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EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY

1992

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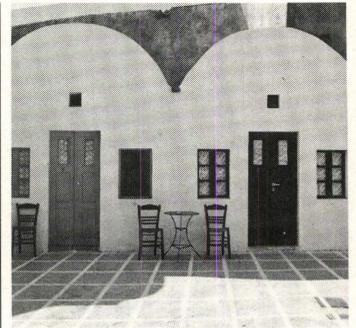


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PUBLISHER'S LETTER

Jean Monnet, the architect and master builder of the European experiment in integration, would have been 100 years old on November 9. To honor this outstanding statesman and his vision for a united Europe, France will inter his remains in the Pantheon in Paris on that date. *Europe's* contribution to this centenary celebration is an extensive interview by the *MacNeil/Lehrer NewsHour's* Michael D. Mosettig with François Duchêne, a close aide to Monnet during the years he presided over the High Authority of the European Coal and Steel Community and on the Action Committee for the United States of Europe. In the course of the interview, Duchêne explains the political and economic situation of a divided Europe following World War II and the Cold War that inspired Monnet's masterful vision of a united Europe. Duchêne also talks about Monnet and today's efforts to complete the internal market.

Jacques Delors, President of the E.C. Commission, comments in an article on 1992 that this project must not concentrate not only on the economic aspects of an integrated Europe, but that it must also include—and be aware of—the social dimension of such a creation. He points out that the direct involvement of the populations of the member states is vital for the successful completion of the internal market.

David Haworth, meanwhile, writes about another trading bloc concerned with the very same questions, the European Free Trade Association, or EFTA, one of the most important trading partners for the Community. Haworth spoke to the Foreign Trade Minister of Finland, one of the six members of EFTA, who describes the bloc's negotiations with the E.C. and its preparations for a strategy for 1992. To complete our coverage of 1992, the *Financial Times's* David Buchan writes from Brussels on the E.C. Commission's policy statements on the beneficial effects of the 1992 plan for the U.S. and international economies.

In other articles, Victor Walker, the Greek correspondent for *The Journal of Commerce*, writes on Greece's economic performance and its change in attitude toward E.C. membership. Today, unlike just a few years ago, the Community has become an integral part of Greek political and economic life. James David Spellman writes on European efforts to reduce and delay the consequences of the man-made "greenhouse effect," and Raymond Snoddy of London's *Financial Times* reports on the state of the European publishing industry in this month's Industry Report. Finally, our Dossier this month looks at the E.C. institutions.



Giancarlo Chevallard

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October 13, 1988

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AROUND THE CAPITALS

COPENHAGEN

Reforming Welfare

Although it is said that history does not repeat itself, the governing Danish Conservative Party is facing a nightmare replay of something that happened back in 1973: a dramatic loss of supporters to the anti-tax Progressive Party. Then as now, the basic reason is the same: a rebellion against higher taxes, or, more precisely perhaps, a rebellion against a long period of rising tax burdens.

Denmark still competes with Sweden for the top position in most tax categories, but is pulling ahead overall, despite six years of non-Socialist government. Danish per capita public expenditure is now the highest in any Western country—about \$12,000 annually—a figure that is twice as high as in the United Kingdom, and 25 percent higher than the E.C. average. The basic difference between 1973 and 1988, however, is that the tax level, and thus the tax problem, have grown immensely. The number of public employees has risen by 64 percent, and the marginal tax rate of even middle-income Danes is 68 percent. Corporate taxes of 50 percent are the highest in the E.C.

The latest poll shows that support for the Progressive Party has more than doubled to 18.9 percent of all voters, as against 9 percent at last May's election. The Conservative Party has lost a third of its

voters and is now Denmark's third-largest party with 13.1 percent, trailing both the Social Democratic Party and the Progressive Party. But even the Social Democrats are now losing heavily to the anti-tax party, which has received more than one-tenth of its new voters from them and is regaining its 1973 profile as being Denmark's second-largest workers' party.

There are signs that the rebellion will succeed—at least partially—in blocking further tax increases and that it may perhaps even slowly prepare the way for lower taxes. The prospect has been seriously discussed for the first time in years, and, more importantly, the welfare state is being sent to the barber shop for at least a light trim, which consists in raising the incentive to work instead of doing nothing.

Those between 18 and 19 years of age now can no longer automatically demand welfare payments of up to \$1,000 a month, and local authorities can insist that they do something, for example work in the social sector. More than half of all Danes living solely on social welfare will get less next year, and so will no longer have a higher disposable income than the lowest-paid groups on the labor market. In macro-economic terms, this makes only a small dent in public expenditure, but it is an important psychological re-orientation away from one of the world's most expensive inventions, the Scandinavian welfare state in its "deluxe" version.—LEIF BECK FALLESEN



The British Inland Revenue is after the growing numbers of tax dodgers. A conspicuous example of the price tax evaders can pay if

LONDON

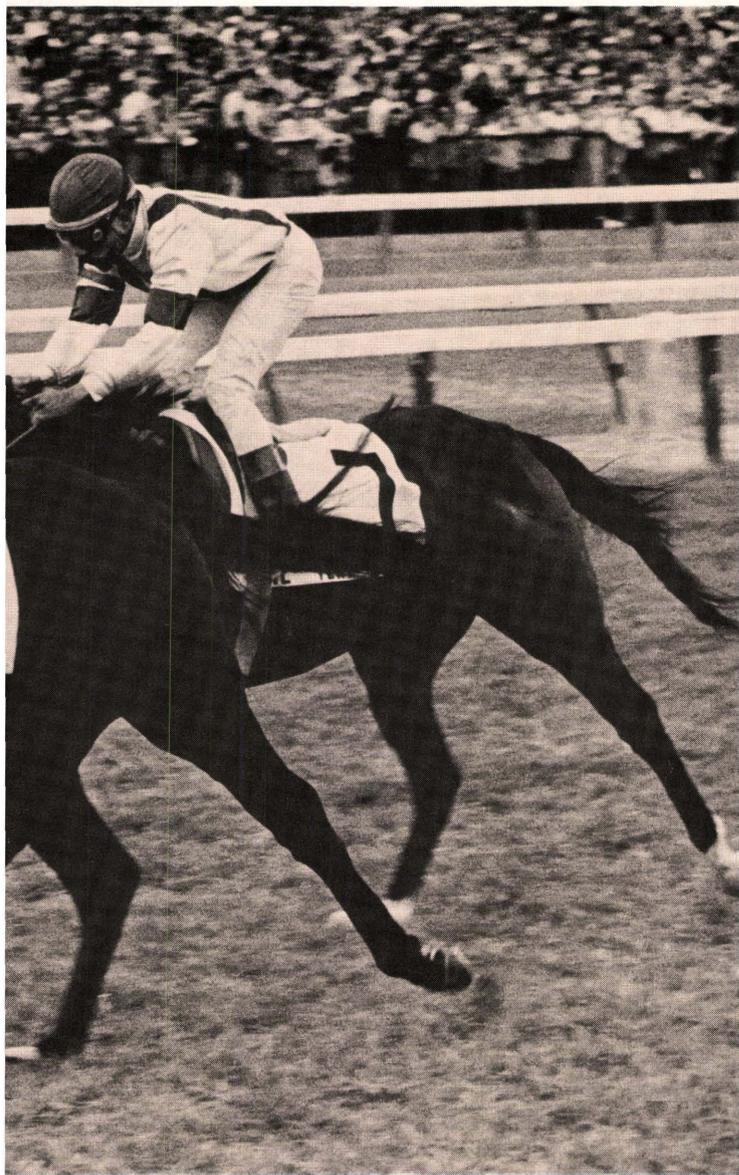
Tax "Ghosts"

Britain's black economy is growing by leaps and bounds since the introduction of mass unemployment as an economic tool a decade ago and tax evasion is causing increasing concern to the Inland Revenue, the British equivalent of the U.S. Internal Revenue Service (IRS).

In Britain, 10 percent to 12 percent of the gross domestic product (GDP) comes from the black economy, which is still junior league compared to Italy, where an estimated 30 percent of GDP comes from the *economia sommersa*. London's

Sunday Times recently cited Dr. Kent Matthews, an economic forecaster at Liverpool University, as saying that with GDP expected to top £450 billion this year (about \$760 billion), about £45 billion worth of economic output will not be taxed.

"Ghosts" is the name given to the British tax evaders whose income is undeclared and who thus remain invisible to the tax authorities. The traditionally dour staff of tax collectors at the Inland Revenue showed a flash of humor by dubbing the special team set up to catch the dodgers the "Ghostbusters." Every pound sterling invested in fighting the black economy leads to the recovery of £7, or \$12, according to the *Sunday Times*. But the



caught is the three-year jail term currently being served by popular jockey Lester Piggott, above left.

© UPI/BETT MANN NEWS PHOTOS

total budget that the government makes available for this purpose remains a drop in the ocean, perhaps deliberately so.

In recent times, the hunt for tax dodgers concentrated on some prominent persons in British life. The most famous cases recently concerned champion jockey and national hero Lester Piggott, who is currently serving a three-year jail sentence for tax evasion, and popular comedian Ken Dodd, whose passport has been impounded while investigators check into his financial affairs. The authorities hope that these prosecutions will serve as a deterrent to others.

It is not so much the big earners—whose tax evasion may run into six figures—that most concern the Inland Reve-

nue, but the three million self-employed people in the service industries, such as carpenters, plumbers, motor and television repairmen and cab drivers who are the main target of the hunters. So, too, are those running small businesses, who have the opportunity to take cash out of the company for their own use, may charge private purchases against the businesses, or pad their expenses.

The IRS estimates that in the United States \$7.7 billion earned by “informal suppliers” of goods and services is lost to the black economy, not counting criminal activities such as drug-dealing. The IRS admits that it will never be able to collect the bulk of this debt from that sector of the economy commonly referred to as

“off the books.” This may make tax officials unhappy, but they are just as eager to declare that the black economy is no longer growing.

The question is whether there is a need to formalize the integration that has already taken place, and then to decide whether Britain’s tax evaders should be banished from Europe in the same way as this nation’s football hooligans. Perhaps true European integration means that white-collar crimes are treated with the same leniency throughout the Community, while blue-collar crimes bear identically harsh treatment regardless of nation-state barriers.—DAVID LENNON

LUXEMBOURG

Thatcher’s Visit

For two Prime Ministers, who, on the face of it, have little in common, Jacques Santer of Luxembourg and Margaret Thatcher of the United Kingdom hit it off remarkably well when they met in Luxembourg in September. Thatcher did not find this extraordinary. “It is not surprising that Britain and Luxembourg should be very close to one another. The peoples of both countries are very proud of their identities,” she said. “We think alike on many problems and on the challenges to our national identities,” adding that “some would wish that we did not think so and would seek all Europe harmonized and made the same.”

Santer was less blunt, saying that “we in Luxembourg are aware that we can only survive in a greater community.” He added that “without any doubt we have to unite in order to survive.” But then he qualified this by stressing the need for “specific liberties” to be safeguarded. “I have noticed for some time that our Communitarian instincts are no longer taking into account a proper pluralism of our Community to a desirable extent,” he pointed out.

The exchange was interesting in that it revealed common anxieties between the two countries about the drive toward European union, if stemming from subtly differing causes. Thatcher’s fear is the loss of national sovereign power as the E.C. assumes a greater role in the political life of its member states. Santer expresses the more longstanding apprehension of Luxembourg that its national identity may succumb to the economic and social pressures of being a very small minnow in a pond of very large European pikes.

What is still more interesting is that the two leaders sought to stress this area of agreement and minimize their differences about the future of the E.C. The *rapprochement* between the two countries was front-page news in the Luxembourg newspapers, eclipsing even Thatcher’s provocative comment during her visit—splashed elsewhere—that a European union would be “a nightmare.” The truth is that both Luxembourg and Britain are fighting rear-guard actions on two key E.C. policies that they both strongly oppose and thus stand to gain from the cementing of generally good relations between them.

The first such policy is the plan by the E.C. Commission to harmonize value-added taxes (VAT) and excise duties throughout the E.C. Both countries reject this on principle, arguing that it is not necessary in order to achieve a single market throughout the Community by 1992. For Luxembourg, the plan would spell ruin for its important cross-border retail trade based on low duties and taxes. For Britain, it would have major political consequences through the imposition of VAT for the first time on such basic items as food, fuel and children’s clothing. Other E.C. members want radical changes in the proposal, but none has yet joined Britain and Luxembourg in calling into question its entire rationale.

Second is the pending E.C. directive on commercial televi-

sion broadcasting, which seeks to steer a path between those countries that at present allow no advertising at all and those, like Britain and Luxembourg, that want to give it free rein. Luxembourg takes the stronger line, reflecting the fact that the future of its broadcasting industry is predicated on the right to beam low-cost, popular-appeal programs across virtually the whole of Europe without restrictions on the timing and length of commercial breaks.

The British Government's enthusiasm for this approach is tempered by its desire to see some European-wide control over pornography and violence on the screen. But if Luxembourg presses its case to the point of attempting to veto the E.C. plan, it will hope for, and probably get, British support.

There are the makings here of a joint Anglo-Luxembourg pact on both issues that could help to explain the unexpected harmony between the two Prime Ministers during their Luxembourg meeting over the important, but far less pressing, issue of national sovereignty. Or could there be another explanation altogether? Tackled on this question, a senior British diplomat said: "It is much too conspiratorial. Surely the answer is that Thatcher has always had a soft spot for Luxembourg after the way Pierre Werner (the former Luxembourg Prime Minister) treated her during the British budget quarrel two years ago. She once said that he was 'the only man with decent manners in the Community'."—ALAN OSBORN

LISBON Proliferating Media

The Portuguese media scene is expanding, and everyone seems to want to get into the act. In radio, for example, there once were three state-owned stations of Radiodifusão Portuguesa

(RDP), as well as the Roman Catholic Church's "Radio Renascença." Then, two years ago, when someone said that the airwaves would be liberalized, 400 pirate radio stations popped up, before anyone could say: "Here is the news."

Four hundred radio stations? People gasp, amazed that Portugal, with only 9.7 million people, has the market or the room for so many stations. But then, who said anything about room? The pirates jostle each other like a noisy football crowd. Some of them are run by major newspapers or business groups, are sophisticated and do their own news gathering: "Radio O Jornal," backed by a weekly paper, is an ambulance-chaser of a station, with professional journalists grabbing stories as they break and beating the state-run channels to the news draw. Most pirates, however, short on means and people, are cottage operations of the one-man-one-microphone type, with much enthusiasm but little technique or variety.

Soon this cacophony will end, however. A long delayed radio law has been passed, un-

der which all pirates must shut down (and shut up), apply for a license and wait before frequencies are assigned. The new law will not mean that 400 licenses will be issued—but maybe a couple of dozen. Once it comes into effect, persistent pirates will be closed down and heavily fined.

Portugal's cathode tubes center on two channels of the state-run Radiotevisão Portuguesa (RTP), which is partly funded by license fees (now costing around \$30 per year) and partly by advertising or state endowments. If viewers live near the border to Spain, they can pick up Spanish television, or, if they are big earners and spenders, and willing to invest about \$2,000 in an effective parabolic antenna, they can pick up 16 foreign satellite channels.

Expensive as they are, several hundred parabolic antennas have appeared on Lisbon, Oporto or Algarve rooftops and balconies. Many viewers feel that the sooner television laws are liberalized, just as the recent radio law, the better, pointing out that mass competition should cure RTP's habit of

ignoring schedules and switching programs without warning.

A prospect of television liberalization flickered three years ago when it seemed that Parliament might rapidly approve a law getting private enterprises to bid for a channel. Three consortia of potential bidders were subsequently formed, but, faced with the 1976 Constitution, which denied access to television by private enterprise, the politicians got cold feet. Now no television channels will be assigned until the present revision of the Constitution is complete in six to nine months' time.

A Portuguese-language satellite channel backed by Robert Maxwell, which was to start beaming programs in November, has been delayed because its Portuguese promoters, the Emaudio Group, seem to have underestimated the cost of a parabolic antenna able to efficiently pick up the channel's signal (but no other satellite channel because it would be too small). The antenna is likely to cost three times as much as Emaudio's estimate of about \$200, which raises questions about the channel's ability to attract a mass audience and, by extrapolation, enough advertisers to make it a paying proposition.

Paying propositions are not over-abundant in Portugal's voluminous daily written press. There is an *embarras du choix* of expensive (by Portuguese standards) items such as daily and weekly newspapers. Lisbon, with a population of 1.5 million, has five morning and four afternoon papers. As if this were not enough, there are plans for two more. Had the laws of real economics ever worked, five of the nine Lisbon dailies would have shut down by now, for their losses are colorful: They have hovered on the brink of bankruptcy for years. State-run papers have been bailed out, but the private ones stagger along on subsidized newsprint and loans until such time as real market forces oblige them to face reality. The state has now sold one of its

The hot-selling weeklies, such as *Semanaário* and *Expresso*, are more popular with the Portuguese reading public than the many dailies also on the market.





COURTESY BELGIAN NATIONAL TOURIST OFFICE

The "Lion of Waterloo" overlooks the fields that were the battleground for Napoleon's final dream of European conquest. The site will be spruced up to better demonstrate how important the battle was for the destiny of Europe.

BRUSSELS Memories Of War

At 8 P.M. on every night of the year, the traffic is halted at one of the main exits from the town of Ypres. A Belgian fireman, sometimes two or more, steps forward onto the road under the Menin Gate and puts a bugle to his lips. Watched by a dozen or so locals, and perhaps as many tourists, the man sounds the Last Post. There is silence afterward, as if every mind is numbly imagining the appalling events that took place here more than 70 years ago. For this is the heart of Flanders, scene of some of the bloodiest and most futile military battles in history. Close by is the

Passchendale Ridge, where 100,000 men died in a few hours and in all 250,000 British and Commonwealth casualties were suffered in 14 weeks of fighting for the gain of a half-mile of ground.

This November, the ranks of tourists, students and even survivors, have swelled because it is 70 years since the armistice that ended the Great War. They find in Ypres (known as "Wipers" to the British Tommies) a town that looks unchanged since medieval times, with its castellated facades, narrow streets and guild houses. Ypres is indeed an ancient city, yet not one building standing today was built before 1922. Completely flattened in 1914-18, Ypres was rebuilt from scratch afterward, including the arch of the Menin Gate bridging the road

along which men streamed in their tens of thousands toward death.

Around Ypres are fields where farmers drag not just beets and potatoes from the earth, but the metal of 70-year-old guns, shells and vehicles. By the end of the war, after years of churning by bombs, mortars and marching boots, the ground was a sea of mud, not even solid enough to set off percussion detonators in howitzer shells. The fields give work not only to farmers, but to bomb disposal experts, scrap metal dealers and a trickle of historians and military writers.

Flanders today at first sight bears few visible scars. Fields of corn, vegetables and grass stretch endlessly across this flat corner of Belgium between Brussels and the sea. Yet be-

tween them lie hundreds of cemeteries commemorating the 750,000 men that Britain alone lost in that war. They are places of pilgrimage for thousands of British visitors every year. No doubt the German dead would take up as much ground and more, but there was never the inclination to bury them separately.

The dedication of the Belgian buglers, the war cemetery custodians and the museum curators has a dignity that contrasts sharply with the more showy reverence shown to the war dead in Britain and Germany. One can see it, too, in the immaculate condition of the American cemeteries in the Ardennes, at Liège and at Flanders Field in Waregem. There are 13,667 American servicemen buried in Belgium, and 995 listed as missing from the two world wars. Their graves are kept as scrupulously as if they were Belgium's own sons.

The reverence accorded this century's war dead makes it all the harder to understand the relative neglect of Belgium's most famous battle site of all—Waterloo, just outside Brussels. The authorities have failed to develop Waterloo on the scale its history demands. American tourists familiar with the sophisticated displays at Gettysburg, Antietam and Harpers Ferry usually express disappointment at the offerings at Waterloo.

This is, thankfully, to change. The King Baudouin Foundation, mindful of the fact that "the Battle of Waterloo profoundly affected the destiny of most European nations," has launched an international competition, open to town planners, architects, landscape and graphic experts, for a scheme for full development of the site together with a proper tourist center. The Foundation says that the competition is the first of several campaigns it intends to launch in coming years "aimed at the better development of the capital and symbolic place situated elsewhere in the country."—ALAN OSBORN

stronger evening papers, and promises to sell more, so that real competition may finally oblige the market to be more sensible.

Still, many Portuguese seem to have such an urge to make newspapers that niceties like feasibility studies are neglected. After the 1975 Revolution, many dailies were nationalized, overstaffed and under-endowed in variety of content. Still today, one can do a comparative study of Lisbon's armful of dailies and find that most of them carry the same stories word for word. For, although the papers employ scores of journalists, about 70 percent of the content comes from the wire service Lusa. Many readers therefore prefer to wait for the fat, news-packed, privately run weeklies.

The most successful daily, the privately-owned *Correio*

da Manha, a lively morning tabloid, now sells over 170,000 copies—for Portugal a huge circulation. Its success, like that of hot-selling weeklies such as *Expresso*, *O Jornal*, *Semanario* or *Independente*, proves that if the Portuguese are given fresh stories, they will buy newspapers.—DIANA SMITH

AMSTERDAM

Battling Unemployment

The Dutch Parliament has begun discussions on social economic policy in an atmosphere of malaise, despite the sunny message Queen Beatrix read at the opening of the parliamentary year in September. For while it struck an

optimistic note, it had an undertone of concern over the persistently high number of unemployed in the Netherlands. Although economic growth is expected to be around 2.5 percent in 1988, inflation is forecast not to exceed 1 percent and corporate profits are looking fair, the speech from the throne admitted that the governing coalition had been unable to curb high unemployment.

In 1983, the number of jobless people topped 800,000, a figure that the Government promised to lower to 500,000 by 1990. Prime Minister Ruud Lubbers even went to far as to pledge that he would resign if he did not succeed. That figure currently stands at roughly 680,000 persons. And while there are some 60,000 job vacancies, these remain unfilled partly because there is no link

between schooling and industry and partly because many workers lack the necessary experience due to long periods of unemployment.

