough votes to endanger the Christian Democratic position as the state's largest party.

This helps to explain the worried looks in Bonn this summer. To renege on the promised tax cuts could mean big trouble at the next election. Finance Minister Stoltenberg has few alternatives. Kohl says the promised tax cuts will be carried through. Even if some subsidies are cut, it is unlikely that their amount will finance



the entire tax program. Already, Stoltenberg is talking about "temporarily" increasing public borrowing. But this is exactly the policy followed by the Social Democrats that, according to the Christian Democrats, left the state in the shambles in which they found it when they came to office in October 1982. Also, the Kohl Government has regularly blamed America's growing budget deficit for the world's lack of economic growth.

Although Stoltenberg denies any such intention, an increasing number of experts predict that he will also have to raise the value added tax collected on every sale—a move certain to blow away most of the good will engendered by other tax cuts.

The silver lining of the cloud is that the Federal Republic of Germany's export business, which accounts for 60 percent of the country's manufacturing jobs, continues to boom despite the disadvantage of an appreciated mark and depreciated dollar.

Von Amerongen's Chambers of Industry and Commerce polled its 45 foreign offices in June and reported that "exports still are in full swing." The volume of exports in 1987 will be "about the same as in the previous year," the Chambers reported. "A significant increase in the Asian markets is to be expected, a slightly weaker increase in Western Europe,

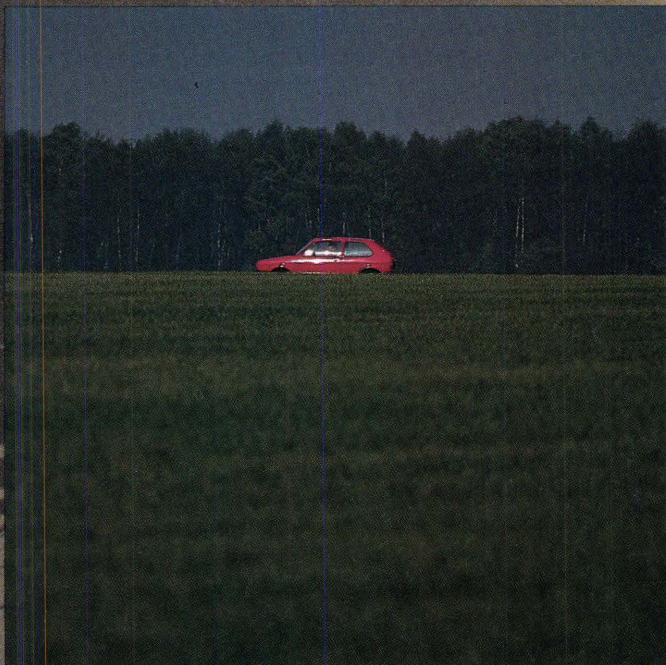
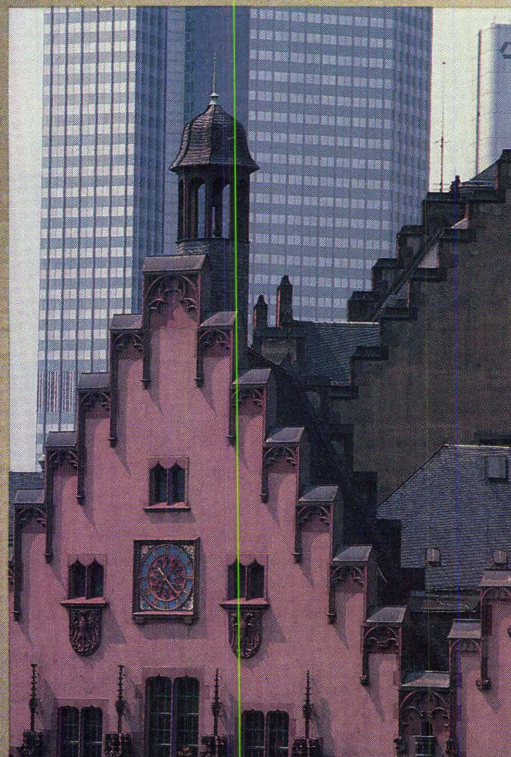
by far Germany's largest market. But a decline in exports to North America must be expected, although it will not be as great as the rate of exchange could lead one to expect."

At the same time, West German imports will continue to rise, so that the real balance-of-trade surplus will decrease still further. The Chambers say that despite the depreciated dollar, which should make American products more attractive in third-country markets, American exporters still do not

represent a real threat to the Germans except in Asia, where Washington is able to exert political pressure. "We see no increased American competition in Europe," the Chambers reported. "The

Continued on page 45.

German exports continue in "full swing" despite an appreciated mark and depreciated dollar. Background: Passau on the Danube; below left, Volkswagen's base, Wolfsburg; right, Frankfurt.



Background: © CLAUDIA PARKS. Insets: © SEPP SEITZ/WOODFIN CAMP



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БЕРЛИНГЭ ХӨДӨЙН БЭЛЭН БЭСЭЭНЭ
СЭЛЭН О БАС ХӨПӨХӨЙГӨ БЭНЭ
НАХАТЫ О БАС НАБСЭНЭ ХӨПӨХӨЙГӨ
ЭУРЕ ГРОССЕН ХӨДӨНТӨНЭ СИНД УНГА
ЕУЕР ХУАН ВЯД ХААНХОНДӨКӨ УДӨН
ХӨМӨТ ВЯД ЕУСН ЭВЭНС ИННӨРӨНӨНӨ

BERLIN CELEBRATES 750th ANNIVERSARY

THE CITY REMEMBERS ITS PAST AND
PONDERERS ITS FUTURE.

ANKE MIDDELMANN

Celebrations are well underway in Berlin in honor of that city's 750th birthday, and planned festivities on both sides of the Wall are many. Apart from attracting tourists, however, the event also has conjured up many memories, awakening in both Germanies an uncomfortable sense of their history and present political division. The birthday, moreover, is a constant reminder that Berlin was born as one city, yet now exists as two.

Although 1987 is the date chosen for Berlin's birthday, the city's beginnings go a little further back in time than 1237. That convenient—yet arbitrary—date was chosen by Adolf Hitler from church tax records to provide him with a valid reason to combine the Olympic Games and the 700th anniversary celebrations into an extravaganza calculated to impress a suspicious world.

Berlin's beginnings were humble. Its foundations were two small fishing settlements established on the Spree River in the early 1200s—Berlin and Cölln. They merged into one town in 1307, and became the capital of the Electors of Brandenburg, the "Kurfürsten," who settled there in the early 1400s, and slowly but

Anke Middelmann is the assistant editor of *Europe*.

surely put Berlin on its subsequent road to growth, prosperity and political importance. That process remained virtually uninterrupted until the demise of the last member of the illustrious Hohenzollern family, Emperor William II, in 1918.

The Renaissance and the emergence of Prussia as a political and military force to be reckoned with ended Berlin's provincial beginnings. Its presence as a center of political power became accepted fact and was complemented by a new burst of cultural activity in the city that until then had been mainly a place for military and political intrigues and strategy. Enlightened ideas from such men as Voltaire and Leibniz found their way to, and fertile ground in, Berlin. Furthermore, Huguenots, who had been expelled from their native France for their Protestant beliefs, were welcomed to Berlin by the then Kurfürst, and gave the city much of the *finesse* it had lacked.

With Prussian expansion, Berlin's prominence naturally became increasingly visible and cosmopolitan, culminating in 1871 with the creation of the German Empire under Prussian rule with Berlin as the new capital city of the Reich. The Industrial Revolution brought affluence, people and economic growth to a city that now became a "hot house" of activity, growing so fast that, by the turn

of the century, it was second only to London in size.

Germany's defeat in the World War I and the abdication of the Emperor provided a new role for Berlin: that of capital of Germany's first attempt at democracy. The Weimar Republic was a shaky democratic attempt, riddled with depression, economic collapse and growing political tensions between extreme-left-wing and extreme-right-wing factions. Nevertheless, Berlin seemed to counteract this aura of impending catastrophe and doom with its cultural magnificence, making the city a symbol of the "Golden Twenties." It was a self-assured, vibrant and hyperactive cultural capital of the world, a haven for free thought and spirit in hard times.

Harder times were on their way, however, with the arrival of the National Socialists and their new political and social order. Intellectual freedoms were replaced with terror, suppression and totalitarian ideology. Berlin was the center for such ideas, the "cultural decadence" of the 1920s was replaced with ideas of social and racial superiority and purity, and the city became increasingly associated with the megalomaniac ideas of a Hitler and a Joseph Göbbels, causing suspicion and distrust in the rest of Europe.

Continued on page 46.

Both East and West Berlin have organized a full schedule of cultural events to celebrate the city's 750th birthday.

Background: a World War II ruin is purposely left as a historical reminder. Insets, from left: Franciscan cloister; the Breitscheidplatz and Berlin's chic shopping street, the Kurfürstendamm; the Soviet War memorial in Treptow; the Berlin Wall.

NEWS OF THE E.C.

