

# *European Community*

NOVEMBER-DECEMBER 1977 NO. 204



**Steel's Molten Muddle**



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# International Economic Paradoxes

## *Protectionist moves and Tokyo Round progress occurring simultaneously*

H. PETER DREYER, *Brussels-based European editor of The Journal of Commerce, filed this dispatch from Tokyo*

AT LONG LAST THE TOKYO ROUND APPEARS TO BE forging ahead. For four years it looked much like a state of suspended animation. But now major governments have evidently determined to get going. As of mid-October it was still too early to say whether they could in fact meet the ambitious deadlines they set themselves for the period up to January 15, 1978, so as to then embark on the actual bargaining in this current round of General Agreement on Tariffs and Trade (GATT) negotiations. Nor was it at all possible to say whether such bargaining could be completed successfully, and with something substantial to show for it, later next year, as the optimists claimed it would be. But at least the impression has become one of action.

Yet at the same time all is far from well. Even the most casual observer of the international trade scene cannot close his eyes to the upsurge of protectionist moves and pressures now developing in one country after another, including many which were formerly considered staunch bastions of free trade. In early October an American newspaper reader, for instance, could find scare stories about the European Community having switched to protectionist policies, about the clamor for import restrictions in most nations' textile industries, about the plight (occasioned by "cheap" imports) of American steel mills, and in fact about an anti-dumping ruling of the US Treasury against five Japanese producers of carbon steel.

Sure, some of these reports were highly colored and/or grossly exaggerated. It is useful to remember also that, as charges were traded, one's own side was invariably pictured as totally innocent just as the other was unreservedly villainous, and that the fervor inspiring the antagonists tended to match that with which, one would assume, the religious wars of the Sixteenth Century were fought. Nevertheless, there is no getting away from the fact that, if protectionist moves and attitudes were now becoming front-page news, this reflected a very real change as compared with one or two years ago.

The reason for this is not too difficult to find. It lies quite palpably in a recession that will not go away and which, because it does not respond to formerly effective

treatment, becomes increasingly disturbing. At its outset it was still possible to expect that, like previous recessions, it would soon give way to complete recovery, and by the winter of 1975-76 there were sufficient indications that this normal process would indeed develop. It was probably due to such confidence that, even though the downturn was much more marked than earlier ones, it did not at first trigger any massive protectionist moves. But by now things have become different. Last year's hopes turned out to be premature. It appears that the way out of the recession will be slow and arduous: As regards its most frightening aspect—unemployment—there may well be no substantial improvement before the end of 1978, if indeed then.

Of the several contributory factors, two more might be mentioned. First, some of the industries currently encountering heavy weather already had been in, or were clearly heading for, trouble before this. Textiles and steel are cases in point. The recession meant for them merely that problem situations surfaced faster or more dramatically than they would have done anyway. At the very least there is also the suspicion that in some instances the industries or firms concerned have been deliberately profiting from the occasion and have been masking the need for remedying structural deficiencies by advancing protectionist pleas based ostensibly on the recession impact.

Secondly, in so doing, they have been operating with distinctly more sophistication than in the past. In the case of American corporations, at any rate, this has resulted often in the submission to the courts of elaborate briefs prepared by top lawyers—thus circumventing the Executive by such appeals to the Judiciary.

But why is it that at this precise moment we are treated to the spectacle of governments anxious to remove (through the Tokyo Round) a maximum number of hurdles to international trade while also watching a rising tide of protectionist intentions and measures? One reason for this somewhat paradoxical phenomenon might be, of course, the awareness of political leaders that only by quick and concerted joint action can the spread of protectionism be arrested before it has caused enormous and



perhaps irreparable damage. Such was certainly the spirit behind the relevant declarations of the London (May 1977) "summit" of Western industrial powers.

Yet, though correct as far as it goes, this is still too simplistic an approach. The more comprehensive, as well as realistic, explanation is probably that the seeming contrast between governmental efforts and the brutal facts of international trade reflects quite accurately the dilemma in which so many national governments now find themselves. To a large extent this is brought about by the circumstance that in an era widely acknowledged to be one of fast growing international interdependence, it is still national governments that pursue national economic policy objectives by disparate and often conflicting measures.

On the one hand, governments are all aware (if their public statements are to be believed) that in today's world their own actions must be coordinated with those of other countries, and with market situations going well beyond their individual national borders. It is promising, too, that they know, or are coming to know, that the beggar-thy-neighbor policies of the early decades of this century offer no solution at all, and should be firmly rejected.

But against that, governments are political entities primarily responsible to their own national constituencies who will blame them (i.e. not re-elect them) if they do

not cope, or at least appear to be coping, with domestic economic troubles. This situation is hardly made easier by the facts that (1) the power basis of most governments today usually is a weak one, and (2) unilateral action at home appeals more strongly to the citizenry and can be shown to produce faster results than the difficult-to-explain international coordination moves. In this context and in a period of concern over high unemployment and low business activity, protectionist steps may look like the "logical" response to problems seemingly caused directly by high imports.

Out of this dilemma now confronting governments there is no easy or fast way. For, as recently noted by distinguished international trade economists, those political leaders and civil servants who wish to avoid protectionism are compelled to attack the trade restrictions of other countries if they are to uphold support for liberal trade policies at home. But in so doing, and under conditions now prevailing, they are thereby also contributing to the deterioration of international economic relations.

To expect the Tokyo Round negotiations to eliminate this quandry would be to indulge in an illusion. But it will be possible to rate them a success if they can at least halt the current march towards protectionism and lay the groundwork for new progress towards more liberal world trade at such time as the present recession has definitely been left behind us.

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## *Haferkamp* ON RECORD

The world is nearer sliding back into the protectionism of the 1930's than at any time for the last 30 years. Unemployment is high and is likely to continue high well into the 1980's. Industries in crisis—on both sides of the Atlantic—are pressing governments to restrain imports. And the protectionism that stifled trade and kept millions on the dole 40 years ago is now being presented in a new guise, with seductive modern rational sounding slogans.

So I think that this is the moment when we should stand up and be counted. And we are foursquare behind the one world trading system that has over the last 20 years provided the base for the biggest increase in world trade and world prosperity in recorded history.

We believe that an open and liberal trade policy is in the interest of the Community.

Trade is not a one-way street. The standard of living of the Community countries depends on the competitive edge of their industries on world markets. The attention focused on imports and unemployment tend to

make us forget this.

Take iron and steel. Imports into the Community rose in 1976 by 19 per cent over 1975 to total \$4.2 billion. But Community exports in 1976 were more than double—\$9.5 billion.

Take shoes. Imports in 1976 totaled \$695 million. But exports were \$985 million.

Even in textiles imports in 1976 at \$9 billion were nearly balanced by Community exports of \$7.6 billion.

Indeed the increasing specialization necessary if Europe is to compete successfully on world markets implies major structural changes both in world trade and in European industries. But the first can be accommodated within the GATT (General Agreement on Tariffs and Trade). The Multifibre Arrangement and the arrangement on cotton textiles which preceded it have successfully maintained a delicate balance between the developed and developing countries for 15 years, and show that industrial sectoral problems can be dealt with in the GATT framework quite apart from the existence of

GATT instruments such as the safeguard clause and anti-dumping rules. Equally a major effort will be needed to restructure European industries to meet a changing pattern of trade.

But these problems can be dealt with without recourse to doctrines that under different but plausible names would return us to the chaos of restrictions and beggar-thy-neighbor policies which characterized the 1930's. That is why the Commission supports a liberalism in world trade which is an intelligent liberalism, which recognizes that economic conditions are significantly more difficult and that unemployment in many industries has reached dangerous levels, but believes that these problems can best be tackled by the one world trading system which has served us well for the last 30 years.

—Wilhelm Haferkamp,  
*Commission Vice President  
responsible for external relations*



# New EC Faces in US Talks

## *Trade, steel, energy, and cookies on agenda*

STEPHEN MILLIGAN, *Brussels correspondent for The Economist*

THE EC COMMISSION'S DELEGATION FOR THE LATEST round of the twice-yearly high-level talks with the United States, held in Washington in early November, was headed by two new faces: Wilhelm Haferkamp, the EC Commissioner for external relations, and his director-general, Sir Roy Denman. Haferkamp took over his job at the start of 1977, and Denman began in July.

Although Haferkamp has only been running the Commission's external relations for 10 months, he is one of the most experienced men on Commission President Roy Jenkins' team. He first joined the Commission back in 1967 to take charge of energy and nuclear policy, moving in 1973 to handle the controversial economic and monetary portfolio.

Unlike most EC Commissioners, Haferkamp has never been a member of parliament; but before he came to Brussels, he devoted his career to the German trade union movement. And his links with the German unions remain strong. Last autumn in the midst of a controversy about his renomination as the ranking German Commissioner, several top trade union leaders told Chancellor Helmut Schmidt they thought it essential that he should be reappointed. This connection means that Haferkamp often has a better feel for the way ordinary working men think than do his more intellectual colleagues. He is not a man who likes to burrow into technical details, but he often has a clearer political grasp of the essentials of any subject than the experts who advise him.

He was born in Duisburg on July 1, 1923, and was wounded in the Second World War fighting on Germany's eastern front. From 1946 to 1949 he studied economics and sociology at the University of Cologne. Then in 1950 he became head of the social department of the North-Rhine Westphalia division of the German Trade Union Federation. By 1957 he was chairman of the division. In 1963 he moved over to his first EC post as trade union representative on the European Coal and Steel Community's Consultative Committee. He also joined the Community's Economic and Social Committee as a trade union representative. In 1967 he was appointed a Commissioner in Brussels. In 1970 he became a Vice

*Commission Vice President  
Wilhelm Haferkamp*



President of the Commission.

Although Haferkamp is a socialist and a member of Germany's governing Social Democratic Party (SPD), his views are not very left-wing by European standards. Like so many SPD men, he is a strong believer in the virtues of the free economy and free trade. This could be of vital importance in his dealings with the United States. As he well knows, there are strong protectionist pressures growing both in the Community and the United States—and it will take both conviction and courage to overcome them. Haferkamp—who has seen at first-hand how German trade unionists suffered from protectionism before the war and how they have gained from free trade since the war—will be a doughty fighter for free trade.

American negotiators may find Haferkamp a little harder to understand than his British predecessor Sir Christopher Soames—because his English is naturally not so fluent. But they are bound to be impressed by his experience, his political grasp, and his dedication to the principles of free trade. In any case, if there are any language problems, Haferkamp will have at his side an Englishman, Sir Roy Denman.

Although Denman is new to Brussels, he is one of Europe's top trade experts and, formerly, one of Britain's most distinguished civil servants. He is a dominating man with stronger ideas of his own than most bureaucrats. For years he has been an enthusiast for European integration, and he tends to be contemptuous of chauvinist domestic politicians. Aged 52, he was working in the British Cabinet as permanent secretary in charge of EC affairs before he was appointed to Brussels. The Commission was delighted to have "scooped" Denman from the British civil service.

His net pay in Brussels is four times higher than in his



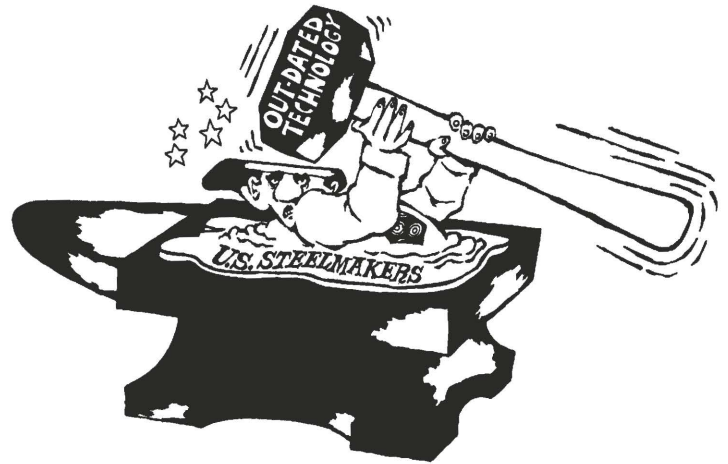
last job in Britain. But Denman did not switch jobs just for that. He believes that key decisions are increasingly being taken in Brussels rather than national EC capitals, and he wanted to work where the power is. And he knows a thing or two about decision-taking in Europe. He used to be private secretary to Sir Harold Wilson during the Labour leader's early days at the British Trade Department. He spent three years working in Bonn (acquiring fluent German to add to his fluent French) and later became Britain's number one expert in the tariff-cutting talks in Geneva, first in the Dillon Round, then later in the Kennedy Round. After this he became the senior trade official in charge of Britain's entry talks with the Community between 1969-72.

Denman's knowledge of trade affairs will be of crucial value in EC-US relations since so many issues now at stake concern trade—notably the future of the multilateral trade negotiations in Geneva.

THE AGENDA FOR THE EC-US TALKS in Washington in November were expected to cover the following issues:

- **Trade.** Of first concern was the state of play in the multilateral trade negotiations in Geneva. Robert Strauss, President Carter's special trade representative, had already paid two visits to Brussels to discuss a possible deal between the Community and the United States on the outstanding issues—how tariffs can be cut, how farm trade can be expanded (and price swings stabilized), and how nontariff barriers can be removed. Both were committed to agree a text for final negotiations before January 15, 1978. Cuts in tariffs up to 44 per cent were under discussion.

*Krupp Steelworks at Rhinehausen in Germany.* © René Burri, Magnum

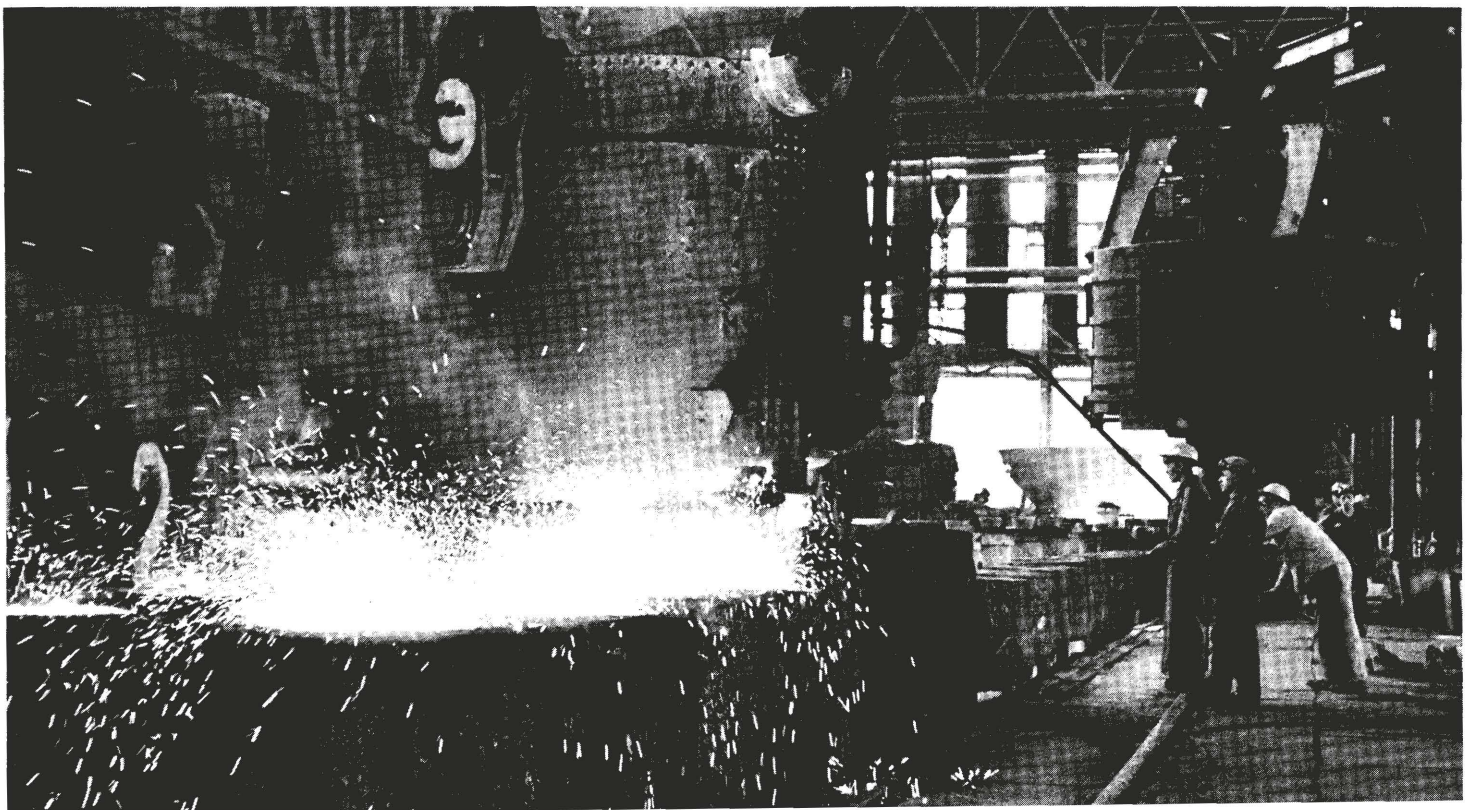


*"Our industry is being clobbered by all those foreign imports!"*

© Margulies, Rothco Cartoons

- **Steel.** Prices were falling, production was slumping, and thousands of jobs were at risk on both sides of the Atlantic. The Europeans feared American protectionism, while many American producers accused the Europeans of selling steel at "dumped" prices. The two sides wanted to discuss the possibility of a world steel agreement to avert an all-out steel war and new trade barriers. Talks on such a deal had already been initiated in Paris under the auspices of the 24-nation Organization for Economic Cooperation and Development (OECD).

- **Cookies.** Yes, cookies. The Europeans were scared by a case under consideration by the US Treasury. American producers had accused a Danish cookie producer of competing unfairly in the United States because butter—a key ingredient—had been heavily subsidized by the EC common agricultural policy. The Europeans feared this





could have been the start of a series of attacks on imports of processed food from Europe, a big slice of US-EC trade.

- **Energy.** The Europeans wanted to check up on the progress of President Carter's energy package. The Community had given the President full backing for his plan, because it reckoned that any measure to cut American oil imports would help stop oil prices rising faster in the future. The Community has been more dependent on imports from the Arabs than the United States—even though North Sea oil has started to flow.

- **Nuclear.** The most sensitive issues, like President Carter's plans to limit fast breeders and reprocessing plants, were being discussed by the special international group set up after the Downing Street "summit" last summer. But there was talk about the need to renegotiate the

US-Euratom treaty on the supply of uranium. Some Americans wanted to limit the Community's right to move American nuclear fuel from one EC country to another. The Community strongly resented any such attempt to interfere in its own affairs.

- **North/South.** There was the possibility of talk about how to handle price-support deals for commodities after the wind-up of the "North/South Dialogue." Both sides were committed to the principle, but the practice looked a lot more tricky. The Community was not able to participate fully in the world sugar agreement signed in Geneva in October because of internal problems in fixing export quotas.

- **Next world "summit."** Some talk of where it should be held was expected. Current favorite site was Bonn in early 1978.

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## ... the dog that barked in the night

"I am thinking about the dog that barked in the night," observed Sherlock Holmes. "But," said Watson, "no dog barked in the night." "That is what is so extraordinary," replied Sherlock Holmes.

Until now, it has been the same with protectionism. The extraordinary feature of the world slump since 1974 is that there has been no widespread resort to protectionism as there was in the last great slump in the early 1930's. Between 1973 and 1976, world production rose by a miserable 2.6 per cent a year (against the average growth of 6.8 per cent in 1960-73), and employment in the industrial countries fell by an average 1.7 per cent a year (against an average growth of 1.3 per cent in 1960-73). At the same time, the trade balances of many Western countries plummeted into the red after the fivefold rise in oil prices.

Yet despite this dramatic deterioration in the world economy, leading Western countries have stuck to free trade. Indeed world trade has continued to expand at a faster rate than domestic economies. Between 1973 and 1976, world exports grew at an annual average rate of 4 per cent. Without this growth in world trade, the slump would have been even more painful. But politicians everywhere face huge pressures from their own industries and trade unions to cut down imports to "preserve" jobs at home. To their credit, most of them managed to resist these pressures.

A key factor in the battle against protectionism has been the strength of supranational and international organizations that did not exist in the 1930's. The three most important

are the European Community, the Organization for Economic Cooperation and Development (OECD), and the General Agreement on Tariffs and Trade (GATT). The European Community has played a key role (a) because the existence of the Common Market has prevented any restrictions being imposed on trade between EC member states and (b) because it has been able to pressure non-EC countries, notably the United States, not to impose trade restrictions for fear of EC retaliation.

The United States is easily the Community's biggest trading partner, buying 19 per cent of EC exports and selling 21 per cent of its exports to the Community (ignoring intra-EC trade). So the pattern set between these two groups—the world's biggest trading blocs—is often critical for the rest of world trade.

For some time, the United States has been running a large trade surplus with the European Community, now at around \$9 billion a year. This reflects the large American export trade to Europe in farm goods. But the Community has not used this large imbalance in trade as an excuse for taking restrictive measures on American imports (although the Americans have traditionally criticized the EC common agricultural policy for being too protectionist). And the US Government has been generally firm in dealing with domestic demands for protection against European manufactured imports. In 1976, for example, the Ford Administration rejected demands for limits on imports of European cars into the United States.

The success in avoiding a transatlantic trade war owes much to the regularity of contacts between the EC Commission and top officials in Washington. Twice a year the two sides meet for "high-level" talks, and in between there are regular visits. President Carter's new special trade representative, Robert Strauss, has already paid two visits to Brussels since he was appointed earlier this year. And several Commissioners, including President Roy Jenkins, have visited Washington on trips in 1977. The EC Commission and the US Administration are working closely together to ensure a successful outcome of the GATT talks in Geneva early in 1978.

Nonetheless, there have been plenty of awkward problems to deal with. One of the thorniest has been a series of cases brought by American companies urging that extra duties should be imposed on imports from Japan and from the Community, which benefit from value-added tax (VAT) rebates. The first case was brought by Zenith against Japanese television imports, and the second was brought by US Steel against Japanese and EC steel imports. Both cases were brought under an ancient American law against "unfair bounties"—although GATT and the US Government have long since agreed that there is nothing unfair about VAT rebates on exports. The US Government has promised to fight these cases all the way—but it cannot insure that extra duties will not be imposed.

—Stephen Milligan



# Europe in the Same Steel Puddle

RICHARD J. MALOY, *Washington bureau chief for Thomson Newspapers, Inc., recently back from Europe*

"The temptation to protect yourself is very strong, but it is a stupid game." The speaker was Pierre R. DeFraigne, top aide to EC Industrial Commissioner Etienne Davignon, and he was talking about protectionist pressures coming from the steel industry in every part of the world. "The steel problem is very sophisticated and complex, and it requires a sophisticated solution, not a simplistic approach," he added.

His words echoed those of Robert Strauss, President Carter's special trade representative, who has told both congressional and steel industry critics that quotas and similar protectionist restrictions on free trade are not the answer to the current steel crisis. "There is no island of prosperity in the steel industry," said DeFraigne. "Every steel industry in the world is having difficulty."

Etienne Davignon has preached a similar gospel to European steelmakers who want to freeze out foreign competition during this period when there is more steel production than the world needs. Davignon has gotten the Common Market steelmakers to agree to a plan which would be against the law in the United States. Each company has been given a quota of steel to produce, and told what price to charge for that steel. This cartel arrangement has helped lift depressed European steel prices. At the same time the Davignon plan calls for a massive modernization of European steel mills to increase their productivity, and the shutdown of inefficient plants.

The plan was put forward at a time when European steel mills are running at 62 per cent of capacity, and their markets are being increasingly penetrated by cut-rate steel from Eastern European countries and developing nations like Korea and Brazil. The European Community got Japan to agree to voluntary restraints on steel shipments to the Nine. But Reginald Spence, an official in the Community's steel directorate, said, "We had a heavy attack from the European trade unions who said we are not doing enough to restrain imports."

DeFraigne and his boss Davignon are com-

mitted to a continuation of the free trade principle that is fundamental to the Community's philosophy. But they are feeling the heat from American steelmakers, labor unions, and political figures who are pressing for restraints on shipment of European steel to the US markets.

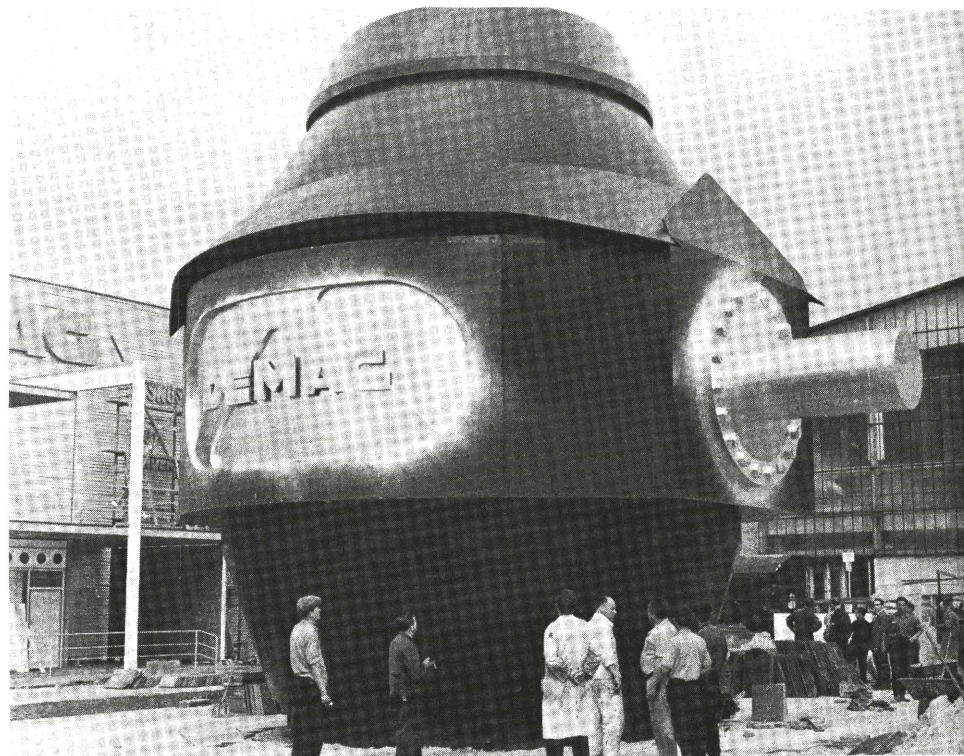
"Voluntary restraints didn't work in the past," recalled DeFraigne of the six-year period in the late Sixties and early Seventies when both Japan and the Community agreed to curtail steel shipments to the United States. "The American steel industry did not use the time to improve their productivity, but only to prevent competition." DeFraigne said the Europeans will only go along with curtailing exports to the United States if the restraints are part of a worldwide approach to the problems of the steel industry, and include firm guarantees that the steel industry in America will modernize and become more productive.

