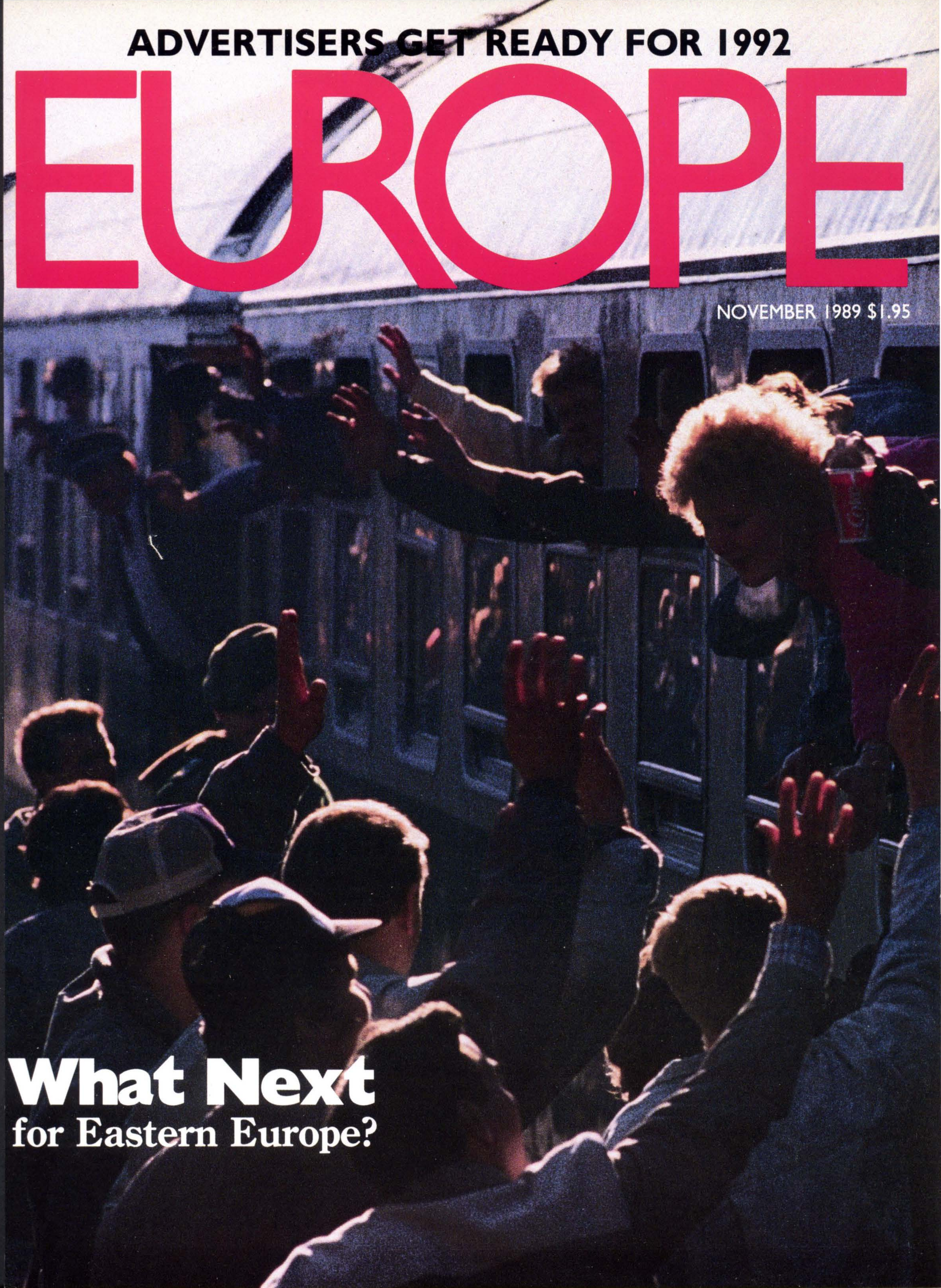
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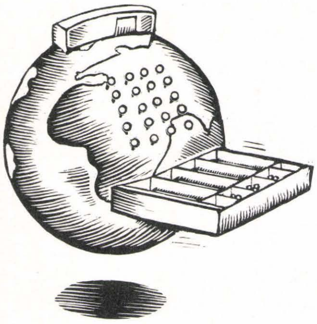

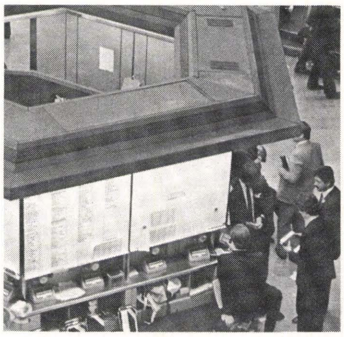

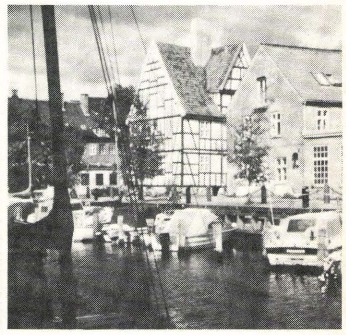

COVER: Changes in Eastern Europe are occurring at breathtaking speed. The arrival in Bavaria of East Germans is just one example. Photo: © Sichov/Sipa-Press

Publisher Giancarlo Chevallard
General Manager Anne Depigny
Managing Editor Anke Middelmann
Editorial Asst Giselle Fox-Little
Contributing Editor Jeannine Johnson
Editorial Intern Terry Bennett
Design Pensare Design Group

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PUBLISHER'S LETTER

The European scene is changing very rapidly. Unpredictable developments are occurring in Eastern Europe amidst political tension, social upheaval, and economic disruption. At the same time, Western Europe is also changing as it implements its 1992 single market plan. The E.C. presently appears to be Europe's stable and attractive pole, and that is one of the reasons it is now leading the Western world in coordinating aid to Poland and Hungary, the two East European nations that are changing the most quickly.

Richard Longworth describes the E.C.'s plan to help them reform their economies through increased access to Western markets, gifts of farm machinery, training programs, and encouragement of foreign investment. And Jacques Delors, President of the E.C. Commission, spoke with *The Christian Science Monitor* about these developments in an interview reprinted here.

Europe's integration process is affecting most aspects of European business, and Jerry Roberts of Ogilvy & Mather reports on how the advertising industry will have to adopt a more international outlook to match its Community-wide clients. Takeovers are often one way for companies to gain this international outlook, and Richard Rivers and George Vest report that the Commission is proposing to harmonize takeover regulations as that activity increases.

Business executives in the United States realize that European economic integration will affect their company operations in the Community. Vivienne Antal reports that the general view at the recent International Industrialists Conference in San Francisco was that, although competition for the European market will be tougher than ever before, a unified Europe will have a positive effect on U.S. businesses.

In our member state report this month, Leif Beck Fallesen of Denmark's daily *Borsen* newspaper explains that the Danish economic picture is expected to continue to improve although it still needs to make some adjustments, such as lowering taxes and reducing the size of its public sector, to prepare for increasing economic integration.

Giancarlo Chevallard

This announcement appears as a matter of record only.

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AROUND THE CAPITALS

A recent report found that Ireland's E.C. membership has not solved its problems of low farm income and slow development of the food industry. Clockwise from top: Harvesting peat; Halfpenny Bridge in Dublin; haymaking in County Cork.

PHOTOS COURTESY IRISH TOURIST BOARD

DUBLIN

Cost-Benefit Analysis

The most wide-ranging survey made to date of Ireland's performance and prospects in the E.C. is not full of good news. It soberly concludes that the completion of the single market will not close the 50-percent gap between Irish living standards and the Community average, but that it may actually widen. The report also notes that the long-term benefits of the single market are likely to be distributed unevenly, with the greatest benefits going to those E.C. regions where large-scale industries and highly innovative sectors are most concentrated. The report states, however, that Ireland is not one of these.

Commissioned two years ago by the Irish Government, the survey is the background to a national development plan (now submitted to the E.C. Commission) on Ireland's plans to spend the additional money allotted under the E.C.'s structural funds to counter the damaging effects of 1992 on weaker economies. The authors of the report, who were drawn from all economic interest groups, believe that the extra funds will not enable Ireland to close the gap with richer regions as the single market is completed. They therefore propose a bold solution: Ireland should press for more, not less, economic integration. The report says frankly, however, that economic and monetary union (EMU), which has general E.C. approval, does not take enough account of the budgetary measures necessary to create a "genuine common market, monetary union, and economic cohesion and convergence."

Instead, the report's authors maintain that a more developed E.C. budget is needed to redistribute central funds from richer to poorer member states, thus ensuring that living standards in these poorer regions rise to the E.C. average. In this context, Ireland should insist that the current discussion of EMU be "widened to include a more adequate analysis of the role of public finance in economic and monetary integration." The Irish Government, which welcomed the report, has also emphasized that the Community is developing in "an unbalanced manner."

The report finds that Ireland's performance in many economic sectors was better than the E.C. average between 1973-80, but "much worse" between 1980-86. An average of the two periods shows that Ireland has converged little toward average E.C. income levels.

The report also looked at how Irish industry and agriculture have fared since 1973, the year Ireland joined the E.C. Many Irish firms competing on the export market have been "eliminated," it says, and the remaining firms have a reduced ability to generate industrial growth. At the same time, there has been an inflow of foreign firms in a narrow range of manufacturing activities.

Similarly, the E.C.'s Common Agricultural Policy may have increased farm incomes for some, but has not overcome (and may have worsened) two fundamental problems in Irish agriculture: continued low farm incomes for many, and a slowly developing food industry.

The industrial and agricultural sectors have reacted differently to E.C. membership, primarily because the Community system made adjustment in industry unavoidable, whereas such adjustment was less forced in agriculture, although the strong were rewarded far more lavishly than the weak.

In conclusion, the report recommends that the policies the Irish Government should pursue in the E.C. are in the areas of EMU, the internal market, regional development, agriculture, tax, and social policy. It also endorses the Commission's new approach of "incorporating social elements into the market completion program."

The Irish Government has said that the report, which runs to several hundred pages, deserves close study, and it plans to bring it to the attention of the Commission and the governments of the other E.C. states, "especially the more peripheral and least prosperous members."—JOE CARROLL

MADRID

First Lady in Politics

Barring any major electoral surprises, the Spanish Parliament will reconvene in November with a new Socialist majority and a new

lower house deputy, the 42-year-old schoolteacher Maria del Carmen Julia Romero López.

The Socialist's decision to place Romero third on the slate for Cádiz province has focused national attention on her candidacy and has provoked spirited criticism from opposition leaders. What makes Romero's candidacy so unusual is neither her political outlook nor some past indiscretion, but the fact that she is married to Spanish Prime Minister Felipe González.

Opposition newspapers like the conservative *ABC* had a field day when the decision was announced. One *ABC* cover showed a photo of Romero juxtaposed with those of Eva Duarte de Perón, Imelda Marcos, and former Spanish dictator Francisco Franco's wife and daughter. These women all played unofficial but powerful roles in their husbands' governments and reflected the arrogance and nepotism normally associated with autocratic regimes. Leaders of the conservative Popular Party and the regional Andalusian Party also criticized the Socialist decision, denouncing it as the "Argentinization" of Spanish politics.

It is, of course, quite exaggerated to liken Romero to Eva Duarte or to Isabel Perón, Juan Perón's second wife, and even more far-fetched to compare her to Imelda Marcos. Romero is, after all, standing for election in a parliamentary democracy, and the voters of Cádiz can reject the Socialist slate if they so choose. It is also true, however, that there are no precedents in Europe for Romero's candidacy. In fact, while some top political wives have spoken out on issues—one notable example is Danielle Mitterrand, wife of French President François Mitterrand—Romero has studiously avoided the public spotlight.

In the seven years since González came to power, Romero has taken only one public stand, in which she supported a Socialist plank, since approved, that required the party to delegate 25 percent of all party posts to women. On that occasion, Romero and other women activists were shown on national television tossing carnations—the Socialist symbol—at the convention podium to celebrate the plank's passage.

In the past, Romero has been criticized for not fulfilling her duties as first lady because she stayed home during some of her husband's official visits and kept appearances demanded by protocol to a minimum. In fact, when González was first elected prime minister in 1982, Romero continued to teach school until her schedule became too crowded.

So what brought about her decision to stand for public office? Some analysts suggest that Romero, who joined the Socialist Party in its clandestine days before Franco's death in 1975, hopes to help close the rift between the party and its now estranged trade union affiliate, the General Workers' Union. Others argue that the candidacy is part of a Socialist scramble to meet the 25-percent quota for women candidates. Romero herself says that the struggle to give women their proper place in the party hierarchy influenced her decision. "That was to final stimulus," she said in an interview published in *El Pais,* a left-of-center daily. "I've always been interested in education issues, above all those relating to equal opportunity. I think I felt a need to promote those projects, which are being implemented but do need a push."

She denies that her decision was prompted by disagreements over her husband's management of the party or by sheer boredom. "I like the more idealistic version: that I'm doing it to defend ideas. I know that to commit yourself in life it is not necessary to commit yourself politically, but there are circumstances in which you decide you can help bring about a project of collective interest."

For whatever reason, the Socialists' decision to place Romero in the opposition's crosshairs indicates an electoral confidence that is the envy of most other European political parties.—RICHARD LORANT

BONN

New Party Politics

The phenomenon of the rise of the extreme right-wing Republican Party has changed the political climate in West Germany. In West Berlin's elections last January, the Republicans unexpectedly received 7.5 percent of the vote, and in June they won 7.1 percent in the European elections. If the German electors vote along the same lines in the 1990 general elections, the major parties could have trouble forming a government excluding the Republicans. This is exactly what the party's leader, Franz Schönhuber, wants—to make his party indispensable.

After the Berlin elections, leading Christian Democratic (CDU) and Liberal (FDP) politicians, including Chancellor Helmut Kohl, clung to the hope that the Republicans' popularity was a passing electoral protest that would disappear just as that of the NPD, a neo-Nazi party, had done in the 1960s. After the European elections, however, the politicians are less hopeful, and many analysts predict that the Republicans could establish themselves as a sixth party alongside the CDU, the FDP, the Social Democratic Party (SPD), the Christian Social Union (CSU), and the Greens. As a result, both the CDU-CSU-FDP and the SPD-Green coalitions might not have the workable majority they need.

Leaders of the two conservative parties have repeatedly stated that a coalition with the Republicans is out of the question. Instead, they hope to win back Republican voters with the proper political strategy. They also console themselves that, if the turnout is much higher at next year's general elections than at the European elections, the Republicans might fail to get the 5 percent needed for parliamentary representation and will remain no more than a spook on the right-wing fringe. Former Chancellor Willy Brandt, however, along with many other politicians, fears that the emergence of the Republicans may be more than a flash in the pan: "Looking around in Europe, I would find it rather odd if the Federal Republic remained the only country without an extreme right-wing party," he says. The daily *Frankfurter Rundschau* also predicts that the party will not disappear.

Both in Berlin and in the European elections, the Re-

Franz Schönhuber's far-right Republican Party did well in recent European and Berlin elections.

COURTESY GERMAN INFORMATION CENTER

publicans capitalized on the widespread feeling of dissatisfaction in Germany, which exists despite the country's overall prosperity. The party managed to make heavy inroads into traditional CDU/CSU strongholds and—to a lesser extent—the SPD camp. In Bavaria and in Baden-Württemberg, where the Republicans gained almost 15 percent and 8.7 percent respectively, their progress was especially striking. Ironically, unemployment is much lower in these states than in North-Rhine-Westphalia or in Lower Saxony, for example, where the Republicans fared less well. Clearly, economics *and* political philosophy affected the voters. In both Bavaria and in Baden-Württemberg, where the present government's policy was not perceived to be conservative enough, voters expressed their frustration by moving to the extreme right. In contrast, in states where the SPD was strong, the disaffected voters turned left to the Greens.

The Republicans recruit most of their support from lower-class voters. According to Schönhuber, "many come from the armed forces, the police, the border police, and the administration." In his view, "two-thirds of German society is doing extremely well, but one-third is grossly underprivileged and we take care of this group of little people."

Republican voters tend to blame their plight on ethnic German immigrants or, especially if they cannot find a job, on foreigners. The Republicans maintain that German immigrants are better off than the local population, and their manifesto demands that "Germany must remain the land of the Germans." Such propaganda has already caused the Bonn coalition to reduce benefits for immigrants.

In addition, the Republicans are anti-European, contending that the European Community damages the interests of German farmers—a stand that, naturally, appeals to the farm vote. They also claim that the internal market will endanger the German economy and that membership in NATO will render German reunification more difficult.

Schönhuber, the colorful party leader, is seen by many as the "great seducer." While he insists that he has not changed his political base, this claim is not in keeping with his zigzag career. Born in 1923 to a butcher from Trostberg in Upper Bavaria, Schönhuber joined the Waffen-SS at the age of 19, and was captured by the British.

After the war, Schönhuber married a Hungarian Jew—a fact he points out at all press conferences, although the marriage failed early. He worked as a casual laborer, a sports reporter, a columnist, and as editor-in-chief of the *tageszeitung,* and was at that time considered an SPD sympathizer. In 1972, he went to the Bavarian broadcasting network, later becoming its deputy chief editor and a member of the CSU. In 1981, Schönhuber published his memoirs, in which he tried to justify his political flipflops. While saying that he "rejects the Waffen-SS organization and its ideological goals, he nevertheless insisted that "in the Waffen-SS a new and revolutionary spirit prevailed, guided by the principle of efficiency." The book's publication obliged him to leave the Bavarian radio network—with a golden handshake and a good pension.

In 1983, Schönhuber founded the Republican Party in partnership with two other CSU dissidents in protest against a credit of one billion German marks that the late Franz Joseph Strauss, the CSU chairman, gave to East Germany. He is convinced that after the 1990 general election "nothing will move without the Republicans."—WANDA MENKE-GLÜCKERT

BRUSSELS

Battle Over "Batman"

The Joker, of recent *Batman* movie fame, found an unexpected ally in Belgium in the battle against his mortal enemy. In September, a national commission ruled that children under 16 would not be allowed to watch the American megafilm. This apparently makes Belgium the only country in the West to bar the door on Bob Kane's comic book hero in this fashion: Most other European countries have let in children as young as 12, and Britain even allowed 10-year-olds to see the movie.

The five-person commission that rates films voted by a margin of three to two that *Batman* was too violent for youngsters under 16. Moreover, according to Mirko Popovitch, a Belgian filmmaker and a member of the commission, Jack Nicholson's portrayal of the Joker showed too ambiguous a character. "Children like him," said Popovitch, himself a father. "He's a clown. They love his humor. What the Joker says is terribly alluring, but at the same time deceptive. He dies smiling—a beautiful death. He dies after a breathtaking life."

