E.C. AND EASTERN EUROPE STRENGTHEN THEIR TIES

EUROPE

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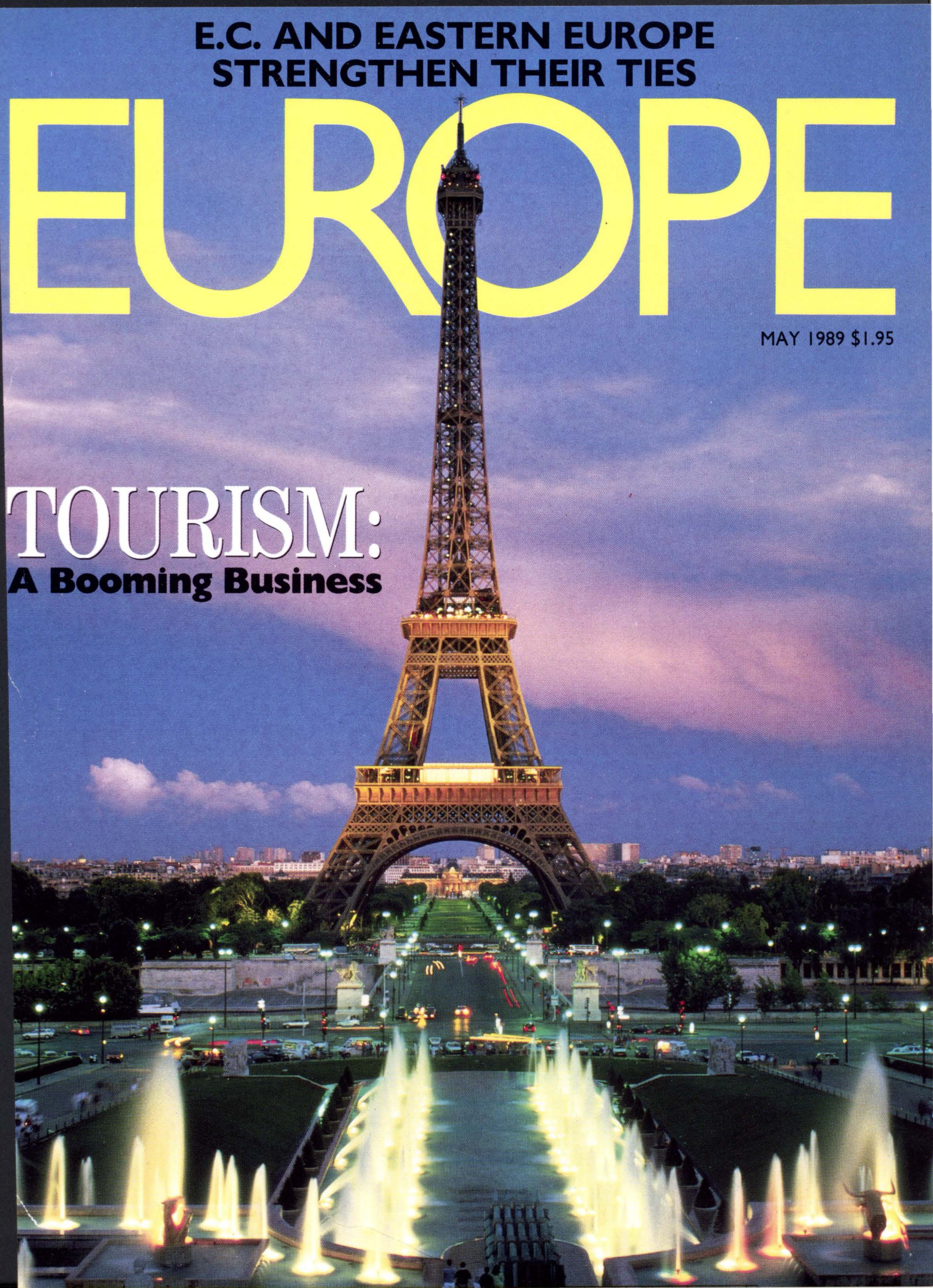
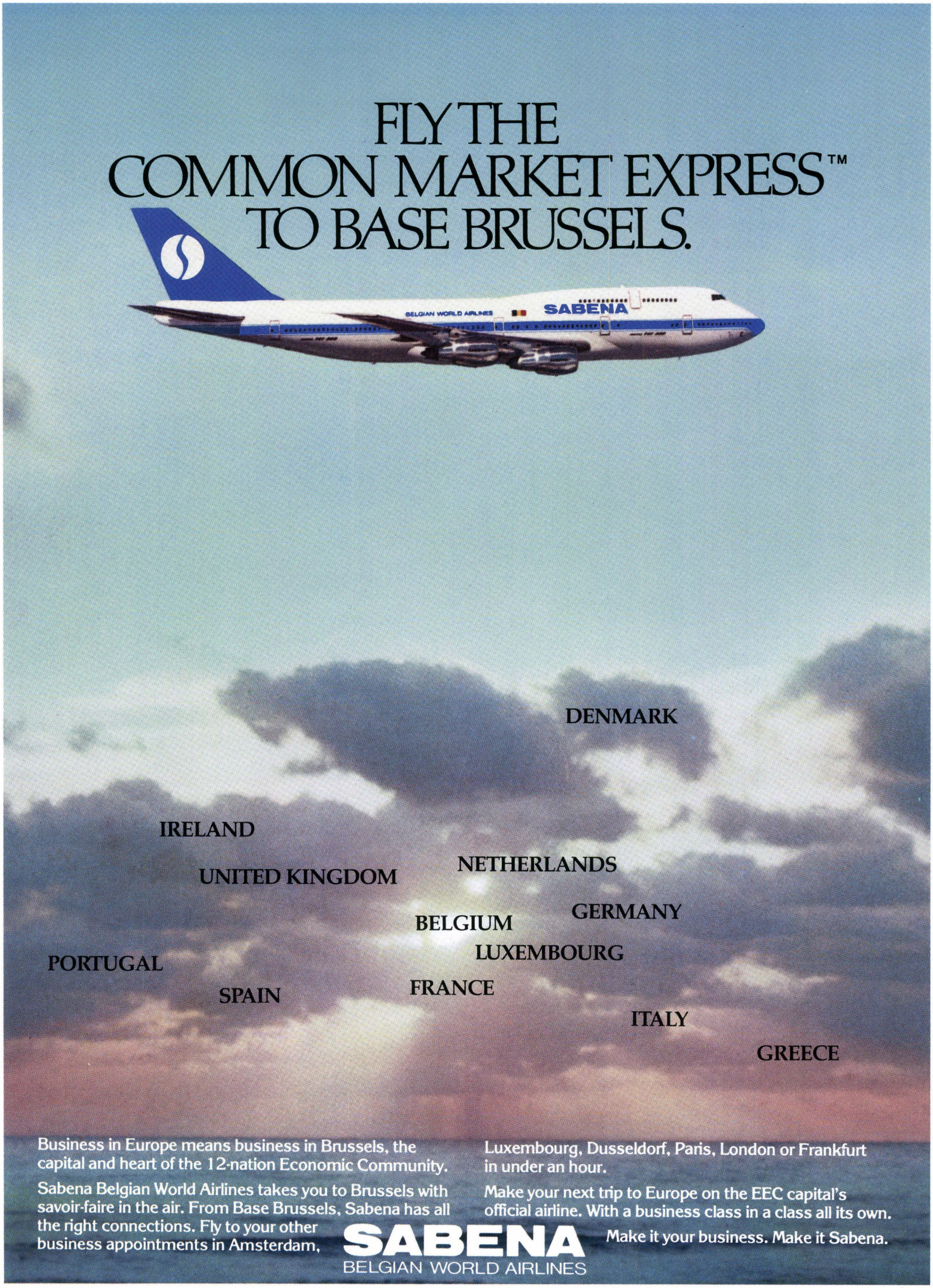
TOURISM:
A Booming Business

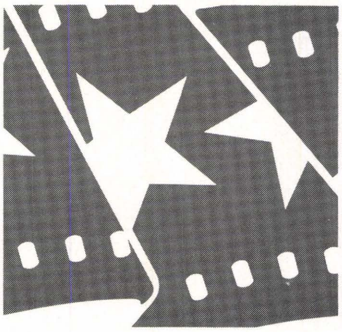


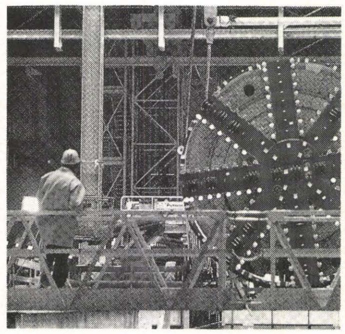


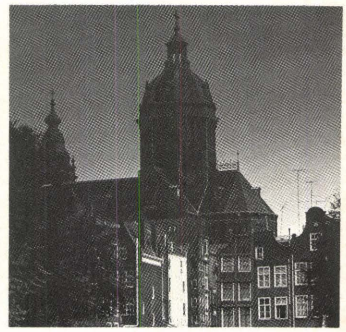
THE OFFICIAL AIRLINE OF THE COMMON MARKET CAPITAL.

EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY







COVER: E.C. legislation in the travel industry will make Europe an even more attractive vacation destination for tourists (page 24). Photo: © Travel Pix/FPG International

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PUBLISHER'S LETTER

In keeping with the season, travel is this month's cover story. Jonathan Todd of the *Sunday Times* writes that Europe remains a popular destination for many vacationers, and that visitors from the United States are now returning to Europe in large numbers.

However, as most seasoned travelers know, vacations may be marred by such things as delays, canceled flights, changed schedules, bad food and hotel rooms with no view. Indeed, complaints in Europe about the unkept promises of many package tour operators increased so much that the E.C. Commission is now trying to establish E.C.-wide rules to make such holiday bookings and the holiday itself more comfortable, relaxing and hassle-free.

Travel will become even faster and less complicated when the Channel Tunnel between England and France is completed in 1993. As David Black points out, it will not only make life easier for travelers, but also present the end of one great physical obstacle to free movement—the water between the United Kingdom and the European Continent.

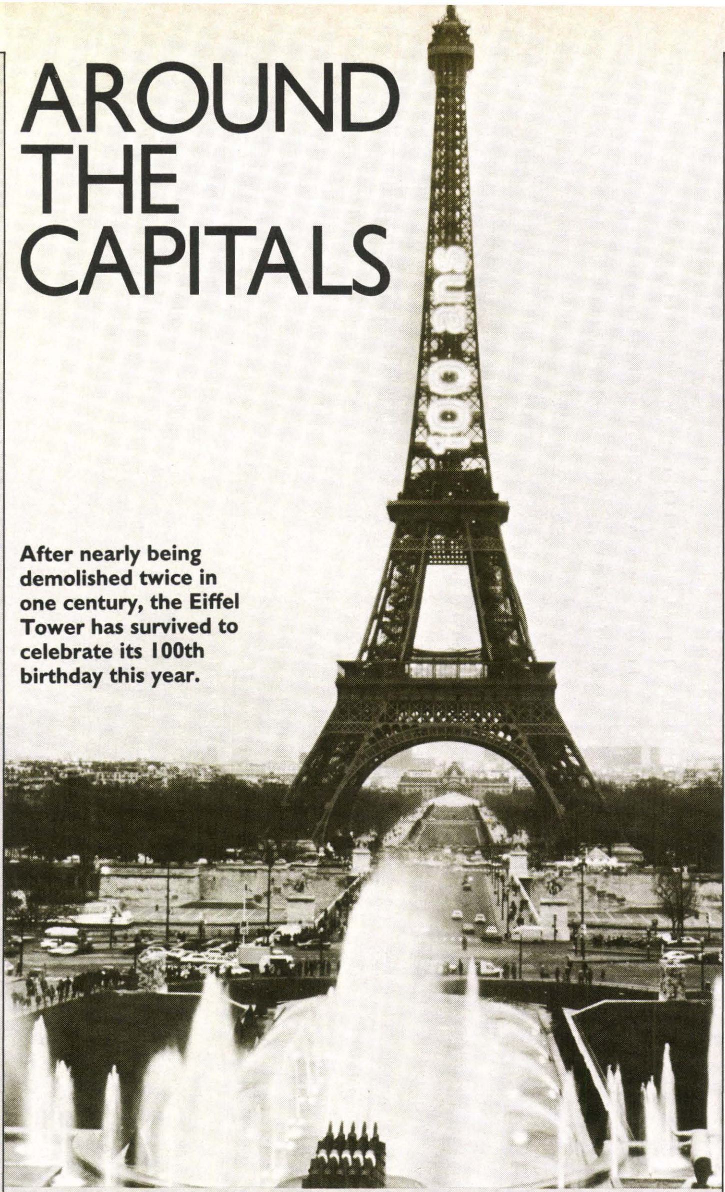
Elizabeth de Bony emphasizes that, at the international level, the GATT talks in Geneva last month are promising for the successful completion of the Uruguay Round.

In the eastern half of Europe, things are stirring, and at a rapid pace. Richard C. Longworth of *The Chicago Tribune* writes that the advent of *glasnost* and *perestroika* has fueled the imagination of our Eastern neighbors, who are eyeing the E.C.'s success in moving toward an internal market.

G Chevallard

Giancarlo Chevallard

AROUND THE CAPITALS



After nearly being demolished twice in one century, the Eiffel Tower has survived to celebrate its 100th birthday this year.

COURTESY FRENCH GOVERNMENT TOURIST OFFICE

PARIS

A Towering Legacy

In the plethora of celebrations in France during this bicentennial year, Paris could not resist an endless number of homages to its most famous landmark, the Eiffel Tower.

The celebrations began a year ago, 100 years after Gustave Eiffel started constructing his tower, and will culminate in June with the city's planned extravaganza for the tower, complete with fireworks, dancing in the streets and performances by artists from France and abroad.

All the festivities belie the fact that the tower was almost not built. It was to be erected as a temporary folly to celebrate the 100th anniversary of the French Revolution and to serve as a beacon for the 1889 Paris World's Fair. The centennial sentinel later came close to being razed.

When completed, the Eiffel Tower was the tallest building in the world, and an innovation because it was made of unmasked iron. Eiffel called it the biggest flagpole in the world. But many Parisians despised it. A group of eminent artists—including Charles Garnier, who built the Paris Opéra, and authors Guy de Maupassant, Paul Verlaine and others—signed petitions to prevent its construction, calling it a monstrosity. They believed elegant buildings could only be built of stone.

Their view was not shared by curiosity-seekers, however, who were intrigued by the delicate iron lattice-work. In the first six months, three-quarters of the cost was paid off with receipts from visitors to the Tower.

When Eiffel's concession expired in 1909, renewed demands were made to demolish the tower. It was saved principally because of its scientific value for radio transmissions and meteorological monitoring. In 1916, it was used as the terminal for the first trans-Atlantic radio telephone service. And, during World War I, the Eiffel Tower became the French symbol of resistance against Germany.

Even before the French infatuation with the tower took hold, it became a focus of some folly. In 1923, a journalist won a bet by riding his bicycle down the stairs. In 1983, a group of riders pulled the same stunt with trail bikes up and down the stairs of the first and second levels.

In the 1960s, a British con artist signed a contract with a Dutch firm for the sale of the Eiffel Tower as scrap metal. The authorities intervened, but the Dutch company lost its down payment.

People have parachuted off the Eiffel Tower, and flown over and around it. One man died trying to fly under it—although it was later disclosed he had intended to commit suicide. In 1901 a pregnant woman was so frightened by the ride on the newfangled elevator that she gave birth in the Eiffel Tower. There have been 368 suicides at the tower, and two unsuccessful attempts.

For most of the 4.3 million tourists each year who either wait in line to trudge up the 1,652 steps, or to take the newly renovated elevators, the Eiffel Tower is the quintessential French symbol. For the French, who this season inaugurate three controversial monuments that many have called monstrosities, the Eiffel legacy is a useful rein on premature criticism. The new Opéra Bastille, the glass pyramid at the Louvre and the Arc de la Défense office tower that frames the Arc de Triomphe may be as cherished 100 years from now as the once-scorned Eiffel Tower is today.—BRIGID JANSSEN

ROME

Eyeing the World Markets

In the past weeks, the Communist Party convention has dominated the Italian political scene. Most political observers agree that the convention officially confirmed what had been known for a long time: The most important Communist party in Western Europe has changed direction, and now closely resembles West Germany's Social Democratic Party. The news generated great interest and an enormous amount of newspaper coverage. It was also the reason why a set of statistics, made public around the same time, passed almost unobserved. These figures concerned a topic far more important than might appear at first glance: Italy's economic and commercial relations.

The statistics, published by ISTAT, Italy's central statistics institute, confirmed an established fact—Italy's belief in Europe—but also issued new, important numbers. Italy's pro-European attitude has been confirmed by many surveys and by market research. Until now, however, Rome has often laid itself open to criticism from E.C. authorities that Italy's theoretical Europeanism has not always been put into practice and that Rome has sometimes even disregarded guidelines and instructions from Brussels. The most recent ISTAT research proves, however, that Europe has become part of Italy's everyday economy.

Italian industry, the report says, increasingly prefers to deal with its European partners. At first glance, this would seem to justify the American fear of the so-called "Fortress Europe" that would be created after the unification of the E.C. market in 1992. At second glance, however, one finds that Italy's political and industrial leaders are not convinced that a market concentration within Europe is the right way to conduct the country's economy and international commerce, and they are considering taking remedial measures.

ISTAT's 1988 figures speak for themselves. Last year, 57.1 percent of Italian exports went to neighboring nations in the Community. This constitutes an increase of almost an entire percentage point over the previous year. Imports follow a similar trend: 57.5 percent of goods and products that passed Italian customs came from Europe. In both imports and exports, West Germany was the favored partner, followed by France. Trade relations with Great Britain also improved substantially.

Outside the Community, trade with the United States was very good. America remains the third-largest commercial partner overall, but the first if one considers Italian assets. Last year, however, Washington's decision to reduce its own commercial deficit greatly "limited" the trade balance in favor of Italy: Exports to the United States increased by only 2.6 percent, while American imports registered a 16.7-percent jump.

Despite declarations of intent by Prime Minister De Mita's Christian Democratic Government, commercial exchanges with the Eastern bloc countries seem more dormant than active. Communist bloc countries have increased the volume of their own goods to Italy by 9.8 percent, but have almost closed the flow in the other direction. Italian products do better in the Far East, as figures on exports to major countries in that area show: Japan and South Korea (+28.8 percent), Taiwan (+46.6 percent) and Singapore (+32.8 percent).

Despite its passion for Europe, Italy seems to have realized that it is not wise to confine itself to any one area, not even one as vast as Europe. The message for the year 2000 is still the same: diversify as much as possible.—NICCOLO D'AQUINO

LUXEMBOURG

Satellite Success

With a speed that has left much of Europe's communications industry breathless, Luxembourg has seized a commanding lead in the satellite broadcasting of commercial television. On December 11, 1988, an Ariane rocket lifted off from Kourou in French Guyana and placed in orbit the Astra satellite, owned by the Luxembourg company Société Européenne des Satellites (SES). It was "a great day for Luxembourg," said Luxembourg's Prime Minister Jacques Santer, adding that every citizen "should be proud."

Five months after that historic moment, the Luxembourgers have even more reason for pride. Seven of Astra's 16 channels are already broadcasting to viewers in Britain, the Benelux and Scandinavian countries, and enthusiasm is such that an agreement has already been concluded for the purchase of a second satellite to double capacity to 32 channels before the end of 1990. The ultimate commercial success—or otherwise—of the gamble will not be judged until a firm long-term pattern of subscriptions by viewers is established. It seems fair to say, however, that an enterprise that, even 12 months ago, was clouded by technical and financial uncertainty, is now looking increasingly like a major broadcasting triumph.

The gamble began in early 1985 when the Luxembourg Government agreed to support the creation of SES along with major European institutional investors. Its judgment was seriously questioned throughout Europe, where the industry was then still largely committed to the idea of American-style cable television. Even Luxembourg's own CLT broadcasting company, the highly successful operator of Radio Luxembourg and Radio Télévision Luxembourg, was skeptical about direct satellite broadcasting and had pulled out of an earlier space-based project.

ASTRA
EUROPE'S 16 CHANNEL TELEVISION SATELLITE

But once Rupert Murdoch, the Australian-born newspaper owner, committed his company to lease up to six of the Astra channels for beaming commercial television direct to the British market last year, the commercial doubters were silenced. Last December's launch confounded those who predicted technical chaos and doubtful quality of reception throughout Britain—the key market—and has delighted SES. The number of British households actually receiving the Murdoch service is still well below a commercially viable level, but this is because of a physical shortage of the relatively costly dish receivers (about $500) required to capture Astra's emissions, and waiting lists suggest the break-even point will not be long delayed.

