SPECIAL SECTION ON
1987 ECONOMIC FORECASTS

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CHINESE MARKET LURES EUROPEANS

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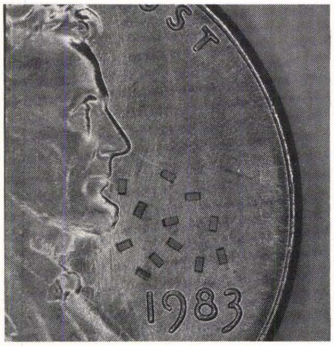

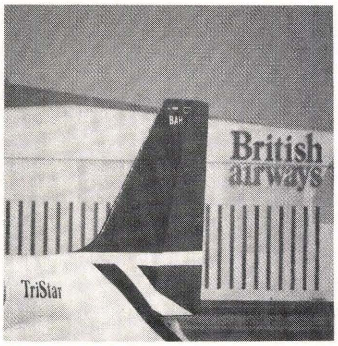

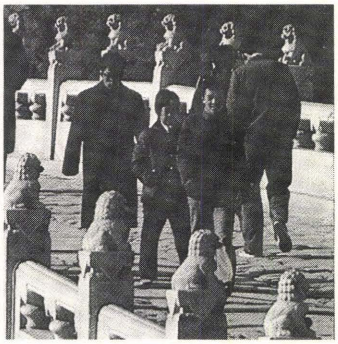

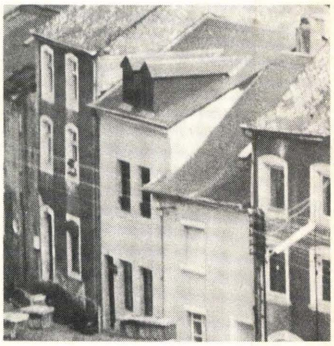

COVER: As China opens up to the West, European firms are going after all those new consumers. Downtown Cheng Ku, Sichuan province. © J.P. Laffont/Sygma.

Publisher Benoit Liger
Editor-in-Chief Webster Martin
General Manager Mark Laughlin
Assistant Editor Anke Middelmann
Contributing Editor Stephen Brookes
Editorial Assistant Wolfram Weimer
Design Dual Impressions

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PUBLISHER'S LETTER

Our cover story this month is on China and its relationship with the European Community. BBC bureau chief in Brussels Stephen Jessel explains why, in his view, the Community is in a particularly favorable position to develop its trade with that huge market.

In the section on U.S.-E.C. relations (which we should perhaps rename "news from the trade Cold War front"), Quentin Peel reports from Brussels on the Community's objections to the recent agreement between the United States and Japan on semiconductors, and Bailey Morris comments on farm trade issue and their importance in the new round of GATT negotiations.

The economic forecast for 1987 is reasonably optimistic for the Community; unemployment, however, remains the central preoccupation for Europeans. In a dossier on the economic situation of the Community, charts and graphs describe the Community's assets and liabilities.

Other topics in this issue, such as common European standards for television, the development of regional airlines or E.C. policy in its Mediterranean member states prove, if need be, that the Community is alive and well.

The member state report this month takes us to the smallest E.C. country, Luxembourg. It is a nation that proves that small is indeed beautiful, but that a country can also be big in economic terms.

NEW ISSUE

This announcement appears as a matter of record only.

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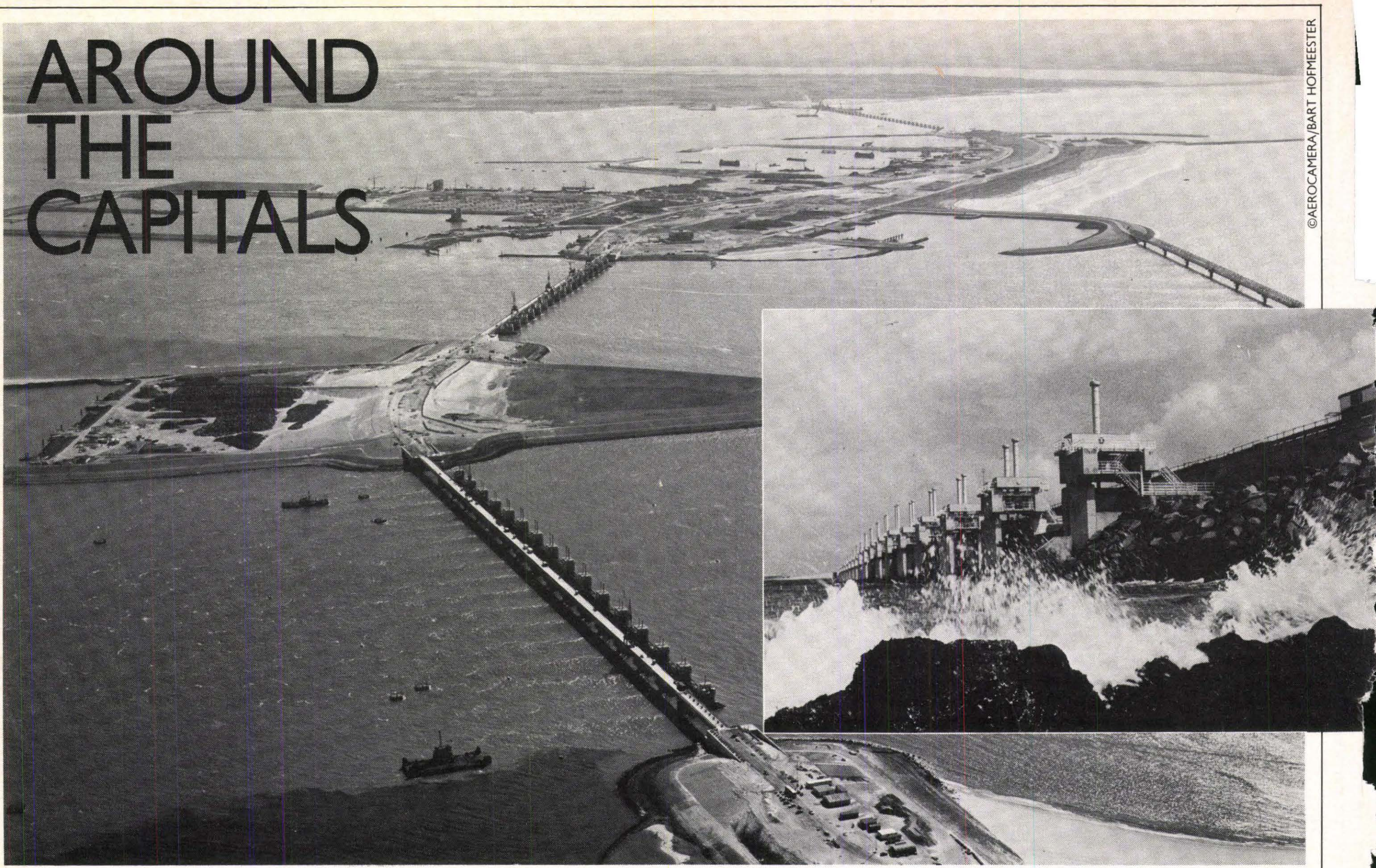

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The recently completed storm-surge barrier across the Easter Scheldt is a masterpiece of modern engineering, which, the Dutch hope, will be their final victory over the sea.

INSET: COURTESY NETHERLANDS BOARD OF TOURISM

AMSTERDAM

The Eighth World Wonder

On October 4, 1986, Queen Beatrix inaugurated, by the push of a button, what the Dutch engineering world calls the "Eighth Wonder of the World." Some 25,000 people, as well as European heads of state and Dutch officials, attended the event, which marks the completion of the Delta Works, the main storm-surge barrier across the Easter Scheldt, and thereby also what the Dutch hope will be their final victory over the sea.

The project was prompted after a devastating storm in February 1953, in which northwestern gales flooded the entire maritime province of Zeeland and part of the province of South Holland—both of which are situated on the delta formed by the Rhine, Maas and Scheldt rivers—and killed almost 2,000 people. The then Dutch Government took the farsighted decision to end this menace once and for all. It was the beginning of the Delta project, the most ambitious plan yet to gain mastery over the sea.

By the late 1950s, work to close off the deep channels at the mouth of the estuary was well underway. The coastline was shortened by some 700 kilometers, which proportionately reduced the flood risk. Nevertheless, Dutch engineers were still faced with a major problem: How were they to position heavy dams in fast tidal waters?

This demanded innovative thinking. Dams were placed on three of the tidal inlets, but the fourth, some nine kilometers wide, presented a major problem. If cut off from the sea, the entire ecological balance would have been seriously endangered in an area known for its unique natural beauty and famous for its mussel and oyster cultures. Painstaking studies produced a solution that would protect the environment—the storm-surge barrier.

It is understandable why this barrier has been called the eighth wonder of the world. It consists of 66 concrete towers that support 62 gates, which can be raised and lowered at the push of a button. Each of the towers is some 128 feet high and weighs 18,000 tons. In normal weather, the gates stay open, leaving the tides to ebb and flow freely; as soon as storms threaten, they are lowered to protect the land behind them. Two manmade islands now occupy about six kilometers of the entire nine-kilometer wide estuary, forming an integral part of the barrier, positioned as it is in the three deep channels between the islands.

The entire Delta project, which took some 30 years to build, has cost about $5 billion, with about $3 billion going toward the construction of the storm-surge barrier alone. But, apart from protecting the Zeelanders from future natural disasters, the barrier also is becoming a major tourist attraction. An exhibition of the work on the project and Dutch waterway engineering through the ages will be permanently housed in the control building of the storm-surge barrier. Some 300,000 visitors have already been to see the construction of the barrier, and about 500,000 visitors are expected to visit the site and the "Delta Expo" annually.—NEL SLIS

COPENHAGEN

Newspaper Rivalries

Danish newspaper readers are usually considered to be conservative in their reading habits. But now the two largest newspaper groups, *Berlingske* and *Politiken*, have decided to mount a major offensive on Sundays, with each group launching a new edition of their tabloids.

The *Berlingske Tidende* is rapidly developing into an American-style multi-section newspaper, serving all the age groups and life styles in the Copenhagen area. *Politiken* is a smaller, more European-style, Sunday paper with stories that appeal more to intellectual readers. Both papers claim that far fewer Danes read newspapers on Sundays than on weekdays because most local newspapers are not published on Sunday, which is proof that there is a new market potential to be exploited. Most observers in the advertising industry, however, point out that the new papers will cause a loss of circulation and revenue to the major Sunday papers.

The Danish newspaper industry is a success story, both in terms of profits and circulation. The *Politiken* group has the largest tabloid and Sunday circulation, and it is very aggressive in its marketing initiatives. But it has not been as profitable as its arch rival, *Berlingske*, which, with some 238 years of publication, is one of Europe's oldest newspapers. It was, for example, the first European newspaper to publish the American Declaration of Independence in the 18th century.

The battle for readers and advertising is a must for all major newspaper groups because they have invested in new plants and the latest color technology. High-level management in the industry is also painfully aware of the need to market the newspaper business as a strong and reliable media in its direct competition with television.

Denmark will introduce television advertising—one of the last countries in Western Europe to do so—in a new second television channel which is now being set up, and which is expected to be operational by 1988. The battle is becoming especially tense as the newspaper industry has in the first phase been denied access to the television market. Most newspapers have plans to sell programs to the new television channel, but they will not be allowed to sell advertising spots in those programs if present rules are upheld. This means that the pricing policy of the new channel will decide how much, and what, will be produced. So, although television has been privatized in Denmark, it is a peculiarly Danish version of privatization.—LEIF BECK FALLESEN


Berlingske Søndag

Lyndom til bilist der dræbte baby

Ekstra: Stort farvetillæg 76 sider om ferie i sol og sne.

ROME

A Shrinking Population


One-child families are increasingly common in Italy, where the birthrate has nearly halved over the last 13 years.

When Italians go out to restaurants or for a weekend automobile drive, it is very noticeable: There is a couple, and often only one child. The stereotypical Italian mother, surrounded by numerous *bambini*, is now very much a thing of the past. So much so, in fact, that the Italian population may actually start to fall this year.

According to ISTAT, the Italian Statistical Institute, the number of deaths in the country this year has clearly begun to exceed the number of live births—by 0.9 per thousand people. In Western Europe, this negative differential is exceeded only in Denmark (−1.1 per thousand) and the Federal Republic of Germany (−1.8 per thousand). Over a 13-year period, the birthrate has nearly halved from 16 births per thousand to 9.5 per thousand, which, together with that of the Federal Republic of Germany, is the lowest in Western Europe (in comparison, the U.S. birthrate is a healthy 15.7 per thousand). To complete the picture, the rate of marriage has also nearly halved over the same period—from 7.6 marriages per thousand to 3.6 per thousand.

All of these statistics belie the conventional view of Italy, which largely derives from the sense that it is a Catholic country. But there are, in fact, two countries. The rate of church attendance is higher in the south of Italy, the Mezzogiorno, which can also be said of the birthrate. North of Rome, family size has fallen below 1.3 children, a figure that the Council of Europe has determined is a threshold below which the population is effectively ceasing to reproduce itself.

So far, the Italians do not seem very alarmed by their unmarrying, unreproducing tendencies. The main explanations for this demographic trend are almost certainly industrialization and urbanization, which have come later to Italy than to most other countries of Western Europe. The huge drift away from the countryside to the cities in the last 30 years has ruptured the extended family: The matriarchical grandmother, whose aid was essential to her daughter or daughters in the raising of their children, is no longer the focal point of Italian family life. The grandmother may live in the countryside, elsewhere in the city or even in another city altogether. She is unlikely to live in the same house or even just next door.

The birthrate is also affected by the increasing proportion of women in full-time employment—a figure that is still lower in Italy than in many other European countries, but a new social factor nonetheless. More and more Italian families have come to need the second salary in order to sustain a family lifestyle as devoted to the consumption of material things as elsewhere in the developed world.

The social and economic patterns of a declining population are quite serious. With the average age of the population steadily rising, it falls to a smaller proportion to provide the necessary economic support. This, in turn, puts an onus on technology to provide the extra productivity that can no longer be obtained through employing extra hands.

Given the difficulty that Italy and other European countries have in providing jobs to employ their populations, the falling birthrate may be nature's way of restoring a long-term balance. In global terms, however, a shrinking relative population may be accompanied by a diminution in political and economic power.—JOHN WYLES

BRUSSELS

Language Barriers

All Belgium rejoiced when a 14-year-old Walloon schoolgirl, Sandra Kim, won the Eurovision Song Contest earlier this year, an annual event whose aim is to introduce new musical talents to a wide audience and to give them an opportunity to break into the music business.

But the consequences of her victory have split the nation, mainly because the winning country has the right to organize and host the next song contest, which is not unlike a miniature Olympic Games. Even if an entry from another participating nation wins, the host country is assured of splendid display on television and in the press throughout Europe. So where is the big problem?

Kim is a French-speaker, and the fact is that there are only two theaters where, in practice, the song contest could be held in Belgium: in Ostend and Antwerp—two fiercely Dutch-speaking cities. The French-speaking community has objected to both locations and has promoted the merits of Liège's Coronmeuse Hall. But a panel of experts convened by the Government has turned down Liège's claim as unpractical.

The solution to this row, as with almost all Belgian language problems, lies in Brussels. The agreement now is that the song festival will be held in the Heysel grounds in Brussels at an immense cost to the local authorities and to the satisfaction of neither side in the language dispute. But Brussels is considered neutral territory in the language war.

The underlying message behind this story is never to underestimate the pull of language factors in Belgian politics. Indeed, this fall the Government came close to collapsing over it.

On the face of it, the issue was trivial. An elected mayor of a tiny province of French-speaking villages in a remote part of eastern Belgium refused to be examined for his fluency in Dutch, as required by the local province. He was sacked from his post when Belgium's Supreme Court ruled that the mayor's appointment was illegal, the reason given being the fact that he did not have an adequate command of Dutch to perform his duties as mayor.

The incident gave rise to a major row in the Government. A compromise deal to find a replacement for the French-speaking mayor was proposed in the name of the Interior Minister, Charles-Ferdinand Nothomb. But it failed, and Nothomb resigned. A subsequent Government proposal for a three-month linguistic truce, or "period of reflection," seems to have been accepted by the major parties in the Parliament.

Wilfried Martens, the Prime Minister, is angry at the way in which this parochial dispute over local matters has distracted his Government from the sterner economic challenges facing Belgium. He wants to get on with the job of restoring Belgium's competitiveness, and looks like achieving this if the linguistic problems of his country do not hinder him any further.—ALAN OSBORN

BONN

A 600th Birthday

"It's impossible to describe Heidelberg briefly; just say the name and be silent," warned Otto Heinrich von Loeben, a Romantic poet, in 1807. Indeed, a myth has grown around Heidelberg, something that can only be said of two other German cities: Weimar and Berlin. In Heidelberg, it is the landscape, the quaint location. It is the huge ruin of Heidelberg castle, pitched above the town and the Neckar River and flood-lit at night in an orange glow that costs some $10,000 a year to produce. As Mark Twain put it: "An illumination of Heidelberg Castle is one of the sights of Europe."

But above all, Heidelberg is the Ruperto Carola University, Germany's oldest university, officially inaugurated 600 years ago in a church service on October 18, 1386. To commemorate this occasion, festivities run throughout 1986.

COURTESY GERMAN INFORMATION CENTER

The University of Heidelberg is celebrating its 600th anniversary this year. Above, a lecture in 1502.

The 14th century was a time when the first German-language universities were founded in cities such as Prague (1348), Vienna (1365), Heidelberg (1386), Cologne (1388) and Erfurt (1392). The founding of Heidelberg University was the result of a great schism in the Catholic Church that lasted from 1378 until 1417. "The German universities are not children of unity, they are bastards of division," noted the *Frankfurter Allgemeine Zeitung*. Eventually, many famous professors from the Paris and Prague universities came to Heidelberg, thus establishing its cultural prominence.

It is the university and the *Burschenschaften*, the students' dueling societies, that come to mind when one thinks of Heidelberg. The successful musical, *The Student Prince*, by American composer Siegmund Romberg, used this university as its setting. The play was first staged in 1900, and is still being performed in Heidelberg, attracting some 170,000 visitors a year. The old university buildings are still in use, including the venerable assembly hall—the *Alte Aula*. The Old University's Students' Prison, which was used from 1712 to 1914, when the university had a legal right to discipline its students, is now, fortunately, only a tourist attraction.

In 1930, thanks to nostalgic feelings in the United States, a "New University" was added to Heidelberg. Jacob Gould Schurman, one-time U.S. Ambassador to Germany and a former student of Heidelberg, was able to collect most of the funds for the extension, which was built in the shape of a horse's hoof. After the war, still more university buildings were erected on the right bank of the Neckar, outside the old city.

"Old Heidelberg, thou beauteous City, rich in honor! There is none on Neckar nor on Rhine that can with Thee compare," wrote the Heidelberg poet Victor von Scheffel, and many other Romantic poets have praised the city's picturesque setting, the fascinating arrangement of red roofs between the Old Bridge and the Castle ruins, and the wooded hills rising above the castle. Thanks perhaps to such romantic feelings, Heidelberg was spared from bombing in the last war. Incredibly, leaflets dropped over the city by U.S. planes actually said: "We want our sons and daughters to study in Heidelberg."

But Heidelberg went through some more unromantic phases, too. It was the Heidelberg Nobel Prize winner Philip Lenard who would tarnish the international reputation of German universities, publicly supporting Adolf Hitler long before he came to power in 1933, becoming an ardent anti-Semite who was cheered on by nationalist student groups. Many professors had to leave Heidelberg University for political and racial reasons from 1933 onward. After World War II, when Albert Einstein was asked to return to Germany, he firmly declined, saying that during the Third Reich the behavior of the German professors had been worse than that of the masses.

Today, Heidelberg is one of the world's most respected universities, with over 27,000 students. Its fine reputation abroad is evident from the high proportion of foreign students, who number approximately 2,500. A language institute, the summer International Vacation Course, is the largest of its kind, with 500 participants from around the world every year. With 130,000 inhabitants, Heidelberg still retains its small-town character but, undoubtedly, it is the university, the student inns, the narrow streets of the old town center (rebuilt in the 17th century) that visitors find so romantic.

In 1797, Goethe wrote of Heidelberg: "It is fair to say that there is something ideal about the location and surroundings of this town, something that can only be clearly portrayed by those familiar with landscape painting." It is precisely this atmosphere that William Turner was able to recreate in his own paintings of Heidelberg.

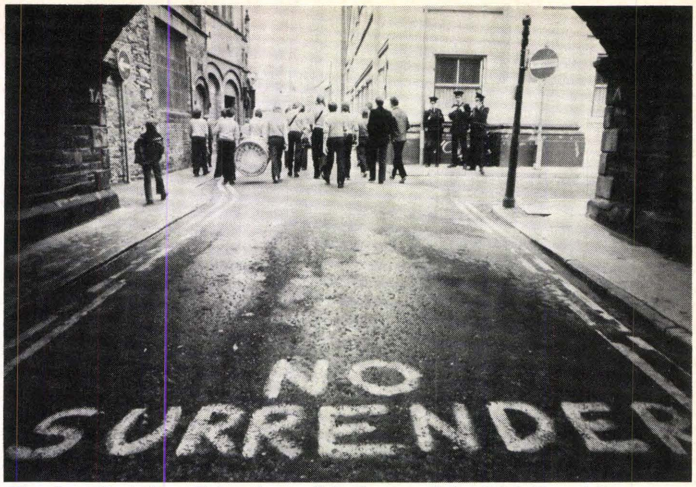
Now the city is celebrating the university's six centenary in a big way. A wide range of lectures, congresses, publications and research projects have been arranged throughout the year. There have also been donations to benefit scholars and students. An international forum has been set up in the old town center as a meeting place for researchers from all over the world. The state of Baden-Württemberg gave the university a three-story underground archive that cost $9 million, and a $5-million donation will finance the installation of a computer network to facilitate communications.

These various projects reflect the attempt to give tangible expression to the motto of the anniversary, "From Tradition into the Future." Says Professor Gisbert Baron zu Putzlitz, the rector of the university: "Anniversaries constitute a challenge: They invite us to look back, to strike the balance and remember the good and bad times of the past, but also to plan the way into the future." This is particularly true of the University of Heidelberg, the oldest in Germany and a symbol of higher education.—WANDA MENKE GLÜCKERT

DUBLIN

Changing Tactics

The decision of Sinn Fein, the political arm of the outlawed Irish Republican Army (IRA), to end its 64-year-old abstentionist policy and enter the Dail if it wins seats in the next election has further complicated the political scene. In Ireland, 1986 began with the foundation of a new political party—the Progressive Democrats—whose appearance alarmed its larger rivals greatly when it managed to obtain 24-percent support in public-opinion polls before it had even spelled out its policies.



The fact that Sinn Fein, the political arm of the Irish Republican Army, has decided to end its abstentionist policy and enter Parliament points to a major change in Irish politics.

And while Sinn Fein (which translates as "Ourselves Alone") has a much narrower appeal, it could yet find itself in a power-broking position in the case of a hung Dail.

It was at the 1983 annual conference of Sinn Fein that one of its leading members, Danny Morrison, made a prediction that sent a tremor through the political establishments in both Northern Ireland and the Republic of Ireland. "Who can object," he declared, "if we take power in Ireland with an Armalite in one hand and a ballot paper in the other?" The Armalite high velocity rifle, it should be pointed out, is the favored weapon of the IRA and has gained the same mythological status that the Thompson submachine gun had in this illegal, underground army in the 1930s and 1940s.

Why Sinn Fein has decided to end its abstentionist policy, which has been virtually an article of faith since 1922, is not all clear to outsiders. The Dail has up to now been regarded by the extreme republicans of Sinn Fein and the IRA as an "illegitimate" parliament that has usurped the true government of the Republic, vested in the IRA Army Council until the whole of Ireland is under republican rule. The IRA only gave its approval for Sinn Fein to take seats in the Dail on the condition that the "armed struggle" continue in Northern Ireland, although one of the main reasons why the IRA had until now scorned any parliamentary role for the Republican movement was precisely because it would inhibit the "armed struggle."

So what has changed? The leadership of both Sinn Fein and the IRA is now firmly in the hands of younger men north of the border. The attempt to end the abstentionist policy in the past had always been resisted by the veterans of the IRA campaigns of the 1940s and 1950s—who now live in Ireland, but whose influence has been waning as action has moved to Northern Ireland.

Since 1981, the movement in the north has been increasingly attracted to political activity. In that year, the IRA hunger striker, Bobby Sands, was elected to Westminster and won enormous publicity from the world media. Two more hunger strikers in Northern Ireland jails won seats in the Dail which, of course, they could not take up. In 1982, Sinn Fein put up candidates in the election for the Northern Ireland Assembly and surprised even themselves by winning 10 percent of the votes cast and one-third of the nonunionist vote. Since then, Sinn Fein has won further support in Westminster and local council elections, and has 59 councillors who take an active part in local administration.

The figures suggest, however, that support for Sinn Fein has "peaked" in Northern Ireland at about 13 percent, while their nonviolent nationalist rivals—the Social and Democratic Labor Party, led by John Hume—hovers at around 18 percent and received an extra boost from the signing of the Anglo-Irish Agreement just over a year ago. But the performance of Sinn Fein in elections in Ireland over the same period has been much less impressive—excepting, of course, the exceptional circumstances of the hunger-strike election in 1981.

The younger, impatient Northern Irish leadership now sees Ireland as an area of expansion—with the provision that supporters will not feel they are wasting their votes on candidates who will not take their seats. As one republican spokesman put it: "We aim to dismantle the impression that we are political lepers and that we have no real political support in the Republic."

The strategy appears to be one of holding on to the traditional Sinn Fein/IRA support, especially in the border counties of Louth, Cavan, Monaghan, Leitrim and Donegal, while at the same time appealing to a disaffected, young electorate in Dublin and the larger towns badly hit by unemployment rates of 20 percent and over. There are, however, risks involved in such tactics. The traditional supporters may be turned away by what is seen as "collaboration" with an illegitimate Parliament. The young, alienated voters may see as little relevance for their plight in supporting the "armed struggle" north of the border as in voting for the traditional conservative parties, and may continue to stay away from the polls altogether.

The presence of Sinn Fein members in the Dail would create difficulties for the state-run radio and television service, RTE, which is forbidden by government edict to broadcast live interviews with members of the IRA or Sinn Fein. This ban was imposed on the grounds that the national airwaves should not be made available to people who advocate violence to achieve political ends. The fact that the IRA has publicly linked its support for the ending of the abstentionist policy with a reiteration of its "General Army Order No. 8"—which prohibits military action against the administration or the security forces in Ireland—is unlikely to make any Dublin Government change its attitude toward the IRA or Sinn Fein.