Latent austerity fatigue also is becoming evident because for six years running the same coalition Government has had to control run-away spending. With the Dutch state debt growing to 40 percent of national income, and the financial deficit amounting to 6 percent of gross national product, the coalition has urged tightening expenditure on education, health care and social benefits.

As part of this, government financial aid for university students is being cut back. All full-time students in the Netherlands—about 500,000—receive basic financing of their studies. Under the new proposals, and depending on whether they live at home or need to rent a room away from home, this basic sum will be cut by 15 percent and 10 percent, respectively. To partly make up for this loss of income, students will receive free travel on public transportation.

With an aging population, the costs of health care have been soaring, and the Government has proposed a new type of national health service with basic insurance for all. Some aspects of the health-care scheme will affect the medical specialists, who have already called a partial strike by introducing a "weekend service" for all except serious or emergency cases. Savings under the new system are expected to be some 400 million Dutch guilders (\$190 million) annually.

Finally, the Government proposes to lower the minimum benefits and wages paid to the unemployed and low wage earners. Statistically, the Netherlands' social security system is the most expensive in the entire European Community, and the Government now wants to cut payments to these two groups in order to save some 340 million guilders per year.

The Dutch Labor Party, the largest single party in the Netherlands, has protested

ROME

New Tactics On Drugs

What if the mafia no longer existed? This may seem a provocative question, one that is immediately refuted by daily news reports of disheartening episodes of violence and organized crime. And yet the debate that is now developing in Italy around this question, one that is provoking unfortunate divergence within the magisterial hierarchy, is beginning to give new insight into this phenomenon.

Today, it is probably outdated to talk of the "mafia," the *Cosa Nostra* or other menacing if somewhat shadowy or mysterious concepts. Nowadays, "organized crime," that erstwhile mafia, goes beyond national boundaries and certainly does not have the regional and delimiting connotations it once had. Instead, it has been redefined along the lines of drugs. In Italy, upholders of the law and social analysts alike are, much to their own amazement, coming to this conclusion.

On the one hand, this discovery has perplexed the authorities. For, on the one hand, it has drastically widened the geographical field in which the state has to fight its battles against crime, forcing it to rethink its actions in an international dimension. On the other hand, the realization of drug dealings on an international scale has made the fight easier because it has facilitated the choice of methodology to be applied. The fact that the "enemy" is not some mysterious entity (an idea that the term "mafia" would suggest) but rather a drug trafficker, gives a new dimension to the problem.

This hypothesis was confirmed by a bitter controversy that erupted at the center of the magistrature in Palermo, and, more generally, in Sicily. The controversy centered around Giovanni Falcone, one of the judges most involved in the fight against the mafia, who seriously threatened to resign, claiming that the state and his colleagues were isolating him in his endeavors to successfully do so.

The government had to in-

tervene in the heated debate that followed. In the end, Falcone withdrew his resignation, but the controversy has had other repercussions. For the first time, the enemy against which Falcone, and other colleagues, are fighting, has been put out of focus. Organized crime today revolves around drug trafficking, a business that is not limited to Sicily, and certainly not to the Palermo-New York axis, but has ramifications all over the world.

This, then, is the message that Italy is sending: organized crime is no longer divided into "sectors," as was the case during the era of the Italo-American mafia families that lasted from the 1930s up to the 1960s. Today, the real estate, prostitution and illegal gambling rackets cannot make it alone: Drug money is backing them up. In short, the mafia finally has a face—that of a drug trafficker. Those governments and countries that are seriously dedicated to fighting the problem will not be able to ignore this fact.—NICCOLÒ D'AQUINO

against these proposals, claiming that they will only make the rich richer and the poor poorer. And in Amsterdam, the Federation of Dutch Trade Union staged a protest meeting in October, which was attended by some 150,000 people.—NEL SLIS

DUBLIN

Digging For Gold

The hunt is on for Irish gold. High in the mountains and along the rivers, about 15 prospecting firms are digging, panning and sifting for the yellow metal while climbers, fishermen and environmentalists are fearing the worst.

Geology being what it is, it was probably inevitable that the gold-bearing rocks should be part of Ireland's most spectacular scenery. Areas such as the counties of Mayo and Galway on the west coast, Wicklow on the east coast and Tyrone and Donegal in the north of the country are all as prominent on the prospectors' maps as in the tourists' guidebooks.

The revival of commercial

interest in Irish gold is part of the rediscovery of the country's rich ore and metal deposits that began 25 years ago, shattering the conventional wisdom of standard school books that "Ireland has no mineral wealth." For years this assertion was unquestioned, although golden ornaments were one of the glories of the Celtic culture, a range of mountains was called the "Silvermines" and there had been a "gold rush" in Wicklow in the last century.

The breakthrough came with the successful exploitation in the 1960s of lead, zinc and silver deposits at Tynagh in County Tipperary. The really big strike came 10 years later, however, when lead and zinc deposits, estimated to be the biggest in Western Europe, were discovered at Navan, 30

miles north-west of Dublin, and are now being exploited under the Iara Mines management. As the price of precious metals climbed, the cost of hunting for Irish gold became less of a deterrent: By 1987, about a quarter of the 400 prospecting licenses in force in the Republic were for gold as a primary or secondary target.

Much interest had been aroused when a company called Ennex discovered gold in 1983 in the Sperrin mountains in County Tyrone in Northern Ireland. The fact that the metal was found in the bedrock itself and not just in river deposits served to increase this interest. The finding of significant traces of gold in rivers in County Mayo on the west coast of Ireland led two companies, Glencar Explorations' and Burmin Exploration, to take

out prospecting licenses and to push their explorations further. Burmin has reported "highly encouraging" results in the area around the town of Westport.

Glencar is exploring in one of the most remote and beautiful valleys in Ireland that also is home to the valuable Delphi fisheries. It is in the Bundorragha River of the fisheries that the gold was found, which now has Glencar and its associated company, Andaman Resources, carrying out "trenching" operations higher up the valley to expose the rocks for closer examination. Reports that the gold deposits might be worth a minimum of \$200 million have been dismissed by the managing director, Hugh McCullough, but he says that it is one of the most significant gold discoveries in

That there are gold deposits in Ireland has been known since Celtic times. The magnificent Ardagh chalice below, based on a Celtic design, is made of gold, silver, bronze and decorated with colored glass. Right: Glendalough, County Wicklow.



Ireland in recent times.

The news has appalled the owner of Delphi fisheries, a former financial journalist, Peter Mantle, who has invested over \$1 million in restoring the run-down Delphi Lodge and surrounding cottages to rent to fishing enthusiasts from the United States and elsewhere. He believes that mining operations involving rock crushing, cyanide solution tanks and huge trucks would destroy the peaceful valley and ruin the local fishing that extends to the mussel and salmon farming in nearby Killary harbor. Mantle therefore is campaigning vigorously against the mining threat, but as always in such situations, the local population is torn between the prospect of well-paid jobs from the new industry and preserving their valley while continuing the struggle to survive in near poverty.

As it happens, the Minister for the Environment, Pdraig Flynn, whose department will have a crucial say in allowing any future mining, also is the parliamentary representative for south Mayo. Under E.C. rules, an Environment Impact Assessment (EIA) will have to be made to establish possible environmental damage because of the mining, and the Minister says this will give everyone a chance to see if what is proposed will do so or not. Skeptics, however, say that local authorities who carry out EIAs have a bad record in protecting their areas. And gold might be too tempting a proposition to say "no."—JOE CARROLL

MADRID

Olympic Marathon

Spain may not have sent the most athletes to the 1988 summer Olympic Games in Seoul, or brought home the most gold medals, but one Spanish marathon performer outdistanced all other European competitors.

In a display of force billed as a preliminary rehearsal for the 1992 summer Olympics in Barcelona, the Spanish national television company TVE sent 123 broadcasters and technicians to Seoul to beam home 300 hours of Olympic coverage, the biggest single effort made by state-owned TVE in its 32-year history. Only the American network NBC sent more people to Seoul—but TVE offered even more hours of coverage than the U.S. giant.

Beginning with a four-hour show of highlights at 9 P.M., TVE offered 19 hours a day of coverage for all-night sports and/or television addicts—and had plenty of takers, especially since Spain is second in per capita viewing to Britain among E.C. members. This is especially spectacular in a country with only two national channels, where morning programming did not begin until 1986 and where the screen still goes blank by 1 A.M. on weekday nights.

Expenses for the Olympics included renting, equipping and operating 200 square meters of production and post-production facilities inside the International Broadcasting Center, five microwave live-broadcast units and a 24-hour satellite hook-up. Officials at TVE would not say how much the company spent on the Games, but press reports said the price tag topped \$8.1 billion, not counting Spain's portion of the \$28 million paid for European television rights.

But as Spanish television producers in Seoul basked in their newfound international status, TVE back home was embroiled in old problems centered around plans to open up Spain's airwaves to private television. In April, the Socialist majority passed legislation designed to put three private networks on the air within the next one to three years, something Prime Minister Felipe González had pledged to do since taking office in 1982.

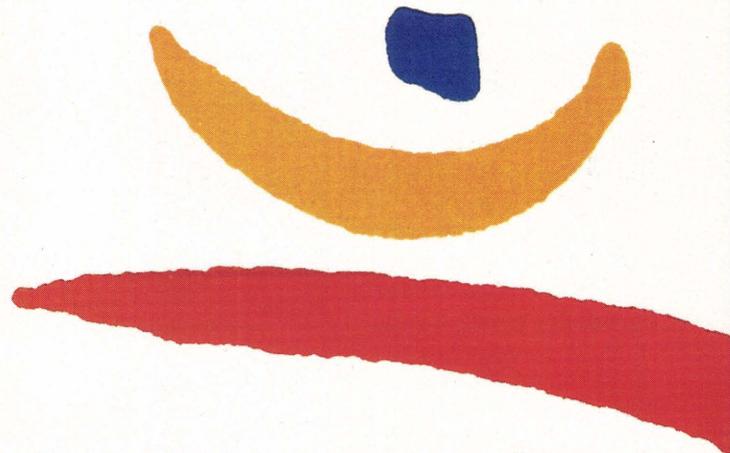
Opposition groups have attacked the law, however, because it prohibits any one person or group from owning

more than a quarter of each network and limits foreign participation to another 25 percent. They argue that the ownership rules are designed to lock out existing publishing and radio companies and would prevent the new networks from developing news departments with independent editorial viewpoints to counter those of TVE, where the general manager is appointed by the government.

Former evening news producer Luis De Benito added fuel to the fire this fall when he claimed that TVE general manager Pilar Miró had sacked him because he had failed to follow her orders to devote a 20-

A short time later, the Ministry of Communications ordered Miró to jam Channel 33, a regional station owned by the Catalanian Government, which had been broadcasting test patterns in anticipation of its September 11 inauguration. The frequency chosen by Channel 33 had been earmarked for a new Catalanian network planned by TVE.

Meanwhile, Spaniards who watch television by satellite have had their own problems. An adjustment by Intelsat and Eutelsat, designed to improve reception in Scotland, fuzzed out several English-language networks for southern Spanish viewers, who were forced to



Barcelona '92



minute news segment to a press conference held by González. "It is not that you are influenced by the government. It is that you are the government," one conservative deputy told Miró during a three-hour appearance before a parliamentary committee. "I control everything because I manage everything," Miró countered, defending her right to fire the producer.

make costly improvements to their parabolic antennas. And Channel 10, a Spanish-language subscription satellite network based in England, ceased broadcasting without warning because of financial problems caused by its inability to attract clients.

The network, reportedly founded largely with Spanish capital, has been criticized since before its January debut

as a poorly camouflaged attempt to skirt Spanish laws. Critics also charged that the government, while eager to crack down on some illegal broadcasting operations, had failed to condemn Channel 10 because former TVE general manager Jose María Calviño was involved in the project.

Perhaps political infighting can be made a demonstration sport at Barcelona in 1992?—
RICHARD LORANT

PARIS

A New Pill

France recently approved the sale of a drug, created by a French pharmaceutical firm, that induces abortion. Just a few weeks later, however, the manufacturer announced that, due to public pressure, it was suspending sale of the drug. That pressure apparently came from abroad, where opposition to the pill has been far more vociferous than the murmur of protest in France. Then, a few days later, that decision in turn was reversed.

The drug in the pill is mifepristerone, marketed under the name RU-486, and often called the "morning-after" pill because it is taken after conception. In fact, the drug is designed for use at any time during the first three months of pregnancy or even later. Although effective if taken on its own, chances of successful miscarriage are higher when taken together with a second drug, which stimulates the contractions to expel the fetus. When both drugs are taken together in the first trimester, 95 women out of 100 successfully miscarry.

This 95-percent success rate could lead to a drastic reduction in the number of surgical abortions, since the pill avoids the risk, trauma and cost of surgery, and makes it safer and more democratic than existing methods. On the other hand, early tests found the pill could cause heavy bleeding in some women—a problem that the manufacturer

said is now controlled.

Moreover, the psychological impact of the pill has not yet been explored: The pregnant woman cannot transfer any guilt she may feel over having an abortion to the sterile environment of doctors and machines, because she takes the pill herself and actually sees the expelled fetus, which does not usually happen in surgery.

These factors were examined by the National Committee on Ethics, which handed its findings to the French Health Ministry for a final decision on whether Roussel-Uclaf should be allowed to sell the abortion pill. When the government approval was announced, there was a flurry of headlines, but barely a note of outrage.

In the United States, vocal opposition to the pill had been mounted before there were even any definite plans to introduce the drug, and American pro-life groups served notice that they would boycott all products of any company that marketed the pill. In France, on the other hand, the only public discussion was on a rather philosophical theme. A televised debate on the issue, for example, pitted the inventor of the pill against—not a right-to-life spokesman—but a geneticist.

This low-key reaction in France can be explained by the widespread acceptance of abortion there. Since 1975, when it was legalized, it has been current practice. Under the law, a woman seeking an abortion must first consult with a psychologist or a family planning specialist, spend one week's reflection after the abortion is allowed, and must undergo the abortion in a licensed clinic. Those restrictions have quelled much of the opposition. There are about 22 abortions for every 100 live births in France—about half the percentage for Denmark, and similar to other European countries where it is legal.

Approval of the new pill in France was permitted only under the same restrictions as those for surgical abortion. The pill will be distributed only

in approved clinics with consultation, reflection and medical follow-up. There is broad consensus in France that a pill that causes miscarriage is simply an alternative, safer means to an end—that of abortion—which is already accepted.

Unlike in the United States, where approval for marketing of the pill would mean that it could be distributed at the physician's discretion, there was little protest in France. And there is certainly no movement to boycott the manufacturer of the pill. Yet, despite the fact that a French laboratory enjoyed general public acceptance for its product in France, foreign opposition to the pill

was enough to halt sales in France as well as abroad. It finally took a decision by the French Government to order Roussel-Uclaf to rescind that decision and resume sales of the abortion pill.—BRIGID JANSSEN

BONN

Coming Home

The numbers of ethnic Germans arriving in the West German transit camps of Friedland, Nuremberg and Unna-Massen from Poland and the Soviet Union, Rumania and the German Democratic Re-

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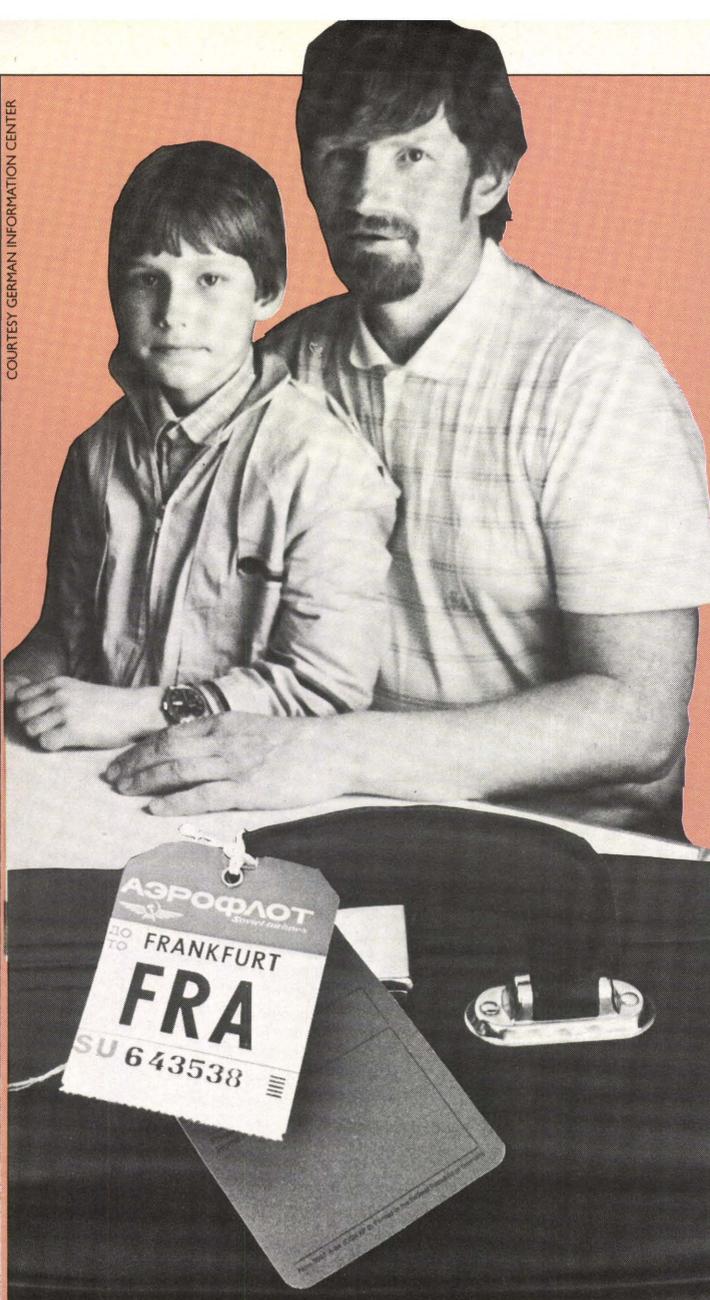
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The numbers of ethnic Germans arriving in the Federal Republic from the Soviet Union, Rumania, the German Democratic Republic and Poland have risen dramatically over the last year.

public are breaking all records, and what was once a trickle of newcomers has become a steady stream of resettlers.

It was in Friedland near Göttingen in October 1955 where the first German prisoners of war, after 10 or more years of imprisonment in the Soviet Union, finally embraced their families. After that, the camp fell almost into oblivion, that is until recently, when it once again became the first and much longed-for airfield for thousands of resettlers and refugees from the East.

Since 1968, the number of ethnic Germans arriving in transit camps has remained steady at 34,000 a year. In the first seven months of this year,

however, more than 107,000 people have arrived and the West German authorities expect that figure to exceed 150,000 by the end of 1988. In July alone, a record 20,715 people were registered.

The number of emigrants from the Soviet Union has increased since Mikhail Gorbachev's *perestroika*, which changed exit permit regulations in 1986. Roughly 5,000 ethnic Germans a year received exit permits then, but last year numbers rose to 15,000 and in the first seven months of 1988, the exodus peaked at 21,000.

Most of the resettlers from the Soviet Union speak an antiquated German-Swabian dia-

lect with a Russian accent. This language they have preserved for the 200 years since their ancestors were first invited by Empress Catherine the Great to settle in Russia, with a promise that they would be allowed to return to Germany. According to West German estimates, there are still some two million ethnic Germans in the Soviet Union and about one million in Poland. The number of resettlers from the latter rose from 27,188 in 1986 to 48,423 in 1987. In the first seven months of 1988 alone, 52,085 arrived.

This avalanche of newcomers has obliged the German Government to almost double the already increased expenditure of \$696 million in 1987 to \$1.3 billion this year for effective integration measures. Young resettlers receive vocational training and language courses to improve their German. The Federal Labor Office also has increased its funds by about \$100 million to \$454 million for language courses for resettlers in the work force.

The financial side of assimilation is borne by the federal government, the states and the municipalities. Resettlers receive immediate support from federal funds for low-interest loans for housing and furniture. If they do not find a job, they are entitled to unemployment benefits from the Federal Labor Office, or to pensions.

The resettlers are faced with many adjustment problems. Finding a job has proved to be less problematic than initially expected, since the resettlers—whose average age is 32—are willing and undemanding workers, and employment offices report that finding jobs for them is relatively easy. A major problem is a shortage of inexpensive accommodation. The Bonn Government has, therefore, decided to provide \$403 million for 1989 and another \$200 million for 1990 for low-cost dwellings.

Perhaps the biggest hurdle for the "homecomers" is the feeling that they are repeat-

edly mistaken for foreigners by their fellow Germans due to foreign-sounding dialects or lack of knowledge of the language. "It would be shameful," warned Chancellor Helmut Kohl, "if these people, who have consistently stood up to their German heritage and culture in the face of enormous difficulties, were greeted here with indifference or even rejection."

Many West Germans suspect that the main reasons for resettlers to come are economic and they fear their competition in the work place. A look at the declining demographic statistics, however, should remind West Germans that they not only have a moral obligation to welcome these ethnic Germans but that their integration is in their own interest. —WANDA MENKE-GLÜCKERT €

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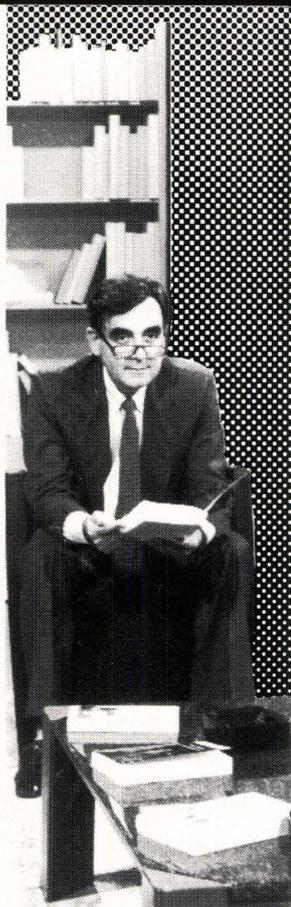
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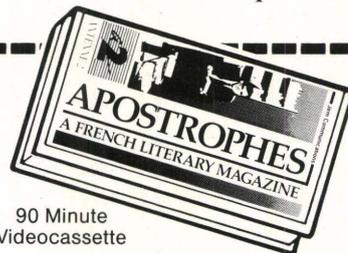
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E.C. CLARIFIES EXTERNAL IMPLICATIONS OF 1992 PROGRAM

"RECIPROCITY" GETS CLEARER
DEFINITION AS THE COMMUNITY VOWS
TO RESPECT ITS INTERNATIONAL
OBLIGATIONS.

