HUNGARY'S ROLE IN EAST-WEST RELATIONS

EUROPE

JANUARY/FEBRUARY 1989 $1.95

DELORS: LEADING THE E.C. TOWARD 1992

Your report hasn't reached Tokyo. They're waiting. And you're looking bad. You can't run an efficient business flying around the world playing messenger.

It's a big problem. But it's not without a solution. Fax your report to Tokyo.

Faxed over the AT&T Worldwide Intelligent Network, an exact copy of your report will arrive almost immediately. Allowing you to exchange information faster and more effectively than ever before.

To find out how Fax can help you manage the way you do business, call AT&T at 1 800 222-0400, Ext. 356.

Fax. When you think about it, is there any other way to do business?

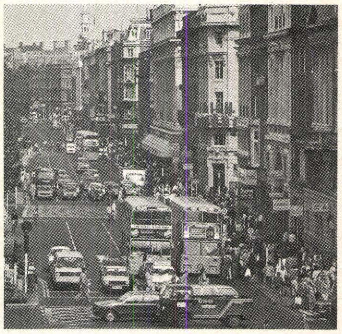
From equipment to networking, from computers to communications, AT&T is the right choice.

AT&T
The right choice.

A7C a67

EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY



COVER: E.C. Commission President Jacques Delors (page 32). © J. Guichard/Sygma

Publisher Giancarlo Chevallard
Editor-in-Chief Webster Martin
Managing Editor Anke Middelmann
Editorial Ass't Giselle Fox-Little
Editorial Ass't Mary Louise Mulderrig

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; $8.00 per year additional for non-U.S. subscription. **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

Nineteen-eighty-nine promises to be a year of major international political change. The United States will be inaugurating its 41st President, George Bush, thus ending the "Reagan years" and beginning a new political era. In Europe, the E.C.'s executive Commission will be led by a new team of men and women who, like their predecessors, will continue in the monumental task of striving toward the goal of a barrier-free and thus more united Europe.

The Commission will still be headed by Delors who, during his first term as President, succeeded in relaunching the Community's integration process after years of stagnation and Eurosclerosis. While some of his colleagues from the previous Commission will stay on in Brussels, the newcomers and switches in portfolios will bring new attitudes and energy to the work of this body.

Both of the world's major trading blocs—and partners—will thus be starting the New Year with a new group of people at their helms. The tasks ahead for both Administrations will not be easy in an international trading environment that is growing increasingly interdependent and more closely knit each day. U.S.-European relations seem to be very healthy in the business area, especially in retailing, where the trend toward the establishment of "megafirms" on both sides of the Atlantic seems to be booming. Ron Beyma writes that this is partly due to the fact that U.S. and European consumer tastes have become more alike and sophisticated, allowing for stores to spread outside of their own countries.

Doing business with the Eastern bloc may also become more attractive in the future, as Axel Krause of the *International Herald Tribune* points out in his article on changes in Hungary. That country recently signed a trade and cooperation agreement with the E.C. that will facilitate trade of many Hungarian products.

Author Philippe Guichardaz writes on the E.C.'s program on high-definition television, which is fast becoming a focal point of Europe's audio-visual industry. In fact, Jacques Delors stressed the importance of its further development and the world-wide acceptance of a European standard for this third-generation television at the European Council of Heads of State and Government in Rhodes, Greece, in December. He said that its success was a European cultural *and* economic necessity if, 15 years from now, Europe did not want all television sets to be Japanese and all programming American.

The E.C. has also been forging ahead on a more social front. Our Dossier this month looks at the importance of promoting the European dimension in education—from primary school to university and even professional training.

Our member state report features Ireland, where, says Dermot McAleese of Trinity College, an "economic miracle" may be in the making. Work on transforming Dublin's Custom House into a financial center is progressing and government agencies are looking at ways to make Ireland a high-tech center for Europe.

Giancarlo Chevallard

New Issue
November 10, 1988

This advertisement appears as a matter of record only.

EUROPEAN INVESTMENT BANK
Luxembourg

DM 700,000,000
5⅞% Bearer Bonds of 1988/1998 II

Offering Price:	100¼%
Interest:	5⅞% p.a., payable annually on November 10
Maturity:	November 10, 1998
Listing:	Frankfurt am Main, Berlin, Düsseldorf, Hamburg and München

Deutsche Bank
Aktiengesellschaft

Dresdner Bank
Aktiengesellschaft

Commerzbank
Aktiengesellschaft

Westdeutsche Landesbank Girozentrale

Arab Banking Corporation – Daus & Co. GmbH

Baden-Württembergische Bank
Aktiengesellschaft

Badische Kommunale Landesbank – Girozentrale –

Bank für Gemeinwirtschaft
Aktiengesellschaft

Bankers Trust GmbH

Bayerische Hypotheken- und Wechsel-Bank
Aktiengesellschaft

Bayerische Landesbank Girozentrale

Bayerische Vereinsbank
Aktiengesellschaft

Joh. Berenberg, Gossler & Co.

Berliner Bank
Aktiengesellschaft

Berliner Handels- und Frankfurter Bank

Bankhaus Gebrüder Bethmann

Citibank
Aktiengesellschaft

CSFB-Effectenbank

Delbrück & Co.

Deutsche Girozentrale – Deutsche Kommunalbank –

DG BANK
Deutsche Genossenschaftsbank

DSL Bank
Deutsche Siedlungs- und Landesrentenbank

Hamburgische Landesbank – Girozentrale –

Georg Hauck & Sohn Bankiers
Kommanditgesellschaft auf Aktien

Hessische Landesbank – Girozentrale –

Industriebank von Japan (Deutschland)
Aktiengesellschaft

Bankhaus Hermann Lampe
Kommanditgesellschaft

Landesbank Rheinland-Pfalz – Girozentrale –

Landesbank Saar Girozentrale

Marcard, Stein & Co.

Merck, Finck & Co.

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

J. P. Morgan GmbH

Nomura Europe GmbH

Norddeutsche Landesbank Girozentrale

Sal. Oppenheim jr. & Cie.

Schweizerische Bankgesellschaft (Deutschland) AG

Schweizerischer Bankverein (Deutschland) AG

Simonbank
Aktiengesellschaft

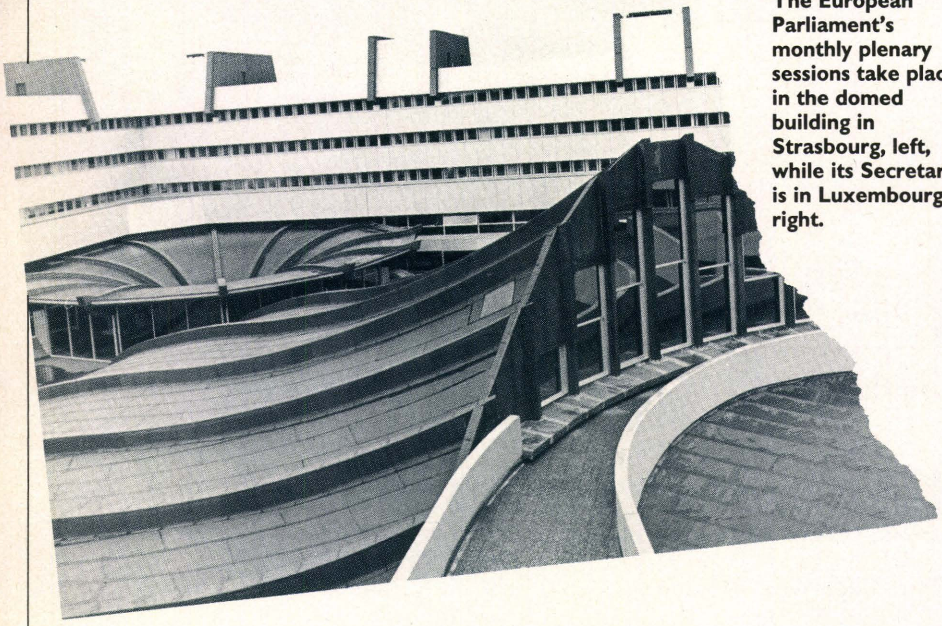
Trinkaus & Burkhardt KGaA

Vereins- und Westbank
Aktiengesellschaft

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

Westfalenbank
Aktiengesellschaft

AROUND THE CAPITALS



The European Parliament's monthly plenary sessions take place in the domed building in Strasbourg, left, while its Secretariat is in Luxembourg, right.

LUXEMBOURG

Parliamentary Move

A new bid to move the headquarters of the European Parliament to Brussels has sent a chill through the Luxembourg Government, Members of the European Parliament (MEP) of all parties and the 5,000 or so E.C. officials who live and work in the Grand Duchy. While threats of this sort are not at all uncommon, there is some reason to believe that this time the pro-Brussels forces will not be so easily thwarted.

For the first time since the directly elected Parliament was created in 1979, the issue of the seat was raised at an E.C. summit meeting—the European Council in Rhodes in December—when Lord Plumb, the Parliament's President, told the 12 Heads of State and Government that his institution "cannot continue to function efficiently" while its operations were scattered across three cities. At the same time, the Parliament's political affairs committee adopted a report calling for a single site and strongly indicating this should be Brussels.

To the disinterested observer, the present situation makes little sense. While monthly sittings of the 534-member Parliament are held in Strasbourg, most committee meetings take place in Brussels and the secretariat of officials who run the Parliament operate in Luxembourg. The cost of moving members, staff, documents and office equipment between the three cities is put at more than $45 million a year. Luxembourg lies roughly halfway between Brussels and Strasbourg, which are about 400 miles apart.

But idiotic or not, the situation has persisted in one way or another for the 31 years of the Community's existence. It stems directly from the failure of the founding treaties of the Community to specify a single seat for the Parliament, leaving the matter to be dealt with through an inter-governmental agreement that provides for any change to be unanimously agreed by the member countries. In short, Luxembourg and France each have the power to block a switch of seat.

Luxembourg is not slow, nevertheless, to raise the matter in the European Court of Justice whenever the MEPs become troublesome on the issue. As a result of such cases, it has emerged that legally the E.C. member Governments are in breach of a treaty article that calls on them to agree on a permanent single seat and thus the MEPs themselves have the right to fix a "provisional working-place." Some eight years ago—wooed, it must be said, partly by the considerable generosity of the French city's authorities—they opted for Strasbourg, which until then had alternated with Luxembourg to play host to the Parliament. A more recent vote gave the go-ahead for the leasing of a headquarters building in Brussels on which construction is now well advanced.

The threat to Luxembourg lies not just in its legal title to be a host to the monthly plenary sittings of the Parliament but also to its hosting of the Parliament's Secretariat and—further in the distance, but still looming—to the several big E.C. Commission offices located in the Grand Duchy. Luxembourg also has the right—and it is scrupulously observed—to hold all meetings of the E.C. Council of Ministers for three months of the year. It is also the seat of the European Court of Justice and the European Investment Bank. Some argue that when and if the Parliament itself is moved to Brussels, all other E.C. institutions should follow it there.

If a centralization of E.C. institutional activity in Brussels does occur, Luxembourg will have to be paid off somehow for yielding up its veto right. One scheme is for the present E.C. facilities in Luxembourg and Strasbourg to be turned into E.C.-financed "management schools." More logically, and certainly more agreeably so far as the Grand Duchy is concerned, would be for the financial and monetary institutions to be concentrated in Luxembourg including, should it ever materialize, a European central bank.—ALAN OSBORN

LONDON

The "Upper" Classes

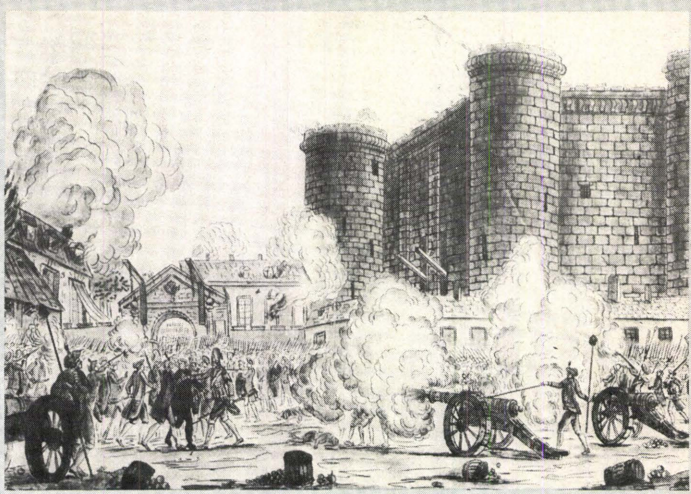
It has always been known that the upper-class British are privileged in economic and social status, that they attend the best schools and that they are fairly certain to go to the universities of Oxford or Cambridge before setting off on careers in the professions of finance or politics. A recent study shows that their privilege does not stop there—it appears that they are also taller than their less fortunate fellow countrymen. Scientists have discovered that while the average height of British men has been increasing throughout the century, social class is still the most important factor in determining how tall they will grow.

Despite 20th-century taxation, the growth of the middle class and the attempts by the Labor Governments after World War II to bring about a redistribution of wealth, the general picture is that the rich have not only been getting richer, but they have been getting taller, too. This would appear to give a new meaning to the term "high society."

The undernourishment that stunted the physical growth in the last century and the early part of the 20th century had been thought to be a thing of the past. Researchers found that at the end of World War II, there was only a quarter of an inch difference in the height of manual and non-manual workers. In 1984, a study carried out in Britain by Dr. Donald Acheson, the Government's chief medical officer, stated that "much of the difference in stature between social groups

PARIS

A Big Year



COURTESY FRENCH EMBASSY PRESS AND INFORMATION DIVISION

During its bicentennial celebrations in 1989, France will be host to many international conferences and meetings.

During its bicentennial year, France will be celebrating the birth of the republic in hundreds of ways. But French leaders will also spend much of the year in the international forum, as France plays host for a year-long series of summits and international conferences.

The leaders of the seven biggest industrialized countries will hold their annual talks in Paris in July. The European Council of Heads of State and Government will meet in Paris in late fall. There will be conferences on arms and human rights. And France may manage one or two more bicentennial year world events.

French officials call it a happy coincidence rather than any preconceived plan that France should be an international center during its bicentennial year. President François Mitterrand is likely to use each occasion to draw parallels with the themes of the French Revolution in 1789, even though the timing and the discussions at the world meetings here were determined outside France.

The biggest media event is likely to be the annual Western economic summit. The principal purpose of the talks is to review the world economic situation— the single topic that France believes should be on the agenda. Other issues—from terrorism to drug control—have become part of the summit. Mitterrand is certain to reiterate the appeal he has made repeatedly in this forum for assistance to developing countries. Since the talks coincide with the July 14 French national day, leaders will juggle work sessions with ceremonies celebrating the 200th anniversary of the French Revolution.

Of the string of international events next year, France considers it can have the most impact at the summit of European leaders, to be held in late fall. It will host those talks as president of the E.C. Council of Ministers for the last half of 1988. This comes at a pivotal moment in preparing for 1992 when Europe will complete its single-market plan.

France will use the summit to engineer the adoption of standards to ensure uniform treatment of workers throughout the Community. France and some others are concerned that when barriers to the free movement of goods are removed, there could be a shift toward production in E.C. countries where labor law is least stringent. France has set a deadline of the end of its presidency to establish basic rights of labor and create a structure that would promote employee participation in the managing of companies.

The European summit may also create the so-called audiovisual Eureka program, conceived by Mitterrand to establish a single European standard for high-definition television as well as to facilitate transmission of multilingual programming between European countries. Senior officials say the European summit will be the most important meeting in a year of many international meetings.

January is the first rendezvous for the year of international gatherings, with a conference on chemical weapons. The four-day conference is designed to give impetus to talks in Geneva on ending manufacture and stocking of chemical arms. The world outrage over the use of chemical weapons in the Iran-Iraq war sparked the idea for the conference.

Later in the spring, France hosts an conference on human rights as part of ongoing talks on conventional warfare, the Conference on Security and Cooperation in Europe. France has also invited the parties involved in the civil war in Cambodia to hold a peace conference in Paris. Whether, and when, that meeting materializes depends on the progress of negotiations—mostly taking place in France—between the main factions wrestling for power in Cambodia.

There are persistent rumors that as a centerpiece to a bicentennial year of international events, Mitterrand may convene an informal North-South meeting. Such a conference—being dubbed Cancun-2, after a conference of 22 countries held in Cancun, Mexico, in 1981—would be held in July, to gather leaders visiting France for bicentennial celebrations. Some senior officials say such a meeting is unlikely. But others view it as a good possibility because of Mitterrand's strong personal commitment to improving conditions for developing countries. And in this bicentennial year of international meetings, what stronger way to underline the motto of the Revolution—*liberté, égalité, fraternité.*—BRIGID JANSSEN

Dying Trees

West Germans have become conscious of ecological problems with the symptoms of a mysterious modern malady they call *Waldsterben*—forest death—since the early 1980s. What the sea is to the English, the dunes and the dikes to the Dutch, the forest is to the Germans. There is a special bond between the Germans and their woods. Despite heavy industrialization and the hectic pace of living, the forest inspires romantic feelings. It is the opposite of civilization, of modern times, of the technical age. When the industrial revolution came, the Germans tried to blend industry into nature. Railway lines were specifically laid down following the course of nature. Later, the Nazis paved their *Autobahns* through the heart of the forests so that it was possible to drive through industrial regions and see only trees and meadows.

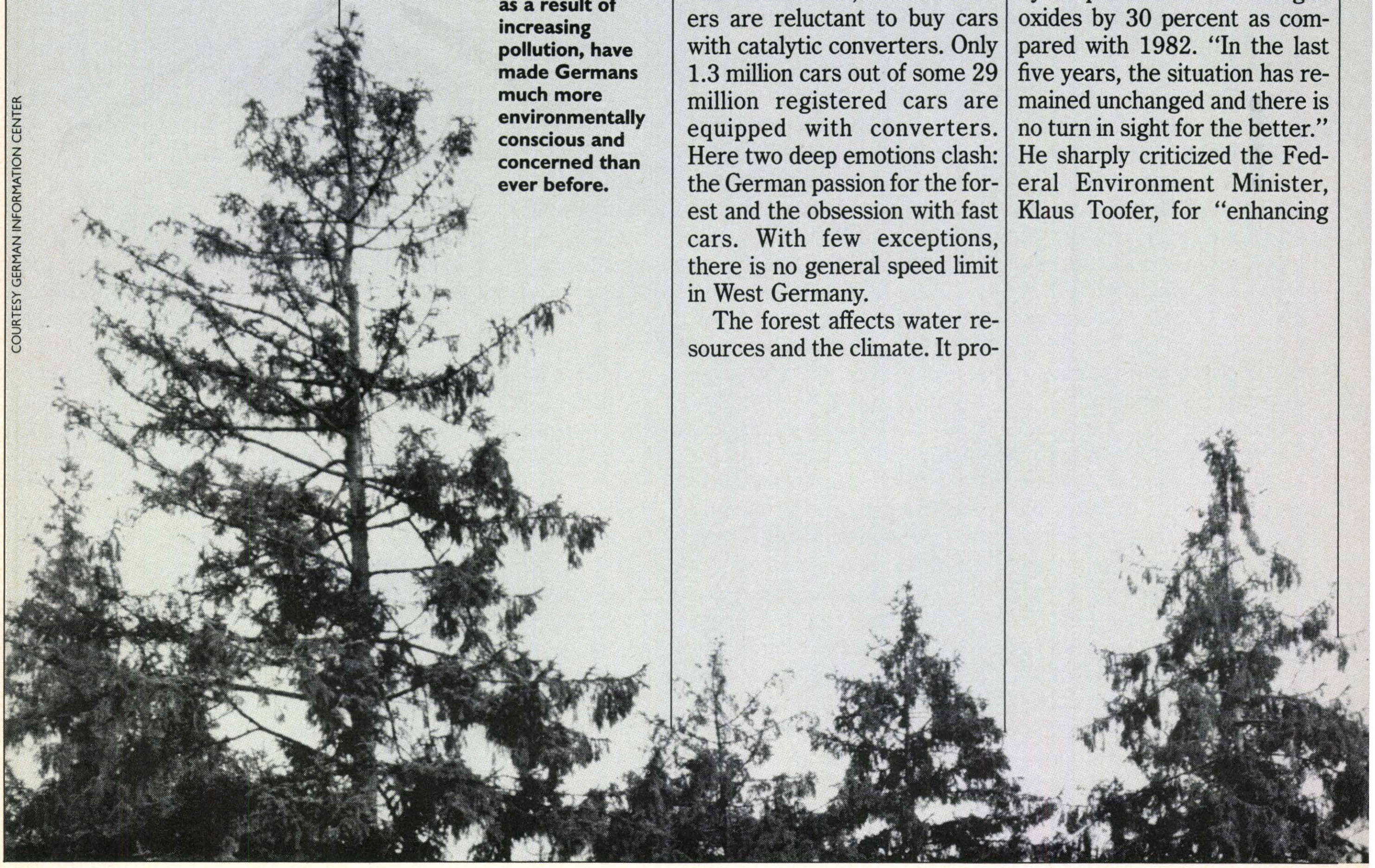
Ignaz Kiechle, Federal Minister of Food, Agriculture and Forestry, introduced the Forest Damage Report for 1988 in Bonn, saying that the *Waldsterben* continued to be "menacing." Some 9.6 million acres, or 52 percent, of the total forested area are ailing—hardly any change over last year. The fir tree, particularly the old stock, continues to be the hardest hit (73 percent), followed by the oak (70 percent)—another tree with a special place in the German soul. The causes for the "speedy death of the oak tree within the last two to three years," said Kiechle, "have not yet been established."

The report describes as "very critical" the state of health of older stocks of trees in the Odenwald, the Black Forest, the Fichtelgebirge, the Franconian Forest, the Bavarian Forest and the Bavarian Alps. In Kiechle's view, "a few thousand hectares of forest land will be lost in the mountain regions of that Harz and the Fichtelgebirge." In Lower Saxony, total forest damage has increased by 10 percent, medium and heavy damage by 3 percent.

According to the report, the main cause for the *Waldsterben* is air pollutants, especially sulfur and nitrogen oxides. "He who wants to help the ailing forest must buy a car with a catalytic converter," the Minister urged. The World Wildlife Fund agrees and blames German car drivers for "blowing some 3.16 million tons of nitrogen oxides into the air." However, despite tax-incentive schemes, German drivers are reluctant to buy cars with catalytic converters. Only 1.3 million cars out of some 29 million registered cars are equipped with converters. Here two deep emotions clash: the German passion for the forest and the obsession with fast cars. With few exceptions, there is no general speed limit in West Germany.

The forest affects water resources and the climate. It provides a windbreak. It ensures a supply of fresh ground water and halts floods. It prevents landslides and erosion, filters toxins out of the air and offers refuge to flora, fauna and people in need of recreation. But the forest acreage also supplies valuable commodities and is the livelihood of landowners and their staff. The annual losses owing to *Waldsterben* are estimated at approximately $1 billion. As atmospheric pollution takes its toll, forest owners are hit hard by low timber prices combined with the steadily increasing cost of clearing dead trees.

Franz Ludwig Count Stauffenberg, forest owner and chairman of the Forest Owners Association, said that the continued pollution made the soil "as sour as a lemon," and rejected the present countermeasures as "insufficient." It is expected that various toxic reduction measures that have been introduced by the Government by 1995 will reduce the emissions of sulfur oxides by 65 percent and of nitrogen oxides by 30 percent as compared with 1982. "In the last five years, the situation has remained unchanged and there is no turn in sight for the better." He sharply criticized the Federal Environment Minister, Klaus Toofer, for "enhancing



Forests are of special importance to Germans, and their slow deaths as a result of increasing pollution, have made Germans much more environmentally conscious and concerned than ever before.

COURTESY GERMAN INFORMATION CENTER

his own popularity at the expense of ecology."

Klaus Lennartz, environmental spokesman of the Social Democratic Party, demands the introduction of a speed limit of 100 kilometers per hour on the *Autobahnen* and 80 kilometers on smaller roads, emission standards for trucks that so far have no filters whatsoever, the compulsory equipment of catalytic converters for new cars and a further strengthening of emission standards for industry. The industry, which has so far spent 10 billion German marks ($5 billion dollars) for the present anti-pollution requirements, could easily invest a further 3.5 billion marks, Lennartz says.

The Federation for Environment and Nature Protection points out that the wet and warm summer has averted a total collapse of the forest. It demands energetic and quick measures such as a speed limit and a reduction of truck traffic.

In the opinion of Wilhelm Knabe of the ecological Green Party the "dangerous forest killers, the nitrogen oxides, are on the increase." The ecological organization "Robin Wood" protested against the *Waldsterben* near Dortmund at the sight of the colossal monument erected in honor of the hero Hermann, who defeated the Romans in this area in 9 AD. They displayed a banner that read: "The forest is dying."—WANDA MENKE-GLÜCKERT

has disappeared."

But he may have been premature in his pronouncement. Two studies published this autumn refute earlier claims that improved standards of nutrition, hygiene and medical care in Britain had eradicated the difference in height between the well off and the underprivileged.

Operating independently, the research teams working at London's Royal Free Hospital both came to the conclusion that the situation is not improving, but may even be regressing. "The gap is as strong as ever," reported Mary Walker, a researcher on the team whose findings were published in a paper in *The Journal of Epidemiology and Community Health.* "Men are increasing in average height in all groups, it's just that upper-class men are growing more quickly than the lower classes. Manual workers lag 20 years behind non-manual workers in height." The average height of manual workers born in 1960 is 5 feet, 9 1/2 inches, while that of the non-manual worker is one inch greater, at 5 feet, 10 1/2 inches.

The prestigious British medical journal also carried a report on height and class this autumn. It was the work of another research team at the Royal Free Hospital, this one led by Dr. Peter Whincup. Its findings are that children born to manual workers between 1979 and 1983 were smaller on average than those born to non-manual workers. "Social differences in height are still developing in the 1980s," Whincup's team states.

The reasons for the variations are not clear, but the message is: The rich not only get richer, but they also get taller—that apparently is the long and short of it.—DAVID LENNON

MADRID

Smoke Alarms

Four centuries after Spaniards introduced Europeans to the costly pleasures of tobacco, health officials from all over the Continent converged on Madrid to wage the latest campaign in their war for a smoke-free Europe. In a report that was due to reach 32 governments early in 1989, the officials blamed tobacco for killing 800,000 Europeans a year and said 100 million others alive today would die of tobacco-related causes if smoking continued unchecked.

To fight back, the First European Conference on Tobacco Policy urged Continent-wide action to push up cigarette prices, prohibit tobacco advertising and ban smoking in public areas and workplaces. "There is no one organization, no one authority, no one group that can do this alone," according to Erik Asvall, European regional director of the World Health Organization, which cosponsored the November conference.

"Without a clear comprehensive tobacco policy in each country, we cannot move effectively," Asvall said in his closing speech. But coordinating tobacco policy is no easy task in Europe, where smoking habits, existing laws and public attitudes vary widely.

In Norway, where tough legislation has combined with prices of more than $4 per pack, adults smoked an average of 710 cigarettes in 1985. Greek adults, on the other hand, smoked a Europe-high average of 3,640 cigarettes a year. Cigarettes in Athens cost 10 times less than in Oslo.

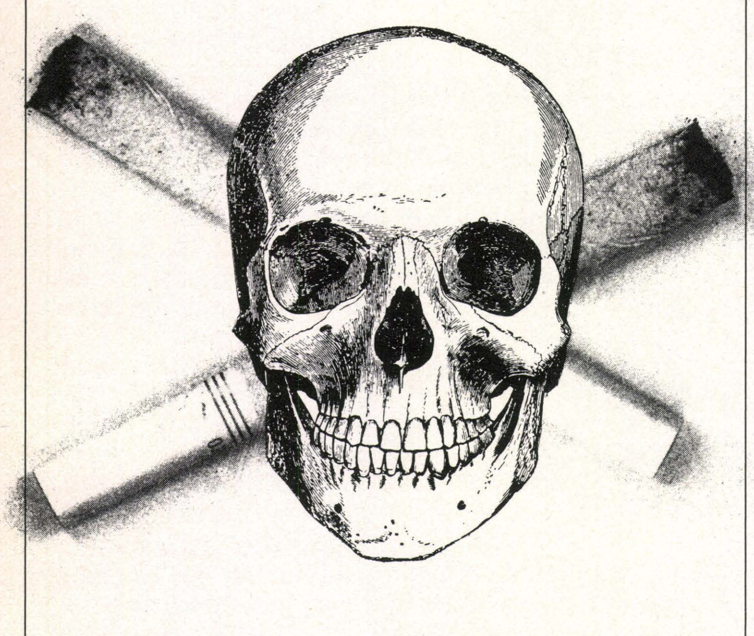
Spain finds itself somewhat in the middle, with above average smoking levels offset by a new set of comprehensive laws tougher than those in force in the majority of European countries. Cigarette smokers make up 38 percent of the Spanish population, fourth in the E.C. behind Greece, the Netherlands and Denmark. Fifty-seven percent of Spanish smokers consume at least a pack a day, according to figures quoted by the Health Ministry.

Both the percentage of smokers and the number of cigarettes consumed have gone up in the past decade, mostly due to an increase in smoking among women. Since the new tobacco laws took effect last June, "no smoking" signs have gone up in hospitals, elevators, sports centers and department stores.

The tobacco companies operating in Spain also agreed last spring to pull their television and radio spots and to limit advertising in the print media. The 350-year-old state-controlled manufacturer and distributor, Tabacalera S.A.—with 1987 sales of 5.8 billion pesetas (about $51 million)—has begun diversifying into the food and drinks sector to offset predicted drops in demand.