Jacques Ferry, chairman of the European Steel Producers Association, differed with

DeFraigne and Davignon—saying he and his colleagues would agree to voluntary restraints to ward off tougher measures such as quotas. The Carter Administration so far has been adamantly opposed to quotas and voluntary restraints—saying, instead, it will vigorously enforce existing laws against foreigners selling steel below production costs (i.e. dumping).

Spence said European steel producers are clearly worried about the flurry of anti-dumping suits filed or being prepared by American steel companies. The reason is that under American law the suits would likely result in a dumping finding, and the ultimate effect would be to price European steel out of the American market. He claimed that Europe has had greater inroads from foreign competition in the past few years than has the United States, and cited statistics indicating the 10-year trend of steel imports to the United States showed imports had about 14.6 per cent of the US market. This year that percentage has risen only fractionally to 14.9 per cent. But

*"If we are not able to modernize and expand our steel plants in Europe, we are dead," says an EC official. Shown below the largest ladle blast furnace in Europe, exhibited at Hanover, Germany. UPI*







European steel mills, such as that pictured above in France, are operating at 62 per cent of capacity, compared to 80 per cent for American mills. © René Burri, Magnum

during the same decade Europe has seen foreign steel jump from an 8 per cent to an 11 per cent share of its market.

"If we are not able to modernize and expand our steel plants in Europe, we are dead," said Spence. The EC cartel plan of fixed market shares and prices is designed to enable the industry to accomplish this. The problem in Europe, as in the United States, is that there is currently surplus capacity and more steel production than the world needs. After peaking at 490 million tons in the boom year of 1974, the West's steel output has been on the skids. It will be about 450 million tons this year, and only a modest 5 per cent increase in steel production is forecast next year.

OTHER, LESS SOPHISTICATED METHODS for dealing with the steel problem involve the people and their jobs. An example, the Cockerill steel mill at Liège, Belgium, was closed down in October for the second time this year. Shutting down half the plant for two weeks, and the other half two weeks later, was made necessary by the low demand for the flat rolled steel products produced by the big Cockerill mill. When the Christmas holidays arrive, Cockerill's management will use the excuse to shut down the entire plant again for the week between Christmas and New Year.

At the same time Cockerill management is pushing a plan to encourage early retirement among its thousands of steelworkers by providing virtually the same benefits at age 55 that they would receive if they worked until the normal age 65 retirement. Before the year is over Cockerill expects to reduce the 20,000 member work force at its steel plants by 3,000 through some attrition and because of the early retirement plan. The ultimate goal of the

company is to get its work force down to 14,500, while at the same time spending \$700 million on a major modernization program that will produce the same tonnage of steel that used to require 20,000 workers.

Similar deep cuts in the steel industry work force are being made throughout Western Europe, where the plan is to lop off about 100,000 of the 737,000 individuals now employed in the Common Market steel industry. European employers can't simply lay off surplus workers, the way Youngstown Sheet & Tub in Ohio dismissed 5,000 this fall when it decided to close an obsolete plant. Instead, companies in Europe have to buy off workers with early retirement plans or put them on a part-time basis when demand for the product slows down. In mid-summer more than 100,000 European steelworkers were on a part-time work schedule, including 17,000 workers in Belgium.

European mills are operating at 62 per cent of capacity, compared to 80 per cent for American steelmakers and a reported 70 per cent for steel mills in Japan. Julien Charlier, a management expert with US corporate experience, was brought in as Cockerill Steel's president two years ago with an assignment to improve its efficiency and modernize the 175-year-old company, the largest steelmaker in Belgium. In developing his plans Charlier did not neglect community relations. He did a good job of explaining to Liège exactly why Cockerill was going to have to reduce its work force to survive.

"The community now understands the reasons for the short time and early retirements, and is not angry about it," said Tayart, who directs corporate strategy. "The only resent-

ment comes from young people because of the lack of job opportunities." In wages and fringe benefits the average Cockerill steelworker earned \$10.02 hourly last year, second highest rate in Europe and exceeded only by Dutch steelworkers. In Germany the figure was \$9.34 hourly last year, and in France, \$7.28.

But Jean Van Asbroeck, marketing chief for Cockerill, said his company produced only 200 tons of steel per man, compared to productivity of 255 tons per man achieved by National Steel in the United States and a huge 524 tons per man turned out by the modern Japanese mills. It is to bolster productivity that the company has undertaken its modernization program, which will involve shutting down old blast furnaces, steel furnaces, and finishing mills and replacing them with newer and more efficient facilities.

"We have got to do it . . . we are losing money and market shares," said Van Asbroeck. The specter haunting Cockerill and other Belgian steelmakers is nationalization. "We don't want to go to work for the government," said Van Asbroeck. Currently Cockerill is operating at 55 per cent of capacity and will produce only 3.6 million tons of steel this year. About 90 per cent of its output is sold in Europe, with the remaining 10 per cent going all over the world. Their annual US sales have been a consistent 150,000 tons, bringing the company about \$50 million for special products it has fabricated to entrench itself in the American market.

Van Asbroeck complains bitterly about the growing competition European steelmakers are facing from companies in the Soviet bloc and from developing nations. He produced a thick book full of detailed statistics and charts, much as do American steel executives when they talk about competition from abroad. Van Asbroeck reeled off figures showing how European steelmakers were losing ground to foreign competition in their own markets. Steelmakers located in the nine EC countries supplied 95 per cent of steel needed by Europe in 1974, but outsiders have since then grabbed off more and more of the European market. Today, domestic producers have only 88 per cent of the market, he noted.

Van Asbroeck complained, as do American steel executives, that foreign steelmakers were cutting prices below production costs in order to penetrate his markets. For a while European steelmakers themselves engaged in an orgy of price-cutting to hold onto their domestic markets, but this caused huge losses for Cockerill and other Common Market steelmakers in 1975-76. It was to halt this vicious circle that Community steelmakers agreed to a plan restricting production and fixing prices and market shares while at the same time undertaking massive modernization programs.



# **First Boston wishes to congratulate the European Economic Community on its Twentieth Anniversary**

First Boston has helped raise over \$1.5 billion  
in the past three years for the European Economic  
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# Foreign Banking in the United States

## *Growth sparks legislative controversy*

SARAH MILLER, *Washington correspondent for McGraw-Hill who formerly reported from Brussels*

WHEN HISTORIANS CHARLES AND MARY BEARD, WRITING in 1939, enthusiastically recorded that US Senate hearings in 1933 had found the most venerated members of the American banking establishment guilty of “pouring billions into the stock market to finance speculation in paper tokens which fell little, if any, short of pure gambling in unknowable futurities,” they were still reflecting the indignation marking that passionate time. The result of such disclosures was the landmark Banking Act of 1933, which abruptly required banks to separate totally from their securities affiliates within a year.

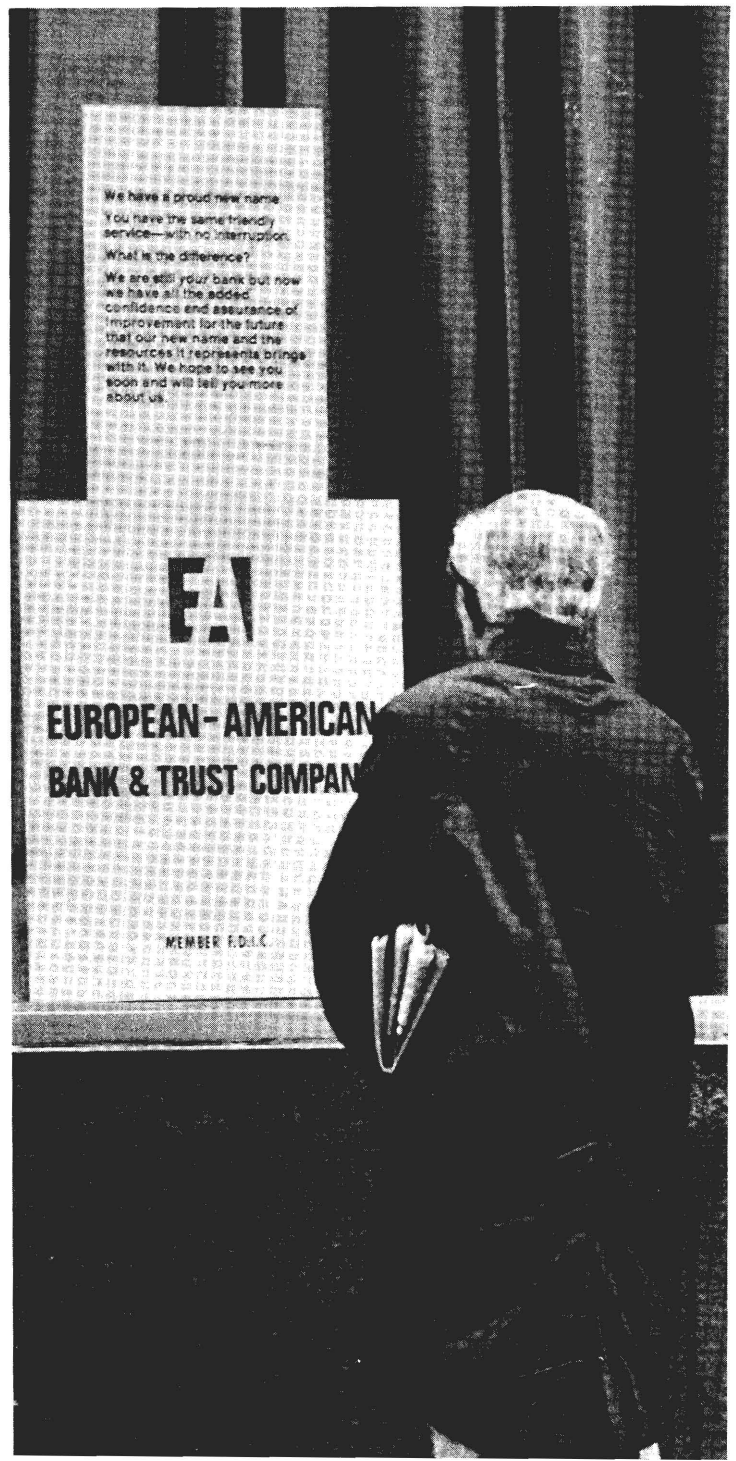
This product of crisis, along with a much older and even more venerated system of state participation in bank regulation, marks the American banking system as a very different animal from its European counterpart. Ironically, one of the byproducts of this dual banking system in the United States—under which state and federally regulated banks co-exist—is a set of rules for foreign banks operating in the United States that is, on paper at least, somewhat more lenient than that governing domestically owned banks.

In particular, foreign banks are exempted from the very restrictions which so mark the American system: They are allowed to establish branches in more than one state and to operate banking and securities subsidiaries.

Until recent years this peculiarity of the system went largely unnoticed, if for no other reason, because there were too few foreign-owned banks around to matter. Over the last 10 years, however, foreign banking activity in the United States has increased nearly tenfold. As a result both the Executive branch and important elements in Congress now favor legislation giving tighter federal control over foreign banking activity in the United States—legislation strongly opposed by European bankers and governments.

The Europeans are not without American allies in this fight—the two most significant being state banking officials, who resent federal encroachment, and the largest of the US banks which fear retaliation against their banking activities in Europe and elsewhere should the United States tighten up.

*Pedestrian reads notice stating change in management in 1974 of the former Franklin National Bank in New York, which was bailed out by six European banks after it was declared bankrupt by the US Government. UPI*





Just as significantly, the accusations of wrongdoing and sense of crisis that spurred the passage of earlier banking legislation is lacking, and, as any student of the US Congress knows, calm is not a propitious atmosphere in which to get legislation passed. So the chances of getting a bill through during the latest session of Congress were considered virtually nil. But the issue is likely to come up again next year and remains a major concern of European bankers operating in the United States.

At issue is a foreign banking establishment in the United States that has suddenly burgeoned into very big business. *Institutional Investor* magazine reported in September that 194 non-US banks, including nearly all the 50 largest such banks, now maintain 400-odd offices of various types in the United States. Their assets have zoomed from \$7 billion in 1965 to \$66.2 billion this year. Some 40 per cent of these are European-owned, and another 25 per cent are Japanese.

Just to keep this in perspective, however, this \$66 billion still equals only about one-third of the \$220 billion in assets held by US banks abroad and accounts for less than 7 per cent of the total assets of all US domestic banks. Furthermore, while foreign bank investment in the United States has been growing faster than US bank investment abroad in recent years, the big spurt of US multinational banking activity took place a decade ago.

Stephen S. Gardner, vice chairman of the Federal Reserve Board, in fact, views foreign bank expansion in the United States as in part a response to the earlier multinationalization of American banks. "I think the very aggressive competitive activities of US banks in the last two decades has really been the vanguard reason why international banking has grown so significantly," Gardner told a House subcommittee last July.

The main impetus for this flurry of activity is evident. European and Japanese banks have simply followed their major clients—European and Japanese manufacturing firms—into the US market in order to service their banking needs. As one European diplomat in Washington put it, "Just as American banks followed American business abroad, European banks are following European business to the United States." The fact that the dollar is the world's major trading currency, coupled with the abolishment of restrictions on capital movements, also made this move a natural. Some experts cite the same hope that drew many nonbanking investors to the United States—that a healthier economic and political climate offers greater profits here—as yet another factor.

THE TYPES OF OFFICES that foreign banks have opened in the United States not unnaturally reflect the goals of the bankers. Agencies—commercial and industrial loan institutions that may not accept deposits—are the most common type of office. The Federal Deposit Insurance Cor-

poration reported early this year that some 91 foreign-owned agencies with \$30 million in assets were operating in the United States.

The big growth, however, has been in branches that can accept both foreign and domestic deposits but still exist to serve industry rather than individuals. There were some 70 branches with \$28 billion in assets located in five states, Puerto Rico, and the Virgin Islands as of the beginning of 1977. A few banks have gone a third route and purchased or established subsidiaries that operate as regular retail banks catering to individuals. Foreign banks owned 36 such subsidiaries at the end of 1976. Such retail business has the advantage of providing banks with dollars that may otherwise be in short supply for lending, but is generally considered a secondary pursuit compared to wholesale banking activities, such as foreign bank dealings with large businesses.

Also of secondary importance from the banking perspective, but of major significance as far as prospective foreign bank legislation is concerned, are some 21 securities affiliates that have been set up in the United States by the head offices of non-US banks. These firms both underwrite and directly sell stock—activities US banks are prohibited from doing. Though such affiliates are set up and managed as separate entities from the US banking offices of the parent companies, they are seen by some US bank regulators and politicians as a threat to the strict separation between banking and stock brokering activities basic to the US system.

As the Europeans are quick to point out, however, in most of Europe brokering is considered a normal part of banking service, and European customers expect similar service from their European bankers in the United States. Furthermore, banks are the main European concerns in the brokering business, and precluding them from operating in the United States would virtually exclude Europe from the US securities market. Particularly since US banks are allowed to trade in securities in Europe under European law, the European bankers would consider this unfair. This situation points out clearly the basic dichotomy in view between most of those pushing for US legislation in this area and the European bankers who oppose it.

The principle on which proposed US legislation has been based is "national treatment." Foreign banks operating in the United States should be subject to the same rules and regulations as domestic banks and vice versa. In congressional hearings on such legislation last summer, on the other hand, the EC Banking Federation argued that countries should bend their national rules to take account of other systems when regulating foreign banks. "Ways must be found to adapt the respective institutions and traditions to each other's needs and to avoid discriminatory legislative constraints," the Federa-





tion told a House subcommittee. "Banking legislation on both sides of the Atlantic should be based on the principle of reciprocity."

The debate over national treatment versus reciprocity extends beyond the securities issue to other questions such as multistate branching, Federal Reserve requirements, and Federal Deposit Insurance as well. The call for national treatment is, in fact, perhaps the major justification for legislation regulating foreign banking. Proponents of legislation say that as things now stand, foreign banks actually have a competitive advantage in the United States over domestic banks.

The idea that federal regulation is needed per se is another argument put up by those favoring international banking legislation. At the moment there is no provision under US law for federal chartering of foreign banks, and all non-US bank agencies and branches are state chartered and regulated.

George LeMaistre, chairman of the Federal Deposit Insurance Corporation (FDIC), argues that a foreign banking law is needed to provide for federal regulation "because of the role these institutions [foreign banks] play in domestic financial markets, their impact on the domestic and foreign commerce of the United States, and because most foreign banks operate in more than one state."

The Federal Reserve Board has put forward a third justification for the new legislation. The Fed told a congressional committee recently, "The size and character of the credit and deposit business of foreign banking offices in the United States make it important for the efficient conduct of US monetary policy that their activities be subject to Federal Reserve regulations."

THESE DIVERSE GOALS are reflected in the provisions of a bill that originated in the Financial Institutions Subcommittee of the House Committee on Banking in 1974. That bill passed the House in 1976 but never got through the Senate and was taken up again by the House subcommittee this year. The main provisions of the original bill were:

- creation of a system to federally charter foreign branches if foreign banks choose this rather than state chartering;
- prohibition on establishment of branches by a foreign bank in more than one state; branches existing prior to May 1, 1976, would be allowed to continue, or "grandfathered";
- prohibition on simultaneous ownership by foreign banks of both banking facilities and securities operations in the United States; those securities affiliates already in existence prior to December 1974, could remain until 1985, but after that would be allowed to sell securities only outside the United States;
- forbiddance of foreign banks to operate in the United States if they own stock in nonbanking firms that also operate in the United States;
- grant of authority to the Federal Reserve Board to impose reserve requirements on all federal and state chartered banks in the United States if the parent bank has worldwide assets of over \$1 billion; but the banks would not become actual members of the Fed;
- requirement that foreign bank branches place surety bonds and other assets with the Federal Deposit Insurance Corporation to provide insurance for depositors against bank failure.



In testimony before the St. Germain subcommittee earlier this year, Paul Fabre, deputy managing director of the French Bankers Association, explained, "On the Continent, investment banking is exclusively undertaken by the banks. Therefore, to exclude European bank related securities firms from the US market would be to exclude Europe."

The Europeans have a strong domestic US ally in their fight against this provision in the form of the regional stock exchanges. Until recently, the rules of the New York Stock Exchange kept out foreigners, so that most of the European business has developed in the regional exchanges as in Chicago and Boston. These exchanges have benefited from the increased business and don't want to

bill that has taken place in the House subcommittee could help make it more acceptable to Senators concerned that the earlier proposal would have provoked retaliation from Europe and hurt US bankers.

One staffer for the committee believes the US banks hold the real key. So far, he explains, they apparently haven't been hurt badly by foreign bank competition since the small- and medium-sized banks aren't really pushing for the bill and the large banks actively oppose it. "When domestic US bankers want a bill, there's no doubt about it, we'll have a bill," this source predicts. "Till then, it's doubtful."

In action by the subcommittee this year, however, the bill was substantially watered down. Flying in the face of Subcommittee Chairman Fernand St. Germain (the driving force behind the bill in the House), the subcommittee deleted the multistate branching section entirely, exempted nonbanking firms operating at least 50 per cent outside the United States from that prohibition, exempted state chartered institutions from the Federal Reserve requirement, and weakened the FDIC deposit insurance requirement while limiting it to state chartered banks in states where domestic banks would also be required to have insurance.

Originally the section prohibiting stock ownership in nonbanking firms had alarmed European bankers and governments the most. The major banks in most European Community countries own huge blocks of stock in manufacturing firms. They feared that under the original language, for example, a German bank owning stock in Volkswagen would not have been allowed to operate in the United States since Volkswagen has business here. This would have meant many European banks simply wouldn't be able to do business in the United States, according to testimony by the European Banking Federation. The Federation also argued that this provision was unfair because its impact would be "extraterritorial," that is it would affect the business of firms carried out outside US borders.

While House staffers working on the legislation claim it never would have been as restrictive as Europeans feared, the subcommittee accepted new language proposed by the Federal Reserve Board stating that the prohibition wouldn't apply if a firm operates more than 50 per cent outside the United States. One European diplomat in Washington said of the new language, "It certainly doesn't leave them [European bankers] completely satisfied, but it dampens the impact considerably." This and the other changes made in the bill by the subcommittee—assuming they are not reversed in full committee or on the House floor—leave the prohibition on simultaneous banking and securities dealing as the most worrisome provision for foreign bankers, according to European sources.



*In most of Europe brokering is considered a normal part of banking activity. Shown above is the floor of the Paris Stock Exchange.*

see it cut off. Since Congress has been trying to encourage the growth of regional exchanges in other legislation, this is a strong argument. Proponents of the securities dealing prohibition are thus expected to have an uphill battle keeping it in at all. Should they succeed, there will likely be more extensive grandfathering of existing firms, congressional staff sources believe.

The biggest question mark looming over any foreign banking bill, and the bankers best ally in their fight against it, is the Senate Banking Committee. While the full House adopted a bill last year, that committee sat on the legislation. Getting the committee to act is still seen as the major hurdle in the path of a bill. Sources with the Senate Banking Committee believe the weakening of the



# Chicago: A Case Study

## *Foreign banks help make it international financial center*

WILLIAM GRUBER, *financial writer for The Chicago Tribune specializing in banking and the stock market*

In only four years, 27 of the world's largest banks have opened branches in Chicago, once regarded as the capital of the isolationist heartland of the United States. The Union Jack now flutters outside the office of London's Barclays Bank International on LaSalle Street, the main financial artery. A few blocks away is City Hall, where a mayor in the 1920's promised to "punch King George in the snoot" if he ever came to Chicago. Within a short walking distance are the branches of three other British banks, four from Japan, three each from Germany and France, and two each from Switzerland, Italy, and Israel. Others represented by similar installations are the Netherlands, Greece, Hong Kong, South Korea, Taiwan, India, and Pakistan.

Some of the banks have had branches on the East and West Coasts of the United States for years. But they quickly seized on the chance to set up outposts in the Midwest when Illinois became the first state in the region to open its doors to them in August 1973. Under legislation that was supported by the big Chicago banks, the foreign institutions were allowed to establish a single full-service branch in the three-mile-square central business district of the city. A major proviso was that their countries give the same privilege to Chicago banks.

Illinois is a leading exporter of grains, consumer electronic products, machine tools, and farm equipment, to name a few categories. Also, Chicago has become a thriving inland port since the St. Lawrence Seaway opened in 1959. Guenther Ischebeck, co-manager of the branch of Germany's Commerzbank AG, points out that bankers overseas were impressed even more by statistics showing that nearly one-fourth of America's gross national product originates within a 400-mile radius of Chicago, and a third of its manufactured goods within 300 miles.

Chicago, Detroit, St. Louis, and Minneapolis also are the headquarters cities for a large number of American multinational firms that the foreign bankers have done business with in their own countries. Moreover, the "Windy City" is the home of the Chicago

Board of Trade and Chicago Mercantile Exchange, the nation's two biggest commodity futures markets. The recently created International Monetary Market has developed an active futures trade in key world currencies and gold bullion.

Another 19 foreign banks, whose countries do not permit reciprocal branching by US banks, maintain representative offices in the city. These serve primarily as listening posts for their parent banks, since they cannot write loans or engage in other usual banking transactions. In addition, three banks owned mainly by local stockholders but with ties to overseas banks were chartered by the state before the branching law was passed. Two are affiliated with Japanese banks, the third with Italy's Banco di Roma. While they have built up a moderate retail business—opening savings and checking accounts, writing new-car and mortgage loans, selling travelers checks, and the like—the state-chartered banks have done little in the way of foreign trade financing.

Banco di Roma, however, recently won a court decision giving it approval to operate a foreign branch as well as its already existing subsidiary. The two function entirely apart from each other on different floors of the same building. Since the assets of the parent bank are far greater than those of the subsidiary, it can write much larger loans to individual borrowers, explains Alfonso di Benedetto, its manager.

MOST OF THE EUROPEAN and Asian bank branches were opened during the recent US recession, but they still have grown rapidly as a group. Their assets, including those of six units formed this year and not yet in full operation, came to almost \$2.3 billion as of June 30, 1977. They also showed a total of \$524 million in time and demand deposits and more than \$979 million in commercial and industrial loans, made primarily to business firms in the Midwest since the banks opened. "They have done quite well, considering that loan demand has been weak, and most have shown

a profit after their first full year in operation," says Lynn Cummins, assistant to the Illinois commissioner of banks and trust companies.

The foreign branches are subject to the same state regulations and supervision as any other bank in Illinois. They are required to file statements of their financial condition every three months, and state examiners drop in to go through their books at least once a year, usually unannounced. "They are very thorough, commenting on whether they think a loan might be bad or if they feel there isn't sufficient collateral," notes Paul Henderson, manager of the Banque Nationale de Paris (BNP) branch. "But we have no complaints, even though the examinations might differ from those we are used to in Europe. However, we comply with the laws of the country in which we are doing business."

Only part of the story for many of the branches is revealed by their figures on assets, deposits, and outstanding loans. Their activities also include financing of exports and imports, providing advice and legal counseling to companies on both sides of the oceans interested in foreign trade, paving the way for investments in both directions, writing letters of credit, and transmitting funds. Banca Commerciale Italiana and Crédit Lyonnais, which show the largest assets, engage in brisk foreign exchange and treasury operations that have the effect of boosting these figures. Barclays, the first to open a branch in Chicago, ranks among the lowest in assets. But Allan Marriott, vice president and its assistant manager, emphasizes that the amount "does not reflect our position very accurately. Many of the things we do in connection with the home bank in London do not show up on our balance sheet."

