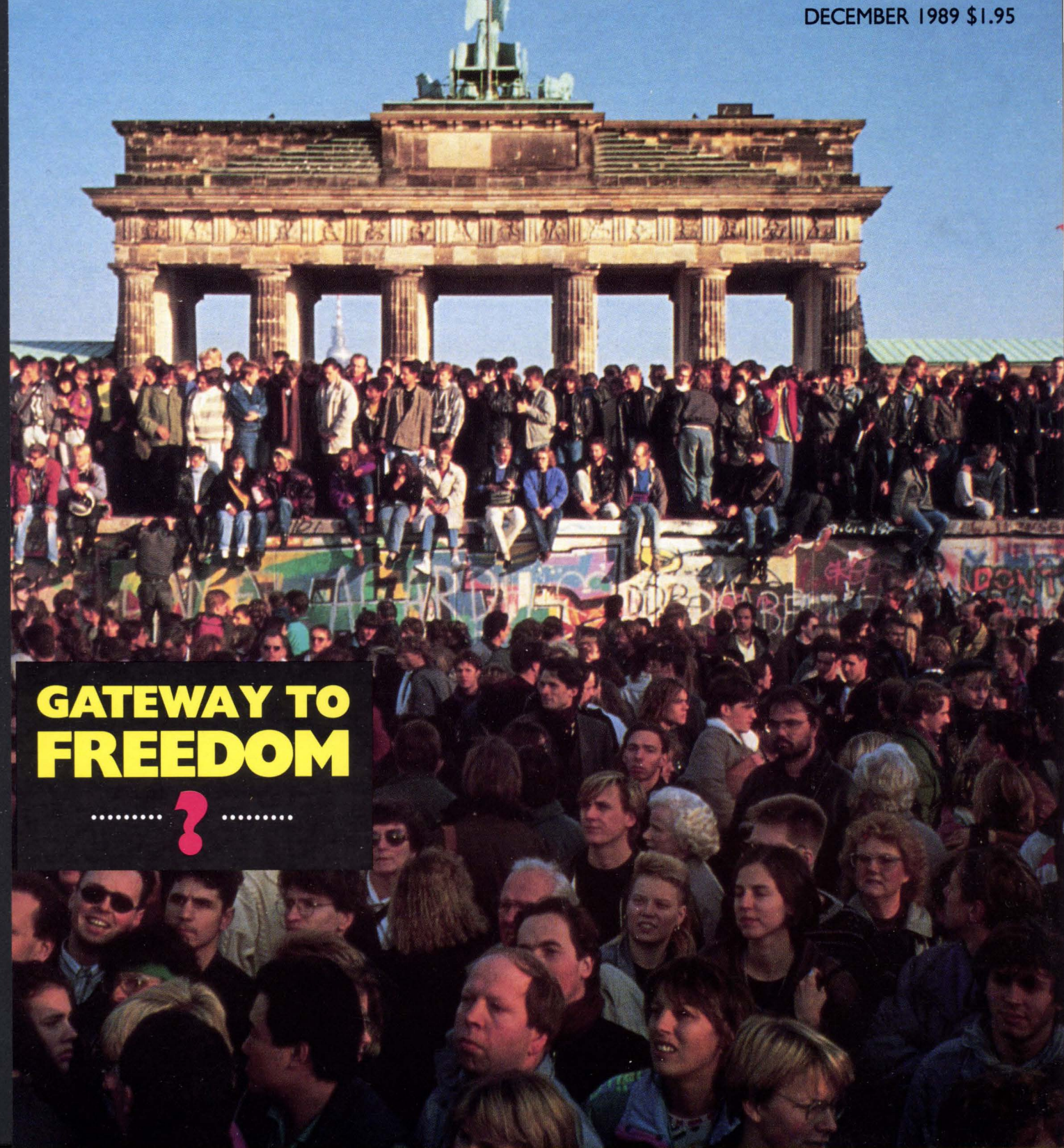


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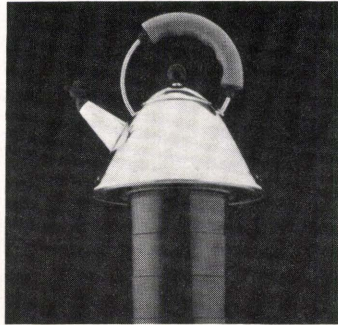
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PUBLISHER'S LETTER

To modify an old saying: Change is breaking out all over. During the last couple of months, Egon Krenz replaced Erich Honecker as leader of the German Democratic Republic, the Berlin Wall became a rather porous symbol of Europe's division, the hardline Bulgarian leadership was ousted unexpectedly, the Hungarian Communist Party became non-communist and promised free elections, and hundreds of thousands rallied for reform in East Germany, Czechoslovakia, and Bulgaria.

These developments are changing the political geography of a Europe divided into competing political and economic blocs since World War II, and are challenging the E.C. to take these new circumstances into account as it charts a path toward creation of its single market. But since this new order is not necessarily a stable one, Robert Hunter of the Center for Strategic and International Studies argues that any discussion of German reunification must take place in the context of a strong Community. Michael Farr looks at the effects of these recent developments on West Germany's domestic political situation, and concludes that the country will profit from them economically.

U.S.-E.C. relations, too, are constantly in flux, but Horst Krenzler, Director-General for External Relations at the European Commission in Brussels, explains that the multilateral approach to trade is still the most effective way of organizing global trade.

Europe magazine, too, is changing with the times, and we are pleased to announce that we have Robert J. Guttman, our new editor-in-chief, on board. Guttman originated the idea of publishing non-partisan magazines on presidential candidates, and in 1979, started his own publishing company, *Political Profiles, Inc.*, in Washington, D.C. The magazine's first issue focused on a relatively unknown candidate named George Bush. Subsequent magazines profiled all of the other 1980, 1984, and 1988 presidential candidates.

In off-election years, Guttman published a bi-weekly newsletter called *Political Profiles Report*, which had one of the largest circulations in the country. He has interviewed over 700 local, national, and world political leaders in the past 11 years for his publications.

Guttman also lectures frequently to foreign journalists, businesspeople, and trade groups on the American political system. In Washington, D.C., Guttman has been the host of a radio talk show, and is an adjunct professor of journalism, communications, and political science at The American University and at The George Washington University. He also worked as an economist and international trade specialist for the U.S. Department of Commerce and as a press secretary on Capitol Hill.

This is my last publisher's letter: Henceforth, Robert Guttman will use this page to write a letter from the editor. I enjoyed being in touch with our readers, and will always welcome a response to our articles.



Giancarlo Chevallard

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AROUND THE CAPITALS

AMSTERDAM

Art for Rent

In October, a kind of marketing system for modern art was set up in the Netherlands, and the National Office of The Federation of Art Loan Centers in The Hague is now the central office of more than 60 art loan centers, or *artotheeks*.

Saskia Ter Kuile, an art historian, heads the office in The Hague. "The *artotheeks* were concentrated in the larger cities at first, but are now spreading fast all over, including small villages." She believes that, with 1992 approaching, there is the possibility that the unique Dutch system of loaning art could possibly become a Europe-wide phenomenon.

Loaning works of art is not a new idea. Arthur Schlegel launched the idea in the 1930s in Berlin, where the project failed because of World War II. In the Netherlands, it started in the 1950s when an Amsterdam artist, Pieter Kooistra, felt that "a broad public should get in touch with contemporary art." He charged modest sums for the loan of modern paintings and distributed them himself by bicycle.

Some 30 years later, some 150,000 Dutch men and women call on local or regional *artotheeks* for the loan of a painting. For prices varying from \$25 for two paintings on loan in Amsterdam to \$35 for one painting in The Hague, the loans run from six months to one year, and arrangements can be made to buy the paintings without interest.

A committee comprised of artists and the heads of the

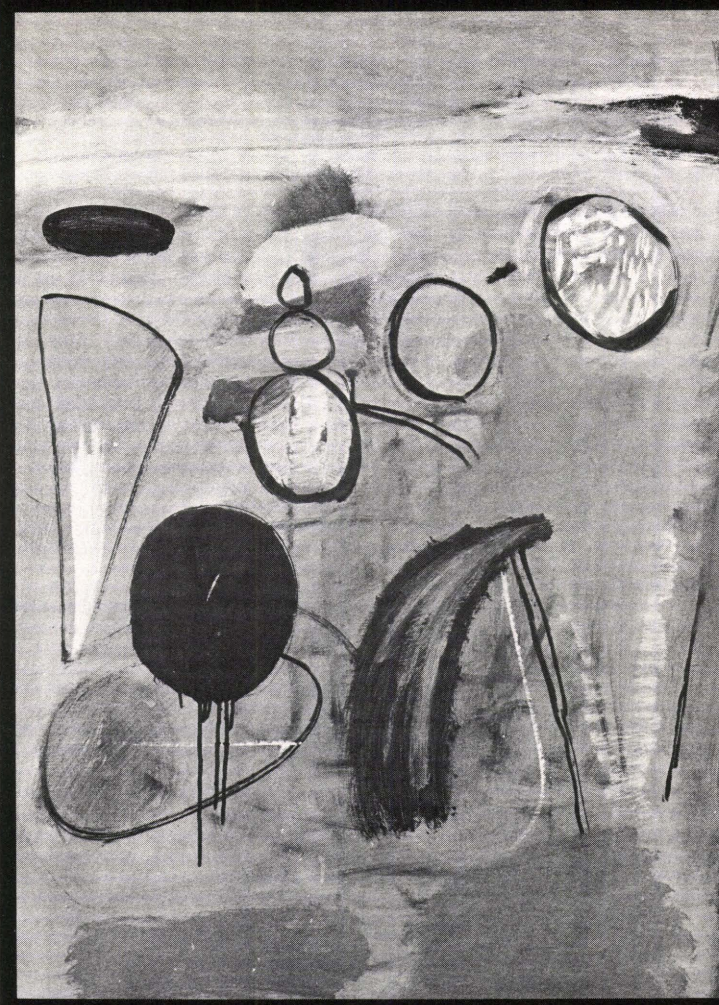
loan centers selects paintings that qualify for their centers. These paintings are the work of registered professional artists, that is, those who have obtained a degree from an art academy and are members of the "artists' union."

About 200,000 paintings are circulated among the art loan centers. Statistics show that 2 percent of the population, aged between 16 and 62, are members of a loan center. Moreover, the number of people wanting to subscribe to the loan centers is increasing annually by 10,000 to 15,000.

The art is often seen as a status symbol, and those most interested in it are people between 25 and 45 who use it to decorate their apartments. The largest group of subscribers are women, most of whom have an academic degree and moderate salaries, and live alone in big cities.

The art loan centers do not focus solely on the cities, however. "We are aiming at a broader public, and we want to go to the country. Not only "yuppies" want to impress their visitors," Ter Kuile explained.

The Federation aims to improve publicity and organization, and to simplify the system for the artists. "We want a publicity project with the Dutch railway system so as to reach people all over the country," Ter Kuile said. "At present, we [also] need a marketing institute to function efficiently, a computerized system that enables us to pass on the market value of paintings, and a bulletin board indicating demand and value. . . . [In addition,] the system for artists is fearfully intricate. We hope it can be simplified. However, it all de-



Loan centers in the Netherlands make modern art accessible to the general public. Here: J. Van 'T Slot's "Zonder Titel" ("Without Title").

pends on the municipal councils and whether, for example, the members of the council are predominantly Labor, Christian Democratic, or Liberal."—NEL SLIS

PARIS

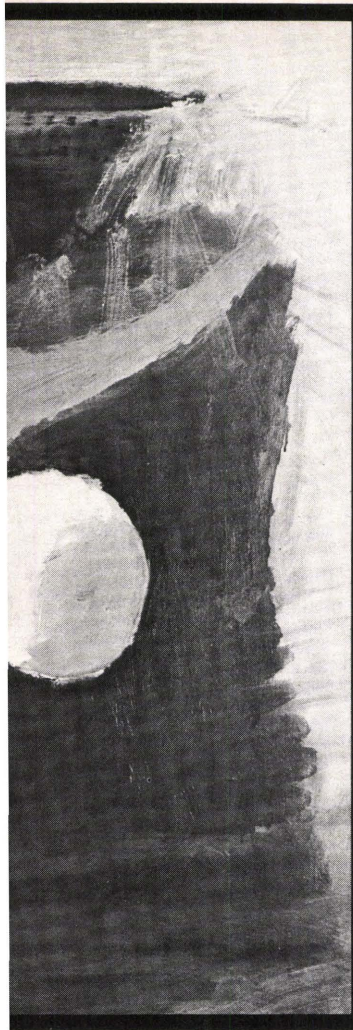
Divisions Unveiled

Two teenage Moslem girls whose religion forbids them to show much of themselves have been on the cover of almost every major French magazine in the past month. They are the unwitting stars of what has been dubbed *l'affaire du voile*—or "the veil affair." The *chador*, or Islamic veil, they wear over their heads has come to symbolize the intertwining of religious and racial tensions in France, as well as political and philosophical issues.

L'affaire du voile began when the two sisters, who attend a public school in Creil, south of Paris, refused to take off their head covers for class. The principal tried to negotiate with the girls' parents: Could they wear the *chador* in the courtyard and halls but remove it in class? Their father was adamant. His daughters would not be seen bare-headed: That was against the family's Islamic religion.

The girls were suspended from school a day before mid-semester break. In the two weeks that followed, politicians, teachers, school children, and religious leaders—practically the whole country—began to take sides.

There is a legal basis for each of the opposing arguments. On the one hand, the girls cannot be denied schooling, because that is mandatory in France. On the other hand, wearing the veil breaks a fun-



COURTESY CENTRUM VOOR BEELDDE KUNST

whether Catholic, Protestant, or Jewish, preached tolerance with regard to the girls' creed. This further infuriated partisans of a totally secular education, and fueled a debate that can only be fully understood in the historical context of France's public education system.

In this Catholic country, the church held a virtual monopoly on education until early this century. When a secular public school system was first set up in 1905, it was defined in opposition to religious schooling. If children wore crosses, they had to tuck them inside their clothes. Public school was meant as a haven of free and critical thought and religious principles were to be left outside the school door. Inside, all children were equal: Until 20 years ago, schoolchildren even wore identical smocks to emphasize their sameness, regardless of their upbringing.

Five prominent intellectuals considered among the most adamant supporters of secular schooling recently published an open letter in the left-leaning *Nouvel Observateur* magazine, saying that this was another episode in the ongoing battle between church and state, or rather between religion and republic, and warning of religion's renewed "appetite" for combat. Among the signatories, philosopher Alan Finkelkraut likened the veil affair to the death threats against Salman Rushdie earlier this year, arguing that it was another symptom of the rise of Islamic fundamentalism in Western society.

Five moderate Moslem intellectuals in France also petitioned against the veil, arguing that the interpretation of the Koran it symbolized was incompatible with the tenets of a democratic liberal education. First, they argued, the *chador* put girls on an inferior footing to boys since they have to hide parts of themselves. Second, the fundamentalists' dogma does not allow for free and critical thought. The Moslem intellectuals concluded that, if the girls were allowed to wear

chadors in school, the fundamentalists, the most reactionary representatives of Islam, would also become the most prominent in France.

The controversy over the *chador* has unveiled a number of questions. One of these concerns the representation of the eight-million strong Moslem community in France. Islam is numerically the second religion in France, far ahead of the Protestant and Jewish faiths. Since the *affaire du voile*, there have been calls for creating a "ministry of integration" to ease ethnic friction, and also calls for stricter immigration laws.

Tension still ran high as the country awaited a high court decision about wearing the *chador* in class, which was expected at the end of November. Meanwhile, the mid-term break has ended, and all the teachers at the Creil Lycée, where the controversy started, announced that they would walk out if the two sisters refused to unveil upon their return.—VIRGINIA ISBELL

ROME

Trying Times

It took over 20 years, but the Italian judicial system has finally begun a process of reform that will bring it on a par with the rest of the European Community. In fact, since the Italian judicial system is universally known to be one of the slowest and most anachronistic of the Western nations, the changes are seen as more a revolution than a reform.

The old inquisitorial rite, upon which the entire legal system has been based, was retired at the end of October. This procedure was responsible for unimaginably slow and tortuous judicial proceedings. One of the most typical examples, which more than once made human rights organizations point an accusing finger, was that of preventive detention, whereby a defendant, once arrested, could remain

jailed for years before being brought before a judge and tried. Moreover, the public prosecutor (that is, the judge) filled both the accusatory and inquisitory roles.

Some of the 746 articles of the new Italian judicial code contain new elements based on international principles. Equality of the parties, separation of the functions of judge and prosecutor, presumption of innocence until proven guilty—these are all tenets of the modern, Anglo-Saxon judicial system that until now were missing from an Italian code mired in norms imposed in the 1930s.

The media's response to the changes was positive: Banner headlines read "Perry Mason has finally entered Italy's old and decrepit courtrooms."

One result of the reform is that justice will now be more expeditious: The first few weeks of the new system, for example, have already confirmed that trial times are shorter. And for the first time, satisfied but still perplexed Italians are witnessing events hitherto unthinkable: namely, the trial and conviction—or acquittal—of defendants less than 48 hours after being arrested.

But even if justice is changing, "the old problems remain," wrote the authoritative daily *Corriere della Sera*, and a feeling that is shared by a majority of other observers. The main problem is that the reform was initiated before all the underlying judicial structures were ready. Minister of Justice Giuliano Vassalli had insisted on setting the reform in motion. "If we wait any longer, the situation won't get any better. It is better to begin now, and then to fix the structures," he had reasoned.

Consequently, the reform began without enough manpower and courtrooms to back up a judicial system that suddenly began to move at an unusually fast pace. And what had been suspected was confirmed: An insufficiency in the number of courtrooms, and judges buried beneath years of backlogged cases. In Naples, for

damental rule of French public education, which forbids proselytizing or even showing religious symbols in class.

In the political realm, the issue made for strange bedfellows: The Communist Party and Jean-Marie Le Pen's extreme right wing were both against the veil. And while many members of the Socialist Party apparatus at the grassroots level, including a great number of public school teachers, were overwhelmingly against the *chador*, the Socialist Government itself was divided, especially after Education Minister Lionel Jospin said the girls should be re-admitted even if they could not be talked out of wearing the veil.

Conservatives were also divided. Some felt the Socialist Government was being too lax toward immigrants by giving in on the veil affair. Other members of the right, which tends to be closer to the Catholic Church than the Socialists, called for tolerating the veil.

All religious leaders,

example, the Court's archives are submerged beneath the paperwork of over 25,000 accumulated cases.

Vassalli philosophically notes that: "We will have to be very patient. Personnel and structures will soon be reinforced." Italians have always had lots of patience, and they will need some more in the months to come. But then the stakes—seeing that old judge to whom they had become tiredly resigned turn into an aggressive and trustworthy Perry Mason—are worth it.—NICCOLÒ D'AQUINO

ATHENS

Pollution Politics

At the beginning of October, 17 Mediterranean nations and the E.C. met in Athens to discuss their battle against marine pollution in the framework of the 1975 Mediterranean Action Plan (MAP), and to take new measures. William Mansfield, deputy director of the United Nations Environment Program (UNEP), under whose auspices the conference was held, told delegates that environmental protection was "a mushrooming

political priority," and criticized the MAP states for resting on "ambitious paper plans that are not implemented." He pointed out that some have still not set up pollution monitoring programs, and that only eight of the 17 countries have contingency plans for oil spills.

Not so long ago the UNEP concluded, ominously, that the Mediterranean, though in danger, was not dying, "at least not yet." A few figures illustrate the threat to it, however. Every day, some 600 ships traverse the sea, many of them carrying gases, chemicals, or hazardous wastes. Each year, detergents, factory effluents, untreated sewage, lethal minerals, and 650,000 tons of crude oil are spilled into the Mediterranean—a closed sea that renews its waters only once every 80 to 100 years. Each summer, some 100 million tourists descend on its coastline.

