

THE E.C. AND TOURISM

# EUROPE

MAY 1988 \$1.95

**EUROPE LAUNCHES  
NEW SPACE  
PROGRAM**

© 1988 AT&T



*"Get this—he wants me to pitch  
a guy 5,000 miles away,  
who I haven't spoken to in three years."*

It pays to keep in contact with your international contacts. Each time you call, your voice is your unique signal that you care. You're interested. And that you're personally committed to maintaining and building a relationship.

In short, you build the kind of rapport and confidence that can turn future business dealings into successes.

For more on how AT&T's Worldwide Intelligent Network can help you make the most of your international relationships, call 1 800 222-0400, Ext. 354.

Because you never know when it's time for an overseas contact to become an overseas customer.

**From equipment to networking, from computers to communications, AT&T is the right choice.**



**AT&T**

The right choice.

# EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY



## U.S.-E.C. RELATIONS

### 14 U.S. Begins Assessing Impact of 1992 Market Deadline

*R.C. Longworth*

E.C. Commissioner Willy De Clercq declares the program "good news for the United States."

### 16 Food Conference Examines Imbalances in World Production

*Lord Plumb*

Reductions urged in price supports for farm goods.



## BUSINESS

### 18 Study Analyzes Impact of 1992 Internal Market Plan

*Paolo Cecchini*

Elimination of barriers will set in motion a complex chain of events.

### 20 Europe Readies Electronic Data Exchange

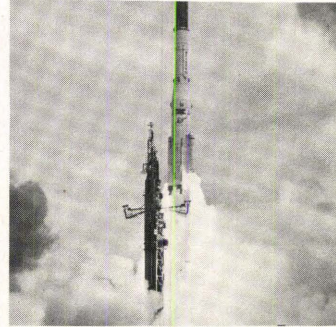
*Julian Weiss*

Integrated network will facilitate manufacturing and trade.

## DOSSIER

### 24 The E.C. and Tourism

Community institutions increasingly are involved in this economically and culturally important sector.



## EUROPEAN AFFAIRS

### 34 Europe's Job Crisis: Here to Stay?

*Stephen Brookes*

Unemployment—and complacency—may be setting in.

### 36 Air Deregulation Means Lower Fares, More Competition

*Frederick Sorensen*

1992 internal market deadline will harmonize European operations.

## INDUSTRY REPORT

### 28 Europe Launches New Space Program

*David Dickson*

Picking up the challenge of manned flight.



## MEMBER STATE REPORT

### 38 Belgium

*Alan Osborn*

Takeover bid spurs record stock-market surge.

## DEPARTMENTS

### 4 Around the Capitals

Letters from Europe.

### 42 News of the E.C.

Recent developments in European Community affairs.

### 47 Books in Review

Reviews and capsule descriptions of recent books on E.C. and Atlantic topics.

### 49 The E.C.'s Bookshelf

Publications available from the E.C.'s Information Service.

**COVER:** Europe's Hermès manned space plane will carry a crew of three astronauts. See page 28. © Fred Espenak.

**Publisher** Giancarlo Chevallard  
**Editor-in-Chief** Webster Martin  
**General Manager** Pamela Imburgia  
**Associate Editor** Stephen Brookes  
**Managing Editor** Anke Middelman  
**Editorial Assistant** Sekita Ekrek  
**Design** Dual Impressions

EUROPE, *Magazine of the European Community*, (ISSN 0191-4545), is published by the Delegation of the Commission of the European Communities, 2100 M Street, NW, Suite 700, Washington, DC 20037. The Commission of the European Communities, 1988. The magazine encourages reproduction of its contents, but any such reproduction without permission is prohibited. EUROPE, published 10 times per year, is available by subscription for \$14.95 per year; \$25.90 per 2 years; \$35.90 per three years. **Editorial, permissions,**

**advertising and circulation offices:** 2100 M Street, NW, Suite 700, Washington, DC 20037; telephone (202) 862-9555; telex 64215 EURCOM UW. Available in microform from: UMI, 300 N. Zeeb Rd., Ann Arbor, MI 48106; (313) 761 4700.

Second class postage paid at Washington, DC.

**Postmaster:** Please send change of address forms to EUROPE, PO Box 995, Farmingdale, NY 11737-0001

The magazine is a forum for discussion, and therefore its contents do not necessarily reflect the views of European Community institutions or of the member states.

# PUBLISHER'S LETTER

Interest in Europe's movement toward the year 1992—when all remaining barriers to internal trade will be abolished—got another boost in late March with a report that says the European economy may grow as much as 5 percent faster once the “common market” is completed. The report, called “Research on the Costs of Non-Europe,” indicates that the E.C.’s gross domestic product will grow by at least 200 billion ECU (about \$240 billion) a year through removing border formalities, taking advantage of economies of scale, allowing more competition, opening up public procurement, liberalizing financial movement and stimulating worker and business mobility. These encouraging findings are the subject of an article in this issue by the report’s author, Paolo Cecchini. American business can certainly benefit from the acceleration of European growth.

In the enthusiasm over the expected economic benefits of 1992, however, sight has sometimes been lost of the other ways in which the Community will be changing in the next decade. European society will be profoundly affected: The ability of workers to move freely throughout Europe will result in more cultural interpenetration, European-wide protection of the environment will mean that many problems can finally be cleaned up, development of a broad communications infrastructure will enable faster and better media links, and so on. And the result may well be a society with what Commission President Jacques Delors has called a “clearly defined European personality.” In this issue, we explore parts of this changing society.

Europe is continuing its expansion into space, as David Dickson reports in our cover story this month, and is “picking up the challenge” of manned space flight. Elsewhere in this issue, European Parliament President Lord Plumb discusses the problems facing world agriculture and the proposals discussed at last month’s World Food Conference in Brussels; the *Chicago Tribune*’s financial editor, R.C. Longworth, reports on Commissioner Willy De Clercq’s recent visit to the United States; *Europe*’s associate editor, Stephen Brookes, writes on the E.C.’s continuing unemployment problem; and Julian Weiss looks at developments in Europe’s electronic data exchange system.



Giancarlo Chevallard

This announcement appears as a matter of record only.

New Issue

**Italian Lire 100,000,000,000**

**European Economic Community**

**11<sup>5</sup>/<sub>8</sub>% Notes Due March 31, 1995**

**Bear, Stearns & Co. Inc.**

**The First Boston Corporation**

**Morgan Stanley & Co.**  
Incorporated

**Banca Commerciale Italiana**

**Goldman, Sachs & Co.**

**Prudential-Bache Capital Funding**

**Salomon Brothers Inc**

**Istituto Bancario San Paolo di Torino**

March 1988

# AROUND THE CAPITALS

## BONN

### A Fashionable Country

**T**he Federal Republic of Germany is the world's largest exporter of women's clothing and its manufacturers have a longstanding international reputation for high quality and durability. "Our products find recognition all over the world, and our export figures reflect this success, although we are not cheap," says Volker Hartmann, secretary-general of the German Women's Outerwear Association in Cologne. In fact, exports in 1986 amounted to 3.874 billion German marks (about \$2.3 billion)—an increase of 8.3 percent despite low dollar exchange rates and fierce competition from Hong Kong, South Korea and Taiwan. The best clients are other European countries, which constitute 60 percent of all exports.

Despite this apparent success story, the creative breakthrough by German designers into the world of fashion was slow in coming, and it has only been recently that they have established for themselves an identity as creative individuals. After World War II, Germans were more preoccupied with the reconstruction of their country and this left little room for creativity. Now, however, there is a successful upsurge of expression in many areas of the arts, and in the fashion industry, women designers are playing a major role. The Ger-

man fashion scene is unveiling one star after another and the adjectives used to describe German designs are not only "proper," "solid" and "wearable," but also "sophisticated," "extravagant" and "stylish."

The fashion trade fairs in Berlin, Dusseldorf and Munich bring together buyers and manufacturers, the press and television from all over the world, and are increasing public awareness of the German fashion talents. Leading U.S. publications such as *The New York Times*, the Paris-based *International Herald Tribune* and *Women's Wear Daily* have run articles featuring the German newcomers, their talents, individuality and potential.

German fashion is *couture* made for women looking for something that is both sporty but also appropriate career wear. The reputation is so good, in fact, that the Munich-based design firm Escada received the coveted American Designer Award, the fashion world's Oscar, for its 1986 collection, marking the first time

in the history of American fashion that the award has gone to a German company.

Fashion design is no longer solely concentrated in Berlin as in the pre-war years, and Dusseldorf, Hamburg and Munich also have become centers for the industry. Each reflects the regional differences: in Hamburg, the cool understatement of the Hanseats in northern Germany, in Dusseldorf, the more flamboyant style of the Rhinelanders, in Munich, the ethnic look in Bavaria, and in West Berlin, boldness goes hand in hand with fun.

The forerunner of the new generation of assertive designers is Jil Sander of Hamburg, who has contributed greatly to the new image of German fashion at home and abroad. She was the first in West Germany to present a collection in her own name, is the most well-known abroad, and among fellow German designers no one has been able to combine design and business talents with such continuing success as Sander: She owns some 20

stores from Hamburg to Coconut Grove, Florida, and was the first in West Germany to branch into other areas—cosmetics, accessories and men's fashion.

Wolfgang Joop is another talented designer whose *haute couture* is sold all over Europe and in several big department stores in the United States. He says that his style has always been an inspiration combining the past and the future: "Fashion is part of our roots and our culture," he says. He has designed seductive clothes for the German actress Hanna Schygulla ("The Marriage of Maria Braun") and leather outfits for Sylvester Stallone. Like Sander, he designs a wide range of accessories and some jewelry.

But there are many other successful names: Beatrice Hympendahl, Caren Pflieger and Uta Raasch are successfully designing and manufacturing in the Cologne-Dusseldorf area, while Berlin designers are trying hard to restore the flair of high fashion



German fashion is gaining international acclaim for sophistication, extravagance and style. Germany today is the largest exporter of women's clothing.

PHOTOS: COURTESY OUISET (TOP); COURTESY ESCADA BY MARGARETHE LEY (BELOW)

of the 1920s and 1930s. The "Club of the Avantgarde," a self-help organization, pools ideas and capital to enable young fashion designers to present their exotic creations. An "established" avantgarde designer is Claudia Skoda whose fabulous knitwear has gained her recognition both at home and abroad.

Top designers in Munich are Albert Fuchs and Manfred Schneider, and, of course, Munich's Escada, which is making a major contribution to the export drive. Working with computer experts, ingenious methods have been devised to simplify and standardize nearly every step of the production path—from creative concept to shipping. Since mid-1975, Escada has been opening exclusive boutiques in the world's most fashionable streets, including Fifth Avenue and Bond Street.

There is no doubt that German designers have improved the German image of fashion as a whole. Ironically, German *haute couture* needs the international market because the average German has little interest in fashion: Only 8 percent of income is spent on clothing, while 26 percent goes on food and drink, 18 percent on home furnishings and 30 percent on motoring. The German clothing industry advises Germans to eat less, drink less, drive less and wear better clothes.—WANDA MENKE-GLÜCKERT

## LUXEMBOURG

### The EIB is 30 Years Old

If one had to devise an institution that perfectly symbolized Luxembourg, it would probably turn out a lot like the European Investment Bank (EIB). One cannot open an account with it, but otherwise it is much like a conventional bank in that it borrows and lends money. It also is an institution of the European Community, carrying out, in its dis-

creet and cautious manner, policy objectives determined by the Governments of the Twelve. It could surely exist nowhere else but in Luxembourg.

Thirty years old this year, the EIB can celebrate a remarkable growth record. Its initial capital, subscribed by the original six members of the E.C. in 1958, was \$1.25 billion, which it was entrusted to invest "to promote the balanced development of the Community." By 1974, it was lending \$4 billion a year under this broad heading, more than a third of it going to Italy. The entry of Britain, Ireland and Denmark in 1973 gave a much broader geographical dimension to the Bank's operations, and the lending rate has approximately doubled since then. A loan of \$1.8 billion for the Anglo-French Channel Tunnel was made last year.

The pattern of EIB operations reflects Community development priorities through the provision of long-term finance for large-scale projects of which the Channel Tunnel is the most striking example to date. Like the World Bank, it is non-profit making and directs its activities chiefly toward regions and countries facing economic difficulties, although 90 percent of its loans are made within the E.C. While some money is dispersed to riskier projects in developing countries, it is scarcely an aid agency on the World Bank scale. The EIB is an ultra-conservative lender, whose appeal

to its customers is not so much the provision of finance otherwise unobtainable, as it is the supply of loans on terms usually far more favorable than those offered by commercial banks. Interest rates charged by the EIB are a mere 0.15 percent over cost—far smaller than lending margins of conventional banks.

This is made possible by the EIB's ability to command a triple-A rating as a borrower backed by the collective guarantee of the 12 E.C. Governments, as well as the capital directly subscribed by the member states. In 1987, the Bank raised \$7 billion in international markets and ranks as one of the major operators in virtually all the leading currencies. There have been years when lenders may have groaned silently at the thought of yet more EIB paper being issued, but none has yet had any fault to find with the rock-like security behind it.

Indeed, the main challenge confronting the Bank earlier this year was more a lack of borrowers than lenders. The volatility and uncertainty of worldwide interest rates discouraged customers from entering into long-term commitments at fixed interest rates, which had a noticeable effect on applications for loans, although the EIB has been making cash more available at variable rates in recent years.

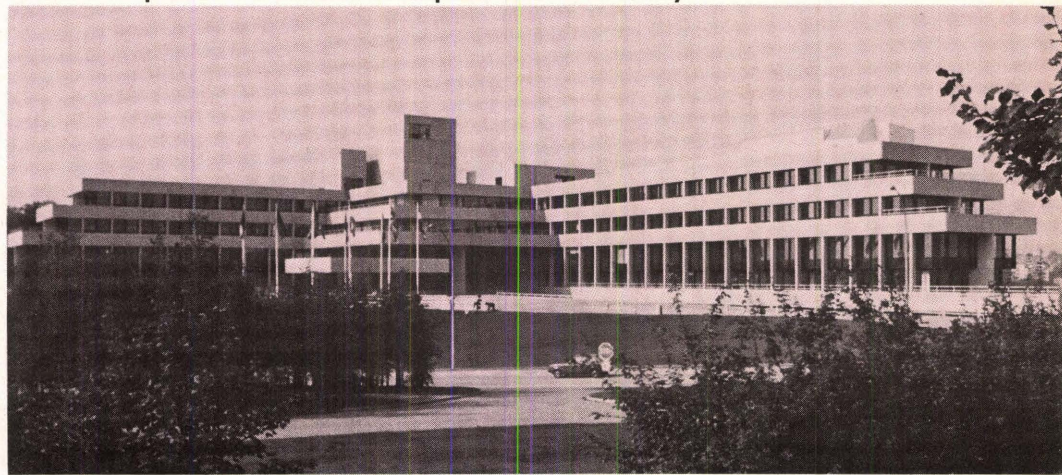
This should be only a short pause in operations, given the central role of the EIB, which has been called on to play in the

setting up of the E.C.'s unrestricted Single Market by 1992. In an effort to promote economic development in regions and countries that could be overlooked by the surge of prosperity envisaged as a result of the Single Market, the member state Governments have agreed to double so-called "structural" spending on poorer areas. Direct grants under this heading will amount to some \$18 billion by 1992—twice the present rate of spending—and a commensurate growth in EIB lending is assumed.

The EIB lending limit is set at 2.5 times of subscribed capital, (which at present is \$36 billion) or roughly twice the amount of outstanding loans. There is thus room for annual growth of more than 10 percent in operations even without any further call on the E.C. member states for an increase in capital. Reflecting new E.C. policy priorities, much of future lending will be in the environment and high technology sectors.

With a staff of some 700 and a frequent flow of international visitors, the EIB constitutes a valuable economic presence to Luxembourg. Just as important may be the solidity it lends to the country's stature in both banking and as a center for the E.C.'s financial activities. "It is part of an E.C. institution and part of an orthodox bank, and both are the stronger for the connections," said a Luxembourg Member of Parliament recently.—ALAN OSBORN

During its 30-year existence, the European Investment Bank has given many loans to E.C. regions and countries to "promote the balanced development of the Community."



## DUBLIN

# Irish Capital is 1000

This is Millennium Year in Dublin, and the citizens have launched into a favorite pastime, that of arguing about "what to put up instead of the Pillar?" The "Pillar" was the 184-foot-high Doric column surmounted by a statue of Nelson that was erected after the Battle of Trafalgar in the center of Dublin's main thoroughfare, O'Connell Street. The "Pillar," as everyone called it, was probably the city's best-known landmark until it was blown up by a bomb planted by the Irish Republican Army in 1966, just before the celebrations of the 60th anniversary of the Easter Rising in the General Post Office building, onto which the "one-armed adulterer," as James Joyce called Nelson, looked. The "Pillar," a great meeting place for Dubliners and country cousins who knew nowhere else in the big city, has been sadly missed ever since.

Now there is a competition between 15 teams of architects, engineers and sculptors to design a replacement to coincide with the capital's millennium, whose aim it is to become a symbol of Dublin the way the Eiffel Tower is of Paris or the Statue of Liberty is of

New York.

The replacement for the "Pillar" already has a controversial rival, however, in a fountain to be built near the site that the British naval hero once dominated. This project came about when City Council officials, believing that Dublin did not have a proper fountain like other capitals, approached the Smurfit organization, one of the country's wealthiest companies, for financial help and got a pledge of about \$300,000 for the project. But when the successful design was revealed, the critics came into their element.

"Is there not enough cold water falling in Ireland without providing more?" one letter to *The Irish Times* asked sarcastically. The more prudish were concerned that the nudity of the bronze reclining figure of Anna Livia, symbolizing the River Liffey on which Dublin stands, might offend: It was feared that the lady might even be nicknamed "the Dublin hooker." And the elongated shape of the proposed fountain spurred on other critics to scornful comparisons of "an oil tanker in the Persian Gulf" or "a wet *chaise très longue*." For another imaginative critic, it was like "the jaw of an alligator with square teeth" and he hoped that "Mr. Dundee would arrive in time to rescue Anna Livia for the citizens of Dublin."

Below: O'Connell Street, Dublin's main thoroughfare.



The historically minded recalled that a fountain in the same spot dating from 1787 had to be removed 20 years later because "it was considered hazardous to men and horses during frosty spells." And others feared that, like other city fountains, it would probably be let to run dry, or if not, that it would suffer the fate of having "unknown persons adding soap powder to the water and spraying suds all over the street."

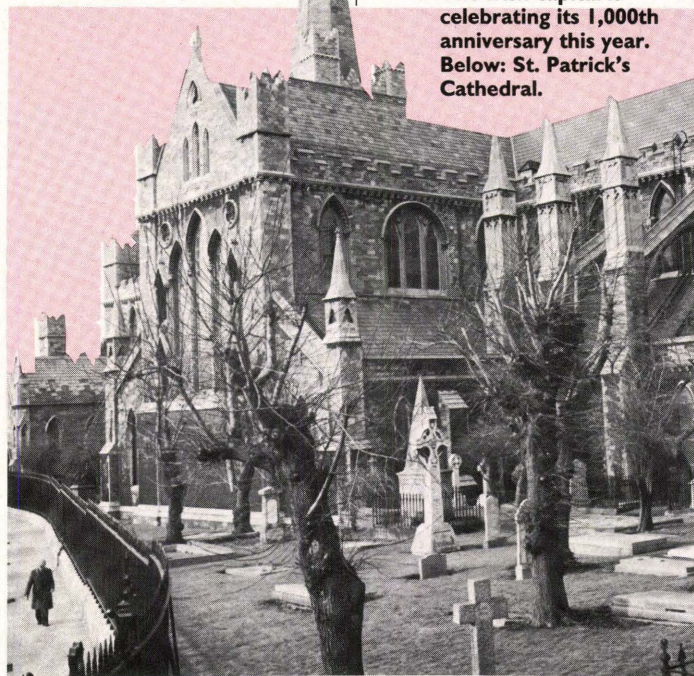
Eamon O'Doherty, the architect and sculptor, who has teamed up with the artist and engineer, Sean Mulcahy, to design the fountain, takes the criticism in his stride. He says he does not greatly mind the oil tanker analogy, pointing out that Bernini designed a fountain in the form of a sinking ship near the Spanish Steps in Rome. "The theme of the River Liffey seemed to work because of the central idea of flowing water, the geographical and historical associations of the river with the founding and growth of the city and the mytho-poetical and literary idea of the river goddess personified as Anna Livia in the work of James Joyce," he explained.

Even the "founding and growth" of Dublin is stirring its own controversy as part of the Millennium, or "Aluminium," as the

wags have termed it with a typical Dublin malapropism. If the year 988 is taken as the founding of Dublin, then the founders were the marauding Vikings who were becoming settled around the "Dubh-*linn*" or black pool, for which the site was noted. Other scholars argue, however, that there already was a flourishing settlement of native Irishmen around the ford across the River Liffey from which the present Gaelic name for Dublin comes, Baile Atha Cliath. The scholars may argue, but 1988 is the official Millennium and President Reagan has been among the thousands of well-wishers sending messages, claiming that Dublin is his "second home town."

A 10-foot-high Peace Candle will burn all year outside the Mansion House, where the Lord Mayor lives. Ten thousand Millennium trees are being planted and 250,000 visitors are expected. They will be able to sample the Millennium drink, invented by Irish Distillers, and based on whiskey flavored with spice and fruit. It is called "Rosc," which is also the war cry used by the Irish in 1014 when they defeated the Vikings at Clontarf, now a peaceful Dublin suburb. That Viking connection still rankles with the real Dubliners.—JOE CARROLL

The Irish capital is celebrating its 1,000th anniversary this year. Below: St. Patrick's Cathedral.





**ROME**

## Italians Invest In U.S. Firms

**T**he Italian business weekly *Il Mondo* has called it the "Italian hour." Italian industrialists, at first looked upon with surprise and some curiosity by the international financial and entrepreneurial community, are getting down to business. Their approach on the difficult scene of friendly and hostile mergers and acquisitions is one of caution, which does not, however, impede swift transactions.

It is as if suddenly they all have diligently learned the lesson given by Gianni Agnelli, owner of Fiat, and his chief administrator, Cesare Romiti, who stated that: "We need to grow, expand and do so quickly, or else the international economic giants, foremost the Americans and Japanese, will easily prevail over small competitors." Agnelli's line of reasoning is based on numbers: Accused of monopolizing Italian industry under the banner of Fiat, his reply is that his enterprise is still small compared to global giants. And he indicated that the only way to prevent the giants' appetites from becoming threatening was "through growth."

This message hit the spot with Agnelli's friends and foes alike. Carlo De Benedetti has undertaken the battle for control of the Société Générale de Belgique, clearly aiming at the creation of the first European holding company with an international heart and mind. Pirelli, which controls a mere 1 percent of the tire market in the United States, has not refrained from battling the Japanese in trying to buy Firestone, and by so doing, to become one of the prominent world manufacturers of automobile tires.

The list goes on, and it becomes apparent in reviewing it

that for some time now a considerable number of Italian companies have become competitive to the point where they are deemed success stories in the United States, regarded as the most attractive world market. The expansion outside limited Italian boundaries began a while back: Benetton, Olivetti, Montedison, AGIP, Fiorucci, Italcable, banks such as Turin's San Paolo, the Banca Nazionale del Lavoro and financial institutions such as IMI, are solidly established in the continental United States, and especially in New York, long regarded as the link between America and the rest of the world. More recently, an increasing number of small entrepreneurs has begun to cross the ocean without any reverential fears and not simply to export food products or shoes. The result, which up to a few months ago may have seemed astonishing, has Italy clearly netting a major trade surplus with the United States.

What is behind this success? The invitation to "grow and multiply," in spite of its biblical resonance, issued by the most famous and powerful entrepreneur of the Italian peninsula is not sufficient to explain the phenomenon. The motives behind the sudden dynamism of Italian businessmen, who in this field seem to have distanced their French and German colleagues (only the British seem to keep up the pace) are indeed more varied.

The Italian economy is now reaping the fruits of the longest period of political stability in the postwar period. For the first time, industrial and investment ventures have been realized within time schedules, without being delayed or hindered by governmental crises. It is not by chance that the slackening and minor mishaps in the Italian economy, periodically signaled by recent economic indicators, are occurring at a time when the traditional governmental instability is resurfacing.

Furthermore, the crisis of the labor unions has given company management more room

for action. One example of this is evident in sectors where unionism is still strong—and above all still tied to the old methods and mentality of the 1960s: Here business windfalls have been less successful. A look at the transportation industry, which lags behind the country's performance as a whole, illustrates the point.

Another catalyst in the quest for growth is the prospect of the unified European market scheduled for 1992. Italy is gearing for that event by taking constructive steps and eliminating the temptation to apply protectionist measures to defend local interests. All in all, the message is the same: The best solution vis-à-vis a problem is to tackle it head-on. The 1992 deadline should find Italy well prepared, government crises and union unrest notwithstanding. —NICCOLO D'AQUINO

**COPENHAGEN**

## The Future Of Shipping



**T**he Danish Parliament is making a last-ditch attempt to preserve the 1,000-year-old tradition of Denmark as a major international seafaring nation. High labor costs and taxes have been forcing shipowners to choose cheaper flags of convenience or cease operations altogether. The Danish International Ship Registry is, like its counterparts in the Nordic and some E.C. countries, an attempt to reverse—or at least stem—the tide before it is too late.

The basics of this new registry are simple. The advantages of using a respected flag, which will give political and, in some cases, military protection, are combined with the attractions of the flags of convenience,

such as, and especially, the right to use non-unionized labor and tax advantages. Not surprisingly, therefore, Danish unions are united in their opposition, claiming that no, or only a very small number of Danes, will be employed on these ships, making the whole project a non-event. The shipowners, on the other hand, argue that this is not the case, and some of them have declared they will leave foreign registries if a low-cost Danish alternative is made available.

The Danish shipowners who have survived the longest crisis in shipping history are by necessity a sturdy lot. The sturdiest of them all is one of a handful of Danish entrepreneurs and corporations with any international stature, Maersk Mc-Kinney Moeller, head of the family-controlled Maersk Group. Although the group publishes the barest legal minimum of information, it is believed to own at least 200

ships, and is the world's largest privately owned shipping line.

At 74, Maersk Mc-Kinney Moeller is still in full control of his shipping, industrial oil and gas empire and is an outspoken supporter of free enterprise in a society where entrepreneurship has often been stigmatized. This is changing, albeit slowly. Maersk Mc-Kinney Moeller and his father, A.P. Moeller, who continued at the helm until he was 88, have never made any secret of their need for profit, or of their very strong sense of responsibility for anything Danish, whenever truly international business issues like oil and gas exploration in the North Sea are at stake.

The Maersk Group also is a key combatant in the newest "Battle of the Atlantic," with the prospect of a long and very costly fight for market shares

in the container trade. Completing its around-the-globe-network, the new container ships, built by the group's open shipyard near Odense in Denmark, will challenge both Far Eastern and U.S. competitors in a battle in which the size of the war chest may be decisive. The total value of the assets of the Maersk Group is not known, but Danish analysts speak of a net worth of more than \$3.5 billion. This is sufficient for a rather large-scale commercial war, especially as the Maersk Group is renowned for its ability to control costs and reliability.