Prime Minister Garret FitzGerald has bluntly told his party's annual conference that "when the election comes, I will be calling on all democratic parties here to repudiate those aspiring to speak out in Parliament for those who have murdered, or provoked the murder of, over 2,000 Irish men, women and children including a member of our Parliament and members of our security forces."—JOE CARROLL

PARIS

Hosting the Olympics

Although Paris finished second in the marathon competition for the right to host the 1992 summer Olympic Games, the Alpine town of Albertville was awarded the first prize of the winter Games in 1992. The news that the Savoie region of the French Alps would stage the winter Olympics five years from now sparked jubilation—from the President and the Prime Minister to the schoolchildren of Albertville, who were let out of classes to celebrate when the announcement was made in Lausanne last October.

The success of the Savoie bid was sweet vindication after having spent $5 million—more than any of the other six candidates—and after much intensive campaigning to bring the Games to the French Alps for the third time. Grenoble staged them in 1968 and Chamonix was host in 1924.

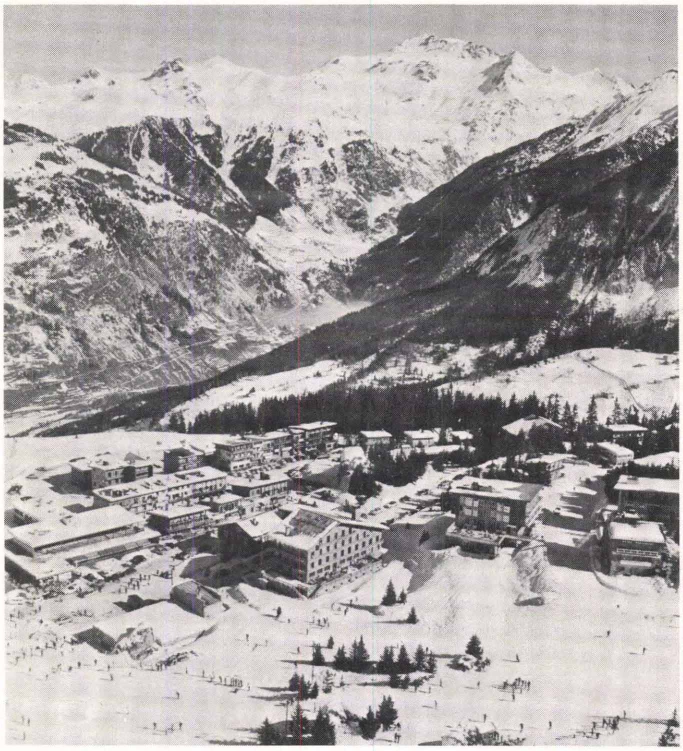
The bid was based partly on the natural advantages of the Savoie. Unlike Sweden, it could boast mountains, and, unlike Bulgaria, it could promise snow. And although the central town for the event is the dingy valley town of Albertville, the Games actually will be dotted around the countryside on pristine slopes and in mountain resorts across a 50-kilometer radius, with events taking place in Courchevel, Val d'Isère, Meribel and other locations. Only the opening and closing ceremonies, as well as the skating competitions, will actually take place in Albertville.

The region has an ambitious plan to straighten out tortuous mountain slopes that now cause hours of traffic jams every weekend of the skiing season, and the high-speed TGV train will be brought a little closer to the Olympic center. Without those plans, insiders say, the Games would have never come to the Savoie.

But the transportation network is about all the organizers plan to expand. They based their bid on the fact that the Savoie already has virtually all the infrastructure in place without massive, costly new building schemes. There are more than 500 ski lifts, 50 hills of world-class quality and 250,800 hotel beds. A few arenas and a bobsled track are the only major expenses ahead.

Winning the Games made former ski champion Jean-Claude Killy a national hero all over again for his success as vice president of the Savoie Committee and main public relations man on the bid. Killy has been revered in France since he captured the triple gold medal for the downhill, giant and slalom ski events in 1968. The promotional film for the Savoie candidacy featured a chubby-cheeked little boy who dreamed of growing up to be like Killy.

It was the Killy charisma, with the final boost from Prime Minister Jacques Chirac, that clinched the Games for the Savoie. Chirac, as Mayor of Paris, was leader of what became a competing bid. Albertville was miffed that Paris evoked the centenary of the founding of the modern Olympics by Frenchman Pierre de Coubertin, to become a late starter in the contest a year after the Savoyards had already been working on their own bid. Paris, on the other hand, felt throughout that the



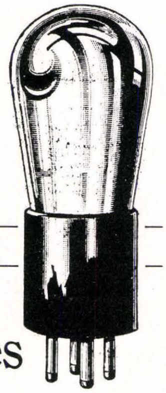
COURTESY FRENCH GOVERNMENT TOURIST OFFICE

Although the host of the 1992 Winter Olympics is the town of Albertville, some of the events will take place in other resorts around the Savoie such as Courchevel, above.

Savoie bid had damaged its own chances of being awarded the more prestigious summer Games.

The Paris bid was hurt by the various problems of a capital city such as the heavy traffic, a spate of terrorism this fall, the fact that it had withdrawn plans to hold a world fair after already entering a bid and the almost inevitable choice of three-time loser Barcelona as the summer 1992 Games host.

But even though Paris lost out, French pride was satisfied. Albertville will substitute to celebrate Coubertin's relaunch of the Olympics, and Paris may try to recover the $10 million it spent on its Olympic campaign by staging a pre-Olympics meet in 1992. And, undaunted, Paris will try again for the 1996 Olympics. But that year is the 100th anniversary of the first modern Olympics, which were held in Athens in 1896. In its bid for those Games, Paris already knows that it will face a formidable opponent: Athens.—BRIGID JANSSEN



ATHENS
On the Airwaves

A group of Athenian intellectuals has challenged a 50-year-old monopoly on broadcasting that has left Greece as the only E.C. member state where radio and television are still government-controlled. The first broadcast by a pirate radio station, calling itself the "Channel 15 Group," was broken up by police last July after receiving considerable advance publicity. Seventeen of the group's 35 members are still awaiting trial on charges of broadcasting illegally. Since then, however, they have aired two more broadcasts from makeshift studios located in private apartments. The second, a 90-minute live debate by Athens mayoral candidates on the eve of the nationwide local government elections, went without incident. Earlier, Premier Andreas Papandreou's Socialist Government had turned down the candidates' request for an all-party discussion on state-run television.

The Socialists' refusal to permit live political debates illustrated what Greeks across the political spectrum consider to be the broadcasting media's main problem; namely, a traditional government hold on programming by the two television channels and four radio stations. The newly elected Mayor of the city of Athens, Miltiades Evert, is waiting for a clear response from the Government to his plans to establish a municipal radio station for the capital when his four-year term begins on January 1, 1987.

The problem of media broadcasting is rooted in its historical development in Greece, media analysts maintain. While radio developed during a pre-World War II dictatorship, television took off under the repressive Colonels' regime that lasted from 1967 to 1974. The democratic Governments that followed quickly yielded to the temptation of using the broadcast media for their own purposes, the analysts point out.

Ninety-six percent of Greece's 3 million households have television, according to a recent survey, and 38 percent have color sets, which gives the broadcasters a wide audience. Television sets in the local cafés in remote mountain villages are watched every night and are an especially important source for information, as the newspapers arrive a day late.

Under the 1975 Constitution, broadcasting comes under the "immediate control of the state and shall aim at objective transmission, on equal terms, of information and news reports." In practice, however, news broadcasting is influenced by political rather than by journalistic considerations. The Government Press Undersecretary is empowered to stop or postpone programs and to give specific instructions for government press releases to be aired.

A draft law to reorganize television by merging the two channels under the supervision of a broad-based, 44-member assembly has been proposed, but it has met with fierce opposition. Conservatives complain that the Government would keep its grip on television and radio by appointing a majority of the assembly members. Indeed, since the Socialists came to power in 1981, the top broadcasting jobs, invariably Cabinet appointments, have proved to be the hottest seats in the civil service.

Nevertheless, both Conservative and Socialist supporters admit that program quality has improved markedly over the past five years. Although the Socialists' efforts to encourage high-quality local productions proved too expensive, a much broader range of foreign programs is now aired.

Despite wide support for the "Channel 15 Group," the Government is unlikely to relax the state media monopoly. Last year, the Socialists accused the Conservatives of "giving in to Greek and foreign capitalists," when they pledged to introduce private radio and cable television and join the *Europa* satellite network. They explained their reluctance for joining by the fact that such a project might "alienate our sense of national identity" by drawing viewers away from Greek channels.—KERIN HOPE.

LONDON
Many Faces Of Royalty

One of the anachronisms of the European Community is that while it is deeply dedicated to democracy, it still continues to honor its royalty.

COURTESY BRITISH INFORMATION SERVICES

H.M. Queen Elizabeth II.

This is amply illustrated by the fact that six of the 12 member states of the Community still have a monarch as titular head of state, who continues to be much respected by his or her subjects. And although some people are offended by the existence of the monarchy because it fosters privilege and the class system, many more seem to be willing to accept a politically powerless King or Queen because they signify a sense of community and continuity.

The British Royal Family is without doubt the best known of all of Europe's aristocracy, and it has an inexplicable magical appeal to onlookers. It enjoys extensive media attention, and reports about the doings of the members of this elusive family generate great public interest as they afford a momentary glimpse behind the fabulous pageantry and glamor of the public image.

This, coupled with the overwhelming history, the palaces, toy-soldier uniforms, pomp and circumstance and tradition, is of never-ending fascination to the public, whose worldwide appetite for royal weddings attests to the powerful attraction of seeing real live Kings and Queens, Princes and Princesses participate in events of great pageantry. And, despite the massive economic, political and social changes that have taken place in Britain during the 34-year reign of Queen Elizabeth, opinion polls have shown a remarkable consistency in the popularity of the monarchy. Just as in the 1950s, nine out of 10 adult Britons still favor the monarchy today.

But the royal life is not all glitter and tinsel. The Queen is a hard-working woman, her duties involving close study of all papers of state to keep abreast of political developments, as well as a sometimes tiresome round of visits to her subjects at work and at play. Two or three times a year the Queen travels overseas, for periods ranging from a visit of a few days in one country, to four- or five-week-long trips that take her to a number of nations. Sometimes these can be arduous journeys to remote and underdeveloped lands, where the rigors faced can range from Maori tribesmen in New Zealand baring their bottoms at the Queen to protest some element of British policy to exotic foods that can severely test the digestion.

Her vast experience of such travels has turned the Queen into a royal super-diplomat and commercial envoy. The appearance of the British monarch helps to foster cultural and trade ties with the host country, and, on occasion, has defused tensions between the 48 nations of the British Commonwealth.

The Queen's visit to China last October is only the latest example of the commercial value of the monarchy. While the royal retinue was touring the Great Wall, 120 British businessmen and industrialists were giving the Chinese the hard sell. The venue for this drive to boost British exports to China was unique: It was held on the royal yacht, *Britannia*, which had sailed to Shanghai to be at the Chinese port during the royal visit, and was thus there not only for the use of the Queen, but also for her salesmen subjects. For two days, the *Britannia's* regal interior was turned into a floating exhibition hall, where the Chinese guests were told about, and cajoled into, the wonderful advantages of buying British.

These "seadays," as they are called in Buckingham Palace, have increasingly become a part of royal tours. Officials say that the benefits in orders and goodwill generated for British business far outweigh the costs involved. And although the Queen does not actually indulge in undignified beating of the drum for British trade, her presence in the country, and the publicity it generates, do create an atmosphere of goodwill that British companies try to convert into orders.

This delicate balance of romance and realism has enabled the British Royal Family to survive in modern Britain. A great deal of attention may be paid to the circus side of the monarch's family, but it is the contribution to earning the nation's bread that ultimately disarms its critics.—DAVID LENNON

LISBON

A Boost For Culture

More than 100 businessmen, bankers and leaders of industrial associations gathered recently in an 18th-century palace near Lisbon for a somewhat unusual event. It was the official presentation of a new law that will concede fiscal incentives to firms and corporations that will support cultural initiatives.

Known as the "Maecenas Law," this act is considered a major innovation by the Portuguese Government in the cultural sphere. It was not surprising, then, that the presentation session was celebrated with the appropriate pomp and circumstance, attended not only by the Prime Minister, but also by the Ministers for Finance, Industry and Education.

The idea behind this law is relatively straightforward. Like similar legislation that has been passed in other countries, such as the United States or France, corporations are now able to deduct from their tax burden the costs of cultural sponsoring. If the beneficiary is a state project or a public institution, the tax relief will cover the total charges; in all other cases, the fiscal deduction involves the whole sponsoring costs when they do not exceed 0.2 percent of global revenues, but it just comprises 50 percent of the expenses exceeding that limit.

Businessmen rightly think the bill is "sufficiently generous," since the tax incentives can reach up to 60 percent of the "cultural financing" costs. But will this stimulus be enough to improve the economic background of those activities? The most positive response so far has come from the multinationals and the big public corporations, who are already familiar with these business practices. Senior executives of the Portuguese branches of IBM or Nestlé welcome the new law, saying that cultural sponsoring must be seen as an attitude of "good citizenship." But it does, of course, also imply an investment in the global image of the organization, which is particularly important for the companies' images abroad; the terms "prestige," "respectability" and "building a good name" are frequent references of corporate representatives when asked about the primary advantages of spending money on culture.

Although the first reactions are encouraging, Portuguese Government authorities are cautious about the long-term impact of the incentives. While they are optimistic that the big corporations will probably reinforce their usual sponsoring, they are aware that an "imitating effect," if there will be one, will be a slow and difficult process.

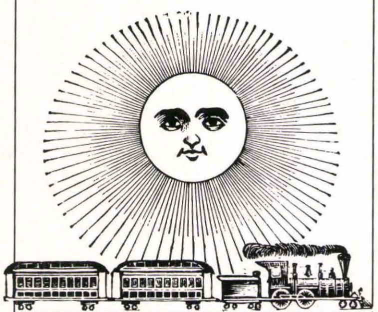
The so-called "cultural agents," such as publishers and art galleries, largely share this opinion, pointing to the traditionally "closed stance" of Portuguese firms and the "insensibility" of their management to cultural needs. For this very reason, a strong publicity campaign to underline the law's potential advantages may prove to be as important as the decree itself in the effort to increase private funding in an area that does not receive more than 1 percent of the national budget and where public support is very scarce.

The campaign may, to some extent, already be underway. A state-owned publisher, advertising in the main newspapers, is urging readers to become a "Maecenas," or sponsor, by buying its catalogue . . . and, in turn, giving it to public libraries and relevant cultural centers.

Thus, the new law is seen as an important asset, but not as an exclusive means to boost cultural efforts. Says Teresa Gouveia, the Deputy Minister for Culture, "No one should imagine that private financing will ever substitute public investment in this area. Economic realities do not allow for that and I would not like it to be so. The state must keep its responsibilities toward culture, because it is the only entity that has a global idea of what the national needs are."

At the same time, however, she acknowledges that the law is very important for Portugal's cultural growth. "In Portugal, there is no sponsoring tradition; the dependency on the state is excessive and private industry does not care enough. That is why I thought it could be useful to enlarge the social impact of the firms' promotion needs and plans."

Whatever the outcome may be, everyone agrees that this development means good news for the cultural scene. The most optimistic believe that it will change the immediate prospects of Portuguese cultural life, which is now living through an active and innovative period, particularly in the areas of literature and sculpture. Small cultural markets still appear to be one of the major barriers for a real step forward and that is where some private help can be useful.—José Amaral



MADRID

Mending Old Grievances

If you want to travel between two of southern Europe's best-known summer playgrounds, Spain's Costa del Sol and the Portuguese Algarve, a long overland trek still ends at the Guadiana River border where only a ferry can take you to the Portuguese side. Even the direct drive from Madrid to Lisbon takes you through one of Western Europe's economically least developed regions. A journey of less than 400 miles takes a good 10 hours because of the state of the roads. It is more comfortable, though certainly no quicker, to take a sleeper on the overnight "Lusitania Express."

The regions bordering the more than 700-mile-long land frontier from Galicia in the North to Andalusia in the South, represent a major challenge, not only for the European Community now that the two Iberian nations have joined the club, but also for the Spanish and Portuguese Governments, whose Prime Ministers, Felipe González and Anibal Cavaco Silva, recently met and agreed to a new degree of economic coordination between the two countries.

The reasons for this are fairly straightforward. With the Twelve working toward an internal free market by 1992, the two countries simply cannot go on ignoring each other culturally, economically and politically as they have done for centuries. It is, however, idle to pretend that any relish exists in Madrid, or in Lisbon for that matter, for what González has called a "Copernican revolution" in the two Iberian nations' bilateral relations. Spain has historically reacted with disinterest toward less developed Portugal, which, in turn, has nursed Portuguese suspicion of its bigger and more economically advanced neighbor.

González found his hosts had selected Guimaraes—the northern Portuguese town known as the "cradle" of the small Iberian nation—as the site for the first top-level encounter between the two countries since both joined the E.C. at the beginning of the year. The two Iberian Premiers agreed that an economic rapprochement, a "growing together" through the creation of common interests, was desirable on both sides.

When Spain and Portugal entered the E.C., a bilateral agreement sketched the basis for broadening peninsular trade, which until then had been gravely hampered by Spain's high industrial tariffs and which became one of the main subjects during the meeting. There is a chronic 2:1 trade imbalance between the two countries—in Spain's favor. Exports of machinery from Spain have been essential to Portugal's industrial development, but this tendency may well worsen as Spanish businessmen see growing opportunities to exploit the advantages of competitive prices and Portugal's geographical proximity.

Figures for the first nine months of this year already show Spain moving up from fifth place to second place—after the Federal Republic of Germany—among Portugal's E.C. trading partners. But while exports increased on both sides, Spain sold goods and services to Portugal worth $650 million, while Portugal's balance only reached some $310 million.

González, painfully aware that a Portugal unable to meet its E.C. commitments is not in Spain's real interests, promised steps to assist Portugal in correcting the trade balance in the medium term. This is not helped, however, by Spanish trade officials who have been trying to "educate" Spanish public opinion on how the E.C. market mechanisms mean greater opening of Portuguese exports of textiles, petrochemicals and electric and electronic goods. But at the same time, the Spanish Government is worried about the political costs in regions like Catalonia, where industries produce exactly the same products.

All kinds of pressure is exerted on Spanish importers to moderate the pace and to curb extensive importing on the underground, parallel economy. Madrid official statistics do not, on some items, even take account of significant levels of trading across Spain's often unprotected frontier with Portugal.

Both Governments know they are far ahead of public opinion and trade lobbying in their countries. To break down the disinterest in Portugal, Spain plans to open a cultural institute in Lisbon next year. But much more needs to be done. Spanish banks say they are still meeting with refusal from Portuguese authorities to open branches in Portugal because of the fear that they might be the vanguard of a Spanish takeover.

But a major first step has been taken in this overall Iberian rapprochement: The two Premiers did make a solemn commitment to have a bridge built over that Guadiana River frontier, to be operational by 1989.—Richard Wigg €

CORRESPONDENTS

DAVID LENNON is writer/editor on the foreign desk of the *Financial Times* in London.

RICHARD WIGG is the Madrid correspondent for *The Times* of London.

BRIGID JANSSEN is a freelance writer based in Paris.

LEIF BECK FALLESEN is the economic director of the *Borsen* newspaper in Copenhagen.

JOHN WYLES is the Rome correspondent for the *Financial Times*.

WANDA MENKE-GLÜCKERT is a freelance writer based in Bonn.

KERIN HOPE is a correspondent for *Associated Press* in Athens.

NEL SLIS is a freelance writer based in The Hague.

ALAN OSBORN reports from Brussels for *The Daily Telegraph*.

JOSÉ AMARAL is a freelance writer based in Lisbon.

JOE CARROLL is the diplomatic correspondent for the *Irish Times* in Dublin.

EUROPE PROTESTS U.S.-JAPAN DEAL ON SEMICONDUCTORS

E.C. BELIEVES THE AGREEMENT VIOLATES G.A.T.T. RULES.

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QUENTIN PEEL

There was a time when the Europeans thought they had a virtual monopoly on chips—the potato variety, that is. From the British working classes to the Belgian bourgeoisie, "chips with everything" was a fair description of the diet of many Europeans.

The same expression is true today for the computer industry and for most other branches of manufacturing. But the problem for the Europeans is that the huge market for microchips—or semiconductors, as they are known in the business, is very far from being a European monopoly. Indeed, it looks like one being rapidly carved up between the United States and Japan.

The trouble is that when it comes to the international trade in microchips, there is only one thing the Europeans can agree on: The deal signed between the United States and Japan to prevent dumping on the U.S. market amounts to one of the biggest attempted industrial cartel operations in recent commercial history.

After that small point of agreement, the European lobbies divide. Half of them think the deal to "stabilize" (read "increase") the price of microchips on international markets must be a good thing—these are the producers. The other half thinks it is probably a disaster for European industry, which is already a substantial net importer of chips and wants to buy them as cheaply as possible to keep the price of its finished products competitive on world markets.

In the middle is the E.C. Commission in Brussels, responsible for negotiating the international trade relations of the E.C. member states, which is not at all clear which way to jump. That division in Europe mirrors a similar one in the United States, where opinion is equally split on the merits of the semiconductor deal between those companies actually competing with the Japanese, and wanting protection, and those which are consumers, wanting maximum competition to keep prices down.

Signed on July 30, after months of on-again-off-again negotiations, the deal seeks to prevent Japanese manufacturers from dumping their microchips on the U.S. market. That in itself is not what the European object to. It is the way the deal goes about it. In order to prevent the Japanese from simply turning their attention to third markets, dumping their products there and driving U.S. manufacturers out, the deal includes a crucial annex providing for the monitoring and "stabilizing" of Japanese prices worldwide.

A second secret deal on the side is supposed to guarantee for U.S. microchip manufacturers a share of more than 20 percent of the Japanese market after five years—double what they have now—in exchange for their agreement not to file antidumping complaints in the United States.

Already in the few months since the deal was done, it has had fairly dramatic effects on prices, although opinions differ on the full extent. The American Electronics Association claims that some prices have doubled and more since July. Semiconductor manufacturers say there may be a "very modest increase"—which still means anything up to 20 percent. In Japan, in contrast, prices in October fell between 10 percent and 20 percent, prompting the Ministry for International Trade and Industry (MITI) to urge production cuts on the electronics industry.

Meanwhile in Europe, prices also rose—by enough to alarm chip buyers, but by less than in the United States, equally fueling fears of European chip producers that they were indeed facing feared Japanese dumping. According to Dataquest, a U.S. market research company monitoring chip prices worldwide, prices for 256 D-RAM (or dynamic random access memories) in the United States rose to $2.50 in September and $2.75 in October, against European prices of $1.78 in September and $2.10 to $2.20 by the end of October.

For the most part, the European manufacturers are on the side of their U.S. counterparts. Indeed, several of the big U.S. concerns, such as Texas Instruments, Motorola, National Semiconductor and Intel, rank high in European manufacturing alongside the big three Europeans: Philips of the Netherlands, Thomson of France and Siemens of the Federal Republic of Germany.

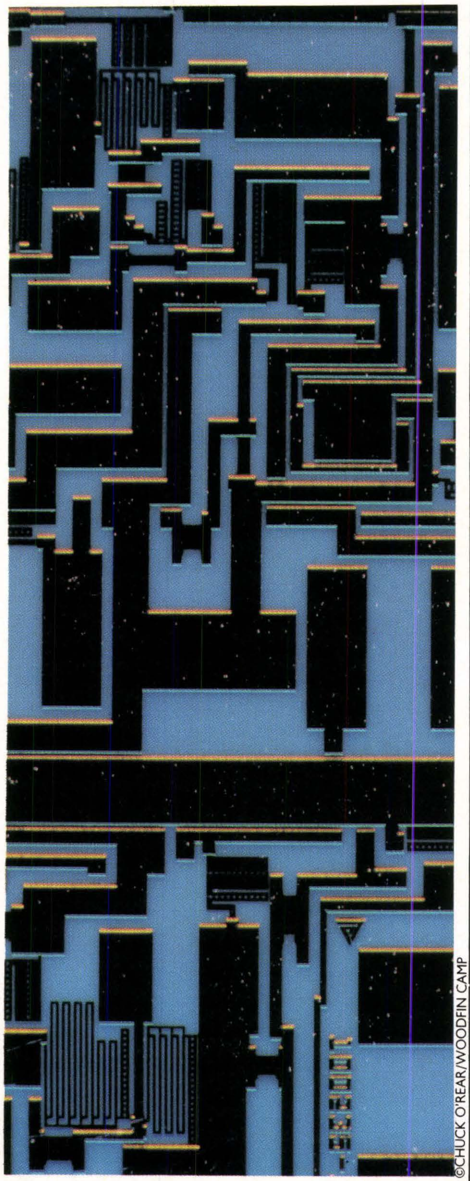
The European Electronic Components' Manufacturers' Association (EECA) is pursuing an antidumping complaint against the Japanese with the E.C. Commission, targeting particularly D-RAMs and Eproms (electronically programmable read-only memories), which would effectively reinforce the U.S. action.

Nonetheless, some manufacturers, and the Commission itself, have more fundamental objections to the deal. "Any agreement that divides up the world between the United States and Japan is a threat to our future," according to Michel Motro, vice president for international business development at Thomson's electronic components division.

Hence the Commission's own action in the machinery of the General Agreement on Tariffs and Trade (GATT) in Geneva, starting a formal process of objecting to the deal. The two key objectives by the Commission concern those secret annexes—one on monitoring Japanese chip prices in third markets (in the E.C., it singles out the Federal Republic of Germany, France, the United Kingdom, Italy and Ireland in particular) and one promising U.S. manufacturers a special deal in Japan.

Regardless of what effect the deal has on European prices, the Commission is convinced that it violates the GATT rules by seeking to dictate behavior in the European market. It raises the fundamental problem of any two countries seeking to regulate a trade that has become totally international in both production and marketing.

As far as the third market effect is concerned, Commission officials expect three results. In the E.C., semiconductor prices will increase, to the detriment of users. Some 60 percent of the European market is now supplied by imports—and even the European microchip manufacturers are themselves significant importers for some of their end products.



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In the United States, an even sharper short-term price rise is expected, benefiting manufacturers, and hitting consumers as in Europe. In Japan, microchip exporters are likely to boost their profits thanks to the price increase—while the rest of the Japanese electronics industry is likely to benefit from the lower domestic price to become even more competitive on the world market.