But while health officials here say there has been a slight decrease in the number of teenage smokers, they acknowledge the new measures have had limited success, at least partly for cultural reasons. Smokers routinely light up without asking permission, even on elevators. Non-smoking Spaniards generally take care to avoid trampling on what are considered smokers' rights. It is viewed as impolite to smoke without first offering everyone present a cigarette.

Highly visible Spanish smokers include Socialist Prime Minister Felipe Gonzalez, whose penchant for puffing on Havana cigars forms part of his public persona. Smokers' rights advocates include several well-known artists and politicians. Communist Party leader Santiago Carrillo mentions the issue during virtually every one of his radio or television appearances.



Perhaps worst of all, the officials say, half of Spain's doctor's and nurses smoke. Half the doctors allow smoking in their waiting rooms in violation of the new regulations, and a small but significant number (5 percent to 8 percent) smoke in front of their patients. The high incidence of smoking among Spanish health professionals contrasts sharply with figures for other West European countries, where doctors and nurses smoke less than the population at large. In Britain, where a study of smoking, disease and death among health professionals spurred the anti-tobacco campaign in the 1960s, the British Medical Association is now one of the key players in the effort to eliminate smoking.

For all these reasons, regional health officials active in the Spanish anti-smoking movement hoped to use the conference on tobacco policy as a lever to force the Socialist Government to commit itself publicly to new measures. The results were mixed. Health Minister Julian Garcia Vargas said the Government supported a conference conclusion calling smoke-free air in enclosed public areas a "fundamental right" and favored an eventual ban on all tobacco-related advertising.

But Garcia Vargas fell short of supporting legislation to regulate advertising or smoking in the work place, saying it was "better to persuade." He also hedged at the idea of levying a special tax on tobacco revenues and using the proceeds to educate people about the dangers of smoking.

Spanish anti-smoking activists, outnumbered and outfinanced by the tobacco lobby, hope the Government heeds growing support for stricter measures. According to a recent poll, 69 percent of Spaniards favor a ban on tobacco advertising and 78 percent would like to see smoking prohibited in all public places.

Some conference attendees suggested Garcia Vargas begin by closing down the kiosk that sells cigarettes in the lobby of the Health Ministry.—RICHARD LORANT

BRUSSELS

Incident With Zaire

Noboby seems to know precisely how many children of the president of Zaire, Sese Seko Mobutu, attend school in Belgium, but we all now know that they read the newspapers. The Zaire Embassy in Brussels said that the children's letters to their father about critical articles in the Belgian press so enraged the Zaire leader that he ordered the immediate return home of all 15,000 Zairean citizens living in Belgium and the liquidation of their assets. He himself was putting his own "house" in Belgium—a 50-room castle—on sale immediately, said the Embassy.

This is potentially quite a serious matter involving the worst break in relations between Belgium and its former colony—the Congo—since the latter gained independence in 1960. Yet there is no doubt of the comic opera aspects of the story as well. President Mobutu is one of those colorful African figures whose excesses manage to horrify and amuse the Belgians at the same time. There is a choice selection of stories about him from Belgian newspapers over the past years but probably just two will give the flavor.

In 1985, Mobutu is alleged to have taken an entourage of 600 with him on a holiday to America costing $3 million—at a time when his country had told its international creditors that it could not meet a $20-million debt of repayments. More recently, Zaire Airways was ordered at President Mobutu's instructions to unload its passengers on a flight and divert to Switzerland to pick up a cargo of Swiss cows for his farm in Africa.

The latest dispute follows a visit by Wilfried Martens, the Belgian Prime Minister, to Zaire, during which he was reported to have agreed to a major rescheduling of Zaire's $1-billion debt to Brussels. The story provoked outrage in the Belgian press where observers pointed out with some force, and with considerable color, the "let-off" being given to Mobutu compared with the spending sacrifices that Belgians have been asked to make under the past four years of government austerity policies.

In fact, the stories ascribed to Mobutu on this occasion were nowhere near as extreme as those at earlier times. The trouble was that this time his children saw them and expressed their dismay to home. In particular, it seems, the children resented newspaper cartoons and editorial references comparing Mobutu with the former President of the Philippines, Ferdinand Marcos.

The Belgians have become accustomed to threats by Mobutu that are never carried out. There is a well remembered move by him to end the landing rights of Sabena, the national Belgian airline, in Zaire following a row over which airline the Belgian Foreign Minister should use on a visit to Africa. This ended in an apology and climbdown by the African leader.

Zaire's President Sese Seko Mobuto.

But Belgium always has to regard its former colony with concern. A break in relations between the two countries could have devastating effects on Belgium's important trade and diplomatic links with black Africa. There seems little doubt that a great part of the prosperity of the big Belgian international companies is founded on their access to Africa's—and in particular Zaire's—resources of copper, cobalt, diamonds and other basic raw materials. There is also

According to a recent study by the U.N. Environment Program, a combination of rising numbers of tourists, deforestation and the ominous "greenhouse effect" could lead to a major ecological disaster in the Mediterranean region. Above, the Greek island of Ios.

powerful psychological resistance in Belgium to breaking links with a country that has historical associations. Belgian schoolchildren have been taught that King Leopold II opened up the Congo for Belgium, and thereby for Europe, earning himself gratitude from both sides. Many stories are told about the heroism of Belgian nuns on the "Dark Continent."

Belgian officials generally seem relatively unconcerned about the latest frictions, evidently believing they will evaporate like all those before them."It's not just us, but the Zaireans have an enormous amount to lose from a rupture in relations," said a diplomat in December. But increasingly there is recognition that Belgium may have to pay more and more to retain the link, however much the public and media despise and ridicule it.—ALAN OSBORN

ATHENS

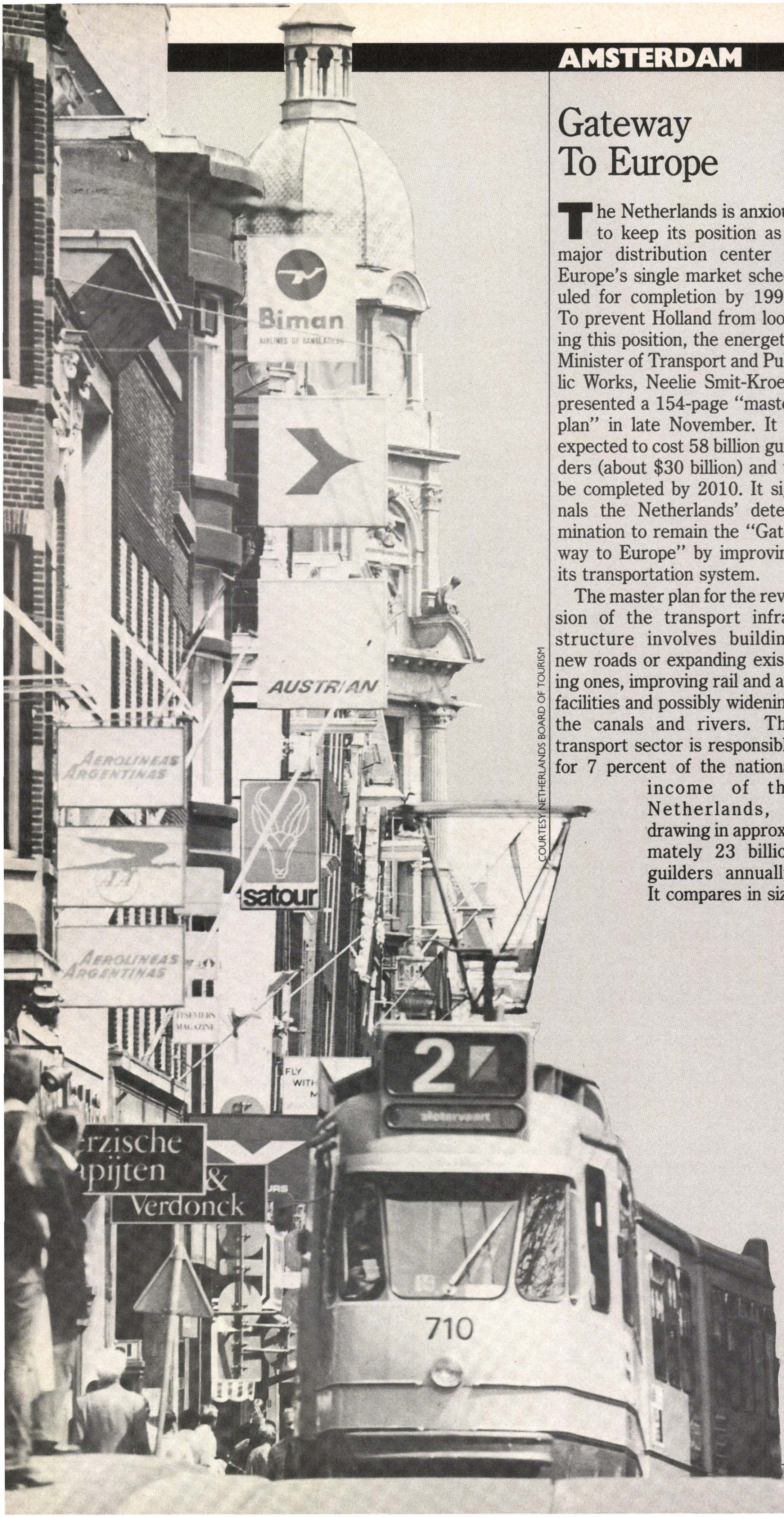
The Future for Tourism

A grim forecast for the future of the Mediterranean, prepared by the United Nations Environment Program (UNEP), is giving younger hoteliers and travel executives considerable food for thought. The blue plan is the result of 11 years of research by several dozen experts and many more consultants. Among other things, it predicts explosive growth in coastal areas over the next 40 years, a huge increase in the number of tourists descending on the Mediterranean every summer and continuing shrinkage of the accessible coastline as construction expands. The outlook seems bleak, too, for forests, water resources and plant life around the landlocked sea.

Although the UNEP study projects three possible scenarios for economic development around the Mediterranean over the next generation, even the mildest of them should worry a dedicated traveler. The region is already the world's most popular destination, attracting about 35 percent of the global tourism market -- which translates into 100 million visitors packing the beaches in July and August. By 2025, the year for which the projections were made, the number will have risen to 380 million, putting immense strain on water supplies and waste disposal facilities (the amount of garbage created by such an invasion would reach 12 million tons a year, compared to 2.8 million tons at present).

At the same time, burgeoning population growth around the southern rim of the Mediterranean will at least double the number of residents in coastal cities from some 80 million now to about 170 million. New industry—steel, cement, oil, refineries, petrochemicals and power stations—will increase pollution in the southern Mediterranean growth areas. Even the most optimistic version of the UNEP study accepts that legislation for environmental protection inevitably plays a catch-up role to stem the worst effects of development. The narrow Mediterranean coastal strip has diminished by some 2,000 kilometers in the past 20 years, largely because local developers have been able to circumvent building restrictions.

Even more worrying is the speed at which forests are disappearing around the Mediterranean. By 2025, Tunisia could be completely deforested, while other countries are likely to lose at least one-quarter of all unmanaged woodland. Loss of tree cover leads to rapid soil



COURTESY NETHERLANDS BOARD OF TOURISM

Gateway To Europe

The Netherlands is anxious to keep its position as a major distribution center in Europe's single market scheduled for completion by 1992. To prevent Holland from loosing this position, the energetic Minister of Transport and Public Works, Neelie Smit-Kroes, presented a 154-page "master plan" in late November. It is expected to cost 58 billion guilders (about $30 billion) and to be completed by 2010. It signals the Netherlands' determination to remain the "Gateway to Europe" by improving its transportation system.

The master plan for the revision of the transport infrastructure involves building new roads or expanding existing ones, improving rail and air facilities and possibly widening the canals and rivers. The transport sector is responsible for 7 percent of the national income of the Netherlands, drawing in approximately 23 billion guilders annually. It compares in size with the agricultural and horticultural sectors.

For some time, experts have felt that this important sector might be threatened. A few years ago, a foundation studied ways to promote the Dutch transport system. They realized that measures had to be taken to preserve the Dutch central position as a gateway for the rest of Europe. The competitive strength of the Dutch sea ports and airports is based on the connections for rail, road and water transport. The master plan also includes improved telecommunications.

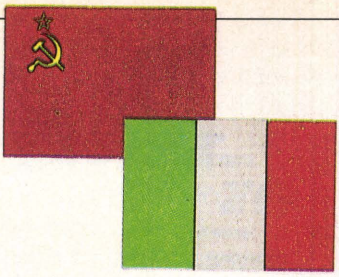
Daan de Groot, head of the steering committee in charge of traffic and transport says: "We are also tackling other problems. There has been a sharp increase in the number of automobiles—7 percent annually. Environmental problems such as acidification and smog have increased in an unpermissable manner. We have worked closely with the Ministry of Environment, and will take into account that the number of private cars will increase from the present 5 million to 8 million by 2010. However, we hope to limit the increase to 30 percent in the cities and to 55 percent in the rest of the Netherlands. We also want to reduce harmful emissions by 75 percent less than the year 1986."

And new legislation requiring catalytic converters for auto exhausts will take effect soon. The plan also provides for the introduction of toll roads and higher parking fees in all cities. To discourage use of private cars, taxes will also be raised.

The plan further speaks of stimulating travel by rail, and a better reservations and information system to speed ticket sales will be introduced. Decisions about connecting the Dutch rail system to the present French and future West German high-speed networks will be made. Inland waterways also are slated for improvements designed to speed up traffic.—Nel Slis erosion, silting up lakes and reservoirs and reducing available farmland. Even if adequate reforestation work were to start immediately, it would take 40 years to repair the damage already done. At the same time, poorly managed irrigation, especially in Egypt, Greece and Syria, eventually leads to salinization and the land is no longer cultivable. Irrigation also consumes huge amounts of water: Over the next generation, several Mediterranean countries will be unable to meet their requirements without recycling large amounts of fresh water. Yet better management of water resources, the UNEP scientists point out, could save at least one-third of what currently gets wasted.

Perhaps the gloomiest prediction for the tourist is the likely effect of the greenhouse effect on the Mediterranean. The gradual warming of the earth's atmosphere, melting the polar ice caps, is likely to result in at least a 40-centimeter rise in sea levels around the coast, which would radically alter not just Venice, but dozens of other historic waterfronts. The report also warns that a rise of more than 50 centimeters would mean the disappearance of the Po and Nile deltas and bring some difficult political choices over which coastal areas should be protected and which abandoned.

The report concludes that long-term ecological disaster can be avoided, but that it will need cooperation by all the Mediterranean Governments. Where tourism is concerned, there are enough hotel beds to cope with the anticipated influx, provided that arrivals are staggered throughout the year. A special tax for Mediterranean tourists of $5 a head would produce a $500-million-a-year income for environmental purposes and coordinated international efforts could ensure that at least one third of the Mediterranean's 46,000-kilometer coastline remains free of building.—KERIN HOPE



ROME

Soviet Relations

Should economic ties with the Soviet Union be strengthened, thereby creating a new and unusual Marshall Plan between Italy (and, more generally, Western Europe) and the Soviet bloc countries? Or should this "revolutionary" hypothesis be dropped, thereby keeping the U.S. Administration happy? These options, and their relative impact on the future equilibrium of the commercial world, have caused grave differences within the Italian political milieu. As usual, the main figures of the dispute are once again the two strong men contending the democratic leadership of Italy: Ciriaco De Mita, Prime Minister and the secretary of the Christian Democrats, the party with the relative majority; and Bettino Craxi, Socialist secretary and ex-Prime Minister.

De Mita favors opening lines of credit to the Soviet Union. Craxi, who has been re-baptized the "*Americano*" by many political commentators, shares Washington's preoccupations: to concede economic and commercial privileges to the Eastern bloc could irreversibly change the international political picture.

It all began with De Mita's extended visit to Moscow for a trade fair of Italian products (*EUROPE*, December 1988). Various important things occurred during those October days. Commercial accords for amounts previously unheard of were signed between Italy and the Soviet Union—accords involving all the major Italian public and private industrial groups (Fiat, Montedison, IRI and others). But, most importantly, De Mita was treated like an important and respected head of a friendly nation.

He arrived two days before the opening of the trade fair and remained 48 hours longer than planned. It was later made known that already several months before his visit, the diplomatic counselor of the Italian Prime Minister had been working to raise the level of components of the commission that deals with cooperation with the Soviet Union, a commission that for the moment is limited to undersecretaries. In short, the message sent by De Mita is that both he and the industrial groups that side with his party truly believe in strengthening the ties between the two countries.

The reaction from Craxi was immediate: "This new Marshall Plan is a bad idea." And the fighting began. The Socialist leader sent into the ring his best man from within the same coalition Government directed by De Mita. For example, the Treasure Secretary, Socialist Giuliano Amato, through whose ministry the authoriza-

¡Speak Spanish like a diplomat!®

What sort of people need to learn a foreign language as quickly and effectively as possible? *Foreign service personnel*, that's who. Members of America's diplomatic corps are assigned to U.S. embassies abroad, where they must be able to converse fluently in every situation.

Now you can learn to speak Spanish just as these diplomatic personnel do—with the Foreign Service Institute's Programmatic Spanish Course. You'll learn Latin American Spanish recorded by native speakers.

The U.S. Department of State has spent thousands of dollars developing this course. It's by far *the most effective way* to learn Spanish at your own convenience and at your own pace.

The course consists of a series of cassettes and accompanying textbook. Simply follow the spoken and written instructions, listening and repeating. By the end of the course, you'll be learning and speaking entirely in Spanish!

This course turns your cassette player into a "teaching machine." With its unique "programmatic" learning method, you set your own pace—testing yourself, correcting errors, reinforcing accurate responses.

The FSI's Programmatic Spanish Course comes in two volumes, each shipped in a handsome library binder. Order either, or save 10% by ordering both:

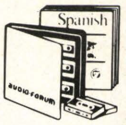
☐ **Volume I: Basic.** 12 cassettes (17 hr.), manual, and 464-p. text, $175.
☐ **Volume II: Intermediate.** 8 cassettes, (12 hr.), manual, and 614-p. text, $145.
(CT residents add sales tax.)

TO ORDER BY PHONE, PLEASE CALL TOLL-FREE NUMBER: **1-800-243-1234**

To order by mail, clip this ad and send with your name and address, and a check or money order—or charge to your credit card (VISA, MasterCard, AmEx, Diners) by enclosing card number, expiration date, and your signature.

The Foreign Service Institute's Spanish Course is unconditionally guaranteed. Try it for three weeks. If you're not convinced it's the fastest, easiest, most painless way to learn Spanish, return it and we'll refund every penny you paid. Order today!

190 courses in 55 other languages also available. Write us for free catalog.
Our 17th year.



Audio-Forum
Room C151
On-The-Green,
Guilford, CT 06437
(203) 453-9794

AUDIO-FORUM®
THE LANGUAGE SOURCE

tions for new eased credits for Moscow have to pass, sent a letter to the president of the central Mediocredito, one of the banks that deals with export financing. In a cold and bureaucratic style, he reminded the bank that officially "there have been no normative changes" in the commercial relations between the two countries. He therefore did not recommend that they offer interests that were too low, or facilitations in credit to the Soviets.

The Socialist worry, which finds a considerable consensus within American political circles, is that facilitations of this kind could tempt the Soviets to take advantage of the situation, causing them to become less agreeable to making concessions in any reduction accords. In an interview with the Socialist-leaning weekly *L'Expresso,* former U.S. National Security Advisor Zbignew Brzezinski said that he was sure that "every million dollars given to the Russians is a million dollars of military spending that doesn't get cut." And then he insinuated the doubt: "And what if the Russians don't pay the money back?"

How will it end? It is difficult to say. De Mita seems to have on his side a large part of the Italian entrepreneurial and industrial world, attracted by the idea of opening up a market as vast and "virgin" as Eastern Europe. In a conference at the Chicago Council on Foreign Relations, Cesare Romiti, president and chief executive officer of Fiat, surprised his audience by declaring that, "with all honesty that we cannot consider the countries of Eastern Europe complete strangers because we share with them a great part of our history and culture." Coming from the right arm and spokesman of Gianni Agnelli, the number one Italian entrepreneur, who has always underlined the undeniable importance of the historical ties between Europe and the United States, this is without a doubt a meaningful declaration.—NICCOLÒ D'AQUINO

LISBON

A Rush to Automobiles

Once upon a time in Lisbon, you could hear the birds twitter, the rock-muscled fishwives trotting down narrow streets hawking *peixe fresquinho*—fresh fish—and the horses' and mules' hooves clop. In 1988, you more likely to hear honks and vrooms. Automobiles have taken over the city. Five hundred new vehicles come onto the roads daily in Portugal. Car sales soared 66 percent in November compared to 1987—a year when car dealers were delighted with a 55-percent increase from 1986.

The sidewalks are covered with cars. This is due partly to Lisbon's narrow streets, partly to the lack of parking meters, allowing the motorists to leave their cars anywhere. The result is the same, other cars and pedestrians cannot easily pass, and much swearing and fender scraping ensues. And the new cars are causing traffic jams all day long, not just during rush hours.

The economics of the situation are puzzling. Portugal has the lowest wage rate in Europe, but the most expensive gasoline—Esc 115 a liter (about $3.17 per gallon). A small new car costs $12,000 to $14,000, one of Europe's stiffest prices in absolute or relative terms. The minimum monthly industrial wage is $189 and the average monthly income of an urban family is $385. Comprehensive insurance is prohibitively expensive; thousands dodge it to save money. The answer is many people are willing to sacrifice essentials for their cars.

The Portuguese Government plans in 1989 to stiffen the tax burden on cars, hoping apparently that the higher price will be a deterrent. So far it has not been . . . or someone earning perhaps $6,000 a year would not be going without meals to drive a $14,000-car, as hundreds of thousands of people do now. The upward mobility represented by the cars is thus a costly aspiration. In addition, Portugal's comprehensive insurance rates are high because Portugal's road accident rate is growing with the increase in cars.—DIANA SMITH

COPENHAGEN

Media Wars

Media habits are conservative. The first round in the television battle between the former Danish government-owned monopoly television channel and its former commercial challenger TV-2, based in Odense, has indisputably been won by the government channel. The major battle ground was prime-time news, and so few viewers chose the commercial channel—11 percent versus 40 percent for the competition—that advertisers forced TV-2 to move its newscast from the present time slot to an earlier hour.

Almost all observers agree, however, that the mere presence of a second channel has improved the quality of the government-run station. Television ratings also show that viewers tend to give the second channel—with its more lively, U.S.-style presentation of news—higher grades for entertainment value. But in terms of hard news, the outcome of the battle was never in doubt. In foreign news, the government channel still controls most sources of programming, including Ted Turner's Cable News Network, which is rapidly becoming the major U.S. network in Europe.

A more decisive battle has been lost by the editors of *Det fri Aktuelt.* Launched as living proof that socialist journalism need not be dull or newsstarved, the paper set high and broadly recognized editorial standards, although at a high price. The paper has lost more than $40 million and circulation has dropped sharply, especially on Sundays where the paper has not been able to fend off the competition of new Sunday editions of other popular daily tabloids. The trade unions, who own the paper, have forced editors to cut costs, the first sacrifice being the Sunday edition.

Another newspaper soon to woo Danish readers is *The European,* published by Robert Maxwell, and aiming at European readers with English as a second language. Danes certainly qualify liguistically, but the "Forward with Europe" slogan of the paper may be a barrier in Denmark, which—although its E.C. policies have certainly changed in a more positive direction over the past few years—is nowhere near the vanguard of European integration.—LEIF BECK FALLESEN

CORRESPONDENTS

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

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

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

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

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

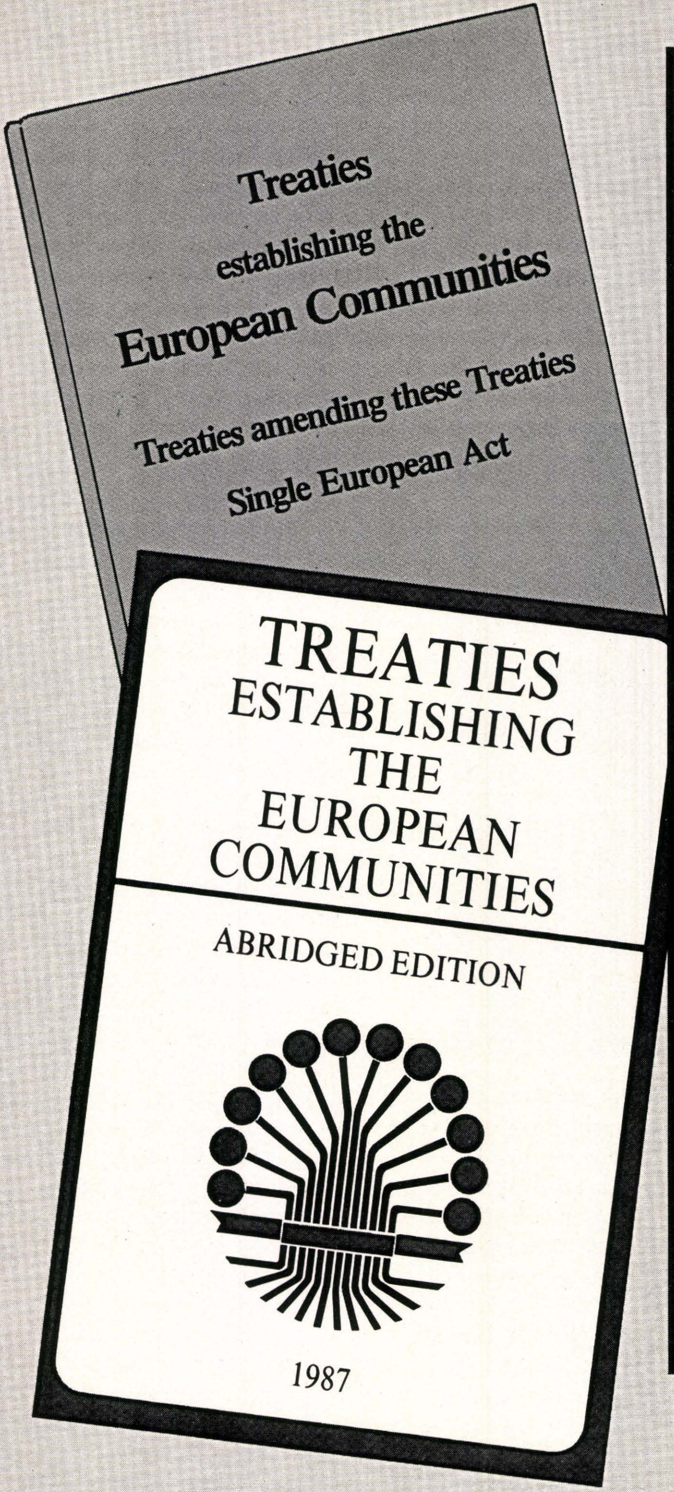
BRIGID JANSSEN is a freelance writer based in Paris.

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

NEL SLIS is a freelance writer based in The Hague.

RICHARD LORANT reports for *Associated Press* from Madrid.

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



Treaties of the European Community

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

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

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

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

_______ copies, Treaties Abridged $17.10 _______ copies, Treaties Vol. 1 $48.00

_______ Please notify me when Vol. 2 is available.

Payment must accompany order. Enclosed is my check for $_______

Name _______________

Organization _______________

Address _______________

City _______________ State _______ Zip _______

U.S., E.C. COLLIDE AT GATT REVIEW OVER AGRICULTURE

BUT SUBSTANTIAL PROGRESS MADE IN OTHER AREAS AS TALKS ARE PUT ON HOLD UNTIL APRIL.

© M. PONOMAREFF/GAMMA LIAISON

BARBARA FLIESS

They arrived with their fingers crossed, and that is how they left. From December 5-9, the E.C. and 95 other General Agreement on Tariffs and Trade (GATT) nations took stock in Montreal of the progress mid-way into the Uruguay Round. This ministerial-level review was not designed to produce dramatic results, but rather to give broad political guidance to a complex undertaking aimed at liberalizing world trade in goods and agriculture as well bringing services and intellectual property rights under the rules of the global trading regime.

Ministers indeed made good progress in most of the fourteen areas involved. But the engine ran out of steam on several fronts, notably agriculture. What was accomplished was put "on hold" until next April in a yet-to-be-tested gamble that the remaining differences can be ironed out by then. Having worked hard to achieve the E.C.'s main objectives, the E.C. Commissioner responsible for external relations, Willy De Clercq, went out of his way to urge his colleagues to preserve the results—not as "museum pieces." That he stood not alone was, after all, an indication that the Montreal mission had not been a failure.

The meeting got off to a good start, as the E.C. and other industrial nations agreed on immediate steps to bring down import barriers for tropical products such as coffee, rubber and bananas. The E.C. and the United States are here the main markets, and the Community took the leadership in making good a promise that this sector of major interest to developing countries would received priority treatment in the Uruguay Round. Concurrent with its broader goal of getting the newly industrializing countries (NICs) to participate actively in the global trade talks, the E.C. also welcomed the fact that some of them did offer their own tariff concessions as part of this special deal. And when the United States made its concessions conditional on a broader agreement on agriculture in the hopes that developing countries would put pressure on the E.C., the Community let it be known that it would start implementing the tropical products accord even without the United States.

Linkage politics actually could have stalled the negotiations in many areas, and the E.C. was careful to avoid becoming caught in the game. In the goods sector, a commitment was obtained to start substantive bargaining over tariff reductions by mid-1989, and, most importantly, reductions that would at least match the 30-percent cuts of the Tokyo Round were set as political goal. Here and in broader negotiating instructions for non-tariff barriers, the E.C. worked to ensure that contributions by developing countries would ultimately produce a better balance of rights and obligations between the GATT nations. Discussions did bog down elsewhere, on the question what to do with textiles and clothing. Developing countries wanted this highly protected sector to be brought under normal GATT disciplines rather sooner than later. Both the E.C. and the United States, where protectionist pressures remain particularly strong, sought to circumvent a decision in Montreal to end existing restrictions when the Multi-Fibre Arrangement expires in 1991. While the E.C. considered a timetable for liberalization measures still premature, it also called on the Southeast Asian textile exporters to open their own markets in the process.

