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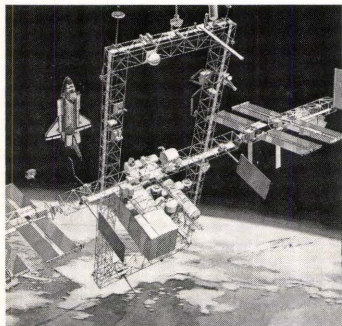


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U.S.-E.C. RELATIONS

- 14 U.S.-E.C. Strains Seen Continuing Into the Fall**
Axel Krause
Journalists' conference highlights disagreements over new U.S. proposal for farm-policy reforms.
- 16 U.S., Europeans Plan Joint Missions in Space**
Ken R. Wells
Trips to Saturn and to a comet are highlights.
- 18 Mac Baldrige: "Mr. Standfast"**
Sir Roy Denman
A tribute to the former Secretary of Commerce.
- 18 U.S., E.C. Settle Pasta Dispute**
Last-minute agreement averts trade war.



BUSINESS

- 22 Liberalizing Europe's Telecommunications**
Stephanie Faul
E.C. Commission calls for broad policy changes.
- 24 Car Wars: Europe's Industry Gears Up**
Stephen Brookes
The writing is on the wall, and it looks like Japanese.

DEPARTMENTS

- 4 Around the Capitals**
Letters from Europe.
- 20 The E.C.'s Bookshelf**
Publications available from the E.C.'s Information Service.
- 40 News of the E.C.**
Recent developments in European Community affairs.



EUROPEAN AFFAIRS

- 2 Denmark Assumes E.C. Presidency**
Uffe Ellemann-Jensen
Guest column by the Danish Minister for Foreign Affairs.
- 28 New Government In Italy Makes Dynamic Start**
Paolo Stoppa-Liebl
New Prime Minister Gorla is the youngest in the history of the Republic.
- 30 Korea Prepares to Play European Card**
Bruce Vandervort
Both sides seek to improve trade relations.
- 44 The E.C. and American Academics**
Roy H. Ginsberg
A review of recent literature on European integration by U.S. authors.



MEMBER STATE REPORT

- 32 Greece**
Victor Walker
Implementing the "stabilization" program.
- 36 Greece Welcomes Investment From U.S.**
Yannis Papantoniou
Incentives include cash grants, interest rate subsidies, accelerated depreciation and tax exemptions.

LIFESTYLE

- 38 "Play Ball!"**
David Morton
Baseball is enjoying a surge of popularity in Europe.

COVER: Europe's automobile manufacturers such as Renault are fighting to keep market shares in the face of Japanese imports.

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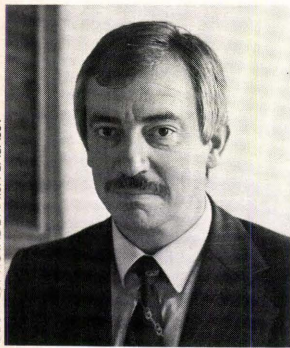
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DENMARK TAKES OVER E.C. PRESIDENCY



COURTESY ROYAL DANISH EMBASSY

The European Community faces important challenges during the second half of 1987. Since July 1, the Danish presidency [of the E.C. Council of Ministers] has led the difficult negotiations. We shall try to work for solutions that take the special needs and wishes of each member country into consideration. The overall goal of the Danish presidency—as for all presidencies—will be to further the economic development of the E.C. In this respect, we face several major issues in the coming months.

One of the major issues will be the future financing of the E.C. and the problems confronting the E.C.'s Common Agricultural Policy (CAP). We simply have a financing problem. We do not have enough economic resources within the E.C. to cover the many Community activities scheduled for 1987 and the following years. Member countries would like to see a growing activity within the E.C. in the fields of industrial policy, research and technology. Member countries also want to see a transfer of resources to the least prosperous member countries through the Regional Fund and the Social Fund, although there is no agreement yet on the size of this transfer.

All these activities cost money. And this is where one of the main problems lies: While some member countries want to stress substantial increase of the financial ceiling, others have a more restrictive position. The full financing commitment for 1987 calls for higher income of economies in the order of approximately 5 billion European Currency Units (currently about \$5.6 billion). This is the most immediate problem. Next in line comes the budget proposal for 1988, which will be negotiated in the near future.

But the E.C. must look further ahead. The Commission has come up with several proposals covering all elements of E.C. financing: the financing ceiling, budgetary discipline, budgetary imbalances, transfer of resources to the least prosperous countries and the CAP. All member

countries agree on the urgency of a financing reform, but hard negotiations still lie ahead of us.

It is important to keep our long-term goals in mind despite the time limits under which we are working. On July 1, 1987, concurrently with the start of the Danish presidency, the Single European act entered into force. Above all, the Act should be seen as an attempt to pave the way for the establishment of an internal market in the E.C. by means of majority vote for uniform technical standards. At the same time, greater emphasis will be placed on health, the external environment and the working environment.

In this respect, the interpretation of especially Article 100 A of the Act [which provides for qualified majority voting in the E.C. Council of Ministers] will be important during the Danish presidency. We must try to reach a two-fold goal:

- We must establish an internal market because the industry of Europe cannot compete with the United States and Japan in the long term without a truly common market.

- We must protect the environment since the peoples of Europe do not wish to sacrifice environmental considerations in order for mere economic advantages. Article 100 A will be the tool that the E.C. member states can use in order to strike the right balance between economic and environmental priorities.

On July 1, 1987, Denmark also took over the presidency of European Political Cooperation (EPC), the framework in which the E.C. member countries consult each other on issues of foreign policy. The relevant rules are now laid down in the Single European Act.

As activity in EPC has intensified, so has the establishment of common positions by the Twelve in a growing number of fields. Typical examples are joint statements on matters of foreign policy, joint interventions and concerted voting in international organizations. EPC has also produced joint demarches to foreign

governments in specific matters, such as human rights. The Danish presidency will try to contribute actively, flexibly and efficiently to further developments in this field of European cooperation.

East-West-relations are expected to rank prominently during the Danish presidency. The prospect of achieving results in the arms-control negotiations between the United States and the Soviet Union will no doubt help to improve the climate in other aspects of those relations.

With their particular interest in strengthening East-West relations, the Twelve could play an active and constructive part in the Conference on Security and Cooperation in Europe (CSCE) follow-up meeting in Vienna. Progress there could go hand in hand with progress on other aspects of East-West relations, including, in particular, the conventional balance of forces and disarmament in Europe.

Other foreign-affairs topics that will be on the agenda of the Danish presidency are the areas of regional crisis. In the Middle East, the Twelve are in favor of an international peace conference on the Arab-Israeli conflict. Other issues include the war between Iran and Iraq, the situation in Afghanistan, developments in southern Africa and the peace process in Central America. The Danish priorities will also include the commitment of the Twelve in the field of human rights and consultations in the combat against international terrorism.

The E.C. is faced with important tasks in the second half of 1987. The Danish presidency will strive for a consolidation of results achieved so far and for an expansion and reinforcement of the European cooperation process. Denmark sees it as a challenge to take over the presidency of both the Community and EPC, and will work actively to bring the member countries closer together on the important issues that lie ahead of us. €

Uffe Ellemann-Jensen is the Danish Minister for Foreign Affairs.

This announcement appears as a matter of record only.

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AROUND THE CAPITALS

PARIS

Trial of Humanity?

For four years, there was a national buildup of anticipation, culminating finally in a sense of trepidation as former

Nazi officer Klaus Barbie faced trial in the courthouse of Lyons this summer. When it was over, after eight weeks of hearings, the emotion was relief.

In 1972, Barbie, the notorious "butcher of Lyons," was tracked to his haven in Bolivia by Nazi hunters, but it took until 1983 before he was finally

spirited out of that country aboard a French jet and locked symbolically in the Montluc prison of Lyon, the site where much of the World War II torture had been carried out under his direction.

By this spring, there was a minor frenzy brewing in France over Barbie's trial on crimes against humanity, especially since the court case was bound to revive painful memories of the period of occupied France that many French people would rather forget. There was an open debate over whether the trial would serve as an incident to humanize the war and make it real to the younger generation of Frenchmen, or whether it would simply renew rivalries and embarrassments better forgotten after 40-odd years? This discomfort was fueled by Barbie's unconventional lawyer, Jac-

ques Vergès, who publicly threatened to use the trial to drag skeletons out of the collective French closet, and to name those Frenchmen who had betrayed the French resistance movement.

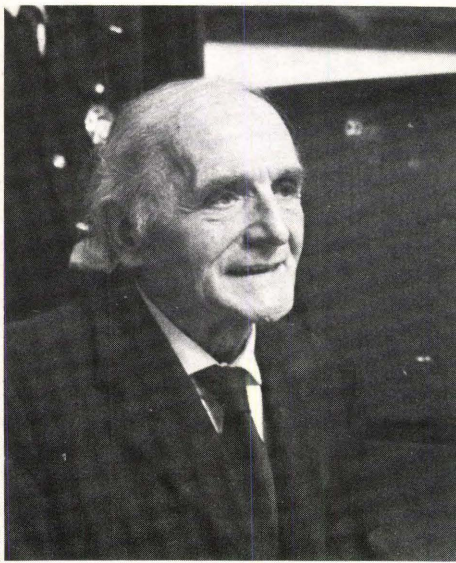
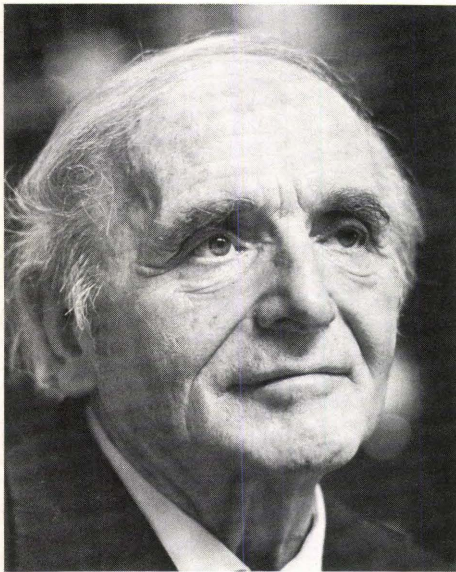
In the event, Vergès—the lone lawyer for the defense, who took on 40 prosecutors—carried out none of his threats. The biggest sensation offered by the defense was Barbie's announcement on the third day of the proceedings that he would boycott the rest of the trial, saying that he had been kidnapped from Bolivia by French authorities and that the trial therefore was being held illegally. Barbie walked out of the standing-room-only court session to retire to his isolation prison cell. Thereafter, he was forced back for only two brief appearances to be identified by witnesses, shuffling into the makeshift courtroom looking old and feeble and staring down at his handcuffs.

The defense was far more tame and predictable than most observers expected. Vergès disputed the authenticity of documents, pointed out contradictions in testimony. His most unusual ploy was to

Convicted of crimes against humanity as a Nazi officer—including the deportation of Jews to concentration camps and the torturing of prisoners—Klaus Barbie was sentenced to life imprisonment after an eight-week trial earlier this summer.

argue that what the Nazis did in World War II was no worse than France's record of torture during the Algerian War for independence or in the period of colonization. But even that point fell somewhat flat, because Vergès had frequently repeated it before the trial opened.

All the drama that Vergès had promised was, in fact, provided by the prosecution—but not by the prosecution lawyers. The state prosecutor and 39 other lawyers representing special interests as civil plaintiffs often seemed to be at odds and failed to coordinate their



PHOTOS © BETTMANN NEWSPICTURES

arguments to make a sharp, tough case against Barbie. Rather, the drama came from the prosecution witnesses, many of them victims of Barbie's terror in Lyons from 1942-44.

They described graphically the torture, the beatings and the humiliating interrogations and other experiences and identified Barbie by "that smile" or "those eyes." An 86-year-old woman remembered that "he was the man who kicked me in the face," while another affirmed to a silent courtroom, "that is the man who shot my husband." The most emotional moments were the silences that indicated witnesses were trying to fight back the sobbing and collect themselves before going on. There were many of those moments in the review of the deportation of 44 Jewish children from a farm at Izieu near Lyon. The children were heaved by German soldiers onto commandeered trucks "like sacks of potatoes." As they were jostled down the country road on the long trip to Auschwitz, the children, one witness recalled, bravely struck up a resistance song. "For this crime, we can neither pardon nor forget," said one witness.

For that crime, as well as the deportation of 86 Jews in 1943 and for arranging the infamous "last convoy," in which 605 resistance members and Jews were sent to death camps in the few days before the liberation of France in August 1944, Barbie was condemned to life imprisonment. He spoke just before the judges and nine jurors retired into six and a half hours of deliberation. Barbie said he did not commit the crimes: "It was the war, and the war is over."

But Barbie's personal war is not quite over. In about a year, he will have to answer to two new charges of torturing two aides of French resistance leader Jean Moulin. It will be a year of waiting that may seem like just a little bit of an eternity for a man of 73, already condemned to spend the rest of his life in jail.—BRIGID JANSSEN

BRUSSELS

Will BÉjart Ballet Move?

For the past 25 years, the "20th-Century Ballet," managed by Maurice BÉjart in Belgium has been at the forefront of modern dance. During that time, BÉjart has both angered and exalted audiences in Brussels, but no one denies that he made his company the focus of modern ballet, in which his employment of many young American dancers in the company was deliberate.

"They are of today's generation," BÉjart once said. "They understand what it is to be young and to use their limbs without restriction." This lack of physical "restriction" has not appealed to some audiences who find that it goes too far—such as an American diplomat who walked out of a performance of "The Rite of Spring," saying that "Stravinsky didn't mean fertility to be quite so explicit as this"—but BÉjart's style has drawn many others. A recent performance of Berlioz's "Romeo and Juliet," enacted in the style of modern erotic dance, drew half an hour of applause, during which the crowd was acclaiming not so much the technique of the dancers as the sheer bravado of the staging itself.

Now all this has apparently come to an end so far as Brussels is concerned. After a protracted and bitter row over money the dance master has decided to move his 60-strong ballet troupe to Lausanne in Switzerland where apparently he has been promised the cash and facilities that Brussels was unwilling to provide. The move has stunned Belgian cultural circles, especially since it comes in the wake of the sale of the major works of Belgium's best-known 20th-century painter, René Magritte, in London. A recent magazine story that a Japanese company wanted to purchase a prized Breughel painting has been keenly denied here, but the report alone has served to fuel

suspicion and to reinforce national pride in Belgium's artistic treasures. That story and the announcement of BÉjart's departure from Brussels have led to much talk in newspapers about the "sellout" of Belgium's cultural heritage.

Béjart's move to Switzerland appears to be motivated by little more than the dreary question of finances. For many years, his 20th-Century Ballet has shared the Monnaie Theater in Brussels with the Belgian National Opera. Since it is the theater rather than its users that profit from the funds provided by the government and city, a built-in clash between the two tenants seemed only a matter of time. This escalated into a full-scale dispute following the appointment six years ago of Gérard Mortier as director of the Opera.

Mortier is a cultural wizard

in Belgian eyes, having re-established the opera in Brussels as a world-class operation after generations in the backwaters. But his means of doing so—the recruitment of international musicians and singers for instance—has taken a heavy toll on funds and it is the ballet that has suffered most as a result. The fact that Mortier is a Dutch-speaking Fleming and BÉjart a Frenchman by birth has not helped matters, for in Belgium one never has to look far for language differences to add fuel to any dispute.

The Government has made strenuous—but so far vain—efforts to get BÉjart to change his mind. "I have not left Belgium, Belgium has left me," he declared, although one never can be quite sure about BÉjart's methods and motives: He went through much the same exercise four years ago

Maurice BÉjart's 20th-Century Ballet company, long a fixture in Brussels, may be moving to Lausanne.

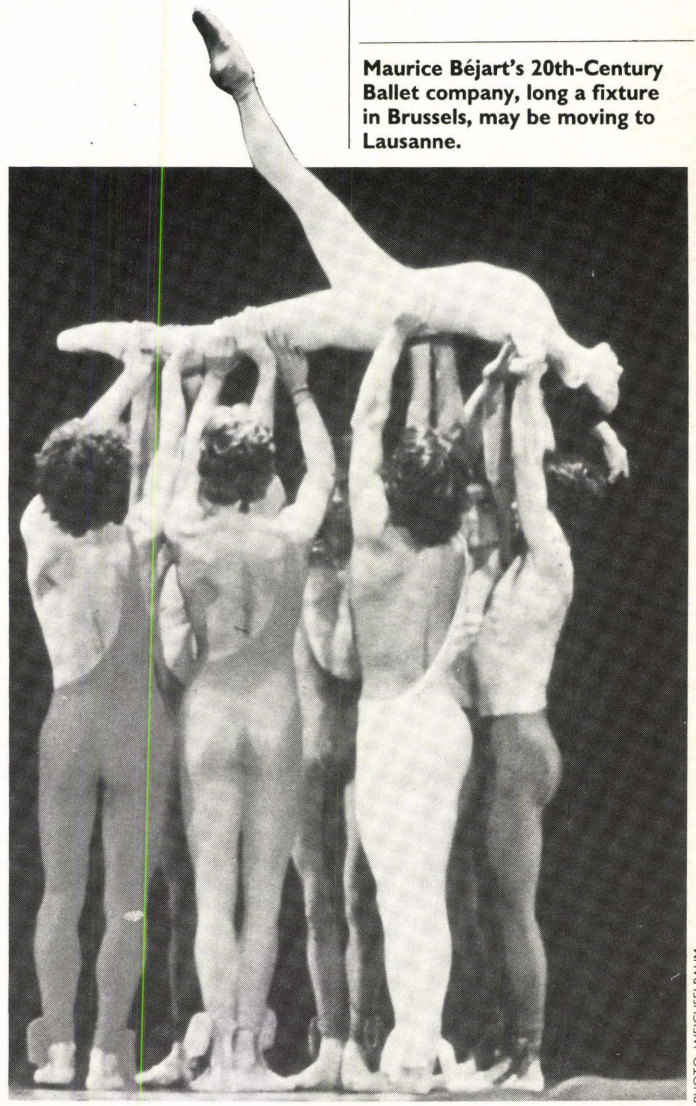


PHOTO: WEICHELBAUM

when Paris tempted him and the deal fell through only after Brussels finally came up with more cash. Besides being a dance genius, Béjart is a master negotiator and many in Brussels wonder whether the Lausanne move is just part of a ploy to restore the income of the ballet. Although this does not seem likely at the time of writing, with Béjart one never can tell.—ALAN OSBORN

LONDON

Home, Sweet Home

The United Kingdom's newly elected Parliament this autumn begins to wrestle with a Conservative proposal for the most radical reform of local government finances in 40 years: the abolition of domestic rates levied on each property and their replacement with a flat-rate tax payable by all adults to their local authority. This has understandably stirred up a hornet's nest of protest because a flat-rate tax will bear proportionately more heavily on the poorer homeowners. As one irate letterwriter to *The Times* put it: "The rich man in his penthouse will pay the same charge as the poor man in his cottage."

However, it is not just the political opponents of the Conservative Government who criticize this legislation, but also many Conservative backbenchers themselves who see in this proposal a sure-fire vote-loser that could ensure that no fourth term would be likely. They point to the lesson of Scotland, where the Conservative Party lost half its seats in the June election, only months after legislation was passed there to introduce the poll tax.

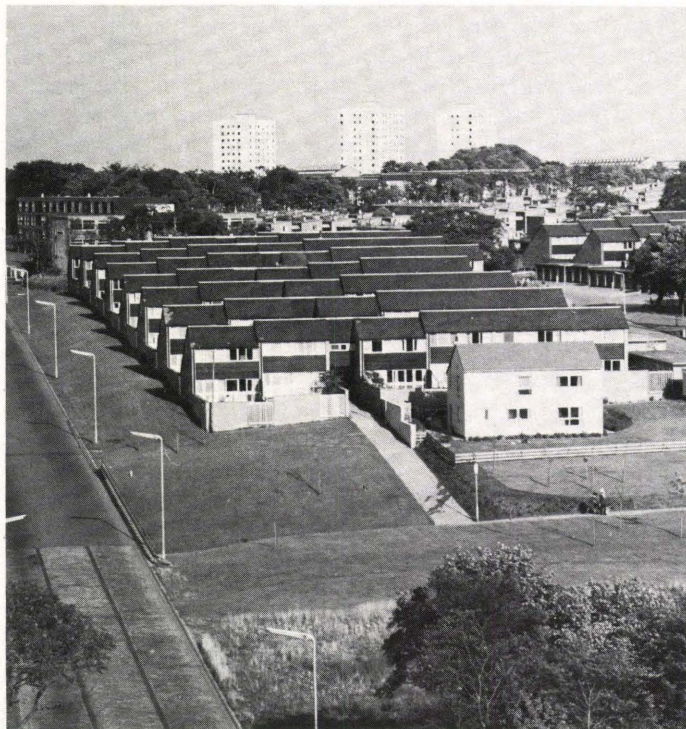
However, having won a record third term—and with it another five years in which to pursue her goal of eradicating Socialism from the British system of government—Prime Minister Margaret Thatcher is

undeterred by the criticism. She is determined to take power away from local councils because many of them are controlled by the Labor Party and have opposed the policies of her Governments over the past eight years.

The proposed reform of the rating system in England and Wales will present the Government with its first major test in the new Parliament because instead of taxes being levied on the *value* of a person's home, each adult in the house will pay

rather the goods in terms of better housing or schools of a reasonable standard.

The declared aim is to make local councils accountable to their voters. Today, some 50 percent of local-council expenditure is covered by funds raised locally. Under the new system the councils will collect only 25 percent of their spending, with the rest coming from the central government. So, in fact, the new system will not make the councils more accountable to their voters, but



A proposal for reform of Britain's local government finances—taxes previously set according to the value of a house would be replaced with a flat-rate levy—has stirred much criticism among politicians and public alike.

a flat-rate levy. Although there will be exemptions, it looks broadly as if the better-off householders will continue to be better off and those less well off, whether householders or not, will be still less well off.

The Government argues that the reform is essential because under the present property rates tax only 18 million of the 35 million adults in Britain bear the burden of financing local government. Under the new system, it says, the cost of local services would be borne by all the nation's adults. Further, it is claimed that local expenditure has proved difficult to control, and that many local councils have failed to de-

rather more dependent on central government.

Critics of the proposed legislation argue that the poll tax is as unfair as any of the bitterly opposed levies of feudal times because there is absolutely no link between tax liability and wealth, income or any measure of a person's means, and will cost all adults an equal sum. No politician has suggested applying that kind of equality to income tax.

Opponents further maintain that the new tax will be harder to administer than present rates and will be twice as costly. It will also be much easier to evade, as domestic rates are a tax on *houses*, which can-

not move, and not on *people*, who can.

The last time a poll tax was introduced, the two ministers responsible for it were beaten to death by a mob and their heads stuck up on Tower Hill. That was during the peasants' revolt in the 14th century. Many people are wondering if, after 600 years, another peasants' revolt may be at hand.—DAVID LENNON

BONN

Parliamentary Maneuvers

The 260,000 visitors who pass through the parliamentary chamber of the Bundestag in Bonn every year and the uncounted millions more who watch live telecasts of major parliamentary debates may be pardoned for being confused as to which political party is on the right and which on the left of the political spectrum.

Traditionally, European parliamentary parties are seated in a semicircle according to their position on the political spectrum and as seen from the presiding officer's chair, from right to left. According to this tradition, the Federal Republic's parties should be neatly arranged with Bavarian Minister President Franz Josef Strauss's Christian Social Union seated on the far right, next to it Chancellor Helmut Kohl's Christian Democratic Union, then the Free Democrats or Liberals, next the Social Democrats and, finally, on the far left, the Green Party.

But that is not the case in Bonn. In the right-most rows of seats we find the Free Democrats, who properly should be seated between the Christian Democrats and the Social Democrats, not only because of their political persuasion, but also because they helped first one and then the other of the two mass parties (and then again the first) to form a national Government. This phenomenon of helping the big parties to form Governments is due to the fact that although

the Liberals have enough votes to tip the scales, they have too few to form a Government under their own leadership. But they sit on the far right because, when the Federal Republic of Germany was founded in 1949, the party contained many former Nazis and military officers. Although the Liberals did regain control later, their position in the semicircle has not changed.