The Commission officials are also furious about the special deal allegedly accorded to U.S. companies selling in Japan. The agreement is supposed to "guarantee" the U.S. industry a doubling in its share of the Japanese semiconductor market, from its present level of around 10 percent, over the next five years. According to the Europeans, that is exactly the sort of quantified target they have sought from the Japanese in recent years—and have had flatly rejected.

The other objection Brussels makes to the deal is that it is supposed to cover specific prices for eight products, whereas only three of them were actually involved in the U.S. antidumping action that started the whole negotiation. "That means the agreement goes far beyond simply resolving an antidumping action, and is verging on a real industrial and commercial strategy affecting a key sector in world economic activity," according to one official.

Another practical E.C. objection is that the agreement will not be possible to monitor properly—except in Europe and the United States. "Failure of this agreement in third countries would be the worst of all possible worlds for us," according to Christopher Wilkinson, head of strategy on the E.C. Commissions' task force for information and telecommunications technologies. "Prices would go up in Europe, but remain low in South-East Asian countries, allowing them to undercut European companies drastically." What the Commission really wants is to be invited to the negotiating table, while the U.S.-Japanese deal is put in cold storage.

In the meantime, however, the divided European response has confused the Japanese. "It is not clear what they want us to do," says a MITI official, "keep prices high to prevent dumping or keep prices low to keep their consumers happy." For the time being, the Europeans are not sure themselves.

Quentin Peel is the Brussels bureau chief of the *Financial Times.*

FARM TRADE ISSUES WILL TEST NERVES IN NEW G.A.T.T. ROUND

EUROPE AND AMERICA ARE HEADED FOR A SHOWDOWN OVER SUBSIDIES AND EXPORT POLICIES.

BAILEY MORRIS

The victory in launching a new global trade round at Punta del Este, Uruguay, is past. Now comes a critical time of testing as member nations of the General Agreement on Tariffs and Trade (GATT) begin the tortuous work of appointing committees and agreeing on agendas that will allow the negotiations to move forward.

Nowhere will conflict be more apparent than in the area of agriculture, which remains a political hot spot on both sides of the Atlantic. Early in the talks, the good faith of the 74 nations that launched the new round will be tested over this critical issue.

The talks come at a time when the U.S. is headed toward another record trade deficit, commodity prices remain depressed and there is a worldwide oversupply of agricultural products.

If recent history proves an accurate guide, there is bound to be another showdown between the United States and the European Community, the world's largest agricultural traders. One need only read the language agreed on at Punta del Este to make this obvious prediction:

"Contracting parties agree there is an urgent need to bring more discipline and predictability to world agricultural trade

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by correcting and preventing restrictions and distortions . . . improving the competitive environment by increasing discipline on the use of all direct and indirect subsidies . . . including the phased reduction of their negative effects."

The language on subsidies, agreed to only after a tense series of meeting, is the critical part of the agreement. Some delegates saw it as an assault on Europe's longstanding Common Agricultural Policy (CAP), but the prevailing view was that it is a much broader attempt to halt the proliferation of subsidies worldwide. This is what the E.C. sought in insisting on language that "all direct and indirect subsidies" would be addressed. The policies of the United States are included.

Indeed, over the past 25 years, the United States and the E.C. have become equal transgressors in the subsidy war. U.S. farm supports this fiscal year set a record high at $25.6 billion, while E.C. farm support, under the CAP, is estimated at $25 billion.

The 1985 farm bill was a turning point in U.S. agricultural policy that set America on a new, confrontational course. Alarmed by the sharp drop in U.S. exports—wheat and feed grain exports have plummeted by almost 30 percent over the last year—Congress reacted to political pressure and passed an expensive bill authorizing the increased use of subsidies to regain lost markets.

It is the hope of free-traders within the Reagan Administration that this expensive lurch toward greater protectionism can be reversed with the aid of the Punta del Este mandate. "We cannot ask other people to put their policies on the table unless we are willing to put our policies on the table," said Clayton Yeutter, the U.S. Trade Representative.

But it will be a difficult exercise, at best. The negotiations are taking place during a period in which the United States is headed toward another record trade deficit, commodity prices remain depressed, there is a global oversupply of farm products, and the failure rate of U.S. farms is higher than at any time since the Great Depression. This litany has raised a chorus of protectionist demands likely to grow stronger when the new 100th Congress with its Democratic majority in both houses is sworn into office.

A high-level E.C. official, speaking at a recent conference, said that given the large increase in food-producing nations in recent years, the United States and Europe face the particularly onerous task of dealing with the question of oversupply. At the present time, in the aftermath of "Green Revolutions" around the world, the Soviet Union remains the only major importer of agricultural products for basic needs.

"The potential for conflict between the E.C. and the United States is probably greater than at any other period given the increase in the number of producing and exporting countries, the progress made in biotechnology resulting in remorseless increases in yields and the difficulties in augmenting the purchasing power of those whose need for food remains unsatisfied," the official said. It is a situation that places a heavy responsibility on Europe and the United States, the largest agricultural traders, to find a solution. The alternative is an escalation of the battle over shrinking markets, marked by aggressive maneuvers that will drain treasuries and further weaken world markets in a pattern likely to have disastrous effects in developing countries.

Neither side wants to end in a 1930s-style war. But over the short term, it will require consummate diplomatic and political skills to avoid one. The E.C. official outlined the difficulties inherent in these negotiations when he stated: "We should cooperate in planning the adjustment of our support policies. . . . But, having such markedly different farming conditions on either side of the Atlantic implies that while we should have the same ends, we will not necessarily have the same means." The language leaves room for disagreement.

In the United States, the clamor for "short-term" measures is growing. The trade bill passed by the House of Representatives during the 99th Congress contained tough provisions supporting retaliation against European goods in the aftermath of the entries of Spain and Portugal into the Common Market. The bill also contained import restraints against countries that have built up large surpluses with the United States. "We must be willing to pick up heavy clubs and swing them," said Sen. Pete Wilson (R-CA) who has lead a campaign against E.C. wine, canned fruits and other imports.

The latest estimates of the U.S. Department of Agriculture (USDA) reveal that in this world market of surpluses, the export growth of American farmers will reach only 4 percent to 5 percent a year over the next decade, almost one-half the rate of the prosperous 1970s. At this rate, farm exports will not regain the 1981 record level of $43.8 billion in sales until the 1990s.

These are dramatic numbers that have provoked dramatic responses. When the 100th Congress meets in January, it will be faced with demands to boost farm incomes through controversial programs opposed by the Reagan Administration on grounds they are protectionist and harmful to U.S. foreign relations.

Farm groups are pressing for mandatory price controls under which the government would stipulate how many acres to plant and bushels to sell, thus controlling supply and insulating even less efficient producers from financial shocks.

At the same time, farm lobbies want to extend to wheat and corn a highly controversial subsidy program now in place for rice and cotton. The proposed extension of the controls, which drew a sharp diplomatic protest from Thailand, have already strained relations with close U.S. allies, notably Canada and Australia.

The subsidies are in the form of a marketing loan program. Farmers are encouraged to sell crops at world prices, whether or not the prices are below the federal loan rate, and the government makes up the difference. If the world price for rice, for example, is $3.50 a hundredweight and the government's support price is $8.00, the farmer can sell his rice to a private buyer at the world price and the government will make up the $4.50 difference. The program for rice went into effect last April. It is credited with saving the U.S. rice industry from bankruptcy, but, in the process, it also disrupted the world market. Thailand claims it is driving Southeast Asian producers out of business.

But U.S. farm lobbyists see only the domestic numbers. "The power of the program is in the results. Rice exports should reach 2 million tons this year and from 2.3 million to 2.5 million tons next year. Without this program, rice farmers would have sold only 1.2 million tons," said a spokesman from the rice millers association.

The relentless growth in both direct and hidden subsidies is contributing to mounting surpluses which are straining treasuries and storage facilities. In Europe, it is costing E.C. nations an estimated $1 million a day to store 1.3 million tons of excess butter which is either unwanted or too old for human consumption. Last May alone, a record 100,000 tons was added to this "mountain."

In the United States, there are similar surpluses of butter, cheese and, increasingly, grain. Grain bins are bulging at an estimated 93 percent of capacity, backup facilities, barges, rail cars and other temporary storage bins have been pressed into service. "This may be the worst storage crisis in the history of our country," said a former USDA official. Where does it end? €

Bailey Morris reports from Washington, D.C. for *The Times* of London.

E.C. PROPOSES COMMON STANDARDS FOR TELEVISION

TECHNICAL AND LEGISLATIVE "HARMONIZATION" WOULD PERMIT TRULY EUROPE-WIDE BROADCASTING.

LORD COCKFIELD

I recently addressed a conference in Brussels whose subject—the future of television in Europe—touches on many of the central social, political, economic, cultural and technical themes of the day. Television does not merely reflect, but plays an important role in forming, our modern society and our modern Europe. It was particularly appropriate that the meeting should be held in Brussels. The wide range of European television channels made available by cable to viewers in this city is a marvelous example of the enhanced choice for the consumer which new technology makes possible: In this, Brussels leads the world.

But the cable system of Belgium was also the battleground of the notorious "Debauve" and "Coditel" cases, in which the European Court of Justice decided that, until some harmonization of laws on broadcasting took place within the Community, member states were entitled to maintain different national measures in that field: This decision of the Court has too often protected national television channels against competition from elsewhere in the Community.

And, finally, Brussels is, of course, the home of the E.C. Commission. This Commission has taken up the challenge implicit in the Debauve judgment and produced a draft directive that creates a new legal framework for European broadcasting. The track record of the Commission in promoting integration between European broadcasters is one in which it can take justifiable pride. At the beginning of this year, the Commission put forward the MAC/Packet directive, which, subject to final editing and the opinion of the European Parliament, was adopted by the Internal Market Council of Ministers in June of this year.

The aim of this directive is to avoid any repetition of the disastrous split between the PAL and SECAM systems that has bedeviled European broadcasting technology. Developing technology made the PAC possible. The first meeting recently of the Forum on High Definition Television shows that the Commission is determined not merely to keep up with the game in broadcasting hardware, but to get ahead of it.

In drawing up its proposed directive on broadcasting, the Commission had two simple starting points. Firstly, it recognized that a fragmented European television industry could not, in the long term, compete with the gigantic resources available to its competitors. And secondly, the Commission knows that rapid technological change in any case will outrun the present primitive state of national legislation on broadcasting. If change is inevitable, let us use change to our own advantage, rather than deny change's inevitability—and then be swamped by it.

> "I believe that tomorrow's television in Europe can be, should be and will be a truly European television because a fragmented Europe of national broadcasters is economic and political nonsense."

I believe that tomorrow's television in Europe can be, should be and will be a truly European television: a fragmented Europe of national broadcasters is political and economic nonsense. The new satellite channels will need a Europe-wide audience to survive economically, and existing channels should surely be able to reach—where it is economically and technically feasible—as wide an audience as wishes to receive their programs.

The Commission has a goal of a unified European market in goods and services by 1992: Broadcasting is a component part of that unified market for services. The Treaty of Rome establishing the E.C. guarantees free circulation of services within the Community. The Commission's directive will make a reality of that guarantee.

Until now, varying national regulations have held the field. Their existence and their diversity have acted as a powerful brake on progress. Individuals and companies have naturally been reluctant to invest and make long-term decisions. The Commission's directive will establish at an E.C. level a set of agreed general rules.

At the moment, no such general rules exist and broadcasters must take account of the differing regulations both in their country of transmission and in their country of reception. The permutations of regulations within a Community of 12 are almost infinite. There are existing bilateral agreements, but they are limited and fragile. It is time to go to the root of the problem. What is accepted for transmission in one member state should, with a very few exceptions, be accepted also for transmission in every other member state of the Community.

When the E.C.'s directive is fully implemented, the broadcasting landscape of Europe will improve dramatically for viewers and producers alike. National television companies will face, as a matter of course, free competition from broadcasters established elsewhere in the Community. Only attractive and good-quality programs will retain the audiences now too often held captive by national monopolies. Program promoters will need constantly to improve their product while controlling their production costs. I hope and believe that European producers will rise to this new challenge.

Nor will European producers be left entirely on their own as they wrestle with market forces. The Commission des not intend for Europe to become the dumping ground of cheap and second-rate material from outside the Community. The proposed directive on broadcasting contains important measures to stimulate the production and distribution of European television programs. It is the Commission's hope that the newly created European market will be serviced mainly by European program-makers enjoying a large home market, but exposed to the bracing wind of competition from throughout the Community.

Whoever talks about television must talk sooner or later about money. Television's future in Europe depends crucially upon its finances, upon advertising and sponsorship. Many member states are now engaged in reducing the restrictive provisions on television advertising; the Commission directive reflects these liberalizing tendencies.

We are not, however, dogmatic deregulators. Member states which themselves substantially limit advertising in their national programs will be able—within the limits specified in the directive—to ensure similar treatment for programs entering their home market. This compromise is a good example of the directive's underlying philosophy. The Commission has sought to create a light, flexible and, above all, workable framework for European television's future.

Important though the legal, the financial and the technical infrastructure of European television is, its future depends in the long run upon the creativity of those who work in the industry. Politicians and administrators can easily stifle talent, but they cannot create it. The creation of a genuine European broadcasting area will provide a better nursery for European broadcasters than the present fragmentation into national producers and national audiences.

The success of new television services will depend upon their ability to attract European audiences. This will imply a new approach to programming, intended to appeal to a larger European public. The widening beyond national horizons of the scope for Europe's broadcasters is a long-overdue challenge to creative ingenuity and innovation. Well-designed programs, successful in the unified European market, are the best possible recipe for success in exporting to areas outside the Community.

For all the varying sectors of Europe's economic life, the coming years until the end of this century will be of crucial importance. The questions we have to answer are essentially two. Can we in Europe create in our own continent the sort of unified market that the United States has so long enjoyed internally and which a liberal world trading system has provided for Japan in its exports? And when we have created in Europe this unified internal market, shall we be able to take full advantage of that market?

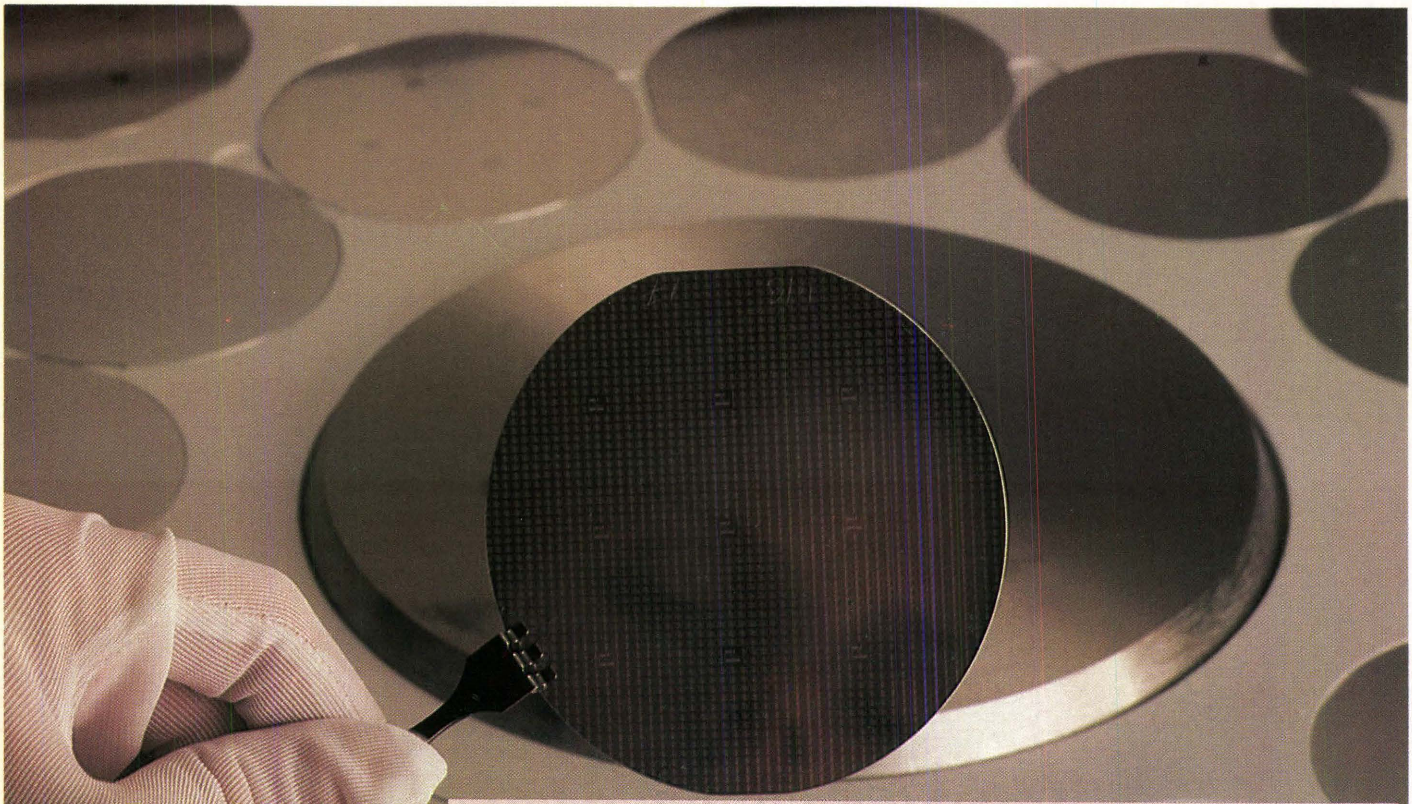
If, in 20 years' time, we want still to have a flourishing European television industry, we must make the difficult but necessary effort of adaptation now. We need to think in continental terms. Only a Philistine would believe that selling and producing television programs is in every way similar to selling and producing clothespins or coffee cups. Nevertheless, the problems of the fragmented European broadcasting market are a microcosm of the complex factors that have restrained Europe's economic progress over the past 20 years.

Without concerted action on a European scale, there is the real fear that European broadcasting in the year 2000 will find itself in the same position as the European electronics industry—elbowed out of expanding markets by outsiders who saw the opportunities earlier than we did. At the turn of the century, people will not be asking why the Commission acted to legislate when it did, but rather why it did not act sooner. €

Lord Cockfield is the E.C. Commission Vice President responsible for internal market policy.

BRITAIN PUSHES FORWARD WITH PRIVATIZATION

SALE OF STATE ASSETS CREATES A NEW BREED OF STOCKOWNERS.



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The privatization of British Telecom, for example, created a new breed of shareholder in Britain. A public issue of British Airways stock is scheduled for next year.

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LYNNE CURRY

The images are becoming increasingly familiar in the United Kingdom: First, the wave of slick television and newspaper ads, then the long queues and the frantic, last-minute rush as thousands of people line up to spend millions of pounds in order to become shareholders for the first time.

The source of the excitement is privatization, the policy of selling off state-owned assets that has become an article of faith for the Government of Prime Minister Margaret Thatcher. Removing inefficient, nationalized industries from government control and returning them to the private sector, while giving British citizens an opportunity to own shares, is a central goal of the Thatcher Administration.

Critics, on the other hand, have questioned whether the public is really benefiting from privatization. They argue that the Government is selling off valuable national assets for a quick, one-time profit, while allowing many companies to retain monopolies under private-sector owners. "There is a popular, public debate about whether the Government is selling off the family silver," said George Magnus, chief economist at Chase Manhattan Securities. "People have some reservations about selling off assets per se."

Privatization has been at the core of the Conservative Party's program since it took power in 1979. Convinced of the need to undo the socialist policies of previous Labor Party Governments, the Thatcher Administration in the past seven years has supervised one of the largest sell-offs of state-owned enterprises ever seen. These have ranged from Jaguar, the luxury car manufacturer, to British Telecommunications Plc (BT), one of the world's largest telephone businesses.

In terms of the amount of money raised, privatization has been a runaway success with an estimated £7 billion in assets sold already and plans for the sale of £15 billion over the next three years. But analysts say the Government has begun to shift away from its original goal of increasing efficiency and competition through de-nationalization. Instead, maximizing revenues to avoid a tax hike or increased Government borrowing has now become the chief priority.

"If the Government hadn't sold the assets, it would either have to cut back on spending or sell more Government debt," noted Chris Johns, an economist at Phillips and Drew, a stockbrokerage. Ray Robinson, an economist at the Kings Fund Institute, a policy analysis center on health care, added: "If you are looking for efficiency gains through privatization, you are looking for competition. Competition is important, not ownership when a monopoly is inefficient."

For example, the only rival the Government has permitted to British Telecom is tiny Mercury Communications. Mercury is only a fraction of the size of BT, and there are no immediate plans to allow other companies to enter the telecommunications market.

Similar charges have been leveled in the case of British Gas (BG), due to be put on the block in a massive £6-billion sale toward the end of November. Initial plans to break the utility into regional distribution companies were rejected by BG management. Eventually, analysts say, the Government agreed to retain BG as a monopoly, in the knowledge it would fetch a higher price than would a collection of smaller businesses. Nonetheless, experts note that in some cases, privatization has resulted in greater efficiency and an increasing awareness of the Government's goal of wider share ownership.

Creating a large share-owning class in Britain is an extension of Thatcher's philosophy of increasing the number of the British homeowners. "Share ownership is linked to the idea of a property-owning democracy," said Chris Johns, of Phillips and Drew. "It is dear to the Prime Minister's heart. She wants to create a group of people vested with the interest in holding capital. A shareowner is unlikely to vote for Labor if he is going to take a financial loss."

However, there are still many questions as to whether Thatcher's drive has actually led to a meaningful increase in the number of share owners. The Government says share ownership has doubled since 1979 to 6 million, about 14 percent of the adult population. Private surveys, however, assert that the figure is closer to 8 percent.

They also point to the case of British Telecom as evidence that the new breed of share owners may not be the kind of long-term investors the Government really wants. Although taking the company public in 1984 dramatically increased the share-owning population, an estimated 500,000 shareholders have since sold out to make a tidy profit, a trend that has been repeated in other cases.

Apart from the difficulty of convincing the public to buy shares and hold on to them, the Government has also been attacked for underpricing the shares and selling off the national assets too cheaply. "Some of the issues have gone for a song and then gone to a premium," noted Chase's Magnus. "It's so important for them to be successes that they have been priced more competitively."

Still, there have been some clear-cut privatization successes. Jaguar, British Aerospace Plc and Amersham International Plc, a chemical company, have turned in improved results since being sold off. And despite the doubts about the eventual scale of share ownership, the publicc offering of British Telecom was a landmark, with shares massively oversubscribed and asset sales totaling £3.91 billion.

Now, British Gas, which will be sold in three installments, with the final payment due in 1988, has already attracted more inquiries than the British Telecom issue. The success of British Gas is crucial in order to keep taxes down and pave the way for the privitization of British Airways, scheduled for early next year. The BG sale is also critical as the Government heads for the next election, widely expected in mid-1987, with the Labor Party posing a stiff challenge.

Although it has threatened to re-nationalize the companies sold off, the Labor Party has recently downplayed its opposition to the policy for fear of alienating voters. Because of the privatization program's popular appeal, analysts say Labor might have to reconsider how it would return some of the companies to government ownership if it wins the election.

Despite these objections, the Government is moving firmly ahead with privatization. After British Airways is sold, Rolls Royce Ltd., the aircraft engine maker, and the British Airports Authority, which operates Heathrow, Gatwick and Stanstead airports, are scheduled to be put up for sale. "Privatization has been a central theme through Thatcher's seven years of ruling and she fervently believes in it," noted Nicholas Knight, an economist at James Capel and Co. €

After British Airways is sold, Rolls Royce Ltd., the aircraft engine maker, and the British Airports Authority are scheduled to be put up for sale.

Lynne Curry is a freelance financial journalist based in London.

REGIONAL AIRLINES POISED FOR TAKEOFF

E.C. DIRECTIVE WOULD OPEN UP OPPORTUNITIES FOR NEW ROUTES AND ENCOURAGE COMPETITION.

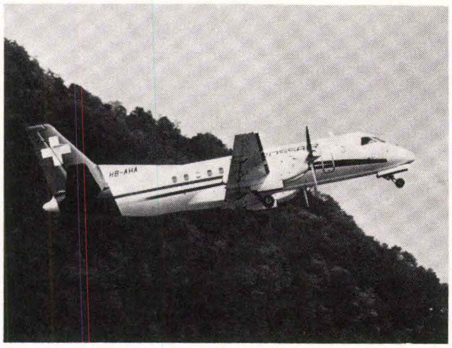
COURTESY LUFTHANSA

Top photograph: DLT, a German regional carrier partly owned by Lufthansa, carried 650,000 passengers in 1985, up 13 percent over the previous year. Above, right: Switzerland's Crossair, with 350,000 passengers, had revenues of $47 million last year.

RONALD KATZ

At 5 o'clock each weekday afternoon, a 12-seat Jetstream 31 turboprop takes off from Birmingham International Airport, England, for a two-and-a-half-hour flight to Zurich. This commuter hop from England's second city to Europe's financial center is operated by Birmingham Executive Airways, one of the new breed of European regional carriers. Birmingham Executive, founded in 1982, also flies nonstop to Milan, Amsterdam, Copenhagen, Dusseldorf, Frankfurt and Stuttgart. Its president, Trefor Jones, an ex-Viscount captain who worked charters on North Sea routes, is positive about the future of regional air service in Europe. The airline expects to turn a small profit this year, and Jones has applied for traffic rights to Paris and Göteborg, Sweden.

After long years in the shadow of the national carriers, Europe's regional airlines are on their way up. Although financial outlook is mixed, several of these carriers have made impressive gains. NFD, headquartered in Nuremberg, the Federal Republic of Germany, is currently operating 82 flights a day, compared to only four a day in 1980. Switzerland's Crossair, perhaps Europe's most successful small carrier, handled 350,000



If the E.C. Commission has its way, the larger "category I" airports would be opened up to regional carriers, the restrictions requiring regional flights to be at least 400 kilometers long would be lifted and regionals could apply for service to third countries.

passengers in 1985 and had revenues of 80 million Swiss francs ($47 million); DLT, another German regional operator, carried 650,000 passengers in 1985, an increase of 13 percent over the previous year.

The smaller carriers do not fall into neat categories. Some, like Germany's Directair, based in Berlin, have less than 50 employees, including pilots. Others, like Crossair, have several hundred. The size and composition of their fleets also varies. Birmingham Executive has four British Aerospace Jetstream 31s; the Netherland's Transavia has 11 Boeing 737s; Germany's DLT owns eight aircraft and charters nine others, including three Fokker F-27s.