A central objective of the E.C. in Montreal was to give strong impetus particularly to the process of writing multilateral rules for trade in services. This area is complex, because there is no pre-existing framework to build on, and the procedures and substantive elements of a future regime have eluded a consensus. Together with the United States and Japan, the E.C. has pushed for acceptance of principles that would make national regulations more transparent and start a

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

liberalization process based on nondiscrimination and the obligation for governments to treat foreign companies no less favorably than domestic firms.

Developing countries like India and Brazil, which originally fought to have services excluded from the Uruguay Round, sought a guarantee in Montreal that the sector would not only include such capital-intensive industries as banking and insurance, but also their own labor-intensive industries such as construction work and hotel services. Worried that the Uruguay Round might not move fast enough on this front, the E.C. was more willing than the United States to accommodate developing countries' interests.

The resulting, carefully worded political guidelines call for a general framework to become operative by the end of the GATT talks. No specific services sector would be excluded *a priori* from the process, and countries would be allowed to gradually remove their trade barriers in accordance with their development needs. The E.C. also bargained hard and successfully for approval of a provision that liberalization should also take into account the notion of "effective access" to foreign markets, as measured not by the law but by the actual results of national policies on trade patterns. Reflected here is the strong European desire for more balanced trading relationships in areas such as financial services, where Japan in particular holds a disproportionately higher share of the E.C. market than European companies do in Japan. Other countries seem to have gone along with this request, partly because of concerns that the E.C.'s new "reciprocity" directive would be the unilateral alternative.

The E.C.'s expectations of achieving a similar breakthrough for the protection of patents, copyrights and trademarks were not born out. Although its goal was chiefly to get a commitment to substantive negotiations starting in 1989, discussions deadlocked. A number of developing countries led by India are still refusing to acknowledge the competence of the GATT in this area, but their greatest fears are that they might lose access to technologies and intellectual innovations vital to their development goals.

At the same time though, growing bilateral trade tensions over diverging national standards underline the need for global enforcement of standards and arbitration. The United States not long ago retaliated against insufficient patent protection in the Brazilian pharmaceutical industry, and the E.C. removed trade preferences from South Korea for granting American firms more favorable protection than other foreign companies. The E.C. admits that unilateral action undermines the multilateral system, but it also argues that a multilateral regime is the only way out. The crux of the matter remains that the standards proposed by the major industrial nations are being rejected by many developing nations as too restrictive.

The centerpiece of the controversies in Montreal was agriculture. Comprehensive negotiations on all facets of this problem sector did not even get off the ground, because the United States dug in its heels by insisting on the long-term elimination of trade-distorting subsidies and refused to discuss short-term measures unless the E.C. had accepted this goal. Backed solidly by Community member states, De Clercq maintained that this "zero-option" was totally unrealistic and went beyond the mandate for these trade talks. The E.C. offered instead to negotiate a "significant reduction" of farm-support programs as well as an immediate program that would freeze then reduce subsidies over the next two years.

Accusing the United States of deliberately seeking to destroy the E.C.'s Common Agricultural Policy—on which millions of small farmers depended—De Clercq challenged Washington to match its declarations of intent with concrete measures comparable to the ongoing E.C. effort to cut its production surpluses. Indeed, in Montreal the E.C. has given its yet firmest commitment to work toward a more market-oriented system. In the end, other farm-exporting countries such as Canada and Australia were not quite sure which of the two to blame more for the stalemate. The debacle led several Latin farm-producer and debtor nations to make the adoption of all other achievements contingent on an agriculture accord.

Perhaps the most significant outcome of the meeting relates to various measures that could go a long way toward a stronger institutional mechanism of the GATT. Multiplying bilateral conflicts lend urgency to a bolstered GATT capacity to settle disputes and scrutinize the trading practices of all members. The improvements, to go in effect on a trial basis, would make the process of bringing disputes before the GATT more automatic and tighten the schedule for panel decisions. The E.C., however, did not go along with an attempt to exclude countries involved in disputes from voting on a panel finding. It also strongly supported the decision to have the GATT Council periodically evaluate member countries' trade policies and to schedule more frequent ministerial meetings.

At a time when the new U.S. trade bill raises the specter of a salvo of retaliatory actions against "unfair" trading practices, the political profile of the GATT cannot be raised quickly enough. Views among the E.C. and its trading partners still need to be reconciled on the safeguard procedure, which allows countries to give protection to industries hurt by imports. The point of contention is the question of whether these measures should be applied on a non-discriminatory basis, as many developing countries demand, or on the selective basis the E.C. has long favored.

In the end, it was the disappointment of the developing countries that had come to Montreal in the hope for substantial gains in agriculture, textiles and safeguards that triggered the suspension decision. Whereas "the decisions reached must not be lost," as de Clercq warned, negotiators now will have to confront the outstanding issues outright. Where there are negotiations there is hope. Notwithstanding their battle in Montreal, the United States and the E.C. both have emphasized that they will try again soon. Above all, Montreal demonstrated that all participants have developed a stake in the success of the Uruguay Round.

ARE YOU ONE OF THE FEW...

Who can buy this limited edition
BELGIAN ECU PROOF SET for only $395.
Only 15,000 are being minted!

(Not actual size)

Only a handful of investors can ever own the magnificent Gold and Silver ECU Proof Set. These legal tender proof strikings are minted by the historic Royal Belgian Mint.

The .555 ounce Gold and .735 ounce Silver coins are protected with clear capsules and housed in a leatherette portfolio with a Cer'ficate of Authenticity.

Call MTB to buy ECU Proof Sets at this original issue price. ACT NOW. Supplies are limited.

1-800-535-7481 or **1-212-858-3300** in NY State

MTB BANKING CORPORATION
The Banking Corporation for Precious Metals and Foreign Exchange.

Visit our Manhattan locations from 9 AM to 4:30 PM:

151 Concourse Level World Trade Center | 59 West 49 Street Rockefeller Plaza

MTB is the exclusive distributor of ECU coins outside Europe.

EU687

FORECASTERS SEE EXPANSION FLATTENING

EUROPE EXPECTED TO FOLLOW A SLOWDOWN IN THE UNITED STATES.

Economic expansion in Europe will flatten and perhaps decline by autumn, largely the effect of a slowdown in the United States, the E.C.'s key trading and investment partner, according to a consensus among all but the most optimistic forecasts. This will sharpen the challenge already before E.C. countries, and the newly elected Bush Administration, in finding the right mix of monetary and fiscal policies that will discipline inflation and promote expansion.

The pace at which new job opportunities will be created in the E.C. will remain stubbornly sluggish, below that of the United States and Japan. Europe's trade imbalances will persist, particularly with Japan, perhaps forcing realignments in currency values within the European Monetary System and the imposition of tougher import restraints. One significant but hard-to-gauge variable, however, may singularly worsen or improve this consensus forecast. That is the rate at which capital investments by multinationals will accelerate as they position themselves for 1992, when the markets of the E.C. members will be harmonized.

In explaining how this year may shape up, it helps to see how Europe's economy evolved during the last year. Europe was slow to feel the effects of what is the longest post-war expansion of the United States, lagging as much as 24 months behind the United States. The Twelve's economic growth, as measured by an increase in the gross national product (GNP), in 1988 peaked at just under 3 percent, with the United Kingdom, the Federal Republic of Germany and Italy experiencing the highest growth.

The trade deficits incurred by the United States provided the locomotion. E.C. exports to its largest non-European market, the United States, doubled during the last decade. The Twelve achieved about an $18-billion trade surplus with the Americans annually during the last two years. Intra-E.C. trade has also expanded, providing additional stimulus.

Domestic consumer spending and investment increases are also driving the E.C. economies. But the feverish pace of spending is draining household savings as consumer borrowing soars rapidly. Although unemployment fell from record-high, double-digit levels, it still remains relatively high—roughly 10 percent last year, according to the Organization for Economic Cooperation and Development (OECD).

Two economic forecasting firms and the OECD see marginal, if not moderate, growth for the region this year. The WEFA Group, which is a merger of the Wharton Econometric Forecasting Associates and Chase Econometrics, projects a 2.3-percent increase in real gross domestic product (GDP). Germany's pace of expansion would be cut in half (from 3 percent to 1.5 percent), France by about one-third (to 2.2 percent), and Italy and the United Kingdom by less than one-sixth (to 3.1 percent and 2.6 percent, respectively).

"Growth in Europe will slow next year for a variety of reasons," WEFA said in its October report. "Rising interest rates will slow the growth in the interest-sensitive components of domestic demand, especially in residential construction. Also, German fiscal policy is slated to become a little more restrictive next year. A cooling off of the capital spending boom is also likely to contribute to softer growth. As the euphoria about the 1992 proposals has subsided, many in Europe have come to realize that the suggested trade liberalization could be slow in coming and quite uneven across sectors." Data Resources, Inc. (DRI) sees approximately a 2.4-percent gain.

The OECD, in projecting a flat 2-percent growth in real GDP this year, made the point that European countries have little room to fire up domestic demand. "Many are constrained by increasing ratios of public debt to GNP, some by external-balance and exchange-rate considerations and a few still by inflation risks," said the latest OECD report released last June. The remaining opportunity is to export more goods and services, but the prospects for such are poor if demand in the United States and neighboring European countries, particularly Germany, slackens. Further, the continued appreciation of European currencies against the dollar will reduce the region's comparative advantage in foreign markets.

Lackluster performance may mean slightly higher unemployment levels. The WEFA Group forecast a 10.2-percent unemployment rate for Europe, down from the 10.6-percent level last year. That compares to 5.6 percent for the United States and 2.6 percent for Japan in 1989. DRI concurs with a 9.8-percent rate, according to its projection last November. Throughout the last two years, employment growth in North America was at least 1.5 percentage points faster than that in Europe. Employment in the services industries accounts for most of the growth in both regions. But productivity on average improved more in Europe than in the United States, a trend that is expected to continue this year (averaging about 2 percent annually in Europe, according to Data Resources).

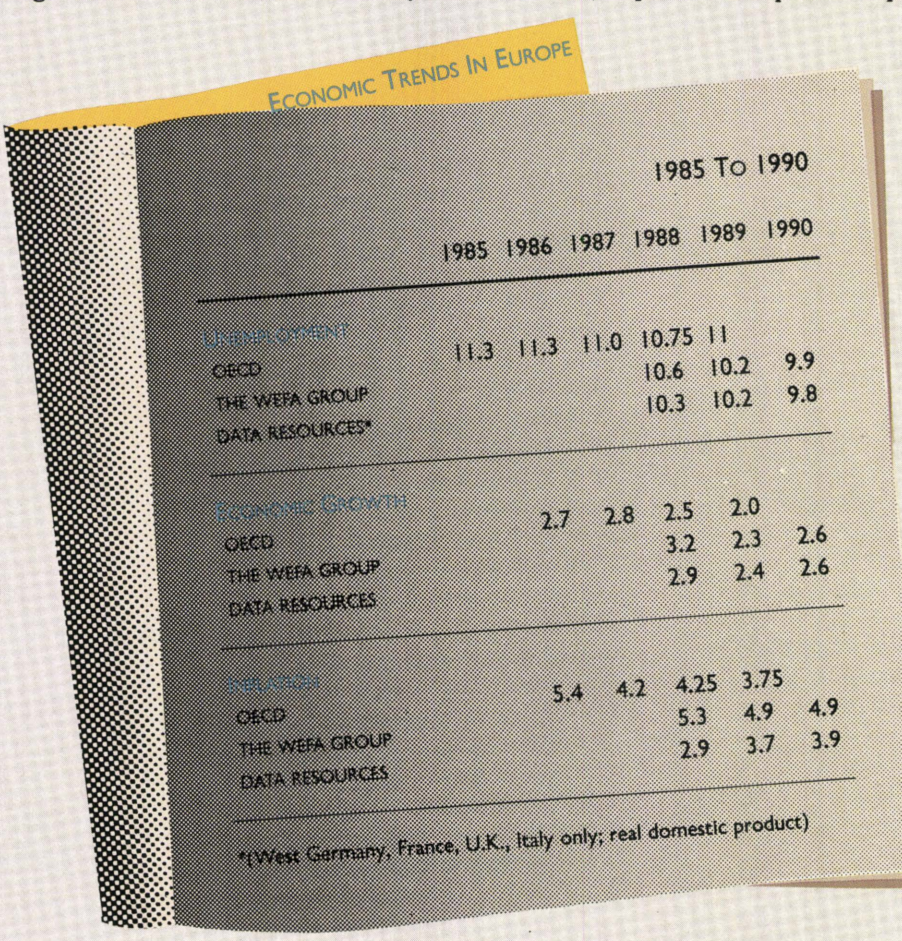
Against this short-term trend are the changing demographics for Europe—an increase in the labor supply of a maturing work force while total population declines. The OECD observes: "The effects on the labor force participation rates are such that unemployment rates may change little in the absence of higher output growth or a slower trend of real wage growth that would encourage substitution of labor for capital."

Inflation is perhaps the most difficult economic factor to project, but one of the most critical since it helps determine interest rates, wages, currency values and,

JAMES DAVID SPELLMAN

ultimately, economic growth. The task is made more difficult by calculating the effectiveness of the Organization for Petroleum Exporting Countries (OPEC) in setting floor prices and tight production levels. Oil prices fell from about $18 a barrel in January to below $14 in December; in 1986, the price was above $25. Europe imports more than a quarter of the oil it consumes from the Persian Gulf. Further, oil accounts for at least a third of the region's production capacity. How effective OPEC will be in raising oil prices will determine part of the inflation equation for the Community.

Other inflationary pressures include increases in non-food commodity prices such as nonprecious and precious metals (up 40 percent on average between August 1987 and August 1988). Data Resources sees high inflation for the paper, chemical and steel industries, where international competition is intense, and slower increases for machinery and transportation, which have an excess in capacity. Interest rates in industrialized countries climbed toward the end of last year, partly as a result of tightened money supplies to cool overheated economies and curb consumer spending.



ECONOMIC TRENDS IN EUROPE

1985 TO 1990

	1985	1986	1987	1988	1989	1990
UNEMPLOYMENT						
OECD	11.3	11.3	11.0	10.75	11	
THE WEFA GROUP				10.6	10.2	9.9
DATA RESOURCES*				10.3	10.2	9.8
ECONOMIC GROWTH						
OECD		2.7	2.8	2.5	2.0	
THE WEFA GROUP				3.2	2.3	2.6
DATA RESOURCES				2.9	2.4	2.6
INFLATION						
OECD		5.4	4.2	4.25	3.75	
THE WEFA GROUP				5.3	4.9	4.9
DATA RESOURCES				2.9	3.7	3.9

*(West Germany, France, U.K., Italy only; real domestic product)

These increases will show up in higher housing costs, for example. Cost-of-living adjustments in wages will occur, fueling the inflationary cycle. Wage austerity policies in many European countries have held off demands for higher wages for so long that political pressure may not be able to continue diverting demands for compensation to recover the lost ground. The postal and transit worker strike in France last year demonstrate this point.

DRI expects inflation to stabilize for the four major European countries—about 3.5 percent to 4 percent. The OECD's projection is about the same. The WEFA Group forecast is 4.9 percent, with the United Kingdom experiencing the highest level (about 6 percent). Inflation in the United States, according to all three analyses, will climb more rapidly as a result of higher import prices (the result of a devalued dollar), rises in interest rates and wage adjustments resulting from the commodity and housing price hikes and low unemployment.

World trade, measured by volume and value, peaked in 1987, accelerating by 11 percent in the last six months of 1987 alone. The robust growth of U.S. exports since last summer is expected to slow, but imports will remain high, resulting in a relatively unchanged trade deficit of between $130 and $140 billion this year.

To understand the United States' impact on trade, consider that the country supplied about one-third of total growth in world trade, according to the International Monetary Fund. In 1987, imports into Europe increased by about 15 percent, while those in the United States grew by 10 percent. Data Resources forecasts a 4.3-percent increase this year in exports of goods and services by Europe and a 5.4-percent rise in 1990.

Although Europe's trade account will remain in surplus, primarily from Germany's $60-billion-plus surplus, France, the United Kingdom and Italy are expected to have significant deficits until 1990. The WEFA Group sees a $5.3-billion surplus for Europe this year, down from a $99.3-billion surplus in 1987. The OECD projects a $6-billion surplus in 1989.

The pace of capital flows in Europe will be a critical variable in the economy's strength. Last year, West European firms increased their capital investment within the E.C. by 8 percent to prepare for the planned creation of a single market. U.S. companies last year invested $19.7 billion in new plant and equipment in the E.C., a 39-percent increase from 1986. Surveys of U.S. and European managers on planned investments indicate that this pace will accelerate.

This growth in Europe for mergers and other corporate restructuring is expected to be sustained in 1989 by last year's healthy profits and such investment factors as a near doubling of venture capital funds over the last three years. The trend is expected to peak in 1990. But since a significant percentage of these investments may be targeted toward buying existing plants and streamlining distribution and marketing networks, it is hard to gauge the economic expansion that may result from these changes in business development.

The rapid descent of the dollar last year is seen by some observers as triggering an eventual realignment of currencies within the EMS. Robert Z. Lawrence, a coauthor of "Barriers to European Growth" and an associate at The Brookings Institution, said: "I think there may be a realignment of currencies. If the dollar weakens further, it is going to impose greater strains on the EMS—particularly an appreciation of the French franc and the British pound and a strengthening of the German mark by as much as 10 percent."

The course E.C. countries will be navigating this year is a difficult one. There are plenty of land mines—inflation, trade imbalances, government budget deficits, a weakening of savings. The capitals of the Twelve will need to map out a course that addresses these problems €

James David Spellman is a freelance writer based in Washington, D.C.

The successful launch by the European Space Agency last October of the French direct-broadcast satellite TDF-1—the first in Europe—permits the use of the new television broadcast standard D2-MAC Paquet. Beyond the technical performance of building a high-powered satellite like TDF-1, making use of D2-MAC—which is on the way to becoming the European norm for television by satellite—is one of the major objectives of the operation. France and the Federal Republic of Germany officially chose the D2-MAC standard for their satellite systems in June 1985.

The backdrop for this decision was the evolution toward high-density television (HDTV), made possible by D2-MAC, and the battle with Japanese industry. The TDF-1 launch also marks the beginning of tough competition among direct broadcast satellites: Within three years, satellite broadcast capacity over Europe will total 120 channels.

It was in 1977 that the World Administrative Radiocommunications Conference adopted an international plan for satellite broadcasting. In addition to precisely defining satellite positions in the geostationary orbit, each country was allocated an average of five channels. But the three television standards currently dividing up the world—the American NSTC, the German PAL and the French SECAM—are all of lesser quality and are hardly suited to the new transmission methods such as satellites or cables.

At this point, strategies diverge. The Japanese have preferred to develop high definition directly, without going through any intermediate stage. Consequently, they now have 10 years experience. The Europeans, on the other hand, first sought to improve broadcast transmission compatibility with existing TV terminals and then progressively develop HDTV. According to the Europeans, introduction of a service as costly as HDTV can only be possible via this intermediate stage, without which it would be impossible to find sufficient users to amortize the cost.

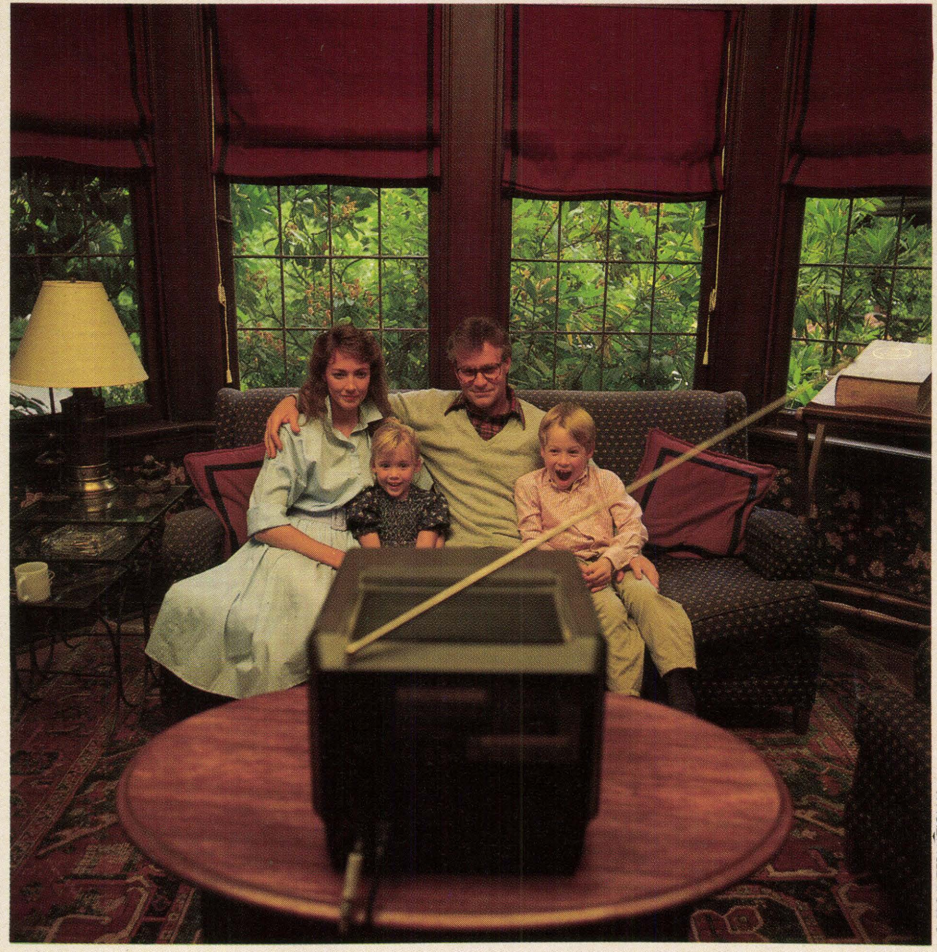
Thus, from 1982 on, Europeans focused on MAC (or multiplex analog component), which, among other things, will eliminate the disparities between the current PAL or SECAM standards and will permit reception from all direct broadcast satellites using only one demodulation stage. The industrialists working on their manufacture have always kept the idea of a "European market" in mind because of the clear economies of scale.

The MAC standard itself, however, has engendered new norms, including the B-MAC used in Australia and the United States, the British C-MAC conceived exclusively for satellite transmission and the DS-MAC used by the French and the Germans particularly because of its compatibility with other existing transmission systems such as cable and microwave. The prefixes B, C and D2 delineate the methods of transmission for data and digitized audio. Images transmitted in MAC standard remain analog, but are relatively compatible with these different norms.

Explained in technical terms, the color and brightness signals are scanned successively one after another and not simultaneously with frequency division multiplexing, which results in the fluttering and interlacing of scan lines in current TV systems. The colors are more clearly differentiated, and the image is sharper. The audio is truly improved because it is digitalized and multiplexed. Digital and multiplexed audio capacity under the MAC standard will provide stereo sound, multilingual television broadcasting and even transmission of data for new services.

Beyond these advantages the MAC standard is compatible with existing television sets, thus allowing the viewer to avoid having to make a big investment in a new receiver. However, reception of the four or five programs broadcast from TDF-1 will require installation in homes of receiving equipment including a small 16-inch to 20-inch antenna, a tuner and a decoder for D2-MAC signals. The total price is about $100 (about a third of that for the antenna).

Manufacturers expect to put equipment on the market this quarter. This is an entirely new market that could be worth billions of dollars. In fact, the Continent has nearly 100 million households with television, three quarters of which are sets owned by individuals. Present estimates for sales are on the order of 1 million antennas and receivers annually.



© FPG INTERNATIONAL

The E.C. Commission has become actively involved in HDTV with a program for the promotion and demonstration of the European system, making completely equipped studios available to producers among other actions.

Such development, however, depends on the types of programming offered and the cost of access to the new services. That is why the goal is to keep the cost of the new receiving equipment equal to or less than the average cost of a television set or video cassette recorder. It is the single standard that will permit manufacture on a large scale.

Thus, the primary interest behind the MAC standard was as a natural and compatible evolution toward HDTV. The second step is now being researched in the $240-million cooperative project called

EUROPE'S CHALLENGE IN HDTV

THE RACE IS ON WITH THE JAPANESE.

PHILIPPE GUICHARDAZ

EUREKA-95 HDTV, which includes industrial groups like Bosch, Philips, Thomson and some radio broadcasting research institutes. The project is aimed at perfecting an European HDTV norm—an image that contains 1,250 scan lines, instead of today's 625, and that uses 50 cycles. The norm must be compatible with existing TV sets and with all equipment for the production and transmission of a HDTV image.

The technical code name applied to this extended MAC standard is HD-MAC. It will enable viewers to receive programs broadcast in high definition at the present level of quality of old TV sets until updated sets are purchased. New HD-MAC sets will be wider, with a 16/9 sized picture in place of the present 4/3; will show no interference; and will be practically as clear as a 35mm slide.

Europeans have had to fend off the Japanese. Using their advanced technology, the Japanese tried to impose their HDTV MUSE standard at the International Consultative Radio Committee (CCIR) meeting at Dubrovnik in 1986. The threat was clear: The Japanese standard and their equipment were not compatible with anything else being used. Adoption of the standard would have meant the obsolescence of all existing TV receivers and their gradual replacement with Japanese equipment. The markets for consumer and professional electronics would have been controlled by Japan.

With the strong support of the E.C. Commission, which has contributed broadly to European solidarity, Europeans have been successful in preserving the MAC standard and in having it recognized by the CCIR. There is a strong possibility that the next meeting of the CCIR in 1990 will ratify both standards if both sides refuse to change their present positions. For their part, the Europeans are more determined than ever to maintain their position, especially now that some gains have been made.

One example, is the recent decision by the FCC rejecting any HDTV broadcast standard not compatible with the existing pool of TV receivers. This in effect excludes the MUSE standard. Another example was a remarkable presentation in Brighton, England, last September where European manufacturers displayed a complete HDTV system including cameras, professional and consumer VCRs, studio equipment, decoders and receivers covering the entire high-definition image from production and transmission to reception and storage. The French firm Thomson has even demonstrated high-definition conversion from the 50 cycles used in Europe to the standard American 60-cycle system, without showing the slightest degradation in image. This success leads to the assumption that European and American systems can probably be married together.

However, parallel to the battle of technologies, the commercial battle must also be won, especially that of promoting the European system to professional producers to make them familiar with the new equipment. That is the object of a program and an action plan presented by the E.C. Commission "for the promotion and demonstration of the European HDTV system." Among other things, the program will make available to producers two completely equipped HDTV studios, one of which is mobile. The program will cost $60 million over the period 1989-1992.

The final link in the chain is programming. There is not much point to beautiful pictures, but mediocre programs. As French President François Mitterrand said in the last spring, European TV uses some 125,000 hours of programming per year, but for the same period French, German, British and Italian producers together only put out 25,000 hours of programming. This is why a cooperative action plan for programming called EUREKA-Audiovisual has been devised, again with the full support of the Commission. A real "European common front" is well under way. Next we must see how the Japanese will react. €

Philippe Guichardaz is a freelance writer based in Paris.

U.S., EUROPEAN RETAILERS ARE BECOMING MORE TRANSNATIONAL

TREND MAY BE TO MEGA-FIRMS OPERATING ON BOTH SIDES OF THE ATLANTIC.

© S. KANNO/FPG INTERNATIONAL

Stores like Gucci, Cartier and Bally put the trend into motion first.

RON BEYMA

Back in 1987, Peter Drucker wrote a landmark article for *The Wall Street Journal* in which he observed: "To maintain a leadership position in any one developed country, a business—whether large or small—increasingly has to attain and hold leadership positions in all developed markets worldwide." We are accustomed to think of manufacturing and technology as the leading arenas for such a competitive struggle, but as Drucker points out, banking has long been transnational and such service businesses as insurance are rapidly becoming so.

One of the more recent and interesting additions to the list is retailing. The movement of retail strategies and investment across national borders is beginning to hold enormous economic implications both within the E.C. and in the flow of commerce and investment between the E.C. and the United States.

It has long been said that retail strategies travel badly—especially department store concepts. There was a compelling logic for the belief. Retailing businesses have been considered strongly tied to their cultures. Customer tastes in Barcelona were seen as quite different from those in Athens or Munich. British department stores, French apparel shops and German grocers not only sold different products, but each did business in a very different way.

Retailing is also a highly management-intensive industry. It is therefore a significant challenge to communicate the fine nuances of a strategy, the careful definition of a target customer or all the intricate behavioral elements of motivating a work force through different languages and with various world views.

Several important factors are modifying this belief in Europe today. First, globalized communication through media like the Sky Channel is making consumer tastes more uniform. Retailers are themselves contending with the globalized brands that have come into being, from Coca Cola to Lego. Second, shopping behavior is changing. Consumers in industrialized countries expect rational and predictable assortments of product. There is considerably more experience with self-service shopping for commodity goods, which today include video tape recorders as much as tennis balls or shampoo.

Even so, for highly specialized purchases, especially where the product is fashion-intensive or has cutting-edge technology, skilled service is still sought after. One is likely to find this kind of service only in specialty stores, in separated high-service departments within larger stores or in stores that cater to busy professional people, who find their personal time decidedly scarce.