AID AND DEVELOPMENT

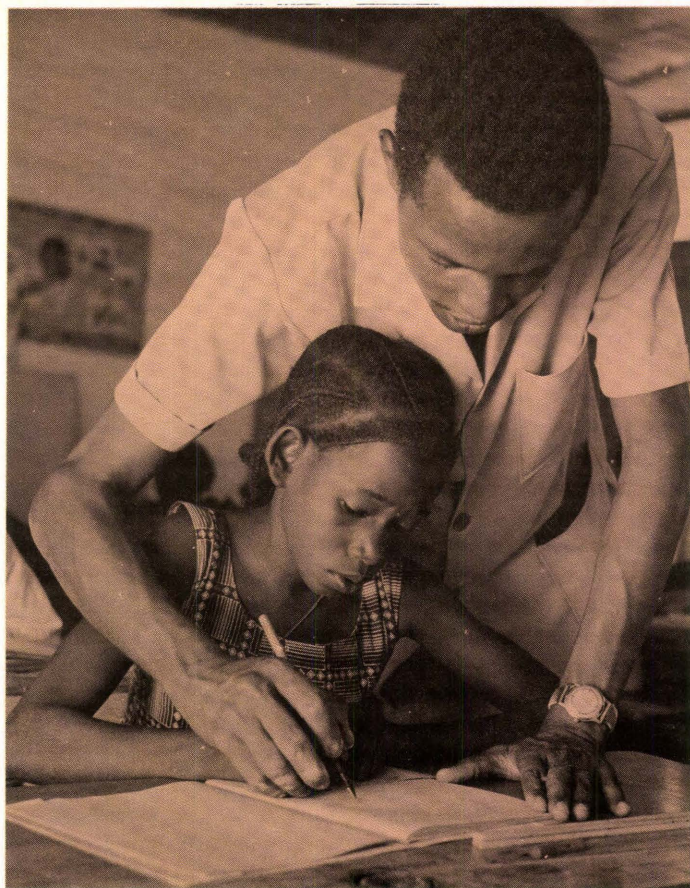
AID TO AFRICA PROPOSED

The E.C. Commission is planning a new Western initiative to ease the debt burden of drought-hit countries in sub-Saharan Africa, diplomatic sources said in June. Under the Commission plan, the E.C. would set up a special \$114 million fund and would speed up the disbursement of aid already earmarked under its Lomé Agreement with African, Caribbean and Pacific (ACP) countries.

However, sources said, the E.C. would act only if major Western countries, notably the United States, agree to moderate terms on their loans and to provide extra resources for sub-Saharan Africa. The external debt of these countries, excluding Nigeria, is about \$84 billion—almost double its level at the beginning of the 1980s.

The Commission estimated that at the end of 1985, the sub-Saharan countries spent 24 percent of their export earnings to keep up with their debt. It said they may tire of following economic programs dictated by the International Monetary Fund (IMF) unless they begin to see results, and noted that the Ivory Coast has told its creditors it could not repay its debt on schedule.

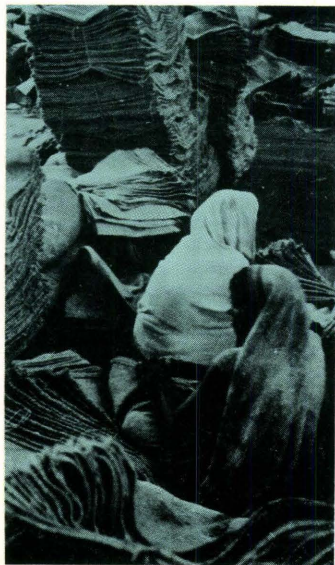
The Commission also pledged in early June to increase support over the next three years for a United Nations education program for Palestinian refugees. It said



The Community, a major provider of food, education and funding to the developing world, recently called for a new Western initiative to relieve the debt burden in Africa.

that under a convention signed with UNRWA, the United Nations Relief and Works Agency for Palestinian Refugees, the Community would give about \$22.8 million to UNRWA's education program each year until 1989. That compared with \$19.4 million in both 1985 and 1986, it said.

Textile industries in India may benefit from a new industrial cooperation plan with the Community.



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The Commission added that the European Community would also make a financial and food contribution, to be decided on an annual basis, to UNRWA's nutritional programs. Total E.C. aid to UNRWA should reach about \$40 million this year, compared with \$35.9 million in 1986, it said. This made the E.C. the second biggest donor to UNRWA behind the United States. The Commission contributed more than 20 percent of the agency's overall budget in 1987, it noted. —Reuters

INDUSTRIAL COOPERATION PLAN WITH INDIA LAUNCHED

An ambitious program of industrial cooperation was set up between the European Community and India in June, during the first-ever visit of an Indian Industry Minister to the Commission's headquarters in Brussels. Meetings between India's Vengala Rao and E.C. Commis-

sioners Claude Cheysson and Karl-Heinz Narjes resulted in the establishment of a program described by Cheysson as "an important step forward in cooperation between India and the European Community. We have taken concrete measures that will open up enormous opportunities for our economies."

The first phase of the cooperation program will involve a number of initiatives in the areas of industrial and telecommunications standards, quality assurance and conformity testing, computer software, data banks, energy, steel, engineering and several other areas.

Specific projects include having 10 to 15 Indian trainees spend time in the European Community visiting standards institutes; expert missions to India to exchange information on telecommunications and other areas; development of a technology transfer data bank and setting up in India of an information center of European data banks; Commission assistance to India in helping set up capabilities for computer software production; E.C. missions to India to identify priority areas for industrial development; studies on alternative rural communications technologies; agreement on air pollution monitoring; training in steel mini-mill production; cooperation between European and Indian medical instrument manufacturers; and many others.

TRADE

GLOBAL CLASSIFICATION SYSTEM ADOPTED

The E.C. Council of Ministers recently adopted a new harmonized system of customs classification, replacing the Brussels Tariff Nomenclature (BTN) that was set up in 1950 and has been used since then in the Community and in other countries around the world. The effectiveness of the BTN, however, has been limited by the fact that it was never adopted by the United States, Japan, the Soviet

Union or China.

The new system, which represents a revised version of the BTN, should be in use virtually around the world from next January, and the existence of a global classification system will make it easier both to conduct international trade negotiations and to compare the trade statistics of different nations. The new system should rapidly come into use in the new round of multilateral trade negotiations (known as the Uruguay Round) launched last September in the General Agreement on Tariffs and Trade (GATT). The new system will also serve as the basis of the integrated Community tariff known as TARIC, to be introduced next January.

TALKS ON TROPICAL GOODS PROPOSED

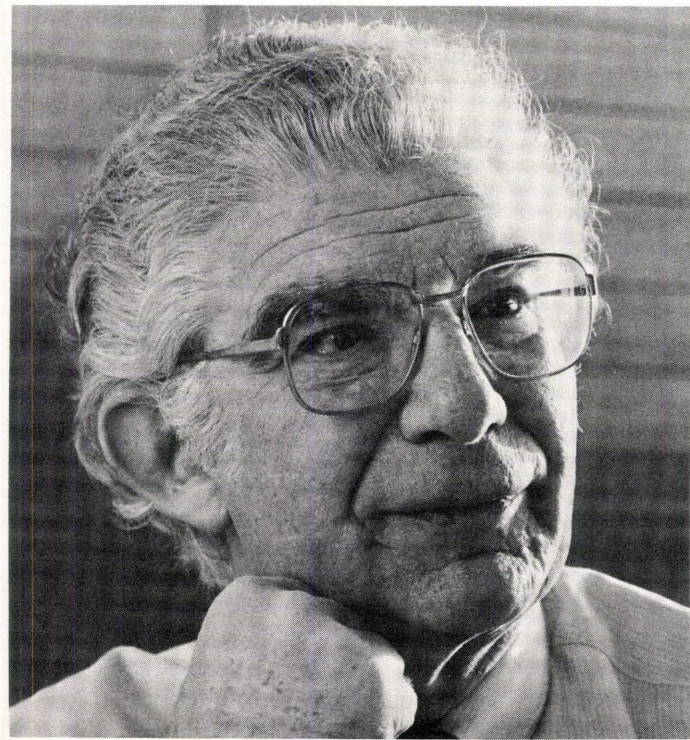
The Commission requested the Council of Ministers late in May to authorize it to negotiate on tropical products in the Uruguay Round of multilateral trade talks, now being held under the aegis of the General Agreement on Tariffs and

Trade (GATT). The developing countries consider tropical products, both industrial and agricultural, to be an essential sector of the new round of talks; the products are the only ones specifically mentioned in the Punta del Este Declaration (which launched the talks) as being suited for "fast-track" negotiations.

E.C. Commissioner Willy De Clercq, who is responsible for the Community's trade and external relations, said that the Community was fully behind the Punta del Este declaration. "I hope that this will act as a political signal," De Clercq said, "that will inspire our partners in the developed world to take steps as concrete as ours, and to respect the agreements taken at Punta del Este with regard to the less-developed countries."

The Commission is proposing a significant liberalization of the commercial regime applicable to tropical products—one that could lead to duties being substantially reduced and perhaps even eliminated—and is attempting to make the proposal as widely beneficial as possible to all the participants, in keeping to the spirit of the existing contractual relationships.

Willy De Clercq, the E.C. Commissioner responsible for external policy.



FOREIGN AFFAIRS

E.C., NORWAY MEET FOR HIGH-LEVEL TALKS

Delegations from Norway and the E.C. Commission met for their seventh in a series of high-level meetings on June 1 in the northern Norwegian town of Tromsø. Norway's Foreign Minister Thorvald Stoltenberg and the European Community's Willy De Clercq, who is the Commissioner responsible for the E.C.'s external policies, both agreed during the talks that bilateral relations had expanded considerably beyond the scope of the Free Trade Agreement that defines relations between the two. There was further room for expanding the relationship, both sides noted, in areas like research, shipping, fisheries, energy and environment.

Both sides rejected the idea that, as the Community completes its internal market (scheduled for 1992) and promotes pan-European science and technology programs, any gap between the Community and Norway would widen. On the contrary, both asserted, such programs should broaden the scope for new cooperation opportunities between them. Newly defined areas for cooperation between the E.C. and the European Free Trade Area (EFTA) in the context of the internal market, and the expected participation of Norwegian enterprises in the E.C. science and technology programs, provided evidence of this, they said.

The Norwegian and E.C. delegations also discussed the possibility of creating a European Economic Space covering the whole E.C. and EFTA area, and noted with satisfaction the encouraging results reached at the recent meeting between EFTA and E.C. Ministers. EFTA was established in 1959, and groups Sweden, Norway, Switzerland and Austria in a free trade area. Former EFTA members Denmark, Portugal and

the United Kingdom are now members of the European Community.