The Greens, Germany's newest parliamentary party made up of ecologists, anti-nuclear groups and renegades from both the Social Democratic and the Communist parties, *ought* actually to sit to the left of the Social Democrats. When the Greens entered Parliament six years ago, however, the Social Democrats insisted that there was no parliamentary party to their left, and that this be reflected in the seating arrangements. Hence, the Greens can be found sitting between the left-leaning Social Democrats and the right-wing Christian Democrats.

The situation was made more confusing at the beginning of the year, since which time the Bundestag has been meeting in an old waterworks building, pending reconstruction of its proper plenary chamber. The waterworks is much smaller than the plenary chamber and members of parliament have been squeezed too closely together for comfort, to the extent that Christian Democrats found themselves actually forced to rub shoulders with Green deputies.

In May, the Christian Democrats finally revolted, demanding that two rows of 55 seats, from the front to the rear of the chamber, be ripped out so as to create a wide aisle between them and the Greens they so dislike. This, of course, will destroy the architectural balance of the chamber, but no longer will leave visitors to wonder why the woman sitting next to Kohl's parliamentary manager is booing the chief of Government!

For reasons other than their political ideology, the Greens

always have been like a thorn in the eye of most Christian Democrats. For one thing, while everyone else dresses formally, most Green members of parliament make a point of informal dress, the men favoring beards, open-necked shirts covered by floppy and knobby sweaters, jeans and running shoes. Most of the women dress similarly.

When the Greens first entered parliament, the Christian Democrats tried to enforce a dress code. This venture



The arrival of the Green Party in the Bundestag has caused strains among the politicians over proper dress codes and parliamentary seating arrangements.

proved unsuccessful, for the dress code had already been broken by left-wing Social Democrats some time earlier. So, while an all-round dress code had to be abandoned, the Greens' demand that one of their deputies be made a vice-president of the house resulted in the Christian Democrats retorting that it would never do for the presiding officer to be dressed in anything but formal black.

One would think that with the passage of time, the Christian Democrats would come to accept or at least to overlook Green ways. But this has not yet happened, and the fight looks as though it might go on for a while. In May, for exam-

ple, Philip Jenninger, President of the Bundestag, and formerly Chancellor Kohl's chief parliamentary whip, called Green deputy Peter Sellin to order because he had started to ask a question of Labor Minister Norbert Blüm, a Christian Democrat, with his hands jammed in his trouser pockets. Jenninger declared that if Sellin insisted on keeping his hands in his pockets, he would be expelled from the chamber—upon which Sellin decided not to question Blüm. But

to be obscene and harmful to public morality—a censorship that today is but a shadow of the severity with which it was applied up to the mid-1960s. Now, however, the respected International Federation of Journalists (IFJ) has accused the Irish Government and the state-owned radio and television service, RTE, of operating an "indefensible political censorship."

This is a serious charge, and the report on which it is based is to be sent to the 39 member unions of the IFJ, the United Nations, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the European Commission of Human Rights and the European Court of Justice. The problem addressed by the report is not new, but it is the first time that an international body has carried out such an investigation that, it should be said, was requested by the Irish branch of the National Union of Journalists.

The political censorship charge concerns Section 31 of the Broadcasting Act, under which RTE is forbidden to carry interviews with members of various paramilitary organizations, such as the Irish Republican Army (IRA) and the loyalist Ulster Volunteer Force. The ban also, however, extends to the political wing of the IRA, known as Sinn Fein, and this is the reason for the accusation of political censorship.

Sinn Fein, with membership in Northern Ireland as well as in the Republic, is a registered political party that contests local and national elections. Last year, it made history by changing its 65-year-old policy of abstentionism and declaring that it would take any seats it won in the Dublin Parliament instead of leaving them vacant as a protest against what it called the "illegitimate" status of that Parliament. The party won no seats in the last general election in the Republic, but it holds a small number of seats on local councils in the North and in the Republic. The party president, Gerry Adams from Belfast, recently retained his

moments later, Blüm, who still had the floor, stuck his own hands in his pockets, which inevitably resulted in a howl of protest from Green deputies, a quick withdrawal by Blüm of his hands, apologizing profusely as he did so, and with only Jenninger saying not a word.—WELLINGTON LONG

DUBLIN

Covering Sinn Fein

Censorship is nothing new in Irish society, but for most people it is identified with the banning of books, magazines and films that are judged

COURTESY GERMAN INFORMATION CENTER

seat in the Westminster Parliament in London, but refuses to sit there as it would mean taking an oath of allegiance to the Queen, and thus recognition of Northern Ireland's status as part of the United Kingdom.

The ban on RTE interviews with Sinn Fein members goes back over 10 years when the IRA was using bank robberies in the Republic to finance its campaign of violence in the North, murdering several policemen and soldiers as a result. There was consequently widespread revulsion to the idea of allowing Sinn Fein members, who openly support the IRA's "armed struggle," to have the freedom of the public broadcasting service to make propaganda for their cause.

The ban does not apply to newspapers, however, which are free to publish interviews even with IRA members. Nor does it apply to the British radio and television stations, the signals of which can be received in the most heavily populated parts of the Republic. The result has been that during the numerous elections in the North, RTE coverage contains no direct interviews with Sinn Fein candidates, but viewers in the South can watch the British stations doing just that.

It is an anomaly that RTE has long been claiming put them and the station in an awkward position. With the support of their newspaper colleagues, they have been lobbying successive Governments for the repeal of the ban, but without success. What irritates the RTE journalists is the implication that Sinn Fein interviewees would be given an "easy ride" and allowed to put over simplistic views without tough questioning, especially following some of the IRA's more cold-blooded killings.

The decision at the end of last year by Sinn Fein to take seats in the Dail, if elected, is seen as warranting a new look by the Irish Government at the RTE ban. The present Prime Minister, Charles Haughey, gave a clear indication when in opposition that he believed it should be reviewed.

Such a review has begun under the Minister for Communications, Ray Burke, who has the added spur of the critical IFJ report to encourage him to devise a new system that avoids the charge of "political censorship" while at the same time not allowing the public broadcasting system to be manipulated by people who hold the state and its institutions in contempt. In the end, it will be a question of whether the Government trusts the journalists to do their job properly. Relations between this Government and RTE are not exactly trusting at present, so giving Sinn Fein a voice is a challenge to both.—JOE CARROLL

ROME

Innovation At Ferrari



COURTESY FERRARI OF NORTH AMERICA

Italians have intense feelings about the Ferrari racing team and victory for a Ferrari Formula One racing car driven by an Italian gives immense satisfaction on several levels: the individual achievements of drivers and mechanics, the team effort involved to produce a winning combination of car and driver and the "national" achievement of such technological advancement.

Ferrari represents, therefore, the ideal fusion between individual brilliance and competition between sophisticated technologies that are dominant values in modern Italy. For the moment, however, the company's glories are on hold and a car bearing the emblem of the dancing horse has not taken the checkered flag since August 4, 1985.

Enzo Ferrari, the veteran autocrat now in his nineties who still runs the racing team,

is not unaware of his responsibilities to the national sense of well-being. In an effort to pull Ferrari out of its trough, he hired an English engineer, John Barnard, at the end of the 1986 season. Barnard had designed the Marlboro McLaren, which carried the Frenchman Alain Prost to two world championships in 1985 and 1986.

This was a brave thing to do on the part of Enzo Ferrari, not least because it acknowledged the absence of a sufficiently outstanding Italian capable of restoring Ferrari's fortunes. The Italian people were perplexed, but such is Enzo Ferrari's status as a sporting father-figure that most were prepared to give him the benefit of the doubt. Barnard's record was, after all, very impressive and the nation hungered for success.

Sadly, however, even before the midway point in the 1987 season, the Barnard "solution" to Ferrari's problems had become burdened by disillusion and disappointment, and only some victories in the second half of the season will be able to relieve the growing ill-humor caused by each successive Ferrari failure on the track.

After the first six races, Ferrari, employing two drivers like all top Formula One teams, had managed three third places and one fourth place. And things didn't look like they would improve since the its car clearly was not competitive with the Williams, Marlboro McLaren and Lotus teams. The Italian press was in despair, wanting to believe that Enzo Ferrari knew best, but increasingly skeptical about the Barnard experiment.

This was not helped by Barnard himself who set the knives asharping by appearing to criticize Ferrari organization and the competence of its mechanics in an interview with a British newspaper magazine. Only belatedly—10 days after publication—did he claim that he had been misquoted, but in the meantime every blow against the Italian *amour-propre* had been played back

and amplified in the Italian press. Moreover, Italian resentment was further fueled by the suspicion that more and more engineering and development work was being moved from Italy to the plant owned by Barnard in Guildford, in the south of England. When the red machine did cross the winning line ahead of its rivals, would it, in fact, be Italian?

In reality, of course, Italian sports journalists in particular, and automobile racing in general, started with unreasonable expectations of engineer Barnard. This season, all he has been able to do is to tinker with a car design that he inherited, and that clearly was inadequate. His first Ferrari will not turn a wheel until the 1988 season.

But the Englishman has done little to court Italian goodwill and more than a little to forfeit it. Quite apart from the controversial magazine interview, he has upset Italian sensibilities further by appearing to favor the junior Austrian driver, Gerhard Berger, over the senior Italian, Michele Alboreto. Nevertheless, the Ferrari team is obviously in need of technical renovation and strong, effective leadership, and it seems increasingly that a somewhat shy, introverted Englishman can supply both. The Italian nation eagerly awaits to see what Enzo Ferrari will do.—JOHN WYLES

MADRID

Judicial Reforms

This month, Spain's 2,000 or so high court judges and magistrates come back from their sacrosanct August vacations, the month when the wheels of justice come to a virtual standstill in the country and the magistrates enjoy a little peace from mounting criticism by their countrymen. After 10 years of democracy, Spain's judicial system is still trying to find its proper place and to adapt to democratic values and ideals and to much-

changed social values and customs.

In his annual report to the parliament just before the summer recess, Professor Joaquin Ruiz Jimenez, the Spanish ombudsman, a distinguished lawyer and a former Christian Democratic politician, revealed that about 25 percent of the roughly 1,500 monthly complaints from ordinary citizens reaching his office were about the courts or the prisons—the latter of which also fall under the responsibility of the Justice Ministry in Spain.

It is not only the average citizen, however, who has reason to complain about and criticize the country's judicial infrastructure: Those who administer justice themselves also suffer—from an inadequate court structure and an antiquated legal education.

There are several reasons for this. For one thing, Spain today has fewer magistrates per head of population than it did in the middle of the last century, though some 400 badly needed recruits will enter the system toward the end of the year. Some critics believe that double that number are required. Moreover, the Justice Ministry is badly in need of greater funds. Its share of the 1987 budget amounted to \$896 million—only 1.4 percent of the whole budget and one seventh of what will be spent on defense. Another contributing factor is the fact that the magistrates, many of them over 50 and trained under another regime, have genuine difficulties in shedding authoritarian ways and responding to the spirit of Spain's social changes.

As a national debate developed over the future development of Spain's judicial system, the Madrid magistrates' association protested that more money was being spent on Spain's state railways than on the justice budget, and the Barcelona College of Barristers issued a report showing that it can take one and a half years for civil cases to reach the courtroom and other cases up to four years to resolve in Cat-

alonia. The presiding judges of two of southern Spain's high courts—in Seville and Murcia—publicly agreed with the Jerez mayor, calling for rapid and efficient justice as befits a democracy.

Criticism and calls for thorough overhaul of the system have not been limited to citizens and legal professionals, however. Even in high government circles—and, moreover, in the ruling Socialist Party—there is impatience with the present state of affairs. Fernando Ledesma, the Justice Minister and a former magistrate, has publicly lamented the "inefficiency" of Spanish justice and clashed with the more conservatively minded members of the bench who suspect the Socialist Government of reshuffling the judiciary in the name of efficiency. Pablo Castellano, a Socialist Government nominee to Spain's self-governing Judicial Council (the body that names all magistrates to their posts) complained recently that the citizens are still a long way from being equal in the sight of the law.

It will be a long haul. Spain still has no jury system, although the 1978 Constitution has envisaged it, and the still influential police chiefs are resisting the creation of the French-style judiciary police, which would be no longer at their orders, but at those of the investigating magistrates or public prosecutors.

But the wave of criticism of Spain's judiciary came to a climax before the summer recess when José Barrinuevo, the Interior Minister, exasperated by the increasingly lethal and indiscriminate terrorism of the Basque armed separatist organization ETA, lashed out at "some judges" in the Basque country for allegedly showing passivity toward criminal bands. He singled out the "Judges for Democracy" association. For a Socialist, this was a surprising assault and almost too much for the Justice Minister, who had to be persuaded by Cabinet colleagues not to resign.—RICHARD WIGG

COPENHAGEN

Changes in Farming

Danish farmers will need all their acknowledged political and professional skills this fall, for the Danish presidency of the E.C. is committed to limit the runaway costs of the E.C.'s Common Agricultural Policy, and Danish agricultural interests are unlikely to receive any special treatment.

Few countries in the world have reduced their farm populations and increased farm sizes as rapidly as Denmark, where more than two-thirds of all Danish farms have been merged or converted to other use since World War II. One farm leader believes that three-quarters of those that remain will face the same fate, leaving Denmark with perhaps only 20,000 farms, thus jeopard-

izing the fundamental structure of Danish farming—the family-owned unit. Non-farmers are not allowed to own land today.

Danish farmers especially fear that one of the proposed E.C. remedies, that of allowing individual Governments to provide financial support to their own farmers, will drastically reduce the incentive to produce more efficiently in the Community. At the same time, Danish farm incomes may be undercut because the Danish Government is unlikely to loosen its purse strings as much as some other countries.

The Danish farmer is an entrepreneur and a fierce individualist, which stands in striking contrast to many of the more Socialist values of this Scandinavian welfare state. This is not to say that farmers do not work closely together: A hundred years ago they formed their own cooperatives and revolutionized dairy farming at

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a time when overseas competitors—among them the United States—captured the international grain markets.

Most of the cooperative dairies and slaughterhouses were merged into larger units in the 1960s to maintain competitiveness and to prepare for E.C. membership. To protect the family farm, mergers have been limited to the smaller units, running at about 20 acres, but rules have gradually been liberalized and farmers now want to be allowed to merge farms of about 200 acres, if not complete freedom to merge all sizes. A typical farm size today is about 100 acres.

In the United Kingdom and elsewhere, much land is bought by investors and financial institutions to hedge against inflation. Although the Danes reject that solution, it is virtually impossible for a young person to acquire possession of a viable Danish farm short of inheriting one. And even those who do inherit find themselves handling such large amounts of capital that, apart from being agricultural experts, they also need to be skilled money managers to survive. Fortunately many of them are, but they still need a competitive environment if the heavy investments made are to pay off.—LEIF BECK FALLESEN

AMSTERDAM

A Spice Tradition

This year, the little fortified town of Hoorn on the banks of the IJsselmeer celebrated the 300th anniversary of the birth of Jan Pieterzoon Coen (1587-1629), a Governor-General of the Dutch East Indies in the first quarter of the 17th century. Coen was a driving force behind the Dutch East Indies Company, the world's largest trading concern during that century thanks to its monopoly on trading rights in herbs and spices, which used to arrive in Hoorn.

Exotic herbs and spices

were introduced to Europe fairly late, especially when one considers that they had been used to enhance dishes in other parts of the world for thousands of years before. Cinnamon, ginger and star anise were used at the courts of the Emperor of China as early as 2000 B.C. Egyptian rulers relished coriander, mint, saffron, cinnamon, mustard and garlic. The great cultures of Mesopotamia, Babylon and Assyria were famed for their herb gardens containing dill, thyme and sesame. In the 10th century, B.C., the Queen of Sheba had a retinue that included camels bearing spices when she visited Jerusalem's King Solomon. Persia, with the world's first refined culinary culture, prepared dishes with coriander, dill, saffron and cardamom. Caravans brought cinnamon, nutmeg and pepper from the Orient.

Spices and habits followed the route of politics and territorial conquest. The first Europeans to sample such delicacies were the soldiers of Alexander the Great, and Greece later became Europe's herb garden with oregano, fennel, bay, anise and caraway. They used to flavor fish dishes with herbs and mature their wines with coriander and cinnamon.

During the 8th century A.D., the Moors restored the trading route of spices through Spain. In Venice markets, a pound of ginger was traded for a sheep and a pound of saffron—still expensive today—



for a horse! It was at the time when the Middle East was closed to Christians by the Muslims that the Europeans looked for a sea route to the East. Henry the Navigator discovered the route to India in 1495 and Lisbon became the pepper capital of Europe.

A century later Amsterdam took over to become the spice capital when the Dutch became the most powerful seafaring nation. In 1595, they made their first voyage to Java, and not long after, in 1602, the Dutch East Indies Company was formed to organize this trade. Trading posts were soon set up all over the Far East, one of the most important of which was on the Dutch colony of the Moluccas—the spice islands—thereby giving Holland a monopoly in the spice trade. Trading stations in Ceylon, India, Pakistan and Japan followed later. In Japan, spices were bought with silver and in the East Indies with cotton cloth from India.

Today, Hoorn has been replaced by Rotterdam, the world's largest port, as the principal importer of spices. Of the roughly 250 million tons that pass through Rotterdam annually, herbs and spices account for about 42,000 tons. And the important Dutch East Indies trading company has left a firm mark on the Dutch spice trade even today.

Verstegen, a roughly 100-year-old firm, is today one of the largest importers of herbs and spices through the port of Rotterdam, where the company also has its main offices and storage facilities. Herbs and spices are stored in special custom-built sheds, in which the right temperature and level of humidity—essential for these products—can and must be maintained at all times. The company is the world market leader in the highest quality type of white pepper, which comes from the Indonesian island of Banka.

The spice-importing tradition, although no longer exercised under the watchful eye of the Dutch East Indies Company, remains important to the

Netherlands, where the raw materials, such as roots, flowers, seeds and bark of tropical and subtropical trees are still being converted into the fine and delicate final product that can be bought in many food stores today. The anniversary celebrated at Hoorn is therefore not entirely the memory of something past, but of an industry still very much alive and following in the footsteps of a grand tradition.—NEL SLIS

LISBON

An Historical Election

The date of July 19, 1987 will remain a milestone in Portuguese political history of this century: For the first time, a single party won more than 50 percent of the vote in a free election. This event in itself would be remarkable anywhere, and under any circumstance, but it became even more notable in a country with a five-party system, where the best results achieved by any political force since 1974 have not exceeded 38 percent.

The overwhelming victory gave Prime Minister Cavaco Silva's Social Democratic Party (PSD) a net gain of 20 points, thus moving up from 29.9 percent in the October 1985 polls to some 50.05 percent now. The biggest losses were suffered by the Christian Democrats, who went from 9 percent in 1985 to only 4.5 percent, and above all by the Democratic Renewal Party (PRD), a hybrid center-to-left political group that came into being just two years ago under the leadership of the former President of the Republic, General Eanes.

Among the main parties, only the Socialists (PS), who went up from 20 percent to 22 percent, survived this political earthquake, while the Communist Party (CDU) saw its vote decrease from 15 percent to 12 percent.

The basis of this sudden and radical change in the Portu-



PHOTOS COURTESY EMBASSY OF PORTUGAL

Portuguese Prime Minister Anibal Cavaco Silva (left) and Antonio Ramalho Eanes, leader of the Democratic Renewal Party (right).

guese political picture lies essentially in the behavior of the PRD. Formed in 1985, under the leadership of General Eanes, at that time preparing to leave the Presidency after the two consecutive terms allowed by the Constitution, this new party appeared to be an alternative to the Socialist Party of Mario Soares, which had been severely hit by the unpopular use of International Monetary Fund "medicine."

In October 1985, the PRD surprised everyone by obtaining 18 percent of the vote, absorbing almost one half of the traditional electorate of the Socialists, thereby reducing their share of the vote from 36 percent to 20 percent. This pointed to a major shift in voting patterns, which had been fairly predictable until then.

This result came as a surprise, particularly since the opinion polls did not predict this important turnaround until the very eve of the election. Eanes, still President, called on the PSD, which had received 30 percent of the vote, to form a minority Government. In parliament, the PRD cleared the way for the new executive and for some time remained allied with the PSD and Prime Minister Cavaco Silva.

At the beginning of 1987, however, the PRD changed its tactics and started to emphasize an opposition attitude, culminating in April with a proposal against the Social Democratic Government—and that at a time when all opinion polls were showing a

growing popularity of the Prime Minister. After several attempts to form a new Government based upon the left-wing majority in Parliament, an early election was called by President Soares.

As in 1985, no opinion polls predicted the moods of PRD voters. The most optimistic were conceding an absolute majority for the PSD, although with a relatively small margin of between 43 percent and 44 percent. The outcome, however, proved vastly different. The PRD's share of the vote declined dramatically from 18 percent in 1985 to 4.9 percent, with the party thereby losing almost three quarters of its previous vote, which basically went to the Social Democrats and helped them to achieve their landslide victory.

As some commentators put it, the Renewal Democrats must be seen as a "one-election party," whose main achievement in the less than two years of its existence has served as a transitional instrument to "transform" PS voters into PSD voters. The final result is impressive: an unprecedented majority and, for the first time since 1974, a minority of left-wing votes in the global balance of the poll.

The reasons for such a decisive victory certainly owe something to the personal charisma of Prime Minister Silva and to the performance of a Government working in particularly favorable conditions. In fact, Portugal has been one of the countries in the world

that has benefited most from the positive evolution of the international economic environment—the joint fall of the dollar, interest rates and oil prices. It would be necessary to go back to the early 1970s to find a comparable period of economic relief in recent Portuguese history.

After a time of strong austerity in 1983-84, real wages went up by 5 percent in 1986, private consumption increased by 7 percent, inflation came down from 20 percent to 10 percent and interest rates decreased some 10 points in a single year. Furthermore, the positive expectations raised by

E.C. accession, the lack of real alternatives among the opposition parties and the people's desire for stability after 12 years of permanent political crisis, serve to explain some of the reasons for this astounding electoral earthquake.

What remains now is a tremendous challenge for the future. Portugal is now in a position to embark on a development effort that has been systematically delayed since the early 1970s. The economy is recovering, the political conditions are stable and Portugal's position abroad has been stabilized and clarified as a result of its accession to the

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COURTESY ICELANDAIR

Proposed expansion of Luxembourg's airport will make it Europe's largest center for air freight.

E.C. This is therefore an ideal opportunity for lasting change and reform. The revision of the Constitution, which is to take place in 1988, based upon a two-thirds parliamentary majority, will be a first test to show whether the challenge is to be won.—JOSÉ AMARAL

LUXEMBOURG

Luxair Is 25 Years Old

A leased Dutch-built Fokker Friendship aircraft took off from Luxembourg bound for Paris 25 years ago with, according to reports, one paying passenger aboard. It was the first commercial flight by Luxair, the Luxembourg national airline, which had been formed the previous year in what some commentators at the time saw as a reckless financial gamble. Why should Luxembourg, a country with a total population then of some 300,000 and a land mass that "you could cycle across in a day" need an international airline?

What inspired the Luxembourg Government to launch and support Luxair was not really the prospect of making profits but rather the idea of

improving links between the Grand Duchy and other European capitals at a time when Luxembourg had been made the seat of several European Community institutions. One doubts that many private investors would have felt encouraged to back the enterprise, but by some small miracle of persuasion the Government managed to recruit capital from the two leading banks and the steel industry—which at that time was still in handsome profit.

As Luxair celebrates its 25th anniversary this year, one can see how all the hopes, fears and predictions of 1962 came undone. Although it is today virtually impossible to travel between Luxembourg and Brussels by air, largely because the creation of a new motorway has made driving between the two cities so painless, Luxair has become one of Europe's most successful airlines—carrying nearly 400,000 passengers last year—largely thanks to its shrewd exploitation of the inclusive tour business.

