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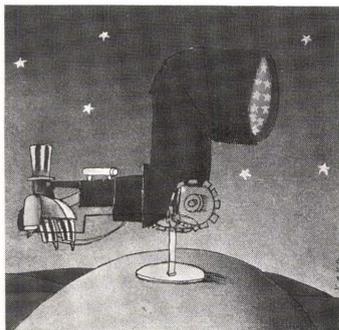
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MAGAZINE OF THE EUROPEAN COMMUNITY



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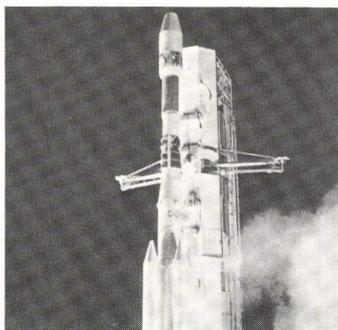
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COVER: Free-market forces are helping to clean up Europe's environment. Photo: © Alex Bartel/FPG International

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PUBLISHER'S LETTER

Nineteen eighty-nine seems to be a year of positive change in the U.S.-E.C. partnership. This was reinforced by Jacques Delors' June visit to Washington, in which he outlined his idea of a stronger *political* relationship between the two trading partners.



The new direction will now be acted upon by the E.C.'s new Head of Delegation, former Dutch Prime Minister Andreas Antonius Maria van Agt, currently Head of the Commission's Tokyo delegation.

Mr. Van Agt is a distinguished academic and politician. Following his law degree, he practiced law for two years, then joined the Dutch Ministry of Agriculture and Fisheries, and transferred to the Dutch Ministry of Justice in 1963. Mr. Van Agt was a founder and leader of the Dutch Christian Democratic Party (CDA). As Dutch Prime Minister from 1977 to 1982, he headed several coalition governments. He also served as Deputy Prime Minister from 1973 to 1977, as Minister of Justice from 1971 to 1977, and as Minister of Foreign Affairs in a 1982 interim cabinet.

We at the Washington Delegation look forward to working with this distinguished leader when he arrives in the fall.

A handwritten signature in dark ink, appearing to read 'G. Chevallard'. The signature is fluid and cursive, with a large initial 'G' and a long, sweeping tail.

Giancarlo Chevallard



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AROUND THE CAPITALS



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A new law may relax German store opening hours somewhat, but will still leave the country with Europe's most rigid hours. Above: Hamelin.

BONN

Shop Till You Drop?

In Bonn, a diplomat and his wife invited 50 people to a housewarming party at which the hostess wanted to serve a curry dish. Shortly before the guests arrived, she added coconut milk—which, unhappily,

made the curry curdle. It was 7 P.M.—all the shops had shut half an hour before and it was thus too late even for a swift change to a cold buffet. This nightmarish experience brought home to the diplomat's wife the fact that she was now living in the country with the most stringent shop hours in Europe.

Store hours in West Germany are regulated nationwide

by a 1956 law pushed through by the labor unions in their drive to reduce the work week. The law requires all shops to close at 6:30 P.M. from Monday to Friday and at 2 P.M. on Saturdays, except on the first "long" Saturday of each month, when they stay open until 6 P.M.

These rigid closing hours have irritated not only German consumers, but also the U.S. and other E.C. governments, which have long been urging Bonn to boost German domestic growth by relaxing regulations on industry and consumer alike. After years of wrangling, the center-right Bonn Government recently produced a compromise—only to be forced to revise it a fortnight later.

The new agreement, as unpopular as the old, proposes an 8:30 P.M. closing time on Thursdays, to start next month. To compensate those opposed to that extension, closing time on

the "long" Saturday will be cut back to 4 P.M. in the summer months. As before, all shops will be closed on Sundays and public holidays. The daily *Frankfurter Allgemeine Zeitung* criticized the compromise: "The government, which constantly speaks of flexibility and deregulation, is going in the opposite direction of the rest of Europe, where store hours continue to be liberalized."

Many people predict that the Thursday night idea will be a flop, since later closing hours will be voluntary and many retailers will therefore refuse to stay open. Labor unions are also against longer working hours, especially on nights and weekends. They argue that the new regulation will raise costs but not profits, because the turnover will merely be spread over longer hours.

"We agree with the trade

unions," said Dieter Rangol, spokesman for the German Retailers' Association in Cologne, "because West Germany has strict social and work laws. From 6:30 P.M. onward, we are obliged to pay nightshift benefits. Longer hours also mean higher heating and electricity costs." Rangol argues that previous experience has shown that longer store hours make no sense. "A large city like Berlin has for years allowed shops to stay open until 9 P.M. on Fridays. Initially, many retail shops took advantage of this, but now only 150 shops out of 13,500 stay open. It's not that they don't want the business, but night opening hours generate more costs without a compensating rise in sales." Rangol predicts that only a few stores will stay open on Thursday nights.

Nor do retail store employees want to stay open later. Under West Germany's co-determination policy, businesses with more than five employees must select workers' councils that safeguard the interests of the employees. Together with the employer, they also decide on working hours. Thus, employee opposition can keep the doors shut no matter what the law allows.

Even opponents of the co-determination system admit that it has had a taming effect on German workers: The low German strike rate has contributed to the country's wealth and is the envy of other industrial countries. Work days lost through strikes in West Germany in 1987 amounted to only 33,485 days, compared to 3,546,000 days in Great Britain and to almost 29 million days in the United States.

In spite of the brouhaha, store hours in West Germany are not likely to change in the near future. Critics say that the early closing time is an anachronism in Europe, but the labor unions' response is that the economic stability and labor peace resulting from them have no parallel in the rest of the Western world.—WANDA MENKE-GLÜCKERT

DUBLIN

Surprise Coalition

Political history was made in Ireland when the June general election produced a hung Lower House of Parliament and forced the country's largest party, Fianna Fail, into a coalition government for the first time since its founding by Eamon De Valera in 1927. With six seats short of an overall majority, the outgoing Fianna Fail Prime Minister, Charles Haughey, did the unthinkable, forming an alliance with the six Progressive Democrats (PD), and giving them two places at the Cabinet table and a junior ministry.

While an outsider may consider such a political compromise commonplace in most Western European countries, the idea of Fianna Fail sharing power with another party is still causing shock waves in Ireland. Until the day before the coalition deal was hammered out, Fianna Fail ministers had been haughtily proclaiming the impossibility of the party abandoning its "core value" of never sharing power when in government.

After three weeks of thrashing around seeking guarantees of parliamentary support for a minority Fianna Fail government, as had worked well for the previous two years, Haughey finally yielded to political reality and struck the bargain. Now, however, as the man who misread the mood of the country, called an unnecessary election, and strained his party's loyalty to breaking point by entering a coalition, a question mark hangs over his political future.

The shock for Fianna Fail is all the more traumatic as its new allies are the once-detestable Progressive Democrats who, under the leadership of Desmond O'Malley, broke away from the bigger party almost four years ago in protest against Haughey's autocratic rule. O'Malley was expelled from Fianna Fail following his

BRUSSELS

A Hostage is Freed

It is not often that a top ranking minister flies to Damascus to free hostages in southern Lebanon. On June 14, however, Robert Urbain, Belgian Minister of Foreign Trade, flew to Syria aboard a private jet. The next day, the Socialist Minister was in Lebanon, visiting the home of Mustapha Saad, leader of a pro-Nasser group. During their talks, two members of the Abu Nidal group, the Fatan-



Robert Urbain, Belgium's Minister of Foreign Trade.

Revolutionary Council (RC), walked in with Jan Cools, a Belgian doctor who had disappeared 13 months before in southern Lebanon.

The freeing of Cools involved several parties. Urbain thanked Colonel Muammar al-Qaddafi for his intervention on behalf of the young medic, the result of an earlier meeting he had had with the Libyan leader. He also acknowledged the important role played by the Fatan-RC, which allegedly is holding five other Belgian hostages captive. Abu Nidal representatives took credit for Cools' release, although their organization is accused of having close ties with the kidnapers, a little known group called Soldiers of Justice.

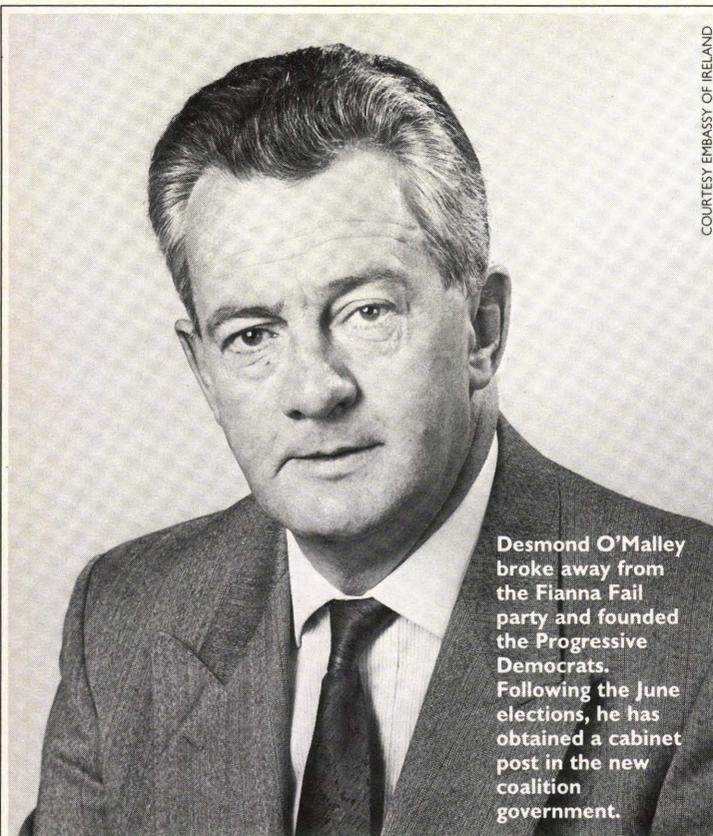
The *Affaire Cools* drew a mixed response in Belgium. Minister of Foreign Affairs Leo Tindemans said: "Urbain had no mandate from the Belgian

Government on the question of hostages. He went to Lebanon without consulting me." Urbain, according to Tindemans, was on a "strictly commercial" trip to Libya to unfreeze Belgian contracts worth \$60 million. Yet, five days later, the Belgian trade official appeared in Lebanon.

Most dailies immediately wondered whether Cools would have been freed if Belgium had not re-established official commercial ties with Libya. Others said Urbain had unilaterally contravened a 1986 decision by the E.C. to freeze high-level diplomatic relations with Qaddafi's regime. On this point, Urbain countered that Italy and France had previously taken similar action. Still others expressed shock to see a Belgian minister directly taking part in negotiations to release Cools. Reports revealed later that a "private channel," forged by contacts close to Belgium's Socialist Party, had paved the way for Urbain's Lebanon connection in Libya.

Belgians pride themselves on their practicality and ability to solve most problems. So, despite the political undertones, Cools' return was universally hailed as the affair's most important outcome. In addition, no life was lost, and several Belgian companies can now do business in Libya.

Cools stayed out of the political controversy, talking to the press only of his long detention. The Belgian doctor was kept in an unlit room for months, and was deprived of all sense of time by being denied a clock, a radio, or newspapers. He could only guess at the passing days by observing his own sleeping habits, examining the season's change by the fruits in his diet, and reading the expiration dates on cups of yogurt. Amazingly, after 13 months in almost total darkness, the hostage's chronological calculations were only three days off the mark.—CHRISTOPHE LAMFALUSSY



COURTESY EMBASSY OF IRELAND

Desmond O'Malley broke away from the Fianna Fail party and founded the Progressive Democrats. Following the June elections, he has obtained a cabinet post in the new coalition government.

criticism of Haughey's hardline stance on Northern Ireland (which has considerably softened since), and the party's opportunistic opposition to a liberalization of contraception laws.

The election was also traumatic for the PD. As the self-proclaimed "mold-breakers" of Irish politics, they saw their 15 seats cut to 6 and their vote fall from 12 percent to 6 percent, a performance that has led to predictions of total demise.

On the face of it, a coalition between Fianna Fail and the PD could be seen as a timely healing of the rupture that drove the Liberals out of the party and fatally weakened it in places like Cork, Limerick, and Galway. Logically, therefore, the Cabinet seats for the PD have gone to O'Malley and Robert Molloy, two former Fianna Fail ministers, who could now be said to be back at a table they should never have left.

The PD, however, only joined the government on the basis of a joint program incorporating their own more radical ideas on taxation and competition, laying down emergency spending on health, and calling for reforms in the environment, local

government, and legislative systems. Moreover, the PD insists it will preserve its separate identity and contest the next election as such.

Skeptics say that the PD will be virtually reabsorbed into Fianna Fail within the next four years. They argue that Haughey will then be ready to retire, and that O'Malley, who unsuccessfully challenged him in the past, could take over the leadership and thus seal the breach that the old personal antagonism has caused.

It remains to be seen how the legendary Fianna Fail grass-roots strength copes with the demoralizing shock of coalition government, up to now derided for its instability and inability to work. The main opposition party, Fine Gael, which also did poorly in the election, has already shown it will be a severe critic of the new Government now that it is free from the unofficial pact of parliamentary support that kept Fianna Fail in power during 1987-89. The small left-wing parties are also flexing their muscles, encouraged by modest electoral gains.

The next four years will be the most interesting in modern Irish politics. The PD did indeed

prove to be a "mold-breaker," even if not in the way it originally envisaged. And Fianna Fail can never again campaign on its old anti-coalition, right-to-govern-alone slogans.—JOE CARROLL

ROME

Political Pardons

Is it right to pardon the terrorists who, during the 1970s, bloodied Italy and almost brought the country to its knees?

This question is the subject of a heated debate, and even though opinions for and against are equally divided, it seems as though the scales may tip in favor of granting the pardons. Early this summer, a bill was proposed to the House that, if approved by the Senate (thereby becoming law), would halve the sentences for all crimes related to terrorism, including those that led to bloodshed. The parliamentary procedure is sure to be lengthy, so that the former leaders of the Red Brigades, Renato Curcio and Mario Moretti, and those of the neo-Fascist groups, like Giusva Fioravanti and Francesca Mambro, will remain behind bars for some time yet.

It is interesting to note that the state, and especially the great majority of politically motivated Italians, seems determined to concede "social peace" to those very enemies who, a few years ago, were intent on their destruction. A most striking development is the fact that many of the people who proposed the bill and are determined to defend it, are those who were most directly and painfully hit by terrorist acts during the so-called "years of lead." Chief among these are Flaminio Piccoli, ex-president of the Christian Democratic Party, and Maria Fida Moro, Christian Democratic Member of Parliament and the daughter of Aldo Moro, the statesman whose kidnapping and murder in 1978 marked the darkest and most

dangerous moment in the battle between the state and revolutionary forces.

Piccoli and his associates stress that their motives are political, not humanitarian. They argue that, by granting a pardon, the imprisoned former leaders of subversion and hundreds of militants would be separated from the latest generation of class terrorists whose onslaughts have increased in the past year, albeit less ferociously than during the 1970s.

The Christian Democrats, the terrorists' main targets, are not alone in thinking this way. The Communists agree, although they are worried that such a pardon could be "interpreted as some kind of retrospective political acknowledgment of terrorism." Even the Socialists, although more cautious, concur, despite the realization that public opinion "will not understand" and be irritated. Proponents of the measure reply that this risk must be run because nothing less than the Constitution is involved. In fact, the Constitutional Court (the highest judicial organ in Italy) decreed in 1982 that it was necessary to return to legal normality, since the period of anti-terrorist struggle, during which special laws were passed to aid in the fight against terrorism, was over. The exceptionally severe sentences meted out to terrorists were thus no longer necessary, the Court found, and contrasted with the length of other sentences.

In order to convince the most perplexed, recourse was made to legal cavils, with which the Italian legislature is well endowed. In fact, the proposal is not for an amnesty, which would "cancel" the crime, but rather for a pardon; that is, a measure in accordance with Italy's Penal Code, that limits itself to partial or full pardons, or to the reduction of criminals' sentences. It is a true cavil, and one that not all Italians, who still remember the anguish of the years of terrorism, seem disposed to accept.—NICCOLÒ D'AQUINO



PARIS

Fighting for Antarctica

Frenchman Jacques Cousteau always said that he learned to love people by teaching them to love the sea. Those people are in danger

now, he says, and he is leading a battle to save them from themselves. The battle is in Antarctica, the coldest, most desolate part of the world.

In Antarctica, the winds blow at 200 kilometers an hour, and temperatures fall to minus 70 degrees centigrade. The only human inhabitants are the 2,000 or so scientists who conduct studies and monitor climate change there. Antarctica is covered by an ice cap almost the size of North America, that provides 90 percent of the world's drinking water, and

possibly also valuable mineral resources. That prospect has led the 15 countries with territory on the inhospitable continent to draw up the Wellington Convention, which would allow mining in Antarctica, subject to strict environmental protection standards. The convention is due to take effect at the end of this year—unless Cousteau has his way.

Over the past 35 years, Cousteau has become famous both in his native France and around the world for his efforts to protect and explain ocean

and sea life, and for his work as an environmentalist. Now, he has launched a campaign to thwart the Wellington accord, to ban all mining in Antarctica, and to declare the whole continent an international nature reserve.

Cousteau believes that, if mining begins, Antarctica will die. The stiff environmental standards in the convention would, he predicts, simply be ignored by mining interests. Mining would also cause pollution. A Valdez-style oil spill, for example, would have a "devas-



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Jacques Cousteau, above, wants to prevent the Wellington Convention from taking effect by the end of 1989. The accord would permit mining in Antarctica, which, he predicts, would destroy the icy continent.

tating effect" on Antarctica's flora and fauna. The dust released by mining would settle on the ice cap and reduce its reflective effect, making it melt. That, combined with the global warming of the environment, could cause a very serious rise in ocean levels worldwide.

Cousteau has turned those concerns into one of the most ambitious campaigns of his 80-year life. In France, he collected almost a million signatures on a petition urging the French Government to become the first country to reject the Wellington Convention. That campaign succeeded. President François Mitterrand said *he* would refuse to ratify the accord, and France joined forces with Australia to lobby other countries with Antarctic territories to follow suit.

It would take refusal by only one country to block the convention's ratification. Cousteau's next target is the United States, where the Cousteau Foundation is working on a petition urging the U.S. Congress not to ratify the convention when it comes before the House in October.