DAVID BUCHAN

The E.C. Commission's October 19 trade policy statement, totalling a mere four pages, has evoked almost as much international interest as the 1,100-page U.S. Omnibus Trade Act passed earlier this year. Why? Because it was the first time that the Common Market's Brussels executive, which negotiates on behalf of the 12 E.C. member states and which in turn forms the world's largest trading bloc, had formally pronounced itself on the external implications of its internal market program. This program, which began hesitantly in 1985 but has gathered substantial steam this year, aims at forging a single European market by the end of 1992.

The October 19 statement has therefore been a long time coming. Indeed, Commission officials now admit that it was a gross oversight on their part not to have included something on external trade policy in their voluminous 1985 internal market White Paper. Their excuse was that, three years ago, no one could have predicted the large strides that have already been made in the so-called "1992 program" and the degree to which that progress has now pushed external trade issues to the fore.

In fact, some external implications of a single market without intra-European Community frontier checks were clear from the start. Such a plan, for instance, would make it technically impossible to maintain the separate national import quotas that many individual E.C. states still impose on steel, textiles, Japanese cars and East European goods. If and

when the internal barriers come down, all such restrictions will have to be Community-wide, or not at all.

Precisely the same logic applies to national export restrictions that all of the E.C. member states impose on militarily sensitive goods as part of their membership (with other North Atlantic Treaty Organization allies, plus Japan) of Paris-based Coordinating Committee (COCOM). If the E.C.'s internal frontiers disappear, so too does the means to operate anything but a Community-wide enforcement of COCOM rules.

However, as the deregulatory 1992 program began to get underway and as the prospect of foreign, as well as European companies, reaping sizable benefits from a single E.C. market stated to become more real, other thoughts began to form in the minds of officials in Brussels and in some E.C. national capitals.

The first was: Why give away something for nothing? Why not, instead, insist that other countries, whose companies will benefit from "1992," should give matching market access to European companies? The second consideration was: Where should this sort of horse-trading take place? The current Uruguay Round of the General Agreement on Tariffs and Trade (GATT) would be the obvious forum—except for the awkward fact that in some areas of public procurement and in services, there are no agreed rules yet; such rules may only come of—and it is a big "if"—the Uruguay Round ends in success sometime in 1990. So, the third thought was: Let's do it chiefly outside the GATT, demand "reciprocity" first in bilateral negotiations with other countries or groups of countries, and then try to spread these concessions multilaterally through the GATT.

EUROPE WITHOUT FRONTIERS

But as this line of thinking began to emerge from Brussels, so worries began to mount, mainly on the part of Europe's main partners like the United States and Japan, but also some quarters inside the Community. These worries were hardly allayed by the fact that the one E.C. country pushing the Commission hardest to come up with an external framework for 1992 was protection-minded France. And the worries were positively fueled earlier this year, when the Commission tabled its proposed directives on banking and public procurement. The reciprocity features of these draft directives looked, to some, like the first ramparts of Fortress Europe. The argument, heard in Washington, Tokyo and elsewhere, is that Europe may be going down a dangerous road of bilateral trade deals that will help spell the end of the multilateral trading system.

So, what did the Commission have to say for itself on October 19? In sheer words, not a lot because it was only stating general guidelines—both for the outside world and the Commission officials to follow in working on current and future internal market directives.

At a joint press conference, Commissioner Willy De Clercq and Commission Vice-President Lord Cockfield, respectively responsible for external affairs and the internal market, said the Commission had three guiding principles. First, 1992 would not be protectionist and would benefit European and foreigner alike. As the world's largest exporter, accounting for 20 percent of world trade, (against 15 percent for the United States and 9 percent for Japan), the Community had a "fundamental interest in free and open international trade." Secondly, the E.C. would respect its international obligations, both multilateral (in GATT and the Organization for Economic Cooperation and Development, OECD) and bilateral (with the European Free Trade Association, EFTA, and developing countries). Third, where agreed (GATT) rules did not yet exist, "it would be premature (for the E.C.) to give third countries automatic and unilateral benefits from the E.C.'s internal liberalization." Here, reciprocity

David Buchan reports from Brussels for the *Financial Times*.

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would be the name of the game.

Reciprocity, a slippery word, was at last given some definition as "a guarantee of similar—or at least non-discriminatory—opportunities" for E.C. enterprises to operate in foreign markets on the same basis as local firms. This appears to allay the foreign fear that the E.C. might demand treatment exactly mirroring the freedoms of the proposed E.C. single market, or, for instance in the case of the United States, a right to free interstate banking not even accorded to U.S. banks. Peter McPherson, the U.S. Deputy Treasury Secretary, had, among many other U.S. officials, warned this summer that by demanding "mirror" rather than "equal national" treatment for E.C. companies or banks in the United States, the Community might end up denying itself any further access to the U.S. market altogether.

The Commission did, in fact, make one very important clarification with regard to banking. It reserved the right to seek reciprocity only on the accession of "newcomers" into the E.C.—and not on the extension of single-market banking privileges to non-E.C. banks already established in the Community, a right that all E.C.-based banks will acquire if and when the Commission's Second Banking directive gets Council approval.

The prospect that such retroactive reciprocity might be sought was raised in very concrete form by a confidential report from the Commission's legal service that such a form of reciprocity could be justified legally. This was despite the clarity of Article 58 of the Treaty of Rome establishing the E.C. that foreign-owned companies incorporated in an E.C. member state "shall be treated in the same way" as purely E.C. companies. Unchallenged for 30 years, Article 58 has been the legal bedrock for U.S. or other foreign companies doing business in the Community. Any re-interpretation in it would be political dynamite, as most Commission officials, even in the legal service, are well aware.

(It is ironic that U.S. companies are as keen to be lumped together with their E.C. counterparts for the purposes of internal market legislation, as they were keen a few years ago to be differentiated when the issue of compulsory worker participation was released by the Commission's so-called Vredeling proposal.)

The possibility that retroactive reciprocity might be sought in areas other than banking still stands, however. The Brussels lawyers' line of argument, that 1992 creates "new rights" and these could justify demands for "new concessions," was only ignored in the specific case of banking. Part of the reason it was ignored was strong lobbying from the United Kingdom, whose City of London has been managed to negotiate its own reciprocity with foreign countries over the years. Even without seeing retroactive reciprocity upsetting the many foreign banks long established in London, the United Kingdom is still somewhat appalled by the possibility of having to deny, say, a new Japanese bank setting up in the City, simply because some Greek or Portuguese banks cannot get into Tokyo.

In general terms, however, the Commission is not asking for mandatory reciprocity, just the power to seek it where appropriate. Judging that will be, essentially, a political decision. De Clercq made it clear that not all E.C. trading partners would be asked to make the same concessions, nor would the Community insist on concessions from all its partners. Many developing countries would be let off the reciprocity hook entirely.

The Commission has already proposed a particular negotiating lever in the four public procurement areas—transport, telecommunications, energy and water—that so far are protected from open competition under, coincidentally, both E.C. and GATT rules. Its June 1988 proposal, that these sectors in the E.C. should be

opened to competitive bidding, included a suggestion that E.C. public purchasers could ignore bids with less than half of their value of E.C. origin. (Commission officials regarded this as preferable to discrimination by virtue of the nationality of the bidder.) However, it proposed that foreign countries could get this local content requirement waived by doing reciprocal bidding access deals with the Community.

Brussels has now singled out other areas in which it will seek reciprocity. One is in testing and certification procedures (not covered by GATT rules yet, though technical standards in general are). Many E.C. countries and laboratories have mutual recognition agreements of testing methods with foreign countries. This Brussels officials say, could lead to distortions and inequities. For instance, in the 1992-style open market, the United States would get its products freely into the whole E.C. through a bilateral deal with Germany, but not grant reciprocal ease of entry into the United States for the products of Germany's 11 fellow E.C. member states. So, the aim is to negotiate E.C. mutual recognition agreements.

Similar bilateral accords for exist transport, telecommunications and information data base services, areas not yet covered by the GATT. Germany, for instance, has many road transport accords with its Communist and non-Communist neighbors, as does Denmark with fellow Scandinavian countries. Likewise, the larger E.C. states have bilateral telecommunications and data base agreements with the United States. Again, the overall aim is to negotiate reciprocity on an E.C.-wide basis.

If the 12 E.C. states were ever to agree on common rules for takeover bids—and the chances are still remote—the Commission has said it might want to negotiate reciprocity with foreign countries. That is to say, before letting a foreign company take over an E.C. company, the Commission would want to be assured of the right of an E.C. company to do the reverse in that foreign company's home country. Prospects of reciprocity in this area are less than rosy.

Generally, in fact, Europeans may have less to hope—and foreigners less to fear—from Brussels' reciprocity than might be judged from the present rhetoric. The reason is simple. The E.C. has made abundantly clear its overweening priority lies in internal liberalization, in completing its single market. Will it therefore hold up the process just for lack of reciprocal response from the outside world? €

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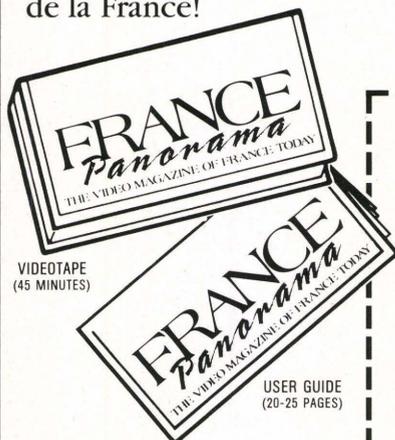
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JACQUES DELORS

Europe matters to each and every one of us. As a recent report by the British Trades Union Congress (TUC) notes, things have changed and there will be more change. We are living through a peaceful revolution in which we must all participate. We must all adapt. This is why the challenge of 1992 is now being taken up by trade unions across Europe. The Commission will respond.

In this article, I will concentrate on four main themes:

- First, there is a great challenge before us. The potential benefits of completing the internal market by 1992 are very large. But we must maximize these benefits while minimizing the costs. We also

EUROPE WITHOUT FRONTIERS

of workers and for the defense of their dignity.

This historic achievement helped to forge in Europe a new model for society. A model based on a skillful balance between society and the individual. This model varies from country to country, but throughout Europe we encounter similar mechanisms of social solidarity, of protection for the weakest and of collective bargaining.

This model was associated with three

Mastering Our Destiny

It is essential to strengthen our control of our economic and social development, of our technology and of our monetary capacity. We must rely on our own resources and preserve our European identity. We must pool our resources. In keeping with this spirit, there must be full and broad consultation with those involved in the production of wealth. Since we are all closely dependent upon each other, our futures are linked. Jointly, we can enjoy the advantages to be derived from this situation. It is necessary to give a broader framework to this cooperative action. 1992 does this.

The Governments and Parliaments of the 12 member states have solemnly committed themselves through the Single European Act to such a framework. European unions and employers also have approved the objective of a truly common market, with their own conditions. This shared objective calls for a concrete and productive social dialogue at the European level. That is the reason for which I invited those concerned to relaunch this dialogue in January 1985.

Many of the major decisions necessary for the completion of the internal market have already been taken, or are in the pipeline. The Heads of State and Government at the European Council in Hanover in June agreed that implementation of the 1992 program had become an irreversible process. There will be far-reaching consequences for industry and the economy. The potential benefits are enormous. Realizing that potential depends on all of us.

There are a number of ways of reacting to 1992. First, there are the *skeptics*. They doubt that the potential benefits are large. They also fear that increased competition will only put at risk our social achievements. These people are already pointing an accusing finger at the single market, and are blaming it for all difficulties.

Second, there are the *enthusiasts*. They see the completion of the internal market as the answer to all their problems. They maintain that it, alone and unaided, will result in the convergence of economic policies, the creation of millions of jobs and spectacular growth.

Third, there are the *architects*. They see the opportunities that it creates and are ready to tackle the difficulties to which it might give rise. I am in this camp, and I hope that the trade unions will join it. Membership in the camp requires constant effort and imagination. Without these, the reality will not corre-

E.C. SINGLE MARKET: THE SOCIAL DIMENSION

TRADE UNIONS ARE ESSENTIAL TO
SUCCESSFUL COMPLETION OF THE PLAN.

must preserve and enhance the uniquely European model of society.

- Second, we must again become masters of our destiny. It is only by relying on our own strengths that we will be able to resist adverse external pressures.
- Third, close cooperation and solidarity as well as competition are the conditions for our common success. It is impossible to build Europe only on deregulation.
- Fourth, the social dimension is a vital element.

The Challenge

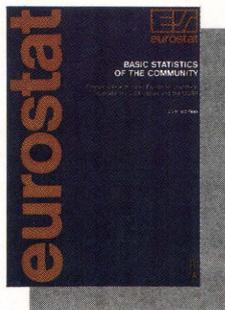
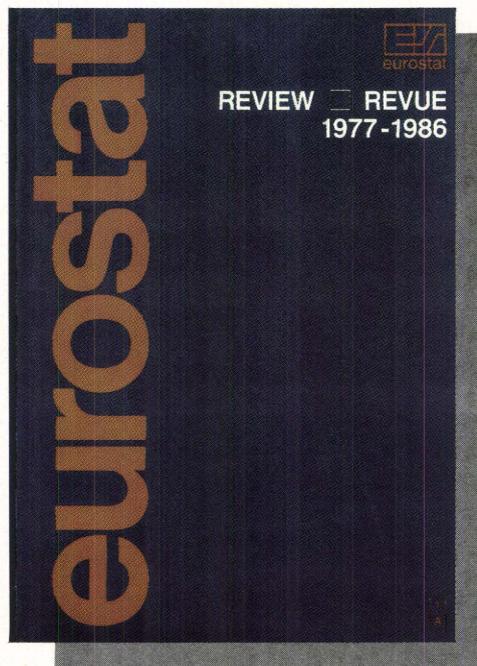
The TUC has played a pioneering role in the history of the trade union movement. I learned a lot from its experiences when I was active in the French trade union movement. It has served as a model for other trade unions in neighboring European countries in their fight for the rights

decades of expansion following World War II. In recent years, it has been threatened by adverse economic development, some of which have an external origin. Europe has grown increasingly vulnerable. We must now rely on our own forces. The globalization of markets and new technologies affect our perceptions and our way of life. All those concerned with the organization of our society must adapt. This, of course, includes the trade unions of Europe.

The countries of Europe are responding to the challenge in more or less the same way. They have succeeded in part, but at the price of massive unemployment. It is our main challenge. A number of policies have been tried. There have been some successes, but the problem is far from being solved. The policies tried have not been adequate.

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spond to the dream.

Cooperation—Solidarity

The E.C. will be characterized by cooperation as well as competition. It will encourage individual initiative as well as solidarity. If these characteristics are not present, the goals will not be achieved.

A large market of 320 million will increase competition. It will benefit the consumer and allow European industry to compete on a worldwide scale. It will create new job opportunities and contribute to a better standard of living. These benefits will only be fully achieved with increased cooperation in the scientific, monetary and social fields. And they must be spread throughout the Community.

It was by no means a foregone conclusion that the Governments of the 12 member states would reach the agree-

ment that they concluded in Brussels in February of this year. The measures agreed there will increase the solidarity of the Community. Between now and 1992, nearly \$70 billion will be devoted to the following five objectives:



The E.C. Commission has proposed the creation of a statute for European companies that would include the participation of workers or their representatives. Above: Volkswagen's plant at Wolfsburg, Germany.

ment that they concluded in Brussels in February of this year. The measures agreed there will increase the solidarity of the Community. Between now and 1992, nearly \$70 billion will be devoted to the following five objectives:

- development of the backward regions of the E.C.;
- restructuring of regions and areas in industrial decline;
- the fight against long-term unemployment;
- making it easier for young people to join the labor force;
- rural development.

These policies will be accompanied by an increase in cooperation in areas like technology and the environment and also increased cooperation over macro-economic policy, which at the moment is

The Social Dimension

Our Europe also needs clear rules and respect for the law. While we are trying to pool our efforts, it would be unacceptable for unfair practices to distort the interplay of economic forces. It would be unacceptable for Europe to become a source of social regression, while we are trying to rediscover together the road to prosperity and employment.

The E.C. Commission has suggested the following principles on which to base the definition and implementation of these rules:

- First, measures adopted to complete

the large market should not diminish the level of social protection already achieved in the member states.

- Second, the internal market should be designed to benefit each and every citizen of the Community. It is therefore necessary to improve workers' living and working conditions and to provide better protection for their health and safety at work.
- Third, the measures to be taken will concern the area of collective bargaining and legislation.

Now we have to make concrete progress. For this we need the contribution of the architects. In May last year, when addressing the TUC, I made three proposals, which were designed to clearly show the social dimension of European construction. They are:

- The establishment of a platform of guaranteed social rights, containing general principles, such as every worker's right to be covered by a collective agreement, and more specific measures concerning, for example, the status of temporary workers.

• The creation of a statute for European companies, which would include the participation of workers or their representatives. Those concerned could opt, on the basis of their traditions and wishes, between three formulae of participation. The proposal is already on the table of the Council of Ministers, and I hope for a quick decision.

- The extension to all workers of the right to life-long education. This would be done in our changing society on the basis of existing provisions, and after, through the social dialogue, a full consultation of unions and management. This will be a major subject for the social dialogue, which I will relaunch next January.

These initial proposals should be studied and discussed. Other suggestions from both sides of industry are welcome. In my opinion, social dialogue and collective bargaining are essential pillars of our democratic and social progress.

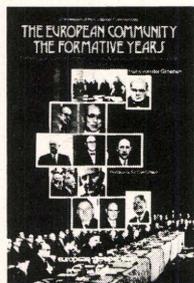
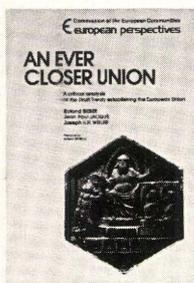
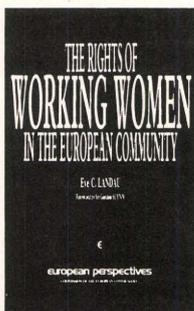
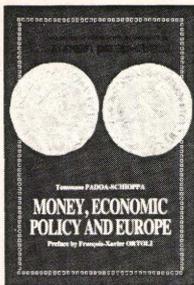
Europe must reassert itself. The world is looking at us. It is watching the British; it is watching the Germans, the French, the Italians and all the others. It is wondering how these nations, which have fought each other over the centuries, have managed to rise up again when so much was pointing to their decline.

The answer is that Europe is reaffirming itself by managing its diversity. We will all maintain our individual ways of life, and our valued traditions. Thanks to cooperation and solidarity between Europeans, we will succeed in preserving our identity and our culture. Through the richness of our diversity and our talents, we will increase our capacity for decision and action.

I do not have a miracle cure, with promises of millions of jobs and general prosperity. There are no easy solutions. This world is harsh and rapidly changing. Properly managed, 1992 can help us to adapt, to meet the challenges and reap the benefits. It will re-invigorate our European model of development. Nineteen ninety-two is much more than the creation of an internal market abolishing barriers to the free movement of goods, services and investment. To capture the potential gains, it is necessary to work together. The trade union movement has a major role to play. Europe needs it. €

Jacques Delors is the President of the E.C. Commission.

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THE UNITED KINGDOM
IS LEADING THE
REVOLUTION.

RAYMOND SNODDY

Eddy Shah is launching a revolutionary new tabloid newspaper, *The Post*, in Britain this month—for the second time in three years. The new paper will break with the tradition of British national popular journalism in two important respects: There will be no sleaze and only £4.5 million pounds (currently about \$7.6 billion) has been raised to produce it.

The Post's editor, Lloyd Turner, has forthright views on the market and the kind of newspaper he is trying to create. "The public is tired of slapdash journalistic practices. *The Post* will be offering an alternative for those who enjoy the fun of a popular newspaper without the language of violence, gratuitous soft porn and sensationalism," he said.

The new title can be launched with such modest capital costs because it has turned its back on both expensive London offices and over-sophisticated newsroom computer systems. *The Post* is being produced in the old Victorian press hall of a local newspaper in Warrington in the north of England using linked Apple Macintosh personal computers and off-the-shelf software.

It is impossible to say how enthusiastically the British public, used to their daily pictures of naked women in Rupert Murdoch's mass circulation daily, *The Sun*, will embrace the new squeaky clean daily. But its very creation is achievement enough for Shah, a pivotal figure in the "Fleet Street Revolution"—the dramatic series of changes that have transformed Britain's national newspaper industry.

Within the space of two years, centuries-old labor practices have been overturned, ancient printing equipment shipped off to the museums in which they belonged and the national newspaper industry moved from Fleet Street, its tradi-

Raymond Snoddy is the media correspondent for the *Financial Times*.



TRANSFORMS NEWSPAPERS



tional home, to shiny new plants in London's Docklands. In all a total of £1 billion has been invested in new equipment and redundancy and early retirement payments to cut manning levels by 13,500 out of a total workforce of 30,000.

From being one of the most backward newspaper industries in Europe, British papers virtually overnight have become the most modern and sophisticated—a hive of investment activity as lower cost barriers encourage new entrants. The most far reaching changes to the newspaper industry this century began almost by accident when Shah, then the unknown owner of local free newspapers in the Warrington area, took on the might of the all-powerful printers union, the National Graphical Association, in November, 1983—and won.

The violence on the picket line attracted national television attention and Shah became a powerful symbol in Prime Minister Margaret Thatcher's Britain of the little man standing up to union "bullying." His new fame enabled him to raise the money to launch *Today*, the color newspaper that would use all the latest technology and end the collusion between newspaper managements and the union that kept costs and barriers high to new entrants. "We're going after an industry that's ripe to be taken. It just needs one guy," said the ever confident Shah at the time.