A broad consensus also existed on the state of the international economy. Both parties underlined the need for reducing present economic imbalances and the necessity for existing protectionist measures, and stressed the importance of maintaining momentum and actively seeking substantial progress in the new round of multilateral trade negotiations under the GATT.

SOCIAL ISSUES

E.C. TAKES UP WAR ON ILLITERACY

Meeting in May, E.C. Education Ministers decided on a two-year work program to fight illiteracy in the European Community. The plan calls for more intensified exchange of information among national experts, including the organization of a colloquium in Athens this fall.

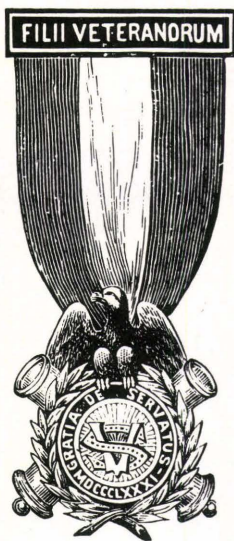
A research program will be begun in a number of pilot-schools in various E.C. member states, in order to test measures that might be used at different levels of education. Studies will also be launched on the benefits and drawbacks of new information technologies and other means of fighting illiteracy.

While the exact number of illiterates in the Community is not known, the problem is widespread and not limited to such groups as recent immigrants. The inability to read and write is a complex problem that results from medical, psychological and geographic factors as well as childhood environment, and the education system alone cannot completely cure the problem. The Council is therefore recommending that illiteracy be fought at all educational levels, from elementary school to adult education.

SAKHAROV TO SPONSOR PARLIAMENT PRIZE

Soviet dissident Andrei Sakharov has agreed to sponsor a prize to be awarded by the European Parliament every year for work in the defense of human rights. Writing to Lord Bethell, a British Member of the European Parliament, Sakharov said, "I think the award of prizes like this one is useful, since it will once again attract attention to the human rights problem and will encourage people who have made a contribution to this end."

Lord Plumb, President of the European Parliament, commented, "I am delighted with



this encouragement by Sakharov of an initiative taken by the European Parliament in the field of human rights. It is also very encouraging that Dr. Sakharov's letter was delivered without any problems or delay. This seems to show that Dr. Sakharov's personal situation vis-à-vis the authorities has improved in the past few months. Here in the Parliament we will now get on with the preparation for the award of the first Sakharov prize."

Andrei Sakharov is a prominent Soviet nuclear physicist who achieved important breakthroughs in the field of controlled nuclear fusion which led to the development of the So-

viet hydrogen bomb, and has been for many years one of the Soviet Union's most prominent dissidents. He formed the Human Rights Committee in 1970, and his awards include the Eleanor Roosevelt Peace Award (1973), the Cino del Duca Prize (1974), the Reinhold Niebohr Prize (1974), the Nobel Peace Prize (1975), the Fritt Ord Prize (1980), and others. He was stripped of his Soviet awards in 1980.

COMMISSION PUSHES FOR CONSUMER JUSTICE

Consumers' rights in Europe have been protected for a number of years by E.C. policies. But those rights mean little when, for one reason or another, consumers are unable to pursue their interests in a court of law. The Commission therefore recently proposed to the Council a number of measures to make it easier for consumers to get redress within the court system.

Consumers are confronted with a variety of problems, from faulty products to deliveries that never seem to be made, but their problems seem to multiply once legal action becomes necessary. Such action can be expensive—more ex-

pensive, in many cases, than the cost of the problem under complaint—and can often drag on for a very long time, involving multiple appearances in court. There are also psychological barriers, as consumers may be intimidated by the atmosphere of the court or by the legal procedures and language.

The Commission has therefore begun to investigate ways of improving access to the courts for consumers, and has begun to look at the feasibility of setting up a Community agency that might facilitate the exchange of information and help individuals and small companies take advantage of the legal system, no matter which E.C. member state they were in.

Whether a separate agency is set up or not, studies now being conducted should allow a flexible cooperation network to be established among the different consumer protection organizations in the Community, and allow a closer monitoring of consumer complaints throughout Europe. The Commission will also be studying the scope and impact of existing national and international law in cases of cross-border complaints, and will explore possible adjustments to the legal framework for the cross-border application of consumer protection legislation.



ENVIRONMENT

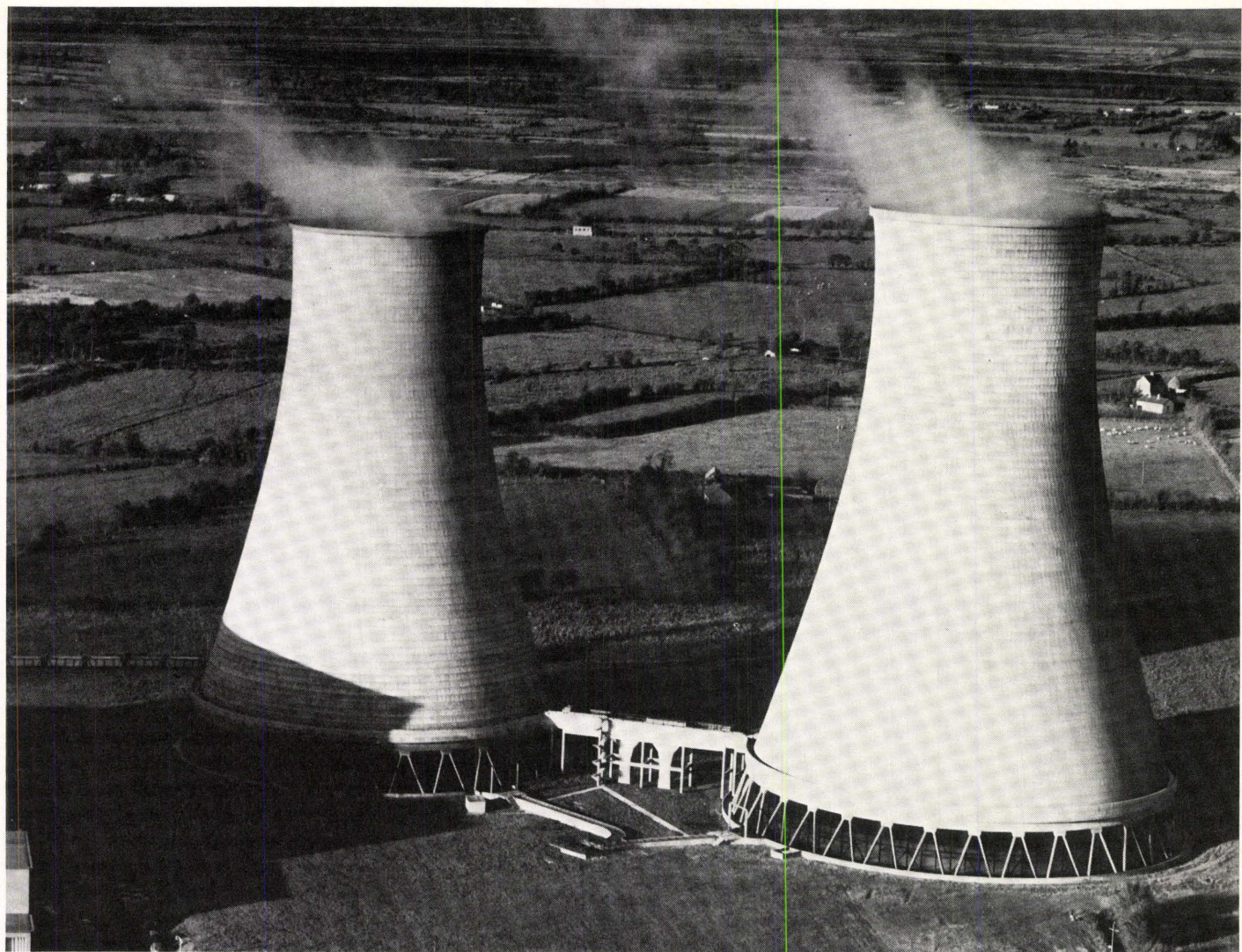
TOXIC WASTE PROBLEM GROWING, SAYS COMMISSION

Europe produces more than 2 billion tons of waste per year—about six tons for each of the 320 million citizens of the European Community—and this amount is growing by about 3 percent a year, Commissioner Stanley Clinton Davis said recently. Clinton Davis, who is responsible for the Community's environmental policy, warned that growing disposal problem is compounded by the fact that some 25 million tons of the waste consists of particularly dangerous substances, including hazardous chemicals, which require special treatment and constitute a grave environmental hazard even when just being transported and stored.

But even the treatment of waste results in waste—especially of economic resources. Only about 5 percent of Europe's domestic waste is recycled, compared with about 60 percent of industrial waste and 95 percent of agricultural waste. Of 500 municipal waste incinerating stations in the European Community, some 300 are without any mechanism to exploit the energy produced.

Clinton Davis pointed to what he called the "striking and disturbing" environmental consequences of the problem, noting that as industry grows more complex and extensive, the danger of accidents that release dangerous pollutants into the environment increases.

Nuclear waste poses particular problems of its own, Clinton Davis asserted. "We are operating at the fringes of known technology," he said, "with substances which, on occasion, will remain lethal for thousands of years. While it is increasingly clear where these unpleasant substances *cannot* be put, an early—and safe—solution will have to be found to the question of where they *can* be put if a big question mark is to be lifted from the whole future of the



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Waste is a growing problem for the European Community, Commissioner Stanley Clinton Davis warned recently, and the special problems of nuclear waste require "an early—and safe—solution" if uncertainty is to be lifted from the future of the civil nuclear industry.

civil nuclear industry."