A successful campaign would be another personal victory for Cousteau. He already has written more than 60 books, produced Academy Award-winning films, written hundreds of articles, and hosted many television programs, including the long-running *Undersea World of Jacques Cousteau*. From the French-based Cousteau Foundation, he created the international Cousteau Society, half of whose members are in the United States. Usually on his former minesweeper, the *Calypso*, he has plied the seas and filmed from above and below the surface for more than three decades. He has received the French Legion of Honor and recently was elected to the highly prestigious Académie Française.

What counts, Cousteau says, is not the personal victory, but the future of the last reaches of nature. "It is beautiful to see all this life balancing on the

edge of death," he said recently of Antarctica. "This hostile land of ice reverberates with the sounds of seal pups singing under the water . . . It no longer exists anywhere else. We have to keep at least one small part of the planet intact for our children and the next generation."

If we don't, he says, Antarctica will die.—BRIGID JANSSEN

LUXEMBOURG

Fringe Issues to the Fore

While most Europeans went to the polls in June to elect their new members of the European Parliament, the 218,940 Luxembourg voters also faced the task of selecting a new national government to replace the five-year-old Socialist-Chris-

tian Democratic coalition headed by Prime Minister Jacques Santer. At first glance, the exercise seemed to have resulted in precisely the same outcome: Santer was returned as Prime Minister, once again heading a coalition of Socialists and Christian Democrats. But beneath the surface, there were more than a few surprises.

The three main political parties cornered most of the votes, as usual. A change in the constitution, however, reduced the number of parliamentary seats up for grabs from 64 to 50, virtually ensuring that at least one of the parties would lose out on the final count.

When all the votes were in, however, the three main parties had lost three seats each, leaving them in precisely the same position as before vis-à-vis each other, but heavy losers compared to the minority par-

ties. Santer's Christian Social Party won a majority of 22 seats, closely followed by the Luxembourg Socialist Party with 18 seats. The Liberal Democrats now have 11 seats, and Luxembourg's traditional voice of opposition, the tiny Communist Party, lost 1 of its 2 seats.

Almost out of nowhere, two smaller parties made significant showings. The Greens, who have been around for some years, proved that they are growing in strength by doubling their number of representatives to four. Another, the Five-Sixths Party, which was formed just two years ago, gained four seats, and possibly a place in history as the most successful one-issue party with, perhaps, the strangest name. This small movement has campaigned consistently, and apparently successfully, for the right of every working man and woman to receive the same pension as is handed out by the Luxembourg civil service. That pension is equal to five-sixths of a person's last salary, which explains the party's rather unusual name.

The Five-Sixths Party's unexpected victory has pushed the question of pensions to the top of the new government's agenda, along with other social issues, economic and tax questions, and environmental protection. Indeed, the members of the new governing coalition realize that their poor showing at the polls, to the benefit of the minority parties, is a fair indication that the previous government paid far too little attention to so-called fringe issues that have now pushed their way to the forefront.

A lot of familiar faces remain in the new cabinet, including Foreign Affairs Minister Jacques Poos, leader of the Luxembourg Socialist Party, who received more votes in the last election than any other politician in the country. There are also a few new faces, including the only woman in the cabinet, Mady Delvaux, the Secretary of State for Social Security, Health, Sports, and Youth. The youngest member of the cabi-



COURTESY EMBASSY OF LUXEMBOURG

In the June 15 general elections, Luxembourg's Christian Democrat Jacques Santer was returned as Prime Minister.

net is Alex Bodry, a lawyer from Dudelage who entered parliament in 1984, and has been given responsibility for the environment, land planning, posts and telecommunications, energy, and data processing.

Luxembourg's representation in the European Parliament in Strasbourg remains virtually unchanged following the elections. Its six seats were divided as before: three for the Christian Democrats, two for the Socialists, and one for the Liberals.—DENISE CLAVELOUX

MADRID

Information Overload

Deciphering the previous day's news in Spain often requires a balancing technique like that used to total a gymnast's score: Sifting through the varied accounts of highly partisan newspapers, it is advisable to throw out the versions at both political extremes and average the rest.

This year, Spain's publishers are presenting readers with a fresh challenge. By this fall, just wading through the news promises to become an even more daunting task than until now for even the most conscientious newshound.

Since the beginning of the year, three new nationally distributed dailies have hit the newsstands. Moreover, if announced plans go through, three more will roll off the presses by November. On July 5, the cerebral, left-leaning weekly *El Independiente* expanded to direct daily fire against the Socialist Government of Prime Minister Felipe González. The paper now shares the news racks with four other general interest dailies: the left-of-center circulation leader *El País*, the conservative-monarchist *ABC*, the centrist *Diario 16*, and the Roman Catholic-controlled *YA*. Meanwhile, the business dailies *Expansión* and *Cinco Días* made room for two new competitors, *Economía 16* and *La*

Gaceta de los Negocios.

In addition, former *Diario 16* editor Pedro J. Ramirez has announced the October publication of *El Mundo del Siglo XXI*, while the owners of the former daily *Madrid*, shut down in 1971 by Franco-era censors, plan to relaunch that paper on October 12. Another general interest daily, *El Sol*, is expected to see the light later in the fall.

If the two national sports papers, *As* and *Marca*, are thrown in, a total of 14 dailies are published in Madrid alone, and another two are printed in Barcelona.

One might expect the Spanish newspaper industry to be doing brisk business with readers. The truth, however, is otherwise. Readership has risen only slightly over the last several years, and Spain's average daily circulation of just under three million ranks it eleventh per capita in the E.C., just ahead of neighboring Portugal. One of the reasons for this is that many Spaniards rely overwhelmingly on television and radio for their news. Thus, the introduction of new papers is not so much due to growing reader demand, but to growing advertising budgets.

The government expects economic growth to top 4.5 percent this year—the average since 1986—and the advertising industry has capitalized on the accompanying boom in sales of consumer goods.

According to one recent study, advertisers spent \$4.4 billion in Spain last year, a quarter of which went to daily newspapers. This indicates a 30-percent increase over 1987, when Spain already spent a higher percentage of its gross national product on advertising than any other E.C. country. And with so much money floating around, it is easy to understand why publishers are willing to jump into the arena and wrestle for a share of the market.

Foreign companies have also joined the fray. Britain's Pearson group, owner of the *Financial Times*, recently

bought a 35-percent stake in *Expansión*, while France's Hersant group has taken a share in Grupo 60, owner of *Diario 16* and *Economía 16*.

Media analysts expect advertising spending to rise throughout the early 1990s, but skeptics are already predicting that the many new papers will trigger a shakeout that will leave only a few hardy survivors. But until that happens, readers can expect the circulation wars to lead to more sensationalism and slanted coverage as the dailies fight to find a niche.—RICHARD LORANT

COPENHAGEN

To Build or Not to Build?

To some Danes it is soap opera material, but to the Danish lawyers who have to defend the case at the E.C. Court of Justice in Luxembourg, it is anything but entertainment. The case concerns the E.C. Commission's demand that Denmark halt construction of what would be the largest bridge in the E.C., linking Denmark and Sweden across the western part of the Great Belt, the international seaway to the Baltic Sea.

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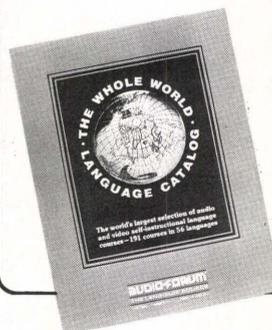


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A Presidential Visit

The 25-hour visit to the Netherlands by U.S. President George Bush on July 18 was a long-awaited event: Despite more than 200 years of good relations, Bush was the first American President to visit the country.

The U.S.-Dutch relationship stretches back to the American Revolution, when Dutch financial support aided the colonists in their struggle for independence. Today, with \$50 billion in assets, the Netherlands is the third-largest foreign investor in the United States after Britain and Japan. Conversely, the United States is the biggest investor in the Netherlands, with \$10 billion in assets.

Although The Hague has irritated the United States at times—by refusing to deploy medium-range nuclear missiles on its soil several years ago, for example—the relationship between the two countries is now close. This was demonstrated, for instance, by the constructive role played by Prime Min-

ister Ruud Lubbers in the recent NATO compromise on short-range nuclear weapons.

It was widely agreed that the high point of Bush's lightning visit to The Hague was his emphasis on the need for Europe to be strong and united, both economically and militarily. In a speech at Pieters Church in the university town of Leiden, Bush stressed that the United States could benefit from a strong Community.

The *Provinciale Zeeuwse Courant* wrote: "U.S. President George Bush no longer views European unity as a threat, but welcomes closer cooperation between the 12 member states, economically and in the security sphere. Bush also hopes that, in the future, the Soviet Union will play a role in European economic cooperation. The West's financial support to countries like Hungary and Poland must not be seen as a threat by the Soviet Union."

Dutch Foreign Minister Hans van den Broek welcomed Bush's address as a sign of U.S. concern with European security, stating: "The Americans know that the maintenance of



COURTESY ROYAL NETHERLANDS EMBASSY

Wim Kok is the leader of the Netherlands' Labor Party.

peace in Europe will mean peace for the United States."

Much attention focused on the President's meeting with the leader of the opposition Labor Party, Wim Kok, and other members of Parliament. Bush

and Kok discussed East-West relations, European disarmament, and environmental protection. The Labor Party leader urged the U.S. President to hold an early summit with Soviet President Mikhail Gorbachev, and to respond to the Soviet leader's proposal to the Group of Seven to hold talks on economic cooperation between East and West.

Following the collapse of Lubbers' Christian Democratic Government last May, Dutch elections are now scheduled for September. Recent opinion polls suggest that the Labor Party may become the biggest party in the Dutch Parliament. Labor, which has been in opposition for almost 12 years, advocates cuts in defense spending and favors early talks on short-range nuclear weapons.

Among all the affairs of state, Bush's visit to the Netherlands also contained a personal note. In commemoration of one of his ancestors, who sailed to the American colonies from Leiden around 1620, the town's mayor presented the American President with a copy of his family tree.—NEL SLIS

The bridge has been a controversial element in Danish politics for so long that many believed it would remain a non-starter. Although construction just began this summer, the European Court now has to decide whether it should order an immediate building stop and issue a call for new tenders. The reason for this is the Commission's claim that the contract for the bridge was awarded on the basis of tender specifications that violate the most fundamental of all legal principles in the Treaty of Rome—that of national non-discrimination.

The Danish Government does not dispute that the original tender called for maximum Danish content in terms of labor and materials. But it insists that this was a technicality, later corrected, that did not

influence the choice of the winner in the final event. Not so, says Buygues, the largest builder in France and part of the consortium that lost the bid.

While the Court ponders its immediate response, which is due in early fall, construction continues, on the authority of Denmark's Prime Minister Poul Schluter. If the Court's decision faults the Danish Government, a final verdict may not appear for a year or more.

The real test is whether the Court will order an immediate end to construction at a time when the E.C. Commission is trying to break new legal ground, and when the execution of the Court order might cost the Danish publicly owned bridge corporation \$100 million or more. The E.C. Commission might have to place

such an amount in bond, with a pledge to reimburse the Danes if the Court's final verdict exonerates the present tender.

Whatever the Court decides, the case has seriously hurt the Danish Government's free competition standing within the Community. The National Builders' Association of Denmark—which has member corporations in all the consortia that wanted to, or actually are, building the bridge—has publicly stated that it wants Denmark to lose the case. That would make it easier for Danish builders to carve themselves a slice of hitherto protected public or semi-public works contracts in other E.C. countries. Others see this case as the acid test of the Commission's ability to implement the 1992 objectives of free competition.

Compared to most of the other E.C. countries, Denmark has committed only small sums and little political clout to favor national champions. The explanation is partly ideological, partly pragmatic. Unlike its E.C. neighbors, Denmark has none of the basic crisis-ridden coal and steel industries. In the shipbuilding sector, too, the Danes have scrupulously observed the state subsidy limits imposed by international and E.C. rules, often strongly hinting that other E.C. countries have not shown the same high degree of morality. The present case, however, is undermining the credibility of this stance.

Top Danish civil servants have nightmares when contemplating the consequences of a Danish defeat in Luxembourg, and they can

only hope that the E.C. Commission will let bygones be bygones.—LEIF BECK FALLESEN

ATHENS

Blazing Forest Fires

When Greece's fresh summer breezes reach as far south as Attica, they can bring relief for those Athenians left behind by the holiday exodus. They drive out the cloud of noxious fumes that blankets the city on still days, and take the edge off the heat that hangs heavy among the concrete office and apartment blocks from July until the end of August. But they also threaten havoc should any fire be started—accidentally or deliberately—in the few pine forests surviving in the area.

A month ago, 1,500 acres of prime woodland on the hills of Mount Parnes burned down in three gusty days. "A crime against four million people," raged the newspaper headlines. For Athenians, who need all the oxygen they can get, one more of Attica's oxygen suppliers had gone up in smoke. The same week, a fire five times as large ravaged forests and farmlands in the southern Peloponnese, destroying over 20,000 olive trees. Both will probably be put down to causes unknown.

There is growing anger in Greece at the authorities' apparent inability to contain this annual scourge. "The fires will stop when the last tree has burned down," despaired another headline. Greece already has the lowest proportion of forest cover of any E.C. country. Wherever one drives, blackened hillsides and charred tree-stumps are a common sight. Reforestation is the doctrine of the Agriculture Ministry, but the process is patchy and slow, with a replacement rate of barely 20 percent of the expanses lost each year.

The figures are eloquent. Since 1974, more than 1.5 million acres of forest and scrub-

land have been destroyed by fire—an astonishing 4.8 percent of the country's total surface area. On average, over 1,000 fires have been recorded annually in this period. Three out of every 10 fires are the result of carelessness, another three are started deliberately, and the remaining four have unknown causes.

The figures tell only a part of the story. Amazingly, in each of the four election years between 1974 and 1985, the acreage of forest burned down soared to two or even three times the annual average. Forestry Service officials offer only the lamest explanation: People move about more during election years, and their minds are on other things!

The truth is probably rather different. A large number of fires are started by people who own a patch of woodland, but are prohibited by forestry regulations from building on it. They are known as *oikopedo-*

fagoi (literally "plot-eaters"), and are notoriously greedy. Official favors are the order of the day when an election is in the offing, and there is little doubt that the *oikopedofagoi* are inspired to arson by the expectation either of building illegally and getting away with it, or of securing unmerited building passes. Evidently, it makes no difference to them if they incinerate a single plot or a whole forest.

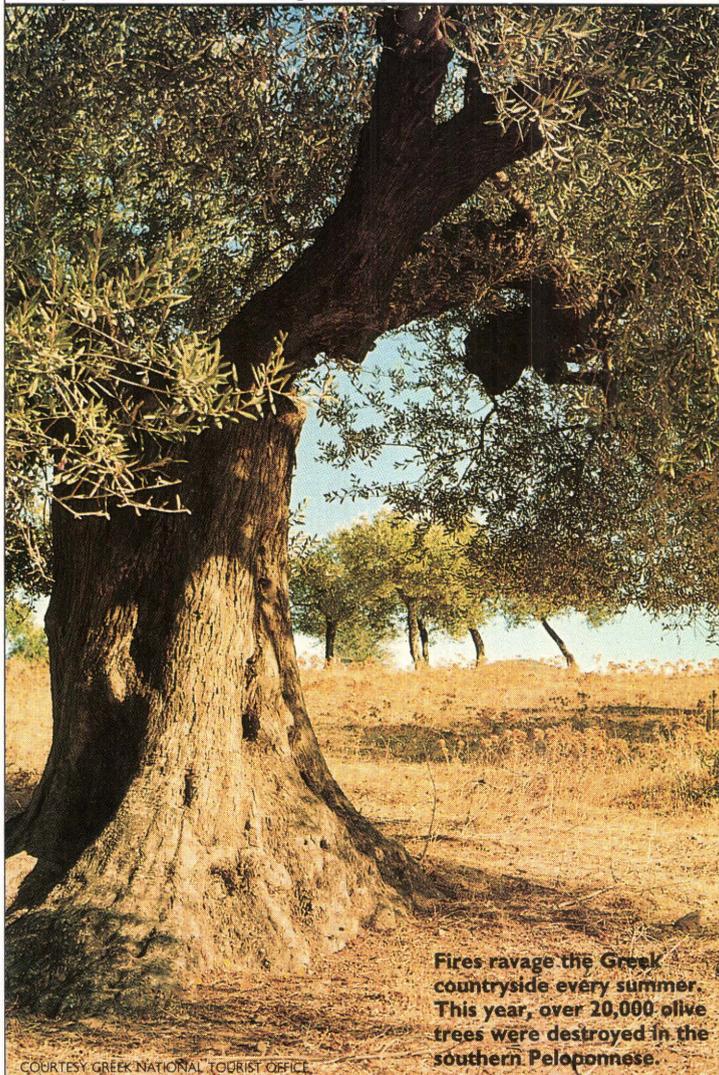
Shifting government policy has contributed to the problem. The newly appointed Secretary-General of the Agriculture Ministry, Nikos Psyllakis, who heads a coordinating unit for forestry protection, is scathing about the shortage of resources, equipment, and trained personnel he has inherited to combat the problem. "During the 1970s," he said, "Greece bought 12 Canadair fire-fighting aircraft. After the last government came to power in 1981, it merely re-

placed three of those that had been destroyed. Then it went and bought 30 Polish PZL planes, which turned out to be hopeless for fire fighting. Today they are used only for crop-spraying."

However, with the growth of environmental awareness in the last few years, volunteer groups have begun to spring up, plugging some of the gaps left by the authorities. The Volunteers for the Protection of Attica Forests against Fire, for example, stress the need for prevention as well as fire fighting. They are begging for assistance from the Ministry to build additional observation posts.

Psyllakis, who welcomed the increased involvement of the community, also considers prevention a priority. He said Greece's new government showed "an immediate sensitivity" to the question, already expressed by an increase of 750 million drachmas (\$4.8 million) for the forestry protection unit's budget. A similar sum is in the pipeline for preventative measures, such as clearing undergrowth and opening firebreaks.

If the pattern of the statistics is to be broken, results are needed urgently. By far the worst year on record for forest fires was 1988, but 1989 is almost certain to be a double election year.—PETER THOMPSON



Fires ravage the Greek countryside every summer. This year, over 20,000 olive trees were destroyed in the southern Peloponnese.

