

European Community

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ENERGY: burning both ends

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In front of a burn-off in Saudi Arabia an oil worker bows in Moslem prayer.

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The Energy Crisis

Alive and Well...and Growing

PAUL KEMEZIS, *Washington-based freelance writer specializing in international economic issues, who formerly reported from Brussels for The New York Times*

DURING THE LAST THREE YEARS, THE WESTERN INDUSTRIAL nations have handled the energy problem like the weather. Everyone has talked about it but no one has been able to do much about it.

In the United States, as in a successful disaster movie, the energy crisis of 1973 has been revamped into a chilling 1977 production. A bitterly cold winter in America created a severe natural gas shortage which slowed economic activity and accelerated already record high oil imports. The new crisis showed that after three years of debate the basic issues of US energy policy remain unresolved. However, it is possible the crisis may also provide a lever with which the new administration of President Carter can push through a comprehensive energy plan, overcoming both industry demands for high profits and consumer demands for low fuel prices.

In the European Community, where dependence on imported fuels was already 63 per cent of total energy needs when the crisis hit in 1973 (compared to 15 per cent in the United States), oil supplies from the North Sea have finally begun to replace some oil imports. But prospects have dimmed for a rapid increase in energy output from domestic coal and nuclear sources, forcing EC planners to abandon their declared aim of cutting dependence on foreign oil sources to 50 per cent by 1985. Since the 1973 shock the nine-member Community has limped painfully towards a unified energy policy, reaching some accords but floundering sadly in the crucial area of joint investment incentives for new development of domestic oil, coal, and nuclear resources.

The US-inspired International Energy Agency (IEA), based in Paris, has been a success on paper, despite the conspicuous absence of France. But the 18-nation group has yet to test under fire its showpiece achievement, a plan to share out oil among its members in a new crisis. Also at the Paris Conference on International Economic Cooperation, the West has been unable to speak with a single voice to the oil producers because of uncertainty over whether to take a hard or soft line. In any case the so called North-South dialogue has failed to come to grips with essential

energy pricing and supply issues after a year of talking. The solid Organization of Petroleum Exporting Countries (OPEC) front fissured slightly last December when Saudi Arabia disagreed with other members and set up a two-tier price system. Although the dispute brought a slight easing in oil price rises, it was due mainly to Western weakness—translated into Saudi fear of killing the goose that laid the golden eggs—and not Western strength.

Beyond the disappointing short term struggle to get out of OPEC's clutches, a much greater problem began to emerge for the West in 1977: what to do after the year 2000 when OPEC's and everyone else's oil may not be enough to fill gaps in world demand. The gas shortage in the United States this year suddenly brought home the fact that fossil fuel supplies are finite and do run down. The worldwide slowdown in nuclear power development, due to concerns about safety and the spread of nuclear weapons, was now daily headline news. It had become clear that advances in energy conservation techniques and new power sources were simply not keeping pace with the setbacks.

There were many reasons for the sluggish effort in the West to solve the energy problem after the 1973 energy shock. Mild weather, suddenly high fuel prices and the economic recession conspired to cut consumption and take the edge off the crisis. Politicians and diplomats were given a margin to avoid unpopular decisions on energy.

THE EXTENT OF THIS SLACKENED EFFORT WAS GRAPHICALLY demonstrated in an Organization For Economic Cooperation and Development (OECD) report issued in January 1977 which projected the energy situation in the developed world in 1985 under two sets of assumptions: first, following current trends with "business as usual" government actions, and second, with a vigorous campaign by Western nations to cut demand and raise supplies through price hikes, tough conservation methods, and rational energy planning.

The study showed that with a 4.2 per cent annual economic growth rate:

- under business as usual, OECD overall energy require-

ments would grow 47 per cent between 1974 and 1985. This could be cut to 41 per cent growth in consumption by the vigorous action program.

- under normal conditions, OECD oil consumption should grow 41 per cent by 1985, but with the action program the growth would only be 20 per cent.
- the Western nations' imports of OPEC oil would grow 38 per cent by 1985 under normal circumstances, whereas with the vigorous measures the import level could actually be cut by 4 per cent by 1985.

The OECD report said that a major effort along the lines it suggested should be made immediately or Western oil demands in 1985 could exceed levels which OPEC could or would make available. It warned any further delay because of public and industry resistance could cause "considerable economic dislocation, slower growth, and higher unemployment" later on. The report added that immediate action was also needed now on new fuel sources such as solar heat and synthetics if similar problems were to be avoided in the Nineties.

The sobering OECD report, which replaced a more optimistic report issued by the same group in 1975, was by no means a lone voice crying in the desert. The same week James Schlesinger, President Carter's chief energy advisor, warned the cold, gas-short American people that the real energy problem facing them was that the key energy

sources will be exhausted in 30 to 40 years and replacements must be found.

Simultaneously in Brussels, European Commissioner for Energy Guido Brunner admitted that the prospects were bleak for a quick breakthrough in the energy supply situation. He said that an intense reexamination of the nuclear question was the only way out and he suggested a series of public hearings on the issue.

But the technical difficulties of finding a problem-free alternative to oil are matched both in the United States and Europe by the massive political problems of reconciling regional differences over how energy should be exploited and bringing the giant oil firms and the consumers under a single policy where the necessary sacrifices are equally shared out.

THE POLITICS OF ENERGY ARE MORE INTENSE IN THE United States because the most remains to be done there. The recent OECD report severely criticized the US Government for keeping oil and gas prices below world levels since the crisis began. This caused both a slowdown in new exploration of America's still vast resources and a miserable start in the drive to get American energy consumers—the most wasteful in the world—to save precious fuel. Of the energy cutbacks the OECD predicts would come if its program of vigorous energy policies were followed, a full

"Saudi fear of killing the goose that laid the golden eggs, that is Western weakness and not strength," led to Saudi Arabian Oil Minister Ahmad Zaki Yamani's (center) two-tier price system at the December OPEC meeting. UPI Photo



50 per cent would come in the United States.

Oil and gas prices in the United States remain the lowest in the Western world because of price control systems designed to protect the consumer from oil company exploitation and low taxes on fuel. The oil companies, backed by government studies, say that US domestic oil production, which is rising at present due to outer continental-shelf and Alaskan finds, will level off in 1980 at about 10 million barrels a day, but could go up to at least 12 million by 1985 if prices are raised. Gas production which has been falling since 1972 could also be picked up again to peak levels for another decade through deregulation, they say.

The principle of a gradual phase-out of oil controls was set in 1975 but gas controls remain firmly in place (despite a temporary relaxation during this winter's crisis) and a major battle over deregulation is now shaping up. In the Congress members from gas producing states mainly in the South and West back industry demands for no controls while those from consuming states in the industrial Northeast fear that supporting deregulation and thus high gas prices would cost them votes.

The widespread suspicion that the large companies created the winter's gas shortages by holding fuel in the ground rather than selling it at low prices has aggravated the dispute. In February, US Interior Secretary Cecil Andrus announced a major investigation of the gas-holding charges would take place after a first examination showed suspicious activities. There have been increased calls in Congress for laws to break up the large oil companies, shearing them of all non-oil interests and separating their production, refining, and marketing activities.

President Carter, who has promised to submit a comprehensive energy policy to Congress by April 20, is believed ready to propose decontrol of prices on newly found gas (a system already in effect for oil) but at the same time a tax plan which would prevent oil companies from reaping large profits. The resulting price hikes, if Carter could push this through Congress, would probably be accompanied by a much tougher fuel conservation program.

In a 1976 study the IEA already gave the United States credit for a strong energy conservation program, but said that the low fuel prices and very low energy efficiency rate it started with meant America had a long way to go to catch up to most European countries in conservation. Carter will probably try to toughen the rules in place to increase auto fuel consumption efficiency and push industrial and home insulation savings.

Two aspects of the energy equation that Carter has de-emphasized are import controls and nuclear development. Although US oil imports have grown to between 30 and 40 per cent of consumption since the crisis, direct action to restrict entry and thus raise American prices has been a taboo subject again because of feared consumer wrath. As for nuclear development, which is now looming so large

for the Europeans, the Americans can afford to put the controversial subject on the back burner for a while because of their massive coal reserves. Under normal circumstances US coal production will be raised from 750 million to 1 billion tons by 1985. In his amendments to the 1977 US Government budget submitted in February, President Carter cut proposed funds for advanced nuclear research in favor of more money for energy conservation programs which would bring quicker results.



The EC Commission plans to hold major hearings on the nuclear issue, which has become a matter of grave public concern in Germany, as illustrated by the scene above in which barbed wire and a ditch separate a planned nuclear power station site in Brokdorf, Germany, from rock-throwing demonstrators. UPI Photo

IN WESTERN EUROPE THE OPTIONS ARE MUCH NARROWER but the political disputes are far from lacking. On the national level the various countries have already taken the obvious conservation measures. Some countries such as the Netherlands, Germany, and Belgium have achieved savings rates of around 20 per cent. But with limited energy resource bases and differing political viewpoints, the countries found it difficult to agree on major, European-level policies.

Before the 1973 energy crisis erupted, the Community played a minor role in energy matters, setting up a fund to subsidize the European coking coal industry. But all attempts to create Community-wide rules for the oil industry (which was in any event organized on a European-wide basis through the giant oil companies) failed because the French-Italian bloc which favored strong state control of the industry could not agree with the German-British-Dutch bloc which preferred a free-enterprise approach to energy.

The 1973 energy crisis brought the first accord on energy. By late 1974 the nine nations hammered out a set of supply and conservation guidelines for 1985, but a massive new area of disagreement also arose which eventually made progress toward these goals difficult. Most Community members agreed to join with the United States in a group

OECD ENERGY DEMAND, PRODUCTION, and IMPORTS to 1985 (in million tons oil equivalent)

	1974	1980	1985	
			<i>business as usual</i>	<i>vigorous action</i>
OECD energy demand	3,466.1	4,203.7	5,094.1	4,885.4
OECD energy production	2,259.9	2,708.0	3,295.1	3,579.0
OECD energy imports (of which oil imports)	1,313.1 (1,266.1)	1,607.9 (1,497.7)	1,922.7 (1,750.3)	1,394.8 (1,217.6)

SOURCE: OECD, "World Energy Outlook," 1977

EC ENERGY BALANCE for 1985

	<i>EC objectives for 1985 set by Council of Ministers December 1974.</i>	<i>EC Commission forecast for 1985 based on mid-1976 data</i>
Import dependency	40-50%	50-55%
Total energy demand	1475 mtoe	1350 mtoe
Domestic energy production (of which nuclear)	800-900 mtoe (190-240 mtoe)	590-690 mtoe (120-160 mtoe)
Imported energy (of which oil)	575-675 mtoe (420-540 mtoe)	660-760 mtoe (535-635 mtoe)
Nuclear capacity	160 to 200 gigawatts	125 gigawatts
Percent of contribution to energy consumption		
solid fuel	17%	16%
oil	41-49%	52.5-55%
natural gas	18-23%	17.5-18%
nuclear	13-16%	9 -12%
hydro and thermal	3%	2.5%

mtoe = million tons oil equivalent

gigawatts = 1 billion watts

SOURCE: "Community Energy Policy," Communications from the EC Commission to the Council, COM (76) 508 final, Sept. 30, 1976

to meet the OPEC challenge politically, while France remained aloof saying that confrontation with the producing countries was the wrong strategy.

The French decision in early 1974 to stay out of the IEA meant that EC organs could not play a direct role in formulating policy for the Paris-based group. Blocked in one way from using the crisis as a stepping stone to more unity, the European Commission instead turned to a series of internal programs to encourage increased supplies of all types of energy inside the Nine. The plan, inherent in the idea of the Common Market, was to use joint funds for exploration and development and thus foster the idea that Europe's energy resources should be shared inside the group as common resources.

But by 1975 a massive deadlock emerged among the regional interests over which energy development should get priority. Britain, with its large North Sea oil reserves, sought an EC minimum guaranteed price for its oil so that a sudden drop in the world market price would not effect its planning. This concept had already been approved in theory by the Paris IEA, but when Britain proposed that the Community adopt the \$7-a-barrel minimum price suggested

by the IEA and back it up with a subsidy scheme, France balked.

The French believed this would be an overt challenge to OPEC and along with the Germans and Italians wanted more attention paid to nuclear energy. The Germans also wanted a higher priority for coal development while the Italians, with virtually no energy resources, wanted money for new technology research. Many nations also wanted a system set up in which an EC member could not block energy exports to another during a crisis unless it received permission from the Community as a whole.

AT THE DECEMBER 1975 SUMMIT IN THE HAGUE, THE heads of the nine EC governments seemed to work out a compromise including all these objectives, but during 1976 much of the package unraveled. The French backed off on support for a minimum safeguard price and in return, the British blocked approval of a plan to float a \$600-million EC loan for nuclear plant construction.

By the start of 1977 the main thing that had been accomplished was agreement on rules for oil trade during a crisis which allowed nations to stop abnormal trade flows subject to decisions by the Community organs. Also the Commission had at its disposal small funds for coal, uranium, and oil development.

In its 1977 program the Commission hopes to hold major hearings on the nuclear issue which has become a matter of grave public concern in Germany and France but has never been aired at the European level. According to Commissioner Brunner, the shortfall in European nuclear development is the main reason the Commission has been forced to revise its objective for EC energy self-sufficiency in 1985 from 50 per cent to 45 per cent.

The Commission will also set up a group of national officials to work out the equally controversial problem of siting new electric power plants in the crowded European landscape. It hopes to set up a subsidy fund to help electric utilities switch to coal use. This would stimulate European coal production which hovers below the 250 million ton a year mark because of weak demand and still-cheap imports.

Finally the Commission has been holding talks with a group of five European oil companies, including state-owned groups from Germany, Italy, and France, about rationalizing production to solve the refinery overcapacity problem and creating a more uniform oil price system. This effort seems likely to open up old wounds, however, since the giant British and Dutch oil companies, British Petroleum and Shell, along with the American majors have not shown interest in this sort of Community planning.

Europe, with less margin of safety and thus more at stake, seems in need of the same sort of rude awakening which the winter of 1977 gave the United States. On both sides of the Atlantic, the governments and public have not shown the ability to wake up to the energy crisis.

Europe's Drought, America's Cold

What Does It All Mean?

JONATHAN B. TOURTELLOT, *Washington-based freelance writer*

In 1978 the American winter proved only slightly less ferocious than its predecessor, and Europe's was miserable. For 15 weeks snow swirled regularly through the streets of Glasgow and Copenhagen. Swiss ski resorts found themselves doing business far into the spring. Much of the Russian wheat crop was lost to heavy spring rains, and the Americans, suffering through the worst drought since the Dust Bowl, could offer little help. By the 1980's the US situation had improved, but the Russians had to abandon their Kazakhstan grain fields to cold and drought. In Africa the Sahara sand had claimed the countries of the Sahel, but world attention was diverted by the catastrophic famines in India, Bangladesh, China, and the Philippines. The monsoons were failing every four or five years. European farmers fought wild gyrations in weather, and in southern Norway August sunlight glinted on mountain peaks still frosted with snow. The winter of 1989 marked the first time patrols had to be assigned to tow occasional ice floes away from oil platforms in the North Sea. By the 1990's the United States, recovered from its droughts, was supplying 90 per cent of the world's grain exports (Canada's having declined from a shortened growing season). And behind rumbles in the United Nations about the

"world's right to the world's breadbasket" could be heard the more ominous rumble of tanks maneuvering in the Ukraine . . . Or:

Against all expectations the "Great European Drought" of 1976 returned the following year and again in 1978, though not quite as severely. English doctors noticed an increase in skin cancers stemming from the citizenry's exposure to so much unaccustomed sunlight, and enthusiastic resort owners around Torbay, the "English Riviera," laid out ambitious new expansion plans. French wines in the early Eighties were better than ever, but the country's livestock farming was disappearing as an agricultural staple. Sweden, now having surpassed Italy in grain production, was sending much of its harvest to alleviate the near famine conditions in Turkey and Egypt. The struggle to shift agricultural gears in the European Community was further complicated as it became clear the Community's newest and poorest member, Greece, was literally turning into a semi-desert. In 1993 weather satellites confirmed the accelerating meltback of the Arctic Ocean ice. Obscure scientific journals noted a small but steady increase in sea level, and suddenly the Dutch were very concerned about their dikes. . . .

THESE TWO SCENARIOS MAY SEEM FANCIFUL, BUT ANYONE who sweltered through Europe's midsummer drought should be able to picture the latter, and those digging their way out of record-breaking American snow drifts might comprehend the first. In fact, every element in both can be inferred from statements by climatological authorities. And that in itself bespeaks the state of the art of climate forecasting.

At a recent public discussion in Washington, Dr. Murray Mitchell, of the National Oceanic and Atmospheric Administration, made the point graphically. He held up a book on climate trends with a blue, icy-looking cover—*The Cooling*, by Lowell Ponte. Then he held up another book with a burning, reddish cover—*Hothouse Earth*, by

Howard Wilcox. The books were published within a year of each other; and both, Mitchell emphasized, came from the same framework of scientific knowledge.

So stands the professional consensus. Climatologists agree on a few things, though, and one is that neither the drought nor the harsh winter by themselves portend respectively the coming of a scorched earth or an ice age. But that such extremes came within months of each other does suggest a change is underway.

Trend-setting or not, the American winter has put climate in the front of everyone's mind. In Europe—where winter weather drifted back toward normal after an excitingly cold and snowy start—reaction to the troubles of the Americans varied. The Berlin city assembly president,

Peter Lorenz, appealed to his constituents to respond to "this great catastrophe" by sending donations under an "Aid for America" program. But *The Times* of London, in an editorial entitled "The Price of American Waste," used the weather as a means of lambasting US energy habits: "Houses and offices are hotter in winter and cooler in summer than anywhere else." The paper concluded that disproportionate American energy demand was instrumental in giving the Organization of Petroleum Exporting Countries (OPEC) its power.

Certainly the weather on both sides of the Atlantic has taught a lesson in vulnerability and awakened the realization that climate changes can occur within decades—and

Against this background it is hardly reassuring that the world's population has doubled since 1930. If we have trouble feeding ourselves in the good times, what will happen in the bad? A Central Intelligence Agency report on the subject warned that climatic change often brings political and military consequences, as well as economic. The CIA was being conservative; archeological evidence indicates that entire civilizations—Mycenae, the Hittite empire, Mohenjo-Daro—rose and fell because of climate shifts. Just in the past decade the Sahel was virtually eliminated as a viable human habitat.

The cooling trend could be responsible for the Sahel's problems. Since the 1940's the average northern hemis-



A Welsh girl explores the mud cracks at the bottom of the Taf Fechan reservoir, three-quarters empty during last summer's drought, the worst in Wales for 250 years. UPI Photo



In Magenta, Italy, local residents sun themselves in the dried-out bed of the Ticino River last summer. UPI Photo

with enormous impact on human affairs. Since 1920 the weather has been the warmest and most favorable in almost a thousand years. The last such period was between 800 and 1100 AD, a time that saw vineyards in England and the Viking expansion across the North Atlantic. The Norsemen settled Iceland and the coast of Greenland, so named because when viewed from the ocean in that era the country really *was* green, by 1200 things were beginning to cool off, and over the next 300 years the northern hemisphere moved into the "Little Ice Age," a cold snap that would rule Europe until the late nineteenth century.

It was not a pleasant time. The Greenland colony died in the 1400's from starvation. Cold, wet summers brought on a series of famines in Europe. The Baltic Sea froze solid in 1423, and after 1550 ice-skaters could repeatedly play on the Thames and the Dutch canals. Eight straight years of Scottish crop failures ending the 1690's, the coldest time of all, helped propel the country into union with England.

phere temperature has fallen by about half a degree, levelling off somewhat in the Seventies. It may not sound like much of a drop, but small changes in overall temperature act as a trigger. Colder conditions destabilize weather in the temperate zones and force monsoon rains southward, away from the areas that depend on them. The agents that can initiate such changes are worth examination:

- **Volcanos.** The enormous volume of dust that major eruptions throw into the stratosphere can chill the entire globe. Krakatoa in 1883, Katmai in Alaska in 1912, Mount Agung in Bali in 1963—all precipitated cool periods after they exploded. The 1815 eruption of Tambora in the East Indies, the dustiest in recent times, produced the "year without a summer" in 1816, when snow fell on Pennsylvania in July and August. Today, according to the leading authority on climate and volcanoes, Dr. Hubert Lamb of the University of East Anglia in England, the earth's volcanic dust veil is slightly thicker than in previous decades, but far thinner than at the beginning of the Little

Ice Age. Although no single eruption can be predicted, one theory suggests that volcanic activity in general varies with tidal stress, as determined by the changing—and predictable—positions of earth, moon, and sun.

● **Sunspots.** Though they may have little direct effect, sunspots seem to come and go with certain climatic changes, possibly because of subtle variations in solar radiation. When sunspots are at maximum, grape harvests in France may be poor. Few sunspots, and there is drought in the Great Plains. Sunspots are at a minimum right now, and sure enough, drought stretches from Manitoba to Oklahoma. The double cycle, which has the most impact, takes about 22 years, but neither the peaks of the cycle nor

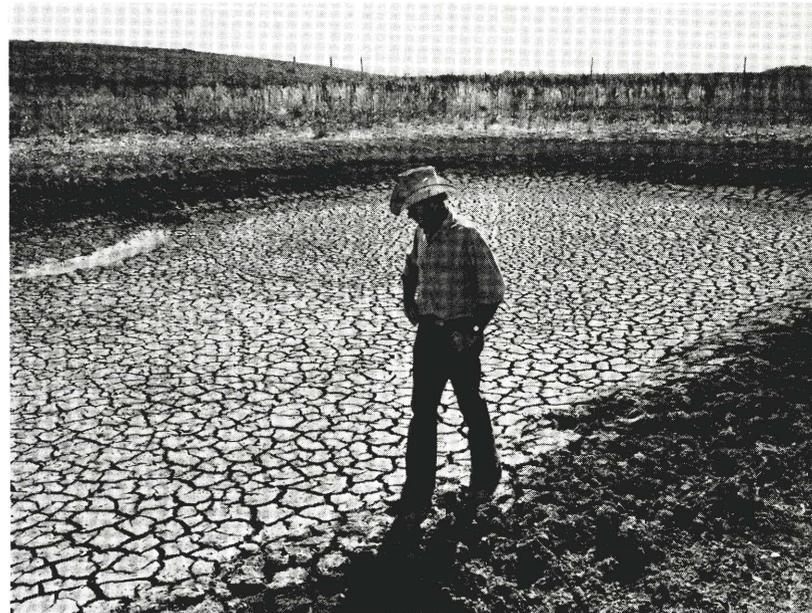
mile-thick ice sheet, the favorable alignment began. By 5,000 BC the ice had melted back, and the "Climatic Optimum," a 2,000-year period even warmer than the last few decades, was under way. That geologically brief moment of balmy weather permitted the rise of human civilization. Our present slide back into the deep freeze is far too gradual to have much effect on the next century, but if nature has its way—an important qualification—the change is inexorable.

● **Human beings.** Of all forces influencing climate, the long-range effect of man himself is the most uncertain and the most hotly debated. It's the most uncertain simply because there's no previous experience to go on; never



Digging out in a Buffalo, New York, parking lot after this winter's blizzard. The black line at the photo's bottom is a telephone cable.

UPI Photo



While America's East had record cold, the West experienced a winter drought similar to that of Europe last summer. © Magnum

their effects can be predicted with any exactness.

● **Orbital variations.** In 1930 a Yugoslav named Milutin Milankovitch first proposed that changes in the earth's orbit and the tilt of its axis controlled the advance and retreat of the Ice Age glaciers. Not until the past year, though, did an Anglo-American team of scientists—Dr. James Hayes of Columbia University, Dr. John Imbrie of Brown University, and Dr. Nicholas Shackleton of Cambridge University—using deep-sea cores, offer solid proof that the three Milankovitch "factors" (eccentricity, obliquity, and precession) control the glaciers.

We tend to think of the Ice Ages as grand events of the vague, geologic past, and until recently even the scientists thought interglacial periods such as the present one were pleasant, warm interludes of 100,000 years or so. It turns out they are nothing of the sort—just a few short millenia that depend on all three Milankovitch factors lining up in the most favorable way possible. Only 18,000 years ago, when the sites of London and New York lay beneath a

before have there been so many people doing so much to the environment. It's the most controversial because the effects could lead either way—warmer or colder.

Human pollution contributes both dust, like the volcanos, and carbon dioxide, which tends to trap heat in the atmosphere—the well-known "greenhouse effect." Atmospheric carbon dioxide (CO₂) has been rising at an exponential rate over the past century, largely from the fossil-fuel burning that began during the Industrial Revolution, though deforestation and overgrazing (which eliminate CO₂-consuming plant life) could, according to some theorists, account for up to 50 per cent of the increase. The CO₂ projections have led many scientists to expect a warming trend despite the historic evidence for cold. Cooling advocates maintain the human dust level will counteract the CO₂ effect.

● **Feedback.** All of the foregoing (plus others more remote or speculative—interstellar dust, magnetic fields, tectonic movement) really do no more than initiate climatic

change. The biggest climate-maker is the climate itself: the complex interactions of the atmosphere, continental topography, ice and snow cover, ocean currents, and so on. An increase in snow cover, for instance, reflects more sunlight back into space, which cools the earth, which creates more ice and snow, which builds up into glaciers, which depress the continental mass, which may set off volcanic activity, which would release dust, which—because dust would be darker than all that bright ice—would *warm* the world instead of cooling it, and that would melt some of the ice, which reduces reflectivity, etc.

WITH SUCH COMPLEXITY it is no wonder climatologists cannot reach a consensus. In one sense it does not matter which way the change goes because *any* change is bad. "The worst feature," says Lamb of the short-term outlook, "is not so much the level of temperature as the variability from year to year." Uncertain climate means uncertain crop yields, fuel consumption, and transportation costs.

Dr. Stephen Schneider, of the National Center for Atmospheric Research in Boulder, Colorado, is an outspoken advocate for building up food reserves. He points out that in an uncertain field like climatology a scary estimate can nevertheless turn out to be too conservative as well as too extreme, and that we should prepare accordingly. The scientists' trait of knee-jerk hedging encourages the tendency for too-conservative projections; said one climatologist while discussing the drought cycle in the Great Plains: "I feel confident there is a high risk of drought in the late Seventies." Thoughtful pause. "The fact that we already have one doubles my confidence."

Given the imponderables, what can be said of the future for Europe and the rest of the northern hemisphere? In Europe, Iceland is a good bellwether.

Lamb speculates about the effect of cooling by pointing to Iceland's recent past. During the Sixties the country's hay production fell by half from the previous decade, and barley growing stopped entirely. Nor were effects limited to agriculture. In 1967 the herring vanished from the north coast. According to Lamb, the natural boundary between herring and pilchard moves south in colder times, and cod starts moving into the North Sea. Dr. Reid Bryson, of the University of Wisconsin, says the Gulf Stream has shown signs of moving south lately, as it did during the Little Ice Age. "When currents move away from the coast," he says, "fisheries become more diffuse, and the fish breed at a lower rate." This sort of thing puts the Icelandic "cod wars" in an interesting new perspective.

Bryson has been working on ways to make short-term predictions about the earth's climate. He has devised a mathematical model based on atmospheric dust and carbon dioxide; and when tested against the climate of the last century, "it works beautifully," he says. His problem is the question of how the volcanos will behave. He tried a pre-

diction assuming eruptions would keep on increasing at the rate they have been. "The results were unbelievable. It had us flipping into an ice-age climate within decades—twice as cold as the Little Ice Age." He hastily abandoned that approach, and tried it with eruptions holding steady at the current rate. The results: slightly lower temperatures, much greater variability from year to year, and a lot of north-south motion, with cold air dipping toward the subtropics and heat waves in the far north. In short, just the sort of weather we've been having.

Dr. Iben Browning thinks he does know how volcanos will behave; he attributes high activity to high tidal stresses. In his capacity as a business consultant for the Mitchell-Hutchins brokerage firm, Browning is willing to make predictions while being "only 80 per cent certain" instead of waiting for incontestable proofs. He sees an ominous 800-year climatic cycle that prompts mass migrations, particularly on the Eurasian continent. The last round, he suggests, came 800 years ago and produced the Mongol hordes; the round before that saw the barbarian invasions of Rome.

One basis for Browning's controversial theories is Danish climatologist Willi Dansgaard's examination of the Greenland ice cap. Dansgaard believes he may have spotted a pattern in Greenland's climate that anticipates Europe's by 200-250 years. If true, Europeans will be getting colder weather.

Still, more scientists are thought to expect warming than cooling. Mitchell, one of the best known, thinks continued fossil-fuel burning could raise the world's temperatures by as much as six degrees Fahrenheit by 2100. The effects he sees as possible are no less disturbing than a return to the Little Ice Age. "The significant ocean rises [enough to flood coastal cities like London] would be delayed for about 200 years, but we would lose the ice in the Arctic Ocean, storm tracks would drift northward, and arid subtropical tracts would expand. The earth as a whole would get wetter, mostly in areas that are already wet—so it wouldn't help agriculture very much." There are some redeeming features, though—the drought in the Sahel would probably end.

The high stakes of gambling on the weather have led most major governments to start research programs on climate. In the United States, the National Oceanic and Atmospheric Administration, the Central Intelligence Agency, the Pentagon, the Department of Agriculture, and several universities are working on the problem. The Commission of the European Communities, spurred by the drought, announced a plan in September 1976 to convene a group of experts, who would report back in six months. In February Britain's Lamb, one such expert, reported that there had been discussions, but that no organized undertaking had yet been set up.

Meanwhile, the winds of the earth blow on implacably, and nobody knows for sure whether they are ill.

North/South Dialogue

Paris Conference Tests "Economic Interdependence"

WILLIAM DROZDIAK, *American freelance writer based in Brussels*

"... No man is an island, entire of itself, every man is a piece of the continent, a part of the main. . . ."