Structurally, the small carriers present a diversity of management styles. DLT is 40-percent owned by Deutsche Lufthansa AG; Birmingham Executive and NFD are completely independent; France's Brit Air describes itself as "semi-public" because it has a long-term accord with Air Inter, which is state-owned, and operates two routes for the larger carrier.

Whatever their structure, virtually all of these small carriers see themselves as offering distinct advantages over large airlines. With few exceptions, they offer direct service between points only accessible, for reason of thin traffic or limited airport facilities, to smaller aircraft. "The large carriers do not have the technical expertise to operate economically on thin routes," says Crossair's press officer, Ruth Knecht.

If the E.C. Commission has its way, the 100 or so regional airlines will gain important new opportunities for growth. On September 8, the Commission issued a proposed revision of the first interregional air services directive, which has been in force since 1983. Among other provisions, the revision calls for opening the larger "category 1" airports to regional carriers, lifting of restrictions requiring regional flights to be at least 400 kilometers (248 miles) in length and allowing the regionals to apply for service to third states, providing the service is an extension of existing or applied-for routes. "It would be a big advance over what we have", says Robert Bonhoff, secretary-general of European Regional Airlines (ERA), an association of 18 regional carriers.

No one pretends adoption of the directive will be easy. The first directive, which was proposed in 1980, did not win approval from the Council of Ministers for three years and emerged in a watered-down version which, according to Commission officials, has resulted in the creation of only 14 new routes. Though the climate in Europe has changed, the national carriers and Commission staff expect them to exercise it.

One particular target will be the provision allowing regional service to category 1 airports. Under the previous directive, the regionals were restricted to flights between mid-size "category 2" airports or between those airports and the smaller "category 3" facilities. Feeder service to the large terminals, the heart of successful service in the United States, was excluded, unless the smaller carrier was fortunate enough to persuade its government to include it in bilateral agreements. The effect of that exclusion on the regionals' business cannot be overestimated; in 1985, according to the Association of European Airlines (AEA), some 97.4 percent of international traffic flowed through the category 1 airports. "We were left with scraps from the table," says one regional airlines official.

There are signs the larger airlines may be willing to support the entry of small carriers to the hubs, but they will exact a price. The AEA is calling for a reduction in the present 70-seat limit on regional aircraft to 50 seats, a move that would be fought by the Commission. "It is ridiculous to cut the seating capacity," says Rudolph Wohrl, President of NFD. "Europe is the leading manufacturer of regional aircraft, including the proposed Franco-Italian ATR-72 (74 passengers). Does it make sense that these same aircraft would be barred from European regional routes?" he asks. An AEA spokesman responds that the regionals' use of larger aircraft would put them in direct competition with large carriers, a notion accepted as a given in the United States, but regarded as heretical in some European quarters.

The future of the revised directive cannot be divorced from discussions now going on in the Council of Ministers concerning how much flexibility to accord the large carriers in matters of capacity sharing and air fares. Though some countries want to include regional traffic in discussions of capacity, the E.C. Commission will resist: "There are no limits on the regionals' capacity now," says one Commission official. "We don't want to lose the freedom we have." The AEA, in an effort to dilute competition from the regionals, will only go along with no capacity constraints on the small carriers if there are compromises on letting them into the category 1 airports. "We are still pawns in a large-carrier chess game," says Robert Bonhoff.

Regardless of how these conflicts are resolved, few expect action on the revised directive until mid- or late 1987, at the earliest. And even if there is liberalization, the regionals, while gaining visibility and new markets, will still have their work cut out for them. Still at issue is the public's willingness, after years of jet travel, to commit itself in large numbers to propeller-driven prop jets. But that problem is not insurmountable: Some of the new models, such as the Saab-Fairchild 340 and the ATR-42, offer smooth, quiet rides and ample headroom. Birmingham Executive, which targets the upmarket business traveler, has outfitted its Jetstream 31s with a free bar, quality wines and an inflight stereo.

The overriding question will remain relations with the large airlines, particularly as the regionals enter the major hubs. Some small carriers have already established positive arrangements with the majors. Crossair operates several routes under Swissair colors, NFD shares in the KLM reservation system, and Brymon has a feeder service for British Airways. The regionals will want to build on those arrangements while keeping the larger carriers at arms length. But if the U.S. experience is any indication, that will be no easy task. There are 27 percent fewer commuter lines in the United States than there were five years ago; many have been bought out by the majors. Robert Bonhoff believes the same danger exists in Europe and says the small carriers need legal protection against predatory behavior.

While all airlines will face adjustments in a more competitive environment, few regional carriers seem eager now to compete directly with the majors. "Our present need is to develop new services and make our networks tighter," says Rudolph Wohrl, president of NFD and acting ERA president. Other regional spokesmen agree and say it will be tough enough to maintain the niches they have without the added burden of taking on the large airlines. There are exceptions, however, that may provide a foretaste of the future. Since the United Kingdom and the Netherlands liberalized their bilateral agreement to allow "multiple designation" of carriers between the two countries, three small carriers have entered the London-Amsterdam route. One of these, Transavia, is learning fast that the majors can exercise their muscle when they want to. When Transavia, as a promotion, cut its fares in half between the two cities, KLM immediately followed suit. "We would rather be beaten in competition than be disqualified by restrictions," says a Transavia spokesman. €

Ronald Katz writes on business issues for the *International Herald Tribune* and several magazines.

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NEW ISSUE *All these Bonds having been sold, this announcement appears as a matter of record only.* NOVEMBER 1986

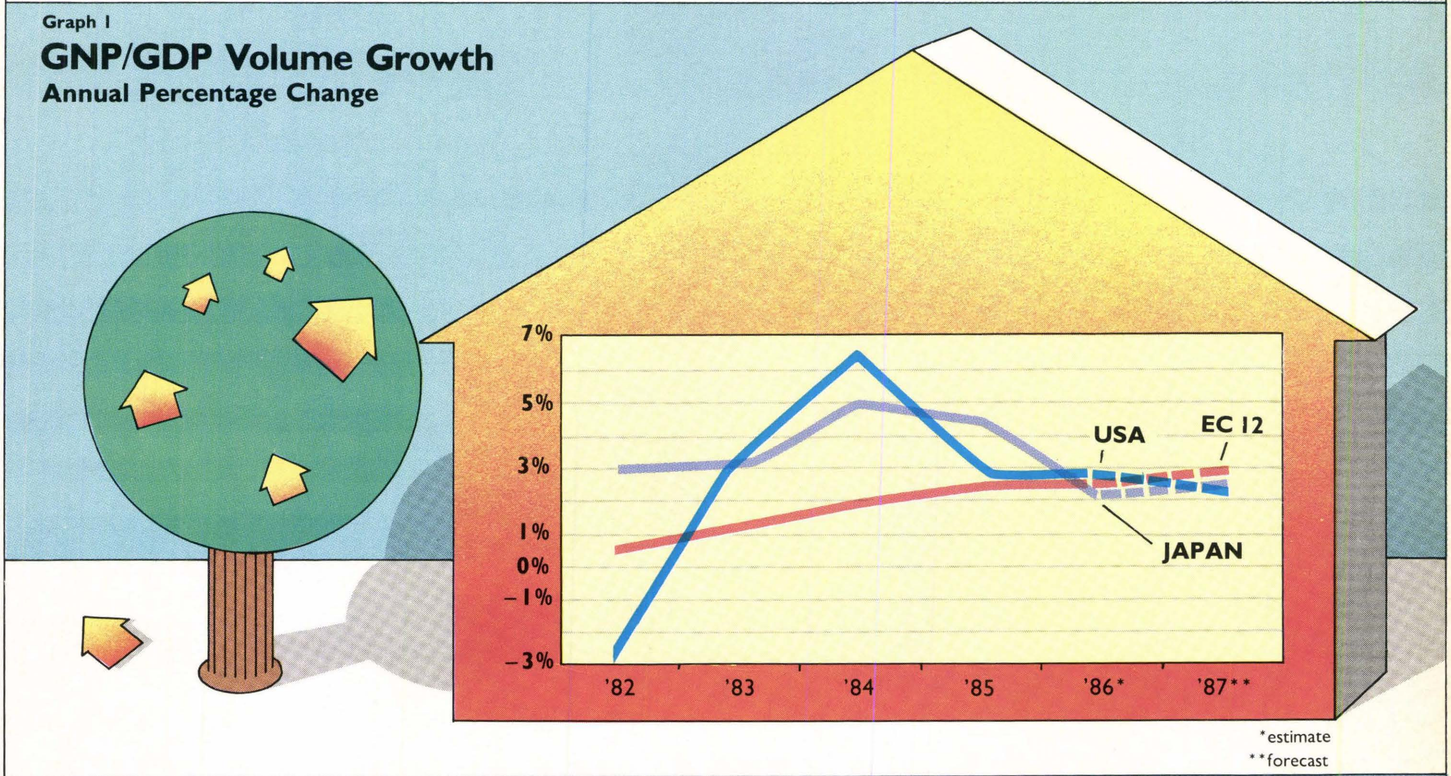
IMPROVED GROWTH FORECAST IN 1987

AVERAGE ANNUAL RATE IN THE COMMUNITY SHOULD REACH 2.8 %, BUT UNEMPLOYMENT WILL REMAIN HIGH.

ALAIN MORISSET

In its recently released Annual Economic Report 1986-87, the E.C. Commission forecasts an average growth rate of 2.8 percent in 1987 in volume terms for the 12 E.C. member states.

This outcome is taking place within an international environment that has changed considerably in the last 12



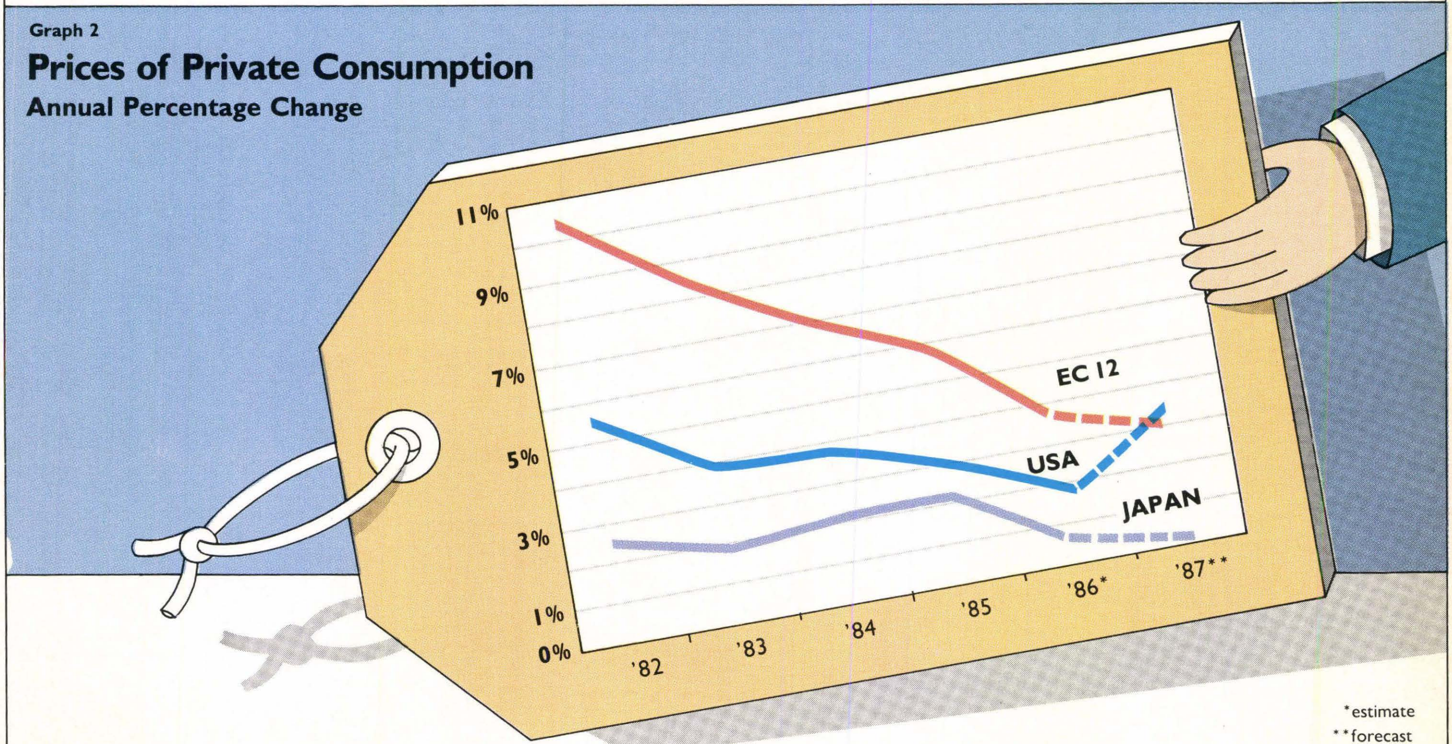
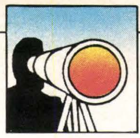


CHART ILLUSTRATION BY DALE GLASGOW

months. After having reached its peak against the European Currency Unit (ECU) in February 1985, the dollar started to move downward. The Plaza agreement in September 1985 reinforced its depreciation, which continued during the best part of 1986. Calculated on annual averages, the depreciation of the dollar against the ECU should amount to 23 percent this year (graph 5). At the same time, oil prices went down sharply and prices of raw materials have remained very low. The total cost of European imports has then been alleviated.



If Europe as well as the other industrialized countries has most benefited from the lowering of the price of energy this year, the external and financial position of oil-producing countries has worsened strongly. The economic situation of the developing countries remains under heavy strain, and progress accomplished by indebted countries to improve their external balance through adjustment policies is being endangered by the worsening of their terms of trade.

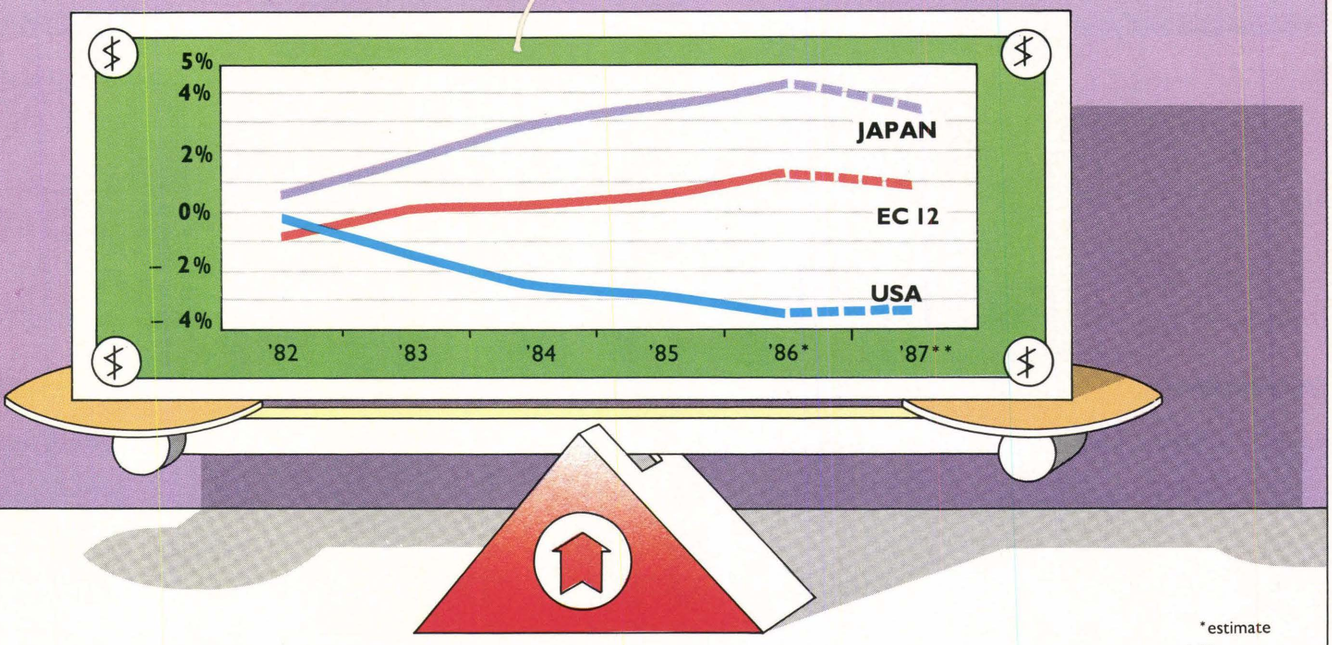
Within this very risky international environment, the E.C. does not expect to receive any great stimulus toward growth from world trade. The appreciation of European currencies is due to bring a gradual adjustment in trade flows: Through a bigger inflow of foreign goods and services, the Commission is already contributing more to the absorption of world imports at the expense of a slower growth of domestic output.

At the same time as average economic growth in the Community is forecast to accelerate slightly in 1987 to 2.8 percent,

Graph 3

Balance on Current Transactions

As Percentage of GDP



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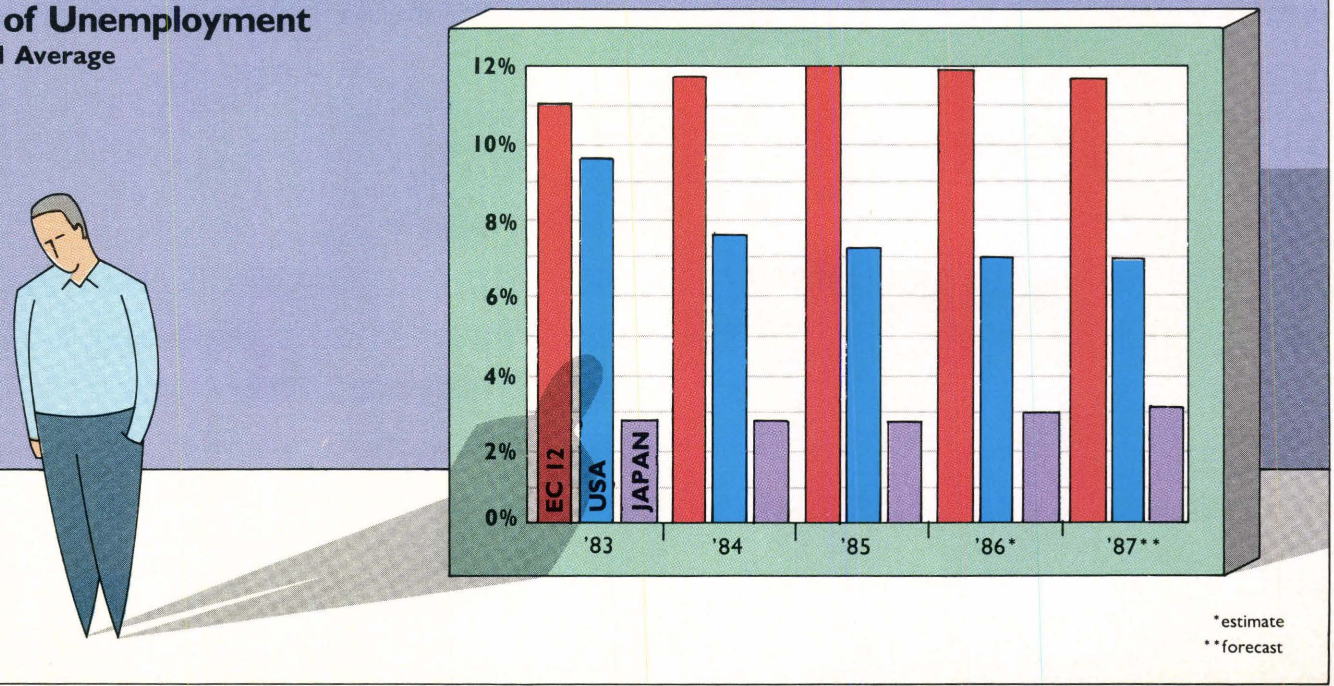
Graph 4

Rate of Unemployment

Annual Average



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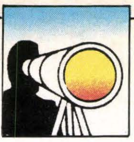
U.S. growth could slow down somewhat. The Japanese economy would pick up after a marked slowing down this year (graph 1).

Compared to last year's performance, table 1 shows a clearly distinct pattern of output growth in 1986 and 1987. Sources of growth have markedly shifted from external to domestic demand. Growth is now determined by stronger private consumption and more buoyant investment. The reduction of inflation has induced a marked increase in gross disposable income of households, which has led to stronger ex-



penditure. At the same time, firms that have been improving their profitability since 1984 have invested at a faster pace. Growth of internal demand in volume terms accounts for 3.4 points of gross domestic product (GDP) this year, against 2.1 points in 1985, and could be of the same magnitude in 1987.

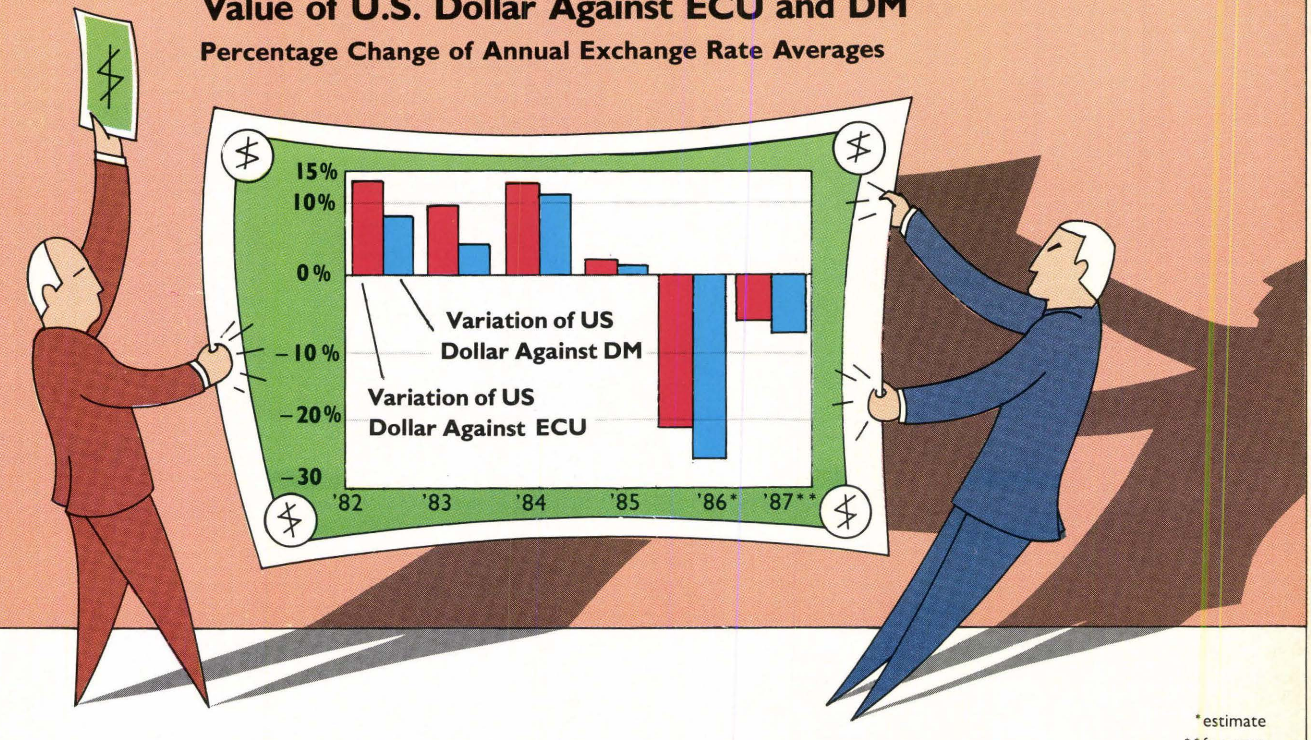
All 12 member countries have gained from the reduction of the import bill. The highly energy-dependent countries have been able to improve their trade balance more than it was expected a year ago. The improvement of the terms of trade has benefited the current balance before the volume effects of the rise in prices of European exports gain some momentum. In many countries, governments decided to compensate totally or in part for the lower prices on oil by increasing taxes on imported energy, which contributed to the improvement of public accounts.

Seven E.C. member countries should record a slightly stronger GDP growth this year, while five would grow at a somewhat lower pace (table 2). Internal de-

Graph 5

Value of U.S. Dollar Against ECU and DM

Percentage Change of Annual Exchange Rate Averages



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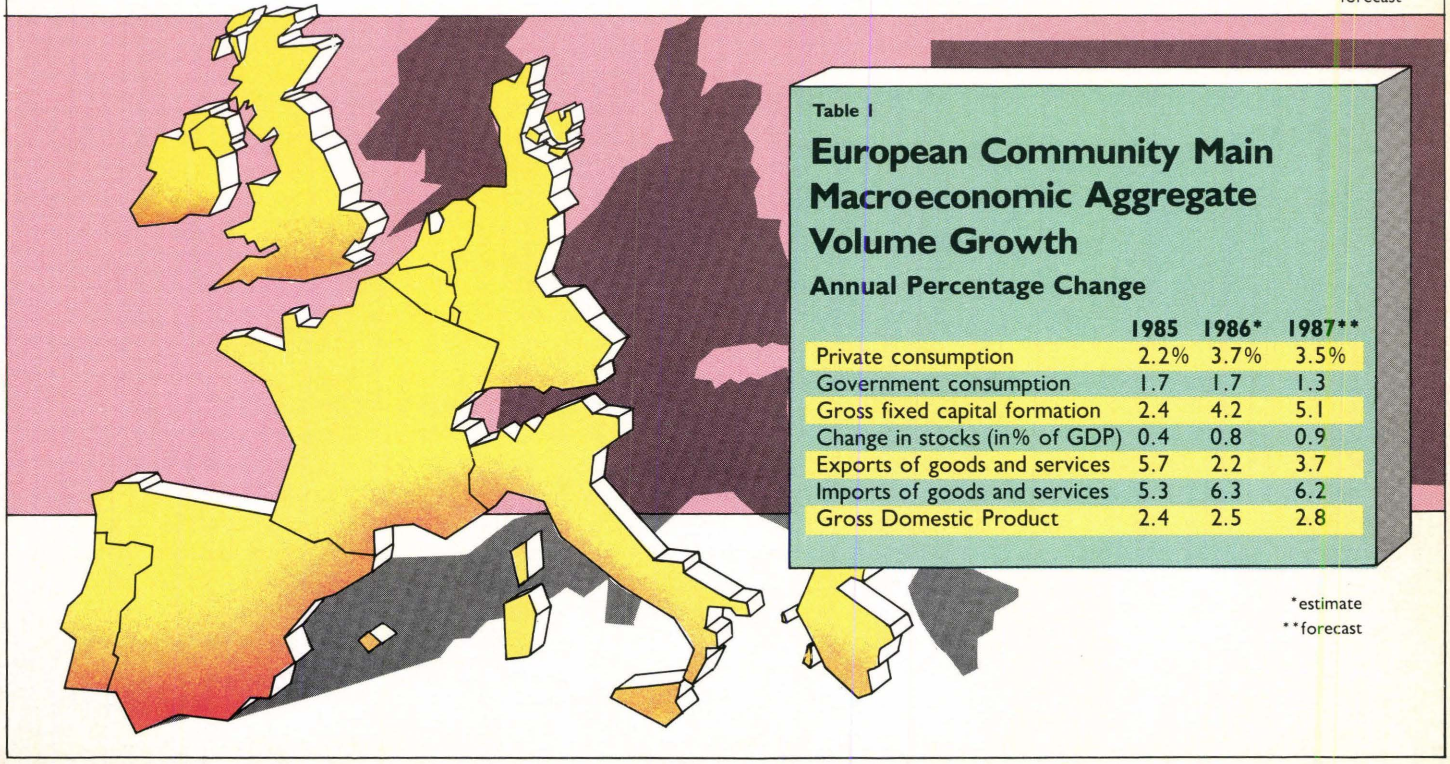


Table 1

European Community Main Macroeconomic Aggregate Volume Growth

Annual Percentage Change

	1985	1986*	1987**
Private consumption	2.2%	3.7%	3.5%
Government consumption	1.7	1.7	1.3
Gross fixed capital formation	2.4	4.2	5.1
Change in stocks (in% of GDP)	0.4	0.8	0.9
Exports of goods and services	5.7	2.2	3.7
Imports of goods and services	5.3	6.3	6.2
Gross Domestic Product	2.4	2.5	2.8

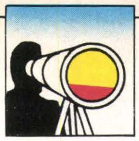
*estimate
**forecast

mand is only slowing in Greece, where a stabilization program has been implemented to correct severe imbalances, and in Denmark, where measures have been taken to curb a very buoyant domestic demand. In Ireland, the Netherlands and the United Kingdom, the acceleration of internal demand is due to be outweighed, in terms of contribution to output growth, by opposite movements in the foreign balance and in stockbuilding. Next year, eight member countries should grow more strongly.

