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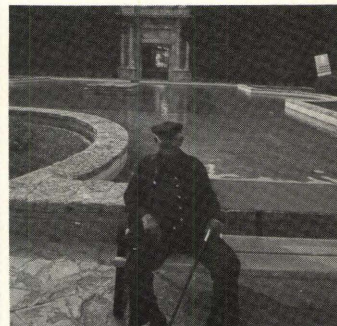
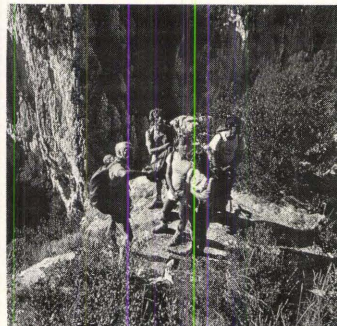
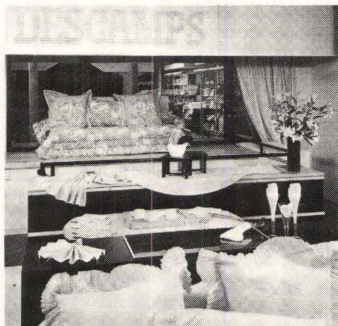
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EUROPE, Magazine of the European Community, (ISSN 0191-4545), is published by the Delegation of the Commission of the European Communities, 2100 M Street, NW, Suite 700, Washington, DC 20037. The Commission of the European Communities, 1988. The magazine 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.

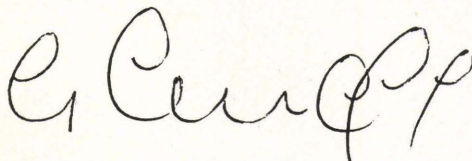
PUBLISHER'S LETTER

One of the most important questions now being asked in the world of international trade is: Do bilateral agreements make more sense than wide, multilateral ones? The question is being raised more often as free trade areas like the one negotiated between the United States and Canada become more common. These can be productive arrangements, both for those directly involved as well as for their outside trading partners: Economic growth in one area tends to stimulate a rise in trade, and that means more prosperity for all involved.

The completion of the internal market in Europe by 1992 is a good example of how a rising economic tide lifts everybody's trade boat. There have been some fears expressed in the United States and elsewhere that Europe may turn in on itself after 1992, and set up new barriers to imports. Such fears are clearly unfounded.

In Toronto meanwhile, as Barbara Halsig reports, many Canadians "strongly believe" that trade will increase with all countries after the U.S.-Canada free trade agreement is in place, and E.C. Commissioner Willy De Clercq recently remarked that the E.C. has no objections to the pact "as long as the result is an increase in trade flows not only between the United States and Canada, but between Canada and the rest of the world—including, of course, the European Community."

Also in this issue: Lord Cockfield, the E.C. Commission Vice President responsible for the internal market, writes on the progress and expected benefits of 1992; Washington-based writer Edmund Andrews looks at the changing nature of franchising in Europe; the *Financial Times'* Nancy Dunne reviews the current array of disputes between the United States and Europe (noting that farm trade and Airbus—as usual—lead the list); Peter Wilson-Smith, the finance editor of *The Independent*, writes on the significance of the E.C.'s important new banking directive; and, in our cover story this month, travel consultant Bob Woodward gives some advice on travel "adventure style" in Europe.



Giancarlo Chevallard

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April, 1988



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AROUND THE CAPITALS



The Belgian Comic Strip Center will pay homage to all Belgian comic-strip art this century, and will be housed in an art nouveau building designed by Victor Horta.

BRUSSELS

Comic Strips As Art

Two of Belgium's best-known contributions to the 20th century—the comic strip and *art nouveau* architecture—are to be jointly celebrated through an enterprise launched by the Belgian Comic Strip Center. If this sounds somewhat down-market, do not be deceived. Comic strips are a genuine art form in Belgium, subjected to respectful critical attention and commanding a public that goes far beyond children. Foreign tourists can be a little startled to see grown-ups reading comic strips in buses and on trains, but a glance at any newsstand will show the range and sophistication of the medium. A recent claim that half of all Belgian magazines are in comic-strip form is easily believable.

The Comic Strip Center is the initiative of Guy Dessicy, a former associate of Georges Remi, better known as Hergé, the creator of "Tintin." Tintin, a round-headed boy who travels the world (and often beyond

it) in search of peace and justice, is the prototype of the comic-art hero who, since his first appearance in 1929, has entertained a world-wide following. Since World War II, four million Tintin books have been sold every year and the young fellow's exploits have even been chronicled into such languages as Serbo-Croat, Basque, Galician, Icelandic, Catalan and Iranian.

In an imaginative move, Dessicy has acquired a run-down department store in Brussels for conversion to a permanent Comic Strip Center that will include valuable Hergé originals, a huge library of comic-strip art and a projection room to show animated films. But this is no ordinary building: The Magasins Waucquez was designed in 1903 by Victor Horta, and is one of the very few commercial buildings created by the great Belgian architect that are still standing in Belgium.

Horta was the inspiration for the *art nouveau* movement that swept Brussels and later the rest of Europe at the turn of the century. The twisting, spiraling cast-iron curlicues that give *art nouveau* its chief

distinction are still widely to be seen in gates, doors and windows in Brussels, but few of the master's complete buildings survive, and the preservation and revitalization of the Magasins Waucquez is thus a major bonus for Belgian art lovers.

The Center, due to open next year, will not be confined to Hergé, although his work will be at its heart. In postwar years Belgian comic-strip artists have created worldwide markets for such characters as Lucky Luke, an improbable chain-smoking Belgian cowboy, the Suske and Wiske children, engaged like Tintin in solving grown-ups' problems, and the ubiquitous tiny blue creatures known in the English-speaking world as the Smurfs. None of them yet warrants a statue in a Brussels public park, like the one put up for Tintin and Snowy, but the Center should provide their admirers with a point of pilgrimage. Similarly, it should add to the few lasting testimonials of the work of Belgium's best-known and most influential architect.—ALAN OSBORN

POW! ZAP!

An exhibition of Belgian comic-strip art, organized by the Belgian Center for Comic Strip Art in Brussels and the Belgian American Chamber of Commerce in the United States, is on display at the Meridien House, 1630 Crescent Place, N.W., Washington, D.C. until the end of July.

AMSTERDAM

Women's Rights

The Dutch Government is faced with a decision that may cost the Treasury and Dutch firms billions of guilders in retroactive payments to women. This threat looms as a result of a recent ruling by the Central Appeals Court—the highest judicial body in litigation concerning social benefits—that Dutch legislation failed to apply the United Nations treaty and the third E.C. directive concerning discrimination against women.

The court has ruled that the

government and industry have discriminated against women in the field of social security, notably in the area of the general disablement benefit act. Under this ruling, retroactive payments would go to married women who lost their jobs when they married, and possibly to widows and unemployed women. In theory, some thousands of Dutch women could apply retroactively for benefit payments over several years, both to the government or to the firms for which they worked. It is estimated that in each case such payments could amount to some \$100,000.

The Ministry for Social Affairs said it was preparing a note to Parliament explaining how "to deal with the situation." The Social Ministry's state secretary, Lou de Graaf, is trying to find a solution by discussing the problem with the women's organizations and the Dutch firms involved. The Ministry would like to avoid a situation in which professional organizations accept the court of appeals ruling without further protest and begin to pay women eligible for back payments.

Meanwhile, the ruling also faces the trade unions with a dilemma. On the one hand, they pride themselves for having always pleaded for equal rights for women workers and they have approached the women's organizations to list those they believe have a right to payments. On the other hand, they fear that this may lead to enormous deficits for existing social benefit funds, which in turn will mean that currently employed workers will end up having to pay higher premiums or having their benefits cut.

But time is running out, and firms as well as the government are under pressure by the women's organizations and the female lawyers' association to come to a decision. Women's organizations have united in the "Committee for Equal Rights Now," and are urging women to call on the industries for their rights. Lawyers have been alerted to defend the

women's claims, and scores of women who have made applications for payments are being held off without being given definite answers, which prevents them from beginning legal proceedings.

In one case, the lawyer for the professional association of retail trade and housewives has taken action and appealed against such practices. The director of this association, however, is torn in his fight for equal rights for women, fearing that if he insists, some 85 percent of his female members can claim money that could lead to his association's bankruptcy.

The Dutch Government reportedly secretly hopes that the Central Appeals Court will revise its ruling of "discrimination," which well informed sources, however, believe to be "highly unlikely."—NEL SLIS

ATHENS

Intrigued by the Ancients

Over the past four years, recreating ancient Greek methods of transportation has

become something of a fashion as experimental archaeology continues to gain ground.

First came a bronze-age ship, built to emulate the mythical voyage Jason and the Argonauts had made across the Aegean to the Black Sea to capture the Golden Fleece. An international crew of oarsmen captained by Tim Severin, an Irish historical geographer, successfully weathered fierce currents and summer storms to reach the Soviet coast and the likely site of the ancient Colchis, the land of the Golden Fleece—demonstrating that the romantic legend could well have been based on fact.

Then an American archaeological team joined forces with a Greek shipbuilder to build a replica of a 4th-century B.C. merchant vessel modeled on remains raised from the seabed off Cyprus. The sail-powered *Kyrenia II* plowed its way through the eastern Greek islands and south to Cyprus in a re-run of its final voyage in the days of Alexander the Great, proving that ancient Greeks were equipped with sailing techniques modern yachtsmen would envy.

Last summer, reconstruction of an ancient Athenian *tri-*

reme, the oar-powered warship that defeated the Persian fleet at the Battle of Salamis in 480 B.C., underwent sea trials in the Aegean. The vessel, designed by two British experts and rowed by 170 club oarsmen and Greek navy sailors, reached speeds of up to seven knots in a combination of physical endurance test and dedicated classical scholarship that seemed hard to match.

But this spring, a team from the Massachusetts Institute of Technology (MIT) went one better, bringing together a team of cyclist-pilots and aeronautical experts to Crete in a bid to recreate the myth of Daedalus, by flying a human-powered aircraft across the Aegean. According to the legend, Daedalus designed wings of wax and feathers for himself and his son Icarus as a means of escaping from King Minos' palace on Crete—who had built the labyrinth to house the ferocious half-man, half-bull known as the Minotaur. Daedalus, so the story goes, flew safely to Sicily, but Icarus soared too close to the sun so that the wax melted and he plummeted to his death.

The MIT team of human-powered flying enthusiasts



A team of aeronautical experts and cyclist-pilots recently recreated the mythical flight of Daedalus across the Aegean Sea.

© REUTERS/BETTMANN NEWSPHOTOS

opted for an ultra-light plane made of space-age fibers and plastic, in which a cyclist pushed pedals linked to a propeller, leaving his hands free to handle a joystick. According to John Langford, the team director, the Daedalus project was intended as an educational scheme for future aircraft designers. For the four cyclists who trained for at least six months beforehand, however, it was as tough as preparing for the Olympic Games.

Working to turn myth into reality, the team leaders decided after consultations with Tim Severin that Daedalus would have followed ancient sailing practice and navigated to one of the nearest islands to the north of Crete. They plotted a 74-mile course from Heraklion to Santorini, which could be flown by the delicate 72-pound pedal plane in calm, cool spring or fall weather. They took a gamble on finding a possible flying day in a region notorious for its changeable weather. Studies of weather readings from the past 40 years suggested that there might be just eight days a year that met all requirements: flat calm or a three-knot tail wind, temperatures of less than 70 degrees Fahrenheit and clear visibility to the horizon.

After three weeks of waiting—like characters in Greek mythology—for a favorable wind, the right day finally arrived. Kanellos Kanelopoulos, the only Greek on the team, pedaled flawlessly at a faster-than-expected 18.5 miles an hour until he was 10 yards off the landing beach on Santorini. At that point, a sudden gust caught the plane head-on around and he crash-landed into the sea. Despite this, there was some consolation: Both Kanelopoulos and the aeronautics experts afterward agreed that he could have doubled the distance that day and flown almost as far as Athens.—KERIN HOPE

The defeat by England of the Spanish Armada in 1588 changed the balance of maritime power in the world.

LONDON

400 Years After the Armada

The belief that “God is an Englishman” was once very firmly held in England. It derived from the conviction that God had sent the fierce storm that helped defeat the mighty Spanish Armada 400 years ago. For how else was it possible that a huge naval force of some 150 Spanish galleons, manned by highly disciplined crews, failed so abysmally in its attempt to invade England and force the Protestant monarch, Queen Elisabeth I, to treat her Catholic citizens better?

The 400th anniversary of the defeat of the Spanish Armada in 1588 is being commemorated in a controversial new exhibition at the Maritime Museum in Greenwich, on the south bank of the Thames River, which tries to place this event in the wider context of European history. Nearly \$2 million and five years of preparation have been spent on a multi-media presentation of the historic occasion, when an ill wind and Sir Francis Drake’s navy combined to blow away the Catholic invasion force. The salvation of Protestant England was hailed by many as an act of God—who clearly was an Englishman.

A more traditional English version puts the victory down in large part to the superior seamanship and gunnery of the English fleet under the brilliant command of the cool commander Drake. (He also was the man who, incidentally, set a pattern for British behavior for centuries to come by insisting on finishing his games of bowls before dashing away to dispatch the impertinent foreigner.)

The exhibition opts for a more even-handed rendition of history, leaving room for the possibility that Spain lost the battle and two-thirds of its ships as much because of ambiguous and indecisive orders from an over-centralized Spanish command, as because of British naval skill aided by September storms. A further challenge to accepted British thinking is contained in one of the key statements of the exhibition, which proclaims that “the 1588 Armada did not materially affect the position of either England or Spain.”

Some critics in Britain feel that this is carrying the idea of European unity just a little too far. While willing to be friendly to former enemies who are now members of the European Community, these English critics say that this is re-writing history. In particular, they believe, it ignores the fact that the unique way in which Drake and his commanders combined military and naval skills in the

sea battles in the fateful summer of 1588 altered the balance of maritime power in the world forever afterward.

The sails that hang over the entrance to the exhibition lead into a pageant of scenes. At the outset is the slightly tawdry depiction of a jewel-laden Queen Elisabeth I of England contrasting with the austere, soberly dressed King Philip II of Spain. But then one moves on to view the more serious business of a maritime museum—the displays and explanations about the fleets, the commanders, methods of navigation and the guns and other weapons of the galleons and battleships. There is even a chance to walk the planks to experience life on board an English ship to the sound of ships of war at sea.

The Maritime Museum at Greenwich is not displeased by the controversy over the interpretation of the famous battle. The organizers, who originally expected half a million visitors before it moves to Belfast in September, now feel that it could attract up to one million people curious about this fateful event in European history.—DAVID LENNON

BONN

Endangered Associations

German *Vereine*, or associations, which play an important part in German society, are up in arms. Their target is German Finance Minister Gerhard Stoltenberg who, they claim, is threatening their very existence.

An independent group of nine scholars, appointed by Stoltenberg back in 1985, has recently produced a 500-page report on how to reform the complex donation and tax exemption practices of the country’s 150,000 to 200,000 clubs and associations. Although no details of the scholarly findings have been published and no political decisions have been



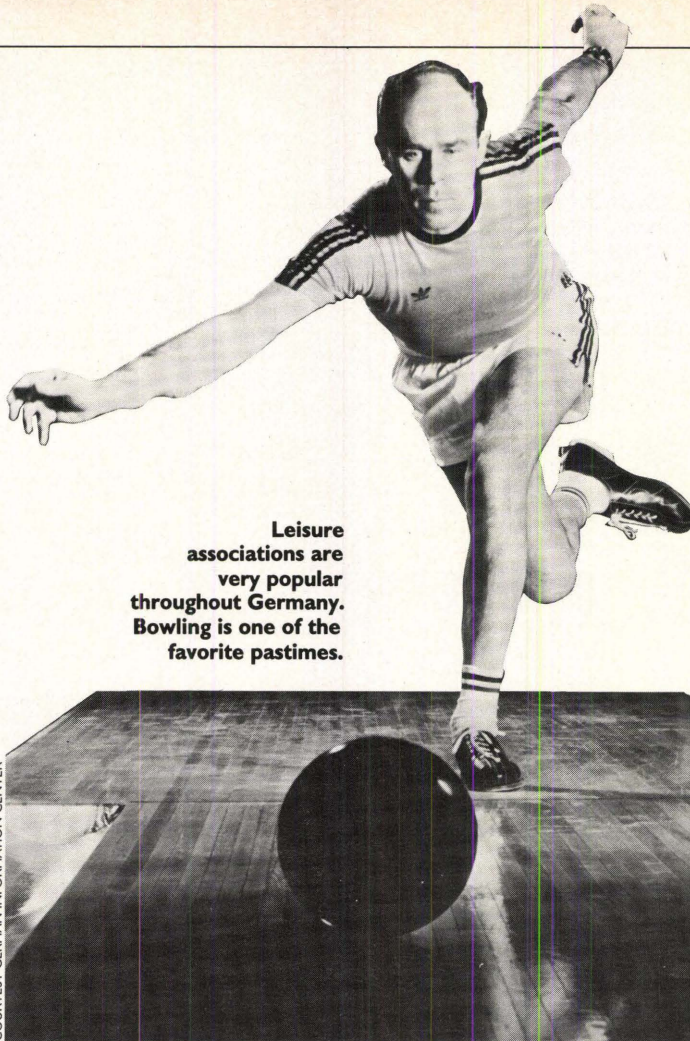
COURTESY NATIONAL MARITIME MUSEUM

taken so far, the mere fact that Stoltenberg dared to disturb such sacred institutions has infuriated the powerful associations lobby. Consequently, Stoltenberg, who would like to do away with some "grave shortcomings and absurdities" in the existing law, is facing strong and widespread opposition.

The many associations are indeed a German phenomenon and, excepting Austria, have no parallel. Most support common hobbies, activities and education, but not all members have to ride, shoot, fish—or whatever the common activity may be—as a prerequisite for membership. Indeed, for many, a *Verein* simply means togetherness and comradeship, and every second German is a member of at least one association. The most important qualification, it seems, is to be able to drink large quantities of beer and to want to get away from home at least one evening in the week. Many of these gatherings are for males only.

Some people even say that the Federal Republic is run by the *Vereine*, and indeed, the political influence of the associations must not be underrated, especially in rural areas. Politicians of all stripes take the "scene" very seriously and a personal appearance at the clubs' numerous festivities is essential for a politician's popularity. The *Verein* as an institution is an answer to societal and individual needs, so much so, in fact, that leisure associations have become an important economic factor.

Some of the associations have a long tradition. The oldest association—that of the marksmen—dates back to the brotherhoods founded by the monks in the 14th century. In the old days, the marksman had to be of good standing and reputation—and pay a handsome admissions fee—in order to become a member. The statute demanded ethical conduct of its members, as well as calm and peaceful behavior at the shooting ground and in the drinking tent. The best marksman at the jamborees was



Leisure associations are very popular throughout Germany. Bowling is one of the favorite pastimes.

COURTESY GERMAN INFORMATION CENTER

crowned "king." Over the years, while the marksman's costume, which used to consist of a suit of armour, may have been replaced by black trousers, green jacket and hat, not much else has changed. Today, there are some 1,300 marksmen's groups with 1.2 million members.

The sports clubs attract the largest membership with some 20 million people, followed by customs and traditions clubs with about 10 million members. Automobile clubs boast 8.4 million members. The choral associations (1,500 clubs with a total of 1.5 million members) began in Berlin in 1809, and became very popular and grew rapidly in the 19th and 20th centuries. They can be traced back to the medieval guilds, when guild members met in their free time to sing.

Apart from professional and sporting associations, there are *Vereine* for dog breeders, pigeon racers, friends of roses, of garlic, to name but a few. The past few years also have seen a renaissance of the

Heimatvereine or "homeland" associations, numbering about one million members. They became unpopular after the collapse of the Third Reich because of their exploitation for political purposes by the Nazis. But with the current nostalgic trend for small manageable units they have enjoyed a comeback.

A new type of association has developed in recent years: that of the *Bürgerinitiativen*, the civic action groups, whose main concern is the protection of the environment. The local groupings, represented in a central organization in Bonn, enjoy public support and are politically influential.—WANDA MENKE-GLÜCKERT

LISBON

Constitution Changes

Portugal's 1976 Constitution—drafted while the country was being towed by

the vanguard down the road to Socialism—and a centralized economy supervised by the working class are often blamed for the slowness of liberalizing reforms. "De-Marxization" of the Constitution therefore is a shibboleth for those who feel that Portugal must abolish constitutional vestiges of a revolution whose active phase lasted only a year, but whose economic aftermath persists.