Several branches have gone aggressively after "retail" as well as "wholesale" banking business. Bank Leumi Le-Israel has opened more than 7,000 accounts with deposits totaling \$23.7 million, mostly to Chicagoans of Jewish heritage. The National Bank of Greece has attracted over 3,500 accounts so far, although George K. Kostis, its manager, says



slightly more than half were opened by persons of Greek ancestry or immigrants. Officials of Japan's Sanwa Bank, the National Bank of Pakistan, and Israel's Hapoalim Bank, which still is in temporary quarters, say they also intend to tap the ethnic market.

Few Chicagoans are of French heritage, but the BNP runs commercials on a local classical music FM station suggesting it would be "chic" to have one of its checking accounts. Its checks have a small Eiffel Tower or Arch of Triumph in an upper corner. Despite its minimal effort to drum up such business, the bank has opened over a thousand checking accounts and about \$1.5 billion in savings. "It helps to give us a little visibility," says Henderson, a native of Scotland who has dual British-French citizenship. The BNP last winter also sponsored a group of high school students who retraced the voyages of early French explorers from Canada through the Great Lakes and to New Orleans. And it has been a sponsor of an International Film Festival in Chicago for the last three years.

THE MAJOR DOMESTIC CHICAGO BANKS supported the branching legislation even though they realized it would expose them to direct competition in their home territory from giant overseas institutions, many with larger re-

sources than their own. In some cases, they even helped the newcomers get started. Henderson says the First National Bank of Chicago and American National Bank and Trust Co. put his newly hired employees through their training programs while he was setting up shop early in 1974.

"Naturally they are competing with us, both for domestic and foreign business, but the competition is desirable," declares Alfred I. Miozzi, executive vice president of Continental Illinois National Bank and Trust Co. "We all benefit from it, in Chicago and the Midwest. The law is having the effect we hoped for in making the city a more important international financial center. And we're in their markets, too, with our own branches."

Ironically, the Chicago banks are prohibited from operating branches in their own state. But several have expanded vigorously outside the United States since the early 1960's with branches and other offices throughout Europe, the Middle East, and the Pacific coast of Asia. In fact, one local banker frankly admits that a chief reason for supporting the law opening the city to foreign banks was to discourage any inclination by other countries to restrict the US banks.

There have been some complaints that a few branches are undercutting the Chicago banks

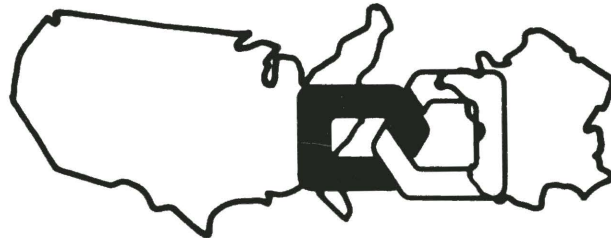
by offering loans based on Eurodollar rates, which often are below the US prime interest rate. But William J. McDonough, senior vice president and head of the First National's international banking department, says he has found the new branches "to be good neighbors—not cutthroat competitors. It's hard to tell if we have lost any business to them, either domestic or foreign, because our business has continued to grow in both areas."

Ischebeck, of Commerzbank, admits to being surprised by the receptiveness he has found among many companies in the seven-state area he covers from Chicago. "When you call 100 companies for an appointment, in 98 of the cases you will get one," he says. "In Germany, you would be lucky to get 40 or 50 replies."

Competition among both American and foreign banks for business, especially in times like the present when many companies are not eager to borrow money, is intense nonetheless. "When you leave a company treasurer's office, you very often meet a representative of another branch or a US bank," notes Henderson, whose territory encompasses 10 states.

The branch officials are reluctant to discuss specific transactions in which they have taken part since coming to Chicago. Both Hender-

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son and Ischebeck say they call on small- and medium-sized companies as well as many of the *Fortune* 1,000 largest industrial firms. "But we only contact them if they are engaged in import or export with our home country or if they have a product we think might be exportable," says the Commerzbank executive. The banks also have arranged a few investments in the Midwest by companies based in their native countries. The BNP, for example, helped a French firm establish a yogurt plant in Michigan. Another company opened a French bakery in Chicago with its assistance. And Henderson says BNP played a part in an agreement by Northwest Industries, Inc., to import wine from France. About four months ago, Commerzbank was a participant in a financing of industrial revenue bonds to help a German company buy a plant in Appleton, Wisconsin, to manufacture papermaking equipment.

Sometimes, the branches have acted as go-betweens in deals involving several countries. As the only foreign bank allowed to have branches in Australia, Henderson says, the BNP has been involved in several investments made by firms both in that country and the United States. Commerzbank was contacted recently by the Midwestern subsidiary of a German company that wanted to open a sales

office in Japan. The query was relayed between the Chicago branch, the home office in Frankfurt, and a new branch in Tokyo via its 24-hour satellite communications system.

Investments in the Midwest by Europeans, while still only a trickle, are growing, the bankers say. They predict the flow will increase in the future as Europe's manufacturers try to tap the American market by locating manufacturing facilities in the United States. Ischebeck notes that a number of German suppliers are locating in Michigan as the result of Volkswagen's plans to assemble cars in America. He adds that the balance of industry and agriculture in the Midwest, which made it the least susceptible area to the recent recession, also will be an attraction for European investors worried about high rates of inflation, political instability, and rising labor costs in their own countries.

Meanwhile, the foreign bankers are settling in very nicely in the Windy City. They have formed a social organization, called the "Club Babel," which holds parties, picnics, table tennis competitions, and other events. The British and German branch employees have organized rival soccer teams that play each other on Saturday mornings in Lincoln Park. "The English always win," a German banker complains.



*European banks are now following the trend of American banks abroad. Shown above is the First National City Bank's Brussels branch.*

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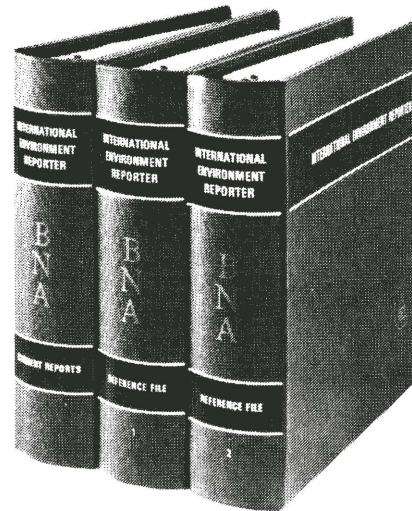
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# A Long Environmental Haul

## *Assessing progress in the United States and Europe*

EDWARD FLATTAU, *Washington-based syndicated columnist on the environment*

IN MANY RESPECTS, THE EUROPEAN COMMUNITY and its member states are “Johnny-come-latelies” in the battle against environmental deterioration when compared to the United States. There is no specific mention of ecology in the Treaties establishing the Communities in the 1950’s, and the Commission has yet to create a separate full-fledged “Department of the Environment.” While economic affairs, foreign policy, agriculture and the like each have their own directorates general, environmental matters are handled by the Environment and Consumer Protection Service, a unit which has a relatively meager-sized staff.

But, now, its highly qualified chief, Michel Carpentier, has been promoted to the rank held by the heads of directorates general, and the tempo of environmental activity in the Community has increased. In its first “State of the Environment” report published earlier this year, the EC Commission noted that the Council was considering approximately 20 different environmental measures and the member states’ national governments about 80—in addition to the 50 already in force. The Community also now has a \$16 million environmental research program of its own. And it collaborates with the United States in regular environmental information exchanges, the perfection of air pollution monitoring methodology, and laboratory studies to determine the origin of lead in the human blood stream.

When contrasting the United States’ and Europe’s progress in research and regulation of environmental problems, one must remember that the European Community at this stage lacks the degree of centralized authority that Washington can utilize to impose policies upon the 50 states. Consequently, in the politically sensitive area of environmental protection, the Community generally has been content to issue broad guidelines that give its member states flexibility. And a number of the member states are just beginning to address environmental problems that the United States has been grappling with for six years or longer. A more specific comparison reveals the following:

**Air Pollution.** There are no uniform ambient air quality standards in force across Western Europe, and virtually no tough, binding enforceable restrictions against air pollution in the individual EC member states. Auto emission standards are in effect in the Community, but they are more lenient than their American counterparts. Europeans regulate their cars’ exhaust through prescribed manufacturing procedures for engines and do not require attachments such as catalytic converters that reduce pollution even further.

A substantial tightening of the Community’s auto emission standards in the near future seems unlikely,

*The Community is beginning to come to grips with air pollution. Shown below is a polluted view of Leeds, England.* © Marc Riboud, Magnum





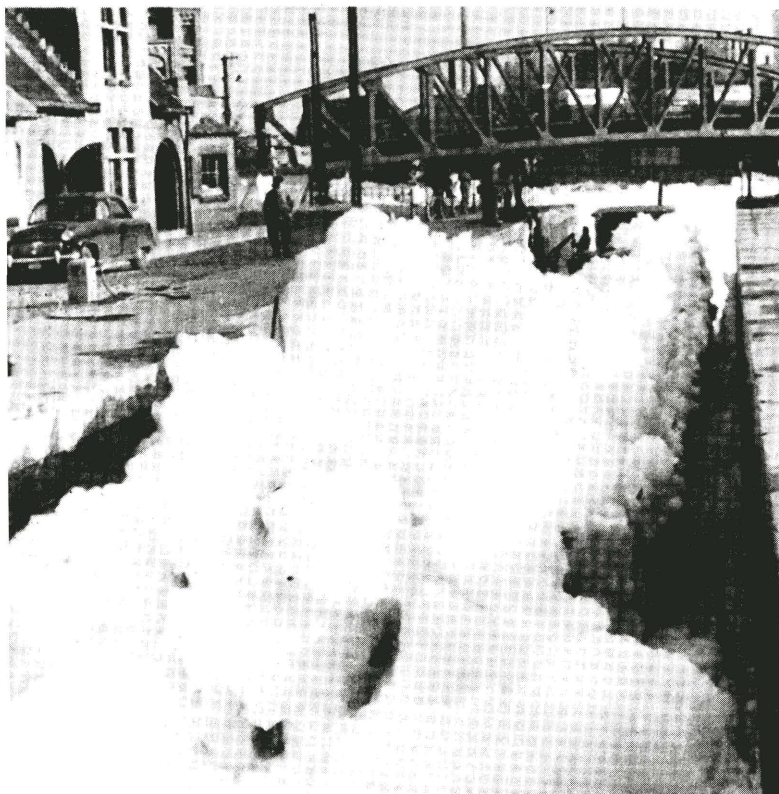
given a recent report by Chem Systems International, Ltd. The London-based consulting firm, which has a contract with the Community, has recommended against any immediate tightening of emission standards. It expresses doubt there's any significant photochemical smog problem in Europe and urges further studies on the matter. Apparently the Chem Systems experts have not been in Paris recently where one can stand at one end of the traffic-clogged Champs-Élysée on a bright, cloudless day and not be able to see even the outline of the Arc de Triomphe only a mile or so away.

Unleaded gasoline on a Community basis is only in the discussion stage. The decision whether to follow the US example and phase out fluorocarbon propelled aerosols (that break down the earth's protective ozone covering) remains under study.

The Community is just beginning to come to grips with dangerous sulfur dioxide pollution from power plants, but the British consider the American solution of cleansing emissions with stack gas scrubbers to be too costly and unreliable to warrant mass application. Instead, they and most others in the Community appear to be counting on perfection of technological processes that remove sulfur from combustion fuels.

**Water quality and pollution.** Although restrictions are being drafted, the European Community and its members currently have no plans to emulate the United States by phasing out ocean dumping of sewage sludge and other

*A barge concealed under a thick blanket of foamy suds steers through a canal lock off the Lys River in France. This pollution is the result of factories dumping chemical refuse into the river. UPI*



wastes (in favor of land disposal) by 1981. The Europeans have imposed tough restraints on the use of PCB's, but again have not gone as far as the Americans, who will totally phase out the manufacture and use of the highly toxic, persistent chemical by June 1, 1979. On the positive side, carbon filters, which environmentalists consider the most effective device for removing drinking water impurities, are more common in Europe than in the United States.

**Noise Pollution.** The Commission has proposed maximum noise levels for motor vehicles, construction equipment, and subsonic aircraft, but no action has been taken by the Council. The United States, too, has a long way to go in this area.

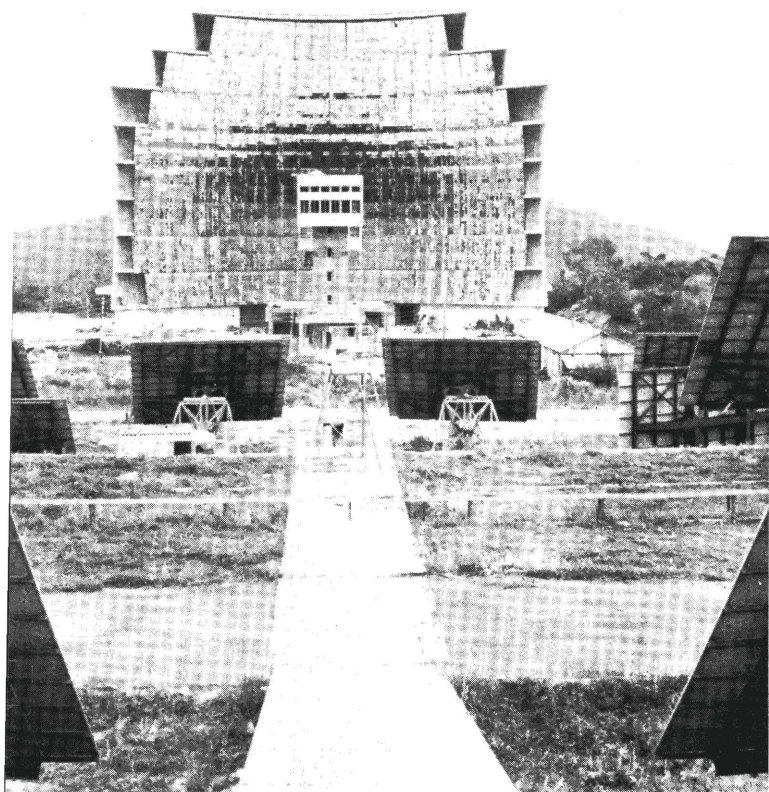
**Pesticides.** As a result of its pesticide control law, the United States has suspended (with minor exceptions) the uses of DDT, aldrin, dieldrin, chlordane, and heptachlor on the grounds they are threats to public health. The Community which is still reviewing the extent of these pesticides' risk. Both the European Community and the United States have finally begun to explore in earnest the prospects of developing integrated pest control, which veers away from a reliance on insecticides and attempts to utilize nonchemical biological techniques.

**Toxic Substances.** In the Community general guidelines are being formulated for classification and proper disposal of toxic substances. While Washington has dragged its feet on this issue in the past, the Toxic Substance Law passed last year gives the United States a solid handle with which to control the introduction of potentially lethal new chemicals into the environment.

**Wildlife.** The United States is a signatory to the 1975 Convention on international trade in endangered species that followed by two years the enactment of its own strong domestic law on the subject. Protection of endangered species is skimpy in the Community, and only three member states—Britain, Denmark, and Germany—have so far ratified the international treaty.

**Energy.** Lacking America's extensive coal resources, European leaders long ago concluded that the inevitable depletion of world petroleum supplies left them with no alternative but to stake their future on nuclear power. But like the United States, the Community and its member states have not yet found a method for safely burying deadly radioactive waste. Crash research programs are seeking this elusive solution, but in the meantime, Europe's nuclear program—again like that of the United States—is experiencing growing public opposition and unanticipated cost overruns. In fact, these difficulties have forced the Community to reduce by half its original forecast that nuclear power would contribute 50 per cent of the total energy consumed in the member states by the year 2000.





*The Community is now involved in solar research that comprises approximately 5 per cent of its energy research and development program. Shown above is a solar furnace in France.*

In the drive to conserve energy, the Community starts with several built-in advantages over the United States. Its per capita fuel consumption is less than half that of the Americans, energy conservation is more deeply engrained as a result of the war and early postwar austerity, and its more compact physical setting requires less energy for transportation purposes. Nevertheless, per capita and total energy consumption have been rising rapidly in the Community, making the shift to more effective fuel conservation a formidable challenge. Renewable, relatively nonpolluting energy sources such as sunshine, wind, tides, biomass, and hydroelectric power are counted on ultimately to replace mankind's dependence on finite supplies of fossil fuels and uranium.

Both the European Community and the United States are now involved in solar research that comprises approximately 5 per cent of their respective energy research and development programs. Since the US budget is considerably larger, its scale of solar research is considerably larger (\$370 million annually versus the Community's approximately \$9 million). Dr. Lloyd O. Herwig, science advisor to the solar and geothermal energy technology program in the US Department of Energy, estimates that Washington's \$25 million expenditure for wind power research exceeds any other country's effort by a factor of five.

Despite the smaller scale, the Community's and its member states' solar research programs are quite as active in virtually every area as American counterparts, and

in several respects are even more advanced. Solar advocates such as Dennis Haynes of the respected World-Watch Institute contend that sun technology is perfectly capable of fulfilling more than 30 per cent of the world's energy needs by the turn of the century. ERDA is less sanguine, projecting that solar power will meet about 7 per cent of the United States' energy demands by the year 2000 and 20 per cent by 2025. EC experts' estimates of solar's role in Europe are slightly lower, reflecting awareness that parts of their continent, particularly north of the Alps, don't receive the generous amount of sunlight that most of the United States does.

**Land Use.** If anything, Europe is ahead of the United States because comprehensive mapping has already begun of all the member states' land resources in order to facilitate planning of future development. On a national scale, land use planning is still regarded with hostility in many parts of the United States.

**Mass Transit and Urban Planning.** These are two fields where Europeans appear to be well ahead. Any American who has visited the major cities in the Community finds on the average that public transportation systems—usually consisting of light rail, trolley, and buses—are far superior to anything back home.

European cities have also, by in large, been more successful than their American counterparts in preserving their original charm against the encroachment of poorly planned modern urban development.

In the final analysis, both Europe and the United States have a long environmental way to go.





# Europe's Wildlife Heritage

## *Who will save it?*

CANDACE DENNING, *staff writer for European Community*

Consider the yarn about the King of Prussia, who, circa 1710, shot a stag with antlers having 66 points and weighing 18 kilos. This trophy buck, a red deer and the king of European beasts, had been chased within range by a gamekeeper's daughter riding a tame moose. Given today's environment, obviously this scenario will never recur.

Hunting can serve as a conservation measure to thin out game populations in order to prevent starvation and the spread of disease. But too often hunters go for the trophy specimen—thus draining the genetic potential of a species and in some cases depleting it to the verge of extinction. As early as 1646 in America, the first closed season on deer was ordered because of overhunting. Similar measures were adopted throughout the colonies by 1720.

For centuries wildlife in Europe had been elbowed out of its natural habitat by farmers clearing woodlands and draining marshes for agriculture. Then the Industrial Revolution brought modern farm machinery and fertilizers, which quickly outdated the need for crop rotation. And the hedgerows, originally used for confining stock as they were rotated from field to field, disappeared. Hedgerows alone provided homes for up to seven species of small mammals and birds. As industrialization speeded up, so did pollution. Birds of prey, being at the top of the food chain, were among the first bio-indicators—the harbingers of doom.

Real awareness of environmental problems finally started in the 1960's. The year 1970 was proclaimed by the Council of Europe, "European Conservation Year." And in 1972, the United Nations Conference on the Human Environment in Stockholm focused on such issues as the effect of pollutants on wildlife, pest control, economic value of wildlife, training of wildlife managers, protection of migratory species, endangered species, genetic banks, biosphere reserves, islands for science, and the effect of tourism on protected areas. The European Community enacted its first environmental action program in 1972 which

brought the adoption of 17 proposals by the end of 1976. Among the member states some 130 laws were drafted, 50 of which are already in force, and 12 international agreements were announced. The Community's second program on the environment was passed this year; it contains a section on protection of nature with emphasis on wildfowl conservation.

BECAUSE OF THE MIGRATORY NATURE of most European wild bird species (also the reason the Community as a whole is interested in protecting them), national laws, to do any good at all, must be uniform. In the wake of some 50,000 signatures on petitions demanding action on the Community level, the Commission drafted a proposal for a directive on bird conservation, which is now before the Council of Ministers and stands a chance of being enacted soon. A study on birds prepared for the Commission had reported that of the 408 species living in the Community, nearly 60 were threatened with extinction and less than one-third had normal reproduction rates.

The Commission's proposal basically calls for harmonization of national laws dealing with bird protection, including their young, eggs, nests, and habitats. All member states already have or will soon pass compatible national regulations protecting all wildfowl except game birds (left to hunting laws) or species harmful to agriculture and other economic activities. Hunting laws, however, vary from country to country.

Italy, in particular, has been sharply criticized for its hunting laws and practices. Millions of songbirds have been killed in southern France and Italy (and at one time in Belgium before limitations were set) by methods which are illegal in other member states and outlawed in the proposed directive. The Italian hunting bill under discussion last summer was not in accord with the Commission's proposal with regard to the list of species that could be hunted or marketed as well as in regard to certain hunting methods.

Wildfowl is important for more than its esthetic value; a decline in any species invariably upsets the ecological balance. The Commission's proposal exhorts the member states "to maintain the population of these species at a level compatible with ecological, economic, recreational and scientific requirements." An obvious example of "why" lies in the case of insectivorous birds: With fewer birds to eat insects, there are more insects. This costs the farmer, who consequently has used more insecticides, which are, in turn, dangerous to other wildlife species and ultimately to man. Synthetic biocides (causing DDT poisoning, for example) and seed dressings (mercury poisoning) in use since the 1940's added to the decline of wild bird species. Now PCB's used largely in industry are a major threat to bird populations.

Article 6 of the proposed directive may affect domestic trade in some countries, because wild game is sold in Europe (whereas in the United States it is taken home by the hunter). The proposal prohibits "the sale, the keeping, and the offering for sale of live or dead birds," with the exception of a list of six species of game birds that may be sold dead. There are other wildfowl which may be hunted but not sold: 22 species considered as game Community-wide and 26 more that are labeled game in some countries but not in others. A conflict arose in this regard when the Committee on Environment, Public Health, and Consumer Protection pointed out that nearly half the species listed as game birds Community-wide are on the International Council for Bird Protection's "Red List" for Germany for species that need special protective measures. And what about pâtés? the EC Economic and Social Committee wanted to know. It said Article 6 was too restrictive with regard to the sale of dead birds, which sometimes go into the makings of pâté.

One of the Council of Europe's nine conferences of specialist ministers deals with the environment. The first conference, which convened in Vienna in 1973, led to a growing interest in conservation of landscaped areas. The 1976 conference in Brussels focused on plant and animal protection; and the third, planned for 1979 in Switzerland, will have as its theme the protection of wildlife and natural habitat. The Council's Information Center for Nature Conservation recently concluded a campaign on conservation and management of wetlands, a target habitat for protecting migratory species.

The body responsible for the Council of Europe's natural environment program, the European Committee for the Conservation of Nature and Natural Resources, is setting up a European network of biogenetic reserves, for which 72 areas have already been designated. The idea is to preserve the potential and gene-



tic diversity of representative as well as unique types of habitat biocenosis (a balanced community of flora and fauna) and ecosystems (several biocenoses), and make these areas available for research.

A worldwide network of nature reserves is being set up through the United Nations Educational, Scientific, and Cultural Organization's (UNESCO) Man and the Biosphere (MAB) Program, Project No. 8, officially launched in 1970. Emphasis here is on preservation of representative ecosystems rather than unique areas or individual species. Representative sites are difficult to find in areas where entire ecosystem types have been converted to agriculture, as in the grasslands of North America and Europe. As of January 1977, 118 reserves in 27 countries had been recognized by UNESCO as biosphere reserves. In the Community reserves have been designated in the United Kingdom, the Netherlands, Italy, France, and Denmark. Each country is responsible for passing and enforcing the laws necessary to protect the reserves. Ideally each reserve will consist of a core area and buffer zone. Some reserves in the European network may qualify for MAB's international network, although what is representative of Europe's environment might not constitute a representative international ecosystem.

LOOKING FURTHER BACK, the conservation movement put down roots in Europe about the same time the US Government became active in wildlife legislation in the early 1900's. In 1902 an international convention was drawn up in Paris to protect birds useful to agriculture. This convention was improved in 1950 to include the protection of all birds during their breeding and migratory periods with no distinction between useful and harmful species. In 1974 the EC Commission recommended that all member states adhere as quickly as possible to the 1950 Paris Convention for the Protection of Birds as well as the Ramsar Convention on Wetlands of International Importance, especially as waterfowl habitat, signed in 1971.

In 1922 the International Council for Bird Preservation (ICBP) was formed in London and, later, the International Wildfowl Research Bureau (IWRB). The International Union for the Conservation of Nature and Natural Resources (IUCN) started up in 1948, and in 1961 the World Wildlife Fund (WWF) took over IUCN's publicity and fundraising. IUCN carries out scientific research and has a Survival Service Commission for the conservation of particular rare, threatened, or endangered species.

These and other international groups form varying combinations, for example:

- IUCN, ICBP, and IWRB together organized

Project Mar in 1962, a conference held in the Camargue, France, wetland for planning the conservation and management of wetlands as natural habitat;

- IUCN completed a research project in 1976 for the European Community on different aspects of wildlife in EC countries, and it is now preparing a world conservation strategy from which programs for the United Nations Environment Program (UNEP) will be developed;

- IUCN, UNEP, UNESCO, and the Food and Agriculture Organization (FAO) cooperate within the framework of the Ecosystem Conservation Group;

- The US Fish and Wildlife Service, in order to assist in wildlife conservation abroad, works through IUCN, WWF, and, as of last September, the Council of Europe. It has a staff member attached full time to IUCN.

The ICBP takes credit for generating support at the grass roots level for the 1954 International Convention for the Prevention of the Pollution of the Sea by Oil. And in 1973, sparked by IUCN the Convention on International Trade in Endangered Species of Wild Fauna and Flora was signed in Washington. This convention set up a system of permits for export and import of endangered species. The United States has signed; but in Europe, only Germany and the United Kingdom have signed, France, too, says it will sign, but *la mode parisienne* persists in demanding the import of exotic skins. However, all EC member states have signed the European Convention for the Protection of Animals during International Transport. When queried, the Commission declined to take a position on the import of baby seal skins into the Community because the species is not on the endangered list of the Washington Convention.