The MAP, which has a permanent coordinating unit in Athens, was given formal legal status by the 1976 Barcelona Convention. Protocols banned the dumping at sea of the most dangerous wastes (mercury, cadmium, and radioactive material, for example), and provided for inter-governmental cooperation in emergencies.

Seven years ago, another protocol on controlling pollution deriving from "land-based sources" (such as sewage, factory waste, and farm chemicals) came into force.

The actual application of these protocols, however, depends on consensus over specific steps and on the will of the national governments involved. Such agreement is not easy to reach, and the MAP inched forward in Athens in October by banning the discharge of used lubricating oils (though only from 1994), prohibiting the use of anti-fouling paints containing organotin compounds on boats less than 25 meters long (from 1991), and outlawing incineration at sea (also from 1991). It also adopted an "action plan" to protect the Mediterranean's endangered marine turtles. On the whole, the delegates left the conference feeling reasonably pleased with themselves.

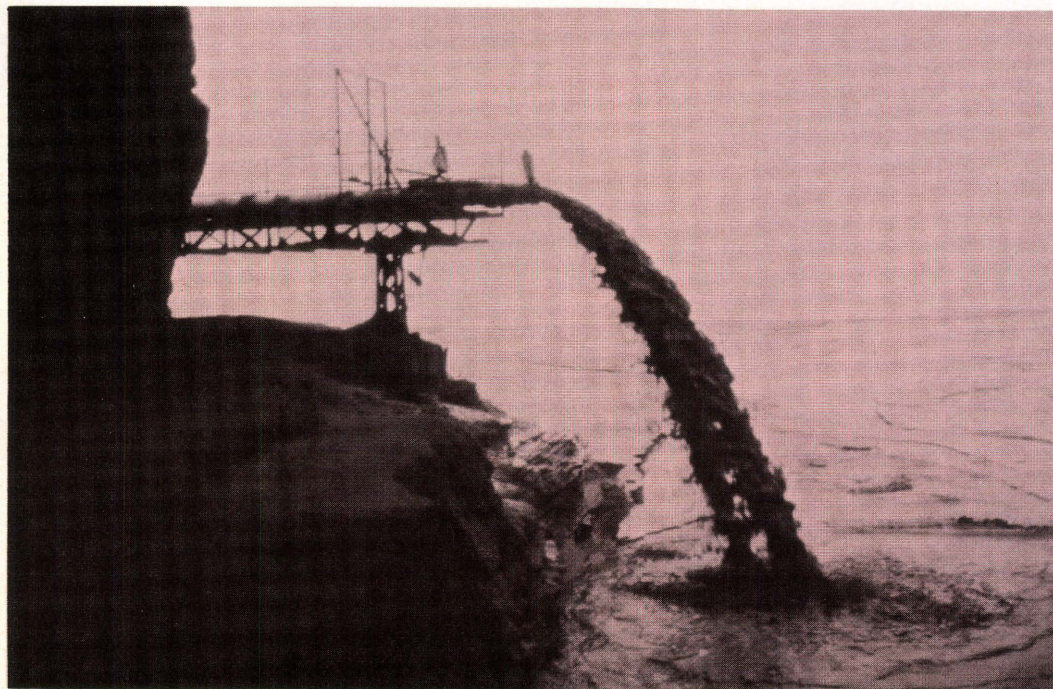
Their satisfaction was not shared by all observers at the conference, however. Professor Michael Scoullou, president of the European Environmental Bureau (EEB), an organization that represents 120 European environment groups with a combined membership of 20 million, said that while he had noted the good intentions, "an

immense gap" between declarations and results was making people skeptical. He also welcomed the E.C.'s decision to join the Barcelona Convention, but was dismayed that the Community's 1990 environment budget was lower than this year's.

Gerard Pest of Friends of the Earth called it "a disappointing conference with no real progress," at which too little happened too late, and at which many issues had not been addressed at all. No steps had been taken to protect the endangered monk seal, for example; nor were "specially protected areas" designated, as decided in principle four years ago. Some countries, it seemed, did not want such areas because of the cost, while the European countries on the Mediterranean said that they had already created enough, and that new areas should be located elsewhere.

Roberto Farrigno of Greenpeace attacked the meeting for failing to curb the transport of toxic wastes. He described the Basel Convention signed in March as "limited to notification procedures," and expressed fears that the industrialized world intended to legitimize the trade by placing it within "acceptable" rules. Dr. Humberto de Cruz, vice-president of the EEB, scathingly dismissed the marine turtle action plan as "years overdue," not binding, and requiring mere data collection instead of action.

Officials of the MAP coordinating unit conceded that things could and should move faster, but called attention to the difficulty of getting 17 countries—the eighteenth, Albania, currently has observer status, but is expected to join soon—to commit themselves to simultaneous action. And while they described some of the environmental groups' criticisms as "rather absolute," they also underlined the decision taken at the Athens conference to allow non-governmental organizations to participate in the technical committees that prepare the



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Tons of sewage, oil, and other wastes are dumped into the Mediterranean each year. Above: Greenpeace plugs a waste pipe.

biennial Barcelona Convention meetings.

Some excitement was caused in Athens when Turkey introduced discussion of a MAP-style program to protect the Black Sea, and proposed cooperation between the two programs. This opens up the prospect that the Soviet Union (which was quick to show interest in such cooperation), Bulgaria, and Rumania could become parties to a Barcelona Convention extended to cover the Black Sea. On the whole, that may be good news, but what effect might it have on decision-making?—PETER THOMPSON

BRUSSELS

Ending Musical Chairs?

Although he may have to wait a while, Ernest Glinne, a Belgian Member of the European Parliament (MEP), is convinced that this E.C. institution should be entirely headquartered in Brussels.

Currently, the European Parliament's facilities are divided between France, Belgium, and the Grand Duchy of Luxembourg. Consequently, the organization is often derisively known as "the traveling circus," since its plenary sessions are held in Strasbourg, its administrative staff is in Luxembourg, and its specialized committee meetings take place in Brussels.

For years, MEPS have complained that their sessions in Strasbourg require extensive travel. Personnel streams between the cities by the hundreds, and documents are transported by the truckload. Most deputies spend considerable time in Brussels doing committee work and touching base with E.C. officials, lobbyists, and journalists, and studies show that the Parliament spends more than \$37 million each year to hold sessions in Strasbourg.

Fearing a diplomatic controversy, Belgian politicians have

in the past made a point not to mention "The Battle of the Seat" between the three cities to consolidate all parliamentary activities. In October, however, Glinne, a veteran MEP, decided to call a spade a spade.

He is concerned about the many incentives France is offering to persuade MEPS to stay in Strasbourg. At the opening of the July session, for example, they were welcomed by French authorities with flowers and an alluring agenda of advantages to come. Promises of improved air service between Brussels and Strasbourg struck a positive chord, but other incentives, such as the installation of improved telecommunication services, were less meritorious than they appeared.

The French want to provide all 518 deputies with a television set and access to most national channels, plus a fax machine and a personalized beeping service, known as Alphapage. This sophisticated device will soon allow any MEP to be called in the Strasbourg area provided his office is plugged into France's national videotex system. In the future, the system should enable each MEP to be called 24 hours a day in the United Kingdom, France, West Germany, Italy, and Belgium.

In an interview with the Belgian daily *La Libre Belgique*, Glinne, who sits on the Parliament's budgetary committee, said that while faxes are essential for the work of a Euro-parliamentarian, he challenged the usefulness of Alphapage, noting that it was "too expensive." "It is as if France were paying the cab to the restaurant, but asking you to pay the meal," he stated. According to *La Libre Belgique*, it would cost the Parliament more than \$1.7 million a year to run the entire telecommunications system.

In preliminary talks with the Parliament, Paris had agreed to pay \$2.4 million to absorb equipment and installation costs, but any remaining expenditures would have to be

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covered by the Parliament's budget. Glinne and others fear that these costs will rise by 4 to 10 percent every year.

The telecommunications conflict is only one aspect of the institution's location problem. The decision to consolidate the Parliament's activities in Brussels must be unanimous, and few countries—France above all—are willing to raise this issue when E.C. states are paving their way to 1992.

There may be a light at the end of the Euro-tunnel, however. In 1988, the European Court of Justice ruled that the Parliament could hold "extraordinary and special" sessions in Brussels. While Belgian officials have kept a low profile on this issue, entrepreneurs in their country are undertaking the task of wooing MEPS away from their Strasbourg home. A new building, ostensibly designed for the Parliament's committee sessions, was inaugurated last October in Brussels, just a stone's throw away from other E.C. branches. Its new hemicycle, slated for completion in 1991, just happens to hold exactly 518 seats. So, while Brussels may have no right to claim for itself the "seat" of the European Parliament, it will certainly have the infrastructure, facilities, and services to accommodate it.—CHRISTOPHE LAMFALUSSY

LONDON

Trial and Error

It is not every day that a government, its police force, and the state judiciary admit that they have made a monumental mistake that has deprived four young people of their freedom for 15 years. Precisely this happened at the Court of Appeal at the Old Bailey in October, however, where it was admitted that three young Irishmen and one Englishwoman had been framed by the police for a murderous Irish Republican Army (IRA)



The reputation of Britain's judicial system has been tarnished by recent police scandals. Above: The Old Bailey in London.

bombing of a pub at Guildford in Surrey, near London, in 1974.

The revelation that the police had faked evidence by editing the answers of the accused to make them incriminating, and had then browbeaten their prisoners into signing the "confessions," will make it more difficult in the future to persuade judges and juries in England that uncorroborated police evidence can be trusted. It will now also be harder for the state prosecution to win a case that rests solely on incriminating admissions made under police interrogation.

Since the Guildford case is the third police scandal this year concerning the routine fabrication of confessional evidence, it is difficult to accept the "rotten apple" theory that the police's actions in the Guildford case were an exception. Moreover, the traditional image of the British police force as being impartial, fair, and decent has been tarnished by the recent revelations of corruption, and police and public are changing their attitudes toward each other.

"Conventional wisdom insists that the police cannot do their job without wholehearted

public support. Well, it may be the best way, but it is not the only way," John Walker, a retired senior police officer, wrote recently. "Make no mistake, a lack of public support will not neutralize the police: It will merely change the way they do their job." He warns that the next generation of police officers will owe little allegiance to any sentimental police traditions of the past. "If the world into which they are born has no reason to respect or care about its police, they cannot but help shape a police force that is in retreat from the public." Walker foresees a tightly supervised police force dedicated to maintaining public order but leaving the prevention and detection of routine crime to the private sector.

Not only the police force has emerged sullied from the Guildford case, however. England has liked to claim that it has the best judicial system in the world. Yet its appeal courts refused to overturn the original conviction, despite the fact that the sole evidence consisted of uncorroborated and contested confessions (such confessions cannot be used to convict in Scotland, for example), and that an IRA unit captured in London subsequently

claimed responsibility for the Guildford bombing. Even a defense lawyer's discovery last year that the police had suppressed that a crucial alibi witness had been interviewed at the time of the investigation did not persuade the director of public prosecutions to re-open the case.

Pressure on the Home Secretary by an array of prominent public figures finally persuaded the government to order the police to re-open the case. It had taken a series of investigative television programs, a book by a respected journalist, and numerous articles by others to exert sufficient pressure on the government to overrule the judiciary and the constabulary. The *Observer* newspaper wrote following the group's release: "The events of the past week are among the most momentous the English legal system has seen this century . . . The judicial system stands accused of gross inadequacy . . . Why did it take so long to establish the truth? Why did the courts not recognize that a terrible miscarriage of justice had occurred? And, perhaps most insistent of all, what can be done to prevent it from happening again?"

The Home Secretary has also ordered a series of enquiries to find out what went wrong and how to prevent a repetition. The police are investigating their own procedures, and the judges the legal procedures.—DAVID LENNON

MADRID

Defining a Majority

Judging from most foreign and domestic news reports, Spain's October 29 general elections were a real cliffhanger, in which the ruling Socialists seemed on the brink of disaster.

Early exit polls falsely predicted a comfortable parliamentary majority for the party of two-term Prime Minister Felipe González, then did

LUXEMBOURG

Banking Secrecy

Heads of State and Government meeting at the European Summit in Strasbourg this month will be considering coordinated E.C. action against Colombian drug barons, including tightening up banking regulations within the E.C. to crack down on money laundering facilities.

The subject is not without a certain poignancy for Luxembourg. Just over a year ago, U.S. authorities revealed that the American subsidiary of a Luxembourg-based holding company was alleged to have been involved in laundering funds for Colombian drug dealers. Luxembourg officials were quick to point out that there was no hint of any illegal activities taking place within the Grand Duchy. Even so, new legislation making money laundering a criminal offense, punishable by stiff fines and long prison sentences, was pushed through with remarkable speed. According to Luxembourg banking officials, the Grand Duchy now has the toughest legislation on money laundering anywhere in Europe.

Meanwhile, however, Luxembourg has doggedly pursued its right to guarantee total banking secrecy for any investor in a Luxembourg bank, a policy that puts it at odds with the other E.C. member countries and the European Commission. The Luxembourg Parliament, in fact, agreed earlier this year to a new banking secrecy law that tightens up the old text and ensures that tax authorities and other government officials are denied access to all bank accounts.

Pressure has been mounting on Luxembourg to relax this rule and to cooperate more closely in cases of international financial crime, including money laundering and tax fraud, but Luxembourg fears that this would erode its position as an international banking center. According to government officials, the only in-

stance Luxembourg authorities will provide information is when the prosecution has begun its investigation and a national court makes a specific request.

Others, including some in the European Commission, argue that this does not go far enough, and will not assist in catching criminals or carrying out Europe-wide investigations into fraud and other financial crimes. One Luxembourg official, however, said that the other countries will have to decide just how far they are willing to cooperate in the crime-fighting effort before trying to get Luxembourg to jump on the bandwagon.

Some effort has already been made at the E.C. level to coordinate the fight against the Colombian drug barons. E.C. countries have pledged \$3 million to the Colombian Government to help in the fight. And following an initiative earlier this year by French President François Mitterrand, each of the member states has designated one top official to coordinate the anti-drug campaign, although there is no firm agreement yet on how investigations will be carried out across E.C. borders.

The fact that the issue is now being considered by the E.C. Heads of State indicates that concern is growing over the increasing availability of drugs throughout the E.C., and that a lot of work still needs to be done. In the search for a solution, Luxembourg will undoubtedly come under mounting pressure to alter its banking laws. Whether it will be able to hold out and save its most important industry remains to be seen. Since the financial services sector now accounts for just over 20 percent of the country's gross national product and employs nearly 10 percent of the active population, however, Luxembourg is not likely to give in without a fight.—DENISE CLAVELOUX

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an abrupt about-face to signal—equally incorrectly—that the Socialists would fall short of that majority. Finally, when Interior Minister José Luis Corcuera announced the first official results, the Socialists had won 176 seats, one seat more than half the total number in the lower house of Parliament.

Television, radio, and newspaper reporters talked of a “brush with defeat” and speculated that the Socialists could be forced to rethink their pro-growth economic policies and negotiate pacts with other parties. Some stories said that the communist-led United Left coalition was the big winner, picking up a million votes mostly at the Socialists’ expense. Others wrote that the Socialist victory hung by the thread of disputed results in the provinces of Barcelona and Murcia.

The suspense became almost unbearable a week later when Murcia’s provincial election commission ruled that, because of irregularities in the vote, it had annulled the results at several polling places. The modified results, as reported the next morning, showed that the Socialists had held on to their precious seat and their majority by two votes. Then, however, that same election commission reversed itself and awarded the Socialists’ 176th seat to the United Left.

While this might seem to have dealt González a major blow, the issue is a little more complex. The ruling, if confirmed by a provincial court, will set the Socialists back psychologically by taking away their much-trumpeted third consecutive majority. The steady dip in seats and popularity since the party’s first resounding victory in 1982, and González’ own hints of his eventual retirement, have served to remind voters that the Socialists will not be in power forever. At the same time, the lack of an outright majority will not impede the Socialists from forming a government, however, and will have little effect on their ability to pass legislation.

If the ruling stands, the Socialists will have 175 parliamentary deputies, 69 more than the conservative Popular Party, its closest rival. The United Left coalition will have 18 members, the same as the center-right Catalanian regional party. Former Prime Minister Adolfo Suarez’ weakened Democratic Social Center will have 14 deputies, and the rest of the seats will be scattered among smaller parties with widely different viewpoints.

Even if all the opposition parties could agree on a candidate for prime minister—a virtual impossibility—the Socialists would be able to block his majority election on the first ballot and elect González by plurality on the second. But it should not come to that, since the Basque Nationalist Party (PNV), which runs the Basque regional government in coalition with the Socialists, has said it will vote with González.

In fact, the Socialists may end up with a parliamentary majority anyway. In 1986, the political arm of the Basque separatist group ETA renounced the five seats it won because its members refused to pledge allegiance to the Spanish Constitution. This time, their four would-be deputies are trying to gain their seats by hedging their pledges by inserting “due to legal imperative,” before promising to obey the law. This formula worked for the European Parliament elections, but the president of the Parliament, who will probably be a Socialist, may decide not to accept it.

Once the Socialists have formed the government, the eclectic makeup of parliament will make for almost automatic passage of most bills, which require only a majority of voting deputies, and not of total seats.

To understand the Socialists’ parliamentary position, one should not think of them as being one seat short of a majority. It is more helpful to remember that they have the same number of seats as all their opponents combined.—
RICHARD LORANT

DUBLIN

Legal Minefields

In 1983, a referendum was held to amend the Irish Constitution to include a clause affirming the “right to life of the unborn.” This meant that abortion had now become illegal in Ireland both under a 19th-century British law and under the Irish Constitution. One would have thought that was the end of the matter for the foreseeable future.

Instead, the European Court of Human Rights in Strasbourg, which is the guardian of the European Convention of Rights, and the European Court of Justice, which is the ultimate arbiter of E.C. law, are going to have to give rulings on certain aspects of the Irish ban. The fact that the Irish prohibition on abortion has landed in the laps of judges of both courts well illustrates that European laws are beginning to figure more largely in Irish courts.

Following the 1983 referendum, two women’s counselling centers in Dublin (Well Woman and Open Line) continued to advise Irish women on how they could obtain abortions in Britain, the destination each year for an estimated 4,000 Irish women seeking abortions where they are legal.

The Society for the Protection of the Unborn Child (SPUC), the Catholic conservative group that had successfully led the campaign for the referendum, brought a civil action against the two centers in the High Court. SPUC won an injunction, upheld by the Supreme Court, that prevented the centers from giving information about abortion facilities in Britain.

Civil liberties groups, however, were uneasy at this restriction on the freedom of information. The two centers lodged an appeal with the Court of Human Rights in Strasbourg alleging a breach of the Convention’s provision on freedom of information. As a

signatory of the Convention, Ireland is obliged to accept the rulings of this court—the Irish Government has, in fact, used it before to accuse Britain of torturing prisoners in police custody in Northern Ireland.

Since the Strasbourg ruling would take at least a year, a group of Irish university students has decided to challenge the ban on providing information about abortions in Britain. They printed this information in a magazine distributed to students at Trinity College, Dublin, and other student publications. SPUC was obliged to appear again before the High Court to get an injunction preventing 14 students from distributing the offending information. Just when it looked as if the students would be jailed for defying the injunction, however, their lawyer sprang a surprise by arguing that an important point of E.C. law was involved, and that the judge should therefore refer the case to the European Court in Luxembourg for a preliminary ruling.

The lawyer argued that, under E.C. law, people have the right to give information about services legally available in another E.C. country. The judge agreed that the European Court should first give a ruling, and postponed the SPUC attempt to have the students jailed for contempt. Temporarily, at least, they are free to continue distributing the controversial information.