The retail migration of specialty strategies across the Continent and across the Atlantic began in earnest a decade ago. It was aimed first at the very highest socioeconomic levels. Stores like Gucci, Cartier and Bally put the trend into motion, moving first to cities like London, Geneva and New York. There was also an increasing desire for free-standing shops by certain luxury-goods manufacturers to better control the merchandising presentation and marketing strategy for their products. As middle class consumer tastes became more sophisticated, chains like Benetton and Stefanel followed a path to what had become a truly massive market. Franchising made the businesses more mobile, more able to expand.

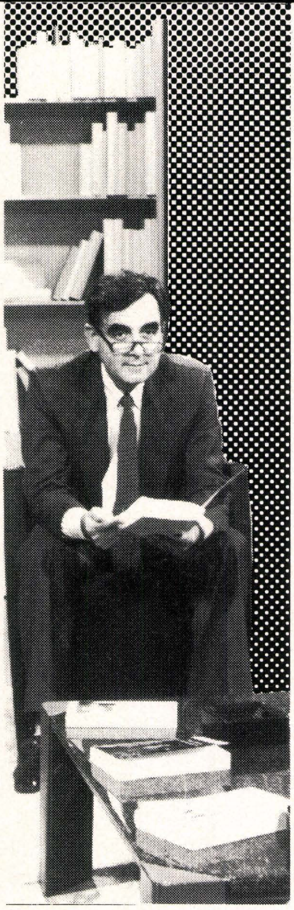
The French have teamed together in the luxury market. The French Comité Colbert is an organization of more than 60 French producers of luxury goods. The Comité is targeting the United States to grow to a quarter of its sales in the coming years, says *Crain's New York Business.* The market for European retailers is not always easy sailing, however.

A recent *Business Week* article discussed problems encountered by the elegant French department store Printemps

Ron Beyma is an international management consultant based in Stamford, Connecticut.

Now on Videocassette in the U.S.A.

APOSTROPHES



France's Popular Literary —Television Program—

APOSTROPHES is a French phenomenon, which regularly attracts over 5 million viewers to ANTENNE 2, France's leading television network.

Your host, **Bernard Pivot**, invites five authors to discuss topics of French literature, culture, history and civilization. He chooses a specific theme for each show to ensure a lively discussion.

Pivot's quests have included, among others:
Jane Fonda, Julien Green, Claude Hagège, Bernard Henri-Levy, Jean-Luc Goddard, François Leotard.

To quote recent prominent reviews:

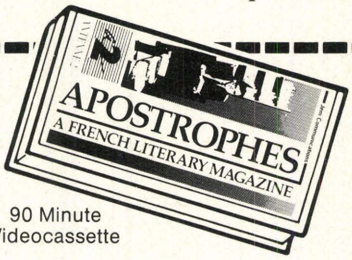
The New York Times
"APOSTROPHES is so influential that politicians allegedly write books just to get on the show."

Time Magazine
"This is intended to make people read," Pivot says, *"to trap the viewer by letting him know a little of what is in the book and then make him go out and buy it to learn the rest."*

ANTENNE 2

Viewers can subscribe to the series on a bi-weekly basis, or purchase single or multiple issues at attractive low prices.

For more information and a list of available programs,
CALL TOLL FREE 1-800-338-4814
In New York state: 212-840-7830
or write to:
APOSTROPHES c/o JEM Communications, Inc.
49 West 38th St., Suite 1500, New York, NY 10018



90 Minute Videocassette

E

Name ______________________________

Address ______________________ Apt ________

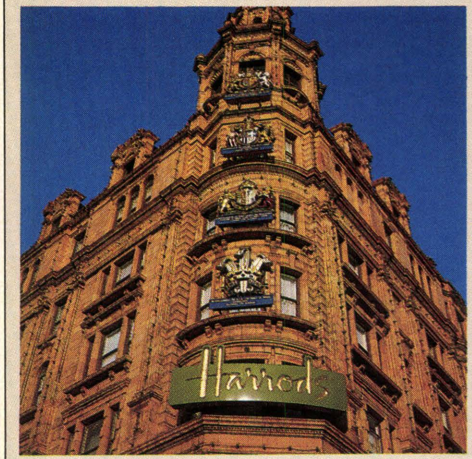
City ______________ State ____________ Zip ________

Available in VHS only / Visa & Mastercard accepted / 60 Day Money Back Guarantee since opening its first U.S. store about a year ago in Denver. Location difficulties, overshooting the taste level of Denver customers, and a lack of enough presence for American merchandise lines seemed to contribute. *Forbes* reported recently that "in 1987, seven of 650 Benetton shops in the United States were shuttered. Not many statistically, but a signal it would be a folly to ignore." At some point, there must be a limit to the size of the European fashion and luxury-market segment in the United States.

The British retailer and apparel maker Daks offers a good example of how some of the emerging upscale businesses have evolved. Richard Campbell Walters of Daks' management points out that the firm has been export-minded since 1936 and trades in 76 countries. Some of the operators of Daks "corner shops" outside the United Kingdom were actually long-term customers of the apparel maker. The retail-store strategy was launched three years ago and European locations today include stores in Geneva, Munich, Hamburg, London and two in Greece. Daks sells both men's and women's apparel, but is careful to tailor the store assortment toward the particular country and market. The store opposite the Hamburg Rathaus, for example, has a stronger male bias and more business clothing, while the store in Salonika in Greece eschews tweeds for casual linen. There is at least one common trait for the Daks customer and that is high mobility. Consequently, Campbell Walter says in-flight magazines are a favored way to reach customers with advertising.

The most explosive growth area for transcontinental expansion in the U.S. market is now in the value spectrum. "Hypermarkets"—a European creation inspired by an American idea—are attempting a comeback in the United States. Looking for a retail format that could provide more efficient distribution

Britain's Harrods now has a shop in Frankfurt and a boutique on the QE II.



© GERALD CLYDE/FPG INTERNATIONAL

and also respond to the tougher zoning requirements of European towns, Old Country retailers modeled their original hypermarkets on suburban U.S. supermarket, but with the addition of non-food merchandise and on a larger scale.

In the 1970s in the United States, American retailers attempted to echo the concept back by pairing non-food discount stores with grocery partners. Other U.S. grocery retailers literally tried to emulate European hypermarkets. The marriage was ultimately abandoned because the food/non-food combination could not generate the high-density turnover that made European hypermarket retailing profitable. But a joint venture between French Euromarché and the U.S. grocery retailer Super Valu reintroduced the hypermarket in the United States in 1984.

Now there is considerable competition between U.S. and European retailers to give the hypermarket a new foothold in the New World. French operators Carrefour and Auchan are gearing up as are American chains such as K-Mart and Wal-Mart in trying to find the right hypermarket concept for the United States. Peter Monash, an retail consultant who advises firms on both sides of the Atlantic, comments: "Until recently, European-type hypermarkets have been practically nonexistent in the U.S. market. The reason is easy to understand: American consumers have been very well served without them."

Even though the U.S. market is today seriously overstored in general, Monash believes that the hypermarket has a future in U.S. retailing, but not simply as the combination of a "large supermarket with a discount store under one roof." He points out that state-of-the-art data systems, well structured assortments, innovative store design and service in selected areas are essential. The store must match the unique needs of the American market.

An impressive entrant to the U.S. market is the Swedish retailer Ikea, which specializes in well-designed furniture offered in attractive warehouse settings. Their first U.S. store, which opened in Dale City, Virginia, in 1985, was such a success that an analyst said the only blemish was the lack of parking space to accommodate the huge crowds. They now have three stores on the U.S. Eastern seaboard.

Other large-stakes players in U.S. retailing have preferred not to export their own strategies, but to take investment positions in established U.S. retail businesses. The largest single West German investment in the United States of any sort is estimated to be the Tengelmann Group's majority interest in A&P. Vendex International in the Netherlands has acquired an investment position in an impressive array of medium-market, department store businesses through Dillard's in Little Rock, Arkansas, a chain that bought Higbee's in Cleveland in 1988. Spiegel, the U.S. subsidiary of the German catalogue giant Otto Versand, made important acquisitions in 1988 of the U.S. retail and catalogue businesses Eddie Bauer and Honeybee. British retailer Marks & Spencer paid $750 million for the Brooks Brothers menswear stores in the same year.

U.S. markets are important to Europeans, but the 1992 single market plan is also causing these same retailers to consider how the 1992 integration will affect operations in Europe. Some see definite changes, but also are concerned that true integration may take longer than expected. A.F. Brand, a Dutch consultant says: "Looking at the political developments within Europe, you cannot be very optimistic about 1992. It will take at least five to 10 years." Brand also sees an overhaul in the distribution channels for acquiring merchandise. "On one side, the wholesalers/retailers represented in all countries will put pressure on the suppliers by pool buying.... They will force the suppliers to act and adapt."

How are U.S. retailers responding to the idea of a unified Community? Some U.S. retailers are making headway in Europe. The greatest potential seems to be for those specialized businesses described by analysts as "category killers." These stores offer such overwhelming dominance in a particular type of merchandise that traditional competition can only pale in comparison. The vast selection is usually coupled with aggressive pricing.

One such U.S. "category killer" is New Jersey-based Toys-R-Us, which has made aggressive penetration into the German and U.K. markets. Toys are essentially branded goods, and there is substantial similarity between the U.S. and European assortments. Could other "category killers" emerge from the United States and do well in Europe? Monash says a stationary store or a sporting goods concept potentially could, "but the vehicles themselves—the companies—don't exist yet today that could do the job."

In some respects, the new American strategies are reminiscent of other U.S. businesses with a long track record of success in Europe—fast food chains like McDonalds and Pizza Hut. Like Toys-R-Us, they are aimed at the young, price-

Continued on page 54.

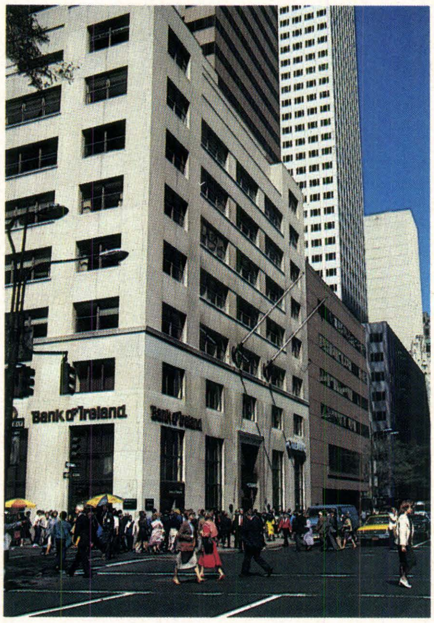

BANK OF IRELAND
COLLEGE GREEN, DUBLIN

We're the first bank over there.

And here.

In Ireland, the Bank of Ireland has always led the way. Ever since those 18th Century days in College Green, Dublin—to our present day commitment to the new International Financial Services Center at the nearby Custom House.

And, appropriately enough, Bank of Ireland was the first Irish bank to open in the United States.



Already, in this country, some 10,000 customers count on us for banking services. For personal services such as checking accounts, savings and loans of all kinds. And for corporate banking services to cover all business requirements.

But the nice thing is: as big as we are—we're never too big for you!

Bank of Ireland

640 FIFTH AVENUE (AT 51st STREET, OPPOSITE ST. PATRICK'S CATHEDRAL) NEW YORK, NY 10019 • TELEPHONE: 212-397-1700
MEMBER FDIC

THE E.C. AND YOUTH

© ROBERT FRERCK/WOODFIN CAMP

NEW POLICIES TARGET EDUCATION, TRAINING AND EXCHANGES.

COMETT, ERASMUS, "YES for Europe:" These are three terms that, for the moment, may mean little to those not directly concerned by European policy on education and youth. Admittedly they are three new programs whose first phase runs more or less from 1987 to 1990. During this period, however, they will involve tens of thousands of students and young people.

Today, the E.C. has set itself new objectives. In the forefront of these is the completion of a large internal market without frontiers by the end of 1992. With that in mind, it is more important than ever to make full use of human resources. The education and training of the young, who will live in and give life to the Europe of tomorrow, must henceforth be a crucial element in the Community cooperation. A new stage is now being initiated in this respect through the COMETT, ERASMUS, and YES for Europe programs. They should help to revive growth, and therefore employment, and help to build "People's Europe."

Of the 320 million people who live in the E.C., 70 million are school-children and students in higher education, and nearly 5 million are teachers. If parents are included, it can be estimated that one in two Europeans is affected by the problems of education. However, in spite of this numerical importance, the policy on education is one of the most recent drawn up by the Community. Non-existent during the first years of the Common Market (1958-1972), it only began to develop from 1973 onward. Since 1985, however, it has taken on new impetus, in the context of a E.C. more concerned to establish a People's Europe. Some of the stages in the development of an E.C. education policy can be briefly recalled:

- 1973: A directorate for education is established in the E.C. Commission.
- 1976: The E.C. Council of Ministers adopts a first action program.
- 1980: EURYDICE, the information network on the various education policies in E.C. countries, goes into operation.
- 1985: The Commission submits its first proposals for the COMETT and ERASMUS programs. These are followed in 1986 by a proposal on YES for Europe.

The implementation of a European education policy has proven extremely complex. Each E.C. member state is characterized by systems, structures and methods peculiar to itself. While respecting this rich diversity, the E.C. is trying to encourage some convergence. Clearly, the same teaching cannot be proposed for a young Scottish child and a young Sicilian. But, in view of the completion of the single market in 1992, both should be able to finish their schooling with qualifications of the same quality.

The E.C. is therefore trying to orient its activities towards the following areas:

- Interconnections between educational systems: the EURYDICE network, grants for study visits, teacher training.
- Foreign language teaching.
- Equality of opportunity for girls and boys, for the children of migrant workers, for the handicapped. Also the fight against illiteracy and failure at school.
- Introduction of new information technologies (NIT) in school systems.
- Cooperation between universities and industry in training for new technologies (COMETT).
- Student mobility: ERASMUS program, interuniversity cooperation and recognition of diplomas.
- Youth exchanges: exchange program for young workers and YES for Europe.

The COMETT program

COMETT is not a space program! It simply stands for the "program of the Community in education and training for technology." Its purpose is to encourage cooperation between universities and industry, at European level. COMETT is the result of a sudden awareness by the E.C. of the urgency and importance of improving its technological base, in order to find new competitive strength. Europe has resolutely committed itself to scientific and technological research, but this alone is not sufficient.

The effort must be supplemented by a vigorous policy of investing in the development of the E.C.'s human resources. The rapid progress of the new technologies demands young people and adults with excellent training who are prepared to face up to the changes they will meet during the course of their working life. Know-how, adaptability and an enterprising spirit are qualities that are increasingly sought after. Without them, Europe will not be able to remain competitive, to encourage growth or to create new employment opportunities.

Unfortunately, the universities do not provide in sufficient quantity or quality the high-level human resources—engineers, highly-skilled technicians and others—demanded by the new technologies and by the firms that use them. This shortage is particularly striking when the situation in the E.C. is compared with that of its principal competitors, the United States and Japan. Recent surveys show that, in a number of areas, the shortage of highly qualified personnel is today considered an even more serious problem than the lack of finance for development or production costs.

In recent years, several member states have taken measures to combine interdisciplinary education with work experience. Different forms of cooperation have been devised: technological parks, university-industry marriage bureaus and so on. Most such experiments, however, are concerned essentially with innovation and research and development. Their effects on training and retraining are only indirect. On the other hand, the E.C. research program ESPRIT, devoted to information technologies, has opened the door to European technological cooperation between industry and universities. It only remained to provide a similar commitment in the field of advanced training.

The COMETT program answers this need. Its objectives are the following:

- To encourage synergy between the academic world and the world of industry.
- To promote a European identity through student placements in firms located in other member states.
- To encourage economies of scale through the joint organization of new training programs.
- To improve the initial training of students and the continued training of skilled personnel and executive staff.
- To develop the level of training in response to technological and social changes.
- To strengthen and diversify possibilities for training at local, regional and national levels.
- To exploit the opportunities offered by the new information and communication technologies.

The COMETT program was approved by the E.C.'s Council of Ministers in July 1986. Its first operational phase, launched in January 1987 following a preparatory year, covers a three-year period from 1987 to 1989. Its total appropriation was initially set at 45 million European Currency Units (currently about $54 million), but a reassessment of this figure is planned.

The first phase centers on five fields of activity in which projects will be invited:

- The creation of a network of university-industry training partnerships.
- The financing of student placements, to allow students to work in firms located in member states other than their own, and of grants to encourage transnational exchanges of personnel between universities and industry.
- Transitional projects for continuing training, carried out jointly by universities and industry.
- The finalization of multimedia training systems that place the emphasis on the training of trainers and on small and medium-sized firms.
- The exchange of information and experience and the dissemination of the most innovative practices.

In 1987, the year it was launched, the COMETT program enabled the E.C. to finance 108 university-industry training partnerships, 1,067 transnational placements in industry for students, 73 transnational fellowships for the training of executives from industry and universities, 136 transnational projects for continuing training and 62 multilateral initiatives aimed at developing multimedia training systems.

Administered by the E.C. Commission, with the assistance of a committee of experts composed of representatives from the member states, the COMETT program takes its place among other E.C. activities in the areas of education and training, research and development and technological cooperation. Of particular concern here are the ESPRIT, BRITE, RACE and SPRINT programs as well as the plan to encourage scientific cooperation and exchange.

In addition, there is to be close cooperation with the DELTA research and development program, which deals with the use of new technologies in education. A second phase of the program is foreseen for 1990-92. This should consolidate, strengthen and amend program activities, in light of the experience gained.

Strengthening university-industry cooperation will reduce the obstacles to innovation and the application of new technologies. The European dimension will supply to training the essential element to support the industrial and technological progress of an interdependent Europe. The COMETT program is therefore directly involved in the achievement of the large internal market forecast for 1992.

The ERASMUS program

By adopting ERASMUS, a program intended to encourage student mobility, the E.C. has laid a corner-stone in the creation of a People's Europe. ERASMUS, or European Community action scheme for the mobility of university students, involves 3,600 higher education establishments and some 6 million students. It provides an opportunity for some of these students to do part of their studies at a university in another member state.

In an increasingly interdependent E.C., there is as never before a need for persons not only competent in another language, but also capable of communicating and cooperating with partners in other countries on the basis of a better understanding of the economic and social structures of their neighbors. Furthermore, in an even more competitive world, it is vital to take account of the need for increased cooperation with European partners. To encourage such a mentality among students is one of the best ways of ensuring that future generations of decision-makers will regard joint ventures with other E.C. countries as a natural and positive line of action rather than a potential source of risks and dangers.

European students today are relatively less mobile than they were five centuries ago, in the time of Erasmus. Presently, the proportion of E.C. students enrolled at a university in another member state is well below 1 percent.

ERASMUS follows on from numerous experiments carried out during the pilot phase of university cooperation launched in 1976. An experiment to be particularly drawn on from that period is the "joint study program," which achieved remarkable results, but which had very limited impact because of their small budget.

The objectives of the ERASMUS program are:

- To increase significantly the number of students who spend a period of study in another E.C. country as an integral part of their course, so that Europe will have available to it executives with direct experience of the economic and social life in other member states.
- To promote wide and intensive cooperation between universities in E.C. countries.
- To exploit the intellectual potential of the universities through greater mobility for students and teaching staff.
- To strengthen relations between the people of different member states in order to consolidate the concept of a "People's Europe."

Adopted in June, 1987, following long and difficult negotiations, the ERASMUS program was allocated a modest 85 million ECU for the first three years (July 1987 to June 1990). During the third year, the budget share to be devoted to student mobility grants will be double that reserved for other activities. The overall budget is certainly a modest one in comparison with the Commission's initial proposal (175 million ECU), but it is a permanent program and the yearly distribution of the allocation is now increasing, which augurs well for 1990.

The Commission is responsible for the implementation of the ERASMUS program. It is assisted by a consultative committee composed of two representatives from each member state, of whom at least one comes from a university. Mobility grants are administered by the member states themselves, which helps to decentralize and simplify the management of the program.

There are four lines of action to encourage student mobility:

- The launching of a European university cooperation network: Participating universities conclude agreements for student and teacher exchanges. They draw up joint teaching programs. The E.C. provides on average 10,000 ECU (this can go up to a maximum of 25,000 ECU) for each participating institute.
- Grants for students who follow a study period of at least one term in another member state. To avail of such grants, the period of study spent abroad must take place after the first year of higher education and must be fully recognized by the original university. Average grants are 2,000 ECU and cover costs resulting from the move abroad—travel expenses, difference in the cost of living, language preparation and so on. In addition, the holder of an ERASMUS grant enjoys the following advantages: The second university does not require an enrollment fee and the grant-holder continues, where necessary, to pay fees to the university attended in his own country. Also, the holder of an ERASMUS grant who is already receiving a subsistence grant in his country of origin retains the benefit of this during the period of study spent in the second university.
- Promoting academic recognition of diplomas and periods of study spent abroad. Among the measures envisaged is the development of a European course credit transfer system: A group of universities is invited to participate in a pilot project to establish a system of course credits transferable throughout the whole of the Community. Also planned is the continued development of the E.C. network of national academic recognition information centers.
- Complementary measures: support for university associations, organization of intensive courses, financing of publications and the award of an annual ERASMUS prize.

Education and training of the young, who will live in and give life to the Europe of tomorrow, are crucial for the E.C.'s future.

In 1987, its first year of existence, the ERASMUS program financed 398 inter-university cooperation programs involving over 850 higher education institutes, 1,138 study visits for teachers and 3,000 mobility grants for students participating in the programs. Between 1987 and 1990, at least 25,000 European students will benefit from ERASMUS and some 1,700 higher education institutes—one in two—will receive financial assistance to allow them to draw up exchange programs.

YES for Europe

After COMETT and ERASMUS, which concern students in higher education, this is a program open to all young Europeans. It is called YES (youth exchange scheme) for Europe, although Youth for Europe has been proposed. This highly ambitious project still under discussion between Ministers, should widely encourage youth exchanges throughout the Community.

In the context of current efforts to encourage a European awareness and solidarity and to create a People's Europe, youth exchanges have a determining role to play. Moreover, such exchanges are directly bound up with the E.C.'s economic, social and cultural objectives, whether it is a question of abolishing obstacles to the free movement of individuals or of preparing young people for their working lives. These exchanges within the European E.C. enable young people:

- To familiarize themselves with the socio-economic and cultural life in other member countries.
- To learn to communicate with people from different cultures.
- To become conscious of the interests they share with young people in other countries.
- To perceive more clearly, and therefore strengthen, the European identity.

From the first years of the E.C.'s existence, the European authorities have taken note of the importance of youth exchanges for the future of Europe. Since 1963, the program has grown: Currently 3,000 young workers between the ages of 18 and 28 annually receive grants to undertake a work placement period in another E.C. country. This program, linked from the beginning with the principle of the free movement of workers, tried initially to conquer the natural reluctance of young people to move away from their local environment. Other objectives have since become predominant: improved vocational training, personal development of participants, encouragement of cross-border personal contacts, learning the realities of Europe and other goals.

This exchange program for young workers takes its place among the numerous E.C. initiatives for young people:

Continued on page 55.

NOW YOU CAN FLY TO LONDON AND EARN 32,000 SQUARE MILES.

If you're considering a visit to the British Isles, why not take in the Emerald Isle as well? Simply plan your trip to London flying Aer Lingus in one direction and you can add Ireland to your itinerary at no extra airfare.

GET A FREE VISIT TO IRELAND.

You can choose to visit Ireland on your way to London or on your way home. Either way, up to forty daily flights between London and Ireland and just about an hour's flying time make the trip as easy as it is enjoyable.

And now's the perfect time to take advantage of this offer. For starters, there's the Dublin Millennium. A year-long, city-wide celebration of Dublin's 1000th anniversary.

If you can tear yourself away from the festivities, you'll want to explore Ireland's natural wonders such as the Ring of Kerry, the Rock of Cashel, Galway Bay, and the Blarney Stone. Not to mention Ireland's most memorable natural attraction: the Irish people.

What's more, our *Discover Ireland* program enables you to enjoy all the pleasures of Ireland, including accommodations and an Avis car, from as little as $31 a day.

Stay in enchanting castles and charming cottages. Dine in fine restaurants and cheerful Irish pubs. See a play at the renowned Abbey Theatre. And golf at one of Ireland's legendary championship courses.

Ireland for free. All 32,000 square miles. And you don't have to be a frequent flyer. Just a smart one. For more information, call your travel agent or Aer Lingus at 1-800-223-6537; in NYC, 212-557-1110.

Aer Lingus
Ireland

GET THE EUROPEAN VIEW

Research on the Cost of Non-Europe, a collection of studies published in 1988 by the Commission of the European Communities, assesses the current economic and business climate in Europe and the potential impact of the 1992 internal market program.

NOW AVAILABLE:

Studies, by sector, on the costs and benefits of a frontier-free Europe

- How will the 1992 internal market program affect economic growth, industrial competitiveness and labor productivity?
- How do European businessmen assess the future potential of an integrated market?
- How do the existing market and regulatory structures hamper European industry's competitiveness?

Research on the "Cost of Non-Europe"

Vol. 1 Basic Studies: Executive Summaries. 576 pages. $66.55. Summaries of the reports in volumes 2-16

Vol. 2 Studies on the Economics of Integration. 652 pages. $71.25. Analytical models on the micro- and macro-economic effects

Vol. 3 The Completion of the Internal Market: A Survey of European Industry's Perception of the Likely Effects. 306 pages. $31.20. Attitudes and expectations of company managers

Vol. 4 The "Cost of Non-Europe": Border-Related Controls and Administrative Formalities-An Illustration in the Road Haulage Sector. 280 pages. $28.10. Costs of customs formalities and case study of the road transport sector

Vol. 5 The "Cost of Non-Europe" in Public-Sector Procurement. 1130 pages. $150.00. Description of national procurement procedures and benefits of broadening access to contracts

Vol. 6 Technical Barriers in the EC: An Illustration by Six Industries; The "Cost of Non-Europe": Some Case Studies on Technical Barriers. 242 pages. $26.25. Trade barriers for wood-working machines, low voltage products, fire protection products, lifts, and weighing equipment

Vol. 7 The "Cost of Non-Europe": Obstacles to Transborder Business Activity. 154 pages. $15.90. Impact of industrial policy, corporate and fiscal laws, social measures, border controls and financing

Vol. 8 The "Cost of Non-Europe" for Business Services. 140 pages. $16.85. Engineering, management consultancy, computer services, travel, catering, legal services, advertising and public relations

Vol. 9 The "Cost of Non-Europe" in Financial Services. 494 pages. $150.00. Organization and regulation of the banking, securities and insurance sectors

Vol. 10 The Benefits of Completing the Internal Market for Telecommunication Equipment, Services in the Community. 197 pages. $21.55. Current status and future scenarios for the telecommunication markets

92

POINT ON 1992

Vol. 11 The EC 92 Automobile Sector. 350 pages. $34.65. Design, engineering, manufacturing and assembly of passenger cars

Vol. 12 The "Cost of Non-Europe" in the Foodstuffs Industry. 752 pages. $150.00. Regulatory measures for breads and cereals, confectionery, beverages and other grocery products

Vol. 13 Le "coût de la non-Europe": des produits de construction. 168 pages . $17.80. National standards for buildings and construction products as barriers to trade

Vol. 14 The "Cost of Non-Europe" in the Textile-Clothing Industry. 256 pages. $27.15. Overview of the textile industry and market situation

Vol. 15 The "Cost of Non-Europe" in the Pharmaceutical Industry. 182 pages. $16.85. Production and consumption patterns, registration and approval procedures, and price structures

Vol. 16 The Internal Markets of North America: Fragmentation and Integration in the US and Canada. 176 pages. $16.85. Barriers in the U.S. and Canadian internal markets and the potential effects on the U.S.-Canadian free trade arrangement

Other Community publications of interest:

The Economics of 1992. *European Economy No. 35.* 222 pages, March 1988. $19.50
Creation of a European Financial Area. *European Economy No. 36.* 212 pages, May 1988. $19.50
The Social Dimension of the Internal Market. *Social Europe, Special Edition.* 115 pages, 1988. $5.25
Transport and European Integration. *European Perspectives.* 229 pages, 1987. $14.00
Lawyers in the European Community. *European Perspectives.* 293 pages, 1987. $14.00
Telecommunications in Europe. *European Perspectives.* 254 pages, 1988. $13.00
Common Standards for Enterprises. 79 pages, 1988. $11.25
Individual Choice and Higher Growth: The Task of European Consumer Policy. 56 pages, 1988. $7.50
Europe in Figures. 64 pages, 1988. $5.30

Order coupon

European Community Information Service, 2100 M St., N.W. - 7th Floor, Washington, D.C. 20037
Please send me the items checked below. My check for ______ is enclosed.

Research on the Costs of Non-Europe

____ Vol. 1, $66.55
____ Vol. 2, $71.25
____ Vol. 3, $31.20
____ Vol. 4, $28.10
____ Vol. 5, $150.00
____ Vol. 6, $26.25
____ Vol. 7, $15.90
____ Vol. 8, $16.85
____ Vol. 9, $150.00
____ Vol. 10, $21.55
____ Vol. 11, $34.65
____ Vol. 12, $150.00
____ Vol. 13, $17.80
____ Vol. 14, $27.15
____ Vol. 15, $16.85
____ Vol. 16, $16.85
____ Complete set, Vols. 1-16, $450.00

Other titles:

____ The Economics of 1992, $19.50
____ Creation of a European Financial Area, $19.50
____ The Social Dimension of the Internal Market, $5.25
____ Transport and European Integration, $14.00
____ Lawyers in the European Community, $14.00
____ Telecommunications in Europe, $13.00
____ Common Standards for Enterprises, $11.25
____ Individual Choice and Higher Growth, $7.50
____ Europe in Figures, $5.30

Name ____________________

Company ____________________

Street ____________________

City ____________ State ____________ Zip ____________

HUNGARY EXEMPLIFIES NEW ERA IN EAST-WEST RELATIONS

LEADERS ARE EXPERIMENTING WITH CAPITALIST INSTITUTIONS LIKE A STOCK EXCHANGE.