Controlling close to 90 percent of all Danish shipping interests, the fate of the Maersk Group also is the answer to the question of whether Denmark will continue as a seafaring nation or not. There is no doubt that the Maersk Group plans to stay in business, but it, too, is forced to hedge by using other flags, and without new entrants, the future is not too rosy for the industry as a whole. The new registry may provide a new stimulus.—LEIF BECK FALLESEN

## ATHENS

### Greek Art in the U.S.

**M**ention Greek art and the average person thinks immediately of the Parthenon. The building's slightly imperfect proportions (making it *seem* all the more perfect), gracefully fluted columns, carved friezes and pedimental statuary represent the accomplishments of classical architects and sculptors at their apogee in the late 5th century B.C. One of their hallmarks, the ability to make figures appear lifelike, became part of the foundation of all Western art that followed. This is the art that the Romans, who ruled after the Greeks and adopted their pantheon of gods under new names, took care to copy. Even now, discerning between original Greek statues and

later Roman replicas often requires a trained classicist or art historian. What can one say, however, of the art that immediately prefigured Greek classicism?

This is the beauty of "The Human Figure in Early Greek Art," a traveling exhibition currently at the National Gallery in Washington, D.C., and bound for four other American museums through September 1989. Using carefully chosen marble, bronze and terracotta sculptures, and vase painting on loan from the permanent collections of the Greek National Archaeological Museum, the Acropolis Museum and other museums in Greece, the exhibition has set out to explore the changing status of man as object between the late 10th century B.C. and early 5th century B.C.

"The Human Image in Early Greek Art" contains only 67 works of art. Yet the exhibition conveys its message completely. The Greek Ministry of Culture is generous to allow the objects to be available to American audiences for an extended time. After its showing at the National Gallery through June 12, 1988, the exhibition will travel to the Nelson-Atkins Museum of Art in Kansas City, Missouri (July 16-October 2, 1988), the Los Angeles County Museum of Art (November 13, 1988-January 15, 1989), the Art Institute of Chicago (February 18-May 7, 1989) and the Museum of Fine Arts in Boston (June 7-September 3, 1989).

Organized by the National Gallery of Art and the Greek Ministry of Culture, this cooperative undertaking marks the first time that most of the works of art have traveled to the United States. More significant, it is the first time that some of the most important of the works have left Greece. The Greeks have lent the United States treasures before, but never with the intention of presenting a basic theoretical building block for art historical insight as in this case. The objects trace the Geometric, Orientalizing and Archaic periods in Greek art

down to the birth of Classicism.

The exhibition can be challenging. Many of the earliest human depictions, painted silhouetted stick figures, appear on fragmented 8th-century B.C. Geometric-style pottery. Body parts of the early figures are represented by geometric shorthand, a triangle stands for the torso, a circle for the head. An essential element of the Geometric style, these figures are positioned among dense, abstract decorative schemes of lines and zig-zags. Despite the



PHOTOS COURTESY GREEK MINISTRY OF CULTURE

The exhibition "The Human Figure in Early Greek Art" covers the period from the 10th century B.C. to the 5th century B.C. Among the artifacts on display (from top): marble statue of a kore, from the beginning of the 5th century B.C.; clay cup from about 680 B.C.; and a terracotta statue of a centaur, 10th century B.C.

formal abstraction, the figures communicate a human message. They are mourning the death of a warrior, fighting a battle, seafaring or hunting.

Of more immediate appeal are the life-size 6th-century B.C. marble statues of young men, the *kouroi*, and young women, the *korae*, from the Acropolis. The statues convey a remarkable sense of the mass and potential for movement of the human body. Most of the males are nude; the females wear clinging tunics with gently falling pleats that subtly reveal their rounded curves. All have elaborately rendered coiffures, and their expressions are full of delight, though serene. Monuments to the gods or memorials to deceased youths, they were made near the end of the period covered by the exhibition. They demonstrate how far the artistic horizons of the Greeks progressed in a short time.

A narrative context provides the figural motive in much of ancient Greek vase painting. Often the story being told is well known, such as tales from *The Iliad* and *The Odyssey*, Homeric epics about the Trojan War and the struggle to return home of the mythical king of Ithaca, Odysseus. The use of Homeric epic in decorative art seems to have coincided with the first written record of the ancient poetry. During the 8th century B.C., the Greeks adapted the Phoenician alphabet and began to record their oral heritage.

Vase painting developed into a high art form between 600 and 480 B.C. Black-figure painting and later red-figure painting allowed for extreme detail in articulation of the figural subject. The shapes of the vessels, mostly *kylixes* or drinking cups, became more refined and elegant, and there was a corresponding sophistication in the placement of figures on their surfaces.

Tellingly, the earliest object in the exhibition and the first object one sees upon entering is actually only half human—a half man, half horse painted clay centaur from the late 10th

century B.C., found in Lefkandi (north of Athens). The piece conveys something of an ancient dream: to have the strength and speed of a horse and the reason of a man. The centaur has a decidedly human torso with a powerful back and an intensely expressive face. He heralds a time when the Greeks were on the brink of learning to portray the wonder of man.—KATIE ZIGLAR

## LISBON

### Privatization Moves Along

The wheel is spinning slowly toward privatization 13 years after 53 percent of Portugal's fixed capital formation was nationalized overnight in the brief left-wing revolution. Banks, shipping and shipbuilding, road and rail transport, steel, chemicals, fertilizers and cement, newspapers and radio stations, hotels, supermarkets and breweries—Portugal's major industry and services fell into the public net in a bid for a Marxist centralized economy. Owners and large or small shareholders were never properly compensated for the loss of assets. In 1980, they received 28-year bonds worth about one-tenth of the real value of their holdings, at 2 percent annual interest (in a land where inflation ran above 20 percent a year until its recent descent). Now, they are campaigning for a better deal before the authorities start on the potentially lucrative route to privatization and denationalization.

The changes have taken time. The 1976 Constitution promoted by the then-powerful Communists and approved by then left-leaning Socialists and Social Democrats (who at the time called themselves Popular Democrats and hovered between Liberalism and Socialism), declared the 1975 nationalization irreversible. The 1977 Sector Law put banking, cement, fertilizers and breweries off limits to private capital,

but permitted "parabanking" bodies like investment or leasing companies.

With the wane of Communism and the return to a more normal political climate among the other political parties, the 1982 Constitutional review softened the Marxist tone of the 1976 charter, but did not eliminate it. Broader liberalization had to wait for the 1988 review—when, the omens hinted, the mood would swing to strong emphasis on private enterprise, to the detriment of a public sector overmanned and undermanaged from the start and, by 1988, about \$12 billion in the red.

The first bastion fell in 1984. The Socialist-Social Democrat coalition of the day lifted the 1977 ban on private capital in banking. Nationalized banks could not yet be denationalized, but private capital was allowed in. Four private Portuguese banks and the branches of six major foreign banks opened shop, from which time onward the tang of privatization was in the air.

The upcoming second review of the Constitution is expected—with the consensus between the ruling Social Democrats of Anibal Cavaco Silva, the Socialists and Christian Democrats—to delete irreversibility of nationalization. In advance of it come plans to partially privatize a few (more profitable) public enterprises as a stopgap until denationalization is possible. The government wants to sell 49 percent of the capital of selected enterprises.

The change has been slow. First, it was necessary to submit to Parliament a draft bill converting public enterprises to "publicly limited companies with major state capital," which the Social Democratic majority in Parliament approved in late March. Once companies switch from being owned by the state to being publicly-limited, it will be possible to offer 49 percent of existing capital for sale, or to increase capital through private injections up to 49 percent.

Finance Minister Miguel

Cadilhe claims the first wave of privatizations will come seven months from the time that transformation begins of public enterprises into publicly-limited companies. Specialists who have handled successful privatizations elsewhere suspect it will take longer.

The month-to-month timetable Cadilhe has laid down (starting the countdown in May or June this year) is:

- Government appointment of a commission to oversee sales of shares or capital increases, and revelation of which company will be the first to be privatized.

- Publication of privatization rules, and opening of a tender for auditors for companies due to be privatized.

- Auditors to be contracted by whichever company is the first candidate for privatization.

- The company will present its proposals to the Portuguese Government.

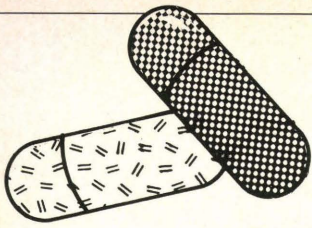
- The Government will approve or reject the proposals.

- Privatization—by capital increase or public offer of 49 percent of shares, with segments reserved for the staff of the company in question, small savers and emigrants, and no more than 10 percent of any foreign buyer.

- The Government decides whether to put the proceeds toward early repayment of the public debt (now about 60 percent of gross domestic product) or into weak public enterprises.

To the irritation of a small army of international merchant banks and consultants who want a part in Portugal's privatization, no one knows yet what companies will be the first on the list.

Who will be the major buyers of the liberalized 49 percent? In the authorities' view, it will be a "hard core" of Portuguese companies that will ensure most of the capitals stays in local hands, but not in those of former owners, for few of these feel the urge to buy back at 1980s prices what was taken from them and rarely enhanced.—DIANA SMITH



## The Fight Against Drugs

**A** Catholic priest working among the victims of drug abuse and their families in a Madrid suburb has caught a worried nation's imagination. Father Enrique de Castro is the organizing brain behind "Mothers Against Drugs," a self-help movement that regularly denounces before the Spanish Parliament what it sees as a half-hearted attempt by the authorities to tackle the growing drug problem at its economic roots.

The 45-year-old Father Castro is one of the last in a generation of determined Spanish priests, ordained under the shadow of Vatican Council II, to whom fell the unaccustomed role of leading social agitation during the final years of the Franco regime. The product of a Spanish military family of traditional Catholic beliefs, he found his "niche" in Vallecas, one of Madrid's working class suburbs that mushroomed around the capital during the economic boom years, helping to care for a population of rural origin that had migrated to the big city.

Starting in the early 1980s, he decided that Vallecas' drug problem had become the number one social issue. He started up a home—there are now some 20 around Madrid—for homeless teenagers who had become chronic drug dependents between the ages of 11 and 15, and frequently had turned into car and radio thieves to get money for their addiction. Relations with the police, on his own confession, were tense, but gradually, volunteers among social workers, lawyers who charged nothing and others came to help him with the drug victims and their

families.

The "Mothers Against Drugs" movement, which emerged from this program, modeled itself on the Buenos Aires mothers of the "Plaza de Mayo" movement, demonstrating against the abuses of the Argentine military regime. It was the Spanish mothers' movement that landed Father Castro national fame when he handed the Spanish Parliament a detailed list of addresses in Madrid where heroin and cocaine could be regularly purchased and allegedly was tolerated by local police chiefs.

The Spanish Interior Ministry has promised Father Castro that action will be taken if he provides proof of the allegations, but none of the police officials he has publicly accused have brought court charges against him. Instead, the authorities have launched spectacular police operations in Madrid and other big Spanish cities, detaining hundreds of drug peddlers at a time, but never, the "Mothers Against Drugs" complain, attacking the heads of drug-ring bosses behind this small fry.

With the advent of democracy, the opening up of Spanish society brought about a generation of young Spaniards eager for all kinds of new experiences. This offered a rapidly expanding market for drug rings, and within a decade, Spain became a major entry point for Latin American drug interests, especially Colombian, destined for the whole of Western Europe. Experts have estimated that up to 45 percent of the cocaine and up to 25 percent of the heroin consumed in Europe now comes in via Spain.

The Spanish Government woke slowly to the full extent of the problem: The Socialists, winning power in 1982, quickly depenalized private consumption of drugs, keeping sanctions only for the traffickers. In March 1985, the González Government approved the national plan to combat the drug problem and appointed a special prosecutor to take charge of the police anti-drug bri-

gades. The performance of the first holder of that post proved brief but disappointing, however, and he made way for a successor.

The Health Ministry estimates that there are about 250,000 regular consumers of hard drugs in Spain, with a breakdown roughly 60 percent on use of heroin and 40 percent on cocaine. Drug experts, however, maintain that the real figure is significantly larger. Police figures, which reflect increased government attention to the drug problem, showed a jump by one-third in the numbers of anti-drug sweeps last year over 1986 and a 14-percent increase in arrests, totaling over 21,000 in number. While the amount of heroin seized in 1987 fell back for the first time over previous figures, cocaine had risen from 113 kilograms confiscated in 1982 to over 1,000 kilograms last year.

Father Castro points an accusing finger at the Madrid Government, arguing that it lacks the determination to get at the underlying social causes of drug addiction and increasingly concentrates on purely police methods to combat the resulting crime in the big cities. Spain's unemployment rate of more than 20 percent, of which half of the three million jobless are persons under 25, is the chief of those causes, he contends, and he demands a priority injection of public funds for youth training schemes. Educated himself at Madrid's most famous school, the Pilar College, the "little priest" advocates a fundamentally new approach to the slum-dwelling children of school age: Only by giving such children full-time attention and care, as well as job skills, can society really integrate them. If not, all drug therapies, he argues, will come too late.—

RICHARD WIGG



## AMSTERDAM

### Dangerous Pooches



**E**ver since the early 1970s, the number of dogs and breeds has been growing in the Netherlands. In March of this year, however, one breed in particular made the headlines in virtually every Dutch newspaper and magazine: Pit-bull terriers are increasingly becoming a calamity.

Pit-bull terriers have been referred to as "missing a natural emergency brake," and warnings that they would soon "start killing people" have been voiced by Dr. van Oers, director of the Dutch National Inspectorate for Animal Protection. He said that out of the 1.8 million dogs owned by 14.5 million Dutchmen, about 6,000 are pit-bull terriers.

In the larger cities, such as Amsterdam, The Hague and Gouda, municipal councils have now started to issue orders that these animals be muzzled or be kept on a leash, and police have begun using electric sticks against the dogs in events of extreme aggressiveness. Van Oers' inspection service also has begun a crusade calling for changes to be made in breeding pit-bull terriers.

Van Oers says that he is disgusted not only by the money-making breeders, but also is disheartened by the fact that the authorities have not yet taken tough measures to put a stop to illegal breeding of pit-bulls. He claims that the breeders, and those who arrange the pit-bull terrier fights, can bring in up to \$10,000 per fight. The inspection service is thus calling for set rules for breeding and for intervention in the illegal world of dogfighting. In a letter to the Minister of Jus-



tice, van Oers also has asked for a law requiring registration of all pit-bull terriers. Until now, the government has only registered "incidents" involving the breed.

Young pit-bull terriers can be sold for as much as \$800 per puppy, and van Oers estimates that annual sales of the dogs can amount to as much as \$80,000. Dangerously aggressive pit-bulls make up about 20 percent of the total number of the breed in the Netherlands. According to van Oers, a new trend toward cross-breeding pit-bulls with other breeds, would create dogs "as big as mastiffs, as strong as rottweilers with the aggressiveness of pit-bull terriers, or, in other words, terrifying monsters."

A recent article by American animal expert Spike Hammer seems to support van Oers' views. He writes that "a fight with a pit-bull terrier is a fight to the death." The article went on to call for steps to stop the illegal breeding, and documented the worst breeders, trainers of dogfights and "bad" pit-bull terrier owners.—NEL SLIS

## LONDON

### End of the Red Phone Box

The characteristic red telephone box is fast disappearing from the streets of Britain. As much a part of the English scene as double-decker buses, this piece of 20th-century street furniture soon will be seen as only a quaint artifact at historical sites.

There were 50,000 red boxes around the country a couple of years ago, but a program of rapid modernization has seen 20,000 removed in the last year alone. The new American-designed telephone boxes have a more universal look that makes them indistinguishable from telephone booths in the Bronx or Berlin. They also are more efficient, less liable to be put out of action by thieves or vandals, and more convenient for the old and disabled who found it almost impossible to use the traditional red boxes with their heavy doors and high steps.

A major part of the pressure to replace the red booths that were designed in the 1930s, stemmed from findings that on average up to 25 percent of them were out of service at any one time, a very high figure compared to the average 5 percent of faults reported by the New York Telephone Company. Roger Gilbert, head of the payphones division of British Telecom (BT), places a high proportion of the blame on vandalism, "which soaks up 50 percent of our maintenance budget." However, critics of the service, including the government, believe that the problems are rooted more in the organization and the fact that BT has had a monopoly for as long as payphones existed.

Most of the public phones found to be out of order suffer from full coin boxes or faults that had nothing to do with vandalism, according to Bryan Carsberg, director-general of Oftel, the government's telephone service watchdog. Some reports claim that less than one-third of the out-of-order phones were caused by deliberate damage. Perennial complaints by irate customers finally led the government to license another company to provide an alternate public telephone system alongside that of British Telecom. "BT must now face the spur of competition," explained John Butcher, the Government Minister responsible for telecommunications.

Mercury Communications,

# Imagine your profit potential...



## HAD YOU ACQUIRED THE FIRST GOLD DOLLAR EVER ISSUED

MTB recommends the Gold 50 ECU bullion coin for its special potential and value. ECU's are the first coins minted in the official currency for the EEC.

Gold ECU's give investors more value than any other bullion coin because they sell at the lowest premium over spot gold. Each magnificent coin contains one half ounce of .999 fine gold and is Official Legal Tender of Belgium.

MTB buys and sells over 600 types of coins and precious metals including Eagles, Pandas, Maple Leafs, and Nuggets. To find out why the Belgian Gold ECU is superior, or to place your order, call MTB today.

Code: EU 442

### NEW YORK:

1-800-535-7481 1-212-858-3300

### MTB FLORIDA:

1-800-327-1077 1-305-374-1007



**BANKING CORPORATION<sup>SM</sup>**

America's Banking Institution for Precious Metals.



The red telephone boxes are disappearing all over Britain, and are being replaced with more modern versions less likely to be vandalized and or break down.

which won the right to compete with British Telecom in offering a public telephone service, promises that its blue, vandal-proof call boxes will start appearing in central London this year. A subsidiary of Cable and Wireless, Mercury will capitalize on its parent's network of fiber-optic cables laid alongside British railway lines to install boxes in heavily populated urban areas, airports and railways. The new booths will be electronically linked to central control points, which will ensure early warning of technical troubles, maintenance problems and full coin boxes.

British Telecom promises to fight back. Apart from fighting the out-of-service problem, it will introduce many more phone card and credit card boxes, and will finally produce bills listing each call. And meanwhile, the red telephone boxes, designed in 1935 by the long-forgotten Giles Gilbert Scott and known to the bureaucrats as "K6," are being uprooted all over Britain, only to become collector's items. One thousand of them will be left in historic sites, the rest can be found in places as odd as someone's bathroom, where it

serves as a conversational-piece shower cubicle.—DAVID LENNON

## PARIS Poster Wars

While American politicians deliver their messages in hard-hitting television ads and super-slick videos, French presidential candidates have stayed pasted to the sides of buildings, slinging it out in a billboard war.

Paris was papered with posters of tanned, grinning faces, enigmatic gazes and puzzling messages. It was the biggest explosion of *affichage* since the last presidential election seven years ago, which brought François Mitterrand to power. As in 1981, this year's candidates relied largely on paper and glue to win over French voters.

The message that boosted Socialist candidate Mitterrand to the Elysee Palace the first time was a photo of him set in the serenity of a French village under the slogan "*La Force Tranquille*"—quiet strength. The message of his second try for the presidency posed a pe-

culiar problem—the poster war was being waged, but he had not announced his candidacy.

The advertising wizard who advised Mitterrand for both his campaigns came up with a solution in the form of a poster that simply pronounced the "*Génération Mitterrand*" in huge letters. Superimposed on blue block letters, the face of a sparkly-eyed baby looks up to the hand of a man reaching down. That poster was plastered on walls and billboards from January until Mitterrand finally declared his candidacy in March. The next publicity wave portrayed him gazing into some distant future. The only words to appear are "*France Unie*"—France united.

To other political cultures, it seems an unusual advertising approach—posters of candidates that do not show the candidate's name, posters of the name when the man is not officially a candidate. But media experts say that this works in France, where candidates have allocated broadcast time on public television, but are not allowed to buy television advertising. Posters—which represent 80 percent to 90 percent of the advertising budgets of frontrunner candidates—are designed less for name association than for image-building.

The image transmitted in the "*Génération Mitterrand*" campaign was one of a grandfatherly figure, wise and experienced. Using a completely different approach, his Prime Minister, Jacques Chirac, aimed for the presidency by covering the nation with pictures of his smiling face. Each tanned portrait carried a short caption—"courage," "will," "he listens," "he builds." They were designed to show him as a warm, sensitive and determined politician.

Another leading candidate of the right, Raymond Barre, lost badly on the advertising front, with an uninspired picture of his round teddy-bear face with only his name as a caption. The leader of the extreme right Na-

tional Front party, Jean-Marie Le Pen, added a first by referring to his opponents by their first names on posters—"François, Jacques, Raymond. Thanks, we've had enough. Jean-Marie for President."

The most entertaining battles are perhaps the graffiti wars waged on the official billboards—many of them professionally produced posters themselves. Chirac's posters were plastered over with "*Chirac l'arnaque*"—Chirac the shark. The "*Mitterrand Generation*" was bedecked with the message "Lost Generation." Perhaps more damning for the 71-year-old President, however, was that his "Generation" posters frequently were altered to include a cosy pair of old man's slippers.—BRIGID JANSSEN

## CORRESPONDENTS

RICHARD WIGG reports from Madrid for *The Times* of London.

DIAMA SMITH is the Lisbon correspondent for the *Financial Times*.

KATIE ZIGLAR is a freelance writer specializing in art based in Washington, D.C.

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

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

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

NICCOLO D'AQUINO is the special correspondent for foreign affairs at *Il Mondo*.

BRIGID JANSSEN is a freelance writer based in Paris.

NEL SLIS is a freelance writer based in The Hague.

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

DAVID LENNON is the managing editor of the syndication department of the *Financial Times* in London.

New Issue  
March 29, 1988

This advertisement appears  
as a matter of record only.

# EUROPEAN INVESTMENT BANK

## Luxembourg



### DM 400,000,000

### 5<sup>3</sup>/<sub>4</sub>% Bearer Bonds of 1988/1998

Offering Price: 100%  
Interest: 5<sup>3</sup>/<sub>4</sub>% p.a., payable annually on March 29  
Maturity: March 29, 1998  
Listing: Frankfurt am Main, Berlin, Düsseldorf, Hamburg and München

#### Deutsche Bank

Aktiengesellschaft

#### Dresdner Bank

Aktiengesellschaft

#### Commerzbank

Aktiengesellschaft

#### Westdeutsche Landesbank Girozentrale

Arab Banking Corporation –  
Daus & Co. GmbH

Bank für Gemeinwirtschaft  
Aktiengesellschaft

Bayerische Landesbank  
Girozentrale

Berliner Bank  
Aktiengesellschaft

Citibank  
Aktiengesellschaft

Deutsche Girozentrale  
– Deutsche Kommunalbank –

Hamburgische Landesbank  
– Girozentrale –

Industriebank von Japan  
(Deutschland) AG

Landesbank Saar Girozentrale

B. Metzler seel. Sohn & Co.  
Kommanditgesellschaft auf Aktien

Norddeutsche Landesbank  
Girozentrale

Schweizerischer Bankverein  
(Deutschland) AG

Vereins- und Westbank  
Aktiengesellschaft

Baden-Württembergische Bank  
Aktiengesellschaft

Bankers Trust GmbH

Bayerische Vereinsbank  
Aktiengesellschaft

Berliner Handels- und Frankfurter Bank

CSFB-Effectenbank

DG BANK  
Deutsche Genossenschaftsbank  
Georg Hauck & Sohn Bankiers  
Kommanditgesellschaft auf Aktien

Bankhaus Hermann Lampe  
Kommanditgesellschaft

Marcard, Stein & Co.

J. P. Morgan GmbH

Sal. Oppenheim jr. & Cie.

Simonbank  
Aktiengesellschaft

M. M. Warburg-Brinckmann, Wirtz & Co.

Badische Kommunale Landesbank  
– Girozentrale –

Bayerische Hypotheken- und Wechsel-Bank  
Aktiengesellschaft

Joh. Berenberg, Gossler & Co.

Bankhaus Gebrüder Bethmann

Delbrück & Co.

DSL Bank  
Deutsche Siedlungs- und Landesrentenbank

Hessische Landesbank  
– Girozentrale –

Landesbank Rheinland-Pfalz  
– Girozentrale –

Merck, Finck & Co.

The Nikko Securities Co.,  
(Deutschland) GmbH

Schweizerische Bankgesellschaft  
(Deutschland) AG

Trinkaus & Burkhardt KGaA

Westfalenbank  
Aktiengesellschaft

# U.S. BEGINS ASSESSING IMPACT OF 1992 MARKET DEADLINE

E.C. COMMISSIONER DE CLERCQ  
DECLARES IT "GOOD NEWS FOR  
AMERICANS."

EUROPE  
WITHOUT  
FRONTIERS

R.C. LONGWORTH

**T**he promise and potential of Europe—1992 is an idea that is just beginning to penetrate America beyond the clutch of East Coast government and academic specialists who attend to such things. The West Coast looks toward the burgeoning Pacific Rim, and the Midwest looks inward these days, mulling the collapse of its traditional industries and the signs of its economic revival.

So a lot of what E.C. Commissioner Willy De Clercq had to say was news to his listeners when he came to Chicago in mid-April to talk about the 1992 internal-market deadline and what it means. De Clercq, who is responsible for external relations and trade policy, spent a day in the capital of the American heartland meeting with businessmen and journalists and addressing a seminar on U.S.-E.C. relations co-sponsored by the E.C.'s Washington office and the Chicago Council on Foreign Relations.

De Clercq's message, stated most bluntly in the more private sessions, was that the completion of the internal market, scheduled for the end of 1992, not only will reform commerce and trade within the E.C., but will impact the E.C.'s relations with the rest of the world. This impact, however, will be mixed and "this has not been realized or sufficiently studied" within Europe itself, let alone by its trading partners.

In American eyes, the Common Market is too often seen as a good idea that never quite clicked, a series of unfulfilled promises and failed projects. To these skeptics, De Clercq stated: "This time it's real. This time it's serious. This is something new."

Even in Europe, he said, the majority of businessmen either fail to understand the meaning of 1992 or do not think it is

R.C. Longworth is financial editor of the *Chicago Tribune*.

going to happen. Given this lethargy, American businessmen can be forgiven their ignorance on the subject. But, De Clercq added, "an active minority of [European] businessmen is convinced it is going to take place," and this minority is growing. The financial world in Europe has become a believer, he said, and big businessmen like Italy's Carlo De Benedetti, the suitor of the Société Générale de Belgique, are maneuvering strategically to be ready for the internal market.

In his speech to the seminar, De Clercq promised his listeners that "1992 is going to be good news not only for Europeans

potent rival in world trade and a hard negotiator in trade talks.