Clinton Davis noted that the Community played a central role in the development of a real solution to the waste situation. Given the cross-border nature of the problem, and the inability to make environmental pollutants respect national boundaries, joint international action to fight it effectively is clearly called for. Some 10 percent of the toxic waste produced in the Community is transported across borders, and some European framework for containment and labelling of the waste is crucial, Clinton Davis said.

The Community should also be involved as a channel and clearing house for the member states of the E.C. to learn from each other, said Clinton Davis, pointing out that the Community also has an economic interest in protecting the waste

treatment industry. Including waste disposal, processing, recycling and marketing, the industry employs over two million people and has an annual turnover of between \$100 and \$200 billion. In the United States, waste management ranks fourth among the most significant economic sectors over the next decade, and the European industry is fast rising to the same prominence.

Clinton Davis also pointed to the implications of waste management for other sectors of the European economy and other Community policies. Noting that the Community is committed to achieving a single internal market in Europe by 1992, Clinton Davis pointed out that "that would obviously be impossible if, for example, one member state could insist that all bottles be returnable while others did not."

BUSINESS & ECONOMICS

TAXES ON SECURITIES DEALS MAY END

The Commission proposed in May that a uniform basis for taxing transactions in securities be set up throughout the European Community, noting that the rules governing the operation of securities markets in each E.C. member state must be coordinated if a true capital market is going to emerge throughout Europe.

The long process of harmonizing these regulations began in 1976 when the Commission first proposed a partial harmonization of indirect taxes on securities transactions. That proposal envisaged a single system for taxing such transactions, to

replace the current taxes on stock exchange transactions in the Community's 12 member states (although it was not to be compulsory since a number of the states did not levy such taxes). The proposal has been held up since then in the Council of Ministers, which must approve it before it becomes law.

While the rules on these kinds of transactions vary from one member state to another, the taxes involved are generally very low and three E.C. states (Greece, Luxembourg and Portugal) do not apply any at all. The Belgian Government recently adopted a draft law abolishing taxes on transactions carried out by non-residents, and the German Government is planning a similar measure.

Given these trends, the Commission decided to amend its proposal of 1976 and propose simply abolishing all indirect

taxes on these kinds of transactions. This appears to be the only solution likely to contribute effectively to extending the obligation to liberalize capital movements to all securities transactions, the Commission believes.

The proposal is now being considered by the Council. If approved, the abolition of the taxes would take effect on January 1 of the third year following that in which the Commission's proposal is adopted.

TRUCKS VANISH; INVESTIGATORS STUMPED

One large truck disappears every day in the United Kingdom and, according to a British Member of the European Parliament (MEP), no one knows where they go. The trucks are hijacked in broad daylight, usually while their drivers are eating, and then vanish without a trace. Theories on the puzzling disappearances range from a criminal spare-parts ring to international trade in stolen vehicles, and the Commission has been requested to make a Community-wide investigation to see how widespread the problem is.

"We simply don't know if the trucks are being stripped down or shipped out to foreign parts," William Newton-Dunn, the British MEP, told the Parliament. "We need a Community-wide study to establish the true facts. We do know that it is costing transport firms a great deal of money in the United Kingdom. There is a need for proper cross-border liaison between different police forces. Interpol is a small organization and does not cover every country."

The issue has added weight to the need for Community legislation on hijacking and destruction of trucks, said a spokesman for the European Democrat group. "The Community stands for the free movement of people and goods and legislation should cover not only straightforward criminal

acts but also intimidation of drivers who refuse to join industrial action and, as has happened to British lorries, acts of theft and destruction under the guise of political gestures," the spokesman said.

In reply, E.C. Commissioner Stanley Clinton Davis said the Community would monitor hijackings and see what legislation might be indicated. Policing must be a matter for individual member states, Clinton Davis indicated.

Euro-mystery: the case of the disappearing trucks.



COMMISSION SEEKS CUT IN LONG-TERM UNEMPLOYMENT

The ranks of the long-term unemployed in Europe have become so large that immediate action must be taken on their behalf, a recent Commission memorandum argues. About

half of the Community's 16 million unemployed have been out of work for more than a year, and more than a third of these have probably been unemployed for more than two years—a problem that the Commission wants both to solve and prevent from coming back.

The affliction of long-term unemployment seems to have hit almost all areas of the Community and all social categories, and has been especially prevalent in areas that have seen a great deal of industrial decline in recent years. Real policy changes are needed, the Commission argues, noting that it called for some of these in its 1986 "strategy for cooperation on growth and employment," which called on the member states to increase demand to a level appropriate for creating growth without economic instability, and to raise the profitability of job-creating investments. Markets should be made more flexible, the Commission advised, and more new businesses created.

While these basic objectives have been accepted by all the E.C. member states, labor organizations and employers' groups, they have as yet not been pursued fully enough by all the governments concerned to have had a significant impact. The Commission is renewing its call for the needed policy adjustments, and wants to see the member state governments pursue paths more closely aligned with its own growth strategy.

Policy decisions aimed at helping the long-term unemployed have in fact been taken, but have been rather limited in their effect. Most have been focused around programs for creating jobs directly by the public authorities, training programs and incentives (including subsidies) for hiring.

While the last few years have seen a number of these programs introduced or expanded, the growth rates of the long-term unemployed have been much more rapid than those of the programs designed to get them back to work. The size of the programs has remained limited, for the most part, and many of the employment services have apparently continued to focus more on helping employers find the best candidates for the available jobs than on helping those who are having the most trouble finding work.

The Commission therefore is calling for significant policy changes to be adopted, changes that will put greater emphasis on helping the long-term jobless find work while at the same time convincing employers to recruit and train them, if necessary.

A supplementary objective would guarantee personal counseling and evaluation to all the jobless registered for 12 months or more; such counseling would ideally be followed by either a training program or help finding a job.

The Commission would also like to nip the problem in the bud, and is recommending that areas undergoing industrial de-





cline be monitored carefully, and that counseling and orientation be provided for recently laid-off workers. And to be successful, the Commission argues, any long-term strategy must also include education at all levels.

The Commission is also recommending that the Community agree on a goal of reducing long-term unemployment, which is now at about 50 percent of total unemployment, to a maximum of 30 percent by 1990. If this can be done, the ranks of the long-term jobless will have been cut from about 8 million to less than 5 million—a substantial improvement for the European economy.

ENERGY

OIL OUTLOOK "POSITIVE", COMMISSION SAYS

Meeting in early June for discussions on oil supplies and en-

ergy policy in the Community, E.C. Energy Ministers noted that the short-term outlook for the supply of Middle Eastern oil to Europe looked "very positive" despite the war between Iran and Iraq. E.C. Commissioner Nicolas Mosar, who is responsible for the Community's energy policy, said that although the Ministers were not alarmed by the trouble in the Persian Gulf, they were approaching developments there "with caution." Mosar noted that the supply of oil from the Gulf states had declined to around 31 percent of overall oil imports in the first three months of 1987, against 35 percent in the same period the year before. "There are also other potential sources in the world," he added.

The Commission also voiced its concern over certain trends in the United States, where consumption was up 2.6 percent last year while imports rose by about 20 percent. Changes in demand for energy

The short-term supply of oil looks "very positive" according to Nicolas Mosar.



in the United States have a considerable effect on the world market, the Commission believes, and it would like to see the U.S. adopt a more global approach in its energy policy. In spite of the fact that its imports are growing rapidly, the United States does not appear to be taking any steps to limit demand, and at a recent meeting of the International Energy Agency Mosar reproached the United States for not following the example of the Europeans in fighting energy waste.

Overall energy consumption in the Community rose by only about 1 percent in 1986, while Community production of oil was maintained at the rather high level of 3 million barrels a day. Oil consumption rose 3 percent, and gasoline consumption 4.5 percent. Both heightened consumption and restock-

ing of reserves meant that net imports of oil last year rose by some 400,000 barrels a day.

Energy consumption this year is expected to rise by 1 percent to 2 percent, but a number of questions still remain about the future of the medium-term energy market in Europe. If the relatively low price of oil continues, the objectives fixed by the Community for increasing its energy efficiency will probably not be met. Oil production within the Community, currently at high levels, is expected to decline; changes in the price of oil are therefore expected to influence significantly future oil exploration and extraction in Europe.

Another energy sector, coal, is also coming under increasing pressure from substantially cheaper imports.

TRADE BILLS

Continued from page 15.

have to evaluate all countries that want to sell to the U.S. government, regardless of whether they are signatories to the GATT government procurement code. Proponents argue the provision would strengthen the code because signatories would be motivated to live up to the commitments they have made. Also, countries that are not signatories would be motivated to open their markets in order to sell to the U.S. government. Opponents argue the provision undermines the code by extending privileges open to signatories to countries that have not signed. In addition, it could hurt the new round, which aims at strengthening the government procurement code, the E.C. has argued.

The U.S. focus on foreign trading practices tends to obscure the fact that the U.S. market is not as open as some American politicians may claim, international sources said. The E.C. has long emphasized the fact that U.S. exporters are not the only ones facing trade practices impeding exports. E.C. companies trying to sell in the U.S. market face similar problems. In the spring, the E.C. identified 30 measures it considers trade obstacles, among them tax barriers, public procurement policies and customs barriers.

The preoccupation with trade legislation seems to neglect the need to deal with the macroeconomic causes of the record trade deficit. These are cutting the budget deficit and working toward a better alignment of exchange rates, according to experts. The budget deficit fueled the imports that contribute to the trade deficit, some E.C. sources said. The Administration insists that the demand for imports was stimulated by the U.S. economic growth, which was strong in

comparison to the relative stagnation in trading partners' economies. At the same time, the high dollar made U.S. exports too expensive to be competitive. The dollar was driven up by capital imports needed for financing the U.S. debt and private investment.