Constitutional revision in 1982 toned down, but did not eradicate, curbs on the market economy. Clauses remained promoting state or worker control of economic activity, and perpetuating a bloated public sector, which was born in March 1975 by command of the pro-Communist military Council of the Revolution to centralize key sectors, especially banks, which served as holding companies for much of industry, commerce and services.

The essence of the Portuguese Constitution lies in the "Economic Organization" section. Article 80 states that socio-economic organization shall be based on "collectivization of the principal means of production, land and natural resources, democratic planning of the economy and democratic intervention of the workers." Article 83, meanwhile—which states that "all nationalization measures carried out since April 25, 1974, are irreversible conquests by the working classes"—has averted moves to denationalize since the late 1970s.

"Irreversibility of revolutionary nationalization" was, during the Constitutional revision in 1982, still a *sine qua non* not only to the Communists but also to the Socialists, and a *bête noire* to the Christian Democrats and the Social Democrats. The time has now come for a second revision of the 1976 Constitution. This should have begun in 1987, but at that time, a snap general election got in the way. Now, however, all parties have drawn up suggestions for revision and the extremely difficult process of negotiating consen-

sus is about to begin.

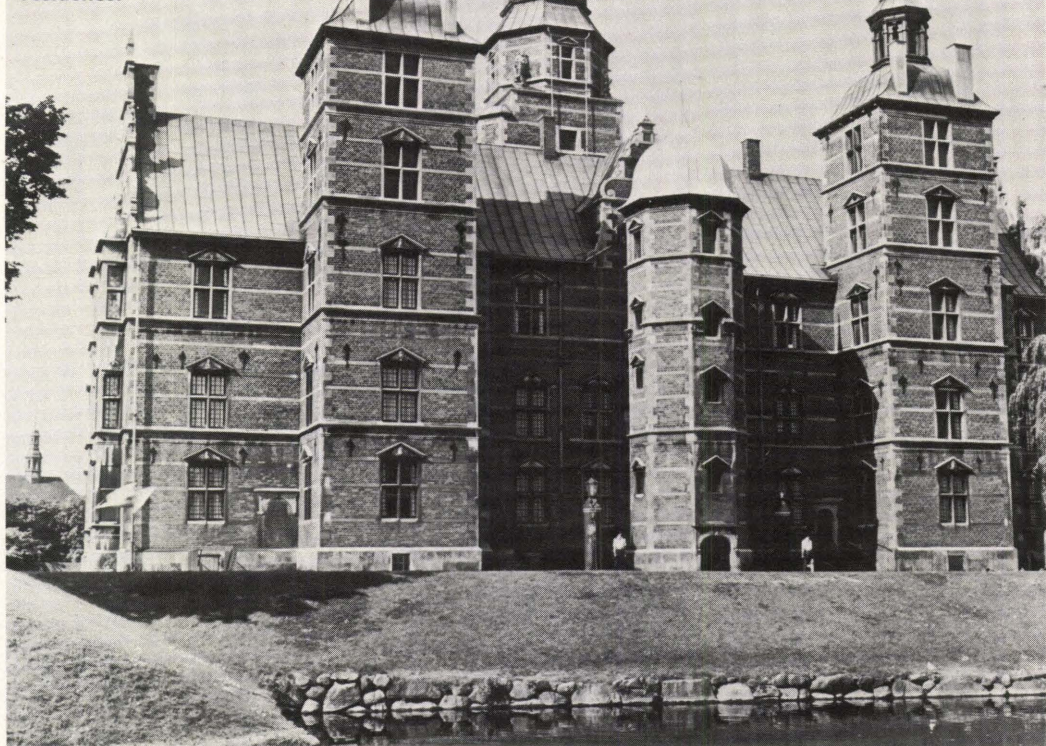
Consensus is fundamental. While the Social Democratic Party (PSD) won a comfortable 51 percent of the popular vote in July 1987, and 183 of Parliament's 250 seats, this is short of the two-thirds majority needed to change any part of the Constitution. But, in the view of a growing number of Portuguese over a broad political spectrum, change has to come, and at this stage, the only holdouts are the Communists, now reduced to about 10 percent of the popular vote and currently suffering from dramatic internal frictions as the power struggle begins for the succession of the aging Secretary-General, Alvaro Cunhal.

Portugal's E.C. membership has drastically altered Portugal's notion of identity and possibilities after a half-century of isolation, and this is fiercely fueled by competitive pressure on financial and industrial sectors, which need all the leeway they can get to modernize and strengthen themselves. Private entrepreneurs see the economic content of the Constitution as a formula for penetration of a stagnant public sector, and the pressure to dogmatize the Constitution is intense.

Until recently, the PSD, a trifle inclined since its July 1987 election victory to lord over not only the opposition but also the business community, has shown few signs of wanting to negotiate the needed two-thirds majority to make significant constitutional changes. Its relations with the Socialists, the second largest party in Portugal, have until now been frigid. Aiming to carve a strong piece on the moderate left, as well as the area to the right of center, from which most PSD voters come, the PSD has tried to paint the Socialists as candidates for a Popular Front with the Communists—a charge that the Socialists angrily refute.

But in mid-April the PSD began to change its tune—slightly. For the first time since its 1987 landslide, it formally beckoned the Socialist leader-

Rosenborg Castle in Copenhagen is just one of many buildings that Christian IV, also known as the "Builder King," commissioned as his country residence.



COURTESY DANISH TOURIST BOARD

ship for talks about constitutional changes, but only to sour the conciliatory move with another jibe, interpreting their invitation as a challenge for the Socialists to prove they were not dependent on the Communists. The PSD claims that the invitation is a challenge for the Socialist Party, which in 1976 accepted "Marxification" of the economy, then changed its tune and shifted toward the center, but was not ready to cancel "irreversibility" of nationalization of the means of production in 1982. Now it apparently is.

If preliminary talks between the Socialists and the PSD, aimed at setting up a timetable for Constitutional revision, go well, the omens will be better for a searching reform that, a market-minded generation of entrepreneurs hopes, will endow Portugal with a Constitution that no longer preaches collectivization, worker intervention or central planning.—
DIANA SMITH

COPENHAGEN

Long Live The Royals

Danish politics may be in turmoil, and the Danish economy may be doing only marginally better, but Danish royalty is in fine shape. Perhaps this is one reason why the Danes are happily celebrating the 400th anniversary of the crowning of one of Denmark's most popular kings, Christian IV (1577-1648). Many new books, both biographies and new interpretations of social and economic events during his reign, have been recently published, exhibitions, media series and special events abound, and a special, strong beer has been put on the market bearing the monogram of Christian IV.

While most nations celebrate their military victories and their victors, Christian IV is celebrated in Denmark despite his military defeats,

which were numerous and cost Denmark the territory on the other side of the Sound, just opposite Copenhagen. What appeals to Danes today is the personality of this King. He was a jovial person, with a great love of life, a very large consumption of food and drink, and an appreciation for women. All of this naturally took its toll in health terms. But his stamina remains a legend, and he managed to combine these lighter sides with more serious interests, such as town planning and architecture, and his imprint on Copenhagen is still highly visible today.

One of the most beautiful buildings in Europe, Copenhagen's old stock exchange, as well as several churches, the castle of Rosenborg and the one-of-a-kind Round Tower in the center of Copenhagen, are just some of his creations. The Round Tower, housing an observatory, was constructed without a staircase, but with a spiraling cobbled passageway,

using all available space and allowing the King to go to the top of the tower by horse and carriage—in truly regal style!

The navy was the special interest of Christian IV, and it did not let him down. The very characteristic naval quarters of Nyboder serve as a lasting reminder, and one of the most beautiful sights in Copenhagen, the canal and city houses of Christianshavn, were constructed in accordance with his plans. Unfortunately, the wars were not decided at sea, and his ambition to have Denmark become the major military and economic power in Scandinavia was lost to Sweden, something for which the Danes have never really forgiven the Swedes. As a consequence of his defeats and the *de facto* collapse, the King was forced to share his power with the Danish nobles, but this did not damage his popularity.

Today, the Danish Royal Family, with Queen Margarethe II as sovereign, has no political power, but serves as a very active and popular symbol of national identity. Although the Danish Socialist parties at least in principle favored the republican mode of government until World War II, this has not been an issue in any of the Danish elections in the last 20 years, and the Danish royal tradition seems more entrenched than ever.—LEIF BECK FALLESEN

PARIS

Le Pen and The New Right

A foreign woman living in France recently attended an open-air rally for Jean-Marie Le Pen and his extreme right-wing National Front Party. It was one of the biggest crowds a politician had drawn that anyone could remember in Paris, despite the cold spring rain. "It was frightening," she said. "The people were all so normal."

That sentiment reflects the feelings of many French people too, after the surprising surge of support for Le Pen in the French presidential election. No longer can the extreme right be dismissed as a lunatic fringe or a group of goose-stepping ogres. The latest election redefined the extreme right as anyone's next-door neighbor: Almost 15 percent of the electorate chose Le Pen out of nine presidential candidates. He attracted mainly men, owners of small businesses and blue-collar workers, and was the most popular of the main candidates among the unemployed and young people. Moreover, 60 percent of Le Pen voters had never voted for the National Front before.

Le Pen is an amazing political success story. When he ran for President in 1974, the former paratrooper with one glass eye culled only 0.74 percent of the vote. In 1981, he could not even summon the 500 sponsors it took to register as an official presidential candidate. But his fortunes began to rise during elections for the Euro-

pean Parliament in 1984, when the National Front scored 11 percent—psychologically important because that score matched the vote of the Communist Party. By 1986, the National Front had profited from a new system of proportional voting in legislative elections to garner 10 percent of the vote, enabling it to send 34 members to the National Assembly. After his showing in the latest presidential election, it is conceivable that the National Front could take over the city hall of France's second biggest city, Marseille, which has one of France's highest immigrant populations. With municipal elections there only a year away, Le Pen will certainly spend that time building on the 28 percent of the vote he got in that southern port city.

There are two accepted theories as to why the extreme right has gained such a foothold. One holds that this is simply a new evolution of a 40-year-old voting pattern in France, where one-quarter of the population opts for the ex-

treme parties. In the early 1970s, the Communist Party held about 20 percent of that electorate, but now the various Communist streams have been reduced to about 10 percent and the extreme right has grabbed the balance.

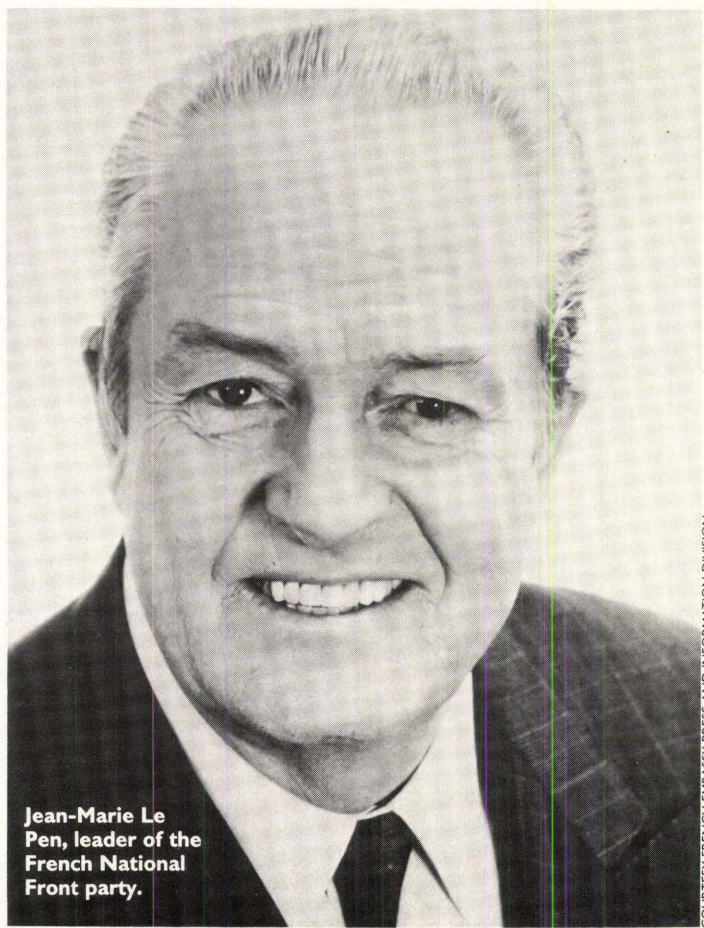
The second theory attributes Le Pen's success to the deep disenchantment of a population seeking a scapegoat, and figures confirm that Le Pen voters have a much higher degree of pessimism about their own lives than do supporters of mainstream parties. And since Le Pen's platform is built on a rejection of immigrants, he apparently appeals to the unemployed, industrial workers and people living near concentrations of immigrants. He drew support, for example, in the south of France, where there are big Muslim communities, and in eastern Alsace, his campaign poster portrayed a woman in a lace Alsatian bonnet wearing a Chador. Around Paris, the red belt of the traditional Communist stalwarts—where unemployment is high—went for Le Pen.

Politicians of both the left and the traditional right have agreed publicly that removing the disenchantment that forms the foundation for the extreme right is the number-one priority of the next seven-year presidential term.—BRIGID JANSSEN

ROME

Renewed Terrorism?

Has terrorism returned to strike at Italy? Italian public opinion and the press are asking themselves this question with a shiver of apprehension after the sudden series of assassinations that stained the beginning of spring with blood. The massacre in Naples, where a car stuffed with explosives parked in front of an American military club claimed five victims, and the execution of Senator Roberto Ruffilli, the



Jean-Marie Le Pen, leader of the French National Front party.

COURTESY FRENCH EMBASSY PRESS AND INFORMATION DIVISION



Is terrorism striking at Italy again? Above, a terrorist raid on a postal van that killed three policemen in February 1987.

© REUTERS/BETTMANN NEWS/PHOTOS

right arm of the secretary of the Christian Democratic Party, Ciriaco De Mita, have undoubtedly called to mind the so-called "years of lead" when both national and international terrorism seemed to operate undisturbed in Italy.

Analogies were immediately drawn, especially between the Ruffilli murder and that of the then Christian Democratic leader Aldo Moro 10 years ago—a crime that is still solidly anchored in the collective memory of the country. Like Moro, Ruffilli, too, although a much less known political figure, was a fervent advocate of institutional reform. He was convinced that Italy was sufficiently mature to radically modify, in a more democratic direction, the basis of its regulations. This conviction was considered dangerous by the forces of subversion, which can hope to make converts only in an atmosphere of backwardness, malaise and general confusion. By killing Ruffilli at the same time at which De Mita was laboriously managing to form his coalition government (which many predict will last a long time), the terrorists intended to send a strong warn-

ing to the neo-Prime Minister.

But in fact this analogy does not hold up—and, once the initial dismay and perplexity had passed, all the analysts and experts on terrorism found themselves in agreement on this point. There are various reasons. First of all, the Italy of today is not the same as the Italy of 10 years ago. It has finally earned a place on the list of first-class Western powers and has achieved a prominent economic weight that sets it beyond the reach of adventurism and revolutionary tentativeness—Italy has acquired a "taste" for stability. Moreover, for the first time, it has a clear idea of its role on the international level, as demonstrated, for example, by the continuous initiatives that are almost always successfully undertaken by its captains of industry on foreign markets. Under these conditions, and with a working class that is substantially more satisfied than it was years ago (and the proof is in part the diminished interest in the traditional and more politicized unions), invitations to support radical and destabilizing change are finding little interest.

One also must keep in mind the profound difference in the composition of the terrorist nuclei that disrupted Italy and Europe in the 1970s, and that which seems to be resurfacing today. First of all, the numbers are quite different. Domenico Sica, a leading judge involved in many battles against the Red Brigades and other subversive groups, says that today "there are at most 100 terrorists in Italy, including direct supporters, flanking members and sympathizers." Most agree with this estimate, and although it does not alleviate the seriousness of the "problem," it helps in any case to set one's mind at ease. It is true that for almost a year now experts have registered attempts at reorganization between the two meager factions formed when the Red Brigades split up in 1985. But they do not have the same political and emotional pull as before. And, most importantly, they no longer have the same strength.

This is demonstrated by the choice of victims, which, although emblematic from a strategic point of view, are certainly minor figures and defenseless—that is, easy to hit.

Further proof is the fact that less than 48 hours after Ruffilli's assassination and the massacre in Naples, the police were able to furnish the newspapers with the photographs and data of the terrorists held responsible for the acts. Pier Luigi Vigna, another anti-terrorism judge, says: "Now they make a hit once a year to show they exist." And Giorgio La Malf, leader of the Republican Party, synthesizes: "The terrorists have been defeated. This is just the poisonous tail end."

In any case, the new chain of murders has had an initial concrete effect, by making the increasing number of politicians who favor the so-called "pardoning" take another look at their stance. The "pardoners" want to grant amnesty to an entire generation of historical leaders of terrorism who have been languishing in prison for years. Departing from the premise that in the battle between the state and subversion the former has by now won, many want to show clemency toward those who are willing to concede the end of the fight. They are all now reconsidering.—NICCOLO D'AQUINO

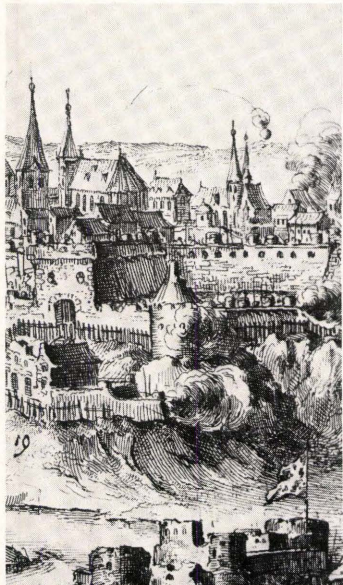
LUXEMBOURG

Diversity Of Culture

A quick glance at the newspapers last month revealed that of the 18 movies showing in the city of Luxembourg, 12 were American or British and were being presented in their original undubbed versions. There is a good practical reason why the soundtracks are left unchanged—if one were to dub the voices, what language would one choose? For there are three official languages in Luxembourg: French, German and *Letzburgeresch*, which is considered by its speakers to be the true national tongue. But a good case could also be made for translation into Portuguese, spoken by about 10 per-

cent of the population, or even Italian.

What the movie guides are really illustrating is not so much the use of English as a common linguistic denominator in Luxembourg as the extent to which different national tastes and cultures are allowed to flourish without interference and indeed without attracting much comment. On a single day recently one could see any of three plays in *Letzburgesch*, attend flamenco dancing lessons, watch baseball or take part in a Danish religious service, among many other things. These are not one-off events, but rather part of a permanent fabric of social activity serving about a score of clearly defined linguistic communities.



Since almost one in three of all those living in Luxembourg is a foreigner, the diversity of interests is understandable. Moreover, the vast majority of foreign citizens seldom put down roots, so that there is remarkably little assimilation of them into the family and social life of native Luxembourgers. Whether migrant workers from Portugal or Italy, bankers from America and Scandinavia, or European Community officials from Britain, France, Germany or Belgium, the foreigners tend to fraternize only with their compatriots. A cynic might put this down to the deeply rooted conservatism of the Luxembourgers. Yet, if this is true, it

is accompanied by an admirable tolerance and self-discipline that leaves the city refreshingly free from any kind of social unrest or discrimination.

Broadly, the foreigners can be divided into two groups. The man who mends the roads or takes the garbage away, for instance, is more than likely to be a Portuguese or Italian migrant worker. At the other end of the social scale are the bankers, businessmen and E.C. employees, patronizing the top restaurants and golf courses. In between are the Luxembourgers, providing some input upward and downward, but basically constituting a solid and largely inconspicuous middle class.

The system draws few serious complaints from any of these groups. It is true that immigrants' associations lobby constantly for the right of foreigners to vote in local elections, as is the case in some other European countries, but given the size of the migrant communities this could spell serious upheaval and is understandably resisted by the Luxembourg authorities. It has to be said that very few immigrants make any major effort to learn any of Luxembourg's official languages—most of them seem happy to work hard for a few years and return home with a relative fortune.