While Ireland’s constitutional lawyers are intrigued by this situation, they are also worried about the legal minefield that lies ahead, especially if the Court of Human Rights rules against Ireland’s Supreme Court, or if the European Court gives a ruling contrary to the other courts’ decisions.

One constitutional lawyer’s opinion is that the leeway given to national governments under E.C. law to derogate from the freedom of movement for goods and services if contrary to “public policy” will ultimately favor the anti-abortion case. Curiously enough, most



COURTESY DANISH TOURIST BOARD

The Danish Government is encouraging early language learning among schoolchildren (above), who may begin to learn English at age seven.

of the 14 students, who were ready to go to jail rather than stop distributing information on abortion, say they do not favor setting up abortion clinics in Ireland. But they believe Irish women should be free to choose to have an abortion in Britain.—JOE CARROLL

COPENHAGEN

No Need to Dub

A new study by the Danish Institute of Future Studies predicts that all young Danes will be completely bilingual in English and Danish by the beginning of the next century. Given that this date is less than 12 years away, that objective may be a little ambitious. Nevertheless, several prominent members of a think tank set up by Prime Minister Poul Schlüter have proposed that English be made compulsory from the first grade in primary school onward.

Such a proposal would mean that Danes would start learning English at the age of seven, rather than at 11 or 12, as is the case now. Most Danish children would not protest such a move; indeed, they are highly motivated to learn English, for proficiency in that language would allow them to enjoy English-language television and films much earlier, and would also give them greater scope when absorbing computer manuals and game de-

scriptions at home and at school.

Unlike large European countries such as West Germany, France, and Italy, television and film material in Denmark is not dubbed, but is simply subtitled in Danish. This enhances the competitiveness of Danish as compared to German television, which is now accessible to most Danes. Danish viewers find that some of the Wild West flavor of John Wayne is lost when he shouts "Hände hoch!" rather than "Hands up!" Moreover, when the voices of German professionals hired to speak the lines become associated with certain actors or actresses, it is disorienting to suddenly hear them as the voices of other famous actors in very different roles.

Since subtitles cannot transcribe a program's full content or all the nuances in the spoken words, they act as a spur to learn the language itself. No official figures exist, but it is estimated that one-third of all Danes, and two-thirds of all Danes under the age of 25, are able to read an English newspaper with a degree of understanding comparable to that of mother tongue readers. Although such estimates are always tricky, and circulation of English-language newspapers and periodicals tends to be limited to a specialized group of mainly business readers, leisure magazines and nightly segmented magazines targeting computer buffs are slowly changing this.

At universities and business schools, most textbooks are in English. In economics, American textbooks dominate, and although the country of origin may vary in other subjects, the language will in most cases be English. Some theses and much scientific work is now written in English, and then translated into Danish if necessary. This is especially common in fields of research where no Danish terminology exists.

Danes share the passion for English with other Scandinavians, the Dutch, and Flemish-speaking Belgians, but not with the French or, to the same extent, the Germans. While the

Germans prefer English to French, they still believe that there is room for German in the world, without, however, claiming full rights as an international language. In fact, the German language is now commanding greater attention because of the developments in Eastern Europe, where there are strong, if not always happy, links with Germany. While nothing challenges the popularity of English, more and more Danes see the mastery of several languages as the key to success in the Community.—LEIF BECK FALLESEN

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LISBON

Architectural Antics

Portuguese newspapers have been giving saturation coverage to the scandal chronicles from several world capitals as they seek to justify media treatment of the country's own first big sex exposé.

Respectable family journals like the leading weekly *Expresso* have carried reports from Rome (examining the phenomenon of *porno-deputada* Cicciolina), Washington (the lurid Gary Hart affair), Athens (for details on the matrimonial upheavals of the Papandreous), Tokyo (looking at the *geisha*-linked rise and fall of Japanese premiers), and Paris (for a particularly piquant French overview of the subject).

Behind this sudden flurry of interest is a genuine home-grown scandal involving the adventures of one of the country's best known architects, Tomás Taveira, who is well-connected in government circles and in the local jet-set. Fifty-one-year-old Taveira first hit the headlines in the early 1980s with his daring post-modernist architectural projects that transformed the face of domestic architecture, provided the language with new concepts and vocabulary ("Taveirarising" the landscape, for example), and generated a slavish school of imitators.

In less than 10 years, Taveira became famous, bought himself a Rolls Royce—the supreme status symbol in a country where such cars are rarely seen—and took over three of the country's leading nightclubs. He and his wife glittered in newspapers' social columns and traveled in the nation's chic cocktail circuits.

In an interview, Taveira once told me of his long grind to the top. Born into a humble working-class family, he left school at the age of 12 to work with his father in the workshops of the Lisbon tramway



Tomás Taveira, currently at the center of Portugal's first big sex scandal, designed Lisbon's ultra-modern Amoreiras shopping center (above).

company. He completed his education at night, and finally graduated from architectural school with top grades.

Taveira acquired numerous enemies as he rose to the top, principally among his own architectural colleagues. They detested both his flair for publicity and his colorful portfolio of major public and other buildings in Lisbon and elsewhere, which attested to his architectural potency.

His most brazen project, the giant Amoreiras shopping, residential, and office complex that towers colorfully and controversially on one of Lisbon's seven hills, set Taveira definitively on the road to domestic and international fame and fortune after its completion in 1985. Ironically, it may have also marked the start of his decline. Things began to go wrong for the tennis-playing *bon vivant* earlier this year when newspapers published investigations about his architectural firm's alleged irregularities in dealings with the Ministry of Health over a major redevelopment project in Lisbon.

As official inquiries got underway into a web of complex deals involving his and a number of other firms, however, a second scandal was ready to explode. In early October, after weeks of veiled allusions of what was coming, a weekly scandal magazine set the country abuzz by publishing a lurid peek into Taveira's private life.

The October 2 issue of *Semana Ilustrada* carried an eight-page full-color pull-out supplement of stills it said were from a home video allegedly made by the architect himself using a hidden camera. The pictures unmistakably identified the unclothed architect, who is married and has two children, in a series of intimate poses with at least two different women.

The scandal over what the architect did in his beautifully decorated office also has repercussions on a closely knit society, where many leading figures may have been unwittingly compromised by the exuberant architect.

In Andre Neves, the publisher of the scandal magazine involved, he may have met his match. Although the authorities have opted for an official investigation, Neves insisted there was more to come and refused to be bowed by the state's intervention. Consequently, the state prosecutor's office ordered the confiscation of parts of the following issue of *Semana Ilustrada* hours before it was to hit the streets with a second series of compromising photographs.

Taveira's lawyers announced that he planned to sue the magazine for about \$3.8 million for "damage to his personal and private reputation." If the case goes ahead, it will be the highest such claim ever to come before the Portuguese courts.

Fernanda Pego of the Lisbon state prosecutor's office, who ordered the seizure of all material relating to the second issue of *Semana Ilustrada*, said she acted pending a "criminal investigation." The prosecutor's office said police were looking into a possible case of "abuse of press freedom and violation of privacy."

Abuse of press freedom or not, Neves' office said the Taveira issue, which cost 160 escudos (\$1), had "sold out in minutes," and subsequent reports said it was fetching as much as 50 times the cover price and was also doing a roaring trade in color photocopies.—KEN POTTINGER

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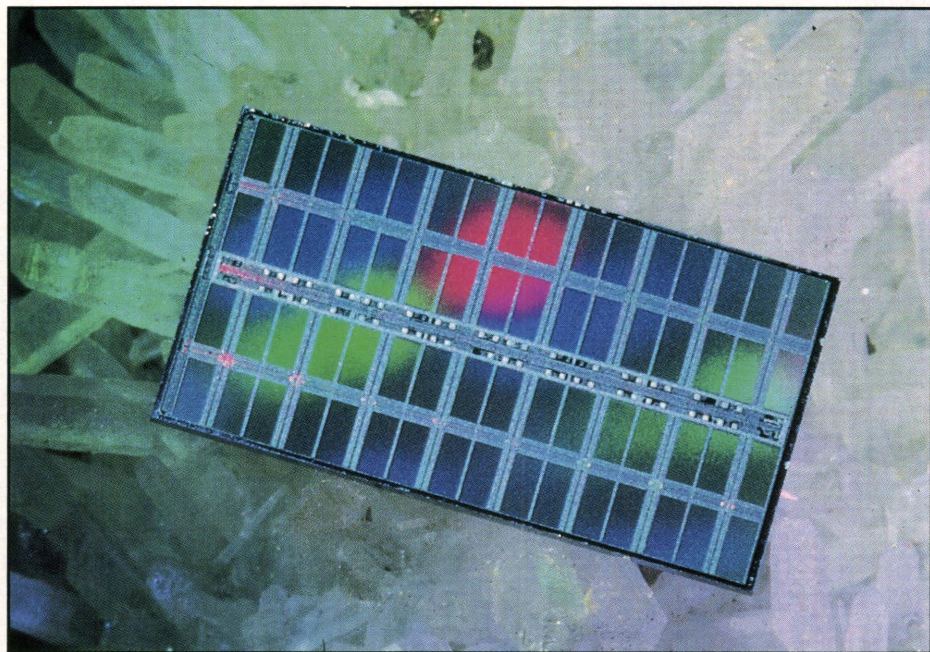
Much as clairvoyants of old studied crystal balls for signs of things to come, European and American industrialists are increasingly looking into their computer and television screens as they ponder the future of high technology. While the picture remains somewhat blurred, the broad outlines of the commercial environment of the 1990s are nevertheless coming into focus.

As business leaders and politicians on both sides of the Atlantic seek new ways to meet the challenge of Japan's impressive economic performance, the emphasis is increasingly being placed on collaborative efforts to gain an edge in two vital technologies: semiconductors and high-definition television (HDTV). Semiconductors, those silicon chip building blocks of anything from dishwashers to military radar, are above all thought essential to maintaining a state-of-the-art presence in the computer field. High-definition television is an avant-garde technology that, while still in the experimental stage, promises pictures of cinema-like sharpness for home television sets. Progress in both of these areas would be self-reinforcing, since HDTV will be a big user of computer chips and its enhanced picture screen technology will have applications for computer imaging.

In the three-sided race into the high-tech future, the United States remains strong in chips, Europe has an important presence in consumer electronics like television and video equipment, and Japan has become the pioneer in putting all this together to take the lead in HDTV research and development. In fact, the Japanese public television company (NHK) will begin the first high-definition television broadcasts on a limited basis next fall. This Japanese advance has caused both private sector and government officials in the E.C. and, to a lesser extent, in the United States to speed up their own efforts to carve out a piece of the HDTV pie.

Alongside individual European and American research and development programs, the first steps have also been taken to explore collaboration between U.S. and E.C. firms as an answer to the Japanese HDTV surge. The Europeans have been the most active in promoting their indigenous HDTV industry. Part of the E.C.'s 1990-94 framework program in research and technological development involves continued support of the Eureka R&D effort that groups the 12 E.C. countries with seven of their European neighbors. Under Eureka auspices, for example, companies like Philips of the

RACING INTO THE HIGH-TECH FUTURE



U.S. strength in computer chips could complement Europe's strong television industry in high-tech cooperation. Above: IBM's 4-megabit DRAM, the most advanced memory chip available.

GREATER U.S.-E.C. COOPERATION IN R&D PROMISES COMPETITIVE ADVANTAGES FOR BOTH.

Netherlands, Thomson of France, and Bosch of West Germany have pooled their resources to develop a European HDTV standard to rival Japan's. Thomson, the biggest volume television producer in the world, is scheduled to sell its first sets with a hybrid picture technology incorporating some high-definition elements next year, with Philips not far behind.

In the United States, there have been calls on Capitol Hill for a greater commitment from the Administration to support a domestic high-definition television industry. Senator Albert Gore (D-TN), chairman of the Senate subcommittee on science, technology, and space, has held hearings this year on the subject, and has joined with his colleagues John Kerry (D-MA), and John Heinz (R-PA), in asking for matching grants and tax and anti-trust relief to encourage American companies to cooperate in consortium arrangements like the European Eureka program.

The Defense Advanced Research Projects Agency, a U.S. Government

arm, is, for example, planning to spend \$10 million this year to support HDTV research, but the Bush Administration has somewhat cooled in recent months to the idea of pinpointing HDTV as a focus of high-tech research. Secretary of Commerce Robert Mosbacher, although an early backer of HDTV efforts, has now explained that the United States wants to avoid an industrial policy approach of "picking winners" and would rather let market forces determine where U.S. research energies are directed. Some in the United States are also pessimistic that the Japanese lead in this area may simply be too great to overcome.

This is where the idea of U.S.-European high-tech cooperation comes in. In many ways, HDTV is a natural area of collaboration between U.S. and European firms. Two European companies, Philips and Thomson, own four U.S. television manufacturers—Sylvania, Magnavox, RCA, and General Electric. With Zenith the last remaining U.S.-controlled televi-

sion producer, the American industry could thus use help from the stronger European television industry. At the same time, the United States is more advanced than the E.C. in computer chips, and HDTV sets are expected to take 10 times as many semiconductors as conventional sets.

The U.S. Government has taken some steps in the direction of the Europeans. Washington had originally supported the Japanese HDTV standard, partly because the United States and Japan currently use the same conventional television standard. But the United States dropped that support at the meetings of the Consultative Committee on International Radio, the Geneva-based organization that is formulating a draft recommendation on a single worldwide HDTV standard to be adopted in 1990. E.C. Commission Vice-President Filippo Maria Pandolfi has argued for U.S. adoption of the new European standard, but the U.S. Federal Communications Commission has not made any decision on whether to pursue a U.S. standard or to follow the Europeans. The European broadcast standard has the advantage of compatibility with existing sets, while the Japanese standard would require new sets to be phased in immediately to receive HDTV programs.

European industrialists like Cornelius van der Klugt, chairman of Philips, have been arguing the case for joint U.S.-E.C. research and development in high-definition television. At the official level, an informal U.S.-E.C. High Technology Working Group meets regularly to discuss areas of common interest, with HDTV figuring high among them at past gatherings. The lack of a U.S.-based HDTV consortium has acted as one barrier to further efforts. Nothing concrete has emerged from the discussions of representatives of IBM, Zenith, Motorola, Apple, AT&T, and others on setting up an American version of the Eureka HDTV program. Moreover, without a decision on a U.S. standard, American companies are somewhat in the dark on how to focus their resources.

The same momentum toward collaboration can be discerned in the area of semiconductors, with perhaps a greater contribution from the U.S. side than on HDTV, understandable given the U.S. weakness in television manufacturing. Fourteen American firms founded SEMATECH (Semiconductor Manufacturing Technology) in 1987 to improve semiconductor manufacturing techniques. More recently, U.S. Memories was formed to pool resources and talent to develop dynamic random access memory (DRAM) chips, an area where the Japanese

have taken the lead. The Europeans, for their part, announced the creation of the Joint European Submicron Silicon project (JESSI) earlier this year. This program is also a part of Eureka, created to do precompetitive research aimed at producing a new generation of larger chips with 64 megabit capacity.

Semiconductors are thus a more promising field for lining up American and European companies for joint efforts. JESSI and SEMATECH have been meeting to discuss cooperative efforts in standards, competitive analysis, and equipment programs. IBM has applied to join JESSI, and SGS-Thomson, the Franco-Italian chip joint venture, has expressed interest in taking part in SEMATECH. Both companies have substantial operations on either side of the Atlantic. One thing that is holding up cross-fertilization between the two consortia is a bill introduced by Senator Ernest Hollings (D-SC), that would provide substantial seed money to U.S. high-tech consortia, but with limits on non-U.S. participation. No such impediments exist on the E.C. side (some American firms with a presence in the E.C. already participate in European research efforts) and JESSI is likely to demand reciprocal treatment from SEMATECH on the membership question.

U.S.-E.C. high-technology cooperation

in chips or HDTV, while clearly still in its infant stage, has many virtues. It is a positive response to the threats posed by Japanese industry to the competitiveness of domestic firms since it avoids the more negative route of protectionism, like quotas and tariffs, to keep Japanese goods out. At a time when both Washington and the E.C. capitals desire to reduce state interference in the activities of the marketplace, private sector collaborative projects, like a potential JESSI-SEMATECH link-up, would require only regulatory and legal changes, but not necessarily additional government funding or involvement.

Finally, with the new tone of political and economic cooperation set by both Commission President Jacques Delors and U.S. President George Bush in areas such as aid to Eastern Europe, the environment, and Third World development, the atmosphere in Washington and Brussels is certainly conducive to commercial partnerships between the two sides. So, while some fine-tuning still needs to be done, industrialists in both Europe and the United States are beginning to see the potential advantages of aligning their frequencies. Stay tuned. €

Peter Rashish is a Washington D.C.-based writer and consultant who specializes in European affairs.

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The openness of our trading systems is, perhaps, one of the great values that the E.C. and the United States share: the principles of consumer choice, of freedom of establishment and, most important of all, of an independent and uncorrupted legal system.

This is equally valid in international trade. Because of the relative openness of their markets, the E.C. and the United States together account for more than a third of total world trade, which makes them indisputably the most important markets in the world.

It follows that the health of the world economy depends more than ever on our markets remaining open. Our experience after 40 years of open trade is that observance of common commitments is fundamental to the survival of the system. If we were to depart from the rule of law and began to follow policies not based on the common advantage, markets would inevitably begin to close. We would risk turning our backs on the very open trading system that has served us so well since the war, and that has led to a period of continued growth the world has probably never seen before.

When I speak of shared values and the rule of law in international trade, I mean above all the General Agreement on Tariffs and Trade (GATT). Essentially, new principles in world trade should not be adopted if they have not been negotiated between the contracting parties, in any area to which GATT applies. We believe that our trade policy instruments are completely compatible with our international and regional obligations.

With all this in mind, it is strange and disturbing to realize that, as we move into the 1990s, the United States seems to have increasing doubts about the multilateral approach and the effectiveness of the multilateral system. We might well ask ourselves why this is so, when the U.S. economy is growing at about the same rate as the Community's (this coming on top of years of sustained growth) and when the United States has a comparable rate of inflation, and substantially lower unemployment than we do?

The introduction of the 1988 Omnibus Trade Act brought a new factor into international trade. For the first time, a GATT member has taken it upon itself not only to pursue bilateral negotiations with trading partners whenever it perceives export barriers (to which it is entitled within the GATT mechanisms), but also to take action to force corrections in other countries' practices. In other words, the

U.S. Congress has appointed the U.S. Administration prosecutor, judge, jury, and bailiff—a strange legal construction.

Our concerns on Section 301 have not diminished since we expressed them last year. It is true that the Bush Administration has been making more encouraging noises than its predecessor. President Bush and U.S. Trade Representative Carla Hills have clearly and publicly announced that top priority is being given to the Uruguay Round, and that negotiations under Section 301 are complementary to the Round. Nevertheless, the imposition of specific deadlines in bilateral trade disputes—on an arbitrary basis and with the threat of unilateral measures

will be a huge stimulus to the liberalization of world trade. The convergence of European economies and the legal constraints of E.C. membership make the protectionist option a non-starter; also, many member states are far more dependent for their livelihood on trade than the United States or even Japan.

The Europeans therefore must face the challenge offered by the single market, which is not and cannot be, a backward step toward protectionism. Within the space of a few years, we are aiming for a 5-percent increase in our gross national product. This will become possible because goods and services can be sold in the 12 member states without

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

TOWARD HEALTHY AND OPEN WORLD MARKETS

TRADE REGULATION IN THE E.C. AND THE U.S. SHOULD BE BASED ON THE INSTRUMENTS PROVIDED BY THE G.A.T.T.

if solutions are not found—is incompatible with the Uruguay Round process and international disciplines in trade.