"There will be some challenges on the down side," De Clercq warned. "Third-country exporters will face more competition from Community firms, since clearly a primary goal of the single European market is to reinforce the competitiveness of European industry. Obviously, new opportunities will be there both for Community and foreign firms, and very much will depend on the dynamism of individual firms in seizing them." In addition, while the E.C. intends "a liberal and open external trad-

Third-country exporters will face more competition from E.C. firms, since a primary goal of the single European market is to reinforce the competitiveness of European industry.

but also for our trading partners—and especially for Americans. First," he said, "third-country exporters will find themselves selling into a single market of 320 million consumers with a uniform set of norms, standards and procedures. You no longer will have to face 12 different sets of requirements or border controls between one of our member states and another. In other words, we aim to make it as easy to trade between Rotterdam and Naples as it is between Chicago and New Orleans . . . The Community is making progress toward greater liberalization, and far from seeking to deny benefits to others, will actively share them with those who are willing to cooperate with us."

In that last phrase was a veiled warning, repeated frequently in Chicago, that the completion of the internal market has another side that should put Americans on their toes. This is the fact that, by 1992, Europe intends to be a tougher, stronger, more competitive place, a more

ing system," it clearly will have the muscle to insist on fair treatment in world markets.

And European liberalism, De Clercq said, "cannot be without reciprocity on the part of our trading partners." Easing of technical standards, extension of government-procurement liberalization to outside countries and freer trade in services within Europe "should be achieved as a result of negotiation on the basis of reciprocity."

In more private conversations, De Clercq noted that some E.C. member states "have national protectionist policies that conflict with the Treaty of Rome." These policies exist in sensitive sectors such as cars or textiles and, while theoretically objectionable, "are there for a reason." As the internal market is perfected, such national trade barriers must disappear, he said, but political reality dictates that "those Governments will not agree to abolish them if they are not going to be replaced" by some E.C.-wide



measures that ensure a degree of protection.

"What will these measures be?" he asked. "We have no clear idea." This is one of the problems raised by the approach of 1992 that have not been thoroughly studied yet. Rather than adopt the rock-bottom import quotas that some nations put on Japanese cars, he said, the E.C. might reach agreement with Japan on a "stabilization of market share," possibly coupled with Japan's agreement to open its market to more European automobile exports.

De Clercq indicated that Europe might face thornier trade relations with Japan than with the United States, because Japan seems to be turning its export focus on the Community, which it sees as "safer" than the protection-prone American market. Because of this, any talk of bilateral U.S.-Japanese deals, such as the recent Japanese agreement to give American construction firms the right to bid on specific projects, sends shivers through Brussels.

"We fear," De Clercq said, "that there could be a direct Washington-Tokyo line for bilateral deals to the detriment of the Community. That would be very unfortunate." It would be unfortunate not only for Europe, he added, but also for the

United States. "We are each other's biggest and best customers," he told the seminar. As the United States becomes more dependent on world trade, "the Community [has become] vital to the economic well-being of the United States." From 1957 until 1983, the United States traditionally has "enjoyed a comfortable surplus on its trade with the Community." Even now, when that balance is in deficit, U.S. exports to Europe are rising, to \$61 billion last year, to keep the E.C. the biggest export market for U.S. goods "and the biggest contributor to the U.S. export-led growth and jobs for Americans."

Chicago and its region gain mightily from this trade, De Clercq reminded his listeners, noting that the United States still runs a heavy surplus with Europe in farm trade. De Clercq defended the more gradual European approach to agricultural reform, as opposed to the Reagan Administration's plan for total abolition of all farm supports. As one other European speaker put it, the Reagan plan "is idealistic but unrealistic."

From its birth in 1957, the Common Market has received the official, if occasionally baffled, support of the U.S. Government. U.S. policy for the past 30 years has been to encourage European unity, as

a means toward greater West European stability, both in its own right and as a prosperous bulwark against the Soviet Union. In this sense, the completion of the internal market is just that—the finishing of a process that Washington has backed wholeheartedly from its inception.

As 1992 approaches, this support almost certainly will continue, even as the two sides wrangle over trade details, as they have in the past. But De Clercq added that, if he has his way, Europe will keep moving toward economic and political unity, with all possibilities for rivalry and conflict that poses.

"Our aim is economic integration and eventually political integration," he said. "You cannot have integration without integration of monetary and fiscal policies. All this implies more and more transfer of sovereignty from the national to the supranational level." Such often-debated ideas as a European central bank or a European currency "are not for tomorrow. Monetary policy and defense policy are two strongholds of sovereignty, and those areas will be the last ones. But progress toward a central bank is real," he said. As De Clercq stated, "1992 is not the end of the story!" €



# SOCIÉTÉ GÉNÉRALE USA

New York    Chicago    Houston    Dallas  
Los Angeles    San Francisco

# FOOD CONFERENCE EXAMINES IMBALANCE IN WORLD SUPPLIES

## REDUCTIONS URGED IN PRICE SUPPORTS FOR FARM GOODS.

LORD PLUMB

It must now be abundantly clear to all but the most ill-informed that the world faces a severe crisis in food production. Not because there is not enough food in the world, as may have been the case at the last World Food Conference in 1974, but because there is now too much. Yet there is still hunger and malnutrition in many parts of the world. In the West, it has never been easier, quite literally, to produce food. Production is outrunning consumption, stocks are high and world prices are badly depressed. It represents a tragic imbalance that perplexes and appalls public opinion throughout the world.

The purpose of holding the Brussels World Food Conference April 7 was to focus attention on this imbalance in world food production and consumption. Agriculture is, of course, a troubled sector in most countries, whether developed or developing, and this point came over very strongly in the conference sessions. We know that in industrialized countries farm support has created major budgetary difficulties for governments who are seeking to contain public expenditure, and yet the farmer is not the primary recipient of the financial transfers that are characteristic of modern farm-support policies.

Income disparities within agriculture have increased, in fact, with most of the support going to a small minority of farmers who produce a large and growing share of the total output. Additionally, the search for new export markets has led to increased trade tension among otherwise friendly countries. The tensions, in other words, are making rivals out of countries that should be partners.

There was widespread recognition by many speakers at the conference that governments in the industrialized world are at last beginning to grasp the nettle of

agricultural reform. But obviously much more needs to be done before we can be confident even of having set out on the right track. The changes required do vary greatly from country to country. Much modern thinking seems to categorize countries into the rigid definitions of "developed" or "developing." In the agricultural sector alone, we should remember that there are many different degrees of development not only among, but also within, countries.

It is clear that a substantial reduction in the support given to agricultural production will have to take place. This is an area of general agreement between the United States, the European Community and the Cairns Group. Where the reduction in subsidies leaves farmers with unacceptably low incomes, farmers must be offered compensation unrelated to output. Such new measures, once "decoupled" from the encouragement of agricultural production, would henceforth form part of each country's overall welfare provision and as such would seem to be unrelated to the current international discussion about the effects of domestic policies on international markets. In general, there was overwhelming agreement on the need for the farmer in the industrialized world to be brought much closer to the disciplines of free market areas. Europeans put particular emphasis on the need to preserve the character of the rural way of life and the continuation of the small low-production family farm.

The crisis in the Third World is economic and financial as well as agricultural. In spite of the overall improvement in nutrition levels in the past few decades, not less than 500 million people still live in a condition of dire poverty. Chronic food insecurity, it should be remembered, arises not so much from a lack of food, but from the absence of economic opportunity to produce or buy food. Most of the world's poor are farmers and fishermen. Dr. Kenneth David Kaunda's contribution

Lord Plumb, President of the European Parliament, organized the Brussels World Food Conference.

Food aid has a clear role to play in emergency relief and must be available when required. It also can contribute to growth as a resource transfer, in the form of budgetary and balance-of-payments support. Above, Niger.

© WENDY WATRISS/TAURUS PHOTOS



At the same time, great care must be taken that food aid to the developing world is accompanied by assistance in making agricultural production more efficient. Without it, aid can lead to hunger. Right, Ethiopia.



© DON RUTLEDGE/WOODFIN CAMP

to the conference was unforgettable: "Food aid without assisting us to improve our production efficiency," he said, "leads to hunger. Food in this case is fertilizer for a rich crop called 'hunger' . . . In the long run, we in the Third World must stand on our feet. Growth must be internally generated and self-reliant even if supported by the international community."

Obviously, food aid has a clear role to play in emergency relief and does need to be available when required. It also can contribute to growth as a resource trans-

fer, in the form of budgetary and balance-of-payment support.<sup>1</sup> But, as Dr. Kaunda points out, great care needs to be exercised to avoid food aid from becoming detrimental to self-reliant development.

The current Uruguay Round on the General Agreement on Tariffs and Trade (GATT) provides a unique opportunity for the contracting parties, who have already shown a willingness to debate all support measures with an influence on external trade. A simultaneous and balanced reduction of agricultural support, in which all industrialized countries jointly engage,

is urgently needed. By acting together, the adjustment required of each country will be less.

The unique "window" of opportunity is open now, but will not remain open long past the end of 1988. High priority should be given therefore to the achievement of substantial progress in the GATT by the time of the mid-term review in December. This must not only mean a program of reform, but a program that starts as soon as possible with short-term measures that represent a formal commitment to the long-term goals. €

# STUDY ANALYZES IMPACT OF 1992 INTERNAL MARKET

ELIMINATION OF BARRIERS WILL SET IN MOTION A COMPLEX CHAIN OF EVENTS.

PAOLO CECCHINI

The E.C.'s internal market program is aimed at finally implementing the original commitment embodied in the Treaty of Rome establishing the E.C. to ensure the freedom of movement within the E.C. of persons, goods, services and capital. The effort for economic integration has always relied upon a more intuitive than scientific analysis of the positive welfare effects resulting from an enlarged platform of economic activity.

Thus, the E.C. Commission decided two years ago to obtain a scientific analysis of the economic prospects opened by the internal market program, to be com-

pared with the present situation of market fragmentation. The report, *Research on the Cost of Non-Europe*, involved more than 200 persons, cost well over \$4,000,000 and has yielded considerable results, which will be presented in a book due to be published this month in Europe and in the United States by Gower Press.

The entire output of the research is, however, much larger. It includes not only a detailed economic overall report, but a vast array of documentary material, totalling more than 6,000 pages and including the result of a manufacturing business survey based on 11,000 answers out of 20,000 firms polled. All this material will be published by the Commission this month.

The research has covered new ground in many ways. Its documentary basis on the incidence of the main barriers to the fruition of the four freedoms, although based on a limited sample, gives for the first time, ample and substantiated proof of the real negative impact of such barriers. The aggregation of the results of the basic studies, compounded by a number of sectoral analyses and other available evidence, is again a first attempt to develop a microeconomic model of the interrelationship between the elimination of the barriers and its economic effect on business.

Finally, the injection of the basic results at the microeconomic level into macroeconomic models supplies, again for the

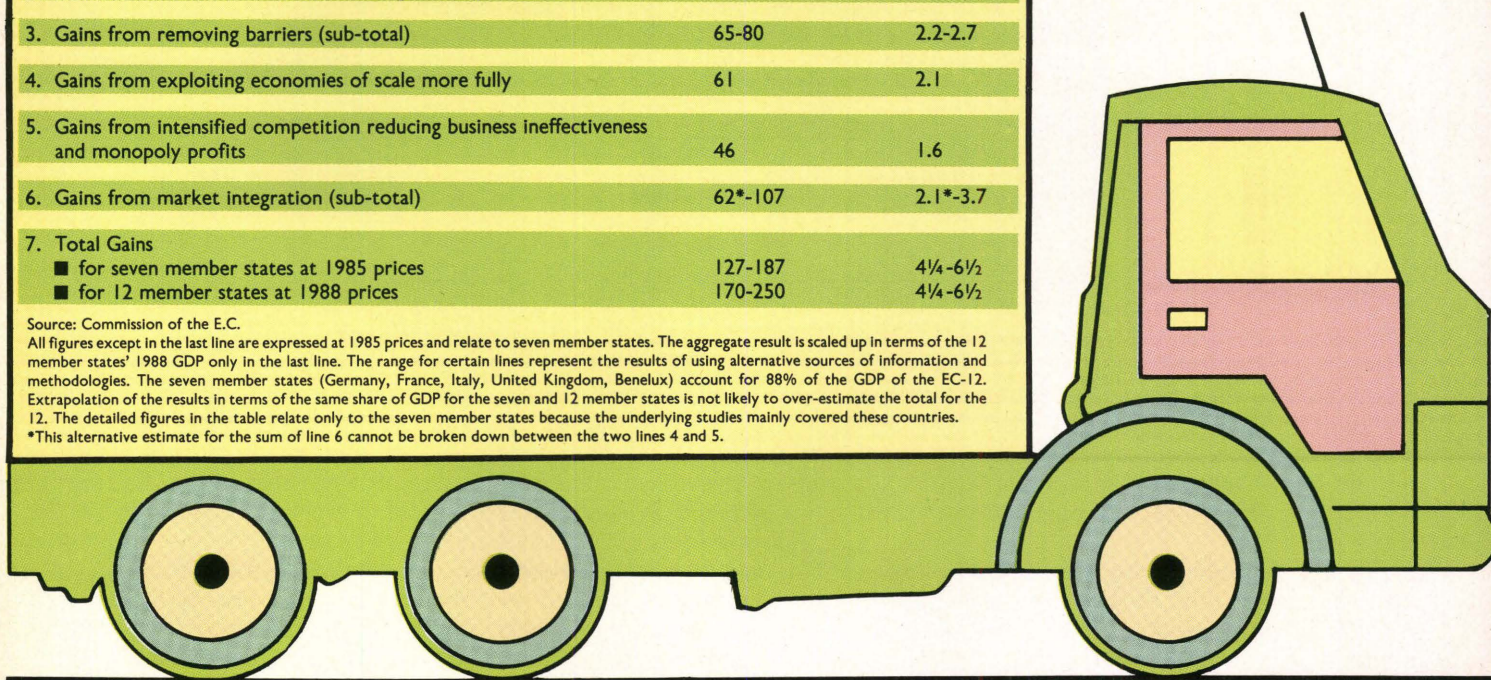
## MICROECONOMIC ESTIMATES OF POTENTIAL ECONOMIC GAINS FOR THE EC RESULTING FROM COMPLETION OF THE INTERNAL MARKET

	Billions ECU	% of GDP
1. Gains from removal of barriers affecting trade	8-9	0.2-0.3
2. Gains from removal of barriers affecting overall production	57-71	2.0-2.4
3. Gains from removing barriers (sub-total)	65-80	2.2-2.7
4. Gains from exploiting economies of scale more fully	61	2.1
5. Gains from intensified competition reducing business ineffectiveness and monopoly profits	46	1.6
6. Gains from market integration (sub-total)	62*-107	2.1*-3.7
7. Total Gains		
■ for seven member states at 1985 prices	127-187	4¼-6½
■ for 12 member states at 1988 prices	170-250	4¼-6½

Source: Commission of the E.C.

All figures except in the last line are expressed at 1985 prices and relate to seven member states. The aggregate result is scaled up in terms of the 12 member states' 1988 GDP only in the last line. The range for certain lines represent the results of using alternative sources of information and methodologies. The seven member states (Germany, France, Italy, United Kingdom, Benelux) account for 88% of the GDP of the EC-12. Extrapolation of the results in terms of the same share of GDP for the seven and 12 member states is not likely to over-estimate the total for the 12. The detailed figures in the table relate only to the seven member states because the underlying studies mainly covered these countries.

\*This alternative estimate for the sum of line 6 cannot be broken down between the two lines 4 and 5.



first time, a broader vision of the expected beneficial outcome of the completion of the internal market.

Seen from the business (microeconomic) point of view, the elimination of the barriers will unleash a complex chain of events:

- A first cost reduction will improve the price/cost margin and find its way, at least partially, to the consumer.
- Simultaneously, competition will increase with a variety of induced effects, namely restructuring or improvement of production lines or facilities, or of distribution systems, or of management systems; competitive pressure also will stimulate innovative actions, which in turn will add to competition. The cumulative result of the above effects will be a secondary pressure on costs, which again will find its way to the consumer.
- The necessary instrument in order to maximize the welfare effect of the cost reduction through the price reduction is the containment of the expected attempts by enterprises not to pass the cost reductions to the consumers (by means of anti-competitive practices) or by public authorities to resist the adjustment requirements for "social" reasons (by means of subsidies). A skillful use of the already existing E.C. policy instruments will be an absolute necessity.
- Assuming that the price reductions will be effective, a further expected result will be an increase of demand, internal and foreign, followed by an increase in production.

Seen from an aggregate perspective, the expected gains, after deduction of the negative factors due to the necessary rationalization process, have been calculated separately for direct and indirect effects. Direct effects stem from:

- The removal of direct barriers to trade, as custom formalities and border delays: Their impact is relatively low, between 0.2 percent and 0.3 percent of the gross national product (GNP).
- The removal of barriers to production, as protective public procurement, divergent national standards and regulations, restrictions on services and on manufacturing: These obstacles to competition sustain excess cost and over-pricing, evaluated at between 2.0 percent and 2.4 percent of GNP.

Indirect effects are the product of competitive pressure leading to a better exploitation of economies of scale, as well as to other gains in efficiency or to reduction of monopoly rents and profits: They

Paolo Cecchini, a former deputy director-general at the E.C. Commission, directed the team of economists that produced *Research on the Cost of Non-Europe*.

have been evaluated to lie between 2.1 percent and 3.7 percent of GNP. The mid-point of this comparative static evaluation exercise (Non-Europe versus Europe) lies at 5.3/8 percent of GNP, or for the E.C. as a whole at 1988 prices, at 210 billion European Currency Units (ECU), or over \$250 billion.

It is worth noting that this evaluation fails to take full account of the potential overall dynamics to be unleashed by the creation of an integrated European home market, namely aggressive business strategies in response to the competitive challenges and technical innovation.

The injection of the microeconomic data into macroeconomic models not only has confirmed the above microeconomic evaluation, but has produced extremely positive pointers to GNP growth, to marked downward price pressure, to improvement in the public-expenditure balance as well as in the current external balance and finally to a better employment situation. In short, the supply shock administered to the economy is liable to trigger a growth cycle similar to that of

Third-country exporters will face more competition from Community firms, since clearly a primary goal of the single European market is to reinforce European competitiveness.

the happy 1960s.

A second simulation confirms this potential trend: It assumes that the removal or lessening of the macroeconomic constraints on growth, prices, government spending and external balance allow for a reasonable non-inflationary expansive economic policy: Even taking into account the obvious limitations of such an exercise, the comparative static results in terms of GNP percent and especially of employment are of a surpassing magnitude: a 7-percent increase in GNP and 5 million new jobs. However, the results of the above evaluations do not represent a precise forecast, as the intention was to assess the potential effects of the removal of the barriers.

For the potential to become a reality, the main actors would have to behave appropriately:

- Business should be ready to grasp the new opportunities, while improving their industrial relations, in order to cushion the inevitable adjustment shocks.
- Inequities in wealth distribution must be avoided at regional and at social levels through the use of appropriate existing instruments.
- General economic policies of non-inflationary macroeconomic growth and of

monetary stability must be pursued at the E.C. level in an increasingly convergent way.

• Finally, the White Paper list of directives to implement the plan, which may be interpreted by business as a political guarantee against European commercial risk, should be rapidly and entirely enacted. Failure to seize the opportunity will be more than repaid in kind by missed opportunities not only at the market level but at the political one as well.

### 1992 and the Outside World

For obvious reasons *Research on the Cost of Non-Europe* has not attempted an evaluation of the impact of the White Paper program on the outside world. International economic relations have an inherent instability due to shifts in relative competitive situations under the influence of national industrial economic and monetary policies. Therefore, the comparative static evaluations made have not taken into account any modification of the present situation.

It is perfectly possible, however, to

sketch a number of potential trends about where the impact on foreigners of E.C. policies would lie:

- First of all, the world will benefit from the additional growth of the E.C. economy, even if for some sectors and for some enterprises the increased competitiveness of E.C.-based firms may well imply a lesser growth or even a loss of market shares within the E.C. or abroad.
- Second, the subsidiaries of foreign firms established within the E.C. will profit from the removal of barriers to the same extent as the purely European enterprises. This prospect is particularly important for U.S. corporations, because they have probably less cultural difficulties than indigenous companies to exploit the new dimension of their home market, and their sales on the European market are already much higher than the exports from the United States.
- Third, entirely foreign-based firms also will benefit from the simplification resulting from the removal of a number of barriers within the Community. It cannot be assumed, however, that such benefits will be automatic and generalized.

In many areas, the removal of internal barriers implies a shift in the policy-making

Continued on page 51.

# EUROPE READIES ELECTRONIC DATA EXCHANGE SYSTEM

## INTEGRATED NETWORK WILL FACILITATE MANUFACTURING AND TRADE.

JULIAN WEISS

**B**usinesses on both sides of the Atlantic have long sought ways to overcome the barrage of paperwork hindering efficient transportation, where varied cargoes of freight require vast amounts of documentation. Origins, destinations, quantities, prices and status of payments are only a few essential bits of information required to process deliveries. Just as the recent innovation of bar codes at grocery shopping checkout lines has helped consumers (as well as the stores themselves), the benefits of instant, compact, detailed and reliable data collection can produce many tangible gains.

"It comes down to productivity and to cost savings," says Stan Bessen, an analyst at the Washington, D.C. offices of the Rand Corporation, a think tank. "As Europe enters a more competitive trade environment, application of data interchange electronically becomes more essential." After years of gradual transition, many industries are preparing to shift to use of such a system. In both the Community as well as in Asia and North America, it is termed electronic data interchange, or EDI.

One major obstacle to this trend has been the lack of common standards and protocol. In computers and other forms of electronic communication, those protocols define the actual way electronic messages are stored, transmitted and coded. Yet, as any computer user knows, not all systems "talk" to each other. Whether in bills of lading or on the factory floor, strides in automation have remained frustrated by a Tower of Babel scenario.

Standards appealing to diverse sets of users are difficult to establish. The task of building common protocols, applicable and acceptable to European and non-European shippers, suppliers and customs

brokers—along with other players at each stage of the process—has been formidable. Truly efficient EDI depends on message content being readily understood at all points along the global supply chain.

Electronic messages are linked together in segments that form files. Syntax, according to Fuillermo de V. La Fuente, vice-president of General Motors España, is a set of rules that allows elements of data to be constructed for universal use and interpretation. Syntax structures data and determines how data is positioned. "Formats [in EDI] are flexible enough," he notes, "to allow for transmission by telex or other media." And nearly 100,000 files—consisting of separate invoices or statements—can be sent in a single transmission.

Consider the following scenario. It is the Port of Le Havre. Oversized cranes load Dutch biotechnology products and British avionics gear. Cargoes of Spanish wine, Italian shoes, West German computer-assisted design molds and French telecommunications equipment also are bound for America. Suddenly a message is received to add a quantity of Belgian machine tools. How can they be expedited to Le Havre, and in what form should they be packaged?

A process begins—one guided by an automated, almost non-clerical, environment. In fractions of a second, the exact location of these tools is determined, while options for delivery are offered at all ends of the production-to-distribution line. What would take hours of telephoning, telexing and calculation is cut down to seconds. Instructions are instantly communicated to the appropriate parties.

Where can they be found on the docks? What is the easiest way to transship them by sea? Who are specific recipients? What mode of payment is expected? Other essential questions are relayed from destination markets: Change the model of a high-tech ceramics product joint-ven-

tured by several European partners. As electronic blips flash across several screens "talking" to each other, the command is instantaneously obeyed.

That scenario is very close to reality. Today, E.C. businesses employ forms of EDI for many kinds of invoices, but other transactions are not yet "on line" throughout industry. Experts believe that finalization of agreements will come soon. "Implementation would then occur rapidly," declares Aycan Coyle, at Strategic Analysis, Inc., in Brussels. "The E.C.'s advanced telecommunications sector is able to respond quickly to standardization of data interchange."

Exporters and importers are preparing for adjustments that would bring on initial confusion, but have potential to usher an era of "just-in-time" efficiency. Improved inventory controls in industries ranging from textiles to automotive parts have already saved many companies over 25 percent a year. Uses of the EDI technique extend to other areas. "When universal use is possible, those savings can only increase," according to Lee Foote, manager of electronic data for the DuPont Corporation.

Foote saw the gains of EDI implementation come in one area. "The European chemical industry federation and its foreign subsidiaries have planned for EDI since 1984. Purchase orders, freight invoices and other transactions would be covered in a paperless manner. Even safety data on cargoes of chemicals anywhere in the world will be part of the system."

European textiles are eager to take part in the new environment. When their American counterparts transferred to EDI in 1986, they noticed that savings in inventory alone totalled 25 percent to 30 percent of that year's output, or \$130 billion. This was a form of automation that industry leaders had not imagined. Automation was not robotics, as some predicted, but simply better communications about product flow at all stages. It allowed for adjustments in production, and was able to communicate consumer taste instantly. Apparel manufacturers as well as textile producers "talked" for the first time—and the 52-56 week "pipeline" from design completion to final sales was reduced to 26 weeks. This "communication" is credited with rescuing a troubled "sunset" industry imperiled by low-cost Asian competition.

The E.C.'s advances in videotext are world-renowned—and are far ahead of similar efforts in either Japan or the United States. Europe's PTT's boast a

Julian Weiss is a freelance writer based in Washington D.C.

# THE BASIC PHILOSOPHY OF HANSON AS EXPLAINED BY A BRICK, A STRIP LIGHT, A DOUBLE SCOTCH AND A HOT DOG.

Hardly the four most exciting objects known to modern man, are they?

Yet together they illustrate perfectly the wisdom of the policies that we pursue at Hanson.

Namely, to operate only within industries which provide basic goods and essential services to proven markets.

Now, some would have you believe that these are "declining" industries. But what do you think? Are buildings no longer built with bricks? (We are the world's largest brick maker.)

Do travelers no longer stock up on duty-free scotch? (We operate duty-free shops at London's Heathrow and Gatwick Airports.)

Do people retire to their beds when the sun goes down? (We are the second largest lighting manufacturer in the United States.)

And isn't eating hot dogs still one of America's favorite pas-

times? (We own Hygrade Foods, the second largest maker of hot dogs in the United States.)

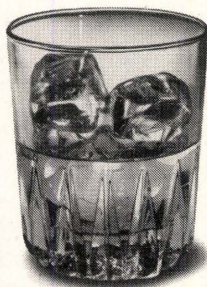
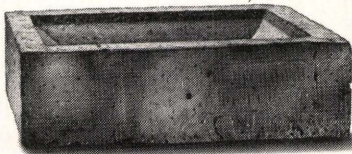
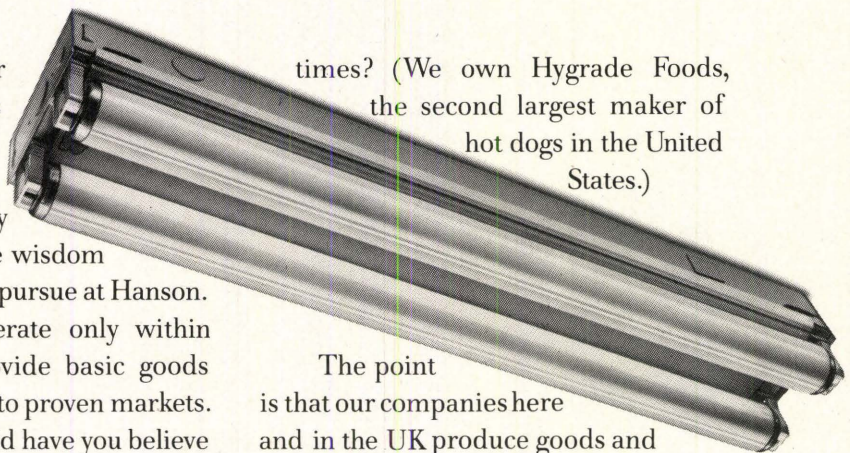
The point is that our companies here and in the UK produce goods and services that meet basic human needs.