Yet there is an undercurrent of concern that tensions could increase in later years as the proportion of foreign workers and their families rises still further. The Luxembourgers are not prolific breeders and there are calculations that within a generation or so, half the population could be foreign. In many countries this would be a cause for panic, but in Luxembourg, it has given rise to a muted nationalism and renewed cherishing of the *Letzburgesch* tongue and all that it stands for. In the sense of being so crucially dependent on other countries for trade and labor, Luxembourg is unique in Europe, but that does not prevent it from having a deep sense of national identity and pride.—

ALAN OSBORN

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DUBLIN

Fishing Paradise?

The image of Ireland beloved by the promoters of tourism, that of the relaxed fisherman casting his rod in a remote river, or puffing his pipe in a boat on a beautiful lake, has been hit by the "rod-law war," which has been raging between a revenue-hungry government and the country's 150,000 angry anglers. As a result, foreign tourists, arriving for the traditional May fly fishing season, were caught in

not expensive (\$24 for trout, \$16 for coarse-fishing), the fishermen rose in revolt. It was they who had re-stocked the lakes and rivers for years through their angling clubs—and without any government help—and gave the right to foreign visitors to fish for these stocks for a modest fee of \$3. The fishermen did not believe that the money collected by the government would be used to develop inland fisheries—mindful of how neglected many of the minor roads of the country remain in spite of the annual road tax. They also criticized the new penalties, which can include up to two years'

lakes and rivers needed new capital for their development, which would benefit the fishermen. He added that similar licenses existed in Britain and Northern Ireland, and that more fishermen would take out the new license if they were not being intimidated.

The protest campaign led to signs warning "No Fishing" and "Rod license holders not welcome here," and a "boat strike" was called by the local boatmen, for whom such action means a serious loss in income. Even hotel owners who are affected by the campaign reluctantly supported it while wondering how to explain it to their

during his 1982 visit to the west of Ireland.

The judges who tried the first prosecutions against anglers defying the law were sympathetic, but said the law had to be observed. The first man to be fined, an unemployed laborer living beside Lough Corrib in County Galway, said: "It is not the money we are fighting over, it's the freedom of the lake."

For the Government, a decision to go back on its law to impose the licenses would risk undermining its tough stance against other pressure groups demanding concessions, such as teachers, police and prison officers and nurses, who all have been affected by the cuts in public expenditures. For the Tourist Board, which used to underline the attractions for fishermen, including the lack of licenses, it has been a nightmare.—JOE CARROLL €



COURTESY IRISH TOURIST BOARD

Irish anglers and fishermen have been angrily protesting the Irish Government's new law to introduce fishing licenses for everyone.

the middle of the hostilities.

For years, fishermen did not need a license for coarse or trout fishing on Ireland's well-stocked rivers and lakes, which have increasingly drawn anglers from countries where pollution has ruined the sport. But this year, as part of its cost-cutting policies, the Irish Government introduced licenses for these categories while promising that part of the estimated \$900,000 revenue would be used for re-stocking and for combating any pollution threat.

Although the licenses were

imprisonment and \$3,000 in fines.

The chairman of the Anti-Rod License Campaign, Michael Bowman, who also is a government employee, noted that: "The anglers have a superior squatter's right to be on the lakes, having fished them license-free for centuries. Once we pay a license, we will be conceding whatever rights we have on those waters." Brendan Daly, the Minister for the Marine who introduced the new licenses, was not impressed by these arguments, however, insisting that the

visitors. For them, in turn, it has been a dilemma, trying to decide whether to pay for a license and risk being denied a boat, or support the protest and risk being prosecuted for having no license.

The officials enforcing the new law have received many anonymous threats by letter and telephone, such as "Get your coffin" and "Death will come in the middle of the night." The most serious incident was the destruction of 60,000 baby salmon at a government hatchery where President Ronald Reagan stayed

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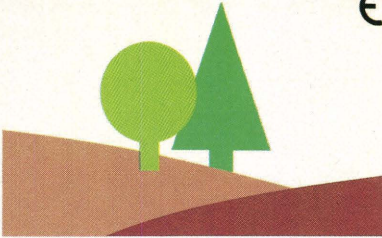
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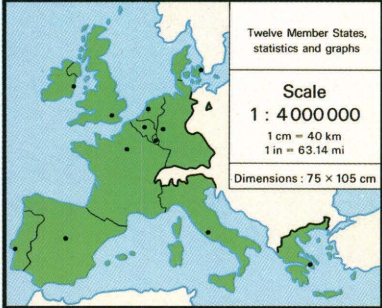
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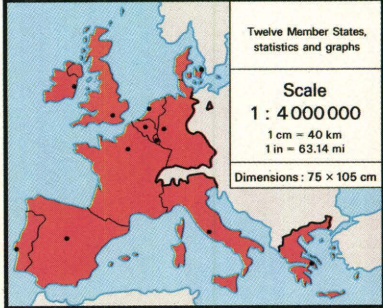
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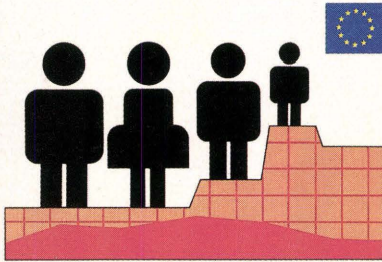
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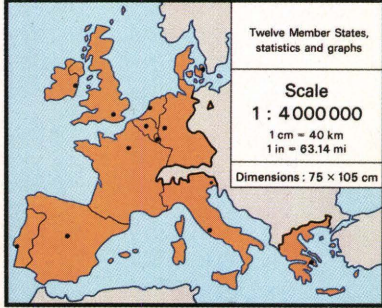
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IS A NEW CHAPTER OPENING IN E.C.-CANADA RELATIONS?

WILL THE FREE TRADE AGREEMENT BETWEEN THE UNITED STATES AND CANADA CHANGE TORONTO'S DEALINGS WITH THE E.C.?

BARBARA HALSIG

In the ongoing discussion in Canada on the merits and consequences of the free trade agreement (FTA) between Canada and the United States, one element is hardly even mentioned: the implications of the pact on third countries. To be sure, whenever a foreign dignitary visits Canada, a sentence or two in every speech notes the beneficial effects of the "historic" pact for both the signatories and other countries, but so far there have been no comprehensive analysis, forecast or serious studies either in the press or in the major think tanks to back up these contentions. Instead, Canadians have been concentrating almost exclusively on studies of the home front: which industries, sectors and regions will suffer—and which will gain—in a future tariff-free bilateral trade environment. The reason for ignoring (at least for the present) third trading partners is obvious: About 80 percent of Canada's international trade is with the United States.

In fact, while the FTA was still being negotiated, one third party in particular was mentioned rather frequently, but in a somewhat negative way: the European Community. Canadian Prime Minister Brian Mulroney countered charges that the FTA would put all Canada's economic eggs in one basket by pointing to Canada's trade history with the Community. His liberal predecessor Pierre Trudeau had tried to lessen Canada's trade dependence on the United States by negotiating a "contractual link" with the Europe-

ans, but exactly the opposite happened: Its dependence on the American market grew from 69 percent to 76 percent during the years of this "Third Option."

The fact that the figures could not be disputed may have fueled the growing impression that the government, preoccupied with U.S.-Canadian trade relations, had put trade with other partners like the E.C. on an unnecessarily lukewarm back burner. Willy De Clercq, the E.C. Commissioner responsible for external relations and trade policy, said as much during a trip to Ottawa in mid-April. He characterized the Canadian attitude toward the E.C. as one of "benign neglect," an attitude "that we deplore very much."

Yet the present picture and prospects are not all that gloomy. Despite the heavy emphasis on North American trade and Canada's new love affair with its Pacific Rim trading partners, the E.C. as a bloc has remained solidly in second place as Canada's most important trading partner after the United States. And while Japan may be number two as far as individual countries are concerned, there is a qualitative difference: Europeans are far more likely to please Canadians by taking fabricated or finished goods than the Asians.

The most recent trends in E.C.-Canadian trade look promising. According to Statistics Canada, Canadian exports to the Community totaled \$9.53 billion, or 7.6 percent of total exports of \$125.09 billion. Imports from the E.C. amounted to \$13.51 billion, 11.6 percent of its total imports. What is most intriguing is the

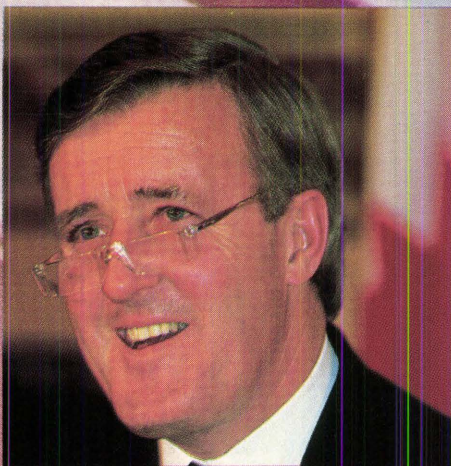
deficit Canada is currently running with Europe—a reversal of what has traditionally been the case.

The explanation for recent upturns in imports and exports lies of course less in government policy than in cyclical market factors. After years of extremely strong demand in a booming U.S. economy and cheap Canadian exports based on a very favorable dollar-dollar exchange rate (the Canadian dollar at one point in 1986 dipped below the \$0.70 mark), the trends have reversed somewhat. As Bank of Canada Governor John Crow recently pointed out, Canada's dollar now has risen again by 10 percent toward its U.S. counterpart, but fallen 40 percent against other major currencies. This, combined with a booming Canadian economy and strong domestic demand, is contributing to a revitalization of both imports and exports with the Community.

On a political level, this cyclical re-orientation toward Europe is accompanied by an official realization that perhaps a wrong signal has been sent to others during the years of near-exclusive focusing on the Canada-U.S. negotiations. Nothing is taken back from the recurring theme in Mulroney's speeches that "free trade"—that is, secure access to an increasingly protectionist U.S. market—was a pragmatic necessity, an insurance for Canada's survival as a trading nation. Fully 25 percent of Canada's gross domestic product, after all, is generated through international trade, and 80 percent of that is trade with the United States.

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Canadian Prime Minister Brian Mulroney, who visited the E.C. Commission in Brussels this spring, wants closer ties with the Community.

With the negotiations out of the way, more attention is being paid to repairing misconceptions on the part of third countries. Mulroney's press secretary recently admitted to foreign reporters the need to counteract the "wrong perceptions" that exist among Canada's other trading partners. They range from Japanese worries about a "Fortress North America" to European concerns that Canada has turned away from them. It is a perception that Mulroney is now trying to dispel.

According to De Clercq, a "turnabout" was first felt during the March 4 meeting between Mulroney and E.C. Commission President Jacques Delors in Brussels, during which the Canadian Prime Minister expressed the wish to establish closer contacts. The feeling was reinforced during the meetings between De Clercq and Mulroney in Ottawa. "I have the impression that Canadian authorities are absolutely convinced of the necessity to change [their] attitude," said De Clercq afterward, "namely that they are willing to deepen, strengthen, increase not only in the field of trade, commerce and economic relations, but also in the level of political relations with the European Community and its member states."

One can only speculate how much this renewed attention toward Europe has to do with the many little squabbles that nevertheless made headlines in Canada, in particular the recent victory of the Community in a GATT complaint about unfair trade practices toward its wine exports to Canada. The Canadian media

interpreted that to a large extent as the reason for Mulroney's suggestion of "improved communication." Whatever the motivating factor, De Clercq was moved to announce in Canada that "we are going to write a new chapter in the book of Canada-E.C. relations, and one of the features of this new chapter in my opinion should be that there would be more close contacts, more frequent contacts, with a view of trying if not always to solve, anyway to limit the irritants or the conflicts or the tensions we indeed inevitably have between trading partners like Canada and the European Community."

Mulroney will have more opportunities in the coming months to reassure the E.C. and Canada's other trading partners about Canada's continued strong commitment to multilateral trade. On June 19-21 he will host the Western Economic Summit, and, in December, the midterm review of the Uruguay Round takes place in Montreal. Mulroney's personal representative for the economic summit and Ambassador for Multilateral Trade Negotiations Dr. Sylvia Ostry is convinced that the FTA will not be an issue of contention at these discussions, and certainly will not be mentioned in the context of trading blocs. On the contrary, she says, at a time when everybody is concerned about U.S. trade protectionism, ratification by the Congress will send an important signal to all about liberalization.

But what about the effect of "free trade" on the prospects for revitalized E.C.-Canada business? There are several strong components to this question. Pro-

ponents of free trade strongly believe that trade prospects will increase with every country, not just the United States. Charles Barrett, Vice President for Research of the Conference Board of Canada, an independent think tank, predicts that the FTA will make Canada more competitive globally, by improving its economic strength with the result that trade with all will increase. Canada was at a disadvantage, he says, as a small country that could not exploit its economies of scale, and "free trade gives it an opportunity to do so."

Official statements by the E.C. on free trade have yet to be issued—Brussels appears to be taking a wait-and-see attitude—but privately officials share the hope that the economies of scale will result in more overseas trade being stimulated. While in Ottawa, De Clercq gave the standard cautious answer: "We do not have objections... as long as the FTA responds to the letter and the spirit of the GATT, which means as long as the consequence or the result of the FTA is an increase in trade flows not only between the United States and Canada, but between Canada and the rest of the world—including of course, the European Community."

Jacques S. Roy, Assistant Deputy Minister for Europe at Canada's Department for External Affairs insists that there is no reason to worry. The agreement is "fully GATT-compatible," he says, and

Continued on page 46.

Barbara Halsig is a freelance writer based in Ottawa.

FARM TRADE, AIRBUS TOP LIST OF CURRENT U.S.-E.C. DISPUTES

NEVERTHELESS, CLIMATE HAS IMPROVED
CONSIDERABLY IN RECENT YEARS.

NANCY DUNNE

After several years of conflicts that threatened to escalate into serious trade war, the United States and the European Community appear to be suffering "combat fatigue." The disagreements are as abundant as ever, but settlements laboriously stitched together over the past two years have, for the moment at least, calmed the waters in the trans-Atlantic relationship.

Although the decibel level is reduced, basic differences remain. To make matters worse, the shrill rhetoric and threats of retaliation have left sore feelings and distrusts in both the United States and the Community. The Uruguay Round of international trade talks was supposed to root out many of the disputes, but in the U.S. view progress has been disappointingly slow. Clayton Yeutter, the U.S. Trade Representative, had hoped by the time of the "mid-term review" in Montreal next December to get an agreement phasing agricultural subsidies out of world trade, but the United States and the E.C. remain at odds over the issue.

A European official complains bitterly that the Reagan Administration "wants only to leave some kind of testament behind" in the December meeting. "The Administration is trying to trick us into



The E.C. has blocked action on an allegation of unfair trade brought by the American Soybean Association to the General Agreement on Tariffs and Trade.

making deals we don't like and calling them an 'early harvest'," she said.

However, a still tenuous U.S. export recovery, spurred by the falling dollar, has helped to ease the tension on the American side. U.S. exports to the E.C. grew last year from \$53.2 billion to \$60.6 billion with sales of computers, chemicals, manufactured products, machinery, pollution control equipment, beverages and tobacco all rising.

Agricultural trade has been a key

source of friction. U.S. farm sales are now enjoying a boomlet outside Europe, owed in large part to the United States' Export Enhancement subsidy program originally designed to force the E.C. to end its own export subsidies.

In the first quarter of 1988, American agricultural exports shot up 10 percent over the improved pace of 1987. Agriculture Department officials have forecast 1987-88 exports at \$32.5 billion, up from \$27.9 billion the previous 18 months. They are exultant over a jump in subsidized wheat sales to the Soviet Union and China; strong maize sales to the Soviet Union, South Korea and Japan; and improved soybean sales to Brazil. The E.C. has been outraged over the scope of American subsidies, but it is gener-

ally accepted that no agreement on the issue is likely outside of the Uruguay talks.

In the meantime, the U.S. farm lobby still mourns its losses in the once lucrative European market and complains of subsidies that boost E.C. production. It grumbles that the E.C. is lagging behind on its promise to buy 2.3 million tons of maize and sorghum each year until 1990—a settlement in the dispute over the Spanish accession to the Community.

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But Yeutter acknowledged that he had "no alternative" beyond accepting that delay along with E.C. assurances that next year's purchases would be made according to schedule.

Other agricultural quarrels are still simmering. The E.C. has blocked action on an allegation of unfair trade brought by the American Soybean Association (ASA) to the General Agreement on Tariffs and Trade (GATT). The Association says that U.S. soybean exports have fallen from \$3.7 billion five years ago to \$2 billion last year, and they blame the E.C. subsidies paid to farmers and processors of oilseed products. These payments, according to ASA, allow E.C. processors to earn larger profits from European oilseeds rather than on imports, thus undermining a duty-free concession on soybeans the United States negotiated with the E.C. in 1962.

E.C. officials say the regime has been operating for 22 years, during which time no one complained. They insist that it has not affected overall E.C. imports of oilseeds and they maintain that American soybeans are simply losing ground to competition from Brazil and Argentina. A spokesman for the U.S. Trade Representative said the E.C. blocking action at the GATT is "disturbing." But the hard-line threats heard two years ago are notable by their absence.

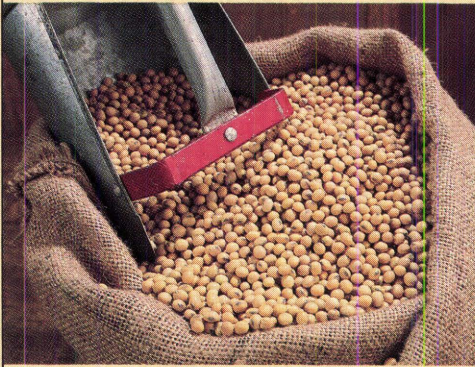
The Reagan Administration also has complained about a new E.C. program to subsidize the production of long-grain rice. The scheme was introduced last September to persuade rice growers in the E.C.'s Mediterranean states to switch from round-grain to long-grain, which is more in demand. The United States complained to the Uruguay Round surveillance body that the program violates the standstill commitment under which governments promised not to introduce new protective measures while the international trade talks were underway. The E.C. excuses the program on grounds that it will be limited in scope, time and volume. It is scheduled to last from three years to five years.

The two sides are squabbling over American meat exports as well. The E.C. has issued a list of 75 plants that it said meet its high standards for imports. The American meat industry, while pleased with the high number of plants on the list, says the E.C. is forcing requirements in American plants it does not impose on European facilities.

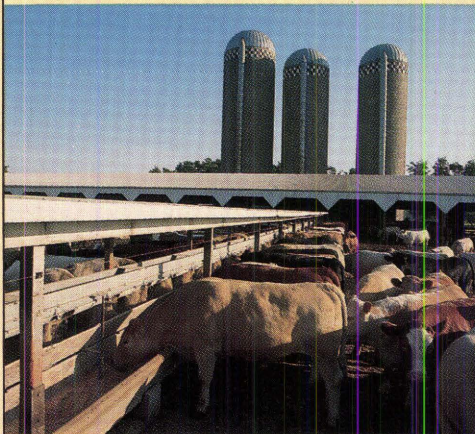
A battle over the E.C.-imposed ban on hormone-produced beef was postponed last November when E.C. Agriculture

Ministers agreed to delay the ban for one year. The United States says it hopes Europe will rethink the issue and is pushing for the appointments of a veterinary committee in the GATT to acquire scientific evidence. A spokesman for the American meat industry said the E.C. has indicated that it would like to pursue a bilateral settlement. There is a \$105-million market at stake, and imposition of the hormone ban in the end could create "big trouble," he said.

Meanwhile, the E.C. has its complaints about the United States. It has told the GATT that it wants to retaliate against \$246.8 million of American exports as



In the first quarter of 1988, American agricultural exports shot up 10 percent over the improved pace of 1987, owed in large part to the Export Enhancement Program.



compensation for a 3.5-cent per barrel U.S. tax on crude oil, instituted by Congress to raise money for toxic waste clean-up. The U.S. side is likely to accept its punishment rather than try to get Congress to withdraw the tax.

The potentially most explosive non-agricultural dispute between the two sides centers on European subsidies to Airbus Industrie. A meeting in March failed to resolve the issue and a scheduled negotiation in May has been postponed. The E.C. argues—and it released a study in support of the contention—that the United States has provided its own subsi-

dies: about \$23 billion, directly and indirectly, between 1978 and 1987 to Boeing Company and McDonnell Douglas Corporation. These subsidies, the report alleged, are "often masked to protect them from the vagaries of the changing American political philosophies."