The U.S. Administration and Congress cannot expect their partners to stand aside as this legislation is implemented. The United States has often claimed to us that the objective is to open third country markets and not to add to protectionist measures, and that retaliation would be only a last resort of exercising leverage. But the reality is quite different: Trading partners are given no choice but to negotiate on the basis of an agenda set by the United States, on the basis of U.S. judgments, U.S. perceptions, U.S. timetables, and indeed U.S. domestic legislation. All this is a departure from the rule of international law.

The construction of the single market

going through 12 separate administrative procedures, or satisfying 12 differing standards. At the same time, there will be more cohesiveness in the Community, and less local particularism. In short, the single market will be *larger*, more *unified*, more *open*, *simpler* to enter, and more competitive than ever before.

Construction of the single market has not led to any change in the ground rules for commercial policy. The GATT, the OECD, and the traditional instruments of commercial policy provided for in the GATT will still be the bedrock of trade regulation. Moreover, the new principles of trade legislation will be developed in Geneva, not in the European Community.

We are also fully aware that whenever there are major changes in the way in which a large market is regulated, inter-

nally, there will be important consequences for business. This will inevitably result in some friction with our partners, but should be restricted to areas where common international obligations have not yet been agreed. The solutions to such disputes should preferably be multilateral; that is, the more internal trade rules can be internationalized, the fewer problems of principle there will be.

As concerns both the external effects of "1992" and E.C.-U.S. relations, it is thus clear that the single market will be open, both in terms of visible and invisible

the E.C. are already six times higher than direct U.S. exports to the Community. The E.C. also accounts for one-quarter of total U.S. exports. Growth in the Community and the success of American companies in our market are mutually reinforcing.

The relationship between the single market and the Uruguay Round is a fundamental one. Ever since the inception of the Community, the creation of a single market has been a priority. Thus, it is not a new invention, and the task of handling its effects on external trade has become a

would restrict inward investment into the United States in the name of the national interest and could even affect the acquisitions made by long-standing investors in the United States. A number of measures introduced in 1989 tended to reinforce the extraterritorial application of U.S. legislation. Above all, the United States has tried to use the Trade Act to force partners into negotiation—in the Community's case notably in telecommunications. It is impossible to separate the issues in such discussions from those that will form the center of Uruguay Round negotiations. Therefore, however real and serious the trade problems the United States is seeking to overcome, these initiatives must be pursued in harmony with the Uruguay Round negotiations.

Sovereign states have the right to *regulate* their own domestic affairs, but in this interdependent world there surely needs to be a shared will not to *disrupt* each others' affairs. It is only natural that we should pay more and more attention to each others' legislation. The level of overseas interest in Community directives is very high, for example, as is the concern expressed by America's trading partners over legislative developments in Washington.

Nevertheless, despite the many trade irritations that have made life difficult for all of us, the E.C.'s relations with the U.S. Administration today are closer than ever. And one cannot help reflect that with the Uruguay Round in mid-negotiation, with the realization of the single market, with the opening up of Eastern Europe, and with the impressive growth of the East Asian economies, not to mention the continued vitality of the U.S. economy itself, this is not the time for trade confrontation. The opportunities before us should lead to a common interest in open trade and to a resurgence of the cooperation that led to the GATT in the first place. Indeed, broadened and more binding GATT disciplines should lead to a further convergence of trade legislation.

If we can achieve such convergence—and there is no economic reason why we should not—the United States will not need to use those parts of its Trade Act that concern its partners. We now need to see how best to promote the multilateral framework and carry the Geneva negotiations to a successful conclusion. The Community is prepared to shoulder its responsibilities: It has offered to host the concluding conference of the Uruguay Round in Brussels. €

Horst Krenzler is Director-General for External Relations at the European Commission.



The E.C. wants the Uruguay Round of multilateral trading negotiations to take precedence over unilateral actions, such as Section 301 of the U.S.' 1988 Omnibus Trade Act. Above: The U.S. Capitol.

trade, including investment and services and in the GATT sense—that is, open to those partners who subscribe to a mutual balance of rights and obligations. This is what that often abused word, reciprocity, means in its overall sense.

We are therefore *not* demanding impossible bilateral concessions from our partners by inviting them to introduce mirror legislation, or sectoral reciprocity by asking them to balance their sectoral trade with us. Instead, we want the market to be as open as we can sensibly make it, through negotiation.

As the world shrinks, business is becoming increasingly multinational. For the Community, with double the unemployment rate of the United States, such an interest can only be welcome. Sales of U.S. multinationals' affiliate companies in

way of life. The Community is essentially outward looking, and its political energies are not expended on the internal process at the expense of external considerations. Indeed, the two march hand in hand. The Uruguay Round offers an unparalleled opportunity to extend the advantages offered by the single market, providing that it is on a basis of mutual advantage and by mutual consent. And the advantages our member states obtain in other markets must be real, verifiable, and unconditional.

It may be useful to point out that, if the Community's legislative process inevitably causes friction with our partners, we ourselves have problems, often fundamental, with their legislation. This year has seen a number of Bills and draft regulations in the United States that

EUROPE'S INDUSTRIALISTS HELP SHAPE THE SINGLE MARKET

THE EUROPEAN ROUND TABLE WORKS TO ENCOURAGE EUROPE'S INTEGRATION AND TO STRENGTHEN ITS ECONOMIES.



COURTESY PHILIPS U.S.A.

Already in 1985, Wisse Dekker, CEO of Philips and Chairman of the ERT, presented the advantages of eliminating internal trading barriers in his "Agenda for Action—Europe 1990," which paved the way for the E.C.'s White Paper on the single market.

KEITH RICHARDSON

When foreign visitors to Europe ask why the Community and its internal market are now making such rapid and even spectacular progress, one crucial answer is that the business community has shown much more vigorous support for the building of Europe in the 1980s than ever before.

One organization that has done a great deal to establish and demonstrate this new "European face" of business is the European Round Table of Industrialists (ERT), some of whose most distinguished leaders are visiting Washington this month to exchange views with their U.S. counterparts on major trans-Atlantic business issues.

The ERT team is headed by Wisse Dekker of Philips Industries and Etienne Davignon of the Société Générale de Belgique. Other members represent a whole range of industries—from automobiles and information technology to aircraft, chemicals, oil and food—at the chief executive level. Their company headquarters span the Continent from France and Italy to Ireland and Finland.

One mark of the new Europe is that all industries and all countries (both inside and outside the E.C.) are playing an active part in the process of change. The ERT, for example, acts as a spearhead for industry. Although it has only 40 members, these manage businesses with combined sales worth \$400 billion a year, and with more than three million workers on their payrolls.

Yet however strong their management, they also know that the success of their businesses depends to a great extent on the strength and competitiveness of the

European economy. For this very reason, they are ready to devote a significant amount of their personal time to make things work better.

The challenge in Europe is to build a new environment in which business can flourish and hold its own in world-wide competition, so that prosperity can spread across the Continent. This is a massive task and, if senior industrialists can bring their own special skills and knowledge to help in that task, they perform a service not only to Europe, but to their own businesses as well.

The ERT was founded in 1983, a year that, in retrospect, seems like a historic low point in Europe's development. From the start, its members made it plain that they would work seriously on practical problems, and the attention of Europe's policy-makers was soon caught by a series of business-like reports on various aspects of the European economy:

- *Missing Links* (on transport infrastructure)
- *Changing Scales* (a broad policy review)
- *Making Europe Work* (on employment policy)
- *Clearing the Lines* (on telecommunications).

In addition to this long-term policy work—which helped bring about such concrete results as the Channel Tunnel project—the ERT launched Euroventures, a rapidly expanding venture capital network that now comprises 12 funds operating in 15 countries, and managing 150 investments and resources totaling \$250 million.

Before its second birthday, the ERT also became deeply involved in the biggest of the new developments, the E.C.'s 1992 program. As early as January 1985, Dek-

ker, one of its founding members, presented a carefully structured "Agenda for Action—Europe 1990," which demonstrated just how much could be achieved by combining a large number of separate measures to break down the internal barriers to trade. This initiative paved the way for then E.C. Vice-President Lord Cockfield's historic 1992 White Paper five months later.

The ERT has grown and developed, but its feet remain firmly on the ground of practical business policies. Its objective is to strengthen Europe's economy and to improve its global competitiveness, which it pursues by identifying the most important issues, analyzing the critical factors, and making its views known to the politi-



Patrick Sheehy is the Chairman of British-American Tobacco (B.A.T.) Industries.

cal decision makers.

This practical work is carried out by eight working groups. Some groups cover subjects of long-term importance, such as education, employment, environment, infrastructure, and research, while others are more closely bound up in day-to-day policy questions concerning the internal market, trade and investment, industrial relations, and social policy. The ERT also has a Youth Activities program, which brings young managers together for conferences and job exchanges, thus training them for the future.

What is the output of this work, and how do members make their impact on the European economy? One method is by carefully prepared written reports, of which the last year has seen a healthy

crop:

- *Keeping Europe Mobile*
- *Opening Up the Tax Frontiers*
- *Education & European Competence*
- *Need for Renewing Transport Infrastructure in Europe*

Other issues are more effectively dealt with by short position papers or letters to relevant Ministers or E.C. Commissioners. In a Europe where the decision-making process is still scattered across different bodies and many separate national capitals, the most influential mode of all is perhaps still face-to-face communication.

In this way, a representative group from the ERT may sometimes meet the European Commission to discuss a whole

range of major policies, or talk to an individual Commissioner about a single thorny issue. It may also visit the European Parliament to talk to its President and key Committee Chairmen. And every six months it makes contact with the government that holds the E.C. presidency to discuss priorities with senior ministers or the prime minister.

Above all, the ERT's views are echoed by the individual members in their personal contacts with national governments and parliaments, business colleagues and industrial federations, and in private speaking engagements.

These discussions and debates become the center of attention at the ERT's biannual plenary sessions, where past work is

A MAJOR REPORT — INTERPRETATION OF EC92 FOR U.S. BUSINESSES

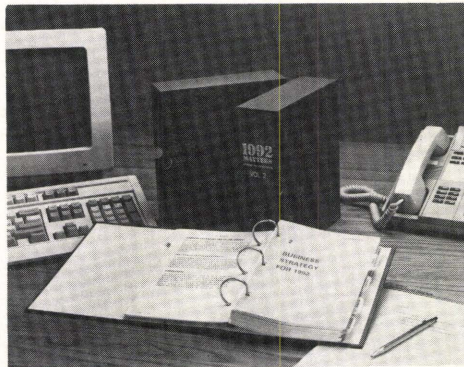
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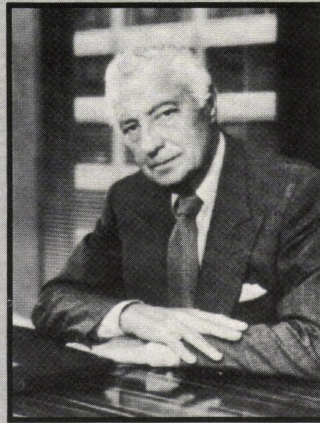
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The ERT is fighting against Europe's historic fragmentation and for the development of a greater European Economic Space to ensure close links between all European countries.



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When the ERT was founded, Europe was at an economic low point, something that the group vowed to change by working on practical problems. From left to right: Brothers Umberto and Giovanni Agnelli head Italy's Fiat company; Helmut Maucher is CEO of Switzerland's Nestlé, and Karlheinz Kaske represents the German company Siemens.

reviewed, policy guidelines are thrashed out, and future priorities are agreed upon. Members come to these meetings and contribute their work because the results are important to them and their companies.

Because the ERT viewpoint is truly international, its members can do as much as any group to encourage modern Europe's further integration and strengthening. They are fighting against the fragmentation of the old Europe, and resisting any attempts to over-regulate and bureaucratize the new, and they believe firmly in the development of a greater European Economic Space to ensure the closest links with neighboring countries just outside the Community.

Their work also aims to ensure that Europe remains an enthusiastic member of the open world trading system, fully committed to the principles of the GATT

and the success of the Uruguay Round trade negotiations. Above all, they seek to preserve the highest possible links of friendship and business cooperation with their American partners.

There may sometimes be different points of view on specific aspects of trade agreements, and the Europeans will argue their own case as well as anybody. But those issues that unite Europeans and Americans are far greater than those that divide them. The freedom to do business in each other's countries—buying, selling, manufacturing, and investing—is seen by Europe's industrialists as a major support to the prosperity of the free world. And this is the spirit in which the ERT's visit to Washington is being carried out. **€**

Keith Richardson is Secretary General of the European Round Table.

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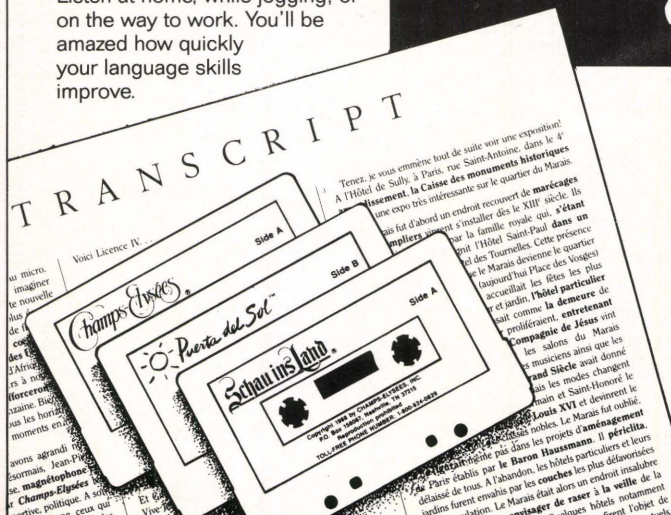
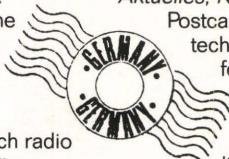
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On November 18, the E.C.'s Heads of State and Government met in Paris at a "working dinner" called by French President François Mitterrand, who currently holds the E.C. presidency, to discuss the breakneck pace of reform in Eastern Europe. The E.C. leaders endorsed the changes taking place, and asked Spanish Prime Minister Felipe González, Mitterrand, and Irish Prime Minister Charles Haughey (the past, present, and future E.C. chairmen), to examine the possibilities of setting up a European development bank modeled on the lines of the existing European Investment Bank, and to provide aid to the reforming East European economies. The three leaders were also charged with studying the creation of a foundation to help train East European managers.

At a press conference after the meeting, West German Chancellor Helmut Kohl said: "It is important that the Europe of the Twelve . . . has made clear it is saying 'yes' to the reforms and the

countries that engage in reform," Mitterrand, who had proposed such a bank, explained. While the first beneficiaries will be Poland and Hungary, the E.C. expects that soon Yugoslavia and Czechoslovakia will also request Western aid.

Thatcher and Kohl stressed that Poland and Hungary, the two countries in which reform is most advanced, needed immediate support. Consequently, the meeting's participants urged the International Monetary Fund to conclude an economic framework program for the two countries, which will allow the E.C. to coordinate disbursement of a \$1-billion stabilization loan for Poland and a bridging loan of the same amount for Hungary. The idea for such loans was floated by Jacques Delors, President of the E.C. Commission, who traveled to Poland and Hungary with French Foreign Minister Roland Dumas immediately before going to Paris to brief the E.C. leaders. The Commission was charged with coordinating aid for Poland and Hungary from the 24 most

EUROPEAN AFFAIRS/POLITICS

SUMMIT CREATES COMMON E.C. FRONT ON EASTERN EUROPE

JEANNINE JOHNSON

dynamic developments in Eastern Europe." It was evident from the tone of the summit, however, that economic assistance was conditional on continued progress to democracy. Mitterrand stated: "We are ready to cooperate by all available means toward the creation of healthier economies, in exchange for . . . a verified return to democracy, respect for human rights, and the calling everywhere of free and secret elections."

Prime Minister Margaret Thatcher echoed the common sentiment. "We wish to do everything we can to encourage reform and the process of democracy throughout the Soviet Union and Eastern Europe. It is important that practical help should be in return for proper democracy," she noted.


The proposed bank "will involve all countries that supply capital and will channel it to all the [Eastern European]

developed countries.

In Poland, Delors unveiled a plan for a new bank, to be run by the E.C. and Poland that would provide Western expertise to help the country set up a modern banking system and facilitate foreign investment in Poland. He also promised more emergency food aid from the Community, which is currently delivering \$120 million in free grain, meat, oil, and fruit.

The backdrop to the meeting in Paris was Mitterrand's desire to formulate a united E.C. approach to the changes taking place in Poland, Hungary, East Germany, Bulgaria, and Czechoslovakia, and to ensure that the E.C. plays a leading role in a Europe no longer divided by the lines defined at Yalta and cemented by two conflicting ideologies. It was also a

Continued on page 47.



The E.C.'s Heads of State and Government endorsed the changes in Eastern Europe at their Paris meeting, but added that Western aid was contingent on further democratic reform.

LEADERS COORDINATE
A RESPONSE TO
CHANGES IN POLAND,
HUNGARY, AND EAST
GERMANY AT A
"WORKING DINNER."



As Karel Van Miert, the E.C.'s Transport Commissioner, told a group from the American Chamber of Commerce in Belgium earlier this year, transport has been the Cinderella among the many Community policies unveiled over the past five years.

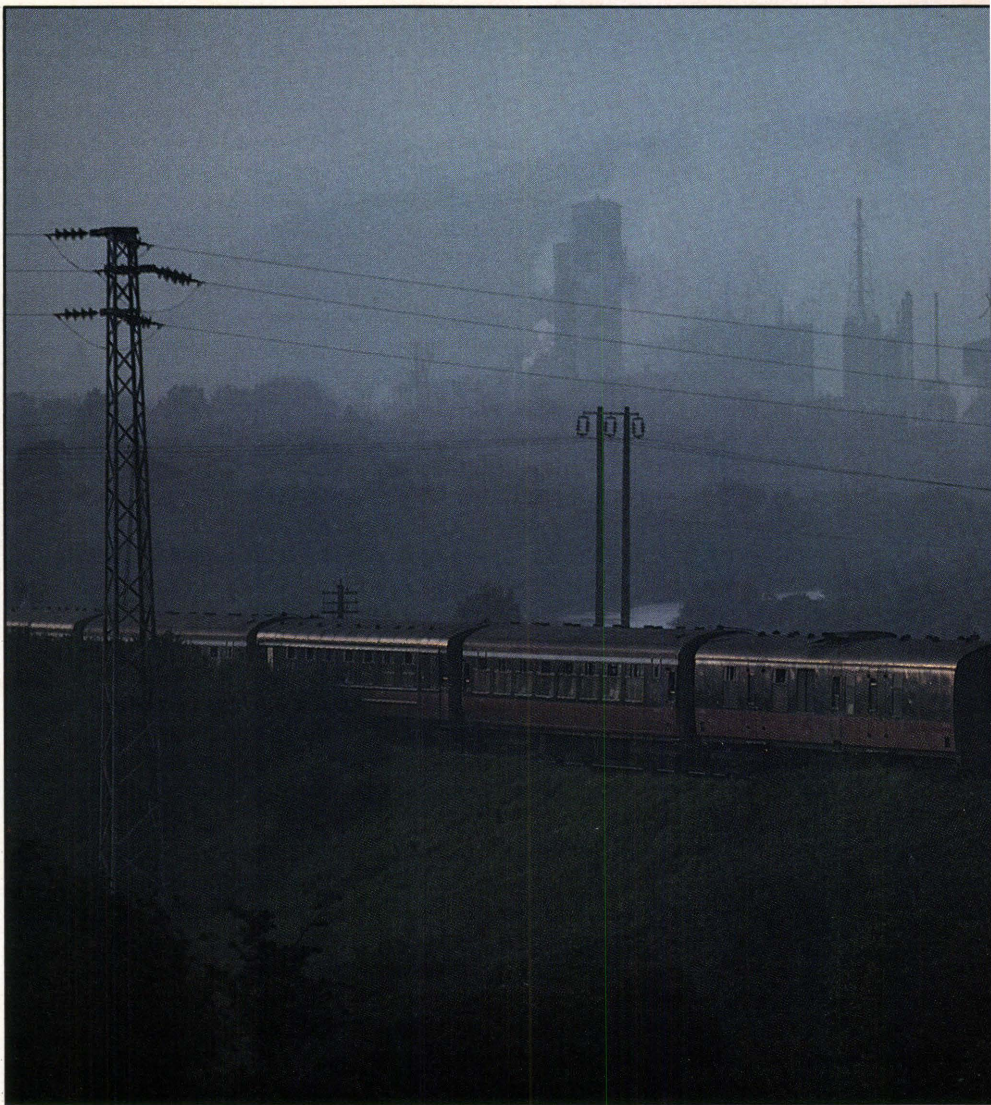
His conclusion is not new: In 1985, the European Court of Justice castigated all E.C. bodies involved in transport for lack of diligence and failure to make progress toward integrating communications between member states. As the dawn of the single market draws ever closer, however, the minds of bureaucrats and industrialists alike are being concentrated wonderfully by the vista of a shared "domestic" market with 320 million people.