JOHN DONNE

LIKE THE SEVENTEENTH CENTURY ENGLISH POET'S IMAGE, no nation today stands immune from economic decisions and developments that occur in other parts of the world. Cheap Japanese television sets may mean fewer jobs available in the American electronics industry but also lower prices for the American consumer. A long, freezing winter in the United States may require more natural gas imports, providing a boom in sales for the gas-rich fields of the Netherlands or the deserts of Algeria. New taxes and rising labor costs force American businesses in Europe to close shop and come home. A bitter frost in Brazil ruins the coffee harvest and compels millions of people to begin their day with tea or orange juice.

The notion of economic "interdependence" was embraced by many academic theorists and free-trade partisans back in the early Sixties, but it became gospel in October 1973. The four-fold rise in oil prices and the Arab oil embargo after the Yom Kippur War exploded old myths and brought the need for a new world economic order into glaring light.

A dizzying web of strange coalitions, based on mutual economic interests, soon began to surface. Industrialized nations found they could no longer wield their capital as in the past to exploit cheap raw materials from developing countries. Wealthy, non-oil-producing Europe was suddenly in the same boat with poor, non-oil-producing nations of the Third World. After seeking to challenge the oil producers by trying to form a common front with Europe and Japan, the United States abandoned a policy of confrontation and started to develop closer financial and trade links with the Organization of Petroleum Exporting Countries (OPEC). The new economic realities mixed swiftly with diplomacy, and pressures for an overall peace settlement in the Middle East grew more intense.

In the midst of these convulsive changes in the world's economic alignment, French President Valéry Giscard



French President Valéry Giscard d'Estaing (left) "issued a clarion call for a Conference on International Economic Cooperation," while German Chancellor Helmut Schmidt "subtly coaxed the United States."

d'Estaing issued a clarion call for a Conference on International Economic Cooperation (CIEC) that would define, and perhaps influence, the evolution of a new economic order. The United States reacted with suspicion, still vexed by France's waspish refusal to follow America's lead at the February 1974 Washington Energy Conference and by her efforts to forge an independent path through the Euro-Arab dialogue begun in March 1974.

After some subtle coaxing by German Chancellor Helmut Schmidt, the United States relented and decided to attend the CIEC preparatory meeting in April 1975. The session adjourned in disarray after the United States insisted that only energy questions be discussed, omitting the wider issues of raw materials and development problems.

In the months leading up to the United Nations Seventh Special Session in the fall of 1975, American attitudes became more conciliatory. State Department policy planners saw the pitfalls of diplomatic isolation inherent in a per-

sistent hard line against oil producers and the developing countries, and argued for a shift away from the dogmatic thinking of Treasury Secretary William Simon, who believed that the market forces of falling demand for oil as prices went up would break OPEC's diplomatic leverage. The "project independence" report, compiled by a special energy commission set up by then President Ford, found that the country could not become self-sufficient in energy supplies by 1985. The United States would continue to rely on outside sources of fuel for a long time to come—indeed, OPEC now delivers 44 per cent of the oil consumed in the United States, compared to 35 per cent back in 1973—so some kind of stable *modus vivendi* was needed with foreign oil producers.

When then Secretary of State Henry Kissinger stepped before the UN Special Session to declare his faith in the creed of interdependence and announce that the United States was willing to seek an economic truce with the oil producers and developing countries, the invitations for the CIEC's next preparatory round appeared set. Nineteen countries from the Third World's "Group of 77" would meet eight countries—including the European Community as one delegation—from the industrialized world. To placate American apprehension about the North-South dialogue (another euphemism for the CIEC), the French had agreed not to invite Communist countries and promised to allow the United States and Saudi Arabia to co-chair the "energy working group"—which all parties knew would become

In a meeting early this year at EC Commission headquarters in Brussels, the new Commission President, Roy Jenkins (right), greets President Mobutu of Zaire, one of the signatory countries to the Lomé Convention.



the most vital of CIEC's four committees.

One week before the CIEC meeting was scheduled to take place, Britain's then Foreign Minister James Callaghan dropped his bombshell request in October 1975, for a separate seat at the North-South conference. Britain's special status as an imminent oil exporter, he reasoned, meant her interests differed from the rest of the European Community and required special consideration. Britain's obstinate stance infuriated her European partners and frustrated all attempts to reach a common Community position. The second CIEC preparatory session confirmed plans for 27 participants—19 seats allocated to the Third World and eight to the industrialized world—but the Community stood more divided than ever.

An EC "summit" of the nine heads of government broke the deadlock. Meeting in a magisterial Renaissance palace in the heart of Rome, the nine leaders emerged from their phillipic encounter with a common delegation for CIEC's ministerial inauguration in late December 1975. Britain acquiesced in exchange for vague promises to establish a selling price floor for oil in order to protect her North Sea investment, and the Nine agreed that the Community would be jointly headed by the EC Commission president and the acting head of the EC Council of Ministers, a post which rotates among the nine EC governments every six months.

NOW THAT THE PRELIMINARY HAGGLING was finished and the conference's vast agenda about to be tackled in earnest, what then were the key parties' negotiating positions? On the industrialized nations' side, everyone seemed to concur that, with the 1973 oil embargo still a palpable trauma, the vital goal was to assure a steady flow of energy and oil supplies at reasonable prices. But tactical differences lingered over how far consumer countries should go to protect the purchasing power of the producer countries' exports of raw materials, as part of this quid pro quo.

The European Community—more vulnerable than the United States over oil supplies and with its progressive Lomé Convention designed to stabilize export earnings of 46 African, Caribbean, and Pacific countries entering into effect—was quickly cast into a dovish role, along with Sweden. Australia and Canada, industrialized countries but also major exporters of raw materials, sided with the Europeans out of enlightened self-interest. Japan tended toward the more parsimonious view of the United States—reluctant to grant too favorable access to its affluent markets for developing nations' exports and anxious to keep its raw material import costs down to a minimum.

In retrospect, those divergences helped the North-South dialogue get off to a good start, since they allayed the lurking fears of the oil producers and developing countries that the industrialized group would try to confront their demands as a bloc, behind the lead of the United States. The

Third World's facade of solidarity contained obvious cracks of clashing interests, but these fissures had been papered over in anticipation of an ultimate showdown with the industrialized nations.

In February 1976 the four CIEC working groups in energy, raw materials, development, and financial aid that comprise the North-South dialogue first opened discussions.

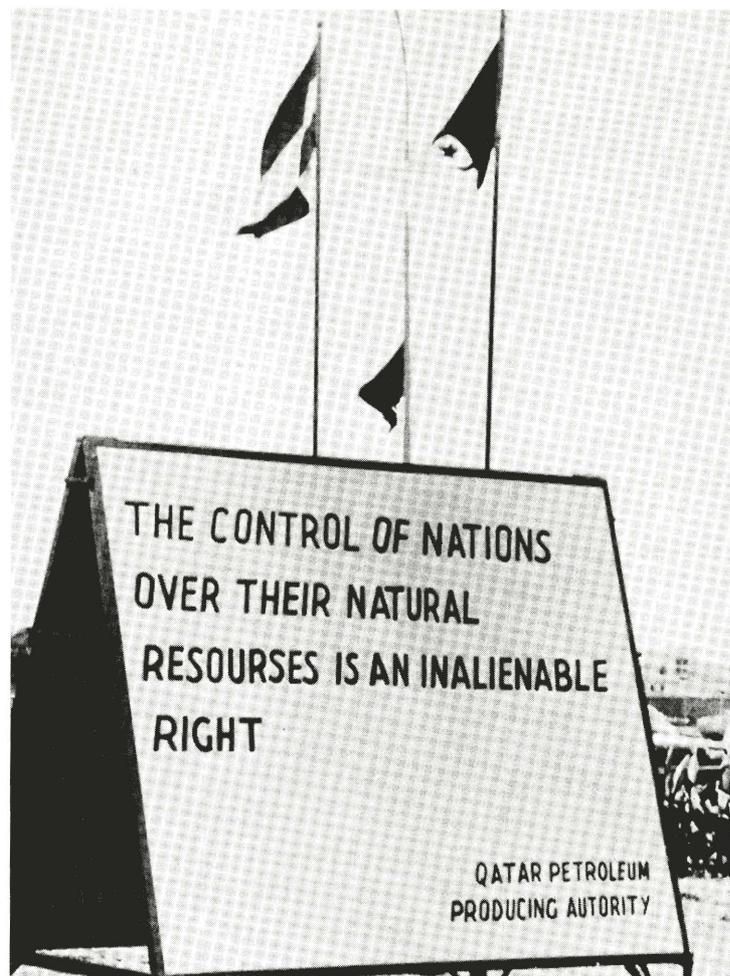
1. ENERGY

At last December's OPEC meeting in Qatar, Saudi Arabia asserted its controlling grip over the world's known crude oil supplies, and thus over OPEC, by refusing to stand by all other (save the United Arab Emirates) oil-exporting countries' decision to raise crude prices by 10 per cent. In restricting its oil price rise this year to 5 per cent, Saudi Arabia also exercised its growing diplomatic clout by adding a caveat demanding immediate action toward peace in the Middle East and a brisk, successful conclusion to the North-South conference in Paris.

Within the CIEC energy committee, Saudi Arabia has built up a close, efficient relationship with its co-chairman, the United States, and observers confirm that the sessions have been sober and pragmatic, devoid of fustian rhetoric. To a great extent this committee's behavior has directed the course of action in the other three working groups, since, as Chancellor Schmidt so succinctly phrased the Western world's dilemma at last December's European Council meeting in the Hague, more money spent on oil means less money available to help the developing world through trade or aid plans. And decisions about oil would doubtless affect action taken in the commerce of less "eminent" raw materials, such as copper, coffee, cocoa, and iron-ore.

The Saudis argue, with much justification, that the industrialized nations squandered their moral right to dictate oil price policy through their wastrel ways during the era of cheap oil. While the protagonists in the North-South dialogue quibble over whether the world's known oil reserves will be exhausted with 30 or 50 years, all parties agree that measures to conserve oil are necessary.

Beyond that consensus, the CIEC energy committee has accomplished great progress toward closer collaboration in energy research and production. Both the industrialized group and the oil-deficient Third World countries are pushing hard for a global effort to discover new energy sources; and even the oil-producing countries, conscious that their reserves will become depleted within the century if present consumption trends continue, recognize the prudence of such motives. To preserve the useful channels for trading information that have evolved during the past year, the CIEC may adopt Henry Kissinger's proposal for an International Energy Institute to foster world exploration of solar, geothermal, and fossil fuel energy.



The sign outside the Gulf Hotel in Doha, Qatar, says, simply enough, a lot of what the "North/South Dialogue" is all about.
UPI Photo

Oil and nuclear energy, of course, dominate most discussions. The developing countries—in this context the oil producers—are urging that refineries be built closer to production sources rather than to markets. The Europeans, with their vast oil refinery complex one of the sole sources of income they derive from the petroleum industry, are clearly worried about the long-range effects of such plans, but they are willing to look into some kind of industrial cooperation as part of the development program. In any case a full transfer of refinery capacity remains only a distant prospect.

While the industrialized group advocates a more efficient harnessing of local fossil fuel sources within the Third World, some developing countries continue to press their demands for nuclear power plants. This appears to be one domain where President Carter will intervene to kill those hopes. Following Vice President Walter Mondale's tour of allied capitals last month, France, Germany, and the United States seemed ready to halt future sales of nuclear power equipment. The Germans will probably go through with their nuclear deal with Brazil, and France will conclude its with Pakistan, but after those sales are consummated a general moratorium is likely to ensue, and the North-South dialogue's chapter on nuclear power trade will be closed.

2. RAW MATERIALS

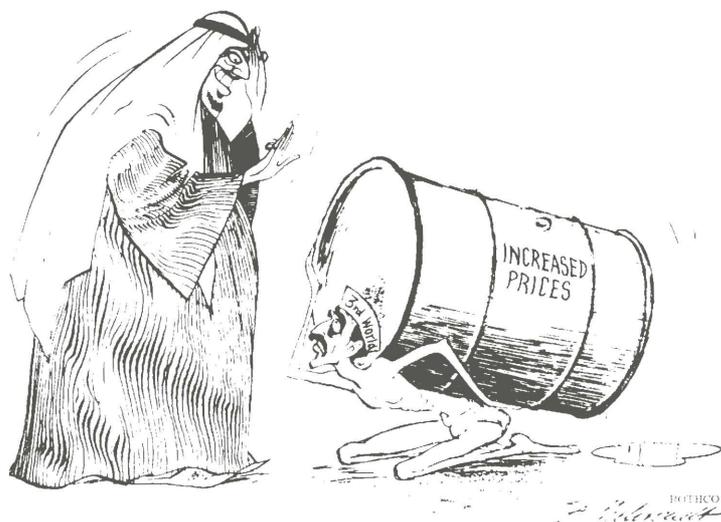
CIEC's work in this committee has been swayed by the United Nations Conference on Trade and Development (UNCTAD) proposals on commodity schemes designed to reduce excessive price fluctuations that punish both consumers and producers. Global stockpiling arrangements may be established by the conference for some, if not all, of the 18 commodities (ranging from bananas to vegetable oils) whose trade, UNCTAD suggests, requires stabilizing measures.

The United States favors improving the conditions for private investment to mine the metals, minerals, and other natural resources in the third world by setting up an International Resources Bank. US officials say the plan would involve triangular accord among: a) the host country, which would impose the investment conditions; b) banks, to provide the needed capital; and c) the investors, who would manage the project. But some developing countries are wary of the proposal, which smacks of one more institution playing a fancified version of the exploitation theme, and there is no consensus yet that the idea should be put into practice.

The most vocal Third World demands focus on guaranteeing the purchasing power of raw materials, and doing so by linking prices to world inflation rates. On this issue, Germany and the United States have refused to budge. Chancellor Schmidt considers the notion a suicidal way to condemn all economies, in both the industrialized and developing worlds, to a permanent inflationary spiral. But the Third World stands united on this topic, with the oil producers willing to flaunt the flag of higher oil prices before the industrialized world unless some satisfaction is granted to developing nations. The Carter Administration strategists could prove more conciliatory on this issue than previous US negotiators, and some compromise on export earnings will probably come out of this dialectic, interwoven with development and financial aid measures.

3. DEVELOPMENT

This working group has inspired the creation of the International Fund for Agricultural Development, a billion dollar scheme that will seek to boost cultivation of the developing world's vast food-growing potential. It has also hastened UNCTAD's program on the transfer of technology, which aims to entice multinational corporations into greater manufacturing and processing of raw materials within developing countries. The Third World would like CIEC to endorse a target of 25 per cent of world processing being located in developing nations by the year 2000, and also commit the industrialized countries to pledge 0.7 per cent of their gross national product (GNP) toward development assistance. Most observers feel that the latter demand is impossible to fulfill. In 1975 leading industrialized nations devoted only 0.33 per cent of their GNP's to development



"Be assured of our everlasting solidarity. . . ."

Behrendt, *Het Parool*, Amsterdam

aid; and since most of them are still struggling to emerge from recessions, a permanent aid commitment of this sort will probably be rejected. As a peace offering, though, the industrialized world may increase the size of grants with "no-strings-attached."

4. FINANCIAL AFFAIRS

This forum was created to look into the possibility of re-scheduling or eliminating the burdensome debts that most developing countries have piled up with the industrialized world. In this area, CIEC's work has overlapped with the UNCTAD's and represents a major effort by both sides to resolve investment and growth problems that plague the poorest Third World nations because of their chronic debts—estimated to total around \$165 billion. A neutral financial board has been suggested to consider the individual cases of poor countries, and recommend to what degree their debts would be relieved. Compensation for the creditors would come from pooled funds, or simply be accounted as forthright grants.

Apart from the debt question, this committee is studying the financial and monetary problems raised by proposals in the other three working groups, such as the effects of energy policy on the global economic situation and the repercussions of a common fund to handle the price fluctuations of raw materials.

NO MATTER HOW MUCH PROGRESS toward defining solutions is achieved within the four CIEC committees, the climatic moment of taking decisions, and thus determining the success of the North-South dialogue, will occur at the final ministerial session. To provide the Carter Administration an opportunity to participate, and possibly alter American positions on some of the more prickly issues, the CIEC's co-chairmen, Allan MacEachen of Canada and Manuel Perez Guerrero of Venezuela, decided to postpone the last ses-

sion's scheduled date from December 15 until sometime in late spring.

Despite the clamorous nature of some issues, like the crackdown on dissidents in the Soviet Union and plans for an international economic summit, that have confronted President Carter since he assumed office, the North-South dialogue still shapes up as the initial challenge to the fundamental motives of his foreign policy. During the election campaign, he spoke, often in moving tones, of his fervent sympathy for poor countries. He also reiterated his conviction that the world's economies are interdependent, and acted upon that view by naming Richard Cooper, a Yale professor who was a leading prophet of interdependence back in the Sixties, as undersecretary of state for economic affairs. Along with C. Fred Bergsten, the new assistant secretary of the treasury for international affairs, Cooper will guide American policy at the North-South conference.

If the United States is prepared to offer generous concessions to the Third World in order to bring the dialogue to a triumphant conclusion, then the Community and Japan will almost certainly join along. Since November, CIEC committee work in Paris has practically ceased while the industrialized world marks time—waiting for Jimmy Carter.

Germany harbors doubts about plans to support raw

material prices through a massive common fund financed by industrialized and oil-producing states, fearing the spectre of mountainous surpluses building up in key world commodities. Bonn is also worried about how to proceed on debt relief for poor countries—Chancellor Schmidt points out that of the total debts incurred by the 86 major developing countries, only 20 per cent involve the poorest nations. He believes that a diligent case-by-case review is the most feasible approach. German skepticism should dissipate with resolute moves by the new US Administration, especially since other EC members are eager to see the North-South dialogue wrapped up before Third World grumbling increases pressure on Saudi Arabia and other oil-rich states to consider another round of oil price hikes.

Whatever decisions are finally taken this year at the Paris conference, they surely will portend the character of future relations between the industrialized and the developing worlds. The dialogue's euphuistic intention to establish "a new world economic order" may be a bit premature. But a successful conclusion to the Conference on International Economic Cooperation would signal a truce between the world's rich and poor. Bearing the imprint of the Carter Administration, it could also spell American compassion for the developing world's predicament in practical terms.

Cheysson "On Record"

Interview by JAMES O. GOLDSBOROUGH, Paris-based correspondent for the International Herald Tribune

The Arab world has now replaced the United States as the European Community's major trading partner, according to Claude Cheysson, the European Community's commissioner in charge of aid and development. This helps to explain Europe's frequent pro-Arab posture.

In a wide-ranging interview in Brussels timed to coincide with the European visit of Vice President Mondale, Cheysson explained his view of what the United States must do to get world economic growth moving again, in the developing countries as well as the industrialized world.

Cheysson has been a key figure in the North-South dialogue—the negotiations among oil-producing, developing, and industrialized countries that began early last year but were postponed to await the new US Administration. Just reappointed to the new EC Commission, Cheysson has led many of the Community's negotiations with the Third World and is a principal spokesman for what is called "the new world economic order."

Whatever happened to the North-South dialogue?

Cheysson: As it has gone on, much good work has been done in terms of analyzing the problems that face us. And, in the meantime, attitudes in our countries have been changing. Our governments now realize that we need working agreements with the developing countries on all aspects of commodities, transfer of resources, opening up of their markets, etc. The economic crisis has changed the attitudes of the industrialized countries; this is clear for France, Germany, Italy, all of Europe, and possibly Japan. There is now a much greater concern over the economic order of the world tomorrow.

Why is Europe so concerned about this? Because of its energy problem?

Cheysson: One reason is that during the past three years the Arab world has become the European Community's number one

customer. It now represents 13 per cent of our exports. The United States only about 11 per cent. And the rate of growth has multiplied by four with the Arab world, while it is declining with the United States. And what is happening with the Arab world could happen in other developing countries if only they had the financial means to make the purchases from us. All our governments and industrialists have discovered this. I don't know how many subways French prime ministers have sold in Third World countries lately. Nobody even thought of visiting those countries 10 years ago.

You're finding a new economic interdependence?

Cheysson: Not us alone. Take the share of the US gross domestic product that now goes into exports and compare it to 1960. The percentage has been about doubled, from 6 to 11 per cent. For Europe it is even a greater increase.

What is happening between Western Europe and the Arab world is taking the place of what we once thought would happen between Western and Eastern Europe, isn't it?

Cheysson: It hasn't replaced it because our trade with Eastern Europe is still growing, but not at the same rate as with the Arabs. Eastern Europe presents problems, because it imposes conditions. For example, most of the factories we sell to Eastern Europe are sold on the condition that we buy a substantial part of their production.

How can this new interdependence develop when much of the world has not completely recovered from the recession?

Cheysson: I am convinced that the method of recovery with the least inflation is in the Third World markets. The money we can pour in there can have the same impact on our production without having the direct inflationary effect of added consumption on our economies.

But how rapidly does this transfer of resources have an effect on our own economies?

Cheysson: Very rapidly. When the oil prices first went up three years ago, the European Community made a gesture, little appreciated in Washington at the time. We offered to put \$500 million in a pot, provided that other industrialized countries and the oil producers would put the balance to make up a \$3 billion fund. Washington never followed, but the others did and the \$3 billion was made. But what is interesting is that that money, pumped into the developing countries worst hurt by the oil-price increases, resulted in purchases from us of much more than \$3 billion. It was an almost immediate return, just as fast as if you had pumped the money into your own economies. But without inflation.

It is rather a new approach to try to get out of a recession through investing in another country, isn't it?

Cheysson: That's right. The problem is that it is still being done in the old style, through export credits, which is nonsense. Those developing countries with their potentially huge markets already have passed their indebtedness capacity. It is sheer hypocrisy to increase export credits to India and such countries when we know they can't be repaid. Why pretend it is credit when it will turn out to be grants? I prefer to call it grants, and link it to economic recovery.

There is also an arms problem here, isn't there? I mean that much of the exchange is in the form of arms purchases.

Cheysson: I agree entirely. When it comes to arms, we already have adopted the approach I have described. I would prefer to see the exchange made in the form of other equipment, of capital goods.

What about linking the Communist nations into this exchange?

Cheysson: The Eastern Europeans play no part in this at all. They contribute almost nothing to development. The total amount of grant aid coming from Eastern Europe is less than \$1 billion annually, whereas the OECD countries provide between \$14 billion and \$15 billion and the oil producers already are providing between \$4 billion and \$5 billion. And we accept that.

But isn't it to the West's advantage that the Communists stay out of it?

Cheysson: No, it isn't. Because everybody in the Third World is convinced they are making a great effort.

It shouldn't be beyond the West's collective ability to convince the Third World where its true interests lie.

Cheysson: The Third World knows. But it is not known by public opinion. And many Third World nations with nationalist movements, in the first stages of independence in particular, are convinced they can rely on Eastern Europe for support, not only in their liberation, but in their development. But participation by Eastern Europe also follows from détente. If there is détente, it means that East and West are going to work together on these important problems.

On commodities, too?

Cheysson: Yes. Tell me how we can have commodity agreements with the Third World without knowing where the Communist countries stand? They buy something like 20 per cent of natural rubber coming from the Third World. Are we going to make an agreement on rubber without knowing what they are going to do? Give them a chance to play on the risks concerning stocks, prices and so on?

You want to link the Communists to the North-South talks?

Cheysson: It could be done in the North-South talks, but it could also be done bilaterally. When you Americans make an agreement with the Soviet Union on grain,

it is really market management. I know you don't like that expression, but that's what it is. But in any event, Eastern Europe should be part of a new world economic order.

What of the US role? We know that the Ford Administration never did much for the North-South talks. What can the new Administration do?

Cheysson: The United States must accept that capital development is essential in the Third World. The record of the United States over the last few years has been very poor. The United States also can help to bring Eastern Europe into the dialogue. It is the United States that has the best dialogue with Moscow. It is this dialogue that can bring détente into the Third World, and this is necessary for development.

You talk as though the European Community and the United States agreed on everything. But they are largely competitors, aren't they?

Cheysson: Of course, but it is in the Third World where this competition is least difficult, for there our interests are not the same. Europe imports 75 per cent of the commodities it consumes, the United States only 15 to 17 per cent, including energy. Europe needs to enter into the kind of integrated cooperation with the Third World which the United States is not ready to accept. The United States probably won't go much farther in guaranteed access to its markets, for example, such as we have done by treaty with the developing nations under the Lomé Convention, which includes such things as quotas, financing, transfer of technology, export development, and so on.

How do you judge the first actions of the new U.S. Administration?

Cheysson: Very encouraging. The first statements have been dead against protectionism. I don't want to blame the previous Administration on that. They were very brave. If at times there were a few moves toward protectionism, it was under the great political duress of lobbies, but they resisted very well. And we at the Commission are very good judges because we are the ones who discuss all the issues with them. The interest of the United States toward the Third World is mostly political. Ours is mostly economic. But the Americans can understand our problems, and they can help tremendously.

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The "Trilateral" Dilemma

EC-Japanese trade troubles

at odds with US political design

STEPHEN MILLIGAN, *Brussels correspondent for The Economist*

PRESIDENT JIMMY CARTER MADE A GOOD DEAL DURING HIS election campaign last year of the need for "trilateralism." He argued that the three pillars of the industrial West—the United States, Japan, and the European Community—should work more closely together than they have done in recent years.

At the time, it sounded like a typical platitude all too familiar during elections. But it is now evident that "trilateralism" is not an empty phrase, but a description of an important new development in American foreign policy. The Vice President's trip to Europe and Japan in late January served to underline the new Administration's policy. Its application will be principally economic rather than political. There is little scope for a three-way political partnership: Defense, for example, must be a bilateral issue between the United States and Japan; but on economics, the scope for a three-way alliance is considerable.

Already, the first two world economic summits at Rambouillet and Puerto Rico have shown the potential for this approach. In the third such summit, which may be held in London this spring, more concrete agreements—say, to reflate together—may develop. There is also scope to agree on common policies on a wide variety of economic issues: tariffs, aid to the Third World, commodity agreements, trade restrictions, export credits, and so on.

So far, so good. But Carter's policy could still be torpedoed by the increasing strains in economic relations between Japan and the European Community. These have gotten rapidly worse during the last six months and could easily reach crisis proportions in the course of 1977.

Until the late Sixties, there were few problems between Japan and the European Community. Japan was growing rapidly and beginning its export penetration of European markets, but EC exporters too were making ground in Japan. Until 1967 the Community enjoyed a trade surplus with Japan. Both seemed to be benefitting from the traditional advantages of the multilateral free trade system pioneered by Europe and the United States after the Second World War.

But in the last eight years the picture has changed sharp-

ly. Since 1967 the Community's trade with Japan has gone into deficit, and the deficit has widened with each year that passed. By 1975 the Community's total deficit on visible trade with Japan was \$3.2 billion. Last year the deficit is estimated to have topped \$4 billion. And the trend is accelerating. In the 12 months to September 1976, for example, Japanese exports to the Community rose by 61 per cent—the biggest rise ever recorded in such a period. By contrast, EC exports to Japan rose a puny 12 per cent in the same months.

The Japanese explanation for all this is simple enough and, in many respects, accurate. They point out that their high rates of capital investment plus their highly productive labor force enable them to produce many goods—like cars, ships, and electronics—much more cheaply than in Europe. So naturally their exports are doing so well. Since this means that Europeans can buy these goods at the cheap Japanese prices, why should they complain? And, anyway, the relative size of the EC-Japanese deficit is small. The Community's deficit in trade with the United States is far larger (around \$7 billion for 1976).

This, however, is not the whole story. Unfortunately, Japanese exports to the European Community have been concentrated in specific sectors and have been growing at unprecedented rates—notable in cars, ships, electronics, steel, and ball bearings.

In normal times EC countries should be able to adapt to this. If the Japanese can really produce cheaper cars or ships than Europeans, then Europeans ought to run down their own production and transfer their capital and labor resources into other sectors where they are better placed to compete. If this happened, everyone should, in theory, be better off. Unfortunately, it has not happened for the simple reason that Europe is in the midst of its worst postwar recession. So if imports of Japanese cars or steel increase, European carworkers and steelworkers become unemployed—and cannot find new jobs elsewhere. European governments are then faced with the increased costs of unemployment pay, plus a worsening trade deficit with Japan—headed by Germany, which had a \$457 million deficit, and

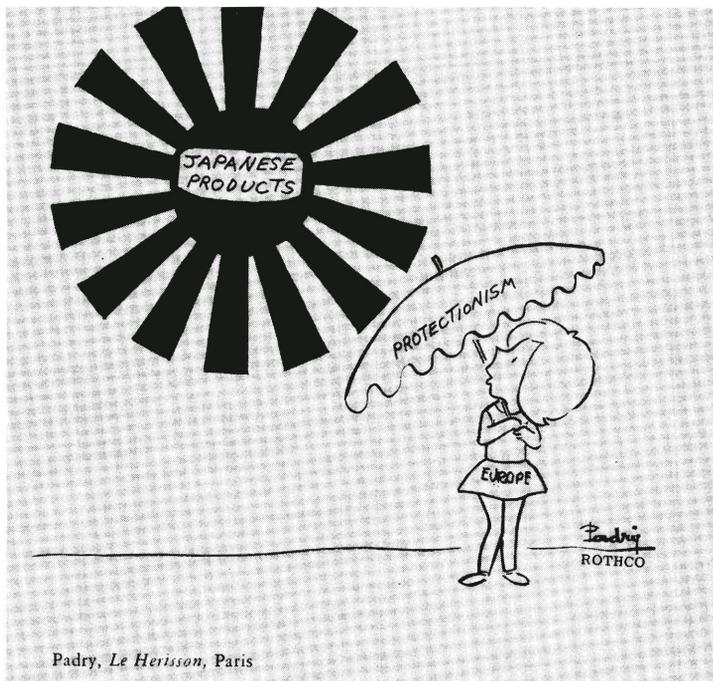
followed by Britain (\$389 million) and France (\$341 million). The unrealistically low valuation of the Japanese yen has not helped matters either.