The decision to go into the holiday charter business dates back to 1967, when the company grasped the idea that its small Fokker aircraft could be made to yield far greater dividends if they were to be used

seven days a week instead of the five days of E.C. institutional traffic. Luxair also was alert to the notion of promoting the airport itself as a junction for other carriers. Thus, Luxembourg airport was a pioneer in the so-called "Fifth Freedom," that is, establishing itself as a point where other airlines could shed and take on passengers coming from and going to other cities. Many Americans will recall the airport as the place where they joined or left trans-Atlantic flights run by Icelandair between New York and Reykjavik before the North Atlantic air fares structure began to collapse.

You might ask what interest Luxair has in such activity. The answer is simply that it runs the airport and all its services—unusual for an airline. In fact, almost half the company's profits come from running the airport as opposed to its actual airline income. It will service an Aeroflot flight from Moscow going on to Havana, a Dutch aircraft that arrives and picks up passengers bound for Strasbourg and the Swiss who use the airport for "Fifth Freedom" flights. All this is income for Luxair.

But to speak of air transportation in Luxembourg is really to speak of the air freight busi-

ness. There is not a lot of growth potential in passenger services, as Luxair admits. But cargo business is another matter and Cargolux, which Luxair helped to found and in which it now has a small shareholding, seems set for considerable expansion.

Cargolux claims to be Europe's biggest independent freight carrier, and must be among the most versatile, carrying giant Christmas trees, sophisticated racing cars and Moslem pilgrims to Mecca, among other things. A proposed expansion of Luxembourg's runways will make the airport Europe's largest center for air freight in terms of physical capabilities. So what Luxair loses, or should we say, fails to gain, from the expected increase in passenger traffic in Europe over the next decade, it will surely be recompensed by the volume of freight into Luxembourg airport.—ALAN OSBORN €

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U.S.-E.C. STRAINS SEEN CONTINUING INTO THE FALL

JOURNALISTS' CONFERENCE HIGHLIGHTS
DISAGREEMENTS OVER NEW U.S.
PROPOSAL FOR FARM POLICY REFORMS.



U.S. Agriculture Secretary Richard Lyng (left) and the E.C. Commission Vice-President responsible for agriculture, Frans Andriessen, explained their differences.

AXEL KRAUSE

New uncertainties and emerging clashes over future relations between the United States and the European Community will face Washington when Congress reconvenes in September, with a familiar, controversial issue clearly at the center—agriculture.

The first hint on how important agriculture will become surfaced at the recent E.C.-sponsored European-American journalists' conference in Copenhagen, as several E.C. Commissioners challenged President Ronald Reagan's proposal to eliminate all forms of agricultural subsidies within 10 years. The U.S. Government made its proposal on July 6 in Geneva to members of the General Agreement on Tariffs and Trade (GATT), the 94-nation body that governs most of the world's trade.

The E.C. response to the Reagan proposal reflected already tense trans-Atlantic relations over trade issues. These included a dispute between the E.C. and Washington over subsidized pasta exports—which has since been solved—as well as broader issues raised by protectionist trade bills in Congress, conflicts over macroeconomic policy and differences over East-West trade. "The meeting provided a kind of microscopic forward-looking view of what issues we will

be facing on both sides of the Atlantic in the autumn," commented a West European reporter based in Washington, D.C.

President Reagan's new farm reform plan overshadowed many of the issues discussed at the July 16-18 conference, as the E.C. Commission prepared its formal response, which was expected to be delivered to Washington and other GATT members in October. Its general thrust, however, was quickly made clear.

"We cannot go along with the American proposition that has just been tabled," Frans Andriessen, Vice-President of the E.C. Commission in charge of agriculture, told the meeting, which was held in the 18th-century Eigtveds warehouse, a restored building used as a government conference center. "It is simply not practical," the Dutch Commissioner added.

In their first detailed response to Reagan's proposal, E.C. officials emphasized that the E.C. was fully prepared to negotiate gradual reduction of direct and indirect farm subsidies in talks getting underway in Geneva under GATT auspices. "We are ready to start," said Willy De Clercq, the E.C. Commissioner responsible for external relations and trade policy, "but not on the terms now being suggested."

Unacceptable to the E.C. is the scope and timing of the new plan, E.C. officials said. If implemented, they added, the proposal would directly threaten many

components of the Common Agricultural Policy (CAP), which guarantees prices to E.C. farmers, both domestically and for export. "This proposal goes further than is possible or desirable for the E.C.," Andriessen said, "and, although we are ready to reduce barriers, we cannot go to the opposite extreme and abandon all public measures to stabilize markets." Senior Japanese officials at Japan's GATT mission in Geneva also have expressed opposition to the U.S. proposal, citing its "drastic" nature and warning it could damage key sectors of Japan's farm economy, such as rice production.

However, Richard E. Lyng, U.S. Secretary of Agriculture, who participated in a panel discussion with Andriessen, vigorously defended the U.S. Administration's proposal as the only way of eliminating "the structure of artificial incentives that have generated chronic surpluses year in and year out," while establishing a streamlined world farm system in which both U.S. and E.C. farmers, among others, would benefit.

Conceding that "dislocations" would occur on the E.C.'s nine million farms, Lyng stated that another key element in the plan is helping inefficient European and U.S. farmers to adjust to cutbacks in aid by direct income subsidies. "Some producers are going to need help in making the shift to a market-oriented world agriculture," the U.S. officials said.

E.C. officials maintained that direct income supports could prove even more costly than the current price-support system administered by the Community. But both sides conceded that they had not fully studied the costs of switching from price to income supports. According to officials, the United States and the E.C. each spend close to \$50 billion a year on direct and indirect farm subsidy programs.

Alfred H. Kingon, the new U.S. Ambassador to the E.C., warned that a failure to get an agreement could place new strains on U.S.-E.C. relations. "We must agree on the direction and the goal, contained in President Reagan's proposal," he said. Kingon, who was a presidential aide before assuming his post in Brussels earlier this year, planned a swing through E.C. capitals shortly to seek support from the E.C.'s 12 member Governments for the Reagan proposal.

E.C. officials at the conference noted that they were surprised and puzzled by what they said was Washington's apparent attempt to establish a "fast-track" approach to agriculture in the GATT negotiations, which had previously been re-

jected by most participants. The GATT talks are also aimed at liberalizing trade in a range of areas—including services, textiles, raw materials and patents—while improving the GATT's dispute-settlement mechanisms.

U.S. officials said they planned to lobby hard in Geneva, despite the E.C.'s reservations, and claimed they already had considerable support, particularly among developing countries. "We were a bit sorry about the E.C. reaction here, but we will push ahead, because we do want an early start," commented Daniel Amstutz, Undersecretary of Agriculture for International Affairs, who attended the conference as an observer. He said that the Reagan Administration had already drawn the support of nearly a dozen countries, including Australia, Argentina, Brazil, China, India, Jamaica, Poland and New Zealand.

Industry representatives also expressed support for the new plan, whose ingredients on decoupling prices and income supports were endorsed earlier by summit meetings of the Organization for Economic Cooperation and Development (OECD) in May and of the seven industrialized countries in Venice in June. "The progressive substitution of direct income supports for measures that distort production, consumption and trade represents the best hope we have for resolving the present crisis in world agricultural markets," said William R. Pearce, senior vice president of Cargill, Inc., the large, Minneapolis-based grain company.

But Pearce, who appeared on a panel with U.S. and E.C. officials, quickly put his finger on what is expected to be another source of controversy—farmer reaction in the United States. "Many producers and producer organizations see direct income payments as welfare, with all the limits that implies. They are more appropriately considered a structural adjustment payment designed to unwind the distortions brought on by the surplus bias of past farm policies," said Pearce, who served as U.S. Deputy Trade Representative between 1971 and 1974.

U.S. officials at the conference said that there already was wide bipartisan support for Reagan's plan in the House and Senate leaderships, although Amstutz reported that he had encountered "skepticism and wariness" among some farm groups.

But European hostility to the farm reform plan also reflected fears about protectionist trade legislation being drafted by Congress, and this was another major theme of the conference. Uffe Ellemann-

Jensen, Denmark's Minister for Foreign Affairs, and currently President of the E.C. Council of Ministers, warned about provisions that would force the President to retaliate against the United States' trading partners if U.S. trading interests were threatened. "You appear to be creating your own rules in trade generally," Ellemann-Jensen told an American reporter, "and we find this most troubling, because it could lead to the collapse of the GATT trading system, which is a long established multilateral system of adjusting trade relationships."

Somewhat reassuring words for the Europeans came from William T. Archey, vice president of the U.S. Chamber of Commerce, who gave the conference a detailed briefing on the 1987 U.S. trade bill, which, he emphasized, would pass the



The London Times' Bailey Morris (left) and Axel Krause were among the 22 European and American journalists at the conference. © KARSTEN WEIRUP

Congress in some form. Responding to questions about the targeted trading partners of the United States in the proposed legislation, Archey said that "very little" was directed against the E.C., with one notable exception: the German telecommunications industry.

"What many Europeans do not understand," Archey noted, "is that the clear target is not the E.C. so much, but rather Japan and the Pacific Basin." Nevertheless, he said that if some of the proposed legislation is passed and sustained, despite a presidential veto, European business interests could be attacked by the law if they threatened U.S. interests. For example, the longstanding dispute over the four-nation Airbus consortium is becoming "warmer and warmer," Archey said, even though it was still under discussion in a GATT committee. "Foreign governments better be careful," he warned.

Indeed, E.C. officials, speaking privately, said they were deeply worried that tough, protectionist U.S. trade legislation could easily be turned around against Europe. And, they added, the Commission was already preparing countermeasures to propose to the Council in the event that U.S. retaliation against Europe should begin to emerge. "We are not immune and we know it," said a Commis-

sioner, who declined to be identified.

Several other issues surfaced during the conference, which—similarly—provided no hint of new European initiatives, nor any specific E.C. response to U.S. concerns about future directions in the world economy. Richard N. Cooper, professor of international economics at Harvard University, stressed that the United States was gradually embarking on "export-led growth" of its economy, which raised broad, difficult questions for Germany and for Japan, specifically over what role they will play. "There will be great swings and adjustments" in trade patterns as the United States expands, Cooper said, adding "I don't understand why Europe hasn't moved."

Cooper, who served as U.S. Undersecretary of State for Economic Affairs from 1977 to 1981, echoed the views that were expected to resurface in the autumn on both sides of the Atlantic—namely, that it "remains to be seen" how effective Japan's recent stimulative economic package will work, and how Bonn deserves to be criticized for its "no-action" approach to stimulating the German economy.

"Europe still has not absorbed the implications of what the United States is trying to do" in terms of trying to reduce its huge trade deficit, Cooper said. Archer, meanwhile, noted that the deficit "may be coming down, but it's still big and just sits out there at \$170 billion."

An encouraging note was struck by Kingon, who stressed that President Reagan would not sign a bill with "unacceptable, automatic provisions on protection." But the Ambassador went further, stating that the E.C. "is moving in the right direction" in beginning to reform subsidized farm policies, as well as to reinforce political and military cooperation. "We don't want to be left out of what is happening over here," Kingon said.

Despite Kingon's upbeat view, the picture that emerged from the conference was one of uncertainty and emerging conflicts, with few new ideas or fresh approaches on either side of the Atlantic that would suggest solutions, U.S. and Western participants agreed. It left some with the uneasy feeling that with national elections approaching in France and in the United States, the prospects of breakthroughs, particularly in agriculture, will become increasingly difficult as policy makers and diplomats struggle to keep the skirmishing from erupting into outright battling. €

Axel Krause is the economics correspondent of the *International Herald Tribune* in Paris.

U.S., EUROPEANS PLAN JOINT MISSIONS IN SPACE

TRIPS TO SATURN AND TO A COMET ARE HIGHLIGHTS.

KEN R. WELLS

European nations, buoyed by the success of the Giotto mission to Halley's Comet last year, are proceeding with an ambitious space program that focuses on close cooperation with the United States. Scientists from the European Space Agency (ESA) are discussing joint missions with the United States—one to Saturn and its moon Titan and another to return a sample of an as yet undetermined comet back to Earth. ESA will also be an active participant in the U.S. space station Columbus.

European and American cooperation will be most evident on the Cassini spacecraft mission to the ringed Saturn and its giant moon, Titan, proposed for launch in 1995 and arrival in 2002. The main craft will orbit Saturn while a smaller probe, designed and built by ESA, will land on Titan. The landing will be made more difficult by the fact that scientists do not know if Titan's surface is solid or liquid. "We're still debating what to do after we land," said John Beckman, a Cassini mission specialist at the National Aeronautical and Space Administration's (NASA) Jet Propulsion Laboratory in Pasadena, California. "We don't know whether to construct a lander, a ship or a submarine."

The joint mission that would send a spacecraft to rendezvous with a comet and return a sample of it to Earth is even more ambitious than Cassini. European scientists are particularly interested in such a mission in the wake of the success of ESA's Giotto spacecraft's flyby of Halley's Comet last year.

Giotto, ESA's first interplanetary mission, carried a narrow-angle camera and nine experiments to analyze Halley's gas, dust and magnetic field. Probably the most important scientific result of Giotto was the clear identification of the comet's nucleus, according to Rüdiger Reinhard of the ESA research center at Noordwijk in the Netherlands.

Unfortunately, the European space program has been beset by technical problems recently, just as in the United States. Its Ariane rocket has been grounded since May 30, 1986, when the third-stage engine failed. Ground controllers were forced to blow up the errant rocket along with its payload of an Intel-sat communications satellite. In addition, the January 1986 explosion of the space shuttle Challenger put all shuttle launches on hold at least until next June, including several with European payloads.

The U.S. and European mishaps and the subsequent launch delays have resulted in closer cooperation between Europe and the Soviet Union, including an unprecedented plan to explore the planet Mars and its moon Phobos. A number of European countries are scheduled to provide experiments for a pair of Soviet spacecraft that will investigate Phobos in 1989. Set for launch next year, two orbiters will circle the tiny moon while a pair of probes land on the surface and send data and television pictures back to Earth. Each of the main spacecraft will carry identical payloads. When the first "mothership" arrives at Phobos, it will swoop within 200 feet of the surface, deploy its two probes and rocket up to a safer orbital altitude to conduct its own measurements.

The second mothership would reach the Martian system a month or two later. Should any part of the first mothership's mission fail, the second would be able to fill the void. But if the first mission is successful, the second craft could be diverted to Mars' other moon, Deimos, which is about half the size of Phobos' 10-mile diameter.

Both ESA and the independent French space agency, Centre National d'Etudes Spatiales (CNES), will also take part in a spectacular Soviet plan to send an armada of unmanned craft to the Red Planet. Two launches per year are scheduled in 1992,

1994 and 1996. At least two of these spaceships will deploy rovers to roam the Martian surface, collecting samples of the planet's soil and then returning the samples to Earth. Europe will also be represented on these flights.

One primary mission aspect is to deploy two giant French-built balloons to drift in the thin Martian atmosphere by day and then land at night. They will conduct a wide range of experiments, including sampling the air and soil for possible signs of past or present life, said Viatcheslav Linkin of the Institute for Space Research in Moscow.

Unlike the surface rovers, the balloons will be able to avoid such obstacles as large boulders and craters. The two balloons are scheduled on the 1992 launches, arriving the next year. They will be built of polyethylene and Mylar, and connected to each other in a "piggyback" fashion. The top balloon will be coated with gold or aluminum, according to Jack Blamont, a scientific consultant with CNES in Paris.

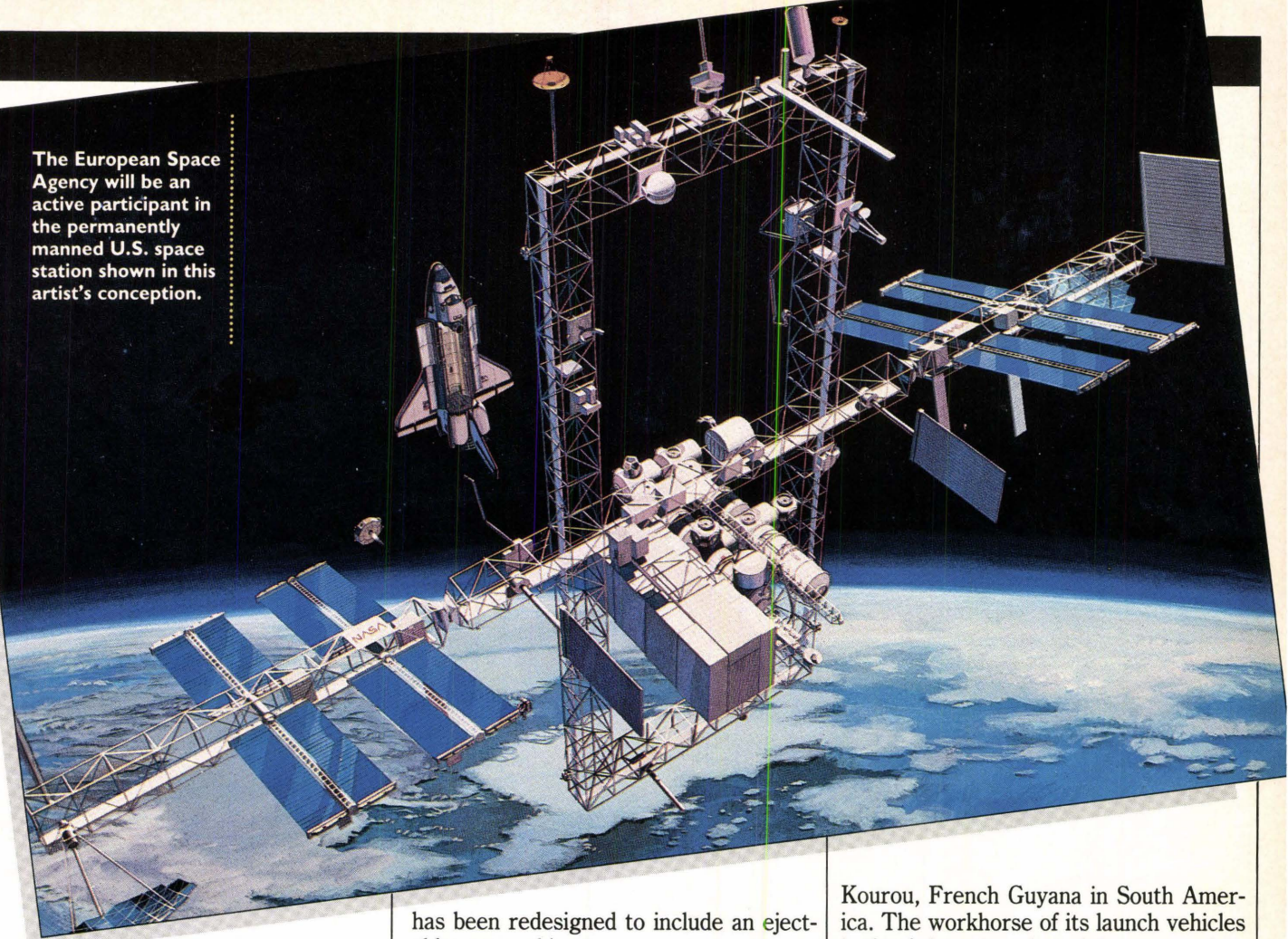
The bottom balloon will contain Martian air that will be heated by the sun during the day, making it a montgolfier, or hot air balloon. It will reach an altitude of about three miles and travel laterally several hundred miles a day. At night, the air and gases in the balloons would cool, causing the bottom balloon to deflate and slowly descend to the surface. It will carry a gondola with television cameras and instruments to measure the magnetic field and collect weather data, Blamont said.

Europe currently has no solid plans to launch its own Mars mission. However, the Messerschmidt-Bolkow-Blöhm (MBB) Space Systems Group of Ottobrunn in the Federal Republic of Germany is designing a Mars rover in which ESA is interested, according to MBB scientist Dieter Koelle.

The 13 nations that make up ESA have tentatively adopted a long-term program of space science projects centered around four "cornerstone" elements, extending into the beginning of the 21st century. "Our program tries to strike a balance between large and small programs with the eventual goal of Europe having its own program autonomous of the United States and the Soviet Union," said Ian Pryke of ESA's Washington, D.C. office. The cornerstone programs are in planetary exploration, solar-Earth physics, X-ray studies of the universe and studies of the physics and chemistry of the universe.

To complete these programs by the target date of 2004, ESA will have to

The European Space Agency will be an active participant in the permanently manned U.S. space station shown in this artist's conception.



increase its budget significantly over current levels. In 1984, the ESA budget was roughly \$130 million. Agency staff recommend that this be increased progressively until 1991 to about \$200 million. However, further increases may be necessary. "I see the agency's budget doubling over the next 10 years," Pryke said.

Preliminary plans for several missions have been completed and must now be approved by ESA's governing council. These include the Hermès space plane, the Ariane 5 launch vehicle and European involvement in the U.S. space station Columbus. "We have finished the preparatory programs and we will be proposing them to our member states when the council meets at the ministerial level in November," Pryke said. "We want to get the authority to proceed with the detailed design and development."

The Hermès space plane will be similar to the space shuttle, only smaller. It will carry a crew of three and up to three tons of cargo. If given the final go-ahead, it could be ready for launch by 1996. "Hermès is not designed for heavy payloads like the shuttle," Pryke said. "Instead, it will be used to take people and materials to a place in space where they have work to do, possibly the space station." As a result of the Challenger disaster, Hermès

has been redesigned to include an ejectable crew cabin.

The principle role of Hermès will be to service ESA's man-tended free flyer, which is also part of the package up for approval in November. The man-tended free flyer is an unmanned pressurized lab in space that would conduct various experiments and observations. It would dock with the space station several times a year for servicing. ESA would also have a manned pressurized lab attached to the space station to conduct experiments in material sciences, life sciences and fluid physics.

Two other Earth-orbit projects still in the development stage are the Infrared Space Observatory and the Hipparcos astronomy mission to conduct precise measurements of the positions and motions of stars. "The result of Hipparcos will be a highly accurate star catalog, which is very difficult to do from the ground because of interference by Earth's atmosphere," Pryke said. It is scheduled for launch in April 1989. Another spacecraft, Ulysses, had its launch delayed by the Challenger disaster and is rescheduled for a 1990 launch. It will swing past Jupiter, gather momentum from the giant planet's gravity field and shoot "up" and out of the orbital plane of the solar system to study the sun from "above."

ESA maintains its own launch facility at

Kourou, French Guyana in South America. The workhorse of its launch vehicles is the Ariane 3 rocket. A larger version, Ariane 4, is scheduled for its first flight in early 1988. It will be followed in 1995 by Ariane 5, which will be able to carry the space plane Hermès and the man-tended free flyer. The Ariane rocket, its launch services and the Guyana space center are all operated by Arianespace, a private commercial firm. The company has 30 launches scheduled through 1991, carrying nearly 50 satellites, including a number from the United States, Canada, Australia, India and Japan.

But even though ESA is gaining a sort of independence from the United States and the Soviet Union, its main policy is still one of global involvement. This was pointed out at a recent space exploration conference in Pasadena, California. During a panel discussion, representatives from the United States, the Soviet Union, Japan, France and other European countries were asked what one thing they would like to see happen in space exploration. Roger Bonnet, ESA's director of scientific programs, responded, "I would like to see established a group of scientists and engineers from the United States, Europe, the Soviet Union and Japan to discuss international cooperation." €

Ken R. Wells is a freelance writer based in Leucadia, California.

MAC BALDRIGE: "MR. STANDFAST"

REMEMBERING THE
FORMER SECRETARY
OF COMMERCE.