A final obstacle for SES was cleared this spring when the E.C. agreed on a regulatory framework for television. There had been fears that it might establish a fixed minimum of 60 percent for the amount of European-made programs to be broadcast, thus frustrating companies from importing most of their material from America. But the "local manufacture" requirement has been kept down to half, and even then it is to be applied only "where practical." (Also see *Europe,* April 1989.) The E.C. agreement will limit the volume and frequency of advertising, but it appears that this is something Luxembourgers can live with, and the deal is generally regarded as a good one for commercial broadcasters. A major part in the agreement was played by Jean Dondelinger, Luxembourg's E.C. Commissioner, who handles culture and audio-visual policy in Brussels.

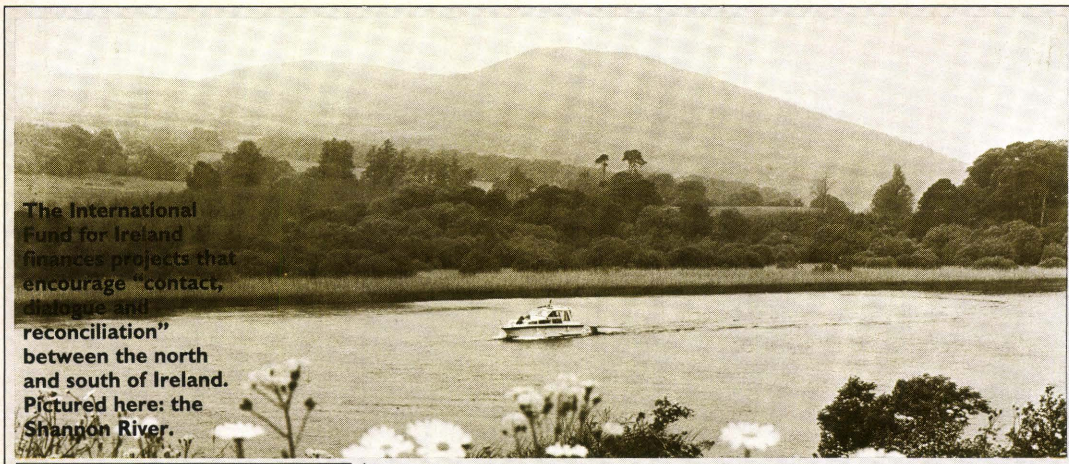
A year from now, there will be at least two more direct broadcasting satellites orbiting over Europe, and the competition will be correspondingly fiercer. But this is a familiar situation for Luxembourg. Fifty-five years ago it introduced Radio Luxembourg—the first-ever European commercial radio station—which went on to command massive audiences in Britain and on the Continent, and which still turns in useful profits today. It seems quite appropriate that, in a year that sees the launch of Europe's first private satellite television company, Radio Luxembourg should also be bidding for a major expansion of its own activities. This summer the station will join with Ireland's state broadcasting company, Radio Telefis Eireann, to beam, from Dublin, a pop music commercial radio channel that is expected to cover most of Britain. If successful, the station will complement Radio Luxembourg's existing evening broadcasts to give Britain its first 24-hour nationwide commercial radio channel.—ALAN OSBORN

LONDON

English Is Everywhere

There is a growing recognition that, in international business, and even in diplomacy, English has now become the world's most widely used language. England's colonial history and America's economic and cultural dominance overlapped to create a situation that is now earning Britain's language schools more than $1 billion a year.

Sp in's Banco de Bilbao demands that all its graduate



COURTESY IRISH TOURIST BOARD

The International Fund for Ireland finances projects that encourage "contact, dialogue and reconciliation" between the north and south of Ireland. Pictured here: the Shannon River.

DUBLIN

North-South Cooperation

It was bad luck for the International Fund for Ireland that, just as it became assured of E.C. funding after two years of wrangling with the United Kingdom Treasury, it should have run into American criticism over the kind of job creation projects it is promoting in Northern Ireland. The Fund is especially sensitive to such criticism since, until recently, over 90 percent of its resources came from the U.S. budget.

The Fund was set up in December 1986, following the historic Anglo-Irish Agreement of November 1985 and received a pledge of $120 million over three years. Smaller donations came from Canada and New Zealand, but members of the U.S. Congress warned both the Irish and British Governments that there would be problems with continuing support, unless the E.C. could help relieve the United States from picking up virtually the full tab.

The E.C.'s proposals for $45 million in contributions over the next three years have thus been timely, but closer scrutiny of the Fund's activities has aroused some unease, which the Board is now doing its best to allay.

The aims of the Fund are "to promote economic and social advancement and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland." The three ways of doing this are to stimulate private investment and enterprise, aid public programs and support voluntary efforts, including self-help schemes. Three-quarters of the Fund is to be spent in the six counties of Northern Ireland and the rest in the South, especially in the border counties of Donegal, Cavan, Monaghan, Sligo, Leitrim and Louth.

As a donor country, the United States was entitled to request that priority be given to private-sector investment and job creation. U.S. critics say that too much money has been going to government projects and big business, and not enough to the areas of communal tension where unemployment is at record levels, such as west Belfast and Derry.

The criticism was sparked off by the latest annual report. This revealed that a bank, a Chinese restaurant and a betting shop had been given funding to decorate their premises, while a funeral parlor, which wanted a new hearse for the burial of both Protestants and Catholics—an appropriate cross-community project, it claimed—was rejected.

The Board was, not surprisingly, deluged with thousands of applications for funding under the seven program headings of investment companies, business enterprise schemes, tourism, urban development, agriculture and fisheries, science and technology and "wider horizons." Under this last heading, young workers are sent abroad for training and to study job creation and urban development in other European and American cities.

In the two years of its existence, the Fund Chairman, Charles Brett, a Belfast solicitor, estimates that it has created about 4,500 permanent jobs, 4,000 construction jobs and work for at least 1,500 rural residents who would otherwise have emigrated. Responding to the criticism of some of the projects, Brett said: "We always knew we could not hope to please everyone. Although mistakes can and do happen, I have yet to hear of a grant or loan that I would not be prepared to defend."

Anticipating some of the criticism, the Board, with representatives of the British and Irish Governments and the donor countries, has decided to focus more on the economic and social revival of the most disadvantaged areas, especially in Belfast. A "flagship" project is being studied to re-open the Ballinamore-Ballyconnell canal. This would link Ireland's largest rivers—the Shannon in the south and the Erne in the north—and would result in one of the largest leisure waterways in Europe and be a huge boost for tourism both north and south.

It also seems appropriate that the Fund is helping to restore two of the historic Irish colleges in continental Europe, at Louvain in Belgium and Paris, using young workers from both parts of Ireland. Founded in the days of persecution of Irish Catholics, the colleges can now symbolize reconciliation between the two Irish traditions.—JOE CARROLL

trainees speak English, and Philips, the Dutch electronics multinational company, conducts all its business in—you guessed it—English. In a management course run by a Dutch-based company, which I attended in London recently, a minority of the participants were native English speakers, but the proceedings were conducted entirely in English. Given the location, this may not be too surprising, but when the same course is held in France or Belgium, English still remains the common language among the half a dozen different nationalities attending.

Teaching the language to visitors from overseas is estimated to be Britain's sixth-largest invisible export, earning some $875 million annually. When the sale of tuition literature and tapes, plus the student spending on accommodation, food, transport and entertainment are counted in, the revenue figure soars above the billion-dollar mark.

This figure could be more than doubled by 1992, according to a recent survey appropriately titled *English: A World Commodity*, conducted by the Economist Intelligence Unit. It estimated that, per year, half a million people come to Britain to attend one of the 700 schools that teach English as a foreign language.

The quality of these schools varies enormously, from the large, professionally managed institutes employing qualified and experienced staff, through the small, specialist schools offering language training for specific needs such as banking or engineering, to the less scrupulous operators who see it as an easy way to make money by employing unskilled tutors and offering poor course literature.

The British Council, the cultural arm of the British government overseas, is the body to which many people turn in their search for guidance on which language course to attend in Britain. The Council monitors the standards and performances of these schools and, at present, has only rated 200 of the total as being efficient. This is worrying among various bodies, not only because many students will find the struggle to learn a foreign language unnecessarily difficult due to inadequate teaching, but also because it could deter many potential visitor students. They may opt instead for an English-language school in their own country, despite its environmental limitations.

The viability of the school will remain a problem at the bread and butter end of the market, but that is less of a concern for the specialist teaching centers, such as those offering language tuition for managers. "Back in 1976 we began with one student. Now, with 1992 on the horizon, business has mushroomed and we accommodate 300 managers a year," says Robin Watson, who runs a residential tuition center for foreign executives.

This is the low-volume/high-price end of the market, where the course had better be good, or word of mouth will destroy the business within a few months. Tailor-made tuition does not come cheaply. In romantically remote English rural retreats, such as that run by Robin Watson, tuition plus residence averages $2,250 a week. But it can be well worth it to the corporation that foots the bill.

The course will be tailored to take into account the existing level of the student's proficiency and the precise needs for which he or she is learning the language. Graduates may not be able to conduct fluent English conversations about medieval philosophy, but they will emerge with a vocabulary that equips them to confidently discuss and write a report covering all aspects of the type of endeavor in which they are involved.

It is in this area that many people believe the future of the British "English as a foreign language" industry will develop, and that, through it, dominance of the language will continue to grow. But let me assure you that not all is lost—I am still taking my French lessons twice a week.—DAVID LENNON

COPENHAGEN

Trimming the Welfare System

In the E.C., Denmark is the prototype of the welfare state. But some of those trimmings may disappear in June, when the Conservative-Liberal Government of Poul Schlueter will present a plan that aims both to lower and harmonize Danish taxes in accordance with the requirements of the emerging single market.

Still, this goal does not deter some members of the opposition parties from trying to improve upon the welfare state. A prominent member of the Social Democratic Party recently proposed that maternity leave in Denmark—six months with full pay for everyone with a job—should be supplemented by special leave to propagate. Though logical in a country with a stagnating population, the idea did not really catch on, perhaps indicating that there is a limit to what even Danes are prepared to let the public purse pay for.

More serious than this idea, (which, to be fair, was only to have applied to those in jobs with a high risk of low fertility), is the latest increase in unemployment benefits. Unemployed Danes are now paid a maximum of about $17,200 a year, while the minimum wage level is about $16,400. For Danes who have had more highly paid jobs, it simply does not pay to take a low-paying job, such as a cashier in a supermarket or piece work in a textile factory.

With unemployment approaching 300,000 this year, the cost of unemployment benefits is staggering. The state pays 80 percent of the cost, the workers pay the remaining 20 percent. The Government spends more than $3 billion a year on unemployment—more than the total cost of the new bridge that will link Denmark and Sweden across the Great Belt, and which will be one of the world's longer and most expensive bridges.

COURTESY ROYAL DANISH EMBASSY

Denmark's Prime Minister Poul Schlueter.

Economists agree that it is impossible in the long run to promise full employment with minimum wage levels of more than $17,000 a year. One reason for the effectiveness of the U.S. job machine has been the creation of a large number of low-paid jobs in the service industry, something that is not happening in Denmark. For a number of years the Danish public sector was expanding and absorbing labor, but this is no longer the case.

From an E.C. perspective, taxes will have to be lowered, if for no other reason than to create the necessary incentives for entrepreneurs, professionals and workers to remain in Denmark. At present, marginal taxes are 68 percent, average taxes about 50 percent. In neighboring Sweden, where the Socialists are in power, there is now a proposal to lower the marginal tax rate to 50 percent, and the average rate to around 30 percent.

The Danish Government would like to emulate the Swedes, at least to the extent of reducing marginal taxes to 50 percent, and corporate taxes from 50 percent to 40 percent. In addition, a large number of indirect taxes have to be harmonized to meet E.C. requirements. In sum, this poses an enormous financial challenge to the Danish Government.

Three major sources will be tapped to finance this change, which has been called "the biggest proposal in Danish history." Employers are to pay more toward social security. A large number of free public services—ranging from medical aid to library services and large transport subsidies—are to be made payable. The 80-percent subsidy of unemployment benefits may be drastically reduced, also to give the unions more responsibility for the employment consequences of their wage demands. And tax deductions of interest on mortgages may be reduced, de facto raising income taxes for the almost 60 percent of all Danes who own their homes.

A dismantling of the welfare state is not in the cards, and there is no majority in the Danish Parliament for doing anything like that. But the single market is proving to be a catalyst for trimming the welfare state, which Denmark's still thriving anti-tax Progressive Party never had the clout to bring about.—LEIF BECK FALLESEN

LISBON

Cooling the Buying Spirit

Portuguese car dealers have nursed their sore businesses since Portugal's Finance Minister, Miguel Cadilhe, injected that country's economy with a dose of coolant. These measures are aimed especially at lowering feverish car sales that—according to authorities—have contributed to soaring inflation and a widening trade gap.

When Portugal joined the E.C. in 1986, previous restraints on car imports evaporated, and long-repressed demand went awry. With the oldest and smallest vehicle fleet per capita in the Community, Portugal had a lot of catching up to do. It has done so with a verve that put

210,000 new vehicles on the road in 1988—which kept dealers' tills ringing and financial institutions raking in the monthly payments.

Not only car sales soared. So did inflation, pressured by rising prices of imported oil, raw materials and foodstuffs on which Portugal depends heavily. In addition, spending increased because domestic food prices were pushed up after two bad farming years, and because inflationary effects of E.C. funds pouring in to finance infrastructures, job training, industry and agriculture filtered into greater spending power. Finally, fast-growing foreign tourist money, portfolio and productive investment and purchase of vacation homes were pumped into the economy and lifted foreign-currency reserves to an all-time high of $3.8 billion.

These pressures blended to raise the cost of living inexorably from last June onward, while the Government, hoping to cool inflationary expectations by insisting that prices would drop, swore inflation would be a mere 6 percent by December. Instead, however, the index rose. Having hit 8.5 percent—its lowest level in 19 years last May—it climbed to 12.2 percent in February.

Two days after the February figures were announced, the Finance Minister took braking action, and announced that no passenger car leasing would be allowed; that all cars with engines of over 1,400 cubic centimeters must be paid fully in cash; and that, on car loans of cars with engines below 1,400 cubic centimeters, buyers must pay 50 percent on purchase and the rest in full in a year (rather than 33 percent down and 30 months to pay, as before). The automobile dealers' association estimates that about 100,000 new cars, ordered by them when things blithely boomed, will now languish unsold, costing a fortune in inventory financing.

Cadilhe did not go just for highly visible car consumers, but also after gadgets like video recorders, sound equipment and trendy togs. From now on, these items also will no longer be sold on a loan basis.

Having thus curbed consumer spending, Cadilhe turned to the banking system that, despite long-standing credit ceilings, has been lending people the money to do their consuming. He tightened set credit ceilings and upped banks' set-aside reserves to an equivalent of 17 percent of deposits. Foreign borrowing by the public or private sector now requires previous authorization from the Bank of Portugal. Foreign-currency swap operations, which allowed newly established Portuguese or foreign banks to increase their lending ratios reasonably, were stopped.

One might say these harsh measures are the result of the Portuguese economy's recent success. It has grown at 4 percent a year since 1986, and investment boomed at 19 percent in 1987 and 15 percent in 1988. Moreover, European businesses and investors from the United States and the Far East increasingly regarded Portugal as an attractive place in which to invest—all factors that overheated the Portuguese economic engine.

Nevertheless, supply could not keep up with demand, and the Government is now considering privatizing some of the state sector industries to lower the huge public debt and long-range inflation. Privatization is now beginning to take off with the sale of 49 percent of one of the two state breweries, Unicer, and, in June, the sale of 49 percent of the medium-sized public *Banco Totta e Acores*. More sales are expected to take place in 1990.

Meanwhile, analysts stress that Portugal's inflation will be around for a while yet, and that consumers will most likely feel the brunt of anti-inflation measures for some time to come.—DIANA SMITH

BONN

Crowded Learning

Overcrowding of universities has long been a problem for West Germany's higher education system, but enrollments for last winter's and this summer's semesters have resulted in chaos. The campus population of 1.5 million students at Germany's 66 universities with Ph.D. programs, and 178 technical and other specialized higher education institutes, has put strains on a system that was built for only 850,000 students.

The country's Science Council noted that, since 1975, the number of students increased by 75 percent from 840,000, while the number of faculty members remained practically unchanged. Earlier this year, spectacular demonstrations and nationwide "strikes" at universities in Berlin, Hamburg, Düsseldorf, Heidelberg and Munich brought the perennial topic of students in Germany to the public's attention.

The number of students who have signed up for business administration courses is particularly high: 34,300 first-year students enrolled, even though there are only 6,450 places. For the 1989 summer semester, the Central Clearing House for Admission to Higher Education in Dortmund introduced the *numerus clausus* (or restricted admission) procedure but, says Hartmut Schiedermair, professor of international law at the University of Cologne and President of the German University Association, "this measure will not alleviate the present emergency situation at German universities. We need more professors and no makeshifts."

Professor Hinrich Seidel, President of the Standing Conference of German Rectors in Bonn, agrees and points with emphasis to the physical and psychological strain on professors and assistants, as well as the insufficient contact with students and the lack of time for research.

In 1950, only 6 percent of the 19- to 21-year-old group took up academic studies. This year, 28 percent (60 percent males and 40 percent females) aspire to a university education. The abolition of student fees in the 1960s and the availability of financial help have encouraged more and more young people to seek a higher education.

The present enrollment increases of some 250,000 first-year students are coming at a time when academic and government officials were expecting a decline. They acted on predictions that, because of the low birth-rate years, there would be reductions in the number of students entering universities every year. There

Despite lower birth rates and bleak career prospects for academics, the number of German students flocking to universities is growing and putting strains on Germany's higher education system.

COURTESY GERMAN INFORMATION CENTER

was a temporary decline of 5 percent and 6 percent respectively in 1984 and 1985, and the federal states thought they could afford cuts in their education budgets. The predictions also went wrong on the expectation that those holders of the *Abitur,* the German high-school diploma, who went to vocational education and training, would tend not to go to university.

The chagrined education officials now acknowledge that the expectations have not been borne out, and that students have not been put off by bleak prospects for academics. Neither crammed lecture rooms, nor long waiting periods for training places or catastrophic housing problems induce them to stay away from university. Students strongly believe that a university education will improve their chances on the labor market.

A growing number of adolescents now do a praxis-oriented training period before taking up studies. While in 1976 only 14 percent of adolescents with higher education entrance qualifications decided in favor of a trained occupation, their number rose to 31 percent in 1988. This new trend contributes to the later start of studies.

Another reason is the compulsory 15-month military service for males or the alternative 20-month social service (these periods are being raised to 18 months and 24 months, respectively, this June). Thus, a male student is often 22 years old before he enters university. Critics say that German students study too long and only enter the job market at the age of 29, whereas students in Great Britain and France graduate at 23. "The German graduates will be at a disadvantage," says Jürgen Möllemann, Federal Minister of Education, "particularly as 1992 approaches."

Demands for immediate financial help are growing but the federal states, which exercise sovereignty in educational matters, suffer from considerable budgetary strains and are reluctant to hire new faculty members because, according to a 100-year-old German tradition, professors are state civil servants and cannot be dismissed. However, with the new "Emergency Program," the federal government and the states have agreed to spend an additional $1.2 billion over seven years to relieve the worst bottlenecks.

This is a drop in the ocean, however, and the West German Rectors' Conference demands that this program be regarded as a "stimulus" to a university policy that regards higher education as an investment in the future.—WANDA MENKE-GLÜCKERT

BRUSSELS

Hooray for the P.M.

A salute is in order for Belgium's Prime Minister Wilfried Martens: Last month he celebrated the 10th anniversary of the day he first took the oath of office as his country's leader. Many would say a handshake would be a more appropriate gesture than a salute, given Martens' unfussy, low-key, businesslike personality and political style.

As luck would have it, Martens is not quite the longest continuously serving head of a European Community government. Although he became Prime Minister a month or so before Britain's Margaret Thatcher, he was technically out of office for eight months in 1981 when Belgium's parliamentary procedures were suspended. At a reception to honor the anniversary, Martens was asked if he minded being pipped by Thatcher for the veteran's laurels. His offhand shrug in reply suggested it was the last thing in the world he minded.

Much more to his taste, at the same occasion, was a glowing tribute from Jacques Delors, President of the E.C. Commission, who recalled Martens' tenacious support for Community unity at the Brussels summit in 1988. "You had the courage, which went beyond all diplomatic prudence, to affirm your convictions and, having taken note of all the points of disagreement, to invite the European institutions to move ahead on their path," Delors told the Belgian leader.