ON TOP OF THIS, there are real doubts as to whether the Japanese are playing to the rules of the "free trade game." There is evidence that part of their export drive is subsidized either by the government or by companies (at the expense of domestic profits). For example, German, French, and British manufacturers of ball bearings and tapered roller bearings delivered a dossier of evidence to the EC Commission on November 10 last year—alleging widespread dumping (i.e. price-cutting) by the Japanese on European markets. They claimed that for 16 representative types of bearings, the Japanese were dumping in European markets at between 26 and 52 per cent below the prices then prevailing in the domestic Japanese market. And the effect on Europe has been painful. In the last two years, exports of Japanese bearings have rolled up by 40 per cent (and 100 per cent for tapered roller bearings). Meantime, some 5,000 workers in European factories have lost their jobs and thousands of others are now working part-time (up to 40 per cent of the industry's labor force in Germany, for example).

So when Japanese civil servants came to Brussels in mid-November for a regular session with the Commission, Danish Commissioner Finn Olav Gundelach warned them that they would have to move very fast indeed if they were to forestall a sharp attack from the EC summit two weeks later.

The Japanese, it seems, got the message. Within a few days, ministers and civil servants in Tokyo were promising a series of new measures to bridge the trade gap. But EC leaders were not very impressed. When they met at the Hague, they adopted a tough statement—originally drafted by the British. Although it opened with the usual platitudes—"The European Council [Summit] stresses the importance it attaches to maintaining good relations between the Community and Japan and its strong desire that these relations should develop to the advantage of both the Community and Japan"—it went on: "The European Council notes with concern the effects of import and export practices followed hitherto in Japan as well as the rapid deterioration in the trade situation between the Community and Japan. . . . It accordingly invites the responsible Community institutions to give further urgent consideration to these problems and to pursue vigorously this important aspect of the common commercial policy. It expects that substantial progress will have been achieved before its next meeting."

Since this ultimatum was delivered, there have been more meetings and a little progress. The Japanese have promised to limit their steel exports to the Community in 1977. But the proof will be in the pudding. Last year the Japa-



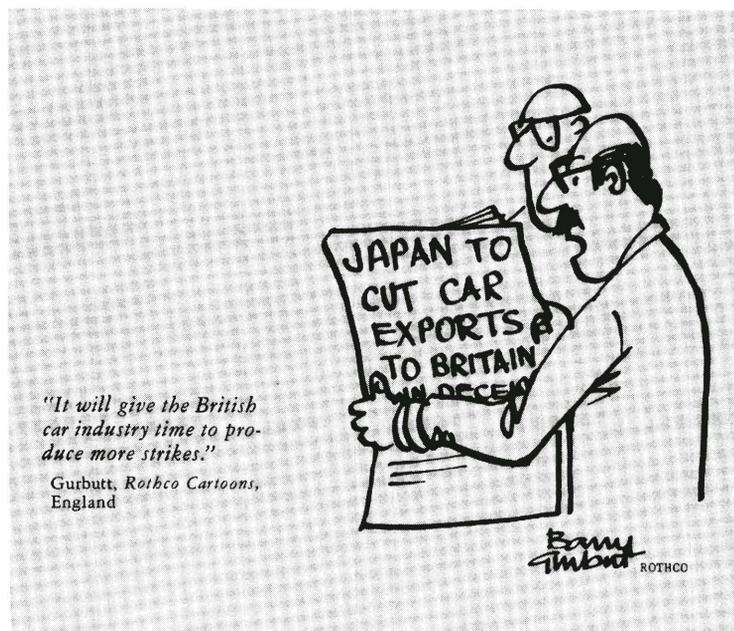
Padry, *Le Herisson*, Paris



"Honorable British car industry in more bad way than first realized." Maroc, *Sunday Telegraph*, London



"Ab—so!" Cookson, *Evening News*, London



"It will give the British car industry time to produce more strikes." Gurbutt, *Rothco Cartoons*, England

nese also promised to limit their steel exports—but only from the six biggest companies. The result was that the 700,000 tons were eventually exported in the first half of 1976 instead of the promised 460,000 tons because the smaller companies took advantage of the deal and hugely increased their sales. This year the deal is meant to cover all companies.

Other industries also claim that the Japanese are dumping—although the evidence is usually hearsay. But if it is true, it becomes unacceptable to continue to allow Japanese companies to benefit from the present rules of the “free trade game.” Perhaps, more significantly, there is widespread evidence of a range of non-tariff barriers which prevent EC exporters from selling in Japan. A typical complaint is that the Japanese are constantly changing their standards (say, pollution tests on cars) to thwart any attempt to import cars. Last year, for example, the European Community sold a mere 26,000 cars in Japan, while the Japanese were selling 500,000 in Europe. And over 99 per cent of cars sold in Japan are made in Japan.

In recent years experts from the EC Commission in Brussels have concentrated their fire on these non-tariff barriers at their twice-yearly, high-level talks with the Japanese Government. In reply, Japan has, for example, promised to send inspectors to Europe to test European cars and give them the okay in Europe—thus avoiding the time-wasting process of exporting cars to Japan and then having them rejected at the quayside because the rear lights are three inches too high (or whatever). And the Japanese have promised to exclude European cars from tough pollution controls due to come into force in 1978. Similar progress has been made on pharmaceuticals.

But this progress has not reversed the trend in the trade deficit. And a groundswell of political reaction has built up against Japanese imports in all the big EC countries. Last autumn, for instance, a deputation of British trade union leaders went to see Prime Minister James Callaghan to demand national, or EC-backed, retaliation against Japanese imports. Callaghan promised to raise the issue at the Hague summit, and a few weeks later he found that French President Valéry Giscard d'Estaing was of the same opinion when they met bilaterally at the French President's chateau at Rambouillet. The Japanese have informally promised the battered British carmakers that they will not attempt to raise their present share of the British car market, which now stands at around 10 per cent.

BUT A MAJOR SECTOR REMAINS RIVEN by dispute: The European Community and Japan are still at loggerheads over shipbuilding. Recently the Japanese have been taking as much as 90 per cent of world shipbuilding orders, and the balance between the depressed EC shipbuilding industry and the Japanese seems to be getting even more distorted. So under the auspices of the Organization for Economic



A shipyard in Savona, Italy: "The European Community and Japan remain at loggerheads over shipbuilding."

Cooperation and Development (OECD) headquartered in Paris, the two sides are trying to work out an agreement to share the declining total orders.

The Japanese have offered to build only 6.5 million tons out of the predicted total world market of 12 million tons for 1980, but the EC experts reckon that after allowance for orders taken by the up-and-coming Third World producers, like Korea, EC shipyards would be in even worse trouble than now. They are therefore demanding a 50-50 share between EC and Japanese shipyards. So far, the Japanese have resolutely refused to consider this—and indeed did not even attend the last OECD meeting in early January in Paris. If no agreement is reached, the European Community is planning to introduce a package of restrictive measures which would directly discriminate against Japanese shipbuilders. This could take the form of direct subsidies to EC shipyards or insistence that only EC-built ships are allowed to carry specified goods.

This constant warfare on trade issues is bound to undermine relations between the Community and Japan. Peace will in any case only be found by a series of protectionist market-sharing deals between the two sides—especially in sectors like shipbuilding. This will naturally cause headaches in Washington. If the Japanese agree to limit their exports to Europe or even agree to take more imports from



Before he was President: Jimmy Carter at the December 1974 Trilateral Commission meeting in Washington. © J. D. Aquilino Jr., Trilateral Comm., New York

Europe, the United States is likely to be the loser—for the Japanese will then be more inclined to aim their selling pressure across the Pacific. Already American diplomats in Brussels have told EC officials of their worries about the consequences for the United States of such agreements.

The real tragedy is that the bickering over trade is a product of the world economic slump—which has made every country more protectionist and more concerned about unemployment and imports. So far, a plague of protectionism has been avoided, and free trade has survived far better than it did during the great slump of the Thirties. But the disease has not yet been cured, and the tone of relations between Japan and the European Community does not augur well.

President Carter's United States might well have an important role to play as go-between for the European Community and Japan. There will be plenty of opportunities—such as the multilateral trade talks under the auspices of the General Agreement on Tariffs and Trade (GATT) in Geneva. The GATT talks are due to discuss the removal of non-tariff barriers to trade among a host of other trade issues. The United States could argue that the Japanese must make genuine progress on liberalizing their armory of non-tariff barriers, while the Europeans should in return promise not to interfere with Japanese goods in Europe which are really produced more efficiently in Japan and are not merely being dumped.

The picture, of course, is not entirely black. The European Community and Japan, along with the United States, have already worked in close cooperation at a wide range of international economic get-togethers ranging from the North-South energy conference in Paris to the last two economic summits. And despite the trade tangles, all three

blocs would benefit by a relaunch of the Western economy, which still seems beset by stagflation. At present none of the Western weaker countries feels strong enough to reflate, and none of the stronger countries wants to risk its success in cutting inflation by prematurely boosting demand. However, if all three could work together and reflate together, the chances of success would be better.

For the United States, good relations with Japan are a political priority. (This is not to say, of course, that the United States and Japan also don't have trade troubles—See European Community, No. 199, pp. 9-12.) The United States has vital national interests in Japan's continuing Western alignment and also of course is responsible for the defense of Japan. But the European Community has few snug links. So there is less pressure on EC countries to make economic sacrifices for Japan. Equally, Japan's interest in good relations with the European Community is primarily economic. And why should Japan seek to advance its relations with the European Community if the Community is bent on stopping the growth of Japanese exports?

The dilemma is a tough one. The probability is that EC-Japanese trade will continue to grow in future years. But the probability is also that trade on major items like steel and shipbuilding will be regulated by negotiated market-sharing deals (on the pattern of Western trade with the countries of Eastern Europe, where free trade rules clearly do not apply) rather than by the traditional forces of pricing and free competition. But such a development will have awkward consequences for the United States. All this does not mean that the President's trilateralism policy is doomed. Rather, that it will be needed even more than the President himself has perhaps so far imagined.

A New Word... a New Foreign Policy?

"Trilateralism," a New York addition to the US foreign policy vocabulary, has become the hottest commodity on the Washington government market. It is a product of the Trilateral Commission, which was privately founded in New York in 1973 by citizens of Western Europe, Japan, and North America. The word derives its importance from two sources: from a new optimism sweeping the State Department that suggests improved relations among the developed countries; and, secondly, from members of the Trilateral Commission who are finding easy access to the Oval Office of another Trilateral member, President Jimmy Carter.

"Trilateral Commission" is turning up on the bottom line of quite a few résumés in Washington these days. The story goes that then Governor Carter of Georgia met his present National Security Council advisor, Zbigniew Brzezinski, when they were both members of the Commission in its early days. Brzezinski was the director of the Commission for its first three years, but its formation is usually credited to David Rockefeller, president of the Chase Manhattan Bank. The long list of Trilateral members includes government, business, and academic luminaries from North America, Western Europe, and Japan. They are involved in the discussion and preparation of various task force reports on areas of common concern such as energy, world trade, and North-South relations.

Trilateral members are cropping up in major government posts all over Washing-

ton. Besides Brzezinski, appointments have gone to other members of the Commission, including Fred Bergsten as assistant secretary of the treasury for international affairs, Richard Cooper as under secretary of state for economic affairs, Cyrus Vance as secretary of state, Harold Brown as secretary of defense, Michael Blumenthal as secretary of the treasury, Richard Gardner as ambassador to Italy, and Paul Warnke as possible chief arms control negotiator. Vice President Mondale was also a member.

In December 1976 while addressing a group of economic counselors from embassies in Washington, Bergsten, then international economic affairs chief of Carter's transition team, assured his audience that the appointments of Blumenthal and Vance "should mean that there will not be so many different stories on international economics." Whether or not the trilateral philosophy of closer consultation between the businessmen and government officials of the developed countries can go so far as providing a common international economic front in the new Administration, its influence can not be denied. First evidence of "trilateralism" appears to be the trip abroad made by Mondale in an attempt to impress upon Western Europe and Japan that consultation with these countries is a top priority on the new Administration's agenda.

Trilateralism as a new catch word was introduced in Brzezinski's writings. In the concluding chapter of *Between Two Ages*, Brzezinski argued that "a community of the developed nations must eventually be

formed if the world is to respond effectively to the increasingly serious crisis that in different ways now threatens both the advanced world and the Third World." In the evolution of the new international system, wrote Brzezinski, the economic and political growth of the United States, Western Europe, and Japan will be of greater consequence than changes in US-Soviet relations. Formation of such a community would reduce the growing danger of American isolation in a hostile world, strengthen the development of the European Community, neutralize the rise of any militant Japanese nationalism, and encourage multilateral foreign aid as opposed to aid donated for political influence. Structuring the trilateral community would involve two phases: promotion of ties between the United States, Western Europe, Japan, and other advanced countries; and extension of these links to more advanced Communist countries like Romania and Yugoslavia.

While these are only the written opinions of one of the Trilateral Commission members, the seeds of this thought have taken root in numerous Trilateral publications. In the two latest publications—"The Reform of International Institutions," and "The Problem of International Consultations"—the Commission calls for a strengthening of such institutions as the Organization of Economic Cooperation and Development (OECD) to ensure continuous and routine consultation among the developed countries. It argues that the world is in its third wave of international institution building—that of constructing international economic institutions. Economic officials must begin to think in terms of managing a single world economy and financing a "consolidated world development budget." Currently under revision is a study which would explore the areas for "constructive and cooperative Communist involvement"—phase two of Brzezinski's platform.

The introduction of the word "trilateralism" into the US foreign policy vocabulary probably will not have the same effect as the invasion of a fancy French word like "détente." But in using such strong "catch-all" words, the accurate translation by all countries involved becomes absolutely essential, and there is a strong tendency on the part of American officials to become a slave to words which somehow, as they move across the ocean, lose a little in the translation.

—SANDY FEUSTEL, *Washington-based freelance writer*

The Trilateral Commission's executive committee meeting in Paris in 1975 (left to right): Jean Rey, Zbigniew Brzezinski, Takeshi Watanabe, Max Kohnstamm, Carl Beigie, and Johan Jorgen Holst.

© Trilateral Commission, New York



Mondale's Trip

Symbol and Substance in Brussels Visit

WILLIAM DROZDIAK, *American freelance writer based in Brussels*

IT WAS NO ACCIDENT, VICE PRESIDENT WALTER MONDALE was saying after emerging from his shiny Boeing 707 into the crisp Brussels night, that the new US Administration, barely three days old, chose to launch its maiden diplomatic voyage with stops at the headquarters of the Common Market and of the North Atlantic Treaty Organization (NATO). Two months earlier, President-elect Jimmy Carter had sent a ringing message of solidarity to NATO foreign ministers, pledging that the Atlantic alliance "shall be sustained and strengthened under my Administration." Now, in dispatching his second-in-command on the January 23-31 tour of allied capitals just after assuming power, Carter was demonstrating that promises to cultivate closer ties with Europe and Japan involved more than anodyne rhetoric.

After a brief courtesy call for breakfast with Belgian Prime Minister Leo Tindemans, Mondale was whisked out to NATO's sprawling compound for talks with Secretary-General Joseph Luns and the 15 alliance ambassadors. In his initial remarks, the Vice President quickly moved to alleviate any worries NATO officials might have held about the Carter proposal to cut defense spending by \$5 billion to \$7 billion. "As you are well aware, we are determined to reduce waste in the US defense budget," he said. "But these efficiencies will not result in any decrease in planned investment in NATO defense—and these plans involve some growth."

Mondale emphasized President Carter's willingness to increase America's contribution to NATO defense—provided that other allies with robust economies, notably Germany and Norway, were prepared to collaborate. "We look to America's allies to join with us in improving NATO's defense forces to the limit of individual abilities, to provide a defense fully adequate to our needs," he said.

Following his opening address, Mondale and the NATO ambassadors engaged in a wide-ranging discussion of key issues, with the accent on enhanced consultation among the allies at the Strategic Arms Limitation Talks, East-West troop reduction negotiations in Vienna, and the follow-up meeting this summer in Belgrade of the European Security Conference.

A recurring theme in their exchange was the alleged build-up in Warsaw Pact offensive might. While voicing concern over the growth in Soviet military power, Mondale warned that the alliance should not succumb to "rhetoric of impotence"—a veiled allusion to the fears of defense experts who may overstate the Soviet threat. "We must see the Soviet build-up as something to be dealt with through negotiations or the required response," Mondale said. "We need proper concern, but we should not exaggerate."

After a leisurely lunch with the US diplomatic corps stationed in Brussels, Mondale crossed town for an afternoon session with EC Commission President Roy Jenkins and his 12 colleagues. Before taking over the Commission's presidency from François-Xavier Ortoli in the new year, Jenkins met with Mondale and Secretary of State Cyrus Vance on a private trip to the United States before Christmas. Having established an early rapport, Mondale and Jenkins, joined by Ortoli (now in charge of EC economic and monetary affairs) and Wilhelm Haferkamp (the Community's new external relations commissioner), settled into an animated discussion of the planned economic summit of industrialized countries, the North-South dialogue between rich and poor nations, and the ways to revive the stagnant multi-lateral trade talks in Geneva.

"We are very much in support of European integration," Vice President Walter Mondale (left) told Commission President Roy Jenkins.





Vice President Walter Mondale (third from left) set for discussions with (left to right) EC Commission President Roy Jenkins and Commission Vice Presidents François-Xavier Ortoli and Wilhelm Haferkamp.

THE THIRD ECONOMIC SUMMIT meeting among leading industrialized countries, following previous sessions at Rambouillet, and in Puerto Rico, appears set for late May or early June, probably in London, so that President Carter's attendance could coincide with the NATO ministerial conference there at that time.

In all likelihood, Jenkins will be invited to play a tangible role in the summit, though American officials insist that it will depend upon the European Community's nine heads of government to decide to what extent Jenkins will participate. But Mondale's conspicuous visit to the Commission on the first leg of his long journey was perceived here as a welcome show of support that will doubtless bolster Jenkins's status with European leaders.

Mondale also broached the sensitive issue of "ways to iron out the difficulties that have stalled the Geneva negotiations" on tariff reductions. EC officials believe that the Carter team will prove more flexible than previous US Administrations on the prickly topic of agricultural trade. The Community is seeking some respite from the heavy onslaught of US farm exports, which last year reaped a \$2 billion surplus with Common Market countries.

Both sides explored possibilities for a more unified Western approach at the Paris conference between rich and poor nations, in response to developing countries' demands for more generous terms on past debits and linking raw material prices to inflation rates. EC officials also sought clarification from Mondale about the new Administration's plans to conserve energy and cut growing American dependence on Arab oil.

Before departing Commission headquarters for Bonn, followed by visits to Berlin, Rome, London, Paris, and Tokyo, Mondale expressed the new Administration's desire to improve consultations between the EC Commission and the US Government. "We are very much in support of European integration," he said. "That's one of the main reasons I've come here first." Commission President Jenkins complimented his guest and remarked that their session

had proved "extremely cooperative and useful."

To some skeptical observers, it seemed like another sanctimonious love-feast between the Community and the United States—one that could soon lose its allure with the next round of trade squabbles. In previous sessions held by Community and American leaders, transatlantic amity was puffed by pious notions of goodwill, then punctured by grim commercial rivalries.

Indeed, some trade battles are looming on the horizon, involving steel, shoes, cognac, and agricultural goods. Even in the North-South dialogue, where their common interests overlap, the Community and the United States differ over stubborn American resistance to provide greater access to its markets for the developing world's exports.

But like a stormy marriage that mellows with age, the US-European relationship shows signs of evolving from self-righteous petulance toward patient maturity. "We've had trade fights before, and we'll continue to have them," says a senior American diplomat in Brussels. "But the basic ties that bind us together are stronger now than ever."

In his first actions as President, Jimmy Carter took bold steps to underscore his Administration's commitment to the protection of human rights, a cause that EC governments embrace with equal fervor. He has also displayed an abiding concern for the plight of poor developing countries, hinting that maybe the United States could learn a few things from the trade and aid package signed two years ago in Lomé by the European Community and 46 African, Caribbean, and Pacific nations.

Amid the chorus of conciliatory comments that echoed throughout Brussels during his one-day stay, Vice President Mondale underscored Carter's conviction that Atlantic countries should keep their sights fixed on democratic principles that extend beyond short-term interests. "Europe and America," he said in quoting "the father of Europe," Jean Monnet, "must acknowledge that neither of us is defending a particular country, but that we are all defending our common civilization."

around THE capitals

London

Having lost its empire, Britain is bent upon saving its kingdom. The Labour Government is offering limited home rule to Scotland and Wales. The proposal, which dominates Parliament's agenda this legislative session, would give Scotland and Wales their own elected assemblies in Edinburgh and Cardiff and some leeway in managing their own affairs and spending their own money. The so-called Devolution Bill is controversial—more for what it fails to offer than what it does. Prime Minister James Callaghan has been forced to promise that it must be put to national referenda in Scotland and Wales, and perhaps England as well, before any change occurs.

The alternative to devolution, the Labour Government fears, could be the breakup of the United Kingdom, with serious effects on Britain's Common Market membership. Nationalist movements in Scotland and Wales are gathering steam, although the Scots seem far keener than the Welsh to sever links with Westminster. The Nationalist Parties see devolution as at least a compromise in lieu of what the Labour Government is loathe to grant—full independence. For Wales, this would mean the end of the union which has linked it with England since the thirteenth century. For Scotland, full independence would destroy the 1707 Act of Union under which the English and Scottish parliaments agreed to place their two neighboring kingdoms under a single government and legislature in London. Because the two Nationalist Parties between them have 14 seats in a House of Commons virtually equally divided between the Labour Party and its opponents, they pack political punch in their autonomy campaigns. Labour cannot ignore them and still rule.

Labour's Devolution Bill calls for elected one-chamber assemblies of 150 members in Scotland and 80 in Wales. The assemblies would control all education except universities, health and social services, water services, local government, ancient monuments and historic buildings, the environment, development and industry, farm lands, housing, transport, and tourism. Executive

power in Scotland would be exercised by a chief executive elected by the assembly and in Wales by the assembly itself and its committees. The British Government in London would continue to control foreign policy, defense, trade, and similar international matters. Both Scotland and Wales would still elect representatives to the British Parliament in London. Neither assembly would be able to levy taxes but would get annual block grants of money from London and have the right to decide how to spend them.

Callaghan's Government hopes the Devolution Bill will reach the final vote stage by October and that the two assemblies can be elected and functioning by spring 1978. But Parliament is haggling over the first handful of the 115 clauses, and the Government may have to pass a so-called guillotine motion to curtail debate if it is to reach the referendum stage this year. No one is really happy with the Devolution Bill as written, and both the Labour and opposition Conservative Parties have strong internal divisions about it. Since Labour commands only an effective majority of one in Parliament,

the bill can pass only with the help of some of the Scottish and Welsh Nationalists, Liberals, and Conservatives. The Liberals favor devolution, but not as Labour depicts it. The Nationalists are likely to support the bill while fighting to strengthen it.

The referenda could go either way. Opinion polls indicate most Scots probably want some form of home rule but many Welsh probably don't. This is reflected in the bill's slant favoring Scotland. Plaid Cymru, the Welsh Nationalist Party, wants the Welsh assembly to have legislative powers and equality with the Scottish assembly. The Government counters that Wales, since it isn't as enthusiastic about devolution, should have less home rule power than Scotland. Plaid Cymru, which holds three of the 31 Welsh seats in Parliament, does not want total separation from England but seeks self-government within the Commonwealth so that the people of Wales will have freedom to control their own affairs. It wants to "strengthen the social and economic life of Wales and its language" and thinks Wales should belong to the United Nations.

The Scottish Nationalist Party, with 11 of Scotland's 71 seats in Parliament, wants full self-government for Scotland. It would keep Scotland in the Commonwealth and recognize Queen Elizabeth II as head of state. Its independent Scotland would have a customs and passport union with England and Wales on the Scandinavian model but total control over its internal and external affairs. The Scottish Nationalists would also probably withdraw Scotland from the Common Market, which they opposed joining from the start. They insist that Britain's vast offshore North Sea oil fields, which are expected to produce over \$9 billion worth of revenue by 1980, belong to Scotland and that the Scots alone should receive the money.

A US-like federal system, of course, offers an alternative to devolution without breaking up the United Kingdom, but the Labour Government feels it "would not fit the essential character" of the United Kingdom. Labour has also ruled out creation of an English assembly as well as any new regional assemblies with legislative powers.

—PETER J. SHAW



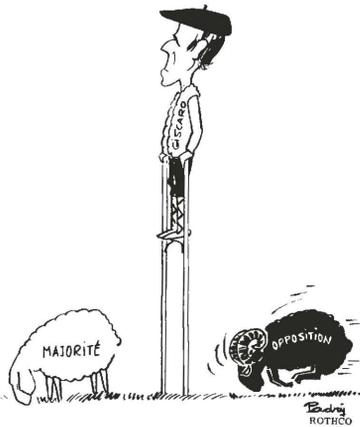
"I'm inclined to the view that the devil you know is better than the devolution you don't."

Audley, *Sunday Telegraph*, London

Paris

A Tammany-style fight for city hall is not ordinarily the stuff that brings down national governments, but the battle to become the first twentieth century mayor of Paris is sending shockwaves throughout this still Jacobin nation. There were more than a few Gaullists two years ago to tell the new President that it was wrong to create an independent mayor for Paris, and after the latest skirmishes Giscard d'Estaing must be asking himself if they were right.

Paris has not had a mayor since the early days of the Third Republic a century ago. Since then, successive national governments, whether left, right, or center, have preferred to keep Paris as a fief of the government,



"I am staying well on top of the situation!"
Padry, *Le Herisson*, Paris

fearing the plague of decentralization that French politicians since the Revolution have believed was the ultimate threat to their survival.

One of Giscard d'Estaing's first reforms as President, however, was to give Paris a mayor, and in the March municipal elections the man who is victorious will inherit a budget of about \$2 billion, plus patronage control over several thousands of posts to which are responsible 330,000 city employees. It is an apple of unfathomable juices, and it was only as the election campaign got underway this winter that the President discovered it was poisoned. No sooner had he designated his own man for the race—for if Paris is to have an independent mayor, reasoned Giscard, it is fitting that he not be too independent—than the restless Gaullists, under energetic ex-Prime Minister Jacques Chirac, decided that Chirac himself would make the race.

There is more at stake here than the patronage of Paris, for Chirac's ambitions stretch far wider than that. Since leaving power in August, when he was unable to convince the President on the need for early

elections—which would have been an attempt to stop the momentum that the French left is slowly building up—Chirac has had the problem of what to do next. If he is successfully to oust Giscard d'Estaing as President in four years, then he must stay on center stage. As mayor of Paris and leader of the Gaullists, he could do that.

But the scheme is even cleverer than that, for this ambitious, young (44) Gaullist believes that only he has the energy and the strategy to block the Socialist-Communist coalition. What is to keep him once elected, and with the momentum of a successful victory in the municipals behind him, from forcing early national elections on the President? In winning Paris, not only is he winning the keys to the city but he is beating both a leftist and a "Giscardian" and vindicating both himself and his strategy for national success. As leader of the largest parliamentary party, Chirac would easily be able to force dissolution and bring a national test of strength.

What's more, the mayoralty test comes on Chirac's best ground, Paris, historically a Gaullist protectorate. Chirac, in the polls, is already an odds-on favorite, with a handsome lead over Michel d'Ornano, the industry minister who is Giscard's candidate, and Georges Sarre, the Socialist candidate who is given little chance in Gaullist Paris. It appears ever more that Giscard d'Estaing, in putting Paris up for grabs two years ago, was paving the way for Gaullist domination of the capital.

The President and those around him have counterattacked and are campaigning vigorously to convince Parisians that the Gaullists are ignoring local interests and turning the city hall into a kind of waiting room for the Elysée Palace, but it is a difficult argument to sell. Parisians know as well as anybody that Jacques Chirac, if elected, will make the same kind of energetic mayor that he made prime minister, and they clearly like his brand of energy. Once again, Giscard d'Estaing is earning praise for his good intentions, but politics is made of more than that.

—JAMES O. GOLDSBOROUGH

Bonn

Nuclear power, which as recently as a year ago was still viewed with almost visionary zeal in Germany, is rapidly turning into a major political liability. The Germans themselves—after apparently accepting for years without question the goal of a future fueled by clean, economical nuclear power plants—have suddenly had second thoughts.

To a degree so far almost unknown in the Federal Republic's rather cosy, consensus-minded political life, the atomic power issue has brought together a whole movement of concerned citizens. Some of them, the Government darkly hints, are left-wing extremists and "wreckers," while others are doubtless people who are all in favor of nuclear generating stations provided they are in someone else's back garden. The majority, however, are using the normal channels of recourse to the courts, and lobbying through the political parties effectively enough to ensure that little more than half of the 55,000 megawatts of nuclear generating capacity due to be installed by 1985 can now be counted upon definitely.

The Government's goal was to develop nuclear power to the point where it could



Germans demonstrate against nuclear power station in Brokdorf. UPI Photo

provide as much as 45 per cent of total German electricity needs, and 15 per cent of all energy needs, by the middle of the Eighties, with the share rising progressively thereafter as part of a long-term effort to reduce the country's dependence on imported oil—Germany has none of its own.

It now looks as though the target was unnecessarily ambitious. Thanks to slowed economic growth in the whole Western world and doubts about the strength of long-range recovery, less energy will now be needed after all, according to the latest version of the Bonn Government's much revised attempt to plan its requirements until the end of the century. That may be just as well, for over-investment in nuclear plants would be even more expensive than the heavy financial burden the German taxpayer has to carry in the form of the coal industry, which is officially encouraged to produce more each year but has currently unsold stocks equal to nearly a quarter of last year's 90 million ton output.

No less a problem, though, is the sophisticated German nuclear power industry,

estimated to provide no fewer than 40,000 jobs to skilled workers. It has been counting on the domestic program for its main livelihood, but has recently had to face the probability that no more orders will be placed until Germany's state and federal governments can agree where plants should be built, how objections should be met, and—most difficult of all—how waste fuel should be disposed of. Lower Saxony—the state favored by the scientists for its deep, geologically stable salt-dome caverns as a nuclear dump—is showing a notable lack of enthusiasm for this role.

Meanwhile, the new Carter Administration had been in office less than a week when it began to step up the pressure on Germany to put off, if not cancel, its controversial deal to supply an entire nuclear fuel cycle plant to Brazil. In public the Germans insist, as they have a right to do, that the safeguards accepted by the Brazilians against any siphoning-off of weapons-grade plutonium from the fuel reprocessing plant are more stringent than required by Bonn's obligations under the Nuclear Non-proliferation Treaty.