AXEL KRAUSE

An extraordinary scene jolts even a seasoned observer of Communist countries upon entering the spacious, marbled, ground-floor reception area of the Budapest Bank in the heart of Hungary's capital city: Amid the buzz of computers, several dozen Hungarians, including young people, are studying, discussing and placing orders for bonds issued by 320 Hungarian companies and banks whose names and yields are quoted on a large board.

"It's still very small compared to what you have in the West," a bank official tells an American visitor. "But it draws business and it will grow." The "it" refers to the rapidly expanding, highly popular experiments with decidedly capitalist institutions that Hungarian leaders are determined to use in forging expanded economic ties with the European Community and other Western nations.

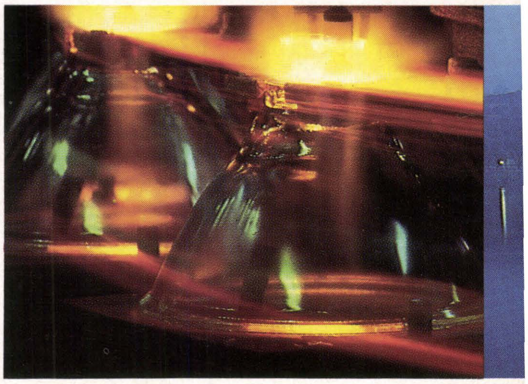
"The next step is establishing Hungary's first postwar stock exchange, which we are now developing with help from the Bundesbank, from exchanges throughout Europe and from the World Bank," said Zsigmond Jarai, deputy managing director of the Budapest Bank and chairman of the Securities Trading Council, which groups 25 Hungarian banks and financial institutions. The council probably will establish the exchange in early 1989, with the latest computers and with regulatory authority.

Trading will be encouraged in stocks of some 45 privatized companies, some of which will be entirely foreign-owned under new economic reform measures that were scheduled to become effective January 1. The committee plans to put the exchange at a new site in Budapest, having ruled out returning to the gray, monumental building that housed the previous exchange and flourished from 1862 until 1941 and now serves as headquarters for the state-run television network.

Speaking in American-accented English, Jarai, a 37-year-old economist, sees little immediate fallout from improved political and trade relations between the E.C. and the Council for Mutual Economic Assistance (Comecon), the Moscow-based bloc of Communist countries. Last June, following nearly five years of negotiations and quiet dropping of the blocs's favorite epithet for the E.C.—"the economic arm of the North Atlantic Treaty Organization"—Comecon officially recognized the E.C., and a broad agreement to promote cooperation was signed.

That was followed by a similar agreement signed in September between the E.C. and Hungary, removing many restrictions on Hungarian imports, while granting the country most-favored-nation status under the General Agreement on Tariffs and Trade. At the signing in Brussels, E.C. Commissioner Willy De Clercq described that accord as "a new stage" in East-West trade relations.

"Government people talk a lot, and I don't want to sound too critical, but the E.C.-Comecon accord, and ours, set general orientations .... What we are doing here, with our reforms, is related, but different—we are establishing some first,



Hungary and the E.C. signed a trade agreement last September that removes many restrictions on Hungarian imports. Above, from left: a glass factory, Budapest, worker.

Axel Krause is the corporate editor of the *International Herald Tribune.*

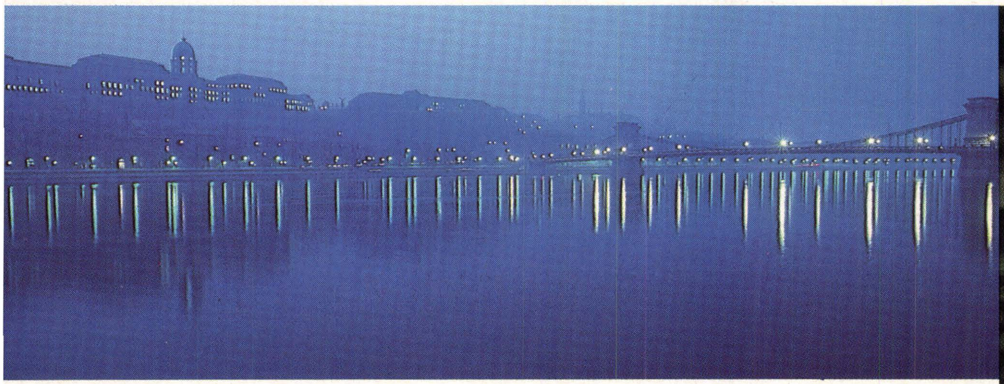
concrete links with Europe, and others in the West, and I believe this is what really matters," Jarai said.

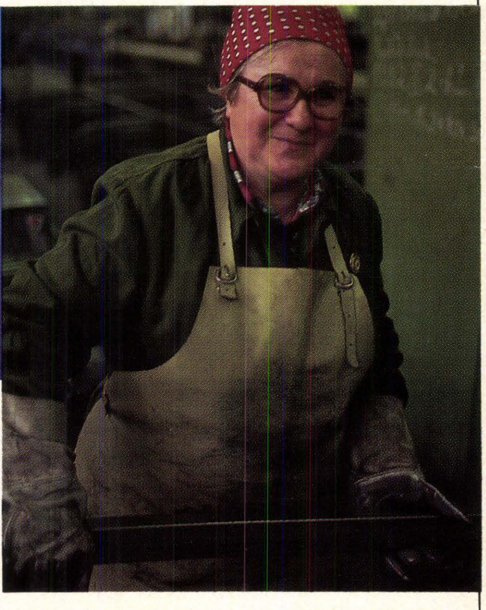
Hungary, the Soviet Union and indeed all of their East European neighbors, observers agree, have a long way to go—in reforming not only their domestic economies, but also in forging new trade and other business links with Western Europe, the United States and Asia. And, above all, fresh thinking is needed. "This talk about a Marshall Plan for us is not very useful for producing new ideas," commented Peter Balazs, director-general in Hungary's Ministry of Trade.

"The E.C. agreements are steps in the right direction, providing us with a common denominator, but we must build on it through broader forms of cooperation," said Balazs. He noted that the E.C.-Comecon accord establishes future cooperation in the field of statistics, economic forecasting, environment and norms and standards. "A new Europe is emerging under the slogan 1992—we should join our efforts," the official added.

However, what the new, reformist English-language magazine *The Hungarian Observer* described as a "single-speed mechanism" for Eastern and Western Europe that might emerge from the E.C.-Comecon agreement faces major economic obstacles and political uncertainties. Complicating matters is that most Western countries, with the notable exception of the Federal Republic of Germany, have shown little interest in Hungary since the Soviet-led repression of the 1956 uprising in Budapest.

"There have not been many opportunities for us to get to know each other," French President François Mitterrand told newsmen at the end of a two-day visit to France in November by Hungarian leader Karoly Grosz. "Until now." Sitting next to the French leader at the Elysée Palace and fresh from several days of high-level meetings in Madrid, Grosz said he was delighted that new links were being established with two key E.C. member states, notably in the field of industrial joint ventures.





ALL PHOTOS © BILL WEEMS/WOODFIN CAMP

Responding to questions, Mitterrand disclosed that he had asked Hungary to join a "EUREKA-Audiovisual" plan that he initiated and that now has E.C. backing. It is being designed so that Eastern and Western Europe would cooperate in developing a new satellite television system extending from the Atlantic to the Urals and beyond. A key goal, the French leader emphasized, is "to preserve our language and culture, which are threatened," by American-made, English-language films. "One of the truly great events for the end of his century and the next is the rapprochement of the separated Europes, " Mitterrand added.

Although Hungarian officials are fond of telling visitors that the E.C. is Hungary's second-largest trading partner after the Soviet Union, Hungary's share of E.C. trade has remained essentially unchanged during the past five years—at around 0.2 percent, amid what *The Hungarian Observer* described as "disturbing signs." These include a chronic trade deficit with the E.C.: 1987 exports totalled $1.9 billion, and imports $2.3 billion, with little prospects of improvement.

"The incentive to try harder [to export] was certainly there," the magazine commented. But the determination to boost exports immediately raises more fundamental problems that go to the heart of Hungary's predicament: how to succeed in implementing economic, social and political reforms—dramatically surpassing those in any other Communist country—amid a volatile, tense and uncertain political climate.

Summing up the nation's mood, *The Hungarian Observer,* which resembles *Der Spiegel* and *Newsweek,* is owned by Hungary's large Pallas publishing group. Its first issue, which appeared in November, said that "newsy developments as these are, [recent street demonstrations, establishment of Hungary's first independent trade union, wildcat strikes and satisfaction of strikers' demands], they conceal the disappointing fact that the living and working conditions of the people and the country's economic performance are at best stagnating, the national debt is growing and the overall mood is becoming gloomier by the week."

Turning to the highly publicized discussion of eventually establishing a multiparty system, the editorial continued: "It becomes evident that so far these are mere words, that very little has actually happened so far." The editors' conclusions: "There is still a very long way to go before Hungary's political system sheds all its Stalinist fetters and becomes appropriate to a modern European industrial nation."

Reiterating his opinion expressed to others, Grosz told the French newspaper *Le Monde* on November 10 that "theoretically, it is not excluded.... Personally, I am not in favor of such a development." Several days earlier, asked by *Time* whether his reforms would lead to further unrest, Grosz conceded: "We anticipate serious difficulties, even tension.... Lasting unrest or chaos is no answer for us. We will act with determination to counter it."

Many other questions, notably related to the economy, remain unanswered. How much economic growth and investment can be triggered by a new stock exchange? Or by new joint ventures added to the 180 now functioning? Or by future E.C.-Comecon accords? How can Hungarian industry boost productivity, considering recent government estimates that only 6 percent of Hungarian products compete profitably on world markets? Who will supply the badly needed, sensitive technology?

How can Hungarian managers be motivated, in light of the observation of Andras Brody writing in *The Hungarian Observer:* "The majority of enterprises

Continued on page 54.

DELORS LEADS E.C. TOWARD 1992

Delors' reappointment owes much to his success in encouraging others to share his vision of the Community's future.

TIM DICKSON

Jacques Delors is the first two-term President of the E.C. Commission since Walter Hallstein a generation ago. His reappointment owes much to the manner in which he has stamped his growing authority on the European Community over the last four years, and the success with which he has encouraged others to share his vision of the E.C.'s future development.

Whatever the contribution of his colleagues—and in the case of departing Commissioners Lord Cockfield and Peter Sutherland, it has been considerable—the first Delors presidency may well go down in history as a period when a new dynamism and a new enthusiasm for Europe were born.

The first blueprint for a barrier-free internal market was presented within days of Delors moving to Brussels in late 1984, and enshrined the next year in the now-famous Cockfield White Paper. Then there was the crucial negotiation over the Single European Act, the reform of the Treaty of Rome designed to streamline E.C. decision-making and to commit member states more firmly to travelling the rocky road toward 1992.

Finally, and perhaps most crucially, came the triumph at the Brussels summit when Delors and the West German presidency of the E.C. Council of Ministers pushed through a five-year package of financial reforms, effectively ending the budget squabbling that had stopped more creative energies and dragged the E.C.'s reputation low in the previous decade.

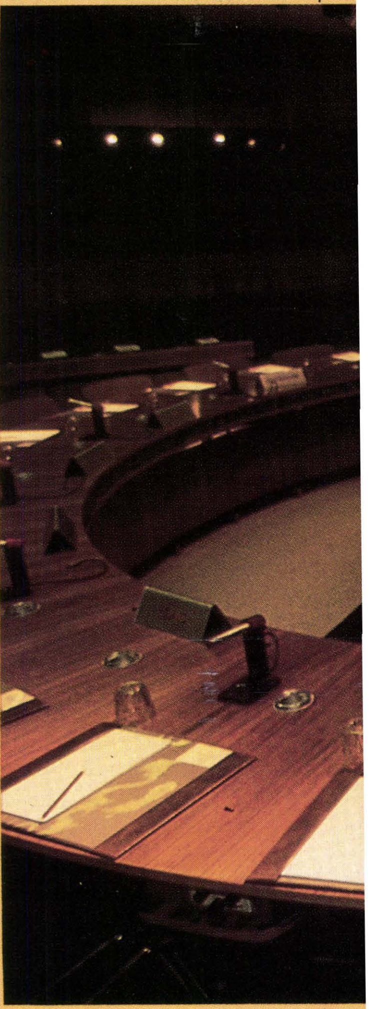
It is the scale of that agreement that will not easily be forgotten—a substantial increase in E.C. resources, a fairer system for member state contributions, a virtual doubling of the structural funds by 1993 and reform of the Common Agricultural Policy that, if not watertight, went substantially further in some areas than many skeptics thought possible.

Failure at Brussels might conceivably have led to the resignation of the sometimes temperamental former French Finance Minister, who had earlier shown signs of losing patience with his colleagues and with the often unbending opposition to his plans of national Governments. Instead, he will be more than ever the pre-eminent political figure in the Commission, and he will keep responsibility for the crucial portfolio of monetary affairs.

Of the eight Commissioners from his first team who are staying behind, the most experienced is the 59-year-old Dutchman Frans Andriessen. Another member of the Brussels "ex-Finance Ministers club," he moves from the agriculture portfolio to the key post of external relations and political and commercial cooperation with the European Free Trade Association countries. Andriessen has grown in stature during his eight years at the Commission—between 1981 and 1984 he was responsible for competition policy and relations with the European Parliament—and he has lately earned a reputation for tough talking with Agriculture Ministers, notably during the long and often tortuous negotiations over the "stabilizer package."

Henning Christophersen, the 49-year-old Dane, also played a key part in the financial reform process, as Commissioner in charge of the budget. A liberal whose résumé lists his achievements as Danish Foreign Minister, Finance Minister and deputy Prime Minister, he was architect of the complex and highly sensitive reorganization of the E.C.'s spending and financing methods, pioneering a new approach in particular to budgetary discipline. In the new Commission he is responsible for economic and financial affairs, for coordination of the structural funds and for the E.C.'s Statistical Office.

Manuel Marin, the senior Spanish Commissioner, is the youngest member of Delors' new team at 39. A lawyer by academic training, his other qualifications for a Brussels job include a diploma from the College of Europe at Bruges and a spell in the Commission as a temporary *"stagiaire."* A former member of the consultative committee of the Strasbourg based Council of Europe and State Secretary for relations with the Community in the important three years ahead of Spanish accession, he was in charge of social affairs in the last Commission. For the next four years, he will be responsible for



cooperation and development and for fishing policy

His compatriot, Abel Matutes, 47, is a former professor of economics and public finances at the University of Barcelona, national vice-president of the popular Alliance opposition party in Spain and a highly successful businessman. In his first term, in Brussels he was in charge of small and medium-sized business policy and "financial engineering," but now moves to one of the "junior" foreign affairs portfolios, taking in Mediterranean policy, North-South relations and the newly created role of coordinating relations with Latin America.

Antonio Cardoso e Cunha, aged 55, the Portuguese Commissioner, has also been reappointed. Another businessman turned politician, his brief experience as

Tim Dickson reports from Brussels for the *Financial Times.*

Minister for Agriculture and Fisheries in Lisbon in the early 1980s helped him gain the fisheries portfolio in the last Commission, a responsibility which he discharged with distinction. He now takes over energy and small and medium-sized businesses.

Carlo Ripa di Meana, aged 55, is an Italian Socialist whose main interest in the last Commission was cultural affairs and audio-visual policy. He has been charged by Delors with the important portfolio of environment and nuclear security, now a "single" responsibility after being combined with transport under Stanley Clinton Davis.

EIGHT COMMISSIONERS FROM PREVIOUS TEAM REMAIN.

© J. LANGEVIN/SYGMA

Peter Schmidhuber, of the Federal Republic of Germany, is 57 and only came to Brussels in late 1987 after the death of his predecessor Alois Pfeiffer. A lawyer by training and profession and a member of the senior coalition party the CSU, he takes over from Christophersen as budget Commissioner in the new team. He was previously in charge of regional policy and economic affairs.

Among the newcomers to the Commission, Leon Brittan of the United Kingdom is one of the most experienced. A former Home Secretary, Treasury Minister and Minister for Trade and Industry, he resigned from the British Government after a political row over the future ownership of the Westland helicopter company. He will take over Sutherland's responsibility for competition, as well as adding financial services (banking and insurance) to his portfolio.

Martin Bangemann, of Germany, is another internationally known figure who until his appointment to the Brussels executive was Economics Minister of Helmut Kohl's coalition Government (1984-1988). Aged 54, he inherits the title of Lord Cockfield's internal market portfolio (minus tax and financial services), as well as getting industrial affairs and relations with the European Parliament.

Filipo Maria Pandolfi, the second Italian Commissioner, is a 61-year-old Christian Democrat who can call on his experiences as a Finance Minister, Treasury Minister, Minister for Industry and Minister for Agriculture. From 1979 to 1980 he was president of the interim committee of the International Monetary Fund. His portfolio in the new Commission is science, research, telecommunications development and information technologies.

Ray MacSharry is 50 years old and another former Agriculture and Finance Minister, most recently noted for the role he played in getting the Irish Government's finances back under control. Delors has asked him to take over from Andriessen as Agriculture Commissioner, to which is added the broader responsibility for rural development.

Christiane Scrivener, the second French Commissioner, has been a member of the European Parliament since 1979, and is a member of the centrist UDF party at home. Vice-President of the Parliament's internal lobby known as the "Kangaroo Group," she has appropriately been given the key tax dossier in the run up to 1992 (a portfolio which specifically includes social security contributions for the first time).

Bruce Millan is 61 and was Scottish Secretary between 1976 and 1979 in the last Labor Government in Britain. An accountant by training, he has been asked to handle the key Regional Fund portfolio during a period when its resources will be substantially increased.

Karel van Miert, of Belgium, is a Flemish Socialist, who got to know the Community as a member of a Commission cabinet and as a member of the European Parliament (from June 1979 to October 1985). He will be responsible in the new Commission for transport, credits and consumer protection.

Jean Dondelinger, of Luxembourg, is 59 and a former Permanent Representative of the Grand Duchy to the Community based in Brussels. He will be in charge of audiovisual affairs, information and communication as well as promotion of a "Citizens Europe". He will develop the increasingly important sector of cultural cooperation.

Vasso Papandreou, the 44-year-old Greek Commissioner, has been assistant Minister for Commerce in the Athens Government during the Greek presidency of the E.C. Council of Ministers and has previous ministerial experience of industry, energy and technology and small and medium-sized businesses. She takes on the key portfolio of employment, training and social affairs and can therefore be expected to be in the thick of the debate about the E.C.'s social dimension.

E.C. PROPOSES PILOT PROGRAM ON AERONAUTICS

CLOSER COLLABORATION KEY TO SUCCESS.

PHILIPPE GUICHARDAZ

If aeronautical research in Europe is going from strength to strength, it is thanks to the close collaboration between firms at both the aircraft development and production levels. The European aeronautic industry as a whole, which employs about 480,000 people, presently holds 25 percent of the civilian aircraft world market. The consolidated turnover is $30 billion (a sixfold increase over the beginning of the 1970s), of which 30 percent are exports.

This positive balance sheet must, however, be qualified. As was noted by the E.C. Commission last July, "the industry's position is definitely not assured, despite its great success in adapting to a changing market and to the growing sophistication of the products." First, the amount devoted to research and development is insufficient—only 15 percent of the industry's turnover, compared to 23 percent in the United States. Second, the global amount does not reflect reality since the European companies and countries are in fact working more or less independently on research and technological programs. This further reduces their efficiency. Last, the portion of public contracts passed on to the European aerospace industry only represents 35 percent of its turnover versus 67 percent in the United States.

An aircraft today combines the most sophisticated state-of-the-art technology in such areas as mechanical conception, space-age materials, aerodynamics, combustion systems and so on that constantly need to be developed to remain competitive. This is very expensive. When financed by only one company or country, these costs have become prohibitive. But any technological advance can become an assured commercial gain. For example, control-system, navigation and surveillance improvements in the Airbus A320 mean that only two pilots are required. This reduces the crew costs. As a result, even before its first flight, the A320 already had more than 400 firm orders and options. Despite its current position at the forefront of technology, the European aeronautics industry must maintain this position by increasing money devoted to research credits. This, however, is only one part of the solution.

The E.C., with the assistance of industrialists in the sector, has elaborated the other part. To maintain the highest technological standard, the E.C. is not proposing to subsidize Airbus or to equal the U.S. research budget. Rather, the object is to increase collaboration at the pre-competitive research stage by means of a program of cooperation.

The E.C., aware since 1986 of the growing threats to the industry's competitiveness—R&D programs in the United States, emerging new competitors, the falling dollar—alerted the industry to a serious flaw: There is no real European collaboration at the research level. For example, Airbus Industrie is merely a sales holding company with no "design office." The various components of an Airbus are made in each country participating in the program. These are then assembled in France. As far as research is concerned, each company carries it out, on the part it constructs, "at home."

But generally speaking, the E.C. alone cannot restructure an industry, be it aeronautics, computer science, or telecommunications (the Treaty of Rome establishing the E.C. prohibits this). As far as the industry is concerned, the E.C. has two ways in which it can make it more competitive: increase its cooperation at the research level and ensure the liberalization of the public sector in E.C. member states, thus allowing industrialists access to a vast internal market.

While the latter solution is hard to implement, the viability of E.C. cooperation has already been proven in other sectors. The success of the European Strategic Program for Research and Development in Information Technology (ESPRIT) and Research and Development in Advance Communications for Europe

Philippe Guichardaz is a freelance writer based in Paris.

ILLUSTRATION BY MICHAEL HILL

(RACE) programs attest to it. Furthermore, the E.C.'s lengthy experience in managing this type of program, especially in project collaboration and coordination, has proven indispensable.

The E.C., with these arguments in its favor, has invited European industrialists to put their heads together in a prospective manner—something they never do—notably in terms of markets, technological developments to remain competitive and future products. The European companies, initially wary of the E.C., which was often accused of meddling, carried out the "European Cooperative Measures for Aeronautical Research and Technology" (EUROMART) study financed by the E.C.

This was released by the E.C. at a press conference in Brussels last October. The study's conclusions are clear: "Given the fundamental relationship between technological competitiveness and commercial success in the aeronautical industry, it is now evident that the European aeronautics industry will be unable to maintain its competitive, state-of-the-art status in its present research activity condition."

After identifying future technological needs, the European industrialists proposed a cooperation program based on 10 "key" issues. With the industry's support, the E.C., using for the most part the EUROMART study proposals, presented to the member states last summer a strategic aeronautics research program. The main objective is "to permanently assure satisfactory technological levels for European industry." For the E.C., this program will permit industrialists to work together at the research level and to identify with a program.

This program will start with a two-year pilot phase (1989-1990). This "test period" is necessary notably to ensure coordination with the national and international programs and to manage the intellectual propriety. The industry must also find the funds to pay for its share of the program. Financed with 60 million ECU (currently about $72 million), this phase covers seven disciplines: aerodynamics, materials, acoustics, calculations, systems and on-board equipment, conception and manufacturing technologies and propulsion. It encompasses 50 projects.

Its management will be based on that of the ESPRIT program. Namely, each project will involve the participation of at least two industrial partners from different countries with which will normally be associated small and medium-sized companies, research institutions and universi-

Continued on page 55.

SUBJECT INDEX

A DIRECTORY TO THE LAST TWO YEARS OF EUROPE MAGAZINE.

BUSINESS/FINANCE

EUROPEAN AFFAIRS/EXTERNAL RELATIONS/INTERNAL MARKET/DEFENSE

INDUSTRY/ECONOMY

U.S.-E.C. RELATIONS/TRADE

Europe Scrambles for Chinese Market	Dec. 1986
Farm Trade Issues Test New GATT Round	Dec. 1986
U.S.-Japanese Semiconductor Deal	Dec. 1986
Grain Dispute Could Trigger Retaliation	Jan./Feb. 1987
Intellectual Property Rights Talks	Jan./Feb. 1987
U.S., E.C. Settle Grain Dispute	March 1987
Airbus Case Strains Trans-Atlantic Ties	April 1987
A Tale of 11 Myths	April 1987
The Marshall Plan Is 40 Years Old	June 1987
E.C. Concerned Over Trade Bills	July/Aug. 1987
E.C., U.S. To Discuss Differences	July/Aug. 1987
"J" Curve to "Gattable"—A Lexicon	July/Aug. 1987
Mac Baldrige: "Mr. Steadfast"	Sept. 1987
U.S., E.C. Settle Pasta Dispute	Sept. 1987
U.S.-E.C. Strains Seen Continuing	Sept. 1987
Perspectives for U.S.-E.C. Relations	Oct. 1987
Close U.S.-E.C. Links and Trade Disputes	Nov. 1987
E.C. Details Plan For GATT Farm Talks	Nov. 1987
U.S., E.C. Avert Showdown Over Hormones	Dec. 1987
U.S., E.C. Meet for High-Level Talks	Jan./Feb. 1988
At 40, the GATT Examines Its Future	Jan./Feb. 1988
The E.C.'s Textile Policy	Jan./Feb. 1988
U.S., E.C. High-Level Officials Meet	Jan./Feb. 1988
At 40, the GATT Examines its Future	Jan./Feb. 1988
U.S.-E.C. Issues in Textile Trade	Jan./Feb. 1988
European Identity in Defense	Jan./Feb. 1988
The U.S., Japan, and the E.C.	March 1988
U.S. Export Controls and 1992	March 1988
E.C. Appeals to the U.S. on Trade Talks	April 1988
The U.S. Begins Assessing 1992	May 1988
Food Conference Examines Imbalances	May 1988
A New Chapter in Canada-E.C. Relations	June 1988
Farm Trade, Airbus Top List of Disputes	June 1988
E.C. Gains Prominence at Toronto Summit	July/Aug. 1988
Policy Coordination: Limits & Prospects	Sept. 1988
Europe Without Borders: Some Answers	Oct. 1988
Europe 1992: Europe World Partner	Nov. 1988
Policy Reforms for Agriculture	Dec. 1988

DOSSIERS

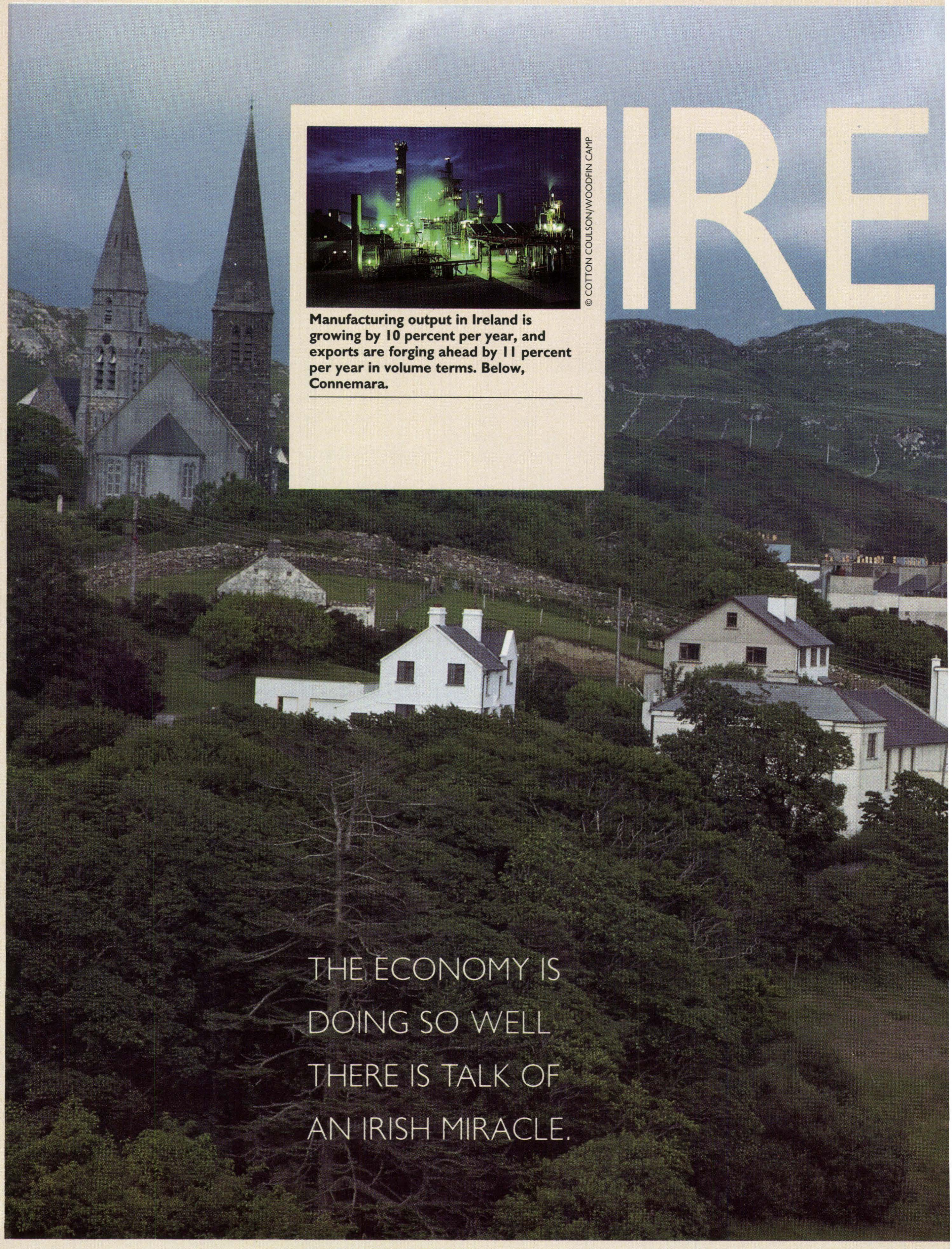
1987 Economic Forecasts	Dec. 1986
Services in Europe	Jan./Feb. 1987
1986 Review and Current Problems	March 1987
Treaties of Rome: 30th Anniversary	April 1987
The Institutions of the Community	May 1987
E.C. Wildlife Policies	June 1987
U.S.-E.C. Relations in Figures	July/Aug. 1987
A Guide to European Databanks	Oct. 1987
"Single European Act": Treaty Reform	Nov. 1987
The European Monetary System	Dec. 1987
Europe's Regional Policy	Jan./Feb. 1988
U.S. Attitudes to Europe: A Gallup Poll	March 1988
E.C. Forecasts Moderate Growth During 1988	April 1988
The E.C. and Tourism	May 1988
Women in Europe	Jul./Aug. 1988
E.C. Policy on Small Business	Sept. 1988
European Political Cooperation	Oct. 1988
Working Together: the E.C. Institutions	Nov. 1988
Science in the E.C.	Dec. 1988

COUNTRY REPORTS

Luxembourg	Dec. 1986
Portugal	Jan./Feb. 1987
Belgium	March 1987
Spain	April 1987
Denmark	May 1987
France	June 1987
Federal Republic of Germany	July/Aug. 1987
Greece	Sept. 1987
United Kingdom	Oct. 1987
Ireland	Nov. 1987
Italy	Dec. 1987
Netherlands	Jan./Feb. 1988
Luxembourg	March 1988
Portugal	April 1988
Belgium	May 1988
Spain	June 1988
Denmark	July/Aug. 1988
France	Sept. 1988
Federal Republic of Germany	Oct. 1988
Greece	Nov. 1988
United Kingdom	Dec. 1988

LIFESTYLE/ARTS/HUMOR/MISC.