One of Martens' guiding principles is his passion for unity, be it on a European scale or within Belgium itself. Such faith is often associated with compromise and caution, and Martens has these qualities in abundance. His 10 years in power also tell us that he has a very shrewd grasp of Belgian politics, the capricious nature of which can best be illustrated by the fact that the present government is the eighth he has headed.

A recent public opinion poll put Martens in a class of his own as Belgium's most popular politician. Moreover, his claim on the public's affections extends across both linguistic and political divides. If a man of 52 can be called a father figure, Martens is unchallenged in the part.

It is not exactly clear why Martens commands such personal and political loyalty, unless, perhaps, Belgians are looking for a healer rather than a warrior as their leader. This argument has been advanced by some commentators who find in it a reassurance that, in spite of the well-publicized and sometimes violent clashes between the French-speaking and Dutch-speaking communities, Belgium is at heart a single nation and seeks a single identity.

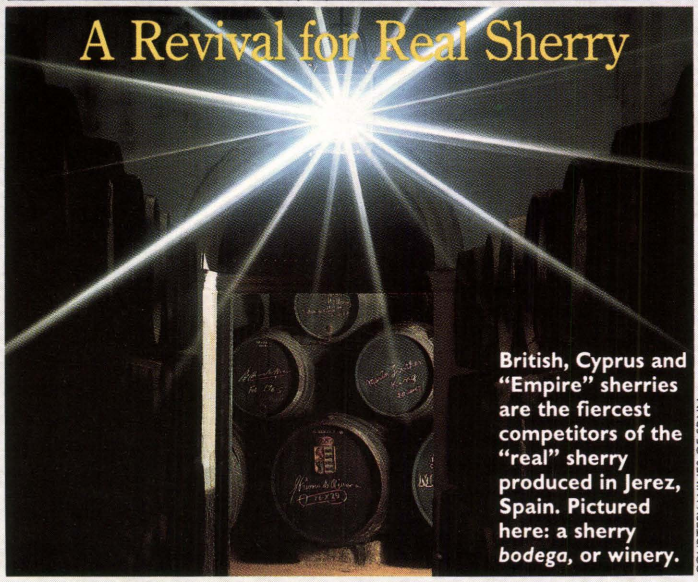
It probably also helps that Martens does not come across as power hungry. During the long political vacuum following the inconclusive results of the December 1987 elections, Martens remained aloof from the jockeying for office and had effectively to be drafted to retake command. Some say it was all part of a clever political strategy but this could be unfair: Soon after regaining his post last June, Martens admitted that he would have preferred to have taken a year's sabbatical in America and then possibly returned to Brussels in a lesser government role.

What is clear is that Martens' personal hold on the public's affection has sustained the Government through a number of tricky patches. For much of the late 1980s, the center-right coalition (Martens is a Flemish Christian Democrat) has pursued a policy of harsh economic retrenchment that led to widespread job losses and a general standstill in living standards. More recently, the Government has been accused of mishandling its relations with Zaire, the former Belgian colony, and of provoking an unnecessary diplomatic row with Britain by refusing to extradite a suspected Irish terrorist.

Nevertheless, a poll in April showed that 44 percent of Belgians believe that the Government is taking the right approach to its problems—one of the highest confidence ratings a Belgian administration has ever won. The relaxed, quiet-spoken Martens, often photographed behind the handlebars of his bicycle or reading a scholarly lawyer's brief, shows that competence and geniality may be better qualifications for success in Belgian political life than charisma. And who is to say that we will not be repeating these words in 10 years' time?—ALAN OSBORN

MADRID

A Revival for Real Sherry



British, Cyprus and "Empire" sherries are the fiercest competitors of the "real" sherry produced in Jerez, Spain. Pictured here: a sherry *bodega*, or winery.

COURTESY WINES OF SPAIN

The annual Jerez Horse Fair in May is quite a party. Each day of the week-long fiesta, the fairground blooms with an extravagant display of sound and color that does not end until the following dawn.

Horse-drawn carriages showcase laughing girls in flouncy gypsy dresses. Elegant men and women in riding clothes sit straight in the saddle, their horses brushed and braided with bright colors. The amusement park throbs to the clacking of rides, the high-pitched squeals of children and the harsh, megaphone chatter of barkers.

In the dozens of *casetas* that line the fairground's stone streets—some little more than canvas shelters equipped with gas stoves, others more permanent structures with full restaurants—the young and old twirl to popular *sevillana* music on crowded wooden dance floors while bartenders serve up food and endless half-bottles of dry *fino* sherry with which to wash it down.

But, like all fairs, the Horse Fair mixes business with pleasure. And in Jerez, where business is dominated by the $1-billion-a-year sherry trade, all is not smiles. Although the industry is now slowly emerging from a decade-long crisis, last year's exports were at their lowest point since 1975. Multinational companies have moved in to control all but two of the top seven firms, and a glut of excess sherry stocks has kept prices artificially low.

Sherry executives, many of them descendants of the British, Irish and Spanish families that built up the trade in the 19th century, agree the crisis was largely of their own making. Spurred by a six-year boom in demand that peaked in 1979, most producers took out expensive loans to plant new vineyards in the 45,000-acre area where all true sherry is grown. When demand slacked off and production costs spiraled due to the worldwide increase in oil prices, they were left heavily in debt and swimming in a sea of sherry.

Prices went down, multinationals stepped in to take over cash-strapped companies and sherry's reputation dipped to lows unknown since it first reached Britain in Shakespeare's day, when it was known as *sacke*.

In 1983, the Consejo Regulador—the government body that oversees quality control—instituted a four-year plan to cut production, rip up excess grapevines, bolster prices and restore sherry's prestige abroad.

Nowhere has sherry been harder hit than in Britain, traditionally its biggest market. While worldwide sales dropped by a third between 1979 and 1988, British sales were halved, from 101 million 75-milliliter bottles to just 50 million. Britons, who once bought up half of all sherry, now consume less than a third of it.

But if sherry producers take responsibility for the original crisis, they say their present efforts are being hampered by British protectionism and E.C. neglect. Real sherry's main enemies in Britain are so-called British, Cyprus and other "Empire" sherries. These mixtures of cheap grape must, sugar and water manage—in their sweeter forms—a rough approximation of its taste at a fraction of the price. What is more, the British government taxes real sherry at almost double the rate enjoyed by British sherry makers, who take advantage of import duties assessed according to alcohol levels by mixing low-strength, reconstituted wine with high-grade alcohol. Spanish sherry, which is fortified wine that must leave Jerez at a strength of at least 15.5 percent alcohol, cannot compete. What is more, by capitalizing on the sherry name, "British sherry" now accounts for nearly half Britain's sherry market, up 7 percent from 1979.

When Spain entered the E.C. in 1986, it seemed that sherry's identity problems were nearing their end. The trading bloc duly protects the names of other important European wines and spirits, ensuring that only *bordeaux* from Bordeaux and *cognac* from Cognac can be sold within its borders. In fact, part of Spain's adhesion agreement stipulated that Spanish *cava,* the big-selling, bottle-fermented sparkling wine from Catalonia, would cut the phrase *"méthode champenoise"* from its labels in order to avoid encroaching on champagne's reputation.

But Jerez somehow lost out. The E.C. agreed that sherry was indeed unique to the region and that its name descended directly from Sherish, the Arab name for Jerez. But while it banned Cypriots and South Africans from using the word "sherry" on their labels, it postponed a decision on British sherry until at least 1995, when it will reconsider the question.

Now Spain's negotiators are again lobbying to ensure that the E.C. does not extend the exemption when it expires in 1995 and are negotiating with the European Commission to get the British to reform the discriminatory duty laws.

And this year's Horse Fair? It is dedicated to Strasbourg, site of the European Parliament.—RICHARD LORANT

European Investment Bank

Placing of a further issue of

£125,000,000
9½ per cent. Loan Stock 2009

to form a single issue with the existing issue of
£100,000,000 9½ per cent. Loan Stock 2009
at an issue price of 97.375 per cent.
plus accrued interest from 9th December, 1988

by

Barclays de Zoete Wedd Limited

February, 1989

ATHENS

A Greek Institution

Every village square in Greece and every neighborhood in Athens has its kiosk. Biscuit-colored boxes with roll-down shutters and a green or blue awning all the way around, they open like flowers at daybreak to sport their patchwork of newspapers pegged to a string and, in the city center, tiers of brightly colored magazines, Greek and foreign. Some are festooned with sunglasses and worry-beads, others with a thousand different postcards—of the Parthenon, of the Charioteer of Delphi, of Zeus and of Poseidon in all their poses—framing the small window through which you make your transaction.

On either side of the window is a display of peppermints, chewing gum, chocolate bars and cigarette lighters. Inside, shelves rise to the ceiling stacked with packets of every brand of cigarette imaginable, leaving just enough room for one person to stand up and turn around. On a second window-ledge there is usually a telephone and, for seven drachmas, you can make a local call against the constant din of traffic. This is the *periptero,* a miniature supermarket, a veritable institution.

Like every institution, it has its history. The kiosk's origins lie in the years following the Asia Minor disaster of 1922, when a Greek army was routed in Turkey, and Greece had to absorb 1.5 million refugees from the Anatolian coast. The kiosk was established by the state to provide a living (then chiefly through selling cigarettes) for the tens of thousands of invalids and wounded war veterans. The tradition continued after the last war and, to this day, all kiosks belong to the prefectures in which they are located, and which issue the licenses to operate them.

The majority of them are now rented, a war veteran being entitled to sublet his kiosk if he is unable to work because of old age or ill health. When he dies, his rights pass to his wife if she survives him, and then to any unmarried daughter. After that the kiosk reverts to the prefecture, which assigns a new license to another needy handicapped person or victim of an industrial accident. The kiosk is thus both a social institution and a dimension of the welfare state.

Vassilis used to be a builder on one of the Aegean islands until the job became too demanding for him. He now runs a kiosk in a small square of Maroussi, a middle-class suburb north of Athens, paying $100 a month in rent to a World War II veteran. He has been there four years. "The great thing about this business," he says, "is that it provides me with a secure income—not that of a professional person, but of a skilled worker, let's say—and I'm right at the center of community life."

He opens for business at 6 A.M. every morning and is there on his own until 7 P.M. in the winter, a couple of hours later in summer, six-and-a-half days a week, closing only at Easter and Christmas. He describes newspapers, on which he makes just 6 percent of the cover price, as the magnet that draws people to other purchases, such as sweets and chocolates, which give him a profit of 28 percent. He reckons on a monthly income of about $1,000, which permits a reasonable standard of living for himself and his wife.

In fashionable Kolonaki Square, near the center of Athens, two kiosks stay open 24 hours a day. Running one in partnership with a friend, and employing three men on shiftwork, Andreas has a substantial business and all the worries that go with it. The rent, he explains, is $660 a month, and he estimates that he needs a daily turnover of some $2,000 to achieve an adequate income, which he shares equally with his partner.

One of Andrea's problems is space. Van loads of magazines turn up each week, and he is obliged to take, on a sale or return basis, everything the agencies send. Then there is petty pilfering to contend with, an embarrassment if detected and a financial loss if not. Still, he says, the job rewards him with an unrivaled window on the world. He knows everything that happens in the square, hears all the political gossip and names well-known poets and artists among his most valued regular customers.

Out in Maroussi, where people have more time to stop and chat, Vassilis agrees. "I call this the university of life," he says, and points to a bench shaded by the awning, where a local teacher will take his coffee one morning, and a compatriot or two from his old island will gather at noon to pass the time. "I know everyone, and everyone knows me. That, and something to live on—what more could I want?"—PETER THOMPSON

The Greek kiosk is a national institution, providing passers-by with newspapers, candy and even a telephone, and the kiosk operator with a secure income.

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G.A.T.T. TALKS ARE BACK ON TRACK

URUGUAY ROUND YIELDS PROGRESS IN AGRICULTURE, TRADE IN SERVICES AND INTELLECTUAL PROPERTY.

ELIZABETH DE BONY

The successful completion last month of the Mid-Term Review of the Uruguay Round puts international trade back on track toward a major liberalization of trade in goods and agriculture, as well as extending the General Agreement on Tariffs and Trade's (GATT) authority to such new areas as trade in services and trade-related intellectual property rights.

The agreement reached on April 8 by the 105 participating countries is only a halfway mark to the scheduled completion of the Round—the GATT's seventh—at the end of 1990. Nevertheless, as the most ambitious Round spanning a host of complex non-tariff issues, the Review represents a clear political message regarding the objectives this Round seeks to achieve in all 15 subject areas and particularly in the agricultural field, described as the "heart of the Round."

This was the first time since the launching of trade rounds in 1947 that the participants had scheduled a mid-term review aimed at keeping the talks on a tight four-year schedule. The Review opened in Montreal last December, but disagreement over agricultural objectives, trade in textiles, safeguards and intellectual property rights had prevented the overall agreement that has now been reached in Geneva.

At a press conference on April 10 in Brussels, E.C. Commission Vice President Frans Andriessen, who is responsible for trade, described the Mid-Term conclusions "as a sound basis for a satisfactory agreement," but warned that "the major part of the substance must now be negotiated....The real work now has to start." He stressed that "the present rhythm of negotiations must take on a more permanent nature so that we can meet the deadline" of end-1990. "We will have to fight against the clock," said Andriessen, who believes that the objective can be met.

The Mid-Term Review conclusions take the shape of detailed work programs and objectives for each of the 15 subject areas covered by the Uruguay Round during the remaining 20 months of negotiations. The agricultural agreement undoubtedly represents the major accomplishment, committing the contracting parties to "substantial progressive reductions" in overall subsidy levels, but the political significance of the agreements on textiles and intellectual property rights should not be underestimated.

Moreover, two of the agreements will have an immediate impact. On April 12, the GATT Council, the organization's governing body, approved implementation of those agreements addressing a strengthened dispute settlement procedure, and the start of economic analyses of member countries' trade policies, part of the FOGS agreement (which stands for "Functioning of the GATT System").

Under the new dispute procedures, clear deadlines have been established for each step of the complaint process in order to make the final conclusions available within 15 months of the start-up. The tightened schedule will apply to complaints filed after May 1 of this year. In addition, discussions will continue to deal with a U.S. proposal to allow the GATT Council to adopt consensus conclusions without the consent of the two disputing parties—the "consensus minus two."

In the FOGS section, the Mid-Term Review has set up a staggered surveillance schedule in which the GATT will examine the trade policies of the United States, the E.C., Japan and Canada every two years; the policies of 16 other countries, including the newly industrialized countries, every four years; and, finally, the policies of developing nations every six years. The United States has agreed to submit to the first analysis. The signatories also agreed that trade ministers should meet every two years to provide necessary political guidance to the trade process.

The conclusions on farm trade were finally reached following a bilateral agreement between the E.C. and the United States, in which the latter withdrew its demands for an ultimate elimination of all farm support mechanisms. For Agriculture Commissioner Ray MacSharry the agreement proves that "realism has [finally] pervaded these negotiations."

The Mid-Term conclusions call for "substantial progressive reductions in agricultural support and protection" as the long-term objective and as the means for establishing a "fair and market-oriented agricultural trading system." In the short term, participants have agreed to an immediate freeze on current support levels followed by a reduction in "support and protection levels for 1990." But Commissioner MacSharry explained that, by using 1986 as the base year for comparison, the E.C. " has built up enormous credits," which, he stresses, can underwrite the down-payment required for 1990, leaving the Community with "substantial credits left over to pay through 1991."

Vice President Andriessen confirmed that, in the short term, a status quo has basically been negotiated for farm trade. Nevertheless, the E.C. does expect "interim steps from the United States that would match what we have already done" in support cutbacks, says MacSharry.

Both men recognize, however, that, in the long term, even the E.C. "has not done enough." Indeed, GATT spokesman David Woods stressed that "the long term is the key" and that achieving its objective "will not be comfortable for anyone"—and that is the point.

The textile agreement came close to derailing the Mid-Term conclusions for a second time due to E.C. insistence that, if the Multi-Fiber Agreement (MFA) is to be phased out, the developing countries must also agree to allow greater market access for textiles from industrialized

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The GATT Mid-Term Review talks in Geneva in April reached consensus on a number of outstanding issues not resolved during its December meeting in Montreal. Of these, agreement on agricultural trade is probably the major accomplishment.

countries. The MFA regulates and restricts textile exports from the developing world to industrialized countries, and is scheduled to lapse in July 1991. For the E.C. Commission, the agreement on textiles represents "a balanced outcome, taking into consideration the interests of both the importing and exporting countries. It also established unequivocally for the first time that all countries must contribute" to improving the sector.

The agreement on trade-related aspects of intellectual property, including counterfeit goods, reflects the recognition by all participants of "the need for clear disciplines in this area." According to Andriessen, it "represents a very positive point of departure for future negotiations." The participants agreed that the negotiations should encompass the applicability of the basic principles of the GATT, such as national treatment, and should examine provisions for the effective enforcement of trade-related intellectual property rights as well as provisions for expeditious procedures for the settlement of disputes, but they left open a key area. The participants opted to wait until it could be determined which institution should supervise implementation of these disciplines: the GATT or the World Intellectual Property Organization, also based in Geneva.

Other key agreements cover tariff reductions and services. Last December, the participants agreed to negotiate substantial reductions or eliminations of industrial tariffs with a target of at least 30-percent reductions by all members. This would be on a par with achievements in the Tokyo Round, which lowered tariffs to an average of 5 percent to 7 percent. In the services field, participants have agreed that trade in services should be progressively liberalized and subject to the basic GATT principles of national treatment and most-favored-nation status.

They also agreed to an effective market access provision put forward by the E.C., which calls on all signatories to reduce the legal and regulatory obstacles that undermine national treatment. The upcoming negotiations will involve drafting the list of specific service sectors that will be subject to these new disciplines.

Perhaps the biggest question mark in the upcoming negotiations concerns the chapter on safeguards. Participants have so far approved basically only a procedural agreement. Fundamental disagreements over whether safeguards can be applied selectively, and how to bring such "gray measures" as voluntary export agreements under GATT control, continue.

Participants have agreed only that safeguards "are by definition of limited duration," but have committed themselves to begin negotiations on a draft text by June 1989. Under Article 19 of the General Agreement, when a contracting party is faced with a flood of imports, it can introduce temporary restraints, but not only must these be temporary and applied to all exporters, compensation must be offered as well. As a result, Article 19 is rarely used, with contracting parties resorting instead to gray measures falling outside the GATT.

Elizabeth de Bony is a journalist based in Brussels.

AGRICULTURE: A EUROPEAN'S PERSONAL EXPERIENCES

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"Providing futures for our agricultural societies calls for mutual movement toward more sensible policies, with less government involvement and clearer guidelines and ground rules. The prize is well worth striving for."

DERWENT RENSHAW

It was with some trepidation that I stepped off my British Airways flight at Dulles International Airport in November 1982. I had until then led a relatively cloistered life in Brussels and, while well versed in my particular field, my world did not extend much beyond a restricted range of products, nor my horizon much beyond the boundaries of a then 10-nation European Community. My more worldly friends and colleagues, seeking only to be helpful, I am sure, had warned me that the task for which I had been chosen—that of defending the E.C.'s Common Agricultural Policy (CAP) in the United States—would be extremely difficult for anyone rash enough to undertake it.

The United States, my

wise and experienced friends would say, was the true home of capitalism, where market forces reigned and where state intervention was shunned since it smacked of communism or worse. Consequently, attempting to defend an interventionist policy such as the CAP was doomed to failure and, furthermore, given that the policy was perceived as snatching the bread from the mouths of honest American farmers, I would probably find myself declared a persona non grata before one could say "food security."

It took me rather less time than needed to find a suitable house to realize that what went on here was not much different from what was going on in the Community or, as one of my more plain spoken acquaintances put it, "what they're doing here is just as bad—if not worse—than what you people are doing in Europe."

So my task very quickly began to take on the appearance of "do-able." But things were not made easier by the fact that 1983 marked the period when Americans began to realize that the golden age for U.S. farm exports was over.

It was a rude awakening for them to find that there was no immutable law decreeing that American farm sales overseas should go on increasing ad infinitum and, with it, the American share of the world market. Those fat years of the 1970s, when the value of U.S. farm exports had increased five-fold, became but a memory as overseas sales started on their downward slide.

This was felt to be an intolerable and unnatural state of affairs. Someone, it was claimed, had to be cheating out there, and fingers were soon pointing in the E.C.'s direction. When it was established that no one was cheating, the finger pointers' reaction was very simple. "Well," they said, "the rules must be wrong."

Over the next few years, U.S. farm exports continued to drop while federal spending on agriculture rose to levels beyond those in Europe—significantly in total and enormously per farmer. But gradually there was a slowly growing recognition, due in some small measure—dare one say it—to the efforts of the E.C. Commission's Washington Delegation, that the Community did not have a monopoly on farm subsidies, that we had not been illegally grabbing large chunks of the American farmers' overseas market and that the major cause for the decline in the U.S. world market share was reduced American competitiveness caused by high support prices.