An indignant Yeutter responded that the study is riddled with "false conclusions" and that it is designed to distract from the real issues over U.S. complaints about unfair subsidies to the Airbus consortium. "It is the four European governments [the United Kingdom, France, the Federal Republic of Germany and Spain] that have lavished gigantic sums on Airbus for nearly two decades," he said.

In hope of resolving the dispute, Airbus officials have been talking to Lockheed and McDonnell Douglas about joint projects. Michel Noir, the French Foreign Trade Minister, said that Airbus had been pressured into the negotiations. Also indignant, he complained about U.S. demands for full details of Airbus accounts and remarks by American officials questioning whether or not the E.C. was serious about getting the problem resolved. One proposal for a solution to the Airbus affair came from the British Conservative group of the European Parliament, which called on the Airbus governments to turn the consortium into a public limited company.

The outlook for these and other disputes is hazy. Much depends on the progress of the GATT negotiations. Congress and the Reagan Administration are still locked in battle over a trade bill, which would give the American executive branch the authority to conduct the negotiations. Without that authority, headway in the GATT may be slow.

The trade bill itself contains the potential for more mischief. It would, for example, try to open European telecommunications markets to U.S. products and could impose retaliation if those markets remain closed. Action could well bring counter-action.

The great wild card is the November election, and the new U.S. Administration to come to power next year. Neither of the two likely candidates—Vice President George Bush and Massachusetts Governor Michael Dukakis—is avowedly protectionist. It is far from clear if either will choose the path of confrontation or of negotiation in his trade relations with Europe. Still, if American exports continue to flourish, then argument for trade peace will have all the more force. €

Nancy Dunne reports from Washington, D.C., for the *Financial Times*.

EDMUND L. ANDREWS

Given the obstacles, what is most surprising about European franchising is how fast its recent growth has been. After lagging behind American chains for years, European franchisors have been growing at better than 10 percent a year since the late 1970s. Last year, some 1,900 chains accounted for sales of 33 billion ECU (about \$40 billion)—a little more than 10 percent of total retail sales.

EUROPEAN FRANCHISORS GO GLOBAL

bright entrepreneur can perfect a retailing concept and stamp out copies over and over again. European franchisors have been cramped by their borders, hampered not only by language and currency barriers, but by widely varying legal requirements as well.

Increasingly, however, the favorable economics of franchising are overshadowing the obstacles. "The explosion started in the late 1970's," says Marcel Coppens, Secretary General of the Brussels-based European Franchising Federation (EFF). "On the one hand, it became more and more difficult for the small businessman to survive in the face of growing competition from large corporations, which were becoming more professional in both producing and selling . . . From the other side, the franchisors, it became important to have people who were more highly motivated than salaried managers."

Several developments now promise to accelerate the pace even more. Last June, the E.C. Commission proposed a draft regulation that would provide a common legal basis for franchise agreements throughout the Community. It would also protect franchisees against certain kinds of heavy-handed domination by franchisors.

Also important is Europe's move to a unified internal market by 1992. Retail products—which franchisees often buy wholesale from their franchisors—will flow more smoothly as lingering barriers come down. Franchisors also hope to gain from greater ease in currency flows and increased travel.

The approach of 1992 "will make it easier for major operations to become more effective," says Peter Stern, senior franchise manager for National Westminster Bank in London. "Hopefully, we'll all be thinking of this as one market, and simply the fact that we do think of it as one market will move things along."

A third development is the increased acceptance of franchising in business circles. Since 1980, for example, most major British banks have launched lending divisions devoted exclusively to packaging loans for franchisees. Most E.C. member states now have franchise trade associations, which coordinate their efforts through the European Franchising Federation. Industry participants give the Federation credit for prodding the Commission to come up with a new franchise regulation.

"When I first came to England, people couldn't conceive of what I was doing," recalls Jules Lederer, founder of Budget

DRAFT E.C. DIRECTIVE MAY SPEED GROWTH.

Indeed, European franchisors are now beginning to roll out their concepts beyond continental Europe. Benetton, the hugely successful licensor of Italian clothing, now boasts 4,000 licensed outlets worldwide. The Body Shop, a 12-year-old British chain of cosmetic shops, now has more than 200 outlets in 31 countries outside the United Kingdom. Deschamps, the French chain of 180 linen stores, is franchising in the United States and Canada

and recently opened an outlet in Beirut. Fastframe Franchises Ltd., a chain of more than 50 while-you-wait framing stores, has opened 14 franchised outlets in the United States since late 1987, with another to open by midsummer.

None of this has come easily. Franchising depends on large markets, where a



COURTESY NIKE COMMUNICATIONS INC.

The Columbus Avenue Deschamps boutique in New York City is the newest of the French firm's nine franchise operations in the United States.

Rent-A-Car, which expanded from the United States to Britain in 1966. "Now that you have examples of people earning good returns, there's what you might call a 'contagion' . . . It's a universal, West European trend."

Industry observers say the E.C.'s proposed regulation on franchising is an important step forward. Upon final adoption, expected later this year, the regulation will give franchisors broad approval to award exclusive territories to franchisees. This is a basic feature of most franchise agreements, but it was in technical violation of an E.C. rule prohibiting market-sharing agreements.

The E.C. rule is designed to prevent cartels between competing suppliers of, say, soybeans. By contrast, franchise agreements restrict use of a brand name, an image or a business format. Two years ago, however, a rebellious franchisee used the E.C. rule to invalidate its agreement with Pronuptia de Paris, a retailer of wedding dresses. The E.C. ultimately gave Pronuptia an exemption to its rule, but it left open the possibility that every other franchisor might have to get its own, separate exemption as well. That would have opened a huge loophole for any franchisee tired of paying management fees to franchisors.

The new "block exemption" would put that concern to rest. But it goes further, laying down mandatory franchise guidelines that will apply throughout the Community. For example, it would prohibit franchisors from dictating retail prices charged by franchisees. But it would permit the franchisor to restrict outlets from selling products that compete with its brandname products.

"There isn't a single European country that has franchise laws [of its own]," says the EFF's Marcel Coppens. "They have codes of ethics, but franchisors aren't required to go by them . . . Now there's a legal basis you can stand on, and that's the same all over Europe. There will be more order, and it will be fairer."

Numerous obstacles still hinder international expansion. Different languages and cultures require different marketing and promotional material. Overseas operations present problems of long-distance

management. Different legal systems impose new requirements.

Many franchisors sell a "master" franchise, conferring rights to an entire country to one firm, which in turn awards territorial franchises. This eases the management problem, but it loosens the parent company's control. Fastframe, based in Newcastle, England, retained a measure of control by awarding a master franchise for the United States to one of its managing directors, John Scott. To make sure the U.S. stores followed the U.K. framework, Scott literally shipped all the fixtures for a pilot store from England to California.

Dyno Rod, a British sewer-and-drain service, awarded master franchises to operators in small markets like Hong Kong, Singapore and Bahrain. But it formed a subsidiary, in a joint venture with a British industrial firm, to roll out in the United States. The U.S. firm is run by Clive Smith, Dyno Rod's director of franchising. "We wanted to retain control," says Smith, who has been testing Dyno Rod with a handful of company-owned stores in the United States. U.S. franchise sales are expected to begin by early next year.

Differing legal requirements continue to hinder international franchising. American disclosure requirements are far more extensive than those in any European country. Not only that, several state governments (including California) impose more stringent requirements than the federal government in Washington.

In Europe, countless technical differences add to the cost of expanding into different member states. One example: in the United Kingdom, a "licensor" is simply a person or a company who conveys marketing rights to a product in exchange for a percentage of sales. In the Benelux countries, though, a licensor bears ultimate responsibility for any liabilities assumed by the licensee.

Despite the problems, at least one American observer says he's convinced that European franchising is coming of age. Says Jules Lederer, founder of Budget Rent-A-Car and now a consultant on European development for Francorp., a U.S. franchise consulting firm, "Amen, absolutely and why not? That's the trend." €



John Scott is president of Britain's Fastframe Franchises Ltd., a chain of more than 50 while-you-wait framing stores that has opened 14 outlets in the United States since late 1987.

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Edmund L. Andrews is a freelance business writer based in Washington, D.C.

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TRADE FAIRS DRAW U.S. FIRMS TO THE E.C.

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CAN LEAD TO
MANY CONTRACTS.



46,000 visitors from 77 countries attended a recent "Domotechnica" household appliances trade fair in Cologne.

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JULIAN WEISS

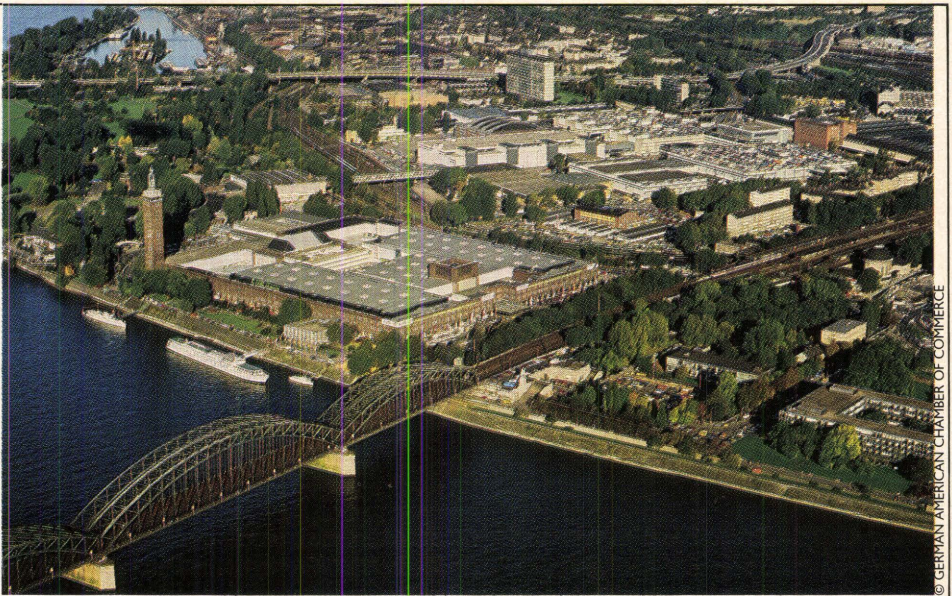
As far back as the 16th century, trade fairs were a potent means of luring international traders from afar to a central geographic point—at a specific time—and forging ties that are the substance of world trade.

Few of the legendary fairs and exhibitions that thrived on this formula have survived the test of time. One remains an institution. It is the Hanover Fair, sometimes termed "the fair of fairs" because of its enormous attendance and the importance that is attached to it by companies hoping to sell goods to all corners of the Western world. What is perhaps most significant about Hanover today is that Asians increasingly are showing up with business cards and corporate purchasing agents. In 1987, they were among the more than 450,000 participants who vis-

ited 10 separate exhibitions covering fields ranging from biotechnology to factory automation to pollution abatement equipment.

Although a variety of selling and promotional techniques are available to companies selling across national borders, few can quarrel with the notion that bringing merchants together under a single roof for a few days appeals to prospective buyers. There is still evidence that the attraction of "one-stop" shopping and sales trips can lead to sales contracts. "The main advantage is that competitors are all placed together in a single spot, along with sales staff," asserts David Earl, an export-promotion specialist at the U.S. Department of Commerce. "When we surveyed businesses going to Europe to participate, we found that, in general, companies tend to express satisfaction with the concept."

The Cologne trade fair center has floor space of 227,000 square meters and parking for 14,000 cars.



He believes buyers of machinery, hardware, software and new technologies enjoy comparing what is available. An Italian Embassy commercial attaché based in Chicago speaks for many of his colleagues. "At a trade show, we really put our best foot forward, so to speak. We can show that E.C. technology is world-class. We can demonstrate equipment. All this really improves the visibility of products in a very competitive world."

The benefits of large-scale trade shows are not confined to short-term sales contracts. In Bonn, officials at the West German trade agency insist that the assortment of specialized Hanover shows, which continue for much of the year, are a powerful tool for their own country's exporters. Some \$280 billion in exports were tallied last year, and the Federal Republic has a much higher share of its gross national product earmarked for export than any other nation, including Japan. Nearly 100,000 companies exhibited at the largest 100 fairs held in the country during 1986.

As is true in cases where states or provinces conduct well organized international trade expositions, Hanover and adjoining regions of Saxony have scored tangible economic benefits. Joachim Schafer, a representative of the state, points to one spinoff: "In one of the 1987 Hanover fairs, Biotechnica, we devoted space and time to educational programs for businessmen and -women. These covered research into biotechnology applications, financing of new technologies and other programs that, we are sure, really helped companies collect practical information."

It is easy to see why Hanover remains the preeminent European trade show for many corporations on both sides of the Atlantic. The sheer size of the events is staggering: The parking lot can hold

50,000 vehicles. It is truly a city within a city, and its exhibition space covers an area the size of 100 American football fields.

The grounds are fully internationalized, with translation staff handling exhibitor and visitor requests, plus a multilingual videotext network providing information about daily events. Steps over the years to cater to non-Europeans have proved successful. Until recently, 70 percent of attendees and potential buyers were from the Federal Republic of Germany, France and the United Kingdom. Data collected by fair managers, however, show this mix is changing as Asians and Americans sense the vibrant E.C. markets in a host of sophisticated products. Independent sources estimate that Germany's market in computers and peripherals is growing at 15 percent to 18 percent a year and should reach \$15 billion by 1989. Similarly, projections for use of factory automation equipment and computer-assisted manufacturing design systems point to dramatic sales potential across the 12 E.C. member countries.

East Asians are showing particular interest in buying space at the Hanover Fairs. A trio of rapidly industrializing nations in the area—Taiwan, South Korea, and Singapore—and Hong Kong have lost specialized status for their U.S.-bound exports. While other sets of market restrictions hinder complete access to Western Europe, these countries currently are keen on diversifying purchases of their machinery, electronics and even certain products in biotechnology that satisfy niche markets (such as those products made with indigenous herbs).

Costs of renting space—which are about \$600 per square meter—have not prohibited medium-sized firms from exhibiting. Because exhibiting requires sending staff, as well as other support and

entertainment costs, it generally attracts only firms with an ability to maneuver in the complex and often costly arena of global commerce. According to the Commerce Department, the cost for each sales lead generated at an event such as the Hanover Fair is above the \$100 mark—substantially higher than it was a few years ago.

"While a major multinational corporation such as ours has certain objectives at one of the major trade fairs," says Martin Weitzner, a vice-president for Siemens, "a company breaking into trade has other sets of objectives." These may include simply developing a presence among the Rolms, ASEAS, ICIS or Nixdorfs.

For multinational corporations as well as smaller companies, the payoffs come through sales leads. All the steps needed to prepare for contact with potential clients—technical and non-technical literature, display design, use of graphics and special effects—have become a science.

Even those who prepare themselves well and whose efforts are rewarded must overcome certain obstacles. Peter Ruoppe, vice-president for research at Great Lakes Carbon, a graphite manufacturer outside Buffalo, says: "When we went to the synthetic materials show [last year], we didn't have enough staff to sort out all the leads. That was frustrating. We met buyers from China, Britain, Saudi Arabia, Israel and France. This year, we'll have enough support staff." He and others point out that experienced interpreters must be contracted well in advance of any particular event.

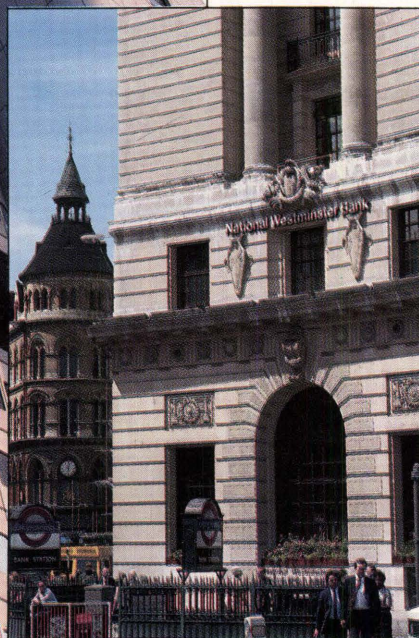
Hanover's focus on a cluster of regular, highly specialized, product-oriented fairs is only one way that the E.C. is keeping in step with—and ahead of—the changing environment of world trade. €

Julian Weiss is the Washington, D.C. correspondent for *Japan Journal*.

BANKING PROPOSAL WOULD GIVE EUROPEAN FIRMS NEW FREEDOMS

CENTRAL PROVISION WOULD ALLOW
BRANCHES IN ANY E.C. COUNTRY.

Banks in the E.C. have already begun to position themselves to cope with the impact. Right: the Dresdner Bank in Frankfurt. Inset: a National Westminster Bank branch in London.



PETER WILSON-SMITH

Although 1992 is some way off and the timetable for implementing E.C. banking legislation has already slipped behind schedule, there can be no doubting the significance of the E.C.'s "Second Banking Coordination Directive." The central aim of this directive recently proposed by the E.C. Commission is to allow banks in one European country freedom to do business in any other E.C. member state. It will have important effects on competition in some E.C. countries—particularly those with less mature banking sectors—which should be to the benefit of the users of financial services.

Already banks in the E.C. have begun to position themselves to cope with the impact. One of the most visible moves so far is the planned merger of two of the big Spanish banks, Banco de Bilbao and Banco de Vizcaya. Spain has a relatively fragmented banking market and is seen by many foreign banks as an attractive area for expansion. The merger between Banco de Bilbao and Banco de Vizcaya is aimed at creating a powerful domestic grouping that will be better able to compete in a single European market.

Other recent moves undertaken with the single European market in mind include the acquisition last year by Deutsche Bank of a bank in Italy and the attempt by Carlo De Benedetti, the Italian entrepreneur, to gain control of the

Société Générale in Belgium. And because banking as an industry now embraces many other types of financial services, such as the securities business, it is impossible to ignore developments in this area. A number of European banks and financial institutions have bought into British securities firms and the same has been happening in France with the deregulation of the Paris Bourse.

The second banking directive forms a key part of a package of measures being brought in by the E.C. to create a market free of barriers for financial services and its impact will inevitably depend on many of these other measures being implemented. For instance, freedom of capital movements through the abolition of exchange controls throughout the E.C. is a necessary prerequisite. E.C. Finance Ministers are now hoping to reach final agreement on scrapping exchange controls this month.

The core proposal of the second banking directive is the introduction of a single banking license allowing a bank to operate throughout the Community. The license would be granted by the banking regulators in the country in which a bank is incorporated and it would enable the institution to operate E.C.-wide either through foreign branches or simply by selling banking services across national frontiers. Private customers and companies would be able to open bank accounts throughout the E.C. and with banks of their choosing.

The freedom granted by the single banking license covers not just lending money, but an extensive range of core activities such as leasing, fund management, mortgage lending, money brokering and trading in securities both for the bank's own account and for its customers.

Supervision of a bank and its branches throughout the E.C. would be carried out by the regulators in its home country of incorporation. This is one of the key principles of the directive and it would also

determine whether banks can engage in the other non-banking activities. For instance, if a bank is allowed to manage investment funds or trade securities in its home country, its foreign E.C. branches also would be able to carry out these activities in the countries in which they are operating.

The directive does impose limits on the extent to which banks can get involved in these other non-banking activities. They would not be allowed to commit more than 10 percent of their capital to any one activity, such as securities trading, and there is an overall limit of 50 percent of capital on their total non-banking business. Even so, the principle of home country authorization—the idea that if a bank can do it in its home territory, it can also do it elsewhere in the E.C.—raises par-

from the principle of home country supervision. Article 12 of the directive makes it clear that the host country would retain the power to ensure that foreign bank branches in its territory are adequately provided against risks arising out of securities trading. However, even this raises problems because under the directive, foreign branches, unlike foreign subsidiaries, would not have to be separately capitalized.

To cope with the myriad of complex problems this raises, the main securities regulator in the United Kingdom, the Securities and Investments Board (SIB), is now trying to agree memoranda of understanding with the home supervisors of foreign bank branches that carry out securities business in the United Kingdom. The SIB wants assurances that there will

The "second banking directive" will open the door to profound changes in the European banking industry and competitive pressures will set the pace.

ticular problems because at present banks in some E.C. countries have greater freedom than others to carry out non-banking business.

The most important differences relate to securities trading, especially the degree to which banks in different E.C. countries are allowed to participate in the secondary market. On the one hand, the Federal Republic of Germany has traditionally had a system of universal banks providing a full range of financial services. But in many other E.C. countries there are various degrees of separation between securities business and deposit taking. And in countries such as the United Kingdom, authorization and regulation of banking and securities are carried out by different supervisory bodies.