ROY DENMAN

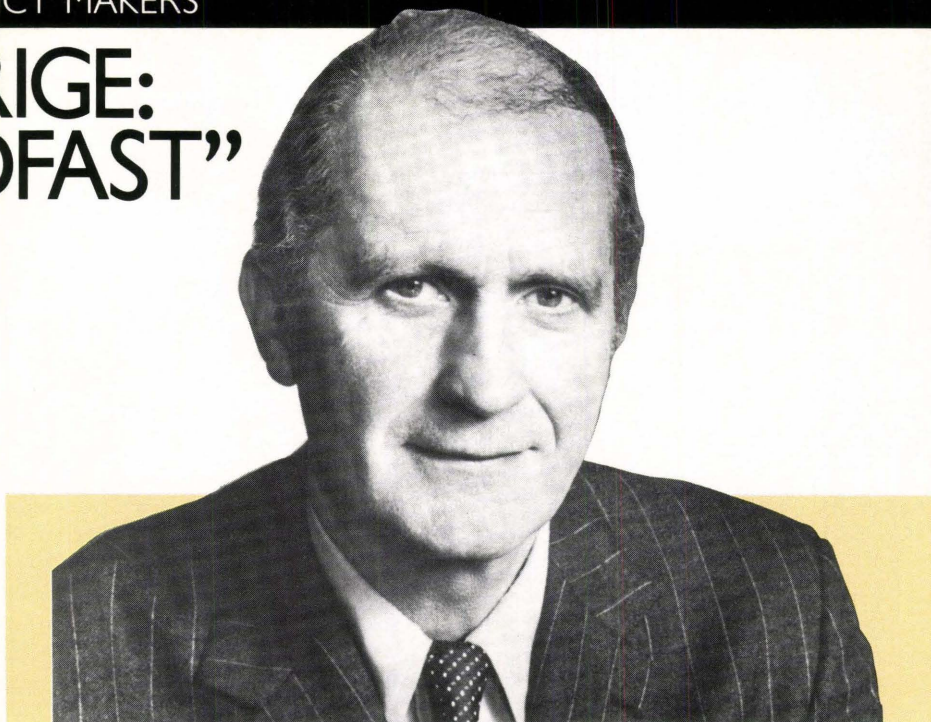
In nearly 40 years of international negotiations, Mac Baldrige was one of the finest, straightest men I have ever met. Will Rogers once said that the United States never lost a war or won a conference. He had never met Mac.

I first came to negotiate with him in 1982 when the Europeans and the United States concluded an agreement on steel. (We sat up night after night at the Department of Commerce. We did so so often after I had just arrived in the United States that I referred to him as "my landlord.") Mac never raised his voice or pounded the table. He was always quiet, rational and courteous. He had been a successful CEO, and he always knew his brief backward, forward and sideways. He knew what foreigners wanted, but his job was to get the best deal for the United States. I never met a tougher negotiating partner.

Courage he had in abundance. During one of our first lunches together, we discovered that we had both served in the Pacific war. Mac had been a forward observation officer. That meant he went ashore with the first wave of direct artillery fire. Not many of them survived.

With him went a gentle wit. I had to come to him once with an implausible instruction. He leaned back, thoughtfully lighted a cigarette and said, "You're the kind of guy who would sell snake oil as fine vintage wine."

But with all his knowledge of foreign lands, he remained a quintessentially American figure. My wife and I were invited by Midge [Baldrige] and Mac to a rodeo outside Dallas. We took a snapshot and sent it to him. There they were in bright sunlight, horseback-riding down



Malcolm Baldrige

Main Street in a small American town. Folk on the sidewalk were applauding, popcorn was being sold, streamers were flying—it was a touching All-American occasion.

With the passing of Mac Baldrige the United States and the world have lost a great Secretary of Commerce. I shall always think of him as "Mr. Standfast." I was proud to be his friend. €

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

The European Community and the United States in early August ended a long-running dispute over subsidized European pasta exports that had threatened to degenerate into a trans-Atlantic trade war. The deal, worked out in late-night telephone contacts between senior E.C. and U.S. officials, was approved at a meeting on August 5 of ambassadors from the 12 E.C. member states, and formally approved by the E.C. member Governments on August 7. Italy, the Community's main pasta exporter, backed the accord that will run from October 1.

E.C. Commissioner Willy De Clercq, who is responsible for external relations and trade policy, said in a statement that the agreement was a victory for good sense. And in Bonn, West German Economics Minister Martin Bangemann said: "The E.C. and the United States have lived up to their trade-policy responsibilities, not least in the light of the new round of General Agreement on Tariffs and Trade talks. They have sent a positive signal."

The E.C. agreed to a 27.5-percent cut in the subsidies it pays pasta producers to compensate for the higher

price of European wheat. They are currently fixed at \$270 for every ton of wheat used. U.S. negotiators originally asked for a 35-percent cut, and said the E.C. subsidies had led to an eightfold increase in the European share of the U.S. market. The E.C. had replied that it was only prepared to consider a 20-percent reduction.

The E.C. also agreed to ensure that 50 percent of E.C. pasta exports to the United States take place under a system known as "inward processing relief." Under this system, the Community imports a primary product—in this case durum wheat, almost exclusively from North America—without applying import levies. Exports that are processed from the primary product do not receive export refunds. The E.C. agreed to adjust its export refund further, if necessary, to encourage pasta exporters to use inward processing in order to achieve the 50-percent ratio.

European pasta exports to the United States are worth only \$35 million a year, or 5 percent of the U.S. market, and a very tiny part of total volume of E.C.-U.S. trade, which runs at \$133 billion a year.—Reuters

Sir Roy Denman is the Head of the Delegation of the Commission of the European Communities in Washington, D.C. This tribute was printed in *The Washington Post* on July 29, 1987.

New Issue
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LIBERALIZING EUROPE'S TELECOMMUNICATIONS

E.C. COMMISSION CALLS FOR BROAD POLICY CHANGES.

STEPHANIE FAUL

This past June, the E.C. Commission released a Green Paper that puts a salesman's foot into the gradually opening door of the European telecommunications industry. Although it is no more than a statement of policy needs, the Green Paper calls vigorously for gradual liberalization of national telephone companies, including the introduction of E.C.-wide technical standards. Though far from an invitation to untrammelled competition, the paper asks for a big step forward in modernizing Europe's hidebound telephone network.

The E.C.'s paper points out that spectacular recent developments in transmission techniques, microelectronics and digitization has turned telecommunications into a vitally important industry in its own right. By the turn of the century, approximately 60 percent of the jobs available will be affected by this new information technology. The demand for data communications capacity is growing at up to 40 percent per year as corporations discover ways to streamline operations by using information more efficiently. In another decade or so, telecommunications is expected to account for about 7 percent of the European gross domestic product (GDP). This is more than triple the share today. Globally, the E.C. as a whole is the second-largest telecommunications market, sandwiched between the United States and Japan.

But that is the E.C. as a whole. No single E.C. country checks in with more than 6 percent of the market individually, and individually is how most E.C. countries are approaching telecommunications development. Each nation runs its postal, telephone and telegraph (PTT) system with a firm hand, loath to forego any degree of control.

A telecommunications map of Europe today looks like something out of the 13th century. Like petty fiefdoms, the PTTs

restrict telephone access, maintain independent standards and purchase specialized equipment from their own favored suppliers. In the digital age, many are stuck with antiquated analog systems that are not capable of computer telecommunications. For example, fewer than 3 percent of British Telecom's 6,167 local exchanges have been converted to digital equipment.

This patchwork of outmoded technology makes for some anomalies. A salesman successful enough to afford that ultimate personal communications device, a car telephone, finds that his equipment is useless when he crosses an international boundary. Countries in the E.C. have allocated different frequencies for mobile telephone use, and there is no international agreement. There are economic anomalies as well. Businesses in France once routed their trans-Atlantic calls through London because British Telecom's low rates to the United States offered significant savings. France has consequently lowered its trans-Atlantic tariffs—driven by the very competition the E.C. wants to introduce.

Unless Europe takes a more unified approach to telecommunications compatibility and standards, the situation is bound to worsen as new technologies are stuffed into the rigid framework of old regulations. To begin solving the problem, the Green Paper offers a number of steps the E.C. should take toward a freer telecommunications industry. These include important innovations:

- Deregulation of the market for consumer telephones and related equipment. In the United States, telephone line subscribers can buy their phones at the supermarket, for prices that start as low as \$10. Since deregulation, the cost of hardware in the United States has plummeted, while the variety and services available have skyrocketed.
- Opening of the telecommunications services market to limited competition. In

Britain, Mercury Communications is trying to give British Telecom a run for its money, and has helped bring prices down for services and equipment. But the key to most telecommunications services is not cost but convenience. French telephone subscribers can seek directory assistance or even do their own banking and shopping from "Minitel" videotex terminals that plug into ordinary telephone sockets. The Direction Générale des Telecommunications (DGT) provides the network, rents the terminals and collects the money. All other services and data bases are provided privately and billed through DGT. With more than 2.5 million users, France is the largest user of videotex. Test marketing in Houston indicates that the United States may catch up quickly.

- Separation of the regulatory and operational functions of network management. This provision would end the telecommunications' authority to stifle competition, and open the field to regulated competitors.

- Opening the market for private earth stations for satellite telecommunications. At the moment, many PTTs forbid private earth station ownership, requiring companies to rent government-supplied dishes at a premium. A dish antenna is essential to satellite communications and is part of the equipment required for private networks.

- Creation of a European Standards Institute. The Green Paper suggests bringing together experts from public and private data communications networks to initiate development of standards and technical specifications that would apply across the Community. At the moment, the European telephone network is a tangle of incompatible technical standards. Adopting E.C.-wide standards would begin the process of unifying the E.C. as a telecommunications market.

In addition, the Green Paper emphasized the right of E.C. members to cross-frontier provision of services. It is this step, that of treating the E.C. as a complete telecommunications entity, that would most benefit both manufacturers of equipment and service providers.

There is an important economic consideration in the PTTs' reluctance to let go of the reins. In the age of the service industry, information is a product and an asset, not simply a side-effect of conducting business. An example: A corporation has a main office in Italy and a head office in London, and sends its daily receipts figures to London for processing on the organization's central computer. In trans-

mitting the data out of Italy, the company is essentially exporting a raw material; the unprocessed data is the same kind of unprocessed commodity as iron ore. Charging a customer by the amount of information transmitted, is, in effect, a tariff on an exported resource.

In this example, the company also is taking jobs out of the country. Interesting situations can arise for multinationals with many locations; data can be sent to and through almost any combination of offices before reaching its destination, and if these offices use high-priced services, the costs mount up quickly. Prices

for data transmission vary widely across Europe. For similar companies offering similar services, the overall fee structure is convoluted and illogical. Some countries charge proportionately more for time, others for the amount of data. Some provide a free dial-up call, others charge for a local link. Connections can be made over leased lines, open lines or a country's own public data network. And high-speed data transmission is not even possible on all networks.

Within the E.C., the cheapest data service comes from Ireland and Luxembourg. One kilosegment transmitted from

Ireland nets you a bill of 1.94 European Currency Units (ECU)—currently about \$2.13. But rates vary greatly from one PTT to the next. The same kilosegment from Finland will cost you 4.85 ECU, or 150 percent more. Spain, at 4.12 ECU, is the next most expensive. To confuse the matter further, calls are charged not only by the amount of data transmitted but by the amount of time used to transmit it. Luxembourg and Belgium offer inexpensive time charges at 0.28 ECU for 10 minutes. The same amount of time from Greece costs 1.79 ECU, for a whopping 539-percent difference. Clearly there is no international agreement on how much a given data transmission is worth—and no competition to provide it at lower prices.

This disparity in charges is of great interest to multinationals who deal with large quantities of data. Financial services companies, for example, ship huge quantities of numbers back and forth on a daily basis. When such a data-intensive firm considers a move to a new location, a country with high transmission charges is going to seem like a very expensive place to do business. In the past, corporations needed access to energy, raw materials and transportation. Today they still need the energy, but with data as the raw material, telecommunications cost is of prime importance. For some information-hungry companies, telecommunications is the largest budget item after salaries.

Around the globe, there are approximately 50 countries with a public data transmission network in place. For developing countries, Europe's hesitation to make its data transmission environment cost-competitive offers them the chance to "leapfrog" over competitors. A country installing a network today can adopt state-of-the-art technology to attract multinationals.

The PTTs' age-old problems of inefficiency and poor connections are trivial inconveniences, annoying as they may be. But technology is rapidly overwhelming the PTT rule-making abilities: They cannot write regulations and enforce them rapidly enough to keep pace with increasing needs. With new protocols and the introduction of data-intensive techniques such as videoconferencing, PTTs are going to need an ever greater capacity for change. Internationally applicable standards and a policy of controlling rather than monopolizing services and equipment will allow the E.C. to speed economic recovery and improve its position in the global telecommunications market.

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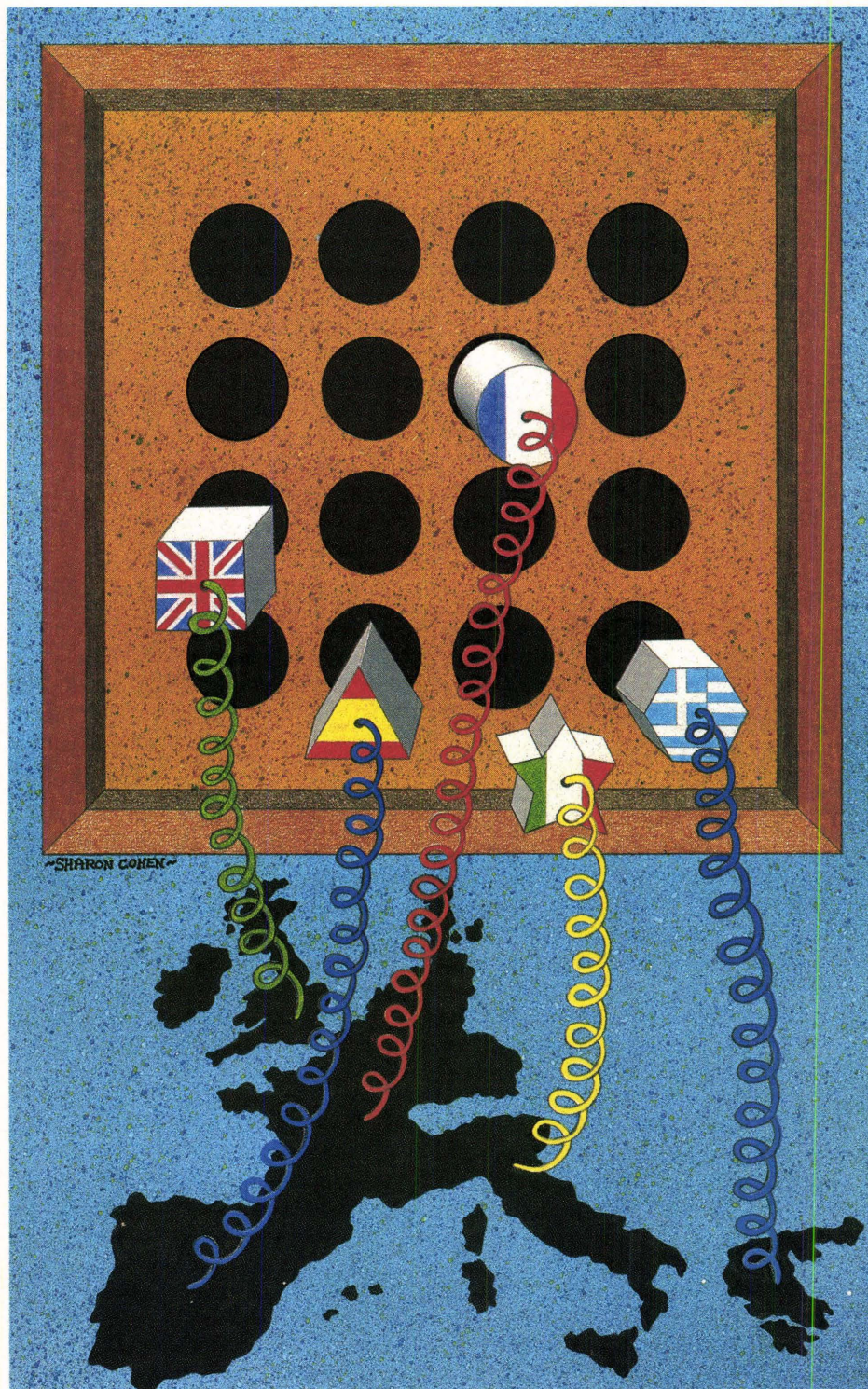


ILLUSTRATION BY SHARON COHEN

CAR WARS:

EUROPE'S INDUSTRY GEARS UP

STEPHEN BROOKES

On a wet and unseasonably cool Brussels morning late in July, the directors of four of Europe's biggest car companies gathered on the thirteenth floor of the E.C. Commission's headquarters to launch an appeal for protection from the Japanese. Car imports were flooding into Europe at unprecedented rates, the carmakers complained, and the fault was America's. Voluntary export restraints between the United States and Japan were diverting thousands of Japanese cars to Europe, cutting into profits and threatening the industry's fragile recovery. What were needed now,

up walls against Japanese cars and turn in on itself, an impregnable Fortress Europe?

Europe's carmakers have not, in fact, been doing badly. They showed a combined profit of around \$100 million in 1986, and although the American market is not the source of the heady profits of recent years (when European cars could be sold to Americans for twice what they brought at home), profits are still being made. But the health of the U.S. market is fundamental to European carmakers, many of whom sell over half their production there, and some who have seen the future of the American car market are worried. Sluggish sales, rising inven-

Europe took 6.6 percent of the market, and South Korea and Yugoslavia together took about 3 percent. Overall, some analysts are predicting the imports could exceed 30 percent of the market this year for the first time—but that may not be good news for Europe.

The shift of the American market into lower gear, together with new marketing strategies by the Japanese, means European carmakers are being forced to rethink their approach. The market for luxury cars is not as lucrative as it once was; the windfall profits Europeans were able to reap over the last few years from the high dollar are over. Manufacturers can still turn a profit in the American market at the current exchange rate, but price increases are underway and sales are expected to lag correspondingly. "In general," the E.C. Commission reported gloomily in April, "the U.S. will cease to be a honeypot of easy profits for [European] car manufacturers."

But even a slack American market remains vital to the survival of most Euro-

Volkswagen captured the leading market share in Europe last year. Below: the company's production line in Wolfsburg, Germany.



THE WRITING IS ON THE WALL, AND IT LOOKS LIKE JAPANESE.

they argued, were tough, Europe-wide trade restrictions to stem the flood.

The Commission turned them down. But the carmakers' plea reflects their deep concern about Europe's ability to cope with the broad changes taking place in the industry. Increasing globalization of builders and suppliers, the emergence of new, low-cost Asian producers, a coming glut on the Asian market, growing Japanese investment in Europe and fluctuating exchange rates and oil prices are undermining many of the past assumptions on which Europe's export kings built their industries. And within Europe, an aggressive campaign by the Commission to control government subsidies and eliminate intra-E.C. trade restrictions is having an equally unsettling effect. European carmakers are being pulled into the future more rapidly than they might like—but are they really as vulnerable as they claim? And can the E.C. afford to put

tories and growing overcapacity in the United States are throwing a shadow over their own future. Both American and European producers have been unable to stimulate much advance buying with incentives, and import sales continue to suffer due to high prices brought on by the lower value of the dollar. Moreover, sales taxes and interest on car loans are no longer deductible under the new tax law, hitting luxury cars—Europe's main strength—the hardest.

While imports are taking a bigger and bigger chunk of the American market—28.3 percent last year, up from 25.7 percent in 1985—the main reason has been the entry of the Korean company Hyundai. Japan, which voluntarily restricts its U.S. exports to 2.3 million units a year, took a 20 percent share with imported cars (and another 2.6 percent with cars assembled in the U.S.) in the first five months of this year. In contrast,

pean carmakers, who cannot survive on their domestic markets alone. Europe sold 34 percent of its car exports to North America last year, most of which were high-end luxury cars—a sector now under siege from both Japanese and American carmakers.

Japan's assault on the top end of the automobile market is partly the result of the higher value of the yen against the dollar (which has squeezed profits) and partly of new competition from the small, entry-level cars made in Korea. Hyundai expects to sell up to 250,000 Excels this year, and it's already the fourth largest selling import in the United States. So the Japanese, taking a beating at the game they perfected in the 1970s, are being forced to move up to more profitable, "upmarket" cars like the Honda Acura line. (The Acura was recently referred to as "the Mercedes-Benz of small cars" by the editor of *Road and Track* magazine—a phrase that probably stuck in more than a few German throats).

The Honda people themselves have

reportedly coined the ominous term "intercept cars" to describe the new Acura line—and they clearly have the Europeans in their sights. To sidestep this interception, the Europeans may have to move higher up the scale to even more expensive and prestigious cars. Some are well positioned to do this; the British company Jaguar, for example, appears to be doing very well with the top-end XJ6 it launched last October. Porsche and BMW sell more than half their production in North Amer-

ica. Rover Group has had surprisingly good success with its luxury four wheel drive vehicle, the Range Rover.

ever, when Renault announced it was selling its 46-percent stake in American Motors to Chrysler and returning to France to lick its wounds. American sales of the sub-compact Alliance had plummeted as consumers, encouraged by lower gas prices, regained their taste for larger cars; Renault-AMC sold only 73,000 Alliances in 1986, down from 125,000 in 1985. The massive losses Renault sustained during its eight-year struggle to establish itself in North America will likely discourage similar attempts by other European carmakers. Its decision to retrench means that the big European companies will probably not, for the foreseeable future, be a significant force in shaping the American market. More than ever, that force will be Japanese.

In fact, the Japanese industrial presence in America has blossomed like cherry trees in the spring. In direct response to the "voluntary" export restraints (VERs) they were forced to adopt at the beginning of the decade, every major Japanese auto maker is now building or planning to build in the United States. Some 750,000 cars will be produced in the United States this year by overseas companies, up from 600,000 last year. And by 1992, according to Data Resources analyst John McNeill, the number will have risen to over 1.5 million. Moreover, a lot of those plants are, in large part, simply assembling Japanese-made components; a GATT report last year noted that Japanese exports of auto parts to North America increased 3 times as fast as sales of finished cars in 1981-85, shipped over furiously to feed the new assembly plants.

This spectacular investment growth has been fueled by the increasing strength of the yen against the dollar, which has made Japan's American plants more profitable than originally planned:

THE JAPANESE ARE NOT THE ONLY FOREIGNERS AFTER A SLICE OF THE EUROPEAN MARKET.

ica. Rover Group has had surprisingly good success with its luxury four wheel drive vehicle, the Range Rover.

Yet at the same time, some of the most sophisticated European cars have been slipping into American hands: Lotus is now owned by General Motors, and earlier this year Chrysler announced that it

was buying Lamborghini. Chrysler already owns over 15 percent of Maserati, with an option over the next five years to buy up to 51 percent. Is Chrysler just collecting status symbols? Or is it too trying to beat the Europeans at the top-of-the-line game?

The alternate European strategy might be to move away from the top end and crack America's small-car market. The most recent attempt at this came to a dispiriting halt earlier this year, how-

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Honda can now build cars in the U.S. more cheaply than it can in Japan. But concern has been rising among both American and Japanese economists about the future. In a report issued this summer, the Industrial Bank of Japan warned that the expanded car production will create an annual glut of 1.4 million autos on the American market by 1990, resulting in more competition, reduced revenues and possibly a drastic international reorganization of the industry.

The stakes for Europe of this massive investment and potential glut are high, not only in its wooing of the American consumer but in keeping a grip on its own domestic market share as well. For as Japan produces more overseas, it creates a growing surplus of cars at home it must export. And with the United States limiting Japanese imports to 2.3 million for another year and demand falling in Asian markets, Europe is becoming Japan's prime export target. Moreover, the yen has appreciated by 85 percent against the dollar over the past two years, but only about 10 percent against the European Currency Unit (ECU), making the European market even more attractive.

And indeed, Japanese exports to the Community have been skyrocketing. They shot up 21 percent from 1985 to 1986, and hit a record 560,000 for the first five months of this year—a 57-percent leap over the 1985 period. Japanese cars took a 9.9-percent share of the European market in 1986, up from 5.9 percent in 1978. And the 20 percent of its exports Japan sends to Europe (about 56 percent go to the United States) is expected to keep rising. The Commission has been saying that Japan's increased European sales have been pursued "at the edge of profitability," and recent charges by European carmakers that Japan has been unfairly diverting its exports from the U.S. to Europe prompted the Commission to undertake an investigation earlier this year. If it finds the complaints are valid, it may begin to control imports.