The post now held by Van Miert, the former parliamentary leader of the Flemish Socialists, has changed drastically in character from the one held by his predecessors. His job is no longer that of the *laissez-faire* policeman responsible for guarding the vested and isolationist interests of the member states, as much as that of promoting harmony. Instead, Van Miert's department is now regarded as the main mover and shaker, to which industrialists and businesspeople are looking to clear their path to prosperity.

Concern over links across Europe did not begin with the Community. Despite its turbulent and quarrelsome past, the various Continental states have always recognized their economic interdependence—when they were not at war, at least. The current umbrella body for Europe's railways, for example, the *Union Internationale des Chemins de Fer*, was born out of the collapse of the Austro-Hungarian Empire at the end of World War I. Its role among the various railway companies of central Europe, then as now, has been to ensure that buffers were the same height, and that wagon or carriage roofs did not tear away when they hit bridges.

The challenge facing Van Miert in the run-up to 1992, however, is somewhat more complex than the mere maintenance of uniform technical standards. Transport is recognized as the trailing indicator of a nation's economic health. When the economy is depressed, its budget offers scant pickings for investment in new roads or rail lines. Even when things take an upturn, however, it usually takes a number of years for any cash for new transport investment to filter through, since more politically acceptable projects than highway networks can often be found to serve as symbols of recovery.

And even when the money does spew forth, project lead times are measured in



In the internal market, transportation services will increasingly be offered across traditional borders rail, and air traffic in the Community. Here: A passenger train in Ireland.

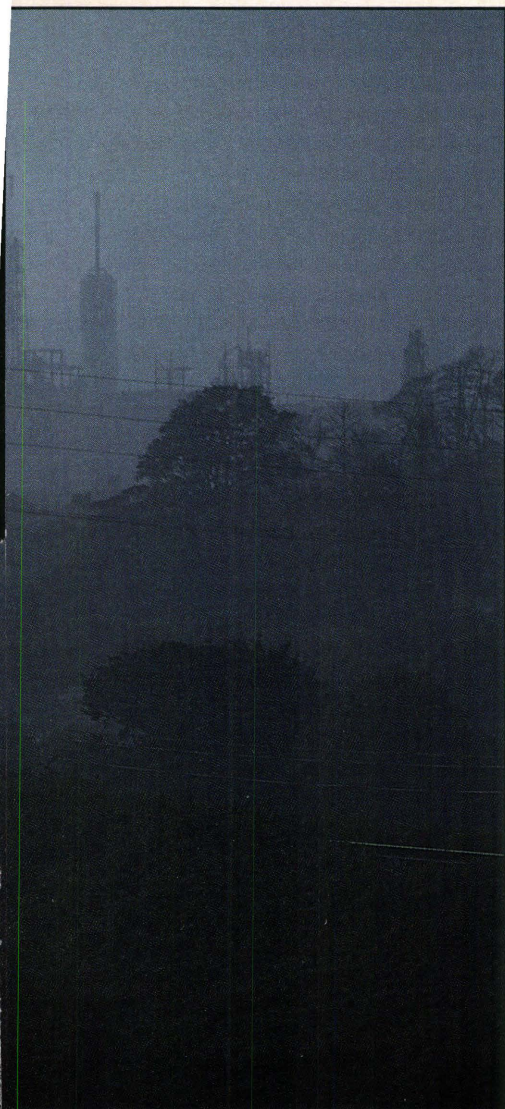
EUROPEAN AFFAIRS/TRANSPORTATION

TRAVELING IN 21ST-CENTURY EUROPE

IN THE FACE OF CONGESTION,
POLLUTION, AND OUTMODED
SERVICES, THE E.C. IS
RETHINKING ITS TRANSPORT
AND INFRASTRUCTURE POLICIES.



DAVID BLACK



© COTTON COULSON/WOODFIN CAMP

thus require a new framework for organizing road,

years, which means that recession has frequently reared its ugly head again before the project is completed, and both the money and political will start drying up once more. A classic example of this is Britain's M25 orbital highway around London. Initial designs and traffic predictions called for a four-lane highway, but under the previous Labor Government, that ambition was cut back to three lanes. The result is that the road is grossly congested today, and the current Government is having to plan the addition of that fourth lane—at an estimated price greater than the original construction cost.

Such imperfections in Europe's transport infrastructure exist to a greater or lesser extent in all 12 member states. However, if 1992 is to work, these imperfections must be harmonized if not cured, for their cost at present is congestion on the roads and in the air throughout the Continent's transport system. At sea and on the railways, their inefficiencies

render their services uneconomic.

On the railways, for example, the state-owned networks end at their respective borders, and follow internal corridors rather than being continent-oriented and following more direct and efficient routes. In addition, a bizarre pricing policy, beset by the worst sort of European bureaucracy that causes interminable delays, has not helped them along either. A joke among the Continent's shippers, for example, says that, if you seek a quote to transport goods internationally by rail, "the truck will be there by the time you get a price."

That Van Miert recognizes these problems was reflected in his American Chamber of Commerce address: "In organizing the movement of goods and the processing of documents accompanying them . . . we must adapt. Services will increasingly be offered across the traditional borders, and this requires a new framework for the relations between purveyors and consumers. A new approach is needed if we are not just to create a lawyers' bonanza."

Van Miert has been active in devising this new approach, and all within another, very critical, dimension for Europe—the environment. For "Green" politics have assumed a hitherto unknown significance on the European political scene, and its influence has had to be taken into account by transport planners to convince the electorate of the necessity of their schemes.

The Commission has already outlined its hopes for the railway infrastructure, with a flagship network of high-speed, luxury trains eventually running the length and breadth of the Community—from Seville to Copenhagen, and from Edinburgh through the Channel Tunnel to Rome and beyond. The main benefit will be over distances of between 500 kilometers and 700 kilometers that span the E.C.'s major urban areas, where train services will ease current pressure on the overstretched air routes.

Freight will benefit from a planned combination of road and rail, and a greater reliance on containers that will be interchangeable between both modes of transportation. The transportation of freight by road has become a major headache in the E.C. because the heavy trucks cause near saturation of the roads and wreak appalling environmental damage.

Between 25 percent and 30 percent of international truck traffic on E.C. roads today travel empty because of a system of national quotas and licenses that prevents trucks from seeking loads for return journeys. The E.C. is now to introduce a form of cabotage that will permit foreign carriers

to pick up freight in another country. It is also to explore compelling shippers to put their trucks on trains in piggy-back fashion over stretches where road congestion and pollution are likely to result from increasing demand. This of course depends on a closer integration of the member state railways. According to Van Miert, "a combined system is particularly needed on trans-Alpine routes. Relatively few factories in Italy and Greece have their own railway sidings. Consequently, most goods being transported between northern and southern Europe still go by road."

The problem of a switch from road to rail, however, lies in finding the balance between the advantages of a common railway policy and the nuisance this may cause when railroads pass through built-up areas. However, Van Miert points out that rail will often be more economical and less disruptive than new highways: A twin-track, high-speed line would occupy a strip of land just 13 meters wide, whereas a comparable road takes up 38 meters.

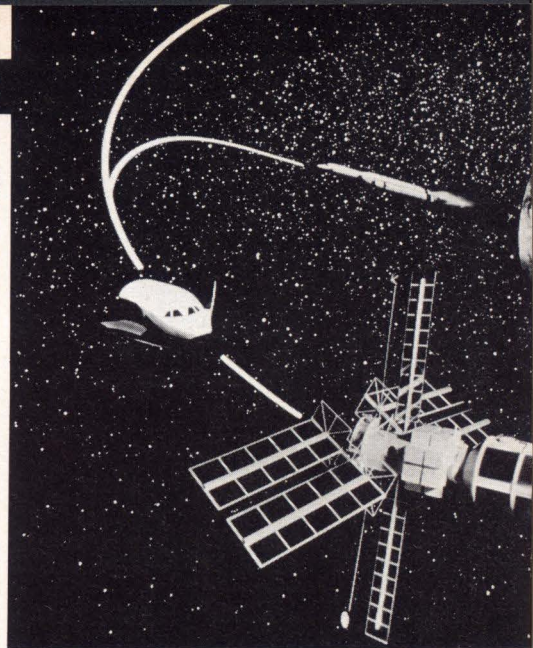
In air transport, the Commission is promoting the liberalization of rules on air fares, capacity, and market access. It intends to forcefully invoke the new competition rules in order to prevent the U.S. experience of giants gobbling up the smaller carriers, wants to encourage cross-border regional services, and is seeking the legal amalgamation of the E.C.'s 12 sovereign air spaces into one. In addition, work toward integrating air traffic control is proceeding, the ultimate goal being that the Community will eventually share the same service, quality of equipment, and staff.

Reaction to these sweeping changes has been considerable. Governments fear the erosion of national sovereignty, and populations fall wholesale into the "Nimby"—"Not In My Back Yard"—syndrome. However, the politically and economically aware see the challenge in this situation. Former Dutch Transport Minister Neelie Smit-Kroes has said that governments would have "to do some fast and creative thinking," and that visionary action and not a "How can I protect my own turf" attitude was imperative.

Van Miert's parting comment on the challenge he is facing is clear: "Old-fashioned ideas for dealing nationally with problems are just that—old-fashioned, out of date, and misguided. The problem has gone far beyond the capacity of individual governments on their own." ❧

David Black is transport correspondent for *The Independent*.

EUROPE JOINS THE SPACE RACE



NICCOLO D'AQUINO

The Europeans, third in the space race after the United States and the Soviet Union, are justifiably proud of their recent achievements in space. Out of 12 attempts, the Ariane 4 rocket was launched into orbit successfully each time from its Kourou, French Guyana, base, and the European Space Agency (ESA), celebrated its 25th anniversary this spring in Paris.

The size of the American and Soviet space budgets compared to that of ESA puts Europe's expenditures into perspective, however: While roughly \$1.76 billion have been allocated to ESA's space activities, NASA has more than \$11 billion at its disposal. Consequently, ESA must focus on ambitious and reasonable projects, a strategy that is paying off. Tempting and lucrative offers to put satellites in orbit are coming in, for example, from the international community, such as the Olympus communications satellite that was launched in July.

The Old Continent is holding its own between the United States and the Soviet Union but, as ESA's directors stress, this position must be defended by forming alliances and collaborating with the other powers. As we approach the threshold of the new millennium, the space around us is becoming ever more crowded. The Soviet Union will soon be celebrating the 20th anniversary of its orbiting station. The United States, which is having Boeing and McDonnell Douglas build its own station, is consolidating its specialization in space shuttles. Europe, too, will contribute to that space station—it will have a small complex attached to it that will become free flying by the beginning of the next century.

ESA's long-term strategy, which includes the development of Ariane 5, the Hermès spaceship, and a mini space station, Columbus, by the year 2000, was agreed upon at the political level by its 13 member countries (Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom) in April 1988. In addition, financial backing of \$38 billion was decided upon and approved through an informal agreement. On the basis of so-called national "returns," each participating country's

quota will, as a rule, be discounted by a series of orders and contracts that will benefit the national industries.

Ariane has always been the most visible sign of European commitment in the space sector. In 1973, when ESA was created by unifying and furthering the experience gained by its predecessor, the European Space Research Organization, it was clear that the new agency needed its own space vehicle. The name Ariane was taken from the ancient Greek legend in which Ariadne frees Theseus from the labyrinth in which he has been imprisoned

COUNTDOWN INTO SPACE

The ISU intends to create an international group of "space cadets."

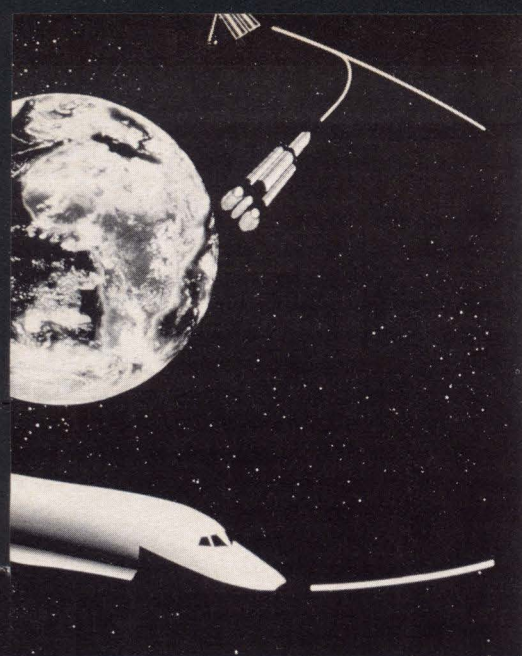


THE INTERNATIONAL SPACE UNIVERSITY BRINGS TOGETHER A MULTINATIONAL GROUP OF SCIENTISTS AND INNOVATORS.

JULIAN M. WEISS

Around a crowded seminar room at the Institut Pasteur at the University of Strasbourg, an Ariane engineer ponders space station design while a Japanese scholar confronts obstacles encountered in his country's HP rocket propulsion systems. Their counterpart from the National Air and Space Administration sketches blueprints of a space station docking system and, a few aisles away, a Canadian contemplates the space station's material structure. Under the sultry summer skies, 123 other space-bound students debate, design, and craft similar projects.

This is not science fiction, but a reality that represents information-sharing, which serves as the most advanced form



COURTESY EUROPEAN SPACE AGENCY

THIRTEEN EUROPEAN COUNTRIES ARE DEVELOPING NEW SPACE CAPABILITIES THROUGH ARIANE, HERMÈS, AND COLUMBUS.

The Man Tended Free Flyer, shown here, is one of ESA's independent space projects.

by showing him the way out with a thread. Twenty-six of Ariane's launches to date have been crowned with success.

In November 1987, it was decided to strengthen Ariane 4 to enable it to better compete in the Western market of heavy launchers. Ariane 5, which is presently being developed, will be able to put 18-ton payloads into low orbit and 8-ton payloads into geosynchronous orbit. This capability is especially noteworthy considering that the great majority of geostationary satellites do not carry more than some 3.3 tons.

Hermès, the second component of Europe's space future, will be a smaller version of the American space shuttle with a top payload capability of three tons, as compared to the 29-ton capacity of the American spaceship. Economics aside, another explanation for this limitation is ESA's philosophy of opting for automated missions and using human beings only when strictly necessary.

Columbus, the last element of the triad, is a habitable module for space research, and another example of ESA's desire to collaborate with the United

States. In accordance with a Protocol of Consent signed in September 1988 by NASA, ESA, and Canada, the European space module will be attached to the U.S. space station; the project foresees construction of both joint and autonomous laboratories and a polar platform.

"It has never been easy to collect 13 countries around a project as vast as high technology activities for the future," German professor Reimar Lust, ESA's general director and one of the founding fathers of the European space initiative, likes to repeat.

of global communication. And the E.C. has already played its part, hosting the 1989 summer session of the International Space University (ISU), a project that Ian Pryke, the chairman of ISU's board, terms "a focal point for aerospace activity in the 1990s."

Space travel and exploration promise to be the next phase in the aerospace field, which is closer at hand than many think. This poses a problem for all national space programs (including ones emerging in China and Japan), which suffer from a lack of interdisciplinary studies. For years, people on both sides of the Atlantic have sought to bring together scientists and innovators who were seeking better communication with each other. "The scientific and research conferences were valuable," declares Joseph Pelton, director of policy and planning at the International Telecommunications and Satellite Organization. "[But] they had one shortcoming—the inability to get better interaction during a short time."

An academic setting was seen as a way to overcome that problem. That type of environment, many reasoned, would al-

low practical obstacles affecting space—and confounding seasoned rocket technicians everywhere—to be discussed in a common forum. Pryke agrees that the education gap concerning space is worrisome. "The whole topic is too broad to ignore, and no real discipline existed anywhere," he says. Consequently, the creation of a worldwide university, in which satellite applications, life sciences, vehicle architecture, and materials processing were integrated, was an obvious step.

Four years ago, a group of enthusiasts at the Massachusetts Institute of Technology (MIT) launched the idea of bringing together a multinational group of true "space cadets." These would be not only likely astronauts and space travelers, but also scientists, engineers, and other professionals whose activities were sometimes excluded from discussions of the space epic: telecommunications specialists, materials science experts, researchers in human psychology, and lawyers concerned with legal issues beyond the stratosphere.

That idea evolved into ISU, the brainchild of a pair of (then) 24-year-olds at

MIT, Peter Diamandis and Todd Hawley. Both had conceived of a way to motivate American youngsters and to point them (literally) upward. They formalized an organizational structure for a proposed international space university, and called for enrollment of an international elite. Those accepted would have to be fluent in two or more languages, and in many cases already be taking part in a space-oriented career. To help defray the more than \$10,000 required to enroll each student in an intensive, serious, and well-rounded program, private foundations and multinational aerospace corporations donated funds and grants. In keeping with its international focus, the ISU has no single campus, but shifts its sessions from country to country—from the 1989 session in Strasbourg, the ISU will go to Toronto next year and to Moscow in 1991.

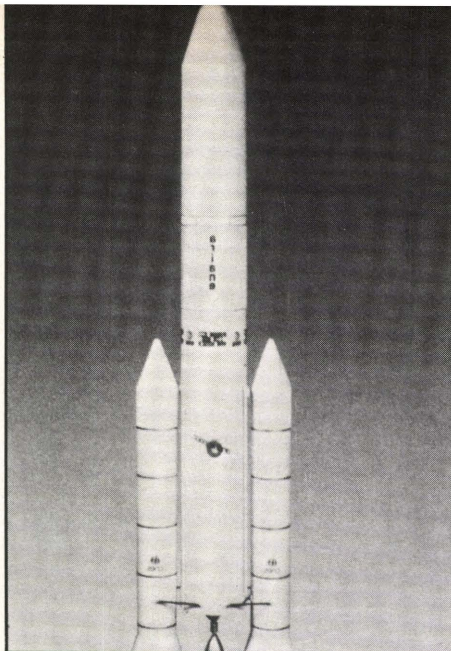
Not all cross-cultural, multidisciplinary projects function well, since it is difficult to structure programs acceptable to all cultures. "Some of us doubted whether the idea would work well," Pryke concedes. "[Nevertheless,] we discovered

Approval for the three part project was sought most heatedly by the three countries with the largest percentage of financial involvement: France, West Germany, and Italy. Italy, which has taken Great Britain's place as ESA's third-largest financial contributor, has recently become more aggressive and convinced of its role in space. The government in Rome and the new Italian Space Agency, founded last year, are beginning to receive the first signs of recognition, technical and otherwise. Franco Rossitto, who had been chosen to fly in an upcoming NASA mission, passed up this opportunity to become the head trainer of the European astronauts.

ESA is also pursuing an independent project in the space sector: a reduced version of Columbus, called the Man Tended Free Flyer (MTFF), which can be put in orbit by Ariane and requires no human presence on board.

