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EUROPE

Magazine of the European Community

Two Presidents

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Publisher's Letter

"For most Americans it all started in Europe. Their roots are there; families, attitudes, philosophies were seeded over the centuries in Europe, and transplanted to grow strong in America. There is no escaping the ties between the two continents—cultural, social, economic, and political." Thus the magazine's new format was introduced exactly three years ago.

The magazine's subsequent success has made the next change logical and perhaps inevitable: From now on it will be called "Europe— Magazine of the European Community."

Editorially, the magazine will remain essentially the same—as a forum for discussion of European and Atlantic topics.

Now in its twenty-fourth year, the publication has evolved from a small, relatively esoteric bulletin into a widely read, subscription-based magazine—appealing to those Americans who need and want to know about the extraordinary events altering the face of Europe . . . and their impact on the rest of the world.

The contents of this particular issue serve as a good example: the new European monetary system; the multilateral trade negotiations winding up in Geneva; Europe's economic outlook for the new year; and, interwoven through all this, relations between the United States and Europe, perhaps symbolized by EC Commission President Roy Jenkins's December visit with US President Jimmy Carter.

As most Americans wish the European unification process well, so our small magazine staff wishes our readers the very best, for it is their support that has created "Europe."

Andrew A. Mulligan

Andrew A. Mulligan

US-EC "Images and Realities"

Jenkins visit points to greater understanding, greater equality

DAVID HAWORTH, *The Hague-based correspondent for the* International Herald Tribune *and* The Observer

ON THE FACE OF IT THIS WOULD SEEM TO BE AN inauspicious season for US-EC relations. So many topics give apparent scope for misunderstanding or a clash of interests: critical and continuing economic uncertainties for the industrialized world, an unsettled monetary environment, and grave trade imbalances. It's not difficult to be pessimistic about such intractable problems. And yet . . . and yet. It is the considered view of EC Commission President Roy Jenkins, and reconfirmed by his pre-Christmas four-day visit to the States, that EC-US relations are in excellent trim.

Jenkins met with President Jimmy Carter, Vice President Walter Mondale, and Presidential Security Adviser Zbigniew Brzezinski, plus Under Secretary of State for Economic Affairs Richard Cooper. Later he was to go to the University of Michigan to receive an honorary law doctorate. Jenkins also spoke to the National Press Club in Washington.

He is a man who believes that "mutual comprehension and a clear perception of common interest are not the hallmarks of the unity of American-European relations" and who thinks that in the past American images of Europe and European images of America have often tended to be an irrational mix of ambiguity and prejudice.

Why, then, should relations between the two have improved so much, despite the difficult international climate? There appear to be two reasons: First, there is a warm and familiar relationship between President Carter and President Jenkins; the men like each other. Second, the perception on both sides of the Atlantic is that the problems the West faces are so acute that there is no alternative to a cooperative effort to modify or resolve them.

Moreover, it now seems to be the case that the Americans no longer see the Common Market as a "threat." Although the Community has been reassuring Washington over the years that EC ambitions—commercial, political, and economic—have not been hostile to US interests, this message now seems to have gotten through.

And it has done so in the striking circumstances of the

EC Commission President Roy Jenkins at the National Press Club.

launching of the European Monetary System. Obviously this was one of the main talking points during the Jenkins visit. The other was the possibility of settlement in the (multilateral trade) negotiations. Jenkins put to rest what he called US "apprehensions" about the effect the new system might have on the dollar.

He stressed to President Carter and repeated in his National Press Club speech that what the Community needed most to get the system off to a good start is "calm seas" and, in order to have this, a stable dollar is needed. Jenkins believes that the dollar will remain the most important international currency but that in the long term there is a need for a more even monetary responsibility between the dollar and the European currencies.

"If it is true that one of the external factors which weighted in the creation of the system was the decline in the dollar's value," Jenkins said, "it is equally true that we have a vital interest in a stable dollar if the system is to be properly born and well-nurtured in its infancy."

The Commission President noted that the US Government had earlier welcomed the Community's arrangements for closer monetary cooperation. This reaction by the United States, he said, confirms the Community's optimism that the EMS will not have an adverse effect on the dollar or weaken international financial institutions such as the International Monetary Fund (IMF).

The EMS, he told his American hosts, "could well turn out to be the most important event in the building of Community Europe since the early days of the Treaty of Rome."

"Some of the international responsibilities of the dollar will now be shared with European and other currencies," Jenkins said. He added that this sharing will be healthy for the United States and other countries. Instead of "sitting back and wringing our hands and complaining" if the monetary system goes wrong, he said, other countries will cooperate with the United States in taking remedial action.

IN ADDITION TO THIS REVIEW OF THE EMS and also the remaining difficulties in the trade talks, Jenkins and Carter also touched on the need for closer EC-US cooperation in science and technology. The areas where this might be most fruitful, the two men agreed, were: nuclear fusion, management of radioactive waste, handling and control of fissile materials, standards for the use of toxic substances, and a common definition of carcinogens.

Carter told Jenkins of his intention to help developing nations improve their own scientific capacities through the planned Foundation for International Technological Cooperation. This need of the industrialized West—or, rather perhaps, the moral commitment—to help developing nations was a theme touched on by Jenkins in his speech at Ann Arbor.

President Roy Jenkins at the National Press Club in Washington, DC.

At the US Capitol (left to right): Roy Jenkins, Head of the Washington EC Delegation Fernand Spaak, EC Commission Secretary General Emile Noël, and President Jenkin's Cabinet Chief, Crispin Tickell. Photos by Tenney Mason

He told his audience the Community and the United States were fully agreed that the "purely charitable" approach of the industrialized nations towards the developing ones was outdated and insufficient. He went on: "Europe and the United States cannot afford to turn in on themselves even in mutual dependence. . . . And if we did so, the political values which we share and in which we rightly take such pride would sound increasingly hollow and could be increasingly ignored."

Who makes what, and for whom, in the 1990's is a question to which both the Community and the United States must increasingly address themselves, Jenkins pointed out.

In Washington Jenkins somewhat unexpectedly made an intervention on behalf of Turkey. In the recent past he has urged that the Community should do what it can to help that country whose economic problems seem to be getting worse. The Commission President is so anxious about Turkey's future that he went out of his way to express his anxieties to State Department aides.

This discussion led naturally to another subject very much on the Community's mind, namely, its enlargement. Jenkins is invariably questioned about this during his regular Washington consultations. On this occasion he was able to report the reasonably good progress made in the Community's negotiations with Greece—though he made it clear the Greeks are unhappy about the eight-year transition period which has been suggested by the Community as the proper prelude to full membership.

On this and one or two other items, Jenkins warned that the Community's final round of negotiations with Athens could be difficult. But he added that this was always to be expected in such negotiations and that certainly there is no question of Greece failing to become the Community's tenth member in the near future.

As he always does on his visits to the States, Jenkins found an opportunity to give his more philosophical views on the condition of EC-US relations—and this he did during his address at the University of Michigan. In surveying the "Image and Reality" of these relations, the Commission President had this to say:

"The American image of Europe has passed beyond that of a cultural haven set in political shambles. The European image of America no longer vacillates between supercilious disdain and frustrating envy.

"Distance and doubt, punctuated by excursions of friendship and affection, gave place on the American side after the Second World War to a determined and consistent support.

"We now find ourselves, having entered the last quarter of this century, in a position both of greater equality and of greater understanding than at any other time in our history. And the more equal the partnership between the United States and the *uniting* states of Europe the better for both, and the longer it will endure."

Members of the Washington EC Delegation, Roy Jenkins, and his staff meet with Chairman of the House Ways and Means Committee Al Ullman on Capitol Hill.

Receiving honorary degree from The University of Michigan, Roy Jenkins (left) with Robben W. Fleming, university president. courtesy The University of Michigan

Jenkins also referred to the new "pervasive sense of American support for Europe and also that of a Europe becoming more assured in its identity and cohesion."

The very fact of the EMS, the forthcoming next stage of enlargement, the imminence of direct elections to the European Parliament—all suggest that such sentiments are not just rhetoric on the Commission President's part. On the contrary, they reflect a view of the Community's stealthy—if sometimes uncertain—progress that is shared on both sides of the Atlantic.

Jenkins is always at pains to remind his audiences that Carter is the first and only US President to have visited the EC Commission. It was indeed a singular gesture—and was intended as such. Perhaps more than anything it was this which gave such a boost to EC-US diplomacy. But there can be no doubt that the impetus is still there, and the most recent Jenkins visit to Washington was a testimony to that.

EUROPEAN MONETARY SYSTEM

How it works, and will it work?

STEPHEN MILLIGAN, *Brussels correspondent for* The Economist

ON DECEMBER 5 IT LOOKED AS THOUGH THE EUROpean Community was about to split. After nearly 30 hours of intense debate among the Nine's heads of government at the Brussels summit, only six countries agreed to join the new European Monetary System (EMS). Britain, Italy, and Ireland seemed set to stay on the sidelines. Germany's brave Chancellor Helmut Schmidt, who had launched the idea just seven months before, emerged from the Council chamber angry and disappointed. But within a week, two of the three doubters—Italy and Ireland—changed their minds and agreed to join EMS. Only Britain stayed outside, but there were signs that it too might join later.

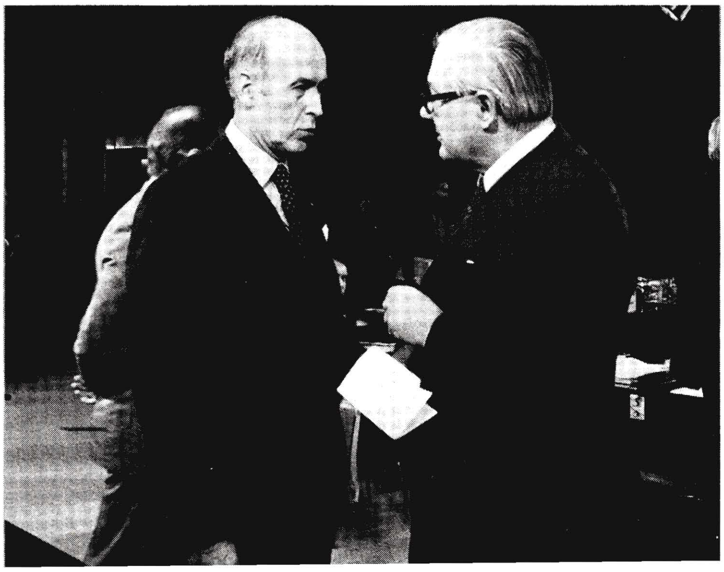
It is clear therefore that the EMS is going to be a major force. But how did it all begin?

The EMS was first launched by Schmidt at the EC summit in Copenhagen last April. At a private after-dinner session in Marienborg Castle, Schmidt unfolded the ideas he had in mind. He explained that the American dollar "would drop like a stone" but for German support, and that he was very worried about its prospects. He suggested that the Europeans should try to take action themselves to help lead the world economy out of the present crisis.

Schmidt argued that the key to world recovery was not German reflation, but currency stability. If we stabilize currency gyrations, argued Schmidt, then industry will start to invest again. He pointed out that a factory in Los Angeles can sell goods to New York without worry about price changes after the deal is signed, but a factory in Frankfurt may have to face a major change in the price negotiated for a sale to Marseilles—simply because the D-mark has moved against the French franc. This fear can deter trade and investment. French President Valéry Giscard d'Estaing backed Schmidt. He noted that both Japan and the United States had grown faster than the Community in the last few years—whereas in the 1960's Europe had done better. He conjectured that this was due to the fact that Japan and the United States do not suffer from the worry of internal currency fluctuations like Europe.

Prior to the December 4-5 summit, French President Valéry Giscard d'Estaing (left) and German Chancellor Helmut Schmidt (right) had already "stitched together" a compromise on the new European Monetary System. UPI

French President Valéry Giscard d'Estaing (left) and British Prime Minister James Callaghan (right), head of the lone non-participating member state by the final tally on EMS.



So Schmidt advocated creating a new "zone of monetary stability" in the Community, later renamed the European Monetary System. He suggested the following moves:

1) The currency "snake" should be enlarged. Since 1972 five EC currencies have been linked together in the snake. The original idea was that all EC currencies should not float by more than 2.5 per cent against each other, so that together they would wriggle up and down in unison against the US dollar and the Japanese yen. However, the British pound, the French franc, and the Italian lira all had to quit the snake because their inflation was too high. Today, the snake only includes Germany and its small neighboring countries—Belgium, Holland, Luxembourg, Denmark, and Norway (even though it is not in the Community).

Schmidt suggested the three weak EC currencies should join the club again. This would then form a basis for a European monetary zone, which might be matched by developing an American and a Far East zone. To make the new animal work better, he suggested:

2) A big credit fund to ensure no one dropped out. All those countries who joined would pool part of their gold and dollar reserves and a chunk of new national currencies. In return European currency units (ECU's) would be issued. The total fund thus created could be as big as 50 billion ECU's—or $65 billion—even bigger than the International Monetary Fund.

3) The new currency, the ECU, would be developed as a reserve asset to help the overstretched dollar. The ECU would be defined as a basket of all the EC currencies—on the same basis as the existing European unit of account (EUA), which is at present just an accounting unit. In future non-Europeans like the Arabs might be encouraged to invest in ECU's, rather than, say, buying European real estate.

4) In the new system banks would try to prop up their currencies not by buying or selling dollars (the main system used in the existing snake) but by buying or selling EC currencies. This would stop any damaging side-effects on the dollar (e.g., in the period leading up to last March's French election, the French tried to prop up their franc, by selling dollars which pushed the dollar down).

"Five weeks before the decisive Brussels summit in Demember (pictured here), all nine heads of government rushed to and fro . . . in an intense period of bilateral diplomacy. . . . The technical preparation had been excellent."

MOST EC LEADERS WERE EXCITED by the Schmidt plan. Belgian Prime Minister Leo Tindemans thought it could be a huge breakthrough in the integration of EC countries. But the three weakest economies—Britain, Italy, and Ireland—all had their doubts. British Prime Minister James Callaghan doubted the very principles of the Schmidt argument. He thought first, that the plan might have a bad effect on the dollar, because it would encourage people to sell dollars and buy ECU's. Second, he feared that, if the pound joined, it would soon become overvalued and this would make British exports more and more uncompetitive. A third reservation was that having a reserve currency created more problems—as the British had with the pound in the 1960's. And finally Callaghan suspected Schmidt's ideas might not be well received by Labour members of Parliament back home.

But Callaghan agreed that some action was needed on the currency front. When he had visited President Jimmy Carter last spring, he had urged currency reform as part of a five-point package for world recovery. So he agreed to take part in further studies on the EMS. Ireland and Italy hestitated for different reasons. They were both excited by the prospects of a leap forward in European integration. But they also felt that they would need extra cash transfers from the richer countries to help them over the first few years of membership when their currencies might become overvalued and their trade balances might go into the red.

At the Bremen EC summit in July, a precise timetable was set for the intense four months of preparation for the Brussels summit on December 4-5, when final details for the EMS would be agreed in time for the launching January 1, 1979, of its first stage.

During the autumn there were long technical arguments. The "non-snakers" like Britain and France wanted to ensure the enlarged snake was different from the old reptile. So they argued that currencies should not be fixed within limits against each other, but against the ECU—against the average of all currencies involved. Why? Because if the German mark started to soar, the mark might hit its ceiling against the ECU even though none of the weak currencies had hit its floor. So the Germans alone would have to take rectifying action, maybe by gently reflating their economy. The Germans would not agree. A compromise was stitched together by Schmidt and Giscard at a meeting in Aachen to ensure that the EMS would have an element of both systems.

The British thought the deal was too like the present snake and they saw no reason to join. Britain, however, did not want to be out in the cold. Callaghan saw that EMS might soon develop into a most important animal, so he asked if Britain could join in all the new plans (like the credit fund, reserve pooling, and the ECU) without formally joining the exchange rate mechanism. The others were reluctant to accept this, but finally agreed, especially when Callaghan announced that he would try to keep the value of the pound close to the EMS currencies and might even join the exchange rate mechanism later.

The other two poorer countries—Italy and Ireland—thought that EMS membership would be a great political advance for Europe and that it might help them break out of the high-inflation/falling-currency circle. They hoped that the "discipline" of a semi-fixed exchange rate would help their countries accept tougher anti-inflation policies. Both countries expected that EMS membership would cause transitional problems, however. Ireland was especially worried because if it joined and Britain stayed out, it would have to end the 150-year link between the British and Irish pounds. Until now both have been kept worth exactly the same. Although Ireland's trade with other EC countries has been growing fast, some 45 per cent of its exports still go to Britain. So both countries asked for a massive "transfer of resources" to help. Their final joint demand was for around $700 million a year.

For five weeks before the decisive Brussels summit in December, all nine heads of government rushed to and fro across the Continent in the most intense period of bilateral diplomacy for at least six years. So when the Nine met in Brussels, everyone assumed that the details of the EMS had been already agreed. In fact, the technical preparation had been excellent. And although the sum-

Demonstrators in Brussels show support for the new EMS.

"It's a case of the rich getting richer and the poorer getting nothing."
© Gurbutt, England

"The godfathers of ECU.*"* © Jusp, *Wir Bruckenbauer*

miteers sat up to 3 a.m. on the first night, no one doubted that success would follow. But on the summit's second day, the crisis broke. Most of the rich countries, led by Germany, were ready to go a long way to meet the demands of the Irish and the Italians. But France refused to agree—partly because one of the proposals was a rise in the EC Regional Fund which had been suggested by the European Parliament. The French President—constantly pestered by Gaullists at home about the growing powers of the European Parliament—refused to agree. In the end, the only transfer offered was $200 million a year in interest rate subsidies. The Italians and the Irish felt humiliated and stalked out.

But both countries asked for a week to consider the situation. At the time it seemed most unlikely that either would join. Back in Rome, however, Prime Minister Giulio Andreotti found that although the Italian Communists were strongly against entry into the EMS, some of the small parties supporting his Government—notably the Republicans—were insisting that Italy should join. So eventually Andreotti decided to take the plunge.

Meanwhile in Ireland, Prime Minister Jack Lynch was put in an even more tricky spot by the Italian decision. Eventually he managed to obtain bilateral promises from some of the richer EC states for extra economic aid on top of what had been offered at the EC summit. And three days after the Italians, he agreed that Ireland too would join—even at the risk of breaking the 150-year link with the British pound.

SOME COMMENTATORS ARGUED that the new system was only an enlarged snake. But the significance of EMS is much more than that. If all goes well, then:

- Many non-EC nations such as Norway, Austria, Switzerland, and Sweden might link their currencies to the system.
- The EMS countries might agree to coordinate intervention with the United States to help the recovery of the dollar. And the linking of the D-mark to the French franc should deter speculators from selling dollars to buy D-marks.
- The ECU would be developed as a reserve asset, which might be bad for the dollar because the Arabs and Japanese might sell dollars to buy ECU's.
- If the EMS does cut inflation and help trade growth, especially in France and Italy, Britain might still join later. And if the world goes into another slump in 1979-80—increasingly probable as the American economy continues to slide—inflation rates would be falling anyway, so that the probable gap in inflation rates between EC states might be narrow, and semi-fixed exchange rates would be easier to sustain.

The EMS is full of risks. A burst of strikes in Italy, a change of government in Bonn, a new run on the dollar—it is easy to think up scenarios to break up the first tenuous step to economic and monetary union (EMU). But the EMS plan also offers hope—both of giving stability as a platform for relaunching growth in Europe and of giving a boost to political integration that could be the platform for a strengthened Community.

These arguments have in any case been accepted by the US Administration. When EC Commission President Roy Jenkins met President Carter in Washington in mid-December, Carter told Jenkins that he no longer had any worries about EMS—and that the project would have the backing of the Carter Administration.

What EMS means for the dollar?

So closely interwoven are the exchange rates of the world's principal trading nations, and so dominant has been and still is the dollar in the monetary order—or disorder—that forms the basis of effective world commerce, it would be impossible and unthinkable for the dollar on the one hand and the new European Monetary System (EMS) on the other to exist and function each in a vacuum of itself. There simply has to be a relationship. But what is it?

It would be possible, of course, to say that it was the weakness of the dollar that began in the summer of 1977 and the apparent unwillingness or inability of the US Administration to do something about it that caused German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing to launch their EMS effort at the EC summit in Copenhagen last April. At the very least it must have been a very important element in their planning.

That, and the conclusion that the Europeans wished to defend themselves against the impact of an unstable dollar, is no more, however, than one strand of a highly intricate connection. Just how complex it is might be indicated by the following (far from complete) listing of more or less official views and statements.

Item: On the morrow of the December 4-5 summit meeting in Brussels, the US Department of State declared officially that "the United States believes that the new European monetary arrangements . . . for closer monetary cooperation within the European Community represent an important step toward the integration of Europe, which we have long supported." Comments in a similar vein came from US Secretary of the Treasury Michael Blumenthal.

Item: At a press conference on the second day of the Brussels meeting, and in reply to the question of how he viewed the prospects for EMS, British Prime Minister James Callaghan said that because of the new stability of the dollar in recent weeks, he was now much more confident about EMS than he had been a few months ago. Callaghan repeated this view when addressing the House of Commons one day later.

Item: On December 7 Schmidt publicly referred to the stability psychology induced by EMS and expressed his conviction that this would not only win through in Western Europe but would ultimately extend to the United States as well.

A couple of additional points might be worth making to throw further light on the dollar-EMS relationship. There is first the undisputed circumstance that in the wake of Copenhagen and Bremen, and in sharp contradistinction to the official laudatory statements, US views on this new EC endeavor have not all nor always been that benevolent. Several times actually, European spokesmen found it necessary to proclaim that the EMS was in no way directed against either the United States or the dollar.

Second, if Callaghan drew some comfort from the dollar's recent greater stability, the Italians did even more so. Prior to the hitch over the transfer of resources it became reliably known that Italy's monetary authorities felt "they could live with" the EMS given the wider fluctuation band allowed to the Italian lira, always provided that the dollar exchange rate would not tumble once again.

EC leaders have stressed that the EMS is entirely in compliance with the rules of the International Monetary Fund (IMF). In its initial stage—which almost certainly will be for an as yet unpredictable number of years—the real (and business) links between it and the dollar will be indirect ones. Thus at this stage the psychological considerations seem the most important.

In world exchange markets the European currency unit (ECU) will not figure alongside—and thus in competition with or as an alternative to—the dollar just yet. Nobody will be able to acquire and pile up ECU's, nor to transfer unwanted dollars into them. For the EMS uses the ECU solely as means to settle outstanding balances between central banks of countries participating in the system. As long as this is so, the ECU cannot become a reserve currency side by side with, or as a potential rival to, the dollar which in reality is the world's primary reserve currency to this day.

This appraisal, though, needs to be qualified in three respects. First, in the event of future exchange rate disturbances similar to those so common throughout 1978, dollars cannot be sold—nor, for that matter, bought—against ECU's. They can, however, as hitherto be exchanged against individual currencies forming part of the ECU, notably the D-mark. Depending on how smoothly and rapidly the various adjustment mechanisms within the EMS function, massive currency operations might cause new strains for the ECU, more particularly if they threatened to push up its overall value. But they might, if successfully dealt with, also contribute to the ECU's further consolidation.

Second, the longer the ECU is "around" and the business world becomes accustomed to it, the more it might be used as a medium and yardstick for a large variety of international transactions—as for instance the issue of bonds, credits, and deposits; the means of settlement between public and semi-public bodies other than just EC central banks; and conceivably even among big multinational companies—for all of which now the dollar is utilized far more than anything else. The development in the past 15 years of various units of account (official ones like special drawing rights and a number of privately computed ones) for such purposes has not been particularly encouraging—acceptance having been slow and halting on the whole. Yet the possibility cannot be ruled out that after a certain lead-in period the ECU might do better.

Third and last, but surely not least, and contingent in no small measure on how far and how fast the ECU establishes itself as a viable symbol on the international scene, it might eventually turn (or be turned) into a limited, but real, dollar alternative. Within the IMF there has been a good deal of talk in recent years about creating a "substitution account" permitting official holders of dollars (that is governments and central banks above all) to exchange them into special drawing rights. Nothing has come of it so far. Nevertheless, a similar arrangement might be considered some day for the ECU. As an example, this could be a useful solution for the Organization of Petroleum Exporting Countries (OPEC)—giving them greater protection against dollar fluctuations.