The second banking directive has had to take account of these differences by specifically excluding securities activities

be enough capital available to back their securities activities. As a last resort, it has been suggested that if the SIB was not satisfied, it might insist on foreign bank branches turning themselves into British subsidiaries.

Many of these problems should disappear as E.C.-wide legislation on securities business is agreed. Still being drafted is a directive on investment services that is designed to parallel the second banking directive. However, progress on this seems to be even slower than on the E.C. banking legislation.

In the meantime, the differences between member states over the extent to which they allow their national banks to take part in the non-banking activities listed in the directive are likely to be steadily eroded. Faced with the threat of

Peter Wilson-Smith is the finance editor of *The Independent*.

foreign bank branches being able to carry out business in their home territories that they are not allowed to, national banks will put pressure on their own regulators to give them greater freedom. Before long, there is little doubt that banks in all E.C. countries will be able to carry out all the activities listed in the directive.

In an age when access to financial markets in other countries has become such a contentious issue, the second banking directive inevitably includes special provisions dealing with banks whose ownership lies in non-E.C. countries. Existing subsidiaries of banks in non-E.C. countries would benefit from the freedoms in the directive to set up branches and sell their services in other E.C. countries. In fact, they would be treated as if they were E.C. institutions. However, newcomers would only be able to set up within the E.C., or make acquisitions, if their country of origin gave reciprocal access to banks from all E.C. countries.

As the problem raised by differing approaches to securities business illustrate, the concept of a single banking market within the E.C. is dependent on broad harmonization of rules and standards throughout the Community. A considerable amount of progress has already been made toward this goal with earlier E.C. legislation such as the "First Banking Coordination Directive," which set out minimum standards for licensing banks; the "Consolidated Supervision Directive," which obliges national regulators to supervise banking groups on a consolidated basis; and the "Bank Accounts Directive," which is designed to harmonize bank accounts and imposes restrictions on such matters as hidden reserves. Work also has been done on the subject of large exposures and protection for depositors in banks.

The second banking directive includes a number of other important new provisions. Banks would have to have a minimum level of capital of 5 million European

Currency Units (ECU)—currently about \$6.25 million—and there would be supervisory controls over the major shareholders in banks.

However, the second banking directive will only be able to take effect when the E.C. has agreed and implemented two other key directives that ensure agreed minimum capital requirements for banks in the Community. These are the "Own-Funds Directive," which sets out exactly what banks may count as capital, and the "Solvency-Ratio Directive."

The proposals in the solvency-ratio directive are now broadly similar to the supervisory convergence proposals being agreed by members of the Bank for International Settlements, the Basle-based central bankers' bank. The directive sets out risk categories for different types of



The freedom granted by the single banking license covers not just lending money, but also leasing, fund management, mortgage lending, money brokering and trading in securities. Above: Frankfurt's Commerzbank.

bank assets and would require banks to have a minimum ratio of capital against these risk-weighted assets. The proposed minimum is 8 percent—in line with the Basle proposals.

Although the work in Basle on common international capital standards has helped

to speed up the work being carried out in the E.C., there is still some way to go before implementation of these E.C. directives dealing with capital. At present, the target for adoption of the own-funds and solvency-ratio directives is around the autumn of 1989.

As for the second banking directive, which was adopted by the E.C. Commission in January, it has still to be considered by the European Parliament. At present, it looks unlikely to be passed into E.C. law by the Parliament much before the end of 1989. Thereafter, it could be implemented by member states.

However, even if progress is slow, European banks dare not ignore the implications of a single E.C. banking market. One theory is that the single market will lead to the emergence of pan-European superbanks that will come to dominate the E.C. market of 320 million potential customers. For various reasons, this looks improbable, although banks from different E.C. states establishing links through minority cross-shareholdings is a pattern that is likely to become more common.

Once the second banking directive is implemented, there will still be pitfalls and potential obstacles to a barrier-free banking market within the E.C. Differing tax regimes is one. The requirements of domestic economic policies is another; the second banking directive, although it establishes the principle of home country supervision, still leaves the host country authorities with discretion to impose measures relating to monetary policy and liquidity of foreign bank branches that could in theory be abused for nationalistic reasons.

However, banking is an industry that has often shown scant regard for national frontiers and domestic restrictions. The second banking directive will open the door to profound changes in the European banking industry and competitive pressures will set the pace. ☐

The Splendors of Europe

THE COTSWOLDS



ROBIN WHITEHEAD and ROB TALBOT
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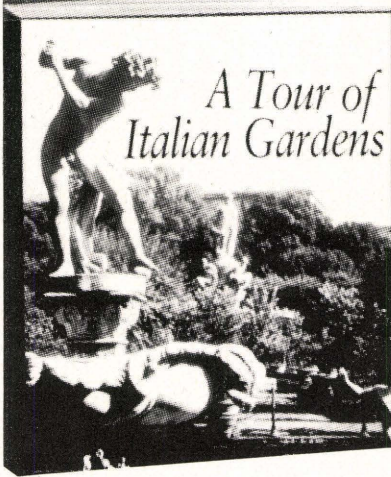
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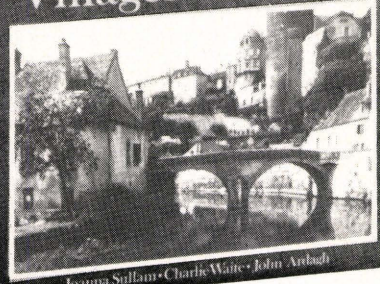
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Villages of France



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E.C.'S INTERNAL MARKET IS JUST THE BEGINNING

1992 TARGET IS THE ROAD THAT LEADS TO GREATER AND MORE IMPORTANT GOALS.

LORD COCKFIELD

The European Community is very much more than a free trade area; it is very much more than a customs union; it is very much more than a regional grouping. Indeed, it is much more than an economic community. The more sharp-eyed readers may have noticed that it is no longer the "EEC"—the European Economic Community—but the "E.C."—the European Community. Incidentally, *that* change was made 20 years ago, so it is about time the penny dropped.

The E.C.'s objective—set out in the original Treaty of Rome establishing the Community, reinforced by the "solemn declaration" at Stuttgart in 1983 and incorporated as European law in the Single European Act last year—is European *union* and that means union in the political as well as the economic field. There are differing views about the form that political union should take and this is reflected in the absence of any clear definition of what political union means. But the gradual process of evolution is seen in the development of what is called "Political Cooperation" and the agreement in the Single Act "to formulate and implement a European foreign policy."

But no such hesitations or ambiguities exist in the economic field. Here the E.C.'s clear objective is the creation of a single, integrated European economy. The completion of the internal market—that is, the creation of a single, integrated European market—is the first and most important step in this field. It has enormous benefits in itself—in reduction of costs and the creation of new opportunities. But it also forms the foundation on which the other policies of the Commu-

nity are built—in research and technological development, in economic and monetary policy, in employment and social policy. In due time, the single market will be followed by the single European currency and the single European economy. Bear in mind, however, that the "completion of the internal market," as we call it, is not the end of the road; on the contrary, it is itself the road that leads to greater and more important goals.

So let us start with the single market. This was, of course, the original objective of the Treaty of Rome signed over 30 years ago. It is important to remember this: We are evolutionists, not revolutionaries; we take our stand not just on political idealism but on the hard practical

Governments cannot run
industry—or certainly
cannot run it successfully;
that is the job of industry
itself, management,
entrepreneurs and
workers.

experience of a generation of endeavor. But there is perhaps an even more important reason than history and tradition. In the early years of the Community, great progress was made. But in the 1970s, that progress came to a halt. Europe was overtaken by its competitors—the United States, Japan and the newly industrialized countries of the Far East. Overtaken in terms of growth, in terms of employment, in terms of the new technologies. The Prime Ministers and Presidents of our countries demanded that something be done about this. Our response—the response of the E.C. Commission—was the publication of the de-

EUROPE WITHOUT FRONTIERS

tailed plan for creating the single market, the "completion of the single market," set out in the White Paper of June 1985. The plans were approved by the Presidents and the Prime Ministers and their objective now is enshrined in the Single European Act of 1987—approved by the Parliaments of all 12 member states.

The indifferent performance of the European economy was due to many factors, but the most important was the fragmentation of the European market—potentially a market of 320 million people, consumers and producers alike, but in practice 12 separate markets averaging some 25 million people each, separated from one another by frontiers and frontier controls, by different rules and regulations, different standards, nationalistic public purchasing policies and a thousand-and-one restrictive practices operated by public and private authorities alike.

The welding together of these 12 separate markets, the creation of the single market, brings two kinds of benefits. It reduces costs by removing the frontiers and the frontier controls, the long lines of trucks backed up at borders, the delays, the expenses, the bureaucracy and the red tape—all hard, practical, visible savings. But, much more importantly, it enables industry to plan, to produce, to market on a base of 320 million people—the largest single market in the world—instead of on the basis of their limited domestic market. By sweeping away the frontiers and the frontier controls, the forces of competition are given free play; protected, cosseted national markets are opened up to the free play of competition—the spur of efficiency, innovation and progress. A more bracing climate, a harder life, but a more rewarding one.

We have known this in our bones; there is ample fragmentary evidence; no shortage of anecdote. But we felt that alone was not enough. So two years ago we commissioned a major study under the guidance of Paolo Cecchini to look into these matters. Apart from the Commission services, 15 firms of consultants were involved, university departments, distinguished academics and 11,000 business enterprises who responded to the Commission's enquiries. The results have just been published—a readable summary, plus 6,000 pages of detailed analysis. It will keep all of us busy for some

Lord Cockfield is the E.C. Commission Vice President responsible for the internal market. This article is adapted from a recent speech to the Institute for International Economics in Washington, D.C.



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time to come.

The results of the study, the conclusions drawn, are dramatic. An increase in Community gross domestic product (GDP) of 5 percent, a reduction in prices of 6 percent and 2 million new jobs. And if in the new environment created appropriate economic policies are followed, 7-percent increase in GDP; 5 million new jobs. These figures would be obtained over a period of years as the full effect of the changes was felt. It would be a quantum leap forward and would project the Community onto a higher growth path.

All this is on the basis of the completion of the White Paper program—"The Completion of the Internal Market"—so let me return to that. There are two characteristics that distinguish the White Paper program from everything that was done in the past. First, it was a complete program; not a bit here and a bit there, and a bit somewhere else, but the whole lot, the removal of all the barriers dividing Europe and preventing it acting as a single market. Second, it was set in a time frame—not "this year, next year, some time, never," but "progressively over a period expiring on 31 December 1992." Those are the words of the Single European Act. They could not be more definite, more clear, or more positive. That is where "1992" comes from. That is the origin of what is fast becoming the most popular phrase in conversation in European business and political circles.

How are we doing? The Commission is the executive arm of the Community. The Commission has the right—and the duty—of initiative. All proposals start with the Commission, then go to the European Parliament and to the Council of Ministers who represent the member states. When a proposal—usually in the form of a directive—is adopted by the Council it then becomes Community law and the member states are under a legal obligation to transpose the directive into national law.

The White Paper contained about 300 proposals. To date the Commission has produced about 200, two thirds of the total. By the end of this year, we will have produced 90 percent. By then the shape of Europe as it will be after 1992 will be clearly defined for all to see.

The Council lags behind the Commission, partly because that is in the nature of things, partly because of the initial delays due to the new procedures introduced by the Single European Act. To date they have adopted about 80 of the proposals, but the pace is accelerating sharply. Our objective is that by the end of the present year the Council will have adopted all—or virtually all—the propos-



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

als required in a number of important fields, such as:

- standards,
- food law,
- public procurement,
- banking,
- the liberalization of capital movements,
- the professions,
- television without frontiers.

This is not an exhaustive list. But it does indicate that the structure is now taking shape before our very eyes.

There is now a conviction spreading throughout Europe that the program will be completed, and completed on time. When we produced the White Paper in 1985—almost exactly three years ago—it was welcomed by the Presidents and Prime Ministers and by leading industrialists. But it would be difficult to say that it stirred the public's imagination. In the last six months, that has all changed. There has been a great upsurge of public interest—in trade and industry, banking and commerce, in the professions, among the ordinary "citizens of Europe." Campaigns have been launched by governments, by trade and industry associations, by consultants and public relations practitioners, by professional bodies, by members of the European Parliament and by organizations supportive of the European movement.

At the end of the day, achievement depends on political will, coupled with

practical skill and determination. The political will is there, evidenced by declarations by the Heads of Government and the Single European Act, and now reinforced by an upsurge in public opinion. We in the Commission have the practical skill and the determination. We will complete the program, and complete it on time.

Just one word in conclusion. All that governments can do—whether by "governments" you mean national governments or the institutions of the Community—is to provide the framework, to create the opportunities. The responsibility of rising to those opportunities rests with trade and industry itself. Governments cannot run industry—or certainly cannot run it successfully; that is the job of industry itself, management, entrepreneurs and workers. What is encouraging about the present upsurge of public interest in the 1992 program is that it demonstrates that there is a great awakening to the opportunities and a determination to take advantage of them.

In another life and in another context, early 19th-century British Prime Minister William Pitt the Younger said: "England has saved herself by her exertions and will, as I trust, save Europe by her example." In our present age and in the present context I hope we will be able to say this of Europe's exertions and of Europe's example. €

E.C. FORGES
AHEAD WITH
COMPUTER
TECHNOLOGY,
CHALLENGING U.S.
AND JAPAN IN
CHIP PRODUCTION.

EUROPE LAUNCHES NEW HIGH- TECH PROJECT

JONATHAN TODD

American and Japanese computer manufacturers had better watch out as their dominance of world markets is likely to be under threat from the Europeans, who are increasingly closing the gap in information technology with such developments as:

- mini-supercomputers, just launched on the market by Thorn EMI and French computer manufacturer Telmat, with the very high-speed performance of a super computer at a fraction of the cost of models previously available;
- the Inmos T800 transputer, the most powerful microchip currently available commercially;

- a system that can design highly complex VLSI microchips—which used to take two years—in the space of three hours;
- world-class standards for office equipment and computer-controlled manufacturing.

This is just a tiny sample of cases in which European computer firms are overtaking their traditional U.S. and Japanese rivals on the marketplace as a direct result of the hugely successful European Program for Research and Development in Information Technology (ESPRIT).

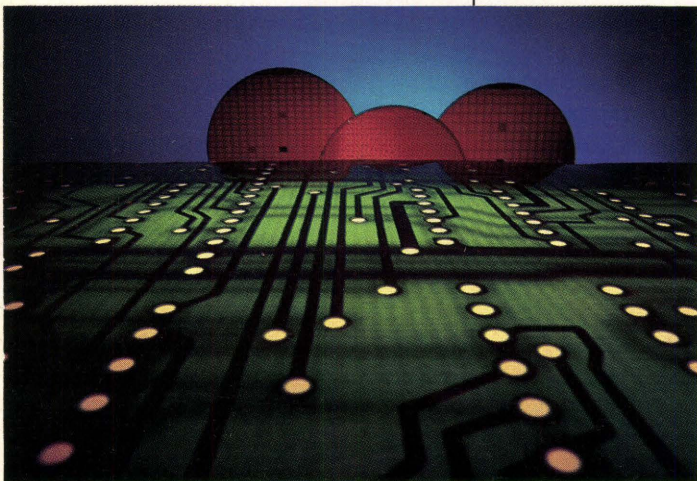
E.C. Research and Industry Ministers, meeting in Luxembourg on April 11, were sufficiently impressed by the results of ESPRIT's first five-year phase to approve a massive 3.2-billion European Currency Unit (ECU) budget (some \$4 billion) for the program's second phase (ESPRIT II) to run from 1989 to 1993. Half of this money will come from the E.C. and half from the researchers themselves, who have to match E.C. money for ESPRIT projects dollar by dollar.

The E.C. Commission is now in the process of choosing projects to benefit from the first 2.1 billion ECU to be allocated under ESPRIT II. The response to its call for proposals launched last December has been overwhelming, with over 700 applications received from companies, universities and research institutes.

Half of the proposed projects are concerned with applied information technologies, notably in the fields of computer-integrated manufacturing (25 percent), integrated information systems (14 percent) and support systems (11 percent). The other project proposals are for information processing systems (33 percent) and microelectronics and peripheral technologies (17 percent). The Commission is due to decide by the end of June which projects will qualify, and the first of them could be underway by September.

The specific aim of ESPRIT when it was first set up in September 1984 was to create a pool of technology to allow E.C. firms to catch up, and even overtake, the U.S. and Japanese firms. It was realized that, without the technology, E.C. firms would remain the underdogs in the information technology market. Karl-Heinz Narjes, the E.C. Commissioner responsible for research, admits that "although the E.C. countries together have the resources to stay in the front line of technological advance, too often these resources have remained dispersed in sub-optimal, short-term projects leading to products designed for limited national markets rather than success on world markets."

ESPRIT has succeeded in bringing about a dramatic turnaround of the situation by providing the money and the infrastructure to allow companies in different E.C. countries to join forces and cooperate on research and development, instead of duplicating their efforts. Its success is based on several factors. First, the lack of bureaucracy. Once they have selected the projects eligible for help under the program, Commission officials leave the research to the companies and academics involved. Secondly, companies and research institutes were extensively con-



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The E.C. Council of Ministers was sufficiently impressed by the results of ESPRIT's first five-year phase to approve a massive \$4-billion budget for the program's second phase.

sulted before ESPRIT was set up, so it could be tailored to their needs. Thirdly, as half the money comes from researchers themselves, it is invested in projects likely to bear commercial fruit.

The first phase of ESPRIT (1984-88), with a total budget of 1.5 billion ECU concentrated on microelectronics, advanced information processing systems (including software) and application technologies, including computer-integrated manufacturing and office systems.

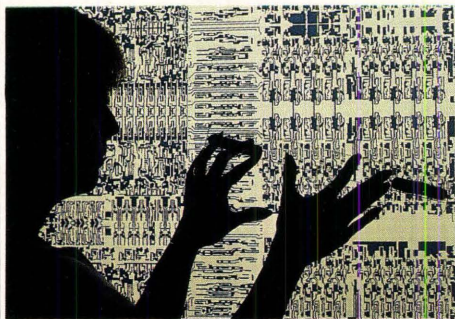
Some 3,000 researchers from 400 separate organizations throughout the Community have worked on 227 different ESPRIT projects. Of these, the Commission claims that 111 already have produced results of "substantial industrial significance," even though most projects have almost two years to go before completion. In particular, there have been 28 results in the field of international standards, where the E.C. was particularly keen to break the stranglehold of "de facto" standards imposed by U.S. market leaders.

The mini-supercomputers recently launched by Thorn EMI and Telmat have been developed by one of the most successful ESPRIT projects, called "Supernode." The project leader is the British Malvern-based Royal Signals and Radar establishment, run by the Ministry of Defense, and includes British chipmaker Inmos, Southampton University, the University of Grenoble in France and French computer firm Apsis, as well as Thorn EMI and Telmat.

Inmos' T800 floating-point computer also was developed by the Supernode project. If each of the transistors in this chip were the size of a pinhead, the chip would be the size of a football pitch. A special language to allow parallel as opposed to sequential programming of the Supernode computer has been developed, as have applications such as computer-aided design of very large-scale integration chips and advanced graphics.

British Aerospace (BAe) leads the communications network for manufacturing applications project (CNMA), which has developed a communications profile to allow machine tools made by different companies to be linked together for computer-integrated manufacturing. Industry analysts predict that CNMA soon will supplant manufacturing automation protocol, the existing standard developed by General Motors.

BAe will soon be applying CNMA standards in a precision-boring facility making parts for Airbus A-320 wings at its Samlesbury plant near Preston in the



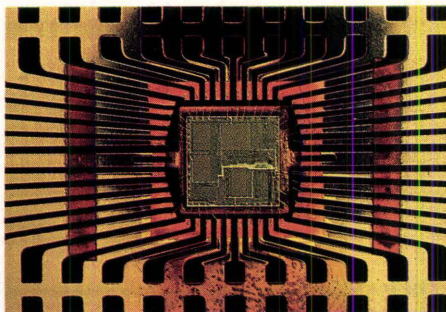
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Some 3,000 researchers from 400 separate organizations throughout the E.C. have worked on 227 different ESPRIT projects.