The commission's unusual step can partly be explained by the history of Belgian law. During the silent-film era, politicians made no distinction between very young and adolescent moviegoers. A 1920 law, in fact, prevented anyone under the age of 16 from going to the movies, although exceptions were sometimes made, for example, for Walt Disney films. Nevertheless, unlike neighboring European countries, Belgium continued to exclude the under-12 set as a separate category. This explains why "Belgium is the only country in the world where a shaded opinion on movies is impossible," says the Belgian association of movietheaters.

Asked what he thought about the Belgian decision, *Batman* producer Tim Burton told the Belgian daily, *Le Soir*, that "Those people who today prohibit children from watching *Batman* are the same ones who got angry when they were small children and were forbidden to see *Snow White and the Seven Dwarfs* because the old hag would frighten them."

Warner Brothers, which produced the film, took the case to court in an attempt to stall the commission's decision. On September 13, however, the court ruled that it had no power to approve such a delay. And so, for the first time in his life, Batman was defeated. But his battle with Belgium has not been completely lost: Thanks to the feud, more newspapers covered the affair, more people learned about the movie, and more fans bought the T-shirts, pins, walkie-talkies, candies, and hats bearing the distinctive gold-on-black Batman symbol.

To prove that Belgium has not lost its sense of humor over this affair, three young Belgians have created a new character, "Bêteman." Bêteman, or in English, "Stupidman," is the non-hero who is fat, drinks beer, and panhandles for $10 to save small domesticated animals in life-threatening situations. So far, Warner Brothers has taken no legal action against Bêteman.—CHRISTOPHE LAMFALUSSY

Batman's Joker character is considered 'too ambiguous' for young Belgian moviegoers, who cannot see the film.

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LISBON

The Race to City Hall

Marcelo Rebelo de Sousa donned a pair of blue bathing trunks one day this summer, covered himself in grease, and plunged into the once pristine Tagus estuary skirting Lisbon to launch his bid for the city's mayoral race in December. At that time, the whole country will choose thousands of civil officials in cities, towns, and villages around Portugal.

Although cynical locals labelled the dip foolhardy, since even fish find it hard to stay alive in the badly polluted estuary, Rebelo de Sousa's symbolic gesture highlighted concern for the quality of life issues that are likely to mark the contest for the Lisbon mayor's seat. And, despite the criticism, the right-wing politician's campaign, which is endorsed by the outgoing Christian Democratic Mayor Nuno Kruz Abecassis, has continued exuberantly and at such a pace that it is now known as "Marcelo's Circus." Rebelo de Sousa's allies are the Christian Democrats and the smaller Popular Monarchists, an environmental pressure group. This combination has won national elections before.

Rebelo de Sousa's rival, Jorge Sampaio, is the leader of the Socialist opposition party in the Lisbon parliament and an astute lawyer who counts major multinationals among his clients. His approach to the campaign is more sober and low-key than Rebelo de Sousa's. Sampaio's mid-summer decision to become a local government candidate has pushed politics back onto the front pages of the newspapers, and the Lisbon electorate is so evenly divided that the race promises to be a close one.

The significance of what would normally be considered a rather mundane affair lies in the two candidates themselves, and in the heavy political artillery they have arraigned behind them. For one thing, both men are recognized national political figures. For another, this campaign, which places the credibility of the country's Socialist Party on the line in a fight against a man who wants to be seen as heir to both the leadership of the Social Democratic Party and the future Portuguese premiership, is seen as a sounding board for the general election due in 1991.

The contest for Lisbon's City Hall can be compared with similar fights for the one in Paris by former French Prime Minister Jacques Chirac. The outcome in Lisbon could have the same impact on national affairs as Chirac's 1986 campaign had on France's, and the fight for control of Lisbon City Hall could therefore presage a new order in the country after 1991.

Indeed, the line-up in Lisbon has put Portugal back into the grip of political fever just when it appeared that, after 15 years of constant electioneering, the country had settled down to other concerns—like making money, for instance. For, until the present Social Democratic Government won an unprecedented parliamentary majority in 1987, thus putting an end to revolving-door government and general elections every six months, Portugal had imbibed to excess the heady hothouse brew of local politics. After the 1987 elections, however, it seemed that what had been a country of Machiavellian intrigue and political farce had matured into a more typical European democracy.

Now, however, the Socialists' bold decision to try to secure a majority in Lisbon by forming an alliance with the hardline and unremittingly Stalinist Portuguese Communist Party has galvanized the political scene. Analysts say the move is as dangerous as it is brazen. For while the winds of *perestroika* sweep Eastern Europe and blow over many Western European communist parties, the Portuguese Communist Party's Secretary-General Alvaro Cunhal doggedly resists all change and regularly purges internal dissidents.

By choosing this party as a partner in Lisbon's mayoral race (the first time any Portuguese mainstream politician has dared to do so), Sampaio is attempting to put an end to the status quo. If he wins, Sampaio will almost certainly be forced to challenge the power of the Social Democratic Government in the 1991 elections. While success at the national level would give the Portuguese Communists national power for the first time since the heady post-revolutionary days of 1975, it would also ring alarm bells in Washington and in other NATO and E.C. countries.

If the Lisbon City Council changes colors in December, Portugal will face a new political ballgame, in which Sampaio will need all his skill to prevent his attempt to rehabilitate the Community Party from going horribly wrong.

As one diplomat observed: "If we were dealing with a post-Cunhal party, or one showing signs of accepting the current Soviet reforms, the decision would be less risky, but Portugal's Communists remain firmly *putchist.*"—KEN POTTINGER

AMSTERDAM

Coalition Building

In the Netherlands, the time between elections and the formation of a government is often counted in months since it has always been laborious to form a new cabinet. The results of this year's early September elections to the Lower House show that little has changed in that respect.

While there was a slight swing to the center-left compared to the past center-right coalition, the Christian Democratic Party (CDA), composed of Catholic and Protestant Democrats, received 54 seats, the same number it had held before. The Dutch Labor Party, led by Wim Kok, remained the second largest political party, but fell three seats for a total of 49. The Liberals, who were responsible for the fall of their coalition government with the CDA last May, tumbled from 27 to 22 seats. Surprisingly, the left-of-center Democracy 66 (D66) Party won 12 seats, three more than previously, an increase attributed primarily to the party's charismatic leader, Hans van Mierlo.

The so-called Green Left, which groups radicals, socialist-pacifists, and Communists, also did well, gaining three seats for a total of six, while the extreme right, a combination of small Christian parties, increased its representation from five to six seats. One neo-Nazi, Hans Janmaat, regained the seat he had lost in 1986.

Although the Netherlands has never had a majority cabinet in the 20th century, these elections showed that Christian Democratic Prime Minister Ruud Lubbers still has the people's confidence. Queen Beatrix has asked him to form the new cabinet, and he is in a position to choose whether there will be a center-right or a center-left coalition government. The difference between the two in economic policy is marginal: The Netherlands' dependence on the E.C. and the industrialized Western world for trade limits its options.

In the first round of negotiations, Lubbers considered a tripartite government of Christian Democrats, Labor, and D66. Van Mierlo, however, said his party would only join a left-of-center government, and insisted on two seats in the 14-member cabinet, implying that Labor make room by accepting five instead of seven seats. After negotiations, the Labor Party and D66 agreed that the latter be included in a center-left government, but then D66 decided to opt out rather than accept just one seat. In the meantime, the CDA decided that it could do without D66.

Several issues, such as policy on euthanasia, divide the main parties. D66 believes that it should be allowed, while the CDA would like legal action to be required in some instances. In any case, it is a political debate most politicians would rather not revive.

Different emphasis on social policy is also hampering efforts to form a coalition. Labor would like to spend more on education, health, and unemployment than the CDA, which insists that the budget situation does not warrant such an increase in expenditure.

COURTESY ROYAL NETHERLANDS EMBASSY

According to Dutch Finance Minister Onno Ruding, cutting public expenditure and improving the environment are the Netherlands' two economic priorities.

Although there is still no end in sight to the negotiations, there is a feeling among Dutch politicians that the old CDA-Liberal coalition—possibly also including D66—could return to power.

On the threshold of 1992, the Netherlands needs to form a stable government. The fall of the former government was especially inopportune, for under the Dutch Constitution, the government—caretaker or not—had to submit the 1990 budget to the new parliament in September. In presenting that budget, current Finance Minister Onno Ruding said that two priorities were to cut "public expenditure and to raise expenditure for the improvement of the environment." Financing the deficit, largely the result of government subsidies in the 1970s, is another main concern, Ruding said. At 20.4 billion guilders ($9.58 billion), it has decreased from 8 percent of GNP in 1983 to 5 percent in 1989, but must fall to 4.1 percent in 1990. In addition, credits for environment policy must increase by 8 percent, and the enormous public debts required for paying interest will rise to 5.5 percent.

On the whole, however, the Dutch economy is doing very well. Expectations are for 2-percent inflation and for 3-percent GNP growth in 1989-90. The 1990 budget, at 174.4 billion guilders ($82 billion), is roughly the same as that of 1989.—NEL SLIS

ATHENS

Burning the Past

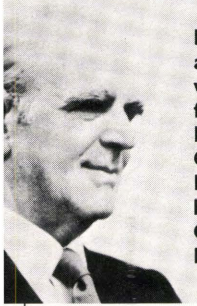
Due to an unusual combination of circumstances, Greece was piloted through the summer by a most unlikely coalition government of conservatives and leftists. It was not a celebrated "historic compromise"—the partners agreed to remain in office for only a few months and to "freeze" many important policy issues—and no Communist Party (KKE) member actually served as minister. It was, however, the first time since the Greek civil war ended in 1949 that the KKE had come anywhere near the reins of power.

How natural, then, that the 40th anniversary of the last terrible civil war battle in the mountains of Epirus, which fell in mid-summer, should be designated a celebration of "national reconciliation." A symbol of this reconciliation, it was announced, would be the burning of some 16 million files kept on politically doubtful individuals by the security police from the civil war onward.

So many files exist because

each suspect individual had a separate file for the different phases in his life: student days, military service, and changes of residence and job. Although these files accumulated the usual trite gossip of police snoopers, their contents were crucial to people's fortunes in relation to the state during the 1950s and 1960s, determining admission to or promotion in the civil service, and the issue of all manner of licenses and permits. The military dictators who ruled Greece from 1967 to 1974 were also zealots in this field.

The flagship of the "national reconciliation" celebrations was a law to "eliminate the consequences of the civil war." This awarded full pension rights and social benefits to anybody who fought on the losing side, whether as an irregular or in the leftist Democratic Army. In addition, the legislation officially recognized the term "civil war," in place of the outdated "bandits' war," an expression still preferred by the extreme right.



In the 1970s, after the civil war, Greece's first democratic President, Constantine Karamanlis, legalized the Communist Party

COURTESY EMBASSY OF GREECE

The file burning began on August 29 and, 40 years after it ended, the civil war was finally laid to rest. None too soon, one might say. Yet civil wars are the bitterest, both in prosecution and in legacy. The Greeks, however, have a way of relishing their history, turbulent as it may be. Only in 1987, for example, was the state of war between Greece and Albania (which had persisted for almost half a century) formally lifted. Similarly, a general mobilization ordered after the 1974 Turkish invasion of Cyprus was revoked just two months ago, though admittedly few people noticed.

Despite this summer's razzmatazz, the policy of "national reconciliation" has actually been around for quite some time. The first breakthrough was made in 1974 by former Premier Constantine Karamanlis' legalization of the KKE, which had been banned since the end of 1947. The process was continued by Andreas Papandreou's Socialist (PASOK) Government, which extended equal recognition to the leftwing resistance against the German occupation in World War II, and thus ended the official celebration of civil war victories.

The civil war cost some 80,000 Greek lives, and resulted in a population hemorrhage as over 100,000 leftists abandoned Greece for exile in Eastern Europe and the Soviet Union. In 1974, Karamanlis opened the way for their homecoming, and during his seven-year conservative government, 34,000 came back to Greece. An additional 18,000 returned after Papandreou took office in 1981.

By August 1989, there was really very little left to be done in the way of "national reconciliation." Except, of course, to burn those police files. And this caused the most unholy row. Historians, civil war veterans, and socialists denounced the decision, and a former PASOK Justice Minister, Professor George Mangakis, sought—and won—an injunction to preserve his own file. Others followed suit. A former commander of the Democratic Army, Markos Vafiadis, called the plan "a disastrous mistake [and] a crime against history."

In this context, it is interesting to note that Mangakis had signed a government order to do exactly the same thing in 1984 as Justice Minister, but that PASOK then backed down because of reaction from the Communists (who had themselves been demanding the burning of the files for years). This situation has not been satisfactorily explained, but perhaps "national reconciliation" is more attractive to governments than to oppositions. In any case, the present New Democracy-Communist coalition Government bowed to the pressure, up to a point: While most of the 16 million files have gone up in flames, some 2,000 selected files will be preserved, to be opened to historical research after 20 years.—PETER THOMPSON

LONDON

The Greening of Britain

Not too many decades ago, Britons traveling abroad were warned not to drink the water in foreign parts, and to be exceedingly careful what they ate.

Today, it is more likely that people traveling to Britain have to heed such advice. This summer, the water in some parts of the country was officially declared undrinkable unless it had been boiled. Rumors had it that worms had come out of the water taps in some areas. This concern about the quality of the nation's water followed hard on the heels of nationwide scares about cheese, eggs, and chickens—the lysteria hysteria and the salmonella scandal. It seemed that Britain's eggs and chickens were health hazards, and as for soft cheeses, the only saving grace was that the cheese in question was actually

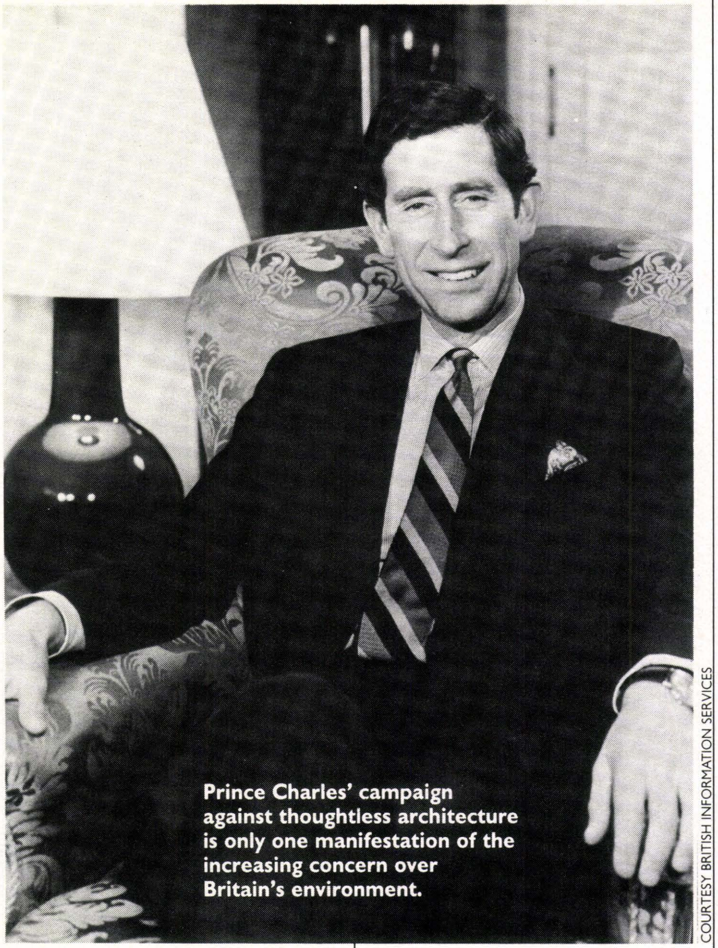
French!

A persistent chord of disharmony over the environment has been heard throughout the year. Prince Charles has continued his campaign against the environmental harm caused by brutal and thoughtless architecture. Indeed, his book on the subject shot to the top of the best-seller list when it was released last September. Polluted air and traffic-choked cities, plane and train crashes, the sinking of a car ferry and a Thames River pleasure boat all contributed to the feeling that something was going badly wrong in Britain's traditionally well-run and organized society. The quality of life, it seemed, was not just deteriorating, but crumbling around the British.

British Prime Minister Margaret Thatcher was the first of the country's leading politicians to spot the growing disquiet about the environment. In speeches to the Royal Society a year ago and at an international environmental conference in London last March, she pushed the environmental question into the political limelight. Even those who suspected that her "greening" had as much to do with vote-winning as with genuine concern could not fault her remark that "no generation has a freehold on this earth. All we have is a life tenancy—with a full repairing lease."

Thatcher's political antenna showed perfect timing, as the elections to the European Parliament proved. Britain's hitherto virtually unknown—and largely ignored—Green Party took 15 percent of the vote and overnight became, in terms of votes if not in parliamentary seats, the third-largest party after the Conservatives and Labor.

And Britain's "greening" process continues. *The Independent* newspaper headlined a recent supplement on environment and business "Year of the Green Revolution in Britain." Indeed, by late September, as the political parties' annual conferences got under way, the Green Party was being paid almost as much media attention as the Conservative and Labor parties, and certainly far more than the two centrist parties, the Social Democrats and the Social and Liberal Democrats.



Prince Charles' campaign against thoughtless architecture is only one manifestation of the increasing concern over Britain's environment.

COURTESY BRITISH INFORMATION SERVICES

The two million votes for the Greens reflected the dramatic increase in the fortunes of the environmental organizations, which had long been regarded by the general public as the exclusive preserve of cranks, eccentrics, and "loony lefties." Membership in the 13 largest environmental groups has burgeoned to about five million, almost twice the figures of the early 1980s. The income of these organizations has reached some $250 million a year, and they can now afford to employ about 1,500 full-time staff. According to *The Independent*, these numbers will rise to nine million supporters and to an annual income of $400 million by the time of the next general elections, which must be held by 1992 at the latest.

The cranks of the late 1960s have become a political force, wooed by the main political parties. Thatcher was the first to recognize this evolution and, despite what cynics may say about her motives, that has had a profound effect. The opposition Labor Party has been scrambling to present a coherent policy on the environment and green issues in general. It is trumpeting the fact that since it believes in governmental control and direction of society, it can enforce environmentally sound policies through tax incentives and penalties and ensure that roads, rails, and buildings conform to the highest principles.