Planning a Trip to Europe	Jan./Feb. 1987
Chicago's European Architecture	March 1987
European University Diploma Planned	April 1987
Europe Via Shortwave Radio	May 1987
Trans-Atlantic Sail Race Promotes Ties	May 1987
Berlin Celebrates Its 750th Anniversary	July/Aug. 1987
Baseball's Success in Europe	Sept. 1987
Europeans Dominate Trans-Atlantic Races	Oct. 1987
"Townscapes of Europe"—A Photo Exhibit	Nov. 1987
Euro-Speak: A Guide to Euro-Neologisms	Nov. 1987
E.C. Seeks to Attract American Tourists	Dec. 1987
1988 Is European Cinema and T.V. Year	Jan./Feb. 1988
European Youth Orchestra Tours the U.S.	April 1988
Off the Beaten Track in Europe	June 1988
E.C. Film Festival Opens in Washington	June 1988
Restoration of European Monuments	July/Aug. 1988



IRE

© COTTON COULSON/WOODFIN CAMP

Manufacturing output in Ireland is growing by 10 percent per year, and exports are forging ahead by 11 percent per year in volume terms. Below, Connemara.

THE ECONOMY IS DOING SO WELL THERE IS TALK OF AN IRISH MIRACLE.

DERMOT McALEESE

© FARRELL GREHAN/FPG INTERNATIONAL

Irish economic commentators have tended to oscillate between the belief that the country is going to the dogs and that it has a wonderful future. For most of the 1980s, the former school of thought prevailed, and with good reason. As recently as November 1986, the National Economic and Social Council concluded that "the economic and social problems now confronting the country are extremely grave" and warned of the dire consequences if remedial action were not taken. During the past eighteen months, however, there has been a dramatic improvement in the country's performance. The "wonderful future" chorus has, as a result, taken voice. There has even been talk of an Irish economic miracle.

The new mood of optimism is based on five factors:

• First, government borrowing, which a short time ago seemed to be locked into a frightening 13 percent of gross national product (GNP), is set to fall to about 6 percent of GNP in 1988.

• Second, interest rates have fallen by 6 percentage points since 1986. Irish interest rates are now close to the ECU rate and by end-September were some 4 percentage points below London.

• Third, the balance of payments has changed from chronic deficit to surplus. In 1987, export earnings exceeded imports for the first time in twenty years. An even larger surplus of about IR£1 billion (about

Dermot McAleese is Whately professor of political economy at Trinity College, Dublin.

$1.5 billion), equal to 4 percent of GNP is expected in 1988.

• Fourth, inflation has fallen to 2 percent in 1988, the lowest rate in 30 years and less than half the rate prevailing in the United Kingdom.

• Fifth, manufacturing output is growing by 10 percent per annum, and exports are forging ahead by 11 percent per annum in volume terms. Cost competitiveness indices show Ireland to be maintaining pace with EMS countries, a welcome change from past experience. A wages deal for the public sector negotiated in late 1987 has held up well resulting in lower costs and industrial peace.

The improvement in Ireland's economic position signalled by these impressive performance indicators has been the result of favorable external circumstances and well-judged domestic policies. An important factor on the external side has been the resurgence of growth in the U.K. economy. For the fourth year running, Britain's gross domestic product (GDP) growth has exceeded the E.C.-12 average. During 1987 and 1988, U.K. merchandise imports rose by 7 percent and 12 percent respectively. This was good news for Irish exporters, who depend on the U.K. market for one-third of their export sales. A major stimulus to export growth has also come from the strong performance of the E.C. economy in recent years.

The Irish economy has benefited from exchange-rate developments in recent years. The combination of a weak dollar and strong sterling suits Ireland very well. A weak dollar means lower service payments on Irish dollar-denominated foreign debt, cheaper raw materials and less expensive imports from the United States of capital and intermediate-materials. What is lost through cutbacks in American tourist expenditure and weakening demand for Irish goods in the U.S. market is more than compensated through benefits from the lower prices (in Irish pounds) of imports from the United States By contrast, a strong sterling makes Irish exports more competitive and protects a large section of price-sensitive import competing industries. Since only 5 percent of the Exchequer's foreign debt is sterling-denominated, the adverse effects on debt servicing of a rise in sterling are extremely small.

The terms of trade, measured as the change in the ratio of export prices to import prices, have moved by 5 percent in Ireland's favor. Oil prices have fallen by half and the all-goods import price index declined by 11 percent between end-1985 and end-1987. Helped by the Green pound devaluation following the currency

Inflation has fallen to 2 percent in 1988, the lowest rate in 30 years.

realignments of 1986 and stronger world demand, agricultural export prices increased significantly during 1987 and 1988 despite the freeze on intervention prices from Brussels. With combined export and import trade equal to 135 percent of GNP, the feedback from terms of trade to the real economy is much stronger in Ireland than in large economies.

These benign external influences made adjustment of the Irish economy easier. What made it possible, however, was the advent to power of a disciplined minority Government, which rapidly set to work on a program of fiscal retrenchment. Major cutbacks were initiated in public capital expenditure; the public sector pay bill was pruned; and health, education and economic services all felt the brunt of an intensive across-the-board scrutiny. Social-welfare abuses were tackled and there was a crackdown on cross-border trading between low-tax Northern Ireland and the Republic.

The announcement in the January 1988 budget speech of an amnesty on late payment and interest penalties attracted little attention at the time as it was expected to bring in no more than IR£30 million extra revenue. The tax amnesty, however, was to be an extraordinary money spinner, attracting an unanticipated windfall of IR£500 million (equal to 3 percent of GNP) into the Minister of Finance's coffers. The introduction of a system of self-assessment in the taxation of the self-employed also appears to be yielding more revenue than expected. The upturn in the economy has led to a general tax buoyancy.

The decline in the Exchequer borrowing requirement from 13 percent in 1986 to 10 percent in 1987 to an expected 6 percent in 1988 represents a degree and pace of adjustment without precedent in Europe. The absolute figures for borrowing and debt are, of course, still unacceptably high. While much has been made of the government's success in stabilizing the debt/GNP ratio, the stabilization has occurred at a level (152 percent of GNP) which leaves the Irish economy vulnerable to interest-rate shocks and to unpredictable changes in major currency exchange rates.

The recovery in the public finances had some particular features. First, it was achieved by a minority Government, thus proving that the Irish tendency to equate minority Governments with weak Governments is invalid. The presence in the Dail of an opposition that was explicitly supportive of the main elements in the Government's strategy was, of course, absolutely crucial to its success.

Second, the strategy was executed under the leadership of Prime Minister Charles J. Haughey who, while in opposition and during the election campaign, had made no noises even remotely suggestive of fiscal rectitude. Rather the emphasis was on criticism of the pre-1987 coalition Government's "obsession with book-keeping" and "monetarist policies". Not only did the new Taoiseach change course, as far as the economy was concerned, but he did so with considerable political skill and firmness of purpose.

The third aspect of the recovery, which will cause no surprise to students of economic history, was that success in economic policy fed on itself. Thus, because the borrowing requirement was falling and the Government was taking a firm hold of the economy, interest rats began to fall. Given Ireland's huge debt of IR£26 billion, the six-percentage-point decline in domestic interest rates between December 1985 and November 1988 had a powerful impact on debt-service charges. This led to a further decline in Government borrowing. As a result, business confidence has recovered and the slump in private investment has come to an end. The beginning of a property boom is already evident in Dublin.

Continued on page 55.

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY.

KERRY FOODS, INC.

(THE NORTH AMERICAN DIVISION OF KERRY GROUP PLC)

ANNOUNCES THE ACQUISITION OF

Beatreme
Food Ingredients, Inc.

US $130,000,000

FINANCING PROVIDED BY:

ALLIED IRISH BANKS PLC **ULSTER INVESTMENT BANK LTD.**

ALGEMENE BANK NEDERLAND N.V. **BANK OF IRELAND**

FIRST BANK (N.A.), MILWAUKEE

AGENT

Allied Irish Banks plc
NEW YORK BRANCH

OCTOBER 1988

1992 EUROPE WITHOUT FRONTIERS

IRELAND SEEKS ROLE AS HIGH-TECH CENTER FOR EUROPE

REGIONAL AUTHORITIES LURE INVESTMENT AS 1992 APPROACHES.

WARREN STRUGATCH

The Republic of Ireland is the only European country whose government includes a Minister of Marketing. This fact is given much significance in Ireland, where marketing has become the word on everyone's lips. While upgrading its own marketing skills, the country is also busy promoting itself as a base for foreign manufacturers seeking entry into post-1992 Europe. About one-third of foreign companies that set up operations in Ireland do so in the Shannon Duty Free Zone. The zone lures foreign firms with tax advantages and capital expense underwriting, as it has since 1959, when it was the first such zone in the world. Today about 100 international businesses have operations here, half of them U.S. firms.

Buoyed by the economic successes of Prime Minister Charles Haughey's Government, the Irish are saying for the record that E.C.'s 1992 single-market plan will boost their rising star higher still. Unofficially, they are saying the same thing, even if they do complain about parochial instincts. For years the government told consumers that anything Irish-made deserved their preference. The policy—called "Guaranteed Irish" and known familiarly as GI—has been delegated to private hands, while Government ministers participate in the "European" publicity campaign.

The export-driven Irish economy has been a pleasant surprise. In 1987, the nation posted its first trade surplus in 20 years, and the activity continued through 1988. Foreign corporations are a major cog in the economic machine, employing about 40 percent of the Irish work force; that percentage will undoubtedly rise as 1992 approaches. Of course, foreign firms come to Ireland strictly to sell for export. A typical manufacturer sells under five percent of its products within Ireland and exports the rest. About two-thirds of export production goes to the Common Market.

The Shannon Development Corporation has recently updated its marketing efforts to reflect the fear, increasingly widespread, that the party in 1992 will be by invitation only. Non-European corporations are investigating all manner of business initiatives in Western Europe, spurred on by the sense that next year might be too late. Others recognize the possibilities of 1992 only after they have discovered what else Ireland has to offer.

Peter Donovan, president of Wright Investors' Service, came to Shannon last year in search of a high-tech work force he could not find back in Bridgeport, Connecticut. He arrived in Shannon, interviewed 70 people, and hired all of them. In Connecticut, he said, he ran "Help Wanted" ads for several months before finding suitable employees. Here many young people receive technical training in college, including the National Institute of Higher Education, the country's premier technical school within minutes of the Shannon airport. With nearly a fifth of the work force in search of jobs it is not difficult to meet hiring goals.

Donovan's firm produces data bases on corporate financial performance, and most of his employees are involved in collecting and analyzing financial data. The work requires computer and financial skills, including a grasp of international variations in accounting procedures. The firm's global orientation has been growing. Wrights' Investor Service now operates three European sales offices and tracks nearly 5,000 companies worldwide on its data base.

Like many U.S. executives, Donovan was blase about prospects for European expansion until recently. "It's pretty much a coincidence that we're here in time for 1992," says Donovan. "But we are glad we're here. I think having [production] here will be an advantage to us as time goes on. I anticipate that we'll double our office staff here within the next few years, perhaps triple it."

Irish support for 1992 should come as no surprise. Ireland views exporting as its lifeblood and ships about 80 percent of its industrial output overseas. There is increasing sentiment, too, that the service sector is equally exportable. Irish voters gave a solid two-to-one majority when a referendum was taken regarding the country's entry into the Common Market, and in the same proportion backed the Single Europe act. The Irish people are strongly pro-Europe, but that alone will be inadequate unless the Irish can convince U.S. and other foreign corporations to share their enthusiasm.

Irish economic growth has been fueled by foreign investment, and the Irish realize 1992 could be their ultimate marketing tool for their biggest resource: themselves. Says Raymond Bowe, a planning director with the Industrial Development Authority in Dublin: "The fact that 1992 is happening is a benefit to multinationals. The multinationals will have more reason to be here now than ever before. Serving the Common Market becomes easier from Ireland."

Bowe continues, "We are looking at

About one-third of foreign companies that set up operations in Ireland do so in the Shannon Duty Free Zone (above). About 100 international businesses have operations here, half of them U.S. firms.

© ST. VINCENT, MILONE & O'SULLIVAN ADVERTISING, INC.

exports reaching 12 percent or 13 percent this year, manufacturing output growth growing by 10 percent. We see no slowdown in the export boom. Irish inflation rates are down to the norm in Western Europe, under 2 percent, and are divulging from the United Kingdom rate, which was about 5 percent this year. It means that Ireland is looking more like France and West Germany, and I think that's incredible. It's something that's begun happening only this year."

Jack Daly, chairman of Shannon Development, early last fall sounded the new marketing theme when he pronounced the coming of 1992 as a "welcome opportunity," while chiding industry to think ahead and act now. "Companies will have to be prepared to reinvest in marketing in order to develop in a European context," he continued. "They must be prepared to do this if they want to succeed and even survive in the single internal market." Responding to concerns that the financial arrangements that drew foreign firms to Shannon might be lost, the chairman noted that "one of our incentives, the 10-percent corporate tax rate, is in place until the year 2000, and this has been agreed by the E.C."

Ireland's hopes rest heavily on its future as a center for high-technology research. This summer, the country's plan to position itself as a high-tech center was given further credibility by Vicomte Etienne Davignon, former Vice-President of the E.C. responsible for industrial affairs. At a conference in Dublin, Davignon declared Ireland to be a leading site for a European high-technology research center when the single market develops.

High tech has been one of several target industries whose growth has been carefully nurtured by the government. From 23 electronic companies in 1972, the electronics sector has since grown to over 350 companies, exporting $3.64 billion into Europe. An institutional infrastructure has become entwined with enterprise, as researchers and graduates from leading institutions such as the Microelectronics Applications Center, the National Microelectronics Research Center, the National Software Center and the National Institute for Higher Education have forged close affiliations with regional industry.

Still, nearly one-third of Irish graduates seek work overseas. Two years ago, Phillips airlifted over 45 young Irish engineers to its Eindhoven plant. The Irish are proud their graduates are recruited, of course, but are beginning to see the day when they will be able to build their careers at home. With an unemployment rate of 19 percent, however, that day is still a ways off. For the meanwhile, the Irish will continue to build their economy by beckoning to foreign investors and extending them a thousand welcomes. €

Warren Strugatch is a freelance writer based in New York.

Córas Tráchtála
Irish Export Board

FORGING MARKETING PARTNERSHIPS
BETWEEN THE UNITED STATES AND EUROPE

NEW YORK: 10 East 53rd Street, New York, NY 10022
Tel.: (212) 371-3600 FAX: (212) 371-6398.

CHICAGO: Suite 848, The Apparel Center, 350 Nth. Orleans Street,
Chicago, IL 60654 Tel.: (312) 467-1891 FAX: (312) 467-9641.

TORONTO: 10 King Street East, Toronto, Ontario M5C 1C3, Canada
Tel.: (416) 363-7394/5 FAX: (416) 363-6783.

Established by the Government of Ireland
to promote and develop trade.

CONSTRUCTION BEGINS ON DUBLIN FINANCIAL CENTER

CUSTOM HOUSE PROJECT MAY GET NEW TAX BREAKS.

The cranes are up beside Dublin's 18th-century Custom House and the piles are being driven into the River Liffey silt. But progress, both physical and financial on the city's planned international financial services center is slower than its advocates would have liked. Now, it appears, the Irish Government is contemplating further tax concessions to make the center more attractive to foreign financial companies.

Some targets have been met. When the scheme was launched less than two years ago, Ireland's Industrial Development Authority (IDA) was given the task of recruiting 50 tenants for the center by the end of this year. It seemed optimistic, but, says the IDA, it has signed up 48 projects for the Custom House.

The process is a complicated one. Interested firms that meet IDA approval must first be given a certificate, and finally a license, by the Ministry of Finance before they can avail themselves of the incentives applying to the center. The main one is a 10-percent tax on corporate profits (compared with 48 percent for ordinary financial operations), but including a 10-year exemption from municipal taxes and double tax allowances on rent for those who buy office space there.

So far, 11 projects have been fully cleared for operation under the terms of the deal, while as many again are already trading and waiting for final certification. They can enjoy the financial incentives even before the Custom House center is ready for operation—one group plans to convert a Dublin cinema into a futures and options exchange.

But there are doubts. One concerns the quality of the operations licensed so far. Most are involved in leasing—admittedly a strong element in the Irish financial services sector. But the plans for the Custom House envisaged a broad mix of projects—including "back-office activities" such as international clearing and databases, treasury operations by multinationals and communications centers to take advantage of Ireland's upgraded telecommunications system, which has surplus capacity beyond present requirements. The IDA, and others involved in the scheme, say the mix will improve as the so-far-undeclared 30 or so projects are announced. They expect some major back-office operations to be established in the center.

Time may also temper one of the other criticisms—that most of the projects so far are Irish-based. This raises the fear that the center will be a source of tax avoidance, with Irish institutions able to reduce their tax bills by moving to the site. In theory, only new operations can be licensed, but no one seems quite sure how new operations are to be distinguished from existing ones or from ones that would have been established anyway.

Former Prime Minister Garret FitzGerald referred to this problem in a recent speech on the 1992 completion of the single market. "The licensing system is meant to control tax leakage, but not everyone thinks it will work," FitzGerald said. "There is a fear that the loss from tax leakage may actually exceed the gains from new business." This unresolved problem, according to the former Prime Minister, was one reason he did not take up the idea of a financial services center before the 1986 election. It has since become associated mainly with the present Fianna Fail Government of Prime Minister Charles Haughey.

Now the Government is reported to be considering a zero tax rate for some types of institution, probably those that sell unit trust type investments. These are known in Euro-speak as UCITS, or "undertakings for collective investments in transferable securities." Ireland has become one of the first E.C. states to say it will adopt the E.C. directive on UCITS.

The significance of this is that UCITS funds could set up in Dublin and, because Ireland has adopted the directive, would be able to sell the investments in other states without those states being able to bar them under domestic regulations. The Irish Government's problem is that such funds pay zero tax in some other countries, notably Luxembourg, and they may require a similar concession if they are to consider Dublin as a headquarters.

Dublin, in fact, faces significant competition, even from within the Community. As well as Luxembourg, France will offer zero tax rates in certain circumstances, while designated areas such as Dunkirk and the south coast get tax exemption for 10 years. The Belgians, with "Coordination Centers," can give effective tax rates below 10 percent, while the Portuguese island of Madeira is selling itself as a financial center with much the same arguments as Dublin.

With such generous tax breaks, the gains from a center will come mainly through the employment it generates, plus payment for services such as telecommunications. The projects in the pipeline for Dublin so far should employ around 1,000 people when they are in full operation, and should take up all the 700,000 square feet of the first phase.

But the issue of how much tenants should pay for that space is looming up as a significant problem. Prime Dublin office space has tended to rent for around IR£8 ($13) per sq ft in recent years—tiny by the standards of major international cities. When the Custom House site was planned, rents of IR£16 per sq ft were mentioned. But now it appears the developers—a consortium led by British Land—may be seeking IR£20 per sq ft and the potential Irish tenants are balking at such prices.

Supporters of the scheme point out that new office space in Dublin will cost at least £13 per sq ft. Their fear is that, if the dispute is not resolved, the very high specifications for the buildings might be reduced. They argue that a successful international center requires the highest international standards.

In a way, it is not surprising that the development has not lived up to the most optimistic expectations. It was conceived before the stock market crash of 1987. The main arguments in its favor were that Dublin could supply the educated staff and modern telecommunications that were in short supply in major centers. Since the crash, shortages have become surpluses in many finance houses.

The Irish may have to take a longer-term view of the development. Recently, a British consultant, Paul Rabathan warned against the dangers of short-term cost-saving in the center, by either developers or tenants. "If these are avoided," he said, "I am convinced Dublin can be a success as a major financial center."

Brendan Keenan is financial editor of the *Irish Independent.*

BRENDAN KEENAN

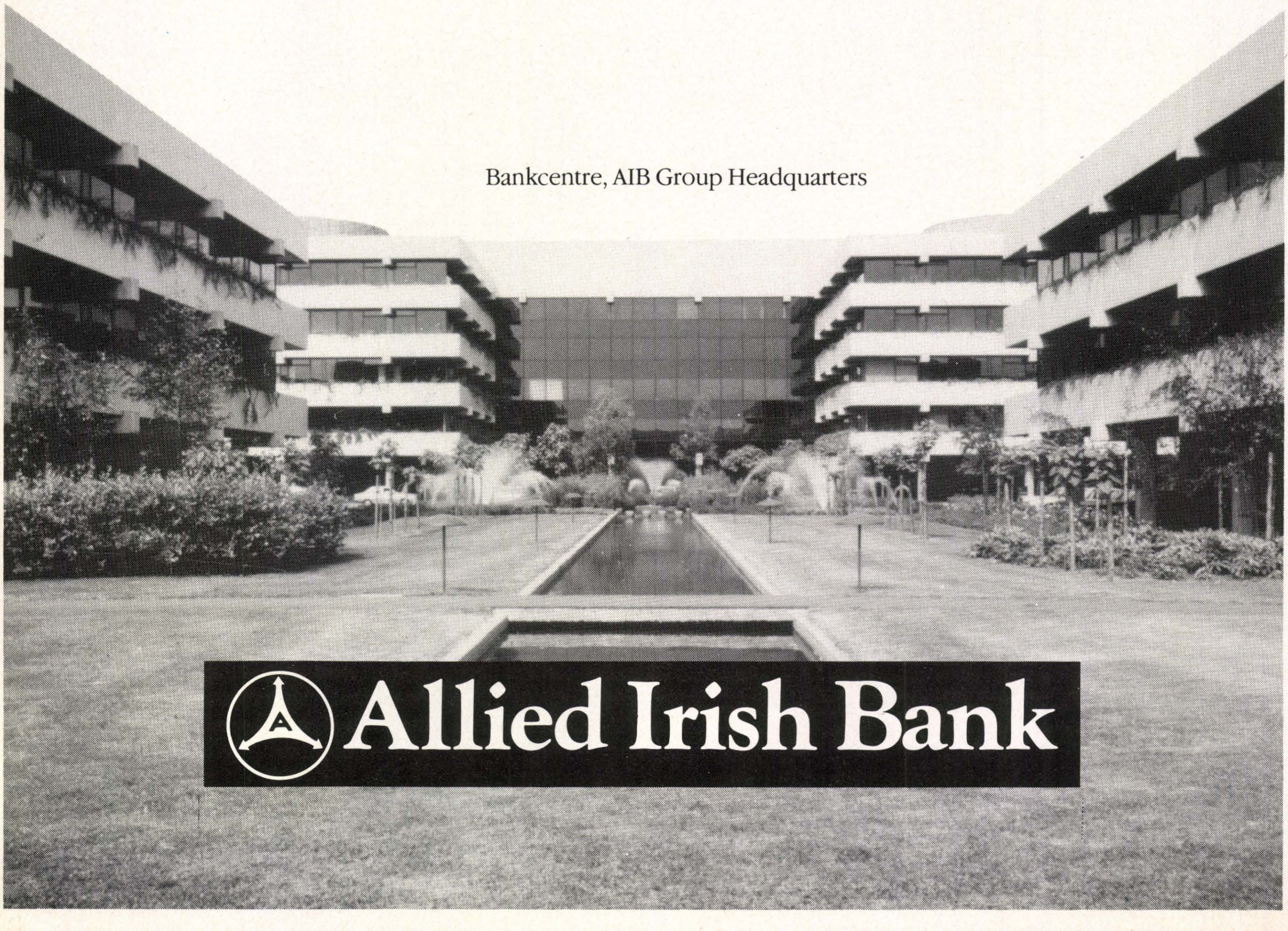
Ireland's International Bank

With assets of IR£9,600 million at March 31st, 1988, Allied Irish Bank is Ireland's largest financial services group. Through its 372 offices in the Republic of Ireland, 52 in Northern Ireland, 61 in major cities of Britain and its International offices, it provides a comprehensive range of financial services to a wide range of corporate, institutional and personal clients.

If you are thinking of undertaking a project at Dublin's International Financial Services Centre, talk to us about our banking services in Ireland. Contact Seamus O'Dalaigh of our Corporate and International Division. He'll be pleased to help.

Whatever your financial requirements, it makes sense to find out how Ireland's largest banking group can help you.

Group Headquarters:
Bankcentre, Ballsbridge, Dublin 4.
Tel: 600311. Telex: 31507.



Bankcentre, AIB Group Headquarters

NEWS OF THE E.C.

TRADE

MORE EAST-WEST COOPERATION AGAINST DRUG TRAFFICKING

Customs officials from 104 nations recently agreed to step up the fight against illegal drug trading by setting up better methods to detect smuggled drugs and better information exchange systems.

At a recent meeting of the Customs Cooperation Council, which brought together customs organizations from 104 countries, the heads of customs officers in both Western and Eastern Europe agreed to cooperate more closely in the fight against the huge rise in narcotics smuggling that is threatening to turn Europe into the world's richest drug market.

The meeting marked a first in bringing together East and West European customs heads, and, noted Australian delegate Tom Hayes, showed that "East European countries are prepared to work with the West." He specifically welcomed the attendance of Bulgaria, a crucial transit country for the illegal trade, through which thousands of trucks carrying drugs from the Far East flow each year. He added that the meeting had also made clear that the drug problem was becoming too great to be handled efficiently by individual countries and that "our only hope is to pool our resources and act in a coordinated way."

High prices for drugs in Europe have meant that the Continent is rapidly becoming the world's largest and most profitable drug market, being flooded with drugs such as cocaine by U.S. traffickers, who can sell the drugs in Europe for about five times as much as they pay for them in the United States. Hayes therefore urged that special laws be set up to permit the seizure of illegal profits. In Western Europe, Britain has already passed such legislation and Italy is planning similar laws, while other European countries are still lagging behind.

Among the suggested methods to combat the illegal trade were information exchange via databases, better methods to detect smuggled drugs by, for example, improving X-ray machines, and a call on governments to give customs officials more powers. Officials also agreed to look into "controlled delivery techniques," under which customs officials follow known drug smugglers in the hope of finding the leaders of international drug rings.—*Reuters*

POLITICS

E.C. DECLARATION ON MIDDLE EAST

On November 21, within the context of European Political Cooperation, the 12 E.C. member states issued a declaration welcoming the decisions taken by the Palestinian National Council (PNC) at its meeting in Algiers, Algeria.

The statement noted the importance of these decisions, which "reflect the will of the Palestinian people to assert their national identity and which include positive steps toward the peaceful settlement of the Arab-Israeli conflict." The Twelve further welcomed the fact that the PNC had recognized U.N. Security Council Resolutions 242 and 338 as a basis for an international conference, by which act it was recognizing the right of existence of particularly Israel. The acceptance of these U.N. resolutions, combined with the PNC's decision to condemn terrorism as a means to an end, was particularly welcomed by the E.C., which sees both as "the necessary condition for the establishment of just, lasting and comprehensive peace in the Near East."

The statement went on to note that a solution to the Arab-Israeli conflict could only be achieved through peaceful means, namely through an international peace conference under the auspices of the United Nations, because this organization "presents the suitable framework for the necessary negotiations between the parties concerned." The E.C. further urged that all other parties concerned use this opportunity to "contribute to the peace process in a positive way with a just, global and lasting solution to the Arab-Israeli conflict."

In conclusion, the Twelve voiced their concern over the "deteriorating situation" and the "increasing feeling of disappointment and desperation among the population" in this region, which made a negotiated solution all the more urgent to avoid worsening of the situation. They also noted their continued commitment to actively participate in all efforts that would lead to such an end.

EUROPEAN POLITICS

E.C. ASSESSES HALF-WAY MARK OF 1992 PLAN

In mid-November, the E.C. Commission adopted a mid-term progress report on its 1992 internal market plan. In presenting it, Commission Vice-President Lord Cockfield, responsible for the internal market, said that progress made to date had been satisfactory, that it pointed to an "irreversible momentum" and a feeling that the objective could be achieved by end-1992.