Africa's 1968 Convention on the Conserva-

tion of Nature and Natural Resources supersedes a 1933 version that was remarkably provident. It accorded special protection to threatened species and their habitat; regulated trade in specimens; designated the maintenance of conservation areas in order to protect "ecosystems which are most representative of and particularly those which are in any respect peculiar to their habitats"; established buffer zones around natural reserves; dealt with flora under a separate heading; and provided for research and educational programs on conservation in particular those relating to interstate cooperation.

Conventions cannot meet the needs of all wildlife, and the failure of some countries to participate weakens their potential even more. Take the Ramsar Convention on wetlands: An entire network of wetlands is necessary for the conservation of migratory birds, but few European nations have signed the convention. Now, IUCN is working with Germany on a convention to protect all migratory animals, a result of the 1972 Stockholm conference. And an ad hoc expert committee of the Council of Europe is in the process of drafting a European convention, to be ready in 1980, on the conservation of wildlife and natural habitats in hopes of bridging the gaps between existing conventions and overcoming difficulties encountered in implementing them.

Meanwhile, battles on behalf of wildlife are being waged on the national level, including a ban on killing storks in Denmark, the prohibition of poisonous baits for the control of predators in Italy, experimental hunting projects in France, and saving the greater horseshoe bat in Britain. National parks continue to proliferate throughout Europe, and since 1965, transfrontier nature reserves have become a reality. Europe Park No. 1 spans the Luxembourg-German border.



"It's 40 per cent polyester, 40 per cent cotton, and 20 per cent endangered species." © Ross, Rothco Cartoons



# IRISH legacy

## *American exhibit marks first time early treasures displayed*

WENDY A. STEIN *works in the medieval division of the Metropolitan Museum of Art, New York*

THE LEGACY OF THE PAST, CARRIED BY PRECIOUS works of national art, does much to shape the identity of a people. When a country entrusts this patrimony to another, it is a great expression of goodwill, and presents a rare opportunity for increased mutual understanding. Despite the close personal, economic, and political ties that exist between Ireland and the United States, most Americans have never had the opportunity to appreciate the rich cultural heritage of Ireland. It is a major source of America's heritage as well, not only for the millions of Irish-Americans, but also because early Christian Ireland influenced all medieval Europe. Now people on this side of the Atlantic can deepen their awareness of Irish national character as it was expressed by her artists spanning 3,000 years of history.

It is the first time ever that these major treasures documenting the achievement of early Irish civilization have gone on display outside Ireland. The exhibition, *Treasures of Early Irish Art, 1500 BC to 1500 AD*, assembles masterpieces from The National Museum of Ireland, The Royal Irish Academy, and Trinity College, Dublin. It is currently on view at The Metropolitan Museum of Art in New York, where it will remain until January 15, 1978, and then travel to museums in four other American cities: M. H. de Young Memorial Museum, San Francisco (February 21-May 21, 1978); Museum of Art, Carnegie Institute, Pittsburgh (June 28-September 24, 1978); Museum of Fine Arts, Boston (October 24-January 21, 1979); and Museum of Art, Philadelphia (February 26-May 27, 1979). (The assistance of Aer Lingus [Irish Air Lines] was a major factor in bringing the exhibition to the United States.)

The objects selected precede the age of any transatlantic exchanges: They were all made before Columbus sailed for America. Yet they show a precedent for Ireland's membership in the Common Market, for they do reflect relations between Ireland and Western Europe.

As early as 700 BC, Ireland was engaged in active trade. Evidence for this commerce is provided by the discovery in Britain and France of lovely hair orna-

ments made in Ireland, similar to the lock rings in the exhibition. These appealing gold baubles for holding a lock of hair in place must have been imported by prosperous merchants. Other kinds of jewelry of this age have been found in Germany and Scandinavia, bearing witness to wider economic contacts.

About 400 years later a new group of settlers came to Ireland, bringing a new language, style, and civilization to the island. These were the Celts, a group of people that originated around the upper Rhine and Switzerland, and subsequently spread not only over most of Europe but even as far as modern Turkey. When they came to Ireland, they brought cultural connections from this wide area. Their warrior society immortalized heroes who wore massive neckrings called torcs, like the magnificent example from Broighter in Northern Ireland. Unusual as it is, its spiral decoration and construction share features with Celtic artifacts from Belgium and Britain.

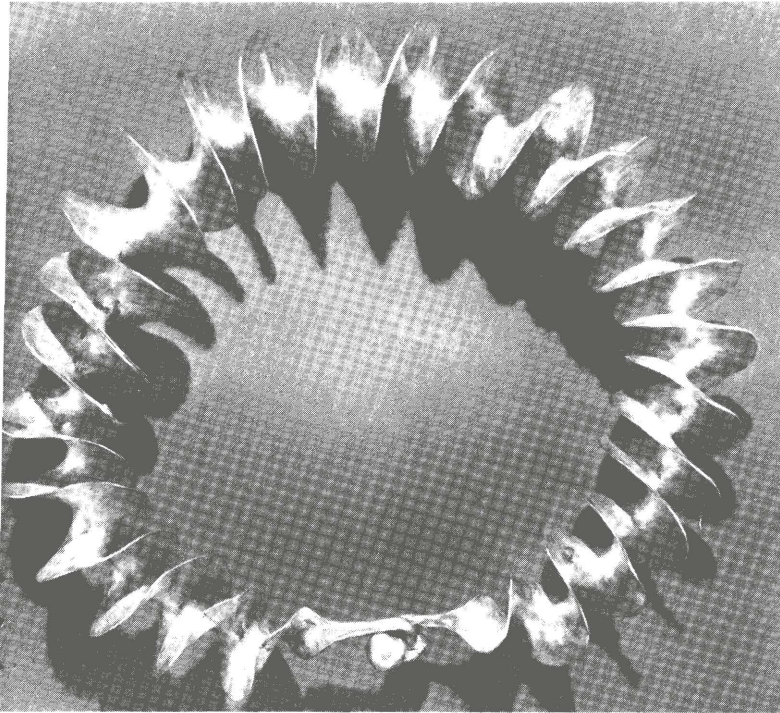
When Christianity was introduced into Ireland about the Fifth Century AD by Saint Patrick and others, new international links were established, both with the Papal seat in Rome and with the monastic centers of the Near East. A powerful missionary movement then reached out from Ireland to northern Britain, and a brilliant shared culture was formed whose artistic products are among the world's greatest masterpieces. The objects from this golden age of Irish art—such as the Tara Brooch, the Ardagh Chalice, and the Cavan Brooch—all fuse the native Celtic tradition with patterns learned from foreign peoples, from Germanic tribes to Mediterranean monks.

This was also the time when the Book of Kells was made, a manuscript of awesome complexity and intimate droll wit. It is a luxurious illuminated copy of the four Gospels written in Latin on vellum, a material like parchment made from calf skin. About 150 calves gave up their skins for the making of this book, a considerable investment in an economy based on cattle. The expense of the manuscript also included the import of pigments from places as distant as Afghanistan, but



# 1500 bc / 1500 ad

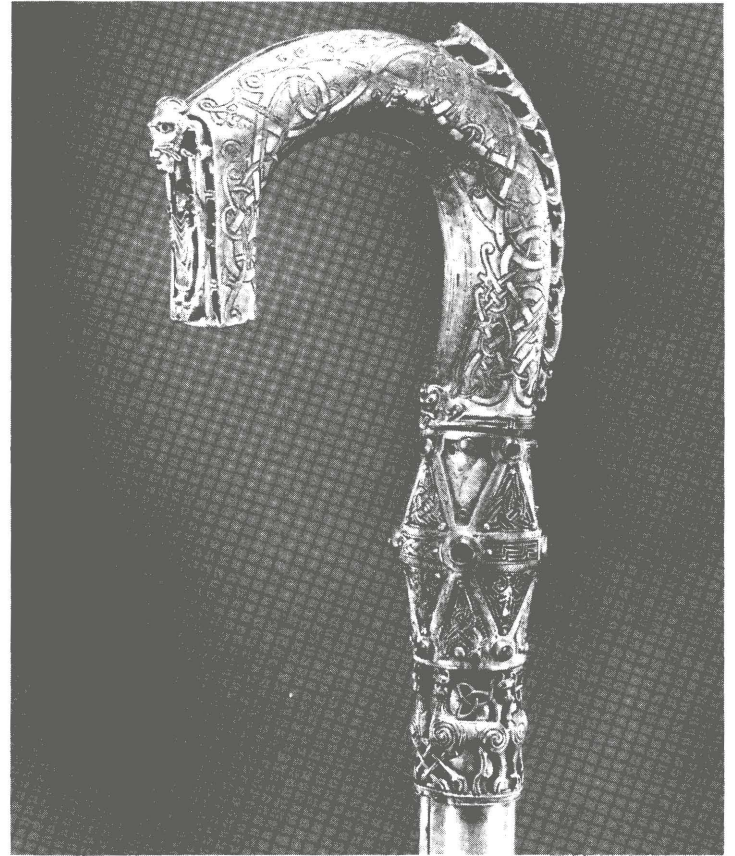
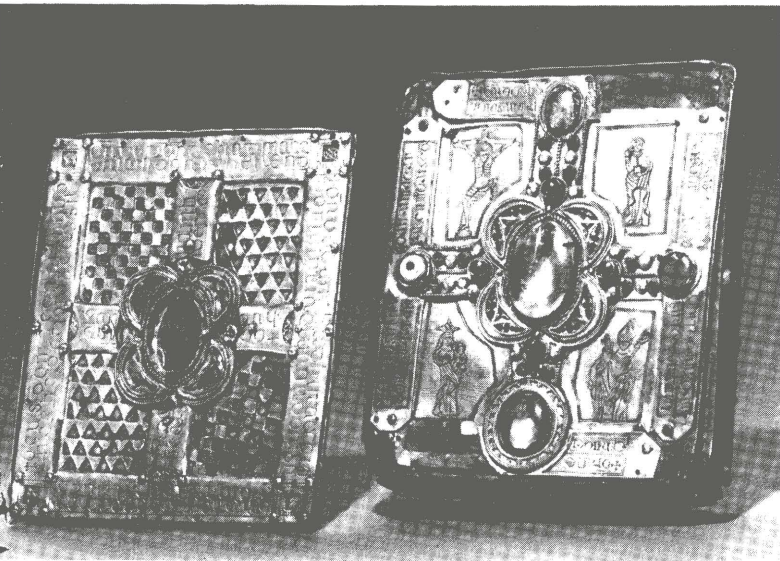
outside Ireland



Ribbon Torc: late Bronze Age, 1200-1100 BC; found at Belfast.

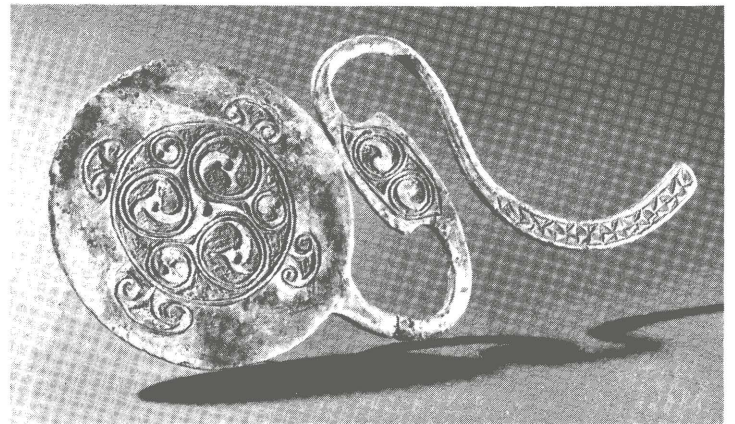
Photos courtesy of The Metropolitan Museum of Art, on loan from the National Museum of Ireland

Book Shrine (Stowe Missal): Hiberno-Viking period; late Eleventh Century; late Medieval period, late Fourteenth Century.



Crosier of Clonmacnoise: Hiberno-Viking period; first half of Twelfth Century; altered in the Fourteenth Century; found at Clonmacnoise, County Offaly.

Bronze Dress Fastener: Ultimate La Tène period; Sixth Century.

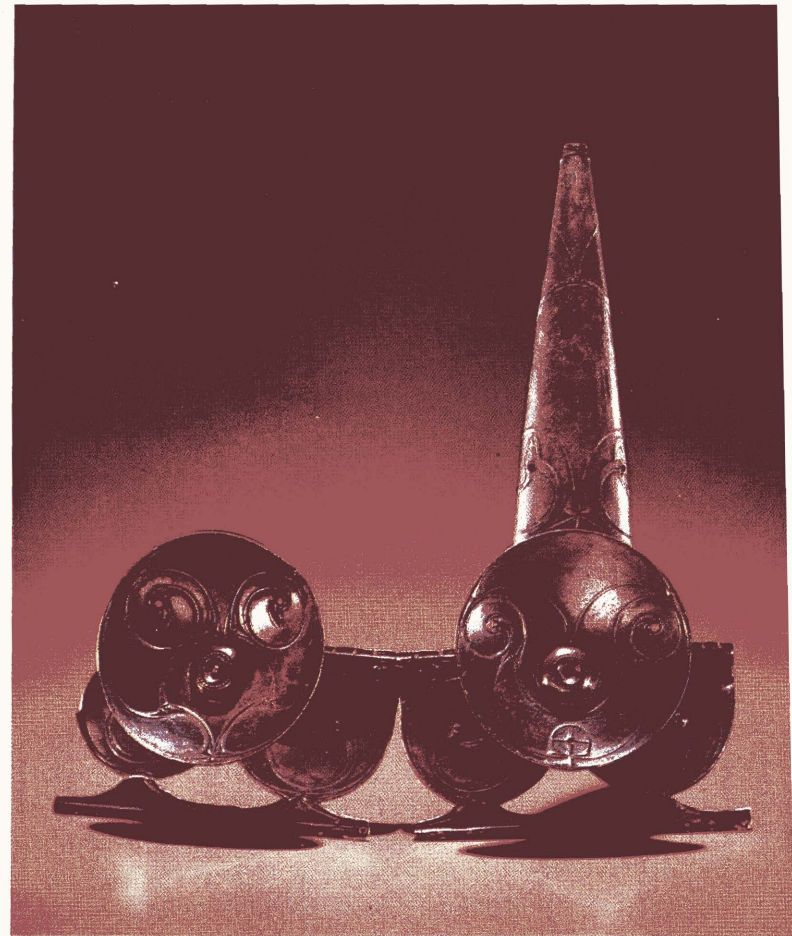






Ardagh Chalice: *Early Christian period; early Eighth Century; silver, bronze, and gold, with added glass and rock crystal; found near Ardagh, County Limerick.*

Shrine of St. Patrick's Bell: *Hiberno-Viking period; early Twelfth Century.*



"Petri Crown": *Ultimate La Tène period; First Century; bronze with enamel.*

Crucifixion Plaque: *Early Christian period; late Seventh Century; bronze, formerly gilded; found at Rinnagan, St. John's, County Roscommon.*







The Chi-rho page from The Book of Kells: Eighth Century; begun at Iona, finished at Kells.





Processional Cross of Cong: Hiberno-Viking period; early Twelfth Century.

more valuable still was the investment of painstaking labor, skill, and devotion of the monks who created it. The decoration of this book represents a culmination of the international influences in early Christian Irish art. This style also spread with Irish missionaries and scholars to the Continent and influenced the artists and teachers at the court of Charlemagne. The impact of this vibrant period of Irish intellectual history did not end there, but continued in the mainstream of medieval European cultural development. America is the direct

heir to this later European tradition that the Irish did so much to shape.

Into the midst of this scholarly and creative civilization the Vikings burst like a storm—looting Irish monasteries, killing their inhabitants, and stealing their treasures to take back to Scandinavia. This was a different kind of international exchange. Nevertheless, in time the Vikings' presence in Ireland became less turbulent, and they contributed to the economy of the land, founded the first cities at Dublin, Waterford, and Cork, and influenced artistic production as well. The patterns made of knotted and coiling animals that decorate the shrine of St. Patrick's bell are related to Scandinavian models. Similar patterns are also on the Cross of Cong, which was made to enshrine and display a fragment of the True Cross sent to Ireland by the Pope in 1119. Such an object provides yet again an example of the diverse and wide-ranging international relations of Irish art.

The objects in this exhibition are not only historical documents providing evidence of a particular national group. Seen in the original, these treasures transcend the context that produced them to stand as masterworks of mankind. The incredible technical virtuosity that produced the Tara Brooch, the balance of shape and detail in the Ardagh Chalice, the intricate mesmerizing patterns so patiently inscribed into the Book of Kells—to see these is to wonder at human skill and imagination. Although they tell us much about Ireland and Western Europe in prehistoric and medieval times, these Irish treasures are captivating for all people, and Americans are fortunate to have this chance to enjoy them for a while.



The full force of the impact that the exhibition "Treasures of Early Irish Art" at the Metropolitan Museum in New York has had on the United States could scarcely have been foreseen even by EC Commissioner Richard Burke, whose brainchild the whole spectacular undertaking was almost two years ago.

The first indication of the possibility that such an exhibition, embracing a rich display of the relics of early Irish civilization, was to take place came when a statement was issued on behalf of Burke, then minister for education in the National Coalition Government, in early February 1976. The opening paragraph read: "After consultation with the provost of Trinity College, Dublin, and the president of the Royal Irish Academy, I have, on behalf of the Government, invited the two institutions to mount jointly an international exhibition to consist of manuscripts and objects of art in their possession or on loan to the National Museum."

In the course of the following year the selection of the items which would cross the Atlantic, and the planning in advance of the safeguards which the value of irreplaceable national treasures demands, involved all the special expertise and cooperation of the experts in the National Museum, Trinity College, and the Royal Irish Academy.

"Ireland paying tribute to the American people for the generous help she has received throughout the past 200 years" is the reason for the exhibition given in the introduction to the catalogue. And as Burke said in the beginning, "It is my earnest hope that this exhibition will make a notable contribution to a happier and truer image of Ireland than the one too often propagated at the present time. In mounting it, the organizers wish to persuade as large a public as possible to look beyond our contemporary troubles to the record of a rich and ancient civilization which has left sufficient evidence behind it to make possible one of the most splendid exhibitions to be held anywhere in modern times."



# Europe's Uncommon, Common Newspaper

## *Expatriate IHT excels in international coverage*

DAVID HAWORTH, *EC correspondent for the International Herald Tribune, The Observer, and The Irish Independent*

IT'S A PARADOX THAT THE UNCHALLENGED REPUTATION of being Europe's first newspaper both in terms of distribution and coverage should belong to the *International Herald Tribune (IHT)*, a US-owned enterprise. But those who see this as evidence of *le défi américain* are mistaken. While the paper has enjoyed its greatest expansion and development during the past decade—having doubled its circulation in that time—and now has a monopoly position in the European English-speaking market, it's no upstart. It was founded in 1887, a cheeky, expatriate offspring of *The New York Herald*.

Squashed into almost comically confining premises on rue de Berri just off the Champs Elysées opposite the California Hotel, the office gives no clue to the *IHT's* excellence or distribution range. Only a modest green and white perpendicular sign plus two poles, one for the *tricolore*, the other for the Stars and Stripes, announce its presence. There is no self-regard, no front hall; concrete steps wind round a glum elevator shaft ascending into a vertical warren of offices often no larger than a dining room table. Floor space is so scarce, filing cabinets are piled on top of each other, and desks support typewriters of such bold antiquity they look as though they should be steam-powered. To say one has seen better looking bureaus in places as diverse as the north of Holland or Grand Junction, Colorado, is an understatement. To say reporters appreciate clean-lined modernity would mislead. But nothing can compare with the *IHT* office for its mystique of "newspapering": The telex-strewn inconsequence of its activity, the mixed aromas of coffee, oil, and disinfectant, the jangle of 30-year-old hand-sets all conspire to give the place unique atmosphere.

Though never privileged to work there, for the past five years I have operated as the *Trib's* correspondent in Brussels covering EC and NATO affairs. In these circumstances, therefore, writing about the *IHT* is rather like someone being asked about his or her spouse/lover. What can one say except it seemed a good idea at the time?

To return, then, to the paper's origins. It was the creation of James Gordon Bennett, son of *The New York Herald's* founder and, as such, a wealthy man. This Ben-

nett was also a dashing eccentric who left the United States for Europe after fighting a duel. It is said he raced a four-horse cab up the Champs Elysées while stark naked at the reins. But like many wealthy men, he was attracted to the newspaper world—in this case, more as a hobby than anything else—and so the *Herald's* European edition was born. Like its owner, whose interests it was created primarily to indulge, the paper in those days concentrated heavily on society news, dogs, ballooning, and yachting.

Had Bennett been the lightweight many took him for, the paper might not have flourished. However, in inspiration if not in fact, he was responsible for pioneering many of the *IHT's* greatest characteristics still in effect today. For example, he replaced the handsetting of type by linotype machines, which were shipped from New York and were the first ever used on the Continent. He was also responsible for introducing on the European side of the Atlantic the technique of photoengraving, as well as finding many imitators for his color supplements. With historical appropriateness, in view of the continuing popularity of this *IHT* feature, he brought the comic strip to Europe.

But Bennett's elite readership was not always in Paris, and many missed the paper while on vacation. In 1905 he ordered a Mercedes racing car to be loaded with several quires and dispatched them to the Normandy coast, a journey covered in two-and-one-half hours, which is scarcely possible these days. Later, in 1928, the paper chalked up another "first" when it was air-freighted to London, arriving in time for breakfast reading in the main hotels.

BENNETT RAN THE PAPER WITH CHEERFUL BRUTALITY, hiring and firing at a finger snap, but successfully combining the excitement of running a newspaper with the fun and style of his own life. He was a kind of chip off the old Hearst, though the world in which he flourished was brought abruptly to a close with the outbreak of World War I. Yet this event was to be his, and the paper's, finest hour. When the Kaiser's army had almost reached Paris



and the French Government had already decamped to Bordeaux, Bennett called a staff meeting. "Those of you who wish to quit may do so," he said. "This place is under the protection of the Stars and Stripes, and I shall defy those Prussians to disregard it. In any event, the paper comes out." His bravado was justified. It was the only paper in Paris to continue publication throughout the war—despite Big Bertha bombardments and Zeppelin raids. This is an episode that the French obviously have no interest in recalling and one which Bennett was never able to boast about. He died just before the armistice.

Nevertheless, Bennett had left the paper in good standing for its march through the Twenties and Thirties—a period which for it and increasing numbers of American expatriates in Paris later became known as the Golden Era. Eric Hawkins, a Briton who was managing editor for 36 years (and who is commemorated in the California Hotel's bar), once described those years in the following terms: "It was the beginning of a staff that made the *Paris Herald* an incubator for the most colorful, competent, and sometimes crazy newspapermen who ever populated a city room." William Shirer, Eric Severeid, and Leland Stowe were among the many talents whose professional lives were formed in the *Herald* "nursery" in those glorious interwar years.

Come the Second World War, the paper was not so lucky. Although it intended to continue publication during the impending occupation, it got no further than June 12, 1940, and a final splash story accounting "Great Battle for Paris at Crucial Stage." But all the delivery vans were requisitioned the next day, and the rest was silence until December 1944, when it reopened sharing temporary residence with *The Stars and Stripes*.

The paper managed to shake off the postwar trauma with its by now customary ebullience—only, during the Sixties, to be nearly unhorsed by a quite different enemy. *The New York Times* decided in 1960 to launch its own Paris-based version. There followed a vicious slugging match between them for six-and-a-half years. The rivals made little progress against each other, but their fight forced both into debt. Finally in 1966, *The New York Times* operation was stopped, and its resources were put, jointly with investment from *The Washington Post*, behind a newly named version of the old *Herald*—the *International Herald Tribune*.

At this point the present editor, Murray M. Weiss ("Buddy"), came on the scene. His name and the current success of the paper are synonymous. Like all the best newspaper careers, his began as a copy boy. Educated at New York University with a Masters from Columbia, he took this first job with *The New York Herald Tribune* in 1946, and, with the exception of two brief stints elsewhere (*The New York Times* and *The Boston Herald Traveler*), he remained there until going to Paris follow-



Editor Buddy Weiss and his dog Baron—"a broad-headed mutt with diminutive ears and eyes of such sad appeal they can caress sandwiches out of the hungriest sub-editor's hand."

Photos courtesy of the International Herald Tribune

ing the merger. It was his inspiration to give the paper the international identity it now has, rather than maintaining it largely as a vacation bonus for American tourists. His first act as the new boss was to abolish the troupe of beauties in yellow t-shirts who sold the paper up and down the Champs Elysées. "I don't give a damn about them," he growled.

**HE'S A HARD MAN TO WORK FOR:** Instinctive in his judgments and perfectionist in technique, not only does he mold the paper's contents each day, but he lays it out with pernicky attention to detail. If it is not exactly right, he will be tormented with self-recrimination over his late night dinner after the first edition has gone to bed.

I recall urging a Common Market story on him early one evening just after starting work for him. He listened patiently to all the reasons why it should be published, then, after a pause, replied: "Well . . . I guess not. Tonight we're putting a man on the moon and taking out Haiphong." That gentle phrase, and its implied rebuke, indicates the range of material crossing his desk in a few concentrated hours and, despite the story turned down that night, explains the paper's pre-eminence in foreign news coverage.

Weiss believes that part of the *IHT*'s strength is the strength of US journalistic techniques. Unlike British newspapers, for example, it does not combine news analysis with objective setting out of the facts. But, rather, the *IHT* keeps reporting and analysis as two distinct functions. In other respects, too, the paper contrasts with local products. "Our news policy must be different from that of a newspaper published in the United States or, say, Britain. Even the most internationally minded newspaper will usually lead its page with a local story—a subway fare increase, a train workers'



strike. None of these, no local story is of interest to our readership. We have to find our identity in different ways." Weiss takes the view that if people want local news they will buy a local paper. They read the *Tribune* for quite different reasons.

As for the readership, Weiss puts it this way: "We are sold in at least 108 countries. Or anyway, we were as of this morning. It may be the figure has changed since then. The guy in Mauritania may have moved to Reunion Island, which kills us in Mauritania but doubles our circulation in Reunion Island. There are several countries where our circulation can be counted on the fingers of the hand of one careless machinist—Upper Volta and the Niger, for example."