For *Today*, technology alone was not enough. Circulation plummeted and within months the paper ran out of money and had to be rescued by the giant conglomerate, Lonrho, publishers of *The Observer*, the quality Sunday newspaper. Not even Lonrho could turn the paper around and the harbinger of the revolution passed in turn to Rupert Murdoch in a deal worth £38 million. It is still costing Murdoch, who now owns five national newspapers in the United Kingdom, a lot. More vigorous editing, however, has nearly doubled the circulation to 555,000

and breaking even is no longer such a ridiculous aspiration.

But Shah was the outsider and *Today* the catalyst that led to Fleet Street managers winning back the right to manage. Just before *Today* was launched, Murdoch made the process of change in Fleet Street irreversible when he took his four British national newspapers—*The Times*, *Sunday Times*, *News of the World*, *The Sun*—to a secretly prepared plant behind the barbed wire at Wapping in a single weekend.

The ripples from the move, and the defeat of striking print workers that sparked it off, have been spreading outward ever since. One after another national newspaper managements have been able to negotiate new technology and manning deals that would have been inconceivable only two years ago and to do it without losing a single day's production. For a short time, hardly a day passed without plans being announced to launch a new newspaper. So far, two have, in their own ways, been successful.

The Independent, launched two years ago by three defecting journalists from *The Daily Telegraph*, has redefined the top end of the general quality market. The paper, which owns no presses and prints under contract at plants around the country, has carved out a circulation of 380,000, has won every award that is going and has started to replace *The Times* as Britain's paper of record, the paper taken by the social elite.

The other new entrant to make it, *The Sunday Sport*, is a very different publication that has found a new slot for itself at the very bottom of the market that no one suspected existed. With such stories as "World War Bomber Found On The Moon" and pictures of the woman with the largest bust in the world, *The Sunday Sport* has moved into profit and even launched a mid-week edition, *The Sport*.

There also has been further evidence that technology alone is not enough to transform the market for newspapers. A long held dream by the Left to launch their own socialist newspaper turned into a nightmare with the rapid collapse of *The News on Sunday*. Robert Maxwell, publisher of *The Daily Mirror*, *Sunday Mirror* and *The People*, lost more than £30 million in his ill-fated new venture *The London Daily News*. The 24-hour-a-day paper, designed to challenge Lord Rothermere's *London Evening Standard*, folded after five months.

Maxwell is not down-hearted. In fact, he is already at work on his most ambitious newspaper so far. Next spring, he will launch a most unusual newspaper. It will come in four sections, be elegantly

laid out and will aim at a new type of citizen. *The European* will be the first European general newspaper to be launched on a Continent-wide scale.

No one can accuse Maxwell of not taking 1992 and the scheduled elimination of the barriers to cross-border trade in the European Community, seriously. Whether his judgment that there is a market for such an English-language paper is as sound as his enthusiasm for 1992 is still open for debate. Maxwell, notorious for his repeated and so far unsuccessful attempts to acquire a major U.S. publishing empire, is, however, a larger-than-life symbol of the renewed confidence of the U.K. national newspaper industry and its reaching out into the rest of Europe.

The *Financial Times*, which launched

Robert Maxwell's *The European* will be the first European general newspaper to be launched on a Continent-wide scale. The paper will have an initial print run of more than one million and its slogan is "Forward With Europe."

a European edition 1979, has now added a new string to its strategy of international expansion. Earlier this year, the *Financial Times* took control of *Les Echos*, the French financial daily in an £88-million, cash-and-shares deal and was a significant investor in the launching of Canada's first business daily, the *Financial Post*. There also have been talks about taking stakes in similar papers in Holland, Spain, Italy and Germany.

The revitalized British newspaper industry also has attracted investment from North America. Conrad Black, the Canadian businessman, and his new management team were responsible for saving *The Daily Telegraph* from collapse and his companies now control 80 percent of the quality national newspaper, which is enjoying something of a renaissance.

Ralph Ingersoll, a significant publisher of free and paid-for newspapers in the United States, has targeted the United Kingdom as the potential next economic

leader of Europe and bought a large regional newspaper group that publishes the *Birmingham Post and Mail* and the *Coventry Evening Telegraph*. Now Ingersoll is looking for further newspaper acquisitions in the United Kingdom.

Apart from specialist titles such as the *Financial Times*, *The Wall Street Journal* and the *International Herald Tribune*, newspapers have not traveled well across the cultural and language barriers of Europe. They are an important part, however, of a growing trend toward globalization in the media, a trend that has seen European publishers emerge on the world stage as major players.

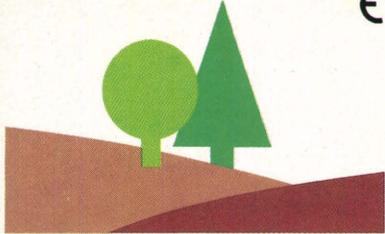
The French publishing company, Hachette, earlier this year bought Diamandis Communications, the U.S. magazine publishing company, (formally CBS Magazines) for \$712 million and is reporting an "unbelievable success" with its fashion-based magazine *Elle* in the United States. Bertelsmann, the West German publisher and probably the world's number-one publishing group with sales of \$4.7 billion, two years ago bought Doubleday, the U.S. publisher, in a deal worth \$475 million. Both groups have had no choice but to get into the U.S. market, the largest, most lucrative and most homogeneous publishing market.

The success of the *Elle* concept in 10 countries is just one aspect of the increasing ferment in the women's magazine market. First, Gruner & Jahr, Bertelsmann's magazine division, invaded Britain with two new magazines, *Prima* and *Best*. Then there was the launch of *Hello* by the Spanish publishers of *Hola* magazine.

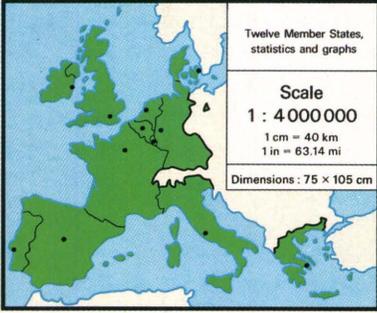
The battle really began to heat up when Gruner & Jahr's great German rivals, Bauer, arrived with *Bella*, a new weekly now claiming the number-one slot with sales of 1.4 million. Britain's largest magazine publishing group, Reed International, have now fought back with *Essentials* and a U.K. edition of the French magazine *Marie Claire*.

Maxwell, who has yet to enter the women's magazine market in a big way, hopes that apart from his plans for *The European* newspaper, some of the physical barriers to the internationalization of the newspaper industry will eventually come down. Maxwell hopes that when the Channel Tunnel is built, he will be able to print Continental newspapers in the United Kingdom under contract on his new £200-million color presses. As for Shah, he is just hoping that this time around he will be the beneficiary of the revolution he helped initiate, rather than a casualty of it. €

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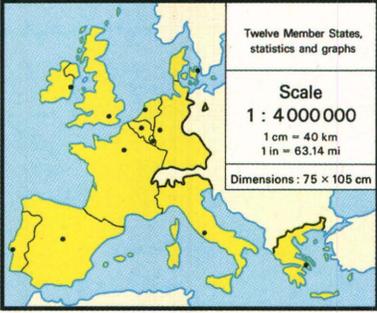
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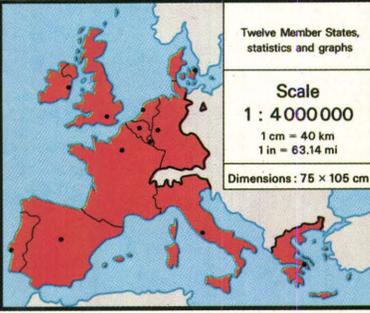
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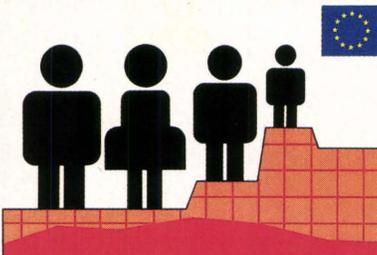
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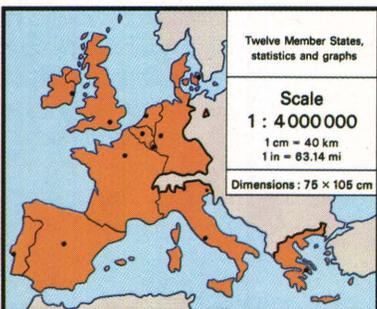
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The political map shows the member states, regions and administrative units of the E.C. in twelve colors. Inset on the map are 105 block diagrams giving basic information about the twelve countries and comparative statistics for the E.C., the United States and the Soviet Union. **The farming map** gives a vivid picture of Europe's varied agricultural sector. It shows four basic types of farm land and the most representative crops in each region. Seventy block diagrams give basic statistics on European farming, by country, with comparisons of agriculture in the E.C., the United States and the Soviet Union. **The forest map** depicts the location of 124.5 million acres of forest in the E.C. Statistics for each member state on wooded area, classification by species and type of ownership, wood consumption and Community aid for forestry are given in an inset. **The population map** depicts the geographical distribution of people in the Community. Inset charts provide statistics on density, age groups, birth, labor force and employment.

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WORKING TOGETHER: THE E.C. INSTITUTIONS

UNDERSTANDING HOW THE COMMUNITY FUNCTIONS.

EMILE NOËL

The task of achieving the aims of the three Communities—the European Coal and Steel Community (ECSC), established in 1952, the European Economic Community (EEC), 1958, and the European Atomic Energy Community (Euratom), 1958—rests with four institutions: the European Parliament, the Council of Ministers, the Commission and the Court of Justice, with the support of the Court of Auditors.

Until July 1967, the three Communities had separate Councils and executive Commissions (known as the High Authority in the ECSC). By contrast, the European Parliament and the Court of Justice had been common to the three Communities since 1958. But since 1967, there has been a single Commission and a single Council, which exercise all the powers and responsibilities vested in their respective predecessors by the three Community treaties.

The merger of the institutions was seen as the first step toward setting up a single European Community to be governed by a single treaty replacing the Treaty of Paris establishing the ECSC and the Treaty of Rome establishing the EEC and Euratom. But this idea was not followed through at the time nor was it taken up during the negotiations on the Single European Act in 1985.

The successive enlargements of the Communities—the original members were Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands—with the accession of the United Kingdom, Ireland and Denmark on January 1, 1973; Greece on January 1, 1981; and, most recently, Spain and Portugal on January 1, 1986, have not affected the basic structure or responsibilities of the Community institutions, although their composition has altered.

Under the “Act concerning the elec-

tion of the representatives of the Assembly by direct universal suffrage,” the number of members of the European Parliament for the Nine was increased from 198 to 410. This rose to 434 following Greek accession and to 518 following the accession of Spain and Portugal. The breakdown of seats is: France, Germany, Italy and the United Kingdom: 81 each; Spain: 60; the Netherlands: 25; Belgium, Greece and Portugal: 24 each; Denmark: 16; Ireland: 15; Luxembourg: 6.

The Single European Act, which was signed in February 1986 and entered into force on July 1, 1987, has extended the Community's field of competence and brought about significant changes in relations between the institutions and in their operating rules. It also gave formal legal status to European Political Cooperation, which has been operating since 1970 simply on the basis of intergovernmental agreements.

The **Council** is made up of representatives of the Governments of the 12 member states. Each Government normally sends one of its Ministers. Its membership thus varies with the subjects down for discussion. The Foreign Minister is regarded as his country's main representative in the Council, but Ministers of Agriculture, Transport, Economic and Financial Affairs, Social Affairs, Industry, the Environment and so on also meet frequently for specialized Council meetings and sometimes sit alongside the Foreign Ministers.

At the December 1974 Summit, the Heads of State (for France) and Government agreed to meet regularly with the President of the Commission as the **European Council**, accompanied by their Foreign Ministers. The European Council meets both as the “Council of the Communities” (to deal with E.C. matters) and as a “forum for political cooperation.” Until 1985, it met three times a year, but this has been cut back to twice a year since 1986.

The presidency of the Council rotates between the member Governments at six-monthly intervals. When decisions are taken in the Council by majority vote, Germany, France, Italy and the United Kingdom have 10 votes each, Spain has eight votes, Belgium, Greece, the Netherlands and Portugal have five votes each, Denmark and Ireland three each and Luxembourg two votes. A “qualified majority” means 54 votes out of the total of 76 votes.

The Council is assisted by a large number of working parties and by a **Permanent Representatives Committee**. This committee, which comprises the Permanent Representatives (ambassadors) of the member states to the E.C., has played an important role since 1958 in the work of the EEC and Euratom (the ECSC did not have a committee at this level). The Merger Treaty institutionalized it and confirmed its role, which is primarily to prepare the ground for Council meetings.

The **Commission** consists of 17 members, appointed by agreement between the member Governments. Throughout their four-year term of office, Commission members must remain independent of the Governments and of the Council. The Council cannot remove any Commission member from office. Parliament, however, can pass a motion of censure compelling the Commission to resign as a body (in which case it would continue to handle the everyday business until its replacement).

The **Court of Justice**, composed of 13 judges appointed for six years by agreement among the Governments, ensures that implementation of the treaties is in accordance with the rule of law. The judges are assisted by six advocates-general.

The **Court of Auditors** has 12 members appointed by unanimous decision of the Council after consulting Parliament. It began operating in October 1977. It audits the accounts of the E.C. and of E.C. bodies, examines whether revenue and expenditure have been properly and lawfully received and incurred, checks that financial management has been sound, and reports back to the E.C. institutions.

In EEC and Euratom matters, the Council and the Commission are assisted by the **Economic and Social Committee**. This consists of 189 members, representing various sectors of economic and social life. It must be consulted before decisions are taken on a large number of subjects, and is also free to submit opinions on its own initiative.

In ECSC matters, the Commission is assisted by a **Consultative Committee**, which has 96 members representing producers, workers, consumers and dealers in the coal and steel industries. It, too, must be consulted before decisions are taken on many subjects and it also can submit opinions on its own initiative.

Through the Economic and Social Committee and the Consultative Committee, the various interest groups concerned are actively involved in the development of the Community.

How Does It Work?

When acting under the Paris Treaty (ECSC), the Commission can take *decisions*, make *recommendations* or issue *opinions*. Decisions are binding in their entirety, recommendations are binding as to the ends but not as to the means, and opinions are not binding.

The Council acts in ECSC affairs mainly at the request of the Commission, either stating its opinion on particular issues or giving assent without which, in certain matters, the Commission cannot proceed. The Commission's ECSC decisions are mostly addressed to individual persons, firms or governments, but they may also lay down general rules, since the Commission does also have general rule-making powers.

When acting under the Rome Treaties (EEC and Euratom), the Council and Commission issue *regulations, directives, de-*

isions, recommendations and opinions. Regulations are of general application: They are binding in their entirety and applicable in all member states. Directives are binding on the member states to which they are addressed as regards the results to be achieved, but leave the form and methods of achieving them to the discretion of the national authorities. Decisions may be addressed to a Government, an enterprise or a private individual; they are binding in their entirety on those to whom they are addressed. Recommendations and opinions are not binding.

The discrepancy in terminology between the Paris and the two Rome treaties is perhaps confusing. An ECSC "recommendation" is a binding enactment corresponding to the EEC and Euratom "directive," whereas an EEC "recommendation" is not binding and is no stronger than an "opinion."

The Commission is the driving force behind the ECSC (though the Council's role in connection with issues of special importance must not be underrated). Under the EEC and Euratom treaties, on the other hand, we have what is perhaps the most novel feature of the whole institutional system, with the Commission and the Council operating in tandem to provide the motive power. Here the Commission derives the political authority that is essential for it to fulfill its role vis-à-vis the Council from the fact that it is answerable

to Parliament alone. With the entry into force of the Single European Act, Parliament is now more closely involved in the E.C.'s legislative process, through what is known as the "cooperation procedure."

In the three Communities (ECSC, EEC and Euratom), the Court of Justice not only affords the member states and individuals the assurance that the treaties and the legislation implementing them will be fully complied with, but also plays a notable part in ensuring uniform interpretation and enforcement of E.C. law, particularly through national courts.

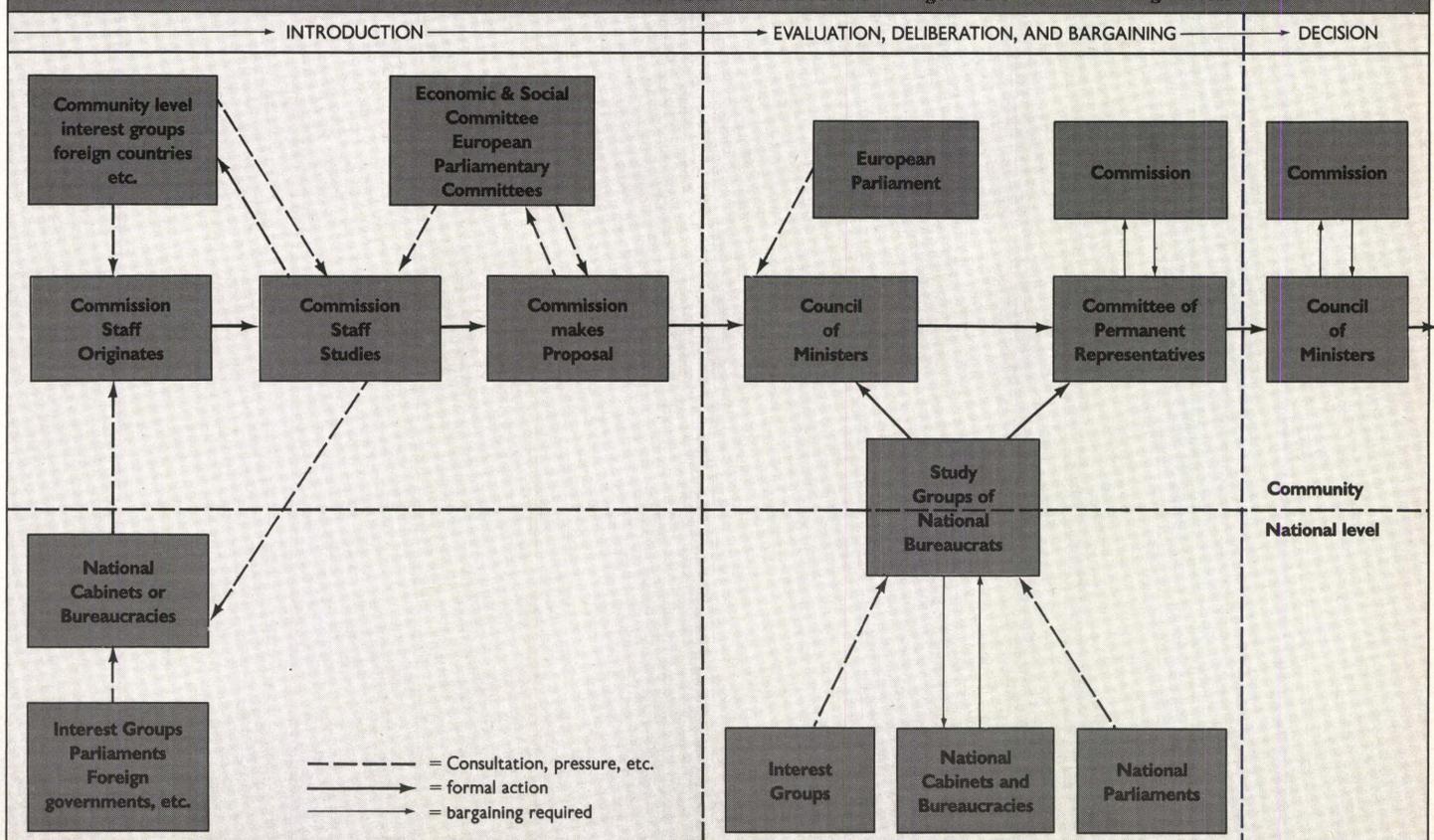
Financing the E.C.

From the very outset in 1952 (with the ECSC), the E.C. has been provided with funds not only for its own administrative working but also to finance a variety of operations. It also has been very active in borrowing and lending. Both the budget and other financial operations have increased considerably over the years.

The ECSC is financed in a rather novel way—by a levy on the value of coal and steel productions, paid directly to the High Authority (now the Commission) by the various producers. The EEC and Euratom, on the other hand, were originally financed by contributions from the member states. But with the completion of the customs union and the introduction

Emile Noël is president of the European University Institute and former Secretary-General of the E.C. Commission.

THE LEGISLATIVE PROCESS IN THE EUROPEAN COMMUNITY Stages in the Decision Making Process



of a Common Agricultural Policy (CAP) financed entirely on an E.C. basis, the Heads of State and Government, meeting in December 1969 in The Hague, decided to set up a system for the E.C.'s own resources, which would meet all the requirements of the EEC and Euratom. This own resources system would exist alongside the ECSC system.

The new system was adopted by the Council in April 1970 and, after ratification by the Parliaments of the six founding member states, was gradually introduced from the beginning of 1971. With the accession of new member states, further transitional agreements were necessary and the system was first applied in full in the Community of Nine, in 1979. Special arrangements were applied for Greece up to the end of 1986, and Portugal also will be entitled to special treatment until the end of 1988.

The E.C.'s own resources consist primarily of levies on imports of agricultural produce and customs duties collected at E.C. borders, plus certain other taxes introduced under the CAP. The 1970 decision also assigned to the E.C. part of the value-added tax (VAT) collected in the member states up to a maximum of 1 percent of the tax base. As the E.C.'s budget grew, the full amount of available own resources was called up in 1984 (and even had to be supplemented by advances from the member states), with the result that the Fontainebleau European Council in June 1984 approved the principle of raising the portion of VAT payable to the E.C. to 1.4 percent.

The increase came into force at the beginning of 1986. However, spending overshot the new own resources ceiling almost immediately, mainly because of soaring expenditure on the CAP. The Commission has proposed a new system of own resources to be approved by the European Council and adopted by the Council of Ministers in 1988. This will include a fixed overall ceiling (expressed as a percentage of E.C. GNP) on the amount of resources to be allocated to the E.C. over a given period, and a new "fourth resource" based on the GNP of each individual member state.

The following figures will give some idea of the size of the budget and the various sources of revenue. In 1987, the budget totaled 36.3 billion European Currency Units (ECU)—currently about \$40 billion (appropriation of payments). Financing came from 3.1 billion ECU in levies and other agricultural revenue (8.5 percent), 8.9 billion ECU in customs duties (24.5 percent) and 23.4 billion ECU in VAT (64.5 percent), the remainder being made up of miscellaneous revenue.