I had the opportunity to make these points and others at speaking engagements over the length and breadth of the country. One of the strongest impressions this experience left with me, and one that will remain with me for a long time, was the innate courtesy of American farm audiences. Perhaps it was that they did not understand a word I said—given my British accent this was quite possible—or that I bored them out of their minds, but wherever I went, be it Nebraska or Georgia, Texas or North Dakota, they all sat politely and attentively until the end. Many, if not all, probably disagreed with everything I said, but they always saved their criticisms and questions (usually well informed and frequently tough) to the end.

Time passed and overall tensions tended to subside as the 1985 Farm Bill started to achieve its primary objective of making American farm products—as opposed to producers—more competitive. This was achieved either through indirect export subsidization such as deficiency payments, or through more direct measures such as the Export Enhancement Program. As a result, what is seen as normalcy—that of the United States once again increasing its share of the world market—started to reassert itself.

More recently, the temperature has been raised again, largely as a result of two specific disputes: first, that of beef hormones and second, the fundamental disagreement between the E.C. and the United States over the ultimate destination for the Uruguay Round's agricultural negotiations (but with, it should be noted, basic agreement as to general direction). Ways of resolving the hormone dispute and getting U.S. beef—suitably certified—moving across the Atlantic once again, much as Argentinian and Australian beef has continued to do, have been left to a high level task force.

The split over the Uruguay Round stemmed from a genuine basic difference over the role of government in agriculture. In its original General Agreement on Tariffs and Trade proposal, the Reagan Administration took an ideological view. It was one that, while no doubt intellectually appealing, did not seem to us Europeans, or indeed to some here in the United States who have to present themselves for election, as bearing much relevance to the real world. The Administration's original proposal appeared to us to ignore the fact that agriculture—for whatever reason—has been regarded by governments as something special since time immemorial (think of the Pharaohs). Two compelling reasons driving this strong attachment to farming are: first, food security (every government sees it as a prime duty to ensure that its people are fed); and second, the need to maintain a viable rural society.

However, the dogma of 1987 and 1988 seems to have been superseded recently by a more pragmatic approach. While there is clearly no desire or intention to sell the store, I think I detect a growing inclination to strike a deal—a tough one, no doubt—since there is more at stake in the Uruguay Round than just agriculture. But this should not be taken as belittling what is achievable in practical terms on agriculture. Both sides, together with our trading partners, can move toward a situation where producers' decisions are now much more affected by market conditions than they have been in the past. On the other hand, we do not wish to see governments withdraw entirely. From time to time they have an important stabilizing role to play, and some modest reserve stocks always come in useful during the lean years. After all, it is much too easy for us to forget, until natural disaster strikes, that everything is not decided in Brussels, Washington or Geneva.

There is much in the next two years for both sides to achieve. To have no policy whatsoever on agriculture, and to just leave things as they are, would not only be a wasted opportunity but also an abdication of our responsibilities to our own producers, to those of all our trading partners and particularly to those in developing countries. It could also risk torpedoing the entire Uruguay Round. My extensive travels around this country, and particularly to the heartland, both on my own and when accompanying European producers, have convinced me that farmers and ranchers in America and Europe have much in common. The way to provide futures for both of our agricultural societies calls for mutual movement toward more sensible policies, with less government involvement and with clearer guidelines and ground rules. The prize is worth striving for. €

SEVEN YEARS OF TRANS-ATLANTIC RELATIONS ARE RECALLED BY A RETURNING E.C. PLAYER.

Derwent Renshaw was the Agriculture Counselor at the E.C. Commission's Delegation in Washington, D.C., from November 1982 to March 1989.

CHANGING TRENDS IN VENTURE CAPITAL

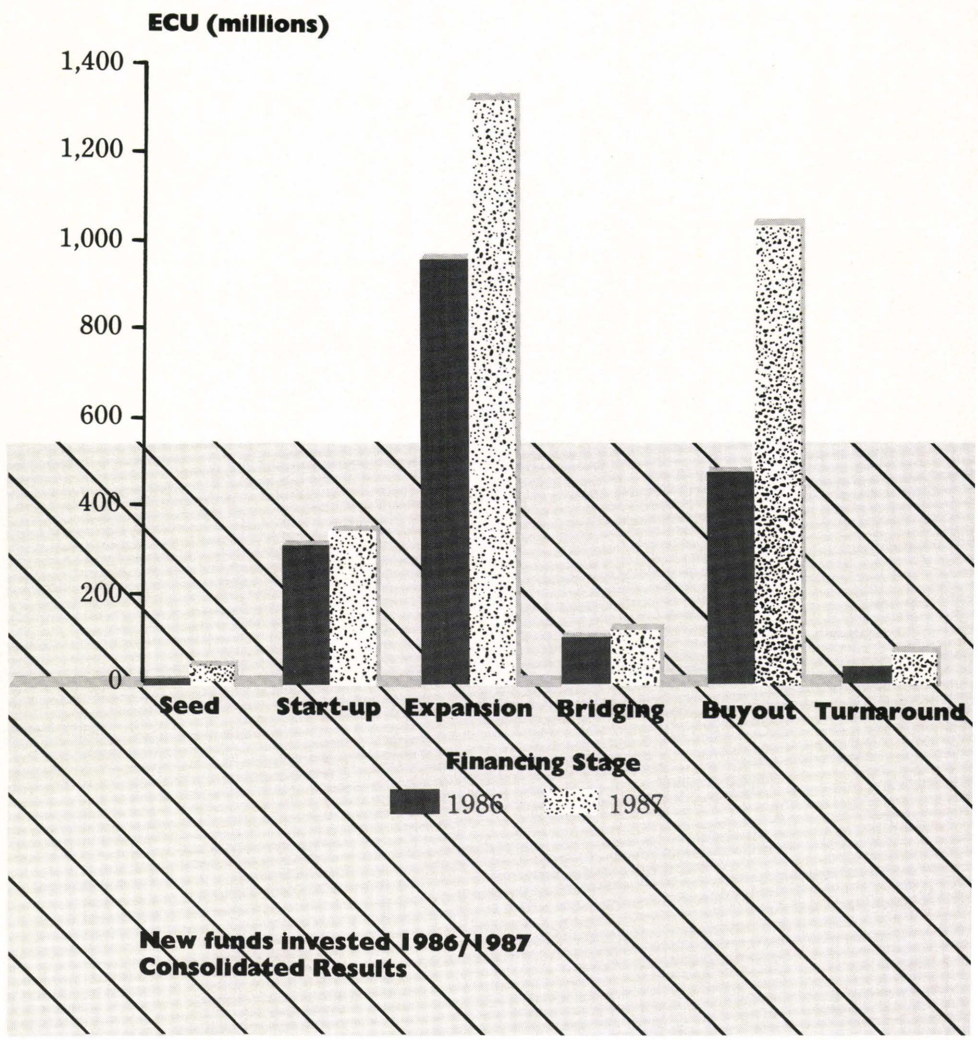
EUROPE'S MARKETS ARE COMING ON STRONG.

JAMES DAVID SPELLMAN

Thirteen years ago, fewer than 20 institutional capitalists were active in Europe, investing between $50 million and $75 million annually. By 1984, the pool of funds to help finance start-up companies was about $7.7 billion, according to a 1985 survey of 190 companies located in the then 10 E.C. member countries. Last year that pool was estimated at $18.7 billion by an accounting firm—more than doubling in size in two years to become the largest source of venture capital outside the United States.

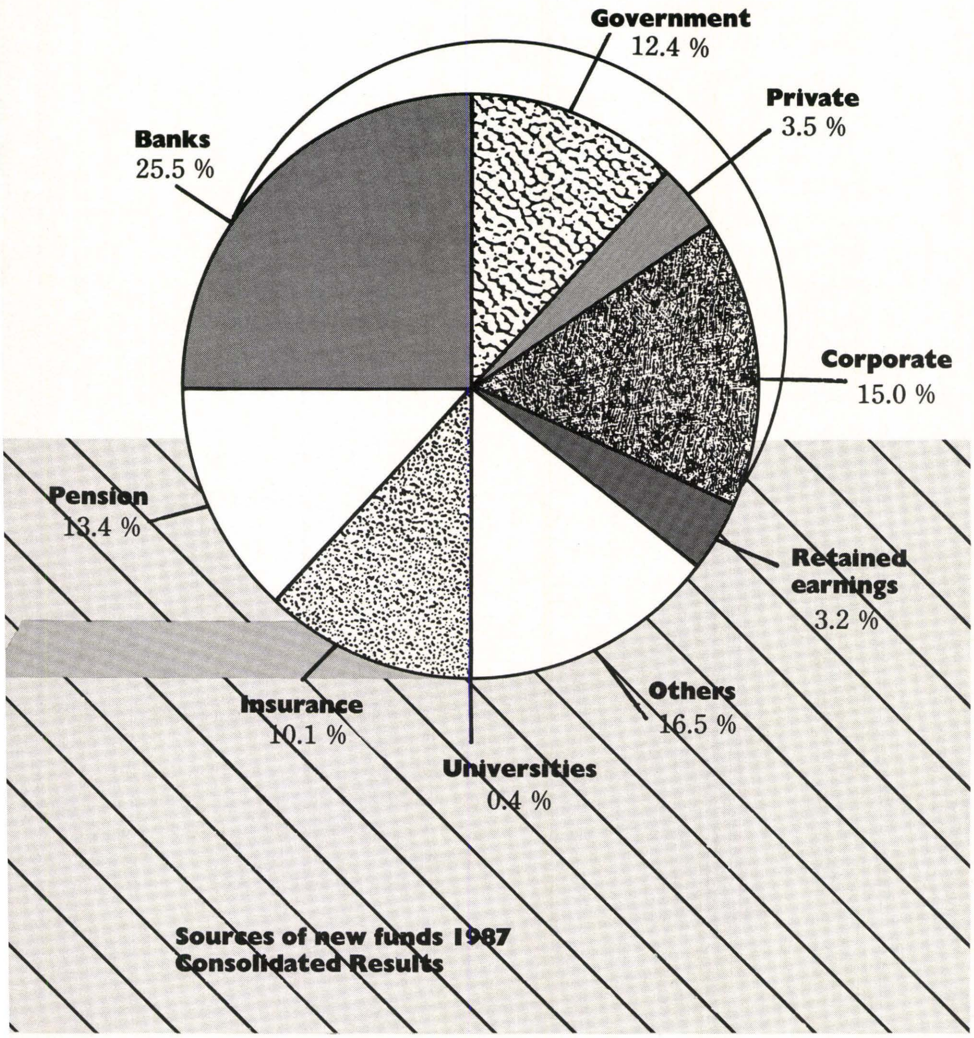
Venture capital refers to the financing of small- and medium-sized firms through the early, often risky, stages of development until the entrepreneur becomes established and can raise funds through more conventional means, such as the stock and bond markets or commercial banks. The money often seeds basic research, development of new technologies or market testing of products or services. In exchange for accepting higher risks, the investor expects greater returns than the average level of dividends. Several studies, including one by the Organization for Economic Cooperation and Development (OECD), show that a sophisticated, dynamic network of venture capital is critical in spawning innovation in the information, computer and biotechnology industries.

The venture capital pool in the United States is the world's largest and most sophisticated, with the United Kingdom ranking second and continental Europe following in third place. The amount of new capital pumped yearly into America's market is estimated at $3.1 billion in 1988, up from $2.75 billion in 1983 and $1.8 billion in 1981. The pool's total size exceeded $31.1 billion last year, according to Venture Economics of Needham, Massachusetts. In 1976, the industry had assets of about $3 billion with annual investments of between $500 million and $600 million.



Almost half of the money comes from pension funds (47 percent). Foreign investors—largely European—are the second-largest source, accounting for about 13 percent of the funds. The corporations' share is about 12 percent, and the foundations' portion about 11 percent. Insurance companies' investments account for 9 percent; individuals and families constitute another 8 percent.

"The U.S. market has matured," says Robert Green, a marketing representative with Venture Economics. "One thing that you are seeing among U.S. venture capitalists is that they have become more conservative as a result of the market crash in October 1987. We saw a drop-off in the number of companies that went public with stock offerings—many are looking for other ways to raise capital, such as a leveraged buy-out. The level of



SOURCE: PEAT MARWICK MCLINTOCK: VENTURE CAPITAL IN EUROPE. THE 1988 EUROPEAN VENTURE CAPITAL ASSOCIATION YEARBOOK.

foreign investment, largely from Europe, has remained fairly constant—averaging between 11 percent and 14 percent since 1986."

Granted, the value of venture capital funds is small compared to a $4.5-trillion U.S. economy, but these funds are significant in generating new businesses. Consider one study by the U.S. General Accounting Office (GAO). In its study of 72 firms launched with venture capital during the 1970s, the GAO calculated that a $209-million investment generated a cumulative turnover of $6 billion, 130,000 jobs, $900 million in exports and $450 million in tax revenue. The OECD extrapolated that, if the same scale of returns was applied to a $10-billion investment, the cumulative turnover would be $285 billion, $42 billion in exports and $21 billion in tax revenue. But there are tremendous risks. U.S. companies with less than 20 employees have only a 40-percent chance of surviving for more than four years.

The reasons for the growth of the U.S. venture capital industry lie in the structure of the country's financial markets and American attitudes toward risk and entrepreneurship. Venture capital investments are said to be more liquid in the United States than abroad because of an active capital market for new issues. Another factor: At a time when business confidence was being restored, the capital gains tax was lowered to a 20-percent levy for assets held for more than one year. Relaxation of capital market regulations also played a role. Americans are said to value entrepreneurs more highly than Europeans. In his book *Job Creation in America,* economist David Birch notes that America "does not have an elite class that looks down on entrepreneurship .... Well-educated Europeans do not, as a result, start and run small businesses. The elites go to work for government or big banks, but avoid grubby businesses."

Finally, surveys suggest that American investors are more willing to accept risk than European investors. The latter tend to be more cautious, preferring a small certainty before a great uncertainty, as an English phrase goes. This point was made by Carlo De Benedetti, chairman and chief executive officer of Olivetti: "For many years, the culture prevailing in Europe was based on guarantees, conservatism and protectionism." New companies are not inclined to take risks, he says, and therefore small companies remain small.

Hence, Europe's formation of venture capital lagged behind that of the United States. "Europe's Silicon Age industrial companies . . . received Stone Age financial help," wrote Tony Shale in the magazine *Euromoney* last year. "While American and British enterprises have been treated to prodigious capital markets and a glittering array of tempting financial services and products, their European counterparts have either been forced, or have passively chosen, to accept a meager diet of bank loans and credits."

This is changing rapidly. Europe is developing creative and effective methods for injecting long-term capital into small- and medium-sized businesses, resulting in a new flexibility and dynamism in the economy. "Many aspects of today's venture capital industry in Europe bear a close resemblance to things we have seen in the United States: the maturing of the business, the sharpening of competition, the specialization of the funds and their strategic deliberate positioning and marketing," says Klaus Nathusins, chairman of the European Venture Capital Association (EVCA).

Some of the key trends in Europe, according to the EVCA 1988 yearbook, are these:

- Banks account for about one quarter of new venture capital funds, with pension funds (13.4 percent), governments (12.4 percent) and insurance funds (10.1 percent) being the next three largest sources of finance.
- About 45 percent of the funds are invested in expanding existing businesses; management buy-outs account for another third (35.7 percent). The amount invested in start-ups has remained almost static—about 12 percent.
- Almost nine-tenths of the portfolio holdings are for companies located in the country in which the funds were raised.
- One-fifth of the funds are invested in consumer-related industries, while a 17-percent share is invested in the industrial sector. A 14.4-percent share is placed in the computer and electronic-related sector.
- There is a small increase in funds invested transnationally across Europe.
- Growth in the size of venture capital funds varied widely among E.C. members between 1986 and 1987. The average was 36 percent, with Belgium (69 percent), France (56 percent) and Spain (78 percent) exceeding this, while the Netherlands (13 percent) and the United Kingdom (7 percent) lagged behind.

The reasons for the growth in Europe's venture capital can be linked to the rapid development of financial products by European banks to counter the challenges of Japanese and U.S. financial institutions. Another is that a wave of entrepreneurial spirit has gripped the European Community. Executives talk about their culture valuing entrepreneurs in ways commensurate with that bestowed on movie stars. A generational change is occurring in the structure of European businesses, triggering demand for new capital to facilitate mergers and acquisitions.

Many medium-sized companies were formed after World War II and remain privately and family run. These firms are experiencing management succession problems, particularly at a time when new markets are developing. These companies are a new source of demand for capital to meet the challenges of markets that are more competitive.

The modernization of financial markets and a streamlining of financial regulation also explain the growth of Europe's venture capital industry. And the wealth acquired from economic growth in Europe and the United States, and from soaring stock prices, has been poured into venture capital funds.

What has not happened in Europe is the rapid expansion of cross-border ventures. To encourage this, the E.C. formed the Venture Consort with EVCA in 1983. The initiative has received $4.2 million since 1985 to help finance 18 transnational projects in eight E.C. member countries. These projects garnered a total equity investment of $42.1 million and generated 1,202 jobs, according to an E.C. Commission study. The project "has demonstrated the need for an incentive system to persuade venture capitalists to look beyond their national markets and incur the extra time and possible extra risk in backing projects of a transnational nature with fast-growing, technology-oriented small- and medium-size enterprises," the study concluded. The study recommends that Venture Consort be integrated into the Community's program to establish a single market by 1992.

As the venture market progresses, Europe faces many challenges. In some countries there is a shortage of managers who are willing to leave secure jobs in large companies for the high risks of venture capital. Transnational deals remain a small sliver of the total market. This reflects the obstacles that different regulations pose to capital flows; financial reporting requirements, for example, vary among the bourses as much as tax levies.

Short-term economic trends are also a factor. A projected slowdown in the U.S. economy by autumn may affect the E.C. market, which is suffering from a resurgence in inflation. Disillusionment has occurred to some extent as firms fail to match the results achieved in the boom years of 1983 and 1984. And, finally, economists warn that more innovations in financial products are needed to address the growing complexities of world markets. €

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CHANNEL TUNNEL CONSTRUCTION MOVES ALONG

THE PROJECT'S COMPLETION IN 1993 WILL REMOVE ONE MAJOR PHYSICAL OBSTACLE TO FREER MOVEMENT—THE CHANNEL.

DAVID BLACK

At British Rail's formal announcement in March of its proposed route for a new high-speed rail link between London and the Channel Tunnel, a reporter from the Paris newspaper *Le Monde* asked: "Can you explain why there is so much fuss over building a railway line in the country that invented railways?"

Behind his question lies a widening gulf between the aspirations of Britain and France. The vision of a tunnel linking the United Kingdom and continental Europe may be an old one, but the closer it comes to realization, the more dissension spreads.

The project, set in motion by simultaneous Government Acts in London and Paris two years ago, should be open by summer 1993 and be capable of carrying between 13.4 million and 16.5 million passengers, and 6.1 million to 7.4 million tons of freight annually, depending on whose forecast one believes.

The vision of the tunnel neatly parallels the rapid expansion of the high-speed rail network spreading across Europe. Furthermore, if all goes according to plan, the tunnel will open a year after the economic "re-balancing" of Europe under the single market. That symbolic tearing down of the national tariff, customs and immigration barriers separating the 12 nations of the E.C. would then be complemented by the effective removal of the one physical barrier to growth in European trade—the English Channel.

Initially, it is hoped to run up to six passenger and four freight Eurotunnel Shuttle trains an hour, each way, at 100 m.p.h. Journey time between Folkestone and Calais is estimated at just 35 minutes, and there will be space to fit an additional four passenger and two freight trains per hour each way into that tight schedule.

The likely takers for these slots will be British Rail (BR) and the French national railway company, Société Nationale des Chemins de Fer (SNCF), which are already talking of feeding trains into a Europe-wide high-speed network that will eventually be capable of running through-trains from Edinburgh to Rome, or Newcastle, in the north of England, to Lisbon.

This access will be through three separate 30-mile long holes in the ground that run some 100 feet below the seabed. Two of the tunnels will hold a single-track railway line with overhead power supply, and the third will be a smaller service tunnel, which will act as both a ventilation duct and an emergency exit.

What this prospect conjures up in terms of opportunity, however, differs between the nations. The most recent figures for the movement of people and goods across the Channel by boat are 38 million passengers and 66 million tons of freight. The French, however, believe that the tunnel will generate greater increases than normal predicted growth.