Members of Congress do not dispute the need for macroeconomic measures, and House Ways and Means Committee Chairman Dan Rostenkowski (D-IL), as well as Senate Finance Committee Chairman Lloyd Bentsen (D-TX) have repeatedly pointed out that a trade bill alone cannot remedy the trade deficit. They and other key members of Congress have emphasized the need to change U.S. consumption patterns favoring foreign goods and the need for U.S. companies to become more competitive through increased use of available technology, worker training and education.

This push for competitiveness is evident in the House and Senate Finance Committee trade bills that seek to boost U.S. productivity in manufacturing in a number of ways, including the fast transfer of technology from government laboratories to industry. "The E.C. has a vital stake in the continuing economic vitality of the United States of America and applauds the current efforts to enhance U.S. competitiveness," Sir Roy told Sen. Bentsen in a letter during the trade debate.

Similarly, the E.C. appreciates the fact that the trade bill does extend the Administration's authority to negotiate international agreements, both multilaterally in the new round and bilaterally. In addition, it would authorize the Harmonized System, which would implement uniform customs classifications worldwide. The E.C. also was pleased that the trade bill passed by the House did not include a measure to restrict textile and apparel

imports, which is a controversial effort to protect the domestic U.S. industry.

While the textile provision was excluded from the House trade bill, that proposed legislation does include a sector-specific provision on telecommunications trade designed to force open foreign markets under the threat of U.S. retaliation. The bill passed by the full Senate is also likely to include such a provision. The telecommunications measure violates U.S. obligations under international rules because it seeks reciprocity of market access for one specific industry sector and mandates retaliation if that is not achieved, its opponents argue.

Sectoral reciprocity runs counter to the GATT concept that world trade should be based on an overall balance, not a balance in certain sectors, they have said. In addition, the bill would force foreign countries to achieve a level of telecommunications deregulation in two or three years that the United States achieved over a period of 20 years, according to the Community. The opening of the telecommunications market may best be achieved through an expansion of the GATT government procurement code, the E.C. and other trading partners have pointed out.

The E.C. has a great interest in the continuing vitality of the United States. The United States is the Community's largest trading partner, and exports and imports between the two account for 36 percent of world trade and 60 percent of trade between industrialized countries. E.C. Commissioner Willy de Clercq, who is responsible for external relations and trade policy, has summed up the relationship by saying that both the United States and the E.C. "have a joint interest and responsibility for monitoring and furthering the world's free trade system." €

PROCUREMENT

Continued from page 21.

law in public procurement more efficient.

The Commission is in effect inviting industry to help open up this sector. Of course, this will bring greater opportunities to corporations, although there will be some losses. Will individual corporations accept this challenge? The difficulty may be in persuading some corporations to take a lead in attacking illegal national procedures before national courts.

This broader development should be of interest to American corporations that are much more used to using litigation as a business tool.

Application to Military Products

Existing legislation does not specifically exclude military products, but Article 223 of the E.C. treaty allows a member state to take the necessary measures to protect its security.

In its Annex II, the public supplies directive lists the products to which the public procurement rules are applicable when contracts are made in the area of defense.

Article 30.6 (a) of the recently adopted Single European Act (amending the E.C. Treaties) refers to the member states coordinating more closely on the "economic aspects of security;" and (b) to "technological and industrial conditions necessary for their security." Economi-

cally, the completion of the internal market cannot be limited to the civil sector. If the Commission's public procurement policy is successful, the Commission is likely eventually to focus on military products.

Will U.S. Firms Benefit?

The European subsidiaries of U.S. corporations are entitled to benefit from the opening up of public procurement, alongside companies of European parentage. However, there is a cloud on the horizon. Protectionist trade legislation in the United States may encourage E.C. retaliatory action by excluding from this sector European subsidiaries of U.S. corporations. €

VISIT

Continued from page 18.

major and minor trade disputes that have bedeviled U.S.-E.C. relations in recent years—but that, in the end, have all been resolved. There have been rows over:

- U.S. imports of semi-finished steel products from Europe, threatening U.S. steel producers;
- the U.S. claim for better treatment for its citrus exports to compete with North African products;
- the counter U.S. action against alleged unfair subsidy of Italian pasta exports; and
- the battle over threatened U.S. sales of corm to Spain after that country joined the Community.

U.S. officials say any imposition of the oils and fats tax would produce the most furious dispute yet. There are also complaints against unfair subsidies of the Airbus aircraft and E.C. legislation against the use of hormones in meat that threaten to blow up in the near future.

For its part, the E.C. is complaining to the GATT about the U.S.-Japanese deal to control the market for semiconductors by fixing prices in third countries like the member states of the Community. If the deal does not disintegrate first, that should be a major test case.

Behind most of the disputes lies a macro-economic reality—both the

United States and Western Europe are essentially ageing economies, struggling to restructure in the face of Far Eastern competition. In their belated and agonizing efforts to do so—causing widespread unemployment in many declining industrial areas, especially in Europe—they tend to fall back on trade protection that hits each other, quite apart from the real culprits.

To the extent that neither the U.S. Administration, nor the Commission and the E.C. member states, want an all-out trade war with each other, the rhetoric tends to be played loudly to pacify domestic lobbies, but the reality is always a compromise.

On both sides of the Atlantic, the lobbies are both powerful and complex. In Europe, for example, the Commission has to reconcile often widely conflicting needs from the different member states, quite apart from conflicting needs between different sections of industry. On the oils and fats tax, for example, major consumers and importers are located in the Netherlands, the United Kingdom, the Federal Republic of Germany and Denmark, the four currently blocking the plan. The tax is supported (with still varying enthusiasm) by the southern producers of olive oil and the like.

Anger at U.S. protectionism has nonetheless united the fractious E.C. on most recent occasions, to the undoubted sur-

prise of many U.S. observers. Britain and West Germany, noted free traders, were prepared to back France in its battle to maintain corn sales to Spain, in the knowledge that their industrial exports might well be the next target.

It is inevitable that agriculture will be the main focus of trade disputes for the foreseeable future: It is the one sector where the least restructuring has been carried out, on both sides of the Atlantic, in the face of rapid technological change. U.S. farmers claim that the E.C. is blatantly subsidizing farm exports; the E.C. producers say that U.S. subsidies amount to practically the same thing.

Both sides huff and puff about the iniquities of the other, and threaten dire action to counter farm subsidies. On that score, however, they are undermined by their own parlous financial state. Neither the E.C. nor the United States has spare cash in the budget to finance such subsidies, so they appear for all the world like toothless tigers.

The danger that De Clercq and Andriessen, on one side, and U.S. Trade Representative Clayton Yeutter and U.S. Agriculture Secretary Richard Lyng, on the other, are trying to avert is that their very toothlessness will tip them all over the edge into a pointless but bloody battle. €

GERMANY

Continued from page 35.

most important reason for this appears to be the fact that the U.S. economy is not export-oriented, and in some cases, product quality is low."

In the United States itself, the depreciated dollar has forced the West Germans to raise the prices for their products. But German exporters, having once moved into a market, are reluctant to leave it and are quite willing to see their profit margins dwindle in order to remain there. The question is how long can they do this. The Chambers say that if the exchange rate remains at between 1.75 marks and 1.85 marks per dollar, they can stay in place, although exports to the United States might suffer as much as 5 percent.

Buyers seemed to think that the currency exchange rates are settling down, and that may be the explanation for the 8-percent increase in new export orders in April, which should also trigger some new investment in Germany itself.

The Germans say that for the most important of their exported products, including capital goods such as their top-line automobiles, Daimler-Benz, BMW and

Porsche, price is less important to a buyer than quality, delivery on schedule and follow-up service. Daimler-Benz hopes to sell about 100,000 of this year's production of 600,000 passenger cars in the United States—more than half of Porsche's cars are sold there, too.

However, an increasing number of West German firms are buying American companies or building plants in the United States, both because of the appreciated mark, and also to have a foot firmly planted on the American floor should protectionist doors slam shut. The truck manufacturer MAN, for instance, has supplied the city of Chicago with 500 buses made in Germany. In April, Chicago bought another 450 MAN buses, but these were built in the United States and so do not count as German exports.

Volkswagen long has manufactured in the United States. Otto Versand has bought the U.S. mail order house, Spiegel, which makes Otto the world's largest mail order company. But Spiegel sells few "Made in Germany" products. Thyssen bought Budd, America's largest manufacturer of railway rolling stock. The German retailing giant, Tengelmann, has taken over the A&P supermarket chain. BASF

early last year bought the Enmont division of Celanese. A few months later, Hoechst bought Celanese itself, for about \$2.85 billion. The Bertelsmann concern, either the world's largest or second largest media group, bought Doubleday for \$475 million. Continental Gummi, Europe's second largest tire manufacturer, has just made an offer to buy the General Tire division of Gencorp. And then there are the special corners that no one can anticipate.

W.Schlafhorst and Company of Mönchengladbach makes textile spinning machines. Its exports to the United States are booming. In the last five years, the firm's business has doubled and it has hired an additional 1,000 persons in order to keep up with new orders. Company director Frank Paetzold explains why: "When the dollar continued to depreciate, the competitive position of the American textile industry improved. It was able to sell more domestically and so began investing in new equipment. But as no one in the United States or Japan makes modern spinning equipment, they have had to come to us." €

BERLIN

Continued from page 37.

Italian author Luigi Barzini, a young journalist at the time, remembers vividly in *The Europeans* his impressions of Berlin before and after the Nazi takeover: "In 1931, Berlin was surely the artistic capital of Europe, full of brilliant theaters, cabarets, avantgarde art shows, trailblazing films . . . filled with characters dreamed up by de Sade, Havelock Ellis . . . and Sigmund Freud. There were men dressed as women, women dressed as men, . . . veterans on crutches, blind veterans wearing iron crosses, and the hungry and unemployed, all of them begging." But by 1934, a "new set of people promenaded up and down with gravity, stiff men in spotless uniforms, honorable families, bald businessmen carrying briefcases full of vital documents, rich gentlemen with shaved heads and fat necks . . . shopping housewives and supercilious chic women, aristocrats, actresses or haughty courtesans who looked almost unapproachable."