And using our judicious blend of tight financial controls, decentralized management and performance incentives, they also produce excellent returns on capital employed.

But perhaps the most telling testament to our basic philosophy is not how well our companies have prospered. It is how well our shareholders have prospered.

Had you bought \$10,000 worth of our stock in 1964, you would now, at the time of going to press, be sitting on an investment worth over \$600,000.

On this magnificent sum, we rest our case.



HERE TODAY

**H A N S O N**

HERE TOMORROW

# EUROPE is available in Microform.



## University Microfilms International

Please send additional information  
for \_\_\_\_\_  
Name \_\_\_\_\_  
Institution \_\_\_\_\_  
Street \_\_\_\_\_  
City \_\_\_\_\_  
State \_\_\_\_\_ Zip \_\_\_\_\_

300 North Zeeb Road  
Dept. P.R.  
Ann Arbor, Mi. 48106



sophisticated infrastructure. Europe's move toward a truly integrated global system will have enormous potential for sales of telecom equipment—and for other innovations originating among the 12 members.

Last year was an active one as the quest for an integrated system featured ratification of the U.S.-E.C. accords, and trial runs of a proposed syntax in specific industries. Coordinating different versions of a *lingua franca* was concluded. ANSI, the American National Standards Institute, coordinates standards for computers and other communications links. The United Nations employs EDIFAX, and the International Standards Organization has its form of data interchange. In early 1988, both Australia and Canada took steps to graft their versions of EDI on to an architecture acceptable to both the United States and the E.C., respectively. (Experts agree that East Asian groups have been a few steps behind in this effort.)

In 1987, there was agreement between European and U.S. umbrella associations about a common syntax. One issue plaguing this quest was that the Europeans favored further breakdown of the number of categories in paperless transactions. The E.C. delayed decisions on this matter in order to adjust their telecommunications vendors to any non-E.C. code. Interfaces through common software packages overcame technical problems. One obstacle has been data

security, but improvements over previous systems reassured skeptics. Legal contracts—with individual signatures—remain one obstacle in the race for total EDI.

The E.C.'s steps to usher in this electronic revolution come through efforts of ODETTE (Organization for Data Exchange by Teletransmission in Europe). ODETTE is acknowledged as a major technical breakthrough.

Working groups were established in 1984 and coordinated the E.C. offices in Brussels. Automakers such as Peugeot and Volkswagen played important roles in ODETTE's development, as did Lucas Electrical in the United Kingdom. "The efforts of those working groups were consolidated in 1987," declares LaFuente. He sees a "broadening of scope" as automation gains in acceptance.

Europe's trading partners are preparing for the new environment. A.J. Gillies, vice-president for Intermodel at Canadian National Rail, thinks that an "incredibly effective distribution system will result" as Hapag-Lloyd, Atlantic Container Line and other major transportation companies adapt to EDI. "It promises to boost Canada's trade with the E.C., and afford opportunities for their manufacture."

The electronic edge makes it possible for smaller-sized firms to have equal access to those opportunities. EDI itself is building whole cottage industries, especially in software. Worldwide commerce can be transformed in other ways as Europe becomes an active player. €



1992  
THE WORLD'S RENDEZ VOUS WITH EUROPE

The International Herald Tribune  
is honored to welcome  
these world-renowned companies  
as sponsors of its 1992 series.

**NOKIA**

**SABENA**  
BELGIAN WORLD AIRLINES

FRANCE  
**TELECOM**  
INTERNATIONAL



**EURO  
PAGES**  
THE EUROPEAN  
BUSINESS DIRECTORY



**aérospatiale**

**RHÔNE-POULENC**

**ALCATEL**

The next sections in the series will highlight the following sectors:

**MAY**

**Telecommunications**

**JUNE**

**Transportation**

**SEPTEMBER**

**Banking-insurance-financial services**

**OCTOBER**

**Automobiles**

**NOVEMBER**

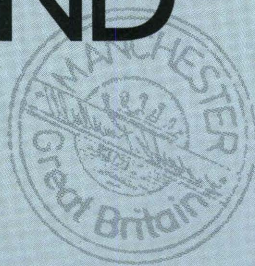
**Agribusiness**

For advertising information and rates, please contact the Advertising Sales Director,  
Rolf Kranepuhl, in Paris, or your local IHT representative.

**Herald** INTERNATIONAL **Tribune**  
Published With The New York Times and The Washington Post

850 Third Avenue, New York, N.Y. 10022,  
Tel.: (212) 7523890 Telex: 427175 Fax: 7558785

# THE E.C. AND TOURISM



## ECONOMICALLY AND CULTURALLY IMPORTANT SECTOR IS VITAL TO EUROPE.

**T**he European Community and its institutions are becoming increasingly involved in the problems of tourism. In a multinational and multicultural Community, tourism is a particularly good way for all its citizens to get to know and understand each other better. That is why the European Parliament, as well as the Heads of State or Government meeting in the European Council, have frequently underlined the importance of tourism in the context of a People's Europe.

Tourism is a prime economic sector. It represents about 5.5 percent of the gross domestic product of the Community of Twelve and 8 percent of private consumption. It plays a perceptible role in the balance of payments of E.C. member states, accounting on average for nearly 4 percent of currency outflow and 5 percent of inflow, with "peaks" on the credit side of almost 20 percent in Spain and well over 15 percent in Greece. Tourism is therefore an essential factor in the achievement of the European internal market by 1992, as well as in the current international negotiations on liberalizing trade in goods and services.

The importance of tourism for employment is equally obvious. In the E.C. as a whole, the sector provides, directly, the equivalent of 5.5 million full-time jobs. It also creates employment indirectly for numerous other workers. Tourism is labor-intensive and can make an important contribution to the fight against unemployment and to the development of less-favored regions.

Tourism is a social phenomenon that is developing rapidly. New forms of it are coming into being all the time; expenditures on international tourism and receipts from it have increased more than

six-fold in 14 years. The E.C., in cooperation with member states and with those who work in tourism, can analyze tourism problems in more depth than has been done before. It also can play a central role in the coordination at European level of certain activities. Also, with competition from other parts of the world to be faced, the time seems to be ripe for joint promotional activity on certain markets outside the E.C. such as the United States.

The main themes of E.C.'s policy on tourism are:

- Assisting tourism in the E.C.
- Improving the seasonal and geographical distribution of tourism.
- Better use of financial aid.
- Better information and protection for tourists.
- Improving working conditions in the tourist industry.
- Increasing awareness of the sector, furthering consultation and cooperation.

### Facilitating tourism in the E.C.

**Border checks.** The E.C. intends between now and 1992 to eliminate police and tax checks at borders between member states. Visa and residence-permit systems also should be integrated to some degree on an E.C. basis. Progress to date includes the creation of an E.C. driving license and passport. Duty-free allowances for travelers have been raised. The E.C. is asking member states to extend to all land frontiers between them the use of the "green disc," which already allows people from the Benelux countries, Germany and France to cross the borders between those countries quickly when they have nothing to declare. This year the member states are replacing signs saying "customs" with ones showing the

European flag and bearing the name of the country being entered. They also should gradually merge their land frontier posts and provide channels reserved for E.C. citizens at all major ports and airports.

**Health problems.** Citizens of one member state can avail themselves, if they need to, of benefits in kind under the medical insurance of another member. Also, the Council of Ministers has drawn up a model for a European emergency health card, containing, in all languages, medical information on travelers with health problems.

**Financial problems.** The European Court of Justice ruled in 1984 that exchange controls must not impede tourism. Also, the Commission encourages the use of the European Currency Unit, which because of its stability can be of interest to purchasers of package holidays and to users of travelers' checks.

**Legal problems.** The Commission has asked the Council of Ministers to invite all member states to ratify the Hague Convention as soon as possible. This convention gives residents of a contracting country the same access to legal aid as is available to nationals of the country they are visiting, should they become involved with the law.

**Transport.** As part of its transport policy, the Commission promotes improvement of infrastructure, particularly in border areas, as well as greater flexibility in air transport, closer cooperation among railway companies and more rational fixing of fares. The Commission is studying the possibility of extending to citizens of all member states the benefits afforded in each of them to certain categories of transport users (young people, the elderly, the handicapped).

### Improving distribution

The geographical and seasonal concentration of tourism leads to greater congestion and even to greater risk of accident. It causes alternating overwork and unemployment, overloading and under-use, for tourism workers and facilities, inflates the prices of the services available and threatens the quality of the environment, natural and man-made. To limit these disadvantages, seasonality must be countered by promoting three forms of tourism that give a better distribution of impact in time and space: social, rural and cultural tourism.

*Social tourism.* The Commission has decided to cooperate with those professionally involved in order to establish a basis for a guide to social tourism, which would help less well-off people to take maximum advantage of the possibilities available in the various member states. E.C. funds could finance some training or accommodation projects that would help in this regard.

*Rural tourism.* Here too, the compiling of a guide is envisaged. The Commission is studying other ways of promoting vacations on farms or in rural areas such as support for the training of operators, aid for improving the rural habitat and signposting.

*Cultural tourism* is relatively independent of weather conditions and can be "deseasonalized." It brings in tourists from outside the E.C. and makes Europeans more aware of the richness of their common heritage. The Commission is involved in studying pilot projects for European cultural itineraries. It would like to see an increase in resources for restoring Europe's patrimony. Some aid already

The tourism industry accounts for 5.5% of GDP in the E.C. Below, the Leaning Tower of Pisa.



has been given for this purpose from the E.C. budget and there have been loans from the European Investment Bank (EIB); among the sites to benefit have been the Doge's Palace in Venice and the Parthenon in Athens.

### Better E.C. financial aid

The E.C.'s financial instruments make a useful contribution to expanding tourism in the member countries. The European Agricultural Guidance and Guarantee Fund supports the promotion of many tourist activities that supplement farmers' incomes. Between 1980 and 1986, the EIB gave low-interest loans totaling about 350 million ECU—about \$420 million—for more than 1,000 tourist projects such as holiday villages, pleasure harbors, ski lifts, hotels and numerous small and medium-sized tourist enterprises. During the same period, the European Regional Development Fund (ERDF) devoted 326 million ECU to aid for 660 tourist projects such as building hotel, sport and conference centers; equipping bathing resorts, museums and archaeological sites; and restoring theaters.

The EIB and the ERDF also have financed under other headings a lot of infrastructure that contributes to the development of tourism such as ports, airports, roads and highways and railways. There are specific regional programs financed by the E.C. that promote tourism and other activities in the south of France, the Italian Mezzogiorno, Greece and some parts of Ireland.

### Information and protection

The Commission's main priorities are:

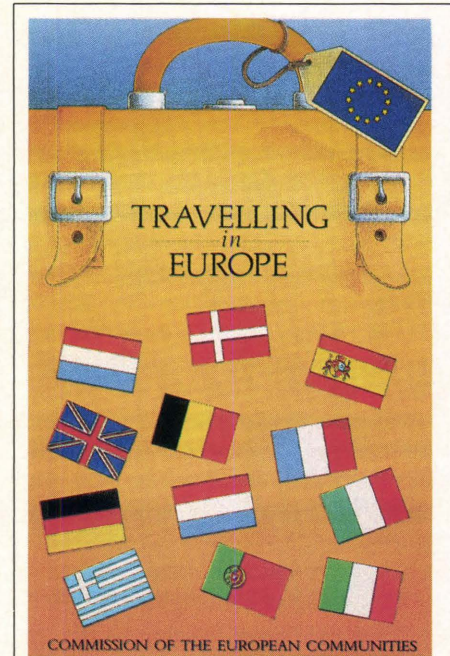
**A practical travel guide.** The Commission's information services distribute on a wide scale, with the help of private bodies, a brochure entitled *Travelling in Europe* (see box). This contains useful information on crossing borders, duty-free allowances, health care and other subjects. The Commission wants to draw up a more complete guide, giving more practical information on all member states (opening of museums and services, main holidays, etc.)

**Standardizing hotel information.** A complete classification of hotels covering all member states would appear to be difficult to achieve. The Council of Ministers, however, has approved a recommendation for standardizing the main information about hotels. Prices could also be expressed in ECU and common symbols adopted for the various facilities offered. The Commission plans to establish similar systems for campsites and for social and rural tourism. The information expressed in this way would be given in the

official national guides.

**Hotel security.** The Commission urges member states to act on a recent recommendation of the Council of Ministers to reduce the risk of fire in hotels.

**Package travel.** Tourists taking package tours often complain of being given inaccurate information or of failure to respect the terms of the contract. The possibility of recourse to the law will be limited as long as specific, rapid and sim-



The above guide, which contains useful information on traveling in Europe, can be obtained from the E.C. Press and Public Affairs Office; 2100 M Street, 7th Floor; Washington, D.C. 20037.

ple procedures do not exist in all member states. The Commission has proposed a directive to correct this problem.

### Improving working conditions

**The employment situation.** As the seasonal nature of many jobs makes monitoring difficult, an initial study financed by the Commission will examine the employment situation in hotels, restaurants and cafés.

**Use of information technology.** New technology will help improve reservation systems. A study financed by the Commission will facilitate the standardization of computer vocabularies and access to the data banks of all member states.

### Increasing cooperation

**Statistics and surveys.** The E.C.'s Statistical Office has initiated studies to create a European system of tourism statistics. This, of course, presupposes a harmonization of national statistics, the criteria for which are too diverse at the moment.

**Consultation and coordination.** The Commission intends to develop its contacts with the industry. Parallel to that, a flexible procedure has just been initiated to enable member states of the E.C. to consult with each other and to coordinate their activity in the field of tourism. The member states will inform the Commission of the measures they have taken or intend to take in this sector; questions of possible common interest will be jointly examined in a Tourism Committee. In this way it will be possible to organize exchanges of information and experience and, when it is needed, cooperation in pursuit of common objectives. €

## TOURIST OFFICES IN THE 12 E.C. COUNTRIES

### Belgian Tourist Office

745 Fifth Avenue, New York, NY 10155. Tel.: (212) 758 8130.

### Danish Tourist Board

655 Third Avenue, New York, NY 10017. Tel.: (212) 949 2333.

### French Government Tourist Office

610 Fifth Avenue, New York, NY 10020. Tel.: (212) 757 1125.

### German National Tourist Office

747 Third Avenue, New York, NY 10017. Tel.: (212) 308 3300.

### British Tourist Authority

40 West 57th Street, New York, NY 10019. Tel.: (212) 581 4700.

### Greek National Tourist Organization

645 Fifth Avenue, New York, NY 10022. Tel.: (212) 421 5290.

### Irish Tourist Board

757 Third Avenue, New York, NY 10017. Tel.: (212) 418 0800.

### Italian Government Travel Office

630 Fifth Avenue, New York, NY 10111. Tel.: (212) 245 4822.

### Luxembourg National Tourist Office

801 Second Avenue, New York, NY 10017. Tel.: (212) 370 9850.

### Netherlands Board of Tourism

355 Lexington Avenue, New York, NY 10017. Tel.: (212) 370 7360.

### Portuguese National Tourist Office

548 Fifth Avenue, New York, NY 10036. Tel.: (212) 354 4403.

### National Tourist Office of Spain

665 Fifth Avenue, New York, NY 10022. Tel.: (212) 759 8822.

# The Splendors of Europe

## THE COTSWOLDS

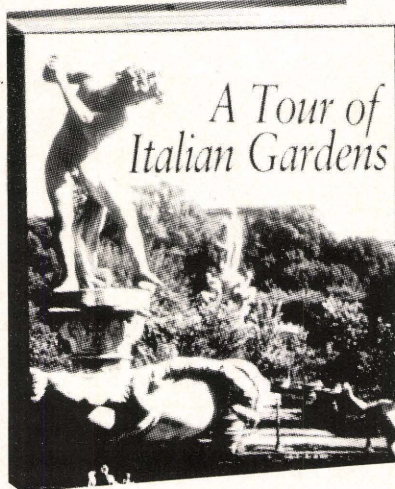


ROBIN WHITEMAN and ROB TALBOT  
Foreword by GILLY COOPER

### THE COTSWOLDS

*Robin Whiteman and Rob Talbot. Foreword by Gilly Cooper.* A beautiful photographic volume on the unique architecture and landscape of this region in the west of England. The rich photographs capture the beauty of the softly rolling hills, wooded valleys, stately manors and lowly cottages that are so characteristic of this area of outstanding natural beauty. 160 pages. 10" x 7½". 131 color illus. \$25

### A TOUR OF ITALIAN GARDENS



A Tour of  
Italian Gardens

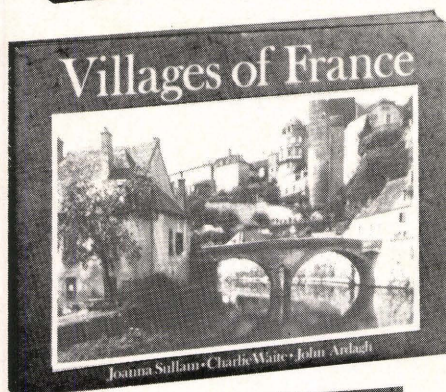
*Judith Chatfield. Photographs by Liberto Perugi.* With garden plans, old engravings, and splendid photographs, art historian Judith Chatfield leads a tour of Italy's historic gardens, some of which served as magnificent papal retreats, while others were part of the pleasure palaces of Renaissance princes. The book includes a thorough history of gardening in Italy and discusses over 50 gardens individually. 224 pages. 7" x 9". 200 illus., 150 in color. \$25

### THE VILLAGES OF FRANCE

*Joanna Sullam. Photographs by Charlie Waite.* The centuries-old traditions of rural France are captured in this spectacular collection of photographs, highlighting the lives of the villagers from the Pyrenean foothills to the harbors of Brittany. The accompanying text sets these unique villages in their landscape, describes their history, and depicts their typical features that have changed little over the centuries. 160 pages. 10" x 7½". 135 color illus. \$25

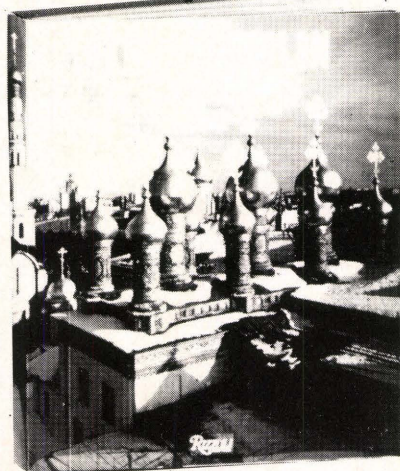
### THE KREMLIN AND ITS TREASURES

*Irina Rodimzeva, Nicolai Rachmanov, Alfons Raimann.* An unusually stunning book on one of the most spectacular architectural ensembles of the world and its magnificent collection of paintings, sculpture and objets d'art. "This new book is the czar of them all. It takes you on a sumptuous tour spanning 15 centuries of treasures, through the palaces, the cathedrals, and the dazzling collections of icons." — *The New York Times*. 356 pages. 10" x 12½". 278 illus., 252 in color. \$75



Villages of France

Joanna Sullam • Charlie Waite • John Arladi



**RIZZOLI**

### RIZZOLI INTERNATIONAL PUBLICATIONS INC.

Sales Department E  
597 Fifth Avenue  
New York, New York 10017

TOLL FREE PHONE NUMBER FOR CREDIT CARD ORDERS:  
1-800-433-1238 (IN NEW YORK CALL (212) 223-0100)  
ASK FOR EXT. 79 AND REFER TO DEPT. E

Enclosed is my payment in the amount of \$ \_\_\_\_\_ for the following books:

\_\_\_\_\_

plus \$2.50 for shipping and handling.

My method of payment is:  CHECK  MONEY ORDER  
CREDIT CARD:  AMEX  MASTERCARD  VISA

CARD # \_\_\_\_\_ EXP. DATE \_\_\_\_\_

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

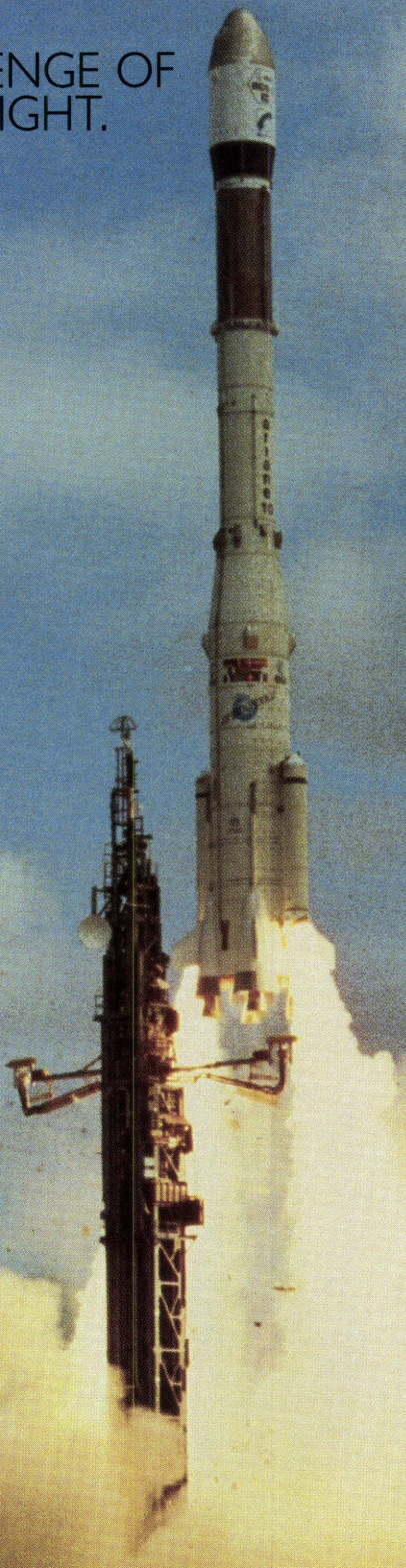
CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

SIGNATURE \_\_\_\_\_

ALLOW TWO WEEKS FOR DELIVERY New York State residents add sales tax

# EUROPE IN SPACE

PICKING UP  
THE CHALLENGE OF  
MANNED FLIGHT.



The Ariane 5 launcher, expected to be ready by 1995, will carry a payload big enough to put the planned Hermès space plane into orbit. Right, an Ariane 3 launch.

DAVID DICKSON

**F**or the past 20 years, despite a growing number of technological successes, Europe has had to sit on the sidelines as far as manned space activity has been concerned. A few of its astronauts have been able to hitch rides on American or Soviet launch vehicles; and, as with the laboratory module Spacelab, European space engineers have made some significant contributions to the U.S. manned space program. But Europe's own efforts have been confined to unmanned activities.

All that is about to change following a meeting of the ministers responsible for space of the 13 member states of the European Space Agency (ESA), held in the Dutch capital of The Hague last November. The ministers approved a set of three programs that, when taken together, should provide European components for a mini space-plane called Hermès, which will provide astronauts with the ability to move around in space. The second is an upgraded version of the launcher Ariane, sufficiently powerful to place Hermès in orbit. And the third is a set of hardware components collectively named Columbus, including a laboratory module that will be permanently attached to the space station currently being planned by the U.S. National Aeronautics and Space Administration (NASA), and a separate "man-tended free flyer" (MTFF) that could later become the kernel of a totally European space station.

The adoption of these three programs at The Hague was a major political victory for the French Government, which was able to persuade most of its European colleagues (the United Kingdom was the only dissident voice) to accept an ambitious development program for new space technologies up to the end of the century. As French Industry Minister Alain Madelin put it: "Europe has picked up the challenge of manned space flight."

The foundation of Europe's joint space efforts during this period will continue to be the scientific and technological research programs organized by the Paris-based ESA, whose 13 member states each contribute to a core of research activities according to a formula based on the size of their gross national product.

This mandatory program supports both a wide range of scientific experiments, such as the space craft Giotto, which flew close to Halley's comet two years ago to obtain the first ever close-up photographs of the heart of a comet, and the development of a range of technol-

David Dickson is the European correspondent for *Science* magazine.

ogies that are expected to play an important role in the space vehicles of the future.

In addition to the mandatory program, however, ESA is also responsible for a number of additional "optional" projects in which member states can choose whether or not to participate and, if they do, how much of the overall costs they are prepared to pay (a sum usually related directly to the proportion of industrial contracts for the projects that their own aerospace manufacturers are likely to receive).

Each of the three major programs approved at The Hague come into this "optional" category. Ariane 5 will be a heavy-weight version of the launcher that has been successfully developed since the early 1970s by France's National Center for Space Studies to provide Europe with an independent launch capacity. Thanks to the development of a new cryogenic engine, known as the HM60, Ariane 5 will be able to put a pay-load of 8,000 kilograms into space, almost twice as much as the Ariane 4 version whose first flight is planned for this May. The new rocket, which is expected to be ready for launch in 1995, will therefore be suitable not only for putting into orbit large telecommunications satellites, but also for carrying both the space-plane Hermès, and, eventually, elements of a European space station (or any other form of space infrastructure).

Hermès itself will have a crew of three (original plans to carry up to five astronauts have had to be scaled back to take into account new safety features following the accident to the U.S. space shuttle Challenger). It will have a limited capacity to maneuver in space, allowing it to ferry astronauts to and from space-based facilities, such as the U.S. space station or ESA's own MTF.

Hermès also will be able to carry out, if required, its own scientific experiments. And at the end of its mission, it will glide back down to the earth's surface, landing in the same manner as the space shuttle. Columbus itself will have four main elements. The most important, at least initially, will be the laboratory that will be attached to the U.S. space station. In March, NASA and ESA officials finally reached agreement on the terms under which ESA and its members will participate in the whole space station project.

One component is the MTF, which will be essentially a self-contained automatic laboratory, able to operate in space for long periods of time. It will be used to carry out experiments in, for example, crystal growth or material sciences that are able to exploit the opportunities of

## EUROPEAN SATELLITES OFFER WIDE RANGE OF SERVICES

FROM WEATHER FORECASTING THROUGH ASTRONOMY TO TELECOMMUNICATIONS AND BROADCASTING.

**T**he heart of Europe's space activities, both at a national and multinational level, lie in its satellite programs. As in the United States, a series of scientific satellites has successfully paved the way for the development of satellites offering a wide range of services, from weather forecasting and resource exploration through the transmission of business information between European firms to the direct broadcasting of television programs.

The early European satellites were largely the result of national space efforts, often carried out in association with the United States. The United Kingdom was responsible for the very first, the scientific satellite Ariel 1 launched in 1962—only three years after the Soviet sputnik—soon to be followed by Ariel 2 (1964) and Ariel 3 (1967), the latter being designed and built entirely in the United Kingdom.