But that does not satisfy everyone. Brazil still declines to sign the treaty, and there are many in Germany and abroad who simply don't believe any type of controls could succeed against a government determined to cheat on its promises in order to make nuclear weapons. In private, Helmut Schmidt and his Government seem to share some of these doubts; and given the right sort of US diplomacy toward Brazil, they may be forced to make this first serious transaction with President Carter a gracious, if reluctant, nod toward America's new concern to avoid the horrors of proliferating plutonium supplies.

—ADRIAN DICKS

Brussels

Throughout Belgium's turbulent 150-year history, language has served as a catalyst for internecine warfare. French and Dutch speakers still fight bloody battles for control over Brussels' streets and schools. Fifty thousand Germanophones, isolated in their small enclave east of the Ardennes along the German border, wail about their persecuted status. Even without the region of Flanders, sundry dialects compete for cultural influence on radio and television.

Now Madame Antoinette Spaak, a Francophone deputy and daughter of renowned statesman Paul-Henri Spaak, who's retained her maiden name, has decided to vent her linguistic wrath on the growing popularity



ROTHCO

"First, le coca cola. Now peanut butter. Who will save La Belle Langue Française?"

Pearson, Knickerbocker News, Albany, New York

of English idioms that have crept into spoken French. Pursuing a crusade begun in France last year by the prestigious *Académie Française*, she has called for laws to be enacted that proscribe the use of English expressions and require officials to use only French equivalents.

In Madame Spaak's opinion, "le hot dog" should properly be called "le saucisson de francfort." Instead of "le show business," there would be no business like "l'industrie du spectacle." "Le disc jockey" would be transformed into "l'animateur des disques," and journalists would no longer compete for "le scoop" but rather "l'exclusivité." "Le one-man-show" would be banned, replaced by "le spectacle solo," and "le hit parade" that blares from car radios would be called "le palmarès."

Madame Spaak stresses that the laws would only apply to official usage, but she hopes that purified French would gradually become absorbed into the informal speaking habits of Francophone Belgians. The French Cultural Council of Belgium, the legal body responsible for such matters, is cautiously weighing Madame Spaak's proposals, which originally included fines ranging from 65 cents to \$2.50 for officials who violate the language code. But strident protests from various Walloon circles—one newspaper called her proposed penalties "reminiscent of certain acts carried out in totalitarian countries"—will probably dilute any consequent language code into a voluntary one.

Brussels' large Anglophone population has been partly at fault for the Anglicisms that sprinkle most mixed language conversation around town. But Madame Spaak no-

tices a larger, more universal reason—the "productive and inventive power of America," whose overwhelming contributions to science, technology, and pop culture create euphemisms at such a bewildering pace that classical French hardly has time to adapt its own expressions.

Flemish language militants have mostly ignored the *Franglais* uproar, but some have warned their partisans that any decision handled by the French Cultural Council has to be monitored warily. The Flemish are still smarting over an unforgivable slap the Council gave them some time ago, when it ruled that Dutch language instruction in Walloon schools would lose its "privileged" status and join English, German, and Italian in the "foreign language" group. Schools in Brussels and Flanders usually emphasize bilingual instruction: a powerful advantage when it comes to applying for government jobs, which require fluency in French and Flemish.

—WILLIAM DROZDIK

Dublin

A constitutional debate which could have far-reaching repercussions on relations between the two parts of Ireland, and on the various political positions adopted on both sides of the border that has divided North and South for more than half a century, has been reopened by a Government minister in Dublin. The debate once again brings into focus at a crucial stage in the political affairs of Northern Ireland two articles of the 1937 constitution of the then Irish Free State introduced by then Premier Eamon de Valera. Article 2 reads: "The national territory consists of the whole island of Ireland, its islands and the territorial seas." Article 3 reads: "Pending the re-integration of the national territory, and without prejudice to the right of the parliament and government established by this constitution to exercise jurisdiction over the whole of that territory, the laws enacted by that parliament shall have the like area and extent of application as the laws of Saorstát Eireann (the Irish Free State) and the like extra-territorial effect."

The inclusion of these two claims in the constitution, and their retention ever since, has been a source of antagonism and offense for most of the Protestant majority north of the border who regard Northern Ireland as part of the United Kingdom, and a source of solace and support for much of the Catholic minority there who favor a united Ireland. Since the present Northern Ireland conflict broke out, the Government in Dub-

lin has shown some appreciation of the pre-occupations of the Northern Protestants. An article of the constitution which accorded a special position to the Catholic Church has been dropped, and moves to introduce an official form of marriage annulment, though they stop far short of divorce, could go some way toward giving the South a more accommodating image in the anti-Catholic lodges of the Orange Order, themselves fairly intransigent.

There has also been a certain amount of support for scrapping the present constitution altogether, a possibility not without precedent since de Valera did just that in 1937 with the first post-independence constitution. The latest debate on articles 2 and 3 could be a stepping stone in that direction. Its instigator is Dr. Conor Cruise O'Brien, currently a Labor Party minister for posts and telegraphs and one-time United Nations representative in the Congo when it had its own partition problems with Katanga.

Cruise O'Brien has announced that if the present coalition Government is returned to power in a general election likely to take place this year, he and others would urge a referendum on a new constitution. He specifically feels that articles 2 and 3 should be deleted and replaced by some expression of the aspiration to unity by consent. He believes that these articles are offensive to Northern Protestants and encourage a siege mentality—a not unjustifiable contention since they would be outnumbered by almost four-to-one in a united Ireland. The extent to which Cruise O'Brien has the support of his Government colleagues is not clear. At least two leading ministers who share the same cabinet table with him have spoken in the past along the same lines, but Premier Liam Cosgrave believes that there can be no change without the agreement of all parliamentary parties.

However, Fianna Fail, the party founded by de Valera, is strenuously opposed to such a change and has lost no time in saying so. Basically, Fianna Fail's position is that the articles are in no way directed against the



people of Northern Ireland but are a denial of the right of any other country (Great Britain) to any part of Ireland. In addition to Fianna Fail's rigidity, an all-party parliamentary committee that was set up to examine the whole problem has not met for almost two years, which hardly augurs well for agreement.

Reaction from Unionist factions in Northern Ireland has so far been muted, but John Hume, deputy leader of the Social Democratic and Labor Party, which draws its support largely from the Catholic minority, declared himself opposed to a referendum. Hume is against making any further concessions to the Unionists and holds that the time for a new constitution is when there is agreement, endorsed in North and South, on how Northern Ireland is to be governed. The current debate on devolution within the United Kingdom will have a significant bearing on such a development. There are, nevertheless, two unanswered questions which hold the key to the controversy. The first is whether, if a referendum were held, the people of the South would be willing to relinquish the outspoken territorial claims expressed in their constitution. The second is whether such a willingness would have much effect of Northern Unionists.

—BRIAN O'NOLAN

Luxembourg

The spate of warnings about the ominous strength of Warsaw Pact forces that have appeared in the Western press recently has shed some light on one of the more shadowy aspects of Luxembourg's normally serene society—the disturbing number of alleged spies that seem to be lurking in and around the thick, pine forests of the Grand Duchy.

Luxembourg's proximity to American bases in Germany and NATO headquarters in Brussels, coupled with its calm, innocuous lifestyle, appears to have spawned a breeding ground for spooks. Despite a population that barely exceeds 350,000 people ground-ed on 999 square miles, Luxembourg warrants a suspiciously large Soviet Embassy comprising 36 diplomats.

Embassy secretaries laugh off any puzzled inquiries about the size of the delegation by insisting that the Soviet Union is only interested in improving diplomatic and commercial relations with the Grand Duchy. Western military and intelligence experts hardly accept that justification and keep a wary eye on the comings and goings of Soviet officials there.

Luxembourgers appear oblivious to the surreptitious battle of nerves between secret service groups that seem to thrive in the Grand Duchy, but that has not kept the country's feisty parliament from looking into the matter. Pressures are growing within the legislature to establish some kind of watch-dog committee that would attempt to crack down on the operations of foreign power games, but given the limited resources of the Grand Duchy's police forces, some parliamentarians think local surveillance of suspected spies would prove futile. With manpower and finances so restricted, some Luxembourg officials remark with knowing sighs that perhaps, as shown in history, it is the fate of the small to be bullied by the large.

—WILLIAM DROZDIK

The Hague

If the world's collective liberal community voted for their favorite country, the winner might well turn out to be the Netherlands. Abroad and at home, the Dutch have earned esteem and admiration for their fervent altruism on behalf of the poor and the unfortunate. One of the few European countries to extricate itself from colonial commitments peacefully, the Dutch successfully integrated droves of Indonesians into their once homogenous society. And its



foreign aid donations per capita rank among the highest in the world.

In domestic programs, Holland developed a sweeping social welfare scheme soon after its economy recovered from the devastation of World War Two. That program guaranteed laidoff workers a substantial part of their previous salary (up to 65 per cent) until new employment suited to the worker's qualifications was found. It also carried the social burden of settling the large numbers of Indonesian and Surinamese immigrants, helping them absorb the cultural shock and

discover meaningful work in their newly adopted society.

But lately that blissful conception seems to have lost its allure. Faced with a precarious trade outlook and an economy increasingly burdened by unproductive services, the Dutch have been compelled to slash several of their renowned social programs. The social budget had been expanding steadily in recent years at a 6 per cent clip, but the cutbacks now planned should reduce that growth to no more than 1 per cent by 1980.

The motive, as usual, is partly political. The Socialist-led coalition Government expects a rough uphill campaign to remain in power after national elections are held May 25. While commentators are reluctant to describe voter sentiment as a sudden lurch to the right, disenchantment with heavy taxation and highly publicized cases of welfare fraud have soured many people on the grand social designs of the current Government. As a result, coalition leaders have decided to soft-pedal their more ambitious plans in an effort to recapture their disillusioned followers.

But to many forlorn voters, the prospect of opposition center-right parties taking over is hardly more appealing. The current mood, as in several other European countries, drifts toward apathy and disgust with ideology, and people seek solace in simple pleasures and circles of friends. Among the unemployed, many seemed resigned to make the most of their plight. One engineer has been out of work and collecting compensation for more than two years now, but the vaunted Dutch urge to keep busy has led him to open a small antique shop where he can indulge his favorite hobby.

A plumber recently found work with a successful firm that makes household equipment. Sipping tea in the factory canteen, he mused about the eight months he spent in fruitless search of a job. The sizeable welfare payments kept him and his family living comfortably, but he never felt satisfied enjoying the fruits of the heavy taxes he paid. With a wry grin, he asked: "Do you know just how hard it is for a good Calvinist to stay idle?"

—WILLIAM DROZDIK

Copenhagen

In February the Danes voted in their third election in six years. The Danish constitution calls for elections every four years, but parliament may be dissolved at any time, by the prime minister or by a majority in parliament. Traditionally, the prime minister tries to exploit the tactical advantages of deciding

the election date. This time was no exception, and the explanation was also unexceptional. Government policies no longer had the necessary political basis in the multi-party Danish parliament.

The new Danish parliament, the *Folketing*, was not expected to see any drastic reduction in the number of political parties. A dozen parties participated in the elections, among them a newcomer, *Pensionistpartiet* (Pensioners' Party) with the rather narrowly defined goal of improving the lot of the elderly (the average age of its candidates was around 55). New parties participate in the elections merely by submitting the signatures of the number of voters required to win a seat in the 179-seat parliament, at present about 18,000 signatures. But at least 2 per cent of the votes are needed to ensure representation. Not that this has proved an insurmountable obstacle; the number of represented parties has in the last three parliaments hovered around 10.

Long-term interest focuses on the fate of three large parties: the Social Democrats of incumbent Prime Minister Anker Joergensen; the main opposition party, the Liberals; and the protest anti-tax party, unique in contemporary European politics, of Mogens Glistrup. Ideologically, the governing party of the socialists maintained a low profile. It stressed the importance of pragmatic solutions and of leadership, quietly trying to reduce the costs of welfare state while maintaining a traditional progressive stance. The left wing was not giving too much trouble, occupied as it was by infighting. The trade unions supported the Government, though their enthusiasm was somewhat dampened by the prospect of government intervention in the biannual pay negotiations in the spring.

The Liberals were in difficulty as the main opposition party, though there was an outside chance that they might find themselves in power. They offered a more traditional solution to problems, economically more conservative than that of the Government. They had, however, managed to alienate most of the small centrist parties, compromising the image of the Liberals as the rallying-point of all moderate non-socialists.

For those who preferred radical non-socialist solutions there was the party of Mogens Glistrup, provocatively named the Progressive Party. The party wants the complete abolition of the income tax, a virtual dismantling of the whole structure of the welfare state. On some occasions every fourth Dane has supported the party, according to polls. Political scientists and sociologists tend to describe the party as primarily a protest party, and this descrip-

tion derives some support from the fact that its organization is very weak indeed.

After four years in parliament the Progressive Party has not developed any firm party organization, and the charisma of the party leader still seems of the highest importance. In toto, it is in the cards that the party may disappear almost as rapidly as it emerged. But so far, it shows no signs of disappearing. Therefore, most Danish voters expected that the country's economic and social policies would remain more or less the same, whether a new government was formed or not. And they were probably right. The mathematics of coalitions in the new Danish parliament are no less challenging than the mathematics of the old one.

—LIEF BECK FALLESEN

Rome

Labor costs in Italy are rising more rapidly each year than in any other country in the European Community. They are expected to go up another 20 per cent this year, and pressure has been building both inside and outside the country to bring Italy's costs per unit of production down to a level with those of her European neighbors. Italian political leaders, who recently sought loans from the International Monetary Fund to plug massive holes in her balance of payments, were given to understand that the loans would be conditional on the country's doing something about her labor costs. Internally, the employers federation, *Confindustria*, has sounded a cry of alarm that Italy's exports are losing their competitiveness because of the high production costs.

The unions, *Confindustria*, and the Italian Government actually all agree that cuts are necessary. But they differ widely on the ways in which reductions should be made. Talks began between the unions and *Confindustria* last November at the invitation of Prime Minister Giulio Andreotti, but by December they had reached an impasse. Early in 1977, the unions resumed negotiations—this time with the Government—but these too failed. The continuing knotty problem was the escalator clause, which builds automatic wage rises into salaries of industrial workers in proportion to rises in the cost of living. Italy's system of wage indexation is the most extensive of its kind of any country in the European Community.

The unions—which maintain that the *scale mobile*, as it is called here, is a basic protection of workers against inflation—were firmly opposed to any modifications of the clause. Employers retorted that the sys-

tem itself is a source of inflation. After coming perilously close to breakdown several times, talks between the two parties at the end of January produced an agreement of ways to reduce the cost of labor while leaving the *scala mobile* intact.

The agreement provides for a number of modifications in the use of the labor force. The escalator clause will be applied in most cases only to workers' basic pay. Formerly it was linked in addition to some bonuses and to severance pay. Companies may decide to stagger workers' yearly vacations instead of closing down an entire factory for one month, as has often been done by large companies in the past.

Absenteeism—one of the constant problems on Italy's labor scene—is to be more strictly controlled. Workers' shifts may be rearranged to make more use of plant capacity. A number of midweek holidays, moved by the Government to Sundays, are to be worked at double pay. The unions also consented in general terms to more labor mobility and to overtime in certain cases—both things they had rigidly opposed in the past. The unions calculate that this package of measures will reduce the cost of labor by about 15 per cent.

The travailed negotiations that finally produced the agreement left the unions basically satisfied since it avoided major changes in the *scale mobile*. *Confindustria*, which maintains that without a revision of the entire system of wage indexation the cost of labor will never be reduced significantly, was less pleased. But both sides conceded that the fact that an agreement was reached at all represented a "turning point" in Italy's troubled labor-employer relations.

—CHRISTINA LORD

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Twentieth Anniversary

On March 25 this year, the Community celebrates the twentieth anniversary of the signing of the Rome Treaties. These created the European Economic Community — the Common Market — and the European Atomic Energy Community—Euratom. There follow views on what has been accomplished and what lies ahead.

"A Force for the World's Greater Good"

CLYDE FARNSWORTH, former European economics correspondent for The New York Times, now in its Washington bureau

Around the year 200 BC, a group of Greek coastal towns banded together to form the Achaean League, under the leadership of a general named Philopoemen. They wanted to protect themselves against pirates and against the armies of the more powerful Greek city-states such as Sparta. They set up a federal structure that survived for several hundred years until it was finally broken up by the Romans.

After World War Two the Western European states also faced an external threat, from the aggressive military policies of the Soviet Union, and later, during the years of the Vietnam War, from the aggressive economic and monetary policies of the United States. The idea of linking independent states in a federal structure appealed to the Europeans as it did to the Greeks. It was a means to get economic betterment and end those European civil wars.

Twenty years after the formation of the European Economic Community one can perhaps best gauge the impact of this unique institution, hardly federal, hardly even confederal, yet something that seems to work in its own way, by the fact that Western Europe is at peace, that no one covets anyone else's territory, that the great issues of the day are less political and military than economic. Frontiers have not exactly disappeared, but they pass by quickly, too quickly, in fact, for visiting Americans who like to get their passports stamped.

After 20 years the Common Market is still in existence, and that too is an achievement. Though it has had its crises and will certainly have more, it has become a point of stability in an uncertain world, an island of relatively like-minded people, selfish in some respects, yet relatively open-minded, liberal, and with a world view. Europe is

changing, of course. There are perhaps stronger nationalistic instincts today than 20 years ago. There are fiercely difficult monetary problems and rising numbers of jobless because of the stalled economic recovery. But none of this diminishes the Community's impact as a force for the greater good of the world.

Rival nationalism in Europe had led to two world wars this century. As the strongest power, the United States, casting eyes over the ashes of 1945, was determined to initiate and promote a unification drive in Europe to build a base for industrial, food, and fuel production and get a more viable ally in place for the Cold War. The Marshall Plan sowed the seeds of the Schumann Plan, which sowed the seeds of the Common Market.

In the early postwar period, therefore, the United States acted on the belief that an investment in Europe would yield pretty good dividends. Later, because of the growing role of the Community as a competing economic and trading force in the world, Washington came to have some second thoughts about what it had helped create.

Today the Community of 258 million people buys and sells in world markets three times more than the United States, eight times more than Japan, and 10 times more than the Soviet Union. At around the time of the Kennedy Round trade negotiations of the mid-Sixties, the Community showed that it had grown up and could be a pretty independent spirit. It was a power with its own interests, and sometimes these clashed with the United States.

For American negotiators then and in the later monetary upheavals when the United States was seeking to devalue an overvalued dollar, the Community became an unusually

difficult partner, and some perhaps shortsighted Americans thought the time had come to break it up. They were enraged by the Community's own structural failings. The Community was neither fish nor fowl. It was trying to speak with a single voice, but had first to get a common position. And when the negotiators were closeted among themselves, it looked pretty much as if they were ganging up against the United States. Finally, in a major policy decision of the early Seventies, Washington determined that it was no longer in a position to make financial sacrifices for a united Europe. The postwar era was drawing to a close.

As the Community was trying to work out a new, adult relationship with the United States, things were happening internally, a process of economic, if not political, integration, that was to have a profound impact on the rest of the world.

The dismantling of the internal trade barriers was creating a single market, stimulating intra-Community exchanges (so that France and Germany, instead of fighting each other, became each other's biggest trading partners), and producing important changes in the structures of companies. American companies were the first to recognize the advantages of the single market, setting up pan-European bases in cities like Brussels, Paris, and Munich. European enterprises followed, integrating production, marketing, research and development. There were Eurodollars, Eurochecks, Euro-

cards, Euro rail passes. It became possible to wear a jacket made in Britain, a shirt made in Germany, shoes made in Denmark, and a tie made in Italy. Even if the Common Market progresses no further, this meshing of the economic and commercial side of European life remains a solid achievement.

As a bloc the Community did not turn inward, as many had feared, but adopted pretty much of an open door policy to the rest of the world. It took a useful initiative, for instance, in its relations with the Third World, making an arrangement under the so-called Lomé Convention to compensate former colonies for shortfalls in commodity export earnings. It moved energetically into the arena of East-West trade. The Common Market was becoming a world power. Neither Washington nor Moscow could ignore decisions taken in Brussels or at the periodic Community summit meetings.

General Charles de Gaulle once said of France that a nation that produced 365 different cheeses was ungovernable. There are also many different types of cheese in Britain, Holland, Denmark, Germany, and Italy. The Europe of regions had become a Europe of nations almost despite itself. Could the Europe of nations, with their fantastic diversity, ever become a continental confederation? This was the question men were asking at the start of the Community's third decade, and there was no easy answer.

same time, it is also imperative to maintain what has been achieved, because the Community has become an important mainstay for a number of European states which are not—or not yet—members themselves.

Of course, efforts to develop the Community must continue, with European union in mind. As far as I am concerned, the ultimate goal is still a "United States of Europe," even though this goal can be reached only at the end of an independent and paradoxical process which takes account of the national and regional realities created by the course of history in our part of the world. Nevertheless, it is vital that we go beyond traditional forms of international cooperation in creating the political bases of union and shaping its institutions. I am well aware that this can be achieved only by patient, step-by-step efforts, geared to the pressures of reality. Wishful thinking and theatrical lamentations will get us nowhere.

The activities of the Community are already exerting such an influence on the lives of the citizens of its member states that a firmer political basis and a process of control embodied in the people are necessary. The settlement of conflicts of interest and the setting of medium- and long-term goals can no longer be left entirely to existing procedures. This is why I regard it as essential that the decisions of the heads of government and the Council on direct elections to the European Parliament be implemented. That means that a serious start must be made on preparing for the elections, and not only by passing the instruments of ratification in the national parliaments. Nor just by drafting "cross-border" election platforms. The logical course of events will be that this Parliament, presumably against considerable resistance, will acquire the rights appropriate to such a body.

My fellow Social Democrats and I, at any rate, will give their support. It is our aim to consolidate and expand the Community's democratic structures, and that demands the implementation of needed reforms, readiness for mutual assistance, and, above all, greater involvement by political and social forces in the Community's decision-making processes.

The world needs an internally strengthened Community as a force for compromise and moderation, as a forward-looking example for all who are pinning their hopes on a new approach. It is our task to find our own socially just, economically rational, and democratically safeguarded approach between the bondage of a Communist bureaucracy and the philanthropy of a self-seeking capitalism.

"No Raptures, but . . ."

WILLY BRANDT, *former German Chancellor and currently chairman of the German Social Democratic Party*

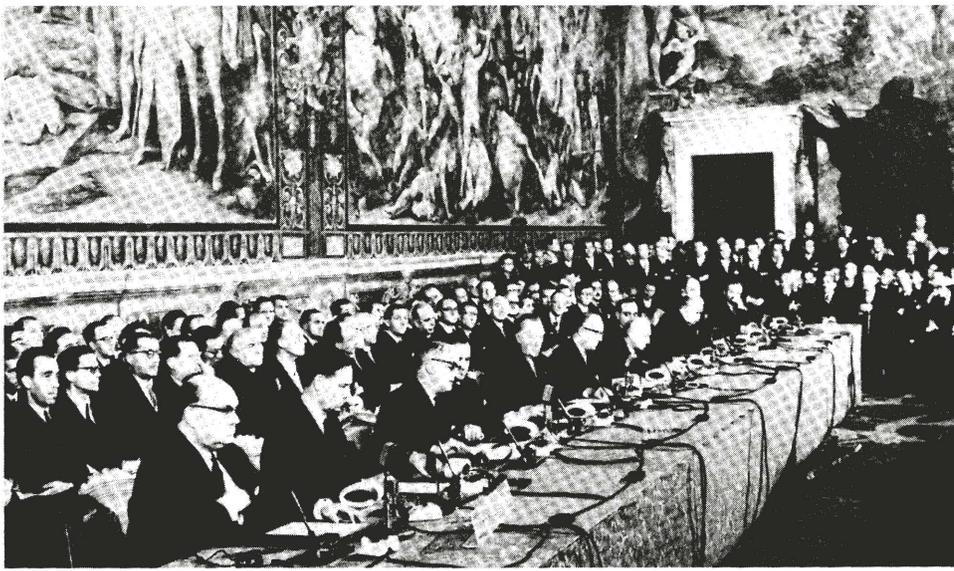
Twenty years have gone by since the treaties were signed in Rome which set up the European Economic Community and the European Atomic Energy Community. Time enough for a stocktaking, a stocktaking which can touch off no raptures.

Nevertheless, I contend that the European Community is the most advanced structure on the European building site. We have been able to set up a customs union, define certain areas of joint policy—particularly in agriculture — and develop coordinating procedures for major economic sectors. There has been an encouraging beginning in foreign policy.

At the same time I would emphasize that, for all the shortcomings which have come

to light, the Community has helped member states to live through the worldwide economic crisis without catastrophe. Furthermore, it became evident how essential it is that the Nine attach special importance to creating a fruitful relationship between Europe and its partners throughout the world, not least in the Third World.

Today, in a period which is not exactly conducive to rapid advances in European unification, we will have to concentrate first of all on safeguarding what has been achieved, and on making the maximum use of proven channels for cooperation. This will help to overcome in our member states the social and political stresses resulting from altered external conditions. At the



Signing the Rome Treaties 20 years ago, and the European Economic Community and the European Atomic Energy Community were born.

“New Visions”

VALÉRY GISCARD D'ESTAING, *President of France*

Excerpts from the address by French President Valéry Giscard d'Estaing at the January 26 inauguration of the Palais de l'Europe in Strasbourg, France, which will house the 19-nation Council of Europe, founded in 1949, and where the European Parliament also will hold some plenary sessions.

Standing on the threshold of this edifice, which belongs to Europe, what new visions greet us? I see three directions:

- Europe needs institutions that are adapted to the next stage of its development;
- Specific targets have to be set for the next few years and must be coupled with the will to attain them;
- We have to describe to the peoples of Europe what goal we are proposing they achieve through the union of Europe. Europe needs to have ideological motivation.

Because Europe must strive to achieve complete economic and monetary union while moving toward confederation, it needs institutions that are adapted to this twofold endeavor. Seen in this perspective, the creation of the European Council [of heads of government of the nine EC member states] and the election of the European Parliament by universal suffrage become truly significant.

The entity that is formed by the economic life of the Community and the political cooperation within it encompasses a multitude of diverse activities. To ensure the unity of this entity, it must have a common center. The European Council, an assembly of the highest authorities in each of our states,

forms the top of the pyramid and stands at the crossroads of union and confederation; so it is necessarily the body that provides coordination and stimulus. It is not the Council's duty to replace bodies at other echelons nor is there any reason to expect every one of its meetings to produce spectacular decisions which could generate false hope and disappointment, but it is the Council's task to provide the dynamism of the entity by settling basic problems, planning lines of action, and making Europe's voice heard each time it is necessary.

In the same spirit, it is important that the method of electing the European Parliament should reflect the changes in Europe's evolution. The authors of the Rome Treaty had, from the very beginning, hoped that popular support, expressed in a democratic manner, would be forthcoming for the long and difficult task of European construction. In the initial stage, they made provision for this by means of an assembly composed of members designated by national parliaments and chosen from their midst.

Now that the Community has its own resources and has developed a body of legal provisions, there is no reason to keep to this mode of composition. It is desirable for the members of the European Parliament to be elected directly in order for them to carry out their specific tasks; and it is desirable for the voters themselves to have an opportunity to express their interest in European problems by choosing their representatives directly. But there is no reason to anticipate or worry about any change in the existing balance between institutions since the

powers of the European Parliament stem not from its foundation or its composition, but from the treaty provisions which we are all committed to apply and respect.

Institutions are not an end in themselves, even though on our continent, which has amassed the most scholarly juridical traditions, we readily devote enormous amounts of time to defining these institutions. They are the means of action. For this reason we must set specific targets for Europe's progress in the future.

Over the past few years, our continent has suffered from the effects of the longest and severest economic crisis the world has known in half a century. Each of our countries has felt its impact in varying degrees but probably because of its newness and vulnerability, the machinery of Community solidarity was the first to be undermined. We have no alternative but to recognize this in view of the partial disintegration of the hapless monetary snake, the erosion of the agricultural policy, and the revival of protectionist tendencies in scattered places flitting through our economies like a will-o'-the-wisp.

Our first duty is to hold on to the Community's gains. This applies to the commercial domain: All of us should refrain from taking any protectionist measures that would impede the free circulation of goods. It applies in the common agricultural policy: We must find ways to restore unity to the European agricultural market despite the disparities in our currencies. In short, we cannot hope to achieve lofty ambitions if we show ourselves incapable of retaining what we have already accomplished.

The second priority in our action is to move forward by adopting common policies in a number of specific areas which are fundamental to the life of our countries. Areas such as energy, fishing, transportation, high-technology industries, environmental protection, harmonization of the value-added tax. The gradual implementation of these policies will tighten the fabric of Europe which has grown slack and has occasionally torn.

Lastly, completion of economic and monetary union must be given the central place which is its due. The immediate difficulties and the problems generated by the enlargement of the Community have caused us to interrupt the progress we were making in this area. But they should not lead us to abandon the project. Economic and monetary union is a mandatory stage on the road to European union. This is why I have proposed that the European Council convene a special meeting at the end of the year to take stock of the progress made in correct-

ing our economies and work out the lines along which we can resume economic and monetary integration.

But how can we ask our citizens to accept the discipline involved and support these gains if we cannot point beyond the immediate difficulties to the prospect of giving Europe life and breath? This is the third and most important of the challenges we must meet today. . . .

With each stage of European construction there is a corresponding ambition. Europe has healed its wounds and for the most part overcome the natural fragmentation of its economies. Whether it likes it or not, Europe has been projected into the midst of the world's great problems. Our predecessors exorcized the unhappy past and strengthened the present. It is up to us, now, to plan for the future.

Planning for the future means first showing that Europe can become a model of society where progress in all its aspects, so abundant in the modern era, will serve mankind instead of enslaving it; where freedom and effective participation in public responsibilities will go hand in hand for citizens; and, finally, where man's burden will be

less onerous and life will regain its original color and culture. This is what I call a model of European society that we can all share.