Hitler's bold claim that Berlin would be unrecognizable within 10 years of Nazi rule proved to be a bitterly ironic prophecy. It was reduced to a pile of rubble in 1945, and subsequently became a chessboard for the victorious Allies' struggle for territorial and ideological control.

This 45-year-old Allied relationship has left an indelible mark on Berlin. While always bouncing back from previous political misfortunes—such as Napoleon's victory over the city in 1806, or the defeat in World War I—the new political order now forced on Berlin has come close to breaking the city's hopeful spirit.

According to the Allied agreements, Berlin, although situated in the Soviet-occupied zone of Germany, received special status under which administration of the city was to be a *joint* undertaking, with Berliners still able to move freely within the city's territory. Soon, however, national and ideological interests gained the upper hand, and by 1948, Soviet cooperation had virtually ceased. Wary of the cooperation between the Allies and of their determination to found a democratic state by joining their three zones into one—today's Federal Republic of Germany—the Soviet Union retaliated, blocking all transit routes to Berlin through its zone—which was to become the German Democratic Republic. The subsequent 11-month Berlin Blockade made the city the center of a superpower test of wills that kept the world on its toes for more than a decade, culminating in the building of the Wall by East Berlin on August 13, 1961, to prevent further hem-

orrhage of its citizens to the western side of the city. Now East Berliners were trapped on their side of a structure that cut through the heart of the city. The Soviet Union stated that its side now was to be fully incorporated into the already existing German Democratic Republic and serve as its new capital.

Outraged, the West nevertheless was able to do little more than protest—which it has done for the past 26 years. The Allies still stand by the original 1946 agreements recognizing Berlin's occupied status—thus overriding any decisions by East Berlin and turning straight to the Soviet Union. The Soviets regard East Berlin as the rightful capital of East Germany and do not recognize West Berlin's special links to the Federal Republic of Germany. As a result, Berlin finds it has little direct influence in decision-making, and its fate is very much dependent on outsiders.

Although the Wall may divide the city geographically and politically, Berlin will still celebrate a common heritage in its anniversary year.

This situation naturally has influenced the birthday celebrations. An illustration of the city's powerlessness and of the delicate balance between the two parts of the city is the dilemma presented by the official invitations sent by West Berlin's Governing Mayor, Eberhard Diepgen, and East German leader, Erich Honecker, to each other's official celebrations.

To accept or not to accept was the question that preoccupied inviters and Allies alike. A trip across the Wall by Diepgen would have implied Western acceptance of East Berlin as the German Democratic Republic's rightful capital—which runs contrary to the West's political principles. Honecker's appearance in West Berlin would have forced the Soviet Union to acknowledge West Berlin's ties to the Federal Republic—impossible since it does not recognize that fact. The upshot of it all was that Honecker declined his invitation and revoked the one he had sent previously to Diepgen.

While the political divisions remain, the two parts of Berlin will celebrate a common heritage. Indeed, many of the activities being organized give an impression of

competition between the two. Both have arranged for a very heavy cultural agenda, with classical concerts, theatrical performances and outdoor activities. The historical heritage of Berlin, from its beginnings, can be traced in countless exhibits on both sides of the Wall. In East Berlin, the *Schauspielhaus* has been restored just in time to host many of the musical and theatrical performances. And both parts of the city have organized international mayoral conferences: At the one to be held in East Berlin, there will be representatives from the 12 West Berlin boroughs for the first time in that city's postwar history.

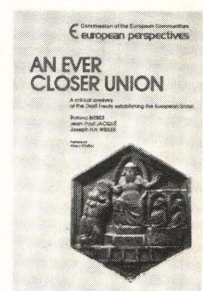
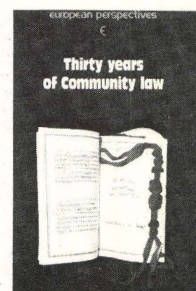
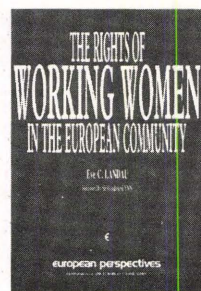
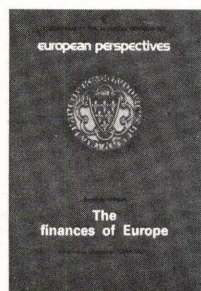
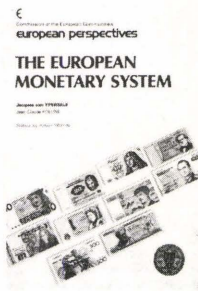
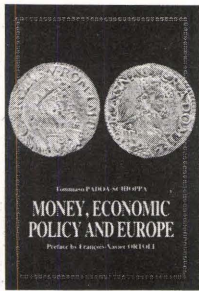
Both East and West are slowly coming to terms with their common Prussian heritage, and it is especially interesting to note that East Berlin, where many more monuments and buildings of that period remain, is pushing its ties to those years. In the past, it had adamantly contended that Socialism had represented a complete break with that part of the country's past, but it is now being used to establish that East Berlin is the rightful heir to that past. For the birthday, it has made a great effort to spruce up these historic sites, with the help of expert Polish restorers.

West Berlin also has planned an exhaustive calendar of events that will run from May through November. Apart from concerts, open-air rock festivals and theater and circus performances, each of the city's 12 boroughs has organized its own cultural week of events, as well as exhibitions on its own local history. The biggest fireworks display ever in Berlin, which has been two years in the making in Japan, will be seen—on both sides of the Wall—at the end of August. Meanwhile, both sides of the city will be host to many Heads of State and Government who will visit during the celebrations.

Although the celebrations are a cultural extravaganza, they cannot overcome the fact that Berlin is a divided city, and will remain so for some time to come. The political lines, so clear-cut 26 years ago when the Wall went up, have shifted a little with the appearance of new leaders and changing geopolitical factors, but it will be a long time before any of the powers instrumental in the division of Berlin attack the delicate *status quo* that now exists. President Ronald Reagan may proclaim that "there is only one Berlin," and German President—and former governing Mayor of Berlin—Richard von Weizsäcker may believe that "as long as the Brandenburg Gate is closed, the German question remains wide open," but reuniting Berlin would necessitate the reunification of the two Germanies, an event that is not likely anytime soon. €

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BOOKS IN REVIEW

On Law and Policy in the European Court of Justice. By Hjalte Rasmussen. Martinus Nijhoff; Dordrecht, Boston, Lancaster, 1986. XXV + 526 pp. plus indices of authors, subjects and cases. With preface by Henry Schermers.

JOSEPH WEILER

This is a book with a difference. In virtually all studies about the European Court of Justice published to date, the underlying ethos has been one of praise and admiration. The tradition of books about the Court has been to acknowledge the singular contribution it has made to the process of European integration. Criticism of the Court is typically muted and on most occasions confined to specific cases or areas of jurisprudence and not to the overall posture of the Court. Rasmussen, by contrast, writes a sustained and harsh indictment, not of this or that aspect of the jurisprudence, but of the entire approach to judicial decision-making by the Court.

Rasmussen's focal point is the Court's execution of its role as the final arbiter of disputes concerning member state-Community relations. The indictment is that in this role the Court, "defiant of much European tradition" regularly engaged in "deep involvement in making choices between competing public policies for judicially applicable guidelines. In the absence thereof, the Court turned to the essentially political guidelines contained in the Preamble [and in doing so] transgressed the borderline of . . . [proper] judicial function."

It is not only in content but also in style that this book differs. If my own experience is typical, it is likely to leave most readers astonished. As lawyers we are schooled, for better or for worse, even when criticizing, to use temperate language; even more so when criticizing judges and in particular a superior court. Rasmussen does not mince his words: Thus, to give one typical example, when discussing the Court's jurisprudence on direct effect of directives, the author con-

cludes his own analysis of the jurisprudence with the following punch line: "To many a European lawyer this is revolting judicial behavior."

You will have guessed by now, then, that **On Law and Policy** is altogether an unusual contribution to the European law literature about the Court.

I take an ambivalent position in this review as regards the merits of the book. On the one hand I recommend the book to all readers. It should be read and pondered upon—and not only by lawyers. I entirely agree with Henry Schermers' statement in the preface: "No court can fully escape policy-making. Constitutional courts are more obliged than other courts to make policy decisions, and the Court of Justice must do so on a relatively larger scale than most constitutional courts." "Inevitably, the political impact of the constitutional role of the Court of Justice is enormous."

This being so (and who could really doubt this in this day and age), Rasmussen's principal contribution is in directing the minds of E.C. lawyers to an open debate about the limits within which such constitutional jurisprudence should take place—a debate that in most other branches of law and most other jurisdictions—especially in the United States—is, frankly, almost *passé*. Even his style, from which one instinctively recoils, serves a purpose. It reminds us (if we need reminding) that even courts are human institutions with an output that is influenced not only by legal *materia* but obviously by *Weltanschauung* and the *persona* of the sitting judges; and that ultimately courts deserve no more and no less respect and deference than we accord all human institutions that govern us.

Having said all this, in elaborating his views, Rasmussen gets entangled in some profound contradictions that undermine the basic thrust of the book. After outlining his basic argument, I shall briefly touch on these weaknesses.

Rasmussen's principal arguments

1.) Rasmussen's starting point is an al-

leged "pernicious myth" perpetrated, or at least perpetuated, by the Court that leads litigants before it to believe and conduct themselves as if the role of the judges of the European Court "... is essentially passive, as if they [in exercising their judicial function] were merely detecting the existing laws of the Treaties . . . [and to believe] that the judicial universe consists solely of occasionally complex, difficult, and obscure legal rules which, however, the ablest lawyers following a concentrated and initiated effort, are capable of predicting with a reasonable degree of certainty." In fact, the Court in a great deal of its jurisprudence is engaged, according to Rasmussen, not in legal analysis but in "activist" (used pejoratively) policy-making involving the imposition by the Court of its own values on the *materia* before it.