United Kingdom, and another partner, Aeritalia, will be using CNMA at its Turin, Italy, plant. A dramatic demonstration of CNMA is due in early June at the enterprise network event in Baltimore, Maryland. Real manufacturing operations at BAe's Samlesbury plant will be controlled from the CNMA stand on the other side of the Atlantic in Baltimore via satellite. Similarly, the BAe and Aeritalia plants are due to be linked. Such links are likely to be used increasingly, notably on the European Fighter Aircraft project, according to British Aerospace.

BAe, in view of its Rover takeover, also will benefit from CNMA's applications in the car industry. BMW, another project member, is using CNMA standards at its Regensburg, Germany, production line for its 325i convertibles. Other companies working on CNMA are GEC, ICL, Siemens, Nixdorf, Olivetti, Bull, Peugeot, Elf-Aquitaine and CGE/TITN.

"Cathedral" is the title of an ESPRIT



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ESPRIT has taken on new significance with the program to create a genuine E.C. common market by 1992.

project that has developed the hardware and software allowing highly complex CMOS digital signal processing microchips to be designed in hours instead of years. These chips are particularly useful for applications in consumer electronics, audio, video, telecommunications, bio-medicine and robotics. This puts European chipmakers in front of their Japanese and U.S. competitors.

Cathedral is led by the joint Electronics Research Center of the Belgian universities of Ghent, Brussels and Leuven, and also involves Philips, Siemens, Silvar-Lisco (Belgium), the University of Bochum in Germany, and Bell Telephone's Belgian subsidiary. Philips already is using the results of Cathedral's project to design chips.

"Herode," a highly successful ESPRIT project led by Siemens, developed a new international standard for office document architecture (ODA), now officially adopted by the International Standardization Organization (ISO 8613). Siemens has been joined by ICL, Olivetti and Bull on a new project to develop practical applications for ODA, which must compete on the market against IBM's DCA/DIA standard.

The total number of researchers working on ESPRIT projects is expected to increase to 5,500 by 1990, representing some 30 percent of all European pre-competitive research and development in information technology.

ESPRIT has taken on new significance with the program to create a genuine E.C. common market by 1992. It should help European information technology companies to ensure they make the most of the largest single market in the world and that they exploit the kind of economies of scale previously only available to their American and Japanese rivals in their bid to conquer other world markets. If they fail to keep up in the technology race, there is a danger for the Europeans that the E.C.'s single market will be exploited by U.S. and Japanese computer firms at the expense of the Community's own companies.

"Europe will only fully succeed in meeting the challenge of the single market if, in parallel with internal market unification, it can systematically and constantly strengthen its research and development effort, without which there can be no lasting improvement in competitiveness," warns Michel Carpentier, director-general of the E.C. Commission's Information Technologies department. €

Jonathan Todd writes from Brussels for the *Sunday Times*.

SPAIN

SPAIN'S ECONOMY IS BOOMING WITH E.C. MEMBERSHIP.

TOM BURNS

Midway through the month of May, two of Spain's largest banking institutions signed a letter of intent that paved the way for their merger in three years' time. The decision by the Banco Español de Crédito (Banesto) and by the Banco Central to join forces followed a similar merger move at the beginning of this year by two other Spanish banking heavyweights, the Banco de Bilbao and the Banco de Vizcaya. In the space of six months, keynote agreements have been initialed that herald a complete overhaul not just of the Spanish banking sector but of the nation's business profile.

The new ties being established among the Spanish banks to some degree have been forced on the sector by the prospect of a deregulated, single-market European Community after 1992. The mergers process has been encouraged by the Economics Ministry and by the monetary authorities of the Bank of Spain who believe that domestic institutions lack the scale with which to meet the challenge of

Tom Burns is a freelance writer based in Madrid.

European competition in the next decade. And what the ties underscore is, at one level, the extremely fluid and fast-changing business scene in Spain at present and, at another level, the current buoyancy of a Spanish economy that is recognized as the most potential-backed in Europe.

The private banks in Spain are the powerbrokers of the domestic industry by virtue of their portfolios and the extremely close ties between financial institutions and major companies. In Spain, the banks financed the country's far-reaching postwar industrialization pro-

Spain's gold and foreign currency reserves are at an all-time high of \$33 billion, a figure that exceeds the total public and private debt, and the peseta has appreciated against all major currencies, including the German mark.

gram and they retained giant interests in its key industrial sectors. The importance of the Banesto-Central merger rests only in part on the fact that together, as far as economies of scale are concerned, they will enter the premier division of European banking. The bottom line of the move is that they will create what on present estimates will be the third or fourth industrial holding on the European continent.

The synergies are all important and Banesto and Central will be pooling major shareholdings in electrical utilities, in energy and oil refining companies and in construction concerns that, individually, already have a major impact on the Spanish economy. A similarly strengthened industrial arm was created by the fusion of the Bilbao and the Vizcaya banks for they, likewise, have a many-tentacled spread throughout Spanish industry.

The backdrop to these changes is an economy whose gross national product grew at 5.2 percent in 1987, which was double the E.C. average, and is set to grow by between 4 percent and 5 percent again this year. Across the board, the fundamentals look very good. Inflation has been falling on an annual basis from a 12-percent increase five years ago to 4.6

percent at the end of last year. In 1988, the government has the goal of bringing down the differential with Spain's major trading partners in the Community. Spain's gold and foreign currency reserves are at an all-time high of \$33 billion, a figure that exceeds the total public and private debt, and the peseta has appreciated against all major currencies, including the German mark.

Thanks to healthy capital inflows of foreign investment, to strong revenues gained through tourism and also to the drop in oil prices and to the fall of the dollar, Spain's current-account balance has shown a surplus for the past three years. Last year imports rose by 38 percent, reflecting the effect of the Spanish tariff disarmament with Europe in the wake of its 1986 entry into the Community, while exports were 25 percent up on the previous year. The widening trade gap does not worry officials in part because of the reserves figure, but in part also because some two-thirds of last year's imports were capital goods, semi-manufactured products and raw materials that indicated that Spain was retooling.

Completing the macro picture, a series of indicators, such as a 14-percent increase last year in housing starts and an extraordinary 35-percent leap in vehicle registrations, underlined Europe's fastest growing consumer market. In the past two years, the use of telephones in Spain has been growing by 7 percent against an average increase during the past 15 years of between 1 percent and 2 percent. Historically Telefónica, the national telecommunications company, has been installing some 500,000 lines a year, but the figure will be 1 million lines this year and 1.4 million next year.

Last year, 350,000 new jobs were created and the figure is likely to be higher this year. The new jobs were, however, barely sufficient to absorb the numbers of young people, and particularly of women, entering the labor market, and officially there are close to three million Spaniards or 21 percent of the active population looking for jobs.

The jobless statistics remain Spain's economic trouble spot. They should, nevertheless, be treated with certain caution, for Spain has a large underground labor market that economists estimate could employ up to a million and bring the real unemployment figure down to around the 15-percent mark. Some 1.5 million of those registered as seeking employment are less than 25 years old and looking for their first job.

In its annual review of the Spanish economy, the Organization of Economic Cooperation and Development (OECD) re-

ported at the beginning of this year that Spain's accession to the E.C. had "imparted important dynamic growth stimuli to the [Spanish] economy." The Paris-based organization concluded that Spain's economic performance in 1986-87 had been "quite impressive" and it concluded: "The outlook for the next couple of years is for continued above-potential growth, some further progress on the price-stability front and maintenance of a relatively comfortable balance-of-payments situation given the likely persistence of sizable long-term net capital flows."

The upbeat economic scene in Spain has attracted growing foreign interest and this relates directly to the face lift that the industrial profile is undergoing. Essentially, Spanish industry is small and fragmented, and only 5 percent of the West European companies employing more than 1,000 people are based in Spain. With their decision to merge, Banesto and the Banco Central, the Banco Vizcaya and the Banco de Bilbao are seeking to build up the Spanish business and entrepreneurial muscle at a time when the domestic economy is in the sights of the major investment groups and multinationals.

The merger process brings together, for example, Spain's two major construction firms, Agromán and Dragados y

Spain's GNP grew at 5.2 percent in 1987, or double the E.C. average.



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Construcciones, as well as the rival oil companies Cepsa and Petromed, which belong, respectively, to the industrial portfolios of Central and Banesto. Anyone of these firms was a potential target for a foreign raid. Indeed, had these banks opted to remain separate, they too could have faced hostile incursions. In addition, had they remained solo, companies and banks alike lacked the economy of scale required to lift their competitive edge and conduct business successfully after the lifting of all restrictions on capital movements within the E.C. in the wake of the 1992 internal market deadline.

Inflation has been falling on an annual basis from a 12-percent increase five years ago to 4.6 percent at the end of last year. In 1988, the government has the goal of bringing down the differential with Spain's major trading partners in the Community.

The current leader of the foreign investment drive into Spain is the Kuwait Investment Office (KIO), which has spent \$1 billion over the past four years acquiring control of a string of Spanish companies that include the biggest domestic chemicals group, Explosivos Rio Tinto, the leading pulp and paper manufacturer, Torras Hostench, and the main Spanish sugar producer, Ebro. The aggressive Kuwait takeover strategy in fact acted as the catalyst for the Banesto-Central merger, for KIO also holds, together with two local entrepreneurs, a 13-percent stake in Banco Central. Anxiety over the investment group's designs on the bank and its industrial portfolio accelerated Central's link-up with Banesto.

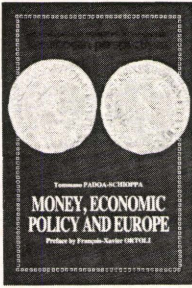
Recently, KIO's London-based deputy chairman and general manager, Fouad

Jaffar, paid tribute in Madrid to what he termed the government's "wise recognition" of the importance of foreign investment. His remarks to an international seminar of business leaders were echoed by a fellow panelist, Robert Dalziel, president of AT&T Europe, who spoke of the "deep commitment of the Spanish Government to attract state-of-the-art technology" through generous incentives. The U.S. giant has undertaken a major chip manufacturing venture near Madrid, and Dalziel asserted that a climate had been created that was "highly favorable to corporate investors like AT&T."

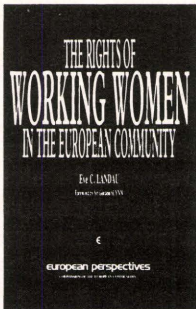
Foreign investment groups and multinationals have, in effect, little to complain about for the Spanish Government, under the pragmatic leadership of Felipe González, a moderate Socialist, has fully welcomed them into the domestic market. Government thinking is that in addition to the obvious benefits in having foreign capital introducing semi-conductor high-technology and restructuring sectors such as the chemical one, the arrival of multinationals will spur the best of the home-based corporations into taking a long and hard look at their own future strategies. The rush into mergers indicates that the lessons are being learned.



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EUROPEAN PERSPECTIVES



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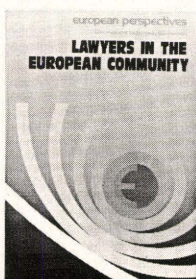
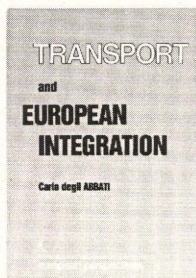
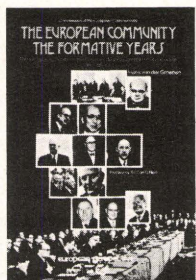
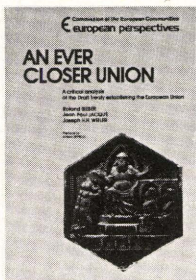
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OFF THE BEAT

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“ADVENTURE TRAVEL OFFERS A BETTER WAY TO SEE THE WORLD.”

BOB WOODWARD

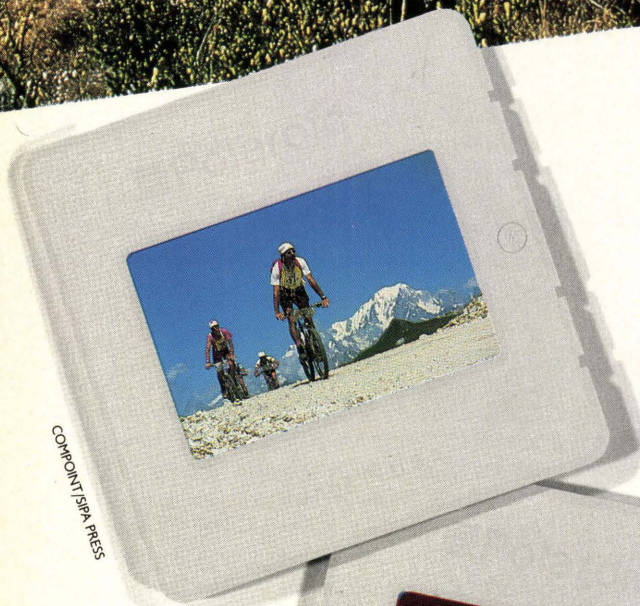
Last summer Marge and Mack Mackinnon did something different. Instead of their usual European vacation—an extended stay in a major city with a few short car trips to outlying areas—they did something much more adventurous: a week-long trip across Scotland, entirely on foot. In doing so, this California couple became part of the fastest growing segment of the travel business—adventure travelers.

The term “adventure travel” is a bit misleading; people like the Mackinnons do not bushwack through jungles in search of undiscovered ruins or defy the elements in some grueling ordeal. Instead, they partake of “softer” adventure trips where active days on foot, bicycle, raft, kayak or horse are combined with evenings in comfortable surroundings with good food and drink.

The Mackinnons discovered as they hiked—and in a few places climbed—their way across Scotland that adventure travel is not just for the young. Both Mackinnons are in their early sixties, and those tramping along with them over the Scottish moors and fields ranged from a 25-year-old Australian physical education teacher to a French widow in her mid-seventies. Like so many other adventure travelers before them, the group was bound together not by age, but by the desire for an active vacation that brought them into closer contact with the country and its people.

While walking and bicycle touring trips are the most sought-after adventures, every year has brought new additions to the growing slate of trips: sea-kayaking among the Greek islands, trekking hut-to-hut and climbing in the Alps, mountain bicycling in France’s Jura mountains, ski-touring Germany and Italy, whitewater

Bob Woodward, an adventure travel consultant, was the former editor of *Adventure Travel Magazine*.



More and more people are taking “soft” adventure trips on foot, bicycle, raft, kayak or horse. Left, France.

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ON TRACK IN EUROPE

rafting on Europe's wildest rivers and horseback riding castle-to-castle through Spain.

There's plenty of activity—but what about the adventure? For many travelers, just doing something different is the adventure. For others, pushing their physical limits and extending themselves mentally through a challenge is what counts. For most, however, the adventure comes in absorbing a country or region slowly, as well as meeting new people and sharing the experience with them.

For their part, most adventure travel tour operators maintain a sense of adventure by not coddling their groups. The idea is to have people experience things on their own so they come away with an impression untainted by their guide's personal observations or biases. In some cases, mostly shorter one- or two-day adventure outings like climbing and whitewater rafting, guides maintain a very close and necessary relationship with their clients. But when it comes to bicycling, walking or hiking, you are on your own with the guides there to lay out routes, make a schedule and offer aid, comfort and friendship when needed.

On the Mackinnons' walk across Scotland from Perth to Fort William, guides Chris Garner and Steve Oldale would set out a daily plan that could be tackled alone, in small groups or as an entire party with the guides along as company rather than as masters of a grand "show-and-tell" session. Some days the eight travelers and two guides would walk together because they were passing through an historic area, and Garner's mastery of Scottish history enhanced that day's trek.

On other days, the group would break up, some going with Garner to old Pictish ruins, others to stroll leisurely by themselves and still others to climb a crag or peak—with the expert climber Oldale along to guide.

By evening, everyone would have

made it to the destination village and bed-and-breakfast, inn or hotel selected for the night's stay. Then it was off to the pub to share the day's experiences and drink some of Scotland's finest local single malts or ales.

The basic go-at-your-own-speed system works well with hiking and horseback trips, but has been refined into an art on those most popular of all European adventure outings—bicycle tours. A typical bicycle touring day starts with a briefing on the day's route, the designated lunch stop and what to do in case you have a flat tire or get too hot or exhausted to continue. Then you are off on the road, solo or with friends, to explore the towns and countryside on your own. Following a few miles behind is the minibus (affectionately known as the "sag wagon") loaded with your baggage, bicycle repair gear, snacks and lunch.

The driver of the "sag wagon" keeps an eye out for stragglers and those in need of repair help, then just before the appointed lunch hour speeds ahead to lay out a spread that may well put you in the mood to snooze away the afternoon, rather than pedal further down the road.

The roads most often taken are in France, Italy and the British Isles. Here cycling is a way of life, and cyclists feel more at home than those who might step out of a tour bus or rented car to buy trinkets at a roadside stand. "You get used to feeling like an outsider when traveling, but cycling through Italy last summer I couldn't believe how friendly the locals were and how much more at home I felt," says New Yorker Jack Barschi, who cycled Tuscany last year with Butterfield and Robinson, a Canadian adventure travel company specializing in European cycle and walking tours.

Butterfield and Robinson's nine-day Tuscan tour costs \$1,800 and includes all food, lodging, transfers, museum entries, wine tastings and a bicycle. For the more budget-minded, Pierre Jouille's mountain

bike inn-to-inn ("gite-to-gite") trip is a week long and costs \$600. These are landed costs. Getting to and from Europe is as expensive or reasonable as you care to make it.

Many trip operators include air fare in their offerings. For example, Seattle-based REI Adventures, a division of the large sporting outdoor equipment cooper-

Adventure travelers get more into the rhythm of the country they are discovering.

ative, offers a self-guided walking tour of England's Lake District with bed-and-breakfast accommodations for \$1,650 from New York, or \$1,710 from several West Coast departure points.

The REI Adventures walk is graded "moderate" in their catalogue, and it is typical for most adventure travel companies to rate each trip according to degree of difficulty. This allows you to decide if a trip will be too demanding—or not demanding enough—before signing up. For example, Mountain Travel, the granddaddy of modern adventure travel companies, calls their two-week hiking trip in the Austrian Alps "easy to moderate." Most of the hiking is done on trails along the valleys and meadows at elevations seldom above 7,000 feet. Groups are limited to between 5 and 14 people, and each night is spent in a small inn. The land cost for this trip is \$1,690.

If cycling and walking are not that inspiring, try riding a horse through Spain's Andalusia for two weeks. A number of trips, some castle-to-castle, others inn-to-inn, are available, and the groups are quite small. Including the mount and all amenities, the cost is as low as \$1,400.

Finding out about various trips is rela-
Continued on page 46.

E.C. FILM FESTIVAL OPENS AT THE A.F.I. IN WASHINGTON, D.C.

On June 5, the European Community Film Festival opens at the American Film Institute (AFI) theater in Washington, D.C., with a rare new musical from the Federal Republic of Germany and a gala reception at the German embassy. Opening night honors at this event, an annual program now in its fifth edition, always go to the nation currently occupying the presidency of the Community.

PAT DOWELL

SELECTIONS
FROM
12 COUNTRIES
INCLUDE MANY
PRIZEWINNERS.

The chosen film this year is "Linie 1" ("Line 1"), Reinhard Hauff's eagerly awaited version of a popular stage musical about the rag-tag assortment of travelers on a Berlin subway line. Like the other 13 selections, it receives its Washington premiere AT the John F. Kennedy Center for the Performing Arts. In fact, seven of the films have never been shown anywhere in the United States. This year's festival also includes a bonus, a selection of new video and television work.

As in previous years, the festival will travel to other cities, playing Minneapolis June 10-30 and Los Angeles June 17-23. The Los Angeles program opens with the American premiere of the German comedy "Felix," four episodes in the life of an up-to-date young man and his sometimes exasperated women. Four prominent women directors have each contributed a story: Christel Buschmann, Helke Sander, Helma Sanders-Brahms and Margarethe von Trotta.

"We try to have a film from every E.C. nation," says AFI's associate film programmer Eddie Cockrell, who, together with director of programming Ken Wlaschin, selects the festival offerings. "It's a big challenge," he admits. "At one end of the spectrum you have Luxembourg, which has a brand new film industry, and on the other end you have France, which makes hundreds of movies a year."

The Luxembourg selection this year is "Die Reise, Das Land" ("The Journey, The Land"), which blends figures from

Ivan Turgenev and Edgar Allan Poe in two parallel stories and was directed by Frank Hoffmann and Paul Kieffer. The French selection is "Dandin," Roger Planchon's version of Molière's Georges Dandin, about a peasant (Claude Brasseur) who marries above his station in life and lives to regret it.