In conjunction with the Columbus space station, ESA is funding another project, Eureka, which is designed to avoid interruptions in scientific activity in space during the passage from the phase of short-term missions in the spaceship to the phase of the permanent orbiting laboratory.

Joint U.S.-European projects alternate with exclusively European projects, such as the 1985 encounter between Halley's Comet and ESA's Giotto space probe at a distance of 144 million kilometers from



Ariane 5, which will be able to put 18-ton payloads into orbit, is currently under development.

Earth. Joint undertakings include Soho, a solar observatory, and Cluster, a group of four space vehicles that will study the physics of space plasma. In the 1990s, Ulisse, the first satellite whose orbit will take it over both poles of the sun, will be launched. The Hubble space telescope is another joint ESA-NASA venture. Once freed from Earth's atmosphere, the Hubble will be able to send images of space back to earth that will be 10 times more

precise than any sent before. The Cassini-Huygens mission is another fascinating project, on which Americans and Europeans expect to be able to penetrate, from space, some of the secrets of primitive earth from before the first signs of life appeared.

Managers and technicians of space exploration know that strategies for use of space technologies often differ between the two sides of the Atlantic. Europe's space "vocation" is essentially tuned to scientific and pacific objectives: It is planning to take part in the conquest of space by using low orbits for scientific rather than military purposes.

Various directors of the European space initiative say that, even if the United States and the Soviet Union are in first place, "the Old Continent has greatly contributed to realizing man's ancient dream—to reach the stars." And now, having firmly entered the operative stage and able to offer a competitive product at a competitive price, Europe is doing everything possible to make this dream ever more real.

Virtually every corner of the continent has been involved in the effort since 1964, when the first European space probe, Skylark, was launched from a base on Sardinia. Today, this division of labor throughout Europe is even more pronounced. ESA's headquarters are in Paris, and the technical and research center, where the carriers are studied and developed, is in Noordwijk, the Netherlands. Once launched, satellites are monitored by the Operations Center in Darmstadt, West Germany. Other Earth stations are at Redu, in Belgium, and Villafranca, in Spain, and the most powerful European system of computerized documentation for space research is in Frascati, outside Rome.

ESA is proving to be a profitable undertaking, and recent contracts in this sector confirm that the European space business is becoming economically as well as technologically interesting. Last April, Arianespace signed a \$320-million contract with the International Organization of Telecommunications to place three INTELSAT satellites in orbit on Ariane 4 in 1992 and 1994, with an option for a further four launches of the same kind of satellite. The French daily *Le Monde* was thus justifiably enthusiastic when it stated: "This success confirms Europe's credibility just as it is fighting for half of the market for space launch vehicles in the next 10 years."

date information (on computers) and transmit it (by satellite) to the impoverished rural sector.

At the summer session of the ISU in Strasbourg, 240 hours worth of instruction developed relationships that will enhance European ventures and products in the aerospace and advanced aircraft industries. In addition, the ISU "provides a new way of directing our resources, and in many ways helps us maximize financial as well as personnel resources for the European Space Agency," says Pryke.

The ISU emerges as a quiet, but nevertheless important, player just as Europeans are defining many long-term space programs. In fact, ISU leaders point out that 1992 will be a double commemorative event—the year when the single market is completed, and the International Year of Space. €

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Niccolò d'Aquino is the special correspondent for foreign affairs at *Il Mondo*. €

early in the experiment that the students were able to work together, to share ideas and—just like in the real space environment—meet difficult situations by teamwork." This was partly a result of the scientists' willingness to collaborate in meaningful ways, and partly because they knew better than most precisely what barriers stood in the way of overcoming the technological challenges inherent in space exploration.

One of the most difficult problems was selecting programs that did not compromise the integrity of the participating countries. However, a core program did emerge, according to Pelton, and an "operational network" has now been put into place. This includes a prestigious board of directors, including British-born Arthur C. Clarke, dean of the world's science fiction writers. "His participation is important to us, because of the knowledge he has of 'real world' problems, and how space can be used to benefit mankind," Pelton stated. His telecommunications projects, for example, are invaluable to many Third World countries because they train technicians to use low-cost, up-to-

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WEST GERMANY'S
ECONOMY IS
EXPERIENCING
STRONG GROWTH
AND EXPECTING
TO BENEFIT FROM
THE INFLUX OF
NEW WORKERS.

The extraordinary peaceful revolution that has swept East Germany, and raised the bugbear of German reunification for some, has come as West Germany experiences its biggest economic boom in more than a decade. As the mismanaged economy of Communist East German totters on the brink of collapse, West Germany has had to slam on the monetary brakes and hike interest rates to cool down its overheating economic performance.

West Germany, which little over a year ago was being criticized by Washington for not doing more to fuel growth, now has the fastest growing economy among the leading Western industrialized nations after Japan. The first half of 1989 has seen price-adjusted economic expansion of 4.6 percent, compared with 4 percent in the same period last year and 3.3 percent in the second half of 1988. "One has to go back to 1976 to find a higher economic growth rate," notes a report by the Bundesbank, West Germany's central bank. Karl Otto Pöhl, president of the Bundesbank, describes the growth as "startling," and expects it to top a real 4 percent for the year as a whole compared with 3.4 percent in 1988.

As in the past, the driving force behind the exceptional growth is an export boom that, in Pöhl's words, "leaves everything we have experienced in recent years in the shade." It will also leave West Germany with a record current-account surplus this year of over 100 billion German marks (\$54 billion) compared with 85 billion marks (\$46 billion) in 1988.

In its latest report on the economy, the Commerzbank notes: "Due to the persistently strong demand from abroad, exports will keep on expanding at a brisk pace. For 1989, we reckon with a trade surplus of 150 billion marks (\$81.5 billion) and for 1990 with a fresh increase to

MICHAEL FARR

The influx of German immigrants into West Germany this year could be worth an additional 1 percent of real annual growth in the 1990s. Below: Munich Oktoberfest. Right: Bad Wimpfen.



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THE FEDERAL REPUBLIC OF
GERMANY



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MEMBER STATE REPORT/OVERVIEW

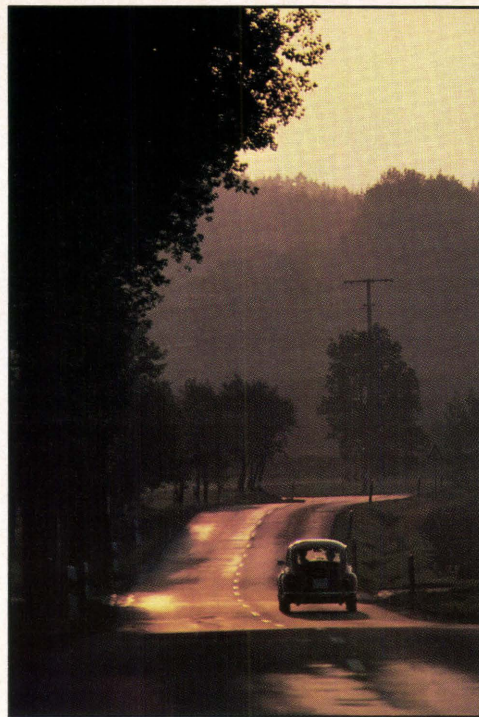
West Germany has one of the fastest growing economies in the industrialized world. Right and below: Bavaria.

160 billion marks (\$87 billion)."

The team of economists who advise the government, the so-called "Five Wise Men," have concluded in their recently published annual report that West Germany is set for 4 percent real growth and—the one worry for inflation-sensitive Germans—a 3-percent increase in the cost of living this year. For 1990, they predict 3 percent growth and inflation.

Foreign demand and orders for capital goods continue to be the basic impulses of growth, with exports of goods and services running at 15 percent above year-ago levels, and capital investment and outlays on plant and equipment rising by 9 percent and 14 percent. There is general agreement, however, that the driving force behind the expansion will shift from exports and capital spending to private consumption, which is set to be fueled by a tax relief package of 20 billion marks (\$11 billion) that will take effect next year. "The tax relief will shift the driving forces to private consumption; exports and capital spending will lose some of their buoyancy, yet remain quite solid," says Commerzbank.

Although it may seem ridiculous to



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other countries with much higher rates, the Bundesbank's principal concern at present is curbing inflation, which, according to the latest monthly figures, has just topped an annual rate of 3 percent. This led it to take the drastic (by its standards) action of hiking the key discount and Lombard interest rates up a full

percentage point to 6 percent and 8 percent—their highest level since 1982—in early October. This hike had the two-fold purpose of preventing overheating and boosting what Pöhl believes to be an undervalued German mark, particularly against the dollar, and so restraining imported inflation.

Despite fears to the contrary among many West German workers and trade unions, neither the Five Wise Men nor other economists believe that the influx this year of well over 600,000 German immigrants—ethnic Germans from Poland and the Soviet Union, and the influx of East Germans—will have an adverse effect on unemployment. The East Germans, more than 250,000 of whom have so far arrived this year, have no language problem, and are proving highly flexible and mobile in taking up job offers, a quality not generally shared by their West German compatriots. They also tend to be young, highly motivated, and well trained—though often on outdated machinery.

Economists view their arrival as a god-

Continued on page 47.

Michael Farr is the *U.S. News and World Report* correspondent in Germany, and also reports for the new British newspaper, *The Sunday Correspondent*.

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One day, the two German states will be unified in a single sovereignty. That must be the inescapable consequence both of recent events in the German Democratic Republic, such as the dramatic opening of the Berlin Wall, and of the success achieved by more than four decades of Western efforts to contain Soviet power and to create the basis for overcoming the division of Europe.

The issue of Germany, therefore, should not be about the *whether* of unification but about the *how* and *when*—regardless of how long it takes and whatever the interim phases may be through which the German Democratic Republic and the Federal Republic will pass in progressively redefining their relation-

ship. The only impediments would be imposed by a combination of Soviet williness *and ability* to halt a political process that, wittingly or not, Moscow has set in train. It is doubtful that history will flow serenely toward the goal of a Europe "whole and free," and Mikhail Gorbachev has pronounced his interest in the integrity of East Germany. But the cost of a final *Nyet* to reunification—saber rattling or worse—is probably incompatible with preserving *perestroika* in the Soviet Union and its new political position with the West.

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The suddenness with which "the German question" has re-emerged has complicated consideration of the method and timing of the decisive transformation in the status of the two states. For most of the Cold War period, the division of Germany was one of the few propositions regarding Europe on which the Soviet Union and the United States could

agree—even though the latter routinely repeated a commitment to reunification that was known to be a convenient hypocrisy. That proposition went unexamined for too long. On top of this, there was inadequate appreciation of how much had altered both in Germany and throughout Europe. As events in East Germany clearly illustrate, much has been altered in recent weeks. Thus the idea of a unified nation has come into play without adequate preparation or an understanding of what it would mean. This has even led to some secret hopes that, somehow, Mikhail Gorbachev will slow down the process of change or that the new East German leader, Egon Krenz, will convince his people freely to stay at home instead of migrating to the West, either physically or politically.

This point has been evident in much media commentary in the United States

formation of European society, politics, and economics since World War II does not mean that the unification of Germany should be regarded casually. There are anxieties, especially among neighbors like France, and potential problems of power and influence in Central Europe that must be dealt with—both on their own and in the context of fundamental change throughout the Continent. An appropriate goal has been stated by Volker Ruhe, a member of the German *Bundestag* and deputy chairman of the Christian Democratic Union: *Wandel ohne Angst*—change without anxiety.

It is possible, indeed imperative, to act in ways that will keep the West prepared for any eventuality. Three requirements stand out. It is most immediately important for the U.S. and West German Governments, with their associated elites, to forge consultative links even stronger than those built up in recent years. The power of misunderstanding must not be underestimated, nor the ease with which uncorrected evidence of mistrust can corrode the underlying relationship. In the process, the West Germans face a special requirement—toward the United States and its more immediate neighbors—to continually reassert its convictions: democracy, the West, security, and the inviolability of European frontiers. This requirement may seem unfair to West Germans. At this time, however, it is just as important—and no less fair—than its analog: the constant need for the United States over the years to reiterate to West Europeans, and especially to West Germans, its commitment to their security.

Beyond this point of process is the question of a place for a unified Germany in a revised system of European security. Many alternatives are canvassed, but only one makes sense that can also be clearly foreseen and acted upon today. This option is to recognize and to build upon one of the great successes of the post-war era: the European Community. From the outset, it had the overriding purpose of making war impossible between Germany and its neighbors, and of embedding the Federal Republic firmly and finally in the West. That aim, the fateful choice of West Germany's first post-war Chancellor, Konrad Adenauer, has been validated. Indeed, the success of the E.C. provides much of the basis for current confidence about the politics of Western Europe.

This imaginative approach to Europe's age-old dilemmas is now moving one step further through the Single European Act (SEA). Indeed, in providing certainty, predictability, and confidence in Europe, the "1992" program is a development of

MEMBER STATE REPORT/POLITICS

WHAT NEXT FOR GERMANY—AND EUROPE?

GERMAN UNIFICATION CAN ONLY BE BUILT ON A STRONG EUROPEAN COMMUNITY.

during the last few months, which, at times, has gone as far as to speculate about the potential emergence of another *Reich*. West Germans understandably resent the implication that they cannot be trusted to deal appropriately with their relationship with East Germany, and are chagrined that their commitment to democracy, to the West, and to Western security can be cast in doubt.

Fortunately, informed opinion in the United States has been rapidly bridging the psychological distance from the memory of judgments made about the infant West German state of 1949 to an accurate appreciation of today's Federal Republic, with its tested institutions, attitudes, and loyalties. In expressing his lack of concern about possible German reunification, U.S. President George Bush was surely trying to reassure the audience in America as much as the one in Germany.

Nevertheless, even the radical trans-

great geostrategic importance. Far beyond its economic aspects, its success is thus critical for Americans and Europeans. And so is, by the same token, a final association of the United Kingdom, psychologically and formally, to Europe and its institutions. Politically and economically, though not militarily, there needs to be a West European system that embraces France, Britain, and Germany—and Britain must cease to be the laggard partner.

With the continued strength and development of the E.C., and with the implementation and progression of the SEA, the problem of a unified Germany would become progressively less daunting. East Germany's simultaneous accession to the E.C. and to the Federal Republic would be an appropriate and effective outcome, and potentially one that would, in time, also be more acceptable to the Soviet Union than any free-floating association of today's two German states.

Of course, the German future also depends upon the European future—throughout the Continent. The return of the German question only underscores what other events have already shown: The West must rapidly develop its vision for a new system of security across the Continent. It must grapple with at least six key issues besides that of Germany: Soviet power and interests in Central and Eastern Europe; a permanent role for the United States as a "European power;" democratic revolutions in Eastern Europe to bring about stability; the role of the E.C. in European security, broadly defined; the stresses caused by the economic crisis in Eastern Europe; and, of course, the restructuring of the current East-West military balance.

The process of change represented by these key issues is already underway, but the development of a vision encompassing it must be accelerated. That is critical to seize the possibilities of the future, to gain what is possible during Gorbachev's incumbency, to preserve domestic political support for the Western military efforts that are still required, and—not least—to provide a framework within which the German question will assume its rightful and secondary place. Then the terms set forth by Britain, France, and the United States in the Paris Agreements of 1954 can be resolved: "The achievement through peaceful means of a fully free and unified Germany remains a fundamental goal of their policy." €

Robert E. Hunter is Vice President for Regional Programs and Director of European Studies at the Center for Strategic and International Studies in Washington, D.C.



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Recent developments in Eastern Europe are rapidly changing ideas, largely frozen since World War II, about Europe's political landscape and the possible reunification of the two Germanies. Top: Breaching the Berlin Wall; above: Egon Krenz meeting Mikhail Gorbachev in Moscow; below: Demonstration in East Berlin.



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“EUROSTYLE” IS IN!

FROM TEA KETTLES TO DINNERWARE,
EUROPEAN DESIGNS
ARE A BIG HIT IN THE U.S.

Eurostyle's success is partly due to the fact that design is integral to total product development, in which European artists are given greater creative latitude than their American counterparts.

Right: Paloma Picasso's dinnerware for Villeroy & Boch.
Below: Alessi's popular bird kettle.



COURTESY IMAGES INTERNATIONAL

FREDA GREENE

At this year's grand opening of Bloomingdale's Chicago store, the spotlight was on "Eurostyle." On exhibit in every window was European designer Emilio Bergamin's "Taitu" tableware, an indication that America's romance with things European, which began around the turn of the decade, continues.

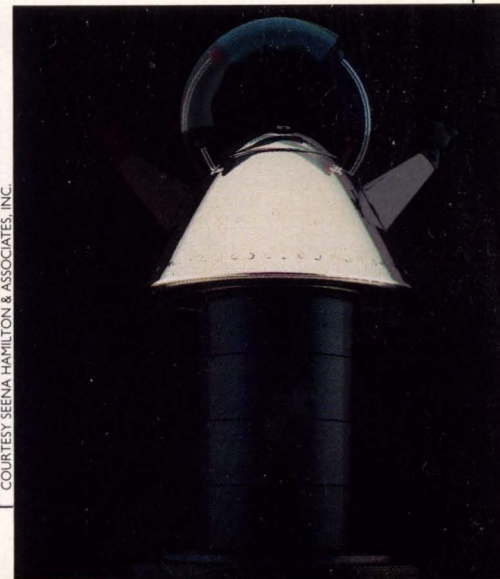
A classic example of the European influence is the Italian metal manufacturer Alberto Alessi's revival of Michael Graves' mundane tea kettle. In the United States, where sales of the kettle with the whistling bird average 18,000 per year, or about 126,000 to date, this single object has metamorphosed into an expression of art, design, and quality.

Why does design from across the Atlantic fare so well in the United States? Managing Director of Dartington Crystal Eric Dancer says: "Europeans are inclined to invest more in design than are the (few) American glass and crystal com-

panies." Hans Hallundbaek, senior partner of kv Marketing Inc., and formerly a vice president for Dansk's tableware designer relations, says: "European manufacturers understand the importance of design as part of total product development, and give designers greater latitude to be creative and artistic. In the United States, one sometimes finds the attitude: 'Now we've made the product, let's stick a design on it,' while Europeans begin with: 'Let's not consider how many we can sell.' Yes, they develop commercial failures, but ultimately gain more commercial success, with consumer appeal.

"European tableware designers are artists . . . [who are also] involved in the industrial product manufacturing process. American designers [on the other hand] tend to be more industrial-design trained, with less artistic freedom and ability than the European approach develops."

Others contend that Eurostyle's continuing success in the United States is due also to the growing quality consciousness on the part of the American consumer at large. Young Americans in particular have developed more confidence in their own taste as they become better



COURTESY SEENA HAMILTON & ASSOCIATES, INC.

educated and more traveled.

To meet consumer demands, more and more U.S. store buyers attend European table- and giftware fairs. Here they find what Walter Heufer, head of the Frankfurt International Fairs, describes as "international brands of glass, porcelain, ceramics, and silverware for their Eurostyle assortments." They also find the debuts of dinnerware created by such noted names as Paloma Picasso, who designs for Villeroy & Boch, Hutschenreuther's highly successful ranges by Maxim and Leonard of Paris, and Thomas's contemporary "Trend" dinner- and cookware, designed by David, Marquis of Queensberry.

The upscale, sophisticated tableware from France has turned the tables, so to speak. Barbara Marsten of the design team Marsten-Mandrajji says: "From its introduction in 1988, our Christian Dior 'Art de la Table' collection has sold as if it were from a long-established dinnerware manufacturer." Hermès too took a turn of a different kind—from fabric fashions to fashionable dinnerware, such as their "Toucan" range.

Eurostyle has also brought high-quality, well-designed crystal to the forefront.

Says Christer Pihl, president of the Finnish crystal manufacturer Iittala-Nuutajarvi Oy: "The impact of European design is not surprising, as many American citizens brought their culture with them from Europe." He adds that Americans have a good design concept when it comes to textiles and shoes, "but not for tabletop."