In a speech to the London Chamber of Commerce in November 1988, the French co-Chairman of the Anglo-French tunnel company Eurotunnel, André Benard, described the imminent revolution in pan-European communications: "The shortest distance between the North American ports and Europe is the Great Circle route to Liverpool. Considerable savings could be made in time and costs to move these sea containers to and from Liverpool (and the Continent) by Eurotunnel.

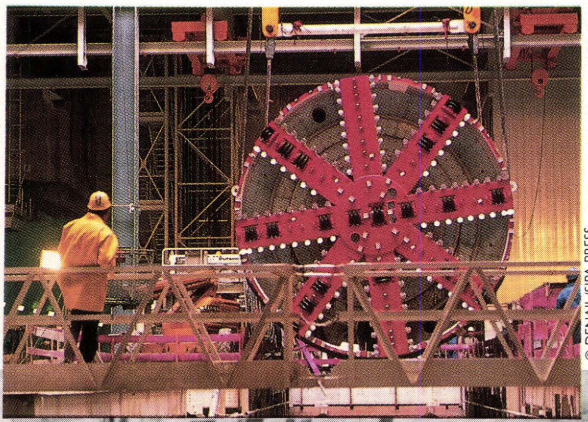
"Similarly, container freight between the Far East and industrial Europe could be handled more quickly by using the high-speed network from Marseilles—a fair proportion of which would pass through the Tunnel."

He also saw similar opportunities to steal customers from the airlines as airspace and airport congestion rises over the next decade. A recent report by the British Civil Aviation Authority predicted that airports in southeastern England could be turning away as many as 13 million passengers a year by 2005 for want of capacity. Meanwhile the tunnel could offer three-hour journeys from business centers in the north of England to Paris and Brussels. And industries would be free to centralize, anywhere in Europe, yet be able to serve the whole Community via this reliable, heavy-capacity transport system, he opined.

The French vision has government backing, with SNCF investing over 44.6 billion French francs at 1985 prices ($7 billion at the current exchange rate) in new high-speed track. At the local level,

the French people seem just as eager as their government to hitch their wagon to this rising star, regardless of any inconvenience that the 300-kilometer per hour (188 m.p.h.) trains might pose to their communities. Last year, the citizens of the city of Amiens in northern France came to London to sell £9 ($15) square meter plots of land in the path of SNCF's link from Paris to the tunnel operation to force French railways into the costly and time-consuming exercise of buying it all back.

The aim of this exercise was not to delay or stop the line, but to divert it through their city. Amiens, having witnessed the benefits bestowed on the towns and cities on the Paris-Lyon high-speed link, also wants the SNCF's flagship high-speed trains, the *trains à grande*



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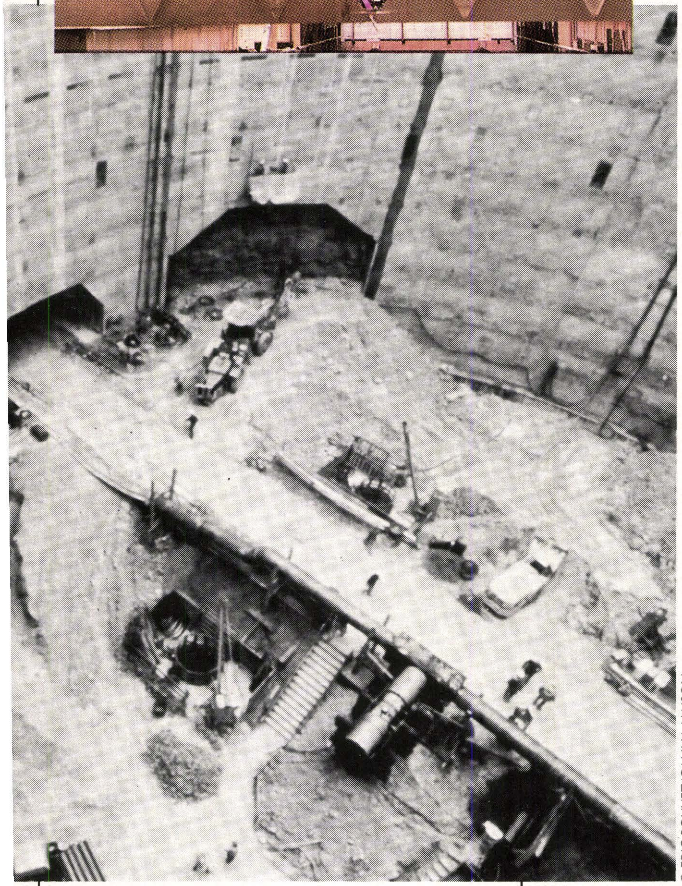

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When the Channel Tunnel is completed, it should be capable of carrying up to 16.5 million passengers and 7.4 million tons of freight a year. Above: Japanese-built drill heads used in the construction. Left: An overhead view of the tunnel.

vitesse (TGV). "It must pass through here so the region can advance," says Joseph Gouranton of the city's Chamber of Commerce, echoing the lyrics of a song composed by local campaigners: "The TGV will bring a revolution in communications and prosperity. We want to be part of it."

The British reaction, from Prime Minister Margaret Thatcher's office down to the villagers of the county of Kent, where the tunnel makes its English landfall, is somewhat cooler. Although the tunnel, with its construction bill of £5.4 billion ($9.3 billion) being met by the private sector, is generally regarded as the greatest monument to the 10 years of Thatcher rule, those seeking to capitalize on the opportunities it offers have been plunged by her Government into a labyrinth of restrictions and red tape.

Section 41 of the Channel Tunnel Act, which enables its construction, expressly forbids the British Government from investing any public money in it, or in any infrastructure directly serving it. The high-speed link between London and the tunnel will cost £1.7 billion ($2.9 billion), which will now probably have to be funded by its eventual operator, British Rail. However, BR does not bask in the cash benevolence enjoyed by its state-run European counterparts. Total financial support for BR in 1986 was £1.95 ($3) per train per kilometer, while the German Federal Railways received £5.37 ($9) and SNCF £5.83 ($10). BR is also constrained by a government-imposed limit of a 7-percent annual return on any investment.

Effectively, this means that BR will not be able to fund building of the new link until congestion of the existing track is virtually throttling tunnel traffic. Going outside to seek private help for the link, as suggested by the British Department of Transport, has been dodged by BR, which fears that such a move might drive a wedge in its campaign to stay intact once the Government gets around to privatizing it. In April, Eurotunnel Chairman Alistair Morton predicted "an almighty traffic mess, a swamp in southeast England," unless the link was completed quickly.

Funding, however, has not been the only obstacle. Massive protests over the link from the residents of Kent, a Conservative Party stronghold, forced intervention, allegedly from the Prime Minister's office, and added an extra £400 million to £600 million ($680 to $1,020 million) to the cost of the link for environmental protection for nearby communities.

However, once it reaches London, the link, and the existing freight tracks, hit a bottleneck. As the regions of Britain, which manufacture the vast majority of the nation's exports, plead for better rail links to the tunnel, both co-Chairmen of Eurotunnel are becoming increasingly critical.

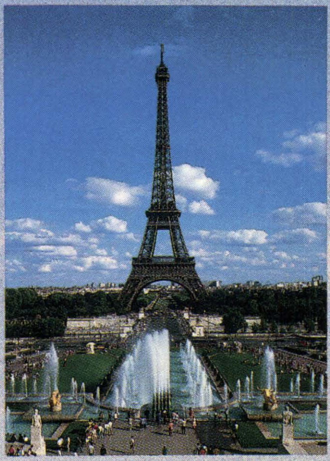
Last year, Benard noted the freight problems facing governments and industry as they linked into the tunnel: "Britain is particularly affected because its lines of communication are based on the preeminence of London. In fact, there are only two through rail crossings of the River Thames in London, a rail bridge with a speed limit of 10 m.p.h. at Wandsworth and the recently reopened Snows Hill tunnel, which is of small dimension. Both from Britain's and Eurotunnel's point of view, it is essential that the Thames does not become a barrier as great as the Channel has been."

However, with no sign of any London bypass lines being proposed by BR when they unveil their freight plan this summer, Morton became a little more direct in March. He called for plans for two extra links through Kent in the next century, and made a side-swipe at the British Government, which, he said, must "accept that if it is going to legislate in the public interest, it must provide a platform on which business can take place. London is no longer a great imperial capital to which all rail lines run, it is a regional European capital that rail lines must run through." €

David Black is the transport correspondent for *The Independent.*

INDUSTRY REPORT/TRAVEL INDUSTRY

SHAPING UP FOR EUROPEAN "YEAR OF TOURISM"



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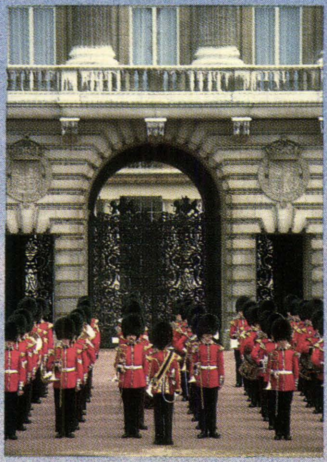

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THE E.C. PUSHES TO REGULATE THE TOUR OPERATING BUSINESS.

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In 1987, 8.2 million Americans visited Europe. From left to right: The Eiffel Tower, Paris; the Royal Guards, London; Café Altbrücke, Heidelberg. In the background: Denmark.

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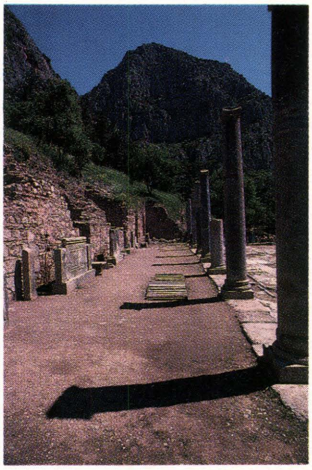
JONATHAN TODD

Tourism is very big business indeed. The latest figures from the Organization for Economic Cooperation and Development indicate that, in 1987, the OECD countries as a whole earned a total of $114.2 billion from tourism (not including international passenger travel). That is an increase of 26 percent over 1986, when tourism already accounted for almost one-quarter of OECD countries' exports of services. In real terms, allowing for inflation and dollar exchange-rate fluctuations, OECD revenues from international tourism showed an increase of 6 percent in 1987, compared with 1 percent in 1986.



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Twelve percent more U.S. tourists visited Europe in 1987, compared with a 30 percent downturn in 1986. Turkey, Portugal, Greece and the United Kingdom recorded the greatest increases in numbers of U.S. tourists in 1987 (up 64 percent, 32.5 percent, 27 percent and 22.4 percent, respectively, over 1986 levels). The United Kingdom is still the most popular destination for U.S. and Canadian tourists (3.3 million in 1987), followed by France (2.1 million), Italy (1.8 million) and Spain (1 million). In 1987, U.S. tourists spent a total of some $7.5 billion in Europe and the Mediterranean area, with each American tourist spending an average of $1,321.

Within the E.C., tourism is an area in which the European Commission has recently taken a bold step forward by proposing a set of binding minimum rules to protect the 100 million to 150 million people who use some form of package travel (that is, a combination of travel and other services such as accommodation) in the Community every year.

E.C. consumers take some 25 million package holidays every year, according to the E.C. Commission, and a significant proportion of these (between a quarter and a third or even more) give rise to difficulties or problems (between a quarter and a third or even more). A survey by the United Kingdom's Office of Fair Trading in July 1988 found that 40 percent of holidays investigated had given rise to some form of problem.

The Commission is concerned that, because consumers using package travel pay the price of the vacation in full before receiving the services, they are in a particularly weak position to get satisfaction if anything goes wrong. Although some form of protection does exist for vacation planners in every E.C. country, the means of redress and the degree of compensation vary widely. In France, for example, travel agents are under legal obligation to ensure that consumers get the services they pay for, and that prices are not altered once a reservation has been made. In the United Kingdom, on the other hand, the emphasis is on self-regulation by the industry itself.

E.C. Commission proposals to regulate package tour operations in Europe would give consumers better protection. Left: The temple ruins at Delphi; right: St. Angelo Castle, Rome.

The Commission considers that all E.C. travelers should benefit from comprehensible rules on terms and conditions, simple and effective means of redress, and guaranteed compensation for justified grievances. In addition, it wants to ensure that operators in countries with more lax rules do not enjoy an unfair advantage over those in countries where package travel is tightly controlled.

The Commission first put forward plans for Community-wide legislation in 1988. Although E.C. Ministers were hostile to the idea of binding Community rules in this area when they discussed the issue last December, the Commission is sticking to its guns and is due to present a revised and even more stringent version of its proposed rules very shortly.

The proposal would cover not only package vacations per se, but also other forms of package travel, which can be defined as including any combination of travel to and from the holiday maker's destination, accommodation, meals, excursions and other services. The Commission wants these rules to be implemented no later than the end of 1990, which has been designated the "European Year of Tourism."

The Commission's proposal draws a clear distinction between the retailer and the organizer of travel. The "retailer" is defined as the person who acts as intermediary, by advising prospective travelers, and if requested, making reservations and bookings, whereas the "organizer" actually puts the package together. The E.C. rules would also contain the following provisions:

- Brochures and advertisements would have to be "legible, understandable and accurate," and actually form part of the contract. These would have to prominently feature details of the price of the holiday (and other applicable terms), and of the types of transport, hotel or other accommodation, the meal plan and details of visits, excursions or other services that are either included in the package or are available on payment of a supplement.

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- Prices would have to be clearly specified in the brochures. This should include details of the percentage of the deposit that has to be paid and when a schedule for the balance was due.
- Surcharges could be levied if provided for in the contract, but only for increases in excess of 2 percent in transportation costs (including the cost of fuel), airport or seaport taxes or changes in currency-exchange rates. The consumer would have the choice of either a guarantee that there would be no variation in price during the 30 days preceding departure, or during the three months following conclusion of the contract.
- Contracts would have to be "comprehensible," giving full details of the destination, types of transport, departure and return points, name, address and category of hotel accommodation, details of meal plans, price of the package and details of which charges are subject to change—a timetable for payments, details of other services (such as excursions) included in the price, details of tour requirements of the traveler which either organizer or retailer has accepted, and the name and address of the retailer. ▶

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ALLOW TWO WEEKS FOR DELIVERY

• Transferring the booking to another person would be possible if any serious reasons, such as illness or death in the family, prevented the original consumer from proceeding with the package. In such a case, these reasons would have to be communicated up to one week before departure date. A consumer would also have the right to a refund of the holiday if the price was increased by 10 percent or more, the package was significantly modified, or departure was delayed "unreasonably" (the definition of "unreasonable" being left for the courts to decide).

• The package would have to be organized in such a way that the services stipulated in the contract were not only provided, but rendered "punctually and efficiently." This would oblige the organizer to ensure that third parties involved in the contract, such as those providing transport or other services, would be capable of satisfying the contractual requirements.

• National law would have to specify either the organizer or the retailer as responsible for satisfying these consumers with grievances, so that the buck could not be passed from one to the other.

• Obligations on retailers and organizers would apply not only to travel within the European Community, but to travel anywhere in the world.

• A "rapid, efficient and inexpensive" procedure should be available in each E.C. country to handle any consumer complaints arising from package travel "without the interference of lawyers."

• The name and location of the operator's local representatives would have to be given in writing to the consumer before his departure.

• Organizers and retailers would be required to insure their operations against failures to provide full service.

• In addition, guarantee funds would have to be established in those E.C. countries that do not already have them to protect the consumer against the insolvency or disappearance of the organizer. The United Kingdom, Ireland, the Netherlands and Denmark already have such funds.

These proposals would provide for minimum standards of consumer protection, leaving E.C. countries at liberty to maintain more stringent rules. Nevertheless, France and the Federal Republic of Germany want the E.C. rules to be at least as strict as their current laws, and the United Kingdom has so far proved hesitant about replacing its current system based largely on self-regulation.

The European Parliament reacted favorably to the package-tour proposal, but called for even more stringent safeguards for travelers at its February 15 plenary session in Strasbourg, France.

The Parliament's report was drafted by British Conservative Caroline Jackson, who is enthusiastic about the Commission's proposals. "I get far too many complaints from my constituents about package tours, and the recent Office of Fair Trading survey found that many U.K. companies ignore the voluntary guidelines laid down by the Association of British Travel Agents (ABTA).

E.C. proposals to protect the 150 million tourists who go on package tours each year would provide for minimum standards of consumer protection, leaving member states at liberty to maintain more stringent rules.

• As compensation for justified withdrawal from the contract, or cancellation by the organizer before the date of departure, the consumer would be entitled to an equivalent package with the same organizer at no extra charge. Travelers could be refunded all sums previously paid under the contract and receive compensation from either the retailer or the organizer (to be determined by national law) for non-fulfillment of the contract. However, there would be no compensation if the cancellation was made at least 21 days before the departure date and was due to the fact that fewer people had enrolled for a particular package than the minimum number specified by the brochure. Nor would compensation be available if cancellation was made for reasons of *force majeure.*

• The organizer would have to be make alternative agreements if he was unable to provide "a significant part of his obligations under the contract" once the package trip had begun. In particular, the operator would have to enable consumers, at no extra cost to themselves, to continue the package. Should this be impossible or not to the consumers' satisfaction, the operator would have to provide suitable transportation for consumers back to the place of departure and provide compensation for the inconvenience caused. If failure to provide services constituted non-fulfillment of the contract, full compensation would have to be paid.

"For example," Jackson explains, "contracts are often written on the back of order forms—which the consumer sends off when booking the vacation! Although U.K. package tours are the cheapest in the Community, they also give rise to the most complaints. For example, one of my constituents discovered, upon arriving at the hotel, that instead of overlooking the beach, it was sandwiched between the sewage works and a railway line.

"People are either unaware of ABTA's complaints procedure or have little confidence in it," Jackson continues. "One of the worst things is when travel companies answer complaints by simply offering a discount alternative on another holiday . . . with the same company."

Jackson is confident that the E.C. rules would not increase the costs of vacations. "If surcharges were no longer allowed, companies might put up their prices to compensate, but the proposals would simply clarify the conditions when they could be applied—not ban them. The British travel industry is particularly concerned about the costs of insurance against compensation claims, but has so far failed to provide me with any figures. In any case, the French travel industry reckons that its costs have been little affected by the introduction of stricter rules there in 1982," she said. €

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

New Issue
March 29, 1989

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RICHARD C. LONGWORTH

Charles de Gaulle dreamed of a united Europe, ranging "from the Atlantic to the Urals." For Mikhail Gorbachev, the ideal is a "common European house."

Like most visions, these ambitions remain vague, more a shining house on the hill than a road map to the future. In a divided Europe, however, de Gaulle's call for reunion on the foundations of a common European heritage evoked strong emotions. And Gorbachev's revival of that dream is now becoming one of the two most important events in Europe.

The other important event, of course, is the E.C.'s drive toward a single internal market. This is a narrower ambition, embracing only the Community's 12 members and excluding, at least for now, the other 16 European nations (not counting the mini-states and Mediterranean islands). Yet, it too carries the emotional punch of a common vision of nations determined to overcome a divided history through economic union. Furthermore, it is immensely practical, a very detailed road map with milestones that even now are being clicked off, one by one.

Can the two dreams—of 1992 and a reunion of Western and Eastern Europe—be reconciled, or are they mutually exclusive?

The political and economic face of Eastern Europe is changing faster than anyone dreamed possible. Many East Europeans openly crave a piece of 1992, and some even talk about eventual E.C. membership. Although Romania and Czechoslovakia remain locked for the moment in the ideological past, Hungary and Poland are galloping into a future that could be based on market economies and true democracy—criteria that would qualify them for E.C. membership. Behind them rises the Soviet Union, waking from the long night of Leninism and anxious to shake off the defending autarchy of seven decades to be—in the words of Foreign Ministry spokesman Gennadi Gerasimov—"a normal nation."

No one can help but be excited by all this. Certainly no West European with a sense of the great civilization in Eastern Europe can be less than stirred by the potential of reunion. Beyond this is the painful recognition that Western Europe has been able to rebuild its remarkable civilization only because the nations of Eastern Europe have played their historical role of a breakwater, once more taking the brunt of an invasion from the East.

The sudden awakening of Eastern Europe came after the drive toward 1992 had already begun. It is only four years since Lord Cockfield's White Paper laid out the blueprint for 1992 and less than three years since the Single European Act came into effect. It is a measure of how fast things are happening in Eastern Europe that many of the real changes there have taken place since then.

The E.C. has responded, in its way, with a flurry of trade and cooperation deals with the East Europeans. But it clearly worries that the completion of the single market could be delayed and perhaps derailed if the West Europeans shift their focus now to the eventual reunification of the Continent.