"Dandin" is one of several noted literary adaptations selected for this year's program. From Denmark comes Erik Clausen's provocative nod to Shakespeare and current events, "Rami Og Julie" ("Rami and Juliet"). Standing in for Verona is Copenhagen, where a Palestinian guest-worker and a Danish girl fall in love.

A more contemporary literary work is adapted in the British offering, "The Dressmaker," Jim O'Brien's film version of Beryl Bainbridge's much admired novel, which was on the short list for the Booker Prize in 1973. A stinging portrait of middle-class Liverpool during World War II, it features impeccable performances by Joan Plowright and Billie Whitelaw as aging sisters raising a shy young niece played by Jane Horrocks.

Spain is represented by a cinematic version of one of its literary treasures, Federico Garcia Lorca's play, "The House of Bernarda Alba." Mario Camus is the director of this Andalusian portrait of a household dominated by the stern widow Bernarda, whose reign over her five daughters is sundered by a young man engaged to one daughter and in love with another.

Jordi Cardena's "La Senyora," a second film from Spain, in the Catalan language, is set in Mallorca at the turn of the century and was adapted from a bestseller. The lady of the title begins as a victim of an arranged marriage to a wealthy, repressed older man and ends ironically, assuming in a new relationship the very role she despised in her husband.



The E.C. Film Festival is now in its fifth season, presenting 14 films from the 12 member states. Above: a scene from the French film, "Dandin." Below: Joan Plowright in the British movie, "The Dressmaker."

Yann Queffelec's novel, "Les Noces Barbares" ("The Cruel Embrace"), winner of the Prix Goncourt in 1985, is the source of Belgian director Marion Hänsel's mesmerizing and mysterious film about a benighted boy cruelly at odds with his young mother.

Ken Wlaschin and Eddie Cockrell aim for diversity in their selections, which makes choosing them somewhat difficult. "You can't compare musicals with docu-



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mentaries with fiction. We want a film that is good of its kind. Sixteen millimeter or 35 doesn't matter. We're not looking for the glossiest, the most expensive film," Wlaschin notes. Thus the festival includes a film by Portuguese director Joaquim Pinto that was shot by four people in 16 days. "Uma Pedra No Bolso" ("Tall Stories") is a bittersweet tale of growing up, about a young boy sent to his aunt's deserted seaside resort to study. He finds a seductive friend in a local Lothario, but is eventually disillusioned. This is Pinto's first feature, after a long career as a sound technician.

The festival also includes the work of veteran directors, such as Luigi Comencini, whose sunny tale "Un Ragazzo di Calabria" ("The Boy from Calabria") represents Italy. It is a bright little fable for dreamers, in which a poor boy named Mimi yearns to be a foot racer. His hard-pressed father tries to force him into more practical pursuits, but Mimi has an accomplice in his dream, a blustery, lame bus driver played in a low key by that Italian powerhouse, Gian Maria Volonté.

"We try and find things that are indicative of the high caliber of craftsmen working in any given country," says Eddie Cockrell. "We prefer when possible to bring in films that reflect life in that country." He cites as an example the Irish selection, "Reefer and the Model," directed by Joe Comerford. In this caper, an IRA deserter tries to go straight but falls back on a tried and true (but not fool-proof) method for rounding up the cash he needs for his business. "It is one of the more evocative pictures about the Irish countryside I've ever seen," Cockrell says. "He's got a real eye and a real feel for the working-class Irish. This is exactly the kind of film we're looking for, a drama set against the beauty of the individual country."

"On the other hand we've got a Belgian picture called 'Bird Now,' which is entirely in English. All of it was shot in New

York City. How does this reflect Belgian filmmaking? Belgium has a really strong tradition of outstanding documentary work." A reminiscence of jazz great Charlie Parker through the words of his friends, "Bird Now" reflects Europe's continuing fascination with American jazz and is a film that will undoubtedly appeal to American audiences too, a prime criterion in selecting films for the festival.

Wlaschin and Cockrell attend festivals throughout the world searching for films. Several of this year's offerings were prize-winners overseas. "Ta Pedia Tis Chelidonas" ("The Children of the Swallow"), the first fiction film by Greek documentarist Costa Vretacos, is the story of a documentary film crew who trace a family scattered by the upheavals of war and dictatorship. The film won several awards at the Thessaloniki festival, and was, Ken Wlaschin says, the film that was recommended wherever he asked about the best new Greek film.

Another prize-winner comes from the Netherlands. "Havinck" is the story of a suicide and its aftermath for the husband and daughter who survive the dead woman. Franz Weisz's film took best picture at Dutch Film Days.

The E.C. festival depends as much as the Common Market does on cooperation. The Embassies of the E.C. countries provide invaluable assistance, contributing communications, coordinating the shipping of prints, helping the programmers see some of the prospective selections and working to arrange the visits of the directors and performers who attend every year. The result has proved to be one of the more popular events at the American Film Institute, offering American filmgoers a chance to see Europe through the eyes of its filmmakers and providing proof once again that the language of film knows no national barriers.

Pat Dowell writes on film and video from Washington D.C.

NEWS OF THE E.C.

BUSINESS & ECONOMICS

E.C. SETS OUT CONDITIONS FOR APPROVING AIRLINE AGREEMENTS

The European Community, continuing its drive to dismantle Europe's airline cartels, set out conditions on April 22 for approving agreements between carriers on fares, reservation systems and other matters. The regulations are intended to end discrimination by airlines against rivals by applying E.C. competition rules to air transport as foreseen under a landmark agreement reached by

nation of capacity among airlines, revenue sharing, consultation on tariffs and allocations of landing and take-off slots at airports. The Commission said it would authorize these only if they helped ensure regular and reliable air service during less busy periods, safe use of airport capacity and airspace, and open procedures for consultations on tariffs.

The agreements would have to give individual airlines as much freedom as possible and discrimination that could affect competitors would be prohibited, the Commission said. On inter-airline agreements to share new computer reservation and ticketing systems, it said that any bias between carriers listed in the system would have to be eliminated.

The Commission also said it would approve accords on the provision of ground handling services at airports as long as these did not discriminate against certain carriers and there continued to be a choice of companies offering such services. —Reuters



The E.C. Commission will be watching airline pricing and reservations practices to ensure fair competition.

E.C. transport ministers last December.

A spokesman for the E.C. Commission said existing accords between airlines in a range of areas would have to be renegotiated and that E.C. officials would oversee discussions among carriers. "The Commission will be an observer to make sure companies are not tempted by practices which are too restrictive," he said.

One series of agreements concerns planning and coordi-

TELECOM MARKETS TO BE OPENED, E.C. SAYS

The European Community said on April 28 that it would proceed with plans to open up the fast-growing E.C. market for telecommunications equipment to free cross-border competition, despite legal objections from a majority of member states. The controversial deci-

sion by the Commission could lead to a legal battle before the European Court of Justice, diplomats said.

Peter Sutherland, the E.C. Commissioner responsible for competition policy, told a meeting of the E.C.'s Telecommunications Ministers in Berlin that the Commission had already approved a directive to break the monopoly held by national authorities over the supply of terminal equipment such as telephones, telexes and facsimile machines. The E.C. market in such equipment was worth some 9.5 billion ECU (about \$11.4 billion) last year, and the Commission estimates it will grow at an average 6.4 percent annually between now and 1991.

The German Minister, Christian Schwarz-Schilling, told reporters many E.C. governments objected to the directive on legal grounds—although they backed its aims—because it gave the final say on details to Brussels and not to member states, as is usually the case. "There was a majority against the Commission's approach," he said, adding that France had also raised considerable objections to the measure because it did not include provisions for keeping out terminal equipment from non-E.C. countries that had not received so-called "type approval" for connection to E.C. telecommunications networks.

Some diplomats said they believed Paris may decide to take the Commission to the European Court of Justice over the directive, although they made clear that it had made no such threat at the talks. "They weren't happy at all," one said of the French position. But some diplomats said they believed the imports issue was problem of interpretation and could be solved.

The diplomats said Paris was keen to stop what it feared would be an invasion of cheap, non-approved imports from Southeast Asia that would damage the E.C.'s own industry and could harm the communications network if connected illegally by owners.

One diplomat said there was deep resentment among some at the meeting over Sutherland's decision to employ a little-used article of the E.C.'s founding treaty allowing the Commission to act against monopolies without seeking prior approval from national ministers. Governments that challenge Sutherland's approach argue that the directive introduces such sweeping changes that under E.C. law it requires the formal consent of governments first. Only Dutch Minister Neelie Smit-Kroes openly supported the Commission's stance, the diplomats said.

Sutherland, however, rebuffed the complaints. "The Commission is quite satisfied over its prerogative on this matter. I believe the approach that has been adopted is the right one," he said.

The directive is the first concrete measure in a far-reaching Commission program for opening up Europe's highly regulated telecommunications services and equipment sector to free cross-border competition by the end of 1992. The measure obliges governments to start introducing legislation to end the monopoly exercised by national telecommunications authorities over the supply of equipment to end-users in three phases between mid-1989 and the end of 1990. —Reuters

INVESTMENT FALLS IN E.C. IRON AND STEEL INDUSTRIES

Capital expenditure in the European Community iron and steel industries fell by 16.4 percent in 1986 compared with the previous year, according to a study issued in late April by the E.C. Commission. Officials said that the decline had reduced steel output in line with the Community's frequent demands for a restructuring of its steel industry. The survey cited the latest figures available.

The officials said further cuts in excess steel capacity were needed to release more cash for

investment in technology and research. The survey, carried out in 1987, said capital expenditure in the industry in 10 member states (excluding Spain and Portugal, which joined the E.C. in 1986) was around \$4.3 billion. Overall steel production in 1986 fell by 6.2 percent from 1985 to 113.3 million tons, and hot rolled production dropped 2.6 percent to 92.7 million tons.

Production capacity for hot rolled products declined to 140.3 million tons, 32.3 million tons less than in 1980 when the Community introduced a protective steel production quota system, still in effect for about half of its steel products.

In the E.C.'s coal-mining industry, capital expenditure in 1986 was about \$1.7 billion, 8 percent higher than in 1985, the Commission said, and output was up 5.5 percent to 208 million tons. Production costs had benefited from improved productivity, but these benefits had in general been offset by the fall in prices and volume of sales, it added.—*Reuters*

COURT RULES AGAINST DUTCH AD LIMITS

The European Court of Justice ruled on April 26 against Dutch restrictions on television advertising by foreign broadcasters, in the latest stage of a gradual erosion of national control over television.

The Netherlands have banned advertising specifically aimed at the Dutch public on foreign television broadcasts. The ban hit cable television networks such as Skychannel and Superchannel, which aim to broadcast to a pan-European audience and which depend on advertising revenue.

The Luxembourg-based Court, however, ruled that European Community policy on the free movement of goods and services prevented the Netherlands from imposing such a strict ban. But the judgment added that, in the absence of a Europe-wide policy on television, E.C. member states still have a right to impose certain limited restrictions on broadcasting. In the Dutch case, it said, the restrictions were too strict.

The case highlighted the increasing problems faced by national governments, which have traditionally controlled domestic broadcasting but which find it more and more difficult to keep out or control television networks from outside the country by satellite and cable. Both the 21-nation Council of Europe and the 12-nation E.C. are trying to draw up a common policy on pan-European broadcasting, but so far have failed to reach an agreement.—*Reuters*

ENVIRONMENT

E.C. CALLS FOR "GREEN EDUCATION"

The European Community Commission proposed in late April moves to make "environment studies" part of the education of every child in Europe. A spokesman for the Commission said the idea was that children should learn about the environment at all levels of their schooling, from kindergarten to university. The program would cover issues like pollution, protection of the countryside and use of natural resources, but it would be up to individual states to choose its exact form.—*Reuters*

COURT BEGINS NUCLEAR PLANT HEARINGS

The European Court of Justice began hearings in late April in a long-running battle by ecologists and neighbor states to stop France from building one of the biggest nuclear plants in Europe. The French plant of Cattenom, on the border of Luxembourg and Germany, went on stream in 1986 despite strong protests from ecologists in the neighboring countries. When its four reactors are completed by 1990, it will be one of Europe's biggest nuclear plants.

In the case that opened on April 26—the second anniversary of the Chernobyl nuclear disaster in the Soviet Union—opponents of the plant argued that France had failed to follow the proper procedures in consulting its European Community partners before allowing

the plant to go on stream. The case is part of a complex legal battle being fought by German regional authorities, ecologist movements and Luxembourg to stop further development at the plant.

Already, a local French court has outlawed under French national law plans to add an additional two reactors to those already in operation. The Luxembourg-based Court will rule in a couple of months whether there was any breach of E.C. law.

Legal experts, however, said that since E.C. nuclear policy remained a largely untested area as far as E.C. law was concerned, it was impossible to predict how far the Court could go in stopping further development of the plant. They also said that France, with the biggest nuclear program in Europe, was expected to take the legal battle to its highest constitutional court to win approval for the Cattenom plant, if necessary.—*Reuters*

FOREIGN AFFAIRS

E.C. CONDEMNS SOUTH AFRICA, AVOIDS NEW SANCTIONS

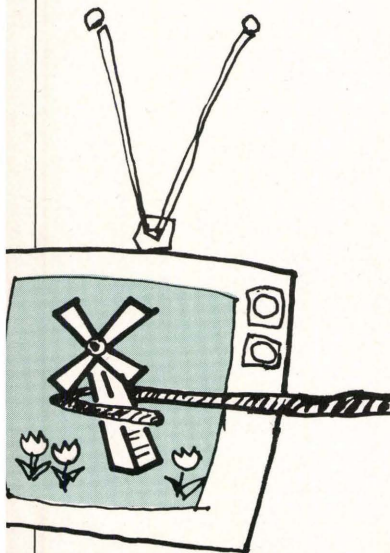
The European Community issued a harsh condemnation of South Africa on April 26 but failed to promise new economic sanctions to force an end to apartheid. "We do not want to give any false hopes or expectations," German Foreign Minister Hans-Dietrich Genscher told a news conference when asked about possible E.C. sanctions on South Africa.

Genscher was speaking following a meeting in Luxembourg between three E.C. Foreign Ministers and a delegation from the 66-nation African, Caribbean and Pacific (ACP) group. On behalf of the E.C., Genscher called for an end to apartheid, freedom for political prisoners in South Africa and an end to what he called Pretoria's policy

of destabilizing neighboring countries. "We have an abhorrence of the policy of apartheid. This is something which cannot be reformed but must be eliminated," said Genscher, whose country currently holds the presidency of the Community.

The ACP delegation had urged the E.C. to step up economic sanctions by introducing new measures such as an embargo on imports of South African coal, gold and uranium, and a ban on military and technological exports to South Africa, including nuclear technology.

ACP President Almoustapha Soumaila, Planning Minister for Niger, told the news conference that existing E.C. sanctions on South Africa needed to be enforced more strictly. Sanctions adopted in 1986 included a ban on some imports of iron and steel and gold coins from South Africa, and a voluntary ban on new E.C. investment there. E.C. members Britain and Portugal, however, have led opposition to stepping up economic pressure on Pretoria through new sanctions.



Genscher said the meeting (in which, he said, the Community and the ACP countries agreed on fundamental questions) would send an important political signal to Pretoria showing the increasing isolation of the South African government. He added that there would be a further meeting between the E.C. and the ACP, but stressed that such meetings were not the place to make decisions about sanctions. Such decisions would have to be made by all 12 member states.

Carefully avoiding questions about whether the ACP delegation was disappointed that the E.C. was not ready to introduce new sanctions, Soumaila called the meeting frank, direct and positive. The Community was represented at the talks by Germany, Greece and Denmark, and the ACP delegation was comprised of Niger, Jamaica, Burkina Faso, Zambia, Sudan, Mauritius, Burundi, Nigeria, Zaire, Angola, Belize, Papua New Guinea and Fiji. —Reuters

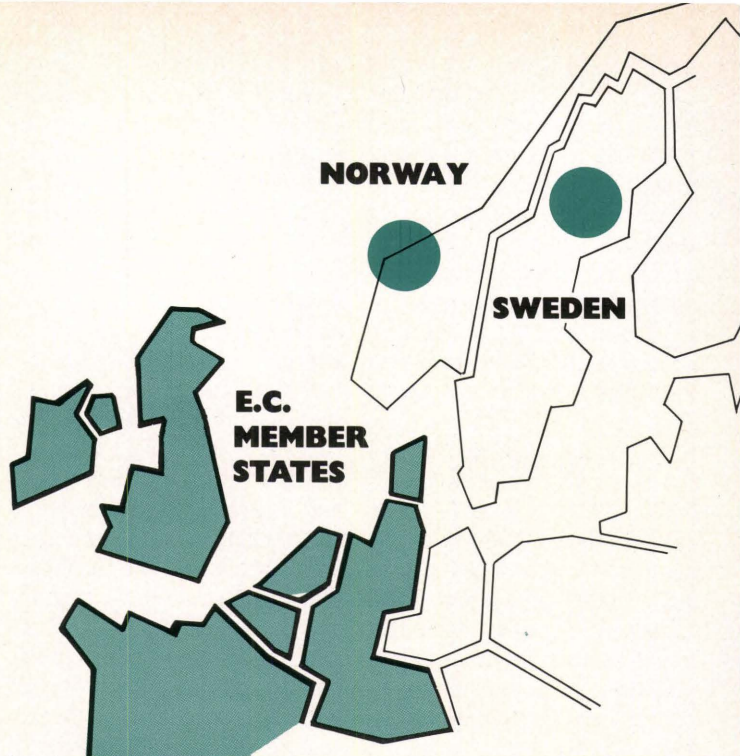
the E.C.'s internal market planned for 1992—in which goods, people, capital and services will be able to move freely across borders—might leave them out in the cold. But they are equally anxious to avoid a fresh debate on whether Norway should seek membership, with memories of the 1972 referendum still lingering.

"Membership might be a more natural issue for the 1990s," Foreign Minister Thorvald Stoltenberg said. "The debate on this will probably emerge as we adapt to the internal market. Either there will be a natural development, or we may never join," he told foreign journalists in an interview.

"The Norwegian people are not ready for that debate today, although we know Europe much better than in 1972. And I have neither the formal basis nor the political desire to start a debate on membership. This harmonious little country was the closest it has ever been to civil war... the referendum split families, friendships and political parties."

Since the referendum, when a slim majority came out against joining the Community, the subject has been labelled taboo by all the country's political parties, including the minority Labor government which Stoltenberg serves. The debate broke the mold of Norway's easy-going consensus politics, as the powerful fishing and farming lobbies fought to protect their subsidized livelihoods—the backbone of Norway's economy for centuries—against foreign competition. Ranged against them were most Conservative politicians and industry, representing the new affluence and international links brought by Norway's then-fledgling oil industry.

"My intention is to challenge people on adapting [to the internal market] and not to confuse that issue with membership," said Stoltenberg, who admits that he is personally in favor of Norway joining the Community. Norway is a member of the European Free Trade Association (EFTA), which also includes



Sweden, Switzerland, Austria, Finland and Iceland. EFTA countries are worried that they will be shut out in 1992, when the European economy is expected to speed up following the abolition of the remaining barriers to free trade.

"We will try to negotiate adjustments with the E.C. through EFTA, if that doesn't work then with other Nordic countries and if that doesn't work, then bilaterally," Stoltenberg said. Norway, Western Europe's biggest oil producer after Britain, is hoping to reach some form of agreement on energy, shipping and fishing. These areas make up most of its export earnings, with two-thirds of Norway's exports going to the European Community.

"In our efforts to adapt, we will have a wide discussion of our values," Stoltenberg said. "This will be much more serious and go much deeper than many people realize at this stage. Every Norwegian values full employment. We have to ask why we—and other countries in EFTA—enjoy almost full employment and the E.C. countries do not," he said. "I'm worried that industry has not been moving fast enough to adapt."

Asked about the E.C.'s attitude towards Norway, Stoltenberg said, "The Community has a very wise and dig-

nified attitude toward us. We feel welcome, but it's up to us. If you try and push a Norwegian, he'll go the other way." Stoltenberg also welcomed an initiative from E.C. Foreign Ministers, who called for a "special relationship" with Norway at a meeting in the Federal Republic of Germany earlier this year.

"It was an important political signal, although I do not know what it will mean in practical terms," Stoltenberg said. Pressed for his own vision of Norway's relations with the European Community, Stoltenberg smiled and said, "If I tell you my vision, I will destroy it. But my nightmare is that one day we may want to join—and that the E.C. will not want us." —Reuters

EXTERNAL TRADE

SWEDISH BUSINESS VOICES SUPPORT FOR E.C. ENTRY

Ninety-one percent of Sweden's leading businessmen want their country to join the European Community, according to a survey published in early May by the influential business daily *Dagens Industri*.