It need hardly be pointed out that such an operation is surely not for tomorrow—and, furthermore, would presume detailed negotiations between EC and US authorities and would not preclude the continuation of exchange rate speculations by private holders, and thus would not put an end to fluctuations altogether. The day may come, of course, when the ECU would be available to private interests as well, but this appears so very distant right now that it serves no purpose to ponder either it or what this would mean for the dollar.

H. Peter Dreyer, *Brussels-based European news editor for the* Journal of Commerce

Meeting in Washington in mid-November (left to right): President Jimmy Carter; EC Commission Vice President Wilhelm Haferkamp, responsible for external relations; US Special Trade Representative Robert Strauss; EC Director-General of External Relations Sir Roy Denman. © Jack Kightlinger, The White House

MTN poker

Finally putting the cards on the table in Geneva

REGINALD DALE, *European Editor of* The Financial Times

MULTILATERAL TRADE NEGOTIATIONS (MTN's) RARELY hit the headlines. If they do, it is usually only in their closing stages as the participants indulge in last-minute brinkmanship to try to secure themselves a better deal. As the stakes are upped, it is not aiways easy for outsiders to know what is really going on. When the last great international trade negotiation, the Kennedy Round, reached its climax, one major European newspaper headlined its first edition "Kennedy Round on Brink of Failure," just a few hours before announcing the Round's successful conclusions in its later editions.

Now, more than a decade later, the world's leading trading nations were playing out a similar poker game in Geneva as the so-called Tokyo Round approached its deadline. It might, if the course of history had been different, have been called the Nixon Round. But Watergate put an end to that, and in any case both Americans and Europeans thought it a good idea to commit Japanese prestige to a successful outcome.

The Tokyo Round, the seventh major trade negotiation since World War II, lasted more than five years since its official opening in Japan in the autumn of 1973. The vast majority of the world's population has probably never heard of it. But it is vital for the planet's prosperity in the years ahead. The Tokyo Round has been described as the most comprehensive piece of international trade bargaining ever.

The Tokyo Round's predecessors concentrated pri-

At a GATT *meeting last July (left to right): EC Commission Vice President Wilhelm Haferkamp, responsible for external relations; US Special Trade Representative Robert Strauss; Deputy Special Trade Representative and head of the US Tokyo Round delegation Alonzo McDonald.* UPI

marily on reducing tariff barriers to international trade. But in the late 1970's, the world picture changed, and tariffs, or customs duties, are no longer regarded as having such an important influence on trade flows. In the first place, successive earlier negotiations lowered tariffs to the extent that they may have only a marginal effect on prices. Average US and EC industrial tariffs are now both around the 6-to-7 per cent level (against around 10 per cent for Japan). Although the Tokyo Round's aim was to reduce these figures to around 3-to-4 per cent, the impact would be far from immediate. Tariff cuts agreed in Geneva are likely to spread over much of the next decade.

The second major change has been the behavior of exchange rates since the collapse of the fixed but adjustable Bretton Woods monetary system in 1971. The floating exchange rates that have prevailed since then have meant that the effects of tariffs on the price of a country's exports can be canceled out virtually overnight by a decline in the value of its currency. The consequence is that the main participants in Geneva saw nontariff barriers to trade as the principal obstacle to further liberalization, and it is in this area that the major effort of the Tokyo Round was concentrated.

The third change, of course, is the worldwide recession and the reappearance of strong protectionist undercurrents in most of the leading industrialized countries since 1973. The fear in nearly all Western countries is that a Toyko Round failure would allow protectionist lobbies to draw the conclusion that governments have lost their determination to maintain free trade, and it would prove impossible to resist pressures for a return to the beggar-my-neighbor policies of the early 1930's. If that were to happen, virtually all the world's countries, and particularly the developing countries, would be the losers.

But the vital importance of success did not prevent governments from taking risks. The closing months of 1978 saw a long, some thought largely unnecessary, dispute between the United States and the European Community, which at moments looked like ending in disaster for the Round. In mid-December the talks looked more or less back on course; but with the most difficult issues left to the last, plenty of pitfalls remained.

NOR HAD THE CAUSE OF THE EC-US DISPUTE entirely disappeared. The origins of the argument date back to 1974, when the US Congress passed the Trade Act enabling the Administration to negotiate the Tokyo Round. In order to ensure that the talks were completed well in time for ratification, Congress built an incentive into the Act to put pressure on the negotiators. The Trade Act still has a year to run. But Congress decreed that one of its key provisions should expire 12 months earlier on January 3, 1979.

This provision is a waiver clause relieving the Administration of an obligation, also laid down in the Trade Act, to penalize subsidized imports. The Administration is legally required to impose countervailing duties on a wide range of imports as soon as the waiver expires. American calculations, which probably need updating, put the value of trade involved at $700 million. About half is accounted for by Community exports. General Agreement on Tariffs and Trade (GATT) experts say that no more than 3 per cent of total EC exports to the United States would be affected, but agricultural exporters are particularly at risk. Thus 70 per cent of total Danish exports to the United States are at stake. Latin American countries, notably Brazil, are also heavily involved.

When the three main participants—the United States, the European Community, and Japan—agreed on a "memorandum of understanding" on the future course of the negotiations last July, the Community understood that the United States had agreed to get Congress to extend the waiver before recessing in the fall. Congress, however, failed to do so, almost certainly not deliberately. With the new Congress not convening until mid-January, this made it inevitable that the January 3 deadline would pass without Congressional action. The Community promptly told Washington that it would not conclude a final deal "under the threat of a trade war." It was a reaction that came all the more easily in that some member governments, most notably the French, are in any case nervous about further trade liberalization in the present economic climate.

By mid-November, at a high-level meeting in Geneva, the EC Commission had secured what it considered to be satisfactory assurances from US Special Trade Representative Robert Strauss that a trade war would not be allowed to break out in the new year. Countervailing duties, he told EC Commission Vice President Wilhelm Haferkamp might technically have to be applied, but they would not be collected. He also undertook to ask Congress to extend the waiver as soon as it reconvenes.

When this was put to the EC Council of Ministers, however, French Minister for European Affairs Jean-François Deniau fought a vigorous rearguard action. The other governments agreed that the aim should be to "complete" the deal with the United States and Japan by Christmas, but not to "conclude" it until Congress had acted on the waiver. This was rejected by Deniau. Hopes that the French could be brought into line at the Community summit meeting in early December failed to materialize. The nine heads of government spent so long on their planned monetary system that they had no time for serious discussion of the Tokyo Round.

This meant that the talks could still be in jeopardy if the French were to maintain their position. If the waiver issue were not resolved until the spring, and France were to prevent the Community from negotiating a final package

Former President Franklin Roosevelt and Secretary of State Cordell Hull signing one of the Reciprocal Trade Agreements in 1935. © The Bettmann Archive

"Important for every citizen . . ."

SIR ROY DENMAN, *Director-General of External Relations for the EC Commission*

Excerpts from remarks made before the Mid-Atlantic Club in Washington, DC, on November 30, 1978.

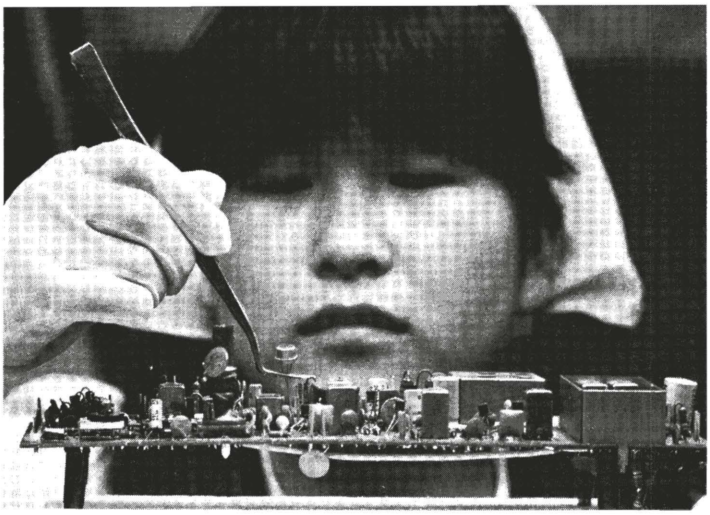
The Multilateral Trade Negotiation (MTN) deals with things like ad valorem conversions and ex post facto transparencies, which no honest citizen need really have heard of. And it deals with trade. As everyone in the United States knows, trade is fine when it means exporting, but imports can often raise hell. So why should the United States worry—as the largest and richest country in the world—about the small proportion of its national wealth that is accounted for by international trade when other countries are incomparably more affected.

But the Tokyo Round *is* important, not just for those who are interested and have some knowledge of foreign affairs, but for every citizen in every town and every farm of the United States.

To begin with a piece of the American past, 44 years ago the Congress passed the Reciprocal Trade Agreements Act. It did so because a great Secretary of State, Cordell Hull, believed that cutting trade barriers—and the world was as full of them then as an autumn wood of leaves—was the best way of avoiding wars and ensuring peace.

With that Act as a basis, the Administration of Franklin Roosevelt, with all the courage of a lonely rider on a dangerous road, started the long haul of cutting trade barriers between nations. They could not stop a war. So in the short run Cordell Hull was wrong. But in the long run he was right. Trade liberalization survived as an idea. It was seized upon in 1944 by the planners of the postwar world and embodied in 1947 in the General Agreement on Tariffs and Trade (GATT)—one of the first fruits of US-European cooperation in the postwar age.

The Tokyo Round is the latest and the biggest of the trade negotiations since 1947—negotiations that opened up the greatest upsurge of prosperity in recorded history.


A young worker mounts transistors into a television unit in a factory near Tokyo. © Paolo Koch, Photo Researchers

till then, time would run desperately short for Congressional ratification before the Trade Act expires. Equally, the waiver itself could pose new problems. Congress is likely to be far more inclined to agree to its extension if it knows that a satisfactory agreement is already more or less in the bag. The EC Commission, however, was still determined to press ahead with negotiations despite France's objections.

French reluctance to accept a major new bout of trade liberalization had a number of reasons. The issue is sensitive domestically, particularly in the light of the Government's new determination to see lame duck industries go to the wall. The French have also long feared that the United States and other major non-EC countries like Australia will use the agricultural part of the negotiations to try to undermine the principles of the Community's common agricultural policy (CAP)—and their suspicions have been further heightened by the obvious relish with which their Community partner, the United Kingdom, would greet such a development. Finally, the two major outstanding American demands in the talks—greater access to the Community for farm products and limits on the Community's industrial and agricultural subsidies—would hit France harder than most other EC members. As the negotiations neared their climax, the hope remained, nonetheless, that France was engaged not in sabotage but in a classic last-minute negotiating ploy to strengthen its bargaining position.

Italy would also be seriously affected if the Community agreed to the full range of American requests for greater farm access. The long list of products for which Washington wanted easier entry are nearly all Mediterranean. The general impression in Geneva had long been that the United States would have to moderate its demands if the Community was to agree to the final package.

WHERE WASHINGTON WAS ADAMANT was in its insistence that the Community must accept greater discipline in the use of subsidies. There had long been considerable argument over what constitutes a subsidy, with the Community strongly resisting an American proposal that an "illustrative list" of questionable practices should be included in the final agreement. This was hardly surprising, given that the draft list submitted by Washington read like a description of many European governments' regional and industrial policies—particularly those of the United Kingdom.

The United States and others, like Australia, did not believe that they could make much of a dent in the Community's internal CAP subsidies in this round of negotiations. They insisted, however, that the Community must agree to exercise restraint on third markets. Subsidies were central to the success or failure of the entire Round, given their link with countervailing duties and thus Congress's willingness to act on the waiver. If the Community made sufficient concessions, the United States said that it would alter its present practice, under which proof of a subsidy is all that is required to trigger American countervailing duties, and fall in line with other GATT countries, which require proof of material injury to domestic industry as well.

Another key issue was how safeguard measures against cheap imports are to be applied in the future. One of the Community's main demands was that it should be possible to apply safeguards selectively against one or more countries, preferably without prior consultation. The United States accepted the principle, although it was strongly opposed to the Community's plan to shoot first and ask questions later, as were the developing countries. The Commission realized that the Community would have to give ground here.

In most other areas of the negotiations, recent months showed steady progress. There was a major setback in November, when negotiation for a new international wheat agreement broke down, but hopes were high that satisfactory new arrangements could be negotiated for world trade in meat and dairy products. New codes of conduct for government procurement, technical standards, and customs valuation were well-advanced. The government procurement code alone could open up trade worth $20 billion a year, according to US estimates. The industrial tariff package, probably bringing tariffs down by 30-to-40 per cent, would not fall into place until the last moment.

Any emerging package, of course, had to be sold to the other participants in what are officially 99-nation negotiations. The developing countries were already protesting that they would be losers, not gainers, from the Tokyo Round. It is not clear what would happen if some countries want to participate only in parts of the agreement. Nevertheless, the developing countries will not be able to ignore the Round's outcome. A senior US official recently summed up the Round's two major achievements as Japan's graduation to full participation in the international trade system and the beginning of a long journey by the developing countries toward the same goal.

The French disagree on virtually everything. With one notable exception.

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Source: Corporate Advertising in France, 1976.

ECONOMIC FORECAST '79

Europe's "locomotive" huffs and puffs

PAUL LEWIS, *European economic correspondent for* The New York Times

WEST EUROPE'S RECESSION-SHOCKED ECONOMIES ARE stumbling into 1979 with their throttles half open, but their brakes half shut.

After two years of bitter wrangling, Germany has finally agreed to boost its sagging economy with a new tax-cut package designed to help pull the rest of the continent out of the recession rut.

Thousands of miles away, Japan is doing likewise. Meanwhile, President Jimmy Carter has started to translate his verbal commitment to a strong dollar and orderly currency markets into the kind of action these require.

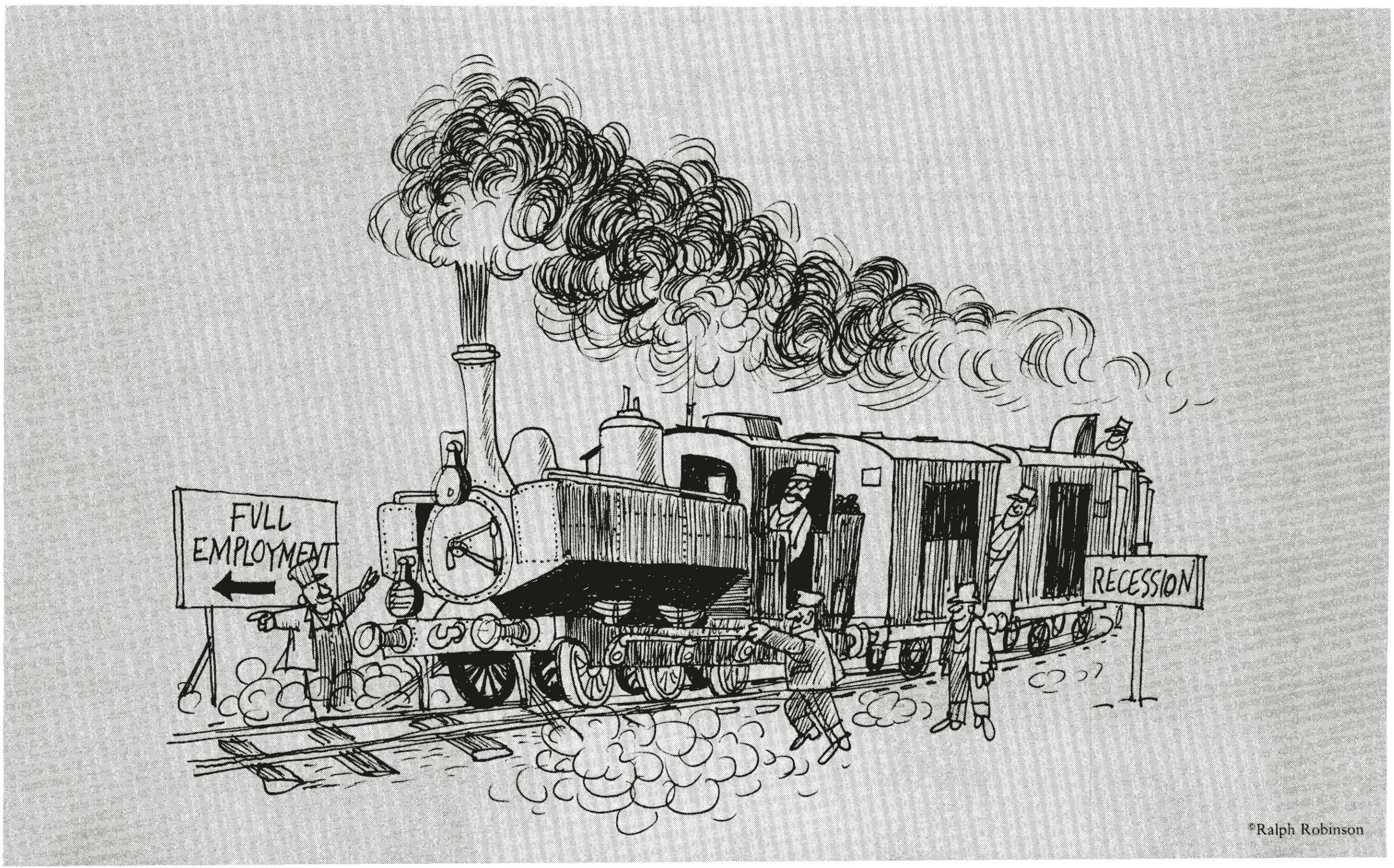
Thus, bit by bit, the so-called "locomotive" strategy for Western economic recovery, popularized by the Organization for Economic Cooperation and Development (OECD) and endorsed by the US and most European governments, is starting to build up a head of steam.

The stronger Western economies are expanding faster, and the peaks are being lopped off their big trading surpluses as they suck in more imports and give less fortunate countries the chance to share their growth. Meanwhile, the US deficit is coming down, and currency markets have taken a quieter turn.

Yet for all the huffing and puffing by the German and Japanese locomotives, the rest of the train is still only moving at a snail's pace toward the promised land of full employment. Someone has left the brake on.

The truth is that Europe's economic difficulties are turning out more complex and intractable than was first realized by adherents of the locomotive strategy, who believed the four-year-old recession would disappear if Germany and Japan grew faster and the US dollar was stabilized.

At every turn, West European governments still find



themselves hemmed in by persistent inflation, changing economic perceptions, and a host of structural constraints that cannot be removed overnight.

As a result, overall economic growth in the Western industrial world is likely to be a shade lower in 1979 than it was last year and well down on the 4-to-4.5 per cent rate needed to reduce Europe's 7-million-long dole lines. If the United States slips into a full scale recession this year under the impact of the Carter Administration's anti-inflation program, as many now fear, prospects for Europe will be more sombre still.

There are three basic reasons why the West European economies are responding only slowly to the prescriptions drawn up for their recovery. The first is simply the persistence everywhere of high rates of inflation despite the big jump in unemployment—which leave governments little room for more stimulative economic policies.

But at the same time, European governments are losing faith in their own ability to boost activity in any durable way by increasing spending, cutting taxes, or adopting any of the Classical expansionist strategies associated with Keynesian economy theory.

Instead, emphasis everywhere is on lowering inflation and promoting stable financial conditions in order to build up business confidence again and promote increased investment. "Governments no longer believe they can spend their way back into full employment," says Britain's Chancellor of the Exchequer Denis Healey, a leading Labour Party exponent of the new conservative-chic in left-wing European economics.

British economist John Maynard Keynes with his bride in London circa 1925. © The Bettmann Archive

In Italy, Portugal, and Spain, for instance, the full range of political parties have joined hands to support inflation-killing austerity policies tailored by the International Monetary Fund, despite extremely high levels of unemployment.

Meanwhile, the Jeremiahs who predicted the prolonged economic slowdown would bring Europe's Communist parties into power appear mistaken. "Unemployment is the dog that didn't bark and Eurocommunism is last year's story," comments one official at the EC Commission in Brussels.

EUROPE'S UNRESOLVED STRUGGLE against inflation is not the only explanation for lackluster growth prospects. A very different but no less important factor is the tendency of European governments to subsidize and protect obsolete industries, like shipbuilding, textiles, and steel, in order to preserve employment.

In the abstract, European governments are all aware of the long-term trend for such labor intensive industries to move towards the developing countries and of the necessity of developing new, high-technology ones in their place.

But the adjustment involved is politically painful. Too often governments fall into the temptation of subsidizing and protecting them, even though this preserves inefficiency and penalizes the more modern sectors of the economy by restricting the growth of world trade.

All these factors behind Europe's continuing economic difficulties—high inflation, cautious government policies, and outdated industries—can be found in varying degrees and combinations in the individual EC member countries as they enter 1979.

This generally conservative bias to European economic policy is likely to be reinforced in the year ahead by the Community's new monetary union plans.

As the member states try again to link up their currencies in a new "zone of monetary stability," they are fully aware that the success of the enterprise must depend on the weaker countries' gradually reducing their inflation rates down to Germany's low level.

Thus, once again, the emphasis in European economic policy is likely to be on stabilization, not reflation, during the year ahead.

In **Germany**, 1979 promises to be the year which shows that conservative domestic policies and low inflation are indeed the key to economic recovery in today's shell-shocked climate. The Government's Council of Economic Advisor's, known as the "Three Wise Men," predict in their latest forecast that Germany's economic growth rate will rise from a shade under 3 per cent in 1978 to around 4 per cent this year.

While the new expansionary package plays a part in this upswing, the Three Wise Men are convinced that the critical factor is the improvement in business confidence brought on by the success of the Government's anti-inflation effort. "The inherent forces of recovery in the economy are stronger and the prospects for the success of stimulatory policies therefore better than past years," they conclude.

Already, the Government's hands-off approach to industry has encouraged German business to adapt better than any other in Europe to the changing balance of competitive forces in the world. Thanks to a 3 per cent annual increase in productivity, the strong D-mark has meant lower imported raw material prices for German manufacturers, rather than uncompetitive selling prices on foreign markets.

So far the trade unions have kept their wage demands to what the economy can afford. But the German steel strike at the turn of the year is a worrying reminder that German unions are becoming more militant. And this militancy could increase if inflation edges up a bit, as a result of the big inflow of foreign money.

Currently the Three Wise Men see inflation rising from a shade over 2 per cent to about 3 per cent this year. But some private forecasters think 3.5 per cent or even 4 per cent a possibility, unless the independent Bundesbank tightens the monetary screws severely, with consequent risks for recovery.

For **France,** 1979 will probably be a decisive year for Prime Minister Raymond Barre's efforts to import a little of Germany's economic discipline and respect for market forces.

French unemployment is currently at a record 1.4 million and will probably edge higher still, while inflation is running at 10 per cent. The Government has deliberately engineered both developments by its new policy of reducing subsidies to bankrupt firms and ending price controls.

If, as is hoped, 1979 sees some slight upturn in industrial investment and a slowing down of inflation to around 8 per cent, the French Government will certainly claim that the sacrifices it demanded last year are starting to bear fruit as the economy grows stronger.

But Prime Minister Barre's campaign to modernize the French economy by increasing competition and forcing

Youth protesting in Brussels last November . . . contrasted with unemployed workers during the Depression queuing for food rations in Times Square, New York. © The Bettmann Archive

businessmen to stand on their own feet is a politically delicate one. A setback on growth or inflation this year could put the whole strategy at risk.

For **Britain,** 1979 is an election year, that could see political power pass to Margaret Thatcher's Conservatives, who are committed, like Prime Minister Barre in France, to giving the country a stiff dose of German medicine.

But the winning party, whichever it may be, will have to face a gloomy outlook. Economic growth may well spurt ahead in the early months of 1979, but it will be

OPEC Impact

Commenting on OPEC's latest price increase, EC Energy Commissioner Guido Brunner in Brussels on December 18 said:

"The rise in oil prices is not justified by market conditions and is bound to place new burdens upon us at a critical phase of our economic recovery.

"First estimates suggest the price rise will over a year add about $5 billion to the Community's oil bill. This will make it more difficult to fight inflation and unemployment. The one positive point is that the price rise is to be made by installments.

"It would have been more reasonable to have waited for the economic and energy measures recently taken in the United States and by the European Community in creating the European Monetary System to have taken effect.

"We have to conclude that the Community must now pursue its efforts towards energy saving and the development of domestic energy sources with even more vigor."

Whatever might appear as "undue optimism" in Paul Lewis's economic forecasts should perhaps be attributed to the fact that the article was written before the OPEC price announcement.

thanks to a wage explosion the economy cannot afford and which will herald higher inflation and a slowdown in 1980.