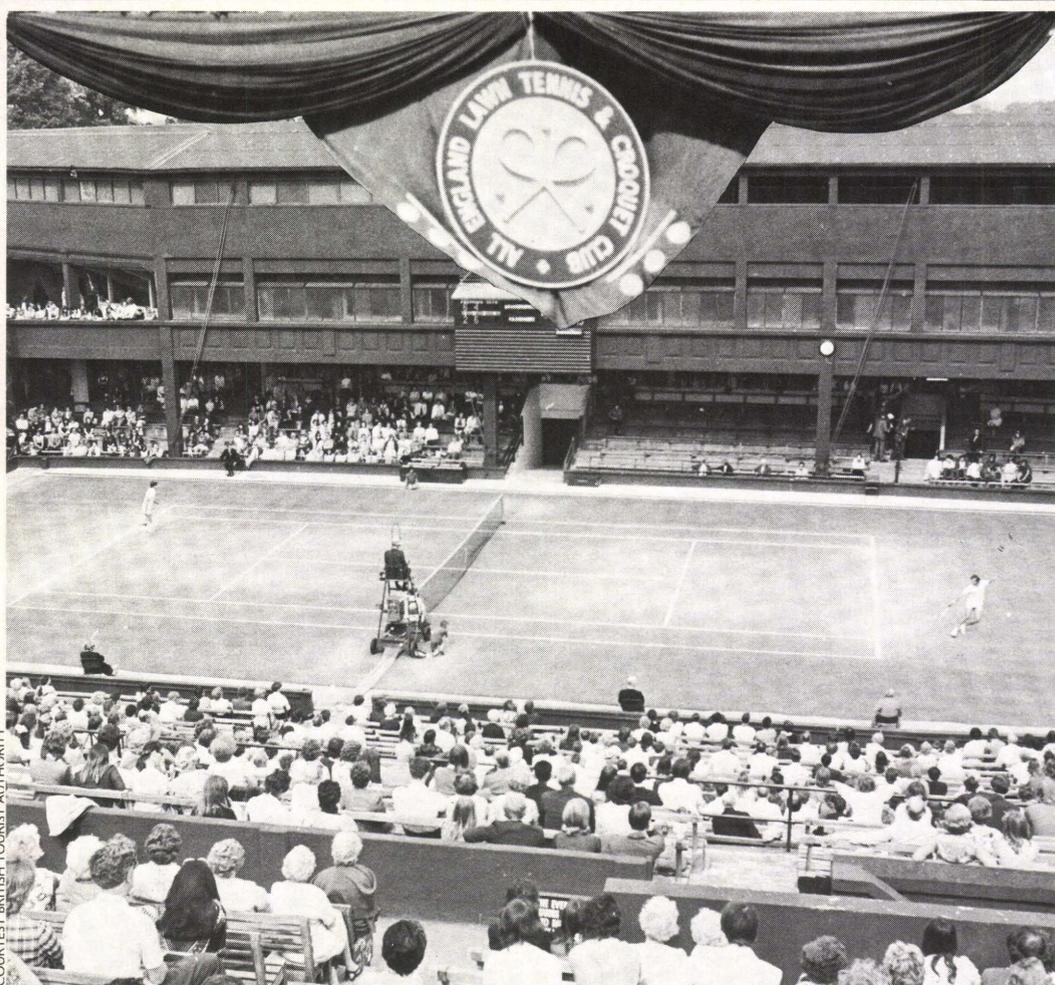
COURTESY GREEK NATIONAL TOURIST OFFICE

LONDON

Anyone for Tennis?

Huddled under an umbrella as the rain beat down on Centre Court, I reflected that, while life may be transient, certain things do take on a permanence in our lifetime. The Wimbledon lawn tennis championship is one of them.

This quintessential of summer sports is nowadays usually played on artificial hard surfaces or on clay. In Britain,



Tradition and top-notch players draw increasing crowds to the annual Wimbledon lawn tennis championship.

however, it remains—at the top level at least—the game of *lawn* tennis, which is played on grass, a surface requiring careful tending and an amplitude of rain if it is to remain playable throughout the long, lazy months of summer.

But there are other elements that have helped the Wimbledon championship retain its special character among the top-flight, Grand Slam meetings, which also include the U.S., French, and Australian Opens. Two of these are the traditional Wimbledon dish of strawberries and cream, and the inevitability that, for at least part of the two-week tournament, spectators will consume the fruit under a canopy while anxiously eyeing the sky to divine when the rain will cease and play recommence.

This year, it might have been more appropriate to serve sauerkraut and beer, as the championship was domi-

nated by the West Germans Boris Becker, who won the men's title, and Steffie Graf, who retained her women's title. The joint victory provoked the headline "Double Deutsch" in the racy tabloid, *The Sun*.

However, the crowds are not attracted only by the grass, the food, or the sometimes snobbish English practices of which Boris Becker has complained. Rather, it is the presence of the world's finest players, who are there for one reason—the prize money, which totals close to \$5 million. The prizes are considerable: Even a first-round loser in the men's qualifying competition receives over \$700 for his trouble.

First played in 1877, when the men's singles final was watched by 200 people, Wimbledon today attracts 400,000 spectators. Thousands of disappointed fans are turned away each day of the two-week tour-

namment. During the first week, lines up to two miles long stretch away from the grounds, snaking along the winding sidewalks of this most middle-class of London suburbs.

Despite the genuine good humor of those waiting in line for many hours, the complaints grow each year that the hospitality suites for corporate entertainment, and the tickets that companies absorb and distribute to their business clients, take places away from those who really love the game. There is some truth in this, but the All England Club, which organizes the championship, argues that this revenue helps pay the bills. With the able assistance of Mark McCormack's International Management Group, the tournament generates over \$50 million a year.

Just over 440 matches are played on the club's 18 courts. Even if you are not among the

lucky few thousand who get to Centre Court, there are plenty of stars—of yesterday, today, and tomorrow—to watch on the outer courts. And when the rain comes, all but a few are equal as they scurry for cover, or sit under an umbrella contemplating the vagaries of English weather and praying for a break in the clouds.

Any suggestion that a retractable dome be placed over Centre Court to enable play to continue is greeted with looks of horror and the remark: "That just wouldn't be Wimbledon, would it?" I guess not, but I am taking a golf umbrella with me next year—if I can get tickets.—DAVID LENNON €

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U.S. GOVERNORS GET FIRST-HAND LOOK AT 1992

GERALD L. BALILES

At the invitation of the leadership of the European Communities, I led a delegation of nine U.S. Governors, representing nearly every region of the country, to Brussels from July 5-7.

The White Paper on the completion of the internal market, put together under the guidance of former Commissioner and Vice President Lord Cockfield in 1985, is now four years old, and the Single European Act came into force more than two years ago. Nevertheless, coverage of 1992 in the American press, and recognition of its importance throughout the country, has been slow in coming. This may be natural in a country

that, until recently, traded with itself more than with others, but "Europe 1992" now has our full attention. At the federal, state, and local levels of government, and throughout our business community, 1992 has become a major topic of discussion and debate.

In 1988, the National Governors' Association embarked upon an ambitious program to examine the role of the states in building a more competitive nation. A major component of that effort has been to find new markets abroad for our products.

Governors know that we no longer compete just with one another, but that we need to do so with countries, companies, and workers around the world. In 1987, for example, U.S. governors made 43 trips to 87 countries. (In this context, one could paraphrase a former President, who said that governors were prepared to go almost anywhere to promote almost any product in pursuit of almost any market!)

Most E.C. nations have been visited by a governor looking for new markets. As governor of Virginia, a state in which exports accounted for 25 percent of our economic growth last year, I have visited Belgium, Great Britain, Denmark, West Germany, and Italy.

The invitation from Sir Roy Denman, former Head of the E.C. Delegation in Washington, to visit Brussels offered the governors of several states the opportunity to familiarize themselves with two important E.C. institutions, the Commission and the European Parliament. Over a few days, we met with key E.C. officials and Members of the European Parlia-

THE ROLE OF THE FEDERAL STATES IS VITAL TO FORMING CLOSER TRADE AND POLITICAL TIES WITH A MORE COMPETITIVE EUROPE.

During their whirlwind tour of the European institutions, nine U.S. governors met with E.C. Vice President Frans Andriessen and Commission President Jacques Delors to discuss all aspects of the U.S.-E.C. relationship.



ment.

At a different European level, we met with Manfred Wörner, Secretary-General of the North Atlantic Treaty Organization (NATO), and with John Kornblum, Acting U.S. Permanent Representative to NATO. The intention of this meeting was to get a clear picture of the overall U.S.-Europe relationship, and of the military and political changes in the Soviet Union and Eastern Europe, which will alter our bilateral relationship in ways we cannot predict. For, as we fashion our economic relationship, changes in NATO must be taken into account.

The Governors met both E.C. Commission President Jacques Delors and Vice President Frans Andriessen, and spent an afternoon with several E.C. directors-general. The willingness of these top officials to speak frankly about the U.S.-E.C. relationship—from agriculture to telecommunications, and from banking to energy—assured us that the single market offers many opportunities to the United States.

We thought it imperative to also get the business perspective, and therefore scheduled visits with Thomas Niles, U.S. Ambassador to the Community, with representatives of the U.S. and European business communities, and with our state office directors in Europe.

The United States is fortunate to have Thomas Niles as its Ambassador to the Community. We found Ambassador Niles, U.S. Ambassador to Canada during the U.S.-Canadian Free Trade Agreement negotiations, fully aware of the historic nature of 1992 and the possibilities it represents. Although his approach to 1992 is positive, he will of course work hard to protect American interests.

The Governors met with the representatives of several U.S. companies in Europe. By and large, these represented companies that have been operating in Europe for a long time and are therefore realistic about both the opportunities and the pitfalls of the single market. Most were also large companies that have looked at the European continent as a single market since before the 1992 program began. While no free lunch, they realize that 1992 offers them potential benefits on a large scale and in many sectors.

The fate of smaller companies, however, is a concern to many governors. On the one hand, 1992 represents a potential boon for them in terms of the standardization of requirements and regulations. On the other, companies that wait until January 1, 1993, to react to the changes in the European market will have waited too long. The fact that some smaller Ameri-

can firms are not preparing adequately for the internal market even now is one of the most difficult problems facing export-minded governors who work with firms in their respective states.

The Governors met with 15 representatives of U.S. states in Europe on the last day of their visit. Thirty-one states have offices in Europe, which are responsible for finding markets for our products and investments for our states. They represent the front lines in our search for foreign markets and investment, and act as our eyes and ears on 1992.

Finally, the Governors met with several members of the European Parlia-

ment. As political creatures, we were fascinated by the concept of a transnational legislative body, working with a transnational executive and court. The process by which directives are proposed, debated, approved, and implemented is one about which we are all eager to learn more.

In conclusion, I believe that there are several areas in which the American states and the European Community can form a close working relationship. Governors can provide an important link in that relationship. €

Gerald L. Baliles is Governor of Virginia and former Chairman of the National Governors' Association.

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Impact of the Single Market on Industrial Production Biggest Winners: Big Four Combined

	Differences Across Countries				Country where impact is the strongest
	West Germany	France	U.K.	Italy	
Communication Services	●	●	○	○	France
Wooden Products & Furniture	●	●	●	●	France
Office & EDP	●	●	●	●	France
Non-Ferrous Metals	●	●	●	●	France
Maritime & Transport Services	●	●	●	●	U.K.

● = Big Winner relative to all industry/country combinations
● = Average Winner relative to all industry/country combinations
○ = Unaffected Player relative to all industry/country combinations
○ = Loser

The sectors for the *biggest winners* includes those for which industrial production for the Big Four combined rises by more than 2% by 1995 as a result of "1992." The figure is an "average" over the four countries, and few are the sectors which register an increase simultaneously in each country.

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THE UNITED STATES LOOKS AT 1992

Nineteen ninety-two is important for everyone in the United States, from the large U.S. multinational corporation with a European subsidiary to the relatively small U.S. manufacturer who may someday seek to export to Europe. Nineteen ninety-two is also important to the person on the street because the single market effort will change Europe, and that will affect the United States. We in the American Government believe that the single market, if successful—and by that I mean open—will be good for the United States. But the U.S. Government is not just *hoping* that the single market will be open—we are working hard to do everything within our power to ensure that it *will* be so.

That many countries have recognized the benefits of economic integration has been demonstrated by the recent U.S.-Canadian Free Trade Agreement, the closer economic relations being pursued by Australia and New Zealand, the Association of Southeast Asian Nations' (ASEAN) attempt to create a common market, and the existence of the European Free Trade Association (EFTA). However, the champion of economic integration is the European Community, which, since its founding in 1957, has expanded from 6 to 12 members.

The desire of nations to join the E.C. is evidence of the benefits of integration. Between 1959 and 1969, when E.C. tariffs were eliminated, intra-E.C. trade rose by 347 percent as compared to trade in the rest of the world, which rose only 130 percent. In 1987, one year after Spain and Portugal joined the E.C., their trade with E.C. members rose over 40 percent. For Ireland, E.C. membership has meant agricultural assistance from the Common Agricultural Policy, and regional assistance amounting to as much as 5 percent of its gross national product. Finally, Britain saw its trade with E.C. member states increase by 26 percent a year for the first 10 years after its entry in 1974.

The United States has always supported the economic integration of Europe. Such integration promotes political and social cohesion, and a united—and strong—Europe is a cornerstone of U.S. foreign policy.

For a number of years, we talked about "Eurosclerosis"—a hardening of the economic arteries in the 1970s and 1980s that seemed to indicate that the E.C. nations were entering their twilight years. Indeed, there is a strong case that the E.C. nations have become burdened with too much regulation and have paid too little attention to the importance of

dynamics and change. Economic statistics for that period illustrate a discouraging loss of momentum in Europe, with real gross domestic product growth slowing from a brisk 5 percent in the 1960s to a tortoiselike 1.2 percent in the first half of this decade, and unemployment jumping from an average of 2 percent to 12 percent.

Clearly, some of the factors contributing to Eurosclerosis were barriers to trade, delays, distortions, technical costs, and duplication of effort. The cost of custom formalities alone, for example, is reckoned to be nearly 2 percent of all intra-E.C. trade. Technical barriers, such as different automobile standards, requiring manufacturers to produce multiple variations on the same model for the various member states, are very costly to European business.

The desire of the E.C. nations to become more competitive is motivating 1992. Some have suggested that the only thing worse than the failure of 1992 would be its success, and that, if 1992 is successful, we will be facing a much stronger economic competitor. This reasoning is wrong. Trade and growth are not a zero-sum game. A more vibrant and productive E.C. is good for the entire world, including the less developed countries.

The promise of 1992 will only be fulfilled, however, if the E.C. becomes more open and outwardly oriented. This may not be so easy, as there are temptations pulling the other way. The first, for example, is the difficulty of reversing years of social restraints on economic activity. Rapid change affecting jobs and personal financial security will create pressures for exceptions, trade-offs, or protection. Another temptation is the desire on the part of some to use the 1992 exercise as leverage to open foreign markets or to keep out those whose markets are not perceived as open. Requiring trading partners to "pay or earn" their way into the E.C. market would be a very dangerous route to follow.

The U.S. Government has been watching the 1992 initiative especially closely in four areas. It is concerned about attempts to apply to foreign investors or exporters the notion of reciprocity, or equivalent access, which would move away from the principle of national treatment. In the Second Banking Directive, for example, the E.C. Commission initially called for reciprocity as a standard for foreign entry. Because of domestic restrictions in the United States on interstate banking and on banks underwriting securities, a strict interpretation of reciprocity could keep U.S. banks out of Eu-

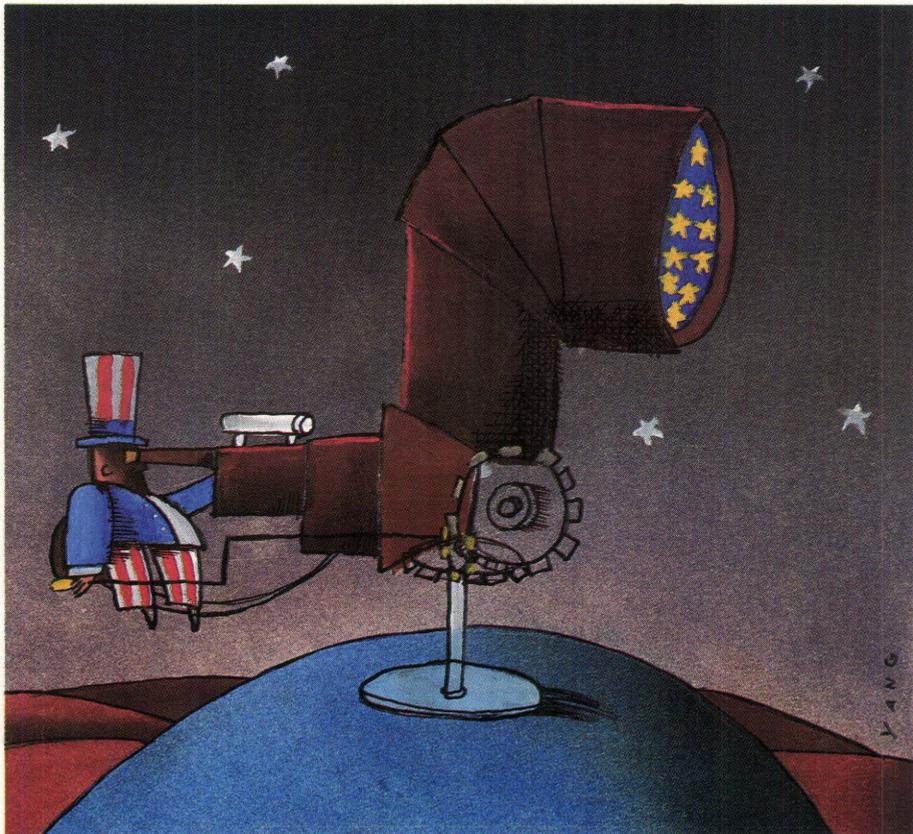
rope. Thanks in part to the American Administration's rapid and forceful reaction to this idea, the E.C. Commission has revised the directive to define reciprocity as national treatment plus effective market access.