"We don't want to delay 1992 to let our neighbors come along," an E.C. official in Brussels said. "The E.C. is concentrating now on 1992. And remember, there's a larger ambition involved in this, too, than just economics. We want the internal market to be the first step toward political union." At this stage, he said, it would be "highly premature" to even talk of reunification across what used to be called the Iron Curtain, or to consider any East European membership in the Community.

Jacques Delors, the E.C. Commission President, has said that the East Europeans could "join us in one way or another" some day. But he also has said that the E.C. members should "take care of [their] own house" before building a broader European house.

But as the East changes, the realization is growing in Western Europe that the E.C. can be a magnet drawing the East Europeans toward market economies and Western democracy. British Prime Minister Margaret Thatcher, whose pan-European vision has not always been evident, has reminded audiences that Hungary and Czechoslovakia also belong to Europe. And French President François Mitterrand has said that "the rapprochement of the two parts of Europe is the great task for us Europeans at the end of the century."

This dream is particularly vivid in West Germany, where the hope of an eventual reunification of Germany has never died. German Foreign Minister Hans-Dietrich Genscher, the chief spokesman of this dream, has said that "Europe's future is openness" and that "the Community is not the whole of Europe."

Not even Genscher talks about bringing the East Europeans into E.C. membership. But he does suggest "a host of steps" that could increase East-West cooperation, including an all-European transport system, a web of national communications systems, cooperation in environment and other measures.

Genscher's outspoken delight at the appearance of *glasnost* and *perestroika* has sent tremors of worry through the rest of Europe, which is always too ready to imagine that the Germans are about to jettison their allies to answer the siren song of the East. Genscher has been at pains to refute this and, 45 years after World War II, Bonn's credentials as an Atlantic and E.C. partner seem beyond question. But underlying the whole rush toward 1992 is the unspoken belief that the project, like the original creation of the E.C., will weave more cords into the net, holding West Germany to the western world.

The E.C. and COMECON, the Communist common market, have been waltzing around each other for years. At first,

"1992," GLASNOST AND PERESTROIKA IGNITE EASTERN EUROPE'S DESIRE TO JOIN THE WESTERN SUCCESS STORY.

Moscow derided the E.C. as no more than NATO's banker. Then it launched some exploratory sniffing that amounted to nothing. Gorbachev changed all that. COMECON and the E.C. officially recognized each other last June. But, more importantly, the Soviet Union agreed to bilateral contacts between its allies and Brussels.

A trade pact was signed with Czechoslovakia and a trade and cooperation pact, envisioning cooperation in such areas as the environment, was signed with Hungary. Similar deals with Poland and Bulgaria are expected later this year, and exploratory contacts with the Soviet Union and East Germany, may lead to pacts by the end of 1989.

Relations with East Germany pose a

particular problem. West Germany has never treated East Germany as a separate nation. Thus, it has allowed East German goods more or less free entry into West Germany, just like goods moving from one part of a country to another. From there, they have moved on through the rest of the Community. A pact between the E.C. and East Germany, regulating this trade, conceivably would decrease it.

At the least, Eastern Europe remains a great untapped market. After all these years, Eastern Europe accounts for only 7 percent of the E.C.'s total trade, and this share is falling. West Germany may be the Soviet Union's biggest Western trade partner, but the Germans do more trade with Switzerland than they do with Moscow.

A major problem is the fact that no Eastern European nation has a convertible currency. Thus, East-West trade can be based only on barter or on the sparse caches of hard Western currency in Eastern treasuries. Until the Soviet Union and its allies reform their currencies, free their prices and make their currencies convertible, hope for real growth in trade is unrealistic.

Yet these are precisely the reforms that the Easterners have in mind. It will take years, no doubt. But Janez Drnovsek, the young Slovene economist who is expected to be Yugoslavia's next president, says these reforms should go so fast that Yugoslavia will be able to open membership talks with Brussels in five years. Can Hungary be far behind?

In Brussels, there is a feeling that such East European nations as Hungary should join the European Free Trade Area first, as a sort of halfway house to eventual membership. Beyond that, little serious thought has been given to the future of a reunified Europe beyond 1992. Belgian Foreign Minister Leo Tindemans has tried to start a debate among his colleagues on a long-term strategy, but without much success so far.

Community officials plead that many factors in eventual East-West rapprochement—in politics, for instance, or even trade in strategic goods—lie beyond their competence. Yet the freedom and prosperity of Western Europe is a beacon to the Europeans beyond the Elbe River, where the rival experiment is now admitted to have failed. The desire of these Eastern cousins to join the European success story becomes more insistent each day the day. €

Richard C. Longworth is the chief European correspondent for *The Chicago Tribune.*

TOWARD A EUROPE FROM THE ATLANTIC TO THE URALS?

The changes Eastern Europ have bee dramatic. The E. has signed bilater trade an cooperatio agreements wi Hungary an Czechoslovaki and is no negotiating wit Bulgaria an Polan Explorator contacts with th Soviet Union an East German could lead to pact by end-198 Below: Odess Soviet Union

EUROPE GOES ON ENVIRONMENT ALERT

PEARCE WRIGHT

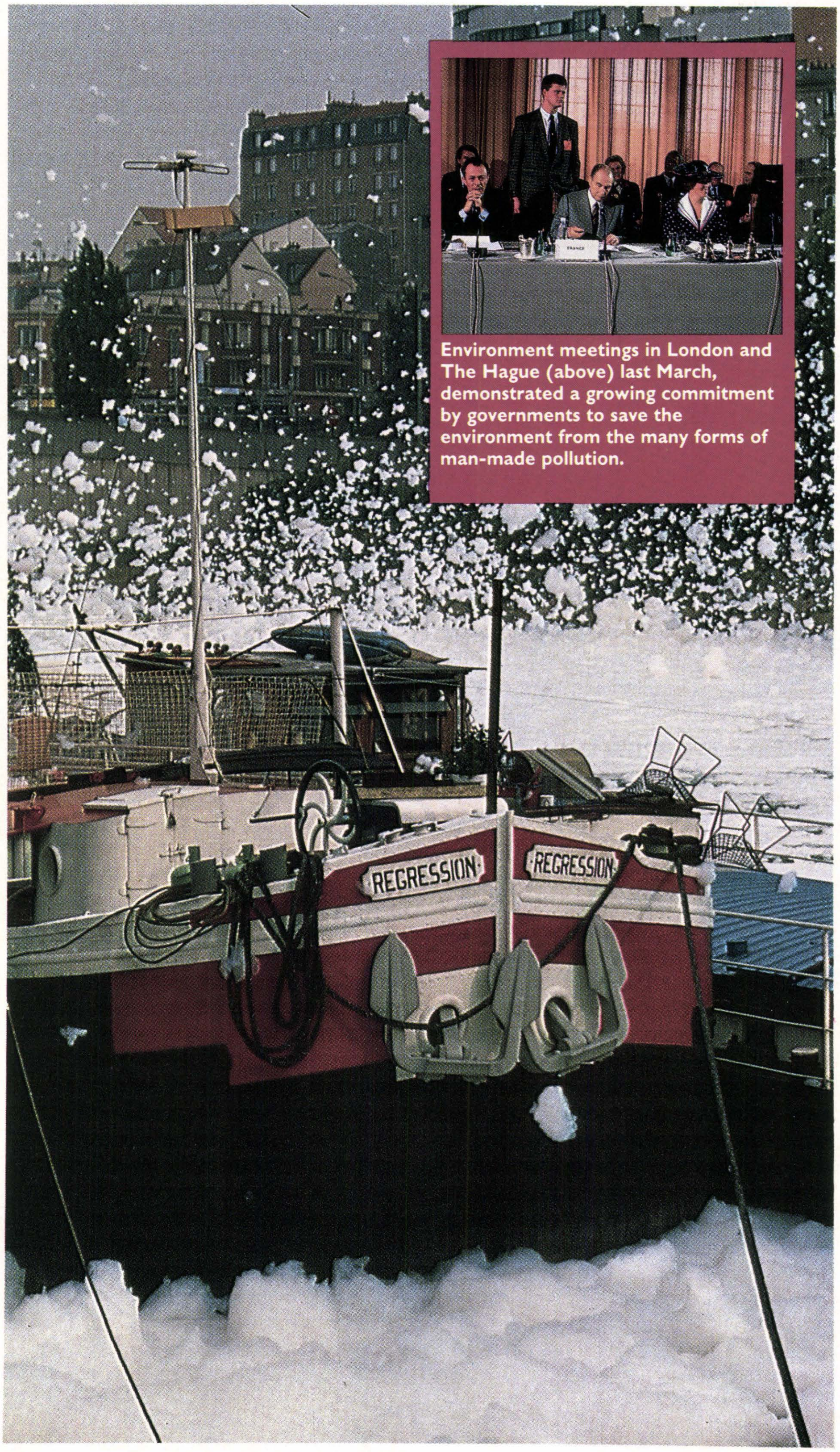
An unprecedented number of intergovernmental and other top-level meetings are taking place in Europe these days, dedicated to saving the environment from the threats of the various forms of man-made pollution.

The dominant issues are the dangers of the catastrophic global change of the climate from the "greenhouse effect;" the health hazards from destruction of the ozone layer by CFCs (the man-made chlorofluorocarbons that were developed originally as a safe coolant for refrigerators, and are now also used for a myriad of purposes from aerosol propellants to putting the "bubbles" in plastic packaging); the disposal of toxic waste; pollution of the rivers and the North Sea; and the smog from car exhausts.

A sense of urgency, usually reserved for meetings of international security or economic crises, surrounds them. Indeed, a graphic illustration of the gravity attached to the ozone threat from CFCs came in March in a span of four days.

It began when E.C. Environment Ministers adopted a more rapid timetable for phasing out CFCs than they had previously agreed upon when they signed the international arrangement under the Montreal Protocol. This Protocol, which came into force on January 1, 1989, specifies that, through a gradual cutting process, the current levels of CFCs should be reduced to 80 percent of their 1986 levels by the end of the century. This tougher schedule was negotiated by the Environment Ministers in Brussels on March 2 on the proposals of Carlo Ripa di Meana, the Community's Environment Commissioner. In essence, the Ministers called for a complete halt to CFCs by the end of the century, a decision that surprised environmental groups.

The next day, the U.S. Government also announced a target for a complete halt on CFCs by the year 2000. Before the ink was dry on those undertakings, Ripa di Meana, at the international conference on protecting the ozone layer held in London by the British Government, pledged his efforts to speed up even more drastically the E.C.'s 100-percent phase-



Environment meetings in London and The Hague (above) last March, demonstrated a growing commitment by governments to save the environment from the many forms of man-made pollution.

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E.C. ACTION CALLS FOR STRICT CAR EMISSION STANDARDS AND RIGOROUS PHASING OUT OF CFCS.

out—to "1996 or 1997."

He also called on the governments of the industrialized countries that produce CFCs to adopt a "carrot and stick" initiative of aid to Third World countries. These nations, including India and China, are now being asked to use the expensive CFC substitutes under development, and for export restrictions from European CFC producers.

The action over CFCs illustrates how, in little more than 12 months, concern in Europe about issues such as the threat to the earth's protective ozone layer and the global warming caused by the greenhouse effect, have emerged from an obscure concern of scientists and environmentalists to a topic of conversation for cab-drivers and an issue that grabs the attention of policy-makers.

Suspicions raised last summer, that we were getting a taste of things to come when the earth warms up, were reinforced in Europe this winter. The period up to the end of March produced, for the fourth month running, maximum temperatures that were well above the seasonal average in most places. The impact of the extraordinarily mild European winter was felt mainly by the Alpine ski resorts—which experienced their leanest season on record. However, there are also worries across lowland parts of Europe that, because of the mild winter, groundwater sources may not be recharged fully to meet the summer demands of agriculture and domestic supplies. On top of these European ozone worries, of course, last summer's drought meant that, for the first time on record, U.S. grain production was lower than consumption.

The concerns are reminiscent of those raised in the 1970 publication *Limits to Growth*—the research study carried out by a group of eminent academics and industrialists calling themselves the Club of Rome. That publication cautioned that the planet's primary mineral, agricultural and energy resources were in danger of being exhausted, and warned that "virtually every pollutant that has been measured is in danger of increasing exponentially." The group's authority provided a respectable focus that the environmental movement of the 1960s lacked. It stirred the public imagination and was influential in the decision to call the first international forum on environmental affairs—the United Nations Conference of the Environment, in Stockholm, in 1972.

With the wisdom of hindsight, it now seems that the second part, the Club's prediction on pollution, is more serious than the first. Fears of shortages of basic commodities raised by *Limits to Growth* appear to have been misplaced. Rather than shortages—and after having adjusted to the 1973 oil crisis—the West has established abundant mineral supplies, from copper to tin and huge supplies of coal and oil to agricultural commodities. In some cases, embarrassing excesses—especially agricultural commodities—have been squirreled away. However, a repetition of the effects of last summer's drought on agricultural production would still cause great alarm and might be seen to demonstrate the proof of the central theme of the Club of Rome's warning—the earth's inability to absorb the accumulating pollutants of industrial expansion. Yet it took a decade before the concern over the undesirable effects of industrial development, such as acid rain, automobile exhausts and discharges of radioactive and dangerous chemical wastes on the delicate fabric of the planet, became an essential feature of political manifestos.

Action in Europe to stop the hazard from lead in petrol, sulfur dioxide belching from power station chimneys, river and sea pollution and the emission of ozone-destroying CFCs consists of a mixture of new E.C. and national legislation on pollution control and adherence to regional and international treaties. Although E.C.-wide action, such as reducing car emissions and establishing water quality standards, is now negotiated by Environment Ministers meeting at the E.C. level, it took time for environmental issues to elbow their way onto the political agenda. And even so, there are wide variations in the approach to environmental affairs between the member countries.

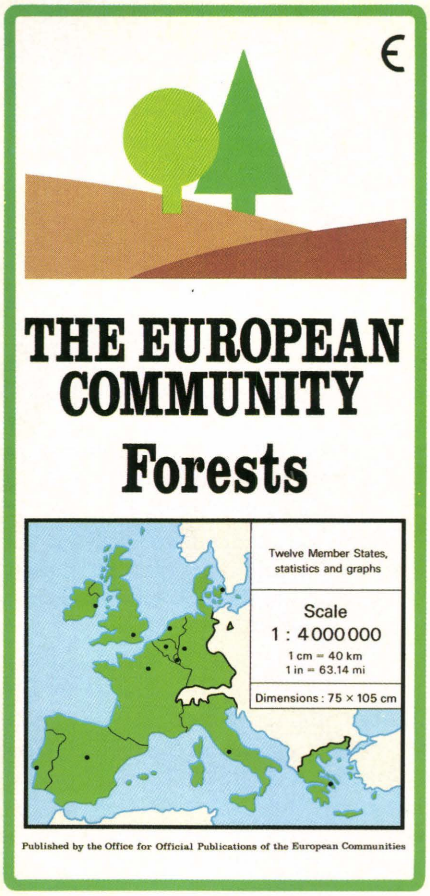
For instance, concerns in West Germany about the hazards of radioactive waste from an expanding German nuclear industry and the irreversible damage by acid rain that is threatening the Black Forest, were among the key issues fueling the environmental movement in that country. The establishment of the "Greens" as a responsible political force in West Germany has been reflected by the almost daily front-page newspaper coverage of environmental issues for the past five years. And the fifth congress of the European Green parties, held in Paris in April and attended by about 1,000 Green party members from 15 countries both inside and outside the E.C., showed that their interests have spread much wider than the narrowly defined environmental issues.

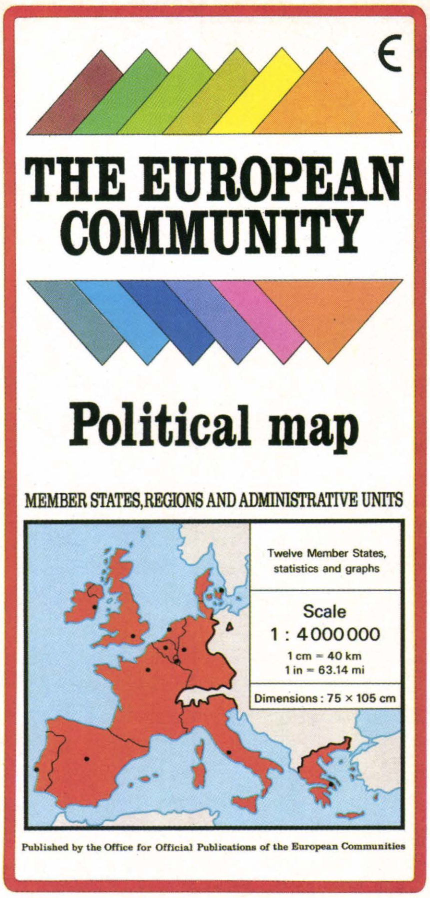
Despite all this, progress of E.C.-wide action is dictated by the pace of the slowest member. One country can introduce stiff domestic measures, but has to lobby through the European Parliament and the other institutions for wider acceptance of the same regulations. For example, controls imposed locally over car exhausts in the Netherlands and West Germany are far stricter than in Britain, which, until recently, was one of the more reluctant Community partners to back calls for speedier pollution controls.

A transformation occurred last September, however, when British Prime Minister Margaret Thatcher delivered what is now known as her "Green speech" to the Royal Society, the country's premier scientific body, in which she accepted the view that man was engaged in an unplanned, high-risk experiment with the global environment.

The ozone protection conference in London was the first practical manifestation of her new-found awareness of the environment. But subsequent major decisions on planning and land use reveal that the British Government certainly has a long way to go in accepting the most fundamental policy of the 1987 Brundtland report of the World Commission on Environment and Development—that every future economic decision governments make should include consideration of what it will do to the environment. €

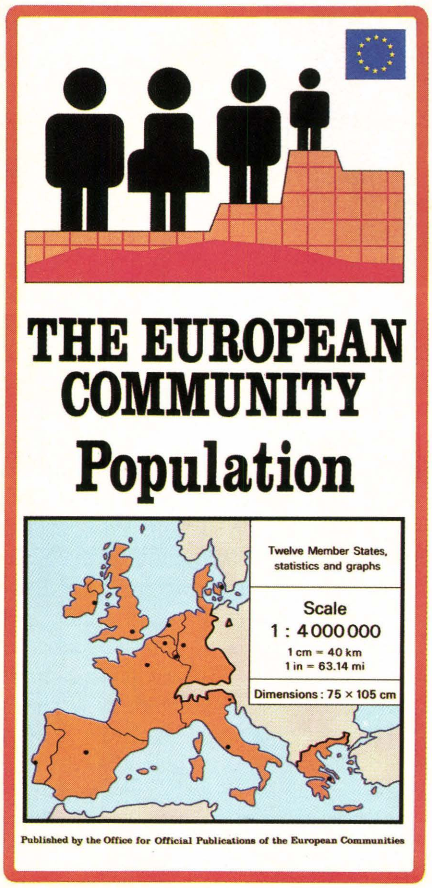
Pearce Wright is the science editor at *The Times* of London.





MAPS OF THE EUROPEAN COMMUNITY

Get to know the European Community from its brightly colored maps. Scale: 1: 4 000 000 (1 cm = 40 km, 1 in = 63,14 mi) 40.5 x 29.5 inches, folded in plastic envelope.



The political map shows the member states, regions and administrative units of the E.C. in twelve colors. Inset on the map are 105 block diagrams giving basic information about the twelve countries and comparative statistics for the E.C., the United States and the Soviet Union. **The farming map** gives a vivid picture of Europe's varied agricultural sector. It shows four basic types of farm land and the most representative crops in each region. Seventy block diagrams give basic statistics on European farming, by country, with comparisons of agriculture in the E.C., the United States and the Soviet Union. **The forest map** depicts the location of 124.5 million acres of forest in the E.C. Statistics for each member state on wooded area, classification by species and type of ownership, wood consumption and Community aid for forestry are given in an inset. **The population map** depicts the geographical distribution of people in the Community. Inset charts provide statistics on density, age groups, birth, labor force and employment.

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FILMS WITHOUT BOUNDARIES

THE SIXTH ANNUAL E.C. FILM FESTIVAL WILL TOUR FOUR AMERICAN CITIES.

PAT DOWELL

With 1992 drawing ever closer, the Sixth American Film Institute-E.C. Film Festival, presented by the AFI in association with the European Cinema and Television Year, vividly displays the cross-fertilization and cooperation that already characterizes the European film community. National boundaries do not stop film directors, who find opportunity wherever it is.

This year's festival showcases 20 films in a program that will travel to four U.S. cities: New York (June 7-9, at the Alliance Française), Washington, D.C. (June 9-22, at the American Film Institute Theater), Los Angeles (June 16-22, theater to be announced), and Minneapolis (July 1-31, at the Walker Art Center). Because the festival includes only premieres for each city, some titles will not be shown at all four sites.