NORWAY WALKS TIGHTROPE IN E.C. RELATIONS

Norway is still walking a tightrope in its relations with the European Community more than 15 years after a bitter debate on membership struck at the heart of the country's traditions and way of life. Its four million people are worried that

The poll was answered by either the chairman, managing director or immediate assistant in a sample of 1,000 companies which have more than 200 employees, the newspaper said. It is the biggest survey ever taken on the subject among Sweden's business leaders, and provides more ammunition for the National Federation of Swedish Industries, which is campaigning for Swedish membership in the Community.

Sweden says its strict code of neutrality prevents it from joining the European Community, but both ruling Social Democrats and the center-right opposition coalition have called for Sweden's membership in the E.C. internal market, to be instituted in 1992, which will ensure a free movement of goods, services and employment.

The results of the poll differ from a general survey of the public last autumn, which showed 38 percent support for Swedish E.C. membership, while 25 percent thought the Community would be to Sweden's disadvantage, and 37 percent were hesitant.—Reuters

E.C. PLEDGES OPENNESS TO ASEAN

The European Community pledged in early May greater openness to South East Asian imports, as well as backing for regional efforts to end Vietnam's nine-year occupation of Kampuchea. "We want to extend and intensify our political dialogue. We want to make our economic cooperation still closer by increasing trade and investment," said German Foreign Minister Hans-Dietrich Genscher at a two-day meeting of the E.C. and the Association of South East Asian Nations (ASEAN).

Speaking for the six-member Asian bloc, Thai Foreign Minister Siddhi Savetsila urged the E.C. to keep backing ASEAN's call for an end to the occupation of Kampuchea. The E.C. should "continue to actively support the ASEAN position and deny Vietnam any assistance which

would in any way sustain the continued Vietnamese military occupation," he said. Vietnam has kept an estimated 100,000 troops in Kampuchea to battle a coalition of three guerrilla groups ever since it helped topple the Khmer Rouge regime in 1978.

Genscher, chairing the meeting, said: "We join together, the E.C. and ASEAN, to bring our combined weight to bear on the Kampuchean question," and another E.C. official added that the Community supported "regional initiatives that can end the war in Kampuchea." The E.C. as a group has not yet replied to a request by Vietnam last year to establish formal diplomatic relations.

Savetsila said ASEAN, which groups Thailand, Malaysia, Singapore, Brunei, Indonesia and the Philippines, wanted a neutral Kampuchea under U.N. Security Council guarantees. He urged the E.C. to back the peace efforts of Prince Norodom Sihanouk, head of the coalition opposing the Hanoi-backed Kampuchean government, saying Sihanouk was pivotal to any peaceful solution. Genscher made no direct reference to Sihanouk's role.

The Prince, who for 29 years ruled what was then Cambodia, held talks in Paris with the Vietnamese-backed government in January, but is now insisting on face-to-face meetings with the Hanoi leadership. Sihanouk was ousted in 1970 after the U.S. war against North Vietnam spilled over across the border into his country. The ensuing civil war led to the emergence in 1975 of the Khmer Rouge, who were responsible for hundreds of thousands of deaths in a campaign to create a new society.

Genscher also tried in his speech to allay ASEAN fears that E.C. plans to eradicate internal trade barriers by 1992 would amount to closing Europe's 320-million-people market. "An economically strong Europe will be more than ever obliged to keep its external frontiers open," he said.

The E.C. is ASEAN's third biggest trading partner after Japan

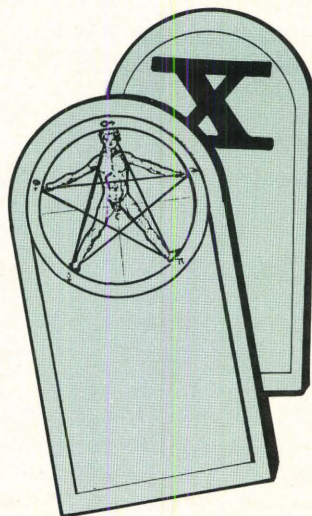
and the United States, and the six Asian countries have increased trade with the Community by 55 percent since 1980. Genscher told the seventh E.C.-ASEAN summit that the E.C. would boost investment in South East Asia, and welcomed a change in the nature of ASEAN exports, half of which are finished products after decades of reliance on raw materials.

Both E.C. and ASEAN officials stressed the need to cooperate in the current round of multilateral trade negotiations in the General Agreement on Tariffs and Trade (GATT) to ease world protectionism. E.C. Commissioner Claude Cheysson told the 18 Foreign Ministers that E.C.-ASEAN cooperation, begun in 1978, had been a model for the Community in forming similar links with Central America and the Gulf nations.—Reuters

SOCIAL ISSUES

COMMUNITY LAUNCHES ANTI-CANCER CAMPAIGN

European Community officials have begun a new campaign against cancer which, they believe could save 150,000 lives by the turn of the century. Smoking, over-eating, drinking and spending too much time in the sun are the main "thou shalt nots" of what the E.C. calls the plan's "Ten Commandments" to fight cancer.



The Community emphasized the list of recommendations during its anti-cancer week from May 1-8, which marked the beginning of a number of activities which will continue through 1989, which has been dubbed "The European Year of Information to Prevent Cancer." An estimated one in four of the E.C.'s 320 million citizens has cancer or will contract the disease during their lifetime. "These self-help measures are the key to cutting cancer deaths in the Community by 15 percent," said the E.C. Commissioner responsible for social affairs, Manuel Marin.

Posters, television programs and a cartoon character called "Euro-Jim" will be spreading the message through the 12 E.C. member states. Michel Richonnier, the official in charge of the campaign, said the Community was also trying to promote a healthier lifestyle through its Common Agricultural Policy. He acknowledged that tobacco was heavily subsidized through the CAP, but said: "We're trying to encourage production of less harmful tobacco and get farmers to switch to fruit, vegetables and cotton production instead."—Reuters

E.C. LAUNCHES PROGRAM FOR HANDICAPPED

The European Community announced the launching in late April of a program to help the more than 30 million handicapped people within its 12 countries. The Commission said in a statement that the 4-year program, called Helios, will cost 19 million ECU (about \$23.6 million), and will be aimed at helping the Community's handicapped to lead independent lives.

The program is designed to increase cooperation among Community member states, create a framework for new E.C. laws, ensure that the handicapped are consulted before projects concerning them are implemented, and publicize the contribution handicapped people make to society.

"ADVENTURE" TRAVEL

Continued from page 39.

tively easy. Good resources for adventure travel possibilities are the travel guide sections of magazines like *Outside* and *Backpacker*. If neither of these yields an ad that catches your imagination, contact Zapodel, Inc. at P.O. Box 1049, Del Mar, CA 92014, for a copy of their *Adventure Getaways* book that lists over 2,000 scheduled trips "from Alaska to Zanzibar." The 325-page book takes a category of trip—say, "cultural expeditions"—and breaks the relevant information down into month/trip duration, a geographical listing of places visited by which companies and then more expensive trip profiles. *Adventure Getaways* is \$19.95 and may be ordered by calling (619) 481-7337.

Apart from this method of choosing your trip, there are some recognized leaders in European travel adventure you will want to contact. Among them are: Mountain Travel (139 Solano Ave, Berkeley, CA 94706, (800) 227-2384); Butterfield and Robinson (70 Bond Street, Toronto, Ontario, Canada M5B 1X3 (800) 387-1147); Wilderness Travel (801 Allston Way, Berkeley CA 94710, (800) 247-6700); REI Adventures (P.O. Box

8090, Berkeley, CA 94707, (800) 622-2236); FITS Equestrian (2011 Alamo Pintado Rd, Solvang, CA (805) 688-9494). Mountain Travel is especially recommended for those in search of more rigorous mountaineering trips.

There are countless other adventure travel companies, some so small they can't afford splashy ads in magazines. It was a reading about a small tour company in a Scottish heritage paper that urged the Mackinnons to select Transcotland Holiday Expeditions (216 Newhaven Road, Edinburgh EH6 4QE Scotland, 031-552 8360). As they found, the biggest tour operators are not necessarily the best, and often that personal touch that makes a trip so special is best found with smaller operators.

Details about physical conditioning are taken care of by larger tour operators with a questionnaire that is filled out well in advance of the trip. If the tour operator's medical advisors foresee any problems a person might have on the trip, they will disqualify them from the trip immediately. On the other hand, anyone in good health should have no problem with any of the adventure travel trip offerings. Of course, it is considered a good idea to start a regimen of exercise before embarking and to be prepared for

more rigorous days than those at the office.

When it comes to special equipment and clothing, every adventure trip operator sends along a recommended list of what to bring. Many will even include a list of good sources for gear you might need. The source list will generally list shops within the United States and more often now will list stores in the country of destination.

And the unexpected? There will always be unknowns when you make an adventure travel trip. Suffice it to say that most adventure travel companies try to cover every contingency, but there are those cases of travelers meeting leprechauns along an Irish road, or sleeping in a haunted chateau in Burgundy that cannot be accounted for.

Not every adventure traveler has such an out-of-this-world experience. Most find themselves getting into the rhythm of the country they are traveling through, and find themselves discovering more than they ever did while traveling in the "classic" manner. Each day is lived to its fullest with the realization at day's end that it is wonderful to have been part of an adventure rather than viewing it from afar on a television screen or through the window of a tour bus. €

CANADA

Continued from page 15.

while Europeans might find something that they want to clarify, Canada is "confident" that nothing objectionable will be found.

Even the Canadians admit, however, that in addition to trade creation, some trade diversion is a possibility, with tariffs falling between the United States and Canada, yet remaining—because they are individually and independently set by either Canada or the United States—to the outside. The impact on European exporters suddenly being faced with more price-competitive products of their now tariff-unencumbered North American rivals should still be minor, says Sunder Magun, Project Director of the Trade Study Group at the Economic Council of Canada, an economic think tank that approves of the FTA. Already almost 80 percent of trade between Canada and the United States is without duty. In the remaining 20 percent there "might be some shifts in specific commodities, but on the whole they should not be very large." After all, proponents of the agreement do not tire in stressing that no new barriers toward the outside, that is, no

"Fortress America," are being created.

In contrast, Canadians maintain, they had to undergo a much more painful experience of trade diversion when the United Kingdom, Canada's major European trading partner, joined the E.C. and preferential tariffs were lost. Compensation, as the E.C. might ask from the North American free trade partners, did not make up for this loss. One industry in which the competitive stance might be eroded, according to observers, could be the rather successful European electronics industry in Canada. It is one commodity where they are helped by still existing tariffs between Canada and the United States.

Deputy Minister Roy realizes that other trading partners are concerned but maintains that forecasts are impossible to make: "Only experience will show." He predicts, however, that European firms will have to become more efficient and thus also more competitive on the North American market because of Europe's magic date of 1992, when it completes its internal market. "While we have to rationalize [to compete with the United States in a free-trade environment], the European companies will too because of 1992," Roy says. "How the two processes will merge is too early to say."

On the question of direct investment in Canada, most experts see improved opportunities for Europeans under the FTA. Investment in Canada will gain enormously in attractiveness if European companies are assured free access to the huge U.S. market. However, forces other than free trade paragraphs—namely exchange rates, interest rates, the cost of labor—will determine if European investors will indeed opt for the Canadian location. After all, European investors might choose instead the United States with an added Canadian market as a welcome, but not all that important, appendix.

Deputy Minister Roy expresses confidence that Canada will not be the loser. "Labor, energy costs and so on are factors where we can offer quite a lot." Other less tangible factors "that the United States does not have, give Canada another advantage, especially for European companies whose investment includes the transfer of many people," Roy maintains. "Canada is closer to the European way of life, the cities are cleaner, there is less violence." This, with the availability of a qualified workforce, makes for a "little booklet that puts Canada in a good light." €

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.

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

This publication details a report about a workshop on "Agricultural Management and Environmental Objectives," which was held from 14 to 17 July 1987 at Bristol. 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 session.

European Interests and Gulf Oil. By Valerie Yorke and Louis Turner. Vermont, 1986. 125 pp.

This study assesses the differences in dependence of Western Europe and the United States on Gulf oil and their diverging approaches to the variety of political and economic problems the Gulf states face. It further presents the elements of a New European Policy towards the Gulf, suggesting the necessity for Europe, which is relatively more important economic ties based on trade and investment, to avoid a stop-and-go policy approach to the regions and to develop a coherent strategy in line with its interests.

United States and Common Market Antitrust Policies. Edited by Barry E. Hawk. New York, 1987. 682 pp.

This volume contains articles based upon lectures delivered in condensed form, followed by panel discussions, during the Thirteenth Annual Fordham Corporate Law Institute on United States and Common Market Antitrust Policies in New York City on 16-17 October 1986.

International Business Travel and Relocation Directory. 5th Edition. Prepared by the editors of Knowledge Industry Publications, Inc. Detroit, 1987. 1,022 pp. \$385.00.

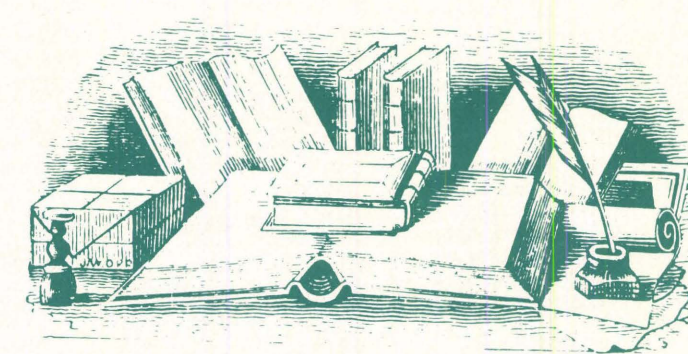
Focusing on the detailed travel information needs of persons assigned to international business or relocated to a foreign country, this directory provides details on local customs, arrival procedures, money matters, health services, sources of additional information, and much more for each country covered.

Developments in the Trading System, April 1987—September 1987. Prepared by the GATT Secretariat. Geneva 1987. 128 pp. SF 25.

This survey summarizes significant developments in the six months under review which have come to the attention of the secretariat. It focuses in particular on developments which are relevant to the work of the GATT. The survey begins with an overview of main developments. It goes on to bring together information relating to a number of product sectors and to regional groupings. The next sections deal with commercial policy changes introduced by governments and with trade policy measures under consideration. The last sections of the survey deal with developments in other related areas, including exchange rates.

Efficiency, Stability, and Equity: A Strategy for the Evolution of the Economic System of the European Community. By Tommaso Padoa-Schioppa. Oxford, 1987. 187 pp. \$39.95 cloth, \$15.95 paper.

This book is the report of an independent group of distinguished economists and political scientists who reflect on how the economic system of the Community needed to evolve in the light of the enlargement to include Spain and Portugal. Also discussed are the objectives of completing the internal market by 1992, and the signing of the Single European Act. The book concludes that there are important linkages extending from these recent decisions into needs for the development of the European Monetary System



and the reform of the Community budget.

International Countertrade. Edited by Christopher M. Korth. New York, 1987. 191 pp. \$35.00.

This work, the product of an international conference held in the spring of 1985, focuses upon the managerial aspects of international corporate countertrade. It begins with an overview of countertrade and of various countertrade practices in different regions and industries. The heart of the book focuses upon such technical aspects of countertrade as financing, law, operations and strategy, and proposes the development of a marketable security for countertrade credits. Also considered are the facilitators of countertrade—countertrade traders, switch traders, and merchants, and accounting and tax aspects of countertrade. The volume concludes with various official views from the United States Congress, the U.S. Department of Commerce, the World Bank, and the office of the GATT.

Trade Policy, Protectionism and the Third World. By Michael Davenport. Croom Helm, New Hampshire, 1986. 152 pp.

High levels of protectionism among the Western industrialized countries has been the response to a decade of persistent economic crisis, sluggish growth, industrial decline and rising unemploy-

ment. As the two major actors, the European Community and the United States, between them bear the major responsibility for the breakdown of the liberal world trading system. This study examines the impact of the E.C.'s generalized system of preferences on trade with the Third World. It considers the GSP from the standpoint of the beneficiary countries, the Community itself, and also the countries outside the scheme. Particular attention is accorded to the ASEAN countries—Thailand, Indonesia, Malaysia, Singapore and the Philippines.

Europe and the Global Crisis: A first exploration of Europe's potential contribution to world order. By Christopher Layton. London 1986. 70 pp.

This essay investigates how the European Community can make a contribution to the aim of a more peaceful and prosperous world. Europe has usually been respondent to the initiatives of others, not the prime initiator. One thesis of this report is that this must change. The

report, then, hopes to stimulate wider discussions and action.

Food Strategies for Tomorrow. By Susan George. The Hunger Project Papers, No. 6. San Francisco 1987. 25 pp.

This paper discusses the opportunity Europe now has to establish a different and original relationship with the Third World. The strategies hereby applied must go beyond food aid and even beyond increasing food production to address the crucial issue of ensuring opportunities in Third World countries that will provide an adequate and secure level of living.

ECU-European Currency Unit. Edited by Richard M. Levich. London 1987. 172 pp.

This book is a comprehensive and practical guide to the ECU. It first gives an overview of the development of the ECU and the EMS since their creation, and then focuses on more practical aspects such as the markets for ECU instruments, the corporate and financial applications of the ECU in investment, invoicing, and accounting, and the future prospects for the ECU. Finally, the book gives descriptions of the major European banks which are strongly involved in ECU activities.

Privatization and Public Enterprises. By Richard Hemming and A.M. Mansoor. Occasional Paper No. 56. International Monetary Fund. Washington, D.C. 1988. 22 pp. \$7.50.

This paper examines the role that privatization can play within a wider strategy designed to overcome the problems associated with public enterprises. The paper, for the most part, skirts the detail of privatization initiatives in various countries and tries to address some general issues that arise in evaluating the potential role of privatization. Section II briefly reviews the arguments used to support public production and nationalization, discusses the performance of public enterprises, and identifies the problems to which privatization can be seen as a direct response. Section III outlines arguments used in support of privatization. Section IV and V examine, in analytical terms, the likely impact of privatization. Section VI, finally, discusses the implications for adjustment policies arising from the principal conclusions of this paper.

International Capital Markets: Developments and Prospects. By Maxwell Watson, et al. World Economic and Financial Survey, January 1988. International Monetary Fund. Washington, D.C., 1988. 107 pp. \$15.00.

This study provides an assessment of trends in the international capital markets, including most notably recent market shocks to the financial system and developments in the debt situation. It also reviews the scope of progress achieved over the last few years in strengthening the financial system. The study focuses on the trends in industrial country markets, including liberalization measures, innovations and structural changes, and relevant changes in supervision. It review key factors influencing the debt situation, including provisioning by commercial banks and innovative financial modalities.

Officially Supported Export Credits: Developments and Prospects. By K. Burke Dillon and Luis Duran-Downing. World Economic and Financial Surveys, February 1988. International Monetary Fund, Washington, D.C., 1988. 47 pp. \$10.00.

This study is based on discussions of IMF staff with export credit agencies and government authorities of the ten major industrial countries plus Spain during April and May 1987. Section I provides an overview of the role of export credits in the debt situation. Section II describes the general stance of export credit and cover policies. Section III discusses trends in export credit and covers commitments, developments in the financial situation of agencies, and prospects for export credit flows. Section IV assesses the impact of export credit flows on the development process, and in Section V the staff sets forth certain concluding observations in view of the findings of the study.

Trade Policy, Protectionism and the Third World. By Michael Davenport. London 1986. 152 pp.

This study examines the impact of the European Community's Generalized System of Preferences on trade with the Third World. It considers the GSP from the standpoint of the beneficiary countries, the Community itself and also the countries outside the scheme. Particular attention is accorded the ASEAN countries—Thailand, Indonesia, Malaysia, Singapore and the Philippines.

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**

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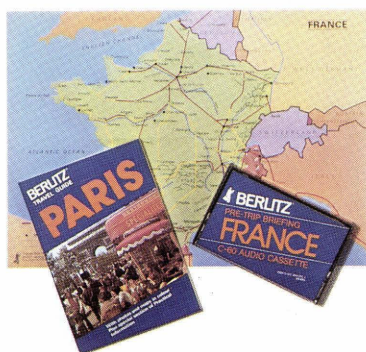
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