The ECSC operating budget is far smaller: 401 million ECU in 1987, of which 172 million ECU came from the ECSC levy (at a current rate of 0.31 percent), and the rest from interest on investments and loans made from ECSC own resources.

The British Contribution

During the accession negotiations in 1970-71, the United Kingdom had claimed that application of the own resources system established by the Six would produce an unbalanced situation in which it would be the loser. The accession treaty laid down lengthy transitional measures. Moreover, it had been agreed during the accession negotiations that, if a member state found itself in an unacceptable position, the E.C. should take appropriate measures.

In 1979, the British Government, citing this agreement, asked for special measures to replace the transitional provisions expiring that year, in order to correct the considerable gap between the amounts the United Kingdom paid in own resources and those it received under the various common policies.

Although the other member states and the Commission disputed the basis of the British calculation (since own resources cannot be viewed as state contributions), they recognized that the situation was unjust, mainly because British agriculture receives very little cash under the CAP. After some hard bargaining, agreement was reached, and compensation was provided out of the E.C. budget from 1980-84 by individual decisions each year, pending the adoption of a more stable system to end these disputes.

The principle of such a system, linked with the increase in own resources, was adopted at the Fontainebleau European Council in June 1984. The United Kingdom's VAT payments were reduced under a complex arrangement outlined in the decision of May 1985 on own resources, with the cost being borne by the other member states on the basis of their contribution to VAT revenue. Germany was accorded special treatment, in view of the size of its contribution to the E.C. budget. The adjustments are made in the year after an imbalance occurs: Thus, in 1987, the United Kingdom received compensation amounting to 1.6 billion ECU for 1986. The system is to be revised in 1988, hand in hand with the introduction of a new system of own resources.

E.C. Borrowing and Lending Operations

The E.C. carries out borrowing and lending operations under the ECSC, EEC and Euratom treaties. It also has its own

banking institution for long-term financing—the European Investment Bank (EIB), established by the Treaty of Rome. The E.C.'s borrowing and lending has expanded considerably over the years thanks to its excellent credit rating on the international capital markets.

Most of the Commission's ECSC loans go toward the modernization of mines and steel plants and the conversion of areas affected by declining coal and steel production. Some of them are eligible for interest relief financed from the ECSC budget. Between 1954 and the end of 1986, the High Authority (later the Commission) borrowed and on-lent a total of 14.3 billion ECU in this way.

To help the member states overcome balance of payments difficulties, the EEC since 1981 has been allowed to raise up to 8 billion ECU in loans for on-lending. In return, recipients have to accept a certain measure of economic and monetary discipline. A loan of 4 billion ECU was made to France in 1983 and 1.75 billion ECU was lent to Greece in 1985/86. Measures of this type were first introduced in 1975, but on a smaller scale.

Another E.C. borrowing and lending scheme is the New Community Instrument (NCI), administered jointly by the Commission and the EIB, which is designed to help finance investments in energy, industry (especially small business) and infrastructure. Since its launch in 1978, the NCI has been extended three times, with a total of 5.9 billion ECU being raised up to the end of 1987. Loans go toward projects that are in line with E.C. objectives.

Besides the NCI, there are also Euratom borrowing and lending operations, under which 3 billion ECU have been raised for nuclear energy projects.

The EIB gives guarantees and loans for a variety of investment projects, mainly in energy, industry and infrastructure. In order to qualify for assistance, projects must promote regional development, be of interest to several member states or the E.C. as a whole, or must contribute toward industrial modernization or conversion. The EIB also may grant loans to non-member countries with E.C. authorization.

The EIB's capital, which is subscribed by the member states, amounts to 28.8 billion ECU. Its activities have increased considerably in recent years. Between its establishment in 1958 and the end of 1987, EIB own-resource loans totalled more than 53 billion ECU. In 1986 and 1987 alone, loans totalled 7.1 billion ECU and 7.2 billion ECU respectively. Some of its loans are eligible for interest relief financed from the E.C. budget. €

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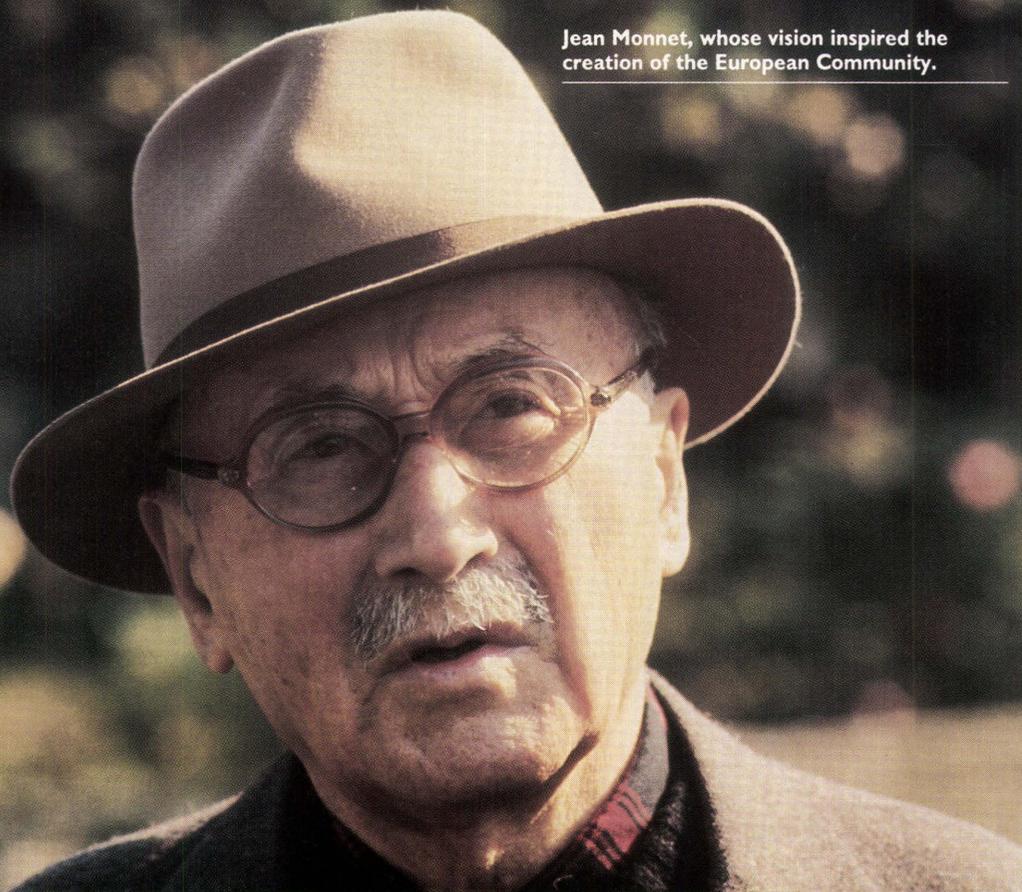
On November 9, the centennial of his birth, Jean Monnet will receive one of the highest honors that can be accorded to the memory of a Frenchman, the interment of his remains in the Pantheon in Paris. This accolade from his own country has been accompanied by tributes elsewhere in Europe, for instance the issuance of Monnet centenary stamps.

To mark the occasion, to reflect on Monnet's life and its lessons for the future, *EUROPE* talked with François Duchêne, a long-time associate. He was the press attaché at the High Authority of the European Coal and Steel Community, the first of the Monnet-inspired European institutions. Duchêne later served as "directeur de cabinet" when Monnet headed the Action Committee for Europe, a major force promoting European integration in the 1950s and 1960s.

Duchêne also has been director of the International Institute for Strategic Studies and ran the European Research Center at Sussex University in Brighton, England.

He was interviewed by Michael D. Mosettig, senior producer for foreign affairs and defense at the *MacNeil/Lehrer NewsHour*. Mosettig is a former Brussels correspondent for *United Press International* and has written extensively about Monnet, including articles for this magazine and *The New Republic*.

Jean Monnet, whose vision inspired the creation of the European Community.



**Some Thoughts on
The Centennial of
The "Father of
Europe."**

JEAN MONNET

Is there some irony that, at the time of the Monnet centenary, France has taken into the Pantheon a great symbol of the country, the remains of a man who stood so much against nationalism and who was, at least sometimes, in direct conflict with French nationalism?

The person who has taken the decision and has seen to it that the Government has endorsed the decision is François Mitterrand. He always had a record of being a convinced European, and, like Valéry Giscard d'Estaing before him, has quietly, but very effectively, shifted the consensus in France on European policy. It is now accepted that trying to build up European integration is virtually a consensus policy across the board in France.

And in the run-up the last elections, you even had Gaullist candidate Jacques Chirac stating that you had to have a united Europe built up in partnership with the United States. Of course, this carries the irony of the difference between the present situation and the Gaullist policy, which was at the source of the Fifth Republic—of rejecting the Atlantic partnership on the ground that it was only a facade for the American protectorate of Europe. It carries this irony even further than the placing of Monnet's remains in the Pantheon.

That raises the point that 1988 is not only the Monnet centenary, but it happens in the United States to be the 25th anniversary of President John F. Kennedy's assassination. Kennedy and Monnet did share this goal of the twin pillars of the United States and a united Europe. There has been for years a feeling that goal died with Kennedy. Does it now seem that it is being revived?

There is also, which is very relevant, the 25th anniversary of the Franco-German Friendship Treaty. Franco-German friendship, of course, represented an achievement ultimately based on the E.C. approach. Therefore, it was the one with which Monnet was identified. But in the treaty itself, it took a specifically rather Gaullist form of bilateral arrangements between two sovereign states. Of course, it is the French and German relationship that is at the basis both of the E.C. approach and of the reality of European integration as it has gone so far.

On the question about the partnership,

first of all, Kennedy's words (on July 4, 1962) were foreshadowed in statements of the Action Committee of the United States of Europe, which Monnet led. There are two things to be said there. One is that the partnership has proved to be an expression of an enduring reality, which is that the Europeans and Ameri-



Jean Monnet, as President of the High Authority of the European Coal and Steel Community, receives the first ingot of "European" steel from the man who cast it, Joseph Barthel.

cans are tied not merely by the alliance factors of, say, the fear of Soviet domination of Europe, but also by the day-to-day interdependence of a common world economy. So they are doubly tied and cannot really divorce; talk of divorce is artificial. At the same time, from the European point of view, certainly, there is a desire for a more equal relationship with the United States than is really conceivable between the United States and each of the individual member states of Western Europe. So, the idea of partnership can disappear for periods but it always seems to come popping back sooner or later simply because it corresponds to reality.

The second aspect of the partnership problem is that while it is one thing to proclaim partnership—which Kennedy did in 1962 and which the Action Committee and many leading politicians also did in 1962—it is quite another thing to

practice it, because the Europeans are only imperfectly united and because the actual problems of having common approaches to management of the international system are inherently very difficult.

You mentioned that the Europeans are striving for a more equal relationship with the United States as a group. Is that really what 1992 is all about?

I think it is one strand, yes. I think 1992 is a combination of many things. It is in part due to a realization that, with the world economy what it is, the European customs union, which is what the Common Market has so far been, is only a first step. When the Common Market was set up, it was at the time assumed that the customs union at the basis of the system would automatically produce European firms and would automatically produce a whole series of policies that are taken for granted in the nation state but that, of course, do not exist simply as a result of a customs union between different nation states.

What happened was that American firms came to Europe and treated the customs union as if it were a single common market. But the European Governments tried inside the customs union to maintain national industrial policies, the policies that have been baptized as policies of national champions.

In recent years, with the Japanese challenge even more than the American one, the big European firms, who were the beneficiaries of these "national champion" policies, have woken up to the fact that they are the source of weakness, not of strength. What they do is nullify the notion of a common market in this area. So you now have industry itself and governments echoing these industrial attitudes, feeling they must go toward setting up an economic union as complete as possible. That is one aspect of 1992.

There is a second aspect. Whenever the opportunities for accommodation and a peaceful political process with the Soviet Union are improved—as they were, for example, at the time of the German *Ostpolitik* under Willy Brandt—the Germans hope for better and fuller relations with the Soviet Union, something that is entirely traditional and legitimate in the whole of their history. But at the same

time, they realize that it raises anxieties in the West as a whole—and even more in Western Europe than in the United States—that the Germans might play a balancing role between East and West. So they are very anxious to strengthen their ties with the E.C. in order to counter this tendency and this fear.

And the French, who are frightened that the Germans, becoming too close to the Soviet Union, might leave French policy high and dry, also are terribly anxious to develop the E.C. further. So there are specifically political reasons also for trying to build up European integration. Now, 1992 is a specific goal, of course, an important goal. But I think that it is not of primary importance that the goals should be fully met in 1992 itself. No doubt, the goals will take longer than that, there will be other goals beyond 1992. The important thing is that a movement is underway.

*Does the current excitement—so reminiscent of the excitement of 1962, before de Gaulle vetoed the British application in early 1963—evoke any sense of what an American baseball manager called Yogi Berra refers to as “*déjà vu all over again?*” Is there a corresponding fear that something could derail this and that we enter into a trough of despondency as happened in the mid- to late 1960s?*

Well, in life everything is always possible, but I think that what characterizes the 1992 effort is the awareness of what it takes to achieve the aspects of economic union that were rather lightheartedly assumed in 1960. Then, there was a kind of romantic belief that things could move very quickly, that everything was on the way to perfect fulfillment. The whole process is now much more mature. Everyone realizes basic limits and the hard going that is necessary even where basic limits may not exist. So I think today there is a sense of sober, hardworking opportunity that ought to be seized.

I think that there also is another factor, a sense that we are entering a new world in at least two senses—one that may take us further than realized in 1962. One of them, of course, which is quite outstanding, is the turmoil in which the Soviet Union finds itself.

The second thing is the development of a global economic system, which was a vision that you could express in words in 1962, but for which the immediate evidence was only fragmentary. It is now becoming something where the evidence is overwhelming, in financial markets, in the Japanese challenge, in the necessity for major firms to become part of oligopolies in whatever branch or sub-branch they are on world markets. All these

things suggest a quite new world, and the function of European integration in such a world is not weakened but reinforced.

I think people would say a major achievement of Monnet was a set of policies that led to the amelioration of the historic French-German enmity. But, as you mentioned, there is still always the French concern—and it was expressed in 1981-82 during the Euromissile period—that the Germans could ease away from their Western connections and perhaps go into what was loosely referred to as neutralism. How firmly do you regard West Germany's lock into the Western structure at this point?



Monnet with his wife Sylvia and children Anna and Marianne in Paris after returning from the United States in 1945.

Well, I think the whole burden of what Chancellor Helmut Kohl did during the German presidency of the E.C. Council of Ministers during the first half of this year displayed a determination that the Germans should continue to be locked in. I think that of course there is a need—from the German point of view—for closer relations, not only with East Germany but with the Soviet Union and Eastern Europe as well. And I can see very easily that this might influence other people's policies in the West. I find it very difficult to believe that it will actually lead to a hiving off of Germany from the rest of the West. I think Germany is much more likely to influence the West as a whole, because, after all, its roots are now in the rest of the West.

Whatever the security position is, the Germans alone are not going to feel very safe vis-à-vis a Soviet Union that, whatever its outlook, is nevertheless the potential hegemonist in Europe, just by the

natural weight of its existence. And it is very difficult to believe that the American-German relationship—the security relationship in particular and the Western relationship generally—is going to be broken up.

I think personally that the only danger is actually Eastern Europe, which may be so destabilized by this whole process that we have to face some considerable dangers in the period ahead.

A lot of Monnet's ideas came alive during the context of the Cold War. Did he foresee the Cold War evolving and perhaps ending? What does that mean for the Europe of his construction?

One of the things that was very important about Monnet was that his view of European integration was not a purely European view. There was a very important phrase in his memoirs: that we are not trying to unite states, we are trying to unite men. And he was very concerned not merely about building up Europe but also about Europe in the world. And the idea of partnership is an expression of that.

One aspect of the partnership statement of the Action Committee was to build the basis or the preconditions of a long-term stabilization of relations between the West and the East, meaning obviously and above all the Soviet Union. And he was always very conscious of that and looking in the long term in that direction.

Monnet's attitude was very interesting. Many people who thought that the Cold War was dangerous tended to react by saying that we ought to take the Russian point of view into account. Monnet never thought that, building up European integration. In particular, he said we ought to do what we think is right, but on the other hand, he was always very anxious to cast moves made in terms of peace. The Schuman plan of 1950 itself, the initiative launching a Community and a Franco-German reconciliation, puts it all in the context of enhancing peace. Not only in Western Europe, but generally. And, more specifically, in terms of East-West stability.

And I think he would greatly welcome the prospects now. I refuse to presume what his policy choices now would be, but it is quite clear that what is happening was foreshadowed in the kinds of choices that he was himself envisioning for the future quite specifically and explicitly in 1962 at the very earliest and, in fact, in fragments much earlier.

How does a more integrated Western Europe deal with what is happening in the East? As you said, there is an element of risk involved.

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I think there has, in fact, been a collusion between the Soviet Union and the West as a whole not to make a world security problem out of the problems of the evolution of Eastern Europe. I think one must be very aware of the difficulties and handle them with calm. There would be an attempt both to maintain security stability and to help a gradual evolution, realizing that if things go too fast, they may produce a backlash.

What about the opportunities for more integration between what are now two economic blocs?

I think that we should not draw parallels between the E.C. and Comecon. If the embrace of Eastern Europe by the West European countries—or by the E.C.—were too great, too extreme, and the encouragement for rapid evolution—which might get out of hand—were also too extreme, that could actually exacerbate problems between East and West. What one really wants to maintain is constant pressure for evolution and liberalization, but not such a pressure that one increases the dangers of a backlash—not least in the Soviet Union.

You talked in several contexts about peace breaking out in various places, the changes in the Soviet Union. Clearly the goal of Monnet and people like him was to remove the vestiges of nationalistic

wars in Europe. In many ways, Europe seems more at peace, or let's say, less facing the risk of war, than almost any time since 1815. Ultimately, wasn't that Monnet's goal?



Secretary of State Henry Kissinger presents Monnet with the Grenville Clark award in 1975.

Well, I think that due to nuclear weapons, one can just see that, since the war, the whole of the northern hemisphere has really been more at peace than any part of the world has ever been before—just about. And I do think that the chances of

peace among major powers are better than they have ever been before.

And I think Monnet would be entirely happy with that prospect. And I think you are right—peace was his primary goal. He often expressed himself in terms of the dangers of states—of the self-will of states, unilateralism of states, of the search for domination of states, or policies of prestige by states.

Monnet—not in philosophical terms—really was quite explicitly moving to something like the Galbraithian idea of countervailing powers within a single system. If you see the E.C. as a single system—there was the notion of common rules, and so on. But in dealing with the United States, where obviously there was no common government, the notion of partnership was really the idea that relations with America and Europe were indissoluble, whatever form they took.

On the other hand, they needed equality to work properly. That is really the notion of countervailing powers within a single system. It is not the notion of the balance of power in a system where countries are divorced. It is change without war. It is the whole problem of how to deal with change without war and of turning the nation-state into a servant and not

Continued on page 48.

JEAN MONNET'S MAGNIFICENT DREAM DRAWS CLOSER TO REALITY...

1992

<i>European Coal & Steel Community</i>	1953
<i>European Economic Community</i>	1958
<i>Single European Act</i>	1986

In Memory of Jean Monnet
1888-1988



The America-European
Community Association

GREENHOUSE EFFECT:

EUROPEAN SOLUTIONS

E.C. ESTABLISHES SPECIAL INTERNAL WORKING GROUP.

JAMES DAVID SPELLMAN

European researchers are playing a leading international role in studying the atmosphere to see whether the accumulation of gaseous pollutants is contributing to the unprecedented warming of the globe, resulting in catastrophic climatic changes. At Norwich in the United Kingdom, Stockholm in Sweden, Munich in Germany and Geneva in Switzerland, scientists have developed computer models to illustrate scenarios of change in sea levels, shifts in zones of arable lands and forests, and the pace of glacial ice melts that may occur if the earth's temperatures were to rise above average. Others are pioneering techniques to halt the rapid destruction of tropical rain forests through agro-ecological strategies.

What many scientists believe may be happening is that certain gases, which are building up in the atmosphere, trap infrared heat that would otherwise radiate back into space. Hence the atmosphere's essential role in filtering out harmful ultra-violet (UV) rays from the sun is evolving into one that works like the glass of a greenhouse in containing heat around the earth. Carbon dioxide (CO₂), a byproduct of fossil-fuel combustion, accounts for about half of this "greenhouse effect." Other trace gases include chlorofluorocarbons (CFCs, used in refrigeration), methane, nitrous oxide and halons. These mix in what one expert called "a vast chemical reactor where pollutants react with each other, other substances and solar energy in a fiendishly complex set of

circular interactions."

Climatologist Thomas M.L. Wigley at the University of East Anglia in Norwich said in a recent article of *Science News* that, "It's pretty clear that the 1980s—in terms of the global mean record—are far and above the warmest collection of years in this hundred-year-odd record." He maintains that this warming trend is con-

firmed by other evidence. The greenhouse theory suggests that while the lower reaches of the atmosphere will warm, the upper levels (the stratosphere) will cool because less heat will be reflected back through the atmosphere's outer reaches. Measuring devices, carried by balloons into the stratosphere, are finding that the amount of ice crystals is

What Will Happen to Europe?

Western Europe may escape some of the most severe impacts of global warming since it is close to the sea and a smaller land mass than that of the United States. The region, for example, may not undergo the same frequency and intensity of continental droughts that the United States could experience. And the northernmost regions may benefit, becoming suitable for farming.

There is debate over exactly how Europe's temperatures will change. The Gulf Stream from the Caribbean has helped to keep the region's temperatures moderate, even though the region is at the same latitude as Newfoundland. As the earth warms, the currents of seas and oceans would change. Hence, the Gulf Stream may shift south and not reach as far east as it does now. Without this source of warmth, the United Kingdom could actually become colder while Spain and the Mediterranean become hotter for longer periods of time. A warmer earth could result in Europe experiencing more rainfall, except in the southern regions of France, Spain and Portugal, which could be drier.