There has been a further fall of inflation rates in 1986 (graph 2). This favorable development has been helped by the fall in import prices, but must also be regarded as a successful outcome of the stabilization policies pursued for several years in the European Monetary System and the Community. The average inflation rate has now fallen to a level never seen for 20 years and convergence of price performances between member states has improved regularly.

On the whole, the overall economic outlook for the European economy can be considered as broadly favorable. Next year, the Community will enter its sixth consecutive year of growth while maintaining a low inflation rate and a balanced current balance (graph 3). The overall cautious macro-economic policy mix implemented over the previous years has restored the foundations for growth and improved the growth potential.

However, the level of unemployment remains worrisome. In 1985, the proportion of unemployed in the civilian labor force reached 12 percent in the Community (graph 4). A very slight decline is expected this year, with the unemployment rate estimated at 11.9 percent. A further small reduction to 11.7 percent should be seen in 1987. It remains that as long as output growth stays around 2.5



percent, no significant decline in unemployment is to be expected in the near future, as the induced rise in employment would only be slightly bigger than the increase of the labor force.

This is the reason why the E.C. Commission is of the opinion that the economic policy priority is to quickly implement the cooperative strategy for more growth and employment, which it presented in its last year's Annual Economic Report and which has been endorsed by the E.C. Council.

This strategy relies on a broad range of actions to be taken within a consistent economic framework. At the micro-economic level, it is necessary to improve business environment and market adaptability by easing administrative regulations and increasing transparency. More flexible working time practices can make growth more employment-creating and further development of vocational training can help match labor supply and demand. Also, the gradual completion of a complete European internal market in 1992, which is presently the priority task of the European institutions, will reduce costs and increase competition. The removal of non-tariff barriers still existing within the Community, the liberalization of capital movements and the approximation of indirect taxes will improve the allocation of resources and accelerate the process of structural change.

All these measures should contribute to a strengthening of investment. At the same time, an important feature of the strategy consists of keeping real wage increases below productivity gains until overall profitability has recovered significantly. This should help to improve the relationship between growth and employment .

The macro-economic policy mix must be devised to ensure a sufficient level of internal demand. Monetary policy has been successful over the recent past in bringing inflation down; now that interest rates have been reduced, their present orientation permits an appropriate financing of stronger real growth. Care must of course be taken to avoid any build-up of inflationary expectations. Budgetary policies have also led to noticeable improvements of public accounts in many member states. While the overall goal of medium-term consolidation of budgets should be pursued further, it appears that some room for maneuver is now available in some member countries. This room for maneuver could be exploited through the lowering of taxes and social contributions and the stepping up of public investment. The induced spill-over effects across countries from these expansionary measures would help the member states that still need to reduce their budget deficits.

In 1986, the E.C. has benefited from quite favorable external economic conditions. Moreover, macro-economic policies have reduced imbalances and raised growth potential. The challenge facing Europe today is to reduce unemployment noticeably. This requires a stronger and more employment-creating growth. The Commission believes that by raising the growth potential of their economies and by making growth more employment intensive, while at the same time exploiting present margins of maneuver and coordinating their economic policies, European countries will be able to meet this goal. It is also of the opinion that development of the social dialogue between economic partners will contribute to the easing of the unemployment problem in Europe.

Alain Morisset is first secretary in charge of economic and financial affairs at the E.C. Commission's delegation in Washington, D.C.

Contribution to GDP Volume Growth

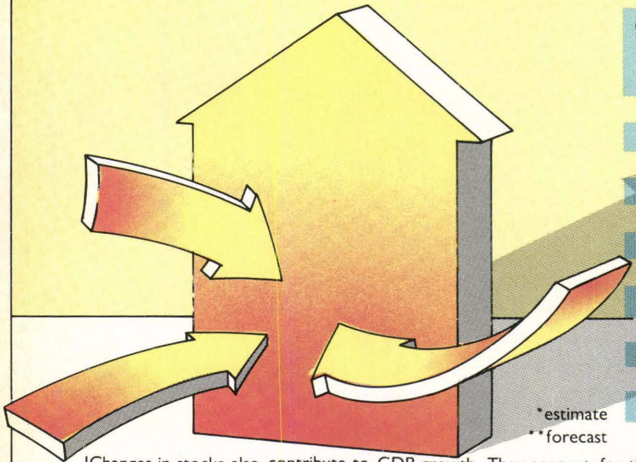


Table 2

Changes as Percentage of GDP of Preceding Period

	Final Domestic Demand 1985	1986*	1987**	Foreign Balance 1985	1986*	1987**	GDP[1] 1985	1986*	1987**
B	1.4%	2.5%	1.1%	0.3%	−0.8%	−0.1%	1.5%	2.0%	1.3%
DK	5.2	4.2	1.7	−1.3	−1.3	0.0	3.8	2.9	1.8
D	1.4	3.9	4.0	1.1	−1.6	−0.9	2.6	3.1	3.2
GR	3.2	−0.5	−0.8	−3.0	1.3	1.1	2.1	0.5	−0.2
E	2.5	4.5	4.0	−0.4	−2.1	−1.1	2.1	2.9	3.0
F	2.4	3.3	2.8	−0.7	−1.4	−0.5	1.4	2.2	2.5
JRL	1.0	1.2	2.7	2.4	0.3	0.6	2.0	1.8	3.1
J	2.3	3.1	4.6	0.1	−0.7	−1.4	2.3	2.8	3.6
L	1.7	2.8	2.9	0.5	−0.5	−0.3	2.2	2.4	2.6
NL	1.9	2.9	2.0	−0.4	−0.7	−0.6	1.7	1.6	1.8
P	0.3	5.4	5.1	3.1	−3.3	−1.7	3.7	3.8	3.5
UK	2.5	3.1	3.1	0.9	−0.9	−0.5	3.7	2.3	2.7
EC	**2.1**	**3.4**	**3.4**	**0.2**	**−1.2**	**−0.8**	**2.4**	**2.5**	**2.8**

*estimate
**forecast

[1]Changes in stocks also contribute to GDP growth. They account for the difference between GDP growth and the sum of contributions by domestic demand and foreign balance

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

28th October, 1986

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E.C. POLICY SETS SPECIAL PROGRAMS FOR MEDITERRANEAN

COORDINATED EFFORTS MOBILIZE ALL AVAILABLE RESOURCES TO PROMOTE DEVELOPMENT.

C. ARVANITOPOULOS
and
P. YANNAS

The European Community has long been concerned with the problems of the southern Mediterranean region. Nevertheless, problems of underdevelopment in the Mediterranean region continue to pose a serious obstacle to balanced economic growth throughout the Community. For example, agriculture in the Mediterranean area is seriously handicapped. Administrative, industrial and service infrastructures are insufficient to encourage economic development. The result is average unemployment 30 percent higher than in the center and north of the Community, and a gross domestic product per head that is only about two-thirds of that in the north.

In recent years, E.C. policies have acknowledged the need for programs of special assistance to the Mediterranean member states. Consider, for instance, the trends in the Community's policies in three interrelated settings. Since their inception, the European Investment Bank (EIB) and the European Regional Development Fund (ERDF) have devoted just over 45 percent of their resources to Mediterranean projects. Between 1958 and 1981, loans to the area topped 8.5 billion European Currency Units (ECU), while grants for the period 1975-81 exceeded 2.5 billion ECU.

In the domain of agricultural policy, the Community has taken steps to make the basic rules of "Green Europe" fit the specific needs of Mediterranean producers. In addition, the development section of the European Agriculture Fund (EAGGF) has increased its financial assistance toward the modernization of rural infrastructures, marketing and production methods. The area of human development has been given a new impetus with the decision of the European Social Fund to allocate a higher rate of financial assistance to job training and retraining schemes in Greece and southern Italy, where gross domestic product (GDP) per head has in the past amounted to less than half of the Community's average.

Overall, for the 1975-81 period, the Mezzogiorno area of Italy and the southern portions of France and Greece have received a total of more than 3.8 billion ECU in Community loans. These efforts, however, have proved insufficient to remedy the economic imbalance that still exists between Europe's north and south.

Recognizing the need for a new approach aiming at balance between all parts of the Community, the E.C. Council of Ministers forwarded a directive to the E.C. Commission on May 30, 1981. The Commission worked out details of such a new approach which would have to be based on the restructuring of the E.C. budget. This approach was built around the concept of integrated development programs, drawn up in partnership with the governments concerned. The complete design of the Integrated Mediterranean Programs (IMPs) was formulated in deliberations held between the Commission and the governments concerned during the period 1981 to March 1983. The Commission's proposal to inaugurate the IMPs was approved by the Council on July 23, 1985.

> The IMPs will benefit from E.C. funds totaling more than $6.6 billion for the next seven years.

The IMPs are integrated programs for regional development. They mobilize all available sources of cash (Community, national, regional and local) in implementing coherent measures affecting all important sectors of the economy on the basis of multi-annual contracts between the parties concerned. Since 1983, the effectiveness of this approach has been tested by pilot schemes in a score of localities. The aim is to integrate all Community instruments and policies, while strengthening their coordination and finances. Each IMP lasts from three to seven years. Multi-annual schemes included in the programs must be adapted to the needs of different localities and must be compatible with projects already financed by the Community.

Although the IMPs have been designed to address the different handicaps and particularities of different localities, they must be in accordance with the Community's development as a whole. IMPs have sought to accomplish a number of objectives in the areas of development, adaptation and support for employment and income. They must generate productive investment, develop infrastructure and harness the capabilities of the local population in all major sectors of the economy such as agriculture, crafts and industry, energy, services and food processing. Wherever the process of modernization and adaptation of certain sectors involves job losses, the aim is to create new ones equal or greater in number. Special attention is given to small and medium-size businesses, the modernization of working methods, the introduction of new technologies and the improvement of energy and communication facilities.

The relative importance of agriculture to the Mediterranean economy makes it the first target of the IMPs. Specifically, 40 percent of the IMP funds will be allocated to projects intended to increase the volume and quality of agricultural output and upgrade the skills of farmers. For example, in areas where irrigation is traditionally employed, it may be necessary to encourage growers to switch from one variety of produce to another; in areas where new irrigation schemes are feasible, the Community may lend financial support. Throughout the region, steps must also be taken to upgrade the training of those employed on the land and to acquaint them with new methods of production. Action will also be needed to improve the processing and marketing of crops, notably through encouraging viable producer organizations. The Common Agricultural Policy (CAP) will need to be reformed to facilitate the above mentioned products without challenging the basic principles of "Green Europe."

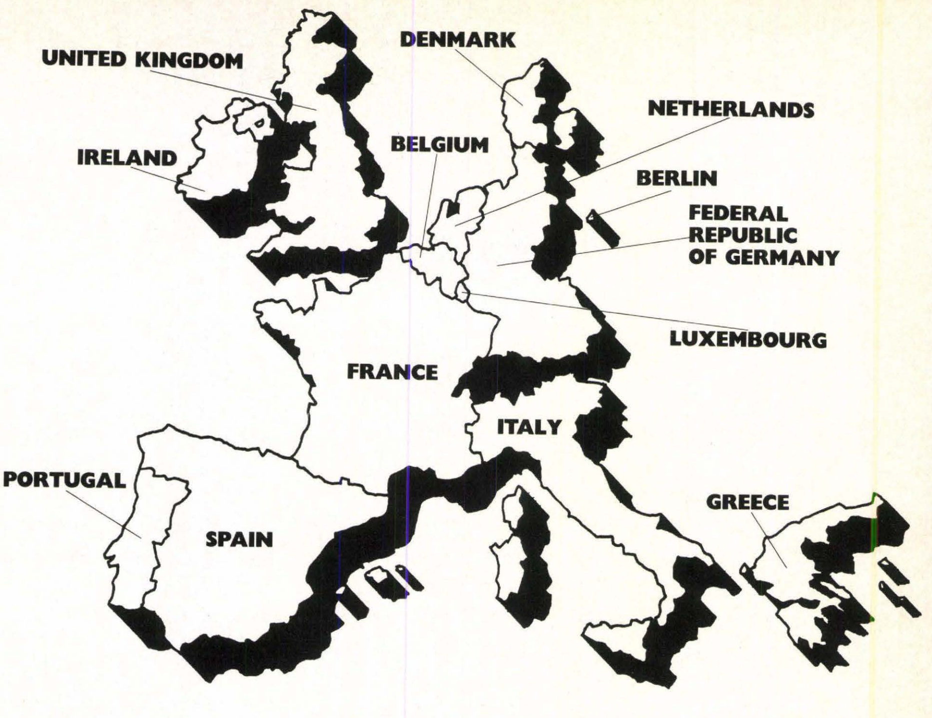
In the non-agricultural sectors, action will be taken to generate alternative forms of employment by exploiting the development potential of individual localities. For instance, to the Common Fisheries Policy measures suited to the Mediterranean will be added the development of fisheries in new areas; the creation of protected zones, the promotion of fisheries and fish farming, the restructuring and modernization of fleets, the improvement of port facilities; the improvement of conservation processing methods and the development of aquaculture.

In the sector of small and medium-size enterprises, which constitutes the major part of the Mediterranean economy, the Community will support projects that are expected to improve information services, make details of technical regulation more accessible, develop awareness of market trends and introduce new methods of management and training. Other sectors that will benefit from the IMPs include: tourism, where upgrading of tourist facilities is expected to promote the industry; the transport and energy sectors, where the development of solar and geothermal energy sources is expected to lessen the dependence of the Mediterranean region on imported energy; and the vital area of human development, where the training of young people in managerial and technical skills will enable the formulation of initiatives that would combine professional expertise with sensitivity to local conditions.

Apart from the contributions made by the countries and regions concerned, the IMPs will benefit from Community funds totaling 6.6 billion ECU over a period of seven years (1986-93). More specifically, 4.1 billion ECU will be provided from the Community budget and about 2.5 billion ECU will be provided by the EIB and the New Community Instrument for borrowing and lending. More than half of the Community budget allocations will be administered by the ERDF, the EAGGF and the European Social Fund.

It must be mentioned here that the amounts devoted to IMPs are in addition to other Community funds. Therefore, the area that will receive IMP funds will continue to benefit from socio-structural activities already carried out by the Community (regional, social, agricultural, etc.). Also, other developing areas in Europe will receive the same level of support that they have been receiving from the Community for these activities.

By the end of 1986, the member states concerned must present to the Commission their plans for the IMPs drawn up for particular areas by the relevant local authority. The Commission will oversee the preparation of these plans and will assist in drawing them up by providing the services of officials or experts, at the appropriate level, or other forms of technical aid. The projects will be given a preliminary assessment by the Commission, which will be submitted to a consultative committee of representatives of the 12 member states with the Commission acting as president. The EIB will also be represented. The aim will be to refine the project and decide which parts will be financed by the Community.



> The Community is trying to bring about a more balanced development to the Mediterranean region by strengthening various sectors of its economy.

The IMPs and the draft Community program will be adopted by the Commission after being approved by the consultative committee, which has two months to give its opinion by qualified majority vote. This opinion can oblige the Commission to modify its draft program. Once approved, the IMPs will be published in the Official Journal of the Community. This is the basis for the preparation of a contract signed by the Commission, the member state and the relevant local authority.

The IMPs represent a new conceptualization of the developmental process of the south on the part of the Community. The traditional concept of a uniform regional policy applied to differing circumstances has been proved of limited value. With a comprehensive policy, represented by the IMPs, the Community is trying to bring about a more balanced development to the countries of the south by strengthening various sectors of their economies at the same time.

The IMPs will shift the emphasis to the exploitation of the developing potential of developing nations, taking as a starting point the concerned nations' own needs and capabilities. They have been designed to be flexible enough in their implementation in order to accommodate the peculiarities of each area. This goal will be facilitated through a dialogue between the E.C. Commission and regional and local authorities. Moreover, local authorities will be given important roles in the planning and implementation of the IMPs. The role of the Commission will be confined to assisting those authorities in preparing and executing the programs.

The IMPs have a strong "overall Community" character. Although their short-term objective is to upgrade the status of a specific area of the Community, in the long run, they will harmonize the development of these areas with that of the Community as a whole. €

C. Arvanitopoulos and P. Yannas are doctoral candidates at American University's School of International Service.

EUROPE SCRAMBLES FOR PIECE OF NEW CHINESE MARKET

THE E.C. COMMISSION AND MEMBER STATES THEMSELVES ARE LOOKING FOR WAYS TO TAP THIS LAST GREAT TRADING FRONTIER.

STEPHEN JESSEL

Not long ago, a minister from one of the larger European Community countries was visiting China on a trade mission. He was struck, as almost all visitors to Peking are, by the vast number of bicycles in the city's streets and by the fact that not one of them had any lights. He asked how many bikes there were in the capital, and, on being told that the figure was around three million, he did some rapid mental arithmetic. Basing his calculations on the fact that the population of Peking is 1 percent of the total population of the People's Republic of China (PRC)—which is around 1 billion—he was heard to muse: "If we could only sell them one light each. . . . "

Such an observation illustrates two things. The first is the belief, in Europe as elsewhere, that China is the last great trading frontier, a huge untapped market, a vast potential source of demand. The second is the profound misunderstanding that many foreigners, Europeans not least, entertain about the nature of that market. The Chinese may be ready, even anxious, to buy from abroad. But they are certainly not interested in spending the foreign currency they earn from their own low-tech exports on importing other low-tech goods from abroad.

This is not to say that the minister was wholly wrong. The Chinese are in search of certain things, and there is room for E.C. countries to meet Chinese needs. Europeans may even be at a slight advantage: Whereas Europe tends to see its relationship with China in almost exclusively commercial terms, for the Chinese Sino-European relations have a political dimension too.

Chinese foreign policy is not always easy to follow since the relationships between Peking and Moscow, on the one hand, and Peking and Washington, on the other, are often ambiguous. But one of its constants has been a wish to see the emergence of a strong and united Europe which would act as a political and military counterweight—or so the Chinese hope—to the Soviet Union. This would take some of the pressure off the Sino-Soviet border and also would serve as an alternative source of the high technology that China needs for its ambitious modernization program. China needs the West, but it also needs Third World support, and, given the unpopularity of the United States in much of the Third World, it suits China's interests to have contacts with the West that bypass the United States.

The formal relationship between the E.C. and the PRC goes back to the mid-1970s. By that time, the worst excesses of the Cultural Revolution were over and China was beginning to emerge from its self-imposed isolation. A number of bilateral agreements between the PRC and individual E.C. member states were due to expire at the end of 1974 and the Community, in accordance with its policy of introducing a Common Commercial Policy, took over the renewal of these accords.

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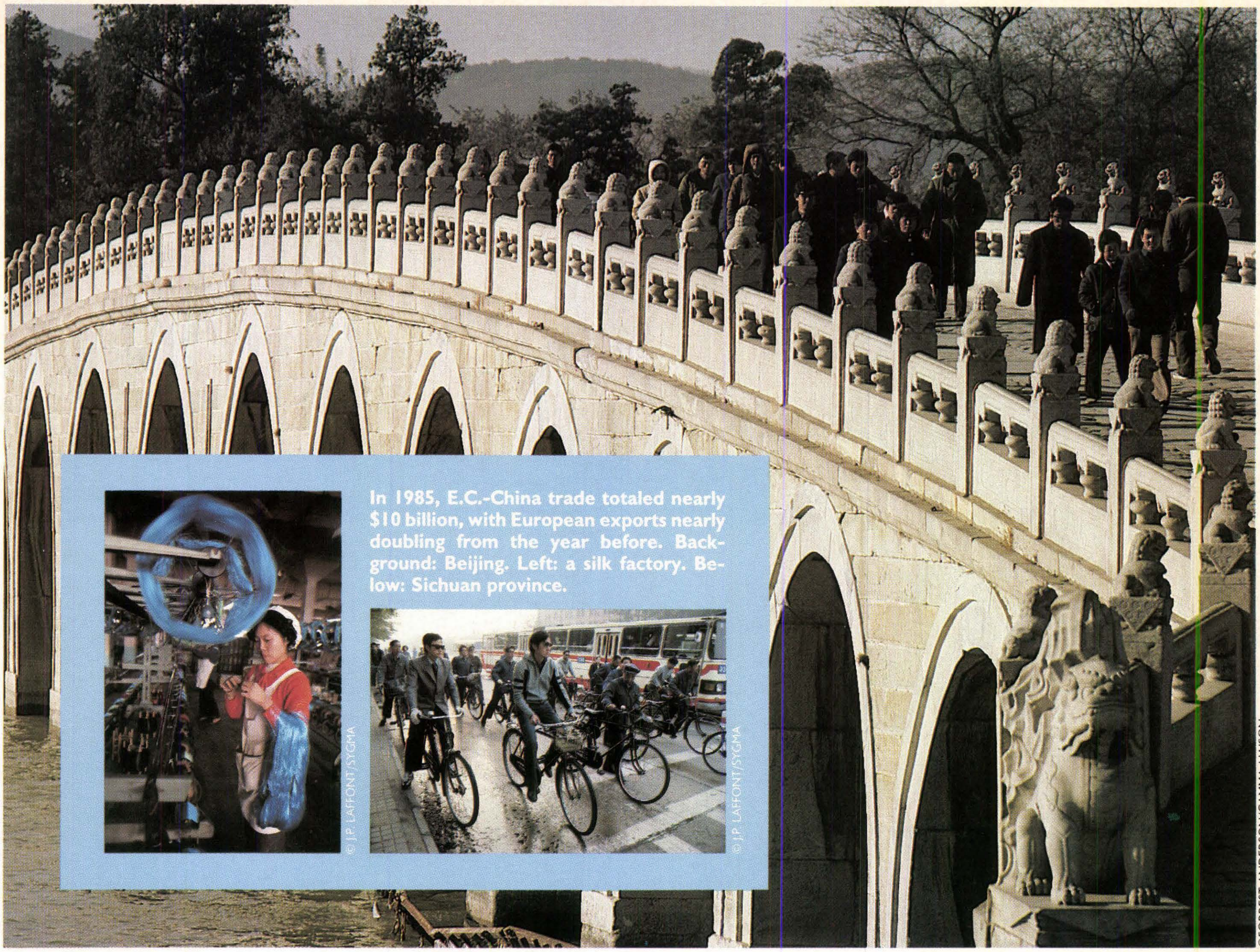
Europeans are eager to sell their products to China's 1 billion consumers.

Negotiations took some years, but, in 1978, an agreement on commercial cooperation, covering a period of five years, was signed. It was of a non-preferential nature and was to be automatically renewed on a yearly basis at the end of five years. It set out a number of rules designed to promote trade. A few months after the first Community approach to the PRC, the first Chinese Ambassador to the E.C. was appointed.

Since then, economic and commercial relations have progressed steadily. There have been regular high-level meetings between E.C. Commissioners and Chinese ministers. Last year, a trade and economic agreement was signed. This confirmed the existing trade agreement and provided for China and the Community to develop economic cooperation. Several fields were identified. They included industry and mining, agriculture, science and technology, energy, transport and communications, environmental protection and cooperation with third countries. The agreement also provided for the development of such joint activities as seminars, visits and staff training. The Community has provided training for Chinese interpreters, statisticians and customs officials and has undertaken to help with the training of students in business administration. A program of study and information visits has been running for some years.

The figures show a steady growth in trade between the PRC and the Community. In 1975, total trade amounted to 1.8 billion European Currency Units (ECU), with a balance of 486 million ECU in favor of the Community. By 1981, trade had more than doubled, to 4.2 billion ECU and the balance had swung in China's favor with a net surplus of 390 million ECU. Last year, trade passed 10 billion ECU, with a huge leap in European exports that almost doubled by comparison with the year before, giving the E.C. a surplus of 2.7 billion ECU.

European exports to the PRC reflect China's appetite for modern technology and equipment. Heavy machinery, iron and steel, vehicles and transports account for a large part of them. China sends to Europe huge quantities of textiles, some chemicals, shoes and agricultural produce. Textiles and clothing are the biggest single item: They are covered by an agreement negotiated in 1979, supplemented by an additional protocol of March 1984, which fixed the level of Chinese exports to the E.C. until the end of 1988. Under its terms, the Chinese are given extra quotas in return for certain



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In 1985, E.C.-China trade totaled nearly $10 billion, with European exports nearly doubling from the year before. Background: Beijing. Left: a silk factory. Below: Sichuan province.

undertakings which, among other things, guarantee Community access to some sought-after primary products, such as raw silk and cashmere.