A second issue of concern to the United States is recent E.C. action on rules of origin, which are used to define the nationality of a product in dumping cases. Restrictive rules of origin have the potential to harm U.S. export interests, divert trade from third countries to the E.C. market, or induce investment in the E.C. on non-commercial grounds.

Third, the United States is wary of the

bodies might not get equal access to an E.C.-wide testing and certification system. The United States wants the opportunity to comment on these procedures before they are implemented.

Our best insurance will be the successful completion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). It is particularly important that the GATT be extended to cover areas such as services, investment, and intellectual property. A new GATT agreement would eliminate any perceived need for reciprocity and, to the extent that the E.C. wants to use 1992 to open foreign markets, it should work through, and be



A TOP
GOVERNMENT
OFFICIAL
EXPLAINS
THE VIEW
FROM
WASHINGTON.

ILLUSTRATION BY JAMES YANG

system of quotas or local content requirements. Many E.C. countries have national trade barriers, for example, quotas on automobile imports. The British-built Nissan Bluebird automobile apparently will be allowed to enter France unhindered by the French quota on Japanese cars. But how will the Honda plant in Marysville, Ohio, which may be interested in exporting cars to Europe, be treated?

Finally, one of the most critical elements of 1992 will be the standards, certification, and testing process. Community-wide standards potentially could bar differing U.S. technologies, a lack of transparency could prevent effective U.S. input or shorten lead time for necessary design changes before new rules go into effect, and U.S. producers and testing

consistent with, the GATT. The GATT process also affords us an opportunity to clarify and improve rules of origin and standards.

Nineteen ninety-two will be a difficult undertaking for the Community. It has made a good start, but many difficult and critical issues remain. The E.C. Council of Ministers has approved over 100 of the nearly 300 directives, but others have not yet been addressed. These include the harmonization of value-added taxes, a single currency and a common central bank, and the free movement of labor. It will be fascinating to watch as the debate on these issues unfolds. €

Eugene McAllister is the Assistant Secretary of State for the Bureau of Economic and Business Affairs.

Environmental Needs Challenge The Global Marketplace

As Congress and the White House search for new initiatives to control acid rain and to combat other ever worsening environmental threats, a strategy already used selectively in Europe is gaining acceptance among U.S. policymakers. That strategy is the use of market forces—for example, bottle deposits and effluent charges—to shape everyday government, business, and consumer decisions in ways that deter pollution.

The free market's "invisible hand," which Adam Smith saw as guiding cost-effective uses of resources, is said to have a green thumb that U.S. policymakers long ignored. As the challenges to the environment escalate, market-based approaches are increasingly seen in Washington as the planet's salvation, with some European experiences cited as the models to follow.

Economic incentives and disincentives should be used to tap entrepreneurship, to stimulate technological advances, and to encourage cost-effective solutions—freeing market forces—to protect land, water, sea, and air. Efforts to reduce pollution—by improving energy efficiency, for example—make good business sense because they reduce production input costs.

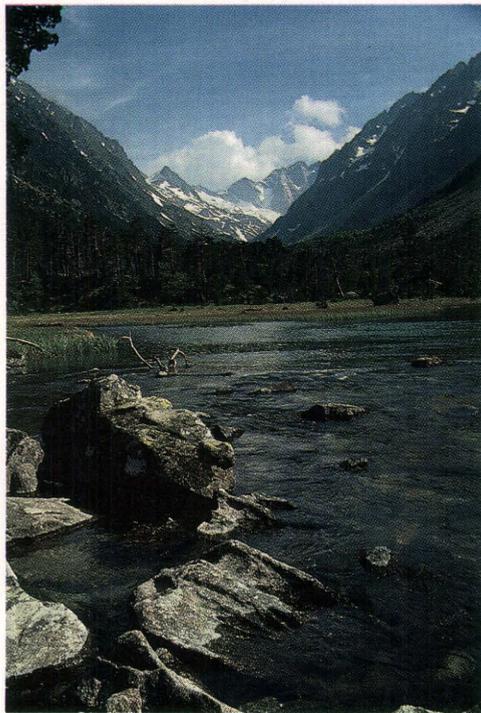
The flexibility this approach affords in choosing abatement equipment and strategies can be an incentive to achieve deeper reductions in pollutants than required. These methods differ from the traditional regulatory approach relied upon by the United States since Earth Day in 1970: Uniform standards are imposed to cover specific kinds of pollution, while penalties are used to compel compliance. Such "command-and-control" policies often pitted economic considerations against environmental safeguards.

"It is unlikely that either the U.S. federal government or the U.S. economy as

European Efforts to Reduce Industrial Pollution Are Valuable Lessons for the United States.

JAMES DAVID SPELLMAN

To preserve the environment from ever greater industrial pollution, European governments have introduced policies whereby industry has to pay to pollute. Below: Lac de Gaube in the Pyrenees, France.



a whole will be able to afford higher environmental standards unless we seek out means to get the most protection possible for every dollar," says Robert N. Stavins, an assistant professor of public policy at the John F. Kennedy School of Government at Harvard University. "The conventional approach of setting uniform standards or requiring specific control technologies is an increasingly difficult and expensive way to achieve environmental improvements. Market forces can supplement the regulatory power of government and create a setting for private-sector innovation and initiative in the pursuit of environmental quality."

Some critics argue that polluters would be given too much leeway if market approaches were implemented. Others suggest that the real benefits and costs of pollution abatement are less direct than what is needed for effectiveness. This is precisely why pollution occurred with the Industrial Revolution; manufacturers experienced no profit loss when polluting. If market forces are benevolent to the environment, skeptics ask, then why are companies not already adopting pollution-fighting measures? Also, although it is unclear whether the bureaucratic requirements of a market-based approach would be any greater than those needed for conventional approaches, some critics fear the proliferation of regulatory bureaucracies (and their accompanying practical problems).

There are four categories of market-based policies:

- charges;
- deposit-refund schemes;
- creation of markets;
- subsidies.

The policies can be targeted at the source (for example, household or firm), the way in which pollution occurs (such as water or air), or the specific type of pollution

(for example, carbon monoxide). A recent report by an environment committee for the Organization of Economic Cooperation and Development (OECD) sheds light on how European countries have used these policies.

CHARGES

A "price" is paid for polluting. This disincentive may also generate funds to subsidize research and cover treatment costs. Charges are imposed on effluent into the water or air, and on products that pollute during manufacture or consumption. Another possibility is to charge a fee for the registration of chemicals or polluters. Tax incentives can also be used to encourage "environmentally friendly" packages.

France is the only E.C. country that has a charge on air pollution emissions. Imposed in 1985, and slated for expiration in 1990, this levy is on utility discharges that annually exceed 2,600 tons of sulfur oxides or nitrogen oxides (the chemical components of acid rain). France also has one of the oldest regimens of water pollution charges on firms, households, and municipalities, but the fees are viewed as being too low to be much of a disincentive. An effective administrative structure and strong regulations are what really make this program work.

The Netherlands has one of the most effective programs. Small firms and households pay a standard rate for discharges, while large companies are assessed according to the actual volume of toxic, heavy metal, and other waste they generate. Effluent from the 14 industries responsible for 90 percent of total water pollution in the country decreased by 50 percent between 1969 and 1975, 20 percent more by 1980, and another 10 percent by 1986.

To comply with a 1975 E.C. directive to curb waste-oil pollution, member countries have adopted charges. The \$6.60-per-ton charge in France has resulted in the collection of 70 percent of spent motor oil, generating \$4.4 million in revenue each year. West Germany's charge (\$105.6 per ton) has reduced disposal to less than 5,000 tons and produced \$69.3 million in annual income.

DEPOSIT-REFUND SCHEMES

Surcharges are paid when potentially polluting products are bought. When consumers return the product for special disposal or recycling, their deposit is refunded. Such strategies can reduce trash volume, lower energy consumption, and conserve raw materials.

Most E.C. members have effective deposit-refund schemes for beer and soft drink containers, resulting in bottle re-

turns as high as 90 percent. The surcharges are generally higher than the costs to dispose of this waste and are imposed in an administratively practical way. Yet the amount of the deposits is seldom onerous. When new materials for beverage containers have been introduced, some E.C. countries have expanded their deposit-refund systems. The Netherlands, for example, imposed deposits on polyester bottles when soft drink companies began using these more extensively than glass bottles.

European countries are now considering such schemes for batteries, tires, and car bodies as well. Denmark's deposit-

refund plan for batteries with high levels of mercury and cadmium is to be implemented this year, the goal being a 95-percent return. Norway's system for passenger cars and vans is being studied by other countries because it has been successful in returning between 90 percent and 99 percent of the motor vehicles, and generating yearly revenues of about \$15 million.

CREATION OF MARKETS

Markets are created to buy permits allowing a certain level of pollution and goals are set to reduce pollution. Ways of achieving these goals are left to industry. If a company reduces its pollution further

COMMISSION PROPOSES EUROPEAN ENVIRONMENT AGENCY



*All-European
Body to Monitor
Pollution Levels
and Liaise with
International
Organizations.*

In June, the E.C. Commission proposed the creation of a European Environment Agency. Its main objective would be to assist the Community, its member states, and interested non-E.C. countries to improve methods of environmental protection.

Introduced by Carlo Ripa di Meana, the E.C. Commissioner in charge of the environment, the program's purpose "is to provide the Commission and the Community with the scientific and technical means to assess, monitor, and forecast the various factors that make up the ecosystem." Its activities would therefore include the collection of data, the scientific assessment of environmental damage, and risk forecasting.

The proposed agency would be the center of a network providing objective information necessary to formulate and implement effective environmental policies. It would also provide technical, scientific, and economic information for Commission assessment of the implementation and results of environmental action and legislation. The agency would develop environmental modeling and forecasting techniques for appropriate preventive action. Atmospheric emissions, water quality, pollutants, the state of soil and vegetation, and land cover and use will be particularly important in determining the quality and sensitivity of the environment and the pressures on it.

The Commission emphasized that the agency and its network must be flexible, decentralized, and able to cooperate with other related organizations. It should cooperate with national and regional institutes, and should coordinate its activities with the E.C.'s environment and climatology research programs. The agency should also establish close ties with other organizations involved in environmental research (such as the European Space Agency and the Organization for Economic Cooperation and Development), and make its output compatible with international monitoring networks, such as Earthwatch, the United Nations Environment Program, and the World Conservation Monitoring Center.

The proposal comes at a time when global interest in the environment is increasing. At the Community level, for example, the Single European Act reinforced the basis for E.C. action in the environmental field, and the European Council also placed environmental issues high on its agenda at its December 1988 Rhodes summit with its Declaration on the Environment. In January 1989, E.C. Commission President Jacques Delors launched the idea of a European environmental measurement and verification network during a speech to the European Parliament.

than the ceiling of its permit, the company can sell the leftover "credits" to others and thereby underwrite its compliance costs.

"Assuming that the environmental effects of trading are neutral to positive, lower pollution abatement costs indicate that emissions trading is a more effective instrument of environmental policy than direct regulations," the OECD study found. West Germany's plan for reducing air pollution, for example, is said to spur technological innovation.

SUBSIDIES

Grants and loans with favorable terms and tax allowances are some of the subsidies used to cover the costs of complying with environmental safeguards. This financing allows firms to experiment with technologies.

Given the tight national budgets of European countries, subsidies are not structured to underwrite the costs; instead, they are developed to promote innovation and technology transfers into the marketplace. In Germany, "soft" loans are used most frequently. The Netherlands provides aid to promote compliance with water and airport noise pollution standards. Italy, on the other hand, does not have direct environmental financial assistance schemes.

★ ★ ★

Europe's experience yields four reasons for adopting the market approach in the United States. First, economic slowdowns and foreign trade competition have made cost-effectiveness a higher priority. Second, the effectiveness of existing regulatory approaches has been exhausted in many cases: "Compliance with increasingly stringent environmental standards is likely to result much more easily from internalizing environmental concerns in the behavior of private decision-makers than from additional direct regulation," the OECD report states. Third, there is a higher likelihood of compliance. Finally, these approaches have made money.

There are other lessons, according to John J. Boland, professor of geography and environmental engineering at Johns Hopkins University in Baltimore, Maryland. "Experiences in Europe do not invalidate conventional regulatory approaches, but rather suggest that economic instruments are a very good adjunct. Market-based policies used in those E.C. countries with no effective regulation, such as Italy, clearly failed. The point is that there are no good economic incentives to do something that you do not have to do anyway. But in

countries with good conventional regulations and a conducive political environment—France, West Germany, and the Netherlands—market approaches seem to be very useful and have been fairly effective in promoting innovation. They have sometimes resulted in a net reduction of pollution above and beyond what is obtained through traditional methods."

Distilling from Europe's experience, the following components are viewed as determining the success of market-based approaches:

- a regulatory backbone that sets pollution goals and monitors enforcement agencies;
- clearly targeted incentives and disincentives whose impact is economically felt by the polluter;
- administrative efficiency and practicality;
- flexibility to reflect changes in environmental goals.

The receptiveness of U.S. policymakers to this approach is illustrated by a study sponsored last year by Senators Timothy E. Wirth (D-Colo.) and John Heinz (R-Penn.). Called "Project 88," the report calls upon President Bush to meet the challenge of environmental degradation with market forces. "Public demand for a quality environment is strong and deep," the report states. "Yet it is unlikely that either the federal government, or our economy as a whole, will be able to afford high environment standards unless we seek out those means that get us the most protection possible for every dollar. The forces of the market, in which reduced costs are a plus on the bottom line, can help us do this. At the same time, market forces can supplement the regulatory power of the government and create a setting for private-sector innovation and initiative in the pursuit of environmental quality."

The Wirth-Heinz report makes 36 recommendations to address the greenhouse effect, the depletion of stratospheric ozone, carbon monoxide and smog pollution, acid rain, public lands management, and water pollution. The proposals range from eliminating subsidies for environmentally destructive timber sales to establishing auctions of tradable pollution permits to control acid rain.

The adoption of market-based approaches in the United States would mark a profound change in America's environmental policies, in the shaping of which Europe's experience will have played a role. €

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**It will appear in the Business Day section of The New York Times
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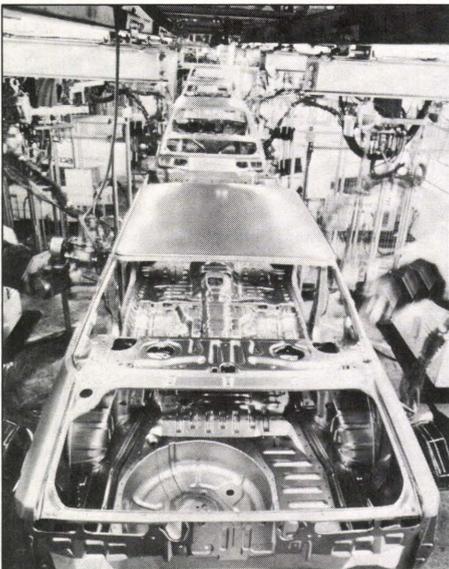
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The New York Times

WORKING TOWARD

THE E.C. AND JAPAN
COMPETE AND
COLLABORATE
IN INTERNATIONAL
TRADE.

BARBARA FLIESS



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E.C. Trade with Japan (in billion dollars)

	Exports	Imports	Trade Balance
1984	7.4	20.3	-12.9
1985	8.0	21.8	-13.8
1986	11.2	32.7	-21.5
1987	15.5	39.5	-24.0
1988	20.0	48.4	-28.4

Source: Eurostat

Some E.C. member states are courting Japanese investment in manufacturing, especially involving technology transfer and managerial know-how. Above: An automobile plant in Hiroshima. Right: Shinto Gates in Kyoto.

Whether the change has been caused by the most optimistic growth forecasts for Europe this decade, the impetus of 1992, or the continuing U.S.-Japanese trade debacle, E.C.-Japanese economic relations are changing for the better.

Both sides are still keeping their guard up, however. From the E.C.'s perspective, much depends on Japan's sustained efforts to cut its large global and bilateral trade surpluses. In contrast to the United States, whose trade position has improved vis-à-vis both the E.C. and Japan, the Community's \$28-billion deficit with Japan is expected to widen again this year, despite an increase in E.C. exports to Japan.

The E.C.'s perception of a Japanese bias against imports keeps market-opening talks high on the Community's agenda. This is true for both the goods and the services sectors, where Japanese inroads in the E.C.'s profitable banking and insurance businesses have reinforced demands that Japan open its highly regulated markets to European financial services. Moreover, since Japanese investment activities in Europe alone outweigh total foreign investment in Japan, pressure is mounting for Japan to deal with a widening "investment gap."

The E.C. realizes that the greatest prospects for reversing the trade imbalance lie in comprehensive structural reforms of the Japanese economy that de-emphasize savings and stress domestic demand. However, the slow progress of negotiations in these areas has prompted the E.C. to serve notice that it will grant no more trade concessions in the General Agreement on Tariffs and Trade (GATT) Uruguay Round without a "fundamental change in Japan's propensity to import manufactured and processed agricultural products." The E.C. will also demand national treatment for Community industries operating abroad in areas where foreign firms can expect to benefit from the single market, such as financial services.

Japan's main concern is its access to the E.C.'s larger and more dynamic market. Under pressure from Tokyo and the E.C. Commission, E.C. members are starting to lift the multitude of national

CLOSER TIES

quantitative restrictions maintained on Japanese imports. The biggest test of European goodwill will come, however, when E.C. members replace national automobile import policies with a common external trade regulation. Tokyo fears that certain E.C. countries, notably France and Italy, will push through a more protectionist arrangement than those already in effect. In an effort to avoid this, Japan and the Community are discussing a deal involving an E.C. commitment to phase out existing national quotas on Japanese car imports in return for a Japanese commitment to restrain its automobile exports for a transition period.

Since the early 1980s, the Community has shifted from the wide use of discriminatory import barriers to a more vigorous wielding of the E.C.'s fair-trade instruments. Imports from Japan, especially electronics products, have been the target of an increasing number of E.C. anti-dumping actions. Concerned that foreign suppliers might circumvent anti-dumping duties by stepping up production in the E.C., Brussels has also extended penalties to so-called "screwdriver plants" that assemble these goods in the E.C. from predominantly imported parts. Japan, which relies heavily on non-local sourcing for its European operations, is

questioning the legality of this move. Bilateral consultations have thus far failed to resolve the matter, and the E.C. has agreed to let the GATT investigate the issue.