These forecasts pose problems for many of the projects erected in the last 50 years by E.C. members to curtail environmental threats. For example, the \$1-billion barrier straddling the Thames River at Woolwich—to hold back the English Channel's water from inundating London's shorelines—would be ineffective as sea levels rise. It was designed to hold back floods of magnitude expected once every 1,800 years. With sea levels projected to increase by 8 millimeters annually, the barrier may be breached as early as 2050. This is one of many tremendous challenges confronting the E.C. in determining how to adapt to climatic changes.





A Call for Action

An international conference held at Toronto, Canada, in June was attended by more than 300 scientists and policy-makers representing 48 countries, including E.C. members. Among the recommendations made by the conference are:

- to eliminate emissions worldwide of fully halogenated chlorofluorocarbons by the year 2000 and implement measures to limit other ozone-destroying pollutants;
- to develop a comprehensive global convention to protect the atmosphere;
- to reduce present emission levels of carbon dioxide by 20 percent by the year 2005;
- to improve energy efficiency by 10 percent by the year 2005;
- to label goods to allow consumers to judge the impact of atmospheric contamination resulting from the manufacture and use of such products;
- to halt forest destruction and promote reforestation;
- to strengthen research efforts of the World Climate program, the International Geosphere-Biosphere Program and the Human Response to Global Change Program.

increasing, as the theory predicts.

Scientists maintain that if the temperature trend of the last 20 years continues for another 75 years, the earth will be hotter than it has been in the last 100,000 years—by as much as 8 degrees Fahrenheit on average by the year 2050. To understand the magnitude of this change, consider that the Ice Age, 18,000 years ago, was only about 9 degrees Fahrenheit colder than the current average.

The pace of the CO₂ build-up has escalated since the Industrial Revolution. By evaluating samples from ice sheets covering Greenland and Antarctica, scientists have learned that the atmosphere today contains about 25 percent more CO₂ than 150 years ago. By 2050, the CO₂ content may be double that of the 1940s level, assuming moderate growth in fossil fuel use. Increases in these emissions have outpaced total energy consumption as demand worldwide shifted away from oil and natural gas to coal, which emits more CO₂ per unit of energy produced. Western Europe accounts for about one-sixth of total carbon emissions, with the United States and the Soviet Union producing more—about one-quarter each of the total.

At workshops in Villach, Austria, and Bellagio, Italy, representatives from three major international organizations—the United Nations Environment Program, the World Meteorological Organization and the International Council of Scientific Unions—worked to produce a report they released in June that urges international cooperation in combating the greenhouse effect. “If decision mak-

ers were to wait until the scientific uncertainty is ‘acceptably’ small, most policy responses would be too late,” the report said. The authors called for nations to adopt policies to begin adapting to climate change, such as discouraging beachfront development and relocating populations vulnerable to coastal flooding. A second set of policy recommendations seeks to limit climate change by reducing greenhouse gas emissions.

“If reasonable economic growth rates are to be maintained,” the report says, “these reductions can be achieved only with two major changes: large efficiency increases of the order of one-half in industrial nations, and rapid deployment of alternate energy sources. The first goal appears to be achievable with current technology. The second goal would require expanded research and development of alternatives.”

The E.C. has already made far greater strides than the United States toward the first change, that of energy efficiency. Western Europe consumes two-and-a-half times less energy per capita than the United States. Looked at another way, the average European consumes 11 barrels of oil yearly, compared to the American’s 26 barrels. After the first oil price shock in the early 1970s, the E.C. countries cut back oil consumption by 7.2 percent between 1973 and 1978. After the second shock, E.C. members continued their conservation efforts, decreasing oil consumption by 21.3 percent from 1978 to 1983. This compares with a 10-percent increase worldwide in fossil fuel use in the last eight years, resulting in a

CO₂ emission increase of about 11 percent. Fossil fuels supply about half of the E.C.’s total energy needs, with about two-thirds of the petroleum used for transportation.

The conservation ethic is deeply rooted in European society. This is demonstrated in the widespread use of motion sensors and timers in hotel hallways, which turn lights on and off, to the high proportion of fuel-efficient cars in use. This ethic will help the Community find new ways to reduce its reliance on energy resources that contribute to the greenhouse effect.

To meet both the energy demands of industry without limiting growth and to minimize the impact on the atmosphere, the E.C. also will need to exploit renewable resources such as solar, geothermal and wind energy. This is perhaps the most viable long-term approach to slow, if not arrest, the greenhouse effect. Renewable resources only supply about 6 percent of the E.C.’s needs, with hydroelectric power accounting for most of this share. But efforts to tap renewable resources are growing. The Federal Republic of Germany and the Netherlands, for example, spend more money on wind energy research (\$10.2 million and \$9.7 million, respectively) than the United States (\$8.8 million).

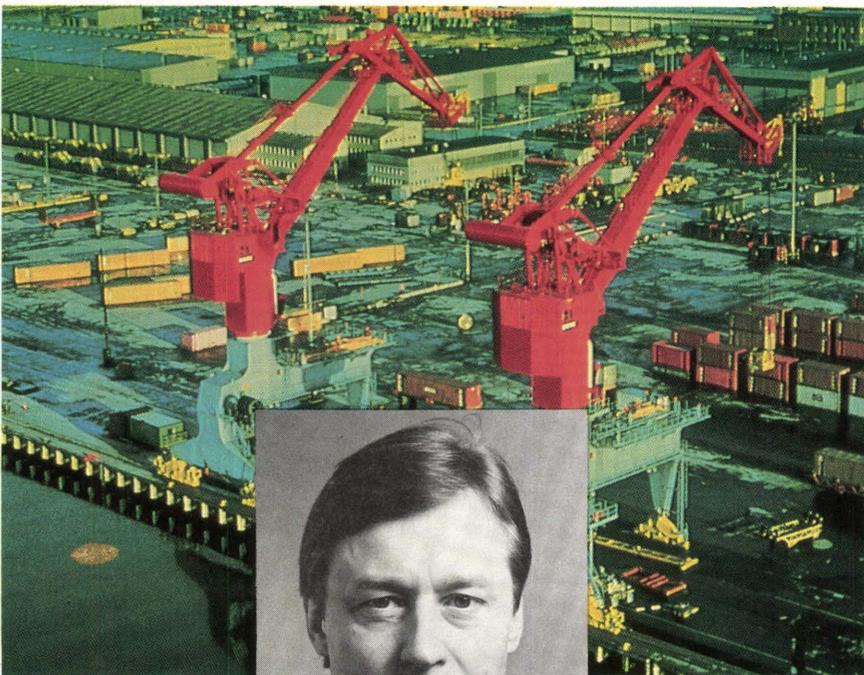
Germany has set the pace worldwide for research and development funds for renewables. France has shown the potential for using sea currents to generate

Continued on page 48.

James David Spellman is a freelance writer based in Washington, D.C.

E.C., EFTA MEET TO PREPARE FOR 1992

FINNISH MINISTER
OUTLINES CONCERNS.



PHOTOS COURTESY EMBASSY OF FINLAND

On a per-capita basis, E.C. exports to EFTA are nine times higher than the like figure for the U.S. Left: Pertti Salolainen, Finland's Minister for Foreign Trade.

When the trump of 1992 brings the European Community's internal trade barriers tumbling down, the resulting sound and energy will surely reverberate through every chancellery and board room of the European Free Trade Association's (EFTA) six nations. Such a decisive stage in the E.C.'s maturity will have huge, self-evident implications for the Continent's other trading bloc.

EFTA's members—Austria, Finland, Iceland, Norway, Sweden and Switzerland—make up the E.C.'s rich periphery and are the E.C.'s major trading partners. Two years ago, the E.C. exported to EFTA goods worth \$2,700 on a per capita basis, and imported from EFTA some \$1,400 per capita. By contrast, E.C. exports to the United States in the same period reached only a \$300 level for each U.S. consumer.

First and foremost, then, is the question of the scale of trade between the 18 West European countries that together comprise a population of 350 million people. Because of that, rather than explicit political motivations, the creation of genuinely free intra-Community trade cannot be used against Europe's non-Community industrialized economies. It could be in no one's ultimate self-interest.

The E.C. and EFTA countries have therefore embarked on a negotiation process that accelerated throughout 1988, aimed at the establishment of the European Economic Space (EES). Results can be expected soon. The bloc-to-bloc arrangements also are scheduled to be in place by 1992. At a joint E.C.-EFTA meeting in Brussels last February, all 18 nations unanimously declared their political support for cooperation between the groups.

This was followed by another milestone meeting in Tampere, Finland, when topics on the agenda included rules of origin, government subsidies, removal of export restrictions, public-sector purchases and the computerization of trading. Behind the seemingly modest results—the setting up of a common information exchange system for technical regulations and progress on rules of origin and public procurement—it was noticeable that, for the first time, EFTA was explicitly put on an equal footing with the E.C.

In the Finnish midsummer, a nod is as good as a wink across great distances, even at night. The chairman of the EFTA Ministerial Council during the Tampere talks was Pertti Salolainen, Finland's Minister for Foreign Trade, who last month paid an official visit to Washington.

1992

EUROPE WITHOUT FRONTIERS

Between discussions with senior U.S. aides, Salolainen spoke to *Europe* about the increasing West European cooperation.

"E.C. relations is the main consumer of my time," he said. "I think that regional arrangements like the integration process that 1992 will be should not hamper the general liberalization of world trade. EFTA countries like mine are certainly in an interesting situation right now. One way or another we have to get arrangements so that our trade and economic development will not be hurt by what is happening in the E.C. and, indeed, EFTA members are currently working on a detailed agenda for future negotiations with the E.C., many of which will be concerned with the free movement of goods, capital, services and people." Salolainen also stressed the eagerness of Finland and the other EFTA countries to participate equally in the E.C.'s educational and training programs, such as COMETT and ERASMUS.

There are, however, formidable obstacles even on the way to an inevitable conclusion. In the first place, it is jurisprudentially doubtful that EFTA's constitution gives the organization a mandate for its continuing talks with the Community. In the second, now that the time for resonant political declarations is over, now that a deadline is visible, an immense burden of detail has to be negotiated between the bloc's technical experts, comma by comma, clause by clause—a prospect that is the diplomatic equivalent of a Black Hole.

Third, there is no lack of ambiguity about the position of two EFTA members, Austria and Norway, who are more than minded to join the E.C. eventually. In both countries, the debate about the effect of E.C. integration on their own economies is becoming an argument about E.C. membership. This dual approach, by Austria most particularly, has irritated the other EFTA members who feel the need for as much collective muscle as possible in the coming negotiations. However, it does seem unlikely, given the amount of preparation that the E.C. has to undertake for 1992, that the Twelve will want any new members before that date.

That there will be an all-European trading entity does not seem to be in serious doubt; that it will be the world's

largest and most powerful free trade area is equally beyond question. At the same time, Salolainen was at pains to emphasize the importance of the first coming round of the General Agreement on Tariffs and Trade (GATT), especially the scheduled talks in Montreal this December. "To develop the GATT and world trade is of paramount interest—especially to get good results by 1990 when the GATT finishes. I want to see at least modest results in Montreal on the following: agriculture, services, industrial rights and tropical products," the Finnish Minister said.

Salolainen is concerned, therefore, that the GATT talks and the evolution in European trading arrangements do not run afoul of each other: They are parallel and complementary processes, or ought to be. But inevitably, he came back to the prospect of the EES, listing his immediate concerns and ambitions. A primary need is to strengthen internal EFTA collaboration, a secondary one is a greater intensity of bilateral contact at all levels between politicians and officials of both blocs and, finally, there has to be reciprocal harmonization of E.C. and Finnish—as well as other EFTA—economic legislation.

Each of these elements is essential in the Minister's view because EFTA itself will not be able to influence the E.C.'s decisions about how the true common market will be established. But if the relative competitive positions of E.C. and EFTA industry are to be maintained—and this must be the objective—obstacles to internal E.C. trade have to be abolished at the same speed as similar barriers to trade between the E.C. and EFTA.

The two groups meet frequently and routinely throughout the year for information exchanges—and this has always been so. At the most recent such meeting by technical experts, which took place in Berlin in October, the future of the E.C.'s internal market dominated an agenda that was otherwise devoted to labor questions and general economic policy.

Commenting on the present state of play between EFTA and the E.C., EFTA's secretary-general George Reisch admitted that there were difficulties in trying to accelerate the bloc-to-bloc talks, but also expressed the view that the Common Market members seem to be preparing "a broader approach to trade" throughout Europe.

On EFTA collaboration, it is perhaps not surprising that the Finnish Minister wondered aloud how the neutrality settled on postwar Austria—a neutrality not dissimilar to Finland's own—could be squared

with the supra-national, political structure arising from the Treaty of Rome. "We simply do not know if Austria's status can be combined with full E.C. membership. This is an open question," said Salolainen. The Finns are emphatic about their own situation, however: Their neutrality is incompatible with E.C. membership. Period.

Finland has been quietly developing its own game plan for the E.C.-EFTA negotiations. The hope is, of course, that everything can be achieved within EFTA and alongside all the other members. For whatever reason, if this later proves impractical, the Finns will participate in talks with the E.C. as a member of the Nordic Group—and in this situation, Denmark, which is both an E.C. country and a member of the Nordic Council, would play a pivotal role. As a last resort, and it is well known that when the going gets tough, the Finns get going, Finland will negotiate directly and unilaterally with Brussels—as happened for the 1973 free trade agreement with the E.C.

Meanwhile corporate Finland, as is the case in many other EFTA countries, is looking to expand within the E.C.'s existing frontiers. At the moment, there are over 900 Finnish companies operating in the E.C., and this figure is expected to increase sharply, no matter how satisfactorily the negotiations proceed. This also means that the countries must accept reciprocal rights of establishment for foreign companies, on a scale and in a way that the slightly xenophobic Finnish laws do not currently permit.

"Finland is ready to liberalize in this respect," Salolainen asserted. "I do not see any real difficulties here, though the free movement of people still has to be discussed and negotiated. After all, we also need free movement of key personnel, of intellectuals, scientists and trainees to allow them to participate in research and development programs." He added that regulations governing foreign investment in Finland will be eased, too. In other words, the E.C. and EFTA are playing "Reciprocity" and all indications are that it will be a long, strenuous match.

There is in all this something for the United States to chew on. As Salolainen pointed out while in Washington, EFTA-U.S. cooperation is close and has been tension-free. But as Europe's two trading blocs coalesce, such complacent assumptions about trans-Atlantic trade could be put to the test. The 1992 deadline also is close for Americans—why, barely one Presidential term away. ☾

David Haworth is a Washington consultant to the Ministry for Foreign Affairs, Helsinki. Any views are his own.



MEMBER STATE REPORT / OVERVIEW

GREECE



Greece is today totally committed to membership in the E.C. and to the wider goal of economic integration. Below: the island of Santorini.

proximately 35 percent of gross domestic product (GDP).

Although the present inflation rate of between 12 percent and 14 percent is still four or five times the E.C. average, it compares favorably with the 25-percent figure when the 1985 stabilization program was adopted. Most businesses are again making substantial profits: As a result, investment of domestic and foreign capital is picking up, unemployment is steady at an official 7.4 percent of the work force, or an estimated 10 percent if account is taken of those looking for their first jobs (school leavers and the formerly self-employed), and employers' ability to meet trade union wage demands has injected an unusual tranquility into labor relations, at least in the private sector.

In the medium term, the Government's priority task is to secure a resumption of non-inflationary growth, in conjunction with a restructuring and general modernization of the public sector, before the completion of the E.C.'s single internal market. More immediately, it confronts a surging public-sector deficit that, until it can be brought under control, will continue to impose a sense of fragility on what would otherwise be a remarkable economic recovery.

On the Government's own admission, the 1988 budget overestimated revenues and underestimated expenditures, with the result that the deficit will this year be a record one of about 1 trillion drachmas (\$6.62 billion). The conservative New Democracy opposition party is forecasting a 1.5-trillion drachma deficit, with the losses of state corporations, agricultural cooperatives and nationalized enterprises raising the total deficit to the region of 2 trillion drachmas, equivalent to about 24 percent of GDP.

This is the one area in which the Government has not only failed to reach its economic targets but has gone backward: The implied threat of a new burst of inflation casts a shadow over the successes elsewhere, and over maintenance of the international competitiveness of Greece's export products.

At this point, political considerations inevitably enter the calculation. General elections have to be held by June 1989 at the latest, and could come earlier, depending on how the Government assesses two recent developments concerning the health and marital intentions of Prime Minister Andreas Papandreou.

One question is when, or whether, Papandreou will be able to resume his full activities, and lead an election campaign, after the triple bypass surgery he underwent in London at the end of September. The other is the effect of the unpopular-

ity, in a country where the concept of family is still deep-seated, of his declared intention to divorce his American-born wife, the mother of his four children, and marry a former Olympic Airways hostess half his age who herself has still to obtain a divorce.

At worst, this presents the Government with an increased temptation to try to buy an election victory through budgetary handouts. At best, it can be expected to discourage timely application of the remedies indicated by the International Monetary Fund and the Community: reduced public spending, increased taxes, a more rigorous pursuit of tax evasion and the subjection of income tax on two presently exempt sectors—small farmers, who make up the vast majority of Greece's agrarian population, and interest on bank deposits, which, in the absence of a developed capital market, are the main source of state borrowing.

Informed sources insist that a number of senior Cabinet members are pressing for early elections before the need for urgent action on the deficits becomes inescapable and while the Premier's restricted activity can still be presented as normal convalescence.

Pending elections, uncertainties are likely to remain not only over economic prospects and policies but also over such issues as the attempted improvement of Greek-Turkish relations and the future of the U.S. military bases in Greece. Both questions have inescapable economic extensions, principally relating to investment planning.

When the Government embarked on the 1985 stabilization program, its three main targets were to compress budget deficits, inflation and a current-account deficit then running at \$3.3 billion a year. At the beginning of this year, it seemed to be on course toward achieving all three targets. Now, it is clear that only containment of the current-account deficit has unquestionably been attained.

The latest National Economy Ministry forecast, based on Bank of Greece trade and payment figures for January-August, is of a current-account deficit this year in the area of \$1.4 billion, as against \$1.22 billion last year. The Ministry anticipates an inflow of non-loan capital for the year of \$1.8 billion, enabling the deficit to be covered and official reserves to rise from \$4.7 billion at the end of August to above \$5 billion.

The Ministry professes itself unworried by the continuing increases in imports—\$9.06 billion in the first eight months of this year as against \$7.97

Victor Walker is the Athens correspondent for *The Journal of Commerce*.

Socialists Succeed In Bringing Economy Back on Course.

Even its political opponents concur that Greece's Socialist Government has succeeded in bringing the economy back onto a more hopeful course, after the brush with disaster in late 1985. The balance of payments has ceased to be an urgent problem: With the current-account deficit covered by inflows of non-loan capital, new borrowings needed only to cover debt servicing and the total foreign debt has been stabilized at around \$20 billion, equivalent to ap-

VICTOR WALKER

billion in the corresponding period of 1987—and in the trade deficit, which ran at \$5.22 billion in January-August as against a corresponding 1987 figure of \$4.62 billion.

Its confidence is based on a substantial improvement in the net balance of invisibles (\$4.5 billion in the eight months as against \$3.93 billion in the 1987 period), with record inflows from tourism, a higher net surplus in the balance of financial exchanges with the E.C., and improved performances by the merchant marine and emigrant remittances.

Outside the context of immediate difficulties and disputes, and in part because of the trade and payments picture, there is at last a wide degree of political consensus on Greece's commitment to and dependence on the Community. The present Government, which in the past had at least an ambiguous attitude toward the E.C.—when it won power in 1981, it was talking of a referendum on continued membership and by the time of the 1985 election it saw the E.C. as an unfortunate necessity—is now totally committed both to Greece's own membership and to the wider goal of integration. Papandreou, in a statement from his hospital bed, was among the first to take issue with British Prime Minister Margaret Thatcher over what he described as her "unilateral

questioning" of the Single European Act in her September speeches in Bruges and Luxembourg.

This adjustment of position on the Community brings the Government into line with New Democracy, which had negotiated accession, and leaves only the politically insignificant Greek Communist Party still hostile to membership. The Government itself links its revised outlook with the stepped-up E.C. commitment to a convergence of the economies of the poorer and richer members through the structural funds and such special devices as the Integrated Mediterranean Program, of which Greece is a principal beneficiary.

For Greece, in broad terms, the gap is represented by per capita GDP barely 40 percent of the E.C. average, exports equivalent to less than 20 percent of GDP against a Community figure of 31 percent, productivity at less than half the E.C. average, and an educational level that is acknowledged to be unacceptably low.

To narrow this gap requires that Greece be in a position—something that did not always apply in the past—to take full advantage of available E.C. assistance toward meeting the twin challenges of sustained growth and structural modernization. Government, opposition and the business world now appear equally confident on this score.

Confidence is boosted by the degree to which the Government's commitment to the E.C. has led it to policy changes in the direction of those that would be applied, possibly with greater speed and resolution, by a future conservative Administration: a liberalization of market forces through the gradual dismantling of price and other controls, a similarly gradual removal of restrictions on capital movements and a cautious deregulation in the banking system. Though the term is rejected, there also has been a timid start on privatization through the sale back to the private sector of some of the smaller nationalized enterprises. The Government may not yet be ready to reduce the size of the public sector, but at least it continuously proclaims its determination that there should be no more expansion.

With 75 percent of the Greek economy lying within the public sector, the opportunities for budget balancing through privatization, once the hurdle of the next elections has been overcome, are obvious. Theodore Papalexopoulos, for six years until last May president of the Federation of Greek Industries, expressed the business view of these developments in a speech earlier this year: "By taking up the challenge of European inte-

gration," he said, "we have also made our choice concerning the nature of our economy and the broad guidelines of economic policy."