The *IHT* is going extremely well in Europe, and not only in the Common Market nations. Some 18 per cent of readers are in France, 14 per cent in Germany, and 13 per cent in Britain. There are also sizable followings in Switzerland, Italy, Scandinavia, and Austria. The publishers estimate at least one-third of all readers do not have English as their mother tongue. And a straw poll taken in Brussels reveals the *Tribune* to be the only newspaper which is common reading to all 13 EC Commissioners.

The distribution, which helps make it one of the world's most costly newspapers, has been greatly improved since the *Tribune* perfected a facsimile transmission system allowing the paper to be written and edited in Paris but also printed in London simultaneously. Each finished page in Paris is scanned by a "pagefax" machine, the lines on the page being transformed into signals that are flashed by phone lines across the Channel to a similar device in a London printing shop near Heathrow Airport. When the facsimiles are complete, copies can be run off just as though the paper had actually been put together in London. It's a technological miracle that belies the initial impression the *Tribune's* offices give.

This tale of two cities was started in May 1974, and last



Actress Jean Seberg preparing for a scene in a movie about the romance of a hawker for the *Tribune*.

year a similar operation opened up in Zurich. Although this system is initially expensive, it is at least guaranteed. That is vital. Surveys have shown that, for instance, in Frankfurt the *Tribune's* sale from any retail point is twice as high each day if the paper is ready for sale at 8:00 a.m. rather than 9:30 a.m. For maximum sales impact the paper must be available for breakfast-time reading.

IT HAS A SURPRISINGLY SMALL STAFF—a total of 45, "and that includes office boys," says Weiss. There are 20 sub-editors, four full-time reporters, and miscellaneous others. This might seem remarkably few until it is realized the *IHT* initiates comparatively little of the material it publishes. Weiss reckons some 80 per cent of the articles are by *The Washington Post* and *The New York Times* staffers, on whose work the *Tribune* can draw freely, being partially owned by both papers. All their foreign correspondents' material is channeled through the *IHT* en route to Washington and New York and is creamed off by Weiss and his colleagues. Another 10 per cent of material comes from the agencies and the rest from special correspondents. Associated Press, Reuters, United Press International, Agence France-Presse, AP Dow-Jones all flood into the *Tribune* office. The *IHT* also has its own office in Washington, run by Fred Farris, who does for the United States what Weiss does for the rest of the world. With all these resources at its command, the paper's difficulty, perhaps more than any other paper's, is not so much what to put in but what to leave out.

Weiss is in much the same position as the city editor of *The New York Daily News* a few years ago (a story Weiss likes) that sent a reporter to the Soviet Mission at the United Nations. The editor wanted to know the exact dimensions of a box which was ticking away in the corridor.

"Suppose it goes off?" asked the reporter.

"That's okay," the editor replied. "If it does, we'll use Associated Press."

To other *IHT* features ought to be mentioned. First, Baron, the editor's dog—a broad-headed mutt with diminutive ears and eyes of such sad appeal they can caress sandwiches out of the hungriest sub-editor's hand—is known in every bar on the rue de Berri. Second, none of the Parisian printers speaks a word of English, yet each works all day in the language. The rapport between them and the editorial staff is an extraordinary example of Franco-US relations. All are old hands and so fiercely professional that printing errors are virtually unknown. In their work, however, they sometimes lapse straight-faced into a brand of *franglais* never heard elsewhere but which sums up this newspaper. They quite often have to "jumpez l'histoire à la page trois," frequently insist "donne-moi le byline," and they always "faire le deadline."





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# Europe Buys into the United States

*Investors look increasingly to real estate*

WILLIAM DROZDIAK *writes out of Brussels for Time Magazine*

SINCE FEUDAL TIMES LAND OWNERSHIP HAS MOLDED the destiny of Europe—spawning its class system, sparking wars, and shaping national borders. But now, the nature of European property has adopted a new dimension. In the protracted economic crisis of the 1970's, Europe's wealthy elite are looking across the Atlantic to preserve or extend their holdings. As the value of the dollar shrinks and political uncertainty mounts in the Old Continent, that last bastion of capitalism—the United States—has become a new home for some of the oldest money in Europe. The Metternichs own more than 2,000 acres of farmland in Iowa, the Rothschilds have funneled their francs into US corporations, and the Onassis legacy looms largest in the monumental Olympic Tower apartment complex built in New York just before the Greek magnate's death.

Recently more common folk have joined the capital exodus from Europe. Worried by high taxes, possible

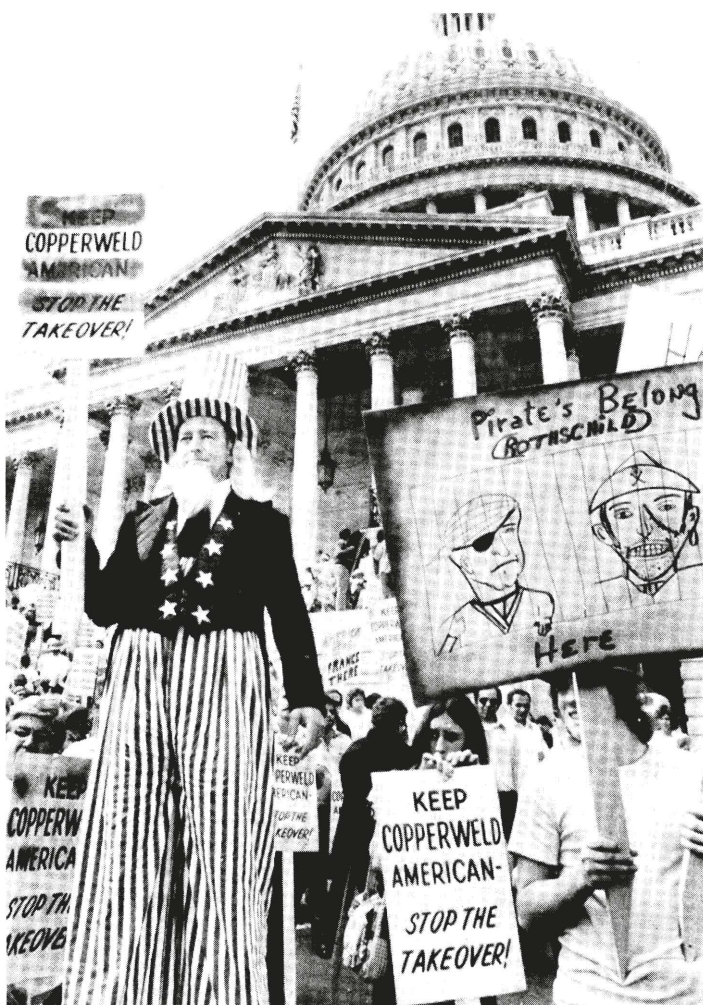
*Spreading suburbanization brings high-priced homes to the Belgium countryside . . . and more and more wealthy Europeans are looking to the United States for usually lower-priced, undeveloped open spaces.* © Henry Sturke

Communist electoral successes, and bleak prospects for future prosperity in Europe, Europeans of all classes and professions have eagerly pursued a series of investment schemes in the United States, seeking a secure haven for their hard-earned marks, francs, and guilders. Last year, a German doctor shelled out \$150,000 in cash for 60-odd acres of farmland in Iowa. A band of French investors is now dickering to buy some 3,000 acres in Missouri in a multi-million dollar deal. A leading Los Angeles realty brokerage firm reports that foreign accounts have jumped from 5 per cent to 35 per cent of its business since 1972. Canadians and Arabs appear to be the busiest land customers on the West Coast, but Europeans seem to prefer the East.

To satisfy the needs of small-time European investors, several banks have devised group arrangements to acquire property in the United States, Hexalon, a Dutch mutual fund company active in real estate, has purchased







Real estate is not the only thing Europeans are buying. Shown above are American steelworkers protesting the takeover of their employer by a French holding company. UPI

shopping malls in Atlanta and Toledo, Ohio, for a group of Continental clients. This year the Deutsche Bank bought 80 per cent control of Houston's Pennzoil Place, a sprawling office complex, for \$92 million. The powerful financial house has now offered shares in the project at \$5,000 each to the population back home.

Some countries, such as Britain, France, and Italy, have imposed exchange controls that restrict the amount of money that can be sent abroad legally. These obstacles, in many instances, have failed to wilt the ardor of Europeans eager to place their funds in the United States. Switzerland and Luxembourg have simply grown more popular as intermediate channels, through the use of hidden accounts protected from investigators.

Last year buoyant prospects for a surging US economy induced many foreigners to invest in Wall Street. Common stock purchases from abroad reached \$1.5 billion in the first quarter of 1976. But a subsequent lull in the economic picture slowed the foreign parade into US stocks. Money from abroad, however, still continued to pour into the United States, shifting gradually to the real estate sector. While profits are comparatively low in farm

land speculation, Europeans perceive a more tangible character in such investments, which also radiate a special status. "A lot of Europeans buying land here see their investment somewhat like their paintings. They can tell their friends about it, show it off, and be assured that the value will rise," points out a prominent land broker in Virginia who frequently handles foreign deals. He estimates that 100,000 Europeans have participated in some kind of real estate investment in the United States, with Germans, Swedes, and the Dutch leading the pack.

DESPITE A PRECIPITOUS CLIMB in recent years, US land prices still remain below European levels. "An acre of prime farm land in America costs an average of \$1,200 to \$2,000, while in Europe the normal prices for the same type of terrain might reach \$4,000 to \$5,000," notes another American real estate dealer. Most Europeans search for open land tracts as secure harbors for their money for periods lasting up to 20 years, while US buyers look for shorter term purchases. M. Thomas Lardner, general manager of US operations for Hamburg's Lehndorff Management Inc., forecasts that foreigners—chiefly Europeans—will pour more than \$2 billion worth of new equity into American real estate this year. Besides thousands of acres of fertile farm land, alien investors have set their sights on high-rise apartments, shopping centers, office buildings, and industrial plants.

The offshore invasion into the US land market shows no signs of receding, especially while the dollar lingers at a low rate against most currencies and Europeans seek safe shelter for their capital. A group of Chicago banks and insurance firms recently produced a study showing

*America may not have castles like the above, but many Europeans are retreating to what they consider the American castle of free enterprise.*



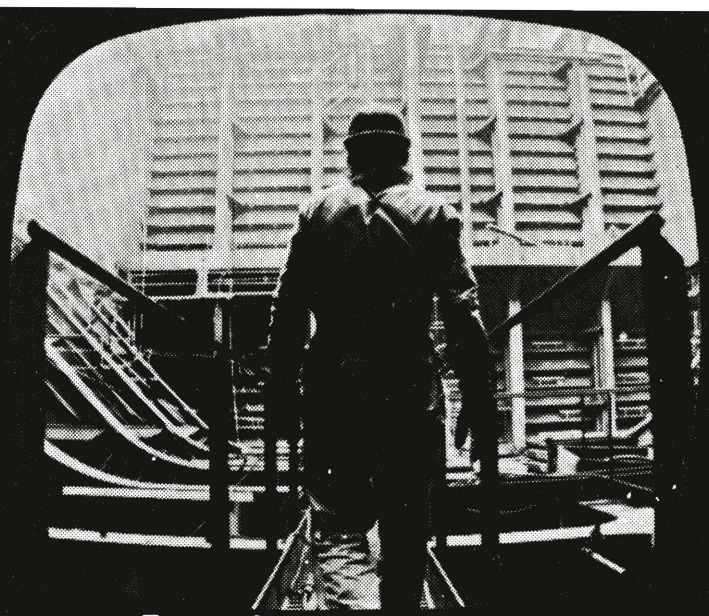


that one-quarter of all US farm land sales are now being concluded by foreign investors. The largest seller of American real estate to Germans, the Lehndorff group, launched its services in 1968 and currently oversees \$650 million worth of property in North America. With land so expensive at home, Europeans view the American real estate market as a bargain bridgehead against inflation and the risk of financial turmoil.

The alien rush to buy a piece of the American economy has evoked mixed feelings. US Government officials are pleased about the sanguine effect outside investment might have on the bloated balance of payments deficit, expected to hit \$30 billion this year. They also believe that the influx of non-American firms seeking to plant themselves on US soil will provide thousands of new jobs. But many locals have responded in alarm to tentative foreign efforts—mainly by Iran and oil-rich Arab countries—to purchase county land or important slices of the regional economy, like key industries or plush resort complexes. In most cases, these fears are vastly exaggerated. In 1975 Iowa passed a law requiring all foreign entities owning or leasing agricultural land to report their holding to the state. The initial response soothed widespread concern of an imminent foreign takeover, for less than two-hundredths of 1 per cent proved to lie in alien hands, with most of the transactions carried out discreetly by former German nobles like the Metternichs.

The peaceful invasion of America by European capital was spurred in the early 1970's, when sudden devaluations of the dollar and the brisk rise in European labor costs made the transatlantic move feasible and profitable for various continental companies. In addition, fuel prices in the post-embargo era remained far lower in the United States. Moreover, European firms quickly saw the advantage of hurdling trade barriers by building their goods inside the US market.

Direct investments from Western Europe have risen by nearly \$9 billion since 1971, to a total of \$19 billion today. Total foreign investment more than doubled in the same period, increasing from \$13.7 to over \$30 billion now. Most business observers expect the trend to gain momentum with a falling dollar, sluggish economic forecasts for Europe, and the tantalizing vision of the enormous purchasing power of American consumers. Compounding those prospects is the lurking political presence of Eurocommunist parties, which, if they enter governments, may implement policies anathema to the wealthy private and corporate interests. That specter has entered a phase of limbo now, but as French elections due next spring draw closer and the Italian Communists assert their quasi-partnership role with the Christian Democratic Government, the race—or rather, the retreat—to the American fortress of free enterprise may grow more acute.



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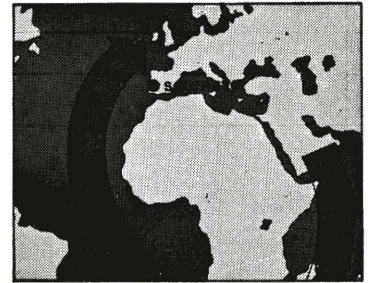
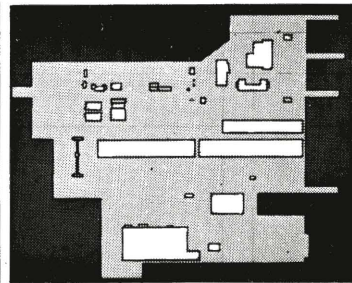
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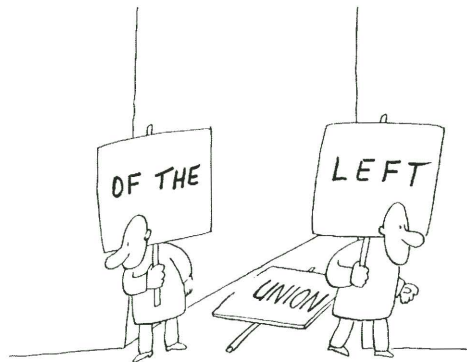
## Paris

It is a mystery worthy of one of Agatha Christie's best whodunits and would tax the talents of her master sleuth, Hercule Poirot, the invincible. Who killed the French union of the left and why did he do it with victory so close? Clearly, it was the work of a maniac from the outside. It makes no sense that it was someone within the left itself, for why would he wait through the long, dry years of 1965-77, with nothing to live on but hope, only to do the deed practically at the moment of triumph?

And yet we know it was an inside job. Most of the fingers are being leveled at the Communists, who with their demands for nationalization allegedly drove the more reasonable Socialists to commit the final, villainous act. It is said that the Communists were motivated by greed and fear: They wanted more companies taken over because they feared that, once in power, the Socialists would abandon them. Some people, more cynical, say it was an act of intentional self-destruction: The Communists posed demands they knew would be rejected in order to break up the union, because they no longer believe the time is ripe to take power. The Socialists are too strong at present for the Communists, goes this argument.

Nor do these people believe the French Communists acted alone. "The Hand of Moscow," headlined a front-page story in *le Monde*, is also seen in the design. Moscow, holds this theory, has never liked Eurocommunism, prefers Gaullists and even Giscardians to French Communists, and in some incomprehensible manner has been able to persuade the French Communist Party to stay in the opposition. Stability counts over ideology. For the present, goes the reasoning, the French Communists will be content to stay in the opposition, increase their strength vis-à-vis the Socialists, and present themselves as the one true workers' party—whereas the Socialists have now shown themselves no better than the hated *troisième force*.

Ah yes, says Poirot, but wait! Not so fast. Let us see what the Communists were asking. They were asking, were they not, that the famous 1972 "common program of gov-



© Joke, De Nieuwe Gazet, Antwerp

ernment" be updated. They wanted to fill in those many lines left blank five years ago when the common program was but wishful thinking and the left still a long way from power. The common program calls for nationalization of nine important industrial "groups," such as Thomson-Brandt, Pechiney-Ugine-Kuhlmann, Rhone-Poulenc, etc. Now it was time to define these "groups," said the Communists. We must name their components.

It is not unreasonable, says Poirot, to hold that nationalization of a "group" means nationalization of its subsidiaries as well. The Communists have not raised the stakes, are not imposing impossible demands, but are simply defining the 1972 program. If the Socialists don't agree to what they signed five years ago, what chance is there for them to govern together? Nationalization for the Communists is a *sine qua non*. If the Socialists won't stick to that, they won't stick to anything.

Could it not be, says Poirot, that the Socialists were searching for a motive to kill the union? We know that many Socialist supporters don't like the alliance. We know that many potential Socialist supporters might rally to the party without the Communist alliance, and we know that many more people feared the Socialists would go the way of the Alexander Kerensky Government in Russia faced with the Bolsheviks in 1917. Perhaps the Socialists have something to gain by this split up, particularly if it can be made to look like the Communists provoked it. One has one's cake and eats it, too. (Picking up a newspaper, Poirot shows that in the first post-mortem poll, Socialist support is up, Communist down.)

Never think things are as easy as they

seem, says the master sleuth. Sometimes evidence is strewn about just to throw us off the track. Suddenly something catches the Belgian's eye, some almost imperceptible motion. Has the corpse moved? Is this the final, ultimate illusion in this clever game? He bends down and puts his ear over the heart of the stiff. He listens intently. He produces a pocket mirror from his kit and places it in front of the victim's lips. Are those signs of breath on the mirror? Is this corpse which shows no visible signs of life still medically alive? Poirot places his devices back in his bag. I'm afraid the dear man plans to leave us in suspense.

—JAMES O. GOLDSBOROUGH

## Bonn

The boss of the German subsidiary of a leading US corporation is urged by his colleagues to carry a gun, "like everyone else." Armored cars and barbed wire surround the offices of the Federal Government and the residences of top politicians. Chief executives of big banks and industrial companies decline to make appointments more than a few days—or even a few hours—ahead, not wanting to tell even their closest associates of their whereabouts in advance. In Bonn heavily armed policemen seem to be everywhere.

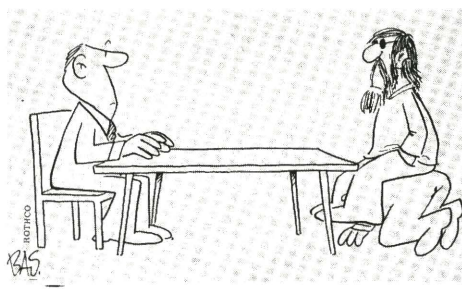
These outward signs of nervousness are only the more dramatic aspect of the anguish, self-doubt, and anger that have settled over German public life since this year's wave of terrorist violence began in April with the assassination of Siegfried Buback, the chief federal prosecutor, in Karlsruhe. The incident was followed in July by the cold-blooded murder of Juergen Ponto, chairman of the Dresdner Bank, in his home near Frankfurt, and in early September by the kidnapping in Cologne of Dr. Hanns Martin Schleyer, president of the Federation of Industrial Associations, after his four-man escort had been shot down. During the time of the Lufthansa hijacking in October, he too was shot.

How does a democratic society defend itself against people like the so-called Red Army Faction, the gleeful perpetrators of all these (and many other) frighteningly well-



planned attacks? Germany has come dangerously close, in its bitter frustration, to over-reacting and hence to giving substance to the terrorists' taunts that it still is at heart a "fascist" society. For example, the Bundestag pushed through in less than a week legislation allowing the authorities to cut off convicted or suspected terrorists from all contact with the outside world, should the official judgment be that this is necessary to protect life. In purely police terms the move was long overdue. It has been strongly suspected for years that some defense lawyers have been acting as go-betweens, allowing terrorists held in different prisons to coordinate and plan fresh activities for their comrades outside (though it is worth recalling that none of these lawyers has yet been brought to trial despite extensive, illegal police eavesdropping on client-counsel conversations).

Although it had overwhelming public



Germany © Bas, Tachydromos, Greece

his Social Democratic Party (SPD) chairman, Willy Brandt, will stand firm, pointing to the harm that could be done by driving still more left-wingers "underground," and emphasizing that they want open debate with opponents of every political hue. There are signs that Schmidt also regrets the haste of the new "isolation bill" and that he will resist further attempts to root out terrorism through legislation that could threaten civil liberties.

Another development that worries many on the Government's own side is the conservative harrassment, especially through Axel Springer's newspapers, of liberal intellectuals, which two of Germany's most distinguished living writers, Heinrich Böll and Günter Grass, have described as a "witch hunt." What disturbs them, as it does many of Germany's friends abroad, is the feeling that fresh moves against real or imagined

left-wing enemies of the democratic order remain unbalanced by any comparable zeal against right-wing extremists.

Schmidt has made some effort in recent speeches to make clear that he sees little to choose between the two. Yet his Government badly fumbled the public relations side of the Herbert Kappler case last summer. It managed to leave the impression in many other European countries that when Bonn did nothing about the melodramatic escape from an Italian hospital of the aged, terminally sick war criminal, it was somehow motivated by undue gentleness towards ex-Nazis, rather than by the humanitarian feelings it claimed. An even more sensitive test may be the Government's handling of the group of young army officers caught in a tasteless public allusion to the Jewish holocaust.

In times of stress—and that is not understating the present bitter combination of the terrorist plague and economic impasse—German commentators are fond of drawing parallels with the collapse of the inter-war Weimar Republic. Germany's friends abroad can rest assured that things are nowhere near that stage. But they also need to remember that this is still a young democracy, finding its way, and in need of a good deal of sympathetic understanding right now.

—ADRIAN DICKS



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support, the bill disturbs the legal profession because of the sweeping discretionary powers it gives officialdom over individuals' civil rights. And Chancellor Helmut Schmidt's ruling coalition of Social Democrats and Free Democrats suffered considerable embarrassment when a couple of dozen Bundestag deputies from the two parties voted against the legislation, so that the Government had to rely on opposition Christian Democratic (CDU) support to get it passed.

The CDU, few of whose other policies have caught the public's interest, now seems likely to play the terrorism issue for all it's worth in next year's state elections. It looks as though the right-wing of the party, led by Herr Franz-Josef Strauss, will have its way in putting forward a draconian law-and-order platform of the kind favored by conservatives in many other countries. Already Strauss' Bavarian base, the Christian Social Union, has opened public discussion on the introduction of the death penalty for convicted terrorists.

Strauss has also called for banning the Communist Party (which strongly disavows the terrorists) and the handful of marginal, if sometimes vociferous, little splinter groups still further left. Here, the Chancellor and

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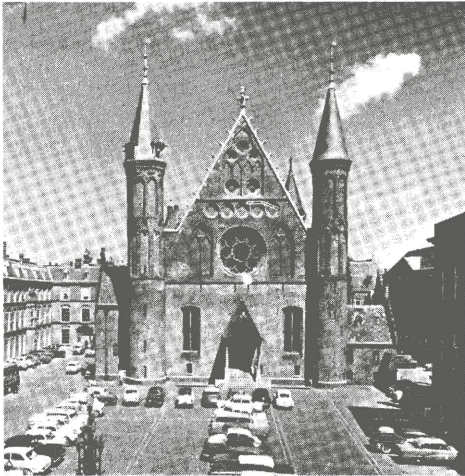
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# The Hague

Anarchy evokes panic in most countries, but in the placid, self-ordered world of the Netherlands, it is calmly accepted as another season in the political solstice. Since last March, the Dutch have lived without a government as former Prime Minister Joop Den Uyl vainly tried to forge a new ruling coalition. The Socialists scored sweeping gains in



the May elections, but still require support from their erstwhile allies, the Christian Democrats, to gain a majority in Parliament. The Christian Democrats have balked over plans to liberalize abortion and carry out land reform—preventing a new team from taking office, much as they did for nearly seven months after the 1972 elections.

Democracy flourishes in all walks of life here, infusing the Dutch with the civic stamina to endure political paralysis. Their zealous work ethic, coupled with a libertarian character, have fostered a populist will to share in authority. This sense of grass-roots power is typified by the modern custom of *inspraak*, meaning “voice-in,” which aims to give all sides an active role in deciding how the country’s main institutions are run. Universities, churches, and even the Dutch Army form councils to let those people involved decide most questions that affect their lives. Journalists can veto the choice of an editor, and hospital employees, including those in the menial line of work, are consulted about their directors. Neighborhoods advise city officials on traffic control and zoning laws. Labor unions are pressing for a share in managerial decisions, and a large proportion of Dutch citizens supported the union cause to dramatize their demands with a three-week wave of strikes last February.

During this year’s political vacuum, the Dutch managed to hold national elections in the throes of a terrorist siege by young

Moluccans. Amsterdam police sharply braked drug-related crime, and the nation’s inflation rate even subsided. The Dutch still point with pride at the obedient national response to a Sunday driving ban imposed during the Arab oil embargo four years ago. Speed limits are now enforced by horn-honking, finger-wagging fellow motorists.

While the politicians continued to bicker, Dutch citizens pursued their lives in serene confidence that an absence of government could not shake their highly developed society. One of the world’s most generous welfare states, Holland has established the highest minimum wage (about \$600 a month). Unemployment checks can reach \$70 a day, and old-age pensions are available to everybody. But taxes and living costs have risen accordingly, and some people are starting to grumble about the expensive burden of such social programs.

Government spending now absorbs 56 percent of the gross national product, and welfare costs alone approach \$15 billion a year. Some highly publicized cases of welfare fraud have also infuriated many taxpayers. But the high cost of such outlays is deceptive, since many funds pay the salaries of bureaucrats. And those civil servants, plodding through their daily tasks, run the government machinery when the elected leadership is disabled for months at a stretch.