The dispute highlights an area of E.C. activity in which common international rules are absent and controversy abounds: the harmonization of "rules of local content" aimed at distinguishing European-made products from foreign products. Japanese companies have already raised the local content levels of their goods produced in the E.C. They are also diversifying into joint ventures and takeovers in order to pre-empt protected European industries' efforts to exploit nationalistic sentiments, such as Fiat's recent attempt to demonstrate that a British-made Bluebird had less European content than Nissan claimed. Too stringent E.C. regulations, however, could strain trade relations and hurt European firms depending on foreign supplies.

The local content issue is becoming more prominent as a strong yen, abundant capital resources, and the desire to avoid actual or feared protectionist barriers motivate Japanese companies to establish themselves in the Community. This change in the global investment pattern bodes well for a Europe that, until recently, had to worry about luring inves-

tors away from the U.S. market. E.C. members' successful adjustment to a market without internal barriers and to overall economic growth hinges on increased capital spending. Japan now has a unique opportunity to add to the pool of available capital and to use its financial muscle to prevent protectionist measures.

While Japanese direct investment in the E.C. remains but a small fraction of the well-established multi-billion-dollar foothold American multinationals enjoy, it is coming under close scrutiny. Unlike in the United States, where an unprecedented Japanese acquisition frenzy has fueled calls for outright restrictive measures, the view in Europe is that foreign investment can and should be managed in ways that make a positive contribution to the local economies.

At a time when the E.C. is once again creating new jobs but unemployment remains a politically sensitive issue, individual E.C. countries are courting, not shunning, the Japanese, albeit with varying levels of intensity and success. The E.C. would like to see more Japanese investment in manufacturing industries, as opposed to services, for example. Moreover, the European feeling is that capital alone is not sufficient, and that Japanese investment should involve a transfer of new technologies, managerial know-how, and labor skills that will help make European business more competitive.

Technology cooperation remains the weakest and most ambivalent dimension in the bilateral relationship. Since the beginning of the internal market project in 1985, the E.C.'s technology policy has moved into higher gear. The economies of scale offered by 1992, and the E.C.'s conscious effort to boost industry-government R&D programs, such as the MEGA and JESSI microchips projects, will broaden Europe's high-technology capability. Determined to keep up with the next generation of technological advances, for example, Europe is competing fiercely with Japan in a race to secure future markets and define world-wide standards for high-definition television.

The E.C. also aims to lessen its dependence on imports for information technologies crucial for all kinds of economic activity. As the clash over the 1986 U.S.-Japanese semiconductor agreement shows, Europe's information industries are vulnerable to the market power politics of their major foreign rivals. **Continued on page 47.**

Barbara Fliess is a freelance writer based in Washington, D.C.

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THE EUROPEAN WAR — AGAINST — DRUGS

WHILE EUROPE HAS ALWAYS BEEN A SINGLE MARKET FOR DRUG TRAFFICKERS, 1992 MAY HELP END THIS ESCALATING PROBLEM.

RICHARD LORANT

At first glance, 1989 has been a good year for Miguel Solans, Spain's drug czar. A year after a string of record seizures brought the country unwanted attention as the main gateway into Europe for cocaine and hashish, drug hauls by Spanish police have dropped off considerably.

But Solans, while relieved to be off the international hot seat, warns against complacency. "Cocaine seizures in Spain are down this year, but they're up in Europe. As soon as we shut down one trafficking route, another one opens up," he says. "We can no longer talk about national drug policies. We need to implement a European one."

More than three years before the Community's internal market program is to eliminate barriers to the movement of goods, capital, services, and people within the E.C., member countries are scrambling to coordinate their fight against drug traffickers who already see Europe as a single market.

Drug-abuse patterns are by no means homogeneous. Heroin addicts are more numerous in southern countries like Spain and Italy, which have yet to recognize the type of prescription drug abuse now being confronted in Great Britain, the Netherlands, and West Germany. This year, Spanish and Italian police have reported a 50-percent increase in the number of heroin-related deaths, as the drug begins to take its toll among junkies who got hooked in the early 1980s when heroin abuse skyrocketed.

Use of crack cocaine, still sporadic, has been limited mainly to big cities in Britain. But a top British drug official says crack busts have doubled since the beginning of the year. "We fear the American experience with crack will be with us before too long," says the official, who by custom is not identified. Despite regional differences, the market as a whole is expanding, largely due to the widespread increase in the use of cocaine, which retains its glamorous image across the

E.C. as the champagne of drugs.

Interpol figures indicate this year's rise in cocaine seizures will be more modest than last year, when police in E.C. countries reported a 350-percent increase over 1987. Drug enforcement experts say heroin use is reaching its peak, while cannabis use has stabilized. They add, however, that seizures are an unreliable indicator of the amount of drugs actually entering the Community. Organized crime tends to be so tight-lipped about its business that authorities never really know how much heroin and cocaine are shipped to a country's ports, for example.

Like Italy, where organized crime controls much of the drug flow, other countries have their own drug networks. British authorities speak of Jamaican traffickers funneling cocaine to the isles through the United States, while some Nigerians and other West Africans have opened a heroin route.

A recent series of articles in *Le Monde* confirms that the "French Connection" is alive and well. Latin Americans have converted their relatively easy access to Spain into the base for an efficient cocaine network. Meanwhile, Spain's physical proximity to Morocco ensures it will remain a key entry point for hashish. Rotterdam, the E.C.'s busiest port, is a favorite transshipment point because of the massive number of containers stored there. There is also a Turkish heroin connection into Germany.

Against this troubling mosaic, authorities have arrayed a complex network of bilateral and multinational agreements and have organized a number of conferences.

According to the Council of Europe's anti-drug task force, known as the Pompidou Group, cocaine and intravenous drug use are a massive health threat across the Community. At a May meeting in London, the Pompidou Group formally recognized the need for an E.C. convention that would enable judges in any member country to confiscate the assets of suspected traffickers, even if they had committed no crime in that particular country.

During Spain's six-month E.C. presidency, which ended June 1, the E.C. Council passed resolutions to establish a Community-wide data bank on drug abuse, harmonize anti-AIDS policy, and institute single standards for urine tests. E.C. member nations also agreed to sign the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. This convention calls for the extradition of accused drug traffickers, the free flow of police intelligence between signatory countries, and the modification of national bank secrecy

laws to eliminate laundering of drug money. All E.C. countries but Luxembourg, Portugal, and the Republic of Ireland have complied so far.

E.C. member countries have also pursued agreements on a smaller scale. Britain, for example, is negotiating bilateral treaties with the Netherlands and France that include provisions to confiscate assets of alleged traffickers. It has already signed six such treaties, the most recent with Spain during the last E.C. summit in Madrid. British officials believe that since it will take a year or two to iron out the E.C. agreement on confiscation of assets, bilateral treaties can fill in gaps left by multinational accords.

Meanwhile, drug authorities from Italy, Spain, and the United States have formed a permanent commission to exchange intelligence and coordinate policy. At the group's first meeting this spring, it agreed to organize a session with representatives of producer countries aimed at offering economic and technical help in curbing illegal crop production.

Earlier this year, the Trevi Group, made up of the E.C.'s justice and interior ministers, established a permanent commission aimed at broadening inter-Euro-

pean police cooperation, establishing a single intelligence network, and recommending legal changes to allow for pursuit across borders.

These agreements have increased the flow of information among European police forces. But sources in several E.C. countries say that cooperation must be stepped up much further if police are to cope with their biggest challenge, the eventual elimination of the E.C.'s internal border controls. "The biggest problem we face, not only in terms of drugs, but also in terms of basic security, is the disappearance of internal frontiers," says Spanish police inspector Felix Calderón, who heads the department's drug unit. "We have to attack traffickers' profits by eliminating money-laundering operations and tightening the external borders."

Some countries, including Spain, believe the only way to deal with an E.C.-wide drug network after 1992 is by broadening the jurisdiction of the corresponding authorities. "If in 1993 there is going to be free movement of people, why can't there be European judges, European police, and European tax investigators?" asks Solans. "These are issues that are just now being put on the table

and there are still great reservations on the part of several countries."

One of those countries is Britain, which remains adamantly opposed to the elimination of borders and fears E.C. measures that could infringe on national sovereignty. "We don't believe we're required under the Single European Act to take down the barriers that prevent terrorists, drug traffickers, and other criminals from entering," the British drug official says. "We fully support the objective of strengthening the external border. But the E.C. has some very extended borders and it's difficult to feel confident of the strength of that external border at present or in the foreseeable future." According to the official, the first steps in the battle against drugs are for E.C. countries to ensure that their anti-trafficking laws conform to tough standards and to create national drug authorities.

If the findings of the Pompidou Group are any indication, more European countries are beginning to make the link between health programs aimed at curbing addiction and the fight against traffickers. In Spain, Solans coordinates both treatment and police efforts, while France's anti-drug commission includes both the health and interior ministers.

The increased focus on demand has sparked a movement urging governments to rethink their widely varying possession laws. In Italy, where the Andreotti Government recently presented a bill to toughen possession laws, journalist Marco Taradash won a seat on the European Parliament after attracting more than 400,000 voters to his decriminalization platform. Earlier this summer, the Italian weekly *L'Espresso* published a front-page article including the pro-decriminalization views of 100 prominent Europeans and Americans.

While much has been made of the differences in drug possession laws around the E.C., some drug enforcement officials say harmonizing penalties for handling small quantities is neither realistic nor essential. "The important point in the area of harmonization of laws is tackling the trafficking end," the British official says. "If in one country a serious trafficking offense carries a maximum five-year sentence, that would be a serious weakness in European defenses because the traffickers would focus on that country."

E.C. members are sharing information and working together to stop drug trafficking in the Community. Pictured here: a drug haul in France.



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Richard Lorant reports from Madrid for *Associated Press*.

THE SOCIAL SIDE OF "EUROPE 1992"

A SOCIAL CHARTER
IS TO
GUARANTEE
WORKERS' RIGHTS
AS THE
ECONOMIC
CLIMATE
BECOMES MORE
COMPETITIVE.

If little doubt remains over the economic benefits that the completion of the E.C.'s single market in goods, capital, services, and persons will bring about at the end of 1992, there are many fears that, unless appropriate steps are taken now, these benefits will be felt only by business and will take place at the expense of the workers.

Early in 1989, the European Commission proposed a draft Charter of Basic Social Rights, which aims to rectify this imbalance by laying down and applying social ground rules as an integral part of the internal market.

One of the aims of this Charter would be to protect E.C. citizens against the temporary job losses that, due to the inevitable industrial and economic restructuring that will take place, are forecast for the early days of the internal market.

Moreover, once the E.C.'s barriers to free movement are down, the Charter would offer workers protection from social dumping, or company relocation to areas where social conditions, such as wages, are lower.

At a time when the E.C. is more than halfway through the completion of the internal market, work on a social Europe is only just beginning. And if the Strasbourg European Council, when it meets this December, adopts the Charter, as is hoped, one giant hurdle must still be cleared: British Prime Minister Margaret Thatcher's refusal to hand over power to the E.C. authorities on social and industrial matters.

The United Kingdom claims that the E.C. should not meddle in matters best handled at national or regional levels. Thatcher does not want to see businesses' operations constrained by a host of rules and regulations on social policy. In particular, she opposes a system of

JANET MCEVOY



The draft Social Charter proposes a long list of workers' rights, including social protection, a set work week, collective bargaining, and the right to form trade unions. This page: Hoechst chemical plant in West Germany.

collective bargaining in which the state plays a moderating role and defends the interests of those groups that are too weak to be heard.

When drafting its proposal, the E.C. was well aware that, if Britain was to cooperate in Strasbourg, it would have to take Thatcher's point of view into account from the start. Consequently, the draft Social Charter, presented on May 17, avoided giving the Charter a legally binding character.

The Commission will now ask the Strasbourg European Council to draw up an official list of basic social rights and then make a solemn non-binding declaration. At the same time, the Council is to

lished for workers not covered by labor contracts. In addition, the Charter would include the right to social protection for all workers, regardless of the size of their business, and there would be a provision for a minimum income for workers excluded from the labor market.

The freedom of association, the right to collective bargaining, and the freedom to strike and to form trade unions are also seen as fundamental to the development of the social dialogue. Other rights laid down in the draft Charter refer to vocational training, to equality of the sexes, to worker information and participation, to health and safety protection in the workplace, and to the protection of children

Rome, on which E.C. social policy has been based to date. This article stipulates that E.C. member states are willing to collaborate on social issues.

France attaches key importance to the adoption of the Charter at the end of its six-month presidency of the Council of Ministers. Belgium, Luxembourg, the Netherlands, Italy, and Spain want the Commission to start drafting proposals for implementing the Charter well before June 30, 1990, and some are anxious for proposals that have been blocked for several years to see the light of day.

Much remains to be done before the Strasbourg meeting. This month, a special working group will begin to define the details of the Charter. The Commission, for its part, must draw up a final draft. This will be a less rigid version of its original plan for a solemn declaration of fundamental social rights and a program for implementing them.

The failure to make progress on the Social Charter to date has frustrated the European Trade Union Confederation (ETUC), an umbrella organization for trade unions throughout the Community. "As soon as Mrs. Thatcher gets peevish, the other E.C. leaders shrink from taking any decision whatsoever," was its bitter reaction. The Union of Industrial and Employers' Confederations of Europe, however, has grave misgivings about the Social Charter, and hopes that it will not resurrect talks that have been stalled for many years on draft directives on worker participation in management, parental leave, and part-time work.

The dialogue between the unions and employers' organizations is seen by the E.C. as essential to framing a European social dimension. The ETUC is worried, however, that even a solemn declaration will not be an adequate legal basis upon which to prod the member states into implementing the rights laid down.

The ETUC is now warning that, unless the Social Charter is adopted, it will withdraw from the consensus upon which the Single European Act, which amended the Treaty of Rome, is based. It sees the Strasbourg Council as the last chance to reassure workers that they will get a fair deal from the single market. In that respect, the ETUC shares the attitude of French President François Mitterrand, who has said that "Europe will be social—or not at all." €

Janet McEvoy writes for *European Report* in Brussels.

THE PROPOSED SOCIAL CHARTER FOR EUROPE'S WORKERS IS AN ESSENTIAL COMPLEMENT TO THE BENEFITS THAT BUSINESS EXPECTS FROM 1992.

give the Commission a mandate to draw up an action program by June 30, 1990, that would then implement the Charter's different provisions.

This course of action may seem vague and general, and not to take into account the legal aspects under which the individual rights would be applied. However, this was a deliberate decision on the part of the Commission, which felt that once the political and moral commitment has been secured at the Strasbourg Council, it will be easier to push through the different directives, recommendations, and regulations called for by the Charter.

A long list of rights are to be included in the Social Charter. Among them is a commitment to improve living and working conditions, including the setting of a maximum work week for all workers, regardless of their contract or type of work. Another is the right to the free movement of workers, the harmonization of the right of residence in all member states, and the right to social protection under conditions equivalent to those existing in the worker's country of origin.

The third right laid down is that payment should be taken for granted for all types of work. The Commission has suggested that a reference wage be estab-

and young people with a minimum work age of 16. These rights are complemented by additional measures, such as helping young workers, guaranteeing a pension to the elderly, and finding work for handicapped people.

The Commission has stressed that the Charter must not endanger any of the social progress that has already been made in the Community. Germany, for example, has expressed concern that its high degree of social protection might be jeopardized if there was a harmonization toward the lowest standards in the Community.

Thatcher, on the other hand, has been unimpressed by the efforts to make the Social Charter more palatable to her. The United Kingdom did not put its voice to a draft resolution agreed to by 10 member states at a June 12 meeting of the E.C.'s Social Affairs Council, which called on the Madrid European Summit on June 24 to express some support for the Charter. And at that Council, Thatcher maintained her staunch opposition to the Charter, blocking any moves to issue a declaration or conclusions on it. In the end, the Summit could do no more in the social sphere than issue a very restricted interpretation of Article 118A of the Treaty of

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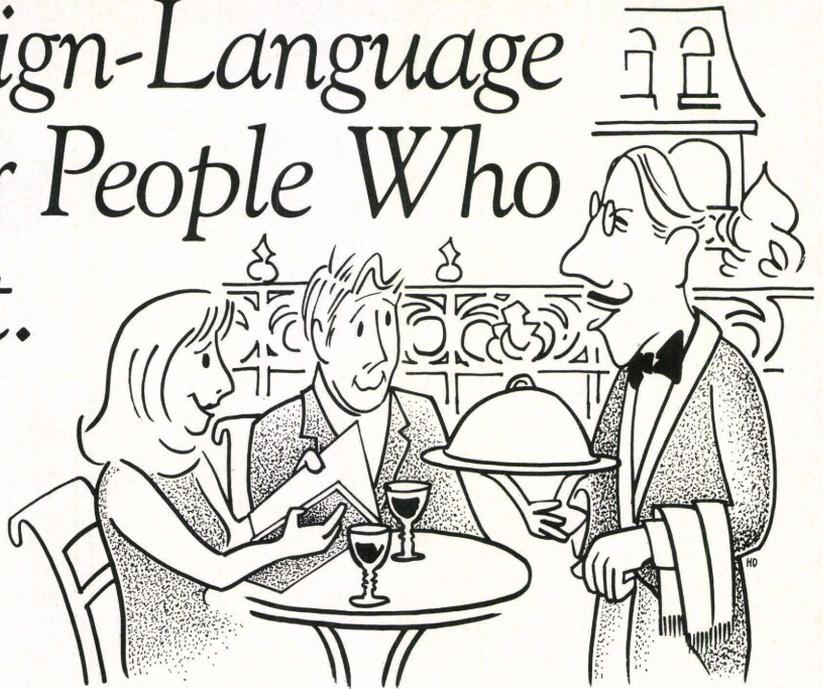
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ITS CIVIL, MILITARY, AND SPACE
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IN NEW TECHNOLOGIES.

JULIAN MOXON

Europe's commuter
aircraft
manufacturers have
been very successful
in the U.S. Fokker's
sale of 75 F100
aircraft to American
Airlines (right) tops
the list.

Some say that the arrival of the single market in 1992 will create a revolution in the way European countries do business. If that is true, it comes as no surprise to the European aerospace industry, which has already been busily knocking down trade barriers for the last two decades.