Dr. E.F. Schumacher, whose 1973 book "Small is Beautiful" catapulted him to fame and the position of leading theorist of the ways to change modern economic directions so as to take human needs into account, might find the current interest in green issues a bit of a fad. After all, he wrote that "The challenge to man's future cannot be met by making marginal adjustments here or there . . . ."

For those who are less absolutist, however, the fact that the quality of life has become a political, and therefore also an economic, issue can only be seen as a positive development. It certainly would be nice to learn that it is safe to drink the water.—DAVID LENNON

ROME

Catching the Fast Train

The Brenner Pass, which connects Italy to Austria and thus to the rest of Europe, has sometimes been called the "asphalt Suez Canal," for like any other strategic border crossing, it has always had its share of problems. Early this fall, the latest conflict was caused by Rome's and Vienna's differing interpretations of a 1960 treaty signed by Italy and Austria on granting transit permits to the enormous semi-trailers (TIRs) that transport much of the merchandise coming into Italy from the North of Europe.

For a week at the end of September, trucks were stopped by customs, causing the border crossing to be blocked by a line of trucks several miles long. While the Italian and Austrian bureaucracies fought, television screens across half of Europe projected scenes of disconsolate truckers camping next to their vehicles as their goods and foodstuffs risked spoiling.

In the end, the situation was resolved. However, the underlying problem of general traffic congestion, especially in freight transportation, remains. Italy is lagging behind the E.C. average in the transport sector. Admittedly, a few solutions concerning road transportation, such as doubling the Brenner Pass tunnel, are already under consideration, but most are only a palliative, both because of the time involved (Transportation Minister Carlo Bernini hypothesizes 12 years), and also because they are not adequate to solve Italy's road transportation problems.

Over the long-term, instead, Italian road and rail transportation must be completely integrated. More shuttle trains must be available to carry the semitrailers, thereby reducing their numbers and easing automobile traffic. Although truckers do not like to use the shuttle trains, Bernini and the special railways commissioner Mario Schimberni maintain that "the future of the TIRs will be on rails."

These rails, however, are far behind schedule and, while the rest of the E.C. is creating a network of high-velocity trains, Italy is in danger of being isolated. Within the next few years, the network of high-speed trains—the French *train à grande vitesse* (TGV) and the German Inter-City Express—will connect the western part of the E.C. from Great Britain to Spain.

Unless plans change, Italy seems destined to develop its own internal high-velocity train (the so-called "Pendolino"), which connects only Milan and Rome and, with a bit of goodwill, Turin and Naples, but has no external links. Bernini optimistically hazards that "the French TGV could even go all the way to Turin, thereby creating a rapid and direct connection with Europe." For now, however, this is only a declaration of intent. Maps illustrating the future high-velocity network leave no doubt: Italy will be left out.

Bernini's suggested solution is to involve private industry. This seems to be an anomaly, since Italy's public sector has until now kept private enterprise very much at arm's length. But change, it seems, may be coming. "It's true," Bernini explained in an interview, "[that] the ideological taboo concerning private intervention has fallen, at least at the official level.

LUXEMBOURG

Use the ECU!

Luxembourg is carrying out an important European experiment this month designed to encourage its citizens, and any tourists wandering through, to make greater use of the European Currency Unit (ECU).

Although it has a monetary value, the ECU remains a somewhat mythical beast. Created in 1979 as a unit of account for the E.C.'s budget, it still exists only on paper, to be shuffled about by Eurocrats and bankers. So popular has this fictive currency become, however, that it is now among the top five currencies most widely used in international transactions.

The ECU is composed of specific amounts of the currencies of each of the E.C. member states, with the currencies of the E.C.'s newest members, the Spanish peseta and the Portuguese escudo, joining the "basket" in September. Currently, the ECU is worth just over $1, and its value rises and falls like any other currency. The only problem so far has been that the ECU does not exist in the form of coins or paper money, which makes it a bit difficult to use in daily transactions.

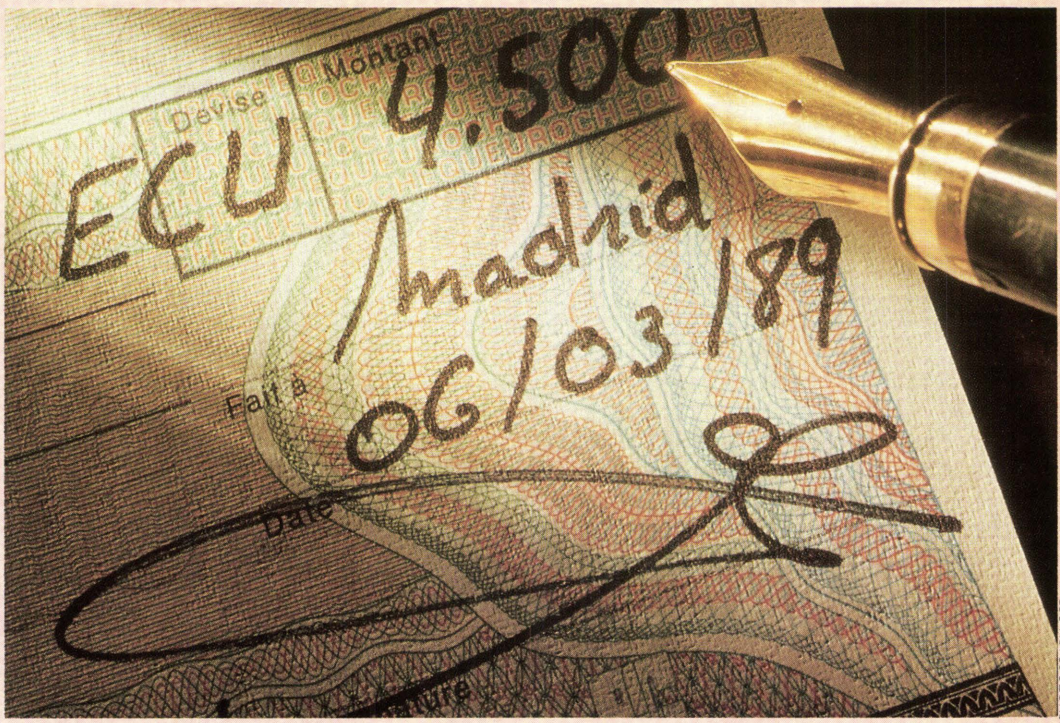
In 1987, the Belgians minted the first silver coins denominated in 50 ECU and 5 ECU, but they were aimed at the collectors' market only. Imprinted on the coins were the 12 stars symbolizing the nations of the European Community, and the bust of Emperor Charles V, who was born in the Belgian town of Ghent in 1500 and was crowned head of the Holy Roman Empire in 1519. It is claimed that Charles V was chosen to be immortalized on the first-ever ECU because of the striking geographical similarity between the Common Market and the Holy Roman Empire. Be that as it may, very few Luxembourgers today would recognize either Charles or, sadly, the ECU.

Slowly but surely, however, this elusive currency is gaining ground. One can now buy travelers checks denominated in ECU, keep bank accounts in the currency, buy ECU-based unit trust shares, take out ECU loans and mortgages, and have credit card companies bill one's account in this currency. Also, according to devoted ECU users, paying in this artificial money is the best guarantee against exchange-rate losses.

Now Luxembourg, the E.C.'s bankers' paradise, has decided to encourage ECU use in its citizens' daily lives. Throughout November, all shops, cafes, restaurants, and hotels in the city of Luxembourg will display their prices in both Luxembourg francs and ECU. Residents will be encouraged to pay their monthly rent, electricity, and heating bills with ECU checks, and some establishments will be paying their employees' salaries in ECU.

This experiment might encourage a more determined effort on the part of others to come up with real ECU coins and notes for daily use. This has been the subject of great behind-the-scenes debate, with various eminent Europeans being put forward as suitable candidates to adorn the new currency. Jean Monnet, the architect of the Community, seems to be the favorite—particularly for those who want to go around with lots of *monnet* in their pockets.—DENISE CLAVELOUX

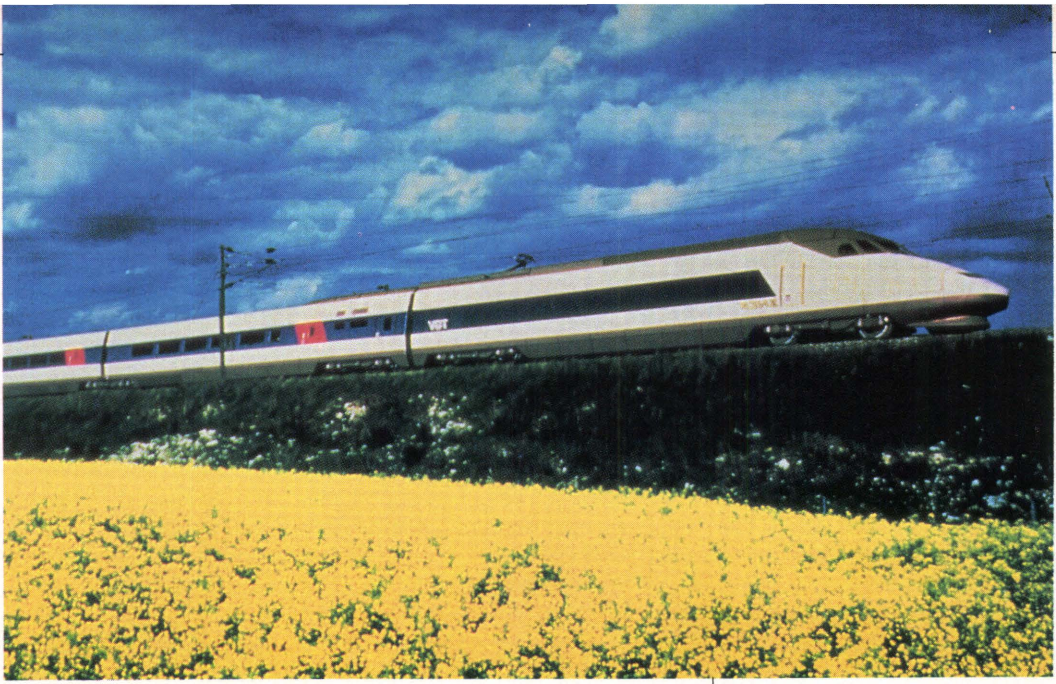
Luxembourg is encouraging its residents to use the European Currency Unit to pay rent, electricity, and heating bills. Travelers checks (below) can also be denominated in ECU.



And it is precisely in the field of high-speed rail transportation that there is room for private entrepreneurs." So maybe Italy will, after all, still be able to catch the last (high-speed) train for Europe. But it had better hurry.—NICCOLÒ D'AQUINO

PARIS

All Aboard the TGV!



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The new French high-speed train, which will link Paris to the west of France, can travel up to 190 miles per hour.

The inauguration of a new line of the high speed train, the *train à grande vitesse* (TGV) has given France yet another chance to vaunt its prowess in fast-train technology that is so radically changing ways of travel.

The new TGV-Atlantique will run from Paris to the west of France, cutting the trip to Bordeaux from four hours to three. With a peak of 190 miles per hour, the TGV-Atlantique travels at even greater speeds than the original TGV line that runs from Paris to Lyons. The TGV-Atlantique also has other novelties, such as computers that interface directly with a central terminal to avoid the need for switching on the rail lines.

Perhaps the most fundamental change, however, is the new cars' interiors, which are designed to reflect the kind of passengers who ride on the high-speed trains. Some cars have airplane-style seats to suit business travelers, while others are divided into compartments. There are also conference spaces for business meetings, children's play areas, facilities for nursing mothers, phones for making international calls, and comfortable bar areas.

The original TGV was conceived as a businessman's train. But the design of the new TGV-Atlantique recognizes that more than half the trains' users are tourists, vacationers, and the elderly, a passenger mix that has made the TGV a success, transporting more than 100 million travelers since it first opened in 1981. Competition from the TGV led to a 50-percent cut in prices on the French domestic airline routes from Paris to Lyons and Marseilles, while the French state railway company recovered its investment in 9 years and realized a healthy 15-percent return on investment.

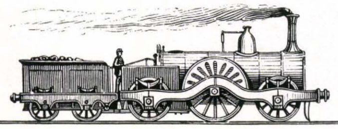
The TGV evolved from the "folly" of engineers, who designed the prototype high-speed train with little support from the railway or the government. Politicians viewed the idea as enormously expensive, and the railway company took the position that trains were meant to travel slowly and carry big loads.

Political approval was eventually given, however, because the TGV had the advantage of being able to run on old railroad tracks as well as on the extremely smooth TGV track. This is primarily because the refined technology needed to develop a high-speed train is in the track manufacture, while the train itself is basically a more powerful version of a classical locomotive. This design meant that TGV rails could be used for the trunk line, while branches to smaller towns or through mountain terrain would still use classic track.

The TGV's arrival had an immediate impact on all train travel in France. Clive Lamming, author of 20 books on trains, says that the French train network fell into disrepair and became dirty and inefficient during the 1970s. As a result, travelers turned to planes and cars and abandoned trains. France, in fact, became truly American in its view of travel. Lamming adds that this changed in the 1980s, with the TGV one of the catalysts that got the French back onto trains. Its new technology was a kind of advertising that promoted rail travel as a whole. The resulting new traffic led to better train maintenance, and now the whole system is well used and very efficient.

France would like to export the TGV for use on some of the busy corridors in North America, although the habits of car and plane travel on that continent make investment in high-speed trains a more dubious one than in Europe.

A TGV line north to meet the Channel Tunnel is already under construction. Another line encircling Paris will allow transfer between TGV lines without going into the city. The French Government's goal is to use the TGV to make France the crossroads of Europe—and it seems well on its way to success.—BRIGID JANSSEN



CORRESPONDENTS

KEN POTTINGER reports from Lisbon for London's *Daily* and *Sunday Telegraph*, and for the *Christian Science Monitor.*

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

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

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

BRIGID JANSSEN is a freelance writer based in Paris.

CHRISTOPHE LAMFALUSSY is the foreign affairs correspondent for the Belgian Daily *La Libre Belgique.*

PETER THOMPSON is the Athens correspondent for *The Independent.*

DENISE CLAVELOUX is a freelance writer based in Brussels.

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

NEL SLIS is a freelance writer based in The Hague.

RICHARD LORANT reports for *Associated Press* from Madrid.

FROM OHIO TO BRUSSELS: THE U.S. STATES ENTER THE INTERNATIONAL MARKETPLACE

COURTESY NEW YORK CONVENTION AND VISITORS BUREAU

STATE-LEVEL ECONOMIC DEVELOPMENT PROGRAMS AIM TO ATTRACT FOREIGN COMPANIES AND INVESTMENT.

WOLFGANG WELZ

Forty U.S. states have trade development offices abroad, 32 of which are in the E.C. Above: New York's World Trade Center.

For more than 50 years, the stewardship of economic growth and prosperity in the United States was firmly in the hands of the national government. Americans turned to Washington for economic leadership, and the state economies received healthy injections of federal dollars. State government was regarded, with some validity, as unprofessional and unwilling to tackle economic problems.

By the mid-1980s, however, this picture had changed dramatically. Facing double-digit unemployment levels and major federal cutbacks, the states reformed and strengthened their political and economic institutions. Specifically, they initiated numerous economic development programs to make themselves economically more competitive and to establish an environment that would help create and maintain jobs in the private sector. Gradually, the decade saw the focus of economic activity shift to the federal states, which, it seemed, were becoming "infused with an entrepreneurial spirit," as Carl Van Horn observed in his most recent book, *The State of the States.*

A relatively new aspect of state activism has been its focus on the international marketplace as states seek foreign investment and promote exports. Increasingly, state governments are serving as brokers and public relations agents for their home-state businesses. In 1987, for example, 48 states conducted trade missions overseas, often led by the governor, and including state business leaders as well as the staff of the state's economic development agency. Nationwide, spending by state development agencies to promote exports and attract investment grew from over $21 million in 1984 to over $62 million in 1988. According to the National Association of State Development Agencies (NASDA), all 50 states currently have some type of trade development program, whose 1988 budgets ranged from $18,000 in Vermont to $10.4 million in California. Florida, Illinois, Michigan, New Jersey, New York, Ohio, and Oregon reported spending more than $2 million annually. Average state spending on trade development programs was $1.3 million.

State export promotion efforts usually concentrate on international marketing assistance services. The scope of these services spans the gamut of sponsoring international business conferences and workshops, distributing promotional literature, exploring foreign markets, matching domestic and foreign businesses with mutual interests by pursuing trade leads, and taking companies overseas through trade and catalog shows. Most state trade development programs also place a heavy emphasis on overseas offices. Currently, 40 states spend about $200,000 annually on a total of 112 foreign offices in 17 different countries. Each office has an average of 13 staff members.

Additionally, the states have taken a variety of approaches to provide access to working capital, insurance, and export credit for individual businesses. At least 15 states operate export finance agencies, often linked to the U.S. Export-Import Bank. Indiana, for example, amended an existing financing program to include exports, and the Illinois state government sold $15 million in taxable bonds to fund its export financing program.

The creation of the California World Trade Commission (CWTC) is a particularly interesting example of the different tools used by the state governments to improve and implement state trade policy, since it is the first independent and quasi-public state agency created solely to promote international trade. The CWTC has a generous budget of $2.2 million (proposed for the forthcoming fiscal year), more than what any of 42 states spend on their entire export promotion programs. This makes the CWTC, which has offices in London and Tokyo, California's leading trade agency. Both its generous funding and the fact that the function and activities of the state international trade office have been removed from the normal state bureaucracy have provided the CWTC with some institutional flexibility that could be a critical element of its success.

Although the United States is the E.C.'s key trading and investment partner, the Far East is the most popular location for state foreign offices. There are 47 separate state offices, including 27 in Tokyo alone. The number of state offices in the E.C. is 32, including 10 in Brussels, seven in London, and six in Frankfurt. Currently, however, most of the states that are considering the establishment of additional offices are still looking to the Far East to expand their markets.

Nevertheless, the coverage of "Europe 1992" in the American media, and the recognition of its importance, is increasing stronger. It can therefore be expected that U.S. state government interests and activities in this region will expand further, especially as U.S. exports represent an area of untapped potential. At present only 10 percent of the 250,000 manufacturing firms in the United States are engaged in export trading, although as many as 200,000 more companies may have products or services with export potential, according to calculations by the U.S. Department of Commerce.

The recent emergence of state trade promotion efforts as an economic development activity grew out of the more traditional business development efforts to attract foreign investment. While the primary goal of export promotion is to support existing industry, new business can be recruited by foreign investment. Just as with domestic recruitment, the success of attracting foreign investors depends largely on incentives and reasonable land prices, convenient transportation facilities, and favorable tax rates or low-interest loans.