The issue—like most trade issues—is highly sensitive. "We don't want to be a chamber pot for Japan," snarled François Perrin-Pelletier, Secretary General of the Comité des Constructeurs du Marché Commun, the Brussels-based lobbying group that is leading the push for E.C.-wide import restrictions. But others in Europe voice concern that controlling imports will provoke Japanese retaliation against goods the export-oriented European economies depend on for economic growth. The German industry in particular (in contrast to the protected carmakers in France and Italy) has been loathe to publicly challenge Bonn's generally free-

trade stance. But Germany is also more vulnerable to Japan, as the yen has increased less against the German mark than it has against most of the other European currencies, and German carmakers are worried about the 30-percent growth in Japanese imports into Germany last year. "What the Germans say in private they cannot always say publicly," notes Perrin-Pelletier. "But I can tell you they are equally committed."

While Japan managed to take a 10.54-

THE JAPANESE HAVE UNTIL NOW INVESTED FAR LESS IN EUROPE THAN THEY HAVE IN THE U.S.—BUT THE TREND IS UNDERWAY.

percent share of the overall E.C. market last year, the figure hides wide disparities in the degree of market access individual E.C. member states allow. While it was able to dominate the open Irish market (taking over 43 percent of new car sales) and did well in Germany, the Benelux countries and some other parts of Europe, Japan was limited to minuscule proportions of the market in Italy (which restricts Japanese imports to 0.5 percent of the market), France (3 percent limit), Britain (10 percent), and Spain and Portugal (1 percent each).

A key problem with these national import restrictions, of course, is that they raise the same problem for other E.C. countries as U.S. restrictions do: they unfairly deflect trade from one country to another, hurting the open markets and distorting trade. So when Commission members Karl-Heinz Narjes and Willy De Clercq met on July 24 with the presidents of Rover, Volkswagen, Fiat and Peugeot, and listened to their appeal for a "truly common external policy trade policy vis-à-vis trading partners who do not practice fair and balanced trade" (i.e. Community-wide protection against Japanese cars), they were not entirely sympathetic. The Commission made it clear that no external barriers would be set up while there were national barriers in place, and added that the ongoing removal of remaining trade barriers within the E.C.—scheduled for completion by 1992—means that national restrictions now in place will have to be lifted, and that standards and fiscal systems in the automobile sector will have to be standardized.

But do European carmakers really need protection to survive? Parts of the industry appear to be doing quite well, with the big volume producers showing a combined profit of almost \$100 million in 1986 (on record sales of 11.5 million

cars) after years of losses. But growth in the specialist carmakers has ground to a halt and could even reverse this year, making any talk of a broad and sustained recovery premature.

Some manufacturers are doing better than others, and Germany in particular has turned in an impressive performance. The German auto industry increased its output another 2 percent in the first six months of 1987, against the expectations of the industry itself and despite a slow-

down in sales and exports earlier in the year. (The United States imported 13.6 percent fewer German cars than in the first six months of 1986). But since many Germans brought their car-buying forward last year in order to take advantage of tax concessions which were reduced this year, demand is expected to stagnate somewhat.

Volkswagen captured the leading market share in Europe last year, but will suffer more than other producers from the fall in the value of the dollar; its 1986 U.S. exports totalled 143,000, and the more up-market Audi sold 60,000. Daimler-Benz, which makes Mercedes, increased production 10 percent last year, selling half of its 592,000 cars in Germany and about 17 percent in the United States. Production at BMW remained static at 432,000, two-thirds of which was exported. And Porsche saw output decline 3 percent, to 53,000—more than half of which went to the United States.

Thanks to its dependence on the highly protected Italian market, Fiat has managed to dig itself out of the financial mess it found itself in during the early 1980s. By cutting its workforce from 169,000 in 1979 to 99,000 last year, Fiat has been able to move back into the black.

In spite of 1986 losses of \$925 million, Renault appears to be well into the recovery program started by previous director Georges Besse. Besse (who was assassinated in a terrorist attack in Paris last year) had been instructed by the French Government to reverse the \$4 billion in losses the company suffered in 1984 and 1985. Since then, Renault—in addition to freeing itself of the AMC connection—has cut its staff by 21,000 over the past two years, and the company says it expects to cut a further 3,000 this year. New president Raymond Levy says the company

Continued on page 48.

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NEW GOVERNMENT IN ITALY MAKES DYNAMIC START

PRIME MINISTER GORIA IS THE YOUNGEST IN THE HISTORY OF THE REPUBLIC.

PAOLO STOPPA-LIEBL

After early elections and a considerable political realignment, a new five-party coalition Government has been installed in Rome. It includes the Christian Democrats (CD), the Socialists (PSI), the Social Democrats (PSDI), the Republicans (PRI) and the Liberals (PLI). A particularly novel element of this outcome is the bearded Christian Democrat Prime Minister, Giovanni Goria. At 44, Goria is by far the youngest Prime Minister in the history of the Republic. Giuliano Amato, the 49-year-old Socialist Deputy Prime Minister and Treasury Minister, is also a politician of the new generation.

The relatively young age of the two key Government leaders, coupled with the technical expertise of the other ministers, has been taken by many observers as an indication that Italian politics may have entered a new, dynamic phase. In the aftermath of a rather impressive economic recovery—the result of considerable modernization of the manufacturing sector—it would appear that the Italians are willing to continue on the more pragmatic, managerial style of government inaugurated during the tenure of Bettino Craxi.

In fact, the Goria Government seems to be ready to seriously address a broad new range of issues in Italian public life, establishing government ministries for almost every economic and social problem. The Ministry of State Holdings will run the public sector of the economy. The Ministry of the Environment will work to control pollution problems, among other things. Along with the Ministry of Education, there is now a Ministry for Scientific Research, which from now on will take care of the universities as well. Both are flanked by the Ministry for Cultural Patrimony, in charge of museums, monuments and historic buildings. And, in addition to a brand new Ministry for Large Urban

Areas, there is a Ministry for Special Affairs—which is not in charge of covert operations, as the name might suggest, but instead, of family issues.

The new Government also is entering power during a period of high economic growth, with an especially strong private sector. And while structural economic problems remain, including a large budget deficit and high interest rates, the critical public sector has been showing much improvement in the past few years. The Italian state owns and runs gigantic holdings such as IRI (Istituto Ricostruzione Industriale) which comprises anything from banks to cement, steel and paper; ENI (Ente Nazionale Idrocarburi), the energy holding company; and EFIM, a holding company made up of various manufacturing firms. The current managers of these entities—Romano Prodi of IRI, Franco Reviglio of ENI and Roando Valiani of EFIM—are modern technocrats who are trying to make their enterprises profitable while selling the companies that they cannot improve. While the path to efficiency and eventual privatization remains a long one, important first steps have been taken.

While Goria's Government reflects this new vitality in Italian politics and economics, there has not necessarily been a clean break with the past. Notwithstanding the emergence of a new generation of young leaders in the main parties, Italian voters remain scattered among more than 10 parties—the country thus must be governed through coalitions which are often fragile. The political parties themselves, despite the emergence of new faces like Goria's, are constantly trying to increase their share of power (however small) within the Government.

Goria's choice as Prime Minister represents a change, but it is also evidence of the old system's endurance. Unlike most of his predecessors, Goria is not a party leader: He does not control powerful blocs of votes. A former Minister of the

Treasury in the Craxi Government, Goria was chosen for the job by party secretary Ciriaco de Mita after the Socialists had vetoed his own candidacy for Prime Minister. In Italian (and especially Christian Democratic) politics, a government leader without a strong power base of his own within his party enjoys only limited autonomy. He cannot sidestep the directives received by a secretariat still manned by people who, regardless of age, are primarily preoccupied with the preservation of a complex balance of power.

Moreover, the strong presence of the old leaders in the new Cabinet signifies continuity. Amintore Fanfani, now Minister of the Interior and caretaker Prime Minister before the June elections, had already been Prime Minister when Goria was in elementary school. Giulio Andreotti celebrated his 45 years in active politics (he started as Secretary of the Cabinet under De Gasperi), during which he has held many Cabinet positions and been Prime Minister three times. Emilio Colombo, now Minister of the Budget, is another permanent fixture of the Italian political landscape. (He was Minister of the Treasury in many of the center-left Governments of the 1960s.) Carlo Donat-Cattin, the old leader of the party left, (a faction called "*Forze Nuove*"), has also been confirmed Minister of Health.

The Goria Government thus very much reflects traditional Italian politics. Also, because a new political equilibrium satisfactory to the main coalition partners—the Socialists and the Christian Democrats—has so far failed to materialize, its future beyond next February's Christian Democratic party congress is uncertain. To understand better the currents that produced the Goria Government—and that may determine its future—let us briefly review the political developments that led to the current situation.

For more than three years, until last March, the Italians experienced two political novelties: Bettino Craxi, the first Socialist Prime Minister since the party was created in 1892, and a long period of governmental stability. And there was more. Craxi is a pragmatic, Milanese Socialist, who became Prime Minister after gaining control of his fractious party. Craxi freed the PSI from the ideological tutelage of the much larger Communist Party (PCI), unleashing a continuous barrage of attacks against the Communists' Leninist and anti-democratic roots.

His decisive rule as party and Government leader and his bold moves (such as

picking and winning a fight in 1985 with the opposition Communists over a referendum on the reestablishment of certain wage indexation measures) coincided with a period of economic recovery and retreat from double-digit inflation for Italy (21 percent in 1980, around 5 percent now). Although the recovery was helped by international developments quite beyond governmental control (such as lower oil and commodity prices), Craxi's modern—and sometimes abrupt—style was largely credited for Italy's new successes.

But Craxi's growing personal popularity hid a basic weakness. In 1983, he had wrested away the office of Prime Minister from the disoriented Christian Democrats after their worst electoral performance in 40 years. (They were down to 33 percent from a postwar average of around 39 percent of the votes.) Still, the PSI, hovering a little above 11 percent, continued to be outnumbered 3 to 1 by the CD. After a couple of years, Christian Democratic party secretary De Mita worried that Craxi's increasing popularity would sooner or later translate into more votes for the Socialists and thus a greater share for them in future coalitions. Hence, De Mita's repeated demands for a passing of the baton to a man belonging to the largest member of the coalition, possibly himself.

Craxi, on his part, realized that without a high-visibility platform, his party would go to the next elections in 1988 with fewer chances to increase significantly its share of the vote. The PSI would thus remain the permanent distant third in the hierarchy of Italian politics, behind both the CD and the opposition PCI.

After months of negotiations in the latter part of 1986 and after it had appeared that Craxi would voluntarily step down in the spring of this year, the Socialist Prime Minister denied the existence of any such accord with the CD. This precipitated a crisis in March leading to the anticipated dissolution of the legislature on April 28 and elections on June 14-15.

The election changed the scenario quite considerably, but not in a way that would make it easier for the Socialists and the Christian Democrats to bury their feud. Craxi's steadfastness and daring moves were rewarded by the voters. The PSI share of the vote climbed from 11.4 percent to 14.3 percent, a significant gain by Italian standards.



Prime Minister Giovanni Goria, 44, heads a five-party coalition Government.

The Christian Democrats recovered from their historic 1983 debacle, even though only marginally, passing from 32.9 percent of the vote to 34.3 percent. In the end, both contenders won, making concessions from either side unlikely. Moreover, the overall changes brought about by the elections have not created the possibility for other, more stable, realignments.

Many observers had speculated that this election could strengthen the non-CD members of the five-party coalition. Spearheaded by the popularity of the Socialist Prime Minister, the other junior partners—the PSDI, the PRI and the PLI—would also rebound, signaling the end of the continuous CD domination over Italian politics. But this did not happen. While Craxi's party gained, the other partners lost almost as many votes. A "lay pole" capable of successfully challenging a "Catholic pole" did not materialize. Christian Democratic dominance remains the most striking feature of the Italian political landscape.

The other significant outcome of this election was the 3-percent loss for the PCI (now down to 26.6 percent). The Communists, lacking a convincing policy after the failure of "Eurocommunism," have been in slow but steady decline since their staggering success in 1976, when they reached 34.4 percent.

The consolidation of the Christian Democrats, on the one hand, and the loss of the PCI and the parallel growth of the Socialists, on the other, have led some observers to speculate that Italy's political system is getting closer to its North European and Iberian counterparts. In these countries, there are essentially two-party systems, featuring Social Democracies vying for power with Christian Democratic or Conservative parties. The Communist parties, in turn, play a lesser and lesser role in the 1980s. Even in countries such as Portugal, Spain or France, where they used to be significant forces, the Communist parties have lost ground and now average below 8 percent.

Even though Italy may have finally entered this path, there is clearly quite a long way to go. The PCI, notwithstanding its identity crisis and loss of votes, is still by far the largest party of the left. Before Italy's party system starts resembling more closely the French, the British or the German, we may see a variety of political combinations

and strange alliances.

There is now a temptation for both the PSI and the CD to play the Communist card as a bargaining chip vis-à-vis one another. Indeed, a broad alliance including the CD and a more malleable PCI would eliminate the importance of the Socialists as hinges of the present coalition, whereas a possible left-wing coalition between the PSI and the PCI would confront the Christian Democrats with the possibility of becoming an opposition force—an uncomfortable prospect for a party that has been constantly in power for more than 40 years.

This picture, at the very least, indicates that the Socialists and the Christian Democrats will continue to be uneasy partners for the foreseeable future. Their forced cohabitation within this governmental formula will undoubtedly create many occasions for bickering, periodic showdowns and more crises. While this does not constitute exactly an encouraging omen for Giovanni Goria, the problems facing his Government have been identified, and the structures to deal with them—the old as well as the new ones—are technically in place. The hand on the helm, although not seasoned, is certainly experienced. If Goria can ride out the seas ahead, his Government may prove to be a significant step forward. €

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KOREA SET TO PLAY EUROPEAN CARD

BOTH SIDES SEEK TO IMPROVE TRADE RELATIONS.

BRUCE VANDERVORT

Nineteen-eighty-eight is shaping up as a watershed year in the history of the young, but economically robust, Republic of Korea. As sports fans everywhere know, the 1988 summer Olympics will be held in Seoul. More important, the first peaceful transfer of executive power since South Korea was founded in 1947 is scheduled to take place next year. President Chun Doo Hwan has promised to step down in February 1988 after seven years of military rule, sending Korea's voters to the polls. There is a good chance that the first democratic Government in the nation's history will come into power, a development that could lead to major changes in its domestic policies and international relations.

Last, but not least, 1988 is also the year when Korea has pledged to put the finishing touches on a four-year process of liberalizing its protectionist import regime, in response to longstanding complaints from the country's leading trading partners, particularly the E.C. and the United States. Many Koreans and observers elsewhere believe that these upcoming events, taken together, symbolize Korea's "coming of age."

Korea's boom, which began in the 1960s, is one of the great "economic miracles" of modern times. In 1961, Korea ranked 101 among the world trading nations and per-capita GNP averaged less than \$100 a year. From 1965 to 1980, GNP rose by an incredible average of 10 percent a year. From 1981 through 1986, growth has averaged 7.5 percent a year. By 1986, per-capita GNP stood at \$2,200. By 1985, exports accounted for some 36 percent of GNP, putting Korea 12th among the world's trading partners.

Until recently, most of Korea's spectacular growth came from successful penetration of foreign markets for light consumer items: textiles, household goods, footwear. In the 1980s, however,

Korea has become a major exporter of a range of capital- and technology-intensive products, including VCRs, automobiles, semiconductors, computers and telecommunications equipment.

Korean analysts are quick to say that the Republic's trade relations are badly "skewed." Korea has become too dependent upon Japanese suppliers and U.S. markets, they say. Japan is Korea's leading trading partner and the source of most of its trade deficit; in 1986, its shortfall in trade with Japan reached \$5.4 billion. Korea has the opposite problem with regard to the United States. Growing trade surpluses there—a record \$7.2 billion in 1986—have brought sanctions against Korean exports and draft legislation in the U.S. Congress for more serious reprisals unless Korea opens its doors to more American goods.

In its attempt to diversify away from over-reliance on U.S. buyers and Japanese suppliers, Korea wants to play the European card. Writes Yoo Young of the Korea Institute for Economics and Technology: "In order to solve the trade imbalances with the United States and Japan, and reduce the overdependence of Korea's economy on the two countries—or, to put it differently, to kill two birds with one stone—it is imperative that Korea diversify her economic ties. In this regard, European countries have emerged as a natural alternative to Korea's traditional trading partners."

The mutual desire for improved trade relations has brought a recent flurry of diplomatic consultations between E.C. and Korean officials and exchanges of trade missions. On the diplomatic side, the highlights have been Chun's first state visit to Europe in April 1986, return visits to Seoul by E.C. External Affairs Commissioner Willy De Clercq and British Prime Minister Margaret Thatcher and high-level E.C.-Korean consultations this April in Brussels.

In between, Hong Sung Ja, the Korean Deputy Minister for Trade and Industry,

led a large delegation of Korean businessmen through Europe in November 1986. The reception given Hong and his delegation in Brussels indicates that there is some way to go before E.C.-Korean relations can be put on the amicable footing both sides seem to want.

Speaking for the E.C. Commission, De Clercq advised the Koreans to resist the "temptation to become another Japan" and handed them a memorandum detailing the E.C.'s current trade grievances concerning Korea. Among the areas of dispute cited were:

- Two hundred percent to 300 percent duties on alcoholic beverages imported into Korea;
- The existence of special duties to protect domestic industries (tires, glassware, cosmetics) from foreign competition and of a "system of recommendation" that allows Korean industry lobbies to determine whether certain goods can be imported or not;
- Lack of follow-through on a Korean pledge to import more E.C. woollen textiles;
- Inadequate safeguards against violations of European copyrights and counterfeiting, while such safeguards had been granted to U.S. holders of intellectual property rights;
- Korea's refusal to scale down its shipbuilding program in order to help reduce the world's shipping glut.

Since last November, Korean spokesmen have weighed in with complaints of their own. In a recent article, Cho Soon-Jae of the Europe division of the Korean Ministry of Trade and Industry stated that an excessive amount—some 30 percent—of Korean exports to Europe face restrictions of one kind or another. Around 80 percent of the curbs were quantitative, he said, such as those imposed on Korean textiles through bilateral agreements under the Multifibre Arrangement. (Korea is a leading supplier of textile goods and footwear to the E.C.)

The volume of trade under discussion between the two sides is not very great at present. Total trade between the E.C. and Korea amounted to \$7.5 billion in 1986, only slightly more than Korea's surplus in trade with the United States. In 1985 (according to E.C. figures) exports from Korea accounted for only 1.3 percent of E.C. trade with third countries, while E.C. goods accounted for only 0.9 percent of total Korean imports.

In terms of foreign investment, the stakes are even slighter. Up to 1986, 108

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European investment projects, valued at \$343 million, had been launched in Korea, way behind the total amounts invested by Japan and the United States. Korean investment in Europe totalled only \$11 million in 1986, and most of this was tied up in trading companies, not manufacturing.

What exercises the E.C., however, is not the low volume of trade or direct investments, but the records of persistent and growing deficits in trade with Korea. Although it began at a low volume, Korean trade with the E.C. has nevertheless increased at an annual rate of 10.2 percent, well above the 6.9-percent rise in its total trade volume. And, despite the restrictions referred to above by Cho, Korea seems to have benefited most from this growth in trade.

Especially bothersome to the E.C. was the sharp surge in Korea's surplus from 1985 to 1986. In 1985, Korea registered a surplus of only \$280 million, on exports to Europe valued at \$4.47 billion, against imports from Europe valued at \$4.19 billion. A year later, Korean exports to the E.C. had risen in value to \$5.35 billion, while the value of E.C. exports to Korea had dropped to \$3.92 billion. Result: a Korean surplus of \$1.44 billion, or a fivefold increase over the figure for 1985.

Both opportunities and challenges fill the road ahead for E.C.-Korean trade relations. On the more positive side, it is clear that the Koreans sincerely want to increase imports from the E.C., which will reduce over-reliance on supplies from Japan to critical areas of their economy. In 1986, Korean officials drew up a list of 215 product areas in which Korea has been overly dependent on Japan and where E.C. countries are likely to be competitive. This information has been passed on to the E.C. countries concerned.

It would also appear that, given the

recent sharp appreciation of the yen against the won, E.C. exporters have their best chance to date to carve out new niches on the Korean market, especially in intermediate goods, production equipment and advanced technology sectors. These are among the product areas identified by Korean officials as too dependent upon Japanese suppliers.

There are some important obstacles to this happy scenario, however. One is U.S. competition. U.S. exporters, armed with a weaker dollar and backed by a belligerent Congress, also are going after these markets. And, it must be admitted, the United States has considerably more leverage with the Koreans than does the Community.

Also, the E.C., while it welcomes the chance to displace Japanese suppliers to key growth sectors of the Korean economy, appears to be more concerned with securing greater access to the Korean market for more traditional products. These would include cigarettes, farm produce, dairy products, chocolates, alcoholic beverages and textiles. These are areas that group some of Korea's strongest protectionist forces and on which considerable U.S. pressure for increased market access is being concentrated. Prying open these markets is likely to be a long and difficult process.

Korea has pledged to put the finishing touches by 1988 on a four-year process of liberalizing its protectionist import regime, in response to longstanding complaints from the country's leading trading partners, particularly the E.C. and the United States.

Political Change

Perhaps the biggest uncertainty overhanging the future of E.C.-Korean trade relations is the likely impact upon Korean trade policy of next February's national elections.

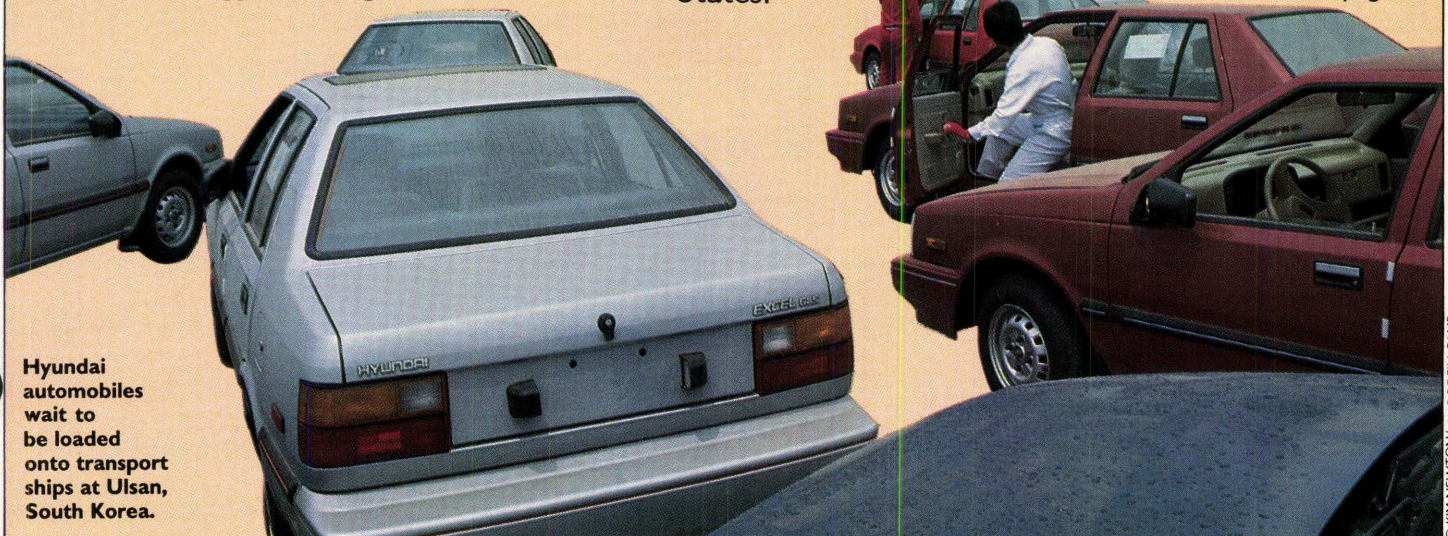
The trade program of President Chun's Democratic Justice Party (DJP) is to some extent a known quantity. Over the last two years, albeit under considerable pressure from Korea's trading partners, the Chun Government has pursued a policy of selective liberalization of the Korean import economy. While tariff reductions and the elimination of non-tariff barriers to imports—particularly the "system of recommendation"—have proceeded more slowly than Korea's trading partners would like, some discernible progress has been made.