In civil, military, and space enterprises, cooperative deals have been at work between European aerospace manufacturers who share the common goal of meeting the economic and technological threats from East and West head-on. Some have operated better than others. A major example of success in this area has to be the four-nation Airbus Industrie consortium, which, in the last several years, has become a genuine thorn in the side of giant U.S. civil aircraft manufacturers Boeing and McDonnell Douglas. Ariespace, too, has become the envy of those U.S. launch companies that arrived late in the commercial satellite market that Ariespace now feeds.

Such multinational alliances are not without strain, but they have lasted and, indeed, are becoming stronger. Government backing is now beginning to give way to self-support, as nations with once proud aerospace industries of their own learn that cooperation is vital to survival.

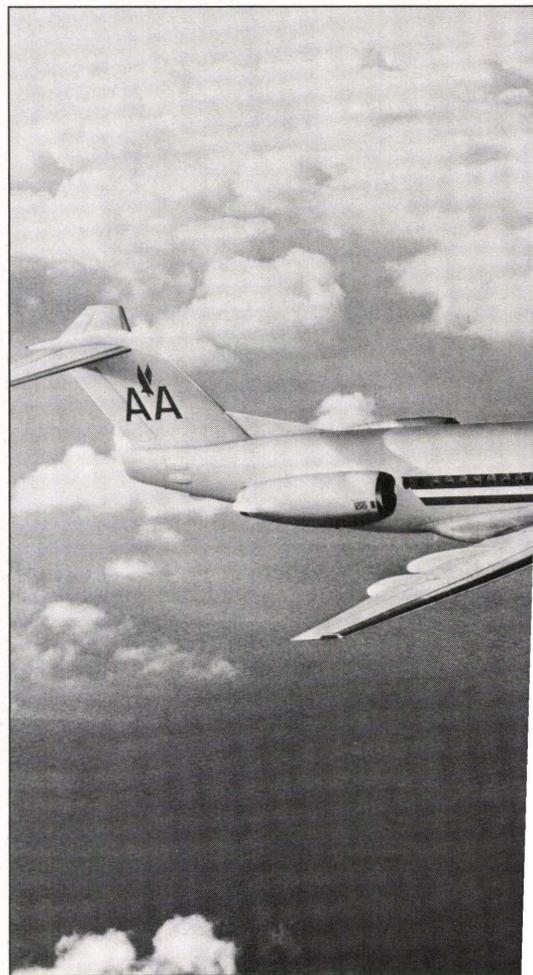
A recent study sponsored by the E.C. concluded that a unified European industry was essential to meeting technological challenges from the Pacific Rim and the United States. It is fortunate, therefore, that aerospace collaboration has got off to such a good start among Community members, especially since advanced technology gets most of its impetus from the aerospace industry. Better materials, advanced computer systems, and improved electronics all spawn from the development of new civil and military aircraft. In all of these areas, European

capability matches—and often exceeds—that of its competitors.



From its beginnings in the late 1960s, Airbus Industrie faced a struggle competing with the well-established U.S. aircraft manufacturers. Its

first product, the A300, was the first twin-engined wide-bodied airliner to see service. It sold well, giving rise to several derivatives, and forcing Boeing to com-



Space Industry:



Leading the Way in Cross- Border Coopera- tion

COURTESY AIRBUS INDUSTRIE

Top left: The technological strength and fuel efficiency of Airbus' A320 has made it the best-selling airliner in history.

pete with a range of wide-body twins.

Airbus now offers a complete product range of airliners, from the 150-seat A320 to the new A300 and A340 wide-bodies. The consortium initially depended on financial assistance from the four participating governments (United Kingdom, France, Germany, and Spain) for new aircraft. This raised criticism from the established U.S. manufacturers who depend on their own financing for new projects. And in Europe, critics noted that those same companies involved in the civil Airbus program were also the beneficiaries of huge military contracts. Airbus has now promised that it will henceforth be self-financing.

The A320 provides a good example of how European technological strength gave the consortium a world-beating product. Even before it entered service in April 1988, more A320s were sold than any other airliner in history, and orders are still coming in. The aircraft represented the latest in fly-by-wire flight-control systems by replacing many of the traditional mechanical linkages between pilot and control surfaces with electronic controls. With more than 500 orders and 38 deliveries by the end of last June, the easy-to-fly fuel-efficient Airbus A320 had dented Boeing's lead.

Europe is also home to six of the



COURTESY AMERICAN AIRLINES

world's eight major commuter aircraft manufacturers, most of which have seen considerable sales success in the last couple of years. American Airlines' \$3.9-billion order for 75 Rolls-Royce-powered Dutch Fokker 100 aircraft, with options for 75 more, tops the league for orders. It was the largest single order in Fokker's history. The F100 competes directly with British Aerospace's BAe 146, which is powered by U.S. engines, and is also selling very well. Both aircraft meet the latest stringent noise regulations required by many U.S. airports.

American Airlines also placed a major order for 40-seat Saab 340s and 50-seat Saab 2000s, worth around \$1 billion, for its commuter subsidiary American Eagle. U.S. airlines have also been ordering British Aerospace's 19-seat Jetstream 31 and 41 commuters in large quantities, and sales of the 40-seat Franco-Italian ATR42 commuter aircraft have also continued to increase. A 70-seat derivative, the ATR72, is on the stocks.



Europe has also been competitive in the propulsion market. Rolls-Royce remains one of the "big three" civil companies able to design and build

complete military and civil jet engines (the other two being U.S. companies General Electric and Pratt & Whitney). The British company has been holding its own during the boom years of airliner sales, and has announced a growth version of its RB.211 engine. Rolls-Royce is also teaming with Germany's Motoren- und Turbinen-Union (MTU) and France's Turbomeca on smaller engines for helicopters.

Other engine companies across Europe have been extremely successful in forging teaming arrangements with all three manufacturers. Walk around factories at MTU, France's Snecma, Italy's Fiat and Alfa Romeo, and Sweden's Volvo, and see visible evidence of collaboration in a wide range of major engine programs. Many of these companies have their own technical expertise to contribute. MTU, for example, has designed an advanced propulsion system for the next generation of civil engines, and Fiat is acclaimed for its work on gearboxes.

Formation of the European Space Agency (ESA) in 1980 kicked off a commitment to space endeavor that has not wavered. ESA's mandate is to ensure European autonomy in space, which it is well on the way to achieving. Heavy-lift capability rivaling that of the United States will be reached in 1995 with the launch of

Ariane 5. Another group of partners, led by France, is developing the Hermès spaceplane, a reusable "shuttle" that will be carried aloft Ariane 5. Even more advanced is Germany's plan for a two-stage hypersonic spaceplane called Sanger, which would rival the U.S. National Aerospaceplane. Sanger is being developed by German military companies, like Messerschmidt-Boelkow-Blohm, and the German Institute of Aeronautics and Astronautics, the equivalent of the U.S. National Aeronautics and Space Administration.

This year has seen the formation of the German and Italian space agencies, joining those of Britain and France. While all four countries are principal contributors to ESA, they see the need for independent agencies to direct national space policy, and to coordinate efforts to attract government funding for new projects.

In 1980, Arianespace created the world's first commercial space transportation company from a consortium of 36 European aerospace and electronics houses, 13 major banks, and the French Space Agency. Ten nations are involved in the company, with France holding the largest share at 58.5 percent, followed by West Germany with 19.6 percent.

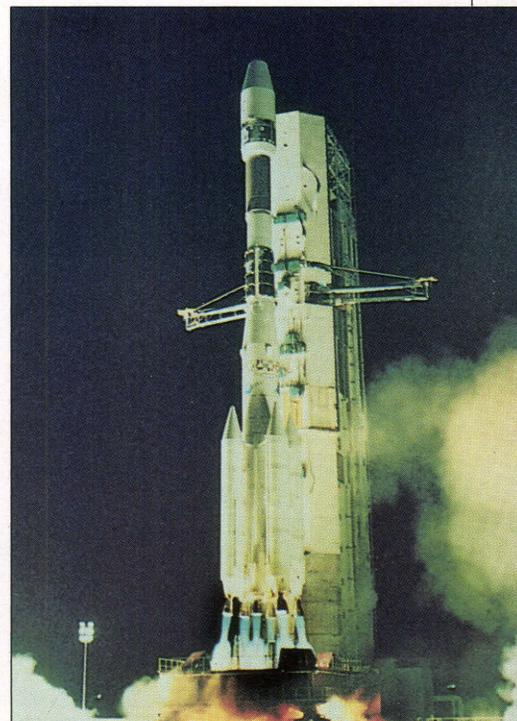
In the last seven years, Arianespace has secured half of the entire satellite launch market, a remarkable success. From September 16, 1987, to June 5, 1989, the company orbited 22 satellites from the Kourou, French Guyana, launch center, including 13 in 1988 and another six this year. As of last June, Arianespace had booked a total of 72 satellite launches worth more than \$4 billion. With a current backlog of 34 launches, the aim is to put up eight or nine satellites per year. The last launch of an Ariane 3 rocket took place in July, carrying the British-built Olympus communications satellite. Satellites will be launched on the new Ariane 4 "workhorse," which took off for the first time in June 1988.

Perhaps more significant is the company's resiliency. After the May 1986 failure of an Ariane 2 rocket, the entire program was grounded until September 1987. Intense investigation led to a number of design improvements, mainly in the stage-three engine. In the 14 flights since then there has not been a single failure.

Space science received a major boost last year with funding approval for the Horizon 2000 program, an ambitious project covering solar terrestrial physics, an X-ray observatory, a planetary science mission, and another, undefined astronomy mission. ESA is also participating in the Hubble Space Telescope project to be

launched later this year. Another important milestone late last year was approval for a \$4-billion investment in construction of the European segment of the Freedom international space station.

Numerous collaborative military



Since its founding in 1980, Arianespace has secured half of the world's satellite market. Above: One of the Ariane 4 rockets.

projects are also underway in Europe, including the highly successful Panavia partnership that builds the Tornavia multi-role strike aircraft, and Eurofighter, a new fighter for England, Germany, Italy, and Spain that is still being developed. France and Germany are collaborating on a new anti-tank helicopter, and a major consortium, which includes the United States, is working on a battlefield rocket system for NATO.

The aerospace industry as a whole aims to retain Europe's independence and to ensure that it is not left behind in the race for technological equality. Perhaps more important, as Europe approaches 1992, is the example the aerospace industry is setting for other fields. It has shown that European manufacturers, with all their past divisions, have the will and dynamism to see complex projects through to completion, so that the resulting products compete successfully on the world stage. ◀

Julian Moxon is the Washington, D.C., correspondent of *Flight International*, a British weekly aerospace journal.

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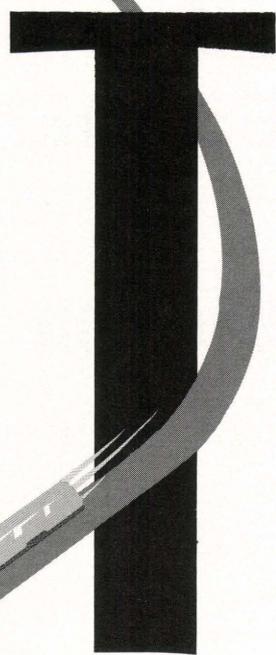
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July 1989

PORTUGAL



RIDING
THE RAILS
OF NEW
PROSPERITY.

To discover how a country like Portugal has changed, avoid intercity flights and instead go by car or take a train. Airline flights are undoubtedly shorter in traveling hours—40 minutes from Lisbon to Oporto, compared with a train ride of three hours and 20 minutes. But it is on the train that one cannot help but notice the striking differences of the new Portugal.

If you want to sample them in style, take the shiny, silvery, luxuriously upholstered new Alfa express train that runs seven times a day each way between Lisbon and Oporto. In air-conditioned, reclining seat splendor, with piping hot *boeuf stroganoff* served by multilingual young attendants, you can stare through the meticulously scrubbed window at the modernization of towns and countryside north of Lisbon.

The Alfa replaces the nice old dusty, rickety-rackety *Foguete*—the slightly misnamed “rocket” train that bumbled between Portugal’s two largest cities in old-fashioned velour-and-gilt cars. Not only is the Alfa an effective alternative to air travel; it also symbolizes Portugal’s effort to modernize and streamline a rail system on which time and a lack of funds have taken their toll. Over the next seven years, some \$2 billion will be pumped into a radical reworking of intercity and suburban rolling stock, rails, and signals, to endow Lisbon and Oporto with fast, efficient, and safe commuter rail transport. The intercity and international network also will get new, high-speed, high-comfort trains, better tracks, and sleeker service.

Better, safer trains are only a fraction of Portugal’s plans for the coming years—the first signs of which are now visible from the Alfa’s squeaky-clean windows. As the train glides near Aveiro’s developing industrial and agricultural hub, a new rapid highway and secondary road network can be seen in

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D I A N A S M I T H

Portugal's efforts to modernize can be seen in its new rail and highway networks, water and sewage systems, and large-scale building construction. This page: The tower of Belem in Lisbon, honoring Vasco de Gama.





progress. New overpasses and highways stretch eastward toward Spain. Around Oporto, mammoth road building, now wreaking havoc on heavy traffic but due to relieve it immensely in time, is visible everywhere, from the Matosinhos area, on the route to the textile and clothing centers of the Minho, to the great River Douro that begins in Spain and meets the Atlantic Ocean at Leixoes beyond Oporto.

This interaction with Spain is in itself a highly symbolic feat. Before the prospect of E.C. membership, the idea of building a sophisticated road network to move people and goods effectively to and from Spain made almost no sense to a country that had studiously ignored (and been ignored by) its next-door neighbor for generations. Community membership has launched the two countries on a startling voyage of mutual discovery.

E.C. membership has brought volumes of support funds Portugal has never before had available. It received over 600 million ECU, or \$660 million, in 1988, perhaps one billion ECU this year (\$1.1



E.C. membership and 1992 are pushing Portuguese companies to adopt more efficient business practices.

billion), plus long-term European Investment Bank loans that could exceed 400 million ECU (\$440 million) in 1989. These funds are all invested in modernizing infrastructures that, either through lack of money or foresight, languished in the past. Antique drains and non-existent sewage systems are being superseded in Lisbon and its surrounding areas by modern piping and treatment. Outlying communities that had never had piped water now have it; hamlets that had never known electric light now boast not only working light bulbs but also television aerials.

Albeit battered since mid-1988 by inflation, disposable income is moving up the scale slowly. After a three-year downturn, inflation began to climb again, and by mid-1989 reached 12.7 percent—the E.C.'s highest rate after Greece. Driven up by persistently high public spending and debt servicing and by a tireless consumer boom that began in 1987, and despite hire purchase restrictions since February, the rate shows few signs of

slacking off. Thus inflation is potentially undermining Portugal's chief hope for sustaining the exceptionally strong economic growth that will help bring it closer to the living standards of its E.C. partners. So far this year, it has not responded to any official efforts to cool it—be these consumer restrictions, ongoing credit controls, or higher interest rates.

Nevertheless, more Portuguese now have steady jobs, and are earning more, than in previous decades. Much of this can be laid at the feet of E.C. membership and its ripple effect, which has made Portugal more attractive for foreign investment and encouraged job creation. Nearly \$700 million came from new direct foreign investment during 1988—Portugal's all-time annual record, and more in one year than the entire total of direct foreign investment in 50 pre-E.C. years.

Internally, more far-sighted Portuguese manufacturers have recognized the need to install better equipment to be able to compete more effectively in E.C. markets and to produce higher-quality goods, for which more skilled, better paid workers are required. There has, for example, been a nationwide construction boom not only in infrastructures and public works, but also in factories, office, and apartment buildings, and both low-cost and luxury housing. In the already overbuilt Algarve resort area, for example, the town halls were recently chided by Trade and Tourism Minister Joaquin Ferreira do Amaral for mindlessly allowing chaotic construction throughout a region in which demand is rapidly shrinking.

In the business sector, white-collar workers now receive higher pay and more alluring fringe benefits. Companies have learned that, with near-full employment, they can no longer expect the loyalty of staff without sweeteners such as decent wages and pension schemes. Higher income has left its mark: More new houses sport television aerials, more new cars are parked out front, and better-dressed shoppers buy more nutritious, healthful food in new stores or super- or even hyper-markets.

Brussels' efforts to help Portugal's farmers modernize their equipment and methods are visible in the fields through which the Alfa glides. One sees more tractors and harvesters; more neat haystacks, pastures, and healthier-looking cornfields, orchards and vegetable plots; cleaner, fatter livestock; and more greenhouses and new farm buildings than even four or five years ago.

For Portugal, E.C. membership and its demands on material and human resources, its challenge to drop amiable but

often inefficient old business and farming ways, and instead adopt a professional, productive approach, is an incessant learning process. Not all the lessons will be absorbed in time for the rugged impact of the single market—especially by authorities inclined to over-protect inefficient public enterprises. Nonetheless, signs of individual effort and greater understanding have begun to take hold.

In many respects, the business-minded northern region of the country has begun to absorb the lesson faster. Business there is less hampered by the weight of doggedly protected state corporations than the Lisbon business community, and is more inclined to seek its own information on E.C. business opportunities if official circles cannot provide it.