The Europeans have been successful in a number of fields in implanting themselves in key sectors of Chinese economic life. France is strong in the oil industry, the United Kingdom has had some success with telecommunications and the Federal Republic of Germany is doing well with automobiles.

But there remains a great deal of room for expansion. China's exports to the E.C. represents only 1.3 percent of the Community's external trade. In 1982, China was in 38th position as a supplier to the Community. Three years later, it was still only in 26th position. The Community for its part may be in a position to challenge Hong Kong for the status of China's second largest source of imports, but the E.C. still sells less than half as much to China as does Japan. Of the Europeans, the Federal Republic of Germany is the biggest single supplier of the Chinese market, accounting for two-fifths of Community exports to the PRC. Then come Italy, France and the United Kingdom. Britain's performance has been especially disappointing, but may improve following the recent visit of the Queen and after the Hong Kong question is settled.

The Europeans are seeking to maintain the momentum. Last December, a 200-person-strong delegation from the PRC attended a business conference in Brussels—the second of its kind. But the disappointment expressed by some European participants underlined the need for realism in dealing with China. The Chinese preference is for joint ventures, in which the Western partner provides capital and expertise in return for labor and facilities, rather than straight trade deals. Western and Japanese businessmen have had their fingers burned more than once in the past when the authorities in Peking thought they were becoming overstretched in their overseas buying. A perpetual argument rages in China between the centralizers and the devolvers over the rights of individual provinces and undertakings to conclude agreements with foreign traders, and those traders are sometimes the casualties of those battles.

But if Europeans can accustom themselves to the Chinese style of doing things—which involves rather more patience and preliminary wooing than most Europeans are used to—and if the present policies concentrating on modernization in selected sectors continue, then there is every prospect of mutually satisfactory growth in trade.

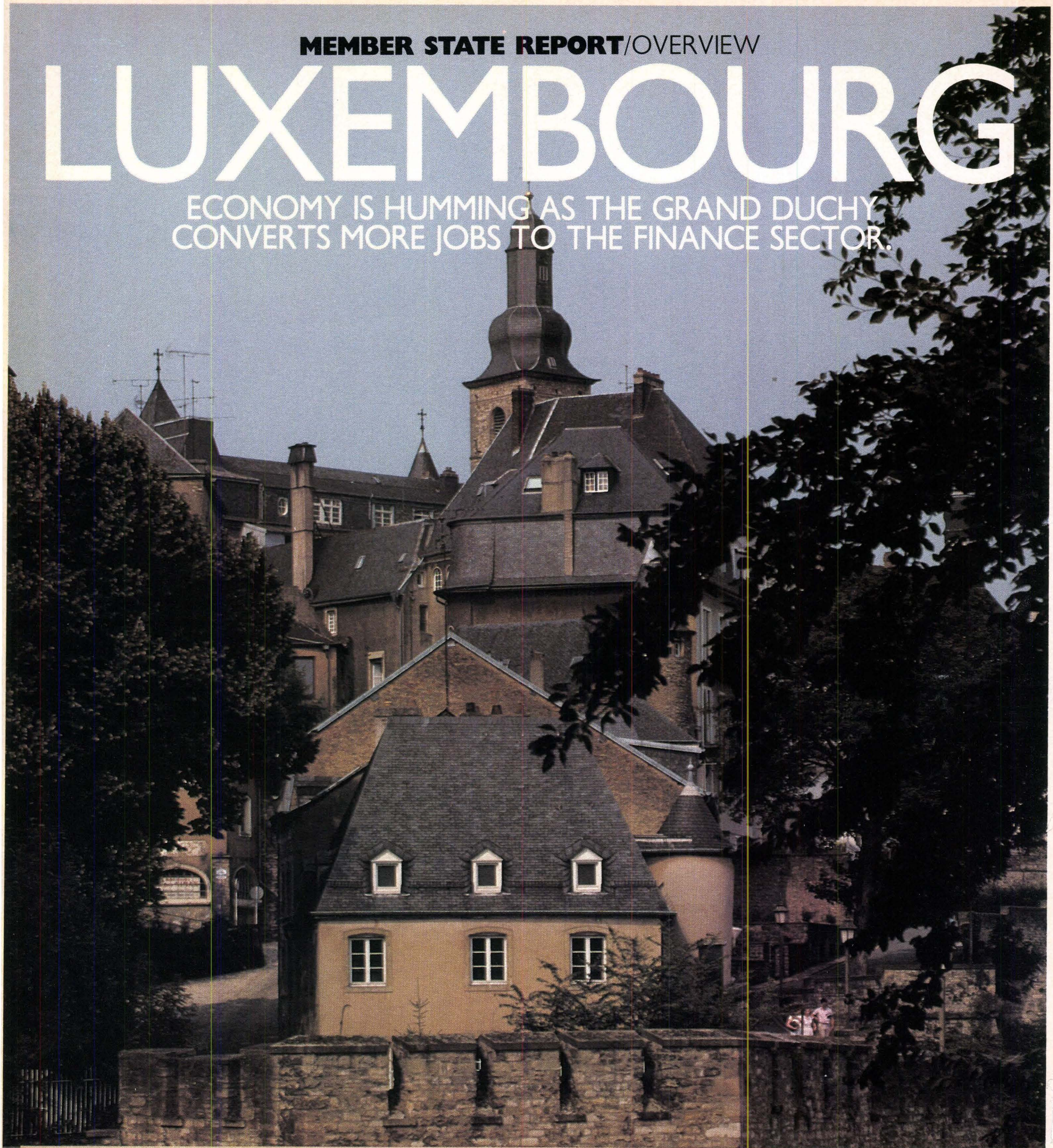
And the more coherent and united the face that the E.C. presents to the rest of the world, the more valuable a partner the Chinese are likely to consider it to be. Neither China nor the E.C. is a superpower in the conventional sense of the word. But given political stability and the continuation of present policies after the death of Deng Xiaoping, China could clearly be a formidable actor on the world stage of the 21st century. In a rather different sense, the same is true of the Community: An economic and increasingly political entity of 320 million people, it is in a position to make its voice heard and respected.

The PRC and the E.C., on different sides of the world, could have much in common when they seek to influence the two giants of East and West, not only perhaps on their own behalf, but on that of other nations and peoples as well. €

Stephen Jessel is the Brussels bureau chief of the *British Broadcasting Corporation (BBC).*

LUXEMBOURG

ECONOMY IS HUMMING AS THE GRAND DUCHY CONVERTS MORE JOBS TO THE FINANCE SECTOR.



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ALAN OSBORN

There is a sense of well-being in Luxembourg these days. I telephoned one of its Members of Parliament to check on the economic situation. He drew my attention to the latest report form the Organization for Economic Cooperation and Development (OECD). It says that the condition of the Luxembourg economy "is one of the most favorable in the OECD area." The OECD essentially is confirming the view taken by officials and businessmen here that Luxembourg has worked small wonders to rid itself of its attachment to the declining steel industry and engage in the high-flying finance sector.

This is not in doubt. What worries some in Luxembourg is whether the Grand Duchy can command the financial skills necessary to keep it in the same league as London, for instance. For 10 years or more, Luxembourg has dominated the Eurodollar business in Europe. This involves the deposit and relending of American dollars held abroad. For various reasons—among them the strict obligations set up by the Federal Republic of Germany's central bank—commercial banks in Germany and Scandinavia have placed their international currency orders through Luxembourg.

Now, this has changed—partly because the Eurodollar business has fallen off and partly because the authorities in Bonn and elsewhere are keen to stamp it out. In Luxembourg, however, the response has been constructive: The authorities know that there could be redundancies. "Very well," they argue, "let's start a drive in Luxembourg to create a new banking and finance industry based in our country."

Just as important may be the fact that Luxembourg has a huge—and so far unused—assembly building. It was built in the 1970s to house the European Parliament, but its members voted last year to hold all their sessions in Strasbourg. The decision is being contested by Luxembourg, but there are few who think the Court of Justice will decide in that country's favor.

What, then, do you do with a purpose-built parliamentary chamber? You try to rent it to international organizations, to commercial concerns, to Boy Scout groups and the like. The evidence so far is that the Luxembourg Government has done well in attracting such tenants without compromising itself.

It is hardly a long-term solution, however, and begs the question of what Luxembourg is to become. "There is a feeling that because we are tiny, we should have no influence," says a Member of Parliament. Luxembourg has roughly one-thousandth of the E.C.'s population, but in the Council of Ministers, where E.C. decisions are taken, it commands equal voting power to the United Kingdom, France and other heavyweights. Like them, it can veto any decision that it regards as contrary to its national interests.

Certainly one such decision Luxembourg would vote against would be the formal removal of the European Parliament to Strasbourg or Brussels—something that has been suggested by French and British Members of the European Parliament. Such a move is unrealistic, however, as the Secretariat of the Parliament lives and works in Luxembourg. There are about 2,000 people employed there and it seems fairly certain they want to stay where they are.

Economic prospects are good. Next year, Luxembourg should have a growth rate of 2.5 percent, according to OECD predictions. This is somewhat better than the E.C. average. Both unemployment and inflation rates, meanwhile, should be lower than E.C. averages.

Certainly there is enough going on in the banking-finance sector for one to feel encouraged that Luxembourg has a real future in the industry. The switch away from the Eurodollar business to retail banking imposes challenges and risks. The timing could be better. It happens at the moment that London has engaged in a massive deregulation of financial markets aimed at bringing it into competition with Tokyo and New York. "This can hardly be good news for us," says a Luxembourg banker, "but that isn't where our hoped-for markets are."

The target is probably Switzerland, with its longstanding practice of safeguarding private investors' accounts—though this is not admitted openly by the Luxembourg banks. What they do agree on is that the new growth area lies in such activities as insurance brokerage, com-

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Luxembourg's architecture inspires feelings of safety for people worried about their money.

modities trading, financial futures, mutual fund management and personal portfolio handling. "Let's say we're out to get the business of the private account holder with some $200,000 upward of deposits," says a banker. There are a surprisingly large number of them in the Federal Republic of Germany, France and Belgium who appear ready to entrust their money to the Luxembourgers rather than letting it stay innocently at home.

Whether they will gain much by doing so is still unclear. A London banker working in Luxembourg is frankly skeptical. "It is true that no one can challenge the integrity of the Luxembourgers. Less clear, to my mind, is whether they have the talent to outwit the markets. It calls for different skills from those they have shown in the Eurodollar business."

A lot rests on Luxembourg having those skills. Next year, it is expected that the number of people employed in banking in the Grand Duchy will exceed those working in the steel industry, for long the country's biggest employer. Already banking is far and away the biggest taxpayer in Luxembourg and no industry seems likely to overtake it in the foreseeable future.

To visit Luxembourg is to be reminded of these facts. The city's architecture has a military flavor. Many of its buildings seem built for defense. You would feel quite safe leaving your money here. You can walk the streets at night without feeling the terrors that you might in other Community capitals.

This may be partly due to the age of the population. E.C. figures show that a fifth of Luxembourgers are 60 years old or more, the largest percentage in the Community. Another fact is that Luxembourg does not have a university. Its bright children are sent abroad for further education, mostly to France and the Federal Republic of Germany. This means a relative absence of student dissent. There are constant demonstrations by young people in Luxembourg, but they are usually over local issues and are seldom violent.

Of greater concern to the authorities is the drop in the national population growth rate, accompanied by the rise in numbers of foreigners. It is said that half the population of the City of Luxembourg is now foreign and that about half the entire industrial workforce comes from abroad.

According to some reports, half the entire Luxembourg population could be foreign by the year 2000. If you are a native Luxembourger this must be worrying. A Luxembourg Member of Parliament told me: "Our country is like an ageing couple. We live well, but we don't know what tomorrow brings. We have no grandchildren." The Government is making huge efforts to boost the birth rate. These include state aids for birth and extra help for young mothers. This is putting a strain on the social security system. "We need more babies," says a Government official. But it is admitted that the cost of bringing this about is more than the country can stand at the moment.

There is no great long-term concern over the issue. Extra taxes from the banking sector should keep the Government in sufficient funds for the next few years. They should also pay for the drive to promote a higher birthrate and sustain the social security demands made by an ageing population. It is difficult to foresee that Luxembourg's ambitions will be felled by economic factors in the next few years. €

Alan Osborn is the Luxembourg correspondent for *The Daily Telegraph.*

"NEW WAVE" YOUTH WILL CHANGE EUROPEAN SOCIETY

PRODUCTS OF THE INFORMATION AGE WILL BRING GLOBAL LIFESTYLES TO EUROPE.

THE NAISBITT GROUP

One of the most far-reaching changes in leisure lifestyle that will occur over the next decade is the emergence of a global lifestyle. The New Wave generation—those 21 years old and younger—increasingly are exposed to experiences that transcend national boundaries. Food, fashion, music and technology are contributing to aspirations and expectations that are distinctive in their homogeneity.

Although they are on a similar course, European and American attitudes toward work and leisure are not likely to converge entirely. Sharp differences in the cultural and historical legacies of the two continents dictate that Europeans will always need more order in their lives, more government intervention in their economies and more protection against change and dislocation. Europeans and Americans will grow more alike in some ways, but both have their own priorities.

Europeans work fewer hours, take longer vacations and receive more social welfare benefits than do Americans. Although many Europeans view this as socially desirable, it is rendering European economies decreasingly competitive. During the 1980s, European jobless rates have been consistently higher than in the United States, and job creation has been dramatically lower. Many economists believe the structure of European economies stifles entrepreneurial spirit.

But changes are taking place in Europe that are likely to boost entrepreneurial activity, thus altering attitudes toward lifestyle and leisure time. Already some European countries have cut back on social welfare expenditures, and slashed taxes to stimulate small business development. Unions that resist technological change, encourage overmanning and demand wages out of line with productivity, are now being challenged, particularly in Great Britain.

In the years ahead, it is likely that Europeans will be more entrepreneurial in order to reverse Europe's comparative decline. Euro-pessimism is giving way to Euro-action, as governments and citizens alike realize there are no shortcuts to prosperity. Europeans will likely work longer hours than those mandated by their respective governments.

The result for European workers will be an overlap of work and leisure time. As the information age creates more service jobs, patterns of work and leisure in Europe become similar to those in the United States.

The New Wave generation is leading the way in tomorrow's lifestyle changes. Unlike teenagers of the 1960s, who assumed an anti-technology stance, emphasized natural foods and the environment and espoused liberal political values that were reflected in social activism, youths of the 1980s are more of the mainstream in outlook. For the most part, they are pro-technology, environmentally unconcerned and less inclined to worry about health and fitness. Politically they are more conservative than the preceding generation. Their greatest concern is employment and job advancement.

Members of the New Wave generation are true products of the information economy, the main force in the trend toward global lifestyles. National distinctions in lifestyle increasingly are blurred as the speed at which information is transmitted increases, and the global marketplace provides products from around the world. European products and services are influencing the American consumer, who increasingly is exposed to retailers such as Benetton, Jaeger Sportswear Ltd.and Laura Ashley Ltd., as well as a range of culinary options. American businesses are equally influential in Europe, where American staples such as Levi's, Coca-Cola and McDonald's flourish. If individuals in their late 20s and older have adapted to this interchange, the New Wave generation has embraced it.

The proliferation of American television programming and the increasing rate of joint business ventures over the next decade ensure that today's youth will reach adulthood with many more shared experiences than has been true for any other generation. Already, Americans and Europeans share many of the same values. The past 20 years have seen a shift from liberal values and a permissive orientation to conservatism—the "open-square society" is emerging.

The open-square society differs from the conservatism of the 1950s, when conformity was the norm. The conservatism of the 1980s is tempered by the range of options available—multiple options continue to be important and they enable people to express individualism. Moreover, the conservatism of the 1980s is as strongly influenced by health concerns as by morality. The decline in sexual permissiveness, for example, reflects growing concern about sexually transmitted diseases, such as AIDS rather than a belief that sex outside marriage is wrong. And the growing temperance movement in the United States and Europe has been fueled by fears about drunk driving and third-party liability.

The search for a balanced lifestyle by American consumers soon will be mirrored in European retail stores and households. The seemingly contradictory "salad-and-ice-cream" consumer is just one example of the quest for balance. Patrons of fast-food restaurants frequently purchase these two items for consumption at the same meal. Neither health hysterics nor fast-food junkies, many of today's consumers merely are attempting to balance fulfillment with a concern about health.

Consumers also must perform a balancing act, juggling their preferences amid a crowded field of products. Americans already are on the verge of market hysteria. The fragmentation of every consumer market—from food to fitness—is fostering consumer paralysis. As more choices are presented, the ability to differentiate products is impaired.

Product innovations should be introduced with the knowledge that consumers will seek brands and products they believe they can trust. In the face of complexity and saturation, loyalty to a product will be a formidable barrier to new products. Moreover, in a time of product fragmentation, consumers will seek greater balance between the known and the new.

Over the next 10 years, the multiple-

ILLUSTRATION BY RHONDA VOO

options explosion will encourage heightened symmetry in all aspects of our lives. Leisure, in particular, will become more balanced. Already we can witness dramatic changes in fitness programs for health-conscious Americans. As the fitness trend emerged, jogging was the most popular activity. But, as health clubs proliferated, Americans began to diversify health regimes in an effort to achieve a more balanced approach to physical fitness—not to mention injuries.

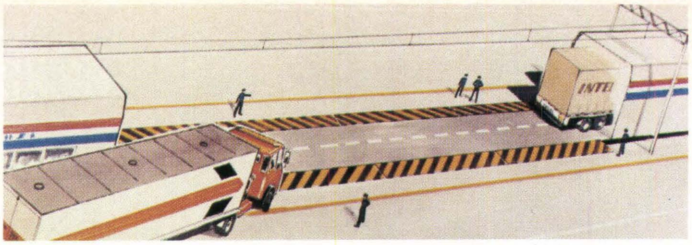
Over the next 10 years, European markets will feel the impact of the search for balance. The health-food market will grow, while, at the same time, meat consumption will increase. Although fast-food restaurants have made dramatic inroads into contemporary culinary tastes, it is certain that *haute cuisine* not only will survive, but will maintain its popularity. Cultural purists should not, therefore, lament the Americanization of young Europeans or the increasingly European attributes of young Americans.

As global lifestyles become more apparent, cultural dissonance will create a new emphasis on ethnicity and nationalism. Nations will welcome foreign technology and culture, but will counter that by preserving old traditions and ideas. At the same time that people adopt global lifestyles, they will celebrate ethnic heritage. They will eat globally marketed food, but will prepare it traditionally. They will watch international television programs and movies, but will flock to see domestic theatrical productions with national themes and story lines.

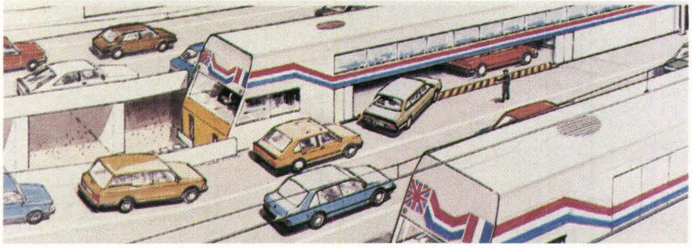
The history of a region or nation is unique. There always will be a need for people to understand their "roots," no matter how great their commonality with people of other regions and nations. The world will become increasingly one, but its rich diversity will continue. €

John Naisbitt, author of the best-selling book *Megatrends,* is the founder of the Naisbitt Group. This article is excerpted from *Leisure Lifestyles in the Information Age: A Comparison of the United States and Selected European Countries,* a new study commissioned by McCann-Erickson International.

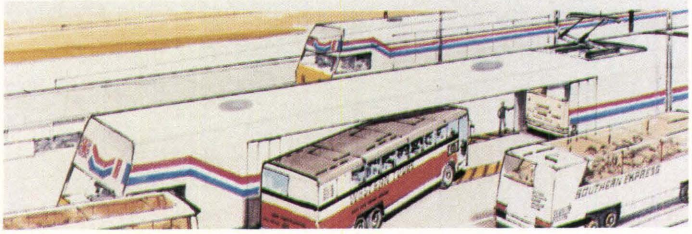
NEWS OF THE E.C.



The 31-mile twinbore tunnel under the English Channel, scheduled for completion in 1993, will allow vehicle-carrying trains to whisk



between France and England at about 100 miles per hour. The multi-purpose rail-shuttles will be able to handle up to 4,000 vehicles



an hour. Pictured: Loading trucks (top), automobiles (middle) and buses (bottom) for the cross-Channel trip.

BUSINESS

CHANNEL TUNNEL CLEARS FIRST HURDLE

A plan to build a rail tunnel link between Britain and France has cleared its first and possibly most difficult financial hurdle with a last-minute go-ahead from large investors. The board of the privately-financed Eurotunnel Consortium announced on October 29 that its first share subscription, aimed at raising $288 million from institutional investors, had been fully subscribed.

The announcement, made only hours before the official closure of the offer, ended fears that British and French investors in particular might refuse to underwrite the 33-percent stake expected from each of them. Investors on both sides of the Channel had shown reluctance to subscribe, with British investors £10 million short of the £70 million target a week before the meeting.

A spokesman for the Franco-British consortium said the offer had been subscribed to by 35 percent each by British and French companies, with the remainder of the capital raised in Belgium, Germany, Japan and the United States.

The eleventh-hour subscription "is a major step for Eurotunnel and doubtless one of the most difficult," said André Bernard, the French co-president of the venture. "We now have a financial base that will allow the schedule providing for Eurotunnel to come into operation in 1993 to be maintained," he added.

The "Chunnel" project, which has been under discussion in various forms since Napoleonic times, finally received British and French Government backing last January. Construction is to begin late next year on a rail link for passengers and freight, using high-speed and vehicle-carrying shuttle trains. Travelling time between London and Paris will be cut to three hours 15 minutes, and there are plans to link London to other North European cities via high-speed train.

The timing of the ambitious scheme is, however, dependent on investment taking place on schedule. In September, Eurotunnel won pledges for £5 billion in loans and standby credits from an international banking syndicate of 40 banks, many of them Japanese. But the success of October's initial share offering was seen as crucial to the planned launch in mid-1987 of a second and much larger public share issue of around £750 million. "It has allowed us to raise major amounts of capital before the ratification of the treaty," Bernard said.

Construction of the underwater rail tunnel, which has brought a mixed chorus of jubilation and anger in both France and Britain, cannot begin before ratification of the plan by both Parliaments. —*Reuters*

CUSTOMS SIGNS IN EUROPE ON THE WAY OUT

The days of the old-fashioned "customs" road signs at frontiers between European Community member states are numbered. E.C. Ministers agreed in early November to a voluntary plan to get rid of the familiar round, white, red-trimmed signs that stand at or near many of the internal borders of the Community's 12 states.

From 1988 on, E.C. states will trade in their "customs" signs for a European emblem.

British Trade Minister Alan Clark said that from January 1, 1988 existing "customs", "douane" or "zoll" notices would be replaced with a square, blue sign bearing the name of the country being entered in white letters surrounded by a circle of 12 yellow stars—the Community's emblem. Signs at other entry points, such as ports and airports, will be of the same design.

Clark, who chaired a meeting of Ministers responsible for moves toward creating a genuine common market in Europe by 1992, said the new signs were more welcoming than those now in use. They symbolized the fact that frontiers were being dispensed with, an essential theme of the internal market in which goods, services, capital and people could move freely, he said.

The decision is a response to resolutions by Community Heads of State and Government that Europe's citizens should have a stronger feeling of their joint European identity rather than of their national identities. The move would make no difference in Britain, which has no such road signs, diplomats said. —*Reuters*

BRITAIN URGES FASTER PROGRESS ON INTERNAL MARKET

Britain and the E.C. Commission urged faster progress toward creating a genuine E.C. common market by 1992 during a meeting of European trade ministers in November, and British Trade Minister Alan Clark said he planned to visit European capitals to promote progress toward this end. Britain has given top priority to quick creation of a "single large market" during its six month presidency of the E.C. Council of Ministers, which finishes at the end of this year.

In its November meeting, the Council agreed on standards for direct satellite television broadcasts, harmonizing the rights of travelling salesmen and other commercial agents and changing signs at Community frontiers.

The Community sees the creation of a genuine common market for goods and services through the removal of existing trade barriers as a crucial prerequisite for European economic unity and competitiveness at the international level. If achieved, it would give E.C. producers and services companies unhampered access to more than 320 million potential customers in the same way that American and Japanese firms are able to serve huge domestic markets.

Progress on the highly complex issue of harmonizing internal trade rules has been continually bogged down by technical wrangles among the E.C.'s member states. *—Reuters*

BRITISH PRIVATIZATION PLANS MAY BE ILLEGAL, MEP WARNS

Britain's plans to stop foreigners from acquiring substantial stakes when the state-owned company British Airways is privatized early next year may breach European Community competition laws, a Member of the European Parliament (MEP) told the assembly in late October.

British Conservative MEP Ben Patterson told the Parliament he had been advised that the E.C.'s founding charter, the Treaty of Rome, would not allow such measures, although he did not specify why. "Either Britain is in the European Community or not," Patterson said. "This issue is fundamental to our membership of the E.C."

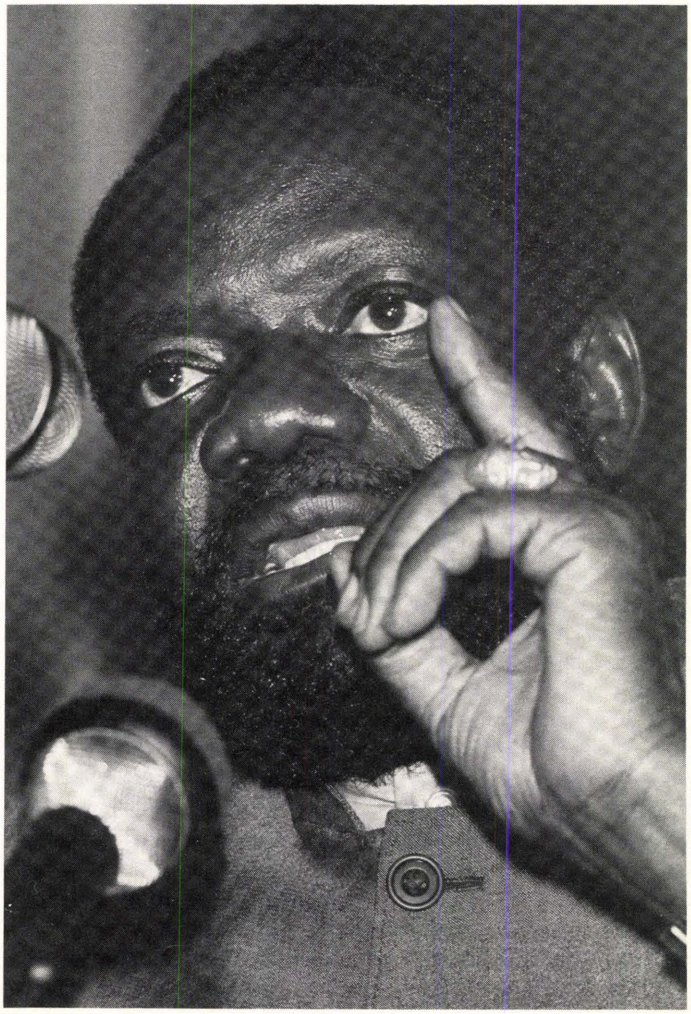
London announced on October 21 that special provisions would be written into the new company's constitution giving the government powers to stop foreigners buying shares, to disenfranchise them or to compel them to sell all or part of their shares. Patterson said he doubted that E.C. rules would allow Community citizens "to be disenfranchised in this way."