With the Korean elections just five months away, little is known, however, about the trade policy of the opposition Reunification Democratic Party (RDP), which some observers believe has a good chance of being swept into office. This is partly due to the fact that the RDP lately has been preoccupied with feuding between its two leading figures, veteran democratic dissidents Kim Dae Jung and Kim Young Sam.

The two Kims and their followers have made political reform their almost exclusive concern since the 1970s. Little time has been devoted to other problems. Thus, an interview in *The Washington Post* with Kim Young Sam during a U.S. visit last year revealed a surprisingly weak grasp of trade issues. Kim's view, recalls one source, was that "once we have got democracy, all the other problems can be taken care of."

An opposition victory in February could, however, have a significant indirect impact on Korea's international trading position—and one that would work to the advantage of Korea's commercial com-

Continued on page 48.



Hyundai automobiles wait to be loaded onto transport ships at Ulsan, South Korea.

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IMPLEMENTING THE "STABILIZATION" PROGRAM.

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VICTOR WALKER

In October 1985, the Government of Greek Prime Minister Andreas Papandreou embarked on a program of "stabilization" with the blessing and backing of the European Community. To apply the program, it switched Costas Simitis from the Agriculture Ministry, where he had proved one of the stars of the Government's first term, to the all-powerful National Economy Ministry left vacant by the departure of the architect of expansion, Gherassimos Arsenis.

With a designated validity of two years, the stabilization program set targets for 1986 that were broadly attained: to reduce the total public-sector deficit—the public sector borrowing requirement (PSBR)—from 18 percent to 14 percent of gross domestic product (GDP), to cut inflation from 25 percent to 16 percent and to trim the current-account deficit from \$3.3 billion in 1985 to \$1.6 billion in 1986.

The targets were pursued through a partial wage freeze (ceilings on permitted increases were set by the Government at well below inflation, and even then applied only to lower income groups); a 15-percent drachma devaluation; tax increases; and temporary restraints on imports. The E.C. contribution took the form of a 1.75-billion European Currency Unit (ECU) loan—about \$1.72 billion at average 1986 exchange rates—half paid in 1986 and half this year and of E.C. acceptance of the import restraints.

Inflation did fall to 17 percent, helped by a drop in real incomes; the PSBR target was achieved, with the assistance of higher tax revenues; and the current-

Tourist revenues rose in 1986 to \$1.83 billion. Clockwise from right: a monastery on Corfu, jewelry store on Santorini and Mykonos.



account deficit was cut to \$1.76 billion, with some assistance from outside factors such as the drop in world oil prices and lower international interest rates that helped with debt servicing. Domestically, tourism showed markedly good results,

Victor Walker is the Athens bureau chief of *The Journal of Commerce*.

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with receipts up 28 percent at \$1.83 billion. Non-oil imports, however, rose 13.8 percent despite the restraints, reaching \$8.39 billion.

With no assistance from international conditions, the picture in the first half of this year is less rosy. The January-June current-account deficit has already reached \$1.46 billion, against a target for the whole year of \$1.25 billion. Though Greece always runs a current-account surplus during the peak tourism months, last year's \$1.45-billion deficit at the end of June became \$1.76 billion by the end of the year. The Government admits that this year's target has become unattainable, but rejects forecasts by the conservative New Democracy opposition party that it will finally exceed the 1986 figure. The consumer price index rose 9.9 percent in the January-June period, but the Government still expects inflation by the end of the year to be running at least a point or two below the 1986 average.

In these circumstances, the Government's options are fewer than it would wish. The Organization for Economic Cooperation and Development's (OECD) recommendations, broadly endorsed by Simitis, are for a continuation of austerity. Papandreou is under pressure from some senior Socialist Party members and trade unions to replace Simitis, return to a policy of expansion and then call a snap election while New Democracy is still in disarray. So far he is resisting this temptation. The Government insists that it will go to the polls in the early summer of 1989, when its mandate expires.

Though economic policy for 1988 does not need to be clarified until October or November, the present word is that there will be some relief for workers and pensioners, and that the main burden of next year's revenue-hunting will fall on the self-employed and small businesses. More particularly, the Government has promised to allow the wage-freeze law to expire at the end of this year, so restoring

PHOTOS BY CLAUDIA PARKS

to the unions the right to free collective bargaining. It says it will assure a rise in national minimum wages at least closer to the inflation rate, while leaving the unions free to negotiate additional benefits that may or may not be linked with productivity improvements. The Government has also promised some readjustment of tax scales for the lower-income groups, to take greater account of fiscal drag.

The OECD gives the Government credit for the progress made since the 1985 crisis, but also observes that too much attention has been paid to the symptoms rather than the causes of the 1985 crisis. New Democracy insists that the only answer lies in reducing the size of the public sector through tighter controls on hirings, some privatization and the closing of nationalized industries operating at a loss. The Government response is that recovery will be stimulated through state investment, particularly in major public works.

The essential question, in relation to the promised next step from austerity to recovery, is whether Greek and foreign investment can be attracted under present conditions. So far, it has been slow in coming, although substantial incentives now exist in the form of matching state grants and tax concessions. The Government now appears to have understood the basic message: Neither drachmas nor dollars will be ploughed into new industries so long as forward planning is made impossible by tax- and price-control uncertainties and the prospect of eventual profit is clouded by trade union powers and antiquated labor regulations.

It has relaxed price controls, though to nowhere near the point equivalent to the liberation of market forces, and so far this year has refrained from easing its budgetary difficulties by special levies on business. The bullet it has to bite concerns labor relations. In July, it revealed an intention to liberalize working hours and permit part-time work, then drew back in the face of trade union uproar. For the moment it appears unwilling to relax controls over dismissals that make it difficult for an enterprise to adjust its labor force to the changing requirements of production, something that New Democracy says would be among its first actions if it won the next elections.

Foreign and E.C. Affairs

In its relations with the Community and the United States, still and inevitably the twin foundation of Greece's foreign policy despite a vaunted "multidimensional" approach characterized by broader links with Communist and nonaligned countries, the Papandreu Government faces

a steady constriction of its room for maneuver.

The obligations and responsibilities that came with the accession to the Community, appear to have been quietly taken to heart in Athens. There has been a marked acceleration in the harmonization of Greek to Community law and corresponding deceleration of referrals of Greece to the European Court of Justice, and more positive policy positions in matters of within the process European Political Cooperation.

With the United States, too, the Government is firmly embarked on a policy of step-by-step strengthening of relations, in the lead-up to negotiations later this year on a new Defense and Economic Cooperation Agreement (DECA) that will settle the future of the four large U.S. military bases and numerous ancillary installations in this country. Most Greeks, including the Communist Party of Greece (KKE) in public statements, are convinced that there will be a new agreement and that the bases will stay. New Democracy regards them as integral to Greece's own national defense.

Though for obvious reasons the Government has not laid its cards out on the table—it says simply that any agreement reached will be submitted to a referendum before final approval—it has let it be understood that the main brunt of its demands will not be economic, in the form of rent for the bases, but political.

Essentially, it would like a number of U.S. commitments related to its dispute with Turkey, beginning with guaranteed maintenance for the full term of the DECA of the present military balance between Greece and Turkey in the Aegean (a matter of quantitative and also qualitative ratios in the supply of U.S. military equipment to the two countries), by law, and not as the result of an annual battle between Congress and the White House, and extending ideally to some form of guarantee of Greece's borders.

This reflects a belief and a conviction: a belief, shared by almost all Greeks regardless of party, that Turkey has expansionist ambitions and is only awaiting its opportunity to seize the whole of Cyprus and move west in the Aegean at Greece's expense, and a conviction that the U.S. Administration permanently favors Turkey over Greece because of the former's larger contribution to the North Atlantic Treaty Organization (NATO) and greater strategic importance as a country bordering on the Soviet Union.

This will clearly create a problem for Washington, but also invites some questions. Can Greece afford to see the bases moved to Turkey? What then would hap-

pen to the aid ratios? Would the "Greek lobby" in the United States, formed of the Greek-American community and its representatives in Congress, retain the leverage even if it still had the heart to fight Greece's battle in Washington?

Even in the dispute with Turkey, the Government has been forced, or for unstated reasons has chosen, to adopt a more conciliatory position. After a March incident over oil exploration in the Aegean that brought the two countries closer to war than at any time since Turkey's 1974 invasion of northern Cyprus, Papandreu entered into a "dialogue" with Turkish Premier Turgut Ozal, at least in the form of exchanges of letters, that he had previously excluded.

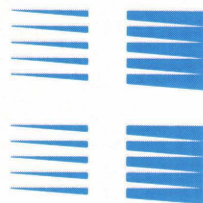
It is asserted by Athens that the only subject of exchange has been the possible submission of the dispute over the Aegean continental shelf of the International Court at The Hague on Greece's terms. But the letters themselves have not been published.

So, the mood in Greece at mid-1987 is tinged with some apprehension:

- The business world is still looking for the first harbingers of recovery and manufacturers worry that traditional Greek products may lose their competitiveness against those of other E.C. countries. Meanwhile, the 1992 scheduled completion date for the E.C.'s unified internal market is causing particular worry.
- Austerity may be ameliorated, but it will not be abandoned.
- The Government's message to the self employed, an unusually large segment of the workforce, is that the brunt of next year's belt-tightening will fall on them, through a more rigorous collection of probably higher taxes.
- Even the farm sector, the greatest beneficiary of the first seven years of Greece's E.C. membership, identifies a pincer envelopment of its prosperity: Common Agricultural Policy price increases too far below Greece's inflation rate to be fully offset by drachma depreciation, and mounting pressure on the government, in the name of fiscal justice, to phase out its relative immunity to income tax.

In these circumstances, the conservative New Democracy opposition party, which won substantial victories in the 1986 municipal elections and sees its forebodings on the economy borne out by facts and figures, ought to be riding high. But general elections could still be almost two years away, and in the meantime it is riven by feuds, split by walkouts and depressed by its evident inability to inspire. €

Hellenic Development Corporation



7 Reasons to INVEST IN GREECE

1. Strategic Location

For centuries, Greece has been the commercial and trade crossroads of Western and Eastern Europe, the Middle East and North Africa. Greece's full membership in the European Economic Community means you will enjoy tariff-free entry to the 300 million affluent Europeans within the EEC along with all the other benefits of an EEC location.

2. Productive, Intelligent, Skilled Work Force

More than 1 million Greeks now work in the manufacturing sector. English is the second language for most managers and technicians, and experienced engineers are available with Greek universities graduating more and more business specialists.

Greece offers wage rates that are substantially below those prevailing in West Germany, Italy and France. Greek workers have an excellent record in time lost to strikes. Thousands of well trained workers, technicians, and managers are returning to Greece after employment not only in northern Europe's industrial centers but also in North America.

3. Mineral Resources

Greece is rich in raw materials. It has more bauxite than any other country in Western Europe. It also has vast reserves of ferro-chrome and ferro-nickel used in stainless steel. Greece's abundant lignite deposits are being tapped as a low cost energy source. Offshore is being developed.

4. Transportation

A maritime nation for centuries, Greece offers excellent ocean cargo connections to its natural market place in Europe, the Middle East and North Africa, through its three major ports. The Athens airport, one of the busiest in the world, provides easy passenger and air cargo access to all key points in the world.

5. Business Services

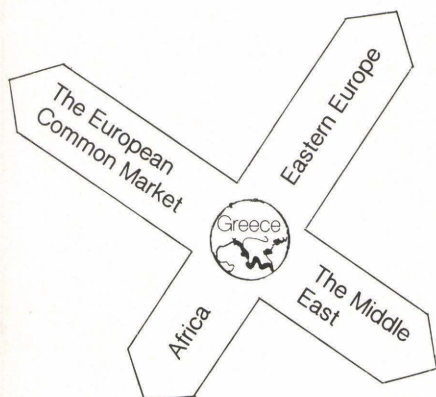
Greece offers a comprehensive banking system, including branches of U.S., Canadian and European banks. HDC's owners, the Agricultural Bank of Greece and the Hellenic Industrial Development Bank, as well as other specialized institutions, provide medium to long term financing, permitting you to borrow in drachmas and export in dollars. Translation services and telecommunications facilities are readily available.

6. Energy

Greece is concentrating on expanding resources by developing facilities based on ample reserves of lignite as well as coal, hydro power and solar sources.

7. Excellent Incentives


Greece's wide range of grants, interest rate subsidies, accelerated depreciation and tax benefits, rank among the most advantageous in Europe.



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A photograph of the Temple of Poseidon at Cape Sounion, Greece. The image shows several large, dark stone columns standing against a bright, colorful sky at sunset or sunrise. The sky transitions from a deep blue at the top to a warm orange and yellow near the horizon. The columns are silhouetted, and their fluted texture is visible. In the foreground, the back of a person's head and shoulders is visible on the left side, looking towards the temple. The overall mood is serene and historical.

**The Hellenic
Development
Corporation
maintains an office
in New York with
information on
opportunities for
U.S. firms. Right: the
Temple of Poseidon
at Cape Sounion.**

© WILLIAM HUBBELL/
WOODFIN CAMP

GREECE WELCOMES INVESTMENT FROM U.S.

INCENTIVES INCLUDE CASH GRANTS, INTEREST-RATE SUBSIDIES, ACCELERATED DEPRECIATION AND TAX EXEMPTIONS.

YANNIS PAPANTONIOU

The traditional ties of the peoples of Greece and the United States have been strengthened by mutual efforts to promote bilateral economic relations.

The two countries have already established a significant level of economic cooperation extending into many sectors of economic activity, such as trade, industry and tourism. However, and as was noted during the third round of U.S.-Greek talks on trade and investment in Washington this year, substantial scope exists for developing this cooperation further.

In the field of trade, there is excellent potential to increase export and import volumes between the two countries, mainly by improving mutual access to markets as well as by diversifying the mix of goods traded.

With regard to investment, we encourage the establishment of foreign companies, especially if they transfer modern technology, create new jobs or promote exports. Constitutional guarantees protect all property rights, while a recent law allows for full repatriation of profits, dividends and loan repayments on capital investments. Moreover, investments in Greece are covered by an incentive scheme that involves cash grants, interest rate subsidies, accelerated depreciation and tax exemptions. Continuing efforts are being made to improve the investment environment by eliminating bureaucratic red tape and modernizing the banking system.

It should also be noted that new measures, such as leasing and venture capital, have been introduced. Greece as an E.C. member state is an integral part of the European market, while it is close to

important and expanding markets, enjoys good relations with African and Middle East countries and offers very good facilities. Prospective investors should also consider seriously the possibilities now open after the recent decision of the Government to go ahead with the construction of six large infrastructure projects with an estimated value of about \$8 billion. We welcome the cooperation of foreign firms in undertaking part of the construction work over a period that will last several years as well as their participation in the financing of these projects.

Finally, a special office of the Hellenic Development Corporation (HDC)—a bank-owned corporation—has been established in New York to provide information with regard to existing investment opportunities in Greece. HDC's latest reports indicate that an increasing number of American businessmen are considering the possibilities of investing in Greece. This positive development was confirmed in meetings with prominent American businessmen during my recent visit to the United States. Moreover, the HDC is in touch with the U.S. Export-Import Bank and the Overseas Private Investment Corporation in order to seek their cooperation in promoting Greek-American investment interests.

With regard to tourism, the attractiveness of Greece as a vacation place on account of its climate and its cultural and historic treasures has been acknowledged by the Americans who are visiting my country in large numbers. I can only add that the Greek and American sides are working together in order to enhance cooperation in this sector as well as in the other fields of bilateral relations. €

Yannis Papantoniou is Greece's Undersecretary of the National Economy.



“PLAY BALL!”

BASEBALL IS ENJOYING A SURGE OF POPULARITY IN EUROPE.

DAVID MORTON

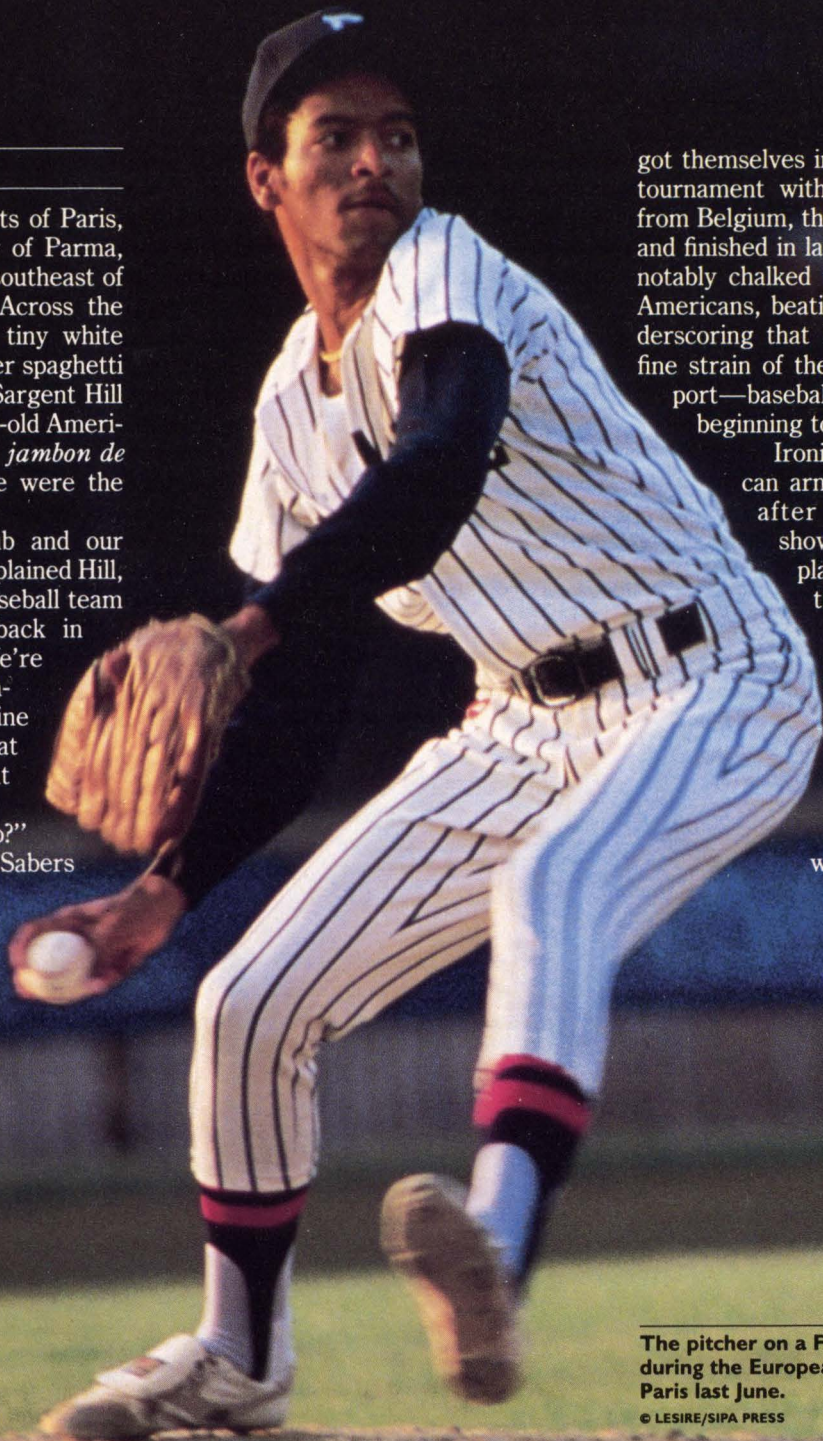
In the cafés and restaurants of Paris, the colorful northern city of Parma, situated about 100 miles southeast of Milan, is reputed for ham. Across the Atlantic, it's known for the tiny white flakes that people sprinkle over spaghetti and pizza. But when Master Sargent Hill and his team of 15- to 18-year-old Americans arrived here last month, *jambon de Parme* and Parmesan cheese were the last things on their minds.

“We're a recreational club and our rules are a little different,” explained Hill, who coaches the Sabers, a baseball team from the U.S. Air Force back in Spangbahlem, Germany. “We're used to playing only seven innings, so when they told us, ‘nine innings,’ and then I saw what we were up against, I thought to myself: Oh my god, what have we gotten ourselves into?”

Hill and the Spangbahlem Sabers

got themselves into an amateur baseball tournament with four European teams from Belgium, the Netherlands and Italy, and finished in last place. The host team notably chalked up 10 runs against the Americans, beating them 23-13 and underscoring that Parma also produces a fine strain of the inedible American export—baseball—for which this city is beginning to gain notoriety.

Ironically, it was the American armed forces that, shortly after World War II, first showed the Italians how to play ball and introduced the game to much of Western Europe. Baseball now exists in 16 European and Scandinavian countries, albeit in widely varying degrees and with the exception of professional ball, which has yet to make an



The pitcher on a French team winds up during the European cup championships in Paris last June.

© LESIRE/SIPA PRESS

appearance on the Old Continent.

In Italy, the recognized baseball powerhouse of Europe, the game has moved off the fringes of sports and onto the main course. Since its founding in 1950, the Italian Baseball and Softball Federation (IBS) has seen the number of baseball clubs grow to 800, with 2,700 teams and 100,000 players. The teams are spread over the league's seven divisions, which, depending on age and playing ability, range from a Pee Wee Division up to Division A, comparable in level of play to that of an AA club in the United States. There are 12 teams in Italy's Division A, sometimes referred to by fans as the national division.

As a spectator sport, Italian baseball officials place baseball fifth—after motorcycle and automobile racing, basketball and soccer—and they say that the game's popularity is rapidly increasing. In Parma, where the matches are often televised daily, enthusiasts say baseball ranks second in popularity only to soccer, still one of the menu items in most of Europe.

"Parma is the baseball capital of Italy and possibly of Europe," says Joseph Brambilla, a committee member and co-owner of the Parma Angels baseball club, the oldest and largest in Italy. "We have good organization and good relations with other countries. A lot of European teams come to Parma to play."

Only baseballers in Bologna, Parma's rival located 100 miles to the south, and globally renowned for the pale red usage that people put between bread slices, would dispute Brambilla's "capital" claim. This city of approximately 50,000 inhabitants harbors 16 baseball clubs, including a 12,000-seat baseball stadium. By comparison, there are no ball clubs in Paris, the site of this year's European baseball cup.

The cup, in which the Parma Angels Division A team went undefeated to win, took place in June at the Cipale Velodrome, a 20,000-seat bicycle racing stadium. The five-day event attracted 100,000 spectators, a milestone for French baseball, which is older than Italian ball, but less developed. By comparison, a good grudge match between Parma and Bologna in Parma will draw a crowd of 13,000, fans say.

But then, the fans in Parma have good reasons to turn out for local games. The Parma Angels' Division A team has won more titles over the years than any other club in Europe. The Angels have captured the European cup eight times in 11 years and the national cup almost as often. "Every year we win the league championship or the European cup," Brambilla says. "Sometimes we take both

in the same year."

Parma also annually produces about a quarter of the players on the Italian national team and half of the coaching staff. Last year, five Parma Angels players and two coaches made the 22-member team. At the 1986 world championships, that team beat its American counterpart and finished fourth overall behind the Americans, who took third.

As with most American clubs, the Angels also offer their own cast of notable player-personalities, such as Caveman Boom Boom Manzini. Manzini, whose first name is Stefano, plays left field and is considered the team's best overall slugger. "He's called 'Caveman' because he's short and stocky and because he wears a beard," Brambilla says. "He's called 'Boom Boom' because when he hits the ball, it goes 'boom boom.'"

There are also two Americans on the Angels—pitcher Mike Pagnozzi and catcher Randy Hunt, a former Saint Louis Cardinal who, says Brambilla, came to Parma because he was offered a more active position. Hunt, a switch hitter, was named this year's European cup most valuable player.

Although European baseball regulations limit the number of foreign players on the field to two, Americans often hold key positions on the teams and are actively sought by European scouts because of their tremendous knowledge of the game. Until a few years ago, many of Parma's trainers were American. Now, the Italian game has progressed enough that the Italians themselves are training their own teams, though they still maintain close U.S. contacts.