Planning the future also means taking the necessary steps to prevent Europe from falling behind in the race for scientific progress and technology and from lapsing into second-rate provincialism. Scientists, laboratories, industries are developing the techniques that will shape the realities of tomorrow. Europe has the human and material potential needed to be part of this effort. All it needs to do is to pool its resources.

Finally, in a troubled and dangerous world overshadowed by huge nuclear and military arsenals, in a world where poverty and hunger are still rampant in many areas of the globe, planning the future means bringing a fresh voice to international talks: the voice of reason, speaking for concertation and peace; the voice of pride, speaking for independence and dignity; and the voice of the heart, speaking for our sense of community. Europe's mission is not to play second fiddle, even brilliantly, to anyone, no matter how great; its destiny is to be itself, to illustrate and defend the democratic principles that are rightly ours.

one of our most important priorities in the year ahead. Our review must serve not merely to keep the common agricultural policy afloat but to chart its course in the right direction.

Economic Integration

We face three formidable, and interlocking, obstacles to advance. The first is the stubborn persistence of high unemployment. Second are the high, though varying, rates of inflation throughout the Community. The third is the widening gap between the economic performances and real standards of living of our member states. These three obstacles reinforce each other. If we are to move forward, we must move to overcome all three obstacles together. That will provide the central theme of our economic policies in the period ahead.

Further initiatives are therefore needed as well. In the first place, the Commission undertakes to devise a general policy to concentrate its present and future financial resources on the central problem of economic divergence. We must devise a more diversified and flexible means of responding to the urgent needs of various parts of the Community economy—a means which takes account of the fact that the underlying causes of cyclical problems are often structural. We shall work out our ideas and consult member states about how they can best be put into effect. It may be said that the gap between our member states is so wide that no conceivable Community intervention could narrow it significantly. I reject that view as a counsel of despair. All enlightened modern states—certainly all the member states of the Community—redistribute income from their richer regions to their poorer ones; none accepts the argument that because regional imbalances are hard to overcome, no attempt should be made to overcome them. What they do within their national frontiers, we should seek to do in the Community as a whole.

Industrial Policy

We must pursue the practical work of removing barriers to trade through harmonizing company law, competition law, and taxes. We should not indulge in a bureaucratic game of harmonization for harmonization's sake. Unless we can be sure that our proposals will lead to more trade, and better conditions for producers or consumers, there is no point in making them.

Energy Policy

The short-term economic case for a big immediate investment in nuclear power stations must be weighed against the possible

"A Difficult and Delicate Balance"

ROY JENKINS, *President of the Commission of the European Communities*

In his first major speech to the European Parliament as EC Commission President, in Luxembourg on February 8, Roy Jenkins described the Commission's policy for 1977. He stressed the need to "carry the people of Europe with us," and went on to point out that "as the Community develops and the Community budget increases in size, the need for direct democratic accountability becomes steadily more pressing." Jenkins emphasized that members returned to a directly elected European Parliament in 1978 will go there as "Europeans." The following are extracts from Jenkins's speech covering the important policy areas.

Agriculture

Our ability to command respect and support for our longer-term plans will depend considerably on how effective we are in helping to provide solutions to immediate problems. I therefore begin with an issue which is both pressing and continuing: our policies for food and agriculture.

Consumers rightly insist that our policies for agriculture must be consistent with our

other economic objectives, and particularly with the overriding need to combat inflation. Our proposals for this year's farm prices will be framed in this context. I have no doubt that the prudent course will be one of price moderation.

As well as submitting price proposals we must look more clearly at the underlying problems in the agricultural sector. The fundamental questions are clear. How can we assure stable markets and fair incomes for producers, and at the same time guarantee supplies at reasonable prices to consumers? Should we plan, in the different and more difficult employment circumstances of today, for a continued movement of labor from the land, or should we, for social and environmental reasons, seek to encourage and sustain farming activity, if necessary on a part-time basis? How do we resolve the regional differences, structural difficulties, and disparities of income? These questions cannot be answered merely by managing the existing mechanisms of the common agricultural policy. We need to look closely at its long-term objectives. This will provide

EN FON DE QUOI les plénipotentiaires soussignés ont apposé leurs signatures à bas de la présente Convention.

ZU URKUND DESSEN haben die unterzeichneten Bevollmächtigten ihre Unterchriften unter dieses Abkommen gesetzt.

IN FEDE DI CHE i plenipotenziari sottoscritti hanno apposto le loro firme in loco alla presente Convenzione.

TEW BIJZKE WAARVAN de ondergetekende gevolmachtigden hun handtekening der dese Overeenkomst hebben gesteld.

Fait à Rome, le vingt-cinq mars mil neuf cent cinquante-sept.

Geschehen zu Rom, am fünfundzwanzigsten März neunzehnhundert-siebendundfünfzig.

Fatto a Roma, il venticinque marzo millenovecentocinquantesette.

Godaan te Rome, de vijfentwintigste maart negentienhonderd zeven en vijftig.

The Treaties' signatures.

environmental dangers. If the debate is to produce satisfactory results, it should be conducted on a Community as well as a national level.

Unemployment

Full employment cannot be achieved simply by stimulating demand. Here we shall try to provide coordinated labor market policies throughout the Community.

Europe of the Citizen

We must never forget the overriding need to carry the people of Europe with us. If they fail to see the need for common solutions to common problems, then common solutions will not, in the end, be adopted. If they fail to recognize that the general interest of the Community can transcend the particular interests of the member states, then the general interest of the Community will not prevail. In the period immediately before us, leading up to direct elections, it is clear that as the Community develops and the Community budget increases in size, the need for direct democratic accountability becomes steadily more pressing. Secondly, it is clear that direct elections will in themselves help to foster a sense of common identity among the electors. The members returned in these elections will come as Europeans.

I have already promised that this Com-

mission intends to treat the present Parliament as it will treat the directly elected one, and that, in particular, we shall send no proposal to the Council without seriously and systematically considering whether it is likely to receive a majority in the Parliament.

In less than two years time, an electorate of 180 million will be called upon to determine the composition of this house. We have two clear objectives: to ensure that each voter is aware of the ways in which his own life is affected by decisions taken at Community level and of the way in which he can affect the tendency of those decisions by casting his vote and, at the same time, to ensure that we are aware of the attitudes and aspirations of the voters whose interest we seek to serve.

As well as strengthening the Commission's relationship with the Parliament, we must take action to strengthen the Commission itself and to make it more effective.

Enlargement of the Community

Having proclaimed a new way of learning from the bitterness and weakness of the past, a new way of transcending the restrictions of national sovereignty, we cannot convincingly say that these benefits should be limited only to some European countries. But our talks with applicant countries have to be carefully planned to face overtly the major problems which enlargement will present both for the Community and for the

applicant countries. It is therefore our determination that the Community take an overall approach to the question of enlargement.

By placing future talks on grounds of both realism and perspective, we shall be more likely to make a genuine and effective contribution to European unity. The Commission will be sympathetic to enlargement, but it will insist that the problems be faced and not glossed over. That unity must also be sustained outside Europe in handling our external relations. The Community must endeavor to speak with one voice to the world. If we are determined, inside the Community, to make clear our concern for our own weaker regions, to deal so far as we can with poverty and unemployment, we cannot divide that internal concern from the world outside.

Conclusion

We have to strike a difficult and delicate balance. We must not promise what we cannot achieve, for if we do so we will merely add to that cynical disillusionment with political persons and institutions which is today one of the greatest menaces to democracy. But at the same time, we must not limit our real possibilities of achievement by a deadening caution or an inability to lift our sights. We want our deeds to be a little better than our words. Let us always do more than we promise to do. In this way the great institutions we represent will be in a real and practical sense the means by which we go forward, the very engine of Europe.

The Palais de l'Europe in Strasbourg, inaugurated by French President Valéry Giscard d'Estaing.



Taxing Americans Abroad

New US tax law may affect business in Europe

PAUL LEWIS, *economics correspondent for The New York Times*

THE DOLOROUS APRIL CHORE OF FILLING OUT A TAX RETURN is more dolorous still this year for Americans living abroad. For they must wrestle with the provisions of the 1976 Tax Reform Act, which, in many cases, increase their US tax liability retroactively to include the year just past.

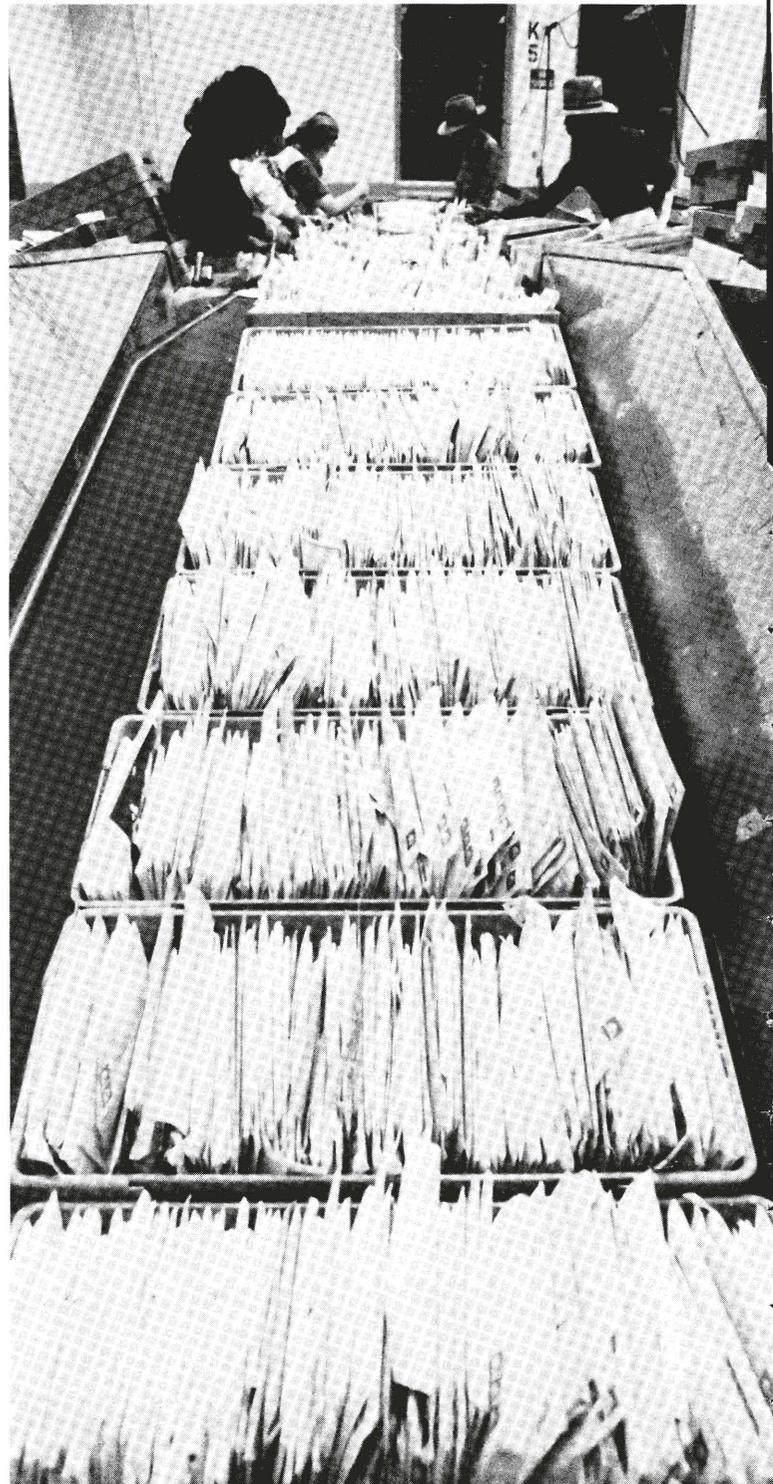
Just how much more they owe depends in large measure on the country where they live. But there is no doubt that for many overseas Americans, the 1976 Tax Reform Act means a substantial extra and unanticipated tax bill. In many cases, of course, it taxes the employer, not the employee, who puts his hand in his pocket to find the additional tax. For a large number of American corporations themselves meet any extra tax an employee sent overseas may find himself liable for, over and above what he would have paid on his basic salary at home. All the same, this increases the cost of doing business overseas for such companies and means they must either replace Americans with foreign nationals or accept some decline in their competitive position.

Moreover, this change in the US tax laws comes at a time when many foreign governments are becoming noticeably more exigent about taxing foreign nationals working in their countries. Comments Richard M. Hammer, of Price, Waterhouse and Company, the accounting firm: "Americans overseas are facing a double squeeze. Foreign governments are enforcing their tax laws more vigorously, while many will find themselves liable for additional US tax as well."

Not surprisingly, the provisions of the 1976 Tax Reform Act affecting overseas Americans have aroused a storm of protest, particularly from U.S. multinational corporations which fear their overseas operations will suffer. *Business Week* calls the act an "unofficial foreign aid bill," because it will encourage big companies to employ foreign nationals rather than Americans overseas. *The Wall Street Journal* predicts a net loss of revenue to the Treasury as a result, rather than a gain, as US companies lose business and taxable profits to foreign rivals.

But while an active campaign to change the law is underway, it is too late to do anything about the higher tax bill many Americans living abroad face this year.

Postal workers in Detroit sort tax returns as they pile up on April 15 deadline. UPI Photo



TODAY, THE UNITED STATES AND THE PHILLIPINES enjoy the distinction of being the only two countries in the world which tax their citizens living abroad on what they earn there. But in the United States it was not always so. Up to 1962, Americans living and working abroad were not taxed on what they earned outside the country by the US authorities.

But then Congress started to impose a ceiling on the amount of such foreign earned income that was exempt from U.S. tax. At first this ceiling was \$20,000 a year, rising to \$35,000 a year after three years of residence abroad. In 1965, the \$35,000 ceiling was cut back to \$25,000. Now the 1976 Tax Reform Act threatens to further increase the tax liability of Americans living abroad in three basic ways:

- 1) It reduces from \$25,000 to \$15,000 the amount of foreign earned income not subject to US tax, although for the overseas employees of certain charitable organizations the ceiling is \$20,000.
- 2) Foreign earned income over \$15,000 also now becomes liable to US tax at the rates which would have applied if that excluded first \$15,000 of income was taxable in the first place. In other words, the new law pushes Americans living abroad into a higher tax bracket than they used to be in if they earn over \$15,000.
- 3) Finally, US citizens no longer can claim a dollar for dollar credit against their US tax liability for any taxes paid to foreign governments on that first \$15,000 of income on which no American tax is due.

Just how will the new act affect individual Americans living and working in various countries? Obviously, the answer will vary from case to case. But Marianne Burge and Richard M. Hammer, of Price, Waterhouse and Company, explore in the two published tables the fiscal fate of a married American with two children earning \$50,000 a year in salary and taxable allowances.

Table I shows the easy part of the calculation. It illustrates the effect of the first two "reforms" in the new act—the lower \$15,000 exemption for foreign earned income and the higher tax rates applicable now to income above that level. Assuming this taxpayer had claimed a \$25,000 foreign income exclusion on his 1975 tax return, his US liability will jump from \$4,000 last year to \$6,000 this year. If his 1975 exclusion was only \$20,000 because he had not been abroad three years, the jump is from \$4,000 to \$11,000.

Table II then shows, on the assumption that he claimed a \$25,000 exclusion in 1975, how he would fare in the end, after claiming credit against US taxes for the foreign taxes he would be liable for living in five member countries of the European Community and in Hong Kong. The results are striking. In 1975, our taxpayer's entire US tax liability was totally offset by the foreign taxes paid in each of these six countries. But this year, he finds himself owing Uncle

Table I

Example: A U.S. citizen abroad (married with two children) was eligible for (A) the \$25,000 and (B) the \$20,000 exclusion in 1975. Here is how 1975 and 1976 compare:

	1975		1976
	A	B	C
Salary and allowances	\$50,000	\$50,000	\$50,000
Exclusion	25,000	20,000	15,000
	<u>25,000</u>	<u>30,000</u>	<u>35,000</u>
Exemptions and deductions	6,000	6,000	6,000
Taxable income	<u>19,000</u>	<u>24,000</u>	<u>29,000</u>
U.S. tax before foreign tax credit (rounded)	<u>4,000</u>	<u>6,000</u>	<u>11,000</u>

The increase in tax in 1976 over 1975 results from the combination of the reduction in the exclusion and the lower tax savings on the remaining exclusion.

SOURCE: Price, Waterhouse and Company

Table II

	U.S. tax on \$50,000 after exclusion	Foreign tax on \$50,000	U.S. tax after foreign tax credit	Combined U.S. & foreign tax on \$50,000 after exclusion & credits	Extra tax 1976
Belgium					
Old law	\$ 4,000	\$ 7,000	\$ -0-	\$ 7,000	
New law	11,000	7,000	6,000	13,000	\$6,000
France					
Old law	4,000	10,000	-0-	10,000	
New law	11,000	10,000	4,000	14,000	4,000
Germany					
Old law	4,000	17,000	-0-	17,000	
New law	11,000	17,000	-0-	17,000	-0-
Hong Kong					
Old law	4,000	8,000	-0-	8,000	
New law	11,000	8,000	5,000	13,000	5,000
Netherlands					
Old law	4,000	13,000	-0-	13,000	
New law	11,000	13,000	2,000	15,000	2,000
United Kingdom					
Old law	4,000	10,000	-0-	10,000	
New law	11,000	10,000	4,000	14,000	4,000

This table shows the result from disallowing the credit for foreign tax on the excluded income. Thus, even if an employee is working in a country with a slightly higher tax than in the U.S. (The Netherlands), there will still be some extra U.S. tax to pay because 15,000/50,000 of the Dutch tax of \$13,000 (\$4,000) is not eligible for credit. The regulations when issued may provide a more favorable way of computing the disallowed foreign tax credit.

SOURCE: Price, Waterhouse and Company

Sam between \$2,000 and \$6,000 in all of these countries with the exception of Germany.

LAST YEAR, ABOUT 104,000 AMERICANS living overseas claimed the foreign income exemption on aggregate earnings of some \$1.4 billion. It is not known how many of these were covered by company tax equalization schemes,

which effectively mean the overseas employee is no worse off than if he lived at home. But the number is thought to be large.

As a result, the 1976 Tax Reform Act means that big companies must spend more to guarantee their overseas employees an unchanged income after tax and that the cost of maintaining Americans in other countries will rise.

In overall terms, American multinational corporations expect, as Table II suggests, that the new law will increase the annual cost of keeping personnel abroad by anything between \$4,000 and \$10,000 a head in many countries.

The US Chamber of Commerce is currently compiling a massive study on the effects of the new law on American companies with overseas operations. But already some individual estimates of the damage are available. For instance, the US Defense Department believes the cost of maintaining American civilian contract labor in Saudi Arabia will rise by about \$7,500 a year per head. Bell Helicopter says the new law adds about \$28 million to the cost of a contract it has in Iran, while Texas Instruments expects its worldwide costs to increase \$1 million.

Such cost increases seem likely to encourage American companies to replace Americans by foreign nationals in overseas posts wherever this is possible. Calvin Reynolds, a vice president with the Organization Research Counselors, a New York employee-relations consultant, estimates that a typical overseas assignment already costs a company about \$100,000 a year in salary, allowances, and tax equilization. Noting that a recent survey by his firm of 60 US corporations showed a 26 per cent decline in the number of Americans they kept overseas between 1971 and 1976, he expects the new law to accelerate this trend.

Already the Zapata Corporation, an offshore oil drilling concern, says the new tax law is encouraging it to base more drilling crews in the United States and fly them out for spells on the rigs in the Persian Gulf, instead of maintaining them abroad. There is also speculation that companies operating in the Pacific area will choose to base more of their executives in Hawaii instead of Tokyo, Singapore, or Hong Kong.

BUT THE MAIN BUSINESS REACTION to the new tax law so far has been to try to change it. The lobbying effort is being spearheaded by the US Chamber of Commerce in Washington under the direction of John L. Caldwell. Caldwell's first claim is that the 1976 Tax Reform Act is inequitable in the way it treats overseas Americans.

Diplomats and government employees still do not pay US income tax on the allowances they receive to defray the higher cost of living overseas including such burdens as fees for English language schools or periodic vacations at home. But the new act still counts such allowances as taxable income when paid to businessmen and thus increases the tax burden on them. It falls even harder on those living



"Thought I'd better spend it before you squandered it all on the government."

Uluschak, *Edmonton Journal*, Canada

abroad who do not have special allowances to meet additional costs.

In addition, the US Chamber of Commerce believes that the new act will adversely affect American business in its operations overseas and that this must hurt the country's balance of payments as well as the employment outlook for many individual Americans.

Significantly, Caldwell says that the State Department is working closely with the Chamber of Commerce in its current efforts to construct a detailed picture of the way the new tax laws will affect US companies doing business abroad and that he hopes to have State's support in lobbying Congress for changes. Finally, it can be argued that Americans living abroad do not get many of the benefits which their US taxes go to pay for at home.

On the other side of the fence, the tax reformers dislike even the continuing \$15,000 exemption of foreign income from US taxes. Tom Field, of Tax Analysts and Advocates, a Washington-based tax lobbying group, complains that it gives preferential treatment to Americans living abroad.

He says that if doing business overseas is more expensive than at home, this additional cost should properly be borne by "the employers and corporations involved rather than by the Treasury." He notes, too, that the US tax code does not compensate Americans for differences in the cost of living between various parts of the country.

How the struggle to reform the 1976 Tax Reform Act will end remains unclear. But Caldwell, of the Chamber of Commerce, and several other accountants say their personal view is that it may be difficult to persuade Congress to reinstate the \$25,000 US tax exemption on foreign earned income.

They feel that a better approach might be to exempt from US income tax all allowances paid to overseas Americans to compensate them for additional costs involved. This is also the suggestion of the International Fiscal Association, a worldwide body of accountants and tax experts. It could be a pointer to the future.

Harmonizing "the Misery"

Misery loves company? If so, then the American taxpayer can soften the traumatic impact of the April 15 Internal Revenue Service deadline with the sure knowledge that citizens in the European Community face the same inevitability. And there may be cold comfort in the fact that the overall tax bite in Europe is higher.

The tax structure varies from country to country in the nine Common Market countries. For example, there is a 34 percent spread between an average Danish worker's income and social security tax of 32.9 percent (the highest) and a comparable worker in Italy who, with his wife and two children, doesn't pay any income tax. (An American worker in the same circumstances shells out 16.8 percent for taxes.) In fact, the Italian's disposable income is higher than his gross income. In both Italy and France the married worker with two or more children receives bonuses from the government, more than enough to offset his taxes, for his contribution of offspring *pro patria*. Such policies, an inheritance of the past, are in sharp contrast to recent tax laws imposed in India, where couples with more than three children are penalized for adding to the population.

In all of the Community countries as in the United States, bachelors and married couples without children fare less well at the hands of the tax collector than family heads. The apparently fortunate Italian and French workers with families are not, in any case, quite as well off as the figures show. They pay, by contrast, much higher indirect taxes for goods and services than their other Community neighbors.

"Direct" and "indirect" tax figures spell out the basic difference between the European and US tax burdens. Direct taxes (on income and profits) expressed as a percentage of the GNP are roughly comparable in Europe and the United States. The US fig-

ure of 12.99 per cent is close to the European average, excluding France and Italy's very low direct tax revenues. But the European tax on goods and services (indirect taxes) is markedly higher than that of the United States. The contrast is still more noticeable in examining taxes on general consumption expressed as a percentage of the GNP. The Community's average (unweighted) tax take on consumption is about 6 percent as compared to the US figure of 1.88 percent of the GNP. The closest comparison between US and European tax revenue comes in looking at taxes on corporate earnings. In this sector, the US revenue yield is 3.17 percent of the GNP and that of the Community countries roughly 2-3 percent.

Only one step in the direction of tax harmonization among the EC Nine has been carried out. It is the agreement, first proposed in 1967, to introduce a value-added tax (VAT) in all member countries to replace the hodge-podge of national consumption taxes that existed. Today all nine EC countries have introduced VAT, which has the effect of a retail sales tax and is collected on the value added to a product at each stage that the product passes through before it reaches the consumer. The hitch in the adoption of the VAT is that each country choose to establish its own VAT rate—one which would return to the national coffers the same revenue as the turnover taxes it had replaced. Thus VAT rates today vary from the United Kingdom's 7.1 percent (of total tax receipts) to France's 24.1 percent.

Still awaiting decision is a harmonization package tabled before the Council of Ministers in July 1975. In presenting its new "action program for taxation," the Commission included a renewed appeal for uniform basis of assessment for the VAT. The Commission also sought a green light to simplify intra-Community border formalities required by VAT, to harmonize fiscal

laws and regulations (including tax provisions that present obstacles to making tenders for public procurement work in another member state), to avoid double taxation on services for non-taxable persons in another member state, and to remove tax obstacles to intra EC mail order sales.

The Commission also sought Council approval to harmonize excise duties on mineral oils, manufactured tobaccos, alcohol, beer, and wine to ensure their free movement between member states and to eliminate gradually all other excise taxes. It also promised to set forth a separate proposal on the harmonization of indirect taxes on securities transactions between member states and eventually eliminate all tax obstacles to free capital movement inside the Community.

A proposal set forth in the area of direct taxes was the Commission's fiscal remedy for eliminating tax obstacles to cross-frontier company mergers. It urged the harmonization of corporate tax systems and a harmonized system for withholding taxes on dividends. International tax fraud was another matter raised by the Commission, which called for the creation of a system of cooperation among member state tax authorities to crack down not only on fraud but "tax avoidance" by international companies through manipulation of profit transfers and other tax-evasion measures.

The Commission pointed out that taxes, which account for a substantial proportion of the GNP of the member states, are one of the key factors in their economic and social life, influencing the structure of consumption and consequently that of production, the profitability of firms, the location of investments, and the conditions of competition in general. The Commission warned against differences in the fiscal burdens of the Nine as a destabilizing factor in economic and political integration.

Tax harmonization is not an end in itself. It is, however, an essential instrument to be used together with legal, monetary, and budgetary measures to achieve economic and monetary union. The key to the use of these instruments lies with the Council of Ministers, representing the national governments. By 1978, the Community is supposed to become independent of contributions from member states for its budget, having access to revenues from the VAT and the customs duties levied on goods from third countries. If that indeed occurs, then the Commission, with the advice and consent of a popularly-elected European Parliament, may have the strength and independence to offset, at least partially, the braking action of the Council. **Leonard B. Tennyson**
international relations consultant

Table III

	1974		1974		1974	
	Total tax revenue as % of GNP (including social security)	Main individual tax revenues as % of GNP	Goods and Services	Income and Profits	Goods and Services	Income and Profits
Denmark	46.68	14.82	26.42	31.74	56.61	
Netherlands	45.18	10.54	15.52	23.32	34.35	
United Kingdom	35.56	9.64	15.39	27.11	43.27	
France	37.50	12.66	7.19	33.75	19.17	
Belgium	38.13	10.78	14.28	28.28	37.45	
Germany	37.64	9.51	13.25	25.26	35.20	
Luxembourg	40.85	7.53	19.36	18.43	47.39	
Ireland	32.43	15.45	9.54	47.65	29.41	
Italy	31.86	10.75	6.50	33.75	20.41	
United States	28.93	5.28	12.99	18.24	44.92	

SOURCE: Revenue Statistics of OECD Member Countries, 1965-1974, a standardized classification.

Does Education Mean Unemployment?

The Community tries to answer the challenge

ANNE CORBETT, *Paris-based correspondent for New Society*

EUROPE'S DOLE QUEUES ARE NOT JUST GETTING LONGER. They are also getting younger. Horrifying to those on the European side of the Atlantic, every third person in the queue is now less than 25-years-old, and their proportion is rising. There are already a quarter of a million of them in Germany, nearly 350,000 in France, nearly 400,000 in Italy, over 600,000 in Britain, and at least another 200,000 in the five smaller states of the European Community. And those are just the numbers who are allowed to register. Real figures would be still higher.

It has taken time to assimilate the facts, let alone adjust to them; but, in Community thinking at least, 1977 ought to be an important year. For the Community is now showing signs of recognizing that the unemployment of young people cannot be solved by traditional remedies. Dovetailing education with the economy's needs, better vocational training, better compensation for those out of work through no fault of their own—all are only partial solutions.

A new EC program, on the transition of young people from school to the world of work, adds new angles. Working life in the future may well include some non-work for very large numbers of young people. Many young people themselves are hostile to what schools and jobs now offer. Without some changes in working conditions and values, they are not prepared to work.

This challenging line of EC thought comes from one of the smallest of the Community's activities—education. Education was so marginal to the Community's founders that it was not even mentioned in the Treaty of Rome. Its budget still is almost invisible, compared with the giants like agriculture, and even vocational training. But in moving from their observation of an enormous and apparently intractable problem, unemployment, to an analysis of common educational features, the EC education ministers have produced a prescription for taking up hitherto ignored facts.

The EC Council of Ministers recently adopted a resolution to implement the program—meaning the Community will support and help finance a series of pilot projects

which the Commission will set up next year in the member states. These projects, which will last until 1980, will tackle common problems. They will be complemented by study visits and teacher training sessions which the Commission will also organize. Back home, ministers of education will encourage their own governments to undertake similar developments to help change these young people's horizons.

The ministers say quite explicitly that finding a job is only the first step, even if that step is difficult enough for some. How can education and training better help these young people to gain some satisfaction and the opportunity for self-development from their jobs? What can it do for those who get into a spiral of trouble when they start missing or misusing school, and then have difficulties with work? What can education and training do to help those with particular problems: the young migrants, the handicapped, and, very often, girls? What can it do once young people have left school?

"... and despite graduating from university this week I'm proud my boy is willing to start his career at the bottom. . . . unemployed." Norris, *Vancouver Sun*, Canada



IF EDUCATION AND TRAINING really are to tackle such issues, then the work will indeed be challenging. Hywel Jones, the Welshman who is the top official of the Commission's education and youth division, confirms that the education ministers have consciously moved into these areas. At a previous meeting, their resolution expressed their concern that young people should find a job, any job. But now, as Jones prefers to put it, the emphasis is rather more constructive. It recognizes that though it may be a long-term task to swing education and training around, it is possible. It is also necessary. If unemployment is around for a long time yet, education and training have more complex and more continuing tasks.