Recent forecasts by the British Treasury and the independent National Economic Institute both suggest that economic growth will remain dismally low for several years to come and that unemployment will continue to climb.

One reason, of course, why the Government cannot afford reflationary action is that inflation, while much lower than it was, still remains dangerously near the upper end of the European scale at around 8 per cent a year.

But another constraint on British growth is the weakness of its industrial sector—which means that a faster rate of economic activity just pulls in more foreign imports and quickly pushes the balance of payments into the red, despite the country's sizeable income from its North Sea oil finds.

This dilemma has encouraged the trade unions and the political left generally, with support from the so-called New Cambridge school of economists, to argue that Britain is now becoming trapped in a process of what they term "de-industrialization."

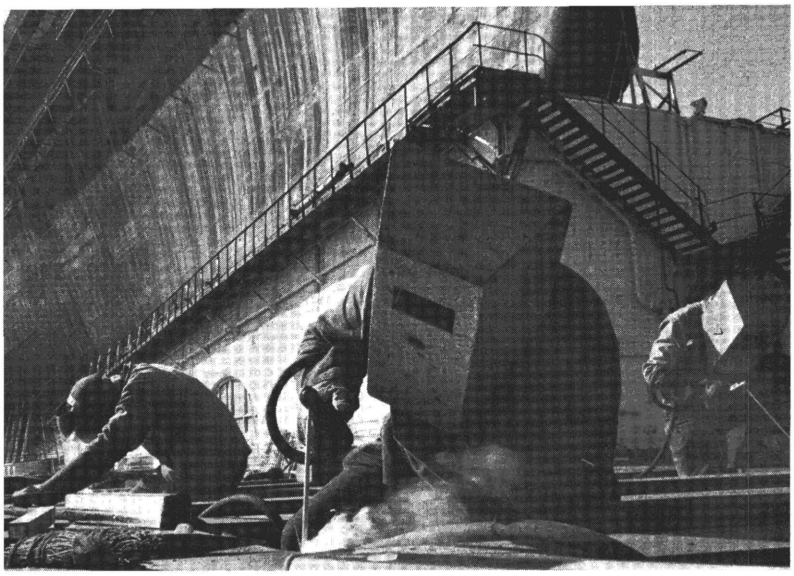
The only way in their view to rebuild the country's industrial strength is by reflating the economy behind import barriers. For the rest of Europe, one of the most important questions about Britain in the year ahead will be whether it gives in to the blandishments of the New Cambridge economists and embraces protectionism—thus setting an ominous precedent for everyone else.

For **Italy,** 1979 is likely to be the year when the willingness of politicians to actually carry out the economic reforms they are committed to in theory will be put to a decisive test.

In the last couple of years Italy has made considerable economic progress reducing a sky-high inflation rate of over 24 per cent a year to under 13 per cent and pushing its external accounts into comfortable surpluses.

Now the minority Giulio Andreotti Government has put its name to a three-year program of fundamental economic reform designed to reduce a soaring budget deficit and lay the foundations for stronger economic growth. For while the Government is eating up 16 per cent of the gross national product as at present, there is little room for reflation.

In theory, all political parties agree on the need for fundamental economic reforms. The country cannot af-



European governments, to preserve employment, have a tendency "to subsidize and protect obsolete industries, like shipbuilding, textiles, and steel." © Marc Riboud, Magnum

© René Burri, Magnum

© René Burri, Magnum

ford to pour vast quantities of public money into loss-making nationalized industries. It must have an efficient taxation system. And something will have to be done about the scandalous proliferation of government pensions.

In past, such reforms have been easier to agree on than to implement. But this year the moment of truth is coming. Up to now, the Communists and the Socialists have tended to advocate reform in theory while stopping it in practice in the name of social justice. After all, reducing state subsidies will increase unemployment and curbing pension abuse hurts the old.

But if they do not cooperate this year in tackling Italy's fundamental economic problems and the country starts slipping back in the morass again, the parties of the left will have little to show for their decision to support the present minority Christian Democrat Government.

FOR EUROPE'S SMALLER COUNTRIES, 1979 also promises to be a year of slow and often painful economic adjustment as they struggle to adapt old industries, reduce inflation, and throw off large payment deficits. But since most of their economies are highly dependent on industrial exports to the larger European countries, there is little any of them can do to boost growth in the absence of a broader-based upswing.

Belgium, for example, which sends a quarter of its exports to Germany, is a clear case in point. It has made good progress in reducing inflation, which is now down to 4 per cent a year, helped by membership in the European currency "snake" that keeps the Belgian franc tied to the German mark.

But its unemployment rate is among the highest in the European Community at 8.2 per cent. And with a growth rate of barely 3 per cent expected in 1979, there is little chance of reducing it.

The Netherlands also has made good progress in the fight against inflation, again helped by its membership in the currency snake. But here, too, the outlook is somewhat gloomy, though for a rather different reason.

Holland's natural gas supplies, the basis of its recent prosperity, are starting to run out. As a result it must consume less and export more in order to compensate for the loss of revenue from gas sales abroad. At the same time, living standards will be further constrained by the need to increase investment in new industries to take over from natural gas as big export earners.

In southern Europe, Greece, Portugal, and Spain, all now democracies, are struggling to prepare their economies for the ardous journey that will eventually lead to membership in the European Community.

In Spain, the critical question is whether all the political parties will agree to renew the year-old emergency measure called the Moncloa Pact, under which they pledge support for an austerity program that it is starting to correct the worst imbalances in the economy.

In Portugal, the big question is whether a government can be found that is stable and strong enough to carry on with a very similar austerity program that is also only just starting to produce results.

The year 1979 is likely to be an important, even a critical, one for many of Europe's economies, struggling to find the basis for recovery from the three-year-old recession. But nowhere is it likely to be comfortable.

United Kingdom | MEMBER STATE REPORT

DAVID BELL, *news editor of the international edition of* The Financial Times

BRITAIN IS A LITTLE LIKE NEW YORK CITY. PEOPLE are always talking about it in the past tense. But when you go there, you find it is surprisingly alive and rather better than you thought. An American friend leaving Britain after a two-year stay delivered this verdict last month, and it comes close to catching the current mood of Britain. On an individual level Britain remains, according to every poll, the most contented of Europe's large countries. Despite years of wage restraint, sterling crises, and strikes, the average Briton is quite remarkably content with his lot.

Yet at the level of national politics, the picture is quite different. The political system is all but paralyzed. Parliament, the celebrated "engine" of British democracy, is regarded by many millions of Britons as a charade. While more and more power is concentrated in the hands of the executive, there has been no real attempt to subject that executive to the kind of scrutiny that is taken for granted in the United States and Germany.

And the central issue—how to run the economy and how to balance state and private capital—seems as far from a solution as ever. The rest of this winter promises to be punctuated by more of the industrial strife that has come to be associated with Britain these past 10 years. For, without political agreement on economic policy, there can be no agreement on how to keep wages under control or on how to balance the interests of richer and poorer groups within the country.

Unlike France or Italy, Britain has no real Communist Party. But it might be easier if it had. The Labour Party has managed to embrace the full spectrum of left-wing opinion, but only at the cost of always postponing a real debate about how the economy should be run. This lack of agreement at the heart of national politics, with the left still anxious for a major once-and-for-all extension of state control over industry and banking, has had its effect also on the way in which Britain behaves as a member of the European Community.

For perfectly consistent reasons, the left wants no part of a European Community which might block such a change. Such a Community might, for instance, prevent the erection of tariff walls behind which, the left believes, Britain should restructure its industry. That Britain's industry does need restructuring is not in question. What is in dispute is the way to do it, a dispute that also harks back to the central issue of economic policy.

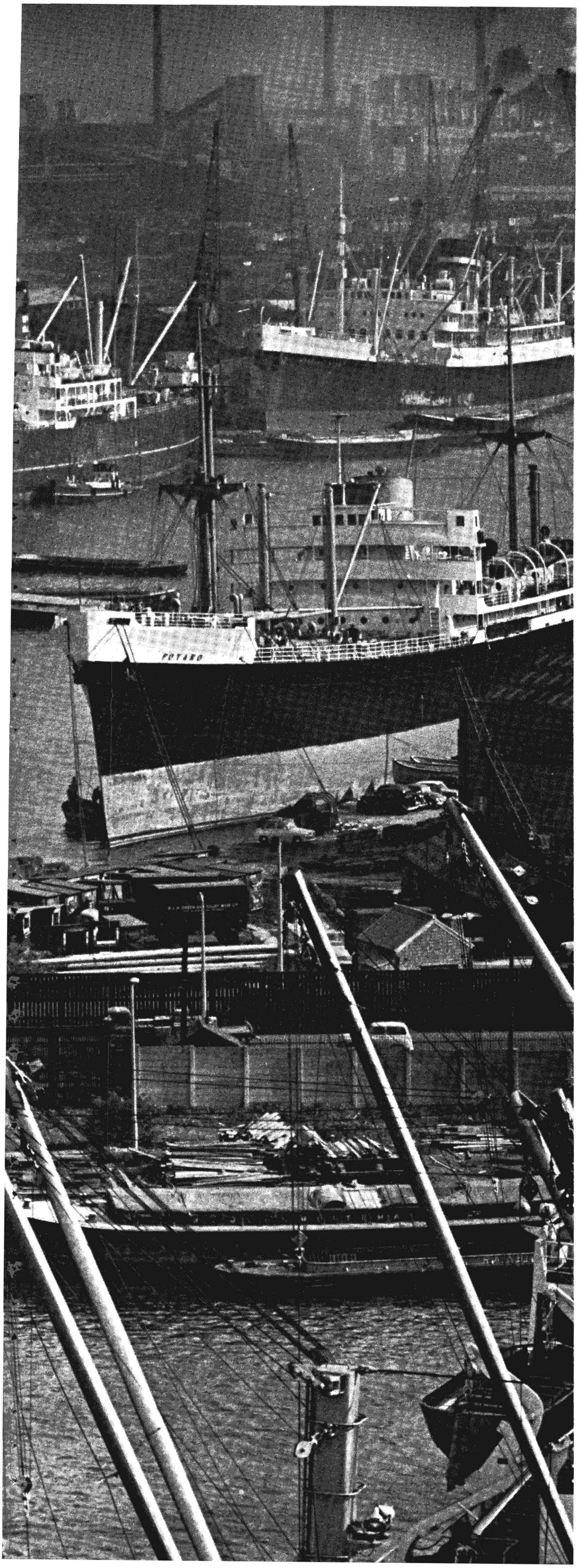
As the creator of the industrial revolution, Britain is now paying the penalty of being first. Industries like steel, shipbuilding, and textiles need massive reorganization. Thousands upon thousands of jobs have to be eliminated. But this imposes an immense strain on an immobile society like Britain, where people would rather stay unemployed where they are than go somewhere else in search of a job. In fact Britain's problems with steel and shipbuilding are not noticeably worse than those of France. But the British economy is not growing nearly as fast as the French, so the extra wealth that might ease the transition is not being created. Without it the transition is all the harder.

The failure of Britain to create more wealth at the same rate as its partners in Europe—Germany and France in particular—has a host of reasons. Among the most important is the failure of British industry to be properly productive, the responsibility of both unions and management.

But there has also been a failure to invest, a failure that is a direct consequence of the lack of agreement about economic policy. Constant changes in industrial policy, in economic policy, in taxation policy, all make it very difficult for even the most patriotic British industrialist to see beyond the end of the year ahead.

All of this is more or less well-known in Britain. It has been the underlying issue at every general election for the past 20 years. Since agreement seems as far off as ever, it is perhaps not surprising that many millions of citizens have politely tuned themselves out. Hence the extraordinary level of personal contentment expressed in polls that also show a large measure of despair about Britain's future. For Britain is a tired country that has had to absorb an enormous amount of change in what, historically, is a very short period of time.

No matter that economists can show convincingly that



The international trading patterns of the British Isles have increasingly shifted from the former colonies to the rest of Europe. © George Rodger, Magnum

the present economic difficulties date from the 1880's. They were not really apparent to most Britons until much more recently. And recognition of them has coincided with the end of the Empire, the winding down of Britain's world role, and the emergence of European rivals who in 20 years have outstripped Britain.

In this context the wish to emulate Scarlett O'Hara and "think about it tomorrow" is understandable. It may also account for the fact that artistically Britain is going through one of the most creative periods in its history. The London theater continues to sparkle; London is the acknowledged musical capital of the world; more books are published in Britain each year than in the United States, and so on and so on. Perhaps a natural desire to excel at something has to find an outlet somewhere.

More important still, the mass media are far more critical of the society they serve than their counterparts anywhere in Europe or in the United States. Television has faithfully presented Britain to itself as it really is. In the process it may inadvertently have made the problems worse. But that is a fair price to pay for such high-quality programming.

Television has also accentuated the feeling of individual powerlessness that is so marked in Britain in contrast to the United States. Confronted with a political center that is soft and ineffective—Parliament—most Britons are well aware that the Cabinet and the Civil Service effectively run the country. Yet the official British preoccupation with secrecy—allied to a paternalistic smugness that it is better to reveal decisions only after they have been taken—has had the effect of freezing individuals out of the decision-making process.

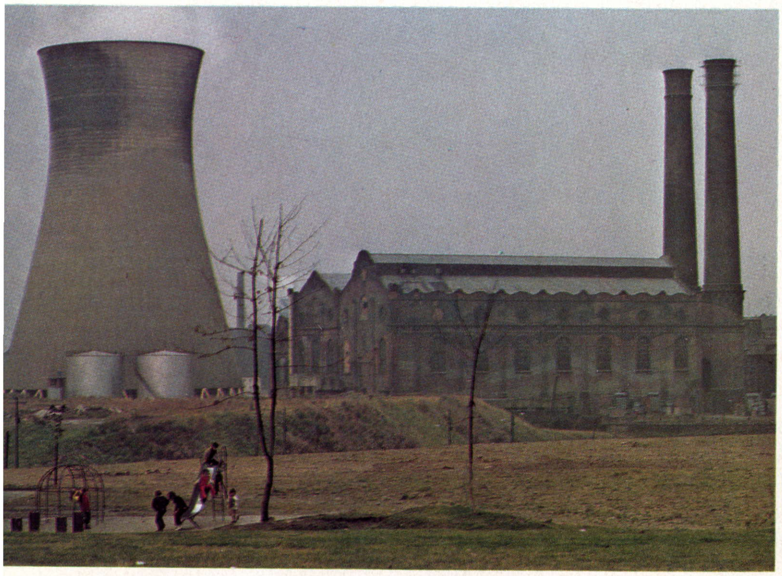
Worse still, in Parliament itself individual members have next to no chance of altering policy before it is made and not much after it has been made. In the place of real analysis of options—particularly economic options—there is the endless debate often late into the night. These debates were once described as the political equivalent of shutting the stable door after the horse has bolted.

Where, then, does the personal satisfaction come from? The short answer is that Britain has actually been more successful since the war than some of its critics are prepared to grant. Most Britons are now well-housed, have cars and household appliances, and can afford some kind of vacation. That was not the case before the war. Despite the continuing verbal violence between union and employer and between left and right, Britain remains a peaceful society where the level of violence on the streets is still, comparatively, very low.

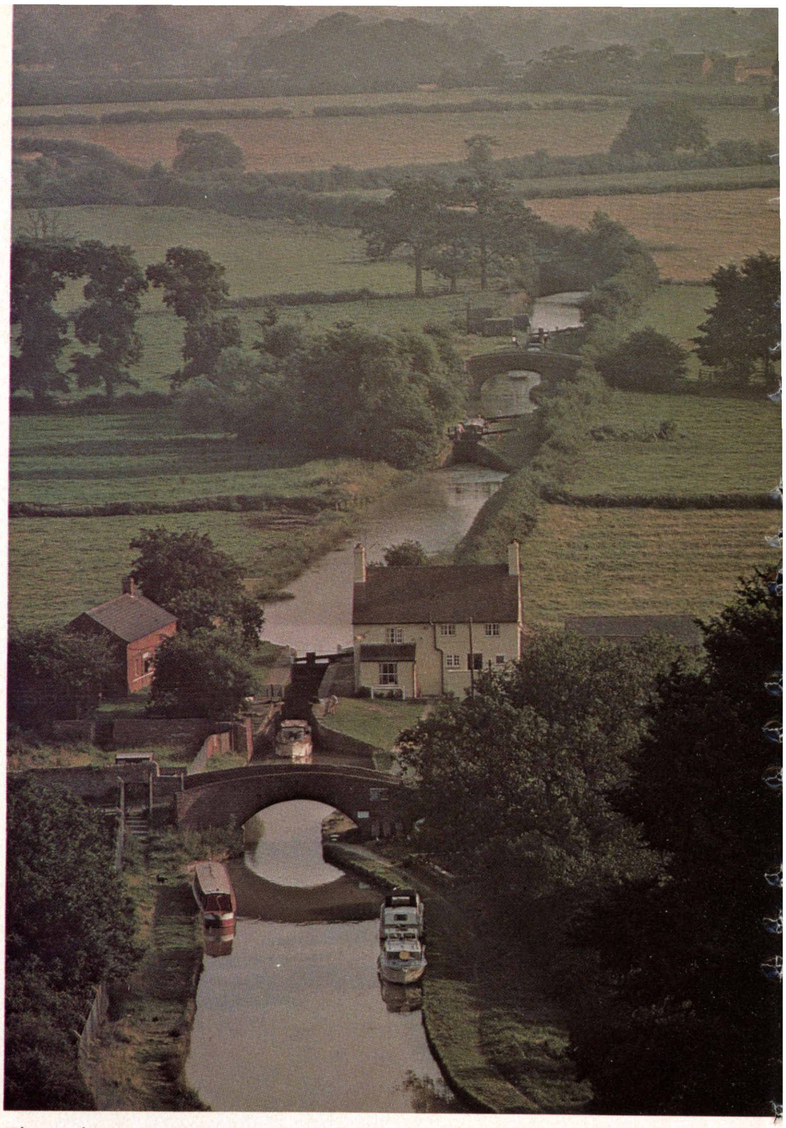
It is also a compassionate society with a free national health service that has immeasurably improved the health of the whole population and is free of the kind of corruption that has bedeviled the US medicare system. And Britain has more Nobel prize winners per head of population than any other nation.

Yet there is a palpable feeling in Britain that things, even on this level, are changing for the worse. Money to finance the health service is more difficult to find; British social services are no longer superior to those in France and Germany. Even the level of violence is on the rise, and the state education system is in grave trouble.

What perplexes those who view Britain from outside is, more than anything else, the apparent inability to come to terms with the twin issues of the failing political system and the lack of agreement about the economy. With



A nuclear power station at Glasgow, Scotland. © H. W. Silvester, Photo Researchers



The Oxford Canal at Napton, England. © Linda Bartlett, Photo Researchers

Tudor and Victorian buildings in Chester, England. © Linda Bartlett, Photo Researchers

Mining in Cornwall, England. © Tony Ray Jones, Magnum

North Sea oil removing some of the pressure on the pound, and providing an "unearned cushion" for at least a few years, now would surely be the time to start trying to forge some kind of consensus both about political reform and about economic policy.

But none is on the horizon. Political reform, even the need for it, scarcely figures in the political platforms of either major party. There is not even agreement between Labour and Conservative about the need for some kind of continuing control over wages and prices.

Until this logjam breaks, there will almost certainly continue to be two Britains—one private, the other public. The private one will go on with its affairs happily enough. The public one will be lurching from crisis to crisis—singlemindedly evading the key issues that it ought to confront. Britain will thus remain at once a marvelous and a deeply frustrating country in which to live. Like New York, it will always muddle through and be more alive at close quarters than it seems at a distance. The present tragedy is that it could be more.

Whitby, the birthplace of Captain Cook. © Gordon Gahan, Photo Researchers

In the Community

"Since the 1950's Britain has missed every possible European train that it could not prevent from putting on the tracks and then tried every trick in the book to derail it or at least to switch it to a more convenient sideline."

With these scathing words Luxembourg Prime Minister Gaston Thorn in November echoed the feelings of many other senior politicians and officials inside the European Community about the behavior of Britain. One high Dutch official has since remarked that the best thing the Community could do with the United Kingdom is to throw it out once and for all.

True to form, in the opinion of such critics, Britain managed to get the worst of all worlds in the debate about the new European Monetary System (EMS) that came into effect in a limited form at the start of this year. The British Government equivocated for as long as it could, sought to alter the basis on which the system was conceived, tried to persuade other countries to do the same, and finally endeavored to get all the advantages of being in, but none of the disadvantages. To these critics, British policy has gone beyond being a mere irritant and has become a major—perhaps even the major—stumbling block in the way of the further development of the Community. Albion, in short, is being as perfidious as ever.

There is a good measure of truth in these criticisms. Strong British supporters of the Community, who were heartened when the country voted overwhelmingly to stay in the Market in 1975, have been almost continuously depressed since then by Britain's obsession with its own view of what should be done on a whole range of issues from fish to the weight of large trucks.

Yet there is another side to the story. It may seem a long way from a British fish-and-chip shop to the Commission that runs the Community in Brussels, but many millions of Britons see what nearly happened to their national dish as a symbol of the Community and profoundly object to what they think they see. It all revolved around the unlikely question of whether malt or wine vinegar should be poured onto chips. Traditional fish-and-chip eaters liked to douse their chips with malt vinegar (to the unceasing amazement of other Europeans). But it was reported from Brussels that, in order to reduce its wine surplus, the Community was going to insist that from now on wine vinegar should be used.

Uproar ensued. No matter that the Commission quickly denied it had ever had such a plan in mind. In the British mind the vinegar issue was the latest in a series that began when the Commission tried to stop the sale of fresh chickens (saying they might be unhygienic) and was reported to be trying to stop the daily delivery of milk by milkmen. In the public mind these kinds of issues are what the Community is about. There has come to be a vague sense of unease about the way it operates, a feeling that it is too bureaucratic, overly rigid and inflexible, and above all "foreign."

The Community has also—quite

Former British Prime Minister Edward Heath (center) at the opening ceremonies for the Community's enlargement in 1973.

unfairly—been blamed for the rise in food prices in Britain that began about the time that the United Kingdom entered the Common Market. In fact, although the Community's common agricultural policy (CAP) does deserve some of the blame for these increases, it was far from the only factor to cause them.

The huge surpluses of butter, cheese, and meat that are from time to time created by the CAP are bitterly criticized in Britain. The CAP is, of course, designed to assure steady production by ensuring adequate prices. Keeping surplus produce off the market is an essential part of that. But, unlike its partners, Britain has been used to getting cheap food from New Zealand and elsewhere. The idea of butter being kept off the market to keep prices up is anathema to many British politicians, particularly those on the left. Indeed the whole policy is disliked in Britain, not least because Britain's highly efficient farmers benefit from it much less than their counterparts across the Channel.

Meanwhile, British politicians have been arguing that the United Kingdom is having to pay far too large a share of the EC budget (some 19 per cent net by 1982, they say) because Britain does not get the substantial aid that goes to farmers in, say, France. It is an arcane debate and it is by no means clear that British politicians are right. The Danes, for one, say that their analysis points in exactly the opposite direction, and that in 1980 net UK payments to the EC budget will be one-third of what the British Government calculates them to be.

Politically, much of the opposition goes back to the fact that the left wing of the Labour Party in particular never wanted the United Kingdom to go into the Community. Despite the 1975 referendum, the left still hopes for the day when Britain leaves. It therefore scarcely cares if Britain is unpopular in Brussels. This poses a severe problem for the Labour Government, whose fragile position in Parliament means that it cannot afford to alienate the left-wing bloc in the party. The current British Government is thus forever seeking to placate its left wing—perhaps the main reason why Britain, time and again, objects to proposals in Brussels.

The left-wing argument is that the United Kingdom should be able to find its own socialist solutions to its deep problems. It argues that the EMS is a deliberate German attempt to stop the rise of the D-mark because it is threatening German exports. At the same time, so this argument runs, it will force Britain to deflate, increase unemployment, and make it still easier for Britain's more efficient European partners to pour their goods into the United Kingdom market.

The coming year is unlikely to see any resolution of this issue. Britain is likely to remain split about the Community and to be as obstructive as ever. Even a Conservative government would be unlikely to be much more conciliatory, at least to start with. Yet it is probable that Britain, faced with the threat of real expulsion, would actually try to behave a little better. Even on the left hopes are pinned on the new elected European Parliament, where, at last, European members of Parliament may be able to "bring the Brussels Commission to heel." This Parliament, which is due to be elected for the first time this year, could revolutionize the political dimensions of the Community in the years ahead. It may provide a suitable safety valve for the British left. But it will not be enough to still its criticism.