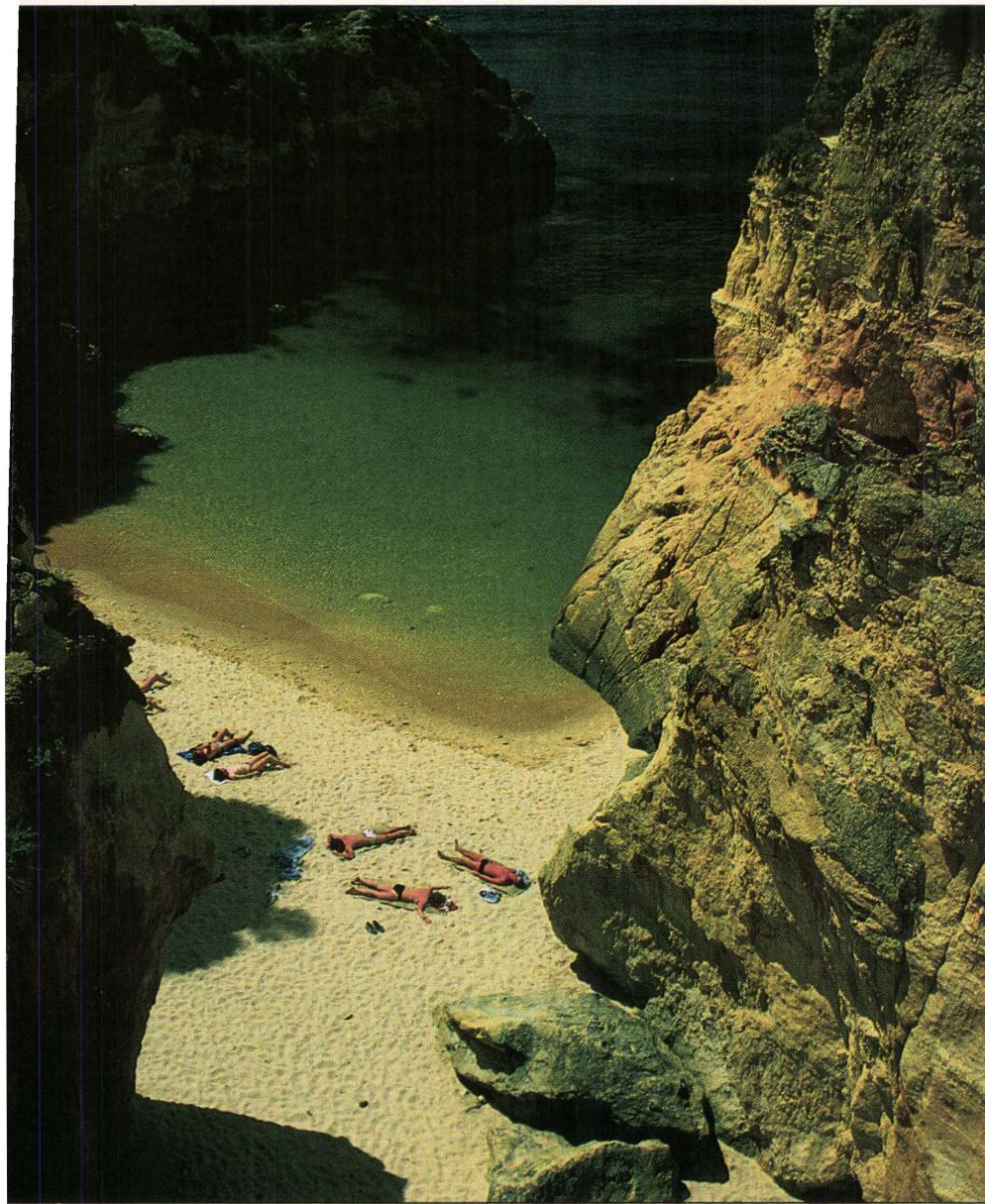
The number of new, or cleaned up and repainted, factories along northern roads testifies to an obstinate dynamism that combines local and foreign enterprise and marketing, and pushes the North closer in output, earnings, and productivity, to Portugal's northern European counterparts.

The program of privatization of state-run enterprises, which began in April and will continue for six years, has also added a new dimension to Portuguese business. It will not only release companies and their decisions from bureaucratic tutelage but, in time, it will help to repay a national debt that has swollen to 81 percent of gross domestic product.

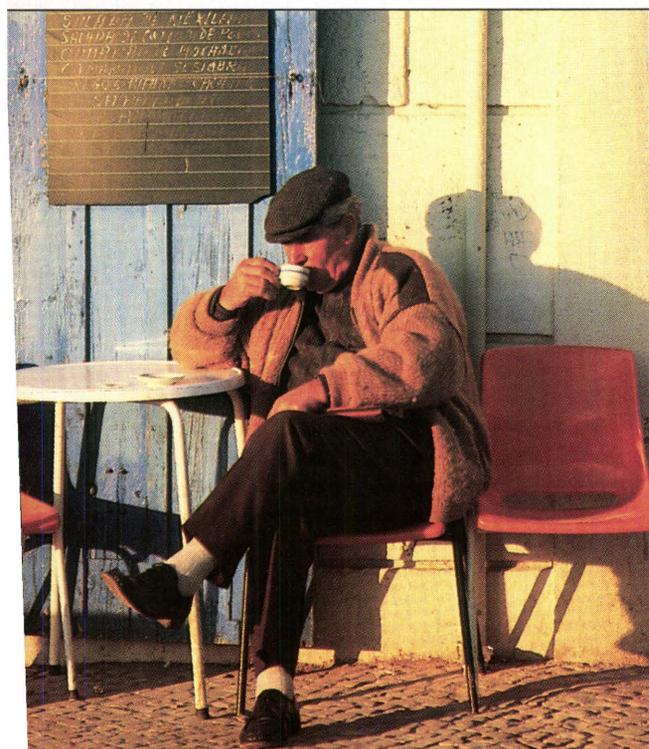
Three years into the E.C., something healthy has happened in the Portuguese ethos and economy: It has started to run itself with the risks and stimuli implicit in self-help, including false starts and mistakes. In shifting from its old habit of over-reliance on administrations to legislate down to picayune details, to supervise, to ponder compulsory applications for permission to operate companies, and to restrain enterprise, Portugal has come a long way.

Fields do not tidy themselves nor spontaneously replace scattered, scrawny, wilting stalks of grain with well-tended, thickly sprouting crops. Their radical transformation comes about because the people who own and work them have begun to understand the importance of producing more, better, and by more modern methods. And that development is definitely taking place in Portugal. €

Diana Smith is the Lisbon correspondent for the *Financial Times*.



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Portugal's privatization program will release companies from state tutelage and help repay the country's national debt. Clockwise from top: A beach in the Algarve; industry in Madeira; a coffee break.



Hollywood's attitude to foreign actors is changing. Today, Isabella Rosselini is being cast in culturally more neutral roles (as here, in "Cousins," with Ted Danson) than earlier European actors, including her mother, Ingrid Bergman. Opposite page: A scene from the French film, "La Cage aux Folles."

EUROPE GOES TO HOLLYWOOD— OR DOES IT?

**AFTER DECADES OF STARDOM IN
THE UNITED STATES, MORE
EUROPEAN ACTORS TODAY
CHOOSE TO STAY "AT HOME."**

Call it the Box Office View of Europe, if you will. Hollywood has always had clear ideas about Europeans, although these have not always been accurate. The motion picture capital has always been confident, for example, that the ideal woman comes from either Italy or Scandinavia, that Germans suffer a profound *angst* beneath their stropped social manners, that Frenchmen waver between Gallic buoyancy and Huguenot fatalism, that the Spanish invented grace, and that the rest of Europe has little to offer but vodka and vampires.

Hollywood has imparted these insights directly through decades of stereotypical European characters in formula movie tales, and indirectly through boardroom calculations about which European performers should be promoted as Americanized household names and which merely as transient guests for specific productions. Small wonder then that Hollywood's impact on cultural perceptions has remained so substantial: Foreignness, after all, has always been an important Hollywood concept.

Fathoming this attitude in recent years has not been easy. Much greater exposure of American businesses, including the film industry, to foreign realities has begun to affect American perceptions of other cultures. The wider horizons of American travelers make them increasingly impatient with Teutonic screen characters who are constantly clicking their heels, and with Latin types who are forever ogling sashaying women and rhapsodizing over the wonders of red wine. Casting European performers like Italy's Isabella Rossellini and Sweden's Max von Sydow in culturally neutral roles breaks the perception overseas that actors are only capable of playing the part of an "accent."

Attitudes are changing, but not necessarily in obvious ways. There have been fewer Continental actors playing Continental caricatures in American films lately, but the reason is not



Back in Europe, many successful European actors play far more complex roles than Hollywood clichés previously allowed.

because European actors, by and large, have suddenly been given more meaningful roles. The crux of the matter is far more basic: In recent years, there have simply been fewer Europeans in the Hollywood mainstream. In the last decade in particular, the alien stars of Hollywood have tended to come more often from another constellation than from another continent.

This is no longer the 1920s, 1930s, 1940s, and 1950s, when a combination of European upheavals and the American motion picture industry's international pre-eminence made Hollywood tremendously attractive to the reigning kings and queens of European film capitals. The silents of the 1920s made American films an equal opportunity employer even for performers who spoke little English—especially if they were willing to play the naughty and menacing roles deemed unacceptable for the image of American performers. The social and political death dances going on in Europe in the 1930s were readily personified in Hollywood stories by expatriate performers, identified by the studios primarily as masters of dissolution. World War II and the Cold War also had easy screen reflections in the uprooted heroics and seductive ambiguities associated with Hollywood's foreign colonies. These conditions not only abetted the appeal of stars like Greta Garbo, Marlene Dietrich, and Ingrid Bergman but, perhaps even more symptomatically, provided work in the United States for hundreds of featured players like Conrad Veidt, Peter Lorre, and Marcel Dalio.

A second factor has been the development of the film business. Although American money underwrites a significant number of western international productions, and although today's company heads in Hollywood still sign the largest checks in the world for actors and actresses, it is equally true

Continued on page 47.
Donald Dewey is a freelance writer based in New York.

DONALD DEWEY



A proposed Community shipping register would aid ships flying the E.C. flag by lowering their operating costs and making them more competitive.

NEWS OF THE E.C.

TRANSPORT

COMMUNITY VESSELS TO CARRY E.C. FLAG

Karel Van Miert, Commissioner responsible for transport policy, has proposed setting up a Community shipping register, under which vessels flying the E.C. flag would qualify for a series of advantages designed to lower their operating costs and boost their competitiveness on the world market. The Community register, which would operate alongside national reg-

isters, stipulates that the vessel flying the E.C. flag must be owned by an E.C. citizen, and that all its officers and at least one-half of its crew must be E.C. nationals. In addition, the proposal says that cabotage services (services from one port to another in the same member state via that member's territorial waters) would be open only to vessels flying the E.C. flag. Stricter enforcement of technical, safety, and social standards at ports would also be required.

FINANCE

WILL THAT BE FRANCS, DRACHMAS, OR MARKS?

On July 1, monetary union made a real step forward in Sarlat, France, as businesses in

this Dordogne town began accepting payment in all E.C. currencies. "We're a tourist town in Europe, and it's only basic politeness to offer every facility," said one shopkeeper. Mayor Jean-Jacques Perreti, who came up with the idea, told French television: "With this small local-level initiative we wanted to create the feeling that we can take the initiative to promote Europe all over France."—*Reuters*

ENVIRONMENT

E.C. TO PROTECT ITS FORESTS

The E.C. has adopted a four-year program designed to protect and increase the Community's forests. These currently cover 20 percent of E.C. territory and employ, indirectly or directly, more than two million workers. The four main aspects of this program are forest pro-

tection, the return of agricultural land to woodland, the encouragement of wood-based industries, and forest development. The project aims to help rural and less-developed areas. The Community will also focus on protecting forests against air pollution in the north and fires in the south.

Farmers who plant farmland with trees will receive 150 ECU (\$165) per hectare each year as compensation for their loss of income. The aid program for farms that include woodland will also be improved.

In an effort to stimulate domestic timber production, the E.C. has decided to extend the aid mechanisms for the processing and sale of agricultural products to articles made from cork and wood. Consequently, enterprises that carry out all the operations prior to the industrial sawing of logs will be entitled to subsidies. This measure supplements the attempt to exploit forests in rural and

El Tercer Mundo en el programa de la Comisión para 1989

El Consejo Europeo se reunió en Bruselas el 21 de abril de 1989 para adoptar el programa de la Comisión para 1989. En el punto de orden del día se discutió el tema de la cooperación con los países en desarrollo. El Consejo aprobó el programa de la Comisión para 1989, que incluye un capítulo dedicado a la cooperación con los países en desarrollo. El programa establece un marco de referencia para la cooperación con los países en desarrollo en el período 1989-1992. El programa se centra en tres áreas principales: la cooperación técnica, la cooperación financiera y la cooperación en materia de comercio exterior. El programa también establece un mecanismo de seguimiento para evaluar el progreso de la cooperación con los países en desarrollo.

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 QUOTIDIEN EUROPE

EDITORIAL
 The EMU Report - for a "historic convergence"

We mentioned a few characteristics and highlights of the Delors Report: by publishing its full text, we wanted to make a wide debate easier. It is too early to assess the probability that this project will be implemented in optimal conditions. We have always insisted on recognizing it, since, as Mr. Jean Peyrelavade has just written, the current system "is no longer viable in time" and "the institutional aspect must finally answer the economic one; if not, the disintegration of Europe being political, the ideological opposition, which construction of Europe being political, the process at one stage or another of its manifestation, itself mainly in the UK, will be able to base itself on pretexts of a "pragmatic" character to justify this process as being one or another of its parts in its development. It is difficult to do with the Single Act). Like "The Times" whole, and that it is difficult to do with the Single Act). Like "The Times" separately (like somebody would like to do with the Single Act). She most wrote recently: "by setting out a path towards EMU the Committee a mandate. agenda which cannot now be unwritten". This led the daily to criticize a mandate. wrote recently: "by setting out a path towards EMU the Committee a mandate. agenda which cannot now be unwritten". This led the daily to criticize a mandate. wrote recently: "by setting out a path towards EMU the Committee a mandate. agenda which cannot now be unwritten". This led the daily to criticize a mandate.

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less-favored regions of the Community.

To implement the program, the E.C. has set up a committee of forestry experts and a Community-wide system to gather and transmit information on forests.

INTERNAL MARKET

PESETA AND ESCUDO JOIN ECU BASKET

This month, the "new" European Currency Unit (ECU) includes the Spanish peseta and the Portuguese escudo, and has been revised for the new weights of all component currencies. The E.C. Council of Ministers decided in June to include these two currencies in the ECU and to revise the weighting of the component member state currencies. The E.C. Commission will fix the new amounts on September 20,



Austria's Foreign Minister Alois Mock submitted his country's application for E.C. membership in July.

COURTESY EMBASSY OF AUSTRIA

the day before the new ECU hits the capital markets, on the basis of the new weights and exchange rates recorded on Euro-markets that day.

Vice President Henning Christophersen, Commissioner for Financial Affairs, said of the Council decision: "The all-important consideration has been to maintain the quality and the stability of the ECU, both because it plays an important role in the European Monetary System (EMS) and because it has an increasing importance for both private and institutional inves-

tors in the capital marketplace."

AUSTRIA APPLIES FOR E.C. MEMBERSHIP

E.C. member governments have authorized the Commission to study the economic and legal implications of Austria's July 17 application for E.C. membership. Official negotiations, however, are not expected to be completed before the 1990s.

Austria's internationally rec-

ognized status of permanent neutrality is certain to dominate the negotiations. Indeed, Belgium's concern that it could obstruct E.C. integration temporarily held up the application. Austrian Foreign Minister Alois Mock told a news conference, however, that "membership of the Community and neutrality [were] compatible for the Austrian Government." He added that Austria would accept the E.C., its institutions, and its long-term goals as they stood, including the increasingly important foreign policy coordination.

In economic terms, Mock noted that Austria would probably be a net contributor to E.C. coffers, a statement underlined by the fact that 70 percent of Austria's current trade is with E.C. countries. In 1988, its exports to the E.C. were worth \$20 billion and its imports about \$27 billion. Geographically speaking, its position makes it an important route for goods between the northern E.C. states and Italy and Greece.—*Reuters*

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SOCIAL ISSUES

FIRST EUROPEAN SPORTING FESTIVAL SET FOR 1991

The first sporting festival for the E.C.'s Olympic youth will take place in Brussels in 1991. A joint initiative of the 12 national Olympic committees, the sporting festival will be organized every two years in different E.C. countries.



The E.C. Commission is trying to promote the European image through sport and to encourage sportsmen and women to think of themselves as Europeans. Two regular events, a yachting race and an around-Europe cycling race, are already sponsored by the Community. The 1992 Olympic Games in Barcelona, Spain, and Albertville, France, are also expected to be marked by the wide use of Community symbols, such as the 12-star flag and the European Currency Unit (ECU).

EUROPEAN POLITICS

EUROPEAN PARLIAMENT CHOOSES PRESIDENT

On July 25, the European Parliament elected Spanish Socialist Enrique Baron Crespo as its president. Chosen by a broad coalition that included both the Socialist and Christian Democratic groups in the Parliament, he is the first Spaniard elected to head an E.C. institution.

Baron Crespo takes over the presidency from the British Conservative Lord Plumb at a time when the European Parliament is playing an increasingly important role in the E.C.'s drive to become a barrier-free market by the end of 1992. As

president, he aims to help the Community advance toward unity and to ensure that decisions are taken democratically. "To build Europe, you have to have a consensus," he says. "Polarization is bad, either on the left or right; we just want a majority working for Europe 1992."

Baron Crespo entered Spanish politics in the 1960s, and was secretary-general of a small left-wing party until it merged with the mainstream Socialist Workers' Party in the 1970s. He was the party's spokesman for economic affairs in the Spanish Parliament after the first post-Franco era elections in 1977, and served as transport minister from 1982 until 1985 in Prime Minister Felipe González's first government. In 1985 he turned his attention to Europe, becoming a spokesman for the Spanish Socialists' first delegation to Strasbourg in early 1986—when Spain joined the E.C.—and vice-president of the Parliament in 1987.—*Reuters*

BUSINESS

E.C. LAUNCHES NEW BUSINESS INITIATIVE

Antonio Cardosa e Cunha, Commissioner responsible for enterprise policy, launched an initiative in August designed to assist E.C. businesses interested in approaching U.S. markets. Responses to questionnaires sent to 50,000 enterprises in the E.C. will help identify businesses' most important staff training needs as they relate to doing business in the United States. The results of the survey will be released at the E.C.-U.S. Conference and Trade Fair "EXPORT '89," in Frankfurt from October 25-28.

"As 1992 approaches, the Commission wants to ensure that companies in the member states are able to benefit from increased opportunities, not only within the E.C. but also in foreign markets and especially in the United States, our larg-



E.C. Commissioner Cardosa e Cunha wants to help E.C. businesses enter the U.S. market.

est trading partner," Cardosa e Cunha stated. "Since success is first a question of knowledge and understanding of commercial targets, we are now asking European entrepreneurs to tell us what kind of practical assistance they need to reach, and succeed in, the U.S. market."