Dr. Gerhard Welbers, a young German who is a Com-

ing seem to have less difficulty in getting a first job than those who go through separate, often too separate, institutions.

Welbers, who runs a social research institute in Cologne, explains that those are all problems which have existed for a long time. Hidden at a time of expanding economies, they are now exposed in a cruel light. For combined with the economic difficulties are the accidents of birth. The school-leavers entering the declining job market come from the very large age groups born in the early Sixties. But education and training facilities will no sooner have adapted than they will be faced with age groups down by a third in the Eighties, entering a job market which will have changed again. He, too, emphasizes the projects' concern with providing flexibility for individuals.

So the ministers' top priority among the 23 pilot projects under the new program will be to examine the education and training requirements for those young people who have problems in getting and retaining jobs which provide satisfaction. Other projects will tackle the obvious areas of vocational and guidance services, trying to get them established at the crucial periods of school choice, and with better links between all those concerned. Some will deal with training before and after leaving school, and the way in which links can be strengthened with employers. One set of projects will work on how teachers might better prepare their pupils for the work scene of the next few years. In each case the object will be to provide member states with ideas which can apply to their own structures. In some cases the projects may be based on good practice. In each case the Commission hopes to inspire new developments.

Jones is already enthusiastic over the fact that the mere establishment of the program is having an effect. It is already bringing together the people who at different stages meet the same young people but not usually each other: teachers, training institutions, employers, unions, and governments. Away from Brussels, members of national delegations emphasize the "comprehensive and collective" approach, which they hope will save them individually a lot of wasted energy.

Certainly the program represents an unusual degree of consensus in the face of a common Community problem. Certainly, too, it represents a departure from the strategies for which the Community is usually known: trying to direct through common harmonization rules or trying to compensate through special payments.

No one is pretending that this program is going to change the lives of the young men and women who inspired it. And it will only help their successors in the dole queue to the extent that industrial policies change too. But the ideas and approach of the educational program are new. That, in an area where novelty has been lacking, is encouraging.



"Actually, Nigel is a glutton for work, but vacancies in a think-tank are few and far between."

© Mahood, *Punch*, England

mission expert on this program, fills in the background. All member states, he says, have woken up to the same problem. A year or so ago, they were thinking about higher education. Now they see that three-quarters of the young unemployed have no qualifications. Perhaps as many as four-fifths of them are being attracted to one-fifth of the available jobs. They are seeing that the school program, with the reform of secondary education, are inappropriately general. Teachers are usually ill-informed about the opportunities their pupils could have; employers are ignorant about the schools.

Of course, there are differences too. In some cases career guidance systems for pupils are relatively well-developed. In others they are non-existent. The same applies to work experience or observation schemes for pupils. There are very different approaches to industrial training, with apparently different results: Those getting job train-

NEWS

OF THE COMMUNITY

EXTERNAL

EC-Japan Farm Talks

EC-Japan consultations were held in Brussels in early February on various problems faced by Community exporters of agricultural products to the Japanese market.

The Japanese delegation was led by Michio Mizoguchi, deputy director general of the economic affairs bureau of the Japanese foreign ministry, accompanied by Jun Shimura, director at the agricultural ministry. The Commission delegation was led by Pierre Malvé, director in the Commission's agricultural directorate.

During the consultations a frank exchange of views and information took place on the export of about 30 EC products including processed foods, alcoholic beverages, and tobacco.

Malvé explained the importance of agriculture in the Community's overall trade deficit with Japan. Although the Community's agricultural exports represent only a very small percentage of total Japanese imports, they have grown during the last five years and could develop further.

Malvé also made it clear that the choice of products for discussion reflected the Community's concern to improve its performance in this sector without at the same time calling into question Japan's agricultural policy.

EC Moves on Dumping

The Commission decided in February to impose a provisional anti-dumping duty of 20 per cent on the value declared for all ball bearings, tapered roller bearings and their parts exported from Japan, representing an 11 per cent increase from previous customs duty.

The measure was taken in application of the EC anti-dumping regulation, which is designed to provide safeguards against injury to Commu-

nity producers caused by unfair trading practices in accordance with the General Agreement on Tariffs and Trade, and therefore fully consistent with the Community's traditional open trading policy.

The decision follows an enquiry begun by the Commission last November into complaints by European bearing manufacturers that dumping was taking place.

The Commission's preliminary investigation showed that dumping had taken place and also revealed that imports into the Community increased from 5,500 metric tons in 1968 to 15,600 metric tons in 1974 and 19,000 metric tons in 1975, with a similar trend in 1976.

EC, Japan Hold Trade Talks

Japan's Vice Minister for Industry Mitoru Masuda met with EC External Affairs Commissioner Wilhelm Haferkamp and EC Industrial Affairs Commissioner Etienne Davignon in Brussels in late January.

Masuda was told that the Commission appreciates the efforts Japan is beginning to make to bring about a more balanced trading relationship with the Community, but was reminded that they were regarded as only a first step.

The Commission regards the Japanese attitude to current talks on sharing shipbuilding orders as particularly crucial. The Western European shipbuilders have suggested a 50/50 split of new orders, whereas in the last year Japan has won over 80 per cent of new orders around the world.

Shipbuilding is one of a number of sectors in which the Community is concentrating its efforts to get better access to the Japanese market and stem the flow of Japanese imports to Europe in order to close the \$4-billion trade gap.

Talks on restricting steel sales have already been relatively successful and Japan is also exercising some restraint in car sales. A recent decision by Japan to postpone to 1981 the date for implementation by European car manufacturers of Japanese car pollution rules should also provide a boost for European car exports.

Still going on in addition to the shipbuilding talks are discussions on processed agricultural foodstuffs, dairy products, processed meat, tobacco, alcohol—of which the Community would like to sell more, and ball bearings, where the Commission has accused Japan of dumping on the EC market.

ASEAN-European Conference

On April 4-6 a major conference in Brussels will bring together senior representatives from the industrial, commercial, and financial sectors of the five Association of South East Asian Nations (ASEAN) which include Indonesia, Malaysia, the Philip-

pires, Thailand, and Singapore and those of Western Europe.

The conference, held under the co-sponsorship of the EC Commission, the ASEAN governments, and the EBIC (European Banks' International Company) banks, will focus on the possibilities of greater European participation in the industrial development of the ASEAN region, and also ways of further strengthening the trade links between the Community and ASEAN member states.

Each ASEAN country will be represented by a group of 20 government officials and senior businessmen, and there will be 260 European participants selected from a cross-section of chairmen or managing directors of Europe's major companies.

The conference is being organized by the ASEAN-EC Commission Joint Study Group which aims to encourage greater industrial and economic cooperation between the two regions.

EC-Canada Panel Meets

The inaugural meeting of the joint committee set up under the EC-Canada economic and commercial cooperation agreement was held in Brussels in late December.

The session was attended by Canadian Secretary of State for External Affairs Donald Jamieson, who stressed that the agreement was designed so that bilateral relations with member states would reinforce and complement one another. Former Commission President François-Xavier Ortoli was also present and he stressed that the unprecedented degree of transatlantic economic integration was the self-evident justification for the pact.

It was agreed to set up two sub-committees to handle the day-to-day running of the agreement: one to cover general activities and one to deal with industrial cooperation in areas such as non-ferrous metals, forest-based industries, nuclear power, coal, iron ore, steel, aerospace, telecommunications, and construction.

There will also be discussion under the agreement on scientific and technological cooperation, the environment, fisheries, and joint ventures in third countries.

This inaugural session was preceded by two days of high-level consultations between top officials. These consultations have been a semi-annual event for some years and range over international issues—on this occasion the North-South dialogue, the multi-lateral trade negotiations, in particular, and renewal of the multifibers arrangement—as well as bilateral problems.

EC-Latin America Parley

At the second session of the seventh meeting at ambassadorial level between the European Community and Latin American countries in Brussels

last December, the Latin Americans took stock of relations after five years of such meetings.

In particular, they discussed the changes over that period in the Community's development cooperation policy as regards preferential regions and developing third countries in general, including Latin American countries.

These changes include trade measures—mainly the generalized system of preferences—stabilization of product markets, support for regional integration, industrial and technological cooperation, and financial and technical cooperation.

The Latin Americans asked the Community to invest the EC-Latin America dialogue with all the dynamism called for by the importance of relations between the two regions—for example, by creating a special joint group to review progress since the dialogue began.

The chairman of the EC delegation stressed that the Community's assessment of relations was positive, but that it was prepared to look at ways of improving its practical content. It was also agreed that there should be informal contacts between the chairmen of each side and the Commission over the next six months.

The Latin Americans also raised two specific trade problems: the continuing difficulties in exporting beef and veal to the Common Market and the potential effect on oil and fat exports of the Commission's proposal to tax vegetable fats as part of its dairy reform package.

Although the Latin American group took note that the Commission has decided in principle to lift the safeguard clause on beef on April 1, they felt that this measure could have been taken sooner.

Coir Conference Held

A roundtable conference of EC and Indian businessmen, research experts, and government officials knowledgeable in the field of coir and coir products was held in Brussels in January under Commission auspices.

India is the world's largest producer of coir—a coconut fiber used in wall and floor coverings. The coir industry, which provides the livelihood of southeastern India for around half a million people, is having increasing difficulty competing with synthetic products.

This meeting was held within the framework of the second agreement on trade in coir products between the European Community and India which was negotiated last year. That agreement provides for progressive elimination of EC import duties on coir and for facilitated contacts between the two sides' industry in order to improve coir's market position and prevent the industry from dying.

Among the questions discussed at

this initial meeting were the efforts needed to improve supply, quality, and regularity of deliveries, the need for better shipping facilities, potential transfer of technology and machinery, cooperation in research and development, joint promotion campaigns, and marketing.

The roundtable succeeded in identifying areas of priority for joint research and development and in drafting a promotion program for coir products. An Indo-EC committee on coir and coir products was also set up to meet as and when required to solve specific problems.

ENERGY

Oil Emergency Rules Set

The circumstances in which member states could restrict oil exports and therefore breach Community principles of free movement of goods throughout the Nine were agreed upon when EC energy ministers met in Brussels last December.

Should energy supply fall by 7 per cent—the trigger point also for sharing oil supplies in the International Energy Agency system to which all member states except France adhere—member states may suspend export licenses in order to guarantee supply and prevent speculation for a period of 10 days, after which time the Council decides what should happen.

Ministers also looked at the alarming state of the coal industry—where production is falling rather than stabilizing as intended—subsidy systems for coking coal and coal industries, protecting alternative energy investments by means of a minimum import price, raising money on the capital markets to finance nuclear power stations, and subsidies for Community uranium prospecting. However, no other policy decisions were taken.

Speaking the day after the Council, then Energy Commissioner Henri Simonet welcomed this agreement but stressed that it was only partial and that arriving at an agreement on the ceilings on consumption in the event of a crisis would be a priority for the next Commission, along with a policy for developing sources of energy other than oil and internal and external aspects of nuclear policy.

EC Decries Oil Price Hike

The Commission reacted to the news of a further increase in oil prices with a warning that it would constitute "a considerable burden" on already overladen economies. This would thus make recovery even more uncertain by strengthening already strong inflationary trends and aggravating the serious balance of payments situation.

The Community expects to be hit

worse than some other industrialized countries, such as the United States, because a larger proportion of its oil comes from those countries which have opted for larger price increases rather than from the moderate oil-producing countries—Saudi Arabia and the United Arab Emirates.

It is estimated that in the first half of 1976 the Community imported 156.7 million tons of crude oil. About one third of the total came from Saudi Arabia and the Emirate states; 91.5 per cent in all from OPEC (Organization of Petroleum Exporting Countries). The rest came from sources such as Venezuela, Norway, and the Soviet Union.

EC Seen Big Uranium Buyer

The EC Commission co-sponsored an International Symposium on Geology, Mining, and Extractive Processing of Uranium in London during January.

The symposium was particularly concerned with European needs for uranium in relation to world supply and demand.

In keeping with the theme of diminishing supplies of current sources of energy, Michael Davis, EC Commission director of nuclear energy policy pointed out that the new energy strategy adopted by the Council of Ministers in December 1974 sought to reduce Community reliance on imported oil from over 60 per cent to at least 50 per cent by 1985. To compensate there would be a massive program of nuclear-generated electricity.

Such a program requires a reliable supply of uranium, available so far in only very limited quantities in Western Europe. Thus, according to Davis, as the Community nuclear program is some 75 per cent of all that of Western Europe, it will be the largest single purchaser on the world market.

Loan for North Sea Rig

The European Investment Bank (EIB) has granted a loan of \$30 million to Santa Fe Minerals of the United Kingdom—a subsidiary of Santa Fe International Corporation of the United States—to develop the Thistle oil field northeast of the Shetlands in the British sector of the North Sea. Santa Fe Minerals has a 21.7 per cent interest in the field.

The loan will help finance the purchase of a steel production platform, the drilling of up to 60 production and injection wells, and the construction of a mooring buoy for loading crude oil into tankers during the initial production phase.

Eventually the field will be connected to the Brent pipeline system feeding into the Sullom Voe terminal in the Shetlands, which is also being developed with EIB financing.

The Thistle field has the potential to supply 10 per cent of present UK oil consumption.

ENVIRONMENT

Nitrogen Oxide Levels Fixed

Nitrogen oxide emissions from motor vehicles in the Community are to be frozen at current levels pending adoption of coordinated legislation on nitrogen oxide, unburnt hydrocarbons, and carbon monoxide.

Proposals on this freeze will be made as soon as all the necessary research work is complete. Nitrogen oxide is one of the chemicals responsible for photochemical smog which is harmful to health and plant life.

Since it was found that one of the side effects of the Community's directives limiting carbon monoxide and unburnt hydrocarbon emissions had been to increase the amount of nitrogen oxide levels in the atmosphere, it was decided that current emission levels should be frozen immediately until more sophisticated legislation is drafted.

AID

EC Aid to Greece Defined

At their first 1977 meeting, EC foreign ministers agreed on the terms of a program of financial aid to Greece up to late 1981 (or Greek accession to the Community, whichever comes first).

In this second aid package since Greece became an EC associate, Greece will receive 280 million units of account (UA), with UA 225 million in the form of loans from the European Investment Bank. (One UA equals one 1970 dollar.) Interest rebates will be available on UA 150 million of this at a further cost of UA 30 million; UA 10 million will be in the form of soft loans, and UA 15 million in the form of grants.

EC Aids Unofficial Projects

Nineteen seventy six was the first year in which the Commission embarked on a policy of cooperation with non-governmental organizations in the field of development policy.

At a meeting of these organizations in Brussels at the beginning of this year, it was unanimously agreed that the policy—despite its limited resources of 2.5 million units of account (UA) has been a success. (One UA equals one 1970 dollar.)

The Commission provided up to half the financing for projects submitted by 33 organizations: five in Belgium, five in Germany, six in France, three in Ireland, three in Italy, one in Luxembourg, three in the Netherlands, and seven in the United

Kingdom. In all, 76 projects received finance.

Twenty-two of the projects were in the field of education and training; 11 involved infrastructure; 10 health, nine agriculture and fisheries, and eight each for the economic development of small businesses, housing, community centers, day care centers, and integrated rural development projects.

The projects were in 46 different countries—almost half of them in Black Africa and slightly more than a quarter in Latin America. The Commission plans to spend UA 4 million on projects of this sort in 1977.

Ghana Gets Loan for Dam

The European Investment Bank (EIB) has granted a loan of 10 million units of account (UA) to help finance construction of a dam and hydroelectric power station on the lower Volta River in Ghana. (One UA equals one 1970 dollar.) Ghana qualifies for money as an ACP (African, Caribbean, and Pacific) state linked to the European Community by the Lomé Convention.

The dam and power station, with a capacity of 160 megawatts, will supplement an existing dam and power station further upstream and should be enough to cover Ghana's electricity requirements until about 1985 and maintain exports of power to Togo and Benin.

The EIB loan to the Volta River Authority is for 15 years at 6.5 per cent after deduction of a 3 per cent interest rebate and has been guaranteed by the Republic of Ghana.

The total cost of the project is estimated at about UA 243 million.

ACP States Get EDF Funds

The European Development Fund (EDF) allocated a further 18 million units of account (UA) at the beginning of 1977 for projects in the African, Caribbean, and Pacific (ACP) states which are beneficiaries of this Community funding. (One UA equal one 1970 dollar.)

Ghana will receive a loan of UA 9 million on special terms to build a dam reservoir at Kpong on the Volta River, a hydroelectric power station built into the dam, and high-voltage transmission lines. The new output of 160 megawatts will supplement as of 1981 the current inadequate electricity supply which comes mainly from the Akosombo hydroelectric power station.

The Ivory Coast will receive a grant of UA 700,000 to help set up Ivory Coast Center for Foreign Trade in Paris and London to add to the structure existing already via the Brussels, Cologne, and Milan branches.

The EDF is also funding the provision of a high-level marketing expert

at the Abidjan headquarters for two years and a technical adviser for each of the five offices in Europe for the same period.

Upper Volta has been granted UA 1.6 million for rural development in Yatenga, in northeast Upper Volta, which envisages a small pilot stock farming project, a rational water policy, an anti-erosion campaign, and a plan to train rural craftsmen.

A grant of UA 6.6 million has also been made so that ACP states can participate in trade fairs and exhibitions in the Community through EDF financing of design and construction of stands, space rental, publicity, market research, and vocational training in this field.

Malnutrition Grant Set

The latest grants from the European Development Fund for signatories of the Lomé Convention will benefit Trinidad and Tobago and Uganda.

Trinidad and Tobago will receive a grant of 168,000 units of account (UA) for a market study in the Caribbean on the need for fertilizer and types of blends as a prelude to evaluating the feasibility of producing fertilizers on the spot. (One UA equals one 1970 dollar.)

The study will analyze the soil, evaluate potential demand and potential sources of supply of phosphorous and potassium, specify general market conditions, and estimate the investment cost, working capital requirements, and economic and financial viability of blending facilities.

Uganda has received UA 320,000 to set up a nutritional rehabilitation center to combat malnutrition. This grant will help reinforce the services for the care and protection of mother and child by constructing 10 new centers—one for each province—thus doubling the current number, and will also provide 30 light vehicles for health officers responsible for immunization and nutrition programs in the surrounding villages.

Portugal Gets Irrigation Loan

The European Investment Bank (EIB) will partly finance improvements in water supply and irrigation in the Alentejo region of southern Portugal from Community resources set aside for exceptional emergency aid.

The project will receive a 12 million units of account (UA) loan from the emergency UA 150 million, bringing EIB lending from this source to UA 102 million. (One UA equals one 1970 dollar.)

The loan is for a project to irrigate about 4,700 hectares by constructing a 130 million cubic meter dam on the Odivelas River and a 17 million cubic meter dam in the Vale do Vasco.

The money will also be used to provide sprinkler equipment and purification facilities for drinking water

supplies and to finance studies into rehabilitation of an existing irrigation system in the Mira Plain, which is currently underutilized because of complications with soil and wind conditions.

The UA 12 million loan for 17 years at 6.5 per cent will meet slightly more than a third of the cost of the current project, which is part of a long-term program to irrigate 170,000 hectares in this region.

New Aid to Lomé Nations

The latest allocations of development aid from Lomé Convention resources total 32 million units of account (UA) and have been made available to Zaire, Burundi, Cameroon, Sudan, Ethiopia, and the Comores for the following projects: (One UA equals one 1970 dollar.)

- Zaire: UA 8.7 million to finance overspending on the Mosango-to-Kikwit section of the Kenge-Kikwit road. Inflation was the main contributing factor to the extra cost;

- Burundi: UA 3.5 million for construction of a science faculty and students' hostel at Bujumbura to provide lecture rooms and laboratories and housing for 208 students;

- Cameroon: UA 2.5 million for completion of a 6,295 hectare agro-industrial complex of selected oil palms. Inflation was the reason for extra money being needed here also;

- Sudan: UA 6.8 million for the PANAFTEL (Panafrikan telecommunications system) which will establish direct links between 37 African countries via 20,000 kilometers of radio links and 17 international switching centers;

- Ethiopia: UA 12.9 million for a project to increase the yield in major coffee-growing regions by introducing improved cultivation, disease and pest control techniques, and marketing techniques, from which 33,500 farmers are expected to benefit; and,

- Comores: UA 220,000 to improve water engineering, electricity production, and health services.

ECONOMY

EC Auto Production Rises

From 1963 to 1975 production of private and dual-purpose vehicles in the Community rose from 6.6 to 8.7 million units. Nineteen seventy three was a record year with 10.7 million units, followed by a two-year fall in production.

Now EC motor vehicles production is showing signs of recovery as evidenced by the most recent data for 1976 which shows an increase of 17 per cent over 1975 for the entire Community, and increases of 6-8 per cent

for Italy and the United Kingdom, 15-17 per cent for France, and 20-22 per cent for Germany.

This trend is also reflected in exports and in new car registrations: Between 1963 and 1975, exports rose from 2.8 to 4.8 million units, with a record of 5.7 million units in 1973. In the same period new car registrations went from 4.8 to 6.8 million, reaching a peak of 7.9 million in 1973.

The 1976 export figures for the Community point to an overall 13 per cent increase over the previous year, with a decrease for the United Kingdom and increases of 3-5 per cent for Italy, 8-10 per cent for France, and 28-30 per cent for Germany.

Jobless Youth Studied

The unemployment problems of young people were the number one preoccupation when the standing committee on employment met in Brussels last December.

The ministers, union representatives, and employers' representatives who attended the meeting analyzed the current situation and concluded that the problem is a structural one where short-term measures are not enough.

They also agreed that more attention should be paid to the danger of merely diverting unemployment from one category—young people—to another—women—if measures to alleviate the situation are not taken with care.

The discussion took place on the basis of guidelines submitted by the Commission on the general conditions for a quantitative and qualitative equilibrium on the labor market and vocational training policies and specific measures to promote youth employment.

EC Output Growth Seen 3%

EC gross domestic product (GDP) is expected to increase by only 3 per cent in real terms in 1977—a weak level of expansion which the Commission predicts will adversely affect the already depressed labor market. On the other hand, the Commission hopes inflation will lose a little of its momentum and the balance of payments situation will improve.

Considerable disparities between different member states are expected to persist which means that there can be no question of advocating uniform short-term economic policies and stabilization programs.

Each country needs policies in line with its particular circumstances. However, if action is closely coordinated within the Community, the Commission believes it should be possible to lay the foundations for lasting growth and a substantial reduction in unemployment.

Currently EC unemployment is running at about 4½ per cent according to 1976 figures on which the Commission bases its predictions. This is ½ per cent higher than 1975. GDP increased last year by 4.5 per cent (compared to a fall of 2.2 per cent in 1975). Inflation last year exceeded 10 per cent for the year on average, but this was better than 1975's 12.5 per cent.

SOCIAL POLICY

And Now . . . "Dynamization"

In order to guarantee that the living standards of the weakest sectors of the population are not sacrificed to the economic difficulties presently facing the Community, the Commission would like to see social security benefits—particularly unemployment benefits—automatically adjusted to keep up with the cost of living.

Making social security benefits more dynamic in this way is a principle which was endorsed in 1974 when the Council of Ministers agreed that machinery for adapting social security benefits to increased prosperity ought to be implemented progressively. Indeed, by legislation or custom, all member states already have some provision for this, mainly for long-term benefits such as old age, disability, and survivors' pensions.

The conclusion of the Commission's studies—which has been communicated to the Council—is that the best and fairest method of dynamization is to adjust social security benefits in line with the evolution of average earnings.

However, faced with the current economic situation and given the conflicting views of government experts and the two sides of industry, it believes that alignment with the price index as a measure of the cost of living would be an acceptable first step in progressive introduction of the principle of dynamization.

At the same meeting foreign ministers reviewed progress in righting the trade imbalance with Japan and in particular heard reports on talks in the steel, car pollution, and shipbuilding fields. They concluded that although there are promising developments, progress is not yet adequate.

The content of a coordinated response to likely feelers for membership from Portugal when Portuguese Prime Minister Mario Soares tours EC capitals was also discussed but not finalized.

The bulk of the session, however, was devoted to fisheries. It was agreed to take a tough line on overfishing in the Community's 200-mile fishing zone by the Soviet Union, East Germany, and Poland.

Workers Safe in Mergers

Agreement on protection of workers' rights in the event of mergers was the high point of the meeting of EC social affairs ministers in Brussels last December.

A common directive was adopted which will automatically transfer employees' rights to the new employer in the event of a merger and ensure that a merger is not, in itself, adequate grounds for firing someone. There has to be full consultation and information as to the detailed need for changes in employees' status after a merger.

Ministers also had a first reading of a Commission document on humanizing working and living conditions and agreed that the problems of working in shifts should be given priority.

Other social problems tackled at the meeting were the high unemployment rates among young people, the system for paying family allowances to Community migrant workers, and schooling for migrant workers' children. All of these issues will be discussed again by experts before ministers decide what measures are needed.

Social Fund Pie Allocated

Britain was the biggest beneficiary from the third allocation of money for retraining from the EC Social Fund in 1976, receiving 43.3 million units of account (UA) and a further UA 46 million in commitments for the next three years. (One UA equals one 1970 dollar.)

Italy was the next largest beneficiary with an allocation of UA 22.7 million for 1976 and commitments of UA 62.6 million. Germany received UA 22.5 million and UA 18 million in the two categories. France UA 16.7 million and UA 10.4 million, Ireland UA 8.9 million and UA 8.9 million, the Netherlands UA 9.6 million and UA 27.831, Denmark UA 8 million and UA 0.5 million, Belgium UA 5 million and UA 0.2 million, and Luxembourg UA 38,000 and UA 58,800. In all UA 43.3 million were allocated and UA 46.1 million committed in this third segment of the total 1976 budget of UA 440 million.

Social Fund money can be used to retrain workers leaving agriculture or the textile industry, acquiring new skills in textiles, migrant workers and the handicapped, and workers in the Community's poorer regions or those faced with unemployment as a result of technical progress.

Families Get Train Discounts

As a result of Commission intervention, train fare reductions are now available to large families from any EC country who are travelling in France, Belgium, and Luxembourg.

These are the only three countries in the Community which give reduced

fares for large families at present; hitherto, the privilege was restricted to nationals of the countries concerned.

However, after the European Court ruled last year that travel privileges should not discriminate between the nationals of EC countries, the Commission drew the attention of the governments concerned to the ruling and they agreed to extend these privileges to the families of migrant workers from other EC countries by the end of last year.

AGRICULTURE

CAP's International Impact

In a discussion in late January on the international implications of the Community's common agricultural policy, the Economic and Social Committee came up with a number of suggestions for improvements:

- a price policy more sensitive to agricultural change;
- more structural measures and research;
- more medium-term planning;
- a genuine trading strategy for the agro-food sector, and
- the convening of a European conference to work out what improvements need to be made.

The committee wants the Community to commit itself explicitly to a new world economic and food order founded on a voluntary sharing out of power, to a new world monetary order, and to political supervision of industrial and commercial power structures.

In replying during the debate Agricultural Commissioner Finn Olav Gundelach raised the problems of trade imbalances in agricultural products: "While a good deal had to be done to bring our own house in order," Gundelach said, "the Community could not be accused of having inflicted damage on other countries by its trade policies and could enter into the international trade negotiations without a sense of guilt." He called for an end to the "trench warfare" of the last 15 years between the United States and the European Community.

Fishing to Be Licensed

The Community has introduced a system of licensing for fishing vessels from the Soviet Union, East Germany, and Poland. These countries—along with Sweden, Spain, and Portugal—were allocated quotas based on past performance when the Community extended its fishing limits to 200 miles on January 1.

The quotas were for three months, by which time a negotiated agreement has to be reached or these countries

will have to leave EC waters altogether.

Because the three East European countries were guilty of overfishing during the first month, the Community decided that the quotas for these countries needed to be supplemented by licenses by vessel to be issued by the country holding the presidency of the Council of Ministers.

The Community has limited the total number of vessels to which it will grant licenses and the number of vessels that can be in EC waters at any one time. The number of vessels has been calculated so that there is a realistic relationship between the number of trawlers and the catch quotas.

It is not clear whether these countries will agree to negotiations after April 1 since none of them recognize the European Commission, which negotiates fishery agreements on behalf of the Community, and not all of them recognize the Community's right to declare a 200-mile fishing zone.

HARMONIZATION

EC Borders Fall for Doctors

Free movement of salaried workers throughout the Community is now almost 10 years old, but professionals have had much more difficulty exercising the same right.

Last December the medical profession became the first profession to achieve "freedom of establishment" when a Council directive, adopted in July 1975, was implemented, thereby dropping border restrictions for around 500,000 doctors in the Community.

Any general practitioner or specialist who has acquired his qualifications in any member state may, in the future, practice anywhere in the Community, provided that his training meets a certain number of criteria.

For example, to practice general medicine requires at least six years of study or 5,500 hours of theoretical and practical instruction in a university. For specialists, additional training varies from three to five years.

The next profession to be the subject of free movement provisions will be insurance brokers. Other areas pending in the Council are covered by proposals for freedom of establishment for lawyers, architects, accountants, nurses, midwives, veterinarians, dentists, and engineers.

Food Directives Voted

At the end of last year, the Council of Ministers adopted a series of directives setting agricultural, food, and veterinary standards which will considerably improve consumer protec-

tion and freedom of movement of produce—two basic EC tenets.

The measures include standards on materials and objects designed to come into contact with foodstuffs, diet and baby foods, certain animal foodstuffs, veterinary rules for vegetable products, pesticide residues in fruit and vegetables, meat-based products, control of trichinosis in meat, and eradication of the main cattle diseases.

Some of these are framework directives which will now be supplemented by proposals on specific aspects of a problem. For example, proposals on polyvinylchloride will follow the directive on matter in contact with foodstuffs and an implementing directive on foodstuffs low in sodium will back up the one on diet foods.

EC-Wide Public Supply Bids

A further sector of the public purchasing market has just been liberalized with the adoption of a Council directive on public supply contracts.

In future, all public purchases of equipment worth 200,000 units of account (UA) or more—hospital supplies, university equipment, scientific research equipment, civilian supplies for the defense establishment—will have to be put up for tender offer from suppliers in all EC countries.