"Ideally, what I'd like if we could have got it, is just simply social *membership in the European Community."* © Langdon, *Punch*

Politics

Last fall James Callaghan, Britain's wily Prime Minister, took the riskiest political gamble of his long career.

Despite months of speculation that he would hold an election in October, which he did nothing to discourage, he refused to dissolve Parliament. He has since patched together a coalition of Scottish Nationalist and Northern Irish Members of Parliament which may see him through the winter. Outfoxed, his Conservative opposition is still behaving as if it has been caught, as it was, on the wrong foot.

But despite Callaghan's steady showing in the polls, it is far too early to say how the gamble will turn out. A hard winter of industrial unrest is in prospect, largely because, in the pre-election atmosphere of September, Callaghan committed himself to holding wages to a 5 per cent rate of increase. At that time Britain's powerful unions were prepared to smother their objections in order to help get the Labour Party voted back in at the polls. Without an election to concentrate their minds, the real frustration about pay—after four years of controls—has bubbled over.

The risk for Callaghan is that he has sold himself to the British people as the man who can come to terms with the unions and steer the country away from the miserable confrontations of the early 1970's. But he has also portrayed himself as the man who has brought the British inflation rate from an annual 27 per cent in 1976 to about 8 per cent (or better than the United States) by the end of 1978. All the polls show that keeping it at this level is the principal concern of most voters, and they also show some confidence in Callaghan's ability to do it.

In fact, however, the unions are no longer in the mood to heed his call for a 5 per cent ceiling. Without a fresh mandate, which he might have won in October, he may find it difficult to "face the unions down." So if the 5 per cent policy does collapse, Callaghan's credibility may collapse with it. The resurgence of the double digit inflation that would likely ensue would rapidly erode his lead in the polls.

Fortunately for Callaghan his opposition is currently unimaginative and inept. Convinced that there would be an October election, Margaret Thatcher, the Conservative leader, geared herself to a fall performance peak. Without an election—and confronted by a Labour Government that has the votes to survive the winter in Parliament—she has had to rethink her tactics. Her own party is split on the key issue of wage controls, and her own credibility has been damaged by her somewhat naive insistence that Britain does not need some kind of wage controls or at least a voluntary agreement on a pay ceiling.

Better still for Callaghan, the case for a long-term incomes policy (like, say, the one in Holland) has been put to great effect by Edward Heath, the former Conservative Prime Minister. To the enormous embarrassment of Thatcher, many polls suggested that were Heath still leader of the Conservative party it would long since have outstripped the Labour Party.

The small Liberal Party, which for a time had a pact with Callaghan, is now once again out on its own. But it is currently much less of a threat to him than it was in 1974, partly because of its cooperation with the Labour Party. Hopes that it might prove the catalyst that would alter the shape of British politics are likely to remain unrealized.

Meanwhile, Callaghan has outflanked the Conservatives over the granting of power to the regions, particularly to a Scottish Assembly. For a time it looked as if Scottish nationalism would sweep the Labour Party out of the seats it holds in Scotland just as it had done in many Scottish Conservative seats. That threat is now far less serious. Labour has pulled back in Scotland. Its grudging agreement on the setting up of a Scottish Assembly has dented the Scottish Nationalist Party, which is now losing popularity. Conservative opposition to the idea of an assembly at all has, at the same time, badly affected the party's standing among many Scots.

Yet, however good all this may seem for Callaghan, it should not be allowed to mask the fact that the central dilemma in British politics remains unresolved. There continues to be no agreement about the right mix of private and state capital in the economy. There is still no acceptance of the idea of permanent wage guidelines. There is not really even a consensus about the place private enterprise should have in the system—a consensus that is, in contrast, very much present in Germany or the United States.

On these grounds alone Callaghan can scarcely be said to be a sure bet to win the next elections, which must, under Britain's unwritten constitution, be held by the fall of 1979. Indeed, what preoccupies many political observers in Britain is the sense that whoever wins the election, there is a need for real, fundamental change. But there is little optimism that it is on the horizon.

Trade Unions

In the past 15 years the British trade unions have moved to the center of the national stage. Their power to influence government policy is certainly much greater than that of their counterparts in the United States and probably greater than those in any other West European country. Yet the power of the Trades Union Congress, the rough equivalent of the AFL-CIO, is itself circumscribed. The national trade

The striking coal-miners pictured here have a powerful union, while others have weak organization—resulting in "the steady fragmentation of the British labor movement." © Mark Godfrey, Magnum

union leadership cannot take for granted that its wishes will be obeyed by rank-and-file members.

Individual unions now also face a particular problem with small groups of members who disobey instructions and stage unofficial strikes. In fact the wildcat strike has become in many ways the symbol of the power, but also the powerlessness, of Britain's unions. The sudden stoppage—often in breach of an established contract—is a peculiarly British phenomenon. From the auto industry to the newspaper industry it can play havoc with production schedules and company profits.

Yet on some occasions the strikers are as much in dispute with their own union as with their employer. Unlike Germany, where each industry has one union to represent its workers, Britain has a multiplicity of unions—over 150 in all. (In the main Ford plant in the United Kingdom, for example, the management has to deal with 20 different unions.) Inevitably there are inter-union disputes about who should do which job. Years of Government-imposed pay policy have compressed the "differential" between skilled and semi-skilled labor, with the result that skilled men are determined to restore their position ahead of their unskilled colleagues.

The result of all this has been the steady fragmentation of the British labor movement. Powerful unions—like the miners who brought down the last Conservative Government in 1974—are on one side. Weak unions—like the post office workers—are without the clout to win large pay deals. The resulting tension within the labor movement is considerable.

At the same time there is a division between the private sector, which can often afford to pay above what the Government decrees as a "right" figure, and the huge public sector, which is itself controlled by the Government. In Britain, after all, the coal, gas, and electricity industries are state-owned. Wage rates for garbage collectors, firemen, and all municipal or county employees are settled nationally. Thus a very large body of workers quickly finds itself in collision with the Government over pay once a year.

A combination of all these factors and more has prevented organized labor as a whole from ever agreeing—as has been done, for example, in Holland—to permanent wage guidelines centered on a percentage rise in wages agreed annually among management, government, and unions.

British unions still yearn for "free collective bargaining." Yet here, too, there has been a paradox. Since 1975 the British unions have actually cooperated with the Government and have persuaded their members to accept a 5 per cent cut in their real standard of living. This has had the salutary effect on the inflation rate but has compounded all the frustration described above—frustrations that have once again burst into the open this winter.

If the unions have failed to persuade their members of the need for a permanent division of the national cake, they have also been very backward in pressing such issues as the size of pensions, holidays, and improvements in working conditions. This is partly because many of Britain's older union leaders still see their job in terms of the "class struggle" and favor a great extension of state control. Therefore they reject the idea that they might in any sense be in partnership with management. Confrontation is essentially taken for granted. This leadership is currently changing, but its ideology remains remarkably static.

Of course much of the blame for this rests with British management, which since the war has all too often been arrogant and smug when dealing with its work force. And it is obviously true that class resentments have added to the tension between employers and employees.

Finally, the Conservative Government of the early 1970's itself contributed to the revival of militant trade unionism because of Conservative attempts both to slim down the number of unions and to make unions accountable in law if they broke contracts. The relatively modest measures proposed by the Conservatives were taken as a declaration of war on organized labor. It united the unions, which, eventually won, and in the process it revived many of the class antagonisms that were buried by the steady increase in prosperity during the 1950's and 1960's.

Since then, inflation has accentuated these divisions still further, and there are no signs that the situation is any nearer a solution. Britain's powerful unions therefore remain uniquely strong, and the problem of reintegrating them into British society remains critical if Britain is to succeed in revivifying its industry in the year ahead.

Financial Center

The City of London, the square mile financial district in the lee of St. Paul's Cathedral, continues to be the most important world financial center despite repeated predictions that by now it would have lost its preeminence. Nearly 300 foreign banks now have offices in the City. It has made itself the center of the world's Eurocurrency operations. It continues to be the insurance capital of the world. Its commodity and foreign exchange markets are as important as those in Chicago or Tokyo.

It has been a remarkable feat on the part of the British financial community because London has kept its position at the heart of the world financial system long after Britain ceased, as a nation, itself to play the key role it once had—the reason London became the center in the first place. London's position at the top of the financial pyramid has, of course, been immensely good for Britain's balance of payments. Last year, for example, the City earned some $3.4 billion, with insurance earnings accounting for more than half that figure.

The first attraction of London is the absence of rigid controls. The Bank of England, which monitors the foreign banks in the City, has always eschewed rigid controls of the kind sometimes demanded, for example, by the US Federal Reserve Bank.

When—to take one instance—London-based insurance firms were having trouble coping with the increasingly volatile currency movements on the foreign exchanges, the Bank obliged by relaxing currency controls. It refused to do the same to help the Stock Market, which has not shared in the success of other financial sectors in London.

London is also still an attractive place in which to base a major banking operation. Rents are high, but labor costs are much lower than in Paris or Frankfurt. There is a plentiful supply of housing, and the steady growth of English as a de facto international language also helps. Communications are good enough (though not perfect), and the City is well-placed in time zone terms for a dealer to communicate with all his markets (except the Far East) during his own working hours.

There are currently two major clouds, however, on the horizon. The first is the New York plan to challenge the preeminence of Lloyds by establishing a rival organization. Lloyds takes this competition very seriously and is likely to redouble its efforts to make sure that it keeps its commanding position. The second is the effect that a prolonged decline in the dollar could have on the City. Already the Eurodollar market has been affected by the dollar's fall, and the shift in the currency mix on the Eurocurrency markets has seen some business drift away to European centers like Zurich, Frankfurt, and Luxembourg.

This inevitably has some adverse effect on the American banks operating in London, though so far they have adjusted well to changing circumstances. However, if the US Government ever seriously sought to bring some of the vast overseas holding of dollars back under US control, this would certainly hit the City hard. From time to time there have been proposals that this is indeed what the US Government should do. One idea has been the creation of a tax-free "trade zone" perhaps embracing New York, Los Angeles, and Chicago. This would to some extent operate much the way London does, giving considerable freedom to foreign banks merely using the United States as a base from which to operate.

As far as Britain itself is concerned, London's position is something of a mixed blessing. It is true that it brings in much needed foreign exchange. But it also means that British interest rates are very sensitive to those in other countries. More intangibly, the fact that so many foreign bankers are based in London has in the past contributed to the pressure on the pound during various sterling crises. Dealers react immediately to bad British news because it is quickly available on television or in the newspapers. Similar news about France, for example, might take longer to have an impact.

Nevertheless, London remains proud of its position and determined to maintain it. And there are signs that, although French and German banks are growing steadily stronger in relation to British or American banks, for the moment London's position is secure.

PROSPECTS FOR EUROPE'S

Anachronism or a major step toward European union?

ROBERT JACKSON *is the author of* The European Parliament—A Guide for Direct Elections

WHAT IS THE SIGNIFICANCE OF THE EUROPEAN election? What will be the future of the directly elected European Parliament? There are two schools of thought.

The first regards direct elections as an anachronism—a holdover from the era of federalist dreams in the 1950's before de Gaulle imposed a *Europe des patries.* According to this school, the European Parliament is irrelevant to the broker process between national interests, which it regards as the essence of the Community system. The Parliament lacks real powers, and there is a national veto over expanding powers.

Not much significance, therefore, should be attached to the novelty of popular elections at a European level. Very little attention will be paid to European issues during the campaign, and there will probably be a poor turnout on polling day. The new Parliament, in short, will either amount to no more than a pressure group fruitlessly bent on aggrandizing its own role in an out-of-date and unrealizable concept of European "federalism"; or else it will merely be a mirror of national divisions that can in any case only be resolved in the Community's Council of Ministers. Either way it will fail to have a serious impact.

This view of the European Parliament is prevalent in Britain, where it has been given wide currency not least because it has helped leaders in both parties—and especially in the Labour Government—to overcome misgivings about the whole direct elections project. Whether it is right to conclude that the Parliament has no future, there is no doubt that the best way of persuading important segments of opinion to go along with this "European" initiative has been to argue that the Parliament won't really count for anything.

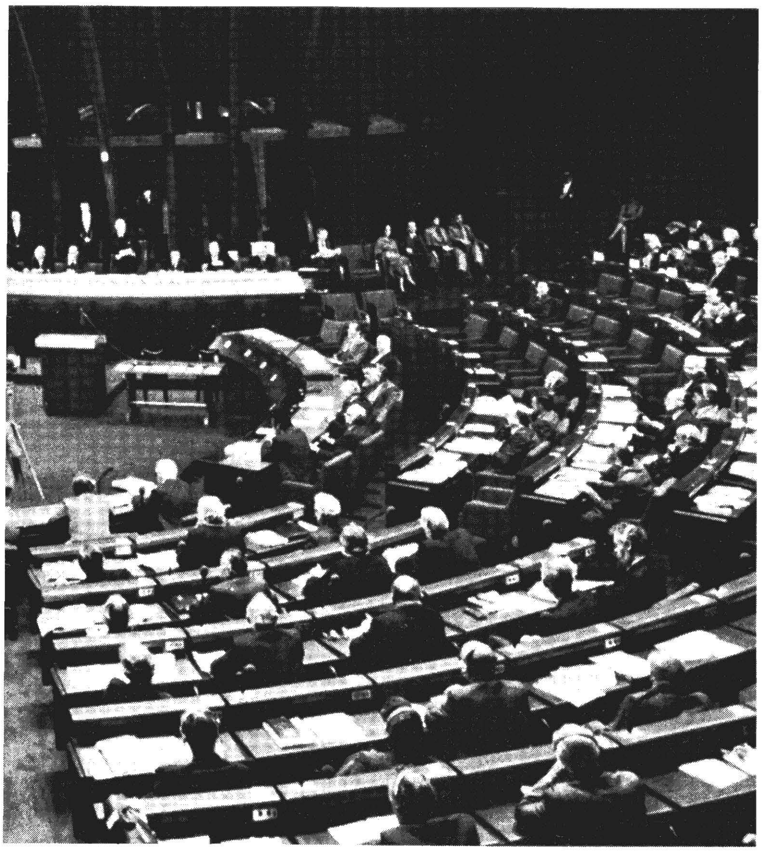
The second school of thought, on the other hand, sees direct elections as a major step toward European union, whether of the federal or of some new type. It believes that the fact of popular participation will give the Community a vital new dimension. And it expects that the Parliament will be able increasingly to exert great influence, whatever the extent of its formal powers.

Advocates of this perspective include both "federalists" and "antifederalists." Indeed, it has been the

opponents of European integration—Enoch Powell in Britain and Michel Debré in France—who have argued most pressingly for the Parliament's potentialities: "Is it to be thought," asks Debré, "that an assembly elected by direct universal suffrage, its own master when it comes to deciding the length of its sessions, its agendas, and its procedural rules, and at liberty to create all the committees it wants and to grant its members a privileged status—is it to be thought that such an assembly will respect the limits that have been set upon its powers?"

TO WHAT SORT OF "LIMITS" is Debré referring? One type arises from the Community's constitutional structure and the Parliament's place in it. The founding Treaties (Paris, signed in 1951, and Rome, 1957) seem to envisage that

PARLIAMENT



the Community would in time develop as a parliamentary system, with the Commission destined to emerge as the Community's "government." Accordingly, the Treaties give the Parliament power to dismiss the Commission (by a two-thirds majority); and this in turn points toward the eventual acquisition by the Parliament of a decisive voice in the Commission's appointment. On the other hand, the Treaties also give the Council of Ministers a governing role by according it the ultimate power to decide Community policy and to make Community law—and the Parliament cannot have, or hope to have, power to appoint or dismiss the Council or the national ministers who sit in it. This is obviously a function that must be resolved for the political process in the nine member states.

In practice, of course, the Council, not the Commission, has turned out to be the dominant Community institution. And the result has been that the emerging Community system resembles not so much the British, German, or pre-1958 French models of parliamentary government—with the executive dependent upon parliament—as the American system, which separates the executive from the legislature. Of course, the Community is at a very early stage in its evolution—20 years after its birth it has perhaps reached a point comparable to the period in American history between the Revolution's end in 1783 and the 1787 Philadelphia Convention. Nevertheless, the Community's embryonic constitutional structure seems to be such that—unlike the national parliaments of Europe but like the US Congress—the European Parliament's role is not so much to determine the Community's government as to keep the executive under constant scrutiny, to probe, to question, to debate, and to share in making laws.

The Parliament's powers in respect to questioning, debating, and passing resolutions are already wide-ranging, and they will be much more fully utilized in practice by the new directly elected Parliament—which will be twice the size of the present nominated assembly, and will have a largely full-time membership.

The Parliament's share in Community lawmaking is, however, still very restricted. It can only initiate legislation in cooperation with the Commission; it can only impose a limited suspensory veto (three months) over a restricted range of subjects; and although it can reject the annual proposals for the Community's budget *in toto*, the areas in which it has the final word over particular appropriations are limited.

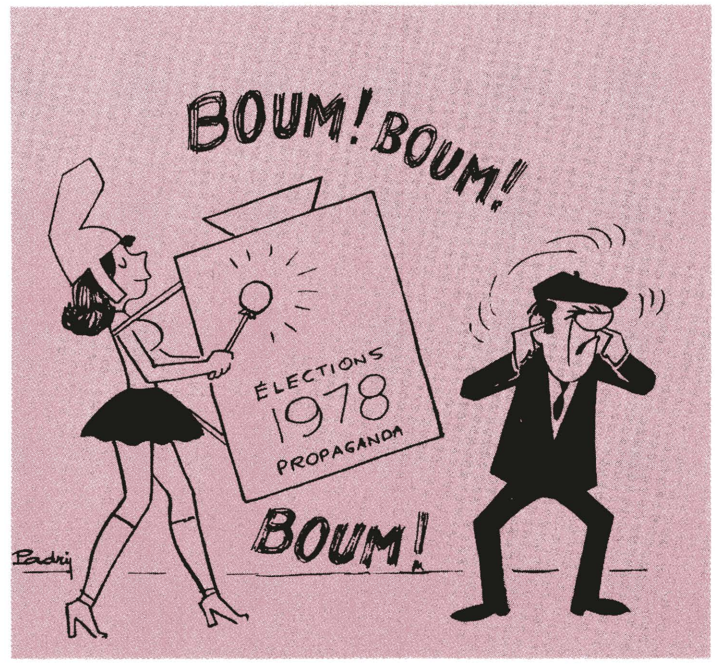
Nevertheless, growing points for the future *vertical* expansion of the Parliament's legislative and budgetary powers—i.e., by the addition of new powers—undoubtedly exist. The Parliament has already moved from the advisory to the legislative sphere: What will be at issue in the future is not the principle but the extent of its legislative powers. Over the years ahead the Community is likely to develop rapidly for reasons having nothing in themselves to do with direct elections. As this dynamic unfolds, it seems clear that a Parliament based on direct popular election will be well placed to press for, and to be accorded, wider and stronger powers.

A second set of limitations upon the Parliament's powers lies in the fact that the area of Community decision-making is still relatively restricted. Under the founding Treaties many fewer subjects are a "federal" responsibility in the European system than in the United States, and "states' rights" are much more extensive. Although the Parliament may pass resolutions relating to matters outside the sphere of the Community's competences, its formal powers are of course restricted to the area of

Community or "federal" decision-making.

But it has been the experience of the United States over two centuries, and of the Community over two decades, that the area of Community or "federal" responsibility has a great capacity for expansion, whether by formal constitutional amendment, or by Court rulings, or by shifts in political or administrative convention and practice. When the machinery for problem-solving by "federalization" or "communitarization" exists, there is always pressure to use it—especially when the scale of problems is seen increasingly to transcend the traditional structures and boundaries of national government. Community developments since 1969 in the field of foreign policy—not provided for in the Rome Treaty—are an example of this tendency; the growth of European economic and monetary cooperation beyond the limits outlined in the Treaty is another.

Thus the European Parliament can look forward with some confidence to the *horizontal* expansion of its role and influence with the growing scope of EC policies over which it has some say. But in this process it will not be merely a passive beneficiary of wider trends; it will also play an active part by identifying possible new areas for Community action; by mobilizing pressure and support for Community policies; and, not least, by supplying the legitimacy lent by popular election to the more ambitious projects that the Community may wish to undertake.



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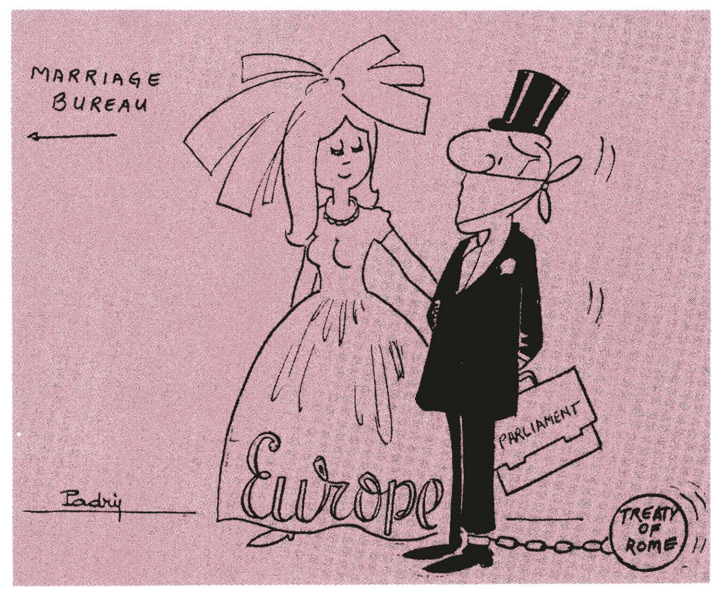


"Don't worry. I will say 'yes' for you!" © Padry, *Le Herisson*

IN THE LAST ANALYSIS IT IS IMPOSSIBLE TO ASSESS the prospects of the European Parliament, and to reach a judgment between the two schools of thought as to its future, without an understanding of the dynamic of the Community system as a whole.

Clearly those who feel that the Community has reached the limit of its likely development—or that it should not develop any further—must be correct in arguing that on either hypothesis the impact of direct elections and of the new European Parliament must be very limited.

On the other hand, what if the Community goes on in the future, as it has done over the past 20 years, "widening" its range of functions and "deepening" the processes of integration in those areas where it is already established? If this is what happens, it is equally clear that the role of the directly elected Parliament must likewise grow, parallel to and supportive of the expanding role of the whole system.

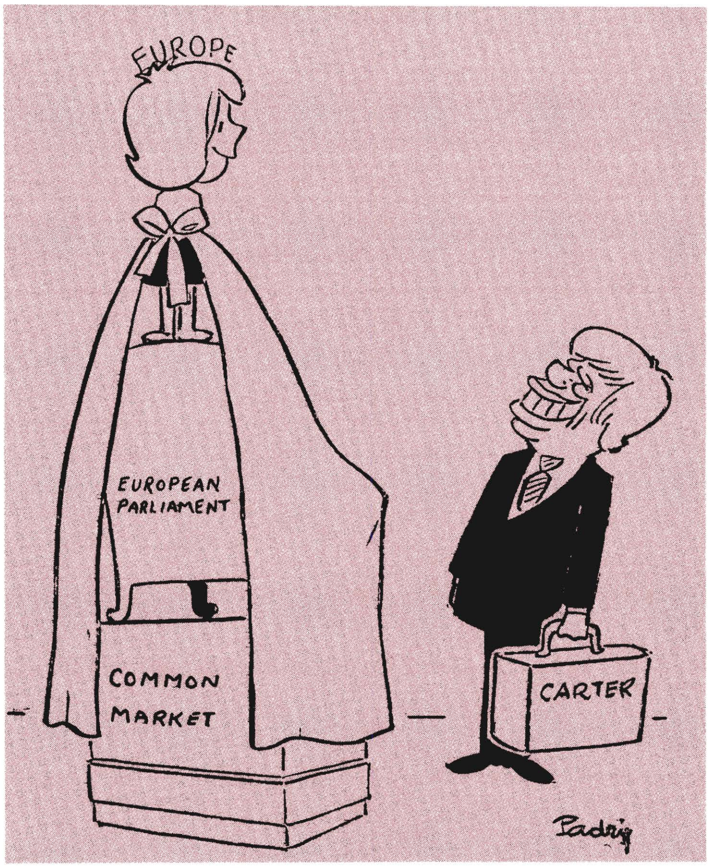
It is not inconceivable that in the 1980's, under Franco-German leadership, the Community will develop dramatically not only in the economic and monetary sphere but also, after the French Presidential election in 1981, in the fields of foreign policy and defense. Even leaving these possibilities out of account, in the years immediately ahead the Community will experience at least three developments—each of which will present the European Parliament with favorable opportunities to expand its role:

• It is intended that in 1980, after a two-year "run-in," the recently agreed European Monetary System (EMS) and the new institutions on which it is based—including the European Monetary Fund—would be finally instituted in a new Treaty. The directly elected Parliament should be able to claim a prominent place in the new machinery.