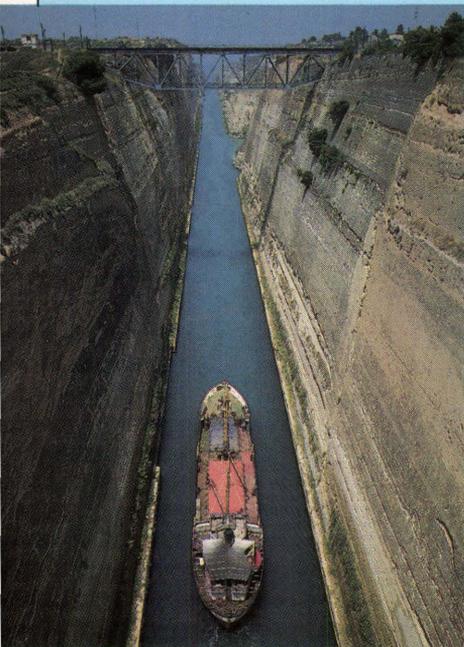
This is also seen in Government attitudes toward investment. Though it intends to go ahead with major public works of an estimated cost of \$7 billion—a new Athens international airport, a "metro" system for the Greek capital, highways, a bridge near Patras to link the Peloponnese with mainland Greece, railway modernization and a major river diversion scheme linked with irrigation and hydroelectricity production—it now views these as complementary to private investment and in no way as a substitute. The debate is no longer on the desirability of Greek and foreign private investment and the sectors to which it should be directed by the state, but on the practical means of obtaining it and where it can be most profitably placed.

Greek industrialists now find that they speak the same language as the National Economy Ministry, which promises them the stable economic, legislative and fiscal environment required for forward planning. As a result, investment incentive legislation in place for more than a decade has suddenly become far more interesting.

The Government's determination to preserve this new climate was expressed in forceful terms in an address by Papandreou at the opening of the Thessaloniki International Fair in September, read for the ailing Premier by the National Economy Minister: "A further de-escalation of inflation in 1989 would be a key development in preserving the current climate of confidence domestically and abroad," the Premier said. "We must safeguard this climate at all costs, because it is to this that we owe the recovery in investments, spectacular improvements in invisible receipts and the substantial inflow of non-loan capital from abroad. Any disruption or reversal of this climate could have very adverse repercussions."

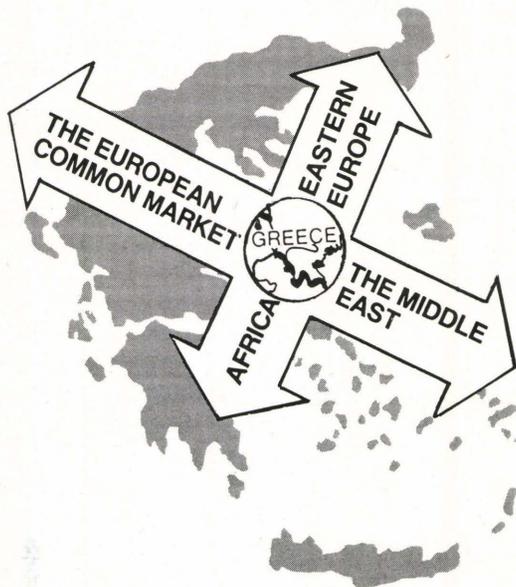
The Premier also said, "I hope that it has been realized that further survival of the Greek economy is inextricably linked with development and modernization within specific time limits, determined by moves toward integration of the European internal market." With New Democracy believing itself poised for victory in the coming elections, the prospects are of a hard-fought and bitter campaign. But, for the first time since the 1974 restoration of democracy, the E.C. relationship will not be among the issues. €

Private-sector investment is increasingly seen as an important tool toward a confident economy. Below: Corinth.



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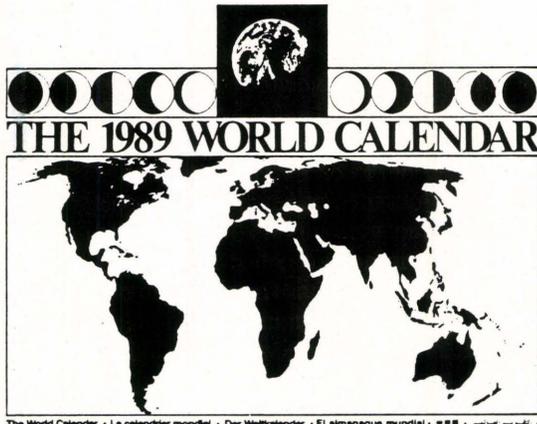
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NEWS OF THE E.C.

ENVIRONMENT

PARLIAMENT CALLS FOR STRICTER CAR POLLUTION STANDARDS

In mid-September the European Parliament adopted severe limits on toxic exhaust fumes from smaller cars that are much stricter than those being considered by E.C. member states. This parliamentary decision, if confirmed in a second reading, could end the already slim chances of getting an accord at all on the issue, since E.C. Ministers are already in deadlock over initial proposals put forward by the E.C. Commission earlier in the year.

The Commission's proposals

balance the interests of those member states wanting strict standards and some car producers who want less severe limits. Members of the European Parliament (MEP) argued, however, that member states were caving in to pressure from national car manufacturers and insisted that the proposed standards be tightened. A report, on the basis of which the issue was debated, noted that the steady increase in car pollution was harming health, killing off forests and damaging historical monuments. It went on to say that "the limit values given [in the initial proposal] were far from adequate as a way of achieving the objective of reducing environmental pollution." British Socialist MEP Carol Tongue pointed out that carmakers already stood to gain substantially from the opening of markets after 1992 and said that these gains should be spent on cleaning up car engines.

Under new E.C. decision-making procedures, the member states now need unanimity to disregard the opinion of the Parliament, which seems unlikely, since those countries wanting stricter standards,

such as Denmark, Greece and the Netherlands, have already said that they disagree with the initial proposals. France, while initially backing the proposals in the summer, withdrew its support after its own domestic car industry complained about the cost of new technology required to clean up car exhausts.—

Reuters

E.C. COURT RULES ON ENVIRONMENT PROTECTION

A ruling by the European Court of Justice, that environmental protection in one member state could overrule free trade, marked the first time that the Court has listed environmental protection as a legitimate reason for breaking E.C. policy on free trade. It came as the result of a case brought to the Court in which Danish environmental laws had been criticized as impeding free trade in the E.C.

The case concerned a Danish law requiring all beer and soft drinks to be sold in reusable containers that includes a compulsory deposit system. To make it easier to return bottles to any store, the law provides that containers must be ap-

proved by the Danish authorities. The Court ruled that while Denmark could maintain its requirement for reusable bottles, it outlawed the order that containers must be approved by Danish authorities.

The E.C. Commission had asked the Court to take action against the law, claiming that the requirement for reusable bottles discriminated against importers who thus had to pay high transport costs to send and bring back used bottles. Beer imports to Denmark, for example, have seriously declined since the law was introduced.

The Court, however, ruled that until the E.C. member states approved harmonized laws on the environment, individual member states could introduce their own laws, even if these contravened the free-trade policy enshrined in Article 30 of the Treaty of Rome establishing the Community. The Court said in its judgment that "the protection of the environment constitutes an imperative requirement, which can limit the application of Article 30 of the Treaty."

The Court has traditionally defended free trade, but it also has allowed that there could be legitimate exceptions on such issues as consumer protection or public health. The extension of that principle to environment issues is expected to give a

The Parliament noted that the steady increase in car pollution has harmed historical monuments, among other things, all over Europe.



green light to other countries to introduce their own environment laws. One example is the Federal Republic of Germany, which wants to bring in a compulsory deposit system for plastic bottles.—*Reuters*

SCIENCE AND TECHNOLOGY

EUTELSAT RECEIVES EIB LOAN FOR SATELLITE TV

A European Investment Bank (EIB) loan of 100 million ECU, about \$114 million, has been granted to Eutelsat, the European Telecommunications Satellite Organization, to assist in constructing and placing into orbit a second generation of satellites that will provide an improved response to European requirements in the field of international and domestic telecommunications services within Europe.

Since Eutelsat's current generation of satellites will come to the end of its useful "lifetime" in the first half of the 1990s, the organization decided to commission satellites with higher performance and capacity to guarantee continuity and development of services during the 1990s. The new generation, built by the European space industry, will allow for fuller integration of space communications into the European public telecommunications network, and will permit the further development of some telecommunications services, such as distribution of new television programs to users of cable television networks and services intended more specifically for the business world.

The EIB agreed to the loan for this project, which has already attracted a previous loan of 75 million ECU, because Eutelsat's system will promote cultural exchange throughout Europe via television—thus enhancing European integration—and because it is implementing advanced technologies and working in close cooperation with the telecommunications and space industries.

AID AND DEVELOPMENT

LOME IV TALKS UNDERWAY

The E.C. in October started negotiations on the fourth Lomé Convention, the trade and aid pact between the E.C. and 66 African, Caribbean and Pacific (ACP) nations. The Convention, now in its third five-year phase (which covers the period 1985-90, and is worth about \$9.4 billion), consists of development aid, compensation for fluctuations in commodity prices and tariff-free entry for virtually all ACP commodities into the E.C. A general lowering of world trade tariffs and a slump in commod-

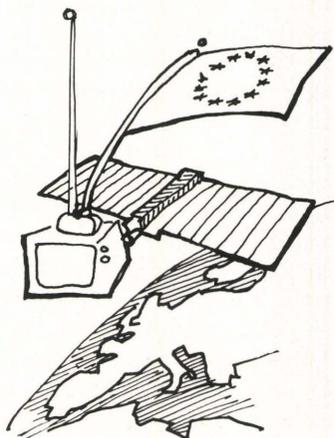
ity prices (which are now at their lowest in 50 years), however, have blunted the effects of the pact.

Development experts agree that the pact must change if the original goals are still to be met. While some E.C. donors think that these should entail tying aid more closely to what they call sensible economic policies, the ACP partners feel that the E.C. should do more to help them raise exports and break out of their poverty trap.

The E.C. Commission, represented by Vice President Lorenzo Natali, responsible for cooperation and development,

has said that while it was ready to make changes, both sides had to be realistic, pointing out that ACP exports to the E.C. were not competitive or diverse enough and that the convention had to help the ACP states broaden their economies.

Items on the agenda include a French demand that countries receiving funds to compensate them for lost export earnings due to commodity price falls should no longer have to repay some of the money when price moves are favorable, and ACP requests for further trade concessions for their exports.—*Reuters*



Eutelsat was set up provisionally in 1977, becoming an intergovernmental organization in 1985. Its purpose is to design, set up and operate the space segment of regional telecommunications and satellite systems meeting the requirements of its members. Those number 26 European countries, including the 12 E.C. member states.

BUSINESS & ECONOMICS

NO LEGAL PROTECTION FOR CREDIT CARD HOLDERS

Under heavy pressure from the banking industry, the E.C. Commission decided recently not to propose legislation to protect the rights of users of cash cards and credit cards, but neverthe-

less recommended that the liability of those consumers whose cards are lost or stolen should be limited to about \$165 and said that if banks did not introduce minimum safeguards voluntarily within a year, it would look again at possibly proposing such a law.

Calls for action to ensure equal protection throughout the Community have grown with the popularity of "plastic money" and electronic transfer of funds. The Commission therefore intended originally to propose a directive that would have been binding if approved by the 12 E.C. states, but decided instead to make a recommendation after banks lobbied against the legislation.

"The idea is that bank-card issuers should incorporate in the contracts that they conclude with the users minimum protection rules for the consumer, especially in the case of loss of fraudulent use of the card," the Commission said in a statement, adding that it hoped that "recourse to legal instruments to protect consumers' interests would not be necessary."

Denmark is the only E.C. member state with specific legislation concerning the cards, while other countries use normal contract law—and practice varies enormously. In Britain, for example, issuers carry the liability, while in Belgium, cardholders can be held liable.

The safeguards proposed by the Commission include making the conditions of the contract clear and intelligible, making card-issuers bear the burden of proof that the user was negligent in losing a card, making them take responsibility for defects in the card and ensuring that card holders can report lost or stolen cards 24 hours a day.

The Commission said that one argument in favor of letting banks act voluntarily was that, as barriers within the E.C. come down, consumers will be able to choose to use cards from another country offering better conditions.—*Reuters*

1988 GROWTH OUTSTRIPS FORECASTS

Booming exports and a strong increase in investment has boosted the E.C.'s economic growth in the first half of 1988, the E.C. statistics office, Eurostat, said. In its latest quarterly economic report, Eurostat said it estimated economic growth during that period to be at about 3 percent, well above the most optimistic forecasts, made last February by the E.C. Commission, which predicted that growth for the whole of 1988 would be just under 2 percent.

Commission sources said that the effect of last October's stock market crash had been overestimated and that growth

figures for 1988 of well above 3 percent were now possible. Eurostat said that the E.C.'s industrial output for the first six months had risen by around 3.5 percent over the same period in 1987.

While these figures look encouraging, Eurostat admitted that the strength of the economy had not produced a significant drop in unemployment. In August, some 15.7 million people were registered as unemployed throughout the E.C.—100,000 more than in July—and only 0.4 percent down from August 1987. Furthermore, the economic growth during the first half of 1988 had inflationary effects, and Eurostat indicated that the E.C.'s consumer price index in August showed a year-on-year rise of 3.6 percent after a 3.2-percent increase in July, nevertheless lower than the 4 percent recorded in the United States. Inflation rose markedly in Spain, Britain and Luxembourg, remaining more stable in the Federal Republic of Germany, France and Italy.—*Reuters*

COURT UPHOLDS E.C. RIGHT TO ACT AGAINST NON-E.C. COMPANIES

In a landmark ruling, the European Court of Justice upheld the E.C.'s right to take legal action against non-E.C. companies if it felt that free competition within the bloc would be affected. Legal experts said that the ruling, which would effectively give the E.C. worldwide jurisdiction, could have major implications for future E.C. policy and could prove to be one of the most important judgments made by the Court.

The case concerned wood pulp producers from Finland, the United States and Canada, who were appealing against fines for price-fixing levied against them in 1984 by the E.C. Commission. The producers had been accused of fixing prices on their exports of wood pulp to E.C. manufacturers, but they claim that the E.C. had no right to interfere in the busi-



ness of companies outside the 12-nation bloc.

The Court ruled, however, that although the companies were based outside the E.C., the alleged price-fixing would affect competition within the Community. Ruling on the principle of whether the E.C. could act against the producers rather than on the facts of the case, the Court overthrew an argument that even the alleged price-fixing could have been agreed upon outside the E.C.

"The decisive factor is the place where it is implemented," the Court said, adding that "where the wood pulp producers . . . sell directly to purchasers established in the E.C., and engage in price competition in order to win orders from those customers, that constitutes competition within the Common Market."—*Reuters*

FIRST TALKS, OPINIONS ON EUROPEAN CURRENCY, CENTRAL BANK

Members of the committee for monetary union, established at the E.C. Council in Hanover in June to study the steps necessary to establish monetary union as well as a European central bank and currency, met for the first time in Basel, Switzerland in September.

Jacques Delors, President of the E.C. Commission and chairman of the committee (which is comprised of the E.C. member states' central bankers and three outside experts), noted that the meeting had got off to a good start, but most members of the committee cautioned against rapid results. Miguel Boyer, president of Spain's Banco Exterior de España, for example, said that while monetary union was a necessary objective, the creation of a central bank and common currency were long-term projects. Bank of Portugal governor Tavares Moreira went so far as to say that a central bank might not be established before the end of the century, since the problems presented by full capital mobil-

ity within the E.C. had to be settled before a Europe-wide monetary authority could be established.

The committee is to present a report to the E.C. Council next June in which issues such as the nature of a future European currency and the powers and the role of a European central bank will be addressed. While the creation of the single market by end-1992 promises to give impetus to the economies of the member states, many obstacles, especially in the monetary area, still have to be overcome among the members. British Prime Minister Margaret Thatcher has been particularly skeptical of the idea, saying that one "does not need a single currency to achieve union and certainly no central bank."

Meanwhile, former German

In a recent newspaper article, Helmut Schmidt said that the E.C.'s 1992 program would need a common currency, such as the ECU, to succeed.



EUROPEAN POLITICS

BELGIAN PRIME MINISTER URGES POLITICAL UNION

Belgian Prime Minister Wilfried Martens has stressed that the E.C. must strive for political union that extends to foreign relations and defense. He questioned the view expressed by his British counterpart, Margaret Thatcher, that such integration was out of the question, but shared her rejection of a plan by the E.C. Commission to eliminate all internal border controls by 1993.

On that latter point, he noted that "it was not necessary to eliminate these controls," since they could even be necessary in the actual state of affairs, while stressing that they "must not be an argument against greater union in other fields."

Martens defended the vision of a decentralized political federation respecting the diversity of the 12 member states. He admitted that he could understand the suspicions of some of the members of an "unbridled European bureaucracy accountable to no one," but went on to say that it was vital, precisely for this reason, to create "a limited European executive, answerable to a genuine European Parliament."

"I think that there is no European future without a common political sovereignty in the monetary domain . . . in foreign relations, in defense and security," he said. And while the final form of political union had still to be debated, he believed that it would become a reality despite the reservations held by some.—*Reuters*

Chancellor Helmut Schmidt said in a Danish newspaper article prior to the committee's meeting that creation of the E.C.'s internal market would not succeed unless the 12 countries also used the same money. "Without a common currency, the common internal market will remain fiction," he said, adding that the European Currency Unit (ECU), which at present is used largely as an accounting unit, also should become ordinary money alongside national currencies.

He maintained that "a common internal market in the E.C. . . . would give the Europeans a chance to improve their economic situation," something that would not work without the ECU. Schmidt pointed out that "just as the same currency works for Pan American Airlines in New York beside the

Atlantic Ocean, as for Boeing in Seattle by the Pacific Ocean, so the E.C.'s inner market needs a unified currency from Milan and Madrid to Hamburg and Copenhagen." While he did not advocate elimination of the E.C.'s 12 national currencies, he did note that trade in the internal market would be done in ECU, which would halve the risks of foreign-exchange fluctuations.—*Reuters*

EXTERNAL TRADE

DE CLERCQ OPTIMISTIC AFTER TEXTILE BILL FAILS

Willy De Clercq, the E.C. Commissioner responsible for external relations and trade, said in October that he was more optimistic about the future of world trade talks after the U.S. Congress failed to push through curbs on clothing imports. In a statement issued in Brussels, De Clercq said that the E.C. had been justifiably worried about a draft law that would have badly disrupted international textiles trade and risked bringing down the Multi-Fibre Arrangement, which lays down rules for world trade in textiles.

"International textiles trade was the winner in the... Congress vote," said De Clercq. "The rejection of this draft law makes me more confident for the future of negotiations within the Uruguay Round," he added. He further noted that any "protectionist" measures against clothing imports by a trade partner as important as the United States would have led to a deadlock in negotiations on textiles. And, in the light of a meeting of international trade ministers in Pakistan at the beginning of October, the issue of textiles was recognized to be crucial to developing countries.—*Reuters*

Meanwhile, in a statement issued by the E.C. Commission on the Omnibus Trade and Competitiveness Act, signed by President Ronald Reagan last August, E.C. Commissioner Stanley Clinton Davis said that, although the final result was



Since the E.C. and Comecon members signed the declaration of mutual recognition last summer (above), interest in trade and cooperation agreements with the E.C. has grown rapidly among Comecon members.

better than expected, this did not mean that the Commission was as pleased with the Act as it could have been.

He particularly pointed to Section 201—on protection against increased imports—and Section 301—on unfair trading practices and anti-dumping and countervailing duty laws—noting that these changes could potentially increase the possibilities for U.S. industry to procure protection, especially under the so-called "Super 301," according to which the U.S. Trade Representative must establish a list of priority countries and priority practices that constitute barriers to U.S. trade.

Lists also must be established on barriers to trade in the areas of intellectual property, telecommunications and public procurement, which will form the basis for negotiations on market access and may result in unilateral legal action by the United States if it considered progress to be insufficient. Clinton Davis said that the United States was putting its GATT partners under threat, which was clearly contrary to the ministerial declaration of Punta del Este.

Clinton Davis concluded that the E.C. would monitor the implementation of the trade act very closely and would take prompt action to defend its legitimate rights if its interests were adversely affected.

E.C. STRENGTHENS TRADE RELATIONS WITH COMECON

Since the successful declaration of mutual recognition was signed between the E.C. and members of the Soviet-led economic bloc Comecon last June, agreements on trade, as well as commercial and economic relations between the two parties, have grown considerably.

Hungary was the first Soviet-bloc country to sign a non-preferential trade agreement with the E.C., which provides for the gradual removal of all discriminatory quantitative restrictions by 1995, and covers all industrial and agricultural products except those for which sectoral agreements already exist, such as textiles and some agricultural products. The agreement takes into account Hungary's accession to the General Agreement on Tariffs and Trade (GATT) in 1973, and the country's economic system following implementation of economic reforms. The agreement further will help facilitate E.C. operators and economic cooperation in Hungary, in sectors such as industry, agriculture, transport, energy and environment.

Consultations are underway with a number of other Eastern-bloc countries, notably Bul-

garia and Poland, both of which also are interested in the kind of trade and cooperation agreements concluded with Hungary. The Commission has made it clear, however, that the Hungarian agreement cannot be regarded as a precedent by the two countries, and that each agreement must be treated according to its particular situation. Bulgaria's application to join the GATT, for example, means that a bilateral agreement with the E.C. should not be allowed to prejudice negotiations with the former body.

Consultations have also been held with the German Democratic Republic, which seeks a trade agreement that excludes cooperation. In this particular case, account must be taken of the special trading status between the two Germanies. Talks with the Soviet Union, which has shown interest in an agreement covering trade and cooperation in many fields, are expected to take place later in the year.

Meanwhile, Cuba has become the first non-European member of Comecon to establish diplomatic relations with the Community. Diplomatic ties have now been established with all members of this bloc except Rumania. A spokesperson for the E.C. Commission noted that Cuba had not so far asked for a trade and cooperation agreement as have done its European partners. €

GREENHOUSE EFFECT

Continued from page 35.

power, having operated the largest tidal plant, a 240-megawatt facility, for two decades at the La Rance estuary in northern France. The United Kingdom is considering a proposal to dam the Severn River estuary on the west coast of England. The \$4-billion project would use more than 190 turbo-generators to produce 7,000 megawatts of electricity early next century, enough to meet 5 percent of the country's current electricity demand.