Subsequently, the Commission will make complementary proposals on transport, water and energy supply, and telecommunications.

The latest directive supplements one adopted in 1971 which covered public works. The impact of this directive can be seen from the fact that public purchasing accounts form between 7 per cent and 11 per cent of EC gross domestic product.

New Company Law Directive

The EC Council of Ministers has adopted the Commission's second proposal for a directive on company law which was proposed in 1970 and amended in 1972.

The directive will strengthen the legal framework for Community-wide action by companies and will widen the potential for setting up companies to operate throughout the Community market and align guarantees to the public.

The minimum required capital of public companies provided for is 25,000 units of account (UA). (One UA equals one 1970 dollar.) Shareholders must have paid at least 25 per cent of their stocks' nominal value at the time the company is established.

Stricter guarantees are laid down where payment is in kind and not cash. The most that a company may purchase of its own shares is 10 per cent in those countries where this practice is allowed. Exceptions are

permitted in certain well-defined cases such as mergers, and even then the holding must be reduced to 10 per cent within three years.

One of the basic principles of the new directive is equal treatment for shareholders. Among the provisions for protecting shareholders is one insisting that if capital is increased, any amount in excess of the nominal value of the shares must be fully paid up immediately. However, such increases need the prior approval of the other shareholders. Special guarantees also have to be offered to creditors if the capital is reduced.

MEMBER STATES

UK Alcohol Tax Probed

At the European Parliament's first session this year, the new Tax Commissioner Richard Burke told the Parliament that the Commission had begun an investigation into Britain's tax structure on alcohol to see if there was an infringement of the EC Treaties.

Community rules specify that no member state shall impose on the products of other member states any internal taxation of such a nature as to afford indirect protection to other products.

The Commission feels that the relationship between the taxation of beef and of wine in the United Kingdom which favors consumption of domestic beer rather than imported wine appears to be in conflict with the general principle.

Public Polled on Community

According to the latest of the Commission's opinion polls taken last November, the most enthusiastic Community members are the Luxembourgers, with 77 per cent who think that the existence of the Community is a good thing. This is well above the Community average of 55 per cent (a two point increase over previous six months).

Least keen are the Danes with an all-time low since accession of 29 per cent. Denmark is the only country where there are more people who think the Community is a bad thing than a good one. Most countries with low scores also have a number of undecided waverers, but in Denmark 34 per cent think the Community is a bad thing.

Britons are not much keener than the Danes: 39 per cent think the Community is a good thing, compared to 50 per cent of the Irish, 52 per cent of the French, 57 per cent of Germans, 66 per cent of Belgians, 68 per cent of Italians, and 74 per cent of Dutch. There are more Danes and British who think things would be better if they had stayed outside the

Community, while more than half the Luxembourgers, Italians, and Dutch feel they would be worse off outside.

A referendum on membership right now would take Denmark out since 52 per cent of the population would vote against it; in the United Kingdom the fight would be close with 45 per cent for membership and 44 per cent against. Nowhere else is there any risk of a losing battle.

Direct elections to a European Parliament appear to be seen as a partial solution to the Community's woes: The number in favor of these elections has increased everywhere in the course of the last year, often quite markedly. In September 1973, 51 and 52 per cent only were in favor in Belgium and France, now the figure is 69 per cent. In Denmark those in favor have gone from 36 to 42 per cent; in the United Kingdom, from 33 to 57 per cent; in Ireland, from 45 to 63 per cent; in the Netherlands, from 62 to 74 per cent; in Germany, from 69 to 76 per cent; in Italy, from 74 to 77 per cent, and in Luxembourg, from 67 to 77 per cent.

INSTITUTIONS

Parliament Eyes Court Action

The political committee of the European Parliament has been discussing the possibility of taking the EC Council of Ministers to the EC Court of Justice for failing to meet its obligations regarding transport policy, which was one of the priority common policies defined by the Rome Treaty.

However, before taking such a drastic step, the committee has decided to exert some more pressure on the Council in an attempt to get it to implement some of the measures necessary to bring this policy to life.

REGIONS

EIB Loans to Denmark

The European Investment Bank has made a total of 5.5 million units of account (UA) in loans available for Danish regional development. (One UA equals one 1970 dollar.)

The Danish Regional Development Board received the bulk of the money to relend to small- and medium-scale industrial ventures in the less developed parts of the country. The loan for this purpose amounted to 20 million Danish krone for 10 years at 8 7/8 per cent.

In addition, Orehoved Traeog Finerindustri, a wood veneer producer, received 16 million krone for 10 years

at 8 7/8 per cent to reorganize its plant on Falster Island by setting up new installations which would increase output of veneers using locally grown beechwood. About 120 new jobs will be created by the project.

EIB Funds for Mezzogiorno

The European Investment Bank announced a total of six loans for Italy worth 94.2 million units of account (90.2 billion lire) last December, of which 85.2 million lire will be used for projects in the Mezzogiorno. The remainder will help with recovery of industry in the earthquake-smitten zone of Friuli.

The loans include:

- 28 billion lire for 12 years at 8 7/8 per cent to Istituto Immobiliare Italiano, to pass onto Società Italiana per l'Esercizio Telefonico, for improving telecommunications in Calabria and Basilicata by hooking up an additional 58,000 subscribers—a 25 per cent increase;
- 20 billion lire for 12 years at 8 7/8 per cent to the Cassa per il Mezzogiorno to develop the Sicilian port of Augusta;
- 28 billion lire for 12 years at 8 7/8 per cent to Società Nazionale Metanodotti, a subsidiary of Ente Nazionale Idrocarburi (ENI), the state-owned oil company, toward the cost of laying 200 kilometers of new gas lines in Lombardy and to construct two compressor stations at the junction where gas supplies from the Netherlands and the Soviet Union converge;
- 6 billion lire for 10 years at 9 1/8 per cent to Agenzia Generale Italiana Petroli, another ENI subsidiary, to help meet the cost of converting a virtually depleted gas field for storage of natural gas;
- 3.2 billion lire for 10 years to the Cassa per il Mezzogiorno to pass onto Istituto per lo Sviluppo Economico dell'Italia Meridionale to finance anti-pollution equipment and increase output at the electrolytic zinc foundries of the Società Mineraria e Metallurgica Pertusola in Calabria; and,
- 5 billion lire for 15 years at 9 per cent to the Mediocredito per le Piccole e Medie Imprese to help rebuild small industries damaged by earthquakes.

Final Sums for Regions

The fourth and final allocation from the EC Regional Development Fund in 1976 totalled 231 million units of account (UA), bringing the year's spending to the approved budget of UA 500 million. (One UA equals one 1970 dollar.)

This money will be spent on 613 investment projects in seven member states representing a total investment of UA 2.7 billion. UA 62 million are for 169 industrial, handicraft, and service projects and the rest for 444 infrastructure projects. The overall

sum is distributed by member states according to predetermined proportions.

The regions within these countries that received the most money from the Fund in 1976 were: Flanders for Belgium: UA 3.9 million of UA 6.7 million; Greenland for Denmark: UA 4.5 million of UA 6.4 million; Bavaria for Germany: UA 9.3 million of UA 19.9 million; Brittany for France: UA 20.7 million of UA 76.5 million; the west of Ireland: 18 of the 89 projects there; Sardinia for Italy: UA 65.4 million of UA 204.2 million; Groningen for the Netherlands: UA 3.9 million of the UA 10 million; and the north of England for Britain: UA 45.3 million of UA 141.9 million.

COMPETITION

Steel Takeover Allowed

The Commission has given the British firm Johnson and Firth Brown (JFB) a green light to take control of the firm of Dunford and Elliot (D&E)—which has since been the subject of a counterbid by Lonrho.

Both JFB and D&E control firms in the specialty steels and engineering industries and would together form the largest group in the private sector of the British steel industry for the production of special quality steel billets, bars, and forging ingots.

Since the British Steel Corporation is so much bigger that competition remains active, the Commission sees no reason to invoke its powers to block mergers and takeovers in the steel sector where they might prevent the free play of competition.

Price-List Pooling Ended

Commission intervention has brought to an end illegal practices in the industry which makes plastic and metal sheets for draining pulp in paper-making. Companies in the industry belong to national associations in Germany, France, and the United Kingdom, and to the OFITOMEF—the international organization for the industry.

Agreements within these associations originally provided for a pooling of information of price lists and of payment and delivery terms from two to three weeks after they took effect. Copies of the bills were also pooled (except for US clients) within 10 days of their being made out.

The declared intention was for OFITOMEF to be able to establish reference prices so that clients could not play one supplier off against the others, but the Commission felt that this created links of professional solidarity and concertation which were detrimental to effective competition

and out of line with EC competition rules.

In the future no more price lists will be exchanged and OFITOMEP will receive only anonymous invoice information and only for drawing up statistics.

Common Book Distribution

Acting on a complaint from Ireland that the Penguin paperback edition of Hemingway's *The Old Man and the Sea* was not available in Ireland and the United Kingdom even though it was available in the other EC countries, the Commission expressed its view that clauses in a copyright license which expressly or by implication restrict exports from one EC country to another are contrary to the EEC Treaty's competition rules.

In this case Jonathan Cape Ltd., the licensee of the copyright in *The Old Man and the Sea* for the entire Community, has sublicensed Penguin Books Ltd. to publish a paperback edition of the book in an area which included all the EC countries except Ireland and the United Kingdom.

Shortly after the Commission's intervention, Jonathan Cape Ltd. completed new arrangements with another publisher for Community-wide paperback publication of several Hemingway works, including *The Old Man and the Sea*.

Under these arrangements the new paperback version has now become available in Ireland and the United Kingdom. The Commission has accordingly closed its investigation.

Reciprocal Supplying Banned

In February the Commission found the Belgian manufacturer FISON-UCB Sa. and the German manufacturers Ruhr-Stickstoff Ag (RST) and Hoechst operating a reciprocal supply arrangement that was incompatible with Article 85 of the EEC Rome Treaty, and as a result of Commission intervention, the companies have terminated the arrangement.

The companies are major manufacturers of nitrogenous fertilizers—particularly the most widely used fertilizer in the Community—calcium ammonium nitrate.

Every month FISON-UCB sold RST an agreed quantity of calcium ammonium nitrate, which was not delivered in Germany, but to RST's Belgian customers in sacks bearing RST's name. Equivalent quantities were supplied by RST under the same arrangement.

The price for these reciprocal sales was the same—calculated on the Belgian price which was lower than the German price. The two firms were free to determine the sales price, but in practice the price was always the same. FISON-UCB and Hoechst operated a similar system, though smaller quantities were involved.

The companies alleged that with-

out the system, transportation costs and the small profit margin would have prevented them from supplying their export customers and claimed that their freedom to set their own prices remained intact.

The Commission, however, considered that the system restricted trade between Belgium and Germany and felt it was quite inconceivable for long-term reciprocal supplies between competing manufacturers to continue. Even in the absence of formal price collusion, the Commission considered that the system led to coordination between the companies on distribution policy, and had adverse effects on trade between member states.

ANNOUNCEMENT

Business Conference Set

A conference for corporation executives on the "European Business Outlook," sponsored by the Johns Hopkins School of Advanced International Studies (SAIS), the International Management and Development Institute, and the Atlantic Council of the United States, is scheduled for April 19-20 at SAIS in Washington, D.C.

Fernand Spaak, head of the US delegation of the Commission of the European Communities, will act as chairman of this conference which will bring senior executives together in an informal setting to discuss and exchange views with government officials and diplomats on the major political and economic factors affecting national policies and international companies.

The conference will be divided into four sessions: US Foreign Economic Policies under the Carter Administration; European Political and Economic Priorities; Business/Economic Forecast: Focus on Germany and Great Britain; and Business/Economic Forecast: Focus on France and Italy.

Other items on the agenda will be taken from a questionnaire completed by corporate executives on the "most important issues facing businessmen in Europe." They will include such topics as: what to expect from the new governments in Great Britain, Italy, Spain, and Portugal; the direction and progress of the multilateral trade negotiations; the impact of oil prices; the outlook for solid economic recovery through 1977-78; the inflation outlook, and how inflation and recession will increase protectionist barriers between the United States and Europe.

NOTICE

In accordance with US Securities and Exchange Commission regulations, the European Coal and Steel Community published its Balance Sheet as of June 30, 1976, and its Statement of Revenues and Expenditures for the period from January 1, 1976, to June 30, 1976.

This information is published in connection with European Coal and Steel Community bonds issued in the United States under applications:

A—17648
A—19218
A—20452
A—23775
A—24049
A—24459
A—25274
B— 4704—D
C— 217—D
C— 1236—D
C— 1854—D

Copies of these documents have been deposited with the Chase Manhattan Bank, New York.

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Film Department European Community Information Service

Suite 707, 2100 M Street, NW Washington, DC 20037

Recent Books

European Community periodically lists books dealing with Community and Atlantic topics. Prices are also given when known. This presentation does not indicate approval or recommendation of these publications, which can be purchased or ordered from most booksellers.

Crisis Management: Confrontation and Diplomacy in the Nuclear Age. By Phil Williams. John Wiley and Sons, New York, 1976. 230 pages with notes and index. \$16.95.

An introduction to and an analysis of the concept of crisis management as one of the modes of behavior adopted by the superpowers in their attempt to come to terms with the dangers and opportunities of the nuclear age.

Mediterranean Europe and the Common Market: Studies of Economic Growth and Integration. Edited by Eric N. Baklanoff. The University of Alabama Press, University, Alabama, 1976. 244 pages with tables, notes, and index. \$14.50.

Studies examining the Common Market's influence in the development of six countries in the developing Mediterranean region—Spain, Yugoslavia, Greece, Malta, Turkey, and Italy (Mezzogiorno).

International Organizations: A Guide to Information Sources. Edited by Alexine L. Atherton. Gale Research Company, Detroit, 1976. 350 pages with indexes. \$18.00.

A researcher's guide to all aspects of international organizations which contains over 1,500 annotated entries identifying and describing different ways of obtaining information, with bibliographies, guides, indexes, and catalogs to help students and researchers locate those works and documents dealing with international organizations.

The Logic of International Relations. By Stephen J. Rosen and Walter S. Jones. Winthrop Publishers, Inc., Cambridge, Massachusetts, 1977. 453 pages with figures, tables, cartoons, and index. (paper)

A perceptual analysis of the key players in the contemporary international system: the Soviet Union, the United States, the major Western allies, China, and the Third World, with an examination of how each point of view is influenced by concepts, values, national interests, and ideologies, rather than a statement of universal laws.

Discrimination on Grounds of Nationality: Free Movement of Workers and Freedom of Establishment

under the EEC Treaty. By Brita Sundberg-Weitman. North-Holland Publishing Company, Amsterdam, 1977. 248 pages with bibliography. \$29.95.

A thorough analysis of the Articles of the EEC Rome Treaty relating to freedom of movement of workers and freedom of establishment with an examination of the meaning of discrimination on grounds of nationality, the occasions on which the exceptions for employment in public service are applied, and the scope of the saving clauses referring to public order.

Economic Growth in the Future: The Growth Debate in National and Global Perspective. By the Edison Electric Institute. McGraw-Hill Book Company, New York, 1976. 436 pages with tables, charts, appendices, bibliography, and index. \$19.50.

An examination and analysis of the prospects for future economic growth, containing alternative scenarios of future economic patterns which focus primarily on the impact of resource shortages and the question of whether or not economic growth is even desirable.

Setting National Priorities: The Next Ten Years. Edited by Henry Owen and Charles Schultze. Brookings Institution, Washington, DC, 1976. 618 pages with tables and figures.

A collection of essays focusing on major foreign and domestic issues in the United States, such as national security, economic interdependence of industrialized nations, nonproliferation of nuclear weapons, unemployment, inflation, fiscal relations among federal, state and local governments, federal regulation of economic activity, and trends in income distribution.

Migration in Post-War Europe: Geographical Essays. Edited by John Salt and Hugh Clout. Oxford University Press, London, 1976. 228 pages with maps, figures, tables, and index. \$12.50.

A series of essays which cover rural urban migration, the destination and supply sides of international labor migration, and inter-urban migration in Western Europe, and an essay on Eastern Europe for comparison of the different types of migration that have

occurred in Europe since 1945, concentrating on long-distance moves which have been most significant for the balance of a regional population distribution.

Contemporary Politics: Europe. By Alexander J. Groth, Robert J. Lieber, and Nancy I. Lieber. Winthrop Publishers, Inc., Cambridge, 1976. 500 pages with index.

A text assessing current political developments in Britain, France, the Soviet Union, the Federal Republic of Germany, the German Democratic Republic, and the European Community, which is designed for the individual interested in the major problems and policy issues facing contemporary Europeans.

Proceedings of the 9th Symposium on Fusion Technology. Published for the Commission of the European Communities by Pergamon Press, Frankfurt, 1975. 925 pages with index.

Reports presented at a symposium held at Garmisch-Partenkirchen, Germany, July 14-18, 1976, dealing with the progress and development of all aspects of fusion technology.

Mail Order Business in Europe. Edited by Gerhard Krämer. Association Européenne de Vente par Correspondance, Frankfurt, 1975. 22 pages.

A pamphlet to orient the readers on the function of the mail order business through a discussion of the European Mail Order Association, the political and economic significance of the mail order business, and sales statistics of member countries and individual mail order houses.

The Futures of Europe. Edited by Wayland Kennet. Cambridge University Press, New York, 1976. 242 pages with appendices and index.

A study based on the Europe Plus Thirty Report commissioned by the EC Commission on long-term "forecasting" for the Community covering climate, demography, education, industry, energy, economy and finance, defense, and technology.

Accounting Systems and Practice in Europe. By K. Michael Oldham. Gower Press Limited, Epping, Essex, England, 1975. 183 pages with figures and index.

A comparative guide to 11 European countries—including all EC members—on how companies account, report, and are audited, with an examination of harmonization, the proposals for "European companies," inflation accounting, and the effects of taxation.

The Economic Modernisation of France 1730-1880. By Roger Price. John Wiley and Sons, New York, 1975. 235 pages with notes and index.

A survey of French economic development from 1730 to 1880, a period of growth and production within pre-industrial economic structures which led to the creation of an industrial economy, stimulated by the development of communications in the first half of the nineteenth century.

Centripetal Politics: Government and the New Centers of Power. By Ghita Ionescu. Hart-Davis, MacGibbon, London, 1975. 231 pages with index.

An examination of the changes which occurred in Britain in 1974, both in its internal politics and on the international level as a result of its relationship with the European Community, and the general crisis of government for the United Kingdom and Western Europe in the Seventies.

Antitrust Cases from Common Market Law Reports: Restrictive Agreements. Edited by N. March Hunnings. Common Law Reports Limited, London, 1976. 638 pages. \$66.00.

A collection of EC decisions and judgments relating to certain types of restrictive practice, including exclusive distribution agreements, long-term sales contracts, parallel imports and export prohibitions, joint selling and buying, trade fairs, and extraterritorial jurisdiction.

Investment and Export Financing. Prepared jointly by Société Générale, Paris and Société Générale Alsacienne de Banque, Strasbourg, 1975. 48 pages.

A compendium of the main types of financing available to business in France, with a general introduction to the French banking system, an analysis of the credit system, the capital market, leasing, other sources of investment funds, and the range of credit facilities available to exporters.

Political Decadence in Imperial Germany: Personnel-Political Aspects of the German Government Crisis 1894-97. By Ekkehard-Teja P. W. Wilke. University of Illinois Press, Chicago, 1976. 303 pages with index and bibliography. \$10.95.

A detailed historical analysis of the political struggles within the German Government of the Second Reich from 1894-97 which shows where and how political power within the government was concentrated and how it shifted, during a period of critical adjustment.

The European Multinationals: A Renewed Challenge to American and British Big Business. By Lawrence G. Franko. Greylock Publishers, Stamford, Connecticut, 1976. 276 pages with tables, appendices, references, and index. \$16.95.

A study of the conduct and activities of the international operations of the 85 largest industrial firms of Western Europe with particular emphasis on the manufacturing and extractive operations these enterprises have owned outside their home countries.

The EEC and the Mediterranean Countries. Edited by Avi Shlaim and G. N. Yannopoulos. Cambridge University Press, New York, 1976. 352 pages with tables and index. \$27.50.

A study of the economic links between the European Community and the Mediterranean area, focusing on the impact of EC association and preferential-trade agreements with the Mediterranean countries and EC policy on association for the world trading system.

Second European Congress on Information Systems and Networks, Luxembourg, 27-30 May 1975. Published for the Commission of the European Communities. Available from UNIPUB, Box 433, Murray Hill Station, New York, New York 10016. 231 pages. \$16.00.

A report by the EC Directorate-General for Scientific and Technical Information and Information Management on the Second European Congress to promote cooperation and removal of the technical and administrative barriers toward a scientific and technical information system.

Subsidies and Countervailing Duties: The Negotiating Issues. By Caroline Pertieau. The Canadian Economic Policy Committee, C. D. Howe Research Institute, Montreal, 1976. 28 pages. \$1.00.

A paper released by the Canadian Economic Policy Committee examining the subsidy/countervailing-duty problem under negotiation in Geneva.

COOPERATION AGREEMENTS BETWEEN THE EUROPEAN COMMUNITY AND EGYPT, JORDAN AND SYRIA. *Information Memo P-100/76*, EC Commission, Brussels, December 1976, 9 pages

.....free
Outline of the principal provisions for economic, technical and financial cooperation, and trade of the cooperation agreements recently signed by the Community with Egypt, Jordan and Syria. Statistical annex with data on the three countries, their trade with the world and the Community, and comparative data on the ACP countries, the Maghreb and Mashreq.

DIRECTIVE ON THE CLASSIFICATION, PACKAGING AND LABELLING OF DANGEROUS SUBSTANCES. *Official Journal of the European Communities, Vol. 19, L 360*, December 30, 1976, 424 pages

.....\$7.80
Commission directive of July 14, 1976, adapting on the basis of technical progress the Council directive of June 27, 1967 on dangerous substances. The new Commission directive is a codified version of the directive, incorporating all amendments to date.

GENERALIZED PREFERENCE REGULATIONS FOR 1977. *Official Journal of the European Communities, Vol. 19, L 349*, December 20, 1976, 175 pages

.....\$3.00

Texts of the regulations implementing the Community's generalized system of preferences for 1977.

RULES OF ORIGIN FOR THE GENERALIZED SYSTEM OF PREFERENCES FOR 1977. *Official Journal of the European Communities, Vol. 19, L 361*, December 30, 1976, 78 pages

.....\$1.20

Texts of the regulations defining the rules of origin for products to qualify under the generalized system of preferences.

DRAFT FOURTH MEDIUM-TERM ECONOMIC POLICY PROGRAMME. *Official Journal of the European Communities, Vol. 20, C 12*, January 17, 1977

.....\$6.00

Draft economic policy guidelines for 1976-1980. Examines the background of the current economic situation in the Community. Analyzes the medium-term problems of growth, employment, price trends, and resource allocation. Sets quantitative guidelines and presents economic policies to implement the guidelines.

TEMPORARY-EMPLOYMENT BUSINESS: COMPARATIVE STUDY OF PROVISIONS LAID DOWN BY LAW AND REGULATION IN FORCE IN THE MEMBER STATES OF THE EUROPEAN COMMUNITIES. *Social Policy Series No. 25*, EC Commission, Brussels, 1976, 69 pages

.....\$2.15

Study of existing and future statutory provisions relating to licensing of and restrictions on temporary employment agencies, the protection of the rights of temporary workers, and the competent authorities for enforcement. Includes a section on temporary employment provisions for migrant workers.

THE AGRICULTURAL SITUATION IN THE COMMUNITY: 1976 REPORT. EC Commission, Brussels, January 1977, 432 pages

.....\$17.20

General survey of developments in the Community's agricultural sector covering production factors, agricultural incomes, supplies, trade, monetary fluctuations, and the drought. Detailed analysis of the operations of the Common Agricultural Policy and the market for each product sector. Contains a detailed statistical annex on trade, production, prices, farm income, intervention measures and EAGGF financing.

STUDY ON RADIOACTIVITY IN CONSUMER GOODS. *Radio-logical Protection: No. 5*, EUR 5460 d/e, EC Commission, Luxembourg, 1976, 147 pages

.....\$10.80

German/English text. This study lists consumer goods containing radioactive substances available to the general public in the member states, describes the legislation for these goods, assesses the effect on the population and proposes measures to minimize those effects.

DIFFERENTIAL DIAGNOSIS OF AVIAN LYMPHOID LEUKOSIS AND MAREK'S DISEASE. EUR 5494 e, EC Commission, Luxembourg, 1976, 99 pages

.....\$8.60

Proceedings of a seminar held at Royal Veterinary and Agricultural University of Copenhagen, Copenhagen, Denmark, October 12, 1975.

SECOND DIRECTIVE: COMPANY LAW. *Information Memo P-95*, EC Commission, Brussels, December 1976, 3 pages

..... free

Summary of the directive, adopted by the Council, on the formation of public companies and the maintenance and alteration of their capital.

Publications Available

Publications listed may be obtained from the European Community Information Service, Suite 707, 2100 M Street, NW, Washington DC 20037. Persons in the New York area can order copies from the European Community Information Service, 245 East 47th Street, New York, New York 10017.

THE EUROPEAN COMMUNITY'S COMPETITION POLICY. *European Documentation No. 4/1976*. EC Commission, Brussels, 1976, 25 pages

..... free

Pamphlet on the basic principles of the Community's antitrust policies. Outlines prohibited agreements and practices under Article 85 for industrial property rights, exclusive dealing and distribution, and cooperation agreements. Abuse of dominant position and merger control under Article 86 are discussed as well as state aids and public enterprises.

THE EUROPEAN PARLIAMENT. European Parliament, Luxembourg, 1976, 24 pages

..... free

Brochure covering the history, membership, organization, operation and powers of the European Parliament. Includes chapters on direct elections, the budgetary process, and contacts with parliaments in non-member states.

POSTGRADUATE DEGREES IN EUROPEAN INTEGRATION. EC Commission, Brussels, 1976, 104 pages

..... free

Second edition, French/English text. Guide to 71 programs of European studies offered by universities, specialized university and non-university institutes in the member states of the Community for master's and doctoral degrees or special diplomas.

REPORT ON THE PRESENT STATE OF ECONOMIC AND COMMERCIAL RELATIONS BETWEEN THE COMMUNITY AND THE UNITED STATES OF AMERICA. *Working Document No. 468/76*, European Parliament, Luxembourg, December 23, 1976, 32 pages

.....free

Report prepared by Pierre-Bernard Cousté for the Committee on External Economic Relations. A general discussion of protectionist trends in US-EC trade relations is followed by detailed examination of investigations and decisions under sections 331 and 203 of the U.S. Trade Act of 1974 for rolled steel, cars, specialty steels, and shoes, of safeguard investigations under section 201 and of foreign trade restrictions under section 301. Briefly outlines the current status of the Multilateral Trade Negotiations. Includes statistical annexes on US-EC trade.

INTERVIEW WITH ROY JENKINS, PRESIDENT OF THE EUROPEAN COMMISSION, BY MARTIN AGRONSKY, ON "AGRONSKY AT LARGE." *Press Release No. 1/1977*, EC Information Service, Washington, D.C., January 27, 1977, 9 pages free
Transcript of the interview shown on WETA-TV, Channel 26, Washington, D.C., January 28. Topics covered were prospects for European integration, the economic situation in Europe, prospects for Greek, Portuguese, and Spanish membership, US-EC relations, and Communism in Europe.

ADDRESS BY THE RIGHT HONORABLE ROY JENKINS, PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES, TO THE EUROPEAN PARLIAMENT IN LUXEMBOURG ON JANUARY 11, 1977. EC Information Service, Washington, D.C., 1977, 15 pages free
Text of Roy Jenkins's first speech to the European Parliament in which he outlines the reorganization of the Commission's services, the distribution of responsibilities among the Commissioners, and the thrust of Commission policy for the next year.

THE DYNAMICS OF UNEMPLOYMENT AND EMPLOYMENT: BELGIUM 1947-1973. *Social Policy Series No. 24*, EC Commission, Brussels, 1976, 101 pages \$4.80
Study by Robert Leroy on employment trends in Belgium, with particular reference to age and region.

STUDY ON THE POSSIBLE PART PLAYED BY CERTAIN PRIMARY NON-EMPLOYMENT INCOMES IN THE INFLATIONARY PROCESS IN THE NETHERLANDS. *Medium-term economic policy: Vol. 7*, EC Commission, Brussels, 1976, 85 pages \$4.00
Study by A. H. J. Kolnaar. The first part is concerned with macroeconomic questions relevant to inflation. In addition to cost-push inflation, attention is given to profit-push inflation. In the second part, macroeconomic factors are applied to principal sectors of the Dutch economy. The third part examines demand factors with reference to consumer behavior.

THE MOBILITY OF CULTURAL WORKERS WITHIN THE COMMUNITY. *Cultural Matters Series: No. 1*, EC Commission, Brussels, 1976, 98 pages \$2.60
Study by H. M. J. M. Haase. Gives a general description of the Community's regulations and Court decisions on free movement of workers and mutual recognition of diplomas. De-

scribes the problems of mobility for cultural workers, particularly actors, musicians, athletes, journalists, and employees in the film, radio and television industries, due to shortcomings in Community rules.

IMPROVING THE NUTRITIONAL EFFICIENCY OF BEEF PRODUCTION. EUR 5488 e, EC Commission, Luxembourg, 1976, 402 pages \$10.10
Proceedings of a seminar held at Beaumont, France October 14-17, 1975. Papers deal with attempts to improve the quality of meat and increase carcass weight through a better understanding of the genetic, physiological and nutritional factors influencing body development.

BASIC PHYSICAL DATA FOR NEUTRON DOSIMETRY. EUR 5629 e, EC Commission, Luxembourg, 1976, 323 pages \$25.80
Monograph based on the results of a workshop on Basic Physical Data for Neutron Dosimetry held at Rijswijk, the Netherlands, May 19-21, 1976. Reviews the current status in neutron dosimetry and the agreements reached on the use of some common, basic physical parameters. Appended are joint tables of kerma factors and a draft protocol for neutron dosimetry for radiobiological and medical applications.