• By 1981, and probably earlier, the Community will reach the limits of its present financial resources merely on existing policies and levels of spending. With the enlargement of the Community to include Greece, Portugal, and Spain in the early 1980's, the Community budget will expand yet again even without any policy change. Moreover, higher levels of spending are likely to accompany progress toward closer economic and monetary integration through the EMS—which will be seen to require offsetting resource-transfers from richer to poorer regions financed through the common budget. These increases in the budget's size and scope will certainly call for a new financial settlement in which the Parliament's role can hardly fail to grow.

• The Community's enlargement will necessitate a streamlining of EC procedures. For purely practical reasons, this is likely to mean agreement—formal or informal—upon restrictions in the use of the national veto in the Council of Ministers. As the requirement of unanimity in the Council is relaxed, the control exercised by the several national parliaments through their national government representatives will obviously diminish. The "accountability gap" between the EC decision-makers and the people that already exists will widen, and to fill it the resolutions of the European Parliament will become increasingly the source of popularly derived legitimacy for Council decisions. As this happens, the case for the Parliament acquiring co-legislative powers with the Council will become more and more pressing.

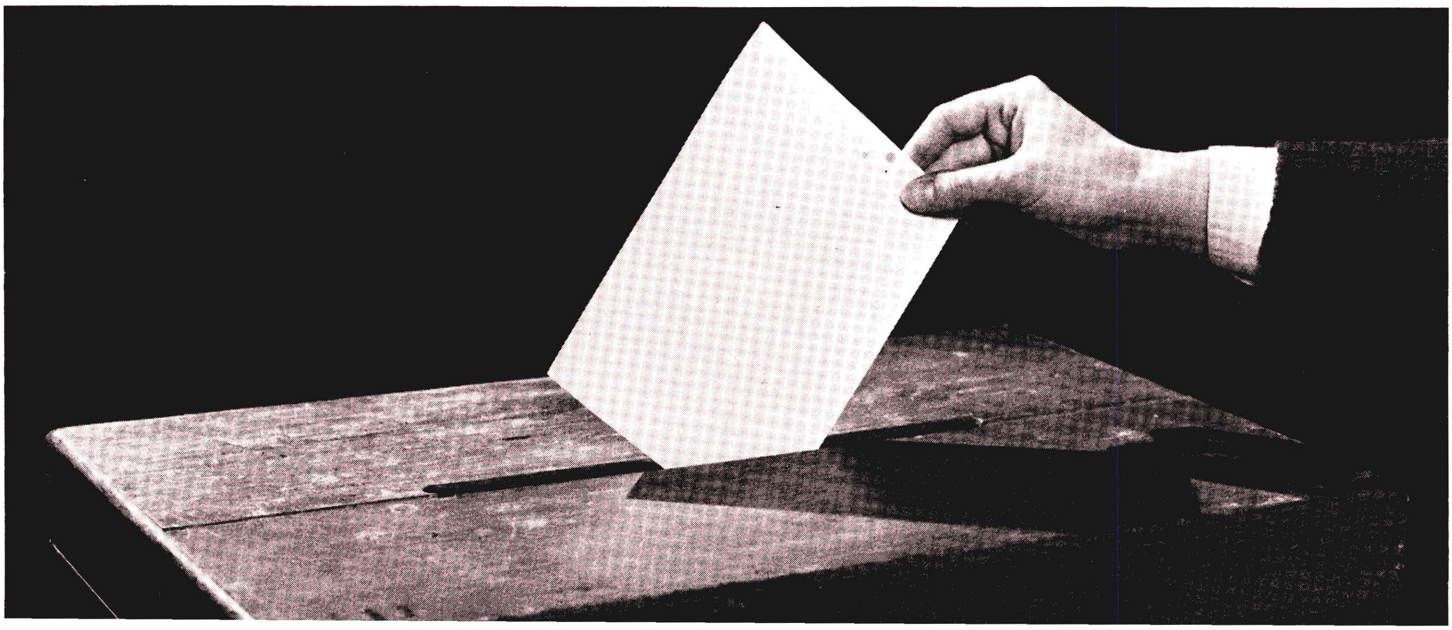
The fact is that the essential dynamic mechanisms of the Community are not properly understood by those who base their attitudes on the idea that there is a fundamental antagonism between the national principle and the development of the Community. Over-impressed by Gaullist rhetoric of the 1960's, they forget that it was de Gaulle himself who sought and obtained a Community agricultural policy in which French interests were promoted by transferring key powers over France's most important industry from Paris to Brussels. At this stage of its history the Community only exists because it fulfills national interests. And the Community will go on developing precisely because its development is perceived by the member governments as in the highest interest of each country.



"My, how you've grown!" © Padry, *Le Herisson*

In this sense the Council and the European Parliament are allies, not antagonists. On one hand, favorable votes in the Parliament will strengthen the hands of Council members faced by "sectional" criticism in their national parliaments. And on the other, the advent of a directly elected European Parliament strengthens the whole European fabric into which so many and such various national interests are being woven.

Indeed, not the least powerful force working in favor of the new Parliament is the fact that the governments which decided that direct elections should take place cannot afford to see their purpose fail.



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around THE capitals

Copenhagen

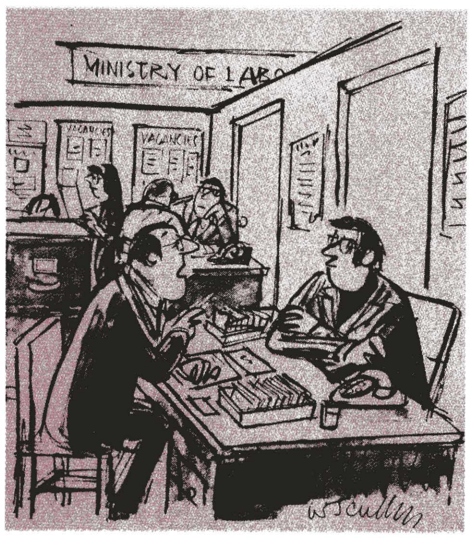
Although it sounds like the travel-worn phrase of a not-too-bright political candidate, there is general agreement among observers here that 1979 will prove to be "a decisive year" for the future shape of Danish politics and economics, interrelated in a textbook example of political economy.

Economics first. For the first time since the 1973-74 oil crisis, there is hope of an export-led revival of the Danish economy. The consensus figures are a 6 per cent rise in industrial exports (5 per cent *in toto*)—causing a 2 per cent increase in real gross national product, twice as much as this year. Imports are expected to remain at a low level, promising a sizeable improvement in the balance of trade and some improvement in the balance of payments.

But to sell, and to sell 6 per cent more, Danish industry must remain competitive, and this means that labor costs must not increase by more than the average among competing nations. This average is expected to be about 6 per cent, but it is still very much in doubt whether or not it will be possible to assure this.

The Danish labor market is structured by collective agreements with a duration of two years. These agreements are up for renewal this spring, and talks among employers and trade unions have not yet started in earnest. Tradionally they are begun by the national federations in the middle of the autumn before the pay agreements are renewed. But this time they broke down immediately, because the labor unions demanded that economic democracy (forced transfer of shares from individual companies to union-run investment funds) should be included in any package.

The employers had hardly asked for an easy negotiation, their offer being a pay reduction of 5 per cent—the first time since the Thirties that employers had the cheek or audacity, depending on your point of view, to demand something like this. The Danish



"Apart from 'round-the-clock bargaining,' what else have you done?" © Scully, *Punch*

Government has, rightly, interpreted the attitude of both unions and employers as an attempt to force it to show its hand immediately, instead of waiting until pay has been negotiated, and then compensating for the result by new taxes or other unpalatable policies. That the Government is a coalition of Social Democrats and Liberals is a reason for both unions and employers to want a showdown. Usually one side can count on a more friendly government than the other.

Some unions and some employers' federations have started their negotiations sectorally. One result of the present impasse may be that the entire system of collective bargaining is left in shambles, and this may have dire consequences for industry. For Danish workers may be expensive, but they strike less than most others, because the collective pay system has been upheld by a legal, parallel system of conflict arbitration.

The Government is hard pressed. Relations between the unions and the governing Social Democratic Party are the coolest of this century, and the Social Democrats want to do something to placate them. But the coalition Liberal Party regards any legal restriction on property rights in industry as anathema, and insists on a pay settlement with only nominal, 2-to-3 per cent increases, whether negotiated or politically dictated. The Social Democrats want no more than 6 per cent increases, but are prepared to accept 8 per cent, especially if negotiated. Both parties agree that too expensive a settlement will be countermanded by contractive economic measures. Unless the Government agrees on, and implements, a pay policy by mid-April, it is expected to break up—resulting in new elections and a grave period of economic uncertainty.

—LEIF BECK FALLESEN

Bonn

Are Germans frightening themselves, or is the long-standing sense of common purpose between employers and the big labor unions no longer working the way it used to?

The 1978-79 wage bargaining season got off to a bad start in late November, when the greater part of the steel industry, including the big concentrations in the Ruhr, came out on strike—the first time German steel workers had struck in 50 years. The union, Industriegewerkschaft-Metall (IG-Metall), announced that it wanted 5 per cent more pay. The steel employers—hard-hit like those everywhere else in Europe in the fourth year of the worldwide crisis—offered 3 per cent.

Yet everybody agreed that pay was not the real issue. What IG-Metall really wants is a foot in the door of an important, and potentially extremely expensive, principle. It is seeking progressive introduction of a 35-hour working week for steel and, if it succeeds, will push the claim in the mechanical, engineering, and automobile sectors, whose workers it also represents. It's a reasonable assumption that the rest of industry would then follow suit.

There is more to the 35-hour week claim than the simple notion that everyone would like to work fewer hours for the same pay. The unions see it as a way of saving jobs in industries like steel, by sharing a shrinking volume of work more fairly than can be done through selective short-time or last-in-first-out layoffs. A few German companies, mainly in light industries as tobacco, have gone along and helped establish precedents.

Yet steel doesn't readily lend itself to a similar exercise, mainly because modern processes call for a continuous shift system. This means, according to the employers, that reducing the standard week by one-eighth from 40 hours to 35 hours would force them to hire one-eighth more labor—with a corresponding increase in the social welfare costs that nearly double the expense of employing a German worker. This, at a time when the industry is running at only two-thirds capacity, they flatly refused to do.

Whatever the outcome of the present dispute, the 35-hour week will probably be the trade unions' *cause célèbre* all this winter. Their leaders' common problem is that they badly need a victory, after years in which unemployment has remained stubbornly persistent, while discontent has been running high on the shopfloor in many industries, and when union leaders themselves have come to seem increasingly removed from their members.

Chancellor Helmut Schmidt and some of his Social Democratic colleagues, many of them risen from the union movement, probably realize this well enough. They are hampered in the search for remedies by a strict policy of staying out of labor disputes unless asked in by both sides, and by a firm belief in continued moderate wage demands as a basis for continued, low-inflation economic growth.

As a result, it has been left too much to the employers' organizations. They seem to have the instincts of men largely educated in law schools—turning increasingly to the courts to resolve what are essentially industrial relations matters. Thus union members and employers are pitted against each other in a host of suits arising from last spring's lockouts in the engineering and printing disputes. And at national level, the DGB (equivalent to the AFL-CIO) is fighting the industrial federations in the federal constitutional court over the validity of the 1976 worker participation *(Mitbestimmung)* act—once a long-term union goal.

By most countries' standards the system works well enough. Wage increases will probably be relatively moderate in 1978-79, as they were last season. And yet there is a worrying amount of bad blood: Some employers say the union leaders are Communists attempting a power play, while the unions respond by drawing parallels between steel bosses and the Nazis.

In all this, the two sides are doing little credit to the industrial relations traditions of the past three decades, which they themselves were largely responsible for shaping. The so-called concerted action conferences have lapsed, largely over the *Mitbestimmung* case, yet some other safety valve is urgently needed for political, no less than economic, reasons. Although they are still nearly two years away from the next federal elections, Schmidt and his cabinet will need to work fast to provide one.

—ADRIAN DICKS

Luxembourg

Ask somebody in Britain, Germany, France, or Belgium what Luxembourg means, and it's a safe bet they'll answer "radio." Banking might be the Grand Duchy's biggest revenue earner and steel its largest employer, but to countless Europeans Luxembourg is a name on the radio dial. "The little country with the big voice" one of its broadcasters used to call his station, and it's not a hollow boast. Radio Luxembourg gave millions of listeners in Europe their first taste of commercial radio, and to many it is still the only way of hearing it.

A lot of Belgians might go further than that and say that Radio Tele Luxembourg (RTL), as the company is now called, provides their only worthwhile viewing each evening as well. The television program goes out in French from Luxembourg and can be picked up 100 kilometers into eastern France and southern Belgium, and even further via cable. It is a polished, professional service and the originator of many prize-winning programs.

RTL is not, contrary to wide belief, owned or controlled by the Luxembourg Government, but a private company owned mainly by French and Belgian shareholders including, among the latter, the Banque Bruxelles Lambert. They have not had the easiest of rides lately. Advertising has been hit to some extent by the European recession, though a bigger check to profits has come from currency instability. Most of the company's expenses are incurred in Luxembourg, while much of its income is in pounds and French francs, which have been weak for some years.

Nevertheless, the company paid taxes of nearly $40 million last year—which meant it overtook the steel industry as the second largest taxpayer (after banking) in Luxembourg. Moreover, the recession has not deterred the company from contemplating a huge expansion in the 1980's.

The plans have not yet been completed, but the most dramatic under consideration is

for a satellite-beamed commercial television station going out across most of northern Europe. The prospect has caused some trepidation in Britain and other places, but it is far from sure that RTL will in fact go ahead; still less clear is the precise form such an expansion would take. What hardly seems in doubt is that one way or another the voice of Luxembourg is going to resound even more strongly throughout Europe.

—ALAN OSBORN

London

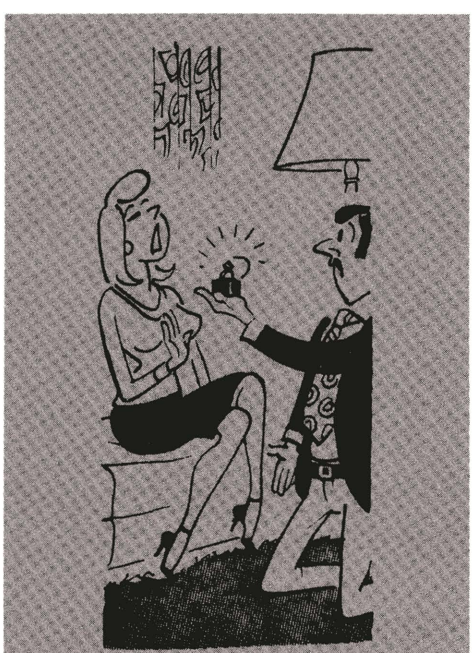
Whatever will those quintessential upper crust Ashbrooke-Pembleton-Ffrench's get up to next? As long as *The Times* of London goes unpublished, no one will ever know.

Until management closed down the newspaper in December over a labor dispute, readers of *The Times* had eagerly scanned the classified ads daily for the latest antics of the presumably mythical family that sprang up among its $5-a-line columns last April. By now their many friends know that Mr. and Mrs. Philip Ashbrooke-Pembleton-Ffrench (the "Ffrench" was added when imposters infiltrated their chronicles) preside over a rather strange brood. There is rakish son Julian whose pumpkin punch at Halloween fairly put the A-P-F's on their ears. The parents popped up in *The Times* "Announcements" column a few days later to say they'd "like their friends to know that they are recovering. . . ." There's daughter Amanda who "failed to avoid an invasion of helicopters" at the party she threw in Monte Carlo to coincide with Princess Caroline's wedding. Nancy, a second daughter, remains something of an enigma.

The A-P-F's live at Bembury Manor, Bembury. They party a lot with chums called Geoffrey, Jinks, Brevington-Slaughter. . . . They also have an adversary — Percy Shudworth. "We who have to work for a living resent the sort of life your announcements portray," snapped Percy in a half-inch column, apparently unwound by three months of almost daily A-P-F namedropping and social madcapping like: "Mrs. Ashbrooke-Pembleton would like to ask the young man who attended their party on Friday to immediately return the Land Rover and kindly remove the Lamborghini from the croquet lawn." (Four days later in the Announcements column: "Ashbrooke-Pembleton, kindly remove your Land Rover from our duck pond and return our Lamborghini.")

Well, their many friends rallied round. "Ignore Percy Shudworth," one ad recommended. Another demanded: "Percy Shudworth, you unspeakable cad, take back all you said about A-P-F or it's pistols at dawn in Richmond Park." It seems the family then went on a long vacation. In mid-October they returned and announced, "How nice to be back in England." But Julian, the same ad said, "is slightly in disgrace," and soon another pleaded, in desperation: "Does anyone have a brilliant scheme that Julian could immerse himself in? A veil had best be drawn across the Cirencester escapade." Amanda had something going with mysterious Esmond, who appropriated her address book in Austria.

Is it all a joke? No one's owning up and the saga's running cost is nearing $2,000. *The Times* denies it's a jolly jape by its advertising department. It says it never reveals who places personal ads. Unlike some other Europeans, Britons do have a healthy appetite for newspapers. It is estimated 34 million out of a population of 55 million read them—or, these days, would if they could obtain them.



"If my engagement can't be in The Times, *it's no, darling."* © Jon, *London Daily Mail*

Labor trouble, much of it wildcat strikes, has been endemic in Fleet Street. During the first nine months of 1978, Britain's nationally circulated nine daily and seven Sunday newspapers among them lost 121.5 million copies because of stoppages. Most strikes are over pay, manpower levels, and introduction of new machinery. But management complains a lot of them are trivial disputes stoked by handfuls of militants who, with sympathy walkouts by other unions, can halt production. During all of 1977, 102 million copies were victims of strike action. Managements must deal with nine unions representing everyone from journalists to machinists and those who bundle the papers and distribute them. If one union wins its fight, another is usually primed to start its own battle.

Industrial unrest in Britain's newspaper industry is old stuff. Managements have frequently knuckled under with the result that some London production workers now earn close to three times the national average weekly industrial wage of around $180. What is new is the newspaper bosses' tendency to take on the unions because of soaring production costs. Owners of several newspapers tumbling deeper into the red insist the unions, not themselves, must act to prevent collapse. Sir Richard Marsh, chairman of the Newspaper Publishers' Association, believes "near total anarchy" is coursing through Fleet Street. That may be overstatement, although few doubt the bargaining climate in 1979 should be crucial for those papers now on newsprint-thin financial ice.

—PETER J. SHAW

Paris

The French spent an unusually sunny autumn preoccupied with some misty figures of their past. One event stirred up nostalgia, the Paris Mayor's office organized a small exhibit to commemorate the eighth anniversary of Charles de Gaulle's death. Lines a block long wait to be let into the cramped exhibition room. The crowd is mixed: Catholic sisters in sober habits, parents patiently explaining to their children, the elderly, students—and very few from the working classes. Socialist Party leader François Mitterrand evidently felt it politic to head a delegation of party officials on a visit to the exposition and while there reminisced warmly with the press about his various war and postwar encounters with the General. (The two men actually disliked each other from the start.)

There is no simple explanation for the show's popularity. Put together in almost amateurish fashion, it consists of photos from de Gaulle's childhood, the liberation of France through his Presidency and resignation in 1969. These are interspersed with quotes from his writings and speeches. A deck of cards (the General played solitaire and allegedly cheated to be sure the game came out right) and a typewriter from his London office during World War II are about the only three-dimensional memorabilia in the exhibit.

Charles de Gaulle UPI

Because the exposition has been sponsored by Paris Mayor Jacques Chirac, head of the Rassemblement pour la République (RPR), the Gaullist movement's latest incarnation, what the exhibit emphasizes may be more significant than what is left out. The excerpts from de Gaulle's texts deal with what the exhibit's authors call the "refus" —of defeat in 1940, of the European Defense Community, of French participation in the North Atlantic Treaty Organization. Others make much of the General's view of national independence—in science, Europe, and defense. The nation's vocation is treated in a final quote: "France cannot be France without grandeur." It may all seem curiously dated, but the public has obviously enjoyed the nostalgia and the chance to reaffirm the "certain idea of France" that de Gaulle continues to represent.

The timing of Chirac's show smacks of the public relations flair that the former Prime Minister displayed during last spring's legislative elections. Chirac has so far been quite successful at exploiting the Gaullist past. He may prove less good with its future. On the last day of the exhibit, his party held a special conference to deal with the question of direct elections to the European Parliament, scheduled for June 1979. His party is badly split on the issue, with old-line Gaullists like Michel Debré and Alexandre Sanguinetti adamantly against RPR participation in a European parliament. At the other end stand the more liberal party members such as Jacques Chaban-Delmas and the younger, newly elected deputies to the National Assembly.

Chirac is visibly uneasy in between. He

claims he is for Europe, a "confederal" Europe, but has trouble defining the term. He claims that Europe has no "authority" —that its nine members can't even manage to agree on such major issues as monetary policy and energy problems. In a recent radio interview he had no response to the possibility, raised by a journalist, that political evolution through a new European Parliament might eventually provide just the authority he complains the Community currently lacks.

The spectacle of Chirac's discomfort must please Giscard d'Estaing. The French President, who with his followers supports direct elections to the European Parliament, has made the upcoming election the subject of a major political debate. And with reason. It is an issue that divides both the Communists and the RPR. Giscard hopes his own political movement, the newly formed Union pour la Démocratie francaise (UDF), will profit from the disarray on the right and left so that his party ends up with the largest share of seats in the new European Parliament. It's a boost the UDF could use. For Giscard, it would provide a statesman-like platform from which to campaign for the next test, the Presidential elections in 1981.

—PATRICIA H. PAINTON

Brussels

You could hardly get a more resounding "no" than the one delivered recently by the good folk of Andenne on the subject of nuclear energy. It had been a miserable day, cold and rainy, and the Intercom people who had spent weeks proclaiming the merits of their proposed atomic plant must have felt confident. By the end of the day their chins were on the ground. Three out of every four adults in this little town on the Meuse trooped out to vote, and more than four in five of them said *"non."*

The ripples from this remarkable vote have been keenly felt in Brussels, and it seems safe to say that had the Parliament not been dissolved for new elections in November, Belgium should now be enjoying a robust post-mortem. It will come. Locked in a safe in the empty office of the minister for economic affairs is an inch-thick review of Belgium's energy options. What it says is still confidential but can be safely guessed—if Belgium is to keep its place in the economic league table it really has no choice but to renew and perhaps even increase its commitment to nuclear power.

This will cause profound disquiet, if not uproar. Belgium is already heavily into nuclear power. A quarter of the country's electricity currently comes from the atom, and based on present plans this is likely to reach half by 1985. One doubts if any other country in the world has the same dependence—certainly none in Europe does.

What is curious is the way this seems to have happened almost by default. One would think that a country with one of the largest coal-mining industries relative to its size in the world would have proceeded with extreme caution in changing the entire base of its energy system. But not a bit of it. Incredibly, the Parliament has never once debated the issue of nuclear power. The money and the imagination for the three big nuclear stations have all come from private enterprise. If the Government in Brussels ever wondered whether this was altogether a good thing, it kept its doubts to itself.

The voters of Andenne have served clear notice that the new Government will not have so easy a ride on the issue. But their referendum was the first ever held in Belgium, and it might be easy to exaggerate its importance. It does not legally do anything at all; and if Intercom goes ahead and builds its plant anyway, it will not run afoul of any law. Moreover, you could also say that the people of Andenne are not wholly unbiased. The surrounding countryside is pocked here and there by grassed-over slag heaps and abandoned mine shafts. In the past 20 years employment in the Belgian coal-mining industry has fallen from 154,000 to less than 25,000, and this corner of the "black country" also bears painful human scars of the decline.