The next country after Britain to launch its own satellite—a fact sometimes forgotten in discussions of Europe's space efforts—was Italy. This was the scientific satellite San Marco 1, designed and built at the University of Rome, which was launched by a U.S. rocket in

1964. The second in the San Marco series was launched in 1967, with two more in 1971 and 1974, respectively.

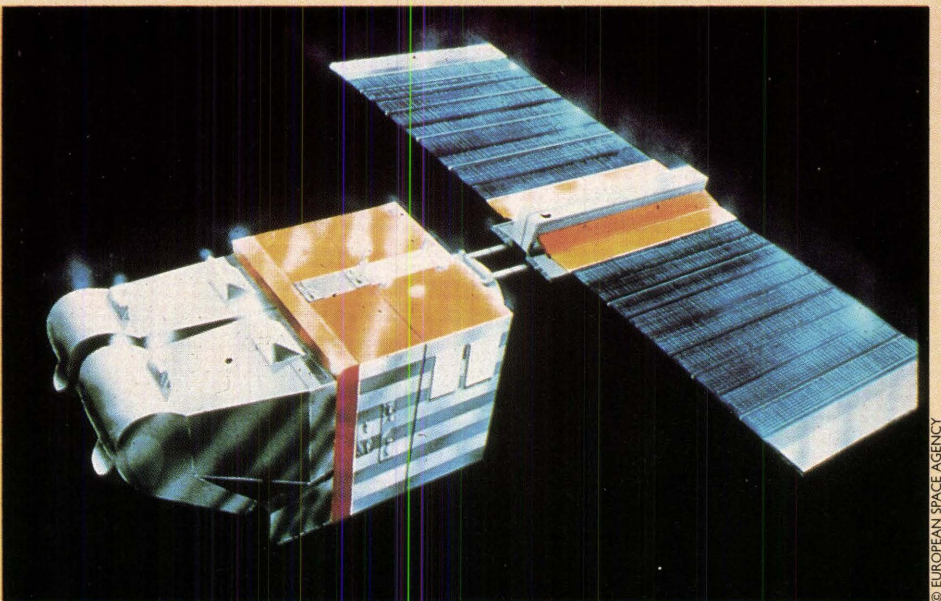
France was not far behind, with the scientific satellite Astérix launched in November 1965, and the next, Diapason, in 1966. The Federal Republic of Germany followed with its own scientific satellite, Azur, in 1969. Up to 1986, France had built and successfully launched 15 of its own satellites—the same number as the United Kingdom—and Germany had built eight.

The remaining three European countries to have had their own satellites placed in orbit are the Netherlands (with the scientific satellite ANS-1, launched in 1974), Spain (with the Intasat communications satellite launched the same year) and, most recently, Sweden (with the Viking satellite, launched in 1985).

The joint development of satellites by two or more European countries also started in the mid-1960s. Much of this cooperation took place under the umbrella of the European Space Research Organization (ESRO), which was explicitly established to coordinate scientific efforts by developing common satellites and ground facilities.

The first joint European satellite was the scientific satellite Heos, designed to measure interplanetary magnetic fields. It was launched in 1968 and its successor Heos A2 four years later. ESRO was amalgamated with its twin organization, the European Launcher Development Organization (ELDO), to form ESA in 1975.

European satellites fall broadly, again like those in the United States, into two main categories: scientific satellites and applications satellites. The scientific satellites perform a double function. Their



The SPOT remote-sensing satellite gives stereoscopic images of the earth's surface with a resolution down to 5 meters.

© EUROPEAN SPACE AGENCY

most obvious role is to gather scientific data—which can be data about the atmospheric environment through which they are travelling or that obtained from observations of objects in space or on the earth's surface—which is subsequently transmitted back to research teams on earth. The other, equally important, function of scientific satellites is to provide a test-bed for the development of new equipment (in particular, sensors or data-transmission techniques) for subsequent use on applications-oriented spacecraft.

Two of the most important European scientific satellites in recent years have been the International Ultra-violet Explorer (IUE) designed jointly by scientists from Britain and from ESA and launched



**ERS-1 is designed to monitor coastal, ocean and ice zones for scientific and applications purposes.**

by the National Aeronautics and Space Administration (NASA) in 1978, and the X-ray observation satellite Exosat, placed in orbit by an Ariane launcher in 1986. Currently awaiting launch is its successor, the German-sponsored Rosat, which has been designed to carry out a detailed survey of all X-ray sources in the sky.

The first experimental applications satellites were, in general, those developed for telecommunications, including the two Symphonie satellites (developed jointly by France and Germany, with additional support from Belgium) in 1975, and Italy's satellite Sirio (1977).

From these initial beginnings, a number of communications satellites have since been developed. The French Directorate-General for Telecommunications, for example, started its Telecom 1 program in 1979, and now has two satellites

in operation, Telecom 1A launched in 1984, and Telecom 1C, one of the two satellites carried by the successful Ariane launch on March 11 this year. (The second in the series, Telecom B, was launched in 1985, but failed prematurely in orbit earlier this year). In addition to relaying digital telecommunications and telephone and television traffic between France and its overseas territories, the Telecom satellites are used for military communications.

Europe's first direct-broadcasting satellite has been the result of joint cooperation between France and Germany. The French version of the satellite, TDF-1, is due for launch toward the end of 1988, and the German version TV-SAT2 in February 1990. (TV-SAT1 was launched earlier this year, but had to be abandoned when one of its power-supplying solar panels failed to deploy after separation from the Ariane launcher).

Another important program has been the development of maritime communications satellites. The first such satellite, Marots, was developed under ESA and launched in 1978, followed by Marecs A (1981) and Marecs B2 (1984), both of which were subsequently leased to the international maritime communications agency Inmarsat. A new satellite will be launched for the agency in 1988.

Remote sensing is another field in which satellite technology has been developing strongly. One of the most significant efforts has been the French SPOT (Satellite pour Observation de la Terre) program, designed to provide stereoscopic images of the earth's surface with a resolution down to 5 meters.

SPOT-1 was launched in 1986, and several thousand images are now being supplied each month to customers throughout the world by the company SPOT Image. The scope of customers is broad, ranging from oil and mineral companies seeking evidence of undiscovered natural resources to—a less anticipated source of demand—newspapers and magazines covering events such as the aftermath of the Tchernobyl nuclear accident or the controversy over Soviet military installations.

SPOT-2, a follow-on satellite, is due to be launched in 1989, and based on the technical and commercial success of SPOT-1, the French Government has recently given the green light for two more satellites to be built, SPOT-3 and SPOT-4. In addition, a military version, named Helios, is also under development. This will be partially financed by the Italian and Spanish Governments, which, in common with France, are interested in keeping a

Continued on page 50.

using an environment of practically zero gravity, serviced in orbit by the crew of Hermès. Other microgravity experiments will be retrieved by the U.S. space shuttle and serviced back on earth. The final element is an earth-observation platform that will orbit the earth over the two poles—hence its name “polar platform”—and be used as the base for a wide range of remote-sensing equipment.

Taken together, the different elements of Columbus will provide Europe with the opportunity to develop the technical skills required to claim autonomy from the United States in manned space operations—an autonomy that, ESA officials argue, will also make it a stronger partner with the United States in future joint space efforts. “The basis for real partnership lies in mutual interest” says Reimar Lust, director-general of ESA. “Nowhere is this more true than in the International Space Station project.”

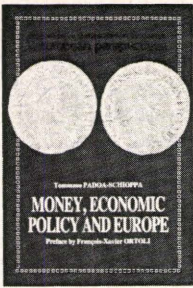
The bill for these three programs will be substantial. Preliminary estimates put last fall to the meeting in The Hague were that the development of Ariane 5 would cost \$4.2 billion over a period of 10 to 12 years, that Hermès would cost \$5.3 billion over this same period, and Columbus about \$5.3 billion. The total cost of these three programs would therefore amount to \$14 billion, a sum that, although still relatively small compared to the American or Soviet space budgets, will still mean a doubling in Europe's space budget over this period.

Not everyone is convinced that this money will be well spent. Following earlier statements by British Prime Minister Margaret Thatcher that she did not consider it necessary to make any significant increase in the United Kingdom's \$200-million annual space budget—already behind that of the Federal Republic of Germany, France and even Italy—the British minister responsible for space affairs, Kenneth Clarke, told his colleagues at The Hague that he was not prepared to support any of the three individual projects.

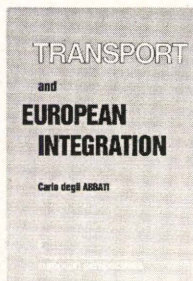
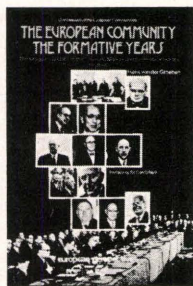
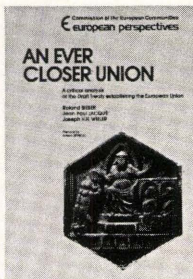
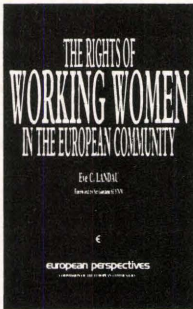
In particular, Clarke criticized the extra costs that will be incurred in the development of Ariane 5 in order to make it reliable enough to carry humans into space. He also criticized the whole idea of Hermès, which he said would merely duplicate, at considerable cost, feats that had already been achieved by both the U.S. and Soviet space programs.

More muted criticism has come from members of the scientific community, who argued that, from a strictly scientific (or industrial) point of view, the money spent on putting man into space might be better used developing sophisticated





# EUROPEAN PERSPECTIVES



**The European Community: How It Works.**

Examination of the institutions of the Community and the decision-making procedure by Emile Noel, secretary-general of the E.C. Commission. 1979. 79 pages. ISBN 92-825-1015-8. **\$5.00**

**The Challenges Ahead—A Plan for Europe.** A report on the need for economic planning at the European level. 1979. 80 pages. ISBN 92-825-1404-8. **\$5.00**

**The Community Legal Order.** Introduction to E.C. law for the lawyer and layman by J.V. Louis. 1980. 145 pages. ISBN 92-825-1053-0. **\$5.00**

**The Customs Union of the European Economic Community.** A basic guide to the customs legislation of the E.C. by N. Vaulont. E.C. Customs Service. 1981. 89 pages. ISBN 92-825-1911-2 **\$5.00**

**The Old World and the New Technologies.** Study on the role of new information technologies in Europe and the revolution in bio-technology. 1981. 147 pages. ISBN 92-825-1726-8. **\$5.00**

**The Finances of Europe.** Comprehensive picture, by Daniel Strasser, E.C. Commission director-general for budgets, on the preparation and implementation of the budget. Also covers financial regulations and resources. 1981. 422 pages. ISBN 92-825-2072-2. **\$17.00**

**Thirty Years of Community Law.** Collection of essays tracing the development of the Community, its institutional structure, legislation and policies in various sectors. 1983. 498 pages. ISBN 92-825-2652-6. **\$15.50**

**An Ever Closer Union.** Comprehensive political, economic and legal analysis of the Draft Treaty on European Union prepared by the European Parliament. 1985. 345 pages. ISBN 92-825-5220-9. **\$7.50**

**Money, Economic Policy and Europe.** Collection of papers by T. Padoa-Schioppa, former E.C. Commission director-general for economic and financial affairs on European monetary integration and international monetary economics. 1984. 215 pages. ISBN 92-825-4410-9. **\$7.60**

**The European Monetary System.** Study on the aims, content and mechanisms of the European Monetary System and its operation. 1984. 145 pages. ISBN 92-825-3468-5. **\$4.50**

**The European Communities in the International Order.** Essays on the position of the Community in terms of international law as the E.C. has partially or fully replaced its members states as an actor in international forums. 1985. 163 pages. ISBN 92-825-5137-7. **\$4.50**

**The Rights of Working Women in the European Community.** Comparative analysis of case-law in national courts and the European Court of Justice on equality of men and women in employment. 1985. 244 pages. ISBN 92-825-5341-8. **\$4.50**

**The Professions in the European Community.** Discussion of Community efforts to establish rules for the mutual recognition of qualifications for professionals and enhance their ability to practice freely in the E.C. 1982. 137 pages. ISBN 92-825-2791-3. **\$6.00**

**The European Community. The Formative Years.** The struggle to establish the Common Market and the Political Union (1958-66) by Hans von der Groeben. 1986. 276 pages. ISBN 92-825-5936-X. **\$14.00**

**Transport and European Integration.** A survey of the developments in and achievements of European transport policy of the EEC, the Economic Commission for Europe, the European Conference of Ministers of Transport and the Council of Europe. 1987. 229 pages. ISBN 92-825-6199-2 **\$14.00**

**Lawyers in the European Community.** Survey of the national laws relating to lawyers and the practice of the profession and the problems for the right to provide services in any EC member state. 1987. 293 pages. ISBN 92-825-6978-0. **\$14.00**

**Order Form:**

Mail entire page to the European Community Information Service, 2100 M Street, N.W., Suite 707, Washington, D.C. 20037, (202) 862-9500. Telephone orders are also welcome.

Please send me the items I have checked.  Check enclosed for \$\_\_\_\_\_

Name \_\_\_\_\_

Organization \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

automatic space vehicles. A report published in March by the space research committee of France's Academy of Sciences, for example, claims that the presence of man "is not particularly useful, and would even be a disadvantage, in most space-based research," since a human presence can disturb the functioning of delicate equipment, while the manipulation of experiments could usually be carried out equally well from the earth.

Similarly, the committee says that the extra commercial spin-off from man's presence, even though it offers advantages (such as the occasional rapid repairs that could not be carried out by remote-controlled maintenance equipment) is likely to be outweighed by the heavy extra costs involved.

But the Academy of Science admits that the desire to launch a major program to put man in space is not based fundamentally in scientific, industrial or commercial arguments, but that cultural and political factors have played just as important a role in the decision. "It appears perfectly legitimate that France and Europe want to take part in a human adventure that acts as a powerful theme of international cooperation, and also to play a full role in the interplanetary flights of the next century."

Similar views are expressed by French Prime Minister Jacques Chirac. Speaking at a meeting on French science in Paris at the end of March, Chirac admitted that "the conquest of space, like the exploration of the oceans, or the fight against the worst diseases, is indispensable not only to maintain enthusiasm—the basic sign of life of a society—but also to provide the dream without which no nation, no people, can claim to be truly great." It was the political vision contained in Chirac's statement—a vision shared by French President François Mitterrand—that played the determinant role in the outcome of last November's ministerial meeting in The Hague.

Britain was not the only country to express reservations about the cost-benefit ratio that could be expected from a major investment of money and effort into manned space activities. Other criticisms were heard, for example, from members of the German scientific community, who expressed concerns that the money being allocated to manned space projects might be taken away from other fields of basic research that promised to be more scientifically productive.

Three factors, however, led German delegates to the conference, headed by the Minister of Research Heinz Riesenhuber, and backed by German

Continued on page 50.

## ARIANE ROCKET SCORES NEW SUCCESSES

### MOST RECENT LAUNCH INCLUDED THE FIRST SATELLITE BELONGING TO A U.S. FIRM.

**M**arch 11, 1988 was one of the key dates in the history of space technology. On that day, an Ariane rocket, developed by France's National Center for Space Studies (CNES) for the European Space Agency (ESA), performed a faultless launch of two telecommunications satellites, one, Telecom-C, for the French government, and the other for the U.S. company GTE Spacenet.

The significance of the launch was that the second of these was the first U.S. commercial satellite to have been launched since the accident to the space shuttle Challenger early in 1986—an event that subsequently led the U.S. Administration to decide that no further commercial launches would take place from the shuttle.

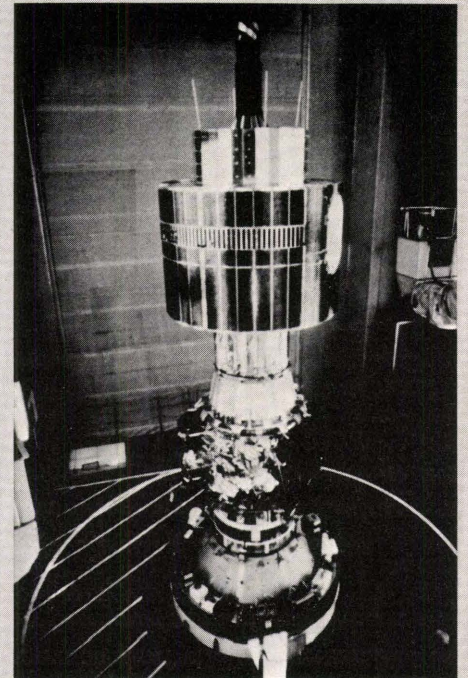
The relief of the U.S. telecommunications business that it was, at last, back in the satellite business, was mirrored in Europe by the satisfaction among executives of Arianespace, the company responsible for the commercial exploitation of Ariane, that it had fully overcome the crisis of confidence suffered when one of its own launches failed May 1986, four months after the shuttle accident.

"This new success means that we can now look forward with confidence to the increasing importance of Arianespace," said Frédéric d'Allest, who is both director and chairman of CNES, shortly after the launch. "Taking into account the industrial and operational potential, which is now operating at full capacity, our ambition of achieving eight launches this year is within our grasp." With an order book containing 42 bookings for future satellite launches, worth a total of almost \$2.35 billion, d'Allest has every reason to sound satisfied with the commercial prospects for Ariane.

The first Ariane rocket was launched in December 1979, only six years after European Space Ministers had decided that, for a combination of political and economic reasons, it was desirable to have its own independent means for putting satellites into space. Almost two-thirds of the development costs of Ariane have been carried by the French government, with the bulk of the remaining costs being paid for by the Federal Republic of Germany, and the main design work has been dele-

gated by ESA to CNES, with the chief industrial partner in the construction of the launcher being Aerospatiale.

The first Ariane model, Ariane 1, was designed to launch payloads of up to 1,825 kilograms into geostationary transfer orbit—the height at which a satellite rotates at the same speed as the earth and therefore appears to stay in a fixed position in the sky. This was soon succeeded by two upgraded versions, Ariane 2 and Ariane 3, capable of launching satellites up to 2,580 kilograms in weight. And May 11 will see the first flight of Ariane 4, a model that includes strap-on boosters (using either solid or liquid fuel), increasing its maximum load to 4,200 kilograms.

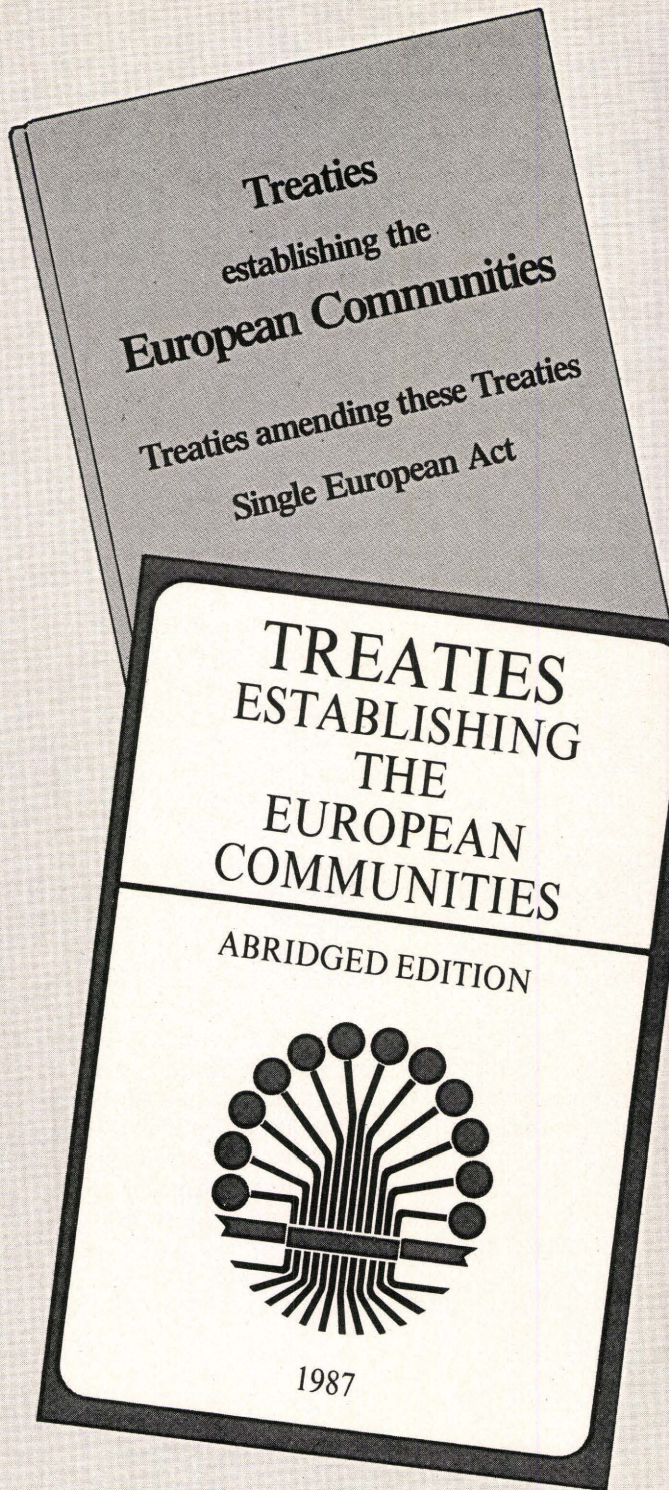


ESA's Meteosat 2 weather satellite and India's APPLE telecommunications satellite on the Airian launcher.

From there, it will be a quantum leap to Ariane 5, the heavyweight launcher that was given the go-ahead by the Space Ministers of the 13 ESA countries at their meeting in The Hague last November, and is currently due for its first launch in 1995. In particular, Ariane 5 will be powered by a new cryogenic engine, known as the HM60, which is currently under development and will allow the launcher to carry loads of up to 8,000 kilograms.

The commercial prospects for Ariane 5 are still to be demonstrated. Some, including in particular the British Government, have expressed concerns that the Europe—each based on a broad political vision rather than narrow considerations of cost-effectiveness. The first was the argument that, given the fact that both

Continued on page 50.



# Treaties of the European Community

New editions of the European Community's treaties are now available. An essential tool for anyone working regularly with European Community issues, the new abridged edition includes:

- The Treaty of Paris, setting up the European Coal and Steel Community
- The Treaties of Rome, creating the European Economic Community and the European Atomic Energy Community
- The amendments on the merger of the institutions, own resources, and direct elections of the European Parliament
- The Single Act
- Lists of decisions on the accessions of the United Kingdom, Denmark, Ireland, Greece, Spain and Portugal
- Contents list of the complete edition

The complete edition, available in hardback, contains additional detailed annexes and addenda not incorporated in the texts of the abridged edition. The three basic treaties with all amendments and annexes are published in Volume 1. Volume 2, in preparation, will contain the complete texts of the accession agreements.

Order Form: European Community Information Service, 2100 M Street, N.W., 7th Floor, Washington, D.C. 20037

\_\_\_\_\_ copies, Treaties Abridged \$17.10

\_\_\_\_\_ copies, Treaties Vol. 1 \$48.00

\_\_\_\_\_ Please notify me when Vol. 2 is available.

Payment must accompany order. Enclosed is my check for \$\_\_\_\_\_

Name \_\_\_\_\_

Organization \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

# EUROPE'S JOB CRISIS: HERE TO STAY?

UNEMPLOYMENT—AND  
COMPLACENCY—ARE SETTLING IN.

STEPHEN BROOKES

**N**o contrast between the United States and Europe over the past 15 years has been more striking than America's success—and Europe's alarming failure—at creating jobs. In the face of stagflation, recession and repeated shocks to the world economy, the U.S. was able to produce some 27 million new jobs—an increase of 32 percent—between 1973 and 1987. And yet, despite a well-educated and much larger population, the 19 OECD countries of Europe generated only about 5 million jobs over the same period. The European Community created a paltry 1.4 million of these (an increase of barely 1 percent), and a few countries—including Germany, Ireland and Spain—actually had fewer people working last year than in 1973. The result has been a Europe that now seems inextricably mired in double-digit unemployment, with the threat of a permanent underclass of de-motivated, unskilled non-workers—19 million strong and growing.

Euro-joblessness has awakened more than a little interest in the United States, where new proposals being discussed in Congress (a 40-percent increase in the minimum wage, employer-paid health insurance, plant closing restrictions, parental leave, and so on) are arousing fears of a "Europeanization" of employment policy that will strangle the life out of America's job growth. How to balance new demands for workers' rights and job security with employer flexibility and job creation has become an increasingly important debate, and the path Europe takes as it struggles toward a solution will no doubt have a strong influence on future policy.

Why has there been such an extraordinary difference in the performance of the American and European economies? Both are at similar stages of development, face

Stephen Brookes is associate editor of *Europe*.

similar problems and have grown in tandem throughout the postwar period. And yet, while governments have made efforts to inject life into the labor markets, it may not be possible for Europe to "Americanize" its job-creating machinery. No clear strategy seems to be emerging—in fact, a sort of paralysis has taken over—and at least one economist has asked whether we face "chronic unemployment in Europe forever."

The broad roots of Europe's joblessness make it that much more difficult to address, but the need for action is increasingly acute. Almost no one expects gross domestic product to grow by more than 2 percent this year, and a recent study published by the Brookings Institution (*Barriers To European Growth: A Transatlantic View*), found the major structural sources of Europe's economic problems to be concentrated not in inefficiencies in financial markets, a lack of industrial flexibility or a failure to be competitive, but in its overly rigid labor markets.

Moreover, the fall in the value of the

Europe seems mired in double-digit unemployment, creating a vast underclass of non-workers—19 million strong and growing.

dollar and the subsequent loss for European exporters of American markets will put a brake on growth for the foreseeable future. U.S. exports of manufactured goods are on the rise—perhaps by as much as 17 percent this year—and the export-led European economies are worried. The Italian industrialist Carlo De Benedetti recently predicted that the changes in trade flows will cost 4 million jobs around the world as companies cut back to become more competitive.

Public spending will face cutbacks as well, which means a few more nails banged into the coffin of Europe's welfare states. But Europe's notoriously gener-

ous unemployment benefits have, ironically, created a kind of complacency about the jobless, and reduced the pressure on governments to stimulate their economies.

In fact, unemployment compensation has become the easiest target in explaining the persistence of high unemployment in Europe. In Germany, for example, workers are entitled to a minimum of 63 percent of their previous take-home pay—which they can receive for as long as 32 months. Such generosity, it is claimed, creates disincentives to work, undermines the work ethic and will lead inevitably to the creation of a permanent welfare class.

There is some truth in this: Many of the jobless seem to have become quite content. A poll conducted last year by Germany's Allensbach Institute found that about half of the long-term unemployed had not bothered to even apply for a job in more than a year (in a country with 9.2 percent unemployment), and that an alarming 60 percent said they would only take a job "if it were fun."

Moreover, it's relatively easy to pick up small amounts of work in the tax-free "underground economy" (which is expanding almost everywhere in Europe), removing yet another incentive to finding a job.

But most observers think the problem is overstated. Robert Z. Lawrence and Charles L. Shultze, the editors of the Brookings study, stress that "whatever the difficulties caused by the large size and growth of European welfare states, we could not find evidence that their generous unemployment compensation schemes were a major cause of the rise in unemployment."