He obviously knows what he is talking about. For two years in a row, Iittala's "Aaldo" and "Aarne" vases won recognition from the International Tabletop Awards, an award Alessi also received for the whistling bird teakettle.

The dipping dollar has helped to offset the often higher prices of European products. Wendolin von Boch said of the price of Paloma's tableware: "It's expensive to get such a name, but, like a good opera singer or a top football player, you must pay to get a star." Of course, manufacturers do have cause for concern when the exchange rate tips the other way.

What are other ingredients for success in the United States? Some point to good presentation. Lord Queensberry feels the key is brand recognition, and the budget to promote. Dancer says: "You must research the U.S. buyers, retailers, design-

ers, and fashion-trend setters—all those who make decisions about that market's lifestyle."

Alessi takes a different stance. "I'm not too interested in marketing. The Alessi is a product-oriented, not a marketing-oriented, firm. All our best products are very individual and universal, not international. That may be because they try to be acts of poetry." And Pihl says: "The intelligent way to market in the United States is to integrate product design, packaging, sales, and merchandising plans to provide one focused presentation to the ultimate consumer."

After nearly 10 years, has Eurostyle begun to lose its "top of the chart" position? Not according to many people in the industry. They see the influence of European design everywhere, from automobiles and coffee makers to lighting (the halogen lamp is a case in point) and European furniture. So Europe's Eurostyle seems set to maintain its mystique for some time to come. €

Freda Greene, who is writing a book on life in World War II, is an international freelance journalist.



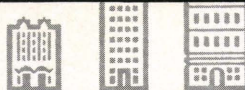
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INVESTING IN EUROPEAN PROPERTY

JAMES HOLLINGTON

“Hot” Properties in European Vacation Spots Attract Investors

PAMELA KEILSON



The many cranes and “For Sale” signs on the stretch between St. Tropez and Menton illustrate that the real estate market on the French Riviera is very active. Developments are more than half sold while still under construction, and completely so when finished. Christian Bovis, Director-General of Agence Générale Bovis, states that “our biggest problem is having enough properties to show prospective buyers.”

Economic Base

Sun-drenched stone and azure water have a perennial appeal. French and foreign

Pamela Keilson is managing director of Agence Générale Bovis' U.S. office.

buyers are purchasing second homes in great numbers, and developers—especially Europeans and Americans—are pouring millions into business ventures. The Côte d’Azur’s unique position at the center of the Mediterranean sun belt, combined with its ambitious efforts to broaden its economic base away from tourism, attracts much of this investment. For example, over 130,000 square meters of office space are currently under construction, in addition to many already completed office parks.

With 8 million people visiting the Côte d’Azur every year, tourism nevertheless will remain an important industry for the region, and its infrastructure clearly reflects this. Nice’s airport operates direct flights to New York and is preparing for the future by expanding its airport capabilities now. The French railway, whose TGV high-speed train now runs to Nice, has started an aggressive upgrading of train stations and tracks along the coast.

Investment

The New York Times recently stated: “When investment managers get together to swap ideas about 1992, the talk inevitably drifts to castles in Spain and farmhouses in Provence. Almost everyone nurtures the idea that a vacation home in some idyllic corner of Europe will pay off in long-term capital gains.” In this

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respect, the Côte d'Azur is proving most lucrative. In 1988, average price increases for old and new properties combined have been in the 7.5-percent to 10-percent range in the Alpes-Maritimes, and even higher in areas such as Cannes, St. Jean Cap Ferrat, and Beaulieu-sur-Mer. Bovis predicts 1989 increases to fall between 10 percent to 15 percent, while some agents along the coast even predict 20 percent. These increases, along with possible seasonal vacation rental income of between 5 percent to 8 percent per year return on investment, make this area an excellent financial opportunity.

Finding the Money

A "non-resident" can get a 90-percent loan at very competitive, fixed, or 15-year variable interest rates, while holders of a residence permit can get a 100-percent loan. Qualification for a loan is similar to the United States, the rule of thumb being that the loan is about 30 percent of income.

Purchasing Property

The purchase and sale of property and transfer of money anywhere is simple, uncomplicated, and safe. There are no limitations or complicated procedures for foreign purchasers. As in the United States, the seller pays estate agent commissions.

The prospect of a united Europe presents substantial opportunities for the property market. To capitalize upon them, however, the business community must be aware of the variety of restrictions, legislations, and separate economies that exist in each member state.

The benefits of gaining a foothold in Europe are obvious. The Single European Act and the subsequent removal of physical, technical, and fiscal barriers are opening the way to the largest marketplace in the industrialized world, with some 320 million people. (By comparison, the United States has a population of 244 million and Japan one of 122 million.)

In the past, manufacturers and retailers have often been prevented from chasing European markets other than their own because the costs involved in adapting their products to suit the language, customs, and economic and legal criteria of each country have proved too high to be economical. For them, the removal of passport controls, customs duties, and frontier checkpoints will thus allow easier and faster movement of goods across borders.

The same is true for the European property market. In its widest sense, a single European market will enable a person or a company already established in one E.C. member state to purchase, develop, let, and sell property in any other E.C. country. Since the same rules of capacity, title, finance, taxation, insurance, and advisory services would apply for each, the decision to invest in another country's property will be much less complicated than is the case at present.

Many non-E.C. companies, particularly from Japan, Sweden, and the United States, are already positioning themselves to take advantage of the single

market by establishing operation in the Community. Direct property investment by Japan in the United Kingdom in 1989 alone, for example, exceeded £1 billion (\$1.59 billion). The Swedes invested over £441 million (\$692.7 million) during the same period. Finally, U.S. retailers, especially in the fashion industry, are increasingly strengthening their foothold in Europe, as are department stores like Bloomingdale's and Saks Fifth Avenue. Rent prices in Europe that are considerably lower than those in their home markets are another incentive for Japanese and U.S. retailers.

Once established in Europe, companies must develop through acquisitions, mergers, and organic growth. Therefore, the fortunes of the property market largely depend on the increased business a united Europe will generate and the subsequent economic growth of the individual countries in it: Businesses will need suitable properties in the right location and at the right price in order to expand.

Unfortunately, nothing is ever that straightforward, least of all when it involves the uprooting of traditions and historic values, the merging of separate economies, and different legislation. Neither the cultures, customs, and preferences, nor the many languages and dialects, will change overnight. Britain, for example, is often the first choice for U.S. expansion into Europe because of its similarities with North America (there are no language barriers, for instance). Since no country will willingly relinquish its own identity, it is vital to have a proper understanding of each country's economy, legislation, and property sectors to ensure that the property market flourishes.

In terms of real estate markets, retail expansion so far has been chiefly through organic growth. Several of the large Eu-

Since 1895



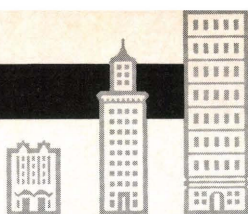
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ropean grocery chains, for example, have been opening branches outside their national boundaries since the late 1970s. Since it is generally recognized that multinational retailers are able to purchase more cheaply and spread overheads more widely, making them formidable opponents to the less competitive smaller shops, retailers such as the French mail order company La Redoute and the department store chain Printemps are beginning to group together for greater market strength.

For industrial companies, the opportunities of the single market are most likely to be found by way of takeovers and mergers. Of 150 British industrial companies surveyed by accountants Peat Marwick McLintock, 40 percent were considering a merger or partnership elsewhere in the Community. For, while industrialists already view the E.C. as a

single market for both production and sales, distribution is still fragmented, and they are thus beginning to centralize their storage facilities. Sites located in close proximity to major airports and other transport networks will be in particular demand because of their accessibility and the ease of distribution.

Companies wishing to open offices on a pan-European basis will also be drawn to areas with excellent communications to exploit new business opportunities. Most companies continue to prefer representation in the major capitals of each country, but, as they grow more independent of their local situations, they will seek rationalized and more flexible office space elsewhere. For example, business parks located in attractive environments away from congested city centers will appeal to highly skilled professionals, most notably in the service sectors.

Each country already has its own successful markets to which expanding property businesses and investors are drawn. The Brussels office market, for example, dominates Belgium's real estate market, London remains the prime destination for overseas office investors, and West Germany has a strong foothold in industrial premises. Other areas throughout Europe, however, are ripe for exploitation.

Property investors are increasingly looking for areas of new business opportunity and, therefore, locations that have excellent investment potential. For example, investors traditionally did not consider the retail sector in the Paris region of France, but a survey undertaken by

Continued on page 47.

James Hollington is Chairman of European Operations at Healey & Baker in London.

STANDARD LEASE CONTRACTS

	LEASE TERM (YRS)	SECURITY OF TENURE	INDEXATION AND REVIEW
BELGIUM (Bail Commercial)	9 (3 yearly break option)	The tenant has automatic right of renewal for a further three 9-year terms.	Annual to the R.P.I. Revision at the end of every 9th year, if either party can show that the rental value differs by 15% or more from actual rent. If agreement cannot be reached, the courts can decide an appropriate level.
FRANCE (Bail Commercial)	9 (3 yearly break option)	The tenant has automatic right of renewal. The landlord cannot refuse to renew upon expiry without paying compensation.	Usually annually or every 3 years by reference to the Cost of Construction Index, published by the INSEE. Either party may request open market reviews if the index moves more than 25% in 3 years. Rent reviews occur upon renewal.
NETHERLANDS (Huurkontrakt)	5, 10	The tenant has the legal right to renew for a further 5 years.	Annual to the R.P.I. There is an open market review every 5 years for retail property.
SPAIN	5, 10 (subject to negotiation) Unrestricted options.	The tenant has no security of tenure at expiry of contract. (Except for leases granted before 04/30/85).	Annual by reference to the Consumer Price Index issued by the National Statistics Institute. No open market review, unless specified in the lease.
WEST GERMANY	5, 10	Usually tenants have the contractual right to renew upon expiry for one or two further 5-year terms.	Very often an open market review every time the R.P.I. changes by a number of points (currently 10 or 10%). Open market review upon expiry.
ITALY	6	The tenant has the right to renew for a further 6 years. The landlord can only gain entry if required for own occupation.	Rents are reviewed annually, increasing upwards by 75% of Retail Price Inflation.
UNITED KINGDOM	25	The tenant has security of tenure at end of lease. Limited legal grounds for investor to regain possession.	5 yearly reviews to open market. Usually upwards only. Most leases provide for full tenant repairing and insuring terms.

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TRAINING SME MANAGERS

In December 1988, the Commission adopted a program of experimental training initiatives to prepare small- and medium-sized enterprises (SME) for the single market. These initiatives will offer SME managers the means to define their strategies with a view to 1992, to pinpoint training requirements, and to participate in specific E.C. programs.

Training will concentrate on five major areas, namely the strategic and commercial stakes of the internal market, competitiveness, financial management and human resources, and the globalization of the strategic approach with regard to 1992. SME managers will receive about 18 days of training spread over several months.

NO LOCKED AND BARRED MARKET

"Only open markets force people to adapt and make them economically strong," Martin Bangemann, Commission Vice-President in charge of the internal market, told the European Parliament in October, adding that the imposition of quotas was always a sign of weakness and lack of self-confidence. This, he stressed, the Europeans could not afford to do if they wanted to prevail against strong international competition and also wanted to persuade others to "buy European." "We cannot lock and bar our own market to outsiders and at the same time demand free access to foreign markets. . . ." he said.

Bangemann went on to note that it was pointless to reproach

the Japanese with working longer hours and more efficiently than Europeans. Instead, he argued that Europeans must produce even more efficiently and more cost-effectively, and achieve greater European standardization (as in high-definition television), more research (like Eureka), and more cooperation (for instance, through a European company statute) in order to remain competitive on world markets.

HALF-WAY TO THE SINGLE MARKET

The E.C. has reached the half-way mark on the road to the single market. The Commission has produced 238 of the 279 proposals, and the Council has adopted 130 of these. In short, the Council has by now agreed to half of the program in four years, a feat that many would have considered impossible in 1985.

The Council's increased productivity is primarily due to the large number of decisions that now require only a qualified majority vote (as stipulated in the Single European Act) rather than unanimity. In those areas that still require unanimity, however, such as the free movement of persons, value-added taxes, and the tax on savings, no wide-ranging decisions have been adopted. Sig-



nificant progress has, however, been made in areas of public procurement (including the adoption of directives on supply and work contracts), technical harmonization, capital movements, financial services, mutual recognition of diplomas, transport, and industrial and intellectual property.

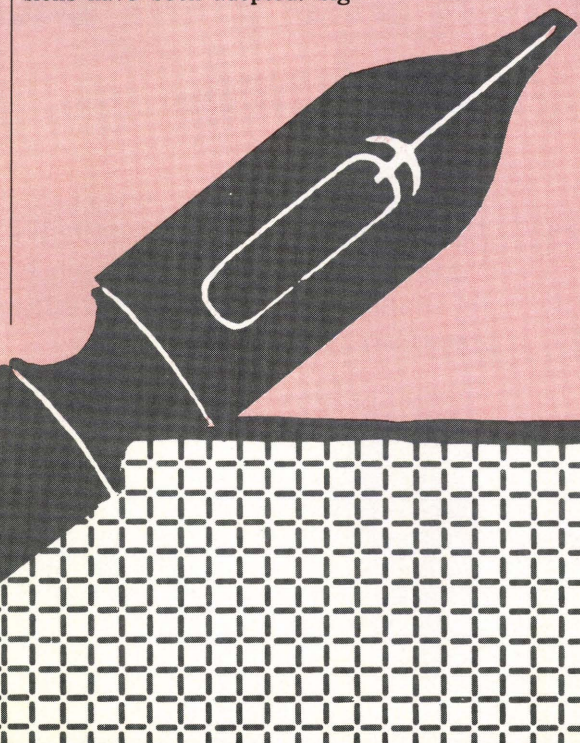
The main problems and delays in the 1992 program concern removing physical barriers with respect to goods and people. Progress has also been slow on the right of residence of E.C. nationals in member states other than their own, and on the elimination of frontier formalities.

Another sticking point for the Commission has been the slow incorporation of E.C. law

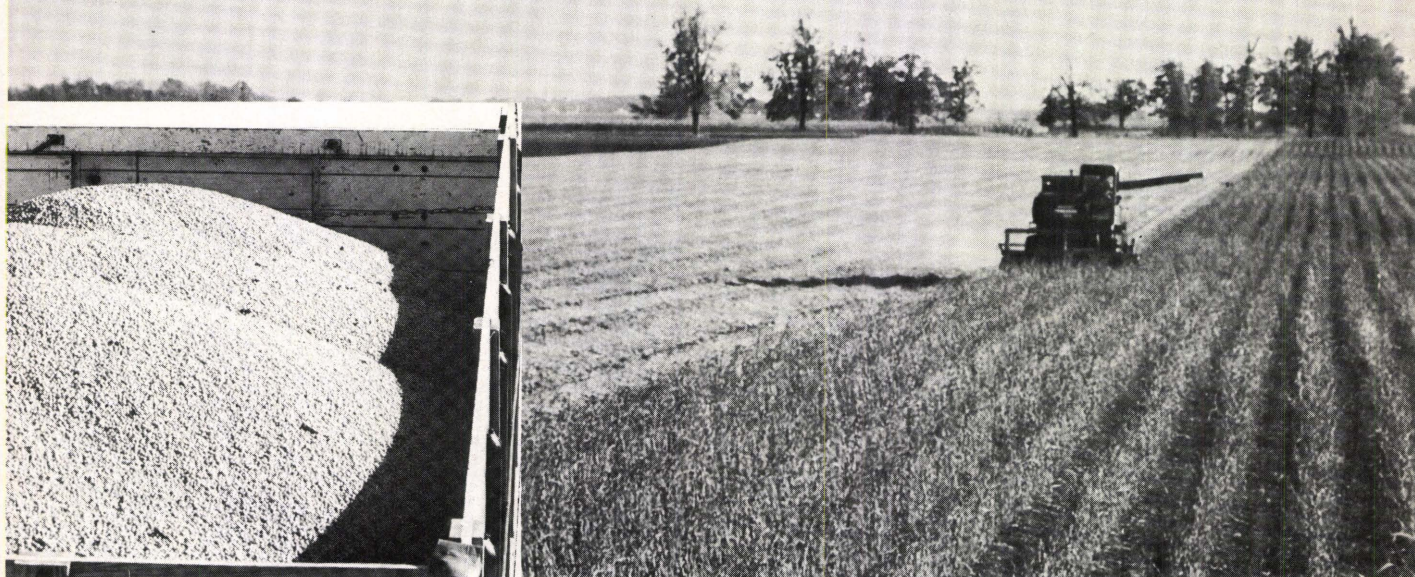
into the national legislation of the Twelve. Commission Vice-President Martin Bangemann, responsible for the internal market, has said that this may force the Commission to use regulations that immediately become law, rather than the still-favored directive, which the member state parliaments must incorporate into national law.

Most of the 41 proposals still to be presented by the Commission concern animal and plant health (about 30 proposals) and, to a lesser extent, technical harmonization. The Commission wants to present the remaining proposals before the end of the year, but delays are possible in plant and animal health controls.

NOTES ON 1992



NEWS OF THE E.C.



The E.C. plans to increase its fraud-fighting fund, especially in the agriculture sector, where such monies are often diverted.

AGRICULTURE

FIGHTING AGAINST FRAUD

A big increase in the E.C.'s fraud-fighting fund is being worked out, Agriculture Commissioner Ray MacSharry told the European Parliament at its October session, specifying that the Commission planned to increase the amount in the fund by an additional \$32 million to \$75 million in 1990.

Since agriculture accounts for about two-thirds of E.C. spending, the \$30-billion farm budget is particularly sensitive to fraud. In this sector alone, an estimated 10 percent of E.C. funds are diverted, often in imaginative ways, such as claiming aid for non-existent olive groves, and cashing in on help for beef exports by packing offal, bones, or chicken scraps instead of prime steak.

MacSharry said the money would be spent on tightening checks on commercial documents, selecting firms for in-

spection, setting up a special fraud squad in the member states, and improving cooperation between them.—*Reuters*

FOREIGN AFFAIRS

E.C.-OPEC ENVIRON- MENTAL COOPERATION

In October, the E.C. and the Organization of Petroleum Exporting Countries (OPEC) agreed to cooperate on environmental and technical problems, hoping that this might eventually lead to deeper political cooperation. These were the first official talks between an OPEC secretary-general and an E.C. Commissioner since the oil cartel was founded 29 years ago.

Siyyed Abdulai Subroto, the current OPEC secretary-general, said that, while the 1980s had been a decade of confrontation between producers and consumers, it was now in the interest of both to maintain stable

prices. "This is an opportune time to start . . . to find mutual interest and action that can at least establish the possibility of preventing price shocks from happening again," he said.