2.) The "myth" is not pernicious simply because it prevents litigants from arguing their case most effectively, but for deeper reasons. It allows the Court to persuade litigants that the Court's own teleology concerning European law and the E.C.—a teleology that in some way yet to be established is improper—" . . . is a legal inevitability and not, the outcome of a continuous policy process."

3.) Is this judicial policy-making by the European Court of Justice per se aberrational? Rasmussen does not condemn it in all cases—in other words, he does not argue that "myth" should become a reality. He himself acknowledges readily that the specter of "mechanical or scientific" jurisprudence is neither feasible nor desirable; that, so it first appears, in certain cases and within limits Courts may, and must, make choices between alternative legal constructs. And that these choices will be informed by considerations that are not in the simple sense an application of legal rules. The big issue for him then becomes the determination of those cases in which this would be appropriate and the mode and limits within which such judicial activity may take place. Although Rasmussen never gives a sustained definition to the term "activism," it is this concept that he uses to describe trans-

gression of these limits.

4.) How, then, are these limits to be determined. Rasmussen puts forward the additional test that he calls Level One and Level Two of Judicial Activism analysis. We would normally expect Level-One analysis to be some kind of legal yardstick—an explicit or implicit theory of interpretation—that would suggest legal constraints (whether by norm and/or method) imposed on the Court in its interpretation.

In fact, Level-One analysis is regarded by Rasmussen as a subjective, "I know when I see it," claim. Rasmussen first characterizes most evaluations of the Court by other authors as falling within this category and rejects it for its very subjectivism. What is acceptable behavior to one observer is unacceptable behavior to another.

If Level-One subjective analysis is so singularly unhelpful, all will hang on Level-Two analysis. Level-Two analysis becomes the heart of the matter since it will be this analysis that will supposedly inform us when the interpretations by the Court are appropriate or inappropriate. The application of Level-Two analysis occupies the center of the study. This analysis "is achieved by focussing on institutionalized responses to individual activist judgments or groups of judgments. This approach elevates the [analysis] to a more or less objective level of analysis. . . . In terms of methodology, the student of European judicial activism has, indeed, no choice but to monitor carefully the responses to activism offered by the Court's political as well as legal, social and economic environments.

5.) Let us assume that, applying the test, we would identify an instance or many instances of unacceptable activism. Why would this be such an evil?

Rasmussen offers several replies. First is the democracy argument. Simply put, judicial law-making is unacceptable because undemocratic. It is undemocratic since judges are not democratically accountable, and constitutional adjudication is extremely difficult to overturn (in the E.C. it would involve Treaty amendment necessitating ratification by 12 national Parliaments). The argument is so well known as to obviate the need for any elaboration. Interestingly, Rasmussen does not raise the democracy issue as his principal objection to activism.

Another concern seems purely ideological. Although never stated absolutely and explicitly, Rasmussen does state that the Court's *idée de l'Europe* is at odds with what the author considers "[s]ociety's declining taste for a precipitated process of integration. . . ."

Last, but probably most importantly, is a surprising affirmation: Activism will cause a decline in judicial authority and legitimacy. The very motto of the book is from Jack Dawson's famous Cooley lectures at the University of Michigan: "Judicial agencies have a peculiar power to enlist obedience and impose control, essentially, I suggest, because they meet a deeply felt and constant need for trustworthy neutrals. One way to achieve neutrality that has often been tried has been to depersonalize the process of subordinating judges to rules that control them strictly. But neutrality and trust were not necessarily forfeited when judges made up the rules as they went along; as in Medieval England, when a great new system of social controls, in aid of the monarchy's purposes, was manufactured through judicial action. But there are limits to the allegiance that judges can inspire, as the experience of France reveals. The judges of pre-Revolutionary France became partisans in political strife for a reason that seemed to them persuasive—that other political agencies had failed as restraints on royal absolutism. In their attempt to fill a great gap in French political institutions they brought disaster on themselves and caused a lasting impairment of their own function whose effect in France are not yet spent."¹

Rasmussen fears a similar fate for the European Court.

Critique

There are two principal flaws in Rasmussen's analysis. One concerns his very premise of proper judicial behavior that allegedly the Court has transgressed. The other concerns his empirical method of assessing the acceptance of the Court's jurisprudence.

Rasmussen's view of legal interpretation, implicit in what he calls Level-One analysis, is one that does not simply reject the theory of mechanical or formal jurisprudence (alluded to above), but one that rejects any objective *legal* theory of interpretation.

The implication of his rejection of any theory of legal interpretation is that the Treaties are (and law in general is) totally, from a legal point of view, indeterminate; that *no* outcome of the judicial process of interpretation—no matter what the content or the form of the text—is *legally* required or that no principled legal method exists for dealing with

¹Cite on Page IX from J.P. Dawson, *Oracles of the Law* (1968). I should immediately add that Dawson was not referring to, nor did he have in mind, the European Court. His words, applicable to all courts, of course, could and should be relevant to the European Court itself.

hard cases. The only question for Rasmussen is whether it is politically and socially acceptable.

To be sure, Rasmussen never states this conclusion in such harsh terms. And his occasional reference to clear language and founders' intentions would even suggest that he would be uncomfortable with his conclusion. But, it is submitted, this is the inevitable consequence of his construct.

For at the heart of it he builds a dichotomy: You evaluate judicial decision-making either by reference to sociological response (which Rasmussen regards as objective and legitimate) *or* by reference to legal criteria, which, however, Rasmussen rejects as personal, subjective and lacking in objective normative validity.

This legal position is neither new nor, in itself, so shocking. *Some* of the American legal realists (though not Alf Ross and the Scandinavian realist whom Rasmussen cites with approval) and some current-day American critical legal studies writers adhered and adhere to this view of law. More important is the process by which one reaches this view, and the consequences that follow from it.

In the case of Rasmussen there is no rigorous analysis by which this conclusion is reached. He does not seriously scrutinize or examine possible interpretative theories that must then be rejected. The indeterminate premise is implicit as a *postulate*, perhaps even an unintended one.

This is not the place to engage in a detailed jurisprudential argument about this premise. I believe that in its extreme form it is simply wrong. Most theories of interpretation recognize that legal texts may be more or less determinate in specific factual situations. Hence, the most interesting and delicate aspects of interpretative theories are those that address the issue of defining determinacy and indeterminacy, of separating each cases from hard cases, and trying to indicate principled judicial behavior in the latter situations. E.C. law is no different from any other system of law in this respect. Put differently, the dichotomy is not compelled. There is no need to jump from a rejection of legal formalism (mechanical jurisprudence) to total indeterminacy.

True, no systematic critical or other theory of interpretation has yet been constructed for E.C. law. One that would recognize the peculiar features of the system—its framework-treaty basis, the absence of the *Travaux Préparatoires*, the changing composition of the member states, the role of the Preamble, etc. However, Rasmussen's book, by postulat-

ing total legal indeterminacy, misses a great opportunity in filling this particular gap.

It further follows, however, that without the need to examine in any detail any of the "accusations" of Rasmussen against decisions of the Court, in the absence of an objective-legal criterion of evaluation, from a legal point of view, his criticism has little value since all judicial output would be equally legitimate or illegitimate.

At first blush, it would seem then that he is close to those American critical legal scholars who argue the total indeterminacy of law (no outcome of judicial process is legally required). But, in fact, there is a huge difference between them and Rasmussen. They usually stop at the point of proving the indeterminacy and the hidden policy underlying supposedly neutral judicial decision-making. For them, the purpose of the analysis is to expose what they see as the false and iniquitous claim of the law to be operating in an objective manner whereas in fact the outcomes—all outcomes—are policy-determined. Indeed, most of their writings try and show how reasoning that is seemingly objective and principled is in fact not so. Rasmussen clearly has quite a different agenda.

His agenda is ultimately supportive of the judicial function and the Court. He fears that over-activism will undermine the authority of the Court, which he approves. Thus, toward the end of the book, he suggests: "It would . . . be erroneous to jump to the conclusion from the negative policy inputs that E.C.-judicial activism should be brought to a complete halt. Much to the contrary [!], *the impasse resulting from imbalance or inactivity of the political processes is remediable by judicial activism, including one resorting to bold constitutional innovation for*

accomplishing its policy objectives."

For Rasmussen, then, the single criterion for evaluation is social acceptability of the jurisprudence and his charge, then, is that the Court has erred, not in objective legal terms, but in evoking negative social reactions to the jurisprudence. I have, of course, many problems with such a normative positivistic view of the judicial function, but limitation of space prevent their elaboration.

The central part of the book is dedicated to an examination of disparate evidence that allegedly shows these negative reactions. Here my critique can be short and sharp: The burden of the evidence simply does not bear the author out. Sure, there have been cases that have created something of a stir—but then more a storm in a teacup than a veritable negative reaction. In general, the Court has been accepted by all political actors, even anti-marketeters to an extent that is almost surprising given the radicalness of much of its jurisprudence. In particular, the cooperation between the European Court and member state courts has functioned quite smoothly.

Rasmussen undermines himself the claim that the Court allegedly acted legally improperly and empirically the evidence does not bear him out in terms of social responses.

What then is—to adopt an Americanism—my bottom line on the Rasmussen thesis? At the heart of this book are too many major flaws that I could only hint at, but that undermine much of the central thesis. For all its many faults, Rasmussen's study brings to European legal literature a debate surprising in its previous neglect. He addresses issues that, perhaps, could be regarded as embarrassing to the Court.