©SEPP SEITZ/WOODFIN CAMP

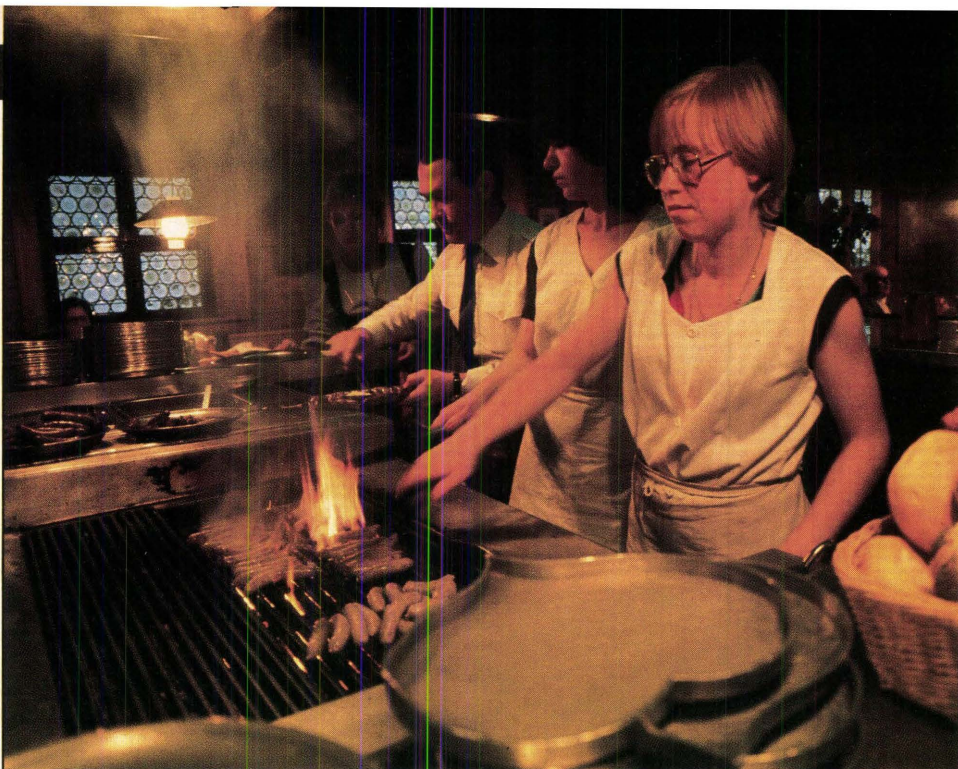
Nevertheless, they add, Europe's years of high unemployment have led to the setting-up of employment protection mechanisms and market rigidities that may now be prolonging the problem. This, together with "increasing structural rigidities in European labor markets, characterized by a reduction of labor flows among firms, industries and regions, and into and out of unemployment" have kept unemployment high.

The term 'rigidities' usually refers to job-security rules. Throughout Europe, employers must cope with government-mandated severance pay, advance notice requirements before laying off workers, quasi-judicial hearings before dismissing workers and so on. But these regulations—and the inflexibility they engender—have made employers wary of hiring new workers and have made labor substantially more expensive than in the United States.

"Job-security rules destroy jobs rather than protect them," agrees Edward Lazear, a senior fellow at Stanford's Hoover Institution. "Currently employed workers are likely to benefit from job-security policies, while young and unemployed individuals are likely to be hurt. The evidence from Europe suggests that the number of jobs lost far outweighs those retained."

Other governmental policies have compounded the effects. Says Giuseppe Tullio, a former economic advisor with the E.C. Commission: "The growth of taxation and social security contributions has depressed employment in Europe by increasing the cost of labor to corporations. My best guess is that high unemployment and low growth of employment in Europe are here to stay for many years, unless government expenditures and tax revenues are reduced and disincentives in the labor market are curtailed."

Another stumbling block is the widespread practice of collective bargaining.



"Social and perceptual rigidities" may be keeping Europe's women out of the job market, say some observers, even in the growing services sector.

In some countries, including Germany, Belgium and the Netherlands, wages and benefits negotiated between unions and employers are often used as mandatory minimum standards for all companies in the respective industry. "But," notes Jürgen Donges of the Institute for World Economics at Kiel, "labor markets—like other markets—can only function if there is enough competition and wages can be adjusted to labor demand and supply conditions in specific regions, industries and even companies."

These rigidities have made life more predictable for European workers—but at a cost to the jobless. David Birch, a lecturer at the Massachusetts Institute of Technology and the author of *Job Creation in America: How Our Smallest Companies Put the Most People to Work*, explains. "Job creation is related to the amount of turbulence in society," he told a recent conference on employment. "When you have high rates of change, you have more dynamism, activity and job creation. And the American economy is very dynamic; it loses about 6 percent of its jobs every year, but it creates at least 6 percent to replace them. European companies, however, have a very low level of replacement, and cultural differences go a long way toward explaining this; there's much less of a willingness to take risks. It's the opposite of the case in the United States, where you see almost excessive turbulence."

Subtler cultural barriers exist as well. While employment for American women rose 50 percent between 1973 and 1986,

it only increased by 13 percent in Europe. "In the United States today, about 600,000 new businesses are started up each year," says Business International Corp.'s Ruth Karen. "One ingredient of this dynamic job-creating machinery not often cited but profoundly important is that a good half of these new business are started by women. The fact that this could not happen in Europe, due to social and perceptual rigidities, is undoubtedly a cause of Europe's economic problems."

Cultural attitudes and market rigidities aside, what sectors and industries can be expected to produce jobs in Europe? The richest vein for the past decade has been the service sector, where seven of every 10 Americans—and six out of 10 Europeans—now work. Nine-tenths of America's job creation has taken place here, particularly in restaurants, retail trade, business services and medical services.

But many in Europe reject this path, worrying that a service economy means a future of flipping hamburgers and emptying bedpans. Their concerns were inflamed by a well-known 1986 study conducted by the Joint Economic Center, entitled *The Great American Job Machine: The Proliferation of Low Wage Employment in the U.S. Economy*. But Marvin Kosters of the American Enterprise Institute refutes the JEC's conclusion that jobs slipped from middle-wage to low-wage status as they moved from manufacturing to services. "Intuitively," he explains, "this seems right; services jobs tend to pay less than manufacturing,

Continued on page 51.

# AIR DEREGULATION MEANS LOWER FARES, MORE COMPETITION

1992 INTERNAL MARKET DEADLINE WILL HARMONIZE EUROPEAN OPERATIONS.



The E.C. wants to set up a common system, with common rules, for all airlines established in its member states that takes precedence over existing bilateral agreements. Above, Charles de Gaulle airport in Paris.

## FREDERICK SØRENSEN

It has taken a long time to build Europe, particularly where air transport is concerned. The wish to promote European integration gave rise, of course, to the European Coal and Steel Community. The concept developed further and led, in 1958, to the Treaty of Rome establishing the European Economic Community. Undeniably, this multilateralist movement has encountered various problems in its development, yet the process has continued, gaining ground and culminating in the recent adoption of the Single European Act (SEA), which aims to remove all internal barriers and create a single internal market by 1992.

In view of this development and of the multilateral nature of civil aviation, it may seem surprising that, up to now, this industry has resisted almost all the efforts made at E.C. level. The explanation lies in the fact that relationships between different countries—and Europe is no exception—are governed by bilateral agreements negotiated between the two

parties concerned. Such bilateral agreements are, in fact, discriminatory and thus hostile to the idea of multilateralism. They are basically incompatible with the E.C. concepts of integration and non-discrimination.

This being so, it is remarkable that the E.C. idea should have won the day and that civil aviation should have been expressly included in the SEA. The Transport Ministers recognized this fact and reached an agreement on the air-transport package on December 14, 1987. The ministers even admitted that the package was only a first step toward the internal market and agreed to meet again in June 1990 to decide on the second step to be taken toward that goal.

The actual situation in a number of E.C. member states clearly shows that the ministers have made greater progress on the political front than have the civil servants in terms of current practice. There is no denying that until recently civil aviation in Europe was somewhat arthritic. Discussion of the package and the challenges presented by the world situation of themselves have

already had a certain rejuvenating effect. But more needs to be done. Greater competitiveness must be allowed since civil aviation cannot be made efficient by national legislation.

For civil aviation, therefore, the first step toward the internal market involves making the present E.C. aviation system more flexible and opening it up to competition so that the air passengers can travel on more favorable terms, business travelers can obtain services on reasonable conditions and innovative and enterprising airlines can develop and thereby also broaden the prospects for the aerospace industry.

From a purely E.C. viewpoint, the most important thing is to set up a common system, with common rules, for all airlines established in the E.C. member states that takes precedence over existing bilateral agreements. Care must be taken to ensure that these rules are genuinely and correctly applied in all the member states, and the E.C. is prepared to examine all cases where the rules are not complied with. This is true for all the elements in the package, i.e. air fares, capacities, access to the market and the application to civil aviation of the competition rules laid down in the E.C. treaty.

### Air fares

The provisions in the package relating to air fares introduce three main innovations:

- First, a series of criteria for approving fares: Where fares reasonably reflect the costs of an individual airline, the member states concerned are obliged to approve them.
- Second, a swift and decisive arbitration procedure in cases where the interpretation of the criteria is disputed. This means that, where an airline can genuinely justify its proposed fares in terms of its own costs, the authorities are obliged to give their consent. This differs from the present system under which the authorities approve the fares while taking into account a number of criteria including the costs of all airlines. It is obvious that some fares in Europe greatly exceed those represented by the new criteria;
- Third, the creation of zones for discount and deep discount fares within which airlines would be free to set fares meeting certain specific conditions.

### Capacity

As regards capacity, the main feature is that the member states will no longer be able to insist that capacity on individual routes be shared on an equal footing by

the carriers operating between their respective countries. A member state will be entitled to only 45 percent of bilateral capacity for the first two years and 40 percent during the third year. This will mean that traditionally restrictive countries such as Italy, Greece, Denmark and France lose their rigid control of capacities. It also should be noted that double matching and the fact that capacity cannot be reduced unilaterally are both very important elements that give the system upward flexibility.

### Access to the Market

As regards access to the market, the main elements of the package are:

- *The creation of traffic rights* between main airports and regional airports: This would authorize airlines to open up intra-E.C. routes between main and regional airports even if those routes are not included in the existing bilateral agreement between member states concerned. It must not be forgotten that traffic rights between main airports already exist under bilateral agreements and pursuant to the E.C. directive on interregional service also between regional airports. This means that traffic rights now exist between practically all the international airports of one member state and all the international airports of the other member states. Even when allowance is made for some temporary exemptions, the principle remains valid.

- *Multiple designation*: A member state can designate more than one of its carriers to operate the same route when specified traffic thresholds have been passed.

- *Combination of points*: This provision would authorize airlines that operate scheduled services to one or more points in other member states to combine such services, on conditions that no commercial traffic right is exercised between the points in the foreign countries;

- *The creation of fifth freedom traffic rights*: This would authorize on certain conditions an airline established in a member state to operate fifth-freedom traffic on certain routes between two other member states. A number of new possibilities thus are being opened up for the airlines by the package.

### Competition

The package contains two Commission regulations on competition, one relating to procedures and the other granting group exemptions for certain types of agreement between airlines in order to safeguard useful cooperation. The result of these two regulations is that the competition rules can now effectively be applied by the Commission.

### Results

The result of the whole package is that the same rights are by and large being granted to all E.C. airlines as regards the member states of destination. Furthermore, rights have been granted to airlines in respect of all the member states as regards the approval of fares.

The Commission believes that the formal adoption of this package brings about considerable changes in European civil aviation and opens up important new possibilities. This goes far beyond the present non-transparent structure of promotional fares and bilateral agreements and could allow airlines to develop in ways that have not so far been possible, while retaining the main advantages that the present system affords the travelers. It must be admitted, however, that the success of this package depends on the airlines. If their attitude is unenthusiastic they will not grasp the opportunities offered by the package. It is therefore not surprising that consumers' associations intend to observe the behavior of airlines and to criticize it where necessary.

### Internal market

It is this "package" that must be further developed with an eye to the 1992 internal market deadline. My personal opinion is that it cannot lead to complete deregulation. Deregulation in the United States has in the main been successful and has made American aviation more aggressive—in its impact on the world market among other things—but Europe also can learn other lessons from the American experience. It is well known that, after the initial euphoria, even the most ardent supporters of deregulation in the United States are now being more circumspect.

When we see how, after the first few months of enthusiastic expansionism, the number of operational airlines is tending to shrink further and further, we may well wonder whether deregulation does not lead, in the end, to cartelization, and whether the tendency for fares to fall in the first few years may not suddenly go into reverse.

What is more, the United States has run into unexpected infrastructure problems and operating conditions are becoming difficult. I am thinking in particular of airport congestion at peak operating times. Finally, it must be noted that Congress itself is raising questions about the deterioration of operating conditions, which have been the subject of alarming reports published recently. We are running into the same problems in Europe, especially with regard to air-traffic control.

The fact is, of course, that the effects of the package must be studied carefully before deciding what steps to take next. Unless the question of harmonization is tackled first, balanced competition will not be possible. The Commission is currently making arrangements to ensure that action can soon be taken to harmonize certificates and licenses and flight-time limitations, to introduce E.C. rules on the certification of aircraft and to introduce a code of conduct governing computerized reservation and ticketing systems. Subsequently, consideration will probably have to be given to harmonization in other areas, perhaps in respect of operating rules.

It is harmonization of this kind that will enable the E.C. to take the second step toward the internal market. The SEA lays down that: "The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of this Treaty."

We must try to arrive at the following situation:

- Carriers will be able to operate from any airport in one member state into any airport in another member state. The term "international airport" will be redundant for intra-E.C. traffic, as the SEA will create a market without frontiers, i.e. without controls at the frontiers.

- Multiple designation will apply to all routes and minimum thresholds will be reduced.

- The fifth freedom will be available on all routes, perhaps with the same type of limits but with a higher percentage.

- Cabotage may be possible, but probably subject to certain restrictions yet to be defined. The principle also is being developed, though with some difficulty, in respect of sea and road transport.

- Airlines will be responsible for setting fares, but the member states will still exercise control so as to avoid excessive or predatory prices.

- Capacity will be unrestricted, but the option may be available for a country to freeze the situation temporarily while reorganizing its national airline or airlines.

- Negotiations with non-E.C. countries, particularly the major ones, will increasingly be conducted at E.C. level.

Only when the second step has been taken will a genuine internal market for the E.C. have been created, and only then will air transport be able to fully realize the positive effects of the E.C.'s existence. €

Frederick Sørensen is responsible for air transport at the E.C. Commission's directorate-general for transport.

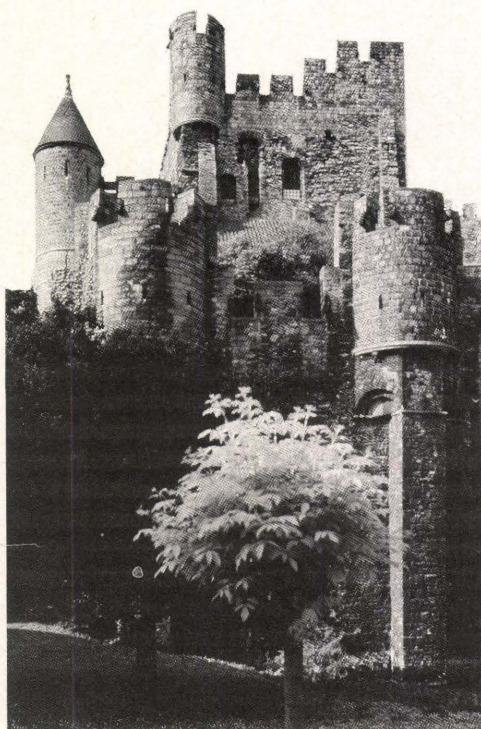
# BELGIUM

TAKEOVER BID  
SPURS RECORD  
STOCK-MARKET  
SURGE.

ALAN OSBORN

**W**hen two longstanding records are broken at more or less the same time you are tempted to look for a connection between them. By Easter this year, Belgium had gone almost four months without a Government, its longest leadership vacuum since the war. But less than a mile from the Parliament, the stock exchange was celebrating the biggest ever quarterly rise in blue-chip share prices in Belgian history. How satisfying it has been to some cynics to see the latter as the effect of the former! But also how unrealistic. The truth is that only the most inspired imagination could see the two events as having a common cause. Indeed, had Belgium enjoyed secure and responsible government over the period, the stock boom might have been even greater.

What the two developments do share, however, is their domination of media news and analysis. To open a Brussels newspaper these days is to read of little else but the political crisis or the extraordinary takeover battle for the Société Générale de Belgique, which has been the direct stimulus for the stock market surge. Contested takeover bids are virtually unprecedented in Belgium and the attempt to seize control of "La Générale," as the Société is popularly known, by the Italian financier Carlo De Benedetti has fired the public imagination. When the movie "Wall Street" opened in Brussels earlier this year, one critic wrote: "Forget it. We have a real-life financial drama twice as exciting go-



Belgian exports are recovering as a result of recent economic policies. Above: Oudonck Castle.

ing on in the Bourse."

To understand this, you have to be aware of the role that La Générale has played in Belgian economic life since its creation more than 150 years ago. Throughout the construction of modern industrial Belgium, the company has been at the forefront, providing capital for railways, coal, steel, chemicals, armaments, ships, diamonds and electrical and gas power. With interests in more than 1,200 companies, hundreds of them majority-owned subsidiaries, La Générale is said to control more than a third of the entire Belgian economy and an even larger share of many key industries.

Many Belgians have tended to look on the Société more as a quasi-official institution than a privately-owned commercial company, an attitude encouraged by its passive management in recent years. Investment policy has been conducted more with an eye to long-term security and social stability than the pursuit of the

quick buck. The words used to describe La Générale—"venerable," "cautious" and "prudent"—are those you might use about a central bank. "If the Ministry of Finance is father to the Belgian economy, then the Société is its respected maiden aunt," wrote a newspaper columnist.

The shock when Carlo De Benedetti launched his bid at the start of the year was just as keen as if such a person had been carried off by gypsies. What followed was a months-long spell of hectic financial maneuvering as La Générale marshalled its defenses, initially seeking to repel the "predator" with Belgian money and then turning to French groups as some of its early allies changed sides. Its tactics included a 'poison-pill' share issue to friendly investors that was initially ruled illegal by the Brussels Commercial Court and then upheld on appeal.

De Benedetti sharply raised his cash offer for uncommitted shares and by early April the two sides had reached a stand-off, having between them committed some \$3 billion to the fight. The effects on the Société's share price had been dramatic. Between the beginning of the year and Easter, it had soared by more than 250 percent, driving the main market index up by some 40 percent. Buying was stimulated not just by the direct input of cash resulting from the takeover struggle, but also by speculators sniffing out companies that might profit from a reorganization of La Générale's subsidiaries.

The development has jolted Belgian investors into a sudden relish for stock

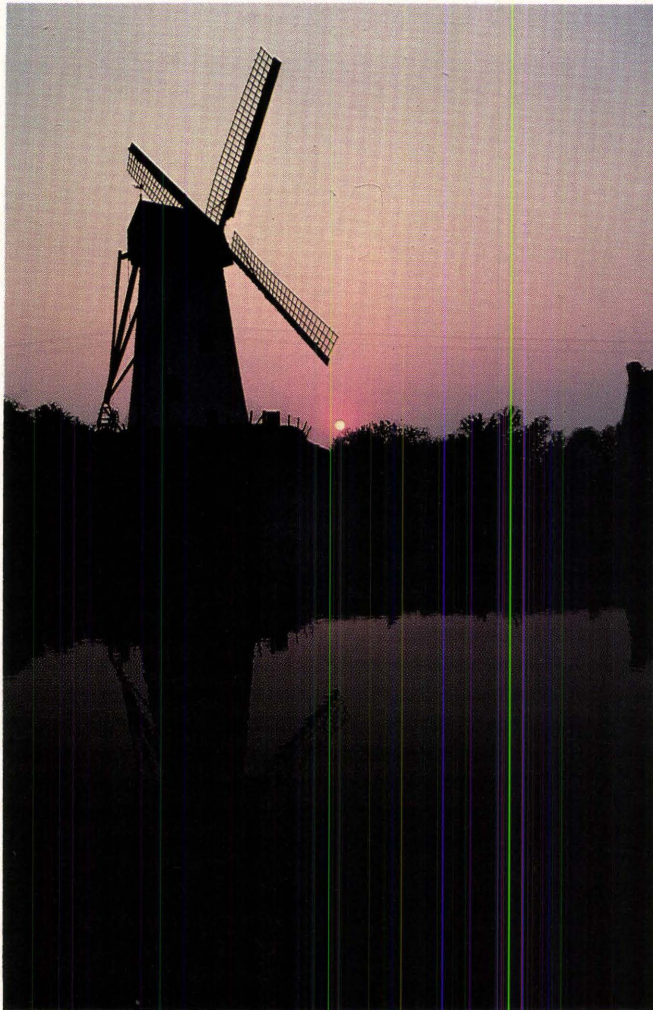
Alan Osborn reports from Brussels for *The Daily Telegraph*.



market thrills. Most of La Générale's shareholders were of the "widows and orphans" variety and for them to have almost tripled their money in three months is unprecedented. "There is a sense of intoxication running right through the market," said a stockbroker, "but it cannot last and many face real disappointments soon." At its peak price, La Générale was valued at a price/earnings ratio of nearly 50, compared to its traditional level of about 15-20.

A market correction also could be triggered by any action the next Belgian Government might take to prevent a repetition of the recent free-for-all on the Bourse. De Benedetti's bid has exposed glaring holes in the system—indeed there is somewhat shamefaced recognition in some financial and political circles that the Société may have been singled out by De Benedetti not so much for its intrinsic merits as in the belief that it would prove an easy victim. "It seems highly unlikely that a foreign bid for a company as integral to the economy as the Société is would have been allowed elsewhere in Europe," said a Treasury official. Almost certainly the new Government will propose legislation designed to outlaw the secret build-up of large shareholders of the kind that made the De Benedetti bid possible.

On balance, however, economists and analysts believe that the events of recent months are healthy and could provide a spur to Belgian business. A leading stock-



**"La Générale" is said to control more than a third of the entire Belgian economy.**

broker claims that "management will be more alert in the future, as a result of keener shareholder interest in corporate affairs and also as a protection against more merger bids now that the road has been opened. This will be beneficial to the economy as a whole."

It may be urgently needed since Belgium's basic economic prospects in the short to medium term are only moderately good at best. The last report from the Organization for Economic Cooperation and Development (OECD) concluded that "only by pursuing a corrective policy aimed at redressing the present imbalances, encouraging investment and strengthening the economy's capacity to adjust, will Belgium be able, in due course, to take advantage of a pickup in foreign demand and resume a pattern of satisfactory and balanced growth." More recent reports suggest that real growth this year could be down to 1 percent or even less, largely because of weak busi-

ness investment and depressed consumer spending.

The latter is largely a function of the austerity drive of the past five years that has mainly taken the form of massive cuts in public spending. Belgium's public-sector deficit is legendary and the need to correct it has influenced all basic economic policy since the early 1980s. Now down from 12 percent to 8 percent, the deficit is still considered too high by the OECD and there are few in Belgium outside the extreme left-wing parties who would disagree. Even the Socialists involved in discussions over the next Government accept that the restrictive economic policies carried out by the center-right coalition since 1983 will have to be continued for at least two more years if substantial recovery in prosperity is to be achieved.

There are, however, signs that the strong medicine of recent years is beginning to have a tonic effect in the sector that has traditionally provided the backbone of the economy, namely exports, to judge by recent business projections. The Belgians are the world's biggest per capita exporters, and although the lead is nothing like it was 10 years ago, it remains true that Belgian transport and telecommunications equipment, construction services, paper products and agricultural goods still command an impressive following in world markets.

Somewhat annoyingly, given that it was the "Year of Foreign Trade," 1987 showed only a 1-percent gain in exports,

© MARTIN ROGERS/WOODFIN CAMP



largely because of the slowdown in growth in the Federal Republic of Germany and other neighboring markets. Nevertheless, there was a small trade surplus, only the second since 1980, and the Government is generally believed when it says that this is a reflection of structural changes in the economy. It is worth mentioning, incidentally, that according to a recent report from the American Chamber of Commerce, U.S. companies account for 23 percent of all Belgium's exports and directly or indirectly provide work for about 10 percent of the total labor force. The study went on to make the less flattering observation that Belgium is now attracting only 5 percent of new American investment in Europe, down from 7 percent in 1980.

The state of the economy would be more worrying were it not for the fact that all the senior figures in the parties likely to form the new Government agree on what the policy should be. The frustrating months earlier this year when one *formateur* after another failed to deliver a workable coalition at least succeeded in narrowing policy differences to the extent where a new assault on public spending later this year or early in 1989 seemed a foregone conclusion. Perhaps inevitably, the potential Government partners failed to make the same breakthrough on the linguistic problems.

It was such a dispute that brought down the center-right coalition led by Prime Minister Wilfried Martens last fall after nearly six years of relatively smooth government. The specific issue was a

**The financial events of recent months could provide a spur to Belgian business. Above, Ghent.**

tiresomely familiar one involving a clash between a militant French-speaking mayor and the Dutch-speaking authorities of his province. Trivial in itself, the so-called "Fourons question" is a symptom of the deep split between the two Belgian linguistic communities, which has made the formation of a new government so long drawn out and threatens it with a short life.