But no politician worth his salt is going to ignore the striking level of public distaste for nuclear power signaled by the Andenne vote. A debate had been promised on the energy paper in December before the election upheaval made this impossible. It will now almost certainly take place early in the new year. Belgium is not going to renounce nuclear power nor, probably, cut back in any measurable way on its present plans. That could be economically suicidal. But for the first time there is now a real and growing political dimension to the problems, and the days when a new atomic station could be put up as easily as a garden shed are truly past.

—ALAN OSBORN

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Consume

CANDACE DENNING, *staff writer fc* European Community

Following is the second in a series of report on the EC Commission's activities in cor sumer protection. In the last issue of Europea Community, *a draft directive on misleadin advertising was examined. Presented here ar three proposals still under debate in the Cour cil of Ministers. These draft directives cove product liability, door-to-door sales, and coi respondence courses. Food-related issues– unit pricing; labeling, presentation, and ac vertising; and plastic packaging—will be ex amined in the third report.*

A draft directive for the approximation c widely divergent national laws on *produc liability* has been in the Council of Ministe for over two years. The unusual—an controversial—aspect of the proposal is liabi ity without fault: The producer would be hel liable for a defect, even if he could not hav known of the possibility of it at the time h first marketed the product. Making manufa turers responsible for these "developmer risks" could make liability insurance difficu to get or prohibitively expensive, critics say Such liability brings to mind the thalidomid drug catastrophe; and the directive woul have strong repercussions not only in th pharmaceutical but also the cosmetic, avia tion, and other industries that thrive on ir novative technology. A product is defectiv when, states the proposal, "it does not pro vide for persons or property the safety which person is entitled to expect." From the poir of view of competition, divergent nationa legislation now has a distorting effect becaus the varying degrees of national liability affec the producer's financial undertaking in mar keting his product.

The stringent liability proposed is counter balanced, however, by a ceiling on th amount: 25 million European units of accoun (EUA) for personal injuries; EUA 15,000 fo damage to movable property; and EUA 50,00 for damage to real property in private use. Th producer's liability would expire 10 year after the product was first marketed. It woul extend to consumers but not to industrial an commercial relations, nor would it apply i the event of a nuclear accident. The measure would cover, however, persons importing ar ticles into the Community for resale.

In trying to ensure that the element of sur prise inherent to *door-to-door sales* is not det rimental to the consumer, the Commissio sent to the Council in January 1977 a draf directive giving the consumer the right to re

Reports, EC Style

consider any obligations made during a doorstep sale. The Commission stated that the consumer needs special protection because he or she has neither the opportunity nor time to check and compare the quality and price of the offer. The Commission also said this kind of protection is needed in all cases where the consumer is drawn into negotiations, such as in the street or in a temporary showroom.

If the directive is adopted by the Council of Ministers, contracts negotiated away from business premises will have to be in writing and contain information necessary to the consumer after the sale—on making complaints, for instance. The consumer would have the right to revoke the contract within a week, and member states could extend the length of the "cooling-off" period, prohibit altogether the sale of certain goods or services, or set up a system of prior authorization and measures to prevent the false dating of contracts. The directive would not hinder other directives for particular types of contracts in fields such as consumer credit, correspondence courses, and securities and insurance. A ceiling of EUA 25 (later lowered to EUA 15 or between $15-20) was set on the sale, thereby excluding transactions such as milk deliveries.

Several states already have official cooling-off periods: in Belgium, France, and Germany the consumer has seven days; in the Netherlands, eight; and in Britain, five. In Belgium the Trading Practices Law of 1971 contains a general prohibition of sales away from the usual business premises of the seller. Exceptions may be made with authorization. Denmark generally prohibits doorstep sales; contracts relating to the supply of goods may not be made away from the business premises.

A French law passed in 1972 says contracts concluded between a trader and consumer in the consumer's home or place of work must be in writing and supply certain information, which if not given voids the contract. The trader may not ask for any money before the end of the seven-day cooling-off period. In Germany any trader selling door-to-door must have special prior authorization, and in Luxembourg doorstep selling is illegal except with special authorization by law or an administrative act. A license is required for contracts concluded away from the business premises in the Netherlands, but Ireland and Italy have no special legal provisions for doorstep sales.

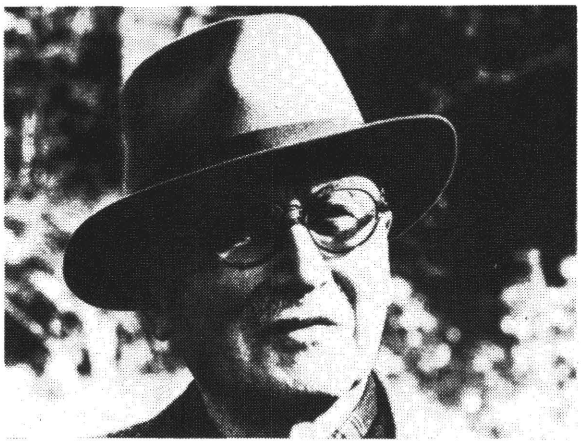
One aspect of concern over education in the Community surfaced as a result of *correspondence courses*. Because the student cannot make a course evaluation in advance (materials are sent in installments) and because he is often persuaded by advertising or doorstep selling, the Commission proposed in July 1977 to protect participants in home-study courses. The increasing use of home-study courses originating out of member states other than a participant's own country necessitates harmonization of national laws for competition reasons as well. Correspondence courses are subject to special laws in five member states. For example, in France all correspondence courses are monitored, and private groups offering home-study courses are checked out by authorities; in Germany all correspondence courses must be approved.

Consumers in Europe are demanding more information and protection. A proposal on product liability is one of the most controversial being discussed by EC officials. © Guy le Guerrec, Magnum

The draft directive now before the Council of Ministers defines a home-study course as one in which the student and teacher are at a distance and the course is conducted through regular exchanges of printed, written, audio and/or visual materials for which a legal contract has been made. Free courses are not included. While the directive would require the setting up of a body to grant accreditation to course organizers, accreditation itself must be optional because some member states have regulations forbidding any restriction to freedom of education. A member state requiring accreditation could restrict or prohibit correspondence courses by nonaccredited organizers from other member states. Such accreditation would be granted for three years and be renewable.

If passed, the directive would prohibit home visits by representatives unless the consumer had already received course information or had requested a visit in writing. Publicity of such courses would be strictly regulated to curtail misleading or unfair advertising. Terms of the contract spelled out in the proposal are strict because the contract is often the only proof of the organizer's commitment. The organizer could not require the student to pay more than 25 per cent of the total cost in advance and the student would be entitled to terminate the contract within seven days after receiving the first teaching material. The proposal includes special provisions for terminating the contract later due to illness or unemployment, or without cause after six months. Terms of contracts described in the proposal for door-to-door selling do not apply to correspondence courses, but the new directive would not preclude provisions concerning hire-purchase or consumer credit.

Jean Monnet MEMOIRS



Classics from the Classroom

KEN WILSON,
an elementary school teacher in Missouri

"Is England part of Europe or not? I wrecked my brain trying to decide." The question could come from just another politician—but in fact comes from an American child who knows nothing of Britain's unique and, some would say, tenuous place in Europe. Out of the mouths of babes. . . .

I've taught elementary school youngsters in Missouri for 20 years, and each year we study a unit on Europe. In the resulting essays and examination papers some of the observations have been hilarious; all have been expressed in the delightfully original style of children. Examples:

"How Europe can keep both its beautiful scenery and industrial growth should be part of everybody there's spare thinking."

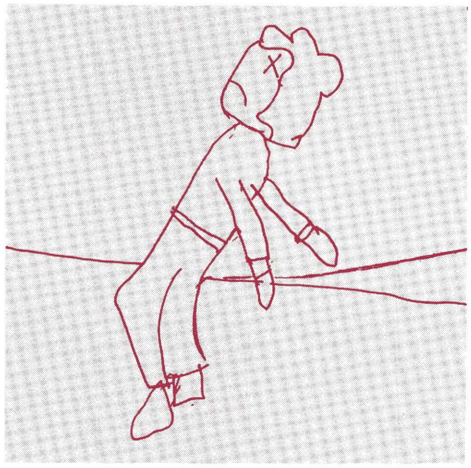
"They call their falling water a natural resource. Here, we call it rain."

"Chickens from Germany have fatness and not just old skinny bones."

"I subscribed to a magazine about Europe until I expired last year."

Here's a new slant on an old saying: "France not only has a lot of industries but also a lot of manufacturing, so it is about six of one and one for all."

Often just when I think the kids understand the facts perfectly, I discover that total



"Luxembourg is too big for its size. When I learned how many people live there, I would have fainted if I knew how." Art collected by Ken Wilson

confusion is lurking just beneath the surface:

"Many questions have been aroused in my mind about all the things England makes to sell. The main trouble with all the things England makes to sell is they give more questions than answers."

"The actual number of square miles in England has a very short memory in my mind."

"I am not sure how many textile mills there are in the altogether part of Italy, but trying to find out is one of my main doings."

"I looked up Italy's main industries twice, but I forgot them three times."

But for sheer confusion, it's difficult to top the boy who reported: "They make shoes in Italy. Maybe they make socks too. I do not know. It takes all my knowing to know they make shoes in Italy."

The nine-year-old's mind is evidently a vast storehouse of miscellaneous misinformation. When they turn their attention to vacation resorts, youngsterisms seem to come as thick as chalkdust.

"One of the chief products of their resorts is utopia."

"If Nice, France's shoreline was straightened out it would reach much farther. But all governments have got to cut spending somewhere."

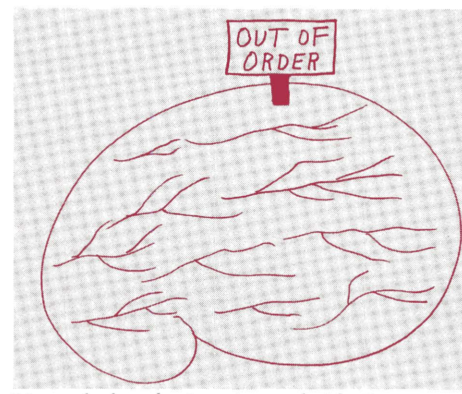
"Vacationeers have found that Geneva is closest to France and still east enough to be called Switzerland. Things are all pretty much touch and go in Geneva."

Here are a couple of thoughts on the subject of transportation in Europe:

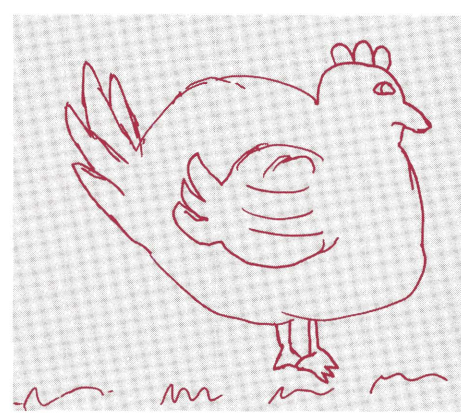
"Thanks to the Eurorail Pass, today Europe is a very popular tourist place because it has so many countries it is easy to leave and go some place else from."

"One of Europe's best of all imports is traveling tourists."

I'm sure this next statement is perfectly true. "Industrial growth will not be like it



"I wrecked my brain trying to decide. Correct my being wrung but tell me true or false. Is England part of Europe or not?"



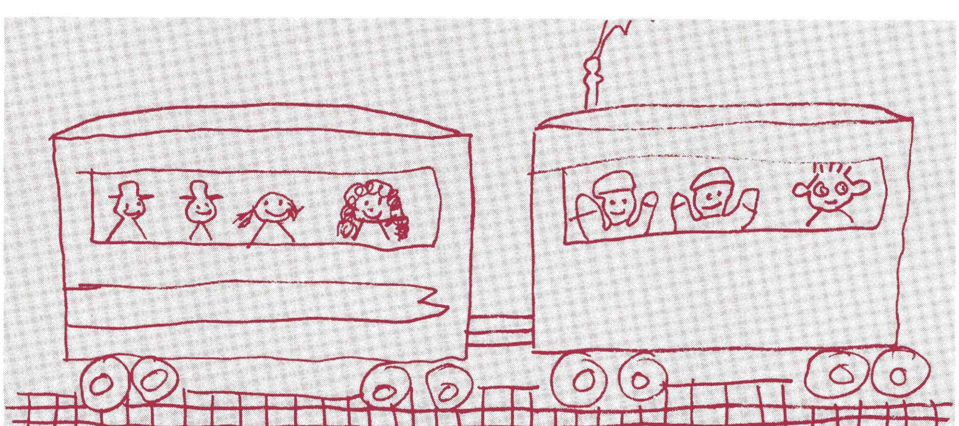
"Chickens from Germany have fatness and not just old skinny bones."

should be in Europe until it gets like it was when they did not have any and appreciated all the things industrial growth could offer."

Obviously one of the fringe benefits of being an elementary school teacher is the possibility that the next paper will contain a "wrong" answer that is twice as whimsical or thought provoking as the right one. Take these comments about Belgium, for example:

"Brussels has several manufacturing plants in its outer skirts."

"They make a lot of machinery in Belgium in case I ever want to know."



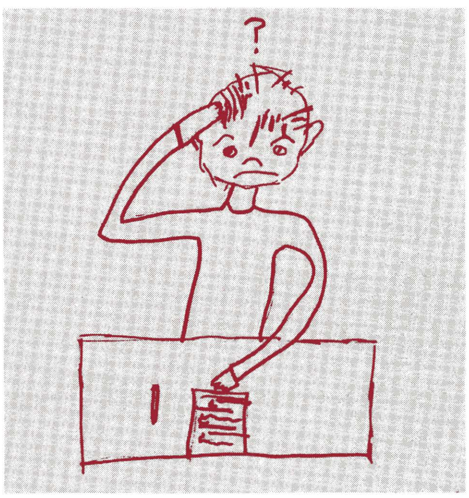
"Thanks to the Eurorail Pass, today Europe is a very popular tourist place because it has so many countries it is easy to leave and go some place else from."

"Belgium has such things as steel, fish, glass, vinegar, and wheat. Keeping all this stuff separated is one of the main jobs of Belgiumonians."

Evidently impressed with the ever-changing state of the world, one tyke confided: "Quite a bit of coal is mined in Belgium. Belgium is located in Europe at the present time."

THE FUNNIEST COMEDIANS IN ANY country are all in grade school; they even seem to put a backspin on their compliments, saying things that are ridiculous and sensible at the same time:

"Although most cows can only give milk, some cows in the Netherlands have been taught how to give dairy products."



"I remember everything about the leader of France in the First World War except who his name was."

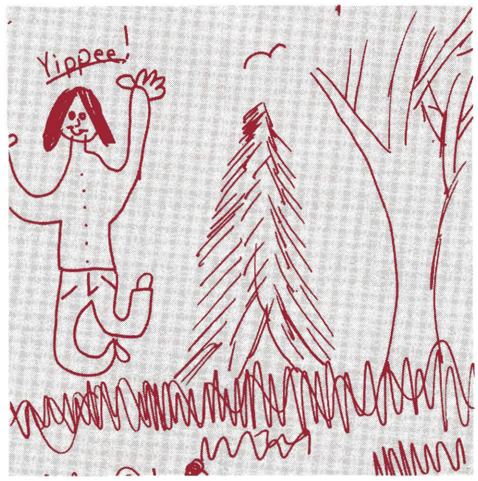
"The Netherlands is half agriculture, half industry, and half commerce. It is larger than it looks on a map."

"When they start to build an industry there, they work until it is completed. They show the importance of finishing anything that is once started because. . . ." (By way of explanation, the bell rang before this young authority finished.)

One girl—who claimed she was now one of Europe's "starchest supporters"—wrote: "Their water scientists have learned how to change their river currents into electric currents."

One year there was a browned-eyed moppet in my class who had an imaginative way of summing up her feelings: "They know how to make so many different things in Europe, from now on I will put both gladness and wonder in my same thought about Europe."

History may repeat itself, but elementary school youngsters can usually add some unexpected twists to it. Here are some historical "facts" that you probably never suspected:



Question: "What is the soundest reason for the growth of vacation resorts in Switzerland?" Answer: "The sound of everyone shouting YIPPEE!"

"Much of Holland was once under water. Proof of this are the big waterless oceans to be found there even today."

"Germany was founded by four fathers."

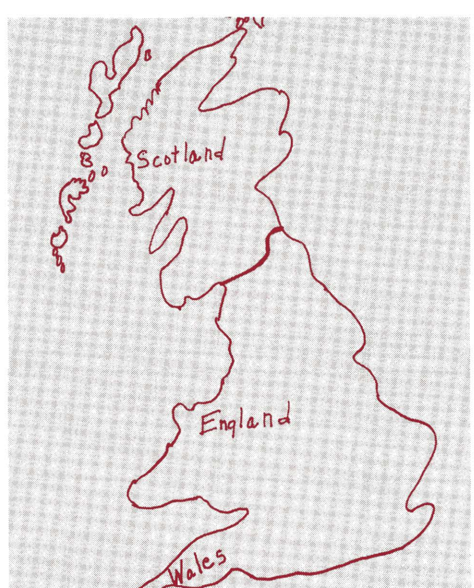
"Early forefathers had many exciting times discovering strange places like Paris. What made it so strange to them was they had never seen things like tall buildings before."

"I remember everything about the leader of France in the First World War except who his name was."

"Axually, France's history is very interesting if you happen to be interested in it."

After seeing how small Luxembourg appeared to be on a map of the world, one girl concluded: "More people live in Luxembourg than is possible."

Sometimes the youngsters aren't wrong at all. "North of Denmark, it has been found that travel by car is faster by boat."



"Fortunately, England and Wales fit snugly together."

"A good thing to remember about trying to swim from Denmark to England is don't."

And you can't argue with the girl who reported: "The North Sea has saved many lives by people not trying to swim across it."

Kids are fresh, original, and offbeat in their expressions because it's the only way they *can* be. Here are four of my favorite excerpts on the subject of Europe's rivers and streams:

"Compared to the Rhine River, people have been living in Germany for only a drop in the bucket."

"The Elbe River is filled with fish by the teaming thousands. These fish have shallow places where they feed, called banks. Misfortunately these are not the money kind of banks. They are only the squishy fishy kind."

"Streams emptying into the Seine River bring more and more fine silt. What this is fine for is making mud."

"The difference between lakes and rivers is that rivers are always in a hurry to get someplace else."

Here's a logical explanation: "Paris is for living or passing through, depending on whether your are people or the Seine River."

I get a dizzy feeling every time I read these directions: "Find Brussels on the map. Is it in Holland? Then it is not Brussels."

Oliver Wendell Holmes once observed: "Pretty much all the honest truth-telling there is in the world is done by children." They certainly have their own opinions—and few are hesitant to express them:

"Europe is quite useful in the study of geography."

"Fortunately, England and Wales fit snugly together."

"Rome's total population is constantly thickening around the edges."

"Luxembourg is too big for its size. When I learned how many people lived there, I would have fainted if I knew how."

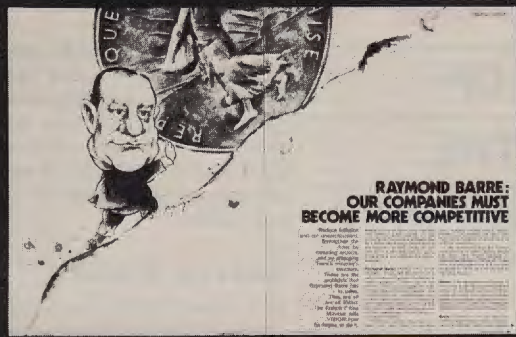
"Could a person miss finding Luxembourg on a map of the world? The chances are 999 out of a hundred."

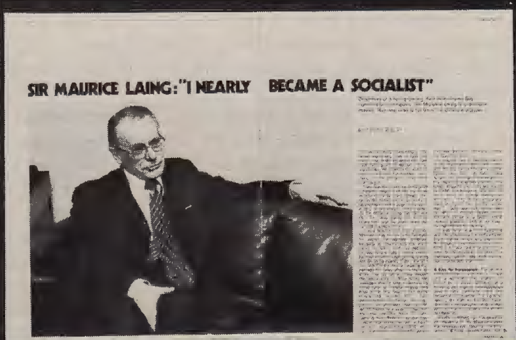
And I don't suppose I'll ever forget this remark by a girl named Linda: "Now that I know about Europe, the next time I hear it being talked about like it is an important part of the world, I will just twinkle an eye and know why."

And from her best friend: "Once I saw a book about all the countries of Europe and started to read it. It was pretty good except it just kept going on and on. The trouble with most things that people write are they make them too long. When they come to a good stopping place they should know enough to stop there and end."

Okay, I can take a hint.

If you want to do business in Europe, read what European businessmen read.





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NEWS OF THE COMMUNITY

US-EC RELATIONS

Interdependence in Trade

"The interdependence of the United States and Europe in matters of trade exists at two separate but related levels," said EC Commissioner Christopher Tugendhat responsible for financial institutions, in opening his speech to the National Foreign Trade Convention in New York in mid-November.

Bilateral trade is the first level, said Tugendhat. The United States provides the Community its largest external export market, taking in 1977 some 12.6 per cent of its non-Community exports. Similarly, in 1977 the Community took in as much as 22 per cent of US exports.

"The fact that we are each other's best customers makes trade between us enormously important . . ." said the Commissioner. "We are also critically dependent upon each other at the higher level of the overall world trading system."

The Community accounts for 24 per cent of the world's imports and exports and is the world's largest trading entity, according to 1976 statistics. The United States is the second trading giant of the world, followed by Japan, and the three entities are required "to act jointly and responsibly in the interests of the trading system as a whole," Tugendhat declared.

He said the Community wanted significant further liberalization of trade via a harmonized reduction of tariffs, in the trade negotiations then going on in Geneva. As for nontariff barriers, Tugendhat said the Community was pursuing its own internal policies of removing nontariff obstacles to trade and has not shirked responsibilities for contributing to international progress in these areas.

Export Credit Discussed

In an effort to avoid a competitive race over government export terms, a high-ranking US Treasury official met with EC officials in Brussels last fall.

C. Fred Bergsten, assistant secretary for international affairs at the US Treasury, told EC officials that the US Congress was interested in enlarging and improving existing international accords. If the present "gentlemen's agreements" were enlarged, aircrafts, ships, nuclear equipment, and agricultural commodities could be covered in the future.

The present accords among the Community, Japan, and the United States has been in existence for several years, but there have been reports recently that governments have not complied with the terms in offering credit concessions or subsidies for major export orders.

Burke on Aviation

In a speech before the International Aviation Club in Washington in late November, EC Commissioner Richard Burke, responsible for transport, explained the differences in air transport activities between the Community and the United States.

Compared to 150 million passengers traveling by air inside the United States in 1976, there were 30 million passengers traveling by air within the European Community. On the other hand, Burke said, international operations are greater in the Community than in the United States. Therefore air transport cannot be viewed as chiefly a domestic activity in Europe.

The developing air transport policy in the Community has to take into consideration provisions in the Treaty of Rome contained in the competition rules. Airlines may not abuse their dominant positions, for example. There is a pronounced financial involvement of national governments in EC airlines compared to the private nature of US carriers.

Last year the EC Council of Ministers agreed to a number of priorities for an air transport working program. These included: noise emission standards for all aircraft using Community territory, for which the Council is close to approving a directive; simplication of formalities in order to facilitate movement of goods and persons within the Community; implementation of technical standards and mutual recognition of licenses for air crews and ground staff; and search, rescue, and recovery operations.

The Council also intends to keep the developing situation of the North Atlantic route under observation.

EXTERNAL

Haferkamp Visits China

China wants to take its place in the international economy, reported EC Commission Vice President Wilhelm Haferkamp, following his autumn visit to that country.

Haferkamp, accompanied by EC industrial, labor, and financial leaders, said the Chinese leaders are ready to use traditional international means short of government-to-government loans and direct foreign investment to acquire Western technological assistance.

Warning that "trade is not a one-way street," Haferkamp said attention must be paid to developing both the export market potential in China and the country's export industries. When China's three major hydroelectric dam projects are complete—which will more than equal the Community's present nuclear energy capability—Chinese oil and coal reserves could provide export earnings, Haferkamp suggested.

Haferkamp's trip was a follow-up to last year's trade accord. A visit by EC Commission President Roy Jenkins is expected in the spring.

Latin American Ties Improve

Relations with Latin America and the advancement of new technologies for developing countries were discussed last fall when an EC delegation visited Caracas, Venezuela. Community officials met with their counterparts from the Latin American Economic System (SELA)—25 Latin American and Caribbean countries striving for regional economic cooperation.