"In Europe, Italy and the Netherlands are a class above the other countries," says Robert Tozzi, a bilingual Englishman who spends the summers in Parma organizing women's softball and translating for the Italian clubs when foreign teams come to town. "They have the capacity to win."

Hill, who has been coaching baseball for 21 years, three of them in Europe, agrees and says that baseball in the Netherlands, where his team has often played, has "really come on." The Dutch are feared contenders in European baseball. The Tijgers club from Amstel put on one of the best games in the European cup against Mamoli, the defending Italian champion from Crosseto, Italy, but lost 10-7. Crosseto, in turn, lost the cup to Parma and finished second. Amstel came in third.

"They're building a multi-million-dollar baseball complex there," said Hill, speaking about how seriously the people of Amstel are beginning to take baseball,

"four fields, back to back." But he believes that Italy still remains the country to beat. "They have the leading edge because of their training."

Italian baseball officials attribute the relatively strong success of baseball in Italy to the fact that the country does not really have a strong second sport after soccer. They also say the cultural exchange that followed Italian immigration to the United States has helped the game immeasurably.

Meanwhile, in part because of the game's new Olympic status, baseball now appears to be gaining momentum in countries such as Belgium, France and Spain where it has lagged until recently. Baseball was a demonstration sport at the 1984 summer Olympic Games in Los Angeles, and it will have that status again next year at the games in Seoul. Then, at the Olympics in Barcelona in 1992, baseball will become an official Olympic sport.

"In Europe, Olympic sports are very, very important," says Aldo Notari, president of the European Amateur Baseball Federation, the FIBS and a 16-year veteran of Italian baseball. "After 1992, everybody in this country will be playing baseball."

Olivier Dubaut, president of the largest French club, agrees and notes that the International Olympic Committee's decision has already had an effect in France. The French government gave the French baseball and softball federation about \$500,000 this year, a 130-percent increase over last year's subsidy, to encourage recent interest in the game among French youth. "With all the countries picking up baseball now," predicts Hill, "I don't think the United States will continue to dominate the game. It is a game for all countries."

To be fair to Hill and the Sabers, they were invited to the tournament in Parma because they play a respectable game. The Sabers beat a junior division from Crosseto 20-10, but lost 6-5 to a junior national team from Belgium, 12-2 to the junior national team from the Netherlands—which won the tournament—and 23-13 to the Crocetta Baseball club, a farm team of juniors for the Parma Angels, which followed second.

"People are putting money into it," Hill continued. "They paid for the trip, our lodging and everything. Then, when you look at all the trophies and the mementos that they gave out, that tells you one thing: They believe in baseball." Added Brambilla: "You could say that the old Continent of Europe is looking toward the oldest American game." ☾

NEWS OF THE E.C.



ENVIRONMENT

E.C. MINISTERS AGREE ON CLEAN CAR STANDARDS

E.C. Environment Ministers acted to cut pollution from cars in July by adopting a compromise on limiting toxic exhaust emissions, diplomats reported. They said 11 member states agreed on a compromise worked out in June 1985 in Luxembourg, while Denmark came out against the motion because it said the new rules were too lenient. Denmark reportedly wants stricter standards like those in force in the United States.

Under the new regulations, newly-designed cars with an engine capacity above two liters (2000 cc) will have to be fitted with a special clean exhaust device—the catalytic converter—from October next year. Car producers will have to fit the same device to all new cars of existing models with engines bigger than two liters by October 1989, the sources said.

Some environment experts still regard the new rules as insufficient, as they do not take account of smaller cars with engine capacity below 1.4 liters, which account for 60 percent of all cars registered in the 12 member states of the Community. Dangerous emissions of nitrogen oxides and carbon monoxide will continue to create acid rain and threaten lakes and forests, the experts said.

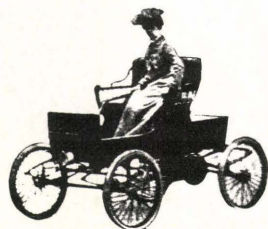
The European consumer group BEUC called on E.C. mem-

ber states earlier in the month to make lead-free gasoline more widely available to help travelers and to boost sales of clean-exhaust cars. Officials of the group said that all 9,000 gas stations in the Netherlands sold lead-free gas, but Dutch tourists in Ireland could only find it in two garages.

Most places in Denmark and Germany also sold unleaded gas, compared with 73 in Italy, 48 in Spain and 34 in Greece—favorite destinations for Northern Europeans seeking the sun. Britain, France and Belgium did little better.

Unleaded gas is the only suitable fuel for cars fitted with a catalytic converter to absorb the most dangerous elements of exhaust fumes: nitrogen oxides and hydrocarbons. Both contribute to "acid rain," which scientists believe is responsible for killing forests and lakes all over the world. Lead can also cause brain damage, especially in small children.

The BEUC said that even if lead-free gas became more widely available, strict Community pollution standards would be needed to conform with tough car exhaust norms in the United States and Japan. That would give clear guidelines to European car manufacturers and make it easier to compete with U.S. and Japanese companies.—Reuters



AGRICULTURE

E.C. TIGHTENS FARM SUPPORT

For the second year in a row, the E.C. Council of Ministers adopted in July a package of farm measures that freezes or cuts most support prices. The package also tightens requirements for selling farm goods to public agencies, further limiting guarantees previously enjoyed by European farmers.

While the package is not as restrictive as the one proposed by the Commission earlier this year, it represents a continuing effort to make European agriculture more market-oriented. Support prices for the 1987-88 year will fall by an average of 0.2 percent as expressed in European Currency Units (ECU) for the E.C. of 10.

The Council deferred action on a proposed tax on vegetable and fish fats and oils, calling for a study on the issue and consultation with the Community's main trading partners. The findings will be considered by E.C. leaders at their summit conference in December.

The farm package represents savings of an estimated 230 million ECU (about \$250 million) in 1987 and 400 million ECU (\$440 million) in 1988. The E.C.'s 1987 agricultural budget is about 24 billion ECU. Measures in the package include:

- **Grain:** Intervention prices are frozen for all grains except durum wheat, where there is a 2.7 percent price cut. Public intervention agencies will buy

grain only from October to May, and only when the average E.C. market price falls to 94 percent of the intervention price.

- **Dairy products:** All support prices are frozen, and the co-responsibility levy paid by dairy farmers—2 percent of the target price—is maintained. The Community adopted measures last December designed to cut milk output by 9.5 percent over two years by reducing production quotas. Under a program adopted in 1984, dairy farmers pay a "super-levy" if they exceed those quotas. Under a system adopted earlier this year, the Commission may suspend intervention purchases of butter when stocks reach 180,000 metric tons.

- **Oilseeds and olive oil:** Prices are cut by 3 percent for soybeans and rapeseed, and frozen for sunflower seed and olive oil. "Maximum guaranteed quantities" are continued for rapeseed and sunflower seed, and introduced for soybeans. If production exceeds those quantities, Community aid is reduced proportionally.

- **Other products:** Prices are frozen for sugar, cotton and rice. Target prices are frozen for beef, pork and sheep. The Community in December limited sales of beef to intervention agencies to certain types of beef and certain market conditions—which will lower support prices by 13 percent.

All market support mechanisms of the E.C.'s Common Agricultural Policy are based on the principle of the "target price." This is the officially regarded optimum price for the

farmer plus the transport cost to the area of consumption—but it is rarely achieved. To put a floor in the market, the Community sets an “intervention price,” or similar minimum price. It intervenes to boost market prices when they fall below this “safety net” level. The intervention price is the price at which E.C. intervention agencies are obliged to purchase farm goods meeting specified standards during fixed periods of the marketing year.

FARM MINISTERS AGREE SWINE FEVER CAMPAIGN

E.C. Farm Ministers agreed a new program in mid-June that is designed to eradicate classical swine fever from the Community by 1992. The new directive will run for five years, and will require member states to slaughter pigs following an outbreak of the disease and impose a ban on the movement of animals as well as on lightly processed pigmeat products for three months thereafter. The plan also involves a phasing-out of routine vaccinations that Community officials say sometimes disguise the disease. The Community will contribute 50 percent of the costs for slaughtering, with the rest of the money to come from national funding.

Classical swine fever, also known as hog cholera, does not endanger humans but can be fatal to pigs. It is widely distributed in many European countries, North America and Africa, and vigorous eradication programs to produce a disease-free pig population have been underway in several large agricultural countries since the 1970s.

FOREIGN AFFAIRS

E.C. SAYS WEST WANTS GORBACHEV REFORMS TO SUCCEED

European Community Foreign Ministers, meeting in Copenhagen in mid-July, analyzed Soviet leader Mikhail Gorbachev's drive for political and economic reforms and agreed that the

viet political life and relax central control of the economy.

The one-day meeting to coordinate foreign policies of the Community's 12 member states also examined the situations in the Middle East, Afghanistan and South Africa. The Ministers dropped an eight-month ban on high-level contacts with Syria during the meeting, and diplomats said that the Community wanted to reward efforts by Damascus to distance itself from terrorism and improve the prospects for an international Middle East



The E.C. says Gorbachev's proposals present “new possibilities.”

West wanted him to succeed, diplomats said. A draft statement agreed by the 12 referred only to “new possibilities presented by recent developments in Soviet politics,” but diplomats said the Ministers endorsed an upbeat assessment of Gorbachev's campaign from German Foreign Minister Hans-Dietrich Genscher.

Genscher reported on his talks in Moscow the week before during a state visit by German President Richard von Weizsäcker. “It's a chance for the citizens of the Soviet Union and a chance for the West,” said one diplomat, summarizing the meeting's discussion of Gorbachev's attempts to open up So-

peace conference, which the Community proposed last February. The diplomats noted, however, that other E.C. sanctions imposed on Syria last year for its alleged involvement in a failed attempt to blow up an Israeli airliner in London would remain in place. Those include a ban on new arms sales and a review of the level of diplomatic representation between Syria and E.C. member states.

In a separate development, a German Government spokesman confirmed that Bonn has decided to unfreeze \$76 million of bilateral aid to Syria because of its decision to order radical Palestinian leader Abu Nidal out of Damascus.

During the East-West discussions that occupied the morning session of the Ministers' meeting, Genscher said his Moscow visit had shown that the Soviet Union was still keen to clinch a nuclear arms deal with the United States as soon as possible, German officials noted. Washington earlier in the week had accused Moscow of dragging its heels in the final stages of negotiations to eliminate intermediate-range nuclear missiles (INF) from Europe, but diplomats said the E.C. Ministers believed the talks were still on course for an agreement.

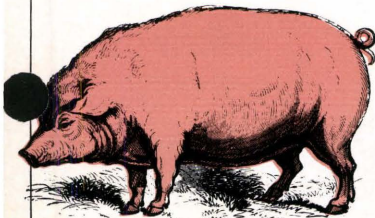
“We think the Soviet interest is enormous,” said one German official who accompanied Genscher to Moscow. Diplomats said the Community's statement on East-West relations reflected the Community's desire to maintain the momentum for an INF agreement and to push forward negotiations at the Vienna Conference on Security and Cooperation in Europe (CSCE).

In their final statement, the E.C. Ministers noted that “the dialogue between the United States and the Soviet Union on arms control has been intensified and that there are more favorable perspectives as regards an agreement on Soviet and U.S. INF.” They noted that they favored “a stable and verifiable conventional balance at a lower level of forces in the whole of Europe.”

MOROCCO BID FOR E.C. MEMBERSHIP DENIED

An application by Morocco to join the European Community was turned down in July because the North African state was ineligible for membership, according to diplomats. King Hassan's application was made at an E.C. Council of Foreign Ministers meeting chiefly concerned with the Community's trade disputes with Japan and the United States, they said.

The membership application came in a letter handed to For-



ROUND TABLE, COMMISSION MEET FOR TALKS ON INTERNAL MARKET

A delegation from the Round Table of European Industrialists led by Fiat President Umberto Agnelli met with E.C. Commission President Jacques Delors and Commissioner Lord Cockfield in late June for talks on the progress made so far on completing the internal market in Europe.

Confirming their support for the Commission's efforts, Agnelli and his colleagues said they would use their influence with national authorities to ensure that the Commission's program was not held up in any way.

The struggle to eradicate once and for all the remaining barriers to internal trade in the E.C. would be won or lost by the end of 1988, the Round Table delegation noted. The group, which was formed in April 1983, comprises top businessmen from Community and EFTA (European Free Trade Area) countries, and has given important support for the end to all trade barriers in Europe.

The need to make quick progress was echoed by Lord Cockfield, the Commissioner responsible for the internal market. "When we get to the end of our term of office next December," he said, "we hope the foundations will be down, the walls built, the rafters up and the roof on; our structure will be in place and only fittings, fixtures and finishing touches will need to be added. It is vital to get the project that far if the whole thing is to be finished by 1992, for we must allow for the time taken by the Council to adopt our proposals, and the time required for Directives to be transposed into national law—on average two years."

The meeting also focused on specific areas considered vital to the success of the internal market: technical standards, transport, company law, liberalization of capital movements, approximation of indirect taxation and public procurement.

On the latter, the Round Table industrialists said that they had lived with the segmentation of national markets for a long time, but that they were now sure that opening up the European market would be in their interest, since the advantages of scale and competitiveness would outweigh the risk of competition.

In a speech at the International Monetary Conference a few weeks earlier, the E.C. Commissioner responsible for external affairs, Willy De Clercq, noted that delays in adopting measures on the internal market had been caused mainly by the Council of Ministers, and said that he deplored the gulf between the generally enthusiastic speeches on the single market and the difficulties in translating them into action. "The Americans and the Japanese will not wait for us," De Clercq said, adding that the Community would not be given another opportunity of this kind. There was now broad consensus among the social partners on the single market, De Clercq noted, and said that failure to deliver on the promises made so far would be disastrous.

De Clercq said, however, that he believed that the entry into force of the Single European Act on July 1 should make it possible for two-thirds of the relevant decisions to be made by a qualified majority, in contrast to the previous situation, where about 90 percent of them had to be taken unanimously.

SONY OFFERS E.C. GUARANTEE

The E.C. Commission announced in June that Sony Corporation, the Japanese electronics giant, would offer E.C.-wide guarantees on its products. The move, part of a campaign by the Commission to persuade more multinational corporations to offer guarantees on their products, which are valid throughout the 12-nation Community, means E.C. citizens will be protected against defects even if they bought their Sony product

in another member state.

E.C.-wide guarantees are regarded by the Commission as a key part of the completion of Europe's internal market, scheduled for 1992. The Commission is reportedly ready to ask for similar guarantees from about 20 other multinational corporations, mostly suppliers of consumer products. While there are no specific Community regulations stipulating that all companies should offer such guarantees, almost all distribution networks must get special clearance from Article 85 of the Treaty of Rome, which forbids market sharing that is likely to distort free competition. In the Sony case, the Commission demanded the E.C.-wide guarantee in exchange for granting the exemption.

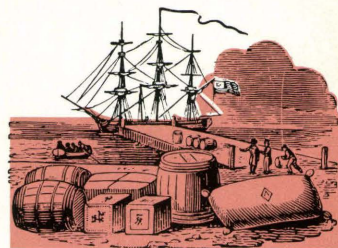
COMMISSION INVESTIGATES FERRY ORDER

The Commission opened an investigation in July into charges that France offered illegal subsidies to a French shipyard in order to win a construction contract for an English Channel ferry. The Commission said it would examine the offers of state aid made by both the British and French Governments in the contest for the \$72.5-million order, which was won by the French shipyard Chantiers Navals de l'Atlantique.

The Commission noted that this was the first case under the E.C.'s new regulation governing shipbuilding aid, which limits the amount of government subsidies to 28 percent of the construction cost, and allows the Commission itself to award the contract to the lowest bidder.

The complaint was brought by the British shipbuilder Govan Yards, which claimed that the French bid contained an illegally high percentage of state aid. Both the British and French bids, according to the Commission, were well below the bid submitted by Van Der Giessen de Noord, a Dutch shipbuilder also competing for the contract. The opening of

the investigation automatically suspends all state aid.



AID AND DEVELOPMENT

AID FOR AFRICAN TRADE ROUTES

The European Community said in early July that it was granting nearly \$120 million in development aid for Africa, with over a third for a strategic trade route that which helps black African states bypass South Africa. Mozambique, Zimbabwe and Malawi would jointly get \$45 million for renovation work on the Indian Ocean port of Beira, the E.C. Commission said in a statement.

The work forms part of a huge reconstruction project on the Beira corridor, a key southern African trade route linking landlocked Zimbabwe to the coast by road and rail through Malawi and Mozambique. The Commission said the project is aimed at reducing the reliance of black African countries on trade routes through white-ruled South Africa. Guerrilla activity and decaying infrastructure have blocked the vital Beira trade artery and made black states even more dependent on their political foes in Pretoria.

Among other projects, the Commission said Tanzania would receive a total of around \$28 million for renovating hospitals in Zanzibar and modernizing port facilities there, as well as constructing a road linking the East African state with Rwanda, its neighbor to the northwest. Zambia and the Central African Republic would get \$13.5 million and \$11.3 million respectively for developing their agricultural sectors, the Commission added.—Reuters

BOOKS IN REVIEW

ROY GINSBURG

Academic literature in the United States on the European Community was once rich in detail on the European experiment and in theories that predicted a political union over the horizon. That was prior to the early 1970s when many distinguished American academics wrote that the E.C. would become larger than its constituent parts.

Having fallen short of their own theories and prescriptions, many academics in the 1970s dismissed the E.C. in one fell swoop. They either wrote off the E.C. as secondary in political importance to its member governments or subsumed the politics of the E.C. to the ebb and flow of international politics. As the E.C. became more complex and diverse, grand definitive works on European integration became increasingly difficult to produce.

The excitement of the early years of the European experiment is long gone. While the academic literature that accompanied and followed the E.C. in its infancy was generally too optimistic about the future of the E.C., that body of literature was still rich in explanations and descriptions of the E.C. and its formation, institutional structure, decision-making and common policies.

In the 1980s, the E.C. has not realized many of its own goals set in the early post-war period—in part disenchanting a generation of American academics who witnessed the rise and fall in expectations. However, in retrospect, the mass abandoning of scholarly interest in the E.C. was too abrupt, leaving many key E.C. developments in the 1980s unresearched and unpublished.

That the decline in E.C. studies has lasted so long is surprising. Surely, the E.C. continues to distinguish itself from other forms of international cooperation when it formulates and executes policies to which its member governments are legally bound. Monetary stability through the European Monetary System, direct elections to the European Parliament, enlargement, European Political Cooperation (EPC), ESPRIT, and European Court

of Justice decisions that usually uphold E.C. over member state trade law are the kinds of policies and actions that warrant inclusion in the academic literature. In addition, the E.C.'s internal and external policies and actions are often critical to the United States, given the massive two-way trading and strategic security partnership with the E.C. states. Despite the E.C.'s own developments that beg for academic research and the close bilateral relationship between the United States and the E.C., the pickings on the library bookshelves are slim.

As the E.C. and the process of regional cooperation persist, so have a handful of U.S. academics who have doggedly continued to publish their research on the E.C. Their works avoid the grand theories and predictions of earlier years and instead favor case studies that help readers to understand specific policy and technical areas of the Community. While the quantity of works on the E.C. has dropped considerably during the past 15 years, the quality has improved insofar as the newer works are more practical and informative than the value-laden or prescriptive older ones.

Recent books and chapters in books on the E.C. fall into two broad categories: internal policy harmonization efforts and external relations. This article briefly identifies many of these English language texts and chapters in texts specifically on the E.C. by social scientists in the United States between 1981-86. U.S. readers will have to consult the wider choice of English language texts on the E.C. written and published by Europeans since the recent U.S. literature remains sparse. A brief discussion of trends in the literature on the E.C. follows the review.

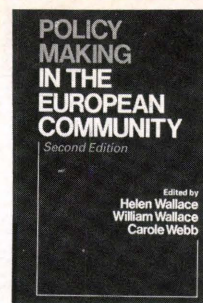
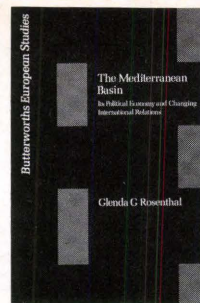
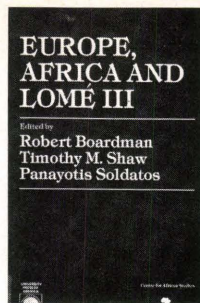
Internal Policy Harmonization

Recent works often focus on case studies that generate knowledge on many key policy sectors and the extent to which the member governments are harmonizing policy. Donald Puchala (University of South Carolina) examines fiscal policy in the E.C. member states first as a chapter in **Policy Making in the European**

Communities (John Wiley, 1983) and later as a book entitled **Fiscal Harmonization in the European Communities: National Politics and International Cooperation** (Frances Pinter, 1984). Puchala chooses fiscal harmonization because the issue of taxes in the E.C. challenges the member states' capacities to cooperate. What, he asks, are some of the lessons from the E.C. experience in cooperation for broader international cooperation? Puchala's thesis is that successful international cooperation requires a high degree of mutual sensitivity on the part of interacting governments with regard to their domestic politics.

In the 1960s and 1970s, E.C. member governments were able to formulate and implement common policies because they were sensitive to one another. Progress toward greater European integration in the 1980s hinges on the extent to which the member governments can preserve those conditions for cooperation that have remained, and recreate those that have disappeared in the economic and political turbulence of recent years.

The question of public policy harmonization in the E.C. (and broader European) context is examined by Professor Leon Hurwitz (Cleveland State University) in his edited volume **The Harmonization of European Public Policy: Regional Responses to Transnational Challenges** (Greenwood, 1983). Hurwitz and his contributors focus on several areas of policy harmonization where the Europeans have met with some success, e.g. the Common Agricultural Policy, antitrust legislation, fiscal matters and certain areas of foreign-policy decision-making. David Wood (University of Missouri) in **Future Technocrats?: Recruits to the Higher Civil Service of the E.C.** examines the recruitment policy of the E.C. Commission and concludes that it has sought to upgrade the professional caliber of the staff and instill a sense of institutional loyalty. Joseph Rallo (Air Force Academy) in **The E.C. and Multinational Enterprise** underscores the difficulty regional groups such as the E.C. have in regulating multinational corpora-



tions. In **Partisan Ideology or National Interest: An Analysis of the Members of the European Parliament**, Hurwitz examines the general level of conflict/consensus in the Parliament as a whole, the degree of voting cohesiveness within each of the delegations and transnational party groups and the degree to which members vote along partisan ideology lines compared to national interest lines.

Stephen Frank Overturk (Whittier College) in **The Economic Principles of European Integration** (Praeger, 1986) provides readers with an important book-length volume that deals with the basic economic arguments behind many of the key policies and programs of the Community. It is readable to the history, politics and business student as much as it is to the economics student. The book consists of an historical background on European integration, an examination of customs union theory and an analysis of a wide swath of major E.C. policy areas. At the end of each chapter, Overturk concludes with a list of key concepts and review questions, making this volume highly useful for students eager to learn the fundamentals of European integration.

The federal government is an important source of data and analysis of E.C. trade practices and policies. In either statutory or ad hoc studies, the U.S. Departments of Commerce, Agriculture and State; the Executive Office of the President; the U.S. International Trade Commission (ITC); the Congressional Research Service and the Government Accounting Office conduct research projects on E.C. policies and practices that affect the United States. One example is the ITC's annual statutory report entitled **Operation of the Trade Agreements Program**, which (among other things) chronicles major E.C. trade, agricultural, industrial and monetary policies and practices and bilateral trade flows between the E.C. and the United States.

External Relations

Glenda G. Rosenthal (Columbia University) in **The Mediterranean Basin: Its Political Economy and Changing International Relations** (Butterworths, 1982) examines the impact of Greek membership on Turkey and the impact of Iberian accession on the Maghreb. Undergraduates new to E.C. studies would want to read Rosenthal's bibliographic essays on E.C.-Mediterranean relations and the E.C.'s external relations in **The European Community: Bibliographic Excursions** (Frances Pinter, 1983). An essay of mine in the same volume reviews the literature on U.S.-

E.C. relations throughout the post-war period. Werner Feld (University of New Orleans, retired) in **The Harmonization of the European Community's External Policy** (in Hurwitz) concludes that EPC is primarily a national instrument for foreign-policy formulation and implementation, and is used in accordance with what is perceived as best for the national interest. The weight of all the E.C. members as reflected by harmonized EPC policy action is stronger than the voice of any individual member government.