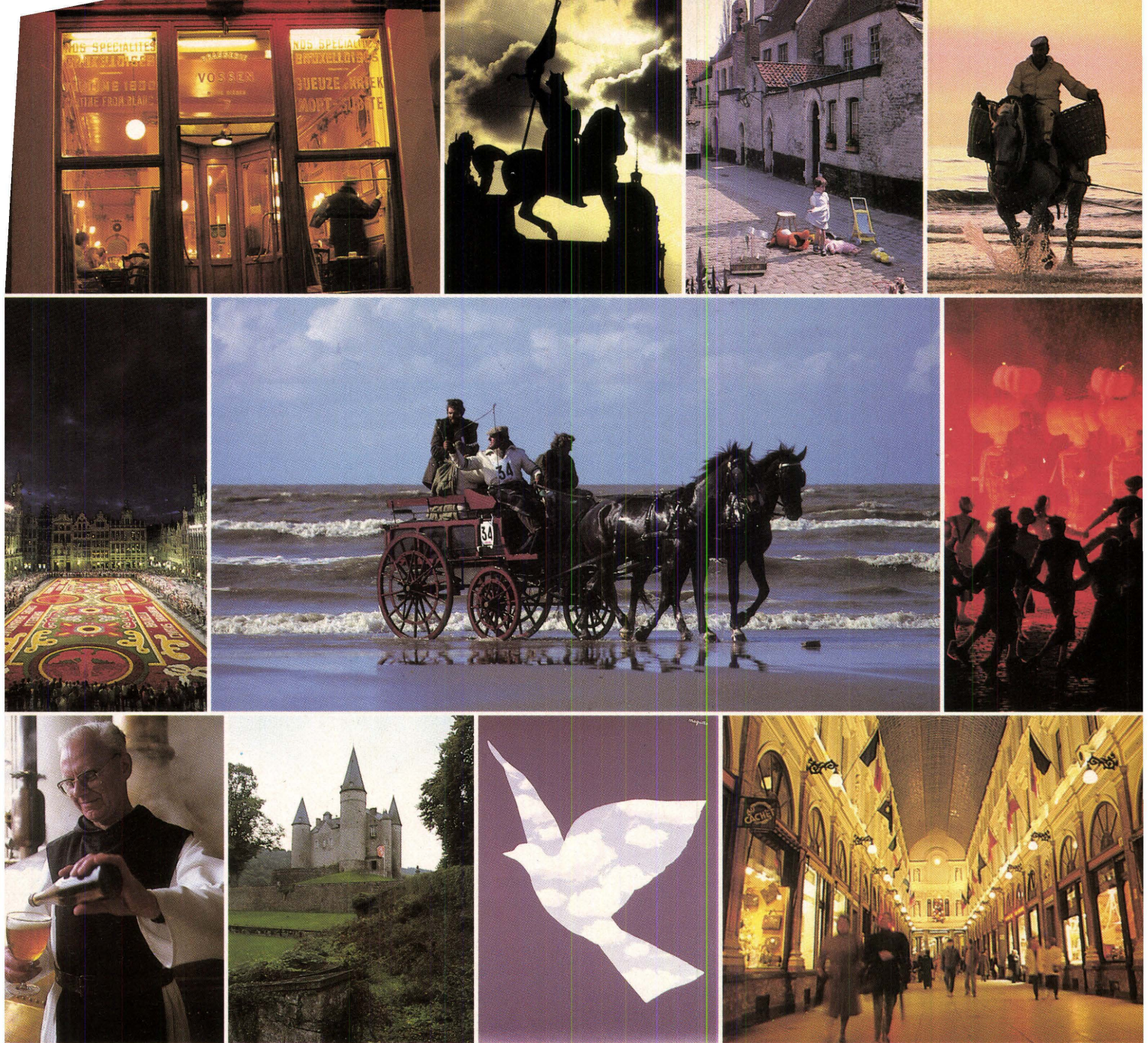
The general election in December was depressingly inconclusive, yielding strong gains for the Socialists, who had been in opposition for six years, but still leaving the former government partners, the Christian Democrats and Liberals, with a tiny overall majority of seats. A return of the center-right allowance was one option for a new administration, but was quickly discarded early this year in the face of the Socialists' understandable demand for a share of power.

The task of drawing up a new government was entrusted in April to Mr. Jean-Luc Dehaene, a 47-year-old Dutch-speaking Christian Democrat. Martens might have been a more popular choice to the public (and most politicians), but he had candidly stated he would refuse to lead a coalition containing Socialists. Dehaene evidently has no such scruples. He devised the notion of a five-party coalition involving the French and Dutch-speaking wings of the Socialists and the Christian

Democrats, together with the *Volksunie*, a Flemish national party. Showing a patience that belied his

nickname of "Bulldozer," Dehaene painstakingly coaxed his would-be partners into a common line on economic and defense policies, if only by couching them in the broadest terms. But no such formula was readily available to bracket the parties together on the issue of constitutional reforms designed to divert powers from the central government to the separate communities of Flanders and Wallonia, and specifically over the funding of education.

The guessing is that Dehaene will succeed nevertheless and become the Prime Minister of a center-left Government. It is certainly the *hope* since any further delay surely would mean an early call for another election. Some political money already is being placed on a poll in early October to coincide with the important communal elections then. Dehaene's best hope for a long run may be the fervent wish throughout Belgium for an end to the political uncertainty, but it is scarcely a rock-like foundation for a new Government and its solidity is likely to face an early test when the Fourons issue, or one bred from the same parentage, rises to the surface again. €



# “Belgium, the Key to Europe”



Belgian Tourist Office

**SABENA**  
BELGIAN WORLD AIRLINES

# NEWS OF THE E.C.



The European Community and the six states of the Gulf Cooperation Council initialed a trade and cooperation agreement in late March that may lead to further agreements on petrochemical imports.

## EXTERNAL TRADE

### E.C., GULF STATES REACH COOPERATION AGREEMENT

The European Community and the Arab states of the Persian Gulf reached a trade and cooperation agreement on March 24 which, they said, could eventually lead to a broader free-trade pact. The E.C. Commission said its negotiators and representatives of the six-member Gulf Cooperation Council (GCC) had initialed the agreement, which will be signed in June.

The Community has been eager to reach an agreement quickly, as a gesture of political support for the GCC states—Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman—under threat from the war between Iran and Iraq. To prevent long

and difficult negotiations over lowering E.C. tariffs against GCC exports of petrochemicals, the Community proposed a modest trade accord as a first stage with talks on a much wider pact to follow.

The first phase agreement commits the two sides to continue to grant each other Most Favored Nation status and not to introduce any new tariffs or trade restrictions. In addition, they agreed that the second accord should safeguard each other's interests in sensitive fields—a reference to the E.C. petrochemicals industry, officials said—and the Community pledged to maintain non-discriminatory access for GCC oil and petroleum products.

Diplomats said there were certain to be very tough negotiations over the Gulf states' drive to increase their petrochemical exports to Europe. The cooperation agreement covers transfer of technology through joint ventures, efforts to promote contacts between

oil companies, training and joint analysis of oil and gas markets. According to provisional figures, the Community had a surplus of 2.64 billion European Currency Units (about \$3.17 billion) in its trade with the GCC in 1987.

### GATT RULES ON CHIP PACT

A dispute panel of the General Agreement on Tariffs and Trade (GATT), the world trade body, ruled in late March that Japan's agreement with the United States to maintain high prices for its exports of microchips broke GATT rules, according to the European Community. The panel ruled, however, that there was not enough evidence to support another Community complaint against the 1986 agreement between Washington and Tokyo—that it granted special privileges for U.S. microchip exports to Japan.

The E.C. Commission said in

a statement that the findings of the panel, set up at the Community's request, had been circulated to the parties involved. "We expect the GATT council to adopt the panel's conclusion on May 4. We hope that Japan will quickly implement fully the panel's conclusions and end the system of fixing prices," said E.C. Commissioner Willy De Clercq, who is responsible for external relations.

The 1986 agreement settled a long dispute over U.S. charges that Japanese companies were dumping microchips—the tiny semiconducting circuits in computers and most modern electronic goods—at unfairly low prices on the American market. The Community charged that the agreement broke international trading rules because keeping Japanese export prices high improved the competitive position of U.S. chip exporters and raised the cost for E.C. users of such products. In 1985, imports accounted for almost 60 per-



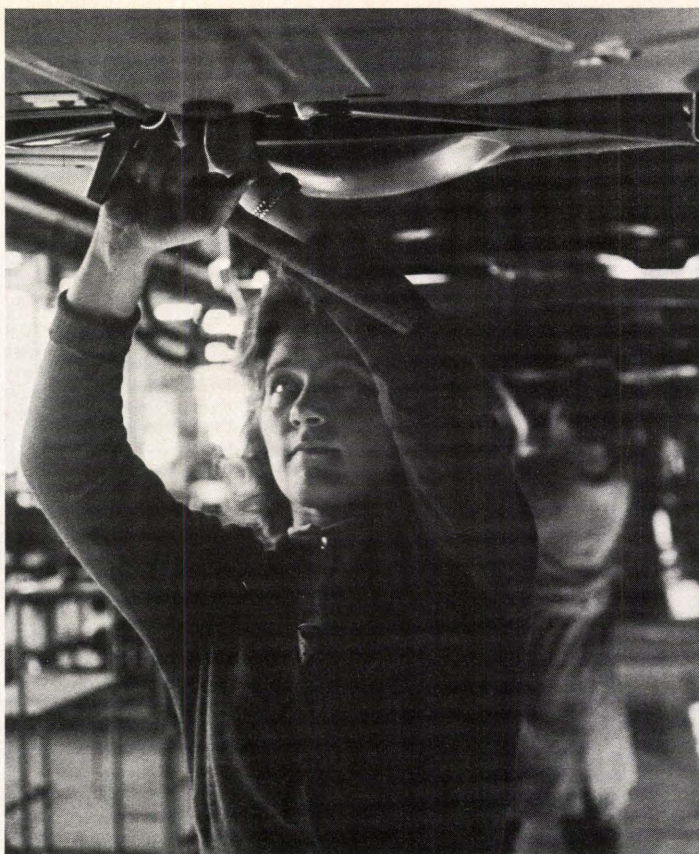
are as follows: promote an improvement in both living and working conditions; ensure the necessary conditions for the free movement of persons; create the conditions needed to enable workers to adapt to the requirements of the single, unified market; reduce social disparities and unemployment; and promote a Community-wide dialogue between management and workers.

As regards improvements in working conditions, the Community has had an additional instrument at its disposal since last year: the Single European Act, which provides for the harmonization of the various national rules governing the health and safety of workers. To this end, the Commission has just proposed to the 12 member states a general regulation as well as measures covering specific areas. The overall directive embodies the principle of an equal level of protection for all workers, whatever the enterprise that employs them. It covers small and medium-sized firms also, although there are fewer administrative constraints in their case. The proposal applies to sectors and workplaces which are inadequately covered by existing national regulations.

The Commission has submitted an initial series of specific proposals at the same time, which will be followed by others. The proposals cover minimum standards of safety at the workplace, the use of machinery, appliances and other equipment, as well as the choice and use of protective equipment by individual workers. The Commission has also proposed special measures for visual display units and the handling of heavy loads.

## COMMISSION REPORTS PROGRESS ON SMALL BUSINESS

The E.C. Commission has been steadily implementing the European Community's action program for small and medium-sized enterprises (SMES) since



Unemployment among European women is on the rise, despite government-sponsored training programs.

its adoption at the end of 1986. Since last June, its SME Task Force has been busy setting up an information service and encouraging companies to cooperate with each other. New financing methods are being devised to help SMES, and the Commission has put forward proposals aimed at adapting some of the rules of the game to meet their needs.

The Commission recently published its second report on the implementation of the 1986 action program, noting that the business information service is already in operation. Even in its pilot stage, the Euro-Info-Centers network enables companies located anywhere in the Community to obtain information on all aspects of E.C. regulations and activities of interest to them. Companies can also now procure the standards in force in other E.C. countries from their own standards institute.

The system for helping SMES get in touch with each other is taking shape, and it has recently become possible for business to send both offers and requests for cooperation to the comput-

erized network BC-NET. This is expected to make it easier for SMES to enter into commercial, financial and technical agreements with each other.

The Commission has also made it a point to see that SMES can take advantage of the various forms of Community aid which are available to them. The European Commissioner responsible for SMES, Abel Matutes, has also taken the initiative in opening up new financing possibilities, and the Commission has encouraged the creation and expansion of companies offering venture capital to the regions of the Community that are disadvantaged or in economic decline.

## FEMALE UNEMPLOYMENT CONTINUES TO RISE

The Commission adopted a report in late March on the problem of rising unemployment among women and the actions being taken by E.C. member states to combat it. The report

found that, while joblessness among men has remained at a fairly constant rate of 9.3 percent since 1984, unemployment among women started at a higher rate of 12.5 percent and rose to 13.2 percent in 1986. And while male unemployment dropped about 3 percent last year, the ranks of the female jobless increased by slightly over 2 percent.

In the face of this situation, most of the E.C.'s member states have failed to adopt measures aimed specifically at women—although all of them have developed training programs for women. Some member states have taken measures to promote entrepreneurship among women, and others have made adjustments in their regulations on part-time work in order to allow more women entry into the part-time work force.

## COMMISSION VOWS TO UPHOLD FREE MOVEMENT OF WORKERS

The Commission pledged on March 21 to enforce an E.C. policy that would give people such as train drivers, teachers and health service employees the right to work in any member state in the European Community. At present many private sector employees are free to work anywhere in the Community, but member states have in many cases restricted public sector jobs to their own nationals.

The Commission said it would take legal action if necessary to enforce the right of workers to move freely within the Community. It acknowledged that exceptions could be made for employees working in areas of vital national interest such as the army and police, government staff and diplomats, but said that member states should no longer be allowed to restrict jobs in less sensitive areas such as public transport, health services and teaching.

Under E.C. policy, job applicants from other E.C. countries

cannot be turned down on the basis of nationality, but they still have to meet requirements which are also imposed on nationals, such as speaking the language. So far it seems that few have taken up their right to move freely around the 12-nation Community; in the 10 years since doctors have been allowed to practice anywhere in the E.C., for example, only 4,500 of an estimated 600,000 have chosen to work outside their own country, the Commission said.

A Commission spokesman said it would start by trying to persuade member states to open public sector jobs to other E.C. nationals, but that it was prepared to instigate legal action through the European Court of Justice if this failed. — *Reuters*



## COMMISSION PROPOSES INCORPORATION MEASURES

In an effort to generate more economic activity and job creation, the E.C. Commission recently proposed a directive that will make self-employment more attractive and facilitate the start-up, expansion and transfer of small businesses in Europe.

The proposed directive would require all E.C. member states to offer sole traders the possibility of limited liability by incorporation as a single-member company. While ensuring adequate protection for third

parties dealing with businesses, the resulting ability to separate the assets of the business from the private assets of the entrepreneur should encourage more people to take the plunge in setting up their own businesses.

A sole trader in Europe who does not turn his business into a company has no means of limiting his debts. Starting a business therefore puts his entire personal fortune at risk. In a company, by contrast, the assets of the business are distinct from the personal assets of the owner and the owner's liability for the debts of the business is limited to the capital he has put into it. Incorporation also helps the continuity of a business, as transferring an unincorporated business can be difficult if the owner's business and personal affairs are not separate.

Five member states—Denmark, Germany, France, the Netherlands and Belgium—currently allow the incorporation of single-member companies, and legislation is currently being considered in Luxembourg, Spain, Greece, Italy, Ireland and the United Kingdom do not allow single-member companies. Portugal does not allow incorporation, but has introduced limited liability for sole traders.

## ENVIRONMENT

### EYE CLOSSES BUT VISION CONTINUES

The European Year of the Environment (EYE) ended officially on March 20, with an awards ceremony in Brussels and an exhibition of some of the hundreds of projects undertaken in the program's context. The industry awards, which the Commission plans to offer on a regular basis in future years, are intended to stimulate industry to develop a preventive ap-

proach to environmental protection, to boost the use of clean technologies and to encourage new industrial ideas which are "environment-friendly."

Stanley Clinton Davis, the E.C. Commissioner responsible for the environment, said that the awards for industry had demonstrated that when industrial ingenuity was turned to environmental ends the results could be very impressive. "For too long industrialists and environmentalists have been seen as antagonists," Clinton Davis said. "This picture is less and less accurate. In modern conditions industrial profitability and environmental awareness go hand in hand. Society is no

longer willing to tolerate indiscriminate environmental degradation. Increasingly, it is in industry's own interest to turn to clean products and non-polluting production processes.

"Industry has responded with characteristic vigor to this new challenge. More and more companies are recognizing that clean technologies are the technologies of tomorrow," he added.

The European Year of the Environment has been extraordinarily successful in generating public awareness of environmental protection, and a number of projects are likely to be continued, including:

- *Network for Environmental Technology Transfer (NETT):*

## Speak French (and Save Up To 60%)

Now with **Audio Language Institute®**, you can learn to speak **French** quickly, easily, inexpensively, at your own pace and at your own convenience with the **same audio cassette course developed by U.S. Department of State and used by its Diplomats.**

This unique course has been field-tested and proven by thousands of Diplomats, as well as the general public. No other method has ever been so simple, so fast and so truly effective.

**You just turn your cassette player into a tireless, private tutor,** and you master French just as you learned to speak English... by listening and repeating... and understanding.

The Foreign Service Institute method works because first of all you listen to a cassette in conversation. Your learning is reinforced by the eye-ear method... as you follow the cassette in your textbook.

The following F.S.I. basic French course consisting of two parts, enables you to reach effective conversational proficiency.

- **French Part 1**, 12 cassettes (15 hours) and 464 page textbook, \$119.
- **French Part 2**, 18 cassettes (25 hours) and 465 page textbook, \$139.

This course comes with a handsome custom-made vinyl storage album and is **fully guaranteed.** If you are not satisfied for any reason, simply return it within 21 days and receive a complete refund.

- 40 other languages are also available, write for *free* catalog.

### FREE TRAVELER'S NOTEBOOK

With your order, you will receive a *FREE* traveler's notebook about France, highlighting its culture, history, population, religion, currency and customs among much more.

**Why pay big when now we offer you these same courses at prices that are up to 60% lower than any you have seen elsewhere.** So take this unique opportunity and **order** your French course: **call TOLL FREE 1-800-628-2828 ext. 868 — 24 hours a day — 7 days a week.** Or, fill out the coupon below and mail it *TODAY* to:

### AUDIO LANGUAGE INSTITUTE®

516 Fifth Avenue, Suite 507, Dept. E5, New York, NY 10036

send **FRENCH COURSE** (check below)

- FRENCH PART 1** . . . \$119     **FRENCH PART 2** . . . \$139

Enclosed is my  check     money order    or charge to my

American Express     Master Charge     Visa

Card # \_\_\_\_\_ Exp. Date \_\_\_\_\_

Name (please print) \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_

ZIP \_\_\_\_\_

New York Residents add Sales Tax.

Please allow three weeks for delivery.

This new program, launched on March 21, is designed to facilitate the exchange of information on clean technologies and pollution control among businesses and other organizations. Contacts have been made so far among 800 different groups.

• **Better Environment Awards:** Given to both industry and local authorities, these awards have generated substantial interest and a wide response from all 12 member states of the Community.

• **"Eco-counsellors":** This pilot program was set up in selected towns in Germany, France, Spain, Luxembourg and the United Kingdom to demonstrate the feasibility of establishing a new profession of environmental advisors to local authorities and individual householders throughout the Community. The experiment has been considered successful, and France hopes to extend the plan to other areas with assistance from the Social Fund.

• **Blue Flag of Europe:** E.C. flags were awarded to over 400 ports and beaches that made particular progress in fighting

pollution. This program will continue in 1988.

• **Birdwatch Europe:** Over 250,000 people participated in this event, and plans are underway for a similar program next year, which is expected to involve at least 20 countries.

• **Youth Exchanges:** A number of international youth camps and projects were organized with great success, illustrating the potential ecological and cultural benefits to be obtained through international youth exchanges on an environmental theme.

## AID AND DEVELOPMENT

### E.C. SEEKS TO HELP THIRD WORLD ECONOMIES

The European Community is seeking new ways to help third world countries burdened by belt-tightening schemes in efforts to reform their economies, E.C. Commissioner Lorenzo Natali, who is respon-

sible for development policy, said recently. Natali said that the Community must find a broader, quicker and more flexible strategy to help poor countries solve their most pressing problems and carry out tough economic reforms.

"Any intervention we provide for must take account of the possible social repercussions, and above all the repercussions on the poorest classes," he told a news conference. Many poor countries, choked by debt and hit by falling world prices for their raw material exports, are having severe problems carrying out tough "structural adjustment" programs supervised by the International Monetary Fund and the World Bank. Natali said help with such reforms would be a key principle for the Community as it gears up for major negotiations with third world countries on a new trade and aid accord.

The E.C. and the 66-nation African, Caribbean and Pacific (ACP) group will start talks in September on renewing the current five-year Lomé Con-

vention, which will expire in 1990. Natali declined to say how much aid the E.C. would offer under the new pact, but said each of the three conventions so far had substantially raised the level of aid. The current accord is worth 8.5 billion ECU, or about \$10.6 billion.

Natali said the Community would work with organizations like the World Bank to help poor countries overhaul their economies. A special debt relief program for black African countries, approved by E.C. Ministers last year, could serve as a possible model for future development aid, he said. The program, worth about \$120 million, is aimed at giving sub-Saharan African countries the foreign currency they need to pay for vital imports.

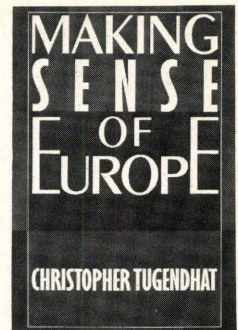
Natali said applications from Haiti and the Dominican Republic to join the ACP group were still being considered, but said he was against "diluting" the Lomé Convention by extending it to other countries with different economic problems. Spain, one of the newest E.C. members, has been keen to see the plan opened up to Latin American countries.—Reuters

The E.C. is set to start negotiations in the fall on a new Lomé Convention, the trade-and-aid agreement that ties Europe to 66 African, Caribbean and Pacific countries.





# BOOKS IN REVIEW



**Making Sense of Europe** by Christopher Tugendhat. Columbia University Press, 240 pp., \$25.00.

MICHAEL D. MOSETTIG

Unlike the White House or Number 10 Downing Street, the executive offices of the European Communities have produced few memoirs, despite the number of interesting politicians who have filled those jobs.

While not producing a real memoir of his eight years in Brussels, Christopher Tugendhat has applied the lessons of his tour of duty toward an explanation of the

European Community in its current evolution. The result is a pragmatic assessment, but coupled with some optimism about future prospects.

Tugendhat, a one-time Conservative member of the House of Commons, is very much in the British tradition of considerable skepticism about a federal Europe laden with supranational institutions. The Community can grow only if it develops institutions and policies that complement those of national governments, he asserts.

That realism and pragmatism makes all the more credible his basic credo that "the longer I stayed in Brussels the more

convinced I became of the need for the Community..." His convictions are born of experience and survive the admitted and inevitable disillusionment that overtakes virtually every Commissioner. Trying to explain the E.C., he adds, is like trying to explain a psychic experience.

What he does explain is the meshing of a dozen national interests into a collection of European institutions, for which he has limited enthusiasm. Europe cannot grow, he says, by the formula of expanding the

Michael D. Mosettig is senior producer for foreign affairs and defense issues at the *MacNeil/Lehrer NewsHour* and was a Brussels correspondent for *UPI*.

For further information, please contact:

Carol Delaney  
Center for  
Public Policy Education  
The Brookings Institution  
1775 Massachusetts Ave., NW  
Washington, D.C. 20036  
Tel: (202) 797-6094

Please send me further details on this seminar

Please send me further details on other international executive seminars.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_



## The Brookings Institution

### Annual European Seminar For U.S. Corporate Executives

June 19-24, 1988 • Paris, France

The European Seminar, now in its fourth year, offers an intensive review of the changing business conditions in Europe and substantive discussions of the underlying economic, political, and social trends that affect these conditions. The program is designed for senior corporate executives with responsibility for general management, for international business or for the European region and will feature sessions with high-level government and business leaders in Europe. Topics to be addressed include:

- the changing role of the Common Market institutions
- trends in the European economies and implications for transatlantic economic cooperation
- the state of European technology and entrepreneurship
- changes in the European financial and legal environment

functions and powers of such institutions as the European Parliament and the executive Commission. He is disappointed that an elected Parliament has not led to the development of pan-European politics and instead seems to have become even more isolated. He feels the Commission has only limited potential because it always will lack political authority.

Clearly this book is a reflection of Tugendhat's philosophy forged through experience. The result is an interesting primer of modern Europe, made all the more useful because the author expresses his views in direct English remarkably free of Brussels-speak. It should receive wide distribution in graduate schools. (It might not work at the undergraduate level given the lack of historical and even geographical knowledge that many U.S. high school graduates bring to college campuses.)

Its recommendations for the future are

useful for an even wider audience and presumably will become part of the political dialogue both in the E.C. and in Britain. He addresses the real problem of the lack of a new intellectual framework for further Community growth and makes suggestions to advance cooperative schemes that take into account the vast differences that now exist among member states in an expanded Community. Being a pragmatic politician, he places his fundamental faith in political evolution, the gradual acceptance of new ideas into practice.

The disappointment is the author's restraint and modesty in keeping himself out of this book. There is almost nothing about his own role, or the inner workings of the Commission. The few insights provided make this loss even more keenly felt. For example, based on his observations and conversations, he asserts that the conduct, if not the principles, of the

initial 1979 budget assault against British Prime Minister Margaret Thatcher by French President Valéry Giscard d'Estaing and West German Chancellor Helmut Schmidt was pure and simple sexism. Even though a Tory, the writer manages to mask quite effectively most expressions of enthusiasm for Thatcher. Of the long and debilitating British budget fight, he observes the British would have been much better served by complementary actions and expressions that showed genuine loyalty to Europe.

What the writer has provided is a sometimes provocative and valuable guide to the E.C., but one that probably could have been done almost in the same fashion by any perceptive journalist of academic. One can only wonder what this book could have been had the author thrown himself more fully into it.

## 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.

## PUBLISHED FOR THE COMMISSION

**High Temperature Alloys - Their Exploitable Potential.** *EUR 11365.* Edited by J.B. Marriott, et al. London, Elsevier Applied Science, 1987. 536 pp. \$108.

Collection of articles from a seminar held at the Joint Research Center, Petten, the Netherlands on 15-17 October 1985.

**Natural Analogues in Radioactive Waste Disposal.** *EUR 11037.* Edited by B. Come and N.A. Chapman. Norwell, MA, Graham & Trotman, 1987. 492 pp. \$150.

Proceedings of a Symposium organized by the CEC under the Programme on Radioactive Waste Management held in Brussels on 28-30 April 1987.

**1987 European Conference on Architecture.** *EUR 11078.* Edited by W. Palz, Bedford, U.K., H.S. Stephens & Associates, 1987. 805 pp.

Proceedings of an international conference held at Munich, FRG, 6-10 April 1987.

**Electrical and Dielectric Properties of Food Materials: A Bibliography and Tabulated Data.** *EUR 11297.* By M. Kent. Essex, Science & Technology Publishers, 1987. 135 pp.

One of several bibliographies produced as a result of collaboration under COST90bis, the second European Project on the Physical Properties of Food.

**Air Pollution and Ecosystems.** *EUR 11244.* Edited by P. Mathy. Dordrecht, The Netherlands, D. Reidel Publishing Co., 1988. 981 pp. \$179.

Proceedings of an international symposium held in Grenoble, France, 18-22 May 1987.

**Reversibility of Acidification.** *EUR 11287.* Edited by H. Barth. New York, Elsevier Applied Science, 1987. 175 pp. \$39.

Proceedings of a workshop held in Grimstad, Norway, 9-11 June, 1986.

**Library Automation in North America: A reassessment of the impact of New Technologies on Networking.** *EUR 11092.* By Charles R. Hildreth. New York, K.G. Saur, 1987. 196 pp. \$32.

This publication is based on a report prepared under contract for the CEC, Directorate-General Telecommunications, Information Industries and Innovation.

**Degradation of Lignocellulosics in ruminant and industrial processes.** *EUR 11084.* Edited by J.M. Van Der Meer, et al. New York, Elsevier Science Publishers, 1987. 120 pp. \$38.00.

Proceedings of a workshop held in Lelystad, The Netherlands from 17-20 March 1986 under the auspices of COST (European Cooperation in Scientific and Technical Research).

**Physical Properties of Foods - 2.** *EUR 10952.* Edited by Ronald Jowitt, et al. New York, Elsevier Applied Science, 1987. 564 pp. \$137.

Final proceeding of a seminar held in Zurich, September 1986.

**Direct Disposal of Spent Nuclear Fuel.** *EUR 11268.* By W. Bechtold, et al. London, Graham & Trotman, 1987. \$74.

Review and analysis of strategies adopted by a number of countries concerning conditioning, transport, handling and disposal of spent nuclear fuel in deep geological formations.