—WILLIAM DROZDIK

## Rome

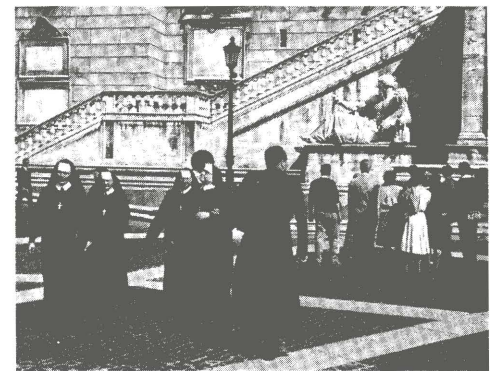
Resumption of political activity in Rome has been paralleled by uncommon bustle in the Vatican. On September 30, the Fifth Synod of Bishops was opened by Pope Paul VI just four days after the Pontiff had turned 80 years old. The periodic meetings of selected bishops and cardinals from all over the world was established during the Second Vatican Council of 1962-65. The Synod functions as a consultative body to the Pope, though with no real powers of its own. The first Synod was in 1967, and the assembly has gathered in Rome every two or three years since then.

This year’s month-long reunion of 204 prelates from all continents was unusual for several reasons. Pope Paul made quite clear he does not think of retiring; on the contrary, earlier rumors that the Pontiff was considering stepping down have been dismissed as unfounded. In remarks at the opening of the Synod the Pope himself spoke of the “responsibilities of a great, perilous, and difficult office,” giving to understand that he considers remaining in the Papacy his duty. But even if he does not resign, Pope

Paul may be presiding over his last Synod of Bishops. The Pontiff, who suffers from a form of arthritis, has referred several times recently to his frail state of health, and on the Feast of the Ascension last August, in an unusually dramatic reference to his own death, said: “I see the end of my life approaching; I see myself approaching the hereafter.”

The Synod of Bishops, created in the wake of the Ecumenical Council, is also meeting for the first time since conservative Archbishop Marcell LeFebvre openly challenged Papal post-Council policies. The sorties of the Archbishop, who heads a traditional seminary in Ecône, Switzerland, have become more and more audacious despite repeated threats of excommunication, and the entire LeFebvre phenomenon has put the Church hierarchy in an awkward position. The fiery Archbishop contests practically every change that has occurred in the Church following Vatican II. He is against the vernacular mass, and continues to say mass in Latin. He professes a totally closed attitude toward Christian doctrines other than Roman Catholicism and has spared no words in characterizing post-Council advances toward ecumenism as a threat to Roman Catholic doctrine and a weakness of the modern church. He has been abrasive in his criticism of the current Papacy, at times implying that Pope Paul was no longer fit mentally to keep his position.

The Vatican, for its part, has been uncompromising in its verbal denunciations of Monsignor LeFebvre but curiously ineffectual in doing anything about him. The threat



of excommunication—the ultimate punishment by the Catholic Church—has been aired repeatedly by high Vatican prelates, yet always couched in language oblique enough not to constitute a fast commitment. LeFebvre, increasingly defiant, last spring said mass—in Latin—in Rome itself, and then followed up in July by ordaining priests from his seminary against the express orders of the Vatican. The Church, aside from issuing a stern warning—one of many—seemed anxious to let the incidents pass with as little fuss as possible.



It seems clear that the rebel Archbishop is prepared to continue disobeying, short of committing an offense that incurs automatic excommunication—which is probably what the Vatican would like. Rome, for its part, appears hesitant to take any drastic action against him for fear of arousing the conservative constituency in the Church. If the mass said in Rome was any indication, there can no longer be any doubt that the Archbishop does have his following, and not as small a one as the Vatican had at first dared to hope.

Some critics of Church policy maintain there should be space in post-Council Catholicism for conservatives as well as liberals if the Church is going to become the more open-minded institution that the Second Vatican Council intended it to be. But such space is not likely to be made soon; a document from this Synod has censured LeFebvre and his followers once again for “advancing step-by-step down the road toward schism.” Whether the schism will actually be consummated is the number one question in ecclesiastical Rome right now.

—CHRISTINA LORD

## London

Senior civil servants, the “mandarins of Whitehall,” have been tartly criticized in the minority section of the first House of Commons probe into Britain’s bureaucracy in 104 years. The author of the attack, Labour left-wing Member of Parliament (MP) Brian Sedgemore, said he wanted to “sting the mandarins into some kind of public debate.”

The mandarins have been inscrutable. But in the marbled corridors there must be miffed Permanent Secretaries and others of high rank who were collectively accused of delaying tactics, deliberately misinterpreting policy decisions, slanting statistics, keeping Government Ministers starved of information until the last minute, and making capital out of Cabinet splits. “We regard the resolution of the struggle for power between the Cabinet, and the bureaucracy, by which we mean the top civil servants who claim to be policy advisers, in favor of political power and authority and against bureaucratic power and authority as a central need of our age,” Sedgemore said. “It is part of the struggle for democracy itself.”

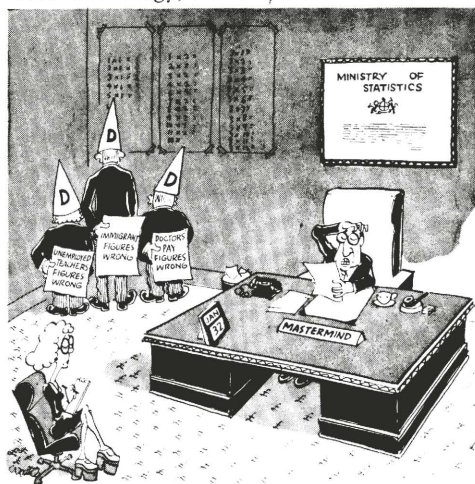
The minority view was contained in the appendix of the Select Committee on Expenditure’s report on its year-long view of the civil service. Backed by most of the Labour MP’s on the committee, but not by Labour Chairman Michael English, it was

defeated 15-11 in a prepublication show-down vote. The majority report called for better management of the civil service—a push for more Parliamentary control. It alleged an excessive “old boy” Oxford-Cambridge and public school bias in the choice of recruits and cited the need to improve checks on spending.

The mandarins weren’t overjoyed, but the report was tame compared to the Sedgemore version. It virtually sought abolition of the independent civil service as it exists in Britain and claimed top civil servants have a “self-appointed superiority which brings them almost immediately up against their obvious and almost complete lack of experience. . . . There is a conflict between their superior intellect and the little they have to offer in a practical way.”

Sedgemore, himself an Oxford-educated former civil servant who is now a leading figure in Labour’s left-wing “Tribune Group” and is Parliamentary Private Secretary to Energy Secretary Anthony Wedgewood Benn, alleged civil servants “got around this stumbling block by inventing a role for themselves, that of governing the country. They see themselves, to the detriment of democracy, as politicians writ large.” As such, he said, they sought to govern Britain “according to their own narrow, well-defined interests, tastes, education, and background, none of which fits them on the whole to govern a modern technological, industrialized, pluralist, and urbanized society.”

The minority version also zeroed in on several departments. “Civil servants at the Department of Industry have been culpable in frustrating the interventionist industrial policies of the current Government,” it said. “In this case, political bias may have played a part. The result is that, instead of an industrial strategy, we have a series of in-



“To the MP’s Inquiry Committee: Dear Sirs, To estimate the number of civil servants, we shall require a number of new civil servants. . . .”

© Waite, London Daily Mirror



“We’ve drafted a denial for you to sign, Minister.” © Shailo, London Daily Telegraph

dustrial problems.” That effort to fob off the country’s economic plight onto the mandarins leapfrogged to the Home Office, a “graveyard of free thinking” that is “stuffed with reactionaries ruthlessly pursuing their own reactionary policies.” The Department of Trade “contains civil servants steeped in Nineteenth Century Board of Trade attitudes, totally out of sympathy with any ideas of a positive trade policy,” Sedgemore said. The Foreign Office allegedly “on more than one occasion badly advised ministers on the EEC, and some Foreign Office officials interpret being a ‘good European’ as being synonymous with selling out British interests. The Vichy mentality which undoubtedly exists in some parts of our Foreign Office establishment does not, to the best of our knowledge and belief, reflect the views of Her Majesty’s Ministers.”

Well, now. What prompted the Commons study? A fat, expensive civil service, for one thing. Conservative MP Nicholas Ridley, one of the majority report’s authors, said a more efficient, slimmer civil service could save Britain 1 billion pounds (\$1.7 billion) a year. He estimated the current annual running cost at 5 billion pounds (\$8.5 billion). There are now 745,600 civil servants compared, with 697,000 when Labour took over in 1974. All of them have inflation-proof pensions, one more reason for Parliament’s growing concern over who really does dominate the running of Britain.

—PETER J. SHAW

## Brussels

Anne Cox Chambers is more than Jimmy Carter’s ambassador to Belgium. Their close bonds of trust and friendship go back 11 years, when a crusading Carter was trying to oust Lester Maddox as Georgia governor. Mrs. Chambers says she liked what she saw, finding Carter “bright, honest, and fair,” and claims she hasn’t been disappointed since. She has served him in the past as



backstage alter ego, providing crucial moral support when his career was in eclipse and when editors of the two Atlanta newspapers she owns were ready to write him off.

As the President's envoy to Brussels, "I am amazed by the overwhelming support I hear from other diplomats for the Administration's vigorous campaign on human rights," she said in a wide-ranging interview. She noted that while there was some early concern voiced by allies that the human rights drive might prove too strident for the tastes of the Soviet Union,



consternation has turned into fervent admiration for a US Administration that is trying to avoid the cynical abuse of power.

She presented her credentials to King Baudouin in mid-June, then discovered the delights of Belgian cuisine, which she calls "an added dividend" of her post here. In her spare time Mrs. Chambers enjoys bird-shooting and simply spending rustic weekends away at her country retreat outside Brussels, "in order to get recharged for the coming week's work." Her busy schedule has kept her from returning to the United States since her arrival here, though she expected to accompany Prime Minister Leo Tindemans to Washington on his visit to the President.

An avid aficionada of modern American art, she has adorned her office with Bicentennial impressions painted by Warhol, Kline, Lichtenstein, Rauschenberg, and Jamie Wyeth "to keep me inspired." She calls herself lucky to serve in Belgium, landing here during the four-hundredth celebration of Ruben's birth. She enjoys the "visions of Belgian painters" and notes that there is probably "more artistic activity per capita going on in this country than anywhere else in the world."

As one of five women ambassadors on the Carter diplomatic team, she relishes her role but denies that being a woman influences her perception of the job. She also foreswears any identity as an archetypical women's liberation leader. No political

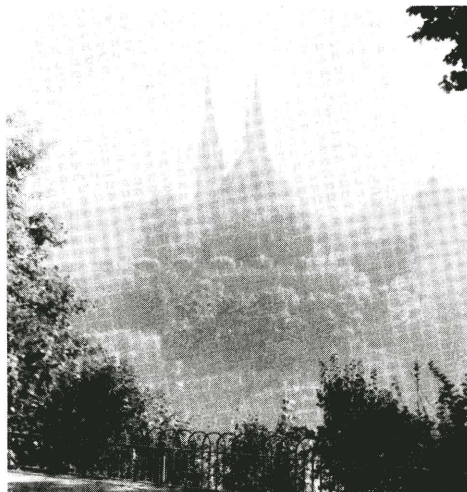
neophyte, she was inculcated with a strong belief in public service by her father, James Cox, who ran as the Democratic Presidential candidate in 1920 but lost to Warren Harding. Cox's running mate at that time was Franklin Delano Roosevelt, who later redeemed that early defeat. But in her own way, Mrs. Chambers wants to portray the "virtues of the American people as well as the Administration," and leave politics aside.

—WILLIAM DROZDIK

## Luxembourg

After years of trying to lure business and banking interests to its tiny state, Luxembourg now appears on the verge of cracking the big league as an international financial center. A Government plan to grant foreign banks new forms of tax relief, including removal of 10 per cent tax on gold transactions starting next year, is intended to place the Grand Duchy in a position to rival London and Zurich as a leading European center for gold trade.

Finance Minister Jacques Poos unveiled the plan in September and could scarcely



conceal his glee over the prospects of more financial deals pouring into Luxembourg next year. He claims the new arrangements will enable Eurobanks to avoid double taxation on major Eurocredits, especially for developing countries. Foreign banks will be allowed to offset taxes paid at source on the interest they receive for Eurocredits against their profits—leading to further expansion of Luxembourg as a credit center. Luxembourg also expects to lift the current 5 per cent coupon tax on the issue of new Eurobonds by banks established in the Grand Duchy. This measure, asserts Poos, will remove obstacles to the issue of large-scale Eurobonds and allow the Grand Duchy's Euromarket to vastly increase in scope.

Luxembourg already lists 88 banks active on its miniscule territory, and the Government firmly believes the new tax relief package for foreign banks will attract many more. Finance Minister Poos feels that the tax-free arrangements for commercial deals in gold bullion will boost his country into the forefront of European gold centers by absorbing a lot of business from Germany.

German bankers have prodded their own Government to lift the heavy German tax on gold transactions in order to make Frankfurt competitive with London and Zurich. Bonn has refused, claiming that removing value-added-tax on gold deals would create pressure to lower taxes on consumer purchases as well. In the meantime, Luxembourg bankers are rubbing their hands in itchy anticipation of more gold transactions flowing their way early next year.

—WILLIAM DROZDIK

## Dublin

The new Jack Lynch Government, elected in June, has played its cards very close to the chest since then. Specific election promises have been honored. A muted meeting between Lynch and the British Premier on Northern Ireland has gone off without controversy. And Government ministers have settled themselves into their various departments with a minimum of fuss or excitement. It has all gone so smoothly that a vacuum of expectation has been created. A recovery program was presented in May, debated in June, and massively endorsed by the electorate. As the leaves began to fall this autumn, the delivery of that program had to start.

The heart of it is the deal on wages. The new Government set a ceiling of 5 per cent in its election manifesto, but coupled this with the promise of tax incentives and reliefs that would still maintain living standards, and even improve them, in spite of a predicted rate of consumer price inflation of more than 7 per cent.

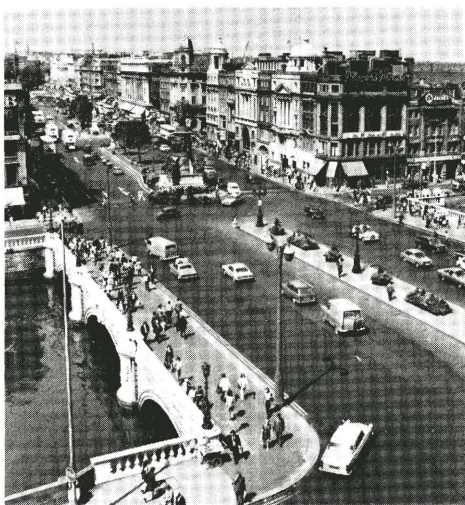
The man responsible for juggling the various ingredients of the package is a newcomer to politics in Ireland, Minister for Economic Planning and Development Martin O'Donoghue. On his first day in the Dail (Parliament) he joined Lynch's Government with arguably the most powerful portfolio, and certainly the one that will shape Ireland's economic evolution for the next five years. His newness to the game should not lead to any underestimation of his ability. He was Jack Lynch's economic advisor during his previous period in power, 1970-73; he was Lynch's closest general advisor in the Opposition, and the architect of the whole



election strategy. He has confidence in his own economic program, and there are good grounds for it. A predicted growth rate of 6 per cent for Ireland in both 1977 and 1978 is encouraging; so are the modest prospects for an upturn in world trade. The impact of agricultural buoyancy is substantial within the economy; and the encouragement of investment for the creation of productive employment, always central to Fianna Fail policy, is supported by trends in interest rates on money.

The critical factor remains wages. The success of the plan involves the cutting of inflation to between 7 and 9 per cent. And this in turn is linked to the Government ceiling on wage increases of 5 per cent—a ceiling which is to be achieved without statutory measures, by persuasion only. On past performance it is an unreal expectation. The prestigious Economic and Social Research Institute predicts an 8 per cent increase in basic earnings and an actual average increase for the coming year of 12 per cent. Yet if this emerges as the reality, then the prospects for the new Government will get steadily worse, since the basic component for Ireland's economic success must lie in the recovery of trading competitiveness.

Fortunately, past performance is something which the new Lynch Government can blame on its predecessors. It has a new slate to work on, strong public support, and high



public expectations. So far, the central figure in the economy, Martin O'Donoghue, has behaved more like an economist, which he is, than a politician, which he is only now becoming. But he has profound belief in the economic measures which he has already presented, very convincingly, to the Irish public. He will occupy the center of the parliamentary stage between now and Christmas, learning as he goes the political showmanship by which he will sell his economic wizardry.

—BRUCE ARNOLD

# Copenhagen

There has been a revival of the Danish debate about the Community in recent months, despite a further worsening of the economic situation and a new, many believe half-hearted, political attempt at curbing inflation and improving the balance of payments without the loss of too many jobs.

The debate is a result of the EC decision to hold the first direct elections to the European Parliament next year. Each member country has to lay down national rules for the participation in these elections, and in Denmark the European Election Bill was to be presented by the Government in the middle of October. The details of the bill were not officially known at the time of this writing, but it was expected that Denmark would become one big constituency, electing 16 members by the same system of proportional representation that is used for national elections. It was, however, also expected that parties would be allowed to conclude electoral alliances, which they are not permitted to do at national elections. If this adaptation of the system was not made, few of the small parties would have the chance to win a seat in the new European Parliament.

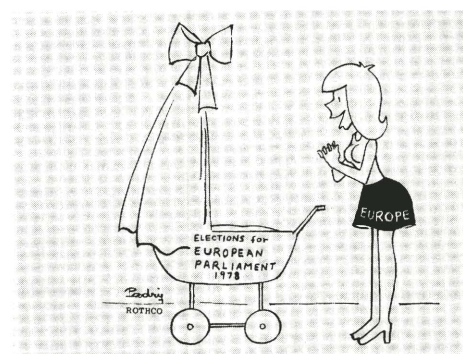
The bill would most likely be accepted by most of the non-socialist parties. Indeed, the Government's most powerful critics have until now been found within its own party, much like the Labour Party in Britain. At the last party congress in September, there was strong criticism of the Government EC policy, and though a majority of the delegates supported that policy, the majority was a little too small for comfort. The party leadership also had to agree that a special committee examine the pros and cons of Danish EC membership, allowing anti-marketeters in the party to claim that the membership issue is still alive.

It is also said here that Social Democratic Party leadership at the local and regional level is so suspect on the EC issue, the Government has decided to maintain a direct influence on the composition of the party list for direct elections lest only anti-marketeters should get winning positions. This supposition is corroborated by the Government's opting for a single national constituency, instead of several regional constituencies.

Direct elections have also caused renewed EC controversy elsewhere. On Greenland the Regional Council only accepted that Greenland should have the seventeenth Danish seat in the European Parliament by the narrow vote of nine-to-seven. At the annual congress of the small Social Liberal Party the anti-marketeters won a majority,

and the party has now decided not to join the European Liberal Party. The *Folkebevægelsen mod EF*, the "People's Movement against the Community," has redoubled its efforts to mobilize anti-Common Market opinion, but at the same time is in a strategic dilemma.

On the one hand, it is difficult to argue that direct elections are a bad thing. One of the basic arguments of the anti-marketeters is that there has been no democratic control of decision-making in the Community. Now that some democratic control may be possible through a directly elected parliament, it is difficult to justify not participating. And some anti-marketeters arrive at the conclusion that a multi-party list of EC opponents should be put forward for the direct elections. Other anti-marketeters disagree. They



"How happy this makes me! Now all I need is a baby!" © Padry, Le Herisson, Paris

believe that if the People's Movement allows itself to be represented in the European Parliament, it will compromise its raison d'être to work for Denmark leaving the Community. These anti-marketeters have until now had predominance.

In the end, it seems probable that existing party structure will prevail. The bill—and EC financial support—only allows political parties as participants in the elections. Anti-marketeters may still organize themselves as a party for this purpose only. But time is running out. —LEIF BECK FALLESEN

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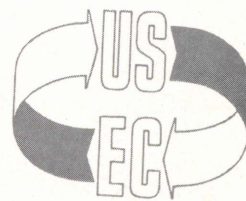
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*The Kollekolle Conference Center at Copenhagen, where this year's US-EC Media Seminar heard some "strongly expressed opinions on common problems."*

# Strongly expressed opinions



Going to a conference is, in any case, a pretty strange way to spend a weekend. Flying the Atlantic to spend a weekend at a conference adds a touch of exhaustion to the bizarre, and to go to the lovely city of Copenhagen for the weekend and spend all one's time at a conference center outside it smacks of insanity.

Undeterred by such trivial considerations, however, some 40 senior journalists, senior officials, and academics from both the United States and Europe devoted the weekend of September 9-11 to the second annual "US-EC Media Seminar," which was held this year at the Kollekolle Conference Center in Denmark. There, like and yet unlike Wordsworth's daffodils, they met beside the lake, beneath the trees, and the papers on the conference table fluttered and danced in the mingled breezes of air conditioners and strongly expressed opinions on common problems.

The speakers were distinguished. John Gunther Dean, US ambassador to Denmark, raised the curtain at the opening dinner Friday evening by discussing issues that the conference would consider later in more detail, such as the dangers of protectionism and the prospects of the multinational trade negotiations (MTN's). Renato Ruggiero, spokesman for the

EC Commission, stressed that responsibility for public understanding of the US-EC relationship rests largely with the press, while Ambassador Niels Ersbøll of Denmark emphasized the importance to the world of the relationship and expressed pleasure in the interest of the new US Administration in having a more active European partner than in the past.

At the opening session on Saturday morning, Courtney Slater, chief economist for the US Department of Commerce, and Danish Foreign Minister K. B. Andersen spoke on "Domestic Economic and Political Problems in the United States and the European Community." Slater expressed confidence in the continuing strength and flexibility of the American economy. Andersen noted that the recent recession had damaged cooperation between Europe and the United States, and increased fears of protectionism. He urged, therefore, expansive trade policies and called attention to the Community's success in dealing with developing countries.

The session on Saturday began with a witty and erudite speech by Garret FitzGerald on the prospects for enlargement of the Community. The former Irish Foreign Minister argued



*Ambassador Alonzo McDonald, deputy US special trade representative, talked about the multilateral trade negotiations.*

*Former Irish Foreign Minister Garret FitzGerald spoke on enlargement of the Community.*





that this was more a matter of “when” than “if,” and presented an optimistic picture of an enlarged, healthy, and unified Community. In tracing the evolution of the European Community, he remarked that most of the original reasons for its creation have disappeared, only to be replaced by other reasons for its continuance.

At lunch on Saturday Ambassador Alonzo McDonald, deputy US special trade representative, dealt with the complex subject of “the United States and the MTN’s.” His keynote was the liberalization of trade with the caveat that he was “a liberal trader but not a free trader.” He saw the goals of the United States and the Community as closely intertwined, and expressed hopes for the success of the new round of trade negotiations.

Saturday afternoon found Dale Hathaway, US assistant secretary for international affairs and commodity agreements, and Niels Anker Kofoed, former Danish minister of agriculture and current member of the European Parliament, discussing “US-EC Agricultural and Food Policy.” Hathaway described the two goals of US agricultural policy as “continuity and stability,” and Kofoed spent some time defending the EC common agricultural policy against traditional accusations of protectionism.

Danish Prime Minister Anker Jorgensen was the host at a splendid dinner at Christiansborg Castle on Saturday evening. He expressed his hope for the continued prosperity of the US-EC relationship, and his disappointment that, in his view, European integration had been stalled unnecessarily as a result of the attitudes of some of the member states. He noted that equal partnership between the Community and the United States can only be achieved as a result of full awareness by the Europeans of their common political and economic interests.

One of the highlights of the conference was Sunday’s session on energy problems. In what can only be described as two “high octane” presentations, Leonard Williams, the Commission’s director general for energy, and Terence O’Rourke, deputy associate administrator of the US Federal Energy Administration, kicked off the discussion on this crucial issue. O’Rourke spoke of his concern about the difficulty of convincing the American public that an energy crisis does in fact exist, and lamented the wastefulness caused by the lack of agreement on energy policy in the United States. He said that although President Carter has done much to lower demand, “political realities” have brought about defeats for the Administration on such things as the “gas guzzler tax” and the rebate system. He described as a major success the reorganization of the federal bureaucracy to create the Department of Energy and the Federal Energy



On the opening session panel: Danish Foreign Minister K. B. Andersen; President of the European University Max Kohnstamm, and Chief Economist for the US Department of Commerce Courtney Slater.

Regulatory Commission on the grounds that they can now provide leadership on energy problems and recommend policy.

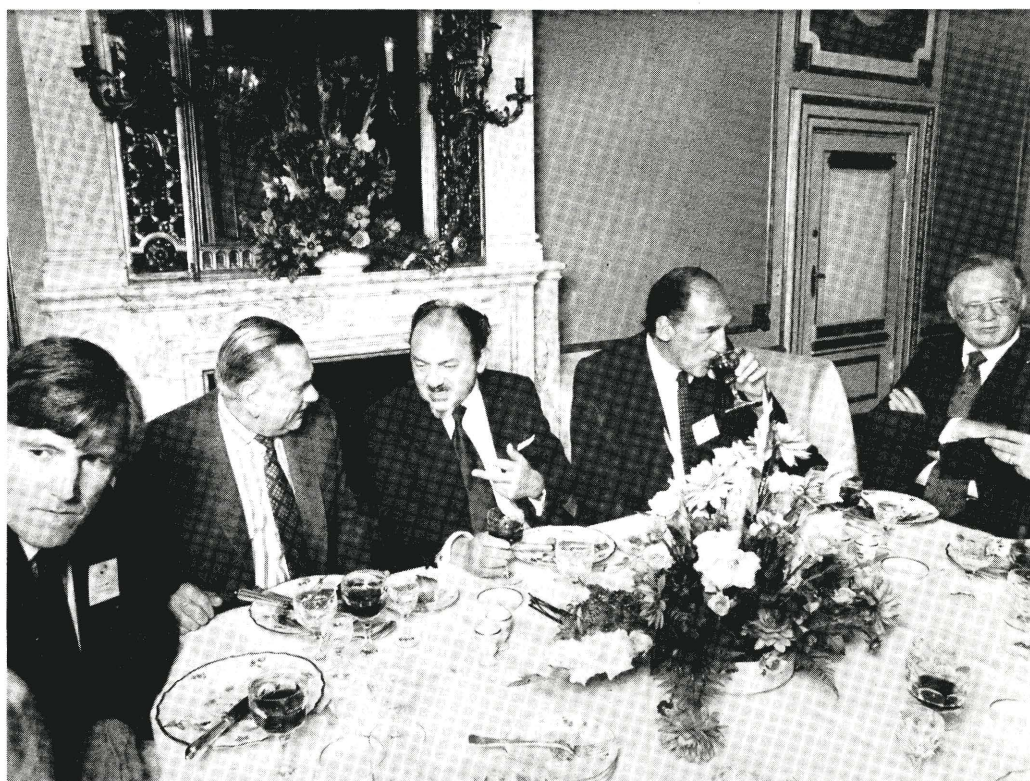
Williams saw the Carter energy policy as “well conceived and intelligent” but was concerned about American tendencies to debate energy as if it were solely a domestic issue and to over-emphasize environmental concerns. He pointed out that although the Community will maximize the use of coal and natural gas and increase oil exploration, it has fewer energy resources than the United States. Therefore, he urged support for a strong European nuclear program that would involve maintaining reprocessing facilities and fast breeder reactors as options.