Patterson later told reporters, "If this measure is allowed to go ahead, we will have no answer should the French and other countries block British investors from their markets."

The planned measures would prevent foreign buyers taking a controlling interest in British Airways and jeopardize its status as the national British carrier. British Airways has indicated it would not expect blocking action unless foreign ownership of shares topped 25 percent. Current air service agreements between capitals require national flag carriers to be owned largely by citizens of the countries in question.

The E.C. Commission decided in September not to object to the framework program for France's plans to privatize 65 nationalized companies by 1991, following earlier concern that aspects of the legislation concerning foreign ownership would have been in conflict with E.C. competition law. The British Airways case could have an important impact on French privatization legislation currently being prepared. Commission President Jacques Delors told the Parliament he had written to the Government of France to ensure that a major bank privatization was in line with E.C. law. *—Reuters*

Angolan rebel leader Jonas Savimbi met with the European Parliament in October, but failed in his attempts to garner European support.



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FOREIGN AFFAIRS

PARLIAMENT CONDEMNS UNITA AS "TERRORISTS"

Rebel Angolan leader Jonas Savimbi met with Members of the European Parliament (MEPs) on October 22 in a bid to get European help in bringing about peace talks with Angola's Marxist government, but received instead a Parliamentary condemnation of his National Union for the Total Independence of Angola (UNITA) as "a terrorist organization which supports the South African regime."

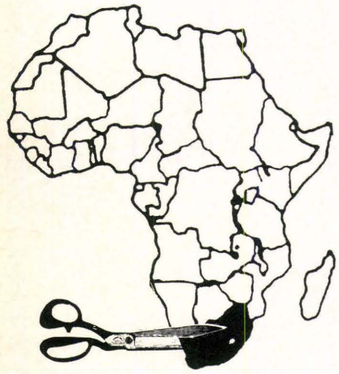
Addressing a meeting of center-right MEPs, Savimbi urged the Europeans to help mobilize international opinion to bring the present government to the negotiating table. "We must not be responsible for a disaster that could spread out from Angola to South Africa," Savimbi warned. "No more civil war. We must look to the future of our country."

Savimbi's visit provoked widespread criticism, with some critics claiming he receives South African military aid. Shortly before his arrival in Strasbourg, the South West African Peoples' Organization (SWAPO), fighting South African troops in neighboring Namibia, labelled Savimbi an assassin and expressed indignation over the visit.

Savimbi urged Europe not to look at UNITA in the usual clichés associated with its name. "UNITA condemns apartheid," he said, stressing that it was the arrival in Angola of Soviet and Cuban advisors that had made the situation in the entire region precarious. He said there were 45,000 Cubans, 2,500 East Germans and 2,500 Russians currently in Angola.

Savimbi said that all the countries of the region had to reach a "modus vivendi" with Pretoria, and recalled that Mozambique's left-wing President Samora Machel, who died in a plane crash in late October, had signed a peace agreement with South Africa. He stressed that it was intervention by Cuba, not South Africa, that prevented elections being held in Angola in 1975—elections UNITA says it would have won.

Savimbi told the MEPs he believed conditions were now ripe for successful talks to end the 11-year civil war, because a much-vaunted offensive against his forces had failed. —*Reuters*



BRITAIN STARTS VOLUNTARY BANS ON PRETORIA

Britain announced on October 30 a voluntary ban on investing in South Africa and promoting tourism there, but rejected a plea by foreign ministers of non-aligned nations for further sanctions against South Africa.

The announcement, part of agreements reached by European Community and Commonwealth nations, had been expected after Foreign Secretary Sir Geoffrey Howe's mission to South Africa in August when he failed to promote inter-racial dialogue.

British Industry Secretary Paul Channon told Parliament that the Government would try to dissuade British firms from making new, direct investment in South Africa. This would include new acquisitions of share and loan capital in South African firms, but exclude transactions and bank lending in support of normal trading activity. Britain is the largest investor in South Africa, accounting for one-third of all foreign investment there.

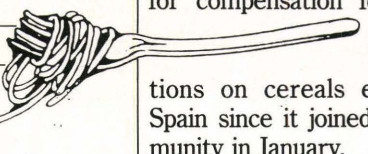
Following the announcement, Howe spent over an hour with the Foreign Minsters of India, Peru, Yugoslavia and Zimbabwe. A Foreign Office spokesman called it a serious and cordial discussion.

The ministers, accompanied by a senior Algerian Foreign Ministry official, were delegated at the Non-Aligned Summit in Harrare in September to meet South Africa's main trading partners and press for comprehensive economic measures to end apartheid.

British Prime Minister Margaret Thatcher has argued that comprehensive sanctions would harm the members of South Africa's black population they are meant to help. Howe repeated this position at the meeting, according to a spokesman, but Zimbabwean Foreign Minister Witness Mangwende told a news conference later that Howe "admits the measures adopted . . . have not as yet produced the required results. Therefore they are ineffective and inadequate to the situation. He did agree to that."

Mangwende said Howe had indicated that discussions within the 12-nation European Community on further sanctions were continuing. "There is still in my view lack of political will to confront apartheid," Mangwende said, adding that he still thought the session was worthwhile. —*Reuters*

TRADE



U.S., E.C. SETTLE PASTA WAR

European Community Foreign Ministers formally endorsed an agreement with the United States on October 27 to end a long-running dispute over pasta and citrus fruit that threatened to intensify trans-Atlantic trade tensions. The agreement was reached in principle last August, but was not endorsed until now due to fears among E.C. citrus producers about the effects on their production.

The October 27 agreement ends uncertainty over the settlement of another U.S.-E.C. trade question, that of European exports of semi-finished steel products. A final resolution of the steel dispute had been linked to resolution of the citrus and pasta question by the United States.

E.C. officials said the agreement was crucial for the E.C. as it marks U.S. recognition for the first time to the E.C.'s right to grant special and unreciprocated trade concessions to Third World countries. The U.S. had challenged preferential trade agreements with non-E.C. Mediterranean states, which it said discriminated against its own exports of citrus fruit to Europe.

The agreement also traded greater access for American citrus exports to the E.C. for greater access for E.C. exports of olives, olive oil and cheese to the United States. It also ended U.S. restrictions on pasta imports—mainly Italian—imposed in retaliation for the complaints on citrus.

Willy De Clercq, the E.C. Commissioner responsible for trade, warned the ministers however that failure to settle a more serious dispute with Washington over its access to the Spanish market could unleash a trade war in 1987.

Brussels and Washington called a truce in the dispute last summer, pending final settlement of the American demand for compensation for restrictions on cereals exports to Spain since it joined the Community in January.

The Community believes that benefits gained by U.S. exports of industrial and other goods as a result of the easing of Spanish import restrictions would more than compensate the United States.

De Clercq told the Foreign Ministers that the U.S. continued to claim that agricultural exports were a separate issue under the General Agreement on Tariffs and Trade, while denying that its benefits from Spain's entry into the E.C. would be as large as Brussels claims. Officials said the talks with Washington were likely to be tough. *Reuters*

E.C. REACHES SUGAR PRICE AGREEMENT

The European Community and Third World sugar-producing countries have agreed there should be no price increase for sugar imports to the E.C. this year. An E.C. Commission spokesman said prices for the import of a maximum of 1.3 million tons of sugar into the Community during the 1986/87 season (which began on July 1) would remain at the same level as in 1985/86.

The E.C. has traditionally imported raw and white sugar from countries in Africa, the Caribbean and the Pacific (known as the ACP countries) at prices generally well above those on the world market.

The spokesman said the decision not to increase prices this year had been taken because prices guaranteed to E.C. farmers for their sugar beet had been frozen at last year's levels.

The main beneficiaries of the accord will be Mauritius, with a 490,000 ton quota, Fiji with 165,000 tons, Guyana with 159,000 tons, Jamaica with 118,000 tons and Swaziland with 117,000 tons. The sugar will be bought at 44.92 European Currency Units (ECU) (about $45) per 100 kilos for raw sugar and 55.39 ECU for white sugar. —*Reuters*

E.C. CALLS FOR PROGRESS ON TOKYO IMPORTS

The E.C. Commission said in late October that it had told Japan its efforts to reduce import barriers in the past 12 months fell far short of what the European Community had hoped for.

In a detailed aide-memoire given to Ambassador Hideo Kagami, the E.C. reviewed the progress made in the year since

Tokyo launched a program designed to curb non-tariff barriers to imports, such as complicated procedures to show that products conform to Japanese safety and performance standards. The E.C. had a record trade deficit in September with Japan of $1.87 billion, according to Japanese Finance Ministry figures.

The Commission said in a statement that the aide-memoire recognized that some import procedures had been streamlined by Japan in the past 12 months. It said, however, that this progress had not been nearly as great as the E.C. would have wished, and had even fallen short in some respects of what might have been expected from the text of the action program.

The aide-memoire said the Commission had demanded the speeding up of progress in five specific import areas, and had asked for a complete revision of standards and certification procedures for electrical equipment, as well as simplified ratification procedures and recognition of international standards for motor vehicles.

The Commission had also called for more progress on cosmetics, claiming that changes already made would mean only a very slow adjustment of existing standards. It said Japan should move towards accepting European-type pre-clinical tests for pharmaceutical products and should end ratification procedures for a much wider range of medical equipment products than exists at present. —*Reuters*

SOCIETY

TWO NEW REGIONAL PROGRAMS LAUNCHED

E.C. Foreign Ministers meeting on October 27 approved two new aid programs designed to help disadvantaged areas of Europe by boosting their energy supplies and improving their telecommunications links.

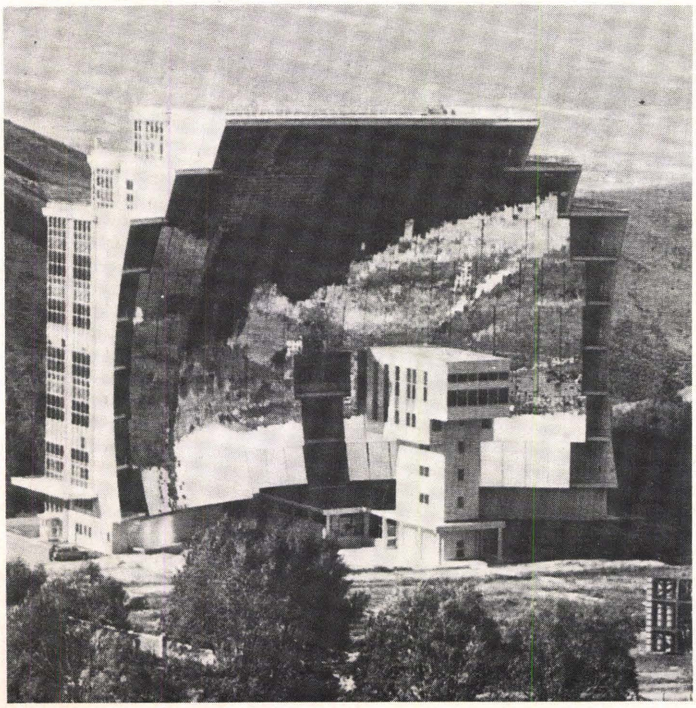
The two five-year programs, dubbed STAR and VALOREN, are the first to be approved under the new rules for the European Community's Regional Development Fund in a bid to spread the benefits of E.C. membership to the furthest parts of the group. The two plans were agreed despite opposition from France and Germany, which argued they would put a burden on the Fund.

Under the Fund's new rules, however, the programs were approved by a majority of members while France and Germany abstained from the vote. Previously, regional programs had to be approved by all E.C. states.

The STAR program is designed to help disadvantaged areas in the E.C. invest in telecommunications projects. About $700 million is being made available. The VALOREN program, which has a maximum of $355 million on offer, is designed to help disadvantaged areas make use of alternative energy supplies and improve energy use.

E.C. states have about six months to submit details of projects for approval. Eligible countries include Greece, Ireland, Italy, France, Spain, Portugal and Britain. —*Reuters*

Below: the 54 meter parabolic mirror at the Font-Romeu solar energy plant in the Pyrenees, which can produce temperatures of up to 4,000 degrees Centigrade.



EDUCATION: ARE EUROPEANS FALLING BEHIND?

Europeans are not as well trained, on the whole, as their counterparts in the United States and Japan, and funds for research and development are not always spent wisely, according to a recent report on the importance of R&D for small businesses prepared by the E.C.'s Economic and Social Committee.

Although school-leaving age in the European Community is not very different from what it is in the U.S. or Japan, fewer than half Europe's school-leavers seek additional training. In the U.S. and Japan, on the other hand, 86 percent and 94 percent respectively continue their studies beyond the legal age.

The proportion going on to university is also much higher in those two countries. It is 44 percent in the United States and 39 percent in Japan, as compared to only 30 percent in France, 26 percent in Italy, 18 percent in Germany, 15 percent in the Netherlands and 7 percent in the United Kingdom.

As for the proportion of science degrees, the Japanese lead the field, with about 68 percent of all degrees awarded in Japan. But the Americans are almost bottom of the league with 25 percent—alongside the French but a notch higher than the Dutch, at 22 percent. Other Community countries have a much higher proportion of science graduates, especially in the U.K. (44 percent), Germany (42 percent) and Italy (40 percent).

The report shows that as regards the ration of students to teachers and spending on education, the Community countries are in no way handicapped when compared to the United States and Japan.

The report traces some of Europe's industrial problems to a wrong distribution of government aid for R&D, which tends to be concentrated on the creation of new technologies rather than the development of new products. Moreover, because of the Community's competition rules, public support is confined to pre-competitive R&D, unlike in the United States and Japan.

SOCIAL FUNDS AID MILLIONS

About 2.7 million citizens of the European Community shared cash totalling about $2.2 billion from the Community's Social Fund, according to figures released by the E.C. Commission in November. The Commission said that requests for help from the Fund, which grants cash to projects in the Community's most deprived areas, increased 40 percent from 1984.

The rise in applications was due largely to an increase in unemployment, according to the Commission. Seventy percent of aid requests came from people under 25, and of those finally receiving help around 38 percent were women—a group that has registered one of the biggest growths in unemployment.

The Social Fund makes cash available for individual and joint projects in economically depressed areas, such as decayed inner city areas. Forty percent of its resources are given to priority areas, including Ireland, Northern Ireland, Greece and the Italian Mezzogiorno, and the rest of its resources are increasingly being concentrated on the areas worst hit by unemployment and the decline of traditional industries. It directs its aid especially toward youth, women, migrants and the handicapped. *—Reuters*

SCIENCE

INFORMATION TECHNOLOGY: ESPRIT

A three-day conference in Brussels on ESPRIT—the European Strategic Program for Research and Development in Information Technology—recently drew some 1,000 people representing the more than 450 companies, universities and research organizations that together have put up over $750 million to finance the 220 research projects that ESPRIT has so far involved.

Evidence of the interest which ESPRIT has aroused, both among industrial firms and research institutes, was provided by this year's call for proposals to fill the remaining gaps in its work program. Although the Community could contribute no more than 65 million European Currency Units (ECU) (about $65 million), representing the unallocated portion of the Community budget for the program, the Commission had received proposals for a total of 570 million ECU. Inevitably, only a score of these—one in four—could be selected for joint funding.

The Commission wants the 12 E.C. member states to launch the next stage of ESPRIT next year, some two years ahead of schedule, and to step up spending very sharply over the next five years. Its proposal for ESPRIT II, which is currently before the Council of Ministers, recommends that precompetitive R&D should continue and be extended to exceptionally promising areas of technology development. At the same time cooperation should be consolidated, both within information technology sectors and between manufacturers and users.

In his address to the ESPRIT conference, however, Geoffrey Pattie, the current chairman of the E.C. Research Council, questioned the emphasis on technology projects, despite the fact that it was supported by a major European industrialist who addressed the conference. Franco De Benedetti, of the Italian company Olivetti, argued that because of the present stagnation in individual sectors of information technology, such as computers, their integration had become necessary.

The current ESPRIT program provides for a total spending, over five years, of 1.5 billion ECU, half of which is to be provided by the Community. During this same period world spending on R&D will have totalled over $200 billion or more. *—Reuters*

MEDICAL RESEARCH: CANCER AND AIDS TARGETED

Cancer and Acquired Immune Deficiency Syndrome (AIDS), two major public-health problems in Europe, are the main focus of the new multiannual (1987-89) medical and health research program that the Commission has recently approved. The new program, for which a budget of 37 million ECU (about $37 million) is proposed, should enable the European Community to intensify the efforts it has been making since 1978 to coordinate medical research at the European level, and to extend such coordination to new fields such as AIDS, which has seen only limited action at the Community level until now.

Like its three predecessors, the new medical research program would be implemented through joint projects coordinated by the Commission, although not funded directly by it. The Commission would organize contacts among research teams, facilitate exchange of information, set up symposia and publications, and take other related measures.

The budget the Commission is proposing would make it possible to carry out over 70 coordinated projects, involving between 6,000 and 9,000 researchers. The program would thus coordinate some 25 percent of all research work on medicine and health in the Community.

The choice of cancer as one of the priority objectives for the new program reflects concern about a disease which, although curable in 40 percent of cases, is the cause of a large and growing number of deaths in the European Community. The cancer project included in the new Community program is based on the findings of a report entitled *Europe Against Cancer* drawn up recently by a Commission panel of experts. It covers research on clinical treatment (new drugs), epidemiology (occupational cancers, dietary factors and cancer), research on early detection and diagnosis, and other areas.

The extension and systematic organization of Community efforts on AIDS research is another feature of the new program. AIDS is growing to epidemic proportions in Europe, where the trends for registered cases are similar to those observed a few years ago in the United States. Aware of the need to take urgent action, the Commission took a number of measures last year in the context of existing research programs. It now intends to organize its efforts on a systematic basis by launching a number of projects on the different aspects of AIDS research.

In addition to these two main targets, the new program proposed by the Commission should cover a range of topics both new and previously studied in several major areas of medical research: age-related health problems (research on cataracts, brain ageing, the epidemiology and prevention of dementia), health services research (evaluation of screening programs, the development of out-patient care) and medical technology, including nuclear magnetic resonance, imaging or positron emission topography, EEG computer programs and medical applications for lasers.

AGRICULTURE

E.C. ACTS TO CURB OVERFISHING

European Community Agriculture Ministers agreed on November 5 to give the E.C. Commission new, wide-ranging powers to prevent Community countries' fleets from overfishing, and punish any violation of quotas.

Britain's Minister of Agriculture and Fisheries Michael Jopling, who chaired the meeting, told reporters the accord would help redress chronic depletion of E.C. fish stocks. "Our decision here today is going to make it much less attractive for fleets to overfish. The Commission now has the central power over fishing it had been looking for," he said. The accord, hammered out during 12 hours of talks, was reached by qualified majority vote, with Denmark withholding support.

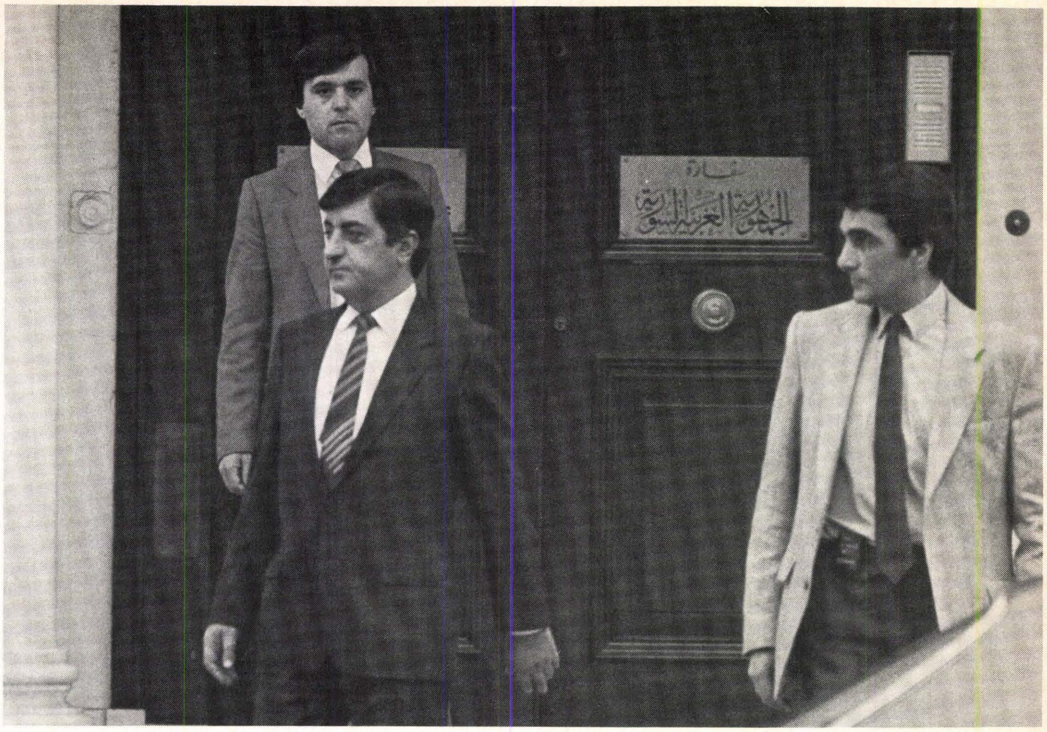
The new system, aimed at reviving a Community fishing industry plagued by virtually unchecked exploitation, empowers inspectors to decide where, when and how inspection of fishing facilities takes place.

In the past, this has been the sole responsibility of the E.C. member states, whose inspectors were often ill-inclined to police their countries' own fleets. The Commission will also have authority to suspend fishing in areas where stocks of some species drop below a certain level.

The pact allows the Commission to penalize member states found overfishing an area, and compensate those hurt when fishing there is suspended. Penalties and compensation will be in the form of reduced and increased fishing quotas, Jopling said.

Diplomats said that several members had had initial reservations about the new set-up, saying it would give the Commission too much authority over national governments. But objections were dropped when a clause was included saying states found guilty of overfishing an area would be informed before fishing there was suspended, they said.

The Ministers also agreed in principle on a Commission-proposed $850 million plan to restructure the Community's fishing industry over the next decade, but were split on how it should be done and at what cost. The plan will be considered when the Ministers meet again in December.—*Reuters*



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Syrian Ambassador Loutouf Allah Haydar (center) leaving his embassy in London. Britain severed relations with Syria after finding Jordanian Nezar Hindawi guilty in a terrorism case.

TERRORISM

E.C. MINISTERS AGREE MEASURES ON SYRIA

Meeting in London on November 10, the Foreign Ministers of the European Community agreed on a package of sanctions against Syria—including an arms embargo—in response to Syria's alleged role in an attempted bombing of an Israeli airliner in London. The sanctions were agreed by all 12 E.C. Foreign Ministers, but Greece refused formally to sign a statement issued in their name.

British officials said Greece would implement the measures, which include a ban on high-level visits to and from Syria, curbs on Syrian diplomatic activity and tighter security around the state-run Syrian Arab Airlines.

E.C. diplomats said that although Greece had softened its position and reversed its earlier anti-sanctions stand, it refused to sign the statement because it disagreed with its strong language. The measures are largely symbolic, meant to underline European backing for Britain in its dispute with Syria over the role of Damascus in the case of Nezar Hindawi, a Jordanian convicted last month in London for trying to blow up an Israeli airliner.

The text of the European Community's statement read, in part:

"Following on from discussion on 27 October of Syrian involvement in the Hindawi case, we have all agreed that further joint action is essential to protect our citizens from any possible repetition of such acts of terrorism.

"No-one should be in any doubt about our unanimous condemnation of international terrorism and our resolve to curb terrorism in all its forms. We wish to send Syria the clearest possible message that what has happened is absolutely unacceptable.

"We stand firmly behind the commitments in previous statements and have therefore decided that the following additional action is required. In the present circumstances:

- We shall not authorize new arms sales to Syria;
- We shall suspend high-level visits to or from Syria;
- We shall each review the activities of Syrian diplomatic and consular missions accredited in our country and apply appropriate measures;
- We shall each review and tighten security precautions surrounding the operation of Syrian Arab Airlines.

"Our embassies in Damascus were instructed to make representations to Syrian authorities. The Syrian Government have delivered their reply. As far as the facts are concerned, this adds nothing to what was considered by the court which found Hindawi guilty, and to what the embassies have presented to the Syrian authorities.

"We shall continue to employ all the political means available to us in order to persuade the Syrian authorities to translate into concrete action their stated condemnation of international terrorism. In particular, we call on them to end all forms of support for those groups which have been clearly involved in terrorist acts and to deny them all facilities.

"Our actions have a specific purpose. We look to the Syrian authorities for a constructive response. We have close and important links with all the countries of the Middle East which we remain determined to develop and strengthen. In this respect, we recall the proposals the 12 have made to give a new impetus to the Euro-Arab dialogue, and the importance attached to this in the recent communication dated 6 November from the Secretary General of the Arab League. We strongly reaffirm our commitment to contribute in every way we can to the search for just and lasting solutions to the region's problems." —*Reuters*

APPOINTMENTS

NEW U.S. AMBASSADOR TO EUROPE

American press reports in early November indicated that Alfred H. Kingon, an Assistant to the President of the United States, would shortly be taking over as U.S. Ambassador to the E.C. from J. William Middendorf II.

Before his appointment as Assistant to the President, Kingon served as Cabinet Secretary, Deputy Assistant to the President, and Assistant Secretary of the Treasury for Policy Planning and Communications. He was Assistant Secretary of Commerce for International Economic Policy from 1983 to 1984, and previously has served as editor-in-chief of *Financial World* and *Saturday Review,* and editor of *Money and Credit.*

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.

The Presidency of the European Council of Ministers. Edited by Colm O'Nuallain. European Institute of Public Administration, Croom Helm, Ltd., London, 1985. 279 pp.