The commitment of state governments in offering such incentives to encourage foreign companies relocate in their area is quite impressive. Wyoming, for instance, has issued a $10-million loan program, while South Dakota has provided $40 million in low interest rates to attract new firms. Several Midwestern states have instituted job training programs to increase the attractiveness of their work force, and in South Carolina, prospective employees for a new British-owned facility were sent to the foreign plant to train at the state's expense.

According to the U.S. Department of Commerce, the value of foreign-owned property, plants, and equipment in the United States was $328 million in 1988, and accounted for 3 million direct jobs. In this context, Texas topped the list in terms of foreign investment dollars, while California had the lead in the number of jobs. Contrary to what most Americans believe, Japan is not the biggest foreign investor in the United States. Great Britain's direct investment of $101 million is almost double that of Japan, which stands at only $53 million. At the end of 1988, foreign direct investment by the E.C. countries (excluding portfolio investment) totaled $193 million.

It should not be overlooked that foreign investment is still a controversial issue in the United States. The increasing penetration of foreign investors into certain industries has led many to call to limit it or at least to exercise stricter controls. Recent surveys indicate that 70 percent of American voters support additional controls on foreign investors, and that major concerns over the growing level of foreign investment are that it may restrict domestic production and eventually increase the vulnerability of the American economy to worldwide forces. Others, including an overwhelming majority of state officials, argue that foreign investment stimulates the individual state economies.

While there seems to be no consensus on the benefits of these investments for the U.S. economy, the threats of such foreign investment are often overstated since they form only a small part of the American economy, and since direct investment is one of the few areas of international business transactions in which the United States runs a surplus. In view of these facts it seems that foreign investment will continue to grow.

Looking back, the growth of state activities in promoting international trade and foreign direct investment has been very impressive. In less than a decade, state governments have become a driving force in U.S. international economic policy. "The United States is not just Washington, D.C.," a Texas state official said during a visit to Israel last year. "It's 50 states, and those states not only are able to deal with other parts of the world, but are interested in doing so."

The recent legislation of the U.S. Congress recognizes and endorses this new role for state government, which provides for stronger state participation in the economic agenda setting through the National Governors' Association and other "intergovernmental interest groups." Moreover, the states will be expected to play an important role in economic development policy during the Bush Administration, since the federal budget deficit leaves only a little room for major economic programs. €

Wolfgang Welz is a visiting fellow at the Urban Institute in Washington, D.C.

ACHIEVING SUCCESS IN THE GLOBAL MARKETPLACE

CAPTAINS OF INDUSTRY DISCUSS THE CHALLENGES AND OPPORTUNITIES OF TRADE IN THE 1990S AND BEYOND.

"A truly global economy is now a reality. It's becoming increasingly clear that the real frontiers are markets and ideas," Edward L. Hennessy, Jr., Chairman of the board of Allied-Signal, Inc., told the audience of the ninth International Industrial Conference (IIC). This conference is held every four years in San Francisco to promote a free exchange of business ideas and market information among Chief Executive Officers (CEOs) and other top executives from the Fortune 500 companies. The theme of this year's conference was "Managing in a Competitive Global Economy."

This elite group of corporate leaders agreed that the new era of global competitiveness will force management to respond to distinct market differences and individual market niches with unique products and ideas, and with new talents and skills to compete effectively. "The successful managers of the future will probably speak Japanese and English, have a strong base in Brussels, contacts in the Pacific Rim, and know the cafés and bars of Singapore," said Preston Townley, President and CEO of the Conference Board, a co-sponsor of the IIC.

The acceleration of competition in the global marketplace much preoccupied the conference attendees. "Competition . . . will be tough, and U.S. companies will be required to become better manufacturers and more innovative managers to prosper," said Hennessy. In this context, he pointed to the European efforts to create a single market as "the best example of countries strategically aligning themselves for the future."

Despite the fear of "Fortress Europe" that has been voiced by some, the business leaders predicted vast competitive opportunities and challenges in this new market. "The objective . . . 'tearing down internal barriers to the movement of goods, people, capital, and services' . . . represents a significant and unprecedented opportunity not only for Europe, but for the rest of the world. With 320 million people and a combined gross national product of $4.2 trillion, the European Community will constitute one of the world's largest markets for goods and services," Hennessy continued. As a result, he sees the new Europe as being a unified trading, industrial, marketing, and political bloc. Jacques Delors, President of the European Commission and a keynote speaker at the conference, said confidently that "the European economies have now become an engine of growth for the world economy, [and] are making a substantial contribution to solving the problem of the major external imbalances."

Almost half of the American business leaders expect a unified European market to generate economies of scale that will make European products more price-

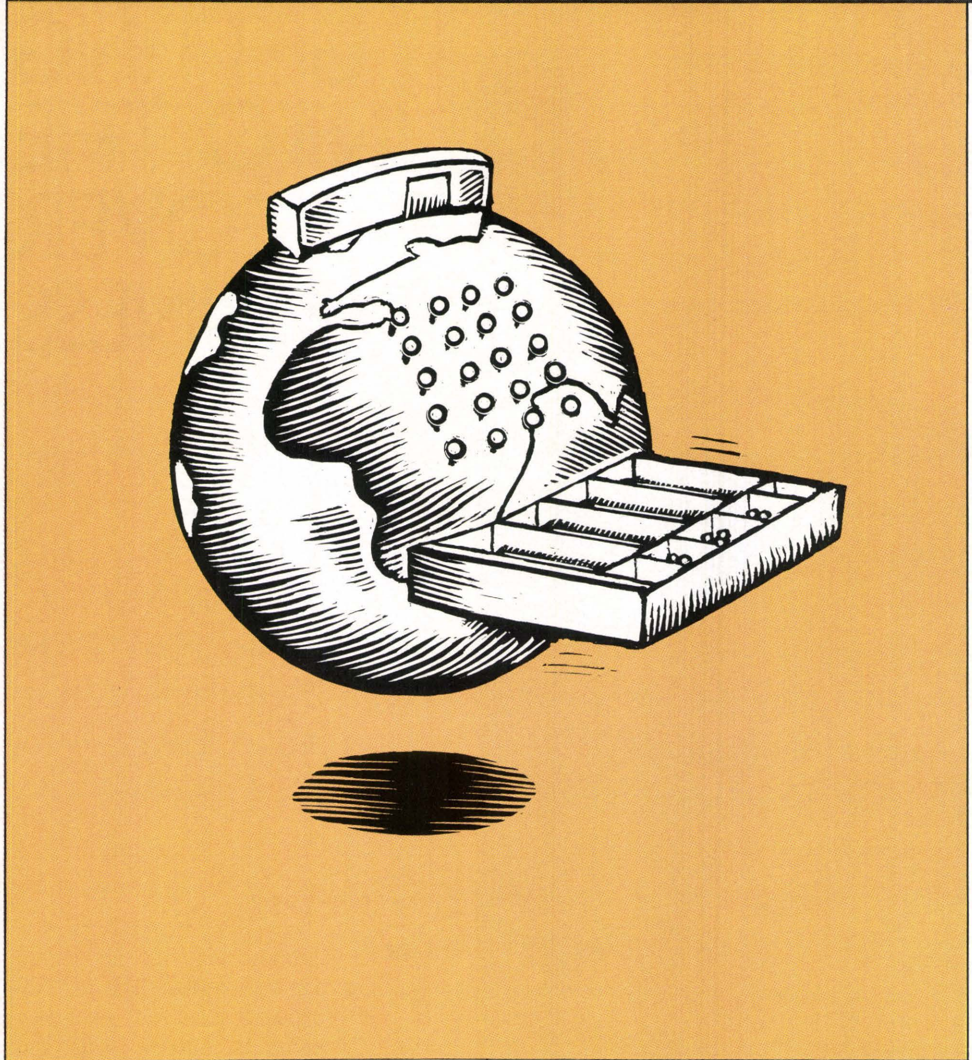


ILLUSTRATION BY RANDY LYHUS

competitive on the American market and weaken the U.S. world trade position. But while many companies understand that the competition for the European market will be tougher than before, relatively few believe that a unified Europe will have a negative impact on them.

In fact, U.S. companies are more concerned and critical of the annual $50 billion U.S. trade deficit with Japan. Akio Morita, chairman of Sony Corporation, blamed the problem on a lack of U.S. investment spending, weaknesses within the U.S. labor force, and U.S. corporate managers' emphasis on short-term financial results. "In the manufacturing industry, it takes 10 years to develop a new technology, 10 more years to apply it to a new product, and maybe another 10 years to turn that product into a profitable business," he pointed out. "On the other hand, it seems to me that people in the financial sector pay the most attention to the currency changes in the next 10 minutes."

The discussion among the CEOs also moved to the survival tactics necessary in the new global marketplace. Townley argued that, since some 90 percent of the world's high-value added, high-tech manufactured goods are not just produced, but also consumed, by people in Japan, Western Europe, and the United States, marketing strategy would be aggressively aimed at the 630 million people in those parts of the world.

Peter Drucker, Clarke Professor of Social Science at Claremont Graduate School, thought that the multinationals would have to create new kinds of alliances in order to remain competitive, such as wholly owned subsidiaries run by locals, and joint and cooperative ventures, like licensing agreements or equity investments. He added that the current surge of merger and acquisition activity was a good example of how companies were preparing for the changes.

Delors indicated that the E.C.'s 1992 program provided a framework for structural change that had already created a dynamic process. Industry was responding to the challenge, cross-border merger and acquisition activities were occurring across a whole range of sectors, and U.S. firms' direct investment in Europe had doubled.

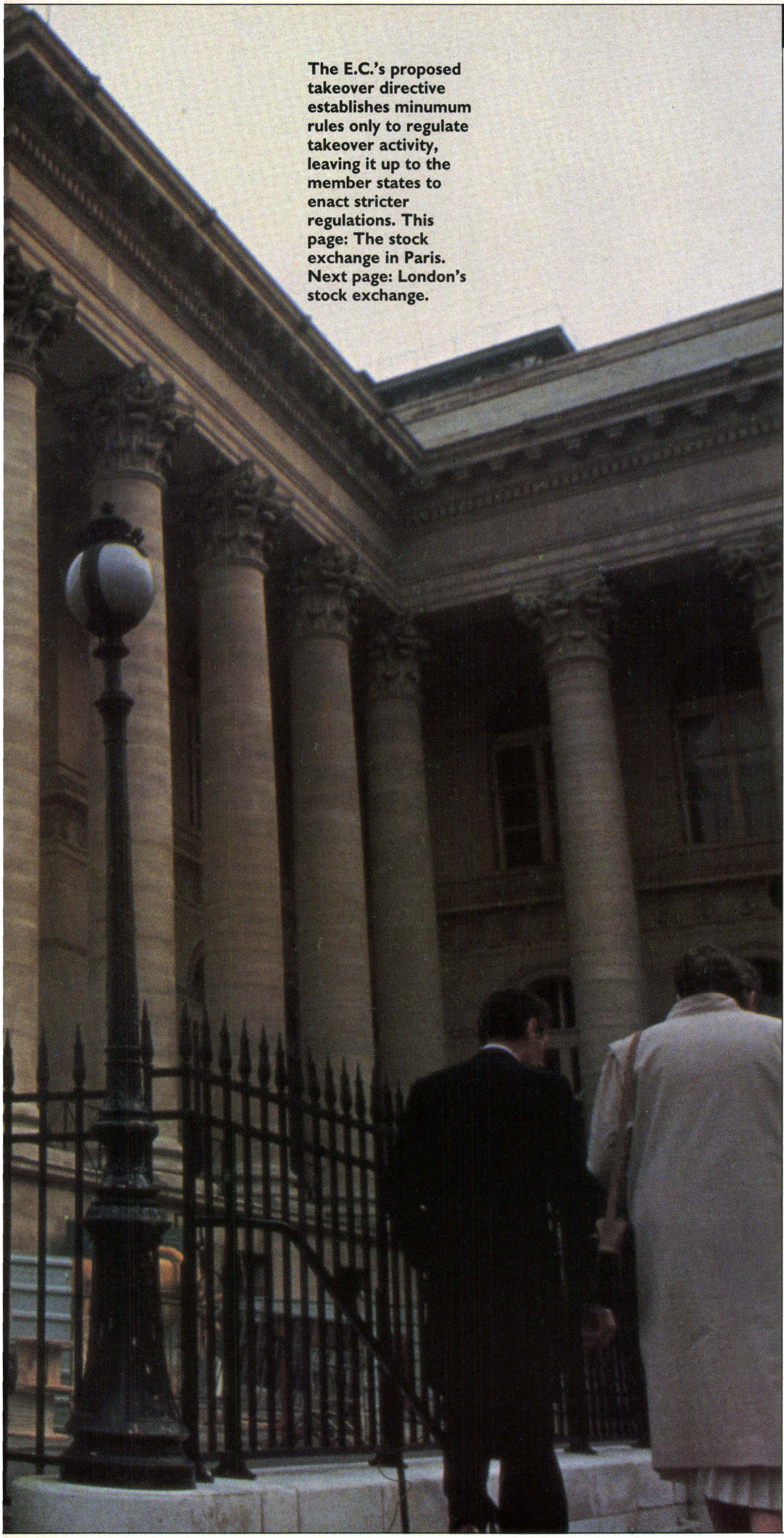
Participants were unanimous that one of the key survival issues in the global arena was the availability and quality of trained workers, and emphasized that companies maintaining a trained and motivated labor force capable of continuous retooling would succeed. They also agreed that a management pool with an understanding of the different cultures to be served and an ability to successfully react to such needs before the competition was just as important. Michael Angus, chairman of Unilever PLC, for example, felt that the single and most important issue for his company was the knowledge of how to work under different local conditions. He saw a need for flexibility, responsiveness, and an innovative corporate structure to assure that "everybody is reading from the same page."

A third major concern was that of regional barriers. Delors addressed the problem of trade barriers in the automobile, transportation, energy, and telecommunications industries that still exist within the E.C., admitting that "in those fields, the antagonism between European nations is very destructive, and the interests of firms and . . . of nations are mixed."

The participants repeatedly focused on Japan, which, American and European speakers clearly implied, must open its markets to foreigners or face trade retaliation. Morita, however, argued that "the real key to competitiveness lies not in trade policy, but in increased investment, strengthening commercial R&D and, above all, increasing the quality and spirit of the labor force." He added that "protectionism runs counter to free market principles and, with the lack of external competition, would only encourage inefficient industries to continue in business."

While the conference brought out little disagreement over the future escalation of world competition or the initiatives businesses must take to compete successfully on a global scale in the 1990s and beyond, it was clearly not able to resolve how to work around conflicting national economic priorities to implement the ambitious goals of the world's business leaders. By the time the next IIC is held in 1993, participants will have had nearly one year to monitor the E.C.'s progress in putting free trade ideas to the test. That experience may provide some answers to the questions still pending in 1989. €

Vivienne M. Antal produces and hosts shows covering international business and political events for cable television in San Francisco.



The E.C.'s proposed takeover directive establishes minumum rules only to regulate takeover activity, leaving it up to the member states to enact stricter regulations. This page: The stock exchange in Paris. Next page: London's stock exchange.

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GETTING INTO THE TAKEOVER BUSINESS

INCREASED ACTIVITY IN EUROPE HAS SPARKED AN E.C. PROPOSAL FOR COMMUNITY-WIDE REGULATIONS.

RICHARD R. RIVERS
GEORGE S. VEST

The dramatic rise in the recent number of takeover bids for major corporations is not exclusive to the United States. Europe is also experiencing a substantial escalation in both friendly and hostile corporate takeover attempts. One characteristic of recent European takeover bids is the fact that a number of them were fueled by the uncertainty of future access to the integrated market after 1992. Not surprisingly, the E.C.'s active interest in this area has led it to address the regulation of takeover bids.

On December 22, 1988, the Commission issued its proposed directive on "Company Law Concerning Takeover and Other General Bids." This directive seeks to establish harmonized regulations governing takeover bids throughout the Community. Under the proposal, an offeror would be required to make a public bid for all the shares of a target company after it acquired or controlled a certain percentage of the company's shares. This percentage, which cannot exceed one-third, would be determined by member states. In addition, the bidder would have to treat all shareholders holding a particular class of stock equally. The proposed rules apply to all takeover bids for large companies within the E.C., and require each member state to designate or establish a national authority to supervise compliance.

The proposal applies to takeovers, or "share mergers," in which offers are made to holders of securities with current or convertible voting rights to acquire their securities for control of the company or consolidation of the bidder's existing control. Furthermore, it applies only to public limited companies. The offeror is not required to make a bid for small- or medium-sized companies not quoted on the stock exchange that have less than $6.5 million in assets, turnover of no more than $15 million, and fewer than 250 employees.

The proposal spells out the offerer's specific obligations. For example, it is required to make a bid for all the shares of a target company after acquiring one-third of those shares, to prohibit purely speculative partial bids. In addition, bidding intentions must be announced and a detailed "offer document" published outlining intentions regarding the use of company assets, the future membership of its board, and the continued employment of its employees. If special advantages are to be granted to the directors of the target company, these must also be disclosed.

The target company must be given an acceptance period of not less than four weeks and not more than 10 weeks and, with certain exceptions, an offer may not be withdrawn once it has been published. Offerors may revise bids at any time up to one week before expiration of the acceptance period. Finally, they must revise bids upward to pay all shareholders equally if shares are bought from any shareholder at a higher price than that specified in the offer document.

The proposed directive also lays down rules for the target company. Its board, for instance, must prepare a report for the shareholders stating its position on the bid. This is especially important since only the shareholders can determine the target company's defensive tactics. In particular, the proposal prohibits the target company's management from mounting such "poison pill" defenses as increasing the voting shares of the target company once a takeover bid has been made, or expanding the target company's current operations to include speculative ones likely to lead to the loss of assets.

Since the Commission's proposal only establishes *minimum* rules regulating the conduct of takeover bids, member states would be free to enact stricter regulations. Moreover, due to differences in opinion among the member states regarding the uses of various defensive mechanisms and structural barriers to takeovers, the proposed directive does not include an E.C.-wide reciprocity clause toward bidders from third countries. The proposal's explanatory notes make it clear, however, that member states are free to enact such clauses for use at the member state level.

To be adopted, the proposed directive requires approval by a weighted majority of member states. At present, takeover laws in the E.C. encompass a broad spectrum: Greece and Denmark have no such rules; Belgium and Luxembourg take a case-by-case approach; France, Spain, and Portugal have a statutory legal framework; and the United Kingdom, West Germany, Italy, the Netherlands, and Ireland rely on codes of conduct with various degrees of legal backing.