**Radiation Protection Dosimetry: Etched Track Neutron Dosimetry.** *EUR 11242.* Edited by D.T. Bartlett, et al. Kent, U.K., Nuclear Technology Publishing, 1987. 137 pp.

Proceedings of a workshop held at Harwell, U.K., 12-14 May 1987.

**Integrated & Biological Control in Protected Crops.** *EUR 10047.* Edited by R. Cavalloro. Brookfield, VT, A.A. Balkema, 1987. 251 pp. \$38.50.

Proceedings of a meeting of the E.C. Experts' Group in Crete, 24-26 April 1985.

**Integrated Control of Cereal Mildews: Monitoring the Pathogen.** *EUR 10842.* Edited by M.S. Wolfe and E. Limpert. Boston, Kluwer Academic Publishers, 1987. 146 pp. \$42.50.

Proceedings of a seminar in the Community Programme of Coordinated Research on Energy in Agriculture held in Freising-Weihestephan, FRG, 4-6 November 1986.

**Pulp, Paper and Board.** *EUR 11087.* By J.F. Hendry and W.J.H. Hanssens. New York, Elsevier Applied Science, 1987. 197 pp. \$38.

The scientific and technological results of the research carried out under Research Area V (Pulp, Paper and Board) of the Commission's first research and development programme on wood as a renewable raw material, were presented at this seminar held in Brussels, 1987.

**Synthetic Fuels from Coal: Status of the Technology.** *EUR 11191.* Edited by J. Rowney, P.F.M. Paul and G. Imarisio. London, 1987. 381 pp. \$112.00.

This book contains a collection of contributions by experts about the status of the technology necessary for the production of synthetic fuels from coal.

**Global Telecommunication Networks: Strategic Considerations.** *EUR 11389.* Edited by George Muskens and Jacob Gruppelaar. Dordrecht, 1988. 215 pp. \$69.

This book offers a number of articles

dealing with global networks. They have been prepared as contributions to the second FAST programme of the European Community, which is intended to contribute to the Forecasting and Assessment of Science and Technology (FAST) by research projects and so-called network activities. The projects and activities had been grouped under five major headings: work, services, food technology, natural resources, and communication.

**Fluidized Bed Combustor Design, Construction and Operation.** *EUR 11246.* Edited by P.F. Sens and J.K. Wilkinson. London, 1988. 149 pp. \$39.75.

This volume represents the first publication originating from the new energy R&D programme "Utilization of Solid Fuels," performed under the supervision of Directorate-General XII for Science, Research and Development of the E.C. At the end of the compilation, some conclusions are presented which also give indications for the direction of future activities, which may become elements of a second programme to start in January 1989.

**Grid-Connected Wind Turbines.** *EUR 11241.* Edited by H. Naefaire. London, 1988. \$39.75.

This book compiles the proceedings of a contractors' meeting on wind demonstration projects, organized by the Commission of the E.C., Directorate-General for Energy, Alghero, Italy, 11-12 June 1987. Fifteen projects were presented at the meeting which was attended by 56 participants, including representatives of most public utilities of the E.C.

**Environmental Management in Agriculture: European Perspectives.** *EUR 11169.* Edited by J.R. Park. London, 1988. 260 pp.

This publication provides a report about a workshop on "Agricultural Management and Environmental Objectives," which was held in Bristol, 14-17 July 1987. The book describes the proceedings and comprises the main points of the introductory talk, the national reports, the review papers, the technical papers and introductions to the parts by the rapporteurs of each section.

# THE COMMUNITY BOOKSHELF

To order these publications, please check the desired items and fill out the order form.

## May-June

- The European Community in Diagrams.** *European File No. 1-2/88, Commission, Brussels, January 1988, 23 pages.* Basic statistical information on the E.C. and its member states presented in graphs and charts. **Free**
- Research and Technological Development for Europe.** *European File No. 19/87, Commission, Brussels, December 1987, 11 pages* **Free**
- Programme of the Commission for 1988.** *Bulletin of the European Communities, Supplement No. 1/88, Commission, Brussels, 1988, 57 pages.* Includes statement by Jacques Delors, President of the Commission, to the European Parliament, January 20, 1988. **Free**
- The ECU.** *European Documentation No. 5/1987, Commission, Brussels, 1987, 57 pages.* Basic explanation of the history and role of the ECU in the European Monetary System and the private sector. **Free**
- Public Opinion in the European Community on Energy in 1986.** *Commission, Brussels, May 1987, 163 pages.* Survey, conducted in the fall of 1986, deals with various aspects of the energy situation as perceived by E.C. citizens. **Free**
- Europeans and Their Agriculture: Public Opinion in the European Community.** *Eurobarometer Special Issue February 1988, Commission, Brussels, 1988, 75 pages.* Results of an opinion survey on agriculture based on the standard Eurobarometer sample and a special survey of farmers in each of the member states. **Free**
- Attitudes Toward U.S.-European Relations.** *The Gallup Organization, Princeton, January 1988, 125 pages.* Survey of attitudes of the general population, and an elite sample, in the United States conducted at the end of 1987. Covers attitudes toward Western Europe, international trade, comparisons with Japan and awareness about the E.C. **Free**
- European Affairs No. 4/87.** *Elsevier, Amsterdam, 1987, 123 pages.* Sample of the winter 1987 issue. Articles cover a range of topical issues on trade, economics and politics. **Free**
- Treaties Establishing the European Communities, Treaties Amending These Treaties, Single European Act, Volume I.** *Office for Official Publications, Luxembourg, 1987, 1118 pages.* Texts of the basic treaties for the ESC, ECSC, and Euratom, amended and annotated. Includes complete texts of amending treaties on common institutions, own resources, the Investment Bank, direct elections, Greenland and the Single Act. **\$48.00**
- Directory of Community Legislation in Force: 10th Edition.** *Office for Official Publications, Luxembourg, 1987, 833 pages.* References, classified by subject, for all binding Community legislation in force as at December 1, 1987. **\$74.20**
- Lawyers in the European Community.** *European Perspectives, Commission, Brussels, 1987, 293 pages.* Survey of national laws relating to lawyers and the practice of the profession. Examines problems for the right to provide services within the E.C. **\$14.00**
- Population Map.** *Commission, Brussels, 1988.* Depicts the geographical distribution of people in the EC. Inset charts provide statistics on density, age groups, birth, labor force and employment. 40.5 x 29.5 inches. folded in plastic envelope. **\$5.00**
- Twenty-first General Report on the Activities of the European Communities—1987.** *Commission, Brussels, 1987, 424 pages.* General picture of E.C. activities, policies and achievements in 1987. **\$11.00**
- Treaties Establishing the European Communities (ECSC, EEC, EAEC)—Single European Act—Other Basic Instruments: Abridged Edition.** *Commission, Brussels, 1987, 649 pages.* Basic texts of the original treaties with amendments on the merger of the institutions, own resources, direct election of the Parliament, the Single Act, lists of decisions on accessions and contents of the complete edition. **\$17.10**
- Corps diplomatique accrédité auprès des Communautés européennes (Octobre 1987)** *Commission, Brussels, 1987, 184 pages.* List of diplomatic missions accredited to the E.C., with addresses and names of principal officials. **\$5.00**
- The Agricultural Situation in the Community: 1987 Report.** *Commission, Brussels, 1988, 425 pages.* Analysis and statistics on the agricultural markets and structures, position of consumers, financial and policy aspects of the common agricultural pol-

icy and market outlook. **\$28.60**

**Completing the Internal Market for Industrial Products.** *Commission, Brussels, 1986, 82 pages.* English summary of a Dutch sponsored study to identify the direct and indirect costs of the fragmentation of the internal E.C. market. **\$12.00**

**The Likely Impact of Deregulation on Industrial Structure and Competition in the Community: Final Report.** *Commission, Brussels, 1987, 232 pages.* Survey of attitudes on and experiences with deregulation in the United States and Europe. Case studies on civil aviation, telecommunications, and road transport. **\$20.90**

**The Regional Impact of the Common Agricultural Policy in Spain and Portugal.** *Commission, Brussels, 1987, 58 pages.* Reviews developments in European agriculture from 1976-1983 in the E.C.-10, the regional agricultural characteristics of Spain and Portugal, and the impact of enlargement and CAP reform on agriculture in various regions. **\$7.40**

**Explanatory Notes to the Combined Nomenclature of the European Communities.** *Commission, Brussels, 1987, 533 pages.* General guidance notes for the interpretation of the new Combined Nomenclature, based on the Harmonized System, for the classification of goods in the tariff schedule. **\$30.50**

**TARIC: Integrated Tariff of the European Communities.** *Commission, Brussels, 1987, 1925 pages.* Tariff guide, indicating by line item of the customs schedule, the rates of duty, suspensions, quotas and preferential treatment of goods entering the E.C. **\$140.00**

**Legislation on Dangerous Substances: Classification and Labelling in the European Communities.** *Commission, Brussels, 1987, 1020 pages.* Consolidated text of Council Directive 67/548/EEC on the classification, labelling and marketing of dangerous substances, with annexes, as of May 1, 1987. **\$99.00**

**Electricity Prices 1980-1987.** *Statistical Office, Luxembourg, 1987, 54 pages.* Explanation of the tariff systems and taxation for electricity in the member states, with data on prices for domestic and industrial use. **\$13.00**

**Gas Prices 1980-1987.** *Statistical Office, Luxembourg, 1987, 40 pages.* Explanation of the tariff systems

and taxation for gas in the member states, with data on prices for domestic and industrial use. **\$13.20**

**Industry Statistical Yearbook 1986.** *Statistical Office, Luxembourg, 1987, 149 pages.* Selection of industrial statistics on structure and activity, investments, data by size of enterprises, short-term trends and external trade. **\$25.10**

**Iron and Steel Statistical Yearbook 1987.** *Statistical Office, Luxembourg, 1988, 149 pages.* Annual data on the structure and economic situation of the E.C.'s iron and steel industry: employment, production of crude and finished steel, works deliveries, foreign trade, investments, prices and levy. **\$26.50**

**Carriage of Goods 1985: Inland Waterways.** *Statistical Office, Luxembourg, 1986, 168 pages.* Data on the movement of goods by inland waterway vessels irrespective of the country of registration. **\$14.00**

**External Trade Statistical Yearbook 1987.** *Statistical Office, Luxembourg, 1987, 160 pages.* Main series of trade statistics from 1958 to 1986 for the E.C.-12. Covers the position of the E.C. in world trade, trade with non-members, intra-E.C. trade, and trends in trade by country and commodity. **\$9.00**

**Definition of Registered Unemployed.** *Statistical Office, Luxembourg, 1987, 105 pages.* General survey of national definitions and the scope of statistics on registered unemployment in the E.C. member states. **\$8.50**

**Proceedings of the Seminar on the Provision and Use of Economic Statistics.** *Statistical Office, Luxembourg, 1987, 235 pages.* Papers of a seminar held in Gaborone (Botswana), April 6-10, 1986. **\$15.90**

**A Social Survey in Maritime Transport.** *Commission, Brussels, 1987, 122 pages.* Study on employment related benefits and their affect on the competitiveness of the E.C. maritime industry. Surveys international and national provisions on working conditions, pay and other benefits for seamen. **\$13.00**

**Demographic and Labour Force Analysis Based on Eurostat Data Banks.** *Statistical Office, Luxembourg, 1988, 57 pages.* Analysis of population trends in the member states and implications for the future level of the labor force. Data projections by age and sex up to 2025. **\$7.00**

## ORDER FORM

Mail entire page to the European Community Information Service, 2100 M Street, N.W., Suite 707, D.C. 20037, (202) 862-9500. Telephone orders are also welcome.

Please send me the items for sale and the free items I have checked. **Orders accepted for shipment to U.S. addresses only.**

Check enclosed for \$ \_\_\_\_\_

NAME \_\_\_\_\_

ORGANIZATION \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

## SATELLITES

Continued from page 30.

close eye on activities in the Mediterranean.

At a European level, a new generation of remote-sensing techniques planned to become operational in the 1990s is being developed for the Earth Resources Satel-

lite (ERS). In particular, this will make use of a Synthetic Aperture Radar, which can obtain high-resolution images of land surfaces under all weather conditions, and it also will be able to collect wind and wave data from the observation of oceans.

Finally, mention must be made of the series of meteorological satellites that have been developed by ESA. The first

dedicated weather forecasting satellites, Meteosat 1 and 2, were launched in November 1977 and June 1981, respectively. Since 1983, these have been operated by the European Organization for the Exploitation of Meteorological Satellites, and an advanced version, Meteosat 3, is currently due to be launched in 1988 or 1989.—DAVID DICKSON €

## EUROPE IN SPACE

Continued from page 32.

Chancellor Helmut Kohl, to support the French argument that a coordinated manned space program was necessary for extra costs involved in making it manned—i.e. safe enough to launch the manned space-pace Hermès—will reduce its cost-effectiveness as a commercial satellite launcher to such an extent that it will no longer be commercially competitive with other launch systems.

But, if the success of the current family of Ariane launchers is anything to go by, the skeptics could still be confounded. In eight and a half years of the Ariane family, and although there have been four failures—the most recent being in May 1986, when the rocket's third stage failed to ignite—Arianespace officials point out that the 81-percent success rate is not far behind that of U.S. launchers.

Two main challenges currently face the company. The first is how to maintain a consistent launch rate of eight a year—possibly increasing to nine in two or three

years—while at the same time assuring the reliability of the launchers. To help achieve this goal, a new launch pad is due to be opened later this year at ESA's launch facilities in Kourou, French Guyana.

The company's second concern is how to meet the growing competition from U.S. expendable launchers. The rush of launch contracts that followed the shuttle accident in 1986 has been followed by a lengthy period in which few new customers have been signed up, as the U.S. launchers have begun to offer their services on highly competitive terms. D'Allest, however, remains optimistic. After the successful launch of the latest Ariane on March 11, he announced that Arianespace hoped to sign this year "seven or eight new satellite launch contracts worth a total of about \$520 million."

Among potential candidates are Indian and Australian telecommunications satellites, as well as a satellite for the International Telecommunications Satellite Organization (Intelsat 7). In addition, the

company has recently proposed to the North Atlantic Treaty Organization (NATO) that it launch one of the organization's new military communications satellites, NATO 4, a proposal that has already generated a certain amount of controversy in Washington political circles since France is not a member of NATO's military command.

Overall, d'Allest says he is confident that Arianespace can maintain its current position of meeting about half of the world's needs for commercial satellite launches over the next few years. This confidence is reflected in the fact that the company is planning later this year to place a bulk order for 50 new Ariane 4s.

Mass production, it is hoped, will not only reduce unit costs for each launcher by 20 to 25 percent, but also shorten the construction period. The first of the batch would be due for delivery in 1991, and Ariane 4 would remain Europe's main launch vehicle up to 1998, the approximate date when Ariane 5 is planned to enter full commercial service.—DAVID DICKSON €

## ARIANE

Continued from page 32.

the United States and the Soviet Union already possess well-developed manned space capabilities, Europe needs to develop its own, independent expertise in this domain if it wants to remain a global power with a comparable influence to the two superpowers. The second argument was that, even if no direct return is seen for the major investment of public funds in building up the technological skills needed to develop a manned space program, these skills will later become essential for the expansion of a wide range of industries.

The knowledge of composite heat-resistant materials needed to protect Hermès during its re-entry, for example, is likely to be vital for the design of future supersonic passenger aircraft. Similarly, the techniques used to control the habitable environment within the laboratory module attached to the space station will form the basis for the design of the work environments needed for intensive industrial production in space.

Finally, there is the question of the use of space for national defense purposes. This topic was not explicitly discussed at the meetings in The Hague, primarily because the ESA is committed by charter to restricting itself to exploring only the peaceful uses of space. Nevertheless, with the growing use of space technology ranging from spy satellites to President Ronald Reagan's "Star Wars" idea for a

tary potential of the technologies being developed in each of the three constituent programs—Ariane technology, for example, could eventually be used to carry nuclear warheads, while President Mitterrand has suggested that Europe should consider building a space station for military purposes—there are many who would like to see the military uses of space developed as more than merely the

The framework has been set for a European manned space program that will determine Europe's space efforts into the 21st century.

space-based anti-nuclear missile shield, interest is growing in some European circles for coordinating the military space activities of its individual countries into a single European military space program.

The political difficulties of achieving this would be substantial; and it would be unfair to claim that the package of programs agreed in The Hague was deliberately conceived as a step in this direction. Nevertheless, given the significant mili-

result of fortuitous spin-off.

But whatever the precise reasoning that led individual countries to support the package that was presented at The Hague, the result has been to set the framework both for a European manned space program—combined with cooperation with the U.S. space effort in the shape of the Columbus program—that will determine the shape of Europe's space efforts well into the 21st century.

## 1992 STUDY

Continued from page 19.

ing authority in areas of internationally recognized public interest (health, safety, etc.) from a purely national to a mixed national-E.C. responsibility, under the cover of the E.C. institutional checks and balances, subject to the judicial review from the E.C. Court of Justice. In the absence of specific international agreements, multilateral or bilateral, the completion of the internal market will not bring about any positive or negative change on the external front. This means that national-E.C. decisions based on national-E.C. requirements will continue to risk leading to trade frictions every time one foreign party considers that such decisions, being different from its legal practice, constitute protectionist measures.

A European example is the recent ban

of hormones in meat. It had a counterpart in the U.S. automobile environment protection measures. In both cases, the legal decisions answered to a popular pressure that did not exist at the same time on the other side. In both cases, foreign producers cannot but adapt themselves to the local legal requirements or abandon the market: It is precisely what happened to European automobile exports after the introduction of stringent U.S. emission regulations that were not in force in Europe.

In many areas such difficulties can be avoided by stipulating specific agreements either in a bilateral or in a multilateral framework, on the basis of effective (that is, not only formal, but substantive) reciprocity. Such agreements may give access on an equal basis to the market provided that the partners are satisfied with the equivalence of the protection afforded by national legislations to the

relevant public interest. It would be, however, extremely difficult to give access to the policy-making bodies, even if those may have the external appearance of international set-ups, like the E.C. policy-making committees, concerning for instance the production of standards, the assessment of pharmaceutical products, the regulations concerning dangerous products, the validity of certification procedures and so on.

To sum up, the impact of the E.C. drive to complete the internal market should be largely beneficial for the development of international trade. Moreover, since the development of the E.C.'s internal policy-making, including possibly economic and monetary policy, will bring about as a corollary a similar development of the E.C. responsibility in international negotiations, these will undoubtedly benefit from a more organized European participation. €

## JOB CRISIS

Continued from page 35.

and the huge rise in jobs has been entirely in services. And average real wages, adjusted for inflation, essentially stopped growing after 1972, after two decades of average annual wage growth of 2 percent."

Nevertheless, he notes, there has been a decline in the share of new jobs with low annual earnings, and the share of new jobs that paid less than 50 percent of median earnings declined from 24 percent between 1973 and 1979 to 13 percent between 1979 and 1986. Moreover, most of the workers with low annual earnings worked only part-time—92.5 percent in 1985. "In other words," says Kusters, "the main reason for low annual earnings is not low wages but low working hours."

And low working hours, regrettably, have been the hallmark of European employment. European Community statistics for nine member states indicate that 85 percent of the total increase in employment since 1973 has been in part-time jobs, *almost the exact reverse* of what happened in the United States. Part-time jobs grew by almost 30 percent in Europe, while full-time jobs barely increased at all.

So development of its services sector still makes a lot of sense for Europe. Moreover, MIT's Birch thinks most of the employment created in the near future will be in the application of new technology: computer software, finance, insurance and related fields. "What we're seeing," he says, "is a shift to higher and

higher rates of innovation." Birch also expects new job growth to come from entrepreneurship, especially in small companies. "Eighty percent of new jobs are created in companies of fewer than 100 people," he says. "In fact, the big corporations are laying off people—you have a better chance of holding onto your job if you work for a small company. And this slowdown of large companies is happening throughout the world."

Europe has much going for it. It has a vast pool of talented workers, concerned

cess, and most countries now offer centralized information about job openings.

But more needs to be done—and fast—before long-term unemployment becomes an accepted fact of life for tens of millions of Europeans. First and foremost, the cost of labor needs to be brought down and some aspects of job security sacrificed. Worker mobility needs to be increased, banks and the risk capital industry need to be brought into closer cooperation with business, and regulations that restrict when stores can

"Eighty percent of new jobs are created in companies of fewer than 100 people," says MIT's David Birch. "In fact, the big corporations are laying off people—you have a better chance of holding onto your job if you work for a small company."

governments and the promise of enhanced economic activity as the E.C. removes its remaining barriers to internal trade. Some of the union-sponsored "solutions" to unemployment—especially cutting the work week by several hours, which had exactly the opposite effect—have been discredited, and governments are moving to loosen more labor market rigidities, de-link wages from inflation and remove some of the disincentives from unemployment compensation plans. Training and counseling programs for the unemployed have met with moderate suc-

be open should be abolished. More broadly, the European economies need to undertake a coordinated expansion—as the E.C. Commission has been pushing for some time—to take up the slack in export markets created by the drop in the dollar. All of these changes will take time, and some may be impossible. But perhaps the most important, and certainly the hardest, turnaround will be the most ephemeral: changing European attitudes toward risk, entrepreneurship, the costs of security—and toward unemployment itself. €

# EUROPE TODAY



**EUROPE TODAY**, a new weekly 15 minute radio program, produced and anchored in Washington, with overseas reports, features and interviews, will be available nationwide in the U.S. the first week in February.

Press, radio and television reporters based in the 12 nations of the European Community will report on a wide variety of topics – social, political and cultural.

The programs will be available to all U.S. radio stations, by satellite to members of National Public Radio and stations affiliated with the Mutual Broadcasting System. Cassette tapes will be available by mail.

**EUROPE TODAY** will be produced by the non-profit America's World Forum corporation, in cooperation with the Delegation of the European Community in Washington. The program series will be made available as a public service on a cost-free basis with provision in each edition for local commercial sponsorship, grant or public service announcements.

Radio stations, advertisers or individuals may obtain information on the series by writing to:

**EUROPE  
TODAY**



**EUROPE TODAY**

c/o America's World Forum, Inc.  
10407 Riverwood Drive  
Potomac, Maryland 20854

# FLY THE COMMON MARKET EXPRESS™ TO BASE BRUSSELS.



DENMARK

IRELAND

NETHERLANDS

UNITED KINGDOM

GERMANY

BELGIUM

LUXEMBOURG

PORTUGAL

FRANCE

SPAIN

ITALY

GREECE

Business in Europe means business in Brussels, the capital and heart of the 12-nation Economic Community.

Sabena Belgian World Airlines takes you to Brussels with savoir-faire in the air. From Base Brussels, Sabena has all the right connections. Fly to your other business appointments in Amsterdam,

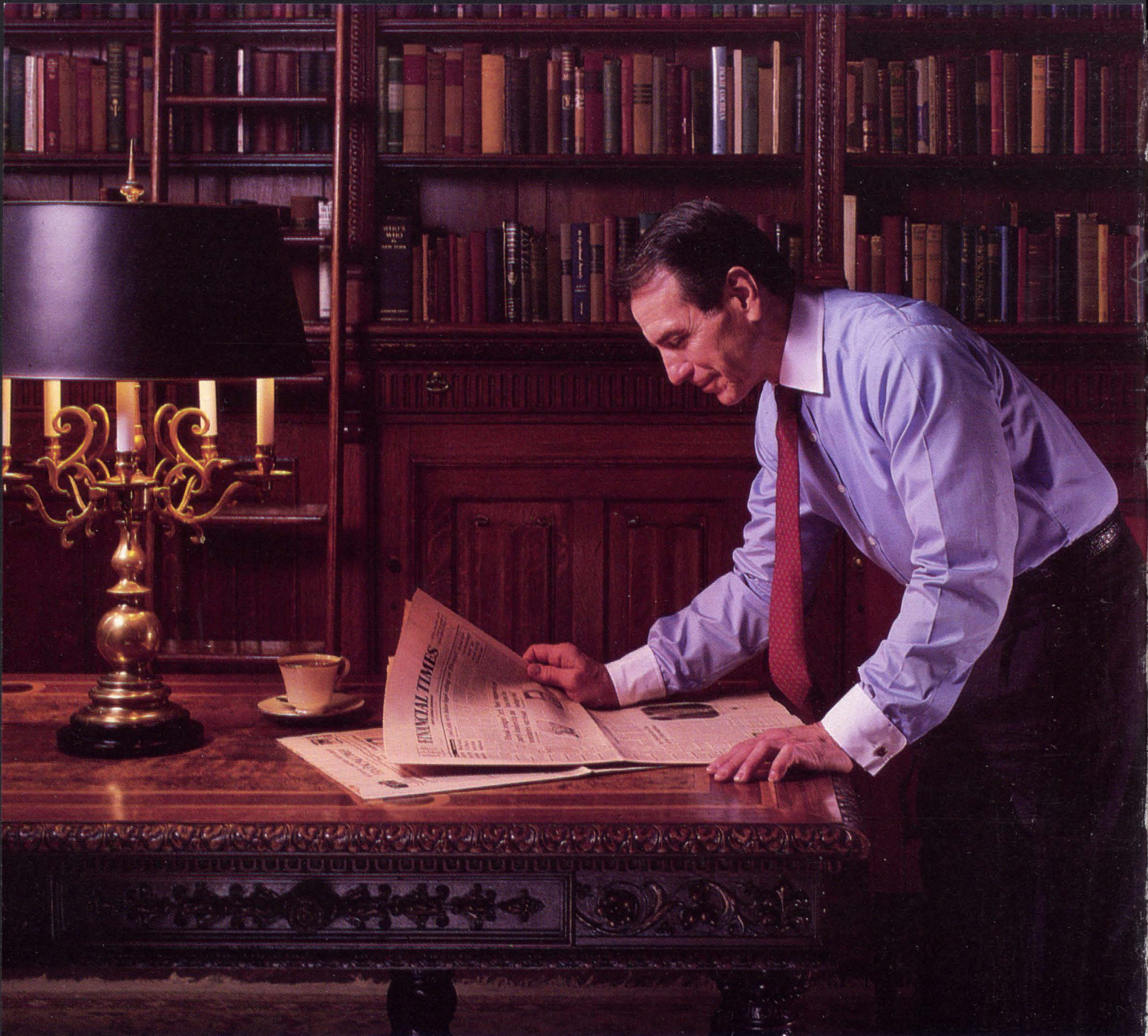
Luxembourg, Dusseldorf, Paris, London or Frankfurt in under an hour.

Make your next trip to Europe on the EEC capital's official airline. With a business class in a class all its own.

Make it your business. Make it Sabena.

**SABENA**  
BELGIAN WORLD AIRLINES

THE OFFICIAL AIRLINE OF THE COMMON MARKET CAPITAL.



## Chance favours the prepared mind.

The Financial Times of London — no other paper gives you so deep an understanding of international finance, markets, business and political affairs. No other paper makes you so aware of the complex forces at work in today's global economy. No other paper prepares you so effectively to deal with change — and opportunity.

**FINANCIAL TIMES**  
London • New York • Frankfurt

To subscribe write to the Financial Times, 14 East 60th Street, New York, NY 10022. Or call 212-752-4500.