At the lunch on Sunday, which ended the conference, Deane Hinton, US ambassador to the Community, said that the usefulness of the conference lay in the fact that the common problems shared by the Community and the United States had emerged together with a sense of the excellence of US-EC relations. He pointed out that solutions to these problems were being examined in a cooperative spirit,

and said that President Carter had shown himself an anti-protectionist and a supporter of European unification. He added that the President had already paid a domestic political price for acting other than parochially.

On this note of the perilous necessity of a broad vision in difficult times, the conference ended and the delegates went their ways. Curiously, yet understandably perhaps, for devotees and amateurs of the “conference circuit,” the consensus among them was that although the speeches and the seminars were stimulating and purposeful, the real benefits of *Kollekolle* were informal. The friendly discussions over excellent meals, the opportunity to meet new minds, make new friendships will all in the long-run augment the complex dialogue between Europe and the United States. And so, all told, the weekend madness was worthwhile, and although in the cause of US-EC relations, the beauties of Copenhagen went almost unremarked, the little mermaid was not jilted in vain.

—Richardson St. John, *staff writer*



Dinner with the Danish Prime Minister Anker Jorgensen (center).



# NEWS

## OF THE COMMUNITY

### US-EC RELATIONS

#### Schlesinger Visits Brussels

After October 8 talks in Brussels, US Energy Secretary James Schlesinger and EC Commissioner for Energy Guido Brunner said that there had been general agreement on aims and objectives in the energy field.

Brunner outlined the Community's policies and stressed the goal of a 15 per cent energy saving by 1985. He also emphasized Europe's dependence on the success of US energy conservation policies, since American oil imports almost equal Saudi Arabia's production.

Schlesinger said the world would have to go through a cruel transition as it moves from dependence on oil toward alternative sources. He also said the United States intends to be a reliable source of enriched uranium.

It was true, said Schlesinger, that Congress was considering additional legislation that might require renegotiation of the agreement with Euratom. The criteria the United States would like to impose on exports of nuclear technology to avoid dangers of proliferation would include the need for recipients to agree to "full scope" safeguards and to adhere to the Nonproliferation Treaty.

On reprocessing, Schlesinger said he believed this phase could be put off by as much as a decade, although he understood Europe's special problems.

Talks on nuclear waste and non-proliferation opened in Washington later in October.

#### Thorn Speaks on Steel

Prime Minister Gaston Thorn of Luxembourg, speaking at the National Press Club in Washington in early October, said that Europeans see two dangers in the current world steel situation: (1) that they may be unable to cross the "price desert," and (2) that new steel investment will be made in state-controlled rather than private industry.

"There can be no doubt," he said, that if the current situation exists for another year, "much of the world production (in steel) will shut down." Questioned on protectionism, Thorn said all European leaders "are convinced" that protectionism "is the worst reaction to our problems."

On the economic outlook in Europe, he predicted the months ahead will be worse than the months already past, and on French Prime Minister Raymond Barre's proposal of "organized free trade" he said he did not understand it—and could not support what he did not understand.

He said the wish for European integration is still alive, but he warned against too long a postponement and bemoaned the fact that "no major progress" has been made in integration since the accession of Denmark, Ireland, and Britain. Thorn said he did not "dare hope" that all problems would be solved by direct elections to the European Parliament, but he believed direct representation would take away the problem of anonymity and make elected parliamentarians responsible to their constituencies.

He said he was convinced that if Communists come to power in any governments of the Nine, it will be a threat to European integration.

#### Progress in Tariff Talks

In late September, EC and US officials meeting in Brussels agreed on a "joint working hypothesis" that is a significant step toward a general tariff-cutting plan under the General Agreement on Tariffs and Trade (GATT).

EC Vice President Wilhelm Haferkamp and Robert Strauss, President Carter's special representative on trade, confirmed their commitment to complete these preliminary negotiations by January 15, 1978, in order to set the stage for final negotiations. However, the "Tokyo Round" of the multilateral trade negotiations has been stalled for over a year in Geneva.

The Community, the United States, Japan, and Switzerland have each submitted different plans for cutting tariffs, with the Community emphasizing tariff harmonization and the United States proposing across-the-board cuts. Both sides agreed on the need for substantial tariff reductions to improve business confidence, a sufficient degree of harmonization, and parallel progress in agriculture.

## EXTERNAL

#### EC Plans Trade with China

The EC Commission hopes it may be possible to conclude a trade agreement between China and the Community early next year and recently asked the Council of Ministers for a negotiating mandate.

Exploratory talks have been going on with China since 1975, when the Chinese formally opened diplomatic relations with the Community. What the Commission envisages is a five-year nonpreferential agreement designed to promote and intensify trade and improve market access. A joint committee would be set up to ensure smooth operation of the agreement and deal with any difficulties that arose.

The agreement would regularize the assumption by the Commission of responsibility for all trade with state-trading countries, effective at the beginning of 1975.

The Community was China's number two trading partner behind Japan last year. EC imports from China were EUR 756 million (1 EUR equaled \$1.27 in 1975), and EC exports were EUR 1,034 million.

#### EC and Comecon Countries

Negotiations are expected to begin next spring between the Council for Mutual Economic Assistance (Comecon) countries and the EC Commission on an agreement between the two organizations. This was decided at a late September meeting in Brussels between External Relations Commissioner Wilhelm Haferkamp and Romanian Deputy Prime Minister Mihai Marinescu, who is currently chairing the Comecon Council of Ministers.

In his introductory statement, Haferkamp indicated that the meeting marked a new step forward and that the negotiations would be an important factor in efforts to normalize the whole fabric of relations between the two organizations. At the same time the progress being made would constitute an important contribution toward détente in Europe.

The Community's eventual aim is to supplement Commission-Comecon relations with agreements on trade between the Community and individual Comecon states.

#### Australian Trade Discussed

John Howard, Australian Minister for Special Trade Negotiations with the European Community, called on EC Commission President Roy Jenkins in late September at the start of a month-long tour of EC capitals. The tour culminated in bilateral talks with the Commission about EC-Australian relations.

Howard was appointed to the newly created post following a trip to Europe last June by Australian Premier Malcolm Fraser. Fraser wants to expand relations beyond their current narrow agricultural emphasis and to improve relations by removing some of the long-standing points of contention such as the beef import ban and EC export subsidy practices.

The prospects for greater sales of Australian minerals in the Community—principally uranium, but also coal, lead, bauxite—was discussed.

#### EC Officials Visit Belgrade

Official visits during the fall to Belgrade—first by EC External Relations Commissioner Wilhelm Haferkamp and then by Belgian Foreign Minister and President in office of the Council Henri Simonet—served to underscore the Community's political and economic commitment to Yugoslavia.

The need to implement the joint EC-Yugoslav declaration of December 1976 on extending cooperation on a lasting and stable basis was reaffirmed. Yugoslavia is concerned at the continuing deterioration in its terms of trade with the Community and hopes that when the Commission has produced a draft mandate for a new agreement an effort will have been made to rectify some of the difficulties in areas such as beef and textiles.

One manifestation of the Community's desire to help was the recent meeting in Brussels of the industrial cooperation subcommittee of the joint committee set up under the existing EC-Yugoslavia agreement. It met to discuss potential for cooperation in areas as diverse as chemicals, pharmaceuticals, fertilizers, synthetic rubber, machine tools, energy investment, agricultural machinery, and the food industry.

#### Code of Conduct Adopted

Foreign Ministers of the nine EC countries agreed at a political cooperation meeting in Brussels in late September to a code of conduct for EC firms operating in South Africa. The code is far more sweeping than any other operating anywhere in the industrialized world.

The code's most striking features are its insistence on encouraging black union activity and education. It says companies should exceed the minimum wage levels by at least 50 per cent in order to ensure a reasonable standard of living for their employees and their families.

Another provision is for training in order to ensure that equal pay for equal work promises are meaningful. There is also emphasis on fringe benefit involvement by the employer: housing, leisure, schooling, medical services, transport, and help with officialdom.

Firms operating under the code will have to publish a yearly report on the steps they have taken to implement it, and the "Nine" will then review the situation as well as carry out an ongoing review of what adjustments may be needed in the code to update it.

At the same time, the "Nine" are going ahead via their political cooperation machinery with a study of the possibilities for applying pressure on South Africa through investment and export credit policy.

#### Import Limitations Proposed

The European Community will try to limit textile import growth from developing countries next year in order to



create breathing room for its own industry to restructure.

Whereas the Community's import policies over the last few years have led to average annual growth of 22 per cent, the Commission has proposed an approach to the Council which is expected to keep overall growth down to around 6 per cent. It will also be more restrictive where dominant suppliers such as Hong Kong, India, Korea, Brazil, and Taiwan are concerned.

Nevertheless, the import growth will probably exceed the increase in consumption, which has been close to stagnant in recent years. The Commission plans to switch from a system of specific product ceilings for individual countries to product/country quotas within preset global quotas for the developing world. Eight products have been defined that are regarded as highly sensitive and will be subject to particularly tight restraints. Three other categories in declining order of sensitivity have also been designated.

If the Commission can successfully conclude agreements with the 25 principle textile-exporting developing countries before the end of the year, it will ask member states to consider adopting the Protocol to the Multifibres Arrangement drawn up after the discussions in Geneva last July on the Arrangement's renewal. Otherwise, it will take unilateral action.

### Malvé Heads UN Delegation

Pierre Malvé is the new head of the Delegation of the Commission of the European Communities to the United Nations, replacing Paolo Cecchini as of August 22.

Born in France in 1928, Malvé studied law and economics at the University of Bordeaux and the Institute of Political Science in Paris. He began his career at the Ministry of Finance in Paris and in 1963 joined the EC Commission.

He was one of the principal EC spokesmen at the "Kennedy Round" of General Agreement on Tariffs and Trade (GATT) multilateral trade negotiations, worked with the Commission in external trade, and was commercial counsellor to the Washington Delegation.

In 1973-74 he occupied the post of deputy chief of cabinet responsible for external relations. Then Malvé served as director of international affairs relating to agriculture, and was European president of the Commission for Agriculture and Rural Development in the "Euro-Arab dialogue." In the spring of 1977, he acted as EC spokesman at the United Nations conference for a new international sugar agreement.

### Japanese Barriers Remain

Negotiations in Tokyo on trade barriers for EC foodstuffs exported to Japan have failed to open up the Japanese market by any significant amount.

The talks were part of a series of sectoral discussions on reducing Japa-

nese nontariff measures as a prelude to boosting EC exports and righting the serious trade imbalance between the two.

The EC Commission delegates to Tokyo were hoping for concessions on wine, cognac, whiskey, butter, chocolate, biscuits, cheese, cooked meats, leaf tobacco, and unsweetened condensed milk. Minor changes were obtained for some tobacco and condensed milk, and a committee is to look into the promotional possibility for jams and preserves.

## AID

### New Trade and Aid for Cyprus

Mid-September saw the signing of an additional protocol to the EC-Cyprus Association Agreement extending existing trade concessions. A new financial protocol granting Cyprus development assistance from EC resources for the first time was also signed in Brussels.

The signature marked a new step in "a close and dynamic association" said Cyprus Ambassador Titos Phanos. Belgium's Permanent Representative, Ambassador van der Meulen, emphasized that the agreement is designed to bring real advantages to the whole population of Cyprus.

The additional protocol provides for the Community to abolish completely import duties on Cypriot industrial goods, whereas Cyprus only has to introduce a limited amount of tariff dismantling. Moves to full customs union will not begin until 1980.

Certain agricultural concessions in the United Kingdom and Ireland have been extended, and some new ones given; but the main agricultural negotiations are still to come. The financial protocol allocates a total of 30 million units of account (UA) to Cyprus. Of this, UA 20 million will be loans on normal terms; UA 4 million is for special loans for 40 years at 1 per cent; UA 6 million is for grants of up to 2 per cent, most of which is likely to be used to finance interest rebates on the bank loans.

### Development Funds Allocated

The EC Commission has approved the use of European Development Funds to finance 11 African, Caribbean, and Pacific (ACP) projects last summer.

The projects include 200,000 European units of account (EUA) of exceptional aid to the Kingdom of Tonga to repair the damage caused by the June earthquake; a grant of EUA 650,000 to the Republic of Djibouti for needed drilling equipment for a short-term rural water supply program; EUA 310,000 to extend the Djibouti town drainage system; EUA 70,000 to establish an interim training program in Djibouti.

Also the Island of St. Vincent (Caribbean) receives EUA 1.9 million for reconstruction of the Georgetown-Peruvian Vale road, and EUA 1.9 million goes to the Island of Dominica (Caribbean) to bituminize two sections of the coastal roadway.

EUA 650,000 goes to all ACP states as a whole to finance basic and advanced training courses for students and officials, and EUA 1.3 million to all ACP states as the budgets for their Centers for International Development.

In addition, EUA 468,000 goes to the French Department of Réunion to develop open storage areas for the port of Pointe des Galets; EUA 454,000 to French Guiana to construct a fishing wharf at Port Le Larivot; and EUA 300,000 of immediate exceptional aid to the Republic of Kenya to repair damage caused by torrential rains and floods in August.

### Trade Concessions Improve

Modest improvements in 1978 have been proposed by the EC Commission for its generalized tariff preference plan for the developing world.

The Commission feels that in the current climate of economic recession in Europe, it cannot be overly ambitious in improving the plan this year. However, it is adding a number of agricultural products to the list of those enjoying concessions, increasing some of the import quotas on sensitive products (although freezing those on items like textiles and refined petroleum products that have become hypersensitive), making rules of origin more flexible, and boosting its programs of information seminars to improve utilization of the plan.

Although preferences theoretically applied to 5.6 billion units of account (UA) of trade in 1976, the level of preferential trade was only 62 per cent of it. The theoretical eligible level of trade in 1977 is UA 6.23 billion; and in 1978, UA 6.4 billion, the smallest increase since the plan was introduced.

### EIB Lends to Sugar Factory

The European Investment Bank (EIB) is lending the South Nyanza Sugar Company (SNSC) in Kenya 12 million units of account (UA) to help finance a sugar factory at Awendo in South Nyanza Province. The factory will produce sugar from cane grown on a 3,400-hectare nucleus estate currently being developed by SNSC and from 9,000 hectares of small holdings.

The loan, made under the terms of the Lomé Convention, is for 15 years at 5.75 per cent after deduction of a 3 per cent interest rebate financed from European Development Fund resources. It brings EIB lending to Kenya to UA 24 million.

The project is expected to lead to substantial foreign exchange savings by means of import substitution. At the same time it will also create a substantial amount of employment for family

labor on a small number of holdings and seasonal work connected with harvesting. In all, the number of jobs to be created directly or indirectly could be 8,000.

### EIB Loan to Mauritius

The Development Bank of Mauritius (DBM) has received a 3 million units of account (UA) loan from the European Investment Bank (EIB) for financing small- and medium-scale industrial and tourism ventures.

The DBM's investments are designed to diversify the Mauritanian economy away from its traditional dependence on sugar cane. Mauritius' 1976-80 development plan provides for creation of 76,000 new jobs in five years, almost two-thirds of which will be in industry and tourism.

The loan is made under the terms of the Lomé Convention and is for 12 years at 5 $\frac{7}{8}$  per cent after deduction of a 3 per cent interest rebate financed by the European Development Fund.

## ECONOMY

### Steel Situation Worsens

The situation in the EC steel industry is getting worse, according to the latest Commission forecasts on production in the fourth quarter of this year.

Production was expected to be 32 million tons, whereas the Commission had originally hoped for a level of 34.8 million tons. Real consumption was also expected to be down from the forecasted 30.9 million tons to 28.9 million. This compares with production in the fourth quarter of last year of 33 million tons and consumption of 29.9 million.

In 1974, before the steel crisis began, first quarter consumption reached 39.4 million tons and consumption 34.6 million.

Nevertheless, the Commission feels that its program for price support for the steel industry is having effect—except in Italy, where some small producers are breaking the rules on minimum prices for reinforcing bars, but the Commission is taking steps to stop this practice.

### Steel Group to Restructure

The EC Commission was closely involved in an early September agreement concluded between the Belgian and Luxembourg governments to save some of the S.A. Minière et Metallurgique de Rodange-Athus (MMRA) steel producing group. The facilities straddle the border of the two countries and are in urgent need of rationalization in the current steel crisis.

The Commission hopes that 800 new jobs can be created in the region surrounding MMRA and has put up some of the money for job creation and com-



pensation in the event of redundancies, loans for investment in modernization on easy terms, and loans and interest rebates for new projects.

## Consumer Prices Still High

The rate of increase of consumer prices in the Community in the 12-month period to July 1977 was 10.6 per cent. This is slightly better than the total European average of 11.7 per cent, but not as good as the total industrialized world average of 9.2 per cent.

Germany continues to turn in the Community's record performance with an inflation rate of only 4.3 per cent in this period, whereas in Italy it was 18.8 per cent and in the United Kingdom, 17.6 per cent. In between come Belgium, 5.6 per cent; Luxembourg and the Netherlands, both 7.3 per cent; France, 10.1 per cent; Denmark, 11.4 per cent, and Ireland, 13.9 per cent (to the latest available period).

In the month of July itself, Germany actually pulled prices down by 0.1 per cent, and the Netherlands bettered that with a 0.2 per cent decrease. The United Kingdom held its increase to 0.1 per cent. In Belgium it was 0.3 per cent; Luxembourg, 0.4 per cent; Italy, 0.6 per cent; Denmark, 0.7 per cent; France, 0.9 per cent. This was the first time in many months that inflation had been below 1 per cent in every EC country.

## "Marriage" Bureau to Change

The EC Commission plans to streamline its "marriage" bureau for small and medium businesses, officially known as the Business Cooperation Center, which was set up in 1974. The Commission intends the bureau to concentrate on a limited number of sectors in the future—essentially construction and related industries, transport, processed chemicals, furnishing and plastics—in order to be able to build up specific expertise to help it function more efficiently.

The Center will be allowed to take the initiative in contacting firms rather than waiting to be approached and it will also be able to extend its activities to non-EC countries in certain circumstances. The Center's role is to facilitate contacts between small- and medium-sized business, which do not have the market research facilities of large companies, in search of joint ventures, tie-ups, or takeovers.

## Economic Outlook Cheerless

The latest assessment by Commission economists of the current situation and medium-term prospects is far from cheerful: The current high level of unemployment could increase considerably if growth does not speed up and there is some doubt as to whether it can be decreased to 3 per cent by the early 1980's. At the same time the Commission questions whether EC societies can accept such high unemployment without sacrificing credibility and dignity.

The Commission also points to a substantial waste of human and technical resources—stating that additional resources are crucial to future jobs and structural change, particularly in energy, if necessary sources of productivity are not to dry up. But any stimuli to the economy have to be carefully administered if inflation is not to be fueled.

This may mean postponing a return to balanced budgets and payments. In the Commission's view the way to achieve the necessary economic growth is by increasing public investment, stimulating nationalized and parastatal industries, and improving the profitability potential of private investment. Specific measures to counter unemployment are also essential. Only a coordinated Community program taking national characteristics into account can minimize the risks and make national efforts fully effective.

## ENERGY

### Uranium Exploration Funded

The EC Commission has allocated a total of 5 million units of account (UA) over a period of three years to 13 projects for uranium prospecting in the Community. The Community is highly dependent, about 90 per cent, on non-EC suppliers of uranium for its nuclear program.

The Commission is providing subsidies to finance exploration and prospecting in several member states in order to encourage development of indigenous resources. The latest series of projects are in Ireland, Belgium, Germany, Greenland, and Italy.

Between 30 and 70 per cent of the project cost may be Commission-financed. Demand for these subsidies already outstrips supply. Out of 22 applications received this year, nine could not be accepted.

The Commission has also recently put forward a multi-annual research and development program costing UA 4.65 million for uranium exploration and extraction. This is also designed to improve the Community's self-sufficiency in uranium by expanding knowledge of uranium deposits in and outside the Community, by improving and developing prospecting methods for new uranium, and by developing techniques for obtaining uranium from low-grade deposits.

### Gas Fields to Be Developed

The development of three natural gas fields in northern Italy and of the Frigg Field in the North Sea is to receive partial funding from the European Investment Bank (EIB). The Bank has made a loan of 18 billion lire for 12 years at 10.1 per cent to AGIP (a subsidiary of ENI) for exploration on the Anemone, Azalea, and Antonella-Antonio gas

fields off the coast near Rimini.

The EIB has also made \$50 million available to Elf Oil Exploration and Production and Aquitaine Oil, both Elf-Aquitaine of France subsidiaries, which will jointly receive \$40 million for 10 years at 8½ per cent. Elf Aquitaine Norge, will receive \$10 million for 6 years at 8¼ per cent.

This money is for development of the Frigg Field in the North Sea, which has exploitable reserves of around 208 billion cubic meters, or over five times the level of British consumption in 1976. The gas output from Frigg is sold to British Gas.

## ENVIRONMENT

### EC Acts on Fluorocarbons

The EC Commission has submitted a draft recommendation concerning fluorocarbons, used by the aerosol industry as a propellant, to the Council.

The proposed recommendation urged member states to intensify research on a Community basis into the effects of fluorocarbons; to encourage industry to find alternatives; to encourage industry and users to eliminate leakage; to prevent any increase in the production capacity of fluorocarbons.

Meanwhile, the Commission is undertaking a comprehensive study on fluorocarbons and aerosols and will make results available in the second half of 1978.

## AGRICULTURE

### Farm Surpluses Emerge

Structural surpluses appear to be emerging in wine and sugar, in addition to the existing overproduction capacity of the dairy sector and a one-time bumper harvest of cereals this year, according to the latest predictions from the EC Commission. At the same time it projects improved profitability for most farms.

Despite Commission efforts to curb the dairy surplus, the impact of the measures will take some time to work themselves through. This will not be soon enough to prevent an increase in cheese and butter stocks in the next two years, although stocks of skimmed milk powder will probably stabilize.

The sugar surplus is a problem that has been growing for some time, although outlet has already been found for the extra sugar on the world market. Oversupply worldwide is threatening this outlet, so that the Commission fears it could be stuck with the bulk of the overproduction, which amounts to about one-third of consumption.

And even if there is only a moderate harvest, the situation for wine will be worrying because of the high level of stocks and stagnating production.

One surplus has receded, however. That is beef, the source of a "mountain" a couple of years ago. Now the Community's production is dropping below the self-sufficiency level again, and it will revert to importing substantial quantities later this decade. But this could coincide with high world prices. Pork prices will also probably be high at that time.

### Danish Green Krone Devalued

At a September meeting EC agricultural ministers agreed to a devaluation of 5 per cent in the conversion rate for agricultural transactions in Danish krone—the so-called "green" rate. This was in line with a proposal from the Commission, which supported Denmark's request for a devaluation, but was initially opposed by certain member states which insisted on ministerial-level discussion of the implications.

Difficulties experienced by French wine producers this year following rain and hail that spoiled the quality of the harvest were also discussed. The Commission has already promised subsidies for distillation of unsaleable wines for alcohol and storage subsidies. It will consider subsidizing the use of concentrate to enrich the wines.

German hop producers have the opposite problem: too many hops due to overplanting in the past. The Commission is to speed up implementation of a program for restructuring the hops market which has already been agreed in outline.

### Agricultural Grants Given

The first 1977 grants for farm and agricultural infrastructure modernization from the European Agricultural Guidance and Guarantee fund total 107.6 million (units of account UA).

UA 29.4 million was for 83 projects in Italy; UA 23.3 million for 67 projects in Germany; UA 22 million for 43 projects in France; UA 11 million for 35 projects in the United Kingdom; UA 7 million for 26 projects in Ireland; UA 5 million for 30 projects in Belgium; UA 4.8 million for 35 projects in the Netherlands; UA 4 million for 14 projects in Denmark; UA 68,000 for one project in Luxembourg.

Among the projects to benefit from these grants, which normally cover up to one quarter of the cost, are rural road improvement, reforestation, cattle disease control centers, expansion of fruit and vegetable markets, construction of an animal feed factory, and irrigation.

## HARMONIZATION

### EC Tax Figures Compiled

Live single in Italy, move to France when you marry, and stay there if you have children. This appears to be the moral of figures on tax and social security contributions based on the average



male industrial worker's earnings and family benefits, recently published by the EC Commission. Even so, there is little doubt that the indirect tax bill in France would in part offset the low taxes.

Tax and social security contributions cost the single man in Italy 15.4 per cent of his wage; the married French couple pays 13.3 per cent in tax; and the married French couple with two children 8.5 per cent. At the other end of the scale is the single Dutchman who is paying 40.9 per cent tax, the childless Dutch couple who pays 36.3 per cent, and the Danish married couple with two children who is paying 33.6 per cent tax.

Generally speaking, the Danes and the Dutch vie for the worst tax burden, with Germany and the United Kingdom not far behind, followed by Ireland and Belgium, then France and Italy. The Luxembourgers fit in no category: The single man pays the third highest tax at 34.2 per cent; the married couple, the fifth highest tax at 25 per cent; and the married couple with two children, the seventh highest tax at 17.6 per cent.