Some states have already expressed their reservations concerning the draft directive. The United Kingdom, for example, is particularly concerned that it would permit national takeover authori-

ties' decisions to be challenged in the courts, thereby undermining the British Takeover Panel's current flexibility in regulating takeovers through an informal, non-statutory approach. West Germany and France, on the other hand, are unhappy with some of the directive's details, such as a bidder's obligation to make an offer for all of a company's outstanding shares once a particular threshold level has been acquired. In light of such reservations, it remains uncertain when the E.C. will adopt the proposal.

APPROVAL OF THE DIRECTIVE WILL BE DIFFICULT, SINCE TAKEOVER RULES IN THE MEMBER STATES CURRENTLY VARY WIDELY.

The regulation of takeover bids presents certain problems. Harmonization of takeover rules is likely to make the accomplishment of cross-border takeovers somewhat easier. Consequently, the possibility that member states may enact reciprocity provisions forbidding or complicating takeovers by companies from third countries perceived to discriminate against E.C. firms in their takeover regulations could prove troublesome. Member states could also create problems by enacting stricter measures than those stipulated by the Commission. As a result, U.S. and European firms should closely monitor the implementation of this legislation in individual E.C. states.

As with many of the regulations covering trade and finance, specific regulatory language, and hence impact, is continually evolving through the political processes of necessity and compromise. Takeover regulations are no exception. Current initiatives are not final and, perhaps more than with other commercial concerns, the ultimate business climate for takeover opportunities will depend upon the internal legislative actions taken by member states. €

Richard R. Rivers heads the International Section and is a senior partner of Akin, Gump, Strauss, Hauer & Feld in Washington, D.C. George S. Vest, formerly U.S. Ambassador to the E.C. from 1981-85, is a senior adviser to Akin, Gump, Strauss, Hauer & Feld and De Smedt and Dassesse/Akin, Gump, Strauss, Hauer & Feld International in Brussels.

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It will appear in the Business Day section of The New York Times in December, 1989

The first in the "Europe: Horizon 1992" series appeared in the Business Day section in December, 1988. Each June and December through 1992, The New York Times will publish features updating the European Community's progress toward its historic goal, analyzing such key questions as monetary integration, labor legislation, airline deregulation and those centering on banking and financial services.

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EUROPEAN AFFAIRS/BROADCASTING

IN SEARCH OF . . . THE EUROPEAN T.V. SHOW

AS TECHNOLOGY PERMITS EUROPE-WIDE TELEVISION, THE E.C.'S BROADCASTING DIRECTIVE HELPS PREPARE EUROPEAN PRODUCERS FOR THE NEW MARKET.

JEANNINE JOHNSON

The E.C.'s recently adopted "Television Without Frontiers" directive provides the legal framework for the establishment of a single European broadcasting area. In practice, this will require member states to give access to broadcasters from other E.C. countries once they comply with the national legislation in their country of origin. In order to make this possible, the directive sets certain Community-wide requirements that will have to be incorporated into the national laws. These include limits on advertising, which can be no more that 20 percent of daily transmission time, tight controls on alcohol promotion, and a ban on tobacco and prescription drug commercials and on the use of subliminal advertising techniques. The directive also requests that the member states take measures to ensure that violent and pornographic programs that might seriously impair the physical, mental, or moral development of minors not be broadcast.

The clause that has received the most attention in the United States has been a stipulation that E.C. countries "ensure wherever practicable and by appropriate means" to broadcast European-made programs over 50 percent of the time, although this excludes news programs, sports events, game shows, and advertising.

The rationale for this directive, which is scheduled to go into effect two years from now, is that despite the developments in satellite broadcast technology, the European market is still fragmented along national lines. The result of these divisions is a range of between 23 and 35 sets of differing legislation at both E.C. member state and regional levels that limit the access of television broadcasts from one state to another.

The directive therefore aims to create a single broadcasting area more suited to the dimensions of modern television technology by setting common parameters for broadcasters throughout the Community. It will facilitate E.C.-wide transmission of broadcasts originating in any member state by establishing the principle of mutual recognition, which will enable all producers of television programs to take advantage of the larger market.

Estimates based on the passage of the broadcasting directive indicate that the E.C. market for programs will increase from approximately 250,000 hours per year in 1987 to some 400,000 hours per year in the 1990s. In addition, by 1993, the number of European television stations is expected to double to about 200.

The initial U.S. reaction has been negative because it fears that the directive is simply a trade barrier in disguise. In 1988, sales of U.S. television programs to the E.C. were worth over $600 million, which represents half of the U.S. television industry's world-wide revenues.

The E.C., however, has tried to assure the United States that the directive's overall aim is to liberalize, not restrain, trade, resulting in enhanced business opportunities for all broadcasting companies selling in Europe. Jean Dondelinger, Commissioner in charge of information, communications, and culture, stated at a press conference that "the European market will not be closed for American audiovisual productions . . . . Even if we were imposing a strict quota—which I repeat is not the case—American production could still benefit from half of the expanding European market, meaning some 200,000 hours of various programs, compared to the present level of 80,000 hours. I therefore do not see how U.S. audiovisual production could lose out on the European market."

The move to promote European programming is, however, partially a result of U.S. dominance in the television and film industries, and is also caused by a revolution in telecommunications. The effort to limit foreign programming has been led by France, which enforces the strictest limits on non-European programs. France has backed a 60-percent European content rule in the E.C., and in late September hosted the *Audiovisual Assizes*, a three-day conference convened to find ways of boosting European television programs and television technology.

Some 1,500 producers, directors, and engineers from the 23 Council of Europe nations, the Soviet Union, Hungary, Poland, and Yugoslavia discussed the possibilities for joint production and distribution projects at that conference. The Council of Europe has already agreed that its broadcasters should show a majority of European programs "where practicable."

On October 1, the conference participants set up a cooperation scheme to launch common television and cinema projects called "Audiovisual Eureka," modeled after the "Eureka" program created by European nations to foster high-technology research. French President François Mitterrand told the conference that Europe needs to produce many more hours of television programming to supply the demand being created by the proliferation of terrestrial and satellite channels. This shortfall is currently filled by imports, mainly from the United States, where Europe's share of the market is negligible.

The E.C. directive has a cultural underpinning. As European broadcasting deregulates, many (especially minority) groups fear the impact of transfrontier broadcasts on cultural differences. "What would remain of our cultural identity if audiovisual Europe consisted of European consumers sitting in front of Japanese television sets showing American programs?" asked France's European Affairs Minister Edith Cresson. Italian director Ettore Scola also criticized the amount of American imports, saying that "[American] colonization is not only economic, but chiefly cultural."

"I must say to the United States," commented Jacques Delors, President of the Commission, "that we have the right to exist and to maintain our traditions. There is not one European culture, but several. Each country should be able to defend its own. At least, we should be given the time to do it. There will be no protection of the European market, but no laissez-faire either."

The dominant view in Washington has been that the directive is more economic

Continued on page 47.

Reuters contributed to this article. Jeannine Johnson is contributing editor at *Europe*.

The European market will not be closed to "Miami Vice" and "Dynasty." On the contrary, it will provide enhanced business opportunities for all broadcasting companies selling to Europe, which would not exist without the directive.

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Part of the E.C.'s aid plan will give Poles and Hungarians the managerial skills needed to run a market economy. Here: Budapest, Hungary.

RICHARD C. LONGWORTH

With events firmly in the East European saddle, the Western democracies are galloping hard to keep up. The leading role in the Western response has been handed to the European Community, which is scrambling to build a policy framework sturdy enough to contain Russia's crumbling empire.

This daunting task comes at a time when the E.C. is striving to build a single market in the western half of a continent split by World War II. That work goes forward, but the attention of every Western capital has been seized by the drama of Communism's collapse in the eastern half: Poland and Hungary, two nations that have been locked in the eastern orbit for 45 years, say they want a Western-style democracy. Czechoslovakia cannot be far behind. The people fleeing East Germany make it obvious that the issue of German reunification is back on the international agenda. Behind them all looms the Soviet Union, which now seems close to economic disintegration.

No one expected this, least of all Brussels, and no one knows quite how to respond. What does Western Europe owe Eastern Europe? Can the two halves of the continent be reunited and, if so, how? Is E.C. membership for Poland and Hungary realistic and, if so, when? Should the E.C. rebuild Eastern Europe with a new kind of Marshall Plan, or must Eastern Europe rebuild itself? Finally, should the 1992 project slow down to let Eastern Europe catch up, or would this squander the chance to unite the E.C. states economically?

One answer to these many questions has been the Western powers' choice of the E.C. to lead a major international aid effort. After the economic summit meeting of industrialized nations in Paris in

EUROPEAN AFFAIRS/POLITICS

E.C. FOSTERS CHANGE IN EASTERN EUROPE

COMMUNITY AID FOR POLAND AND HUNGARY FOCUSES ON ECONOMIC RESTRUCTURING.

July asked the E.C. to coordinate aid to Poland, the Commission interpreted its mandate to include the coordination of Western policies toward the East. The Bush Administration, which is gradually rethinking the U.S. leadership role in Europe, clearly wants the Commission to act both as mapmaker and pilot on this cruise into the uncharted East.

It is both a huge opportunity and a great challenge. While some of the reshaping of Europe lies in the Commission's hands, it cannot control the events taking place there. The East European situation is so unstable that no E.C. policy could control the upheavals, nationalisms, economic crashes, and even bloodshed that seem all too possible there. Nevertheless, the Commission seems willing to try to influence these changes.

Commission President Jacques Delors and French Foreign Minister Roland Dumas scheduled a visit to Budapest and Warsaw to get their own view on what is happening there, and how ties with Brussels are evolving. At a meeting in Chartres, France, Delors and the E.C. Foreign Ministers devoted most of their time to the East European situation, and to the relationship countries like Poland and Hungary could have with the Community. Delors indicated hopes that next year's intergovernmental conference on economic and monetary union could also deal with East-West European ties.

E.C. policy toward Eastern Europe is evolving slowly. It appears to rule out massive Western aid along the lines of a Marshall Plan. The Commission instead believes that the East European countries must reform their own economies, but it wants to offer whatever Western help will be useful. It also believes that money is important, but that other things—management training and open markets, for instance—can help even more. But since it sees these changes as a long-term process, and refuses even to contemplate E.C. membership for the East Europeans, it sees no point in slowing the 1992 project.

This E.C. policy was demonstrated in Brussels on September 26, when the Commission hosted a meeting of the 24 industrial nations best placed to aid Eastern Europe. These countries include, apart from the E.C., the six EFTA countries, Canada, the United States, Japan, Australia, New Zealand, and Turkey. The agenda dealt only with Poland and Hungary—the two nations where reform is most advanced and events are moving fastest. Of the two, Poland got the most attention.

The West, behind E.C. leadership, had earlier promised 271 million ECU ($295 million) in emergency food aid to Poland. At the September meeting, the Commission proposed that the 24 nations give

'MR. EUROPE' REFLECTS ON POLAND, GERMAN UNIFICATION

GAIL RUSSELL CHADDOCK
WILLIAM ECHIKSON

When Jacques Delors took over as President of the European Commission five years ago, Western Europe was mired in internal quarrels over subsidies for milk, butter, and pork bellies.

Mr. Delors changed that with his 1992 program for a single market, spurring the 12 European Community members to concentrate on ways to eliminate obstacles to economic integration. As "1992" turned into a powerful slogan, Delors soon became known as "Mr. Europe."

He met with "The Christian Science Monitor" for his only official interview on his recent tour of the United States. Excerpts follow:

How will 1992 affect the Atlantic Alliance?

The moment has come to redefine the content, the spirit, and the functioning of the partnership between the United States and Europe.... Everybody is comfortable with old habits. For example, the United States divides up the discussion of problems. For security, it uses NATO. For foreign policy, it prefers bilateral discussion with major European powers. For economic problems, it's the Community. If we continue with this splintering, there will be no solution.

Do you think the Bush Administration is being too timid?

We in the democratic West must not be divided and get involved in a bidding war. We must present a common face with common values, with a common analysis, and then carry out a common action marked by vigilance, openness of spirit, and generosity.

This is what we seek to accomplish with Poland and Hungary. If it's a success, it won't just be a success for them. It also will be useful to show ourselves in the democratic West that the time is finished when each country can act on its own. It will be proof that our partnership has become more coherent and consistent.

Have you seen the economic plans presented by the Poles?

Yes. They still are a bit lost in their own illusions. They're asking a lot. They must first give up some things themselves. They must take a clearer view of their own problems. They must start working. They must overcome their internal divisions. This is urgent, especially for a Poland on the brink of bankruptcy.

Do you think the Poles are ready to make the necessary tough choices?

They don't have much choice. When the house is on fire, you can't say you are going to patiently, room by room, try to reduce the fire. You need a tough reaction. In my opinion, the Poles must expect a tough plan. But this plan won't be any socially harder than the hesitations or incoherent decisions made until now.

How do you see the recent flow of East Germans to West Germany affecting your plans for a United Europe?

Until now, German policy has held firm, even if there were some hesitations: that is, to give absolute priority to the construction of Europe; to explain to West Germans that their aspirations for closer ties with East Germans—that is, a unification, in a form to be determined later—... can be accomplished through a strong, united Europe.

These are strong emotions. There are some worrying declarations by public figures. But the line holds firm. In my official capacity, it's already one of my central preoccupations.

Do you think a strong, united Europe could calm security concerns about a reunited Germany?

We're just coming out of the Cold War. The Cold War was intellectually convenient. It was easier to manage than the present period. There was a balance of terror. You could evaluate the relative strength of each side, you could take your precautions, and two precautions were better than one.

Now we are in a difficult situation. We ask ourselves: Where will Mr. Gorbachev go? Will the Poles be able to improve their economy? Will the Hungarians destroy everything by a too rapid political evolution? And so on.

In this context, the existence of a peaceful, prosperous European Community will be an element of stability. The events of the East should force us to accelerate our social, political, and economic integration. Europeans must become responsible for the other Europeans. It's not just for the Americans and Russians to decide ex cathedra what we're going to do in Europe. That's over.

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The E.C. has proposed that 24 Western nations give $660 million in aid to Poland and Hungary next year. Here: Warsaw, Poland.

THE E.C. WANTS TO ENCOURAGE REFORM IN POLAND AND HUNGARY, BUT HAS RULED OUT A NEW MARSHALL PLAN.

600 million ECU ($654 million) in aid to Poland and Hungary next year. This would include 200 million ECU ($218 million) from the E.C.'s 1990 budget, 100 million ECU ($109 million) from the 12 member nations, and 300 million ECU ($327 million) from the other 12 nations.

The E.C. is expected to approve its contribution in November, and to include this sum in its 1990 budget in December. The individual nations involved are also in the process of agreeing to their contributions, and few are likely to renege on this commitment.

While the overall sums seem to present few problems, it seems more difficult to decide how to spend the money. At the September meeting, the E.C. laid out an "action plan" to guide the spending, but did not specify how much money would go for each part of it. The five parts of the plan include:

- Easier access to Western markets by lowering tariffs, especially for farm exports;
- Direct gifts of farm machinery and pesticides to help Polish and Hungarian agriculture;
- More foreign investment in Eastern Europe, encouraged by $1.1 billion in loans from the European Investment Bank (guaranteed by the E.C. budget) over the next three years;
- Professional and management training to give Poland and Hungary the skills to run a market economy. West German and British banks, for instance, have offered to help train Polish and Hungarian bankers to smooth the way toward the joint ventures in banking that the two nations want;
- Environmental protection to help the East Europeans clean up areas poisoned by years of over-industrialization and bad management.

This comprehensive agenda is intended to help the Poles and Hungarians help themselves. The Polish Government, for instance, is selling the donated food, and will use the proceeds for structural farm reforms. For the most part, however, the E.C. is trying to distinguish between emergency aid and long-term programs that will enable the East Europeans to turn toward market economies. "The principal responsibility belongs to Poland and Hungary," a Commission spokesman said. "Our role is to help them meet this responsibility."

Other institutions, particularly the International Monetary Fund (IMF), also have major roles to play. While the E.C., as a body, does not belong to the IMF, its members do, and they carry a lot of weight. The E.C. wants the IMF to ease Poland's debt burden in return for Polish promises of structural reforms. Under the circumstances, the IMF is likely to go along with the plan.

A new Marshall Plan for Eastern Europe has been rejected as throwing money at a problem that needs much more than that. The original Marshall Plan gave money to countries that had the skills, infrastructure, industrial traditions, and market economies and only needed cash to prime their engines. After 45 years of Communism, however, the East Europeans have virtually none of these, and so could not put massive amounts of money to effective use.

The Commission sees Poland and Hungary as separate problems. Poland has made far-reaching political reforms but no economic reforms worth mentioning. In contrast, Hungary's economic reforms have gone much further. And since it is a smaller country in less desperate economic straits, it is more likely to respond quickly to outside aid and investment.

The E.C. is sending a liaison official to Budapest and Warsaw this fall, and plans to open offices there next year. While this kind of progress would make it seem that some sort of Hungarian and Polish association with the E.C. could be possible, even more logical aspirants for membership, such as Austria, have been told that the door is closed until 1992.

So, while the "common European house" may be Mikhail Gorbachev's phrase, it is clearly up to the West Europeans to decide just what it means. And that job has just begun. €

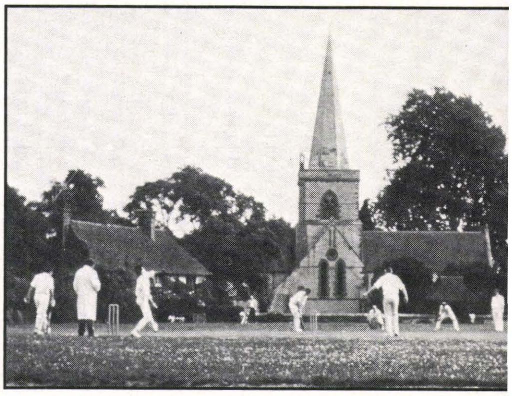
Richard C. Longworth is the chief European correspondent for *The Chicago Tribune.*

PLAYING B

EUROPEAN AFFAIRS/SPORTS

THE EUROPEAN WAY

THE E.C.'S FREE MOVEMENT OF PROFESSIONALS HOLDS SIGNIFICANT OPPORTUNITIES AND IMPLICATIONS FOR ITS ATHLETES.