A collection of twelve essays examining the growing role of the Presidency of the European Council, as seen by ten of the member states, Belgium, Denmark, The Federal Republic, Greece, France, Ireland, Italy, Luxembourg, The Netherlands, and the United Kingdom. The purpose of the compilation of essays is to, as the editor states, "record, examine, compare and draw conclusions from the practice and experience of the various Member States in adapting to and coping with the challenges and responsibilities of Community membership." This goal is achieved through the study of the mutually shared Presidency. The essays look at the ways in which the various Member States have fared in the Presidency, along with possible future solutions to these problems. This work will prove useful to all who wish to understand the functioning of the Council, and the role of the Presidency. The majority of the contributions are in English, others in French.

Problems of International Money, 1972-85. Edited by Michael Posner. International Monetary Fund, Washington, D.C., 1985. 189 pp. $8.50.

A collection of papers presented at a seminar organized by the IMF and the Overseas Development Institute in London in March, 1985. Examines the increasing role of private participants in the financial workings of the debt problems of developing nations. The papers, presented by members of academia, private banking circles, and nonofficial groups from developing countries, cover a variety of topics, including structural change and financial innovation in the international monetary system since 1972, exchange rate management and surveillance, the role of reserves, as well as the future of international monetary arrangements. An informative and interesting series of articles, combined and presented in understandable fashion by the editor.

Problems of Mixed Agreements: Division of Powers Within the EEC and the Rights of Third States. By Maurits J.F.W. Dolmans. Asser Instituut, The Hague, 1985. 163 pp.

This three part study details the European Community's general legal competences in the international arena, and outlines the theoretical and practical authority granted the E.C. regarding the issue of mixed agreements. Written primarily for students of Community and international law, this treatise addresses the difficult questions of exclusive and concurrent competence within the member state-E.C. relationship where agreements with third states and other international organizations are involved. Careful attention is given to the varied nature of such agreements, the participation limitations, the ratification procedures, and the enforcement clauses relative to legal responsibility. A

Europe, Africa and Lome III. Edited by Robert Boardman, et.al. University Press of America, New York, 1985. 158 pp.

The Lome Convention, which has provided a unique forum for the special relationship that exists between the E.C. and the 66 African, Caribbean and Pacific nations (ACP) since 1975, is the subject of a 1983 conference held at Dalhousie University which resulted in this collection of essays. Contributions from experts cover the general commercial policies linking the E.C. and other countries, as well as the specific nature of the institutional requirements and bargaining processes that make up the Lome Convention. The EC-ACP partnership is examined in light of its historical development and colonial ties, the negotiations for membership and participation in the generalized preference system, and current thoughts on the successes and limitations of this type of mixed agreement. Finally, some authors reflect upon the Lome formula and the possibilities for wider use in the general arena of North-South trade.

Adaptability to New Technologies of the USSR and East European Countries. Edited by Philip Joseph. NATO, Brussels, 1985. 310 pp.

A compilation of essays presented at the 14th NATO Economic Colloquium centering on the industrial, political and financial barriers preventing the Soviet Union and the East Bloc from meeting the high-tech challenge that is so prevalent in the world today. Experts from academic and business communities outline their views on East-West technology transfer, comparative research and development efforts in Japan, the U.S. and Europe, and the specific demands facing both Soviet and East European industry, such as new ways of dealing with gas and oil imports. In a chapter devoted to the recent computer revolution in the European Community, innovations in telecommunications and information technology are examined in light of market strategies in both East and West. Together, the experts take a hard look at the current state of Soviet and Eastern Europe's social, political and economic institutions, and make suggestions as to how these societies can better cope with the rapid advances of new technologies in the coming years.

European Integration in British Politics 1950-1963: A Study of Issue Change. By Jeremy Moon. Gower Publishing Co., Vermont, 1985. 282 pp. $33.00.

This highly detailed case study combines both a theoretical and a practical analysis of the British question in reference to the United Kingdom's membership in the E.C., and highlights in particular the Parliamentary debates (1950-1963) that preceeded her eventual accession a decade later. In an attempt to counter traditional studies which tend to view political issues from the perspective of the interest groups concerned, Moon makes the issue of Britain's participation in the Common Market the focus of his scrutiny and discusses all other political/economic activity as an extension of the policy-making process. He traces the issue changes that took place as a result of both foreign and domestic influence, and illustrates these changes graphically and statistically. The extensive analyses that accompany the author's historical approach and detailing of events (from Britain in post-war Europe to the arrival of the E.C. in British politics) provide for both the political scientist and the general reader an intellectual challenge and an enlightened perspective of the British political machinery in the context of the E.C.

Stockpiling Strategic Materials—An Evaluation of the National Program. By Raymond F. Mikesell. American Enterprise Institute for Public Policy Research, Washington, D.C., 1986. 66 pp.

A brief, well-documented report that assesses the problems and policy options related to the National Defense Stockpile. Reviews the history of the NDS program, evaluates criticisms and proposes changes to current stockpiling procedures. Examines the vulnerability of the civilian economy and possible disruptions of imports upon the release of stockpiles during peacetime, and suggests methods of dealing with such disruptions. Having thoroughly appraised the defense, economic, and civilian environment surrounding the NDS issue, the author concludes with a number of personal proposals for the reform of the program.

Patents in Perspective. By Jeremy Phillips. ESC Publishing. Ltd., Oxford, 1985. 121 pp.

The objectives, problems and innovations of the patent licensing system are addressed in this collection of essays. Contributions from a variety of primarily British professionals (scientists, barristers, and businessmen) reflect the views of specialists, but are written and documented in such a way that is comprehensible to the professional and layman alike. Includes a chapter that sketches the European patent system in relation to the British user in a clear and balanced presentation of fact and opinion.

Defending Europe in the 1990's: The New Divide of High Technology. By Joseph C. Rallo. St. Martin's Press, New York, 1986. 136 pp. $29.00.

Traditional obstacles to the creation of a single West European defense are theoretically overcome in this analysis of the economic and political potential for an E.C. security policy. Success in this much debated policy area is contingent upon the elimination of political reservations of member states, individual national defense structures, treaty limits, and fragmented public opinion. In turn, the author claims that a consolidated EC industrial policy is the key to drawing together the necessary elements for achieving a European Defense Program. The issue of high technology is discussed at length in light of E.C. and American competition and market growth, both in the commercial and defense arenas. The inability of European firms to pool their material resources and conceptual goals is criticized, and an American-style defense related R&D program is suggested. Overall, a clear, provocative prospectus for the future of a European defense.

EEC Business Strategy to 1990: Threats and Opportunities. By John Robinson. European Research Associates, Brussels, 1986. 305 pp.

This well-researched and timely report explores a variety of E.C. policy areas, highlighting the current status of industrial, technological, environmental (and other) developments, and projects possible trends for European commercial strategy the end of the decade. The author discusses changing European company law and consequences for current business practices, emphasizing competition and standards policies in reference to rapidly expanding projects in new technologies (ESPRIT, BRITE, RACE). There is a focus on company initiative as a strategy to circumvent institutional shortcomings, resulting in a projected increase of business influence on policy-making.

Europe: The Challenge of Diversity. By Hellen Wallace with Adam Ridley. Routledge & Kegan Paul, London, 1985.

A timely, brief assessment of the current state of the European Community. The political and economic changes that accompanied the enlargement in January, 1986, are examined, and attention is given to the more positive aspects of differentiated E.C. policy in order to accommodate the increasingly diversified objectives and needs of a 12-member Community. The author suggests that the growing pains of an enlarged Community coupled with recent reevaluation of the EC's institutional structure, renewed debate on common defense policy, and technological progress in the framework of EUREKA, call for a drift in perspective away from classical integration theory and toward a more cooperative form of policy management. A realistic view of a Community that has doubled its membership in 35 years, and suggestions for attending to the individual interests of a heterogeneous body while seeking to establish and maintain collective aims and resources for the achievement of a harmonious Community of 12.

Models of the UK Economy. Edited by K.F. Wallis. Oxford University Press, New York, 1985. 192 pp. $36.

Economists will take interest in this presentation of analyses of macroeconometric models of the economy. Six different models are examined with the purpose of clarifying divergent model properties in light of two specific issues: the exchange rate and the role of North Sea oil. Models are projected as aids to economic forecasting and policy-making, and considerable statistical diagramming accompany the theoretical discussions.

Workers, Participation and Democracy. By Joel D. Wolfe. Greenwood Press, Westport, 1985. 258 pp. $45.

In this study of the British labor movement the author questions the possibility of participatory democracy in modern union and party organizations and whether members are able to exercise control of delegates despite bureaucratic barriers. To aid his analysis Wolfe creates a generalized theory of participatory democracy and applies it both to the contemporary democratic processes in industrial and political organizations and to an examination of the policy-making proctices of the British labor movement during World War II. Finally, he compares the success rates of participatory democracy in the wartime scenario and in prospective labor movements in other advanced societies. Social and political scientists will find this work interesting and informative.

Outlook for the Liberalisation of Maritime Transport. By Elliot Schrier, et. al. Trade Policy Research Centre, London, 1985. 83 pp. $6.

International maritime transport services are the subject of this brief study prepared by three specialists in transport policy. Recent efforts of the world-wide shipping industry to protect their shares of the freight market via political intervention is seen to be in serious conflict with the 1983 United Nations' Code of Conduct for Liner Conferences. The behavior of the international maritime fleet is examined with respect to changing technology and shipping usage. Reservations on the part of developed countries to ratify the Conduct Code severely limit the progress of trade with developing countries. A timely report considering current tendencies toward the inclusion of the liberalization of trade in services on the agenda of the GATT negotiations.

East-West Relations in Europe. By Stanley R. Sloan. Foreign Policy Association, New York, March/April, 1986. 64 pp. $4.

In his brief, but comprehensive, study, the author looks at the development of East-West relations in Europe since the end of World War II. A divided Germany, as the core of the European problems and the instigator of the on-going tensions between East and West, is examined, and proposals for a possible reunification are put forth in light of improved East-West relations in the past few decades. Historical, political and economic discussions allow for a well-written analysis of the future of Europe.

Business Law Guide to Germany. By Strobl, Killius and Vorbrugg, Munich Law Firm. Commerce Clearing House, Inc., Oxfordshire, 1986. 387 pp.

This general handbook on German business law takes into account the growth of international business transactions over the past decade and updates legal practices in light of current business procedures. Every aspect of commercial law is addressed in clear and systematic entries. Discussions include developments at the European and international level, along with a detailed analysis of German national law. A guide for general business use.

EEC Anti-Trust Compliance: How to achieve corporate compliance with the EEC competition rules. By Rosalyn Clive Matthews. European Business Publications, Brussels, 1986. 211 pp.

Frequent infringement of E.C. competition rules over the last few years has forced the E.C. Commission to adopt a "get tough" policy with European companies. This book offers some general guidelines for ensuring compliance with competition laws and provides suggestions on how to structure and develop a successful compliance program. The consequences of non-compliance are outlined and procedures for handling existing competition violations are studied. A timely, well researched report.

NATO Final Communiqués 1981-1985. Issued by the Ministerial Sessions of the North Atlantic Council, the Defense Planning Committee and the Nuclear Planning Group. NATO Information Service, Brussels, 1986. 162 pp.

Comprehensive listing of synopses of alliance communiqués and statements.

The Industrial Geography of Italy. By Russell King. Sr. Martin's Press, New York, 1985. 332 pp. $32.

In his detailed study of recent Italian industrial development, the author takes a three-pronged approach; he addresses the temporal, sectoral and regional issues in the context of industrial growth. A historical background leading up to World War II prepares the way for a discussion of the post-war renaissance of the Italian economy. Labor and industrial output statistics accompany an analysis of growth by sector. Regional patterns of Italian industry are traced in a North-South comparison, and general comments are made on the future of industry in Southern Europe.

The Europa Yearbook 1986: A World Survey. Europa Publications Ltd., oLondon, 1986. 3,089 pp. in two volumes.

Comprehensive encyclopedia of updated political, commercial, economic and statistical information categorized by country. Within each country there is a detailed breakdown of data by sector ranging from political parties to religious preferences. Other interesting selections include entries on newspapers, radio, television and universities.

East European Economic Handbook. Euromonitor Publications Limited, London, 1985. 323 pp.

A statistical study of all seven East European countries. The author begins with a global examination of the role of East European economies in the world economic scene. The performance of the East European region is compared with other areas of the globe. The trade relations of Eastern Europe are also studied, as well as the potential market for Western goods in Eastern Europe. To conclude the regional economic analysis, the role of the Soviet Union in the economy of Eastern Europe is studied. This volume also provides detailed statistical information on all major aspects of each individual East European nation's economy. The various roles of industry, policy and economic trends are studied in the context of each nation and its unique system of government.

PUBLISHED FOR THE COMMISSION

The Law and Practice Relating to Pollution Control in the Member States of the European Communities: Recent Developments. Environmental Resources Limited. Graham and Trotman Limited,London, 1986. 216 pp.

A comprehensive examination of law and practice in ten of the member states in regard to pollution. This work studies the various pollution laws and pollution prevention activities of Belgium, Denmark, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom. Each nation is examined separately in many areas of environmental concern including air pollution, inland water pollution, marine pollution, noise pollution, hazardous wastes, radioactive substances, and nuclear energy. The editors conclude the work with a comparative chapter which examines the laws and activities of the various member states in relation to one another.

Solar Energy in Agriculture and Industry: Potential of Solar Heat in European Agriculture, an Assessment. Series H, Volume 1 of Solar Energy R&D in the European Community. Edited by G. Schepens, et.al. D. Rudel Publishing Co., Boston, 1986. 198 pp.

A study of the energy needs of European agriculture. This volume focuses on the potential uses of solar energy in meeting Europe's thermal agricultural needs. The technological area addressed by the editors is thermal conversion technologies including solar collectors, passive designs and storage devices, as well as wind power. The work effectively presents the potential for solar heat in Europe's agricultural system. The editors also identify the main obstacles to the development and implementation of solar energy in Europe and offer some viable routes to better development and implementation. A comprehensive technical study that should prove useful to those concerned with agricultural and energy issues.

The Law and Practice Concerning Occupational Health in the Member States of the European Community, 5 Volumes. *EUR 9624 I* Environmental Resources Limited. Graham and Trotman Ltd., London, 1985. 414 pp. $378/set.

Technical reports broken down by individual E.C. member states and outlining the system of occupational health regarding protective measures, implementation and enforcement of related legislation. A detailed history of the respective legislative framework is given for each member state, and a comprehensive list of national authorities and organizations is provided, ranging from medical advisory committees to national industry groups. The rights, duties and activities of employers and employees are explored in light of health protection. Extensive tables and annexes.

Somaclorial Variations and Crop Improvement. *EUR 10236 EN.* Jean Semal. Martinus Nijhoff Pub., Distributed by Kluwer Academic Publishers, Boston, 1986. 277 pp. $50.95.

Proceedings of a seminar in the CEC Program of Coordination of Research on Plant Protein Improvement, held in Gembroux, Belgium, 3-5 September, 1985. Sponsored by the Commission of the EC, Directororate-General for Agriculture, Coordination of Agricultural Research.

Health Hazards and Biological Effects of Welding Fumes and Gases. R.M. Stern, ed., et. al. World Health Organization. Elsevier Science Publishers B.V., Amsterdam, 1985. 596 pp. $134.

Collection of articles resulting from an international conference on the title subject in Copenhagen, February 18th-21st, 1985.

Nouvelles technologies pour l'exploration et l'exploitation des ressources de petrole et de gas. Volume 1. *EUR 10168.* R.D. Bauw, ed., et. al. Societe des Editions Technip, Paris, 1986. 706 pp.1

Proceedings of the second European Symposium on new technologies relating to the exploration and exploitation of gasoline resources, held in Luxembourg Dec. 5-7, 1984. Text in French.

Blood Compatible Materials and their Testing. *EUR 10373 EN.* S. Davids and A. Bantjes, eds. Martinus Nijhoff Publishers. Distributed by Kluwer Academic Publishers, Boston, 1986. 375 pp. $106.50.

Series of articles compiled as a result of two conferences held in the Hague, The Netherlands, May 18-20, 1984 and in Siena, Italy, March 28-30, 1985. One of several publications stemming from the European Concerted Action EURO X4, which promotes scientific and industrial cooperation.

New Perspectives for Energy Savings in Agriculture. Current Progress in Solar Technologies. Volume Two. *EUR 10649 EN.* V. Goedseels, ed., et. al. D. Reider Publishing Company. Distributed by Kluwer Academic Publishers, 1986. 393 pp. plus appendices. $94.

Result of technical studies undertaken by a European concerted action program sponsored by the Commission in Brussels. Data collected Europe-wide and consolidated in this second of two volumes examining the potential applications of renewable energy sources in agriculture.

Reduced Enrichment for Research and Test Reactors. *EUR 10483.* P. von der Hardt and A. Travelli, eds. D. Reider Publishing Company. Distributed by Kluwer Academic Publishers, Boston, 1986. 419 pp. $74.50.

Proceedings of an international meeting held in Letten, the Netherlands, October 14-16, 1985.

Systems for Remotely Controlled Decommissioning Opertions. *EUR 10197 EN.* L. Da Costa, ed., et. al. Graham and Trotman, Ltd. London, 1986. 238 pp. $62.

Results of a joint research project prepared by ACEC, Charleroi, Belgium and GST Geseuschaft fur Systemtechnik gmbH, Essen, Federal Republic of Germany. The proceedings focused on analyses of possible radiation reduction when dismantling nuclear facilities. Newly discovered remote operating technologies are examined. Tables and diagrams illustrate research findings.

Biomass: Recent Economic Studies. *EUR 10355 EN.* J.-C. Sourie and L. Killen, eds. Elsevier Applied Science Publishers, Ltd. London, 1986. 187 pp. $41.25.

Proceedings of a seminar in the CEC Research Program on Energy in Agriculture, held in Brussels, Belgium on October 10-11, 1985. Sponsored by the Commission of the EC, Directorate-General for Agriculture, Coordination of Agricultural Research.

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☐ **Public Opinion in the European Community.** *Euro-barometre No. 25, Commission, Brussels, June 1986, 178 pages.* Results of an opinion poll conducted in the spring of 1986. The principal themes were the mood of Europeans, "A people's Europe," general attitudes toward the Community and the European Parliament. **Free**

☐ **Publications Catalogue 1985.** *Office of Official Publications, Luxembourg, 1986, 73 pages.* Complete list of sale documents published by the E.C. in 1985, with alphabetical title index. **Free**

☐ **The Clearing and Payment System for the Private ECU.** *EIB Information No. 50, European Investment Bank, Luxembourg, October 1986, 12 pages.* Explanation of the new ECU Banking Association set up as the vehicle for a private ECU clearing system. Other topics covered in this newsletter are EIB operations under Lomé III and EIB lending for water projects. **Free**

☐ **Financing Facilities Under the Third Lomé Convention.** *European Investment Bank, Luxembourg, April 1986, 19 pages.* Describes the role of the EIB in financing projects in the ACP countries party to Lomé III. **Free**

☐ **The EEC and the Caribbean.** *Europe Information Development, Commission, Brussels, July 1986, 41 pages.* Summary of E.C. aid projects and trade regulations for the Caribbean region. **Free**

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☐ **Nineteenth General Report on the Activities of the European Communities: 1985.** *Commission, Brussels, 1986, 400 pages.* Provides a general picture of Community activities in 1985. **$6.00**

☐ **Fifteenth Report on Competition Policy.** *Commission, Brussels, 1986, 267 pages.* Overview of competition policy developments in 1986; specific cases involving business firms; government assistance to enterprises; trends in concentration and competition in various industrial sectors. **$11.00**

☐ **Competition Law in the EEC and in the ECSC (Situation at 31 December 1985).** *Commission, Brussels, 1986, 220 pages.* Compendium of all the regulations and other equivalent measures applicable in the field of competition law of the E.C. **$6.00**

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☐ **Higher Education in the European Community: A Guide to Courses and Institutions in 10 Countries.** *Commission, Brussels, 1885, 342 pages.* 4th edition. Guide to the organization of higher education systems in the E.C.-10 including admission requirements, fees and financial assistance, costs of living and student accommodations. Lists principal universities in each country, additional sources of information and survey of courses. **$13.00**

☐ **Annual Economic Review 1986-1987.** *European Economy No. 29, Commission, Brussels, July 1986, 172 pages.* Economic forecast for the E.C. as a whole prepared in May 1986. **$11.00**

☐ **National Accounts: Detailed Tables by Branch 1986.** *Statistical Office, Luxembourg, 1986, 171 pages.* Detailed results of the national accounts of the member states for 1984, with data for selected earlier years. Data on value-added, earnings, capital formation, and final household consumption of goods and services. **$10.50**

☐ **Carriage of Goods 1984: Inland Waterways.** *Statistical Office, Luxembourg, 1986, 167 pages.* Statistics on goods transported by inland waterway vessels in the member states irrespective of their country of registration. **$11.00**

☐ **External Trade Statistical Yearbook 1986.** *Statistical Office, Luxembourg, 1986, 75 pages.* Summary tables of trade data for 1958-1985. Provides general information on the position of the E.C. in world trade and in trade of non-E.C. members. Gives trends in trade broken down by geographical groups, countries, and broad commodity categories. **$7.50**

☐ **Eurostat Review 1974-1984.** *Statistical Office, Luxembourg, 1986, 41 pages.* Time series of macroeconomic data for the E.C.-10, Spain, Portugal, Sweden, the United States, and Japan. Covers general statistics, national accounts and finance, population and social conditions, energy and industry, agriculture, foreign trade and transport. **$14.00**

☐ **Structure of Earnings: Principal Results 1978/79—Vol. 10, United Kingdom.** *Statistical Office, Luxembourg, 1986, 603 pages.* Results of the survey on the structure and distribution of earnings in industry, wholesale and retail distribution, banking and insurance in the United Kingdom in 1978-79. **$28.00**

☐ **European Foundation for the Improvement of Living and Working Conditions Annual Report 1985.** *European Foundation, Dublin, 1986, 45 pages.* Summary of activities and research in 1985. Includes a list of meetings and publications sponsored by the foundation. **$4.00**

☐ **Study of Outside Gainful Activities of Farmers and Their Spouses in the EEC.** *Commission, Brussels, 1986, 290 pages.* Study of part-time farming and income from off-farm employment in the E.C.-10. **$16.00**

☐ **Recent Progress Made in Introducing New Information Technologies Into Education.** *Social Europe Supplement No. 4/86, Commission, Brussels, 1986, 42 pages.* Report of a workshop held in Liège, France, July 4-13, 1985. **$3.50**

☐ **Youth Initiatives in the European Community—"Info-Action 1985 Conference."** *Social Europe Supplement No. 5/86, Commission, Brussels, 1986, 42 pages.* Report of a conference held in Luxembourg, November 18-20, 1985, on youth information and action programs to help transition from school to work. **$3.50**

☐ **Introduction of Artificial Vision in Manufacturing and Inspection Work and Its Training Implications.** *European Centre for the Development of Vocational Training, Berlin, 1986, 104 pages.* Report on a workshop held in Berlin, November 6-7, 1985 **$4.00**

☐ **Women Study Microcomputer Technology.** *European Centre for the Development of Vocational Training, Berlin, 1986, 107 pages.* Survey of 15 information technology/microcomputer training projects for women in the E.C. **$4.00**

☐ **Clerical and Commercial Sector Qualifications in the United Kingdom, France and Germany.** *European Centre for the Development of Vocational Training, Berlin, 1986, 180 pages.* Study on qualifications required for initial entrants to clerical and commercial occupations, institutions offering qualification certification and the impact of new technologies on training programs. **$4.00**

☐ **Thesaurus of Vocational Training.** *European Centre for the Development of Vocational Training, Berlin, 1986, 203 pages.* English, French, German, and Italian thesaurus of terms in the field of vocational training and related areas. Principal index is in English. **$8.00**

☐ **Regional Development and Vocational Training—Analysis and Promotion of Coordination between Development and Vocational Training: Regional Monographs.** *European Centre for the Development of Vocational Training, Berlin, 1986, 324 pages.* Six case studies on the relationship between regional development and vocational training initiatives. **$4.00**

☐ **Youth Training in the European Community.** *Social Europe Supplement No. 3/86, Commission, Brussels, 1986, 43 pages.* Report of the Commission on policies to improve vocational training of young people after formal education has ended. **$3.50**

☐ **Analysis of Current Needs and Initiatives in the Field of Adaptation of Vocational Training for Young Handicapped People to the New Employment Realities: Final Report.** *Commission, Brussels, 1986, 198 pages.* **$12.50**

☐ **Employment and Housing Renovation in Europe.** *Commission, Brussels, 1986, 96 pages.* Summary report of the problems in the construction, housing repair and maintenance industry, with a case study of the situation in the United Kingdom. **$9.00**

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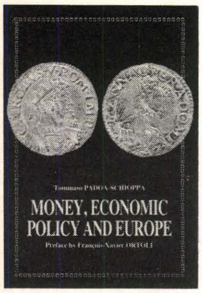

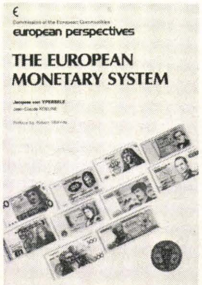

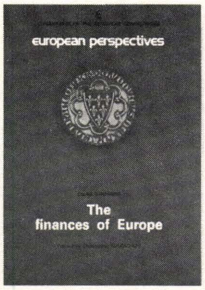

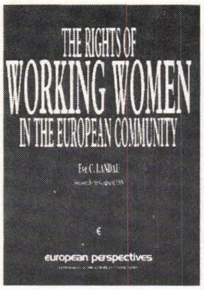

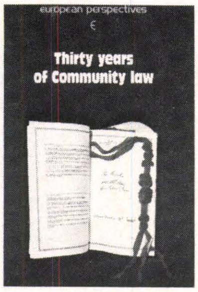

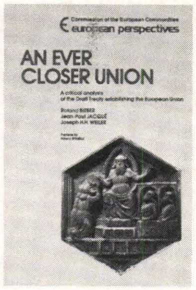

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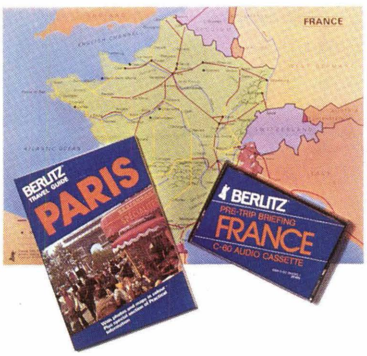

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