Eddie Cockrell of the AFI says the festival tries to represent every country in the E.C., and usually succeeds. The 1989 edition, however, lacks an Irish entry. "This year there's nothing on the festival circuit available from Ireland," Cockrell says. But he will be trying up to the last minute to pry loose some future release.

The 11 other countries are amply in evidence, and although the film press has been buzzing this year about the disappointing quality of festival films, Cockrell is confident the 1989 selection will please American audiences. "The European Community is mirroring Hollywood in terms of output," he says. "Everybody seems to be thriving. This is a very honest representation. We have available most of the high-profile films that are touring the circuit this year.

"The festival's aim," he points out, is not only to bring European films to American audiences, but "to educate these audiences that European cinema is accessible world-wide."

THE AMERICAN FILM INSTITUTE EUROPEAN COMMUNITY FILM FESTIVAL

Cockrell notes that Portugal's film industry in particular is growing by leaps and bounds in terms of both quality and quantity. The festival's Portuguese entry, *A Mulher do Proximo* ("Your Neighbor's Wife") is a black comedy directed by José Fonseca e Costa, whose 1980 film *Kilas* was the biggest box-office success in Portuguese cinema.

In *A Mulher do Proximo,* a widow discovers only at the mortuary that her husband has been dallying with the young daughter of her childhood sweetheart (and her husband's best friend). If these weren't complications enough, the widow falls in love again with the man—only to discover a rival in her daughter. A weekend in the country sorts it all out. Carmen Dolores, Vergilio Teixeira, Fernanda Torres and Mario Viegos star.

Another small industry whose stature had grown immensely in the last two years is that of Denmark. The Academy Award for Best Foreign Language Film has gone to Danish films two years in a row, to *Babette's Feast* for 1987 and *Pelle the Conqueror* for 1988. The star of *Pelle,* Swedish actor Max von Sydow, internationally renowned for his long collaboration with Ingmar Bergman, has made his directing debut with *Ved Vejen* ("Katinka").

The drama was adapted from the Herman Bang Danish novel about a stationmaster's wife who is content with her passionless marriage until she meets a man who sees the world as she does. "I read the book many years ago and loved it," von Sydow says. "I wanted to act in it, but I couldn't interest any directors." As the years passed, von Sydow grew too old to play the role, he says. "Finally I decided that, if I was ever going to see it become a film, I must direct it myself." Directing, with its authoritarian demands, was an experience that left him with mixed feelings, but the film has been well received. Tammi Ost, Ole Ernst, and Kurt Ravn are the stars.

Denmark's proud film history will also be on display in this year's E.C. Festival. Carl Theodor Dreyer, who died in 1968, was one of the world's most revered and influential cinematic artists. He directed such seminal silent and sound films as *Jeanne D'Arc* ("The Passion of Joan of Arc," 1928) and *Vedrens Tag* ("Day of Wrath," 1943). His eerie 1932 classic, *Vampyr,* features some of the most famous scenes in the annals of horror, including a dream of premature burial from the point of view of the unfortunate victim, a young man whose travels have taken him into a nest of vampires. Baron Nicolas de Gunzburg, who financed the film, plays this role.

The haunting white-on-white color scheme of this early sound film, which is almost wordless, reaches its zenith with a terrifying scene in which an evil doctor drowns in a cascade of white powder inside a mill. Dreyer, who had left Denmark after the collapse of the film industry following World War I, shot *Vampyr* in France in French, English and German versions, which have played in varying lengths throughout the last half-century. The Danish Film Institute has restored the German original, and a new 35-millimeter print will be featured in the festival.

Another small country, whose film makers have worked throughout the European Community when their own industry was small or non-existent, is Luxembourg, which this year celebrates the 150th year of its independence. Luxembourg's best-known director, Andy Bausch, has had a great commercial hit at home with his gangster comedy *Trouble-*

Continued on page 47.

Pat Dowell, film critic of *Washingtonian* Magazine, reports on movies for National Public Radio.

EUROPEAN CINEMA AND TELEVISION YEAR

The European Cinema and Television Year (ECTVY), which took place between January 1988 and March 1989, was organized jointly by the European Community and the Council of Europe to help strengthen the European audio-visual industry. Central objectives were to raise public awareness of European programming, provide for Europe-wide circulation of nationally produced programs, encourage and finance new talent, and increase international exposure of the European audio-visual industry.

Throughout the Year, festivals and awards ceremonies for each of the targeted areas were held all over Europe. Mention of them all is impossible in the space provided, so the following is only a sampling of the many events.

In the area of the European film industry, for example, an International Film Festival in Brussels awarded prizes to encourage the production of feature-length films in the 25 participating countries, and the best European short film was recognized at Cork's annual film festival in October.

There were also festivals with special themes, such as a Nordic Film Festival in Denmark, a series of "taboo films," (films that had been censored in their home countries) in Belgium and the first Women's Video Festival, sponsored by France. Furthermore, the National Film Archive in London restored 10 classic European films to emphasize the importance of the European film industry in the past.

The importance of television in European cultural development was also highlighted. "Europa 1988" prizes were awarded to television programs of high quality and unmistakably European theme and content. The "Galileo Prize" was created to reward new ideas for television programs, and workshops focused on ways to increase cooperation between local television stations in the E.C. member states.

To encourage new talent, the E.C. Commission organized a competition for young script writers, for whom a fund will be set up in Rotterdam, Netherlands, this year. The first "Stendhal" prize will be awarded in October 1989 to journalists who have reported on Europe's identity and culture.

In October 1988, a conference organized by Austria turned attention to the European film industry's international role. American and European participants discussed the difficulties involved in distributing European films in the United States, and specific problems of sub-titling, dubbing, international cooperation and co-production of films by European and American producers.

To highlight the international focus of the Year, the ECTVY and the American Film Institute are jointly organizing the sixth E.C. Film Festival to promote the best European films in the United States. Beginning in New York on June 6 with a gala night and a three-day showcase, the Festival will move to Washington, D.C. from June 9-22. Los Angeles will host the Festival from June 16-22, and, from July 1-31, it can be seen in Minneapolis, the final leg of its tour.

AN OVERVIEW OF THE YEAR'S ACHIEVEMENTS.

the Netherlands

Facing the 1990s and the European integration it holds, the Netherlands' single biggest challenge is to preserve its revered welfare state while maintaining international competitiveness. The Dutch quality of life, with its seemingly classless society, comfortable homes, well-stocked stores, safe streets and family values, is the envy of much of the world. The Dutch may only be middling among industrialized countries in terms of per capita gross national product (GNP), but the country exudes civility.

Behind the prosperity, though, threats loom. The Netherlands' social system is aging and no longer affordable, high labor costs endanger competitiveness and economic growth is mediocre at best. Environmental pollution has unleashed a wave of Calvinistic guilt, and revenues from natural gas riches, which have fueled the generous welfare state and cushioned against economic vicissitudes, have plunged. The Dutch still view their welfare state with virtuous pride and adamantly insist it must continue to protect those too weak to help themselves, but most willingly concede it must be modernized.

The Netherlands must first address the needs of today's society rather than serve outdated notions of family and society. Until recently, women were denied many social security benefits but, under E.C. pressure, they are now gaining equal rights. This fresh financial burden comes amid failure by the center-right Government's efforts to shrink social security spending as a percentage of national income, which this year climbed to 24 percent.

The welfare state also must be updated to brace for the E.C.'s barrier-free market after 1992. E.C. citizens will be freer than ever to live and work where they please, which is raising the specter of hordes of poor, low-skilled people flooding into the Netherlands. Publicly, the Dutch are ignoring such demagoguery but privately, politicians, civil servants, economists and unionists are worried. Debate about the welfare state will escalate—perhaps sharply—in the run-up to European integration. It is likely that criteria will be tightened, some benefits trimmed and information more efficiently exchanged with other E.C. states.

Another likelihood is that Dutch Prime Minister Ruud Lubbers will continue to lead his country into the next decade. General elections will be held in April or May next year, and Lubbers has already offered to carry his Christian Democratic Party banner for a third time. The centrist Christian Democrats are the swing party of Dutch politics, having partaken in every ruling coalition since World War II. The only question is whether the right-of-center Liberals, now governing with the Christian Democrats, will continue to do so after the next election.

One recent public opinion poll, conducted by the NIPO market research bureau, indicated that, if elections were held now, both the Liberal and Christian Democratic parties would lose seats in the Dutch lower house of parliament. Their parliamentary majority of 81 seats in the 150-seat house would crumble to a 65-seat minority, while the Labor Party, the largest of the opposition parties, would gain about four seats for a total of 56. Laborites are attempting to offer credible alternatives on issues such as the environment, education and unemployment. But, like their counterparts in Britain and the United States, they are battling an ensconced government.

Lubbers, a popular Prime Minister with six years behind him, is seeking to prepare his countrymen for the single European market with a deft combination of cajoling and prodding. He is using the clarion call of 1992 to push through various reforms, such as taxation, health care, housing and education, that have languished on the political agenda for years. Lubbers also is enjoying a new-found role in the E.C. arena. He has been in office longer than most other E.C. leaders, except for Britain's Prime Minister Margaret Thatcher, Germany's Chancellor Helmut Kohl and Belgium's Prime Minister Wilfried Martens, and is increasingly playing the classic Dutch role of compromise maker.

Large multinational companies like Philips, the electronics giant, expect economies of scale in production and transport from the 1992 project, while Dutch labor unions are adopting Europe's "social dimension" as their rallying call. They argue that the Netherlands' relatively high levels of minimum ▶

LAURA RAUN

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THE DUTCH ECONOMY PREPARES FOR 1992.

© GERALD KYANDER

The Dutch quality of life is the envy of much of the world, although changes in the social system are necessary for the Netherlands to remain competitive internationally and in Europe's 1992 internal market program. This page: Amsterdam's flower market (above) and one of the city's canals.

MEMBER STATE REPORT/INVESTMENT

DUTCH FOREIGN INVESTMENT TAKES THE LONG-TERM VIEW

THE DUTCH ARE THE SECOND-LARGEST INVESTORS IN THE UNITED STATES.

Eighteen percent of Dutch firms in the U.S. are headquartered in Georgia, such as the Nationale-Nederlanden U.S. Corp., above.

ROBERT HASLACH

Direct foreign investment has been a key factor in national economic growth since the dawn of the Age of Capital. Europe and the United States have been friendly and helpful investors in each others' economies for centuries.

The United States remains the dominant player in the world flow of direct foreign investment. According to U.S. Commerce Department statistics, the U.S. direct investment position abroad, and the total foreign direct investment position in the United States, each increased 19 percent in 1987. U.S. direct investment abroad increased by $49.2 billion to $308.8 billion, and foreign direct investment in the United States by $41.5 billion to reach $261.9 billion.

Pacific Rim nations are not the major investors in the United States. That honor has long been held by two countries that enjoy historic economic and cultural ties with the United States: the United Kingdom and the Netherlands. By 1987, these countries accounted for 46.5 percent of all foreign direct investment in the United States, to the tune of $75 billion and $47 billion, respectively.

The centuries-old role of the Netherlands in the U.S. economy was highlighted by a recent study, *Dutch Enterprise in the U.S.A.*, commissioned by the Netherlands Chamber of Commerce in the United States, Inc., and conducted by Arthur Young International. It revealed three characteristics of modern Dutch investors:

- they are active players in the mergers and acquisitions market;
- they are long-term thinkers despite market swings and interest-rate changes;
- they react to intensified competition with marketing expertise by finding niches and specialized services.

"I think the Dutch are very internationally oriented. They have always adapted themselves to different situations because the history of Holland has been one of trade," says Hans Brouwer, a board member of Buhrmann-Tetterode. In fact, Holland is *the* port of Europe and has been so since the 16th or 17th century. If [the Dutch] weren't flexible, they might never have survived at the hub of Europe."

The story of Dutch investment in the United States begins before the country's founding. From the 16th century onward, the Netherlands West Indies Company and private traders operated in North America, and Amsterdam bankers had financed all of the U.S. borrowing requirements by 1782 and most of the Louisiana Purchase. In the 18th and 19th centuries, Dutch investor interest focused on agricultural and other real estate, as well as canal and railroad construction. Only after World War II did Dutch investors diversify into mining, food, chemicals, metals, machinery, banking and insurance. While shipping has long been a Netherlands specialty, air transport to and from the U.S. market has become a key element in the development of world trade.

"We have a policy of protecting our market position in this country because we think it is the most important traffic-generating place in the world," says Peter Van Vliet, Vice President and General Manager of KLM, Royal Dutch Airlines. "Opportunities in this market should be seized because the economic future of this country is still very positive. The United States will very quickly adapt to circumstances. My basic message is that the United States will be as interesting for investors in the future as it has been in the past."

By sector of business activity, 53 percent of Dutch companies operating in the United States derive 20 percent or more of their revenues from manufacturing, 29 percent from finance, insurance and real estate, 28 percent from wholesale trade, 10 percent from transportation, communications, utilities and sanitation, 8 percent from services, 8 percent from mining, construction, agriculture, forestry and fishing, and 6 percent from retailing. In the manufacturing sector, the largest concentration is in chemicals, food and food products, and machinery. Nearly two-thirds of the wholesalers are in durable goods.

There are an estimated 750 Dutch-owned businesses in the United States, the majority employing 50 or fewer workers. Forty-five percent have annual revenues of less than $5 million and 9 percent of more than $250 million. Three-quarters of Dutch investments abroad, in cash value, are made by the country's 10 largest companies.

The present study reflects the thinking of 106 executives of Dutch-owned businesses operating in the United States. Sixty-two percent began their U.S. operations as start-ups, 25 percent as a result of acquiring an American company and the rest as a joint venture or partnership. Seventeen percent of companies became Dutch-owned before 1970, 28 percent between 1970 and 1980 and 55 percent since 1980.

A Netherlands parent does not always mean there is emphasis on the "Dutch" nature of the product of service. "If you import Dutch products, then your clients are likely to value the European flair of the products and even enjoy a European style of management," reports Cornelis J. Rumpf, President of Nutricia, Inc. "But if you are a manufacturer producing basically domestic American products, I think you should behave in as American a way as possible. If I manufacture dairy products, for example, who cares if the company is Dutch- or American-owned? In most cases you should downplay European ownership."

The headquarters of more than two-thirds of the companies surveyed were on the East Coast, most clustered either in metropolitan New York or in the Southeast of the country. More Dutch companies are headquartered in Georgia (18

URTESY KLM ROYAL DUTCH AIRLINES

COURTESY CONGRESSIONAL INFORMATION SERVICE, INC.

The U.S. market is very important for KLM Royal tch Airlines, above. Right: ul Massa, President of the blishing company Elsevier U.S. Holdings, Inc.

percent) than in New York (16 percent). Availability of low-cost and non-union labor, suitable work sites and the air travel hub of Atlanta were cited as reasons. The Sunbelt also remains attractive to Dutch-owned firms. Twenty-seven percent of those surveyed have operations in California, Florida and Texas; California alone accounted for 11 percent.

"There is no longer a compelling need for everything to be centralized in New York City," says Paul P. Massa, president of Elsevier U.S. Holdings, Inc. "Yes, New York is in a sense still the publishing capital. But if you're going to grow through acquisition, you are probably going to diversify geographically. What is important is whether it's a good business, has good growth potential, fits with what we're doing, could bring something to the acquisition and whether it can be managed from one of our entities. While geographic considerations are important, they are certainly not an overriding factor."

Real estate has been a significant topic in the U.S. political debate on foreign investment. A look at the philosophy behind Dutch real estate investments, however, gives a different picture. Michael R. Raffety, President of the NORO Group of Companies, told the Netherlands Chamber of Commerce survey: "About 75 percent of our real estate portfolio is in joint ventures; we are a partnership-oriented company. We invest in California not because we have an office there, but because we're partners with a company that does."

The partnership theme is shared by Herman A. Vonhof, President of the Dutch Institutional Holding Company, Inc. "We believe that the future of institutional real estate investments lies in joint ventures. The increase in land prices is one reason why projects are getting bigger and more expensive. We believe that, in the future, international investors from

Robert Haslach is editor of *International Marketing Intelligence,* a weekly newsletter.

Continued on page 47.

wages, unemployment and disability benefits and worker co-determination should provide the standard for the rest of Europe.

Jan Stekelenburg, Chairman of the FNV Dutch Labor Federation who has deftly reinvigorated the Dutch labor movement, frets that employers increasingly will resort to "social dumping"—moving work to southern Europe where labor wages are lower and legislation is more lax. That is why Dutch and other northern European unions avidly support E.C. Commission President Jacques Delors' pleas for E.C.-wide workers' rights and workplace safety standards. Stekelenburg insists that steep wage costs in the Netherlands—the third-highest in the E.C.—are justified by skill and training levels. But while wages are high, differentials are narrow and apprenticeship programs lacking. The financial community, for one, has admitted embarrassing shortages of specialists because salaries are too low by international standards.

Although joblessness remains stubbornly high, the unemployment figures were slashed in one fell swoop early this year, from 14 percent to 8.5 percent, by changing the calculation method. The number of unemployed plunged from 680,000 to 415,000. The "Dutch disease" syndrome is still alive and well, however. Days lost to sickness are among the highest in Europe. In 1988, the average Dutch worker called in sick 8.4 percent of all work days, up sharply from 6.9 percent in 1986. One member of parliament recently warned that disability could emerge as the gravest problem of the 1990s.

About 800,000 people draw disability benefits, twice the number of unemployed—or about 16 percent of the adult population. Anyone—working or not—can collect payments of up to 70 percent of the last paid salary (or equivalent thereof) until the age of 65. As a result of the legions of disabled, unemployed and retired people, and women who stay at home, only 52 percent of the adult population worked in 1986, according to the Organization for Economic Cooperation and Development (OECD) figures. In the OECD, only Ireland had fewer people working—51 percent.

The new unemployment figures presumably have improved the situation, but basically only one of every two adults works. It is hardly surprising that economic growth has lagged behind most industrialized countries for years. "Through better use of labor potential the national income could be higher, the collective burden (of taxes and welfare premiums) lower and a buffer could be


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The number of unemployed fell from 14 percent to 8.5 percent early this year. Above: a potato harvest.

formed for the effects of an aging population," the Government advised in its 1989 budget.

Economic expansion finally is catching up with the European average, though it is still modest by American and Japanese standards. Various forecasts show gross domestic product (GDP) will increase between 2.8 percent and 3.2 percent in 1989, compared to an E.C. average of 3 percent. In 1990, Dutch GDP will slow noticeably to 2.2 percent as the E.C. average continues to amble along at 3 percent.

By international standards, the government budget deficit remains high, even though it has fallen dramatically since Lubbers entered office in 1982. The fiscal gap is expected to shrink to 5.4 percent of GDP in 1989, but that is nearly twice the size of the infamous U.S. budget deficit, which constitutes 3 percent of gross national product. The Christian Democrat-Liberal Government has promised that it will dwindle to 4.5 percent in 1990, but skepticism is spreading. The E.C. Commission has warned that it believes the shortfall will widen next year, and Onno Ruding, the hard-line Dutch Finance Minister, agrees.

At least three factors are to blame. First, "austerity fatigue" has set in after eight years of the center-right's efforts to clean up public finances. Second, elections next year mean no harsh austerity measures are in store—as seen in the broad outlines of the 1990 budget already unveiled. Finally, government revenue from gas is stabilizing at around 7.4 billion guilders ($3.5 billion) in 1989, after plunging from 23 billion guilders ($10.8 billion) in 1985—a loss equivalent to 4 percent of national income.

Fresh threats to budget discipline are still looming. Environmental clean-up has shot up on the political agenda, and the recently announced National Environment Plan provides a blueprint through the year 2010. Air, water and soil pollution are to be slashed between 70 percent and 90 percent over the coming two decades at an annual price tag that could more than double to 3.5 percent of GNP from 1.6 percent at the moment. Moreover, the Government plans to boost environmental spending to 6.5 billion guilders ($3 billion) a year from a current level of 1.2 billion guilders ($600 million) between now and 1994. Debate is raging over who will foot the bill.

Lubbers, himself an economist, favors the "polluter pays" concept of anti-pollution financing, but realizes that Dutch international competitiveness will be blunted if other European countries do less. Some environmental levies are expected to be imposed on industry, agriculture and consumers to help pay for conservation efforts. In addition, state spending in other areas—notably housing and education—is likely to be siphoned off for "green schemes."

In the end, consumers probably will pick up most of the tax since companies will pass along their costs in the form of higher prices and the government will simply raise taxes. If that is the case, consumers would lose 5 percent of their purchasing power by 2010, according to a seminal Dutch study entitled *Care for Tomorrow.*

Maneuvering room is limited because the Lubbers Administration has promised that the combined burden of taxes and welfare premiums must not rise. That burden is the second-highest of the 25 OECD countries after Sweden. Income taxes—where the top marginal rate is a staggering 72 percent—are supposed to fall next year in the most sweeping tax reform in postwar history. With most Western countries cutting taxes, the Netherlands must follow suit or be priced out of the marketplace.