Among the points raised were the possibility of closer EC-SELA ties through joint working groups. Earlier discussions in Brussels on EC-Latin American ties had pointed out the advantages of diversifying exports, which would result in Latin America facing less competition from other developing countries also exporting to the Community.

While in Caracas, EC officials participated in a seminar on solar energy. A part of the Commission's efforts to promote solar energy in developing countries, the Caracas seminar was a forerunner to similar meetings in other areas. The windup conference will take place in Varese, Italy, in March.

EC, Comecon—No Resolution

Three days of talks in late November between the Council of Mutual Economic Assistance (Comecon) and the European Community did not provide enough time for the two delegations to resolve their different positions.

The Community has insisted that Comecon does not have the same full trade negotiating powers as the Community, while Comecon claims it has only reluctantly accepted the EC Commission's authority to negotiate on behalf of its member states.

The talks were aiming at some progress on the proposed accord to define the nature of relations between the two organizations. Contact has been going on between the two since 1973. In the meantime some Comecon members have individually undertaken initial contacts and limited accords with the Community.

Canadian-EC Talks

EC and Canadian government and industry representatives met in early December to try and work out a plan of cooperation for a key industrial material—asbestos.

The talks covered information on medical and scientific studies, existing and proposed control measures and regulations, and the development of new and safe products. To improve worker and public safety, the Community is considering tightening up controls on the use of asbestos.

Earlier, the semi-annual talks on economic issues between the Community and Canada took place in Ottawa. Discussion continued regarding Canada's import restrictions on footwear. Cooperation between the Community and Canada agreed to in 1976 was reviewed by top officials. Progress in environmental matters, science and technology, and regional development questions was discussed.

Also discussed were forest products, telecommunications and data-processing, aeronautics, and the nuclear industries. Tasks for a new working group on metals and minerals were defined.

Japan, EC Consult

Amid signs of improvement in the Community's trade balance with Japan, high-level consultations between the two were held in early December.

Perhaps influenced by the rising yen, Japanese exports to the Community have not increased as rapidly as in recent years; Japanese purchases of EC goods, however, have increased. EC officials said it was still too early to predict a clear trend.

The EC delegation said it was interested in obtaining better access conditions for EC products such as pharmaceuticals and cosmetics, chemicals, footwear, electrical and gas appliances, sanitary equipment, and automobiles. There were also some problems, it said, to be ironed out concerning trademarks, financial services, and exchange controls.

Other points discussed were the possible purchase of European aircraft by Japanese airlines, the possibility of discrimination against the Community in the recent Japanese-US trade accords, and the need to make headway in the Tokyo Round.

Canada, EC Sign Convention

During his late October visit to Canada, EC Commissioner Richard Burke, responsible for taxation, transport, and consumer affairs, signed an international convention that will lead to the creation of the Northwest Atlantic Fisheries Organization (NAFO).

NAFO will provide for international cooperation in the conservation and management of fish stocks beyond the 200-mile zone, which is under jurisdiction of coastal states. It replaces the International Commission for the Northwest Atlantic Fisheries.

Dialogue to Consider Energy

EC oil supplies from Middle East sources were reassured last fall during the Community's meeting with the Organization of Arab Oil Exporting Countries (OAPEC) in Brussels.

It was also announced that the ongoing Euro-Arab dialogue would begin to consider energy-related issues. At a joint press conference afterwards, Energy Commissioner Guido Brunner and OAPEC Chairman Sheikh Ali Khalifa Al-Sabah expressed their interest in continued exchanges of documents and biannual meetings at the official level. New links between the Community and OAPEC would involve technical market studies, economic surveys, and an exchange of officials.

In 1977 the Community imported about 43 per cent of its gas and 64 per cent of its crude oil from OAPEC countries. One matter that will be seriously discussed in the future is the apparent difference of interests over the need for additional refinery capacity in the oil-producing lands when there is still an overcapacity in the Community.

The Euro-Arab dialogue came under attack in 1974 by former Secretary of State Henry Kissinger, who opposed the talks for fear they would complicate the setting up of an energy-consumer organization and the quest for peace in the Middle East. Both EC and OAPEC officials stressed, however, that the latest round of the Euro-Arab talks had begun on a more general basis, but as Brunner put it, "the time has now come to give more emphasis to energy questions."

Jenkins Visits Switzerland

During a mid-November visit to Switzerland, EC Commission Roy Jenkins and authorities there discussed Switzerland's relationship to the then proposed European Monetary System (EMS).

Jenkins said the EC Bremen summit had visualized the possibility of non-Community nations with strong currencies joining the EMS. He also noted that it was "reasonable and inevitable" that a special relationship exist between the two and that relations should be expanded.

Other topics discussed included the impact on Switzerland of the pending enlargement of the Community and the Tokyo Round of trade negotiations.

New EC Delegations to Open

EC delegations have been approved for the Mashreq countries—Egypt, Jordan, Lebanon, Syria—and Israel. A sixth new delegation was approved for Vienna.

EC-Tunisia Cooperation

The first meeting since the November cooperation accord went into effect between the Community and Tunisia took place in mid-December. Financial and technical cooperation are the key objectives of the agreement.

Tunisian Foreign Minister Mohamad Fitouri voiced concern over EC quotas on Tunisian exports of olive oil, wine, and textile products into the Community. Concern was also expressed regarding the repercussions of the Community's eventual enlargement.

AID

EC-India Relations Grow

Exploratory talks on strengthening EC-India ties were to follow last fall's sixth meeting of the EC-India Joint Commission in Brussels.

India is now the third largest beneficiary of the Community's generalized scheme of preferences. While India's share of EC trade remains small, exports to the Community in 1977 accounted for 27.9 per cent of total exports, or approximately as much as India's exports to the United States and Japan combined.

The head of the Indian delegation, Rao Saheb, emphasized the importance of improving cooperation in the future, particularly in the fields of joint ventures, third-country projects, and market access. He also noted satisfactory progress in the Indian economy made since the November 1977 meeting with the Community. Gross national product grew by about 6 per cent at constant prices in 1977-78, with a 12 per cent increase in agricultural production.

In discussing the trade promotion program for 1979, the joint commission applauded the decision to establish an Indian Trade Center in Brussels to be co-financed for three years as a joint venture.

India's first formal link with the Community, a diplomatic mission, came about in 1961. But it wasn't until Britain's 1973 accession to the Community, which caused India to lose preferential access to British markets, that India and the Community moved toward closer association. The EC-India Commercial Cooperation Agreement was signed in 1975.

Gloomy Climate Over Lomé

The general gloomy economic and social climate is the main reason Lomé negotiations have been difficult, said EC Commissioner Claude Cheysson, in charge of development in a speech late last November. Another difficulty is the large number of participants involved—over 50 African, Caribbean, and Pacific (ACP) nations.

The danger of protectionism is what is worrying Europe's negotiators, in the face of the growing number of demands made by the ACP countries. Until those countries make some choices and decisions—particularly in regard to Stabex—the negotiations cannot truly get underway, warned Cheysson.

New Relations with ASEAN

EC foreign ministers and representatives of the Association of Southeast Asian Nations (ASEAN) meeting in Brussels in late November decided to begin talks shortly on a formal cooperation agreement.

The head of the ASEAN delegation, Indonesian Foreign Minister Mochtar Kusumaatmadja, urged greater access for products from Southeast Asian countries into the Community. He also asked for EC aid in processing raw materials and an extension of Stabex benefits.

It was concluded that negotiations for a formal agreement between the two groups would begin shortly. A special conference on EC-ASEAN industrial cooperation was announced for Djakarta in February.

Two Islands Join Lomé

Accession of two former UK territories to the Lomé Convention was approved by the Council of Ministers last fall, bringing the number of developing countries covered by the agreement to 56.

Tuvalu, an island in the Pacific, became independent last October; the Caribbean island of Dominica gained its independence in early November. Both countries will retain their associate trade and financial benefits until accession has been ratified.

African President Visits EC

Gambian President Dawda Jawara, who visited Brussels in late November, told the press that the Community had shown special interest in helping finance a $3 billion project to make several West African states self-sufficient in food and to help solve drought problems.

Jawara is chairman of an eight-nation committee fighting the spread of desert conditions in the Sahel region of sub-Saharan Africa. The Sahel region stretches about 3,000 miles across Africa south of the Sahara and contains a population of about 30 million from eight nations: The Gambia, Mauritania, Mali, Senegal, Niger, Upper Volta, the Cape Verde Island, and Chad.

These countries' economies depend on agriculture and grazing, which have often been disrupted by drought and spreading desert conditions.

Working Condition Standards

A communication to the Council of Ministers on internationally accepted labor standards and working conditions was adopted by the EC Commission in early November.

The standards are to be met by any nation receiving EC aid, based on the principle that economic growth should have roots in conditions compatible with social progress.

Equal opportunity and treatment; limited work week; abolition of child labor in industry; and ensuring the health and safety of children and adolescents at work are the four fundamental standards in the proposal.

Khartoum Convention?

Will the Lomé Convention become the Khartoum Convention?

Sudanese President Nimeiry, president of the Organization of African Unity, described during his autumn visit to Brussels both Africa's praise and criticism of the existing Lomé Convention. He also invited the meeting to sign the new convention in the capital of the Sudan.

Nimeiry referred to the Lomé accord as "the best example of a model of partnership" between industrialized and developing countries. But he also appealed for greater understanding and flexibility of approach on the part of the industrialized countries and asked the Community to provide the leadership.

EC to Boost GSP

The EC Commission has proposed a 15 per cent increase in import ceilings over 1978 in its proposed generalized tariff preferences system (GSP) for 1979, it was announced in early November.

Industrial imports would be increased to about 6.6 billion European units of account (EUA), and agricultural imports would climb to about EUA 1.3 billion. A liberalized GSP, as recommended by the United Nations Conference on Trade and Development (UNCTAD), should encourage developing nations to accelerate their exports to EC markets.

The main feature of the GSP for 1979 is a new policy on textile imports that takes into account the Community's bilateral agreements with several textile suppliers negotiated under the framework of the new Multifiber Agreement. The 1979 policy would double the allowed textile imports over 1978.

ENLARGEMENT

Freedom of Movement

Freedom of movement for workers must be implemented gradually after the accession of Greece, Spain, and Portugal, said EC Commission Vice President Henk Vredeling, in charge of social affairs, during a speech in mid-November. He added, however, that it would not do to set a longer transitional period for the labor sector than for others.

In view of the grave unemployment situation, he stressed that freedom of movement—a basic right—could give rise to conflict. "By combining regional development and appropriate transitional measures, it will be possible gradually to guarantee the nationals of the new member states the right to move and work freely within the Community," said Vredeling. He added that it wouldn't be possible to recognize migratory movements quickly if freedom of movement were brought into effect right from the date of accession.

Of the 6 million migrant workers in the Community—the influx dates back to before 1973, when economic conditions were still good—only about 16 per cent are nationals of member states, Vredeling said. In general, the unemployment figures for migrant workers are somewhat higher than national averages. In addition, he added, there are approximately 600,000 illegal workers in the Community.

Portuguese Talks

Just as negotiations for Greek EC membership were about to be wrapped up, enlargement talks with Portugal opened last fall.

EC Commission President Roy Jenkins noted that Portuguese application for membership had been made possible by that country's return to democracy and liberty in 1974. But he did not hide the fact that the negotiations would probably be long and difficult. The situation was expected to be especially complicated by Portugal's political difficulties at the start of negotiations.

Jenkins said one aspect of the talks would involve Community assistance in Portuguese economic recovery; he called for "joint actions," even before accession, to coordinate strategies.

During a visit to the European Parliament meeting in Strasbourg in mid-November, Portuguese President Ramalho Eanes told the assembly that his Government wanted to enter a strong, well-organized Community that was open to the rest of the world. He stressed the need for the Community to help bring about a farier, more logical economic order.

Greek Talks in Crucial Phase

The two most difficult issues facing the EC-Greek negotiations were transition periods for sectors like agriculture and the free movement of workers, as ministers entered the final negotiating phase last December. Much of the work on terms of Greek entry into the Community had been completed the previous month.

Greek ministers had agreed then that their country would have one Commissioner, five votes in the weighted-majority voting system in the Council of Ministers—the same as Belgium and Holland—and 24 members in the European Parliament. It had also been agreed that Greece would participate in the new European Monetary System.

Earlier during a late October meeting of the EC Commission, a transition period of five-to-seven years had been proposed for Greece's integration into the common agricultural policy. EC Commission Vice President Lorenzo Natali, responsible for enlargement, said such a period of adaptation was necessary because sudden adjustment of Greek farm prices to the much higher EC prices would set off intolerable inflation in Greece. He explained further that the opening of EC borders without a period of adaptation would create competition harmful to EC products.

Signature of the accession treaty is expected by mid-1979, and final entry after formal ratification in early 1981.

Spanish Negotiations

Spanish entry into the Community is welcomed, yet difficulties are anticipated, the EC Commission indicated in late November.

Among the problems to be met is the coordination of Spain's major industrial and agricultural production, which is in direct competition with Community output in some sectors or with EC industries in crisis.

EC Commission Vice President Lorenzo Natali, in charge of enlargement, emphasized that Spain and the Community should begin soon discussing ways to make the necessary transitions easier.

Natali on Enlargement

Saying "yes" to accession by Greece, Portugal, and Spain was a political "yes," said Lorenzo Natali, EC Commission Vice President in charge of enlargement, in a speech last October.

Natali explained the "yes" was "motivated by the importance of what is at stake in integrating these three countries into the European Community"—guaranteeing their newly restored democracies. A further motive, he said, was the opportunity "for the Community to restore its own balance, paying closer attention to the conditions in its Mediterranean regions and their requirements."

Although enlargement should be beneficial to trade, the economic gap between old and new member states will cause difficulties, said Natali. Integration may have serious repercussions in certain sectors, such as textiles, iron and steel, and shipbuilding.

Solid support mechanisms for the balance of payments and substantial transfers of resources to the weaker economies will be vital to the success of the new monetary system, he noted. The Community must also correct policy imbalances unfavorable to mediterranean countries, such as in agriculture; it must strengthen regional and social policies and make industrial conversion and investment policies compatible with requirements of the new member states, he said.

AGRICULTURE

Judicial Menu

The European Court of Justice was served a gourmet's delight of lamb and potato controversies by the Commission late last autumn, with a fish course expected to follow.

The decision to go before the Court was made after months of attempting to halt the simmering disputes between the Commission and two member states proved fruitless.

The possible infractions involve Great Britain's continued limitations on potato imports from other Community countries and France's move to limit the importation of lamb meat from other member states, particularly Britain. The fish case, also expected to reach the Court, stems from Britain's unilateral limitations of fishing in its territorial waters during the two-year long attempt to formulate a joint EC fishing policy.

Dwindling Orchards

The amount of land planted with fruit trees is shrinking throughout the Community, according to a 1977 survey by the Community's Statistical Office. Acreage devoted to apple and pear trees has been reduced by 30 per cent in Belgium, and a 33 per cent cutback has taken place in German peach orchards.

Although a 6,000 hectare increase in orange groves in Italy and a slight increase of pear and apple trees in France and Luxembourg were reported, some 17,000 hectares of orchard land throughout the Community—or 3 per cent of the total—have been converted to other uses.

Proposed Fishery Prices

The EC Commission has proposed moderate increases in the guide prices for fish—ranging, depending on the species, up to 5 per cent.

The proposals, set out in November, were based on changes in the market prices during the last three marketing years and on general considerations regarding utilization of fish and market prospects for 1979. The prices were to be fixed for the new marketing year beginning January 1, 1979.

The Commission also proposed new intervention prices for sardines and anchovies, which are customarily fixed at 45 per cent of the respective guide prices. And for tuna for the canning industry, the Commission suggested an increase of 3.3 per cent.

Increases proposed by the Commission have little or no effect on market prices, which remain generally higher than the withdrawal prices derived from guide prices.

ECONOMY

Steel Crisis Program

The Commission's decision last October to extend the steel crisis program through 1979 was approved at the late November Council of Ministers meeting.

The crisis programs' goals are production and price discipline within the Community, voluntary restraint accords with other major steel producing countries, and production quotas that limit exports to other major markets.

Auto Industry Appraised

The strengths and weaknesses of the Community automobile industry—which employs more than 5 million Europeans—were detailed last fall by EC Commissioner Etienne Davignon, responsible for industrial affairs.

A full 9.5 per cent of trade inside the Community and about 10 per cent of the Community's exports come from the 10 million vehicles sold annually by EC automobile manufacturers.

Although the Community accounts for 31 per cent of the world production of private cars, the Americans and Japanese are ahead in the industrial vehicles market with at least 30 per cent of the world total each. The Community's share of that market is currently only 14 per cent.

Speaking before the British Society of Motor Manufacturers and Traders, Davignon urged vigorous competition but also greater cooperation within the Community—especially in third markets and research—and characterized the Peugeot-Chrysler merger as "highly desirable." The industry must also invest more in modernization in the future to keep up with the higher rates of investment by American and Japanese competitors.

Employment Plan Unveiled

A working paper prepared by the EC Commission for the Tripartite Conference held in November unveiled an overall economic strategy to stimulate growth and restructure job distribution.

The conference participants—representatives from the EC Commission, labor and management, and national governments—met to the background of a sluggish growth rate, industrial reorganization, and 6 million unemployed.

The working paper's general strategy included implementing the new European Monetary System; investment directed toward reorganization even if it would mean job losses in the short run; and continued coordination of investment and financing of public projects that exceed national budgets.

In a speech at the conference, EC Commission Vice President François-Xavier Ortoli, responsible for economic affairs, said some people thought protectionism was the solution to current problems but that was an "illusory remedy." He added that at the same time EC countries "master transitional developments and take into account the regional problems which may arise," the Community would remain attached to the international free-trade system and the increasing opening up of this system. He added that to boost growth rates internally, the rivival of investment was of decisive importance.

Economic Forecast for 1979

If the Community's annual economic report released last fall proves accurate, the Community's economy will experience a "moderate and stable" growth rate of 3.5 per cent in 1979.

Director-General for Economic Affairs Ugo Mosca said forecasts were based on the assumption that the European Monetary System would be implemented. This could provide additional stimulation to the economies, he added.

Although the 3.5 per cent growth rate falls short of the earlier target of 4.5 per cent, Mosca told the press that this slightly disappointing growth rate is better than "stop-and-go" policies that bring about fluctuating business cycles.

The report said that the past two years were the first in which the Community has shown a slight surplus in its balance of payments since the energy crisis of 1973-74. The rate of inflation has also lessened considerably in member states, during this period.

Continued concern was expressed over the high level of unemployment, but Mosca said there have been some recent signs of improvement.

COMPETITION

Joint Ventures Prohibited

Following a Commission decision in late October, the licensing agreement between two East German firms and their licensee in the European Community was adapted completely to Treaty rules. The agreement concerned the manufacture of a device for transferring exposed film into developing apparatus.

This was the first time since the signing of the Treaty of Rome that the Commission had invoked Article 85 competition rules against state-owned firms in a state-trading country.

The two Dresden-based firms have patents in the Federal Republic of Germany, France, and the United Kingdom. A company manufacturing such apparatus in Dreisbach, Germany, was interested in the technique and signed a licensing agreement with the two East German companies in 1975. The agreement gave the licensee the exclusive right to work the patents registered in the Community. The agreement also specified that the licensee must not contest the validity of the patents covered by the agreement.

As the Commission's recent practice has established, such clauses may be anti-competitive since third parties are thereby prevented from acquiring licenses, and thus any additional use of the patent is excluded and an unacceptable barrier to free use of technical knowledge.

A prohibition decision under Article 85 was also taken for the first time last October against joint venture agreements. Involved were a German and a British company entering into a joint venture for the manufacture and sale of a low-power black powder. Had the agreements gone into effect, neither party could have acted independently or competed with the other, and the United Kingdom would have been virtually closed to other producers.

In a similar decison last summer the Commission found that the system of distribution and sale of tobacco products in Belgium constituted an infraction of competition rules by an association of manufacturers. The decision was important because it confirmed the Commission's opposition to restrictions on competition via fixed price ranges.

Trademark Distinction Agreed

Two pharmaceutical companies—one German and the other Japanese—reached a compromise agreement last November regarding action to eliminate confusion between their two trademarks.

The two firms, competing manufacturers in pharmaceuticals and chemicals, had both registered similar trademarks and in each case without the other firm's knowledge. Tanabe Seiyaku Company of Japan was able to market its products in all EC member states except Germany, where Bayer AG, Leverkusen, took court action to enforce its trademark rights—relying upon the broad interpretation in German law of the concept of potential confusion. Such an action would have had a slim chance of success in other member states.

Tanabe then filed with the EC Commission a complaint that Bayer's action constituted an abuse of a dominant position and that the German law on potential confusion was needlessly strict. In the course of the proceedings, the two firms reached a compromise agreement—in which the Japanese firm will make changes in its trademark within three years.

ENVIRONMENT

Radioactive Material Study

The volume of radioactive material transported within the Community will increase considerably over the next decade. This prospect led the Commission to approve in mid-December a new work program on the problems of transporting radioactive cargo.

So far problems relating to the transport of nuclear materials have been handled at the international level. A set of rules was adopted by the International Atomic Energy Agency in 1961 and revised, most recently, in 1973.

A progress report will be made to the Commission within a year—which could include proposals that the Commission might present to the Council of Ministers.

Maritime Measures Adopted

Several measures designed to combat oil pollution at sea were adopted during the EC Council of Transport Ministers meeting in late November.

First, the Council agreed to recommend ratification of a convention on training, certification, and watchkeeping of seafarers; second, the Council agreed to the directive to raise the qualifications of deep-sea pilots operating in the North Sea and the English Channel; third, the Council approved the directive concerning minimum requirements for certain tankers entering or leaving Community ports.

Also adopted was a statement on a memorandum of understanding among certain maritime authorities on the maintenance of standards on board merchant ships.

Pesticides Committee Meets

The protection of public health is the priority aim of the Scientific Committee for Pesticides, which met for the first time in mid-November. The committee, composed of 13 scientists, has an advisory function to the EC Commission.

The group will initially concentrate on pesticide residues and will widen its scope as Community legislation on pesticides progresses.

Pesticides have been crucial to the increase in crop yields over the past 20 years, but many pesticides have been found to contain active substances harmful to man and his environment. This danger will now be given particular attention in the drafting of proposals relating to pesticides.

Environmental Research Plans

Two concerted-action environmental research projects worth 16 million European units of account over the next four years were given the go-ahead by the EC Council of Ministers last October.

A micropollutant project to focus on developing analysis procedures and measuring instruments required to purify drinking water became necessary with increased water consumption. Growing demands are being made on surface water resources that must be purified before use.

The object of the second project is to study chemical reactions that transform primary pollutants in the lower atmosphere into secondary products that may be poisonous. Also included in this study will be the role of dust and other suspended particles in conversion reactions, and the precipitation of pollutants onto plants, soil, and the hydrosphere.

These two programs follow previous projects undertaken in the Europe-wide Organization for European Cooperation in the Field of Scientific and Technical Research program. The Commission has been instructed to invite non-EC countries to participate in the new projects.

ENERGY

Brunner Wins Award

EC Commissioner Guido Brunner, responsible for energy policy, was awarded last November the Melchett Medal of the Institute of Fuel, the leading UK professional institute for fuel technologists.

The award is given annually for "outstanding work . . . involving the scientific preparation of use of fuel . . . for the benefit of the Community." It is the first time a member of the Commission has received the prize.

Trend in Oil Prices

A report on oil prices for 1977 recently approved by the EC Commission showed that increases in the price of crude oil were offset by the depreciation of the dollar. Community countries ended up paying only about 1 per cent more than in 1976.

Consumer prices of petroleum products, said the report, including duties and taxes, varied considerably from country to country because of differences in the tax systems. On the other hand, prices not including duties and taxes were very close.

On the whole consumer prices remained stable. There was a slight increase in overall revenues, but it stayed below the increase in the cost of crude. This led to a slight increase in the deficit of the refining and distributing industries.

It was pointed out that the report covered the general EC situation and the picture could vary among individual countries depending on their economic state and the competitive structure of their market.

New Fusion Program Proposed

A new five-year program for developing thermonuclear fusion was proposed by the EC Commission in late November.

The proposal is for about 736 million European units of account (EUA). This does not include the estimated cost of EUA 184.6 million for the Joint European Torus (JET) project, in which the Community has taken an 80 per cent share. The cornerstone for the JET buildings will be laid at Culham, in Britain, and completion is expected early in 1983.