CONFERENCES ON THE ENVIRONMENT—A STUDY ON INFORMATION SOURCES. EUR 5554 e/f, EC Commission, Luxembourg, 1976, 44 pages and 4 microfiches \$12.00
By G. Van Slype. Results of a study on sources of information relating to titles of conference papers on the environment. Four reports were prepared covering the requirements for information on conferences, an inventory of the main sources of information, a comparative assessment of 11 major sources, and summary and recommendations. The full French text of all the reports is appended in microfiche form. An English translation of the final report is reproduced in full size.

RADIOACTIVE ISOTOPES IN OCCUPATIONAL HEALTH. *Radiological Protection: No. 6*, EUR 5524 e, EC Commission, Luxembourg, 1976, 731 pages \$34.40
By Angelo Favino. Comprehensive account of the fundamental aspects of the applications of radioactive isotopes for the occupational physician. Basic principles for maximum permissible doses, dosimetric surveillance, medical supervision of workers exposed to ionizing radiations, medical treatments to be used after a radioactive contamination, and preventive

measures for all utilizations of radioactive substances for diagnostic or therapeutic purposes are described.

PROBLEMS IN ASSEMBLING, PRESENTING, EXECUTING AND EVALUATING RESEARCH PROGRAMMES. *Basic reflections on research management: No. 2*, EUR 5539 e, EC Commission, Luxembourg, 1976, 10 pages \$1.30
By Roland Linder. Practical rules are elaborated for planning of research programs and exemplified with case studies.

JOINT RESEARCH CENTRE ISPRA ESTABLISHMENT—ITALY: BIENNIAL REPORT 1974 AND 1975. EUR 5550 e, EC Commission, Luxembourg, 1976, 229 pages \$17.20
Comprehensive review of work carried out during 1974 and 1975 in the Ispra establishment of the Joint Research Centre. Part one describes the activities in the context of on-going programs. Part two outlines the most important scientific and technical achievements. Part three treats technical and administrative staff activities. A list of publications done by the Ispra staff is given at the end.

AUTHORIZATION PROCEDURE FOR THE CONSTRUCTION AND OPERATION OF NUCLEAR INSTALLATIONS WITHIN CERTAIN NON-MEMBER STATES OF THE EUROPEAN COMMUNITIES. EUR 5525 e, EC Commission, Luxembourg, 1976, 59 pages \$5.50
By Sandro Amaducci. Comparative study of the laws in Canada, Spain, Sweden, Switzerland, the United States, and Yugoslavia as of the summer of 1975 on the authorization procedures for nuclear installations.

A STUDY TO DETERMINE THE COMPARABILITY OF CHEMICAL ANALYSES FOR DRINKING WATER QUALITY WITH-

IN THE EUROPEAN COMMUNITIES. EUR 5542 e, EC Commission, Luxembourg, 1976, 96 pages \$8.60
Collaborative study to test investigation methods of drinking water analysis to control quality as well as comparability of analytical measurements performed by different laboratories.

COST OF SCIENTIFIC AND TECHNICAL INFORMATION AND DOCUMENTATION SYSTEMS. EUR 5531 d/e/f, EC Commission, Luxembourg, 1976, 193 pages \$27.95
English/German/French text. Analysis of a survey of the factors affecting the pricing structure for automated services in the field of information and documentation, and methods used for pricing these services. The survey covered 18 information and documentation services in the Community.

MINOR POLLUTANTS IN THE ENVIRONMENT: SELECTION OF BIBLIOGRAPHIC DATA TO DECIDE PRIORITIES FOR EXPERIMENTAL RESEARCH. EUR 5533 e, EC Commission, Luxembourg, 1976, 35 pages \$7.75
A selection of bibliographic data to establish priorities for experimental research on the transfer of heavy metal pollutants, F, As, Se, Te, Mo, V, Tl, Bi, Be in fresh and salt water, drinking water, air, foodstuffs, soils and human body.

REMARKS ON THE EXECUTION OF RESEARCH BY LARGE UNITS. *Basic reflections on research management: No. 1*, EUR 5540 e, EC Commission, Luxembourg, 1976, 15 pages \$1.45
Notes for a discussion meeting on the functioning of large research units such as research centers. Starting from the individual researcher, the build up of larger units is demonstrated and at each step indications are given as to motivations and efficiency control.

New Statistical Publications

YEARBOOK OF AGRICULTURAL STATISTICS 1976. EC Statistical Office, Luxembourg, 1976, 250 pages \$7.20
Statistical vademecum containing the most important items published in specialized agricultural series. Data is given for 1973-1975. Includes basic data, agricultural and forestry accounts and unit values, structure, production, supply balances, prices and price indexes.

COMMON NOMENCLATURE OF INDUSTRIAL PRODUCTS

NIPRO: 1975. EC Statistical Office, Luxembourg, 1976, 355 pages \$17.20
First edition of the Common Nomenclature of Industrial Products (NIPRO). Classifies products according to branch of industry producing them. Intended to provide a frame of reference for industrial production statistics on individual products and to define the industrial activities in the General Industrial Classification of Economic Activities (NACE) by a systematic classification of products by branch of industry. Correspondence tables for NIPRO, NACE, NIMEXE and CLIO.

PRODUCTION OF VEGETABLES AND FRUIT 1976. EC Statistical Office, Luxembourg, 1976, 75 pages \$4.25

Detailed data on the production of fruits and vegetables for 1972-1974, in the case of tables by country, and the years 1964-1975 for certain Community tables. Data is given by product for area under cultivation, yield per hectare, and usable production.

REGIONAL ACCOUNTS:

ECONOMIC AGGREGATES 1970. EC Statistical Office, Luxembourg, 1976, 247 pages \$4.30

Harmonized results of regional accounting compiled in accordance with the European System of Integrated Economic Accounts at the level of the Community's basic administrative units.

BALANCES OF PAYMENTS—GLOBAL DATA 1961-1975. EC

Statistical Office, Luxembourg, 1976, 39 pages \$8.60

Provides data concerning the global balance-of-payments flows and external positions of the monetary authorities for Community member states, the United States and Japan.

FOREIGN TRADE: ANALYTICAL TABLES (NIMEXE) 1974 AND 1975. EC Statistical Office, Luxembourg, 1976.

Volumes A-L, 1974, 4894 pages, full set \$108.50
 Volumes A-L, 1975, 4281 pages, full set \$260.00

1974 and 1975 Community import and export statistics by origin and destination, volume and value, according to tariff position. Volumes can be purchased as a set or individually at the prices listed below:

Vol. A-Agricultural Products 1974, \$14.50; 1975, \$34.50

Vol. B-Mineral Products 1974, \$2.90; 1975, \$6.00

Vol. C-Chemical Products 1974, \$14.50; 1975, \$34.50

Vol. D-Artificial Materials, Leather 1974, \$7.20; 1975, \$14.50

Vol. E-Wood, Cork, Paper 1974, \$7.20; 1975, \$14.50

Vol. F-Textiles, Footwear 1974, \$20.10; 1975, \$40.00

Vol. G-Stone, Plaster, Glass, Ceramics 1974, \$7.20; 1975, \$14.50

Vol. H-Iron and Steel 1974, \$8.45; 1975, \$20.00

Vol. I-Other Base Metals

1974, \$7.20; 1975, \$14.50

Vol. J-Machinery, Appliances 1974, \$24.10; 1975, \$57.50

Vol. K-Transport Equipment 1974, \$4.20; 1975, \$10.00

Vol. L-Optical Precision, Instruments 1974, \$10.90; 1975, \$26.00

Summary Volume—Countries—Products

1974, \$14.50; 1975, \$34.50

IRON AND STEEL YEARBOOK

1976. EC Statistical Office, Luxembourg, 1976, 443 pages \$28.70

Statistics on the iron and steel industry for 1962-1975 for the original six Community members, with some 1973-1975 data for the new members. Covers production, orders and deliveries, trade, supply and consumption of raw materials and energy, final consumption, prices, scrap, labor force, wages and labor costs.

PRICES OF FRUIT, VEGETABLES AND POTATOES 1974-1975. EC Statistical Office, Luxembourg, 1976, 96 pages \$5.80

Prices, in units of account and national currencies, in 1974 and 1975 on a monthly basis for fruit, vegetables and potatoes in the Community's member states. Two price series indicated for each product. The first refers to roughly defined products recorded at the first marketing or ex farm stage. The second refers to products precisely defined and reflects wholesale prices.

OPERATION OF NUCLEAR POWER STATIONS DURING 1975. EC Statistical Office, Luxembourg, 1976, 65 pages \$3.15

Part one gives a general review of nuclear power plant operations in 1975. Part two gives data on the operational characteristics for each reactor on a monthly basis for 1975 and historical annual statistics for each year of operation.

ELECTRICAL ENERGY STATISTICS 1975. EC Statistical Office, Luxembourg, 1976, 107 pages. \$5.80

Presents data on electrical energy balance-sheets, electrical energy production, conversions in conventional thermal power stations, electrical energy consumption, and electrical equipment.

New Standards

For automobiles, cosmetics, and other products

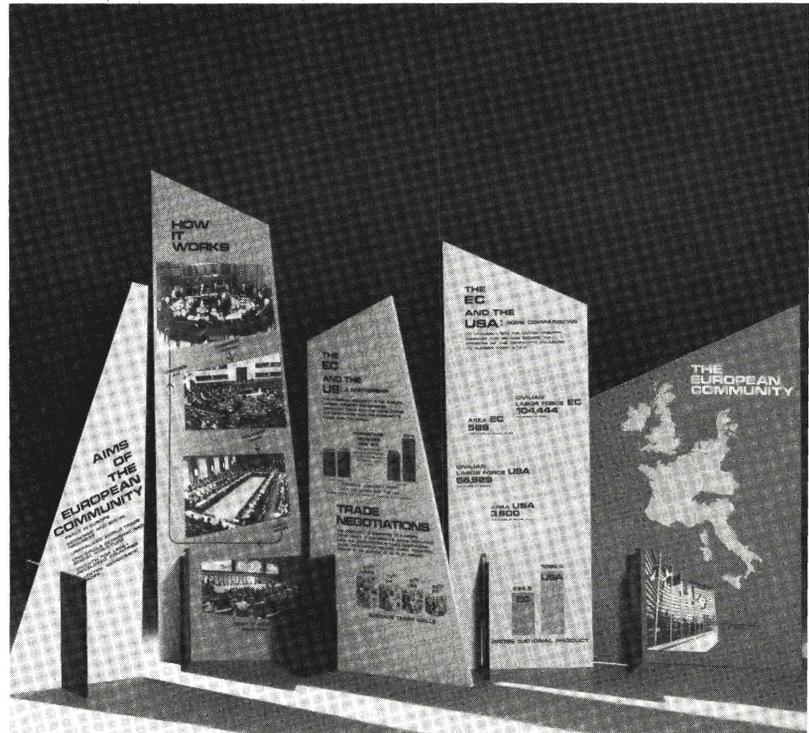
OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES, Vol. 19, L 262, September 27, 1976, Luxembourg, 216 pages \$5.00
Texts of directives setting product standards for automobiles, agricul-

tural tractors, thermometers, alcoholometers and alcohol hydrometers, alcohol tables, pressure vessels, cosmetic products, marketing of dangerous substances. Includes the amendment to the directive on units of measure.

Free Exhibits Available



Free exhibits on the European Community are available on loan to universities, schools, libraries, civic organizations, and other interested groups. Shown here is the mobile exhibit, 10-by-3 feet with headboard and lights. Also shown below is the tabletop exhibit.



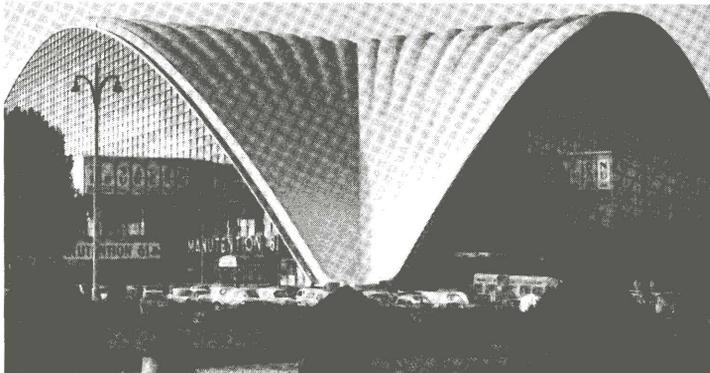
Both exhibits can be ordered from the European Community Information Service 2100 M Street, NW Washington, DC 20037

European Events

To Our Readers: This is a new feature. Please let us know what events you would like to see listed in future calendars.

APRIL 1977

- 1 Autogrip '77 Exhibition, London
- 1 Engineering Inspection and Quality Control Exhibition, Birmingham, United Kingdom
- 1-2 International Building Exhibition, Utrecht, the Netherlands
- 1-2 British International Fashion Fair, Birmingham, United Kingdom
- 1-3 Second Vacation Salon, Milan, Italy
- 1-3 Food Fair '77, Copenhagen
- 1-4 Commercial Fair of Flanders, Ghent, Belgium
- 1-4 "Bel Jouets"—Fifteenth Annual Professional Toy Show, Brussels
- 2-3 Grand International Dog Show, Luxembourg
- 3-5 INTERCONTEX, International Ladies' Ready-to-Wear Show, Amsterdam
- 4-7 International Computer Symposium, Liège, Belgium
- 4-7 International Aerospace Instrumentation Symposium Exhibition, Cranfield, Bucks, United Kingdom
- 6-13 International Youth Music Festival, Harrogate, Yorkshire, United Kingdom
- 7-11 Showjumping: Easter International, Hickstead, W. Sussex, United Kingdom

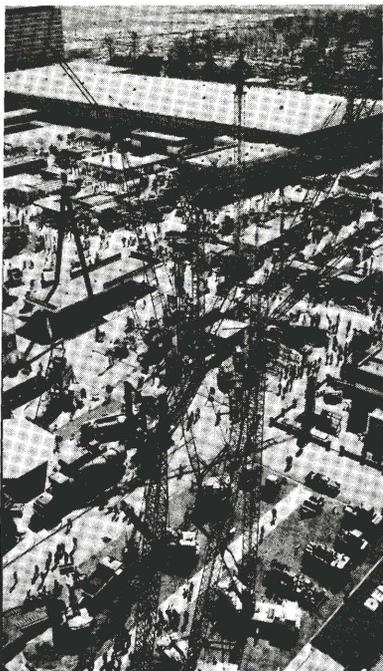


- 1-4 Children's Book Fair, International Exhibition of Educational Publications and International Show for Illustrators of Children's Books, Bologna, Italy
- 1-4 Expo Casa '77, International Domestic Arts Fair, Turin, Italy
- 1-5 International Sports Exhibition—SPORTACUS, Birmingham, United Kingdom
- 1-5 Instrurama—Seventh Annual Professional Laboratory, Brussels
- 1-5 AUTOVAK, Inc.: Trade Fair for Garage Equipment and Spare Parts, Utrecht, the Netherlands
- 1-6 World Table Tennis Championships, Birmingham, United Kingdom
- 1-6 International Electronic Components Exhibition, Paris
- 1-6 The Business Gift Show, Paris
- 1-12 Birmingham Motor Show, Birmingham, United Kingdom
- 1-30 Exhibition of Gold and Silver from Late Roman World, London
- 2 Horseracing: Grand National, Liverpool, United Kingdom
- 9-11 Ninth International Festival of Country Music, London
- 9-10 International Car Race on Circuit, Colmar-Berg, Luxembourg
- 9-14 Easter Exhibition, Luxembourg
- 9-19 Modena Fair, Agriculture and Provincial Industry Show, Modena, Italy
- 11 "Search for the Golden Egg," Kruishoutem, Belgium
- 11 "Emaischen,"—Festival and Market Charity, Luxembourg and Nospelt, Luxembourg
- 12-14 Drapery Trade Exhibition, Edinburgh, United Kingdom
- 14 Wine Fair—tasting and dancing, Grevenmacher, Luxembourg
- 14-23 Fifty-fifth Milan Trade Fair, Milan, Italy
- 15-19 London International Photo Festival, London
- 15-24 International Household Fair, Amsterdam
- 15-30 Flower Shows in Thermal Station Park, Mondorf-les-Bains, Luxembourg

- 16-18 International Hair and Beauty Fair, Birmingham, United Kingdom
- 18-20 Extractive Metallurgy Exhibition, London
- 18-22 Fourth International Congress on Chemical Engineering in Scandinavia, Copenhagen
- 18-22 International Tug Convention, Amsterdam
- 18-22 Sixth International Symposium on Molecular Beams, Noordwijkerhout, the Netherlands
- 18-30 International Gerontology and Geriatrics Symposium, Brussels
- 19-20 Engineering Industries Association Exhibition, Folkestone, Kent, United Kingdom
- 19-21 Audio Visual at Work Exhibition, London
- 19-21 All Electronic Show, London
- 19-24 International Festival of Mind and Body, London
- 19-24 High Fidelity '77 Exhibition, London
- 21-24 Badminton Horse Trials, Badminton, Avon, United Kingdom
- 21-25 PACKMATIC—Exhibit of Machinery and Equipment for the Chemical, Cosmetic, Pharmaceutical, and Food Industries, Bologna, Italy
- 21-25 COSMOPROF—International Exhibit of Perfumery and Cosmetics, Bologna, Italy
- 22-28 International Television Programs Market, Cannes, France
- 22-30 Seventeenth Annual International Building Exhibition, Kortrijk, Belgium
- 22-30 Second International Salon on Man and His Environment, Turin, Italy
- 23 Annual Meeting of European Kiwanis, Knokke
- 23-24 European Championship in "Eisstockschiessen," Luxembourg
- 23-26 Second Annual Flower Show, Brussels, Belgium
- 23-26 1st International Ikebana (flower arranging) Symposium, Noordwijkerhout, the Netherlands
- 23-27 "SADIBEL"—International Didactic Materials Show, Brussels
- 23-30 Fiftieth Annual Commercial Fair, Brussels
- 23-30 Heysel, Forty-ninth Annual Trade Fair of Brussels, Brussels
- 23-30 International Food Freezer Fair, Leicester, United Kingdom
- 23-30 Furniture Show, Vicenza, Italy
- 23-May 5 International Artisans Show, Florence, Italy
- 24 Queen's Silver Jubilee Appeal, United Kingdom
- 24-30 International Food Manufacturing and Processing Machine Exhibit, Birmingham, United Kingdom
- 25-29 International Fire, Security, and Safety Exhibition and Conference (IFSSEC), London

MAY 1977

- 1 European Youth Music Festival, Neerpelt, Belgium
- 1 1009th Annual Performance of Play of St. Evermar, Ruten, Belgium
- 1 Spring Festival, Luxembourg
- 1 International Moto-Cross, Kopstal, Luxembourg
- 1 Lily of the Valley Day, Mondorf-les-Bains, Luxembourg
- 1 Wine Tasting in Coop Cellars, Remerschen, Luxembourg
- 1-4 Incentive Marketing and Sales Promotion Exhibition, Brighton, Sussex, United Kingdom
- 1-4 Shop and Display Equipment Exhibition, London
- 1-15 European Witticism Championship, Brussels
- 1-15 Festival of Films, Plays, and Concerts on Silver Jubilee Theme, London
- 1-June 19 FOCAL '77—International Arts Festival of Kent, Kent, United Kingdom
- 2-6 Twenty-fifth Annual International Colloquium on Proteins of Biological Fluids, Bruges, Belgium
- 2-6 International Hospital Exhibition, Medica '77, Utrecht, the Netherlands
- 3-5 Fourteenth Pirmasens Leather Week, Pirmasens, Germany
- 3-7 Fifteenth Annual Meeting of European Association of Pediatric Cardiologists, Ghent, Belgium



4-8 Twentieth Anniversary of the International Police Association, Brussels

4-8 SARP—International exhibit of equipment, material & machines for tire sale and reconstruction: SIAC, Equipment for garages and body shops, Bologna, Italy

4-16 International Sardinian Goods Fair, Cagliari, Italy

5-8 European Physiotherapy Meeting, Utrecht, the Netherlands

6-June 24 Royal Jubilee Exhibition, London

6-8 Windsor Jubilee Pageant, Windsor, Berks, United Kingdom

6-8 International Radio Communication Exhibition and Conference, London

6-11 International Book Festival, Nice, France

7 Twentieth Annual Night Festival, Chaudfontaine, Belgium

7-15 IBA-International Bakery Trade Exhibition, Munich, Germany

7 Silver Ghosts for a Silver Jubilee, Windsor, Ascot, Berks, United Kingdom

7-July 3 Royal Academy Summer Exhibition, London

7-10 MI-DO '77—International Optical, Optometrical & Ophthalmological Exhibit, Milan, Italy

8 Festival and Procession of the Cats, Ieper, Belgium

8 Fish Festival, Camogli, Italy

8 Historic Transport Parade, Ascot, Berks, United Kingdom

9-11 International Congress and Exhibition on Data Transmissions, Liège, Belgium

9-12 International Music Industry Conference, Amsterdam

9-13 Baltic International Maritime Conference, Amsterdam

9-14 International Surface Treatment and Industrial Finishing Exhibition, Paris

10-12 COMPEC—Exhibition mini computers, small systems and software and Congress on data processing, Brussels

10-13 International Exhibition of School and Instruction Organization, Cologne, Germany

10-13 INTERSTOFF—Thirty-seventh Trade Fair for Clothing Textiles, Frankfurt, Germany

10-13 Word Processing Exhibition and Conference, London

10-13 INTERCLEAN, International Trade Fair for Industrial Maintenance and Cleaning, Amsterdam

11-15 Scandinavian Furniture Fair 1977, Copenhagen

11-15 Welsh Motor Sports Show and International Motor Rally, Cardiff, South Wales, United Kingdom

11-15 EXPO-ITA 1977—International exhibit of sound proofing and insulation materials and equipment, Milan, Italy

12-14 ANGLEX—Engineering Industries Association Exhibition, Norwich, Norfolk, United Kingdom

12-15 Royal Windsor Horse Show, Windsor, Berks, United Kingdom

12-15 SIMAC—Fifth International Exhibit of Machinery and Equipment for footwear and synthetic products and accessories, Milan, Italy

12-15 Austrian Dentists' Congress, Grado, Gorizia, Italy

12-16 METALL '77—Trade Fair of Machine Builders, Locksmiths, Blacksmiths, Tool Makers and Turners, Stuttgart, Germany

13-14 Jubilee Display—500 London Boys, London

13-15 International Air Fair, Airport, Biggin Hill, North Westerham, Kent, United Kingdom

13-18 Slimshow '77, London

13-22 IBO—Twenty-eighth International Fair of Lake Constance, Friedrichshafen, Germany

14-17 Interzum—Tenth International Accessory, Machinery and Materials Fair for Furniture Production, Interior Decoration and The Upholstery Industry, Cologne, Germany

14-17 Optical—International Ophthalmic Optics Fair with Congress, Dusseldorf, Germany

14-19 Thirty Seventh International Fishing Fair, Ancona, Italy

14-22 International Industries Fair, Luxembourg

14-22 Samples Fair, industrial, commercial and agricultural goods, Mirandola, Italy

15 Annual Folkloric parade of St. Roch, Tunin, Belgium

15-17 Clyde '77 Spectacular, Glasgow, United Kingdom

15-18 International Congress of the Permanent International Bureau of the Association of Tire Sellers and Recappers, Brussels

15-18 International Confectionery, Tobacco and Newsagency Exhibit, London

16-17 International Study Days of the CEBEDEAU, Liège, France

16-19 WALPADEX—Decorating Materials Trade Show, London

16-19 Delicatessen International Exhibition, London

16-20 International Rubber Conference and Exhibition—RUBBEREX, Brighton, United Kingdom

16-21 International Mechanical Handling Exhibition, Birmingham, United Kingdom

17-20 London Electric Component Show, London

17-20 Chelsea Flower Show, London

17-20 International Drawing Office and Graphics Exhibition—DOEX, London

17-20 Copiers '77 Exhibition, London

17-27 Silver Jubilee Tour of Scotland, United Kingdom

18-19 Shropshire and West Midlands Agricultural Show, Shrewsbury, Shropshire, United Kingdom

18-22 ISA '77—International Collector's Fair, Stuttgart, Germany

18-24 LIGNAHANOVER—International Trade Fair for Machinery and Equipment and Wood Industries Hanover, Germany

19-22 Trade Exhibition "Roof and Wall." Seventy-eighth Conference of German Roofing Trade Association, Karlsruhe, Germany

21-25 STAR '77: International Home Furnishings Textiles Show, Milan, Italy

22-25 INTERLIGHT—International Lighting Trade Fair and Conference, London

22-25 INTERSTREET—Street Furniture Exhibition, London

23-26 Commercial Emergency Independent Lighting Exhibition and Conference, London

23-27 CIRED 1977, Fourth International Conference on Electricity Distribution, London

23-28 Sixteenth International Congress of the European Brewery Convention, Amsterdam

24-26 National Safety Conference and Exhibition, Harrogate, Yorkshire, United Kingdom

24-27 Scandinavian Fair of Equipment for Hospital and Social Welfare Institutions, Copenhagen

24-27 IDEA—International Domestic Electrical Appliances Exhibition, Birmingham, United Kingdom

24-28 VICTAM '77—Animal Feed Industries Show, Utrecht, Netherlands

25-June 11 EXPO WALES—National Exhibition of Wales, Cardiff, United Kingdom

25-28 Royal Ulster Agricultural Social Show, Belfast, United Kingdom

26-June 5 International Philately Exhibition (AMPHILEX '77), Amsterdam

27-31 Twenty Fifth International Congress of Practical Medicine, Grado, Gorizia, Italy

28-June 5 London Sports Spectacular, London

28-June 6 SIA, International Food Fair, Bologna, Italy

28-June 7 Windsor 1277-1977 Celebrations, Windsor, Berks, United Kingdom

30 Annual Matrimonial Luncheon, Ecaussinnes-Lalaing, Belgium

30 Twenty-ninth "Genzefest," Wiltz, Luxembourg

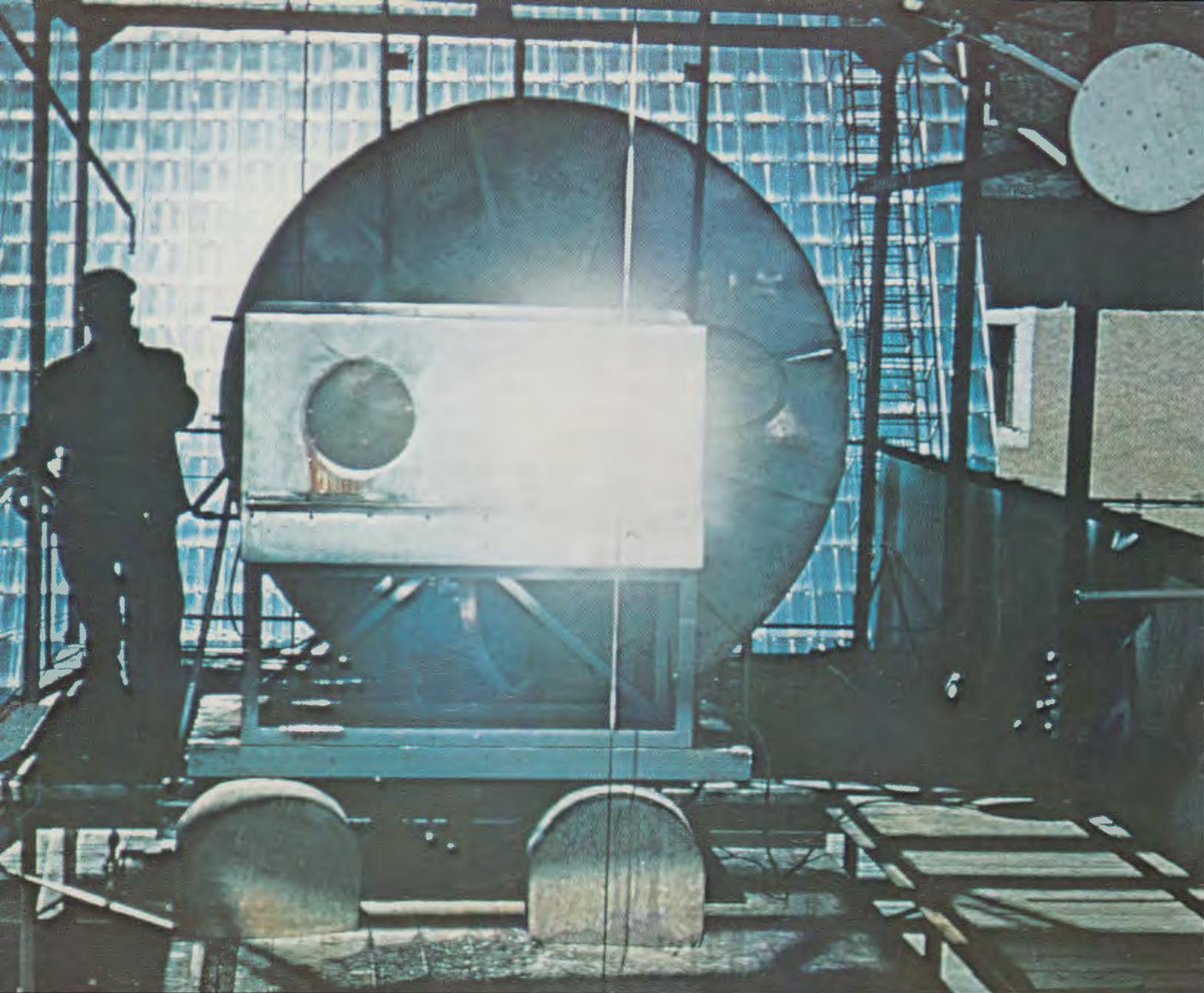
31-June 4 International Pharmaceutical and Medico-Technical Exhibition and Congress, Berlin, Germany

31-June 4 Royal Bath and Western and Southern Counties Show, Shepton Mallet, Somerset, United Kingdom

31-Aug. 7 Glyndbourne Festival Opera Season, Glyndbourne, North Lewes, East Sussex, United Kingdom

31-Oct. 31 British Genius Exhibition, London





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