In another initiative, the E.C. joined with the United States, Canada and 15 other countries in signing the 1985 Vienna Convention on the Protection of the Ozone Layer and the Montreal Protocol, which would ensure nearly complete elimination of CFCs by the year 2000. E.C.-based companies produce about one-third of the million metric tons of CFCs manufactured annually worldwide. Although CFCs account for about 15 percent of the greenhouse gases, one CFC molecule can retain as much heat as 10,000 molecules of CO₂. CFCs also are responsible for weakening the ozone layer, the shield limiting the intensity of ultra-violet rays reaching the Earth's surface. Ele-

vated UV levels can increase incidence of skin cancer and alter marine and land food chains.

One of the studies that helped scientists realize the alarming rate of depletion of the ozone layer above Antarctica was the research of the atmospheric scientists Joe Farm with the British Antarctic Survey. This unit has routinely measured the density of ozone above Antarctica since 1957. Three years ago, Farm concluded that ozone levels during the Antarctic spring (from September to October) have fallen considerably in recent years, which triggered a rush of scientific missions to more extensively document this trend.

E.C. members of the Organization of Economic Cooperation and Development are participating in a program to evaluate long-term socio-economic implications for industrialized countries of potential global climate change and policy options for mitigating effects. Another E.C. initiative began in July, when the E.C. Commission established a special internal working group to examine the range of problems associated with the greenhouse effect. Stanley Clinton Davis is the E.C. Commissioner responsible for developing such environmental policies.

Forests play a major role in combating the greenhouse effect by removing CO₂

from the atmosphere through photosynthesis. But in the last 40 years, nearly 40 percent of the world's forests have been destroyed, a pace of 50 acres a minute, or 24 million acres a year. Deforestation worldwide, largely in the tropical zone, is happening 10 times faster than reforestation. A forest stores about 100 tons of carbon per acre, meaning that the earth has lost the ability to remove from the atmosphere as much as 1.6 billion tons of carbon annually. While reforestation will not solve the entire problem, it could have a significant impact.

To address this problem in Africa, German researchers have developed an agro-ecological strategy that alternates trees and hedges with field crops to control soil erosion. Organic fertilizing with mulches and composts helps to restore soil nutrients. The strategy allows farming without eliminating the role tropical rain forests play in preventing atmospheric destruction. Developing countries look toward this model to halt deforestation and rebuild this resource.

The search by our planet for ways to avert the precipitous, adverse changes in our habitat will increasingly dominate Europe's science and policy-making communities. Nothing less than our survival is at hand. €

a master. I think that was the burden of his purposes.

Monnet was often impatient with the British for their timidity and reluctance about joining Europe. Do you see in the present actions and attitudes of the British,—particularly the current Government and the Prime Minister—a recurrence of those attitudes, particularly as Europe is evolving now?

Margaret Thatcher has certainly expressed herself in what seem to be Gaullist terms. On top of that, I think it is perfectly true that the British attitude in all these matters always has been and still is pragmatic and incremental. Its sense of being part of Europe is slowly growing, but it is certainly not—and all the polls show it—at the popular level as deep as it is in most of the Continental countries.

On the other hand, I think that Mrs. Thatcher has committed herself and, in fact, has been one of the authors of the 1992 goal. And if she says she does not want a European central bank, for instance, she nevertheless says that the British Treasury is going to emit British bonds in European Currency Units (ECU), which is more than some are doing. So, her *de facto* practical position is much

more flexible than her position would appear in principle.

Secondly, it has to be remembered that when de Gaulle pronounced, it was France pronouncing. Now, the basic power to move things in the E.C. has been from 1950 onward—and it still is today—the Franco-German relationship. So, if de Gaulle produced a veto, it really was a veto. Mrs. Thatcher cannot make vetoes in quite the same way as de Gaulle could.

I find it very significant that Mrs. Thatcher's comments on the limits on the Europe that she sees come very shortly after a highly publicized intervention by the Commission into one of the items of her privatization program. She keeps her ear very close to the ground in all matters pertaining to the groundswells and currents in the Conservative Party. It is no accident at all that she should have spoken up in these times—at this time.

On a personal note, when someone goes into the Pantheon, they take on legendary status. Could you give us an idea of Monnet's earthier qualities? What were the qualities that people found so compelling, including Americans from Roosevelt through Kennedy?

I think it was the mixture of the visionary who saw world politics in ways that were both coherent and dynamic. And on the

other side, the extraordinarily effective, tireless and determined operator. There are many visionaries in the world; there are many operators in the world. But to get people who are both visionaries and effective operators is one of the rarest things in politics. I think that's what makes statesmen.

And it's because of this combination that Monnet, who, as you know, was not an intellectual—he left school at the age of 16—has become not only the source of an idea behind the orthodoxy of European integration, not only the source of the procedures by which European integration has been made effective in so far as it has gone until today. But he has also become over the period its incarnation.

He concentrated on this and did nothing else, whereas others who played an important part in European integration—and there were many others—came in and out of the field. They were doing other things; they moved into other areas; they were occupied with other aspects of politics. Monnet himself spent the last quarter century of his long life entirely committed to European policy.

And so, bit by bit, he became its conscience, its soul and its incarnation. He still remains that to a considerable extent. And that is why his centenary is significant. €

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BOOKS IN REVIEW

Sophisticated Rebels: the Political Culture of European Dissent—1968-1987. H. Stuart Hughes. Harvard University Press. 172pp. \$20.00.

MAEVE O'BEIRNE

The timing of the publication of H. Stuart Hughes' latest book, **Sophisticated Rebels**, is a perfect reflection on the book's subject matter. Just as the words "Europe" and "integration" are becoming inseparable in the current spate of articles in journals here and overseas on the anticipated impact of 1992, Hughes' latest book addresses the realities of various forms of dissent in Europe over the past two decades. The topic is vast, and Hughes is well aware of this for already in the title he includes the qualifier "sophisticated" to demarcate the limits of his discussion. It is made clear in the preface that he is not talking about a Northern Ireland situation or the terrorism that ravaged Europe during the 1970s. He is talking about a brand of dissent that found its origins in the ashes of the failed revolutions of Prague and Paris in 1968.

The criterion for inclusion in Hughes' appraisal of this new dissent is not based on a conventional division of Europe into an East and a West, but on the "sophistication" of dissent's manifestation. The rebels he has chosen to write about are "sophisticated" because, regardless of education or background, they were aware of their limits in promoting their cause, yet nevertheless pursued their goals within the given established order. Their causes, types and nationalities vary, but they share three characteristics: the rejection of violence, the ability to set their respective tasks within the parameters of limited goals and the lack of allegiance to any political party.

But what makes **Sophisticated Rebels** so impressive is not only Hughes'

extensive knowledge on the topic. It is also his management of the information used to illustrate each case, its compression into 150 pages of colorfully written, succinct prose. Interspersed with short biographies of the major figures, the book is never dull, superficial or incoherent. There is nothing accidental about the format: Each case, no matter how different in its nature, flows into the next as if there were some natural link. The organizing principle that establishes itself as a pattern of shifts from an outside perspective to an inside one—coming to expression as an image to describe Roy Medvedev's hope of inspiration from Socialism in the West at the beginning of chapter eight—performs two functions. Firstly, it results in a framework into which each chapter, independent in its own right, fits to comprise a whole that can tell both sides of the story at once while remaining coherent, informative and immensely readable. In fact, it is so readable that it belies the toil of its composition to which the numerous bibliographical references attest. Secondly, it is a clue to a characteristic that all of the protagonists share. They are, like Medvedev, "insider-outsiders," who possess the critical distance from the system in which they live to see the need for change, but who try to do so from within.

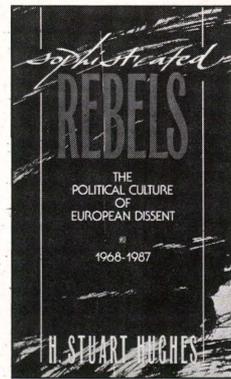
The cast of rebels, which even includes the present Pope, represents three categories of dissent—rhetorical, political and religious. Rhetorical dissent is represented by two writers, Michel Tournier and Milan Kundera, who rejected the fad of structuralism and used the inherited, more accessible structure of the novel to convey their messages to a wider readership. With Glasnost in full swing, the patience of Andrei Sakharov and Medvedev in the Soviet Union seems at last to be paying off. Unlike Alexander Solzhenitsyn, whose inflammatory writings brought about his expulsion from the Soviet Union, they elected to stay and try

to democratize the repressive system from within.

The Welsh did not succeed in restoring the Welsh language to its pristine glory, but through their reasoned approach achieved recognition of their cultural difference without alienating themselves from the rest of Britain or antagonizing the non-Welsh living in Wales. Less assertive but also less secure about their identity are the guest-workers in Western Europe, particularly non-Europeans with no colonial affiliation to their host country. Despite their alienation and disorientation, caused by the erosion of their native traditions by life in the new country, they await integration with patience. It was this quality that brought Turks in the Federal Republic of Germany a powerful advocate in Günther Walraff, whose exposé of discrimination, **Ganz Unten**, shocked its mainly German readership. While this did not bring about the Turks' integration overnight into the social fabric of Germany, it made people aware of their plight.

Solidarity did not ultimately succeed in translating into reality its Six Demands. However, its peaceful protest won Lech Walesa the Nobel Peace Prize, which heightened global consciousness of Poland's situation. According to Hughes, **Solidarity** was sophisticated despite its grass-roots origins because its leaders recognized "the leading position of the Communist Party in the State" as well as "the international system of alliances." In the pursuit of its goals it respected these and in return won international respect.

Although to some it may seem sacrilegious to characterize the current Pope as a rebel, recent events have shown that this characterization is justified. In his recent address to the European Parliament he spoke out against the narrow interpretation of "integration" by the governments of Europe, limiting it to the economic instead of emphasizing brotherhood and spiritual integration. In his



quest to unite the Church, East and West, under Rome through religious conservatism, the Pope has come up against dissenters like Küng and Schillebeeckx. But both rebel and counter-rebels in this case have refrained from extreme action. The Vatican has not reacted to the challenge with orders of excommunication, and, where it did exercise its silencing powers in the case of Cardinal Boff, it showed itself capable of self-redress when it became clear that this was alienating the Church in the Third World, thereby undermining the fundamental goal of unity. Küng and Schillebeeckx, for their part, are not trying to dismantle Christianity or the Church: They are trying to reform it from its core, the Vatican.

Finally, the calm conviction of the Greens in Germany, especially the *Realo* faction, ensured their endurance and increased their support even among the conservatively aligned. They are both sophisticated and successful in the pursuit of their goals because of the conscious decision to sit in the Bundestag in the interest of the issues not addressed by the established political parties—women's rights, environmental protection and unilateral disarmament.

Hughes has much in common with the protagonists of his case-studies: In the writing of their story he himself adhered to their code of conduct, which he finds so worthy of note "even if they are already beginning to look like lost-causes." Al-

though still vast in its endeavor, Hughes sets defensible limits on the discussion of the topic. Unwilling to make specific predictions, he is modest in his opinion and never forceful or inflammatory, reminding us of his rebels who show no allegiance to political parties or their dogma, but, confident of the simple justice of their demands, go about the business of achieving them in a tolerant way. In these respects, Hughes, professor emeritus of history at the University of California at San Diego, is by his own definition a sophisticated rebel, who hopes that out of dissent will come a true and lasting integration of East and West. €

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RECENT BOOKS

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

Western Europe in Kissinger's Global Strategy. By Argyris G. Andrianopoulos. St. Martin Press, New York, 1988. 208 pp. \$47.50.

Kissinger's global strategy, his intellectualism and secretive diplomatic style have been criticized to be the cause for resentment and hostility within the Alliance in the early 1970s. This book offers an in-depth analysis of the forces that forged Kissinger's policies towards the allies by examining his academic writings, policy statements, and memoirs. In this thorough examination, the author proves that Kissinger's policy was consistent with his writings.

The Implications of Fund-Supported Adjustment Programs for Poverty: Experiences in Selected Countries. By Peter S. Heller, et. al. International Monetary Fund, Washington, D.C., 1988. 42 pp. \$7.50

This study examines the impact on poverty groups of the policy measures adopted under IMF-supported adjustment programs in seven countries. The implications for poverty in adjustment programs are complex and controversial. These programs have been criticized for seeking excessive reductions in aggregate demand resulting in a reduction of output, employment opportunities and living standards of poverty groups. Further analysis of IMF adjustment programs suggest that the IMF should reformulate these programs to reflect specific institutional needs. Others suggest that a macroeconomic adjustment program should mitigate adverse distributional implications and improve the welfare of poverty groups. The purpose of this study reflects concern for those groups least capable of bearing the burden of adjustment in the hopes that it will provide lessons for improving the design of future adjustment programs for these groups.

Deregularization and Globalization: Liberalizing International Trade in Air Services. By Daniel M. Kasper. Ballinger Publisher Co., Cambridge, MA, 1988. 127 pp. \$26.95.

This book examines the strengths and

weaknesses of bilateralism as a vehicle for liberalizing trade through the exploration of air services. The author believes that neither a bilateral system nor a GATT-based multilateral regime is adequate to deal with expanding markets and access and ensuring that competition is not distorted by hidden barriers and unfair trade practices. A new approach focusing on securing agreement among a small group of liberal trading partners with open and vigorous competition will be sufficient to achieve true liberalization of air services. Kasper describes the world market for air services, explores the impact of deregularization, and analyses the roles of various institutions and international agreements. He reviews protectionist trade policies, domestic regulatory restrictions, subsidies, market conditions, and other barriers that impede trade in international air services. He then focuses on alternative approaches to liberalizing trade in air services.

France at the Polls, 1981 and 1986. Edited by Howard Penniman. Duke University Press, 1988. 293 pp. paperback \$19.95, hardbound \$59.95.

This volume discusses the presidential elections of April 26 and May 10, 1981, the legislative elections of 1981 following Mitterand's victory in the runoff and his subsequent dissolution of the National Assembly, and the legislative elections of 1986. Political background and legal setting for the 1981 elections is provided, while there is an in-depth analysis of the political arena during the elections.

Trading with Canada: The Canada-U.S. Free Trade Agreement. By Gilbert R. Winham. A Twentieth Century Fund Paper. Priority Press, New York, 1988. 81 pp. \$8.95.

In this short paper, Winham examines the origins and implications of the recent Free Trade Agreement between Canada and the U.S., still awaiting ratification by the former. Taking us through the history of US-Canadian trade to the negotiation process that culminated in the agreement last Spring, Winham outlines the

arguments for and against ratification by Canada, why it could spur economic growth or increase its dependence on the US, before coming down in favor of the agreement in the paper's conclusion. Even from his Canadian perspective, he sees the failure to ratify the agreement by Canada as a lost opportunity for both sides.

The European Directory of Non-Official Statistical Sources, 1988. Euromonitor Publications, London, 1988. 281 pp. \$160.00.

This directory contains information on 2,000 statistical titles (reports, publications, and databases) of an almost equivalent number of alphabetically listed major European organizations. Also furnished is useful contact information for direct access to each of the organizations (fax, telex, and telephone numbers) as well as a list of publishers in Europe, organized by country.

Staff Studies for the World Economic Outlook, July 1988. By the Research Department of the International Monetary Fund. International Monetary Fund, Washington, D.C., 1988. 104 pp. \$15.00.

This study offers an in-depth analysis on short term forecasting at the International Monetary Fund and examines the IMF's forecasting track record. It was prepared as a background document to the analysis and scenarios on the World Economic Outlook.

North American and Common Market Antitrust and Trade Laws. Edited by Barry E. Hawk. Matthew Bender & Company, New York, 1988. 739 pp.

This annual volume contains proceedings and papers of the Fourteenth Annual Fordham Corporate Law Institute.

Confronting the German Question: Germans on the East-West Divide. By Renate Fritsch-Bournazel. Berg Publishers, Oxford, 1988. 149 pp.

Germany, the nation of two states, remains a powerful symbol of the polarization of political forces in Europe after World War II. The easing of tensions between the two superpowers in recent years, and the advent of an economically united Western Europe has added new dimensions to the dialogue for

a reunified German state. Is the next step beyond peaceful coexistence a unified Germany? The author examines the "German Question" in this current geopolitical framework, laying particular stress on possible "European Solutions."

Air Pollution in Europe: Volume 1, Western Europe. Edited by Barbara Rhode. MSZH Printing House, Vienna Centre, 1988. 193 pp.

A problem that transcends national borders, international solutions to air pollution have been lacking. This volume details the differing national policies toward air pollution in Western Europe and their causes. It also reports on the most recent efforts to coordinate these policies as the scope of the problem becomes more widely recognized.

Socialist Parties and European Integration: A Comparative History. By Kevin Featherstone. Manchester University Press, Manchester, 1988.

This is a study of the policies on European co-operation adopted by the socialist parties of the Community. Individual country chapters chart the way in which these policies have been developed from the 1920s to the present day. Further chapters compare and contrast the case studies and consider the extent to which the parties have been influenced by common factors and stimuli. The final chapter notes that the widespread acceptance of membership has been followed by a new debate over the precise form that the integration process should follow in the future.

Insurance in Socialist East Europe. By Paul P. Rogers. Praeger Publishers, New York, 1988. 208pp. \$42.95.

This book is a companion work to Rogers' *Insurance in the Soviet Union* of 1986. It provides an examination of the operations of the insurance industries in eastern European socialist countries. The book covers the administrative structure of the insurance programs, the types of policies written, the insurance markets, and the extent of insurance protection in these countries. Against this background, Rogers discusses two key issues, the first one being the transition from private to public insurance in socialist countries, and the second being the influence of, and on, the Soviet Union. €

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- The Social Dimension of the Internal Market. Social Europe, Special Edition, Commission, Brussels, 1988, 115 pages.** Report of a Commission interdepartmental working party on the impact of the 1992 program on labor migration, occupational mobility, industrial relocation and sectorial adjustment and industrial relations. **\$5.25**
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electric lifts and weighing equipment. **\$26.25**

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Directory of the Commission of the European Communities. Commission, Brussels, May 1988, 128 pages. Structure of the Commission's services with officials at the level of head of division or above. **\$4.35**

European Parliament List of Members as of June 13, 1988. European Parliament, Luxembourg, 1988, 96 pages. List of members with political affiliation, office address and political group. Lists of committees and political groups. **\$5.00**

Battling for the Union—Altiero Spinelli. European Parliament, Luxembourg, 1988, 58 pages. Brief history of the draft treaty on European union. **\$4.45**

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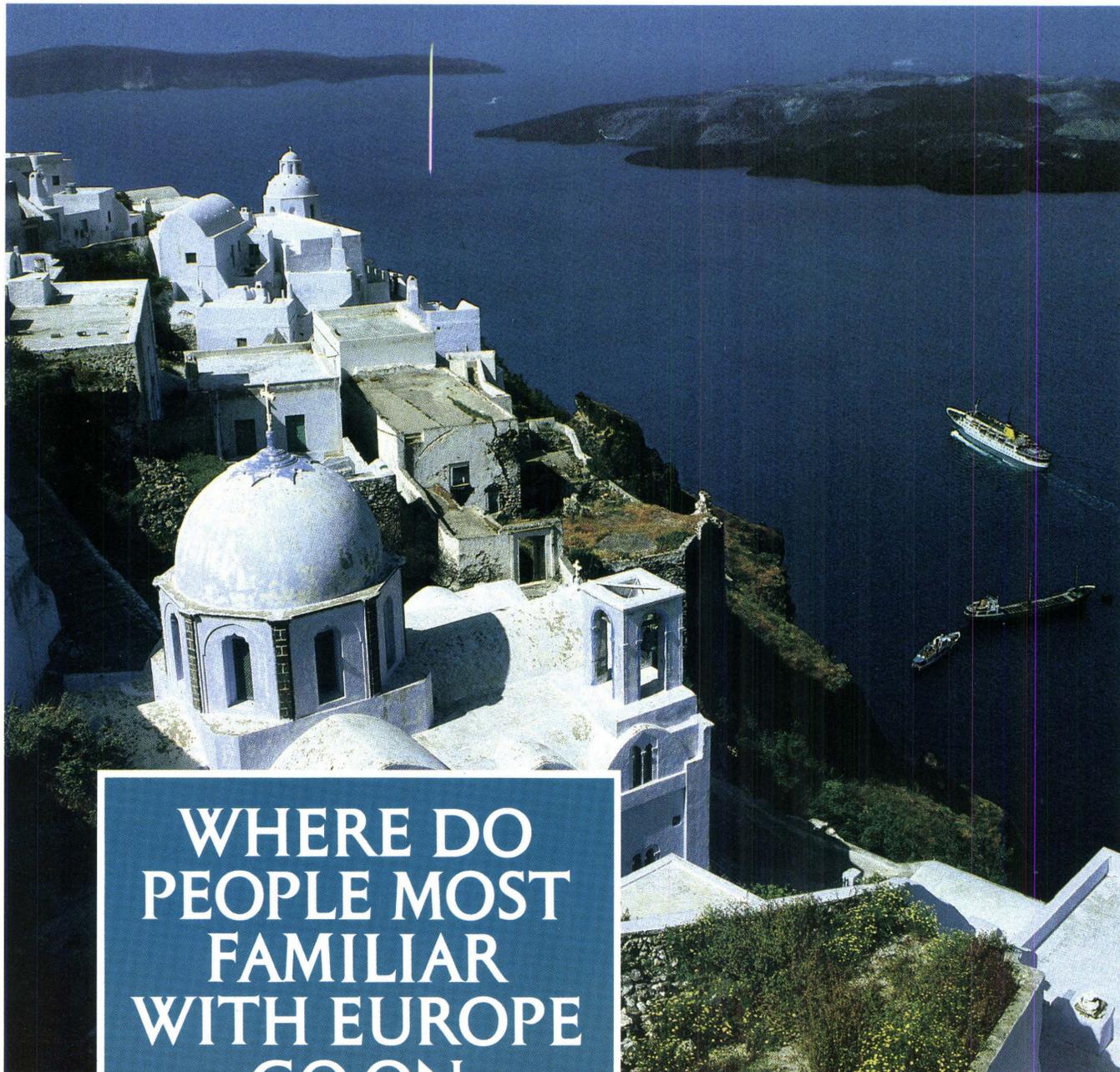
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