NEW EUROPEAN RADIO PROGRAM

European Diary, a new weekly report on major developments in the E.C. as it moves toward 1992 and economic integration, is now being broadcast at the close of business each Friday by Business Radio Network and selected independent radio stations across the United States. The program is also repeated on many stations during the weekend.

Reginald Dale, Economics Editor of the Paris-based *International Herald Tribune* and former Washington bureau chief and U.S. Editor for London's *Financial Times*, is the principal correspondent for *European Diary*. His reports are broadcast from Europe to America via satellite.

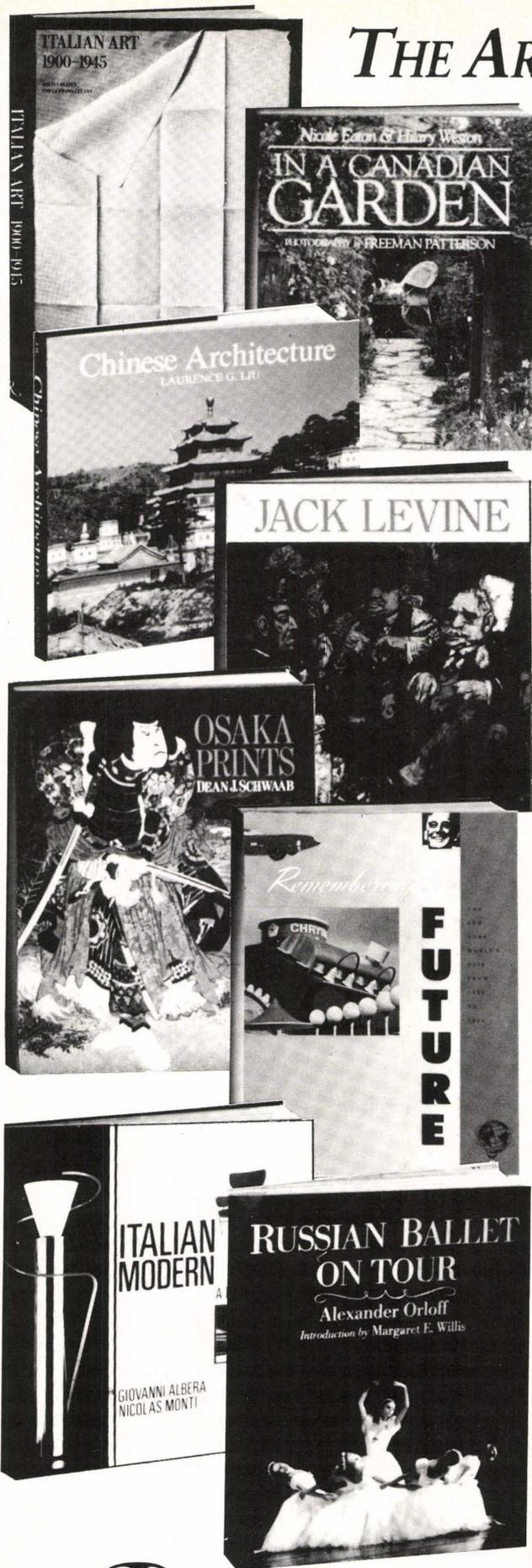
"While the destination of the Twelve is economic union," says



Dale, "they aren't there yet. And, as the advertisement used to say, 'getting there is half the fun,' certainly for a reporter. We are trying, in these programs, to convey the excitement and challenges that accompany such a trailblazing effort."

Some of the stations broadcasting *European Diary* are KORG, Los Angeles; WNVR, Chicago; WPGC, Washington, D.C.; KSEV, Houston; WHK, Cleveland; KDEN, Denver; KFNN, Phoenix; KXOA, Sacramento; WFNS, Hartford; WBZS, Orlando; KBNP, Portland, Oregon; KBEA, Kansas City; WTIK, New Orleans; WWKB, Buffalo; WPTR, Albany; KGU, Honolulu; and KEZX, Seattle.

THE ARTS AROUND THE WORLD



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Commentary by Jack Levine. Introduction by Milton W. Brown. A comprehensive monograph that contains splendid reproductions of almost all of the paintings, drawings, and studies by this renowned Social Realist of the 1960s. 144 pages. 11" x 11". Over 185 illus., 60 in color. \$45

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Laurence Liu. Superbly illustrated with over 300 color photographs, this book surveys Chinese architectural history and how it has been influenced by the culture, philosophy, and religion of the people. 300 pages. 11" x 11". 300 color illus. \$75.

OSAKA PRINTS

Dean Schwaab. Likely to become the standard reference on the subject, this extensive survey covers the highly specialized rare art form of printmaking that flourished in Japan from the 1750s to the 1870s. 272 pages. 10" x 12". 450 illus., 350 in color. \$65

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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.

Transnational Legal Practice In The EEC and the United States. By Linda S. Spedding. Transnational Publishers Inc., New York, 1987. 341 pages. \$52.00.

This analysis of professional freedom of movement and legal practice, while concentrating on the E.C., tackles issues of direct interest to the American professional. The work includes discussions on American lawyers working within the Community as well as their European counterparts practicing in the United States.

Cooperation and Competition in the Global Economy. Edited by Antonio Furino, Ballinger Publishing Company, 1988. 352 pages. \$35.00.

The ability of American industry to maintain its status as an economic leader in the international arena is receiving increased attention. This book is a compilation of articles in which the contributors seek to reconcile competitiveness with cooperation to ensure the effective-

ness of the ensuing formula on the national and international levels.

The Politics of European Defense Cooperation. By David Garnham, Ballinger Publishing Company, Cambridge, Massachusetts, 1988. 204 pages. \$34.95.

Garnham focuses on the military aspect of the U.S.-European relationship, especially on military cooperation among the European members of NATO. He analyzes both bilateral and multilateral initiatives of the major Western European states in debating the likelihood of a "European pillar" substituting for the present U.S. role as guarantor of Western European security.

Europe, America, and South Africa. Edited by Gregory F. Treverton, Council on Foreign Relations, 1988. 138 pages. \$8.95.

This volume discusses South African problems from a long-term perspective, addressing the effectiveness of sanctions,

the consequences of increasing violence in the region, and domestic political issues. The authors conclude that unless differences in NATO states' policies toward Pretoria are resolved, their ability to influence the outcome of events in the region will diminish drastically.

Judicial Protection in the European Communities. By Henry G. Schermers and Dennis Waelbroeck, Kluwer Law and Taxation Publishers, 1987. 510 pages. \$49.50.

Based on the case law of the Court, this book describes the judicial protection offered by Community law, and the interaction between national courts and the European Court. The basic format of this fourth edition has remained unchanged, but the revised edition includes Court decisions made up to the beginning of 1987.

Western Approaches to the Soviet Union. Edited by Michael Mandelbaum, Council on Foreign Relations Inc., 1988. 111 pages. \$10.95.

Since the end of World War II, the main NATO members have agreed on the need for a military alliance to deter Soviet aggression in Europe, but not always on the national responses to it. The current Soviet reforms undoubtedly ex-

acerbate the existing strains in the Western alliance. In this new light, this book reassesses the future of the policies of the most prominent NATO members.

North-South Direct Investment in the European Communities. By Peter J. Buckley and Patrick Artisien, Macmillan Press Ltd., 1987. 256 pages. \$63.00.

This book examines intra-E.C. investment. The authors concentrate their analysis on German, French, and British multinationals' presence in Greece, Spain, and Portugal. Conclusions are based on these three countries' economic conditions, legislation, and foreign investment.

What Model for Europe? By Michael Emerson, The MIT Press, Cambridge, Massachusetts, 1988. 151 pages. \$9.95.

Emerson tries to pinpoint needed policy reforms to Europe's employment laws and social welfare programs without entirely eliminating the fundamentals of the West European socio-economic model. He draws on U.S. and Japanese experiences, but tries to preserve such distinct European features as basic health, education, retirement, and income-maintenance benefits.

RECENT LETTERS TO THE EDITOR

MARXISM MADE PROFITABLE

(June 1989: "Farmers Go Global," Around the Capitals)

I was flabbergasted by the following comment in the Copenhagen Capitals article: "An old Marxist dream of sorts is coming true . . ." Does the person who wrote the piece even have the slightest idea what Marxism is? Profit is mentioned in the same sentence.

Adrian H. Krieg
President
Consulting and Trading, Inc.
Woodbridge, Connecticut

THE SCOTS AND THE SABBATH

(April 1989: "Sabbatical Tug O'War," Around the Capitals)

In the London Capitals article, David Lennon made sweeping generalizations about Sunday shopping in Britain.

Mr. Lennon's article did not ap-

ply to north of the border. In Scotland, Sunday trading is legal, subject only to the restraint of local public opinion.

I am aware that some legal restraints do exist, such as prohibition of the off-license sales of alcohol. However, I can assure Mr. Lennon that if he wished to purchase a Bible on the Sabbath, he could do so from a bookstore in Scotland.

Perhaps this adds further confusion to the subject of Britain's Sunday trading laws, but it may also be encouraging to know that there is less work to be done on bringing a United Kingdom into line with E.C. law than Mr. Lennon indicated in his article.

Jill Reid
Columbus, Ohio

TRAVEL, TOURISM, AND NUMBERS

(May 1989: "Tourism: A Booming Business," Cover Story)

The proposed E.C. regulations for tour packages discussed in Jonathan Todd's article are important policy issues for the European travel and tourism industry. Reasonable consumer protection rules, uniformly applied, can be good for travelers and the companies providing quality services.

Other E.C. policies are also important to this industry. When considering tax, trade, labor, and reg-

ulatory policies, policymakers regularly take into account the impacts on the auto, steel, textile, electronics, and other industries. The travel and tourism industry is rarely considered or consulted, despite the fact that it is larger than these other industries in virtually every economy in Europe.

Suppose, for example, a concerted effort was made to improve the tax, trade, and regulatory environment for travelers and travel and tourism companies in Europe, resulting in just a 1-percent increase in travel and tourism activity in Europe. This small percentage increase in travel and related expenditures translates into over \$500 million in additional sales receipts for European companies. Greater sales would also mean more jobs—as many as 175,000—and more tax revenues for European governments.

These figures demonstrate vividly why the E.C. should consider carefully the effects of taxes, trade, labor and consumer protection, and other regulatory policies on the travel and tourism industry and its prospects for growth.

Harry L. Freeman
Executive Vice President
American Express Company
New York, N.Y.

The Organization for Economic Cooperation and Development (OECD) statistics in "Tourism: A Booming Business" show how

large and dynamic the travel and tourism industry is. Yet these figures capture only a part of the economic story, and your readers may be misled to underestimate the industry's true impact.

The OECD's figures are for sales receipts from international travelers only, and exclude airline passenger fares. The travel and tourism industry serves, of course, both domestic and foreign travelers, and the airlines are an integral part of the industry.

A recent study by the WEFA Group shows total sales of travel and tourism companies in 1987 amounted to \$627 billion in non-Communist European countries, or almost one-third of the \$2 trillion worldwide total.

Measured by total employment or value added, the travel and tourism industry is larger than autos, electronics, steel, textiles, and agriculture in virtually every E.C. country. Thus, the recognition *Europe* has given the industry is clearly warranted.

Perry D. Quick
Managing Director
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JAPAN

Continued from page 23.

quently, the E.C. insists that trading partners wishing to benefit from the liberalization of vital Community sectors, such as telecommunications, provide a guarantee of the same openness of their markets.

Japan's awesome superiority in high-technology makes bilateral industrial cooperation desirable and sensitive at the same time. As Japanese companies extend their reach beyond the domestic market, too much emphasis on exclusively intra-E.C. research and development and technology-sharing arrangements could cause the Community to miss opportunities for cooperative ventures. Rapid commercialization of new technologies, a Japanese strength, is viewed by European business as imperative for keeping Europe competitive. Businesses in the E.C. also feel that more time and money need to be spent on basic research, an area in which Japan traditionally has lagged but is now boosting its capabilities. In this light, a joint E.C.-Japanese cooperation agreement in nu-

clear energy has been concluded and private-sector joint ventures are being encouraged.

The huge cost of innovation means that international leadership will be shared leadership, rendering reliance on "European champions" and entirely European technology a costly and impractical luxury. A more decisive—and divisive—issue will be how this leadership will be divided among Japan, the E.C., and the United States.

The capacity of the United States to support the world economy has diminished, and existing trade imbalances can only be remedied through coordinated adjustments, for which both the E.C. and Japan bear major responsibility. In this global trade triangle, one major E.C. concern is that exchange rate movements and punitive U.S. trade actions will divert U.S.-bound Japanese exports to the Community. Another is that Washington's export offensive could help U.S. companies gain preferential access to the Japanese market. Tokyo, meanwhile, wants reassurance that the E.C.'s single market priorities will not dominate or stall parallel multilateral efforts to strengthen the international trading system.

Japan's cooperation in the GATT and its

proposals on Third World debt problems bode well for the global partnership the E.C. has been advocating. More often than not, the E.C. and Japan find themselves operating—explicitly and implicitly—on the same level. Both sides have condemned recent U.S. unilateral trade actions for undermining the cooperative preservation of free trade. Even though Japan has remained neutral in the trans-Atlantic conflict over hormones, it clearly prefers regulating them and would back a multilateral agreement in this area. Willing to dismantle certain import barriers while defending the concept of food security, Tokyo is not too far away from the E.C. position on agricultural trade reform.

Of course, ties that bind need constant nurturing. Each side is wary that the other could be tempted to exploit its relationship with the United States—to the other side's detriment. Technology cooperation is one such area. Another concerns regional cooperation within the Asia-Pacific region and the specter of competing trading blocs. Japan would be a key player in any such grouping, and the E.C. wants to make sure that opportunities open to others will be open to the Community as well. ☐

EUROPE AND HOLLYWOOD

Continued from page 39.

that the movie industries of numerous European countries have been expanding for quite some time. Moreover, most European stars prefer their native conditions to the hurly-burly linked to movie-making in the United States. Excluding the long retired Garbo, most major Continental performers who toiled in Hollywood between the 1920s and 1950s accepted the invitation to return to their home countries for stage or screen work once it was extended to them after World War II. Ingrid Bergman acted in Sweden, Marlene Dietrich in West Germany, Charles Boyer in France, and Lilli Palmer in just about every one of the dozen countries she seemed to call home. While this does not mean that they regarded their American work strictly parenthetically, it does suggest that, given the social and contractual opportunities earlier, many of these performers would have at least sought to pursue a bicontinental professional identity.

American television has further diminished the presence of European performers in Hollywood films. Rare indeed today is the new American box-office sensation who has not graduated from the home screen, and rarer still are those graduates who have not impressed themselves on

the American public through a sitcom set in Middle America, a detective series emphasizing all-American locales, or a variety show depending for its laughs on references to strictly national figures and events. The scripts fashioned for Michael J. Fox are not likely to involve him with Swiss or Belgian characters, those for Tom Selleck not likely to have him searching for an absconding Finnish bank teller, and those for Robin Williams not likely to have him getting laughs from his encounters with Greek fishermen.

The importance of Continental actors has been diminished by new priorities in Asia, Australia, and Canada. Instead of *El Cid*, there has been *The Last Emperor*. Instead of *A Bridge Too Far*, there has been *Empire of the Sun*. Instead of Oscar Homolka or Curt Jürgens menacing American heroes, there has been Paul Hogan menacing New York drug dealers. Formerly, an American film company would go to Italy or Spain to cut down on overhead; now the company goes to Toronto or Vancouver and, in the bargain, even passes off these locations as Chicago or Sacramento to eliminate the need to introduce any "foreign" element into the script. Obviously, the work that used to go to Italian and Spanish actors, allowing them to get their foot in the door of trans-Atlantic productions, now goes to Canadians.

There has also been another, perhaps even more fundamental, reason for the scarcity of European performers in American films recently—Hollywood's timidity before European realities. The Gérard Depardieus, Marcello Mastroiannis, and others who have more recently pursued successful film careers on the European continent, have portrayed characters in a far more complex society than that once reduced by Hollywood to legendary lovers, fading aristocrats, nasty storm troopers, heroic resistance fighters, happy peasants, and opera patrons moonlighting as werewolves.

The screen characters portrayed today by contemporary Continental stars such as Ugo Tognazzi and Gian Maria Volonté are insurance men, garbage collectors, government officials, and policemen coping with the same problems that Americans face. Conversely, European films that deal with the exotic on the Continent frequently border on the absolutely esoteric in American eyes—detailed character studies of elderly villagers, local political satire, and abstract or surrealistic fantasies. The upshot is that, for the Hollywood of today, the images conveyed by the Continent's star performers are either too foreign or not foreign enough. Except for the odd Rutger Hauer or Liv Ullman, Hollywood's response has been to say that it wants to be left alone. ☐

THE COMMUNITY BOOKSHELF

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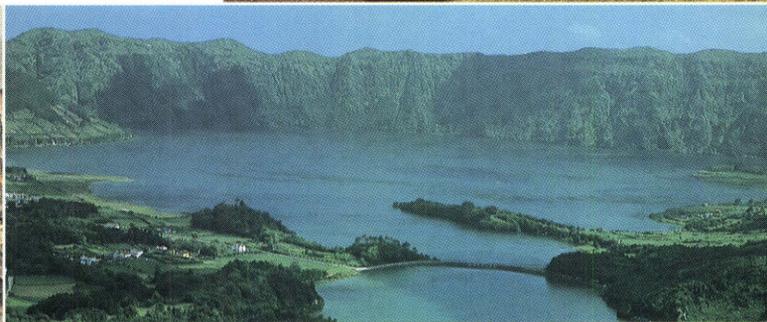
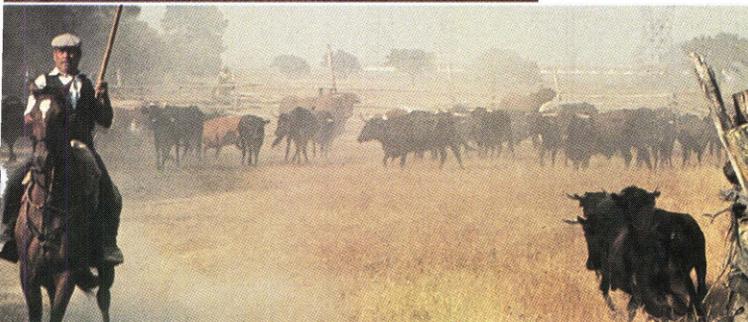
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