DONALD DEWEY

An important test of European unification may well be played out on the sports field. For some years now, the thorny problem of achieving integration goals without jeopardizing national interests has been nettling European soccer and other professionally organized sports. And the increasing popularity on the Continent of such traditionally non-European sports as basketball, baseball, and football has only complicated matters further.

The nub of the issue is the Treaty of Rome clause that calls for the "free circulation of workers" between E.C. countries. According to the E.C., this provision applies to professional athletes as much as to carpenters or insurance agents and entitles them to market their skills anywhere within the 12 member states. Similarly, a prior personal services commitment by a player to a team might, in the correct contractual circumstances, entitle the team to trade the player to another team in a different E.C. nation. The E.C. has insisted that sports federations fully apply this Treaty of Rome provision by December 1992.

In the case of soccer, however, the E.C. interpretation of the Treaty clause comes into direct conflict with an old agreement among members of the Union of European Football Associations (UEFA) to restrict the number of non-nationals on major league teams. The UEFA has defended this quota principle, arguing that the unrestricted movement of players from country to country would prompt bitter bidding wars for foreign stars and discourage the nurturing of home-grown talent—with disastrous consequences for the caliber of national-level play. The players' UEFA representatives have taken the same line, especially in the Big Six countries of European soccer—Italy, Spain, France, West Germany, Belgium, and the United Kingdom.

The many attempts during the past several years to find a solution to the dispute, which have included ministerial-level talks, have promised more than they have delivered. While the UEFA has admitted that its quota system violates the letter of the E.C. statute, it has equally claimed that the "mass entertainment" role of professional athletes makes them a special category of worker for whom the E.C. should make allowances. At various points in the negotiations, the UEFA proposed interim compromises to gradually raise the quota from two to four foreigners per team. It has also tabled a somewhat bizarre scheme that would distinguish between the maximum number of non-nationals that can be signed by one club and the maximum number that would be allowed on the playing field at the same time. With regard to the December 1992 deadline, however, the UEFA has indicated a willingness only to set up a standing commission to study the question.

The E.C., for its part, has shown a readiness to adopt the interim compromises, but will nevertheless continue to press for full implementation of the treaty statute by the 1992 deadline. Aside from filing charges against the relevant governments for non-application of a Community provision, the E.C. may also view

The free movement of professionals should, according to the Treaty of Rome, also be applied to sports. European soccer teams especially worry that this might lead to bidding wars for high-priced foreign players at the expense of home-grown talent. Right: A match between Liverpool and London's Arsenal team. Above: A cricket match in Surrey, England.

ALL

those soccer federations belonging to the UEFA as private companies seeking to eliminate competition within member states. Should the individual soccer federations be found guilty of such a charge, they would be exposed to heavy fines. Brussels officials have been reluctant to publicly threaten such recourse if the UEFA continues to reject the notion of an unrestricted market, however, for fear of worsening the situation. But off the record, Community spokesmen note that the European Court of Justice ruled in favor of the E.C. position in a smaller soccer controversy in 1976.

The present controversy is expected to linger on for some time. One imponderable, according to European observers, is exactly how united the national federations within the UEFA actually are. As British sports journalist Julian Bees puts it: "The Big Six make a lot of pronouncements about association solidarity on the issue, but the fact remains that European soccer is divided into 'have,' 'have not,' and 'want to be' nations. Countries like Italy and Spain, for example, have always had the biggest soccer crowds and have [thus] been able to offer the biggest money to foreign stars. It is not in their interest to get into the bidding wars that would start with unrestricted free agency. They like the status quo.

"On the other hand, countries like the Netherlands and Denmark have already sent some of their players abroad because of relatively less enthusiasm for the sport at home. Then there is Ireland, which is beginning to get soccer fever in a serious way and would love to import big-name players from the Continent. When the crunch comes, I just don't see these conflicting ambitions remaining as a united opposition to the E.C. demand."

Bees and other European sports writers also point to the importance of television in determining the outcome of the dispute. "The real issue here is the development of soccer as a big business," says Italian journalist Andrea Ciattini. "Just like in the United States, European sports entrepreneurs are depending more and more on television revenues for their financial well-being. In a sport like soccer, therefore, the ultimate question becomes: What can [be done to] assure intensive coverage? The answer, clearly, is to have more national talent because, if all the best players during the Italian season, for instance, go home to France or Portugal for the national-level games, the Italian squad is going to be eliminated very quickly and lose all that air time."

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The E.C. and UEFA have agreed to limit the number of foreigners from non-E.C. countries on major league teams. What seems relatively easy to achieve in traditional European sports like soccer, rugby, and cricket, however, may not be so in the case of "imported" sports like American football, basketball, and baseball. Frank Cashen, general manager of the New York Mets baseball team, is only one of several American sports figures who, in recent months, have pointed to the December 1992 deadline as "an opportunity for tremendous growth" for these U.S. pastimes in Europe. "The potential is enormous," says Cashen. "With no more border restrictions and a presumably common organizational policy, baseball will leave the ghetto it has occupied in Italy and the Netherlands, football will be played not only in Great Britain, and basketball should become even more popular than it already is." Cashen thinks that all three sports should also be able to avail themselves of the American professionals who have been playing them for years.

Bees also sees potential in the rising popularity of American sports in Europe, but not just for growth. "The European countries are going to have to think about the development of these sports in the same way they think about other American trade. Sure, the Americans are more proficient at them, but does that mean that the Europeans should open a back door to unrestricted American talent? What goes for soccer and rugby also has to go for baseball and basketball. There has to be a down-the-line policy unaffected by the novelty of these American games. Japan managed to develop baseball without any American dominance, and Europe has to do the same."

At least one step in the right direction was apparently taken in September when America's National Basketball Association (NBA) and the International Basketball Federation announced plans to work together on contract obligations and general organizational policy. Although the immediate aim was to prevent American basketball players from jumping back and forth across the Atlantic during the season, NBA spokesman Steve Mills said the overriding consideration was to "shape the future of the sport in Europe and in the United States."

That same challenge, if only within the E.C., lies at the heart of the ongoing dispute with the UEFA. €

Donald Dewey is a freelance writer based in New York.

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Advertising the European Way

JERRY ROBERTS

If one goes by the breathless reporting, December 31, 1992, will be a brilliant economic sunrise—a dawn of unfettered business opportunity across a lush, level, barrier-free Europe.

If only. At best, the end of 1992 is the target date for the various Eurocrats and 12 member states to point to as they cajole some 300-odd pieces of necessary legislation through the lawmaking shoals of the 12 national members.

The European Community has been working on creating a genuine single market since it was founded in the 1950s. The 1992 initiative is seen as the final impetus and seems to be going in the

COURTESY UNILEVER

COURTESY NESTLE

Advertising will play an important role in promoting pan-European products in the single market, such as Unilever detergents (above), Nestle/Rowntree candies (left), and Burger King meals (below).

COURTESY BURGER KING CORPORATION

right direction, presenting a realistic and political alignment that mirrors natural market development. Leading marketers such as Unilever, Nestle, American Express, and Ford—to mention but a few—have been responding accordingly, and this changing pattern is therefore also having a major effect on the advertising business.

Because of these new and continuing market developments, consumers will get an even wider choice of brands at lower prices. Companies will save on distribution costs and gain economies of scale. Business will get keener as protected sectors and insulated local protectorates feel the hot breath of competition.

This means that the marketplace for goods and services will distill into mega-Eurobrands and specialist or local "niche" products. This does not necessarily mean fewer, but fewer *types*, of brands. The mass-market regional brands selling in one or two countries will find their days numbered, and successful local brands will have to go toe-to-toe with strong international ones.

Media advertising is likely to play a prominent role in promoting pan-European products—at least in the early stages. Other forms of marketing communications—sales promotion, direct marketing, public relations, for instance—will also play an increasing part, however. Leading marketers will make sure that, when using these techniques, they are properly "integrated," since a single voice will be critical for Europe-wide marketing.

It is not yet clear whether true freedom of broadcasting will be permitted, or whether new legislation guiding advertising in all the media will avoid petty local restrictions or endless legal nit-picking. Although this will probably not be the case, it seems safe to predict improvement over the raging dissimilarities of today.

For one thing, the availability of advertising vehicles will improve. All media, including television, will become *buyers'* markets, with a good choice of pan-European, national, and local alternatives, that will appeal to both mass audiences and special interest groups. Media owners have already begun to augment their offerings in anticipation of substantial increases in advertising weight. Local cable systems (many of them government-funded) will attract increasingly large audiences to European satellite channels. The biggest media owners will offer *combinations* of media vehicles rather than just television or the printed word.

Nineteen-ninety-two will likely change how advertising vehicles are chosen less

In the single European market, advertising agencies seeking transnational clients will need an international structure and outlook.

than what will go in them. The content of an advertisement depends on the audience at which it is aimed, on the need the product satisfies, on its competition, and on its comparative advantages. In a united Europe, advertisers will have the opportunity to communicate the same message to the 320 million people—or at least a fair proportion of them—but it is doubtful whether many advertisers will actually take this opportunity.

What is actually meant by "the same" advertising? There have been recent commercials, highly successful in some countries, that have been run in Europe with only a translated and dubbed soundtrack. If the product in these commercials is sold on its national heritage or on a universal appeal, this form of advertising can be effective. In cases where the advertiser clearly wishes to be seen as "local" or particularly relevant to a national culture, however, the casting, locations, situations, and mores portrayed (what researchers call "semiotics"), must communicate the unique cultural idiom more clearly.

A capable creative department of an advertising agency can, of course, choose actors and backgrounds acceptable to several countries, and dialogue and action that will look right in several languages. Compromise can emasculate a campaign's impact, however, and greater cost-effectiveness might well be gained by using the same *brief* in each country, but *interpreting* it in the language and in the semiology of each country.

In any case, a pan-European (or "global") campaign is appropriate only where the same product specification is sold in each country to the same target consumers, for the same end use, against competition that offers the same mix of advantages and disadvantages, and with a similar market maturity. Such a process indicates many modifying prepositional phases, and such circumstances are rare even among established products. Brands like Pepsi-Cola might capitalize on the great deal of commonality among its "Generation." American Express knows that international executives in Germany have attitudes and lifestyles more in common with their counterparts in Britain and Denmark than with their own employees in Germany. Neither is typical of the situation faced by most international marketers, however.

Most of today's brand leaders have invested large sums of money over the years to hone the position of their brands and images to the needs of specific consumer segments. As part of this, they have developed markets that vary widely from country to country, and that often require substantial differences in both strategy and execution. To suddenly run the same campaign everywhere could possibly risk carefully nursed brand loyalty for little, if any, benefit beyond administrative convenience.

On the other hand, many well-known brands build on proven successes by moving ideas and tactics from one market to the next. Over time, such success can evolve into common regional efforts and, depending on the stage of development of this process, transnational advertising may or may not be appropriate. *New* brands can be designed (or older brands "re-staged") to common consumer needs and might legitimately be launched with common campaigns. Still, the use of pan-European media should be contemplated only where a pan-European campaign is planned.

With the increasing complexity of options, European advertisers will need significantly more advice from their advertising agencies. This must cover the whole spectrum of the industry, ranging from the different markets and the range of promotion techniques available to the integration of those techniques and to the planning and execution of advertising and promotional campaigns.

Advertisers keen on promoting their product throughout Europe will most likely prefer agencies that can match their international organizational structure. In turn, the agency network will need substantial billing in each country to justify staffing up for the necessary range of strategic services. There can be only a limited number of agencies financially able to provide such coverage.

Advertising that demands full-service agencies in each country may find that increasing conflict among accounts results. Many of the largest advertisers now operate in several markets, often marketing brands unrelated to their traditional core business. Mergers and diversifications will make matters worse, and advertisers may have to either concentrate their business into fewer agencies or accept that their agencies may work for a competitor in a non-conflicting product category in the future. Some companies have solved this problem in an imaginative way. Unilever, for example, divides its business among a small, selected "club of agencies," and Nestle has just announced that it will do the same.

Despite these machinations, however, one certainty will remain: The consumer will respond to any advertising, promotion, or marketing merely as an individual. And that makes the challenge facing the marketing fraternity in 1992 one of taking advantage of a common European market on an individual, one-to-one basis. €

Jerry Roberts is General Manager for Ogilvy & Mather Europe.

This announcement appears as a matter of record only.

EUROPEAN INVESTMENT BANK

10 000 000 000

Portuguese Escudos

EIB ESCUDOS / 89 due 1997

BPI - Banco Português de Investimento, SA

MDM Sociedade de Investimento, SA
Grupo Deutsche Bank

Finantia - Sociedade de Investimentos, SA
Citibank Portugal , SA

Generale Bank (Sucursal Portugal)
Bilbao Vizcaya - Sociedade de Investimentos, SA

Deutsche Bank AG
Bankers Trust International, Ltd
Citicorp Investment Bank, Ltd
Dresdner Bank AG

Deutsche Bank Luxembourg, SA
Swiss Bank Corporation
Investment Banking
Citibank Frankfurt AG
Banque Bruxelles Lambert, SA

Bayerische Vereinsbank AG

July 1989

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Denmark's improved international competitiveness is helping the country regain its economic position of the early 1980s. Above: Kbhun; opposite: Hans Christian Andersen statue.

DENMARK

EXPORT-LED GROWTH AND IMPROVED COMPETITIVENESS AUGUR WELL FOR DENMARK'S ECONOMIC PROSPECTS.

LEIF BECK FALLESEN

For the past three years, the Danish economy has performed far below the E.C. average as it footed the bill for past excesses. Now, however, there are strong signs that Danish growth rates are picking up sharply, and that they may approach the E.C. average in the early 1990s. Most Danes, who are distinctly uncomfortable in the role of being considered the Germans' poor northern cousins, certainly feel that this is about time.

Leif Beck Fallesen is the economic director of the *Borsen* newspaper in Copenhagen.

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DENMARK'S E.C. RECORD

DESPITE SOME POLICY DIFFERENCES, DENMARK STANDS TO PROFIT FROM THE SINGLE MARKET.

LEIF BECK FALLESEN

The stakes were high, and the issue potentially the most explosive ever in Danish relations with the European Commission. That institution had asked the European Court in Luxembourg to stop the construction of the longest bridge in the E.C., which is to stretch across the main seaway to the Baltic, because Denmark's "Buy Danish" clause had discriminated against foreign bidders, and had thus violated E.C. law. The Danish Government ominously declared that the bridge would be built, whatever the Court's verdict.

With time running short, the Commission compromised with the Danish Government in September. It allowed construction to continue in return for an apology for the discriminatory clause in the tender specifications, and a commitment to settle any claims brought against it by jilted tendering parties, such as Bouygues, one of France's largest companies. The Danish government had estimated that stopping construction and calling for new bids would have cost more than $150 million. The price tag of the compromise, on the other hand, is not expected to exceed $10 million, and will perhaps be less than half that.

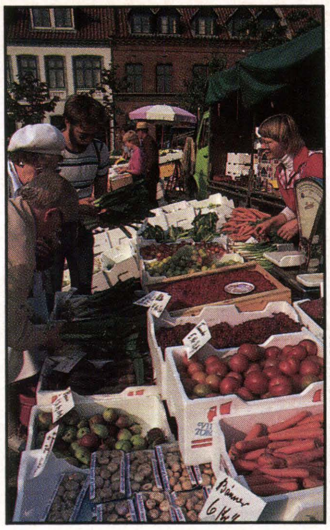
Parts of the Danish media glorified the compromise as a victory over the meddling Commission in Brussels. This attitude ignored the fact that the main case against Denmark was being upheld, and that the issue itself—whether or not discriminatory clauses in public or semipublic procurement contracts should be hunted down—was of more than fleeting interest to Danish industry. If these practices disappear in the single market as planned, the Danish construction industry stands to gain by exchanging protection in its small home market for competitive opportunities in a very large market.

Victory or not, the compromise has already had a strong impact on governmental and administrative perceptions of the E.C., and it will probably speed the implementation of single market directives into Danish law. Although the 1992 program was only accepted in Denmark after a referendum, Denmark has implemented 51 E.C. directives, more than any other member except France, which has implemented 54. This is, however, ascribed more to administrative efficiency than to any great new love for the European Community.

In some areas, such as the liberalization of financial flows, Denmark is in the vanguard of E.C. integration. If the single market stays on track and on schedule, however, the country will find it difficult to maintain its good track record. Since the proposed tax harmonization would subject Denmark to a very tough adjustment—Denmark's revenue could possibly drop as much as $5.8 billion, a relatively larger decrease than any other in the E.C.—a confrontation on taxes could ruin its record completely. In addition, the configuration of the welfare state would have to change to absorb such a financial shock.

Though many people in the E.C. doubt that the harmonization of indirect taxes will go as far as planned in the envisaged time frame, there is general agreement that border controls will have to be abolished by the beginning of 1993. Since Denmark has a land border with West Germany, where gasoline, wine, alcohol, and many other consumer goods are priced as much as 25 percent lower because of tax differences, it is perhaps understandable that the Danish Government is looking for a political escape hatch from this commitment.

British Prime Minister Margaret Thatcher is still one of Denmark's allies in the E.C. in terms of tax harmonization, but she has deserted her former support for limits on cross-border trade. Top Danish Government officials privately scoff that this is a free ride, for the English Channel—tunnel or no tunnel—still provides an effective barrier to quick-stop shoppers. The Danish Government receives its only sincere support within the E.C. from the northernmost part of Germany, where the border city of Flensburg thrives on its Danish business.



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To maintain its competitiveness in the single market, Denmark must lower its tax brackets and reduce the size of its large public sector. Above: Odense.

Both the Conservative-Liberal Government and the opposition Social Democratic Party declare that they want to reinforce this recovery with a major restructuring of the Danish economy. The government calls its plan Denmark's most important political and economic initiative of the century, and is currently negotiating a deal with the Social Democrats that may prolong the life of the government, although possibly at the expense of watering down its claim to recognition by history.

Businesses' optimistic belief that the economic picture will improve rests on two assumptions, neither of which are political. The first is that the past seven years of growth will continue, both in the E.C. and globally. This is vital for Donmark's economic recovery, which is solely export-led. The second is that the marked improvement of Danish competitiveness (specifically in terms of labor costs), resulting from collective wage negotiations in 1988 is not lost in the short term, as has often happened before. Some protection against wage inflation may be provided by Denmark's record 9-percent unemployment rate, one of the highest in the E.C. Key skilled workers are already in short supply, however, and market forces often respect neither the secret nor the overt wishes of economists and politicians.