Apart from JET, work in the fusion sector would be carried out in national organizations associated with the European Atomic Energy Community (Euratom)—to be joined by Sweden, and before long, Switzerland.

The Community intends to contribute EUA 208 million toward financing these costs. In all, about 3,000 persons, not counting JET, would be working in the fusion program.

The common objective of all these projects is to demonstrate the feasibility of controlled nuclear fusion at the experimental level. The ultimate aim is the economic generation of energy by controlled fusion of light atomic nuclei.

Nuclear Safety Issue

The European Court of Justice ruled in mid-November that the Euratom Treaty—while not foreseeing at the time of its drafting all the ramifications of the nuclear safety issue—nevertheless gave responsibility for such problems to the EC Commission.

The Court's opinion had been requested by Belgium in connection with member state participation in a convention drafted by the International Atomic Energy Agency in Vienna.

The Court said that participation by member states in the international convention on physical protection of nuclear installations and transportation would be compatible with the Euratom Treaty, if the Community participated on the same grounds as others. The Court also judged that the Euratom Treaty gave the Community special responsibilities that could not be wholly assumed by the member states in international matters dealing with nuclear safety.

Coal Forecast Revised

Considerable price increases for France—13 per cent—and for the United Kingdom—10 per cent—were noted in a revision of the 1978 coal market forecast approved by the EC Commission in November.

Other key points included a downward revision in consumption of blast-furnace coke in the iron and steel industry, because of the slow-down in steel production forecast for the second quarter of 1978.

Coal production for the Community as a whole was still anticipated at 238 million tons, close to the original forecast. Coal imports from non-Community countries was also expected to remain at the 45 million tons forecast.

Generation of hydro and conventional thermal electric power stayed at the preceding year's level with coal's share slightly improved in most member countries.

Energy Conservation Panel

Fulfilling a promise made to environmentalists at last year's public hearings on nuclear energy, the Commission announced in late October the establishment of a special, outside panel to study the possibilities of major energy savings.

The group of 12 is headed by Jean Saint-Geours, a French international energy consultant, and includes Belgian Nobel Prize Laureate in Chemistry Ilya Prigogine. At a press conference Saint-Geours said he felt that significant energy savings could be made without harm to economic growth or the consumer society.

The panel will submit its recommendations early this spring.

SOCIAL POLICY

Social Security, Employment

An "equal opportunity" law was passed in late November at the EC Council of Social Affairs Ministers meeting in Brussels. Also approved was a regulation on unemployed young persons.

By 1985 men and women throughout the Community will receive equal social security benefits under the new equal opportunity directive. These benefits include sickness, invalidity, pension, accident, and unemployment payments. The directive is designed to eliminate all discrimination from social security plans.

In passing the much debated regulation on unemployed young people, the Council agreed to the creation of new aid from the European Social Fund. This aid will go toward promoting the recruitment of young people under 25-years-old who are unemployed or seeking employment, by creating additional jobs providing vocational experience and jobs that fulfill a public need.

The one-year plan aims at reducing the estimated 2.5 million unemployed youth.

Handicapped Children

An EC-sponsored conference on the special education of physically and mentally handicapped children was held in Rome in early December.

Attended by special education experts from Italy as well as delegations from other member states, the aim was to give Italian experts the opportunity to share in experiences Europe-wide and present their own recent developments.

The work concentrated on two themes: the education of physically and mentally handicapped children during the compulsory phase of education and the improved transition of these children from school to working life.

X-Ray Radiation

The EC Commission emphasized its concern over radiation exposure resulting from medical treatment, in response to a recent question from the European Parliament. To date Germany is the only country with a system that checks the total dosage of X-rays received by a patient during treatment.

In July 1976 the Council of Ministers adopted a Commission directive urging member states to voluntarily reduce unnatural radiation to the absolute minimum. The Commission is currently drafting a proposal to improve the protection of patients from excessive radiation.

Smoking Habits Reported

Tobacco use—or abuse—was one topic covered in health care reports submitted last November by the EC Commission to the Council of Ministers.

Cost of health care, hospital costs, pharmaceutical consumption, use of drugs in sports, protection and immunization against contagious diseases, and information policy for nutrition were the other issues covered.

In all member states smoking in public places, schools, trains and buses, and hospitals is forbidden or restricted. This ban was originally for safety reasons, but in the last three or four years more stringent provisions have entered into force to protect public health.

Despite all the information programs, there has been a slight increase in the use of tobacco products by women; among young people it remains constant; and in men there has been a tendency to cut down.

In France anti-smoking publicity has reduced the number of smokers by 3 per cent. Smoking is also on the decline in the United Kingdom, whereas the rest of the Community shows little change in smoking habits.

Consumer Policy Reviewed

New directions for consumer policy were examined last fall at a high-level conference sponsored by the Commission.

It was pointed out that about 35 directives concerning health protection alone had been adopted with special committees set up to evaluate EC policy areas affecting consumers. At the same time, it was observed, thorough discussion of a draft directive may take up to six years before adoption.

"Green Papers" issued by the Commission on current consumer problems to help set the stage for debates and "consumer impact statements" were proposed as ways of improving consumer policy. Another suggestion was for an economic system that puts a premium on lowering prices rather than raising wages and prices.

An industry spokesman predicted that two areas of technology—data-processing and biotechnology—would play the important roles of "economic motors" that the automobile and chemical industries played in the past.

Participants also spoke of the need for more goods of a regional or cultural nature, and personalized goods manufactured in specialized autonomous workshops. Workers and consumers will have to choose between conspicuous and sober consumption, and between work and leisure in the future, it was pointed out.

Opinions on Retirement

European workers seem to prefer retirement when they are young enough to enjoy it, but less so as they approach retirement itself.

These findings were contained in a recently released Commission survey on how workers feel about early retirement. The poll of 9,000 persons revealed three distinct age groups. The youngest, 30 and under, were unconcerned with retirement; the middle group, aged 30-45, had a favorable view of retirement; 45 to 50-year-olds were indecisive; and many 50 and over hoped to pursue some type of activity after retirement.

The researchers concluded that the harmonization of early retirement laws in the Community would be difficult and perhaps too inflexible to meet the retirement goals of all workers.

INSTITUTIONS

Powers of Parliament

The main power the new, directly elected European Parliament will lack, said EC Commissioner Christopher Tugendhat, responsible for personnel and administration, is the power to form a government. But the US Congress is in the same position, he added in a speech late last November.

Given the differences between EC and national institutions, Tugendhat explained, it would be inappropriate for the new European Parliament to try to acquire powers similar to those enjoyed by national parliaments.

If the European Parliament follows the US system of using committees to control the executive branch, it could make more effective use of its powers of control and reduce its political aspect.

In relation to the EC Commission, Tugendhat continued, "a directly elected Parliament is likely to press the Commission to take a much bolder line."

"Three Wise Men"

Last fall French President Valéry Giscard d'Estaing proposed a committee of "three wise men" to study the institutional problems of enlarging the Community. In mid-December the Council of Ministers decided to appoint such a committee.

D'Estaing claimed that EC institutions had not functioned properly since the enlargement in 1973, and further that the new European Monetary System and the directly elected European Parliament would make revision of present procedures even more necessary.

The three-man committee to report next October includes: former EC Commission Vice President and French economist Robert Marjolin; former member of European Parliament, former Dutch Deputy Prime Minister, and former Minister of Agriculture Barend Biesheuvel; and former Member of the British Parliament and former Minister of State Edmund Dell.

First Woman Elected

For the first time in Community history, a woman has been chosen to head an EC institution.

Fabrizia Baduel Glorioso was elected last fall to head the Community's Economic and Social Committee—the group of industry, labor, and consumer representatives that advises the Commission on pending draft directives. Glorioso was previously in charge of the international department of the Italian Trade Union Confederation.

In her inaugural address, Glorioso emphasized that the Community faces some difficult decisions in the coming two years and that the committee should carve out "a more active and decisive role" for itself. She said that arrangements for questioning the Community institutions would perhaps prompt them to pay more attention to the committee's opinions.

Berlin Mayor Visits Brussels

Berlin Mayor Dietrich Stobbe's visit to EC Commission headquarters in Brussels last fall underlined the special and delicate ties existing between Berlin on the one hand and Germany and the Community on the other.

At a news conference Stobbe announced, "Berlin is in good hands with the Commission," and pointed out that although Berlin cannot become a capital city, it must develop itself into a major cultural and scientific center. Also discussed in the course of Stobbe's visit were the state of EC negotiations with the Council for Mutual Economic Assistance (Comecon) and the upcoming direct elections to the European Parliament.

Following World War II the occupying powers suspended provisions of the Berlin Constitution that called for the city's integration into Germany's federal structure with the result that Berlin is neither a constituent part of Germany nor governed by it. In the past the Soviet Union and East Germany have raised objections about Berlin's participation in EC affairs.

HARMONIZATION

New Equipment Standards

Harmonization in the standards for construction equipment was proposed by the EC Commission in late November.

The proposal, drawn up in consultation with the European building materials trade, would eliminate differences and thereby stimulate cross-frontier trade. Exports to third countries would also profit from a unified EC standard.

Experts in the trade feel that the national markets are highly structured and fragmented, putting the small and medium-sized company at a disadvantage. The Commission emphasized that it was not seeking harmonization for the sake of harmonization alone, but because the manufacturers and users of construction equipment had demonstrated the desire to open up the market through standardization.

In 1975 about 7 million persons were employed in construction, said the Commission, or about 18.5 per cent of the salaried persons in the manufacturing industries. This sector represents about 15 per cent of gross national product in most EC countries.

Legal Profession ID Cards

New professional identification cards adopted by the Community's legal profession signaled that group's readiness to practice freely throughout the Community. The right to free movement for jurists was approved last March and becomes official early this spring.

The new document will identify the bearer as a professional practitioner and enable him or her to practice in any member country, in many cases with the help of local colleagues.

At presentation ceremonies in Brussels, EC Commissioner Etienne Davignon noted that national law is not dead, but has been adapted to meet Community needs.

Merger Law Harmonization

The move toward a more uniform body of corporate law throughout the Community cleared a major hurdle last fall when the EC Council adopted the "third directive" on company merger laws.

The recently adopted proposal—pending since 1970 and now to be implemented within three years—establishes Community-wide laws that set levels of information for take-over bids; ensures that shareholders in the acquired firm receive a fair value of shares in return; and protects creditors.

Workers' rights to the continuation of contracts in the case of a merger were covered in a previous directive, as were capital requirements and accounting standards. A directive on mergers involving companies in different member countries is expected in the future.

SCHOLARSHIPS, GRANTS, CONFERENCES

Drew University Semester

A unique opportunity for undergraduates to study the European Community is offered by Drew University in Brussels. Designed primarily for third and fourth year college students, the program concentrates on economics, political science, and history.

Knowledge of one EC language is strongly recommended—preferably French. Students assume financial responsibility for tuition, room, board, and transportation. Limited scholarship aid is available.

Applications must be submitted by May 1 for the fall term or November 1 for the spring semester. A transcript and letter of recommendation is also required.

For further information, write: Director, Semester on the European Community, Drew University, Madison, New Jersey 07940.

CERDEC Course

The Center for Research and Documentation on the European Community (CERDEC) at American University in Washington, DC, sponsors a course on the Community for both undergraduate and graduate students interested in European development.

Students begin readings in February and attend a crash course on the Community beginning in early summer. This preparation leads to a three-week trip to visit the EC institutions in Europe during June.

To apply, write: Dr. Michel Struelens, CERDEC director, 162 McKinley, American University, Washington, DC 20016. Or call 202/686-2140 or 2844.

1979 Community Prizes

Three prizes are awarded biannually by the EC Commission for university theses making significant contributions to the study of European integration.

Theses may be submitted for 1979 competition for which a recent doctorate or equivalent degree has been earned. Work must be written in Danish, Dutch, English, French, German, or Italian.

For details write: European Communities Prize, Commission of the European Communities, Directorate-General Information, 200 rue de la Loi, 1049 Brussels, Belgium.

Commodities Conference

The Eighth International Commodities Conference, planned for March 26-27 at the Hyatt Regency in Chicago, is sponsored by New York University.

Topics covered will include the Washington viewpoint, economic outlook, weather prospects, and forecasting wheat prices.

The cost is $425 per person plus a $60 registration fee for each organization represented. Call 212/953-7266 for information, or write New York University, School of Continuing Education, Division of Career and Professional Development, 326 Shimkin Hall, New York, NY 10003.

Jean Monnet Foundation

A foundation to organize and conserve Jean Monnet's papers from 70 years of public service was inaugurated on his ninetieth birthday last November.

The Jean Monnet Foundation for Europe will also set up conferences on European themes and initiate further study into the construction of Europe.

Henri Rieben, director of the Center for European Research at the University of Lausanne, is president of the foundation, and Max Kohnstamm, president of the European University at Florence, is vice president. Foundation members include EC Commission President Roy Jenkins and several former and current European prime ministers.

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.

Who We Are. EC Information Service, Washington, DC, 1978, 8 pages ....free
Brochure describing the information activities, publications, and services offered by the European Community Information Service in Washington, DC.

Directory of the Commission of the European Communities. Commission, Brussels, September 1978, 106 pages ....free
Organigram of the Commission, Directorates-General, and special services listing the principal officials.

Speech by Christopher Tugendhat to the National Trade Convention. *European Community News, No. 27/1978,* EC Information Service, Washington, DC, November 14, 1978, 5 pages ....free
Speech given in New York on November 14, 1978 on the multilateral trade negotiations and the effect of the proposed European monetary system on the dollar.

The Common Agricultural Policy. Commission, Brussels, 1978, 32 pages ....free
Brochure on the principles and operation of the common agricultural policy, with an explanation of each market organization.

Regional Concentration in the Countries of the European Community. *Regional Policy Series No. 4,* Commission, Brussels, 1977, 108 pages $4.00
Study by Rainer Thoss on the overall situation and development of regional concentration; gives measures to prevent and reduce existing concentration; proposes targets and instruments for Community regional policy and a series of research programs.

The European Community's Social Policy. *European Documentation No. 2/78,* Commission, Brussels, 1978, 48 pages ....free
Pamphlet on Community activities in the social sphere covering employment, living and working conditions, and social protection.

The People's Republic of China and the European Community. *Europe Information No. 13/78,* Commission, Brussels, September 1978, 15 pages ....free
Memorandum outlining economic relations between the Community and China, reproducing the text of the EC-PRC trade agreement; presents trade data.

Regional Development Programme for Greenland 1977-1979. *Regional Policy Series No. 2,* Commission, Brussels, 1978, 50 pages $2.00
Overall development program for Greenland submitted by the Danish Government to the Commission in accordance with the provisions on the Regional Development Fund.

Greece and the European Community. *Europe Information No. 14/78,* Commission, Brussels, September 1978, 7 pages ....free
Note on the EC-Greece Association Agreement, trade developments, and the Greek accession negotiations.

Management Education in the European Community. *Education Series No. 4,* Commission, Brussels, 1978, 70 pages $2.00
Synthesis report on management education in the context of European society, innovations in European management education, and suggested guidelines for action at the Community level.

Comparative Study of Employees' Inventions Law in the Member States of the European Communities. *Labour Law Series No. 2,* Commission, Brussels, 1978, 42 pages $2.50
Survey of the legal situation on employee inventions in the member states; covers the general concept and classification of patents, acquisition of patents, and remuneration.

L'apprentissage en République Fédérale d'Allemagne. *Social Policy Series No. 28,* Commission, Brussels, 1976, 155 pages $4.20
Study on the legal aspects and organization of the apprenticeship system in Germany.

Report of the Study Group on the Role of Public Finance in European Integration. *Economic and Financial Series Nos. A13, B13,* Commission, Brussels, 1977, Volume 1: General Report, 73 pages $4.20
Volume II: Individual contributions and Working Papers, 515 pages $12.50
Detailed and quantitative study of public finance in existing federations and unitary states and the financial relationships between different levels of government; examines economic effects of public finance on geographical regions within countries and prospects for the EC public finance functions.

L'apprentissage en Italie. *Social Policy Series No. 34,* Commission, Brussels, 1977, 29 pages $2.00
Study of the legal aspects and organization of the apprenticeship system in Italy.

Apprenticeships in the Netherlands. *Social Policy Series No. 35,* Commission, Brussels, 1978, 83 pages .$3.00
Study of the legal aspects and organization of the apprenticeship system in the Netherlands.

Etude sur le rôle éventuel de certains revenus primaries non salariaux dans le développement de l'inflation au Grand-Duché de Luxembourg. *Politique économique à moyen terme No. 10,* Commission, Brussels, 1977, 74 pages $2.45
Examination of the characteristics of inflation in Luxembourg, indexation of income and price controls, statistical indicators of inflation, and the impact of nonsalaried income on inflation.

Balances of Payments: Geographical Breakdown 1972-1976. Statistical Office, Luxembourg, 1977, 180 pages $21.50
Yearbook 1977.

Regional Statistics: Community's Financial Participation in Investments 1977. Statistical Office, Luxembourg, 1978, 68 pages $6.20
Yearbook 1978.

Production of Vegetables and Fruit 1966-1977. Statistical Office, Luxembourg, 1978, 98 pages $9.15
Yearbook 1978.

Medium Term Forecasting of Orchard Fruit Production in the EEC: Methods and Analyses. *Agricultural Statistical Studies No. 19,* Statistical Office, Luxembourg, 1977, 118 pages $6.90
Methodology and medium-term forecast FORTRAN computer program developed for routine forecasts of fruit production at Community level.

Analytical Tables of Foreign Trade: NIMEXE 1977. Statistical Office, Luxembourg, 1978, 92 microfiches $110.00
1977 import and export data, according to the common customs tariff, at the six digit level by origin and destination.

List of Chemicals in NIMEXE. Statistical Office, Luxembourg, 1978, 220 pages $12.60
Classification of chemical products by their chemical terms in the common customs tariff and corresponding statistical classification in NIMEXE.

Bibliography on Transport. *Documentation Bulletin B/3,* Commission, Brussels, 1978, 148 pages $1.15
Update for 1978: bibliography of Community legislation, other official acts, and studies, as well as non-Community sources on transport.

New Transport Technologies Glossary. Commission, Brussels, 1977, 900 pages $18.25
English/French/German/Italian/Dutch/Danish glossary on modern and future transport systems.

Bulletin bibliographique de jurisprudence communautaire No. 77/1. Court of Justice, Luxembourg, 1977, 188 pages $3.15
Multilingual bibliography of legal literature and publications on Community law and jurisprudence; replaces "Bibliographie de jurisprudence européenne"; issued irregularly, standing orders available.

Third Symposium on Neutron Dosimetry in Biology and Medicine. *EUR 5848 DE/EN/FR,* Commission, Luxembourg, 1978, 940 pages $50.25
Proceedings and papers of a symposium held in Neuherberg/Munich, Germany, May 23-27, 1977.

First Technical Meeting on the Nuclear Transmutation of Actinides. *EUR 5897 EN/FR,* Commission, Luxembourg, 1978, 452 pages $36.50
Proceedings and papers of the meeting held at Ispra, Italy, April 16-18, 1977.

The Use of Ionizing Radiation in Agriculture. *EUR 5815 EN,* Commission, Luxembourg, 1978, 566 pages $19.00
Proceedings of a workshop held at Wageningen, The Netherlands, March 22-24, 1976; covers improvement of food hygiene, integrated control of agricultural insect pests, and mutation breeding of crops.

An Evaluation of Economical Consequences Resulting From the Application of Directive Proposal COM (75) 681 "The Use of Low Sulphur Fuel Oils With the Aim of Decreasing Sulphurous Emissions." *EUR 6011 EN,* Commission, Luxembourg, 1978, 86 pages $9.00
Using single line energy forecasts to 1985, the study calculates the cost of using low sulphur fuel oil based on the location and size of protected zones and the required quantities of low sulphur fuel.

Influence on Health of Different Fats in Food. *Information on Agriculture No. 40,* Commission, Brussels, 1977, 233 pages $5.00
Series of monographs and a conclusion paper on the origins of coronary heart disease and the possible link with nutrition patterns, particularly fat components in food.

Chemical and Physical Valorization of Coal. *EUR 5954 DE/EN/FR/IT,* Commission, Luxembourg, 1978, 284 pages $21.20
Round table meeting held at Liège, Belgium, November 9-10, 1976, on liquefaction of coal.

Proceedings of the EURONET Training Workshop 1976. *EUR 5938 EN,* Commission, Luxembourg, 1978, 172 pages $17.00
Papers of the workshop on the definition of appropriate training programs for future EURONET specialists and users.

Research and Development in Respect of Energy Storage: Evaluation of Programmes in Progress Within the Community. *EUR 5929 EN,* Commission, Luxembourg, 1978, 100 pages $11.50
The energy situations, storage needs, and on-going research programs in the member states described, as well as primary and secondary techniques currently in use.

Report of the Study Group on Vegetable Proteins in Foodstuffs for Human Consumption, in Particular in Meat Products. *EUR 6026 EN,* Commission, Luxembourg, 1978, 156 pages $25.00
Study on various problems raised by the processing and marketing of foodstuffs containing vegetable proteins; nutritional, technological, economic, and legal aspects examined.

Health in Mines. *EUR 5931 EN,* Commission, Luxembourg, 1978, 214 pages $22.00
Summary of research results from the 1971-76 program on control of dust emission in mines.

The Comparison and Coordination of National Policies and Programmes in the Energy Research and Development Sector. *EUR 5911 EN,* Commission, Luxembourg, 1978, 184 pages $23.50
Inventory of programs and expenditures for energy research and development financed from public sector funds of the member states and the Community from 1974 to 1976.

Forestry Problems and Their Implications for the Environment in the Member States of the EC: Results and Recommendations. *Information on Agriculture No. 25,* Commission, Brussels, 1976, 129 pages $4.30
Summary report of four studies on forestry problems: public recreational use, mechanization of timbering, state aids, and systems of forest taxation; individual studies available in German only.

Review of Pre-Slaughter Stunning in the EC. *Information on Agriculture No. 30,* Commission, Brussels, 1977, 90 pages $4.25
Study of legal requirements on equipment, techniques, and personnel used in pre-slaughter stunning in the member states.

European Community Information Service

1979 subscription prices

EUROPE. Magazine of the European Community. Bimonthly. $6.00.

OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES. Daily. Publishes all Community legislation and many communications. Surface mail: $96.50. Air mail: $319.80 additional. **Index To The Official Journal.** Monthly. Surface mail: $23.20. Air mail: $15.00 additional. Microfiche Edition. Surface mail: $96.50. Air mail: $11.00 additional.

BULLETIN OF THE EUROPEAN COMMUNITIES. 11 issues and Index. Surface mail: $32.50. Air mail: $18.40 additional. **Supplements to the Bulletin.** Standing order available. Invoiced quarterly according to the number of pages in supplement.

LIST OF ADDITIONS TO THE LIBRARY OF THE CEC. Monthly. Surface mail: $24.80. Air mail: $14.00 additional.

DOCUMENTATION BULLETIN. Irregular. Surface mail: $35.50. Air mail: $64.80 additional.

EUROPEAN ECONOMY AND SUPPLEMENTS A, B, AND C. Surface mail: $48.50. Air mail: $24.35 additional.

European Economy. Three issues. Surface mail: $32.50. Air mail: $9.00 additional.

Recent Economic Trends: Supplement A. 11 issues. Surface mail: $16.25. Air mail: $5.90 additional.

Business Survey Results: Supplement B. 11 issues. Surface mail: $16.25. Air mail: $5.90 additional.

Consumer Survey Results: Supplement C. Three issues. Surface mail: $6.50. Air mail: $3.25 additional.

Supplements A, B, and C. Surface mail: $32.50. Air mail: $15.10 additional.

VOCATIONAL TRAINING: INFORMATION BULLETIN. Quarterly. Surface mail: $14.50. Air mail: $2.50 additional.

EUROSTATISTICS. Monthly bulletin of general statistics. Surface mail: $26.00. Air mail: $25.75 additional.

IRON AND STEEL: MONTHLY STATISTICS. Surface mail: $14.50. Air mail: $5.40 additional.

INDUSTRIAL STATISTICS: TRIMESTRIAL BULLETIN. Quarterly. Surface mail: $29.00. Air mail: $9.00 additional.

PUBLIC CONTRACTS AND TENDERS OF THE EDF. *Supplement to the Official Journal.* Surface mail: $41.50. Air mail: $69.00 additional.

MONTHLY SUGAR STATISTICS. Surface mail: $36.50. Air mail: $18.35 additional.

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