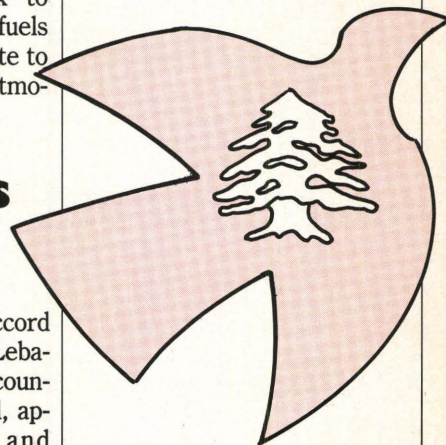
Antonio Cardoso e Cunha, the E.C.'s Energy Commissioner, said that cooperation would start with low-level discussions on technological problems and the environment, but that, "starting from a very practical basis, we can progressively go to the deepest political cooperation." He and Subroto did not discuss calls from some in the E.C. for a "carbon tax" to discourage use of fossil fuels that scientists say contribute to a warming of the Earth's atmosphere.—*Reuters*

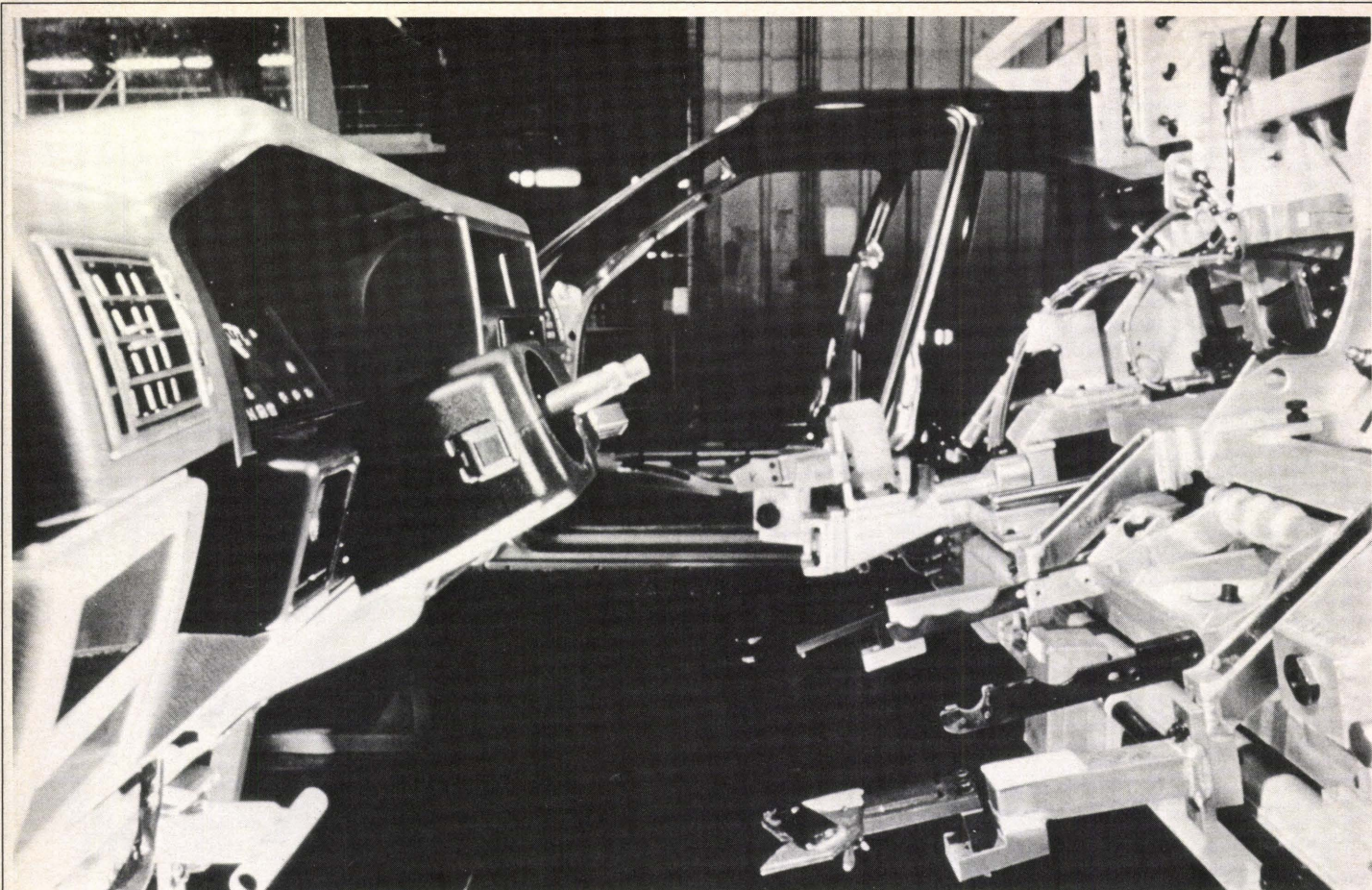
E.C. WELCOMES LEBANON ACCORD

The E.C. welcomed an accord approved in October by Lebanese deputies to end that country's civil war. The accord, approved by Moslem and

Christian deputies meeting in the Saudi Arabian resort of Taif, has received widespread Western and Arab backing as the best chance to end the 14-year-old Lebanese civil war.

A statement published by France, which currently holds the E.C.'s presidency, said that Lebanon must be allowed to implement the pact "through the appropriate constitutional means, free from any form of pressure." Moreover, "the Community and its member states will develop the action they have already initiated for





The BRITE/EURAM program aims to strengthen the E.C.'s industrial base in areas such as automobiles, machine tools, construction, and clothing.

MASTER'S PROGRAM ON THE E.C. AT UNIVERSITY COLLEGE, DUBLIN

The Master's degree program in *European Economic and Public Affairs* is designed primarily for business executives and students who need a thorough understanding of the European Community. In particular, participants will learn how business will be conducted in the single market after 1992.

The degree program lasts one year, during which time three courses will be given in business, economics, law, and politics. Particular attention will be paid to policy issues, such as dumping, public procurement, the rights and obligations of state monopolies, competition, and international trade.

Students will be exposed not only to senior academic staff of the National University of Ireland, but also to current and former high-level E.C. officials and decision-makers from the private and public sectors with direct European involvement.

The program will be centered at University College, Dublin, but will involve two study visits to Brussels, Belgium, and to the European University Institute in Florence, Italy.

The teaching program is coordinated by the Centre for European Economic and Public Affairs (CEEPA) at University College Dublin. CEEPA acts as a resource center for research on European issues and its full resources are available to students in the program.

Among other leading European personalities, the following are members of the CEEPA Council: Garrett FitzGerald, former Prime Minister of Ireland; Brian Lenihan, Deputy Prime Minister and Minister for Defense; Emile Noël, former Secretary-General of the E.C. Commission and currently President of the European University Institute; Peter Sutherland, former Member of the E.C. Commission.

For information, please contact Prof. Richard Sinnott, Director, Centre for European Economic and Public Affairs, University College, Dublin, Tel.: 011-353-1-693244; Fax: 011-353-1-694409.

the benefit of Lebanon, to make possible the resumption of economic and social activities, and to provide this country with the assistance needed to build its future."—*Reuters*

INDUSTRY

DISCIPLINE FOR STATE AIDS

Commission Vice-President Sir Leon Brittan, who is responsible for E.C. competition policy, has announced a new focus in the battle to curtail state aids to industry. Under this scheme, the Commission will review existing large-scale aid programs rather than merely examine new schemes.

According to Brittan, the abolition of many national protectionist instruments may lead member states to make greater use of certain state aids, such as general investment incentives and export aids, which will receive the most scrutiny.

E.C. officials explained that it was necessary to review these

aid schemes, which had been approved in the depth of a recession, and might therefore no longer be economically justified. Brittan emphasized, however, that the Commission would continue to closely study new member state aid programs.

INDUSTRIAL RESEARCH REWARDED

In an effort to strengthen the technology base of its manufacturing industries in such areas as automobiles, machine tools, construction, and clothing, the E.C. launched the BRITE/EURAM program (which stands for Basic Research in Industrial Technologies for Europe and European Research in Advanced Materials) earlier this year.

BRITE/EURAM is a four-year program that seeks to use the E.C.'s resources efficiently to support industrial research and development at the pre-competitive stage and within the framework of Europe-wide

collaboration. It brings together industrial firms, universities, and public research institutes, as well as selected partners in the European Free Trade Association countries.

Last October, the Commission approved 163 research projects for E.C. funding under this scheme and gave 60 "feasibility awards" to help small- and medium-sized enterprises (SME) participate in industrial research.

Most of the 163 projects are relatively large and industrially led collaborative undertakings involving at least two independent companies in different member states. Over 1,000 organizations are participating in the scheme, which will receive up to 188 million ECU in E.C. funds, or 50 percent of the cost of each project. A matching sum will be provided by the industrial partners. The average project cost is 2.2 million ECU.

Feasibility awards will help the chosen SMEs demonstrate the feasibility of a new device, system, process, or concept in

various fields of industrial technology and advanced materials, and prove their abilities to potential partners for future BRITE/EURAM research proposals.

SOCIAL ISSUES

RALLY FOR WORKERS' RIGHTS

An estimated 10,000 trade unionists from throughout the E.C. staged a rally in Brussels in October to demand guaranteed workers' rights when the Community completes its single market. The rally, which was organized by the European Trade Union Confederation (ETUC), a grouping of 36 union confederations in 21 countries, followed a conference alerting trade unionists to the effects of bringing down trade barriers.

ETUC General Secretary Matthias Hinterscheid condemned British opposition to the proposed E.C. social charter, saying that Prime Minister Marga-

ret Thatcher's intransigence was isolating her country. And British Trade Union Congress chief Norman Willis added: "The Community wants workers' rights whether [Thatcher] likes it or not, and plans will go ahead without her if necessary." —*Reuters*

BUSINESS

A NEW CORPORATE TOOL

The European Economic Interest Group (EEIG), a corporate vehicle established under E.C. law to permit companies to undertake numerous forms of joint action while retaining their legal and economic independence, recently became the newest tool to enhance cooperation between E.C.-based companies.

Formation of an EEIG must include at least two firms (or subsidiaries of a single multinational corporation) from different member states, and its ac-

tivities must be ancillary to those of its founding members.

There are certain limitations to the scope of an EEIG. It cannot, for example, be set up as a financial holding company, and cannot employ over 500 people. U.S. firms and subsidiaries can participate as long as they are established in the Community. To date, five E.C. countries have modified their national legislation to permit registration of EEIGs.

FOREIGN TRADE

COMMISSION ANNOUNCES STEEL ACCORD

The E.C. Commission recently approved the results of its new steel accord with the United States, which will maintain the status quo for all products covered by previous U.S.-E.C. steel agreements, and the management of the quotas during the life of the accord. The accord will assure the E.C. of 7



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percent of the U.S. steel market, in comparison with the previous share of 6.68 percent. This represents an increase of 300,000 metric tons of steel exports per year. In addition, the Commission stated that a consensus on aids would make a useful contribution toward liberalizing steel trade.

AID AND DEVELOPMENT

MATUTES REVIEWS E.C. MEDITERRANEAN POLICY

In an outline on E.C. policy toward the Mediterranean re-

gion, Abel Matutes, Commissioner in charge of Mediterranean Policy, stated that, while the current population level of the 12 E.C. nations of 320 million is not expected to change in the next generation, that of the 14 non-E.C. Mediterranean countries will rise from 200 million now to 400 million by 2025. As a result, those 14 countries will have to feed, clothe, and educate an additional 5 million new citizens each year.

Since these Mediterranean nations constitute the E.C.'s third-largest customer and its fourth-largest supplier, Matutes said the region was vital to the Community. In that context, the region's worsening economic situation is cause for

concern. Its 1987 trade deficit of about \$16 billion was only partly offset by tourism revenues and workers' remittances from abroad, and debt services for more than half of the countries in the region now account for between 25 percent and 50 percent of import receipts.

The deterioration of the region's environment, which suffers from a scarcity of water and agricultural land, desertification, air and sea pollution, and the dumping of 500,000 tons of urban waste every day in the coastal areas, is further exacerbating the region's problems.

Given these problems, Matutes stressed the need for new approaches toward the Mediterranean nations, noting in particular that "by 1992, economic and political cohesion [and economic growth] in the E.C. will be stronger. This is why we cannot afford to let the gap widen between the E.C. and its neighbors to the South..." He added that the E.C. needs to keep its markets open, improve market access wherever possible, and support economic reforms.

INDUSTRIAL AID TO CENTRAL AMERICA

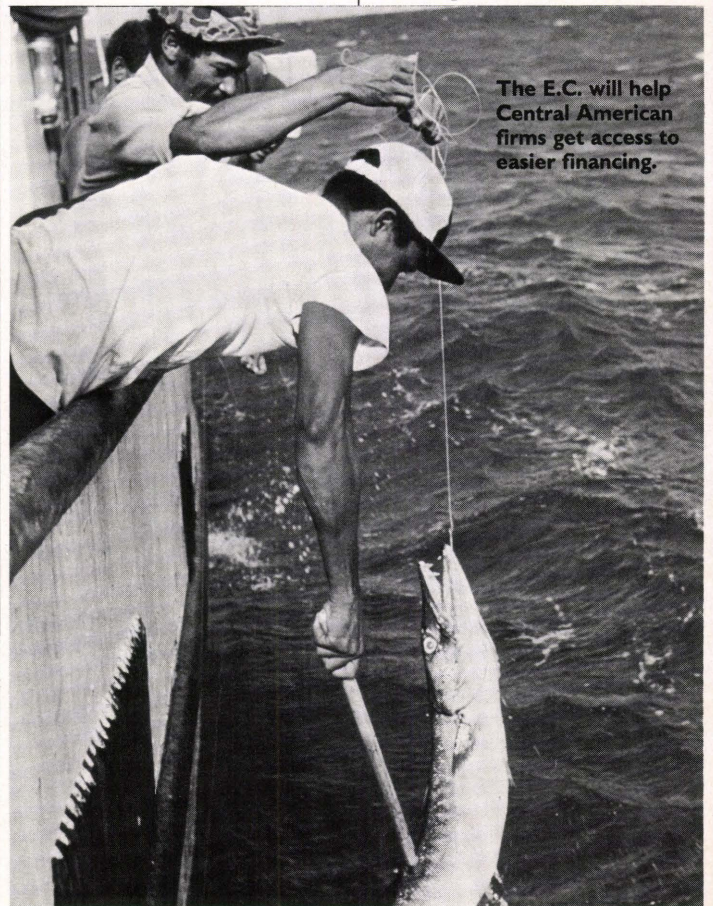
The Commission will allocate 6 million ECU for small- and medium-sized industries (SMI) in Central America to help that region get back on its feet and to strengthen the role of the Central American Bank of Economic Integration (CABEI) as a driving force for regional integration. This aid is an extension of a 1984 program cofinanced by the Commission and Italy (for 20 million ECU and 2.7 million ECU respectively), and is one of the largest aid projects for Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

The project provides for expansion of a foreign exchange fund, administered by the CABEI, giving SMIs access to easy-term credit, and for European technical assistance at various levels intended to improve the working methods of commercial banks and to support the SMIs in preparing, implementing, and supervising credit operations.

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2. Mail subscription	15,586	13,661
C. Total paid and/or requested circulation	16,242	14,317
D. Free distribution by mail, carrier or other means		
Samples, complimentary and other free copies	3,520	4,055
E. Total Distribution (Sum of C and D)	19,762	18,372
F. Copies not distributed		
1. Office use, left over, unaccounted, spoiled after printing	1,812	2,722
2. Return from news agents	1,064	944
G. TOTAL (sum of E, F1 and 2—should equal net press run shown in A)	22,638	22,038



The E.C. will help Central American firms get access to easier financing.

GERMANY

Continued from page 32.

send that, in view of the aging, declining West German population, will ensure continued strong growth through the 1990s. Moreover, studies show that the boost to the labor force may be worth an additional 1 percent real annual growth in the early 1990s.

According to Dieter Bräuninger, an economist at Deutsche Bank in Frankfurt, the newcomers could not have arrived at a better time, since West Germany is now in a period of dynamic growth and needs to fill gaps created by the fall in the birth rate of the past two decades. "In the medium and longer term, we are optimistic that both productivity and consumption will rise, which in turn will have a beneficial effect on investment," says Bräuninger. In addition, the extra earnings and spending generated by the new arrivals will lead to a sharp rise in tax revenue that will help pay future pensions, according to the Bonn Finance Ministry.

The ailing East German economy, moreover, offers enormous potential to its capacity-stretched Western neighbor if it liberalizes and moves at least partly toward a market economy. West German firms would then be the obvious contenders to modernize its outdated industrial infrastructure and revitalize its economic potential.

Although there is greater scope for East-West ventures in East Germany than in any other East European state, these have to be made possible by the East German state, which must relax its control of the economy, allow outsiders in, and offer them investment protection agreements. Count Otto Lambsdorff, the leader of the West German Free Democratic Party, the junior government coalition partner, and himself a former Economics Minister, says the first step should be to mobilize private capital in West Germany, after which government-backed credits could be considered.

The prospect of economic expansion eastward is relished by many West German companies, which have recently woken up to the potential offered by the single European market after 1992. The result has been a jump in German share values, which had previously been depressed by international rate considerations. "The East German factor can only be positive for us," commented one Frankfurt broker. "The hour of the social market economy has come as the bell tolls for the final end of the Socialist planned economic system," added another. €

SUMMIT

Continued from page 23.

response to the absence of any official European presence at the early December Malta summit meeting between Soviet leader Mikhail Gorbachev and U.S. President George Bush, and an attempt to prevent the subject of change in Eastern Europe from dominating the E.C. summit in Strasbourg, scheduled for December 8 and 9.

The rapid developments in Eastern Europe have been highlighted recently by spectacular scenes of people hacking holes in the Berlin Wall and flooding by the millions through the new openings to taste a bit of Western civilization for the first time. Meanwhile, large, unofficial rallies in Bulgaria and Czechoslovakia have demanded free elections and sweeping changes in how the countries are governed.

These changes have widened and complicated the E.C.'s debate about the creation of a single market and the Community's path toward economic and monetary union (EMU), which is scheduled to begin in July 1990 with increased economic coordination and the elimination of capital controls throughout most of the Community. Fears that the changes taking place in Eastern Europe could derail the implementation of EMU, which will be discussed at the December E.C. summit, were fueled by remarks made by Thatcher before the Saturday meeting, who stated that "we must not allow ourselves to become obsessed with the details of the Community's internal business as though nothing were happening elsewhere." Mitterrand and Delors, however, have argued that a quicker move to monetary union would enable the E.C. to better cope with the new political and economic situation.

Mitterrand's impromptu summit responded to another concern that has been voiced in Western political, press, and academic circles: that the idea of reunification (however distant) and the Bonn Government's focus on East Germany's evolution would distract it from its commitment to the West and European economic integration. The West German Government has moved swiftly to dispel this fear, however. "We know we don't live alone in this world," stated Kohl, adding that "the German problem can only be solved under a European roof."

Reuters contributed to this article. Jean-nine Johnson is contributing editor at *Europe*. €

REAL ESTATE

Continued from page 39.

Healey & Baker last year highlighted the potential of shopping center rental performance. A retail boom is currently underway.

Any business or investor contemplating a move further afield must be fully aware of the internal legislative process of each member state. While the E.C. aims to harmonize direct and indirect taxation by introducing a common tax rate base and value added taxes as well as a levy of excise duties, no single act will be able to eradicate these differences. The complexities of the different legal structures of each country must be thoroughly investigated and expert advice must be sought. This refers to leases, the statutory rights of landlord and tenant, banking laws, foreign exchange controls, and local planning constraints.

Lease structures vary enormously from country to country. The lease term in the United Kingdom is generally 25 years, while five-, nine-, or 10-year terms are more usual on the Continent. In Belgium, for example, the landlord can recover most of his outlays from the tenant, including management fees, insurance, and property taxes. In the Netherlands, on the other hand, the landlord can perhaps recover the least.

The cost of purchase again varies widely, although in some instances this is taken into account in establishing the investor's net yield. In Spain and the Netherlands, property transfer tax is at the rate of 6 percent, in Germany it is 2 percent, in Belgium 12.5 percent, and in France 16.6 percent. The rates apply principally to what might be described as second-hand buildings. Different rates and rules apply to new construction, on top of which legal and other professional fees must be added on a sliding scale ranging between 3 percent and 5 percent.

Any investor contemplating international investment should be aware of foreign currency exposure. The single market is still a long way from developing a European currency, and exchange rates are therefore still very much governed by the economic position of the country.

For those considering diversifying into the European property market, the variety of restrictions currently in force—and likely to continue to exist after 1992—must be fully understood. Each country will still possess its own national flavor, and sound local knowledge of each market within the E.C. is therefore required if businesses are to capitalize on the abounding opportunities of 1992. €

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