When addressing the specific aspects of progress made, Cockfield noted that the original 300 or so proposals set out in the White Paper in 1985 had been reduced to 279 after some proposals had been eliminated, others grouped together and a small number of new ones added. He was also fairly confident that the Commission's aim of introducing 90 percent of the proposals by the end of 1988 could be met, judging by the speed with which work had been carried out in 1988.

Cockfield did note that, while the Commission was forging ahead according to plan with the proposals, the Council of Ministers was not working at an equal pace to adopt them and thus make them law throughout the Community: By end-1988, only about one-third of all proposals presented by the Commission had been adopted. Despite these delays, Cockfield said that the Council was making good use of the voting procedures stipulated by the Single Act, and was working well with the European Parliament under the new cooperation procedure.

A status report on work completed or progress made included the following areas:

- *Technical barriers:* This sector accounts for roughly 70 percent of the directives and measures adopted so far. Where goods are concerned, the new approach to technical regulations and standards is in place and major framework directives on pressure vessels, toys, construction materials and electromagnetic compatibility have either already been adopted or are close to adoption. Work on the machine-safety directive is well advanced.
- *Services:* Progress here has been rapid, especially in financial services. All the measures necessary for a Europe-wide banking market have been introduced; some have already been adopted, others are making good progress in both Parliament and Council. Cockfield regretted, however, that the Commission proposal on audiovisual services had not been adopted.
- *Capital markets:* Liberalization measures for long-term capital movements are already in force; those on short-term financial movements are expected to be so in 1990.
- *Public Procurement:* Work on opening up this sector is progressing well, especially after a recent Council agreement on two further directives (see below). The compliance directive and other sectors thus far excluded are with the Council for discussion. The Commission plans to table its draft directive covering public procurement in the services sector in early 1989, which will complete the picture in this area.
- *Transport:* Maritime transport between member states and with third countries was liberalized in 1986; air transport has been subjected to greater openness and competition since December 1987; and the Council has agreed on the total abolition of road haulage quotas within the E.C. by end-1992.
- *Professional Qualifications:* A directive providing for the mutual recognition of professional qualifications will be adopted at the end of this year, thereby finally offering E.C. citizens with professional qualifications the opportunity to exercise their skills throughout the Community.

Nevertheless, Cockfield said that progress to date had been concentrated more in the area of technical, rather than physical and fiscal, barriers, and that "we have been more successful so far in creating the conditions for free movement of goods, services and capital than at securing free movement for the citizens within the Community." Two other areas in which work had fallen behind were those of plant and animal health and fiscal issues.

The harmonization or approximation of indirect taxation was proving to be a critical issue, and Cockfield said that there was no way that the objectives of the Single Act—particularly the removal of internal borders and controls—could be achieved without also removing the fiscal reasons for frontier controls. He pointed out that while this was a lesson of more than 30 years' experience, no viable or even plausible alternative existed, and that the Council had only recently begun to seriously discuss year-old Commission proposals in this area.

Where the free movement of people within the E.C. was concerned, Cockfield noted that neither the directive on facilitating border procedures for travelers nor the directive on the right of residence within the E.C. had made any substantial progress, and he added that present inefficient border controls still seemed favorable to actively seeking new and better ways of confronting the system. He said that intergovernmental cooperation was extremely important in this area, that individuals naturally should be stopped or apprehended at borders if evidence or suspicion arose, but that routine checks had to be done away with, since it was becoming increasingly difficult to explain to Europe's citizens why efforts were made to enable the free movement of goods, services and capital if not also for them.

While progress on harmonizing technical standards in the run-up to 1992 has been good, work on bringing down barriers for the free movement of people.

BUSINESS & ECONOMICS

CAR SALES BOOM IN EUROPE DURING 1988

According to the Liaison Committee of Car Producers, 1988 was a record year for car sales in the Community. The group estimated that more than 11.7 million vehicles were sold in 1988, thereby increasing sales by between 3.5 percent and 4 percent over 1987 figures. While this was probably giving all major manufacturers profits, these would, in some cases, be minimized due to heavy debts. The committee further estimated that the Japanese share of the E.C. market remained stable in 1988 at about 10 percent of car and light commercial vehicle sales.

The organization said that although the 1992 plan would increase potential savings, these were probably somewhat exaggerated and "certain distortions of competition . . . will probably persist and become even more visible . . . in a largely unified market." In this context, it cited taxes of up to 200 percent on cars in Belgium, Denmark, Britain, Portugal, Greece, Ireland and the Netherlands, which would not be directly affected by the 1992 harmonization, and environmental protection measures by certain member states (such as planned tax incentives for buyers of low-pollution cars in the Netherlands), which would distort competition. *—Reuters*

E.C. TO GO AHEAD WITH COMPANY STATUTE PLAN

Despite strong objections from Britain, the E.C. is to try to hammer out agreement on a controversial measure that would provide for greater workforce participation in company decision-making. E.C. Trade Ministers, at a meeting in late November, agreed to give the E.C. Commission a mandate to redraft long-stalled proposals for a so-called "European company statute" after a large majority of E.C. Governments backed the idea.

The statute, which would be optional for the companies, is a personal priority for Commission President Jacques Delors

E.C. SUMMIT PRAISES PROGRESS TOWARD 1992

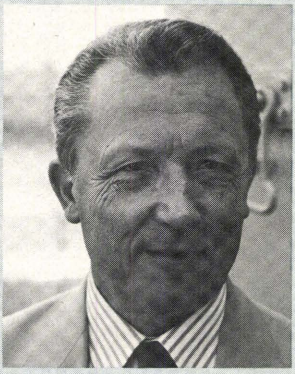
The European Council, comprised of the Heads of State and Government of the 12 E.C. member states, held the second of its annual meetings on the island of Rhodes, Greece, on December 2 and 3, 1988, and concentrated mainly on the various aspects of the E.C.'s 1992 internal market program, such as discussing progress made to date, assessing the E.C.'s political and economic standing in the world and providing guidance for further projects.

On the internal market, the Heads of State and Government were satisfied with the progress made by the E.C. Commission (see pages 47-48) and were pleased that half of the legislative work necessary for this market had indeed been completed at the half-way stage toward the deadline itself. Nevertheless, the Heads did stress that work now needed to be stepped up, especially when considering the time needed to transpose Community law into the 12 national legislations.

They also urged that the maintenance of an overall approach—one that takes into equal consideration all aspects of 1992, namely the freedom of movement of goods, services, capital and people alike—must be the underlying condition for all future activity. Of some concern in this area was the slow progress made in creating the conditions for the free movement of people. In order to speed up that process, and to make the idea of one Europe for all citizens more tangible, the Council decided to ask each member state to appoint one individual to oversee the necessary coordination of issues such as immigration, the right to asylum, refugees, drug trafficking, drug-related terrorism and so on.

Apart from overall stocktaking, the Heads of State and Government also discussed more specific issues relating to 1992, such as the social dimension, the E.C.'s structural policies, research and technology efforts, economic and monetary policy, environmental policy, transport infrastructure, the socio-economic problems of island regions within the E.C. and the growing importance of the audiovisual sector for the Community.

On this latter subject, E.C. Commission President Jacques Delors noted to journalists at the end of the Council that this area especially was of vital economic and cultural importance for the Community. He said that without it, "all television sets in 15 years would be Japanese, all programming American and all



Jacques Delors said the Rhodes E.C. Council symbolized "a Europe moving forward."

the viewers European." He continued to note that high-definition television was of great economic importance for the E.C., that the production of European programs needed to be stimulated and that work needed to be speeded up on the "television without frontiers" directive. These aspects, concluded the E.C. Council, would greatly contribute to a European cultural identity and would be discussed in future not only at the Community level, but also with other countries in Europe.

The E.C. Council was also very much preoccupied with its international dimension and role, particularly in light of the single market. In their declaration on this subject, the Twelve noted that the internal market would not close in on itself but that member states and third countries alike would profit from the continued economic growth that an end to internal borders would bring about. They added that the Europe of 1992 would be a partner and not a "fortress," and a decisive factor in bringing about greater international liberalization in commerce within the framework of the General Agreement on Tariffs and Trade.

They further asserted that they would continue to work closely with the United States to maintain and consolidate the political and economic ties established between them, and that they wished to strengthen similar ties with Japan and other industrialized nations, in particular the members of the European Free Trade Association. They also underlined their commitment to help less developed countries in their social and economic development.

Within the context of European Political Cooperation, the Heads of State and Government discussed the problem of Cyprus, noting the continuing division of that country and stressing their earlier declarations on that subject, calling for independence, sovereignty and territorial integrity country. East-West relations also were discussed, as was the situation in the Middle East, in which the Heads confirmed the statement made in November by their Foreign Ministers (see page 47).

E.C. Commission President Jacques Delors concluded that the Greek presidency of the E.C. Council of Ministers had achieved vital goals during its tenure, both in external relations and on the internal market. He particularly noted that, for the first time in many years, the E.C.'s budget for 1989 had been approved in time and that the Greek Presidency had, in fact, gone further than stipulated at the Hanover Council in June on the social dimension. He said that it had been a "very satisfactory" presidency and that the Council in Rhodes symbolized a "Europe moving forward."

who is backed by trade-union organizations in this case. Delors considers the measure vital to ensure that workers' interests are safeguarded when the genuine Common Market that the E.C. expects to achieve by the end of 1992 becomes a reality.

Francis Maude, assistant secretary to the Briths Trade Minister, said, however, that recent statements by European business organizations showed that few companies were interested in the proposed statute and that Ministers should instead concentrate on other measures more vital to achieving the single market goal.—*Reuters*

SOCIAL ISSUES

MINISTERS AGREE ON E.C.-WIDE HEALTH PROGRAMS

E.C. Education Ministers agreed in late November on E.C.-wide measures to coordinate health education programs to counter smoking, drug addiction and AIDS, as well as focusing on cancer, bad eating habits and traffic accidents.

Under the program, member states would exchange details of individual health campaigns and make educational materials available to each other. The Ministers also agreed that health education should be given greater emphasis in schools and that teachers should have special training before being allowed to give health education classes. "It is easiest to teach young people the importance of keeping healthy," they said in a statement.

The resolution called on the Commission to set up E.C.-wide information campaigns and to organize seminars on particular health problems, but gave no details of how much money would be spent on the programs.—*Reuters*

FOREIGN AFFAIRS

E.C., U.S. UPBEAT ON ECONOMIC RELATIONS

The United States and the E.C. held positive and optimistic talks in reviewing their economic relations at their annual high-level meeting on December 9, despite the failure of world farm trade talks at the General Agreement on Tariffs and Trade's (GATT) mid-term review in Montreal, Canada.

Pointing to two-way trade, which last year totaled almost $150 billion (as opposed to $121 billion in 1985) and cross-investments worth some $280 billion ($225 billion in 1986), U.S. Secretary of State George Schultz told a news conference that "this is a tremendous relationship of great importance to both the United States and Europe." E.C. Commission President Jacques Delors said that the two had had "a review of the world economic and financial situation, the progress made and the reasons for optimism. The contrast from that point of view is quite large compared with the situation last year," he said, referring to the fears generated by the October 1987 stock market crash.

Schultz and Delors focused their meeting on the world economic situation rather than on a host of trade disputes between Washington and Brussels. Delors pointed out that he would not talk about the GATT negotiations since, at the time of this meeting, they were not over and the mid-term review had been extended until April in any case. Both men did, nevertheless, stress the positive outcome of 11 of the 15 subjects tabled in Montreal, and tried to play down the failure of talks in Montreal in order to bridge differences between the United States and the E.C. over whether to set a long-term goal of eliminating all subsidies to farmers.

"There is a general recognition that the system of subsidies to agriculture has got itself structured wrong and is altogether too costly . . . well over $200 billion a year," said Schultz. Delors said that the subsidy war must be stopped "because it is not good for the world economy in general and for the economies of the poorest countries in particular," adding that the E.C. believed its step-by-step approach to be the best. He said that there were many problems to be overcome in this exercise, since there were very different agricultural structures, such as large U.S. farms as opposed to small European ones.

Because of the prolonged Montreal negotiations, other Ministers from both sides usually at these talks were unable to be present in Brussels, including U.S. Special Trade Representative Clayton Yeutter and Agriculture Secretary Richard Lyng, as well as their European counterparts, E.C. Commissioner Willy De Clercq, in charge of external relations, and Vice-President Frans Andriessen, responsible for agriculture.—*Reuters*

BUSINESS

E.C. TAKES ITALY TO COURT OVER NEW AIR COMPETITION RULES

In its first use of new rules to promote competition among airlines, the E.C. Commission is seeking a court injunction to force Italy to accept a new flight by Irish carrier Aer Lingus linking Dublin, Manchester and Milan. Such a so-called "fifth-freedom right" is an important element of the package of measures agreed by the 12 E.C. Governments last year to provide more competition and lower fares for European air travelers.

A spokesman said the Commission was taking an unusual step in this case by asking the European Court of Justice for a quick temporary ruling before the full case would be heard over the next 18 months, because, he said, "the airline is losing money, and because it is an important point of principle."

In practical terms, the problem in the case concerns plans by Aer Lingus to operate a flight between Dublin and Milan that would stop to pick up passengers in the British city of Manchester. Italy's argument for not wanting to accept the flight was that, since Milan was exempted from some of the new airline competition rules because of capacity problems at the city's airport, it did not have to grant fifth-freedom rights to Aer Lingus. The Commission's reply to this argument, however, was that the proposed new flight would replace an existing Manchester-Milan service and so would make no new demands on capacity.—*Reuters*

THE COMMUNITY BOOKSHELF

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

January-February

☐ **Working Together: The Institutions of the European Community.** *Commission, Brussels, 1988, 47 pages.* Basic description of the decision-making powers of the Community's institutions, their interaction, and the working methods of the Commission. Available in bulk for classroom use. **Free**

☐ **The Audio-Visual Media in the Single European Market.** *European Documentation No. 4/88, Commission, Brussels, 1988, 55 pages.* **Free**

☐ **The European Community and Cooperation Among Small and Medium-Sized Enterprises.** *European File No. 11/88, Commission, Brussels, 1988, 11 pages.* **Free**

☐ **A European Financial Area: The Liberalization of Capital Movements.** *European File No. 12/88, Commission, Brussels, 1988, 10 pages.* **Free**

☐ **ECSC Financial Report 1987.** *Commission, Luxembourg, 1988, 80 pages.* Report on the borrowing and lending operations of the European Coal and Steel Community in 1987. **Free**

☐ **Telecommunications: The New Highway for the Single European Market.** *European File No. 15/88, Commission, Brussels, 1988, 10 pages.* **Free**

☐ **The European Community in the World.** *European File No. 16/88, Commission, Brussels, 1988, 11 pages.* **Free**

☐ **Structural Adjustment in Sub Saharan Africa: Adjustment, Development and Equity.** *Europe Information Development, Commission, Brussels, September 1988, 15 pages.* **Free**

☐ **The European Community and Sri Lanka.** *Europe Information External Relations No. 89/87, Commission, Brussels, November 1987, 8 pages.* **Free**

☐ **Jean Monnet, A Grand Design for Europe.** *European Documentation No. 5/88, Commission, Brussels, 1988, 51 pages.* Biography and discussion of the ideas and goals of Jean Monnet. **Free**

☐ **Standardization in Information Technology and Telecommunications.** *Commission, Brussels, May 1988, 11 sheets.* Fact sheets on standardization policy and organizations in the areas of information technology and telecommunications. **Free**

☐ **Conformance Testing Services.** *Commission, Brussels, 1988, 30 sheets.* Fact sheets giving testing services and standards for selected software, network architectures, operating systems, telecommunications equipment and language compilers. **Free**

☐ **Community Law.** *Commission, Brussels, 1988, 48 pages.* Offprint from the 21st General Report. **$5.00**

☐ **Higher Education in the European Community: A Directory of Courses and Institutions in 12 Countries.** *Commission, Brussels, 470 pages.* Fifth edition of a student handbook on the structure of higher education systems in the member states, universities and their degree programs, admission requirements, tuition fees, scholarships, entry and residence regulations. **$21.55**

☐ **The Community Budget: The Facts in Figures 1988 Edition.** *Commission, Brussels, 1988, 102 pages.* Guide to Community expenditure, including historical series, the 1988 budget and the draft 1989 figures. **$12.50**

☐ **Annual Report of the ACP-EEC Council of Ministers (1987).** *Council, Brussels, 1988, 178 pages.* Review of policy developments, tables on development fund expenditures in the ACP countries and texts adopted by the ACP-EEC Joint Assembly **$14.35**

☐ **Third ACP-EEC Convention of Lome: Compilation of Texts XI, 1986.** *Council, Brussels, 1988, 454 pages.* Texts of decisions adopted by the ACP-EEC Council of Ministers in 1986. **12.00**

☐ **ACP-EEC Conventions of Lome: Compilation of Texts X, 1985.** *Council, Brussels, 1987, 229 pages.* Texts of decisions adopted by the ACP-EEC Council of Ministers in 1985. **$5.40**

☐ **A Guide to Working in a Europe Without Frontiers.** *Commission, Brussels, 1988, 253 pages.* Description of the basic rules for the freedom of movement for individuals. Includes the consolidated texts of the regulations in this field. **$23.10**

☐ **Common Standards for Enterprises.** *Commission, Brussels, 79 pages.* Survey of the European standardization process and organization structure. **$11.25**

☐ **Individual Choice and Higher Growth: The Task of European Consumer Policy.** *Commission, Brussels, 1988, 56 pages.* Contribution by Eamonn Lawlor to the discussion of the role and protection of the consumer in the European market. **$7.50**

☐ **Towards a European Market for the Undertakings for Collective Investment in Transferable Securities: Commentary on the Provisions of Council Directive 85/611/EEC of 20 December 1985.** *Commission, Brussels, 1988, 160 pages.* Interpretation of the Community directive on mutual funds. **$17.15**

☐ **TV Broadcasting in Europe and the New Technologies.** *Commission, Brussels, 1988, 390 pages.* Study of the economic and regulatory environment for TV broadcasting in the E.C. **$39.35**

☐ **Long-Term Regional Demographic Developments Up To the Beginning of the Next Century and Regional Policy.** *Commission, Brussels, 1988, 197 pages.* Population trends and projections up to 2010. **$21.50**

☐ **Study of the European Communities' Re-Adaptation Aids in the Coal and Steel Industries.** *Commission, Brussels, 1988, 170 pages.* Results of a study on the practices and efficacy of E.C. funding of structural conversion aids in the coal and steel sectors. **18.75**

☐ **Recent Trends of Concentration in Selected Industries of the European Community, Japan, and the United States.** *Commission, Brussels, 1988, 127 pages.* Study of trends in global competition based on an examination of concentration in the automobile, chemical and food manufacturing industries. **$15.00**

☐ **Reports on ACP Countries: Tanzania.** *Statistical Office, Luxembourg, 1988, 81 pages.* General data and macroeconomic overview. **$5.60**

☐ **Transport, Communications, Tourism Statistical Yearbook 1970-1985.** *Statistical Office, Luxembourg, 1988, 241 pages.* Data on infrastructure, equipment and operations of the different modes of transport. Also covers statistics on traffic accidents, communications (post, telegraph, telex, telephone) and on tourist accommodations. **$40.60**

☐ **Carriage of Goods: Inland Waterways 1986.** *Statistical Office, Luxembourg, 1988, 170 pages.* Data on the transport of goods on inland waterways in the E.C. **$16.25**

☐ **Demographic Statistics 1988.** *Statistical Office, Luxembourg, 1988, 218 pages.* Basic data on member states' populations including age distribution and projections. **$23.10**

☐ **Employment and Unemployment 1988.** *Statistical Office, Luxembourg, 1988, 230 pages.* Data for 1980-1986 on the labor force, employment by sex and industry, unemployment, labor conflicts and working hours. **$26.00**

☐ **Gas Prices 1980-1988.** *Statistical Office, Luxembourg, 1988, 71 pages.* Prices charged industrial and domestic consumers of natural gas in the E.C. member states. **$7.50**

☐ **Agricultural Prices 1978-1987.** *Statistical Office, Luxembourg, 1988, 297 pages.* Selling prices of crop and animal products and purchase prices for basic production inputs. **$23.10**

☐ **Structure and Activity of Industry: Data by Size of Enterprises 1983.** *Statistical Office, Luxembourg, 1988, 165 pages.* Results of the 1983 survey broken down according to the size of firms. **$12.40**

☐ **Trade: EC-Mediterranean Countries.** *Statistical Office, Luxembourg, 1988, 371 pages.* Development and structure of trade of the Community and other industrialized countries with the Mediterranean countries from 1970-1985. **$7.10**

☐ **Labour Law and Industrial Relations in Small and Medium-Sized Enterprises in the EEC Countries.** *Commission, Brussels, 1988, 58 pages.* Summary report on collective bargaining agreements and trade union representation in SME's. Also covers specific issues such as wages, hours, dismissals, and training. **$5.70**

☐ **Vocational Training in Italy.** *European Centre for the Development of Vocational Training, Berlin, 1988, 84 pages.* Overview of the educational and vocational training system. **$4.00**

☐ **Vocational Training in Denmark.** *European Centre for the Development of Vocational Training, Berlin, 1988, 242 pages.* Overview of the educational and vocational training system in Denmark. **$10.00**

ORDER FORM

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

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

☐ Check enclosed for $ ______________

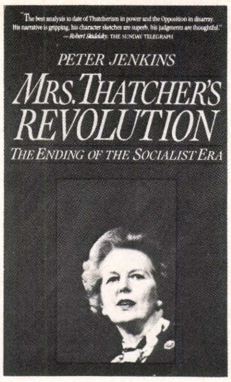
NAME ______________________________

ORGANIZATION ______________________________

ADDRESS ______________________________

CITY ______________ STATE ________ ZIP ________

BOOKS IN REVIEW



Mrs. Thatcher's Revolution: The Ending of the Socialist Era. By Peter Jenkins. Harvard University Press. 417 pages. $25.00
Thatcher. By Kenneth Harris. Little, Brown and Company. 248 pages. $20.00.

MICHAEL D. MOSETTIG

When British Prime Minister Thatcher met with President-elect George Bush in mid-November, she could be accorded a sense of déjà vu. The 41st President of the United States will be the third she has dealt with in her nearly 10 years at Number Ten Downing Street. She will have been the only E.C. Head of Government in office through the eight years of Ronald Reagan's presidency.

Political endurance, however, is only an aspect of what is becoming a remarkable political saga, one that has fascinated many Americans from afar. Initially there was the curiosity value of being Britain's first female Prime Minister, but her popularity kept growing, especially with her defense of the Falklands. American conservatives admired her for seeming to have the courage of President Reagan's convictions, for not being ready to give up nuclear deterrence over a weekend and for not building an economic policy on massive government deficits.

Neither her durability nor the force of her "conviction" politics were anticipated by any political group in Britain, much less by the "squirearchy" of her own Conservative party when this daughter of a Grantham England grocer became Prime Minister in May 1979. Hers has been not only the longest uninterrupted prime ministership of this century but also well among the most controversial. Her free market policies, advanced through the worst unemployment since the Depression, shattered 40 years of post-war consensus politics. She has curbed the unions and tried to harness the growth of the welfare state through stern determination rather than the supple charm associated with such pathbreaking politicians as Franklin D. Roosevelt and Reagan.

Since the Prime Minister shows no signs either of wearing out or wanting to leave much before the turn of the century, if then, it requires a remarkably confident and able political biographer at mid-term to take her measure and to analyze the phenomenon that has come to be known as "Thatcherism." Thatcher has more than found her match in Peter Jenkins, a veteran journalist who proves himself far more than a lobby hack with his equal fluency in the disciplines of politics, economics and history. It is hard to imagine any book soon supplanting this as the definitive study of modern British politics, even if socialists will argue with its premise.

Jenkins has set his political biography in two broad contexts: the gradual decline of Britain and the sharper fall of the British Labor party and British socialism in both its older ideological and more recent cultural manifestations. He takes as a given the blunt assessment of West German Chancellor Helmut Schmidt that by 1979 Britain was no longer a developed nation. He builds a strong case from the electoral numbers that the Labor party represents the forces of decline, such as the inner cities and trade unions, and the most tendentious since socialism's drift to irrelevance stems in part from the cultural and psycho-sexual upheavals of the 1960s.

Against this backdrop come elaborately crafted portraits of the politicians, not just Thatcher but many others including her mirror image on the left, Tony Benn. ("An outsider himself, not by birth or origin, but through some demonic aspects of his personality, he became the scourge of a failed ruling class and a champion of the aspiring new elites who had been liberated and enthused by the experiences of 1968 and thereafter.")

Thatcher he describes as a child of austerity and the Cold War. He dismisses the publicists' notion of the family woman with the observation that she left her six-year-old twins at home to run for and win a seat in the House of Commons, hardly the thing that upper-middle-class mothers were doing in 1950s England.

Much of the Thatcher personality is summed up in this passage: "... she had brought with her from girlhood a whole armory of homely virtues with which to justify and explain her good fortune, and the less good fortune of others, and to protect her from any pangs of petty-bourgeois guilt which might from time to time impinge upon the paramountcy of her ambition."

Such deft writing, in an error-free book, makes this a compelling work. If anything, Jenkins could have saved himself the forward in the American edition and its labored parallels between political currents here and there. They do exist superficially, but are always risky to draw. This book and its principal character more than stand on their own.

One problem in a writing style that is more velvet than steel wool is that it tends to obscure a major question—does a more efficient society have to be a harsher one, especially to the urban unemployed, those unwitting victims of the greatest economic transformation since the Industrial Revolution?

Jenkins is hardly hesitant to criticize aspects of Thatcher's rule even as he acknowledges that she has set the country on a new course. Her major accomplishment, he says, is curbing union power. For all her unbending personality, she is a good tactician, ready to experiment and to retreat. She did not make a U-turn with her 1981 budget at the depths of the recession, but gradually she

Michael D. Mosettig is senior producer for foreign affairs and defense at the *MacNeil/Lehrer NewsHour.*

did shed the dictates of monetarism.

She took on the coal miners in 1984, on her terms, after yielding in earlier confrontations. Jenkins correctly questions whether the short-changing of education, in a country where comparatively few already go on to university or advanced schooling, will leave Britain ill-equipped to compete in a global, high-tech economy.

The author considers Thatcher's European policies her greatest foreign-policy failure, particularly the missed opportunity to make Britain a major force within the E.C. at the time the Schmidt-Giscard d'Estaing directorate was ending. Her instincts basically were small town and little England, summed up by one of her closest associates, Norman Tebbit: "The Ministry of Agriculture looks after farmers, the Foreign Office looks after foreigners." Instead, her foreign policy was oriented to the United States and her ideological and personal kinship with President Reagan. But even of him she is quoted here as saying, "Poor dear, there's nothing between his ears."

For all that Thatcher has accomplished, the question remains what will endure from Thatcherism, which even Jenkins considers more style than ideology. His judgment is that the Thatcher revolution has been a half-revolution, the recovery of one Britain not at the expense of the other but at the cost of its neglect. The nation has rejected socialism but is not yet fully comfortable with the new enterprising ideal. Its future still depends on where and how the balance ultimately is set between a market-oriented economy and a welfare state. She has set the agenda, even if the future is not necessarily hers, he writes.

If there was ever a case of bad luck in publishing, it was the coincidental release of Kenneth Harris's biography alongside the Jenkins book. It is a perfectly worthwhile political biography, especially for foreigners who do not want all the detail of the weightier book. Harris makes even more compellingly than Jenkins the point that for all Thatcher's distaste for government intervention in the economy, her instincts on other issues from local government to civil liberties are statist and anti-libertarian. His book is full of bons mots, for instance Giscard's description of the Prime Minister as *"la fille de l'epicier."* Unfortunately, it relies too heavily on newspaper columns and articles, including his own interviews. It proves that in publishing, as in theater and politics, timing is everything. €

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.*

Europe, America and South Africa. Europe-America, vol. 7. Edited by Gregory F. Treverton. Council on Foreign Relations. New York University Press, 1988. 138 pp. $8.95.

In this seventh volume in the Project on European-American Relations, five distinguished statesmen all agree that there is little hope for swift and dramatic change in the policies of the South African apartheid regime. The authors examine the problems in South Africa and the region from a long-term perspective,and conclude that there are serious divisions among the states of the Atlantic alliance in their approaches to South and southern Africa that will undermine the ability of the allilance to influence the course of events in South Africa. While there is a general consensus that the United States and Europe need to work more closely together to coordinate policy on South Africa, the authors present contrasting arguments on how to achieve a more unified approach. They examine such critical issues as the effectiveness of sanctions, the domestic political issues surrounding South Africa, Western relations with South Africa's neighbors and the African National Congress, and the consequences of increasing violence in the region.

Changing the Guard in Brussels: An Insider's View of the E.C. Presidency. By Guy de Bassompierre. The Washington Papers, 135. Praeger Press, 1988. 162 pp. Hardback $29.95, Paperback $9.95.

In this volume, Guy de Bassompierre seeks to clarify the slow process of European economic and political integration for the interested non-European. The author describes the various European Community institutions and their functions as they evolved in the past three decades. His primary focus is, however, the E.C. presidency and its role and importance especially to non-Europeans in future relations with the E.C.

Western Approaches to the Soviet Union. Edited by Michael Mandelbaum. Council on Foreign Relations, New York, 1988. 113 pp. $10.95.

The difference in the policies of the major Western countries toward the country that they have regarded for four decades as a threat to their security is the subject of **Western Approaches to the Soviet Union**. The authors, four leading authorities on international relations and American and European politics, assess the past, present and future of the policies of the four most important members of the North Atlantic Treaty Organization.

Heritage of Fear: Illusion and Reality in the Cold War. By Richard Lawrence Miller. Walker Publishing Company, New York, 1988. 424 pp. Hardback $24.95.