My chapter on U.S.-E.C. relations in **The European Community: Institutions and Policies** (Frances Pinter, 1983) explores the problems, chronicles the changing patterns and explains why the two sides differ in such areas as trade policy and East-West relations. My chapter on the E.C. relationship with the Mediterranean Basin in the same volume explores the crisis in the Mediterranean policy as southern enlargement results in a trade-off between benefits for new members and costs to certain nonmembers.

Isebill Gruhn (University of California, Santa Cruz) in her chapter in **Europe, Africa, and Lomé III** (University Press of America, 1985), reveals many problems in the Lomé Convention from the perspective of the African, Caribbean, and Pacific (ACP) countries. The Lomé Convention is the cornerstone of the E.C.'s foreign development policy. Gruhn concludes that both sides have a genuine stake in maintaining close ties and that negotiations for renewal of Lomé in the years ahead may prove the only serious multilateral forum available to many of the ACP countries given the lack of progress in the broader set of North-South relations.

Finally, in **International Organizations: A Comparative Approach** (Praeger, 1983) by Werner Feld and Robert Jordan (University of New Orleans) with Leon Hurwitz introduces students to the creation of the E.C. and to its institutional and bureaucratic developments, decision-making process and policy-making scope.

The Academic Field

The E.C. as an object of book-length works or chapters in books in the United States appears to have received little attention. Trends in the academic disciplines that produce most of the work on the E.C.—political science and international relations—help to explain why the literature is sparse.

• Many technical and policy areas of the E.C. are ripe for research, but the number of research questions far exceeds the

supply of interested scholars.

• That research demand exceeds supply is attributable in large part to the paucity of college or university teaching positions in West European studies in the United States. As a result, fewer Ph.D. candidates are inclined to write dissertations on the E.C. and to embark on a career specialty in E.C. studies. There is also the question of encouragement. If senior professors and dissertation directors do not encourage students to undertake research on the E.C., or if they actually discourage students from this, then this will be reflected in the literature.

• Western Europe as a regional area of political-science study predates the 1950s; since then, colleges and universities have expanded into other regional studies. Western Europe, as the older of the regional specialties, has been taught by scholars who came to academe in the 1950s and 1960s, and has not generally experienced a large influx of new professors in recent years. Insofar as the E.C. comprises the bulk of Western Europe's population, E.C. studies languish when Western European studies languish.

• Retirement of the postwar generation of Europeanists within the next few years will open the market, but demand may exceed supply.

• Regional interests among political scientists at colleges and universities have also focused on such flash-points as the Middle East and on such economic miracles as the Pacific rim countries at the expense of Western Europe, whose stability many now take for granted. Western Europe must compete not only with other regional areas of specialty for space in the literature, but such global issues as nuclear arms control, superpower relations, international terrorism, the Persian Gulf and Central America.

• Demographic shifts in the United States away from the East Coast toward the South and West may have also influenced the trend in academic literature away from Western Europe.

• Professors of international organization have very few textbooks from which to choose in teaching. The E.C. as an international organization too has not been adequately covered for the purpose of teaching. Some professors may more readily include the E.C. as a component in their comparative and international policies courses were there a wider choice of texts available. In addition, widespread disenchantment in the United States with regard to the United Nations and some of its specialized agencies may have had a negative effect on attitudes toward inter-

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national organization in general, and this may have affected attitudes toward the E.C.

The Literature

Regional integration theorists and E.C. studies specialists of the 1950s and 1960s expected too much, too soon, from the E.C. When E.C. outputs did not meet their prescriptions and predictions, many of them dropped the E.C. "like a hot potato."

They, too, swiftly dismissed the E.C., so that when integration either moved on in subtle ways (technical harmonization) or in more striking ways (direct elections to the European Parliament, the European Monetary System, enlargement, EPC, the Single European Act, etc.) many scholars were occupied elsewhere, and key developments went unresearched and unpublished.

Many political scientists have either subsumed European integration into broader conceptual approaches to international relations; have focused on case studies that illuminate aspects of the E.C., but make little or no attempts to build a conceptual base; or have reduced the status of the E.C. to that of an "international regime." As time passes, the glimmer of excitement that the E.C. once generated has faded. Between the older, disenchanted generation and the successor generation who did not live through the Monnet and Schuman era, coverage of the E.C. in academic circles has declined. Europeanists in the United States well know the E.C. exists, but keep at arms-length when research projects are considered.

Broad works on the E.C. by single authors are generally not found in the literature due in part to the increasing complexity and variety of E.C. concerns. The E.C. has become too big, too diverse

for any single volume or theoretical approach to cover.

Current trends in the literature are policy-oriented. This unveils some of the mysteries of selected areas of the E.C., but there is no political-science text that broadly introduces American students to the E.C., to its component parts and to a conceptual framework for describing and explaining the E.C.

No foundation/research center exists in the United States that is specifically designed to support research by Americans on the Community. Support for studies by U.S. scholars on the E.C. is more likely to originate from European sources. Foundation grants in the United States concerning Western Europe are more likely to be concerned with strategic security issues rather than trade, economics, political economy, international organization and regional integration.

Assessment

Certainly the quantity of studies in the United States on the E.C. has dropped substantially in the 1980s over the 1960s. Yet, one may argue that the quality of works of the E.C. today has improved. Recent works offer less ambitious perspectives and are more geared toward understanding specific parts of the E.C. rather than the total picture. This may be more practical given the E.C.'s growing complexity. The current trend in the United States may reflect a more mature realization that the key to understanding the E.C. is through an incremental building of knowledge rather than a grand theory or design that tries to do too much, and in the end does little to generate knowledge.

Despite the apparent lack of interest in the E.C. from an academic standpoint, there is a core of U.S. scholars that has continued to be involved in E.C. studies:

teaching, researching and publishing. They are involved in researching a wide swath of E.C. issues and activities. However, these "die-hards" are perhaps more a product of the intellectual tradition of the early years of the E.C. than of a more recent intellectual dynamic. Attracting young academics to E.C. studies is critical if Americans are to be informed about the Community.

Surely, the E.C. deserves the attention of American Europeanists because despite their gloomiest forecast for a united Europe, the process of integration persists. The Europeans are abandoning their "Eurosclerosis" mentality in favor of a more upbeat self-confidence. Renewed commitment to make the internal market work as it should, foreign policy coordination and actual joint foreign-policy actions taken by the E.C. as a group underscore the point that the E.C., despite its aches and pains, is still alive and kicking.

For U.S. students who will move into the workforce—into the public and private sectors—knowledge of the E.C. is critical to the trade and foreign-policy interests of the United States. The field of research is wide open to new and established scholars alike to analyze the behavior of the the Community. Publication of their research projects on the E.C.—particularly its institutional structure, decision-making process, formulation and execution of policy and historical evolution—would benefit the policy-maker in Washington, who may need to depend on background reading, and the student who is intrigued by the West European experiment in cooperation. Perhaps then, those in search of new works on the E.C. will not find the library bookshelf so bare or be forced to turn only to works about Europe written by Europeans. €

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.

Woman as Mediatix: Essays on the Nineteenth Century European Woman Writers. Edited by Avriel H. Goldberg. Greenwood Press, New York, 1987. 200 pp. \$29.95.

Comprised from a conference at Hofstra University on nineteenth century female writers, this selection discusses the many new ideas and questions raised in the era. Their central theme is the effect of the European industrial revolution on women, as reflected in the lives of women like Germaine de Stael and Juliette Adam. Each essay explores the changing outlooks and goals felt by these predecessors to the female equality movement. Also revealed are the problems and sacrifices encountered by

women desiring a break from their past "accepted" positions.

Mixed Messages: Report on the Study of Contemporary Germany in the U.S. By Jackson Janes and Helen Scher. German-Marshall Fund, Washington, D.C., 1987. 84 pp.

This report addresses an important cultural question in German-American relations: the widening gap between the large number of Americans either of German ancestry or living in Germany and the low interest level in German affairs. The authors polled 50 U.S. universities to determine students' interest in German studies and the colleges' interest in promoting study in the field. Secondly, a

SLIDE PROGRAM AVAILABLE

"History of the European Community" is a collection of 60 slides with text covering significant events in the E.C.'s history. The program also describes E.C. institutions, E.C. policies and current scientific and technological programs. A supplemental set of eight statistical slides focusing on trade and agriculture in the United States and the E.C. is included to give the American audience a basis of comparison.

The slide program is available on a loan basis. Requests may be directed to:

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European Community Delegation
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poll of public and private firms evaluated the importance of a familiarity with German business practices and the language. Both polls enforce the original thesis that the rift which exists between the importance of German knowledge and its promotion as a field of study should be lessened.

The Trade Union Movement in France. Compiled by Jean-Jaques Danis. European Trade Union Institute, Brussels, 1987. 78 pp.

This book takes a sharp look at French trade unions, from their beginning in 1887 to their present states. Looking beyond the simple functioning of the five nationally recognized unions, the study explores their places in both politics and society. As part of a series on unions in each western European nation, this one is written to make comparison with other countries possible.

The Evolution of Blitzkrieg Tactics: Germany Defending Itself Against Poland. By Robert M. Citino. Greenwood Press, Westport, Connecticut, 1987. 209 pp. \$32.95.

Citino traces the regeneration of the German army from the Treaty of Versailles in 1918 to Adolf Hitler's takeover in 1933. With an emphasis on the eastern German border, he reveals the Polish threat to security and the subsequent German arms build-up. The author offers a striking analysis of the strategic military skills demonstrated by the Generals von Seeckt and Groener in revitalizing and modernizing the limited force allowed to Germany by the Treaty.

Economic Policy and the Adjustment Problem. By Gary Banks and Jan Turner. Gower for the Trade Policy Research Center, London, 1986. 91 pp.

This essay addresses one of the most significant issues in modern international trade, that of the adjustment problem in response to import competition. Looking into the background of the "adjustment problem," the authors cite the policy's faults and their effect on the present problems. This policy inhibits its own goals by lessening advancement incentives for the worker and employer and by not searching for the market information necessary to avoid further government subsidies. In short, it aggravates the problems rather than solving them.

Voluntary Regulation of Advertising: A Comparative Analysis of the U.K. and the U.S. By Gordon Miracle and Terence Nevelt. Lexington Books, Lexington, Massachusetts, 1987. 322 pp.

Comparing and contrasting the American advertising industry with the British, the authors examine each system as a whole. They assess the balance between industry self-regulation and government regulation. Weighing the advantages and disadvantages of all aspects, specific reforms are offered to improve each country's system. These reforms aim to protect the consumer without stifling the industry's profit potential.

Illy versus Ally: America, Europe and the Siberian Pipeline Crisis. By Anthony J. Blinken. Praeger Publishing, Westport, Connecticut, 1987. 193 pp. \$37.95.

Blinken discusses one of the many seri-

ous strains on U.S.-E.C. relations, the Siberian pipeline project. With this example, he expands on the polarity which has developed between two opinions on East-West trading and technology transfer, within the Atlantic Alliance. The issue extends beyond U.S.-E.C. trade priorities to U.S.-Soviet relations and thus of immense interest in light of increased arms reduction talks.

France Today: Sixth Edition. Edited by J.E. Flower. Methuen, New York, 1987. 248 pp. \$12.95.

Each of these nine essays addresses a significant development or movement in modern France. They focus on the French people adjusting to a rapidly changing society as reflected in their answers to questions concerning politics and the church. With the help of writers who are experts on France and her culture, Flower creates a most current and complete look at the complexities of French society.

The European Directory of Marketing Information Sources. Published by Euromonitor, London, 1987. 387 pp. \$160.00.

The directory provides extensive information on product marketing in Western Europe. It contains addresses for European business information services, databases and direct business contacts. Also included is a socioeconomic profile on each nation to assist a consumer business' decisions in marketing. All these resources intend to further open business interest and action in Europe.

The Dynamics of European Union. Edited by Roy Pryce. Croom Helm, New York, 1987. 300pp.

Enriched with contributions from many scholars, the book traces the successes and failures in attempting to create a more closely unified Europe. Beginning in the 1950's and climaxing with the Single European Act of 1985, the history of European unification is explored and digested. The editor then offers solutions to the present and future problems which face the E.C.

PUBLISHED FOR THE COMMISSION

Biology of Stress in Farm Animals: An Integrative Approach. *EUR 10604.* Edited by P.R. Wiepkema and P.W.M. van Adrichem. Martin Nijhoff Publishers for the Commission of the European Communities, 1987. 198 pp. \$45.75.

Experts in fields from endocrinology to theoretical biology met to discuss the effects of stress on all facets of animal health. This volume synthesizes the immense and yet fragmented knowledge of the scientists and gives insight into more efficient livestock raising. It greatly advances our understanding of stress in higher vertebrates.

Testing and Evaluation of Solidified High Level Radioactive Waste. *EUR 10852.* Edited by A.R. Hall. Graham and Trotman, London, 1987. 353 pp. \$88.00.

An in depth analysis of the stability of high level waste on thermal, mechanical and radioactive levels. Complete with numerous diagrams and charts, this research is aimed at assessing the waste, in

relation to the environment, after its disposal.

Direct Protection of Innovation. *EUR 10451.* Edited by William Kingston. Kluwer Academic Publishers for the Commission of the European Communities, Boston, 1987. 346 pp. \$87.50.

Arising from a symposium on the patent system sponsored by the E.C., this book offers patent reforms, but also critiques of the reforms from leading experts in the field. The editor compiles a complete volume of opinions relating to the protection of innovation and invention. Ultimately, he uses these opinions to modify his thesis and draw new conclusions on harmonizing and improving the patent system.

Studies of Severe Accidents in Light-Water Reactors. *EUR 11019.* Edited by the Commission of the EC Division of Safety of Nuclear Power Plants, Brussels, 1987. 292 pp.

This report embodies the most recent and educated evaluations of the consequences involved in a reactor accident. Taken from a seminar analysing reactor safety and the Chernobol accident as a particular example, the study intends to heighten European and global nuclear awareness.

Neutron Radiology: Proceedings of the Second World Conference. *EUR 11021.* Edited by John Barton, Gerard Farny, Jean-Louis Person and Heinz Rottger. D. Reidel publishing Company for the Commission of the E.C., Boston, 1987. 928 pp. \$157.50.

The global effort of scientists and experts comprises this study on neutron radiology. They contributed essays on topics ranging from national reviews of radiology research to particular programs. The conference gave them an opportunity to assimilate and extrapolate the vast amount of data collected on the subject.

Fusion Technology 1986: Volumes 1 and 2. *EUR 10936.* EURATOM. Pergamon Press, New York, 1986. 1,895 pp.

Proceedings of the Fourteenth Symposium on Fusion Technology held in Avignon, France, September 8-12, 1986. This extensive text is comprised of the invited written papers, oral papers and poster papers presented at this seminar which addressed issues such as tritium handling, magnet technology, and high frequency heating systems.

Asymptotics of high order differential equations. *EUR 10648.* By R.B. Paris and A.D. Wood. Longman Scientific and Technical, Essex, 1986. 344 pp. \$49.95.

The aim of the book is to present and explain methods of obtaining asymptotic expansions of solutions of certain linear differential equations in the complex plane for absolute values of z . Highly technical in nature, this study is geared for researchers and graduate students in mathematics, mathematical physics, and engineering.

Consumer Legislation in Spain. *EUR 10564.* Commission of the European Communities, Brussels, 1987. 264 pp.

This book traces the history of consumer protection, as shown in the legislation enacted by Spain. In most western

nations, laws signal a unification of consumer interest, essential for effective protection. Spain is no different, only slower to respond because of government apathy and unorganized consumer action. The authors show how and why Spain overcame these obstacles to harmonize her laws with European standards.

Glucosinolates in Rapeseeds: Analytical Aspects. *EUR 10781.* Edited by J.P. Wathelet. Martin Nijhoff Publishers, Boston, 1987. 198 pp. \$46.00.

Reports from a conference on accurately determining the levels of glucosinolates, which are potentially harmful to both man and animals, in rapeseeds. Sponsored by the E.C., the conference aimed at harmonizing their studies in food analysis and the subsequent control of products destined for a consumer.

Physico-Chemical Behavior of Atmospheric Pollutants. *EUR 10832.* Edited by G. Angeletti and G. Restelli. D. Reidel Publishing Company, Dordrecht, The Netherlands, 1987. 809 pp. \$149.00.

This volume is a direct result of the "Fourth European Symposium on Physico-Chemical Behavior of Atmospheric Pollutants" held in Stresa, Italy, September 23-25, 1986. This compilation of papers deals with five sectors: analysis of pollutants; chemical and photochemical reactions, mechanisms and rates; aerosol characterization and particle formation; pollutants cycles; transport and modelling.

Photovoltaic Power Generation. *EUR 10932.* Edited by G. Willeke and G. Grassi. D. Reidel Publishing Company, Dordrecht, The Netherlands, 1987. 214 pp. \$58.00.

Proceeding of the First Contractors' meeting concerning the E.C.'s implementation of a four-year non-nuclear energy research and development programme for the development of renewable energy sources and in particular of solar energy. This study focuses on the Community's plans in the field of advanced photovoltaic cell technologies.

Piracy of Phonograms. *EUR 7535.* By Gillian Davies. E.S.C. Publishing Limited, Oxford, 1986. 151 pp.

This study requested by the Commission delves into the serious problem of piracy of phonograms (i.e. records and prerecorded tapes) in the Community. Following a brief description of the factors affecting piracy, Davies compares its occurrence in the various Member States of the Community. International conventions and national laws currently available to combat piracy, as well as intergovernmental recommendations and proposals for action, are then discussed.

Anaerobic Digestion: Results of Research and Demonstration Projects. *EUR 10602.* Edited by M.P. Ferrati, G.L. Ferrero, and P.L'Hermite. Elsevier Applied Science Publishers, Essex, 1987. \$49.50.

Proceedings of the meeting organized in the joint framework of the R & D programme on recycling of urban and industrial waste and the demonstration programme in the sector of biomass and energy from waste. The volume contains full texts of the presentations and a summary report of the discussions from this seminar held in Villeneuve d'Ascq, France, March 4-6, 1986.

CAR WARS

Continued from page 26.

will break even this year, but huge levels of debt remain and the company is extremely dependent on continued capital injections (over \$1.3 billion over the past two years) from the French Government.

Protectionist pressures probably will persist for the foreseeable future, making it likely that Japan will look for ways to establish itself within any restrictive walls that may go up. The Japanese have until now invested far less in Europe than they have in the United States, but the trend is underway. Nissan UK began assembling cars last year at its plant at Sunderland in northern England, and expects to be turning out 100,000 units a year by 1991—at about \$300 less per car than their British rivals. Honda and Austin Rover have been involved in a joint development plan since 1981, Daihatsu is reportedly searching for a joint-venture partner in Europe and, most recently, Toyota signed an agreement with VW on July 23 to jointly produce a one-ton truck in Germany—a move many analysts predict will lead to joint automobile production. Like Nissan's British facility, the plant will use more than 60 percent local parts, qualifying it for trade purposes as a European product.

The Japanese, of course, are not the only foreigners after a slice of the European market. Ford and General Motors have had a strong subsidiary presence there for years (Ford began assembling cars in Britain in 1911), and Chrysler announced in March that it will soon start to export up to 5,000 American-made cars a year to Europe. GM appears to be most committed to the European market; it has invested more than \$7 billion in Europe since the beginning of the decade, giving it some of the most modern manufacturing facilities in the world, and has

increased its market share by 32 percent (in contrast to the sharp decline it has suffered in the U.S. market). But GM lost \$343 million last year in Europe, and its problems may continue due to its strong dependence on the German market. Ford also plans to invest billions in its European plants, and has been able to show much stronger profits than GM, due, analysts say, to its greater flexibility in choosing parts suppliers.

The combined threat of American and Japanese penetration has tempted some European governments to shelter their national carmakers even from intra-E.C. competition, which has brought them into conflict with the Commission. E.C. competition laws permit governments to grant aid only in rare circumstances, primarily to develop poor regions, but never to help a company's standing against its competitors. And a number of cases this summer have underscored the E.C.'s commitment to making sure the rules are obeyed.

When France, for example, said late in July that it was considering beefing up Renault with some \$1.6 billion in new capital as part of a broad plan to make the state-owned carmaker more salable to the private sector, warning flags went up all over Brussels. The Commission is already investigating charges that past government grants of \$650 million to Renault were actually disguised operating subsidies that illegally distorted competition. If it finds against the French Government in that case, any new grants to Renault would be unlikely, to say the least.

In a similar case, the Commission said on July 29 that it was looking into Italian grants of about \$150 million to Alfa Romeo in 1985, and that it was investigating the 1986 sale of Alfa to Fiat. The suspiciously low price Fiat paid for the state-owned Alfa may have been a disguised

subsidy of as much as \$400 million, the Commission said.

Italy had come up against the Community earlier in the year, when the European Court of Justice outlawed Italian restrictions on imports of inexpensive cars from other E.C. member states. The barriers had been set up in 1984 to stop dealers and consumers from buying Fiats in Germany and France, where lower sales taxes made them up to 20 percent cheaper, then reimporting the cars into Italy. The Italian Government, fed up, clamped down. But the Court agreed with the Commission that the restrictions contravened E.C. rules against barriers to trade between member states, and rescinded them. Legal action is also planned against similar restrictions in Spain.

The tough line that the Commission has adopted may go far in opening up automobile trade within the Community, and the trend toward privatization—with its implications of restructuring and increased efficiency—is picking up speed as well. Both are going to be crucial to Europe's ability to grapple successfully with the challenges posed by shrinking markets and heightening competition. The rapid internationalization of the industry is setting off economic dislocations that in turn create pressures for trade restrictions. But setting up barriers will only hinder European carmakers' competitiveness in—and access to—the global markets of the coming decade. Current uncertainties in currency fluctuations, oil prices, consumer tastes and economic growth are going to demand a lot of strategic flexibility in the years ahead. Europe's carmakers would do well to reconsider the value of short-term political solutions to long-term economic challenges.

KOREA

Continued from page 31.

petitors. Trade unions also number among the RDP's strongest supporters and thus it has been sensitive to labor pressure for higher wages, better working conditions and mandatory collective bargaining at company level. These demands, if implemented, clearly would erode to some extent Korea's competitive position on foreign markets.

Conclusion

The upcoming elections in Korea are not likely to have much immediate impact on E.C.-Korean relations. Liberalization of

access to the Korean market will probably continue at a glacial pace, no matter who wins. Nor should anyone expect that a victorious RDP would jettison the current Government's goal of 7-percent growth per year in GNP and achievement of the number-10 rank among the world's trading nations between now and 1992.

Better trade relations between Europe and Korea will require patience, more direct contact between businessmen of the two groups and more appreciation of each others' problems. "It is sometimes said that it is relatively easy to strengthen economic cooperation between Korea and the E.C. because their shares of each other's markets are still low," writes Cho

Soon-Jae. "But in practice, it is not an easy job. Korea and the E.C. are widely separated by geography, and they share relatively little in terms of history and politics."

Hugues J. Hannon, honorary president of the French Chamber of Commerce in Korea and general manager of the Korean subsidiary of the Alsthom company, believes that these differences can be overcome. Hannon recently told the Korea Chamber of Commerce and Industry's *Quarterly Review* that "A continuous presence and regular contacts are the keys to success, along with reciprocal confidence and full respect of mutual agreements."



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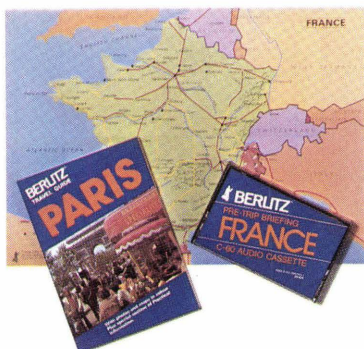
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