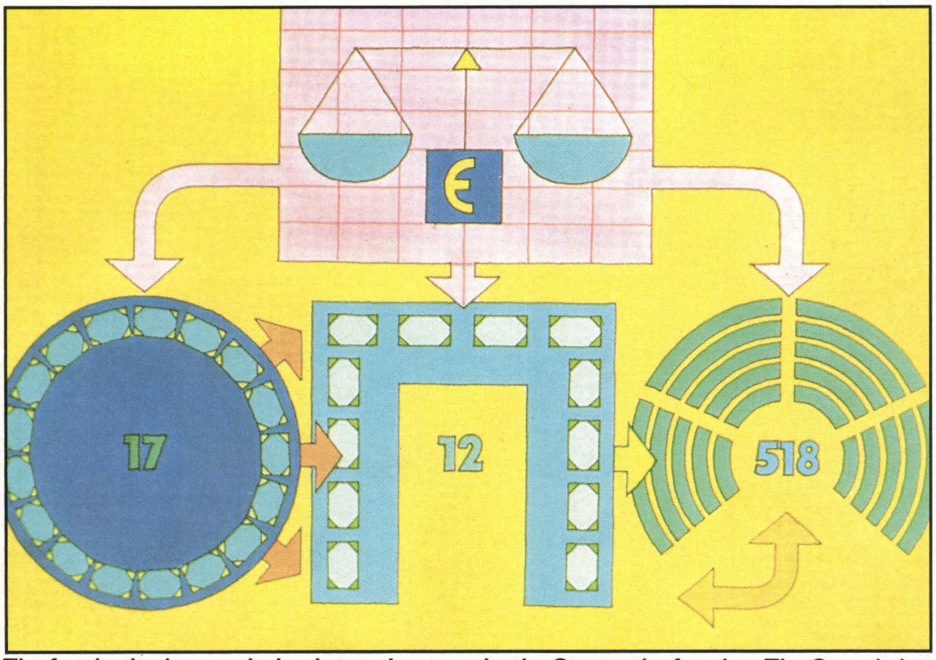
The improvement in the Danish situation has still not adequately impressed two U.S. rating agencies (Standard &

Continued on page 47.

UP THE GRAND STAIRCASE.

For gift delivery of Grand Marnier® Liqueur (except where prohibited by law) call 1-800-CHEER-UP.
Product of France. Made with fine cognac brandy 40% alc/vol (80 proof). ©1988 Carillon Importers, Ltd., Teaneck, NJ.

DEMYSTIFYING THE WORKING OF THE E.C.



The four institutions work closely together to make the Community function. The Commission (left) drafts new policy, which the Council of Ministers (center) can approve into E.C. law only after the Parliament (right) has agreed. The Court (above) ensures that E.C. law is upheld in the member states.

COMMISSION, COUNCIL, PARLIAMENT, AND COURT WORK TOGETHER TO MAKE AND IMPLEMENT E.C. LAW.

The European Community, born in the aftermath of World War II, is the concrete expression of the will of the Western European nations to strive for harmony and integration. As such, the E.C. is the boldest project for cross-border integration in recent history.

Thirty years after its foundation, the E.C. is a major force in the world. Its activities affect the daily lives of its 320 million citizens, and its role as the single biggest trading entity gives it particular responsibility for maintaining an open and fair international trading system. The E.C. has a duty to cooperate with the United States and Japan in the common defense of the liberal economic structures—and ultimately the democratic values—to which all three are committed.

The E.C.'s primary aims, as set out in its founding treaties, are essentially economic. They are to create a single economic region in which goods, services, people, and capital can move as freely as they can within national frontiers. This objective is currently being carried out under the E.C. single market program, which is to be completed by end-1992. The creation of the Community was also a political act, however. Its founders saw the E.C. as opening the way for "an ever closer union among the peoples of Europe." This aim was reaffirmed in the Single European Act (SEA) adopted in 1985.

The most direct expression of the E.C.'s political, as opposed to economic, dimension has been the coordination of its member states' foreign policies. This has developed slowly over the years, largely on an informal basis. European Political Cooperation (EPC) was only codified as part of the E.C.'s activities in 1987.

The E.C.'s membership has doubled from its six founding members to 12 today. It covers all of Western Europe except for the six countries of the European Free Trade Association (EFTA). Each of these nations is linked to the E.C. by a free trade agreement, however. More recently, the E.C. has begun to develop formal commercial and economic links with the countries of Eastern Europe.

THE E.C. INSTITUTIONS

The four principal E.C. institutions are the European Commission, the Council of Ministers, the European Parliament, and the Court of Justice.

The Commission is the E.C.'s executive body. It submits drafts for new policies, implements those already decided upon, and watches over the correct application of E.C. rules. The Council of Ministers decides or legislates on policy on the basis of Commission proposals.

The power of the Parliament, which has been directly elected by the citizens of all member states since 1979, has been increased by the SEA, and it now plays a more significant legislative role than in the past. The Court interprets E.C. law and gives rulings in the event of disputes.

By their composition or function, the Commission, the Parliament, and the Court are free from the direct control of E.C. governments. The Council of Ministers, made up of representatives of the member states themselves, is the exception. It is not surprising, therefore, that the member states have made sure that the Council remains the most powerful of the E.C. institutions.

THE COMMISSION

Only the Commission can initiate E.C. policy, and the Council of Ministers cannot take decisions on specific policy issues without a Commission proposal. The Commission is responsible for implementing decisions taken by the Council, and it also has the power to enforce the

E.C. treaties and legislation derived from them, which gives it the informal title of "guardian of the treaties." It is the Commission's duty to take action against member governments who it believes have violated their treaty obligations.

The Commission has considerable autonomy, by dint of the treaties and by exercising powers conferred on it by the Council. This is particularly true in the cases of the E.C.'s anti-trust regulations and agriculture policy. The Commission also draws up the draft of the E.C.'s annual budget and negotiates international agreements on behalf of the Community.

There are currently 17 commissioners, two from each of the five larger member states (West Germany, France, Britain, Italy, Spain), and one each from the other seven. All are nominated by their national governments and appointed for a four-year term by the Council, and may be reappointed. They act in the E.C.'s interest, independently of member governments, and upon appointment swear an oath to this effect. Decisions within the Commission are, if necessary, taken by simple majority.

The President of the Commission and the six vice-presidents are chosen nominally for two years, but their tenure has always been extended to four years. They also can be reappointed. The current President, Jacques Delors, has been in office since January 1985, while the senior Vice-President, Frans Andriessen, has served on the Commission since 1981.

The President is nominated first, giving him the chance to influence the choice of his fellow commissioners. He has no power to turn down a candidate nominated by a member government, however; nor can he fire a colleague appointed by the Council. The present Commission, which took office in January 1989, is the first to have women members. They are Christiane Scrivener from France and Vasso Papandreou of Greece.

THE COUNCIL OF MINISTERS

The Council is composed of ministers from the 12 member states and is the final E.C. decision-taking body. Its meetings are also attended by at least one member of the Commission. Ministers have the difficult task of representing and defending the interests of their countries while framing agreements that promote E.C. goals.

Participants at Council meetings change according to subject matter. Thus, if the theme is finance, the E.C.'s 12 Finance Ministers attend; when industrial policy is discussed, Industry Ministers will participate.

The "senior" Council formation is that of the foreign ministers. They deal with external relations, but can also take on particularly urgent issues in other sectors. The foreign ministers coordinate the work of other council formations and prepare the twice-yearly sessions of the European Council.

The European Council (or E.C. Summit) is best described as the Council of Ministers meeting at head-of-state and government level. It is the top authority both on Community matters and on political cooperation issues. The SEA gave it legal recognition but did not define its powers.

Beginning in 1975, when the first European Council met, it has sometimes made difficult decisions when the Council of Ministers was unable to find a solution. More recently, the European Council's prime role has been to set the policy priorities for the E.C.'s future development. The presidency of the Council of Ministers (and of the European Council) rotates among the member states every six months.

In one of its most important reforms,

the SEA provided for majority voting by the Council of Ministers on issues that formerly required unanimity. This facilitated decision-taking in areas covered by the single market program, in which all decisions, with the exception of fiscal matters, can be taken by majority vote.

THE EUROPEAN PARLIAMENT

The European Parliament is the E.C.'s only directly elected body. Its 518 members, elected every five years by voters in all member states, scrutinize draft E.C. legislation, question the Commission and the Council of Ministers on their conduct of E.C. affairs, and debate topical issues. Most pieces of draft legislation cannot be formally adopted by the Council until they have received the Parliament's opinion. The Parliament, largely because of the national governments' reluctance to increase its power, has less legislative authority than national parliaments, although this is changing.

The European Parliament can dismiss the European Commission (a power it has never used), and the E.C.'s annual budget cannot be adopted without Parliament's agreement. The SEA increased its legislative role by giving it the right to a "second reading" and more scope for amending new E.C. legislation before it is formally adopted. The Parliament must give its assent to important agreements the E.C. enters into, such as cooperation agreements with third countries, or the accession of new members.

The Parliament meets in plenary session once a month in Strasbourg. Sessions last one week and much of the rest of the members' time is taken up by committee work mainly in Brussels. The Members of the European Parliament (MEP) form political rather than national groups.

THE COURT OF JUSTICE

The Court of Justice is the E.C.'s equivalent of the U.S. Supreme Court. It interprets Community law for national courts and rules on legal questions pertaining to E.C. treaties that are raised by Community institutions, member states, companies, or individuals. Its rulings are binding.

The Commission is comprised of 17 members (above). Once approved by the Council, it supervises the implementation of its proposals and enforces the E.C.'s Treaties. It also has the power to take action against those member states violating E.C. law.

The Court's judgments have helped consolidate the E.C. by ensuring that private citizens, companies, and governments are both protected by, and subject to, the provisions of E.C. law. It has been particularly important in building up case law in specific areas of E.C. activities, thereby setting future guidelines for policymakers and other parties concerned.

The Court has been instrumental in making governments respect the obligations they accepted when signing the treaties. Although it cannot impose sanctions on member governments, its rulings have invariably been complied with. The Court also serves as a court of appeal in anti-trust cases, where a company has been fined by the Commission for breaking E.C. fair competition rules.

The Court is composed of 13 judges, one from each member state plus one other, who are assisted by six Advocates-General. Both are appointed for six-year renewable terms by the Council of Ministers. The Court is located in Luxembourg.

THE LEGISLATIVE PROCESS

The E.C.'s legislative process generally involves the Commission, the Council, and the European Parliament. Draft legislation is sent from the Commission to the Council of Ministers for a decision. Prior to the SEA's implementation, the Council did not need to take into account the Parliament's opinion. The SEA, however, has introduced a second reading procedure. Consequently, if the Parliament rejects in its second reading a "common position" reached by the Council in the latter's first reading, the Council can only overrule the Parliament's rejection by a unanimous vote. The Parliament also has greater scope than before for amending draft legislation prior to formal adoption by the Council.

The most complex legislative procedure concerns the E.C. budget. The Council of Ministers and the European Parliament share authority for the budget, and a conciliation procedure exists in case of disagreement. On several occasions, however, disagreements have been such that the E.C. has begun a new financial year without a budget. In 1986, the Court of Justice ruled that an attempt by the Parliament to impose a budget without the consent of the Council of Ministers was illegal: The budget must be approved by both before it can be adopted.

A major obstacle in the run-up to 1992 was removed in February 1988 when the Twelve agreed to a comprehensive reform of the budget's size and structure. Funding is being raised by 50 percent between 1987-92, which means that long-running budget rows, relatively common in the past, will no longer put a brake on the whole range of E.C. activities.

Decisions taken by the Commission and the Council of Ministers are directly applicable in the member states, and must be applied by both national administrations and national courts. These decisions may be challenged before the Court of Justice, which ensures that E.C. law is interpreted in the same manner throughout the Community. E.C. law overrides national law when they are in contradiction. €

COMMISSION APPROVES FUNDS FOR POOR REGIONS

The Commission recently approved financial aid for the E.C.'s poorest regions. While Greece, Spain, Portugal, and Italy will receive the majority of the aid—a total of $38.6 billion over five years—Ireland, France, and Britain will also benefit.

Bruce Millan, Commissioner for regional policy, fears that, if the Commission does not step in, the E.C's rich northern center will get wealthier in the single market, while the poorer countries will be left behind. "The single European market will not be a success without a strengthening of economic and social cohesion," he stated.—*Reuters*

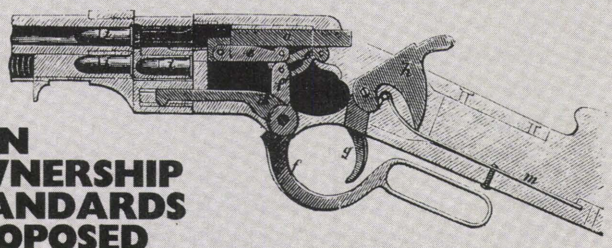
COURT BACKS RAIDS ON COMPANIES

The European Court of Justice backed the Commission's right to raid companies for evidence of alleged price-fixing and fined the West German chemical company Hoechst for refusing to cooperate with the Commission. The judgment confirms the Commission's power to act against suspected cartels, and gives a boost to its drive to promote competition in the E.C. before the creation of the internal market.

The Commission raided Hoechst AG offices in 1987, seeking evidence that the company was involved in a price-fixing plastics cartel. The company refused to let investigators in until the Commission obtained a warrant under national law, and then complained that an indiscriminate search was unjustified.

The Court of Justice decision upholds the Commission's right to see a company's books immediately if it suspects its competition rules are being broken. The Commission must still get a national search warrant, if the company objects. In doing so, however, the firm may be fined for not cooperating.

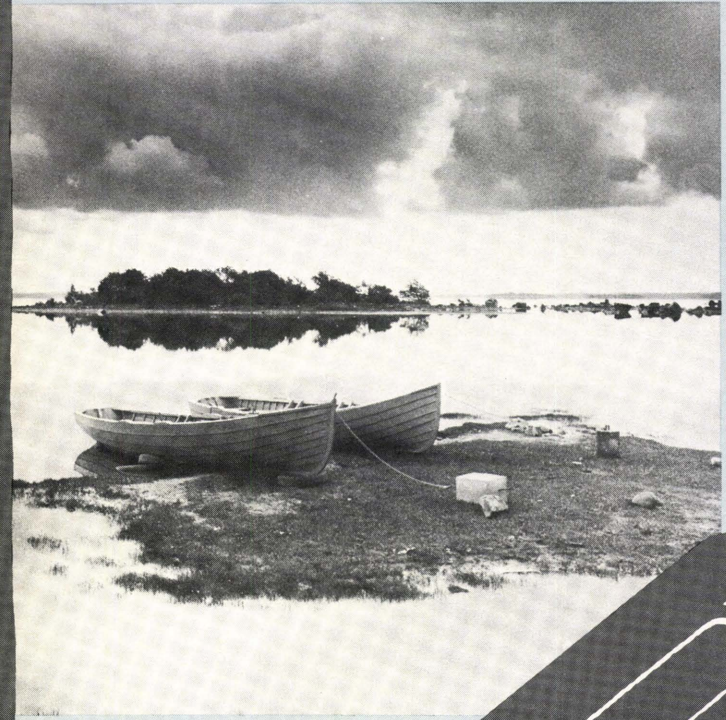
In addition, the Court ruled that the Commission had to be allowed to select what it wanted from a company's files, since it could not know in advance what would be relevant. It also dismissed Heochst's argument that a company's headquarters were private in the same way as a home. Hoechst was fined $60,000 for the period during which it refused access to its books. The other companies involved were two European subsidiaries of the Dow Chemical Company and three Spanish firms.—*Reuters*



GUN OWNERSHIP STANDARDS PROPOSED

As part of the E.C.'s drive to abolish border controls in the Community, the Commission has proposed a set of minimum standards for gun ownership. The proposal recommends that the right to own most firearms be restricted to people over 18 whom national authorities do not regard as threatening to public order.

Private citizens would be barred from owning some categories of weapons altogether. Furthermore, gun owners in the E.C. would have to apply for a European firearms certificate, which would identify the gun's legal owner while allowing hunters and sportsmen to take legally acquired weapons from one E.C. country to another. The proposal, the Commission said, would not affect national laws restricting the right to carry weapons.—*Reuters*



E.C. structural funds will aid development in some of the Community's poorer regions.

NOTES ON 1992

NEWS OF THE E.C.

The E.C.'s ERASMUS program sponsors teacher and student exchanges throughout the Community to familiarize them with other educational and cultural environments.

EDUCATION

TEACHERS RECEIVE 4,000 EUROPEAN SCHOLARSHIPS

During the 1989-1990 academic year, 4,046 university teachers—from fields including engineering, languages, and the social sciences—will be able to visit a university in another E.C. country, thanks to the ERASMUS program of inter-university exchanges. These visits, which are subsidized by the Commission, will enable the teachers to set up cooperation programs between establishments from different E.C. countries, improve their course contents, and familiarize themselves with other E.C. states' educational systems.

Within the ERASMUS framework, the Commission also granted more than 470,000 ECU to European university and student associations, thus enabling over 20,000 young Europeans to study in another Community country during the 1989-90 academic year.

INTERNAL MARKET

FREEDOM TO DRIVE WHERE ONE WANTS

Since the motor car is the most popular way of crossing the E.C.'s internal borders, many Europeans resent the restrictions on these vehicles. Italians living in France, for example, cannot drive an Italian car (fitted with Italian license plates) that has been temporarily imported into France for their use.

Although the Commission has proposed a directive aimed at giving Europeans as much freedom of movement as possible, the draft gathered dust until the Court ruled that residents of a member state must be able to use, within its territory, a vehicle placed at their disposal by their employers, even if these were residents of another member state. The only stipulation, aimed at tax evaders, is that value-added taxes be paid in the state in which the car was bought.

Christiane Scrivener, Commissioner in charge of taxation, is now pressing the Council to adopt the Commission's proposed directive. "The European citizen," she said, "must have the greatest freedom of movement when there are no indications of fraud."

AID AND DEVELOPMENT

E.C. PROJECTS IN LATIN AMERICA AND ASIA

The E.C. Commission will provide Asia with 40.3 million European Currency Units (ECU) and Latin American with 8.5 million ECU for development projects. The funds are to help needy countries increase their level of development.

Under the Asian development project, for instance, India will receive financial assistance to strengthen its veterinary services for livestock and disease control. The Latin American development project will fund international agricultural research centers various countries in that region.