And these issues are momentous at this juncture in the life of the Court and

the Community:

1.) Even if the records of cooperation to date is excellent, the Court must be continuously sensitive to the reception of its jurisprudence by national courts. Judicial cooperation between the European Court and its member state counterparts constitutes the very foundation of the E.C.'s legal architecture. The European Court cannot, on the other hand, look over its shoulder every time a tough, or unpopular, decision or line of decisions have to be made. How is the balance to be struck?

2.) The Court cannot fail to recognize that too wide a gap between "legal Europe" and "political Europe" may create serious disfunctions. Neither can it, on the other hand, allow either an erosion in the principle that legal obligations in the E.C. must be treated as binding on the member states and that the organic coherence of the E.C. is a trust that the Court must safeguard. How is this balance to be struck?

I disagree with many of the answers given by Rasmussen and I doubt whether his method substantially advances us in thinking about, and replying to, these inevitable questions to which, of course, there will never be cut-and-dry answers. But the greatest merit of this book is probably in posing the questions so starkly and challenging so uncompromisingly many views that have become virtually *acts of faith* in the community of European lawyers.

Rasmussen has set the agenda for an important debate on the future of the Court. The issues should be faced. Ultimately, and consistently with his own wishes, this will strengthen rather than weaken the Court.

Joseph Weiler is a professor of law at the University of Michigan.

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.

La Coopération Politique Européenne. By Philippe de Schoutheete. Fernand Nathan, Paris, 1986. 334 pp.

This book, in French, focuses on the common viewpoints of the twelve E.C. member states on such issues as the Near East, Cyprus, Africa, Latin America, East-West relations, and the United States. The Twelve intervene in the political process, often protesting unjust arrests and violations of human rights. Also discussed is their dialogue with the Arab League and their coordinated action against international terrorism. Though these activities are carried out by the countries of the European Community, they do not constitute "Commu-

nity" action, but instead fall under the realm of political cooperation. Political cooperation is not a part of the E.C. framework, but allows the member states to speak as a single voice on the international scene. This voice is documented in the text. The planning procedures, rules, and mechanics of their political cooperation are explained, along with the limitations of the member countries. The importance of the ties between the economic sector of the Community and the political sector are also addressed.

Transnational Legal Practice in the EEC and the United States. By

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"History of the European Community" is a collection of 60 slides with text covering significant events in the E.C.'s history. The program also describes E.C. institutions, E.C. policies and current scientific and technological programs. A supplemental set of eight statistical slides focusing on trade and agriculture in the United States and the E.C. is included to give the American audience a basis of comparison.

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Linda S. Spedding. Transnational Publishers, Inc., Dobbs Ferry, New York, 1987. 341 pp.

This study begins with some fundamental definitions of terms and abbreviations for the benefit of those not in the legal profession. It also gives a brief background of the Community. The text addresses such issues as the principle of nondiscrimination because of nationality, the changing legal profession in Europe, and foreign legal practice in the Community and the U.S. It is essentially an analysis of professional freedom of movement and legal practice abroad, paying particular attention to the Community. This includes a thorough study of Community Law.

Study in the United Kingdom and Ireland, 1987/1988. Edited by Edrice Marguerite Howard. Institute of International Education, New York, 1987. 277 pp.

This helpful guide provides information on more than 650 study programs available in England, Northern Ireland, Scotland, Wales, and the Republic of Ireland. It not only lists the types of programs available and the schools that sponsor them, but also gives advice on how to select the program that is most appropriate to your needs. Some of the more practical information provided by the text suggests how one should go about receiving academic credit for study abroad, how to work out finances, and the opportunities available for student teaching abroad.

State Aids Under the EEC Treaty Articles 92 To 94. By Despina Schina. ESC Publishing Limited, Oxford, 1987. 221 pp.

The introduction of the text puts state aids in the economic and political context in which they operate. It also explains the rules of GATT and EFTA on state aids. The remainder of the text examines the legal provisions of the EEC Treaty and covers such topics as the different forms of aid, the effects of aid on intra-Community trade, and the discretionary powers of the Commission when dealing with aid. Specifically, the types of aid discussed fall under the following categories: state aids which are de jure compatible with the Common Market, state aids which may be compatible with the Common Market, regional aids, sectoral aids, state aids to agriculture, and state aids to transport.

The Economies of Eastern Europe and Their Foreign Economic Relations, Colloquium 1986. Edited by Philip Joseph Ob. NATO, Brussels, 1986. 363 pp.

This publication is based on the proceedings of the annual NATO Economic Colloquium. The text is presented in both French and English. The countries studied are the German Democratic Republic, Bulgaria, Czechoslovakia, Poland, Hungary, and Romania. Topics of interest include a chapter on East European trade in the 1980s and one on East European debt problems and prospects for trade with the West.

Family Farming in Europe and America. Edited by Boguslaw Galeski et al. Westview Press, Boulder, 1987. 312 pp.

This comparative study examines how the concept of the "family farm" differs from one country to another. The coun-

tries included in the study are Britain, Ireland, Norway, Sweden, Finland, Denmark, Germany, France, Poland, Canada, and the United States. The book contrasts farming in market economies, usually marked by overproduction and low prices, with that of non-market economies, such as those of the Eastern block, plagued by a shortage of food products. For each country, particular aspects of family farming are highlighted, for example: the history of family farming, the agricultural policy of each country, the role of each family member on the farm, the crises encountered, and the prospects for the future of the family farm.

Turkey, America's Forgotten Ally. By Dankwart A. Rustow. Council on Foreign Relations, Inc., New York, New York, 1987. 155 pp.

This book provides a historical account of the crises Turkey has faced as well as an up-to-date account of its present situation and the progress it is making. The book addresses Turkey's Westernization process in terms of its culture, the increase in women's roles in society, the steady migration to urban areas, and the establishment of democracy and a two party system. Turkey's multicrop economy and diverse resources, the catalysts of its industrialization, are beginning to attract foreign investors. In the political realm, Turkey's relationship with the Middle East and the West are studied, as well as Turkey's success with anti-Soviet containment. Emphasis is placed on the restoration of Turkish-American ties in spite of previous conflicts, such as the dispute over Cyprus. In terms of progress, Turkey is presently looking toward the E.C. in hopes of attaining membership. This country is constantly reinforcing its link as the "West's bridge to a more peaceful Middle East."

The Two Germanies Since 1945: East and West. By Henry Ashby Turner, Jr. Yale University Press, New Haven, 1987. 221 pp.

This is the first comprehensive overview of East and West Germany written in the last four decades. It gives equal attention to both states. Beginning with Germany after the war and the birth of two new states, it progresses to Helmut Kohl's current term as chancellor in the Federal Republic of Germany. The text concludes with a discussion of a necessary peaceful coexistence between the two Germanies in the 1980s and looks at some of their common problems.

Atlas of the World Today. By Neil Grant. Harper & Row, New York, 1987. 159 pp. \$10.00 (paper).

This hand-sized atlas is a good reference for obtaining practical information at a glance. Its pages are filled with colorful maps, graphs, and charts, each focusing on a particular subject such as climate, vegetation, population density, energy production and consumption, and international trade, for all the countries of the world. Each map is supplemented with a few pages of commentary and factual information about the specific topics mentioned above. Some of the more interesting and unusual topics include data on endangered species, GNP per capita, language distribution in the world, and infant mortality rates.

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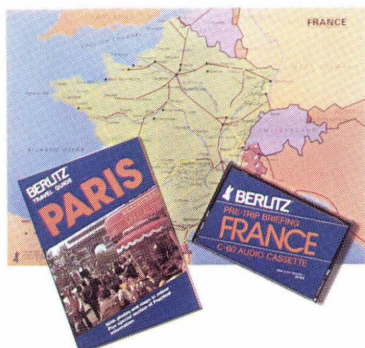
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G7 nations to meet on Sunday

BY OUR ECONOMICS AND FOREIGN STAFF

PARIS DISCUSSIONS TO FOCUS ON CURRENCIES AND ECONOMIC POLICIES

THE GROUP of seven leading industrial nations will meet in Paris on Sunday to discuss the state of the world economy and to coordinate their policies on currencies and economic growth.

The meeting, which will be the first since the summit in London last year, is expected to be a key moment in the process of stabilizing the world economy.

The group, which includes the United States, West Germany, France, Japan, Great Britain, Italy and Canada, will discuss the state of the world economy and to coordinate their policies on currencies and economic growth.

DOLLAR

The dollar's value against the yen and the pound has risen sharply since the start of the year. The dollar's value against the yen has risen by 10% and against the pound by 5%.

Volcker says currency 'ranges' will fail

BY STEWART FRANKING, US EDITOR, IN WASHINGTON

MR PAUL VOLCKER, Chairman of the US Federal Reserve Board, said today that a system of currency "ranges" would fail to stabilize the world economy.

Mr Volcker said that the system of currency "ranges" would fail to stabilize the world economy because it would not allow for the necessary flexibility in exchange rates.

Government clears plan to sell Leyland Trucks

BY PETER RIDDELL AND KENNETH GOODING IN LONDON

THE British Government yesterday cleared a plan to sell Leyland Trucks to a consortium of British and Dutch firms.

The plan, which was approved by the House of Commons yesterday, would see Leyland Trucks sold to a consortium of British and Dutch firms.

Poll blow for Haughey

BY HUGH CARROLL IN DUBLIN

MR CHARLES HAUGHEY'S Fine Gael party has been dealt a heavy blow in a recent election.

The party's support has fallen significantly since the last election, and it is now seen as a major challenger to the ruling Labour party.

Gorbachev 'was ready to resign'

BY PATRICK COCHRAN IN MOSCOW

MR MIKHAIL GORBACHEV, the Soviet leader, was said to be ready to resign from his post as General Secretary of the Communist Party of the Soviet Union.

The report, which came from a source close to Mr Gorbachev, suggested that he was under considerable pressure to step down.

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