### Health Research Consolidated

The EC Commission has proposed for the first time that the member states' medical researchers and their resources be brought together into one Community research program.

Three areas have been proposed as a basis for the program: registration of congenital abnormalities, cellular ageing and decreased functional capacity of organs, and extracorporeal oxygenation (problems of the heart and lungs).

The Commission believes these projects can be carried out more effectively at Community level than at national level—resulting in better health for everyone.

### Student Guidelines Proposed

Guidelines for correspondence courses have been proposed by the EC Commission to provide sure and uniform protection for the consumer. It's proposals are contained in a draft directive submitted to the Council of Ministers.

The main provisions are: the consumer must make the first approach in connection with correspondence courses; there must be a written contract fulfilling certain conditions; the course participant must be given time to have second thoughts about the contract; and the amount of money the course organizer can take as an advance payment should be restricted.

Member states would remain responsible for any system of authorization for correspondence courses which they may care to introduce.

### Action Plan for EURONET

A second action plan for the EC-wide scientific and technical information retrieval system known as EURONET has

been put forward by the Commission in order to turn the system into a public, operational on-line network by 1980.

The Commission wants to see it used to overcome national barriers to the flow of information. And, too, a genuine common market for scientific and technical information can be developed by promoting cooperation between existing services. Improving quality and cutting costs can be accomplished by rationalizing the systems.

Pilot studies into EURONET have already been carried out and have clearly indicated that it has potential. In many cases it is also expected to lead to the development of new technical standards for data transmission equipment as a genuinely common market opens up to manufacturers.

## SOCIAL POLICY

### Worker Housing Financed

The latest financing for worker housing under European Coal and Steel Community (ECSC) programs will benefit steel workers in the Netherlands and coal workers in France and Germany.

A loan of 665,000 florins has been made to Hoogovens-Ijmuiden to meet 4.6 per cent of the cost of building 133 homes; 24,000 French francs have been lent to the Quitaine and Blanzac coal mines to meet 3.9 per cent of the cost of construction of one and two units respectively; 32,000 French francs have been lent to the Lorraine coal mines to meet 4.15 per cent of the cost of constructing four units; 695,000 deutschmarks were lent to Saarbergwerke to meet 7.6 per cent of the cost of 47 housing units.

### Job Training to Improve

In response to an invitation from the Council of Ministers to adjust the rules of the Community's Social Fund so that it will become better suited to the training needs of women, the Commission is proposing to lower the upper age limit from 35 to 25 for women in programs funded by the Commission.

At the same time more emphasis will be placed on remedying the shortcomings in women's training revealed in Commission studies: inadequate professional guidance, concentration of women in a limited number of types of training and jobs, and inadequate job placement facilities. The Commission envisages setting aside 8 million European units of account (EUA) for women's programs in 1978, and progressively increasing this figure to EUA 25 million in 1981.

The Commission also wants to put more emphasis in its funding on regions characterized by a particularly serious and long-lasting imbalance in supply and demand for jobs or by the decline of one or several important economic sectors. It believes an extra financial

stimulus is needed in these areas. Consequently, the Commission wants to increase the normal rate of Social Fund assistance for public training plans from 50 per cent to 55 per cent in Greenland, France's overseas departments, Ireland, Northern Ireland, and Italy's Mezzogiorno region.

### Views on Poverty Surveyed

The causes and levels of poverty are viewed differently from member state to member state in the Community, according to a survey taken by the Commission's social policy department. The survey was carried out to get a better understanding for planning poverty eradication programs.

The Irish are those who feel worst off, with 43 per cent thinking they have less income than the minimum necessary; 40 per cent of Italians feel the same way, followed by 37 per cent of the French, 29 per cent of the Luxembourgers, 28 per cent of the British (who sit right at the Community average mark), 24 per cent of the Belgians, and 16 per cent of the Dutch and Germans.

Yet the countries where people feel they have to do without do not follow the same pattern. Although 78 per cent of the Irish feel they have to go without, so do 64 per cent of the Danes, 51 per cent of the Germans, 55 per cent of the Luxembourgers, 46 per cent of the Italians, 39 per cent of the French, but only 20 and 23 per cent respectively of the Belgians and Dutch.

The level of satisfaction with life is not purely a function of material wealth. Italians are the most dissatisfied (44 per cent) but are the least pessimistic about the future for the next generation. Twenty-six per cent of the French are dissatisfied and 20 per cent of the Germans (the same proportion that expect things to get worse for the next generation). Of the British 17 per cent are dissatisfied, followed by 11 per cent of the Belgians, Dutch, and Irish, 8 per cent of the Luxembourgers, and 6 per cent of the Danes. The most pessimistic about the next generation (and also about the next five years) are the Dutch.

Three countries—Italy, Germany, and the Netherlands—rank deprived childhood as the main cause of poverty; three countries attribute it to drink (Luxembourg, Ireland, and Denmark); two to old age and loneliness (France and Belgium); and one to laziness—the United Kingdom.

## INSTITUTIONS

### Future Policies Discussed

The 13 EC Commissioners held a "think-tank" session in La Roche, Belgium, in mid-September on what broad directions Community policy should be taking and what specific problems it should be tackling. They concentrated

on three areas: the institutions and enlargement; the economic consequences of enlargement, particularly in the Mediterranean regions; and the prospects for economic and monetary union.

It was agreed that enlargement would be a good opportunity for the Community to reaffirm its commitment to democratic principles.

At the same time it was agreed that enlargement should not lead to any slackening in the pace of progress toward economic and monetary union or political union; on the contrary, the idea of monetary union in particular is felt in some quarters to be ripe for new stimulus.

Finally, the idea of a special fund to help the three new member states' transition—particularly in the agricultural sphere, where there can be no question of merely transposing existing support systems to a whole new range of Mediterranean products—was also discussed.

### Ministers Debate Budget Cuts

Belgian Foreign Minister and current President of the Council of Ministers Henri Simonet openly disagreed with the policy of EC budget ministers during a European Parliament debate in mid-September on the Community budget for 1978.

He sided with Budget Commissioner Christopher Tugendhat in stressing the inconsistency of solemn declarations that Community-wide efforts to fight the crisis should be strengthened, while budget ministers pare to a minimum a budget specifically concentrating on the areas likely to bring economic relief.

Tugendhat, presenting the vastly reduced budget as it emerged from a reading by budget ministers, pointed out that the Council had reduced the increase in nonobligatory expenditure (i.e. essentially nonagricultural expenditure designed to develop other Community policies) to nil, the first time it had been so radical. He also pointed out that efforts on his part to cut agricultural spending had been fruitless.

Winding up the debate, Commission President Roy Jenkins described the cuts as "damaging, undiscriminating, illogical, and consequently unacceptable." Belgian Budget Minister Marc Eyskens defended the cuts and stressed that expenditure would nevertheless be increasing by a considerable amount and by more than national budgets.

### Enlargement Moves Ahead

Spain's application to join the three European Communities—the Economic Community, Euratom, and the Coal and Steel Community—was officially acknowledged September 20 by the EC Council of Ministers.

The next step is for the Commission to prepare an opinion on the application in cooperation with the Council and the Spanish authorities. Although the problems which further enlarge-



ment will pose for Mediterranean agricultural production in the existing Community were particularly implied, it was agreed that the political importance of acknowledging Spain's return to democracy and underpinning it with support for its membership application should outweigh any idea of preconditions connected with potential economic strains.

Commission President Roy Jenkins emphasized that the Community would have problems regardless of enlargement and warned against trying to find external scapegoats for those difficulties.

## REGIONS

### Disaster Relief for France

Southwestern France is to receive UA 1.8 million and Tuscany UA 1.2 million from the EC Commission's special disaster relief fund.

The aid is to help with reconstruction following floods in four French departments and a cyclone that swept through Tuscany. The money for Tuscany is intended for use in reconstituting the damaged forest stock.

The Commission is also preparing proposals on the possibility of ecological restructuring in the regions at the same time.

### Italian Projects Get Funds

Industrial and infrastructure investment projects in the southern Italian region of the Mezzogiorno, in a recent example of the Community's regional development program, are to receive a total of 41.4 billion lire in loans from the European Investment Bank (EIB). The bulk of this money—34.3 billion lire—will be lent to the Cassa per il Mezzogiorno for help in financing a major irrigation project in Calabria whose total cost is about 92 billion lire. The loan is for 12 years at 7.9 per cent.

The project will enable the rivers Tacina and Soleo to be tapped to provide sprinkler irrigation for 12,700 hectares in the Tacina valley and on the Isola Capo Rizzuto plateau. This should improve returns for the region's 5,000 farmers.

In addition the EIB is lending 3.5 billion lire to the Cassa per il Mezzogiorno for 10 years at 7.85 per cent. The eventual beneficiary of the money will be ITRES, a member of the ENI group, for a factory at Caltagirone in Sicily making polyethylene tubing. It will employ 140 people. Also 3.6 billion lire is to go via the Cassa per il Mezzogiorno and the Istituto per lo Sviluppo Economico dell'Italia Meridionale to Italrame, a subsidiary of Pirelli and Ceat, toward the cost of a copper wire rod production unit at Avellino in Campania, which will provide jobs for about 100 people. This loan is for 12 years at 7.9 per cent.

### Roads to Naples to Improve

The European Investment Bank (EIB) is lending 14 billion lire for 15 years at 8.75 per cent to Istituto per la Ricostruzione Industriale (IRI) in Italy for onlending to Autostrade-Concessioni e Costruzioni Autostrade.

The loan will help double the capacity of the access roads to Naples from the Rome-Naples motorway, including the slipways and the Naples bypass. Because this improvement will benefit links to the port of Naples, it is expected to contribute directly to the economic development of the Mezzogiorno region. The total cost of the project is 36 billion lire.

### British Steel Receives Loans

Two loans totaling 11.4 million pounds have been made to the British Steel Corporation by the European Investment Bank (EIB). The loans, for 12 years at 8½ per cent, will help meet the 23 million pound cost of modernizing and rationalizing iron foundries in Workington and Motherwell.

The modernized iron foundries will be more economic and will be able to meet stiffer environmental requirements that are due to be introduced next year. At the same time a steel foundry at Craigneuk, where one of the two iron foundries near Motherwell is also located, is being expanded and improved so the older foundry at Tollcross 10 miles away can be closed down.

The modernization plans will help protect jobs in areas where unemployment is well above average. They bring to 141 million pounds the total amount received by British Steel from the EIB.

## COMPETITION

### EC Enforces Antitrust Rules

Following intervention by the EC Commission, Belgian and Dutch Associations terminated agreements that the Commission felt infringed on antitrust rules of the EEC Treaty.

The two are paper producers' associations—Association des fabricants de Pâtes, papiers, et cartons de Belgique (COBELPA) and the Vereeniging van Nederlandsche Papierfabrikanten (VNP)—which account for between 80 and 90 per cent of production in these two countries.

Under the agreements in question the two associations exchanged price information, sales conditions, and stuck to agreed distribution channels. Some firms also undertook to exchange information on production and sales figures. The Commission opposes concerted practices and open price systems when the latter distort free competition and intra-Community trade.

## 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.

**REPORT ON THE CONFERENCE ON THE LAW OF THE SEA AS IT AFFECTS THE EUROPEAN COMMUNITY.** Working Document No. 82/77, European Parliament, Luxembourg, May 9, 1977, 56 pages .....free  
Report prepared by Martin Bangemann for the Legal Affairs Committee. Explores issues discussed at the May-July 1977 session of the Conference on the Law of the Sea and Community participation. Covers the principle of exclusive economic zones, the International Seabed Authority, settlement of disputes, freedom of navigation, and marine environmental protection, research, and technology transfer.

**STUDIES ON AFRICAN SWINE FEVER VIRUS: PURIFICATION AND ANALYSIS OF VIRIONS.** EUR 5626 e, Commission, Luxembourg, 1977, 68 pages .....\$7.35  
Workshop on African Swine Fever Virus (ASFV), Madrid, September 18-26, 1975. Work concentrated on a routine procedure for the large scale preparation of purified virus. Outline of the results with a compilation of useful techniques for the preparation and analysis of ASFV.

**ANALYSIS OF INFORMATION MARKETING STRUCTURES.** EUR 5666 e, Commission, Luxembourg, 1977, 112 pages .....\$10.00  
Analysis of present information services for industry marketing structures such as information and liaison services, referral and advisory services. Aims at identifying the basis for developing man-to-man information services for industry. Describes existing national information policy bodies for each member state and operational information services both public and private.

**USE OF STAFF FOR INSPECTION, MAINTENANCE, AND REPAIR WORK IN THE CONTROLLED AREA OF NUCLEAR POWER PLANTS.** EUR 5476 e, Commission, Luxembourg, 1976, 46 pages .....\$1.40  
Survey on personnel problems in the control area of nuclear power plants in the Community including number of personnel employed for different activities during certain time periods, allocation of personnel employed according to hiring authority, qualifications and training for specialized work, and future demand for personnel.

**MODALITES PRATIQUES D'APPLICATION DE METHODES DE LUTTE INTEGREE.** Informations sur l'agriculture No. 24, Commission, Brussels, November 1976, 154 pages .....\$4.30  
Study of an overall approach to pest control in arboriculture which would take account of economic, ecological, and toxicological factors.

**INVENTORY OF TAXES: 1976 EDITION.** Commission, Brussels, 1976, 709 pages .....\$28.70  
Concise survey of duties and taxes in force in the nine member states on July 1, 1976. Includes taxes levied by local authorities.

**RESULTS OF ENVIRONMENTAL RADIOACTIVITY MEASUREMENTS IN THE MEMBER STATES OF THE EUROPEAN COMMUNITY FOR AIR-DEPOSITION-WATER 1973-1974 MILK 1972-1973-1974** EUR 5630 dkdldelfiln, Radiological protection No. 11, Commission, Luxembourg, 1977, 255 pages .....\$16.00  
Fifteenth report on ambient radioactivity, using data collected by stations in charge of the surveillance of the environmental radioactivity in member states.

**RADIOACTIVE CONTAMINATION LEVELS IN THE AMBIENT MEDIUM AND IN THE FOOD CHAIN.** EUR 5441 elf, Radiological protection No. 12, Commission, Luxembourg, 1976, 162 pages .....\$10.80  
Quadriennial report for the period 1972-1975 on research in human biology, iodine metabolism, mineral composition of the human body, transfers of contamination from sources of pollution to man including chromium, zinc and cadmium, heavy metals in marine chains, and transfers in foodstuffs during processing and distribution. Papers are either in French or English.

**RADIOACTIVE WASTE MANAGEMENT AND STORAGE: FIRST ANNUAL PROGRESS REPORT.** EUR 5749 e, Commission, Luxembourg, 1977, 78 pages .....\$3.90  
Survey on the scope and state of the Community's research program on radioactive waste covering processing of solid waste from reactors, intermediate and terminal storage of high activity and alpha wastes, storage of gaseous waste and separation and transmutation of actinides.



## Recent Books

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

**Soviet Foreign Trade.** By William Nelson Turpin. Lexington Books, Lexington, Mass., 1977. 172 pages with appendix, bibliography, and index. \$15.00.

An analysis of the organization and operation of the Soviet foreign trading system; explains how the West views the nature and policy purposes of the Soviet system and presents analytical and statistical information supporting the Western view.

**Regulating the Behavior of Monopolies and Dominant Undertakings in Community Law.** Edited by J. A. van Damme. De Tempel, Tempelhof, Bruges, 1977. 574 pages with annexes. \$27.00.

A collection of papers specifically discussing American, British, Irish, Nordic, French, Dutch, and German, and Community antitrust laws; includes public versus private monopolies, dominant companies, and cases of abuse of dominant position; texts in original languages of French and English.

**Anti-dumping Actions and the GATT System.** By Peter Lloyd. Trade Policy Research Center, London, 1977. 53 pages.

An examination of dumping—how, why, and how much—and of attitudes towards dumping and the case for counteraction; text includes a case study of dumping in Australia and the lessons of the anti-dumping code for other nontariff measures.

**Worker Self-Management in Industry: The West European Experience.** Edited by G. David Garson. Praeger Publishers, New York, 1977. 230 pages. \$20.00.

An in-depth look at the various West European models of worker self-management, particularly those of Germany, Sweden, Britain, France, and Italy.

**Oil and the Middle East: Europe in the Energy Crisis.** By Robert J. Lieber. Center for International Affairs, Harvard University, Cambridge, 1976. 75 pages with notes. \$8.20.

A study of the effect of the energy crisis on the European energy economy; the major elements of the European response to energy problems; the principal causes of the failure to develop a common energy policy; and the impact of politicization of international economic relations on policy responses based on national, European, and multilateral levels.

**Sixteenth Century Europe.** By Leonard W. Cowie. Oliver & Boyd, London, 1977. 340 pages with bibliography and index. \$7.95 paperback, \$13.50 cloth.

A survey of the history of Europe in the period 1494 through 1598, including chapters on the medieval Church, the Renaissance, overseas exploration and colonization, social and economic development, scientific thought, political organization, war, and diplomacy.

**A Wider European Community? Issues and the Problems of Further Enlargement.** By Geoffrey Edwards and William Wallace. The Federal Trust for Education and Research, London, 1976. 83 pages with tables.

A preliminary assessment by a Federal Trust study group of the possible implications of further enlargement for the future development of the European Community, including specific references to Greece, Spain, Turkey, and Portugal as candidates for membership; examines the economics of enlargement and the impact of enlargement on Community institutions and external relations.

**International Organizations in Their Legal Settings: Documents, Comments, and Questions.** By Fredric L. Kirgis, Jr. West Publishing Co., St. Paul, 1977. 1,016 pages with index. \$18.95.

An examination of the legal and quasilegal issues surrounding certain common characteristics of inter-governmental and supranational organization; emphasis is on constitutional and procedural issues with respect to legislative or quasilegislatory powers, and dispute-settlement mechanisms and the problem of relinquishment of sovereign prerogatives by members.

**Technology, World Politics, and American Policy.** By Victor Basiuk. Columbia University Press, New York, 1977. 409 pages including notes and index. \$17.50.

An analysis of the present and future impact of modern technology on international relations and societies; assesses the sociopolitical influence of technological trends around the world; explores the ability of the United States, the Soviet Union, Western Europe, and Japan to deal with the problems arising from future developments in science and technology, and, in particular, the role of technology in America's domestic, foreign, and security policies.

**Manpower Mobility Across Cultural Boundaries: Social, Economic, and Legal Aspects.** Edited by R. E. Krane. E. J. Brill, Leiden, 1975. 222 pages with maps, tables, and bibliography. \$28.30.

An empirical case study of the social, economic, and legal issues associated with the cyclical, cross-cultural migration of labor, using the experience of Turkey and Germany as an example in point.

**Compendium of Case Law Relating to the European Communities—1975.** By H. J. Everson, H. Sperl, J. A. Usher. North Holland Publishing Co., New York, 1977. 431 pages with cumulative index for 1973-1975. \$65.50.

A collection of extracts from judgments of the EC Court of Justice delivered during 1975 and the summarized decisions of national courts related to Community law.

**Transnational Control of Multinational Corporations.** By Rainer Hellman. Praeger Publishers, New York, 1977. 128 pages. \$16.50.

An inventory of efforts by public authorities to organize transnational controls of multinationals through governmental, regional, interregional, and international levels; also deals with new avenues of control and countervailing action proposed by the author from a European viewpoint.

**Financial Reporting by the Oil and Gas Industry in Europe.** By Kenneth S. Most. Florida International University, Miami, 1977. 65 pages. \$3.00.

A survey of financial reporting by the European gas and oil industries based on 1975 annual reports.

**The 1975 Referendum.** By David Butler and Uwe Kitzinger. St. Martin's Press, New York, 1976. 315 pages including appendix and index. \$15.95.

An exploration of the origins of "renegotiation" and the 1975 British national referendum confirming Britain's membership in the European Community; covers the legislative problems involved, the campaign on both pro and anti sides, the activities of local supporters, the opinion polls and results, and the role of the media.

**Housing in Italy: Urban Development and Political Change.** By Thomas Angotti. Praeger Publishers, New York, 1977. 106 pages with appendix and index. \$15.00.

A study of the housing and urban systems in Italy and the political struggles to change them from 1968 to the present; evaluates the political significance of reforms in public housing, rent policy, urban renewal, and urban and regional land use planning.

### THE EUROPEAN MULTINATIONALS

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# European Events

## NOVEMBER

15-19 **EUROPORF**: International Shipbuilding, Marine Engine, and Port Equipment Exhibition, Amsterdam, the Netherlands

16 England vs. Italy (World Cup Soccer), Wembley, United Kingdom

16-20 **MEDICA '77**: Diagnostica & Therputica & Technica, Dusseldorf, Germany

16-25 International Building and Construction Exhibition, Birmingham, United Kingdom

17-20 International Contemporary Music Festival, Metz, France

17-20 7th Weapons and Antiques Exhibition, Dortmund, Germany

18-20 13th Preselection of Italian Fashion: International Exhibit of Base Products and Components for Shoes and Leathers, Montecatini, Terme, Italy

18-21 International Dietetic and Food Show, Brussels

19 The Three Days of Glory, Nuits-St.-Georges, France

19-27 19th International Cycle/Motorcycle Show, Milan, Italy

20 The Three Days of Glory, Beaune, France

20 Tilting at the Quintain in Honor of St. Leonard, St. Leonard-de-Noblat, France

21 The Three Days of Glory, Meursault, France

22-26 **PRODUCTRONICA**: International Electronics Trade Fair, Munich, Germany

23-26 A+ '77: Industrial Safety and Factory Hygiene Congress and Trade Fair, Dusseldorf, Germany

23-27 **EIMA**: Agricultural Machinery Show, Bologna, Italy

24-27 **CARNESUD**: 6th National Zootechnics Fair, Foggia, Italy

24-28 **MANUTENZIONE '77**: Exhibit of Material, Equipment, and Products to Keep Industry and Communities Clean, Milan, Italy

24-4/12 International Building and Building Installations Fair, Paris

24-4/12 International Building Exhibition, Paris

26 St. Catherine's Day Fair, St.-Dizier, France

26-29 Scandinavian Fair for Contract Furnishings, Copenhagen

26-4/12 Hobbies and Active Leisure Show, Brussels

26-4/12 World Inventions Show, Brussels

26-4/12 10th International Sporting and Racing Car Show, Essen, Germany

27 Cork Makes It Exhibition and Irish Night, Castlelyons, Co. Cork, Ireland

27 Wines Festival, Chablis, France

28-3/12 Interelectronic Exhibition, Brussels

29-2/12 **EUROTRICOT**: European Knitwear Show, Milan, Italy

29-4/12 Exhibition of Physics, Paris

29-4/12 International Laboratory Exhibition, Paris

## DECEMBER

1-10 27th International Hotel Equipment Show, Rimini (Forli), Italy

2-16 18th **NATALE OGGI**: International Exhibit of "Christmas Today," Rome

4 Traditional St. Nicholas' Day Procession, Nancy, France

5 St. Nicholas' Day Feast, Metz, France

5-6 St. Nicholas Celebrations throughout the Netherlands

5-9 Royal Smithfield Show and Agricultural Machinery Exhibition, London

5-10 International Exhibition for Chemical Engineering Processes and Equipment, Paris

5-24 Traditional Christmas Fair, Strasbourg, France

7-13 Horse Show, Paris

8 Feast of Immaculate Conception, Lyons, France

9-18 Racing Exhibition of Sports and Racing Cars and Accessories, Brussels

10 St. Nicholas' Day Festival, Epinal, France

10 Individual British Apparatus Championships Brighton, East Sussex, United Kingdom

10-18 International Caravan Show, Amsterdam, the Netherlands

13 Traditional Poultry Fair, Loué, France

19-20 National and International Cage Birds Show, Town Hall, Dun Laoghaire, Co. Dublin, Ireland

24 Midnight Masses and Christmas Festivities throughout France and Luxembourg

24 Limousin Shepard's Exhibition, Vic-sur-Breuilh, France

24 Carol Singers, Boulogne-sur-Mer, France

24 Mystery Play in Provençal, Seguret, France

25 Pontifical High Mass, Lyons, France

26 Annual Trotting Races, Drimoleague, Co. Cork, Ireland

31 New Year's Eve Round the Houses Races, Galway, Ireland

# European

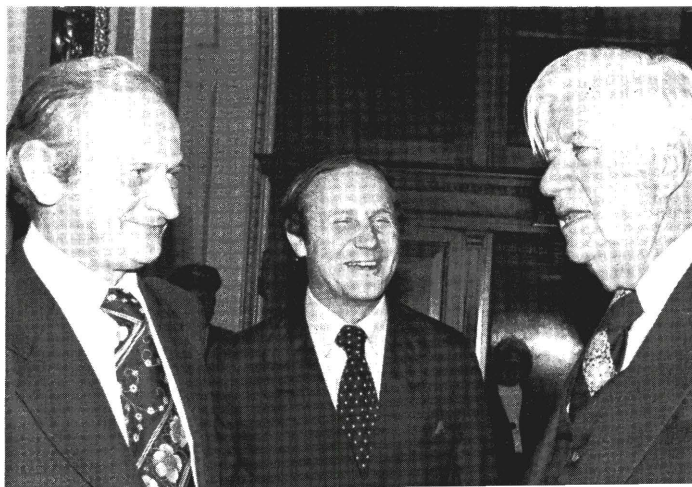


Chairman of the House Committee on Banking, Finance, and Urban Affairs Henry Reuss (left) and French Parliamentarian Pierre-Bernard Cousté.



Chairman of the House Committee on International Relations Clement Zablocki (left) and Chairman of the European Delegation Mario Zagari.

Left to right: Irish Parliamentarian Michael Herbert, EC Director of Information in the US Delegation Andrew Mulligan, and House Speaker Thomas P. (Tip) O'Neill.





# Parliament Visits Washington



*European Parliamentarians meet with Assistant to the President for National Security Affairs Zbigniew Brzezinski in the Roosevelt Room of the White House.*

*Parliamentarians and Congressmen in a working group session.*



*Michigan Congressman Philip E. Ruppe and Chairman of the European Delegation Mario Zagari.*



*European Parliamentarians pose on Capitol Hill during their November visit to Washington.*



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