ENVIRONMENT

LABELS TO INDICATE LEAST POLLUTING PRODUCTS

Guidelines adopted in September by the Commission indicate that washing powders and household cleaning products sold in the E.C. may soon carry standard labels allowing consumers to choose the safest and least polluting brands. These labels would identify any ingredients that are potentially dangerous to users or to the environment. They would also give clear instructions for safe use. Household chemicals that might be poisonous, give off fumes, or cause burns, for example, would be clearly marked. Commission Vice President responsible for the internal market, Martin Bangemann, said the guidelines were voluntary, but that the Commission would closely supervise their application. In addition, it has "reserved the right to make such measures binding if recommendations are not applied in a satisfactory way."—*Reuters*

FUEL TAX PROPOSED TO SAVE FORESTS

Environment Commissioner Carlo Ripa di Meana said the E.C. will consider imposing a special tax on fossil fuels, such as oil and coal, to help fund efforts to save the world's rainforests. "One cannot escape considering the taxation of carbon dioxide emissions," Ripa di Meana told a news conference and he added that several delegations had expressed interest in a "carbon tax" at a meeting of E.C. Environment Ministers on ways the Community could help protect the tropical forests.

Scientists fear that carbon dioxide is the main contributor to a warming of the atmosphere that could lead to devastating changes in the Earth's climate in the coming decades. According to the E.C. Commission, the burning of fossil fuels pumps about five billion tons of carbon into the atmosphere every year, while the chopping down of trees and the burning of forests contributes another one billion tons.

Ripa di Meana's comments made clear that he had not abandoned the idea of a carbon tax, although it was omitted from the Commission's proposal for an E.C. strategy to save the rainforests because it was too controversial. The imposition of this tax throughout the E.C. would require unanimous approval by all 12 governments.

The E.C. is considering a "carbon tax" on fossil fuels to help save the world's tropical forests.

BUSINESS

COURIERS GAIN MORE FREEDOM

Private international courier companies engaged in international traffic are gaining more freedom to do business in the Community. After the Commission found that constraints on courier companies enabled Italy's state-owned international courier company to abuse its dominant position in the Italian market, the Italian Government lifted requirements forcing courier companies to affix postage stamps to their packages even though the Italian Post Office provided them with no service.

Belgium, France, and Germany have also removed obstacles to couriers' freedom to operate following Commission action, and the Commission is currently examining similar situations in Spain, Ireland, and the Netherlands.

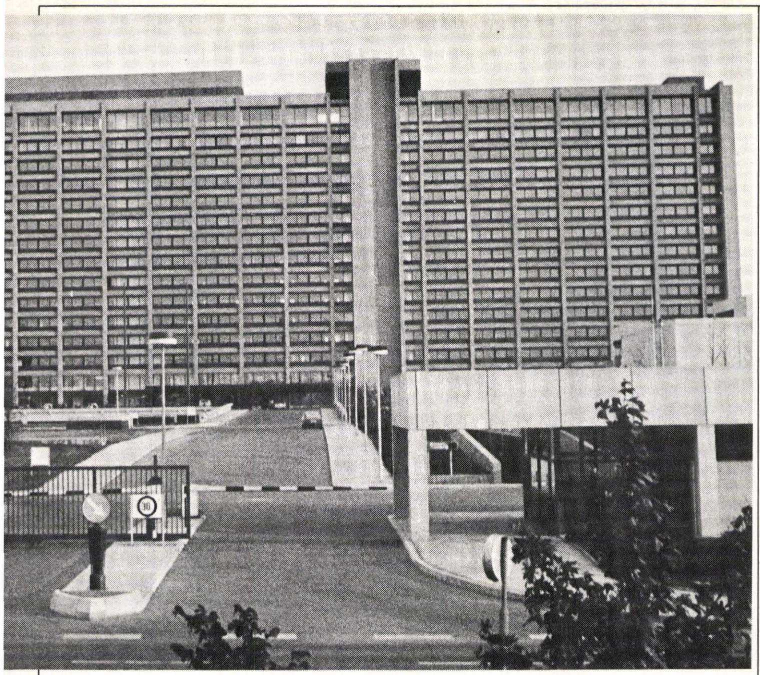
EUROPEAN AFFAIRS

POLISH AND HUNGARIAN BANKERS TRAINED

Sir Leon Brittan, Commissioner in charge of financial services, recently announced the launching of a scheme to train bankers from Poland and Hungary. "To create a genuine market-based economy, an effective private banking network is essential . . . We have therefore launched an initiative to encourage each of the major European banks to accept one or two trainees from Poland or Hungary for up to six months during 1990 to provide first-hand experience of how a commercial banking system works," he explained.

The Commission's plan is part of a wider aid program for the two countries, which was decided on at the Paris Summit of the seven leading industrialized countries in July. The Community is coordinating the aid package, which includes both immediate food aid and long-term structural assistance.

Brittan said that "this initiative is based on studies by the Commission and other organizations that have identified a lack of managerial and financial expertise as a key problem in the development of the Polish



E.C. banks will train Polish and Hungarian bankers as part of the aid plan for those two countries.

and—to a lesser extent—the Hungarian economies."—*Reuters*

PARLIAMENT TAKES STAND ON EAST GERMANY AND HUNGARY

The European Parliament recently praised Hungary for helping East Germans flee to the West. Thousands of East Germans have arrived in West Germany since the Hungarian Government allowed them to cross its border with Austria.

The European Parliament also urged East Germany to "not just pay lip service to human rights, but to give them practical expression, namely by guaranteeing . . . free elections." It added that the same message should be given to Rumania, which is also resisting democratic reform.

BULGARIA'S TREATMENT OF TURKS CONDEMNED

After more than 300,000 Moslem Turks fled to Turkey in an effort to escape Bulgaria's policy of coercive cultural and religious assimilation, the European Parliament condemned the country for its flagrant human rights violations. Bulgaria, however, continues to deny the existence of a one million strong ethnic Turkish minority. Turkey, which has recently halted the influx of Bulgarians of Turkish origin, wants a negotiated settlement with Bulgaria.

The Parliament said that it "expects the Bulgarian Government to urgently seek solutions to this problem in a constructive spirit, and [to] open dialogue with Turkey." The Parliament also warned Bulgaria that the problem might jeopardize its proposed economic pact with the Community.

In addition, the Parliament approved a resolution condemning Turkish human rights violations, and urged that a review of E.C. aid to Turkey and an annual report on Turkish human rights to be made by the Commission.—*Reuters*

FINANCE

NEW ECU FIXED

On September 20, the Council of Ministers revised the composition of the European Currency Unit (ECU) and included the Spanish peseta and the Portuguese escudo in the ECU basket. The new weights will change neither the external value of the ECU nor the bilateral parities of the currencies participating in the exchange rate mechanism.

The new currency weights were divided as follows:

German mark 30.1%
French franc 19.0%
Pound sterling 13.0%
Italian lira 10.15%
Dutch guilder 9.4%
Belgian franc 7.6%
Luxembourg franc 0.3%
Spanish peseta 5.3%
Danish krone 2.45%
Irish pound 1.1%
Greek drachma 0.8%
Portuguese escudo 0.8%

FIRST STAGE OF EMU PROPOSED

Henning Christophersen, Commission Vice-President responsible for economic and financial affairs, recently outlined two proposals for completing the first stage of economic and monetary union (EMU).

He first proposed a revision of the 1964 decision on cooperation between central banks in order to give the EMU a higher profile and to clearly define its tasks. Second, he suggested revising the 1974 decision on convergence and coordination of macro-economic policies based on the Keynesian concept of demand management. Citing that decision as too simplistic, Christophersen suggested emphasizing multilateral surveillance, thus taking into consideration the importance of supply side economics. This new approach, he believes, will be more direct and politically operational.—*Reuters*

SOCIAL ISSUES

The E.C.'s proposed social charter includes rights to decent working conditions and social security benefits.

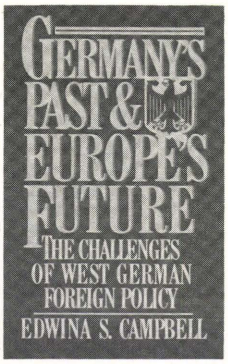
PARLIAMENT CALLS FOR WORKER BENEFITS

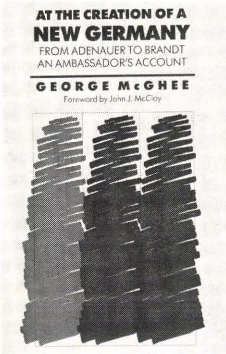
The Commission recently endorsed the text of the controversial social charter, intended to ensure that both workers and businesses benefit from the single market. The proposed charter includes minimum workers' rights to employment, decent working conditions, equal rights for women, child protection, and health and social security benefits.

The charter must be unanimously approved, and it cannot be compulsory under European law. The notion of guaranteed workers' rights has long commanded broad support in the European Parliament. In particular, the Socialists, the Parliament's largest single group, have threatened to obstruct legislation on completing the single market until the E.C. catches up on social policy.

While Commission President Jacques Delors rejects calls for a legally binding charter of workers' rights, he emphasizes that a social dimension is crucial to the 1992 program. He also wants E.C. leaders to approve the charter at their summit in Strasbourg in December. British Prime Minister Margaret Thatcher, however, continues to reject the charter as "socialism through the back door."—*Reuters*

BOOKS IN REVIEW





Germany's Past and Europe's Future: The Challenges of West German Foreign Policy. By Edwina S. Campbell. Pergamon-Brassey's, 236 pages, $33.00.

Germany, America, Europe: Forty Years of German Foreign Policy. By Wolfram F. Hanrieder. Yale University Press, 509 pages, $29.95.

At the Creation of a New Germany: From Adenauer to Brandt. An Ambassador's Account. By George McGhee. Yale University Press, 289 pages, $25.00.

MICHAEL D. MOSETTIG

As if we needed any further reminders, the juxtaposition of today's headlines and the September 1 observances of the 50th anniversary of the outbreak of World War II graphically remind us of Germany's pivotal role in Europe's past, present, and future.

But what we think we know, especially viscerally, we do not always fully understand in all its current and historical ramifications. Thousands of words are written every year about Germany's place in Europe, its angst, its coming to terms with its past, and its search for its future. Now, however, a clear understanding of these is essential as questions of German reunification and the concept of a central Europe come to the forefront in response to the changes in the Soviet bloc.

Two scholar-analysts attempt to address the German role in Europe, with varying degrees of success, in works that by the very nature of publishing deadlines already seem slighly dated in terms of the epochal developments in Poland, the Baltics, the Soviet Union, and East Germany.

That caveat aside, Edwina Campbell has delivered an analysis of West German policy and its roots that deserves an audience far wider than it is likely to get among policy-makers, journalists, and others caught up in today's dramatic convergence of past and present. Even if a reader disagrees with some of her conclusions, her subtle historical analysis and acute understanding of West German politics and policy make this book a must.

What separates Cambell's work from so much of the genre is its emphasis on the link with France as the centerpiece of post-war West German foreign policy. She compares in detail the evolution of the post-war relationship with the aborted effort at Franco-German reconciliation in the 1920s, the Locarno pact. Her focus on the centrality of Franco-German links is particularly useful for American readers who tend to equate the U.S.-German security relationship with all of Bonn's policies.

Campbell states that the critical issue now facing West Germany and its E.C. partners, especially France, is the evolution of policy toward the East, especially since it now risks being propelled by events beyond Bonn's control. As long as Bonn's policies were aimed at promoting detente between East and West, Paris and the other partners could go along. But when detente becomes entente between Bonn and the East and even between the two blocs, a new set of questions arises, especially concerning the role of the two German states and West Germany's commitment to Western integration as it plays its new central European role. Although these questions may be troubling, Campbell refuses to compare West Germany's current policy with Germany's swings in the 1920s between East and West, between Locarno and Rapallo. There is no pendulum, she states, because Bonn is not Weimar and its policy is not that of Berlin.

Her historical perspective deepens the book. She warns that time is running out for Germans who remember the war to develop for the post-war generations a historical memory that combines both defeat and liberation. She postulates that Germany's current nuclear aversion and fascination with Hiroshima is not caused by the fear of being the victim of another Dresden, but of being associated with committing another Hiroshima, even in self-defense. Combined with Auschwitz, "the burden would be too much for the national identity to bear."

In some respects, Wolfram Hanrieder's massive work is a complement to Campbell's, concentrating almost exclusively on the many aspects of the security relationship between the United States and the Federal Republic. Hanrieder delves deeply into the numerous ambiguities and paradoxes of nuclear alliance diplomacy and strategy, arguing that Washington must end what he calls the "double containment" post-war policy, which is aimed at containing both the Soviet bloc and Germany, and make Bonn a full-fledged partner.

Unfortunately, what is valuable in the book often tends to get lost in impenetrable academic prose and a tendency to state the obvious at great length. Also, it is inexcusable for a book of these dimensions and pretensions to appear without a bibliography.

George McGhee, U.S. Ambassador to Bonn from 1963-68, provides a reminder that much of what goes around comes around. Many of the issues percolating in his time—U.S. pressure on German companies not to sell pipe for the Soviet gas pipeline, for instance—blew up in successor administrations. McGhee was ambassador during a time of transition—from the end of the Western- and Washington-oriented Adenauer era to the precursor of Willy Brandt's Ostpolitik era. His memoirs inadvertently underline the point that modern ambassadors are less involved in critical policy decisions (now handled directly by ministers who are always available by jet aircraft or modern telecommunications) and more engaged in public relations and reassuring nervous allies.

The memoir is, however, invaluable for one episode alone. McGhee describes how President Lyndon B. Johnson applied his renowned pressure techniques so heavily on Chancellor Ludwig Erhard, over the irritating but relatively inconsequential issue of offset payments for American troops stationed in Germany, that he helped bring about the downfall of a friendly government and its replacement by less malleable ones. The lesson should be carved in granite for U.S. governments, which are often tempted to lean on allies without weighing the political consequences in those countries. €

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

BROADCASTING

Continued from page 23.

than cultural. The Bush Administration has warned that it will contest any attempt to restrict U.S. television exports, and U.S. Trade Representative Carla Hills lodged a complaint with the General Agreement on Tariffs and Trade (GATT), arguing that the directive was illegal under its free trade provisions. Hills also expressed concern over press reports that the E.C. was pledging hundreds of millions of dollars in subsidies to European producers and writers that could give them an unfair advantage over non-subsidized, non-E.C. productions.

The E.C. has stated that the directive is fully compatible with the GATT's international trade rules. For these rules are not applicable since they only cover products, whereas the broadcasting directive regulates services, a sector of economic activity currently being negotiated in the Uruguay Round of multilateral trade negotiations.

Martin Bangemann, Vice President of the Commission responsible for internal market and industrial affairs, stated that "no element of our directive infringes on the international trading rules. [The U.S. charges] are all the more unjustified because in the bilateral free trade agreement between the United States and Canada, the United States has explicitly recognized that cultural products are not to be placed on the same footing as other merchandise."

Although it has sparked such a strong reaction, media analysts have taken a calm view of the new policies, saying that the U.S. film and television industries have little to fear from them. "Smart people in the United States are very relaxed about this because they can see lots of ways to do good business in Europe," stated David Webster, spokesman for a group of senior broadcasters from both sides of the Atlantic.

The media analysts reckon that the new rules will have a minimal impact for years, giving American producers time to set up West European subsidiaries and benefit from the boom in new television channels. This has already begun to happen. Predictions are that many new channels will start broadcasting in Europe in the next decade because of deregulation and breakthroughs in satellite and cable technology. This impending boom has apparently persuaded ABC and NBC, two of the three major U.S. networks, to start looking into buying shares in European companies. "They have decided that Europe is a large enough market for them to get into," said Bruce Alderman, Paris bureau chief of *Variety,* the newspaper bible of the American entertainment industry. "The bottom line is that these directives are not going to have that drastic an effect on programming," he added.

The final changes caused by the broadcasting directive will not come until the next decade but, if estimates for the growth of the E.C. film and television market are correct, there will be more than enough television time to go around. €

DENMARK

Continued from page 36.

Poor's and Moody's), enough to upgrade Denmark's foreign debt, which now stands at more than $40 billion. Unlike South America and Poland, Denmark is able to service its foreign debt to its creditors' satisfaction. The price to be paid, however, is a lower standard of living in Denmark and interest payments that prevent a surplus on the current account of the balance of payments, and thus any real relaxation of tight economic policies.

For the past seven years, Denmark has had a non-Socialist majority in government, but it has still not been able to agree on a platform that would reduce the world's highest tax rates and largest public sector. One reason is the internal dissension in the right-wing anti-tax Progressive Party, founded by former tax expert and lawyer Mogens Glistrup. Convicted of tax fraud and expelled from Parliament, he has since been re-elected, becoming the unofficial leader of the hard-line group within the Progressive Party that rejects compromise with the Conservative-Liberal Government. This policy effectively eliminates any operative non-socialist majority behind the Conservative Prime Minister, Poul Schlüter.

With marginal personal income tax rates of 68 percent in 1989, and a minimum marginal tax rate of 50 percent, Denmark is threatened with a serious drain of entrepreneurial and other talents in the coming years. If the present negotiations between the government and the Social Democratic opposition are successful, only corporate taxes will be lowered in 1990. Moreover, even the most marginal drop in personal income taxes will apply only in 1991, since any reduction in public expenditure seems politically impossible. The freezing of public expenditure alone is considered a great triumph. Without any substantial tax reductions, however, the unions may not accept slower wage growth in Denmark than abroad at the collective wage negotiations in 1991, especially if Denmark's economic recovery has reduced unemployment by that time.

Judging by the trend in Danish competitiveness and the prospects for the European economy, there is hope that the balance-of-payments deficit will disappear by 1993. But the harmonization of both indirect taxes, which will be required by E.C. directives, and of direct taxes, as required by common sense and the need to stem the brain drain, will pose major challenges to the welfare state. Denmark is often compared to Sweden, a fair comparison both politically and culturally speaking. In economic terms, however, most people tend to forget that, although the Swedish population is only twice as large as the Danish, Swedish industry produces three times more than Danish industry does. Thus, Sweden is better off and can better afford a large public sector. Moreover, Sweden has more large companies, a fact that will also help it in the single market.

Young Danes are rebelling against the more extreme welfare state idiosyncrasies of their parents. While all opinion polls show strong liberal and conservative tendencies among the young, this has not yet changed Denmark's political landscape—the permissive society is still very much alive. Despite its unorthodox attitudes toward hashish and paying rent, for example, Christiania, the living experiment of Denmark's left wing, is not only tolerated, but has just been given its own liaison office within the Ministry of Defense. And Copenhagen's great fall social event was the simultaneous marriage of 10 gay couples in the capital's city hall. Though officially called "cohabitation contracts," the official performing the ceremony did not hesitate to use the word "marriage," and to stress that the legal consequences of the relationships are virtually the same. Danish lifestyles, it seems, are not about to leave European headlines. €

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