In the run-up to the 1990 elections, several sensitive topics on the political agenda, such as housing, broadcasting and euthanasia, are quietly being shoved to the back burner, while other divisive issues, including tax and health care reform, are simmering along under the watchful eye of various cooks.

The Dutch will meet each challenge with their usual pragmatism, caution and compromise—assiduously avoiding histrionics. As far as the Dutch are concerned, any problem, no matter how perplexing, can be tackled step by step. Coalition politics, social partners and consensus opinion ensure gradual rather than apocalyptic change. Historically, the Dutch are accustomed to battling for survival—they have been beating back the sea for centuries. Their pioneering spirit may have been dulled by the paternalistic welfare state, but deep within them still burns a fiercely competitive fire. €

Laura Raun reports from Amsterdam for the *Financial Times.*

NEWS OF THE E.C.

For E.C. Commission President Jacques Delors, European monetary union is indispensable. He considers the setting up of a European central bank the best way to achieve this goal.

BUSINESS

AGREEMENT REACHED ON MONETARY UNION REPORT

In mid-April, the Delors Committee reached unanimous agreement on the text of its report on how to pursue concrete steps toward European monetary union. Set up by the European Heads of State and Government at the E.C.'s Hanover summit last June, the 17-member Committee, comprised of the E.C.'s Central Bank Governors and outside experts, held differing views on monetary union that threatened to cause a political deadlock.

The Committee's opinions were split into two factions. One consisted of the "pragmatists," who argued that monetary union must come gradually and that economic policies must first be brought much closer together. The other group, the "fast-track" camp led by Commission President Jacques Delors, maintained that the only way to achieve monetary union was to press ahead with institutional changes by setting up a joint central bank as quickly as possible.

Britain, West Germany and Luxembourg had demanded large revisions of a draft report submitted by Delors to the Committee last December. Britain disagreed with the assertion in that draft that the single market must logically be followed by monetary union. Germany, on the other hand, was uncomfortable with the quick pace of integration expected and the call for an enhanced role for the European Currency Unit (ECU). Luxembourg was worried by the institutional approach to the process of monetary integration.

The final report, thrashed out in two days of tough negotiations, appears to have taken these objections into account. Karl-Otto Pöhl, Governor of the German Central Bank, said he was "quite happy," as was Robin Leigh-Pemberton, Governor of the Bank of England. "I am very happy we have been able to produce a unanimous report," he said.

Debate will now move to the political arena. E.C. Finance Ministers will discuss the report in May, and the Heads of State and Government will do so at their June summit in Madrid.

Delors, speaking the day after the agreement, said that monetary union was indispensable but warned against fixing a rigid timetable or setting up too many new institutions.—*Reuters*

E.C. URGED TO COMBAT FRAUD

The E.C. Finance Ministers are urging member governments to do more to combat the problem of fraud, especially in the agricultural sector. No reliable figures are available for the cost of cheating on E.C. farm subsidies and development funds, but a parliamentary report issued by Britain's House of Lords said that it could be as high as $10 billion.

Britain's Prime Minister Margaret Thatcher wants the issue to be discussed at the E.C.'s June summit meeting in Madrid. However, E.C. officials in Brussels point out that the national governments are responsible for paying and distributing farm subsidies, and do not want the issue to be used to discredit the Commission or divert attention from other E.C. policies.

In the past, the Commission has proposed various ways of combating fraud, such as one regulation to monitor the payment of amounts granted on exports of agricultural products, and another laying down controls in the wine sector and creating an E.C. control structure. These and other proposals have not been accepted by the E.C. Council.

The Ministers have pledged to study Commission proposals concerning fraud, and have called on member governments to exercise their power fully to prevent fraud and recover lost money.—*Reuters*

NEW INCENTIVES FOR REGIONAL DEVELOPMENT

In 1988, the Commission launched the "Europartnership" project, part of the new integrated regional policy that aims to strengthen economic and social cohesion, and develop transnational cooperation between businesses in member states in preparation for 1992. The pilot project was started last year in Ireland, and Andalusia in Spain has been selected as the 1989 region.

Europartnership '89 is an opportunity to strengthen the industrial fabric of Andalusia through increased commercial, industrial and technical cooperation agreements between Andalusian businesses and partners from other regions of the Community. Andalusia suffers from high unemployment and low per capita income. Its economic structure is dominated by tourism and agriculture, and its industrial potential is yet to be developed.

Some 221 Andalusian companies have been selected to participate in the scheme. They have been chosen on the basis of their management experience in and attitudes toward external relations, their position in the Spanish market and the viability of their proposals. This information, as well as details on Andalusia's economic and investment climate, has now been distributed to consultants, chambers of commerce, regional development authorities, Euro-Info Centers, business and innovation centers, employers' federations, and banking institutions in the other member states.

A "European Business Cooperation Opportunity" fair, to be held in June, will bring together representatives of European firms and their Andalusian colleagues to discuss the possibilities for cooperation. There they will also receive information on the Seville exhibition in 1992—an event that promises to make Andalusia an even more attractive business partner for other member states.

COMMUNITY AWARENESS GROWS AT HOME AND ABROAD

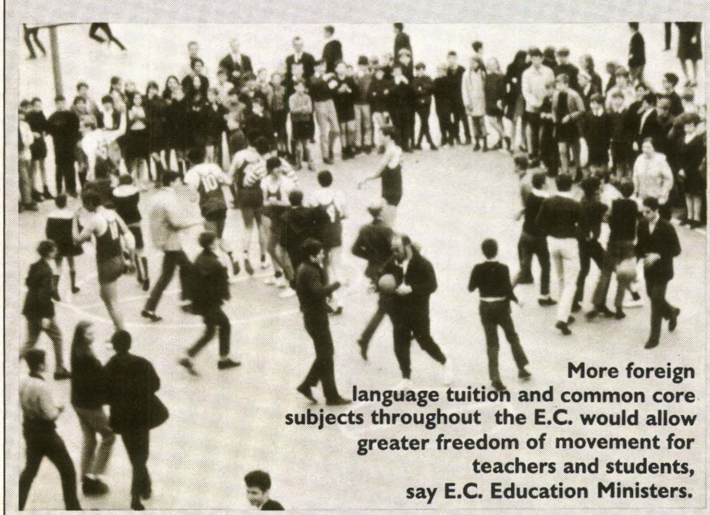
A Eurobarometer opinion poll, published for the E.C. Commission in March, showed that awareness of the E.C. and its 1992 program is increasing both within the Community and elsewhere. "Awareness of [1992] goes well beyond the limits of the attentive public that usually follows European or other political news," according to the report.

Most of those in favor of the program said that the elimination of barriers across the Community would bring advantages, such as the elimination of border controls and the increased freedom to live, work and buy property anywhere else in the Community.

The Community is also trying to raise E.C. awareness abroad. In March, the Commission suggested that the winter games in Albertville, France, and the summer Games in Barcelona, Spain, offered a unique opportunity to boost the image of the E.C.: participants at those Games should wear an E.C. emblem on their uniforms, and special prizes should be awarded to the best E.C. athletes.

The E.C. further emphasized that the Olympics would be a perfect showcase for Community products, such as high definition television sets and portable electronic data cards, which could be used to pay for goods and services inside the Olympic villages. It also suggested that the ECU be made the standard unit of money inside the villages.

The Commission said that, to convey the image of a united, dynamic and young Community, the E.C.'s presence should be particularly stressed at the Games' opening and closing ceremonies. It wants to establish a special department, to be given a budget of $15.6 million over the next three years, to coordinate E.C. promotion efforts.—*Reuters*



More foreign language tuition and common core subjects throughout the E.C. would allow greater freedom of movement for teachers and students, say E.C. Education Ministers.

SOCIAL ISSUES

E.C. PROPOSES TO LINK EDUCATION SYSTEMS MORE CLOSELY

E.C. Education Ministers are discussing ways to link member states' education systems more closely and to allow the free movement of teachers and students throughout the E.C. after 1992.

At their March meeting in Segovia, Spain, they discussed proposals for a possible common core of subjects for 14- to 18-year-old students, and the automatic recognition by one E.C. country of qualifications gained in another. The Ministers also discussed coordinating future education reforms and encouraging foreign language studies within the E.C. These steps, and a greater exchange of information on member countries' education systems, would pave the way for teachers and students to move freely within the Community.

Responding to concerns that such plans might erode national identities and cultural differences, Vasso Papandreou, the E.C. Commissioner responsible for education and employment, denied that a recipe for a uniform society was being created. "We are not social engineers imposing a model....We do not want some kind of a blanket harmonization," she said, adding that the diversity of cultures was a source of enrichment for the Community.—*Reuters*

INTERNAL MARKET

WITHOLDING TAX PROPOSED

E.C. Commissioner Christiane Scrivener, responsible for taxation, recently presented the Commission's proposals for a witholding tax on savings. The proposals aim to prevent both capital flight from, and tax evasion in, countries with high levels of witholding tax after capital movements are completely liberalized in July 1990.

The proposed directive provides for a witholding tax of at least 15 percent on interest paid to all E.C. residents, and the development of closer cooperation between national tax administrations in order to deal more effectively with cases of fraud.

The tax would be levied on the interest paid on bonds and on deposits with banks and other financial institutions. Dividends on shares are excluded from the scope of the proposals, as are small savings exempt from income tax in the member states, thus retaining the tax advantages enjoyed by small savers.

The Commission has pointed out that a form of witholding tax already exists in 9 of the 12 E.C. countries, and is levied at rates of up to 35 percent in Ireland, 49 percent in certain cases in Greece, and zero percent in Luxembourg.

Scrivener said that the Commission has no intention of calling banking secrecy into question. She did stress, however, that the proposals would remove administrative barriers to the exchange of information between national tax administrations in cases of fraud. At present, national administrations can refuse to provide information without explanation, even when such an exchange is not prohibited by law.

The proposals do not affect the system of required declaration by banks to tax authorities used in Denmark, France, the Netherlands and Spain; nor do they require other member states to adopt similar systems. In these four countries, the 15-percent witholding tax would apply to income paid to residents of other E.C. countries. In order not to discourage foreign investment, the tax would not apply to income paid to people residing outside the E.C., a practice already used by most member states.

ELIMINATING BORDER CONTROLS AFTER 1992

The E.C. Commission is currently studying the measures needed to speed up the elimination of border controls within the E.C. without endangering security. A task force, set up at the E.C. summit in Rhodes last December to define these measures, has noted that priority issues include defining the right of asylum, listing the countries whose nationals must obtain visas to enter the E.C., and reaching agreement on extraditions.

While the E.C.'s security must be ensured, the elimination of customs controls does not mean that floodgates will be opened to criminals. "In the fight against terrorism and the traffic in drugs and arms, coordination between the various police departments of the member states is much more important than control by customs," said Martin Bangemann, the Commission Vice President in charge of the internal market.

Commission Vice President Martin Bangemann says that elimination of customs controls will not open the floodgates to criminals.

The establishment of an E.C.-wide police force or even a European-style FBI is not seen as absolutely necessary; indeed, that could create problems of national sovereignty and individual freedom. Closer cooperation between the police forces of E.C. member states, as well as spot checks at borders by flying squads, are seen as efficient alternatives.

These conclusions were drawn up on the basis of the experience gained by the Schengen group, which consists of Germany, France and the Benelux countries, and will soon include Italy and Spain. This group, set up to eliminate borders between their national boundaries before the 1992 deadline, dealt with the same security problems now faced by the Commission, and has successfully solved these cooperation problems or is close to doing so. In its experience also, the decision to lift border controls did not lead to an increase in cross-border criminal or terrorism cases.

E.C. CAR INDUSTRY MUST PREPARE FOR 1992

The European automobile industry currently accounts for one-third of world output and nearly 10 percent of E.C. industrial production, and employs some 10 million people. Demand for cars is healthy, rising by 6 percent in 1987 and by 4 percent in 1988.

The internal market program, however, will bring new and difficult challenges to the industry. The biggest of these may come from Japanese and, possibly, South Korean automobile manufacturers. E.C. Commission Vice President Frans Andriessen, responsible for trade, believes that the Japanese have taken the necessary steps to open up their market to European cars, and that it is now high time for the Community to harmonize its regulations and move toward an open-door policy.

While the single market will require all E.C. members to adopt the same policy toward imports, restrictions to date vary widely. Import quotas of Japanese cars differ from state to state, as do national standards (despite E.C.-wide regulations), sales and road taxes for automobiles, and legislation to reduce pollution and harmonize emission standards.

BOOKS IN REVIEW

Special Relationships: A Foreign Correspondent's Memoirs from Roosevelt to Reagan. By Henry Brandon. Atheneum. 346 pages. $24.95

MICHAEL D. MOSETTIG

When I first went to work at the old National Press Building in Washington in 1961, many old-timers there believed the ghost of the London *Times'* correspondent, Sir Wilmor Lewis, still roamed the corridors at nights.

If not quite in such a legendary way, other European correspondents have made their mark in the capital, often gaining more access to top officials than they would have at home, where class and social stratifications leave journalists sitting far below the salt. Their job was to explain the baffling ways of a non-parliamentary republic and, when needed, to provide an unofficial forum for American leaders to reach their European counterparts. Indeed, in 1964, a local magazine listed four European correspondents, including Louis Heren of *The Times,* Adelbert de Segonzac of *France-Soir* and Henry Brandon of the *Sunday Times* among the 50 most influential journalists in Washington.

It is both a commentary of contemporary journalism and current U.S.-European relations that the same list for 1989 did not include a single European. (Those on the original list had retired or returned home; their successors could not compete in the influence game, especially with the television journalists or those American print reporters who now make so much of their reputations on weekend chat shows.) Now, when a U.S. President wants to reach a foreign audience, he can go directly to television, as Ronald Reagan did in 1981 with a live broadcast specially produced for Western Europe on the medium-range nuclear missile issue. The Secretary of State and other officials use such technological innovations as the U.S. Information Agency's "Worldnet" program to create trans-Atlantic news conferences with journalists and editors in Europe, by-passing the Washington correspondents entirely.

The waxing and waning of the European correspondent's role in Washington coincided with the 40-plus-year career of Henry Brandon of London's *Sunday Times.* The author tries to develop three themes. There is the sweep of history he was lucky to witness (his Washington reporting began at an Oval Office news conference with Winston Churchill and Franklin D. Roosevelt shortly after Pearl Harbor) and the major characters in it whom he came to know. He couples that with narratives on the evolving—and then diminishing—special relationship between Britain and the United States and the American role in the world.

But the emphasis is personal. The index, largely comprising people he interviewed or dined with, runs 19 pages. The personal saga is remarkable. Lucky enough to escape his native Czechoslovakia before the Nazis swallowed it up entirely, Brandon reached Britain, perfected his English among four other languages and, after a few months as a factory clerk, won a job on the *Sunday Times* through the intervention of a relative.

Through pluck and skill, he developed social as well as professional relationships in Washington. He comes away with a wealth of personal anecdotes about a cast of characters from Dean Acheson and the Dulles brothers to John F. Kennedy and Henry Kissinger. One gains the impression that his entrée to British leaders was based more on their perception of his importance in Washington.

Brandon's place in the Washington galaxy reached its apogee in the Kennedy years, when trans-Atlantic adulation was at a peak and the White House was occupied by a President who devoted considerable time to stroking journalists. He also had lines into the Nixon Administration—but they turned out to have lines into him as well. The Nixon White House tapped his telephone, although Brandon goes to great lengths to absolve his friend Henry Kissinger of any blame for that episode. He had no solo interviews with President Carter and no special access to policy-making in the Reagan Administration, even though his wife served for a time as social director for Nancy Reagan.

Through nine Presidents and more than his share of scoops, Brandon occupied something better than the proverbial ringside seat on history. It is the kind of career that is hard to imagine being replicated. Few European newspapers now would want their American correspondent to cover a turf that basically stretched from Georgetown to Cleveland Park (though, to his credit, Brandon did expand his beat with interviews of people from Edmund Wilson to Arthur Miller and Marilyn Monroe). Also, insider journalism is harder to carry on in a press corps 10 times the size it was when Brandon arrived and in an atmosphere of lingering hostility and distrust from the late 1960s and 1970s.

Unfortunately, irritating errors appear throughout, starting with that old chestnut, a period after Harry Truman's middle initial. There is a reference to an event in 1968 "soon after Nixon became President." (He was inaugurated in January 1969.) More unfortunate is a jumble that ends up with Brandon paying his respects at the Kennedy catafalque at the White House the morning after the assassination and describing the funeral procession as beginning at noon. (Two days, not a half hour, separated those events.) The late Fernand Spaak, head of the E.C. Delegation to Washington in the 1970s, is called Ferdinand; Hedrick Smith of *The New York Times* comes out as Hendrick, twice; and James MacGregor Burns of Williams College is moved to MIT. The writing is frequently less than graceful, for example: "Compared to 1961 the United States now finds itself in a situation which is a far cry from what my expectations were in those days." Had he been edited this haphazardly at the *Sunday Times,* he would still be covering the London Sewer Commission.

To some extent, Brandon's role was complementary to those of the American journalists he most admired, the Alsops, Walter Lippmann and Joseph Kraft, all now either dead or retired. They practiced their craft at a time when Europe and the United States, and especially Britain, had much to say to each other. As fundamental global relationships were shifting, and when newspapers were the important channel of communication, these journalists were very much a part of a vibrant dialogue across an ocean. At a moment when equally important, if not necessarily as dramatic, shifts in the global order are looming, it is safe to doubt that the tradition will endure—especially with the verve, élan and sheer fun of it all reflected in these pages.

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

INVESTMENT

Continued from page 41.

the United States, Europe and the Far East will join forces much more than is happening already."

Finally, how Dutch are Dutch investments? Dutch parent companies tend to be heavily involved in decisions about their U.S. operations, especially in questions of allocating financial resources. But, typically, the survey revealed that the senior executives of Dutch-owned U.S. businesses were Americans, even at the CEO level, where more than half are U.S. nationals.

"The Dutch are long-term thinkers operating in a short-term environment. Short-term factors, such as currency fluctuations, won't push them out of the U.S. market," said Onno Visser, Dutch liaison partner at Arthur Young. His view is shared by Ewald Kist, president of the insurance group Nationale-Nederlanden U.S. Corporation. "We have an especially strong belief in the continuity of the American and Canadian markets. They will go up and down but still, from a long-term perspective, we feel confident that they will be good. North America is one of the areas in which we would like to have a substantial presence and to grow more. We are here for the long term." €

FILM FESTIVAL

Continued from page 37.

maker, a festival selection, co-produced by a German television station. Two bumbling bank robbers, played by Thierry van Werweke and André Frings, have an "American Dream," which leads them on one botched caper after another, from every bank in the Grand Duchy to Luxembourg's prison, and ending up in New Mexico.

Germany will be represented by two films. Newcomer Christian Wagner directed *Waller's Letzter Gang* ("Waller's Last Trip"), a film featured in the director's fortnight at Cannes this year. Rolf Illig plays a railroad track inspector making his rounds for the last time before retirement.

The other German film, *Der Kuss des Tigers* ("The Kiss of the Tiger"), directed by Petra Haffter, who also co-wrote the screenplay with Gerd Weiss, is based on a thriller written by Francis Ryck. Beate Jensen plays a German *au pair* in Paris, who is pursued by a strange young man from Canada (Stéphane Ferrara). What begins as seduction turns into a murderous game of death and survival from which the lovestruck girl struggles to free herself.

A troubled relationship also occupies center stage in *I Yineka Pou Evlepe ta Onira* ("The Woman Who Dreamed"), directed by Nikos Panayotopoulos, whose much-acclaimed "Idlers of the Fertile Valley" won the Golden Leopard at the Venice Film Festival a decade ago.

"The Woman Who Dreamed" premiered at Venice in 1988, and is the Greek selection for this year's E.C. Festival. A story of dreams and their interaction with life, it chronicles a marriage interrupted by the vivid dream life of the wife, played by Myrto Praschi. She insists on sharing it with her husband (Yannis Bezos), a lawyer preoccupied with a difficult case of murder. He begins to suspect her of adultery, and hires a detective to confirm his fears.

"Films know no boundaries" has become the well-illustrated motto of this festival, but sometimes the Atlantic Ocean poses an obstacle to programmers. As *Europe* goes to press, these films are but a few of the highlights confirmed for this year's European Community festival, which, like all such events, has a volatile schedule that sometimes changes at the last minute. Interested filmgoers are advised to check with the local site of the festival for a complete program of titles and dates. €

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