Focusing on the theme of military aggression, **Heritage of Fear** surveys the Communist movement from its origins to the present, arguing that American fear of an onrushing Red Juggernaut bent on destroying Western Democracy is not and never has been based on reality. In a chronological explication from the historical record, Miller reviews the story of Communist failures from 1918 to 1987 and brings to our attention the fact that not a single democracy has fallen to Communist military aggression. Further, those countries that have turned Communist through violence were already dictatorships. Citing the Korean War as a crucial turning-point in American perceptions of the Soviet Union, Miller argues that the 1950-1953 conflict provoked the establishment of a "permanent war economy" based on groundless fear of Soviet intentions.

Value Added Tax: International Practice and Problems. By Alan A. Tait. The International Monetary Fund, Washington, D.C., 1988. 450 pp. $29.50.

This study tries to examine a single tax, looking at problems and options in theory and their different impacts, while keeping and eye firmly on the ball of practical implementation. The interests of both administrators and taxpayers are considered. At the same time, arguments are advanced for and against alternative policies that might inform politicians or administrators considering changes. As the value-added tax is now used in Europe, Latin America, Africa, Asia, and the Pacific, examples have been taken from a wide variety of systems. Although the problems associated with administering a VAT may differ for each of these regions, this study tries to illustrate how they can learn from one another's experience.

Foreign Policy of the French Second Empire - A Bibliography. Compiled and edited by William E. Echard, Greenwood Press Inc., Westport, Connecticut, 1988. 448 pp. $75.00.

This bibliography contains over 4,100 citations on the foreign policy of the French Second Empire. It includes books, articles , doctoral dissertations, and general diplomatic history studies relating to aspects of the Second Empire published between the mid-1880's and the mid-1980's in English, French, German, Italian, and Spanish. The use of subheadings and cross-references provides over 150 topical bibliographies. The topic headings include some broader issues such as Colonialism and Colonies, Concert of Europe and Conference Diplomacy, the Eastern Question, and the Economic policies and Role of France. Entires include annotations where necessary, full titles of periodicals, lengths of books, citations of published dissertations, and English translations. Author and subject indexes are included.

PUBLISHED FOR THE COMMISSION

The Management and Health of Farmed Deer. *EUR 11540.* Edited by H.W. Reid. Kluwer Academic Publishers, The Netherlands, 1988. 206 pp. $64.00.

A seminar in the CEC Programme of Coordination of Research in Animal Husbandry, held in Edinburg on 10-11 of December of 1987.

Seismic Hazard in Mediterranean Regions. *EUR 10706.* Edited by J. Bonnin, et al. Kluwer Academic Publishers, The Netherlands, 1988. 399 pp. $99.00.

Proceedings of the Summer School organized in Strasbourg, France, July 15 through August 1, 1986 by European Mediterranean Seismological Centre and Institut de Physique du Globe de Strasbourg.

Acta Horticulture. *EUR 11581.* Edited by A.C. Casseles. Commission of the European Community, Brussels, 1988. 225 pp.

A Symposium in the CEC Crop Productivity Programme, Cork, Ireland, 23-25 September, 1987.

Energy Savings in Agricultural Machinery and Mechanization. *EUR 11247.* Edited by G. Pelizzi, et al. Elsevier Applied Science, New York, 1988. 143 pp. $43.25.

This study was carried out under contract at the Centre for Studies of the E.C. upon request of the DG for Energy of the E.C. Commission.

Biomass Energy: From Harvesting to Storage. *EUR 11045.* By G.L. Ferrero, et al. Elseviev Applied Science, New York, 1987. 327 pp. $61.25.

Proceedings of a workshop held at Marino, Rome, 19-21 November, 1986.

Biomass Forestry in Europe: A Strategy for the Future. *EUR 11487.* Edited by F.C. Hummel, et al. Elsevier Applied Science, New York, 1988. 600 pp. $117.00.

Energy from Biomass (No. 3) is a review of Biomass Forestry in Europe, compiled and edited by F.C. Hummel of Forestry Investment Management Ltd. for the Commission of the European Community, and coordinated by W. Palz and G. Grassy of the Commission of the E.C.

HUNGARY

Continued from page 31.

need subsidies to carry on, and their managers are the most vociferous and powerful adversaries of further reforms, milking the ministries for all they are worth." How will the Government handle growing unemployment now estimated very conservatively at 15,000 out of a work force of 4.6 million?

Hungarian Government and party officials from Grosz on down reflect determination to spur growth and motivate everybody. They want to improve cooperation with the West, and they insist they are ready to face up to the consequences, including more unemployment, which some estimates put as high as 60,000. "We must and will accept this consequence," said Central Committee member Imre Kovacs during an interview in Budapest. "But the state will take care of them through subsidies and job-training programs, and we hope to create new jobs."

Kovacs, who is in charge of economic policy at the committee, said scaling back state subsidies had only begun and would be accelerated, along with a reduction of inflation—which he estimated at 17 percent for 1988—and would be reduced to between 12 percent and 15 percent in 1989. "Everything depends on our succeeding... and the process is irreversible, we cannot go back. There is no other way," he added.

Life may not be easy for average Hungarians compared to West Germans, Belgians or the French, but Hungary is not exactly on the brink of economic disaster, either. Indeed, with the possible exception of East Germany, which firmly opposes new economic reforms, life in Hungary appears comfortable for many compared to the Soviet Union and Poland, and certainly compared to neighboring Romania. The streets of downtown Budapest during rush hours are jammed with East-bloc Fiats, Renaults, Soviet Ladas, East German-built Wartburgs and Western cars. The retail food and clothing shops are well stocked, and plenty of Hungarians are buying even though prices are high. A kilo of beef in the capital city costs about $2.50; women's leather coats range from $200 to $500; the latest Lada costs about $4,000 and a Volkswagen more than three times that amount.

Particularly striking are not just the waiting list for buying new cars (300,000 currently, according to the *German-English Daily News*, published by the Hungarian news agency MTI), but the fact that Hungarians appear to have plenty of purchasing power. "A new Lada, for me, represents two years' salary and a four-to-five year wait, but I don't mind," said the assistant manager of a Budapest hotel. "Nearly everyone has two jobs, and families help finance car purchases," she said. Strikes and political demonstrations? "I don't pay any attention. What worries me are government plans for new taxes on income and goods I buy."

The Soviet Union is clearly watching—and learning from—Hungary. Following Hungary's lead, E.C. and Soviet trade officials held two days of preliminary talks in Brussels in November with a view to negotiating a possible trade and cooperation agreement. But the presence of Soviet financial experts at the Budapest bank provides a better insight into what may lie ahead. Would this be a case of Big Brother keeping an eye on the Hungarians? "No, no, not at all," said Jarai, who had just completed a telephone conversation with a Frankfurt banker advising him in establishing the new stock exchange. "The Soviets want to establish their own market, so they are looking at what we are doing. They want to learn. That's why their financial experts are here." €

RETAILING

Continued from page 22.

conscious, with Americanized tastes, and are clearly defined as to what their central product offer is. A recent stroll through the Toys-R-Us store in Wallau, outside of Frankfurt, also shows that U.S. armed services personnel contributed in no small way to the head count in the store on that particular day.

In the United States, several department-store companies have attempted to set up a national franchise, stores like Neiman Marcus in such areas as Texas and Chicago; Nordstrom, which has entered the East Coast from its Pacific Northwest base; and New York's Bloomingdales, which opened not long ago in Chicago. In contrast, European retailers have been timid about moving traditional department stores between European countries.

This too, may change somewhat. Britain's Harrods now has a shop in the Frankfurt airport. It is streamlined in size and focuses on apparel items and food. Harrods merchandise is also sold in the Madrid airport, and there is a gift boutique on the QE II. The Frankfurt shop, in particular, is a condensation of the Harrods experience. Many of the items in these boutiques bear the Harrods signature, and the Harrods people themselves speak of the "power of the logo."

What is the course for the future? European retailers show no loss of appetite for acquiring existing U.S. businesses, nor have they cooled their desire to launch new strategies in the United States. However, the tone of coming European expansion in the United States may shift. Specializing retailers with strong price appeal, like Ikea, and hypermarket entries may replace in importance the luxury-oriented specialty strategies.

In the last two years, the apparel specialty retailers in the United States—some of them European offspring—have begun to see limits to their growth. Also, the United States' international competitive and economic woes are making shoppers more willing to seek stores that offer sharp prices on name-brand goods. Americans are seeking to defend their standard of living and often newly acquired higher taste levels.

In Europe, the situation is not that much different, except that hypermarkets are an already established force. The Cologne-based retail-and-services giant Kaufhof, with revenues of about $5.8 billion last year, has supplemented its traditional department-store businesses with specialized strategies. A Kaufhof strategy, Reno, which has about 100 shoe stores in Austria, France, Switzerland and Germany, is also the number-one mail-order shoe retailer on the Continent. Daerk Kowalke of Kaufhof management sees further expansion of such specialized businesses, extending to more markets in advance of 1992. Good prices on brand names are increasingly the issue for European consumers, too. Kaufhof management said in New York two years ago that it might consider exporting its Saturn Hansa record and consumer electronic strategy to the United States.

The U.S. and European consumer have become more alike. Americans today are more sophisticated, but also more strapped to afford the good life. Yanks have learned to appreciate Deutsche Grammophon records, Grolsch beer and French *brie.* The real question on both sides of the Atlantic may well be to find a good, fresh assortment of these products at the right price. Increasingly, that will favor mega-firms with huge buying clout and superior systems and disciplines, but also with a capacity to tailor to local market tastes. It suggests as well that there may be a new breed of world-class retailers operating on both continents seeking to occupy those individual leadership niches that Peter Drucker sees as inevitable. €

YOUTH

Continued from page 26.

• Pilot projects intended to facilitate the transition between school and work.
• Activities intended to improve and modernize vocational training.
• Contributions from the European Social Fund, which devotes three quarters of its budget to vocational training and to recruitment premiums for young people under 25 years of age.

As regards exchanges, a major step still remained to be taken so that young people from all member states and from all regions could meet with others from elsewhere in the E.C., whether by incoming or outgoing youth exchanges. YES for Europe should achieve this. Scheduled initially as a three-year program (1988-90), it should be allocated a budget of 30 million ECU, and should enable up to 80,000 young people between the ages of 15 to 25 years to spend at least one week in another member country, having already received the sort of preparation that will enable them to become immersed in the economic, social and cultural realities of the country visited.

The program's objectives are many:
• To increase significantly the number of youth exchanges throughout the entire Community.
• To redress the balance of exchanges in favor of disadvantaged regions.
• To improve the quality of exchanges by more effective preparation.
• To limit financial obstacles and to do away with legal and administrative barriers which often hinder the organization of exchanges.
• To structure permanent links between young people or groups of young people in different member states.

It is envisaged that 80 percent of the program's allocation will be devoted to the direct financing of youth exchanges. Administered by competent organizations designated by the individual member states, the subsidized exchanges should as a priority:
• Bring together young people from differing social, economic and cultural backgrounds.
• Involve those E.C. regions in which youth exchanges are not well developed.
• Make young people more aware of the European dimension.
• In longer-term exchanges, priority is given to multilateral contacts intended to prepare to carry out a project of E.C. interest. Member states are required to guarantee that young people do not lose their social welfare entitlements.

In addition, the program envisages:
• The financing of youth exchanges organized by European non-governmental organizations or that fall within the framework of vocational training schemes.
• Support for the promotional activities of national exchange coordination agencies.
• A range of complementary measures, such as the development of cooperation between coordination agencies, the organization of information and experience exchanges, the provision of European documentation, the elimination of legal and administrative obstacles to exchanges.

The YES for Europe program should therefore provide the necessary framework to give a new impetus to youth exchanges throughout the whole of the Community. It must bring new blood to all the E.C. activities that favor young people and supplement measures already taken in the areas of education, vocational training and employment. In a time of massive youth unemployment, the credibility of the E.C. for large numbers of these young people will depend not only on the way in which it applies itself to resolving their immediate economic and social problems, but also on its commitment to young people as Europeans. €

IRELAND

Continued from page 40.

The strategy's early success inculcated a cost-effectiveness ethos in the public sector. Electricity and telephone charges have fallen steeply and deregulation is reducing insurance costs to companies and individuals. The growth and adjustment process is further reinforced. A virtuous circle has replaced the vicious circle of the debt trap, high taxation and low growth of the early 1980s.

Forecasts for 1989 are encouraging. They indicate GNP growth of over 2 percent, spearheaded by exports (8-percent volume increase) and supported by a general increase in investment and private consumption. Inflation may push upwards to about 3 percent, a spillover from the United Kingdom's 6-percent price increase, but competitiveness is expected to be maintained. Public-sector finances should improve further but, because of the once-off nature of the amnesty revenues, the degree of improvement will be much less in 1989 than in 1988.

Although most sectors of the Irish economy are doing well, the position in the labor market remains unsatisfactory. Ireland's unemployment rate of 18 percent looks quite horrific compared with 5 percent in the United States and under 9 percent in the United Kingdom. Small wonder that the flow of emigration from Ireland to these countries at 30,000 per annum has reached record proportions. Numbers in employment in Ireland have stabilized, following decreases in every year since 1982, but the task of creating a better balance between job opportunities at home and emigration will take time to complete. In the meantime, there is continuing debate about the effects of emigration. One school of thought welcomes the fact that Irish people can find useful work and experience outside their own country. An academic economist put it provocatively in a recent paper with the conclusion that Ireland would have been a "poorer and uglier country had it not been for emigration." The opposite view—which includes a few bishops and radical clergy—focuses on the tribulations of the unsuccessful emigrants and the loss to the country of skilled and resourceful young people.

Until the economy gets into better shape—in the sense of offering more attractive net of tax employment opportunities—the present level of emigration is likely to continue. The position can, however, be reversed. During the 1970s, the booming Irish economy attracted a large net inflow of migrants. €

AERONAUTICS

Continued from page 35.

ties. The E.C. will contribute about 50 percent to each project, the rest being the industrialists' responsibility. Priority will be given to major projects that will produce concrete results within two years.

With this pilot phase, the E.C. is not launching itself into supersonic or "stealth" technology. Rather, it is to attack the vast panoply of basic technologies for the generation of airplanes already in existence. In three years' time, the Airbus A310 will be a whole new airplane. Furthermore, the side-effects of these research activities for the whole of industry will be considerable. This is why the pilot phase covers a large range of technological sectors.

The Council of Ministers must now decide on the proposal. **(CK)** For the time being, although nobody questions the fact that the industry has serious problems, the reactions range from very favorable to frankly hostile. The problems with cooperation efforts on the European fighter aircraft and its heavy financial consequences should, however, serve as a lesson. Will the governments be deaf to the combined calls of the Commission and the industrialists? €

SUBSCRIPTION PUBLICATIONS OF THE EUROPEAN COMMUNITY

1989 Prices

LAW AND INSTITUTIONS

Official Journal of the European Communities. Daily. Publishes all Community legislation and many communications. Subscription includes the *Directory of Community Legislation in Force, 10th edition.*
☐ **Paper edition** (and index), surface mail: $427.00. Air mail: $618.00 additional.
☐ **Microfiche edition** (and index), surface mail: $297.00. Air mail: $26.00 additional.

☐ **Public Contracts and Tenders of the EDF.** Supplement to the Official Journal, surface mail: $258.00. Air mail: $204.00 additional. Information on on-line and telex services available on request.

☐ **Bulletin of the European Communities and Supplements.** Surface mail: $119.00. Air mail: $37.00 additional.
☐ **Bulletin of the European Communities.** 11 issues, index, and 1st supplement, surface mail: $98.00. Air mail: $31.00 additional.

Debates of the European Parliament. Irregular.
☐ **Paper edition**, surface mail: $148.00. Air mail: $59.00 additional.
☐ **Microfiche edition**, surface mail: $113.00. Air mail: $6.00 additional.

☐ **Minutes of the Sittings of the European Parliament.** Irregular. Microfiche only, surface mail: $32.00. Air mail: $5.00 additional.

Texts Adopted by the European Parliament. Irregular, surface mail: $28.00. Air mail: $15.00 additional.

☐ **Reports of Cases Before the Court. Vol. XXXIII (1987).** Irregular, surface mail: $110.00. Air mail: $25.00 additional.

☐ **Bulletin of the Economic and Social Committee.** Monthly, surface mail: $34.00. Air mail: $9.00 additional.

ECONOMY

☐ **European Economy and Series A and B.** Surface mail: $101.00. Air mail: $22.00 additional.
☐ **European Economy.** 4 issues, surface mail: $70.00. Air mail: $13.00 additional.

☐ **Recent Economic Trends: Series A.** 11 issues, surface mail: $29.00. Air mail: $9.00 additional.
☐ **Business and Consumer Survey Results: Series B.** 11 issues, surface mail: $29.00. Air mail: $9.00 additional.
☐ **Series A and B.** Surface mail: $45.00. Air mail: $9.00 additional.

☐ **Results of the Business Survey Carried Out Among Management in the Community.** 12 issues, surface mail: $64.00. Air mail: $17.00 additional.

☐ **Eurostatistics: Data For Short-Term Economic Analysis.** 11 issues + rapid report Regions (irregular), surface mail: $78.00. Air mail: $22.00 additional.

☐ **Money and Finances.** Quarterly, surface mail: $45.00. Air mail: $8.00 additional.

☐ **Rapid Reports: Regions + Population & Social Conditions + Industry & Energy + Agriculture + External Trade + Services & Transport.** Irregular (50-55 issues), surface mail: $159.00. Air mail: $72.00 additional.

☐ **Consumer Price Index.** Monthly, surface mail: $56.00. Air mail: $10.00 additional.

☐ **Unemployment: Monthly Bulletin.** 12 issues + rapid report Population & Social Conditions, surface mail: $42.00. Air mail: $6.00 additional.

☐ **Earnings—Industry and Services.** 2 issues + rapid report Population & Social Conditions, surface mail: $65.00. Air mail: $24.00 additional.

☐ **Quarterly National Accounts/ESA.** Surface mail: $22.00. Air mail: $10.00 additional.

☐ **ECU–EMS Information.** Monthly, surface mail: $56.00. Air mail: $6.00 additional.

SOCIAL

☐ **Social Europe Review and Supplements.** Surface mail: $92.00. Air mail: $21.00 additional.
☐ **Social Europe Review.** 3 issues, surface mail: $38.00. Air mail: $9.00 additional.

☐ **Vocational Training: Information Bulletin.** 3 issues + CEDEFOP News, surface mail: $15.00. Air mail: $7.00 additional.

☐ **ERASMUS: Joint Study Program Newsletter.** 2 issues, surface mail: $11.00. Air Mail: $9.00 additional.

AGRICULTURE

☐ **Agricultural Markets: Prices.** 4 issues + 1 special issue, surface mail: $78.00. Air mail: $20.00 additional.

☐ **Agricultural Prices: Selected Series From the CHRONOS Databank.** 4 issues + rapid report Agriculture.
☐ **Paper Edition.** Surface mail: $56.00. Air mail: $24.00 additional.
☐ **Microfiche Edition.** 4 sets, surface mail: $56.00. Air mail $6.00 additional.

☐ **Agricultural Statistics: Global Subscription.** Three series + Agricultural Statistics Yearbook, surface mail: $159.00. Air mail: $31.00 additional.
☐ **Crop Production.** 4 issues + rapid report Agriculture, surface mail: $62.00. Air mail: $13.00 additional.
☐ **Animal Production.** 4 issues + rapid report Agriculture, surface mail: $62.00. Air mail: $16.00 additional.
☐ **EC Index of Agricultural Prices (Output and Input).** 2 issues + rapid report Agriculture, surface mail: $42.00. Air mail: $9.00 additional.

INDUSTRY AND TRADE

☐ **Industrial Short-Term Trends.** Monthly + rapid report Industry & Energy, surface mail: $65.00. Air mail: $17.00 additional.

☐ **Industrial Production.** 4 issues + rapid report Industry & Energy, surface mail: $42.00. Air mail: $24.00 additional.

☐ **Monthly Statistics: Iron and Steel.** + rapid report Industry & Energy, surface mail: $56.00. Air mail: $8.00 additional.

☐ **Monthly External Trade Bulletin.** Surface mail: $132.50. Air mail: $41.50 additional.

☐ **Europa Transport.** 4 issues + 2 annual surveys, surface mail: $42.00. Air mail: $13.00 additional.

ENERGY

☐ **Energy Periodicals** (complete series). Subscription to all energy related titles listed below. Surface Mail: 141.00. Air mail: $47.00 additional.

☐ **Energy in Europe.** 3 issues, surface mail: $45.00. Air mail: $9.00 additional.

☐ **Bulletin of Energy Prices.** 2 issues, surface mail: $17.00. Air mail: $8.50 additional.

☐ **Energy Statistics: Global Subscription.** Energy Statistics Monthly Bulletin + rapid reports Industry & Energy + Energy Statistics Yearbook, surface mail: $98.00. Air mail: $31.00 additional.
☐ **Energy Statistics: Monthly Bulletin.** Surface mail: $65.00. Air mail: $17.00 additional.

REFERENCE

☐ **Recent Publications on the European Community.** 12 issues + supplements, surface mail: $117.00. Air mail: $53.00 additional.

☐ **Bulletin of European Political Cooperation.** 2 issues, surface mail: $29.00. Air mail: $3.00 additional.

☐ **SCAD Documentation Bulletin.** Irregular, surface mail: $200.00 Air mail: $72.00 additional.

☐ **Euro-Abstracts: Scientific and Technical Publications and Patents.** Both series, surface mail: $180.00. Air mail: $47.00 additional.
☐ **Section I: Euratom and EEC Research.** 12 issues, surface mail: $92.00. Air mail: $21.00 additional.
☐ **Section II: Coal and Steel.** 12 issues, surface mail: $124.00. Air mail: $27.00 additional.

☐ **Bulletin de la Traduction et de la Terminologie.** 3-4 issues. Title in French, contents multilingual, surface mail: $39.00. Air mail: $13.00 additional.

ORDER FORM

All subscriptions, with the exception of the *Official Journal*, are for the calendar year. Publications are shipped from Luxembourg.

I wish to order the publications checked above and have underlined the desired method of shipment.

☐ Check enclosed. Amount $ ________ ☐ Please bill me.

NAME ______________________________

COMPANY ______________________________

STREET ______________________________

CITY ______________ STATE ________ ZIP CODE ________

Mail to:
European Community Information Service
2100 M Street NW, 7th Floor, Washington, DC 20037

Spanish French LANGUAGE LEARNING BREAKTHROUGH German Italian

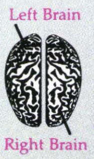
Learn A Foreign Language . . . Incredibly Fast!

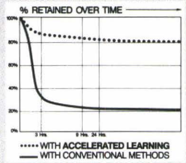
Whether for travel, business or entertainment, learning a foreign language will open whole new worlds for you. And now there's a *method* that makes learning a foreign language simple. Painless. And faster than you ever thought possible. The first 15 tapes of this *30-cassette set* are the very same tapes used by the Foreign Service Institute to train career diplomats. But it's the second 15 tapes—the Memory Tapes, utilizing *accelerated learning* techniques—that make this system so special.

This 'superlearning' method is based on the simple premise that we have vast learning and memorization capacities left untapped. This process dramatically increases both the speed and long-term retention of learning.

How Accelerated Learning boosts your memory.

Have you ever wondered why you can remember the words to a song with little or no effort? Music stimulates right brain activity. Speech is a left-brain activity. When the two are combined, as in a song, you have left/right brain linkage and the memory process is quicker and stronger. The unique *Memory Tapes* use this very same musical process, and, as the studies and results show, you learn at least four to five times faster than when you're *trying* to memorize.





Two Courses in One.

Each language lesson contains both a *study tape* (developed by the U.S. Foreign Service Institute) and a stereo *memory tape*. 15 lessons—30 tapes in all plus study materials.

A Special Bonus.

Order your language course now, and in addition you'll receive the 100-page book *How To Learn A Foreign Language* (used by the Peace Corps, the CIA and other agencies), two 90-minute vocabulary tapes, plus the *American Express International Traveler's Dictionary*.

Raise Your "Business I.Q."...with a second language!

"I finally decided to concentrate on learning Spanish around 1965, and after I became proficient in 1967, my business with Spanish-speaking countries increased from nothing to over twenty million dollars yearly."
André Crispin

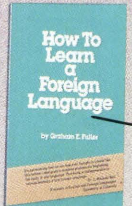
"American ignorance of other tongues has been hurting American business executives in their competition for (overseas) markets."
The New York Times September 5, 1988

"American managers with language skills open more doors."
Wall Street Journal Editorial July 25, 1988

About the Method:

"(the superlearning method is) fascinating... the results are extraordinary."
Prof. Lawrence Hall Harvard University

"I'm 52 years old, and if someone had told me I would have become articulate in a foreign language in four weeks, I would have said they were wrong."
Joseph A. Kordick Ford Motor Company



HOW TO LEARN A FOREIGN LANGUAGE (A 100-page study guide)

2 90-Minute vocabulary tapes

The American Express Int'l Traveler's Dictionary in the language you're studying.

Best value! With a total of 32 cassettes plus study materials, this program represents the best value available today in language instruction. Plus—exclusive—*first ever* stereo, digitally mastered language tapes! Order today!

Price
$245.00 complete set

Order Now!
For faster service—credit card orders only—Call 1-800-782-5566

The Accelerated Learning Language Series
Professional Cassette Center
350 West Colorado Boulevard
Pasadena, CA 91105
1-818-792-7771

Please send me the Accelerated Learning Language course I have indicated below. Each 30-Tape Set is $245.
☐ Spanish ☐ French ☐ German ☐ Italian

Name

Company

Address

City/State/Zip

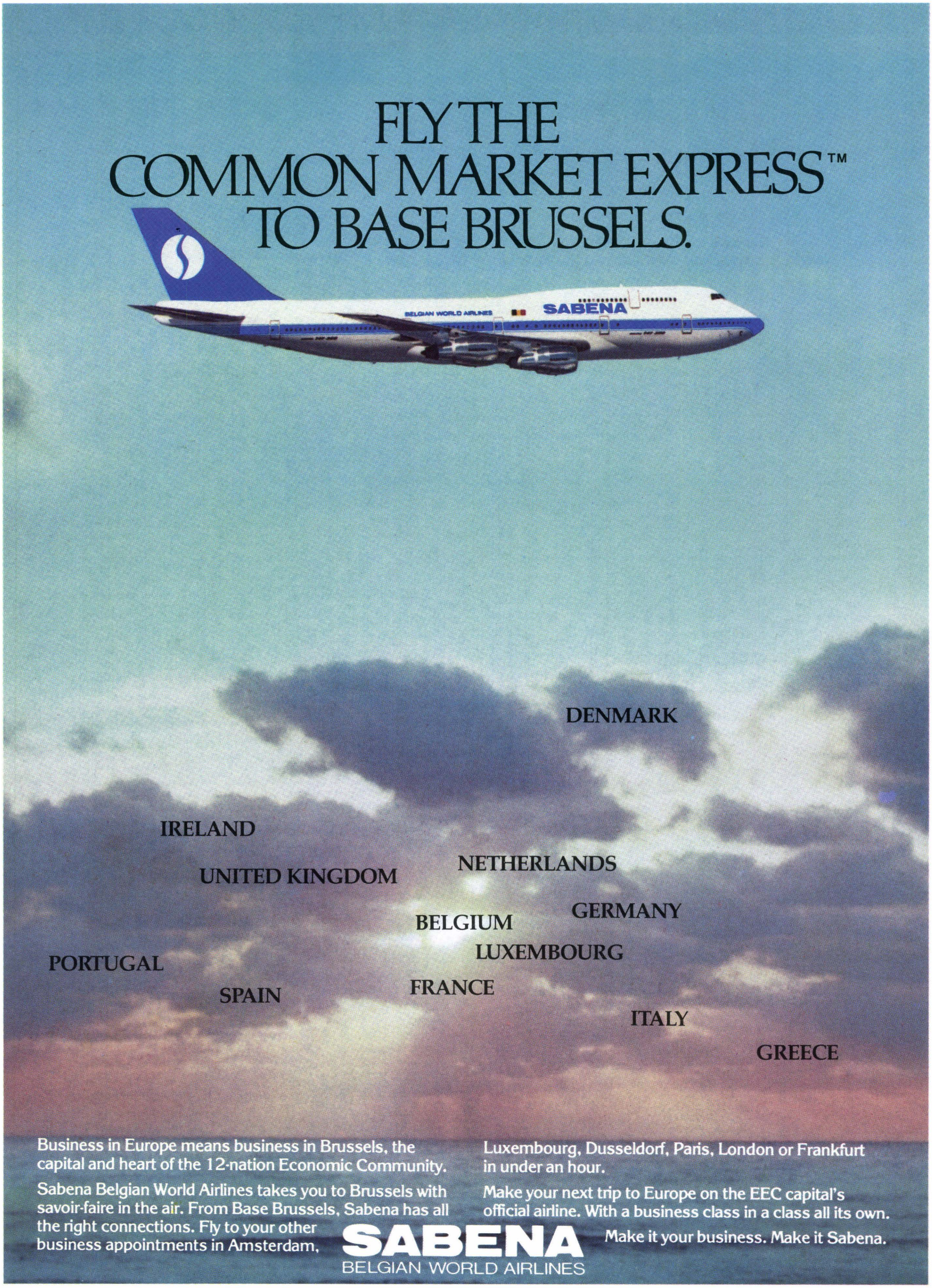
Signature

Please charge my:
☐ VISA ☐ MasterCard ☐ American Express ☐ Discovery

Credit Card No. Exp. Date

☐ Enclosed is my check for $245.00*

*California residents add 6½% sales tax. Please allow 2-4 weeks for shipment.



THE OFFICIAL AIRLINE OF THE COMMON MARKET CAPITAL.