

EUROPE

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U.S.-E.C. Relations

ON THE WAY UP

E.C. FOREIGN AFFAIRS COMMISSIONER AND U.S.
AMBASSADOR TO THE E.C. SPEAK OUT

1992 *Handbook*

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Letter From The Editor

THE E.C.'S RELATIONS WITH THE

United States are good and getting better. Relations between the world's largest trading partners are "on the way up" in all areas where we have common interests.

As Keith Rockwell points out in his cover story, "the political, economic, and corporate linkages between the two are broad and deep and are likely to become closer."

The Bush Administration has established closer ties with the E.C. than any previous American Administration. And these ties are continuing to grow. Rockwell discusses the fact that "the Administration is looking for new ways to bolster links between Brussels and Washington."

Both sides see a new mature and more equal relationship developing as the E.C. takes on an increasingly major role in assisting the Eastern European nations and moves forward to the 1992 single market.

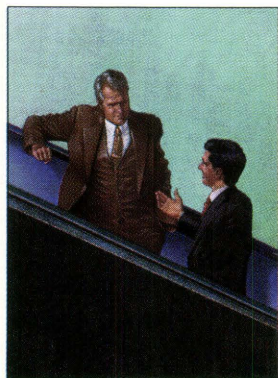
Frans Andriessen, E.C. Commissioner for Foreign Affairs, in an exclusive *Europe* interview, states that "the political weight of the E.C. is increasing" and analyzes the changing political and economic relationship between the United States and the Community. Andriessen expresses his views on German unification, 1992, aid to Eastern Europe, the European Bank for Reconstruction and Development, and the Soviet Union in our wide-ranging interview.

Thomas Niles, U.S. Ambassador to the E.C., gives the American view on the U.S.-E.C. relationship. He also discusses 1992 and the role of American firms in the new single market, state activities in Europe, NATO's future role, communism's decline, and America's role in the new Europe.

Europe gives you a 1992 Handbook—a convenient guide to find out the Who, What, When, Where, Why, and How of U.S. preparations on the Federal, state, and business levels for 1992. *Europe* provides handy phone numbers and key contacts throughout the Federal Government, looks at various state activities, and presents congressional and business leaders' views on the single market.

Joe Carroll presents an inside look at Ireland and a profile of Irish Prime Minister Charles Haughey. Haughey, who met with President George Bush earlier this year, is the current President of the European Council.

We hope you enjoy our new format. We invite your comments on our new look, and we urge you to write about other topics you want to discuss.



COVER: The long-standing political and economic relationship between the United States and the E.C. is on the way up.

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EUROPE

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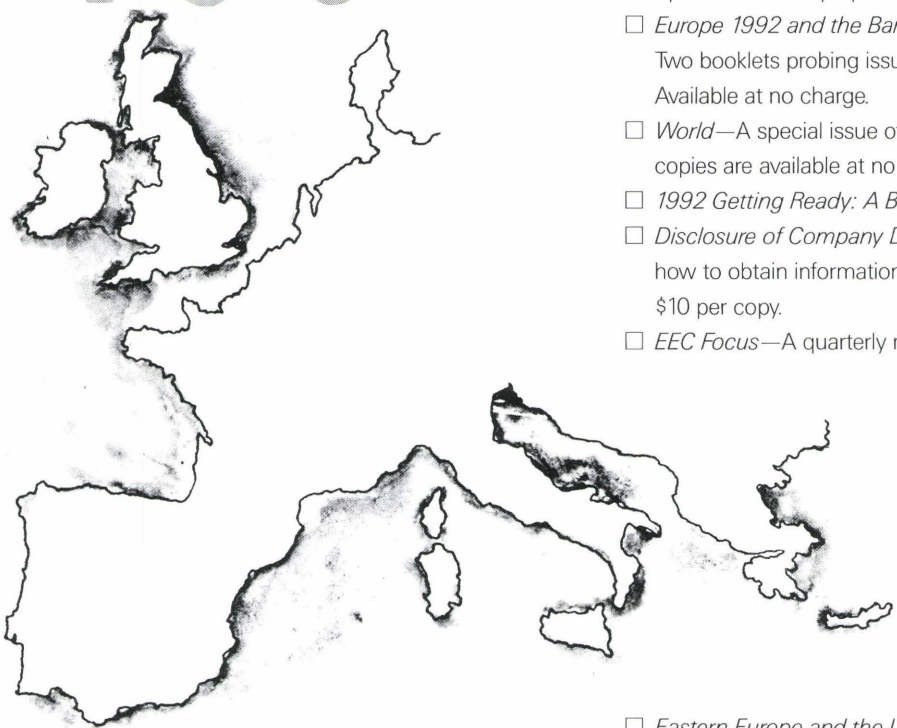
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GETTING READY FOR

1992



The December 31, 1992, target date for a single European market is less than three years away and companies that want to profit from the new EC are actively preparing for it now.

KPMG Peat Marwick is guiding many of these companies with advice on such vital issues as mergers and acquisitions, joint ventures, business strategy, taxation, business logistics, corporate financing, and exporting. Our Europe/U.S.S.R. Center in New York and our European Business Centre in Brussels oversee the efforts of a network of regional, industry, and international coordinators.

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- Europe 1992 and the High Technology Industry*—A summary booklet of all legislation affecting the high technology industry; also provides the practical information needed by businesses to prepare for the new environment. Available at no charge.
- Europe 1992 and the Banking Industry; Europe 1992 and the Insurance Industry*—Two booklets probing issues concerning the banking and insurance industries. Available at no charge.
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- Disclosure of Company Documents in the European Community*—A book explaining how to obtain information about companies in EC member states. Available for \$10 per copy.
- EEC Focus*—A quarterly review of 1992 affairs. Available for \$2.50 per issue.
- The Company Guide*—A comprehensive manual (updated quarterly) containing analysis and detailed description of all 1992 directives and their likely impact on various industry sectors. The cost is \$550, which includes quarterly updates through the end of 1990. Subsequent updates cost an additional \$250 per year.
- European Community—1992*—A bimonthly newsletter examining many of the developments in the single market. Available at no charge.
- Eastern Europe and the USSR: A Guide to Foreign Investment Legislation*—A guide to understanding key legislation affecting investments in the Eastern Bloc and the USSR. Available at no charge.

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EUROPEAN SCENE

EURUPPY APPETITES

Like their American counterparts, yuppies in Europe seem willing to fork out a little more to eat stylishly.

These European cravings have U.S. food marketers drooling over profits.

Here's what the Euruppies want from us, according to a recent survey conducted by several U.S. agricultural attachés stationed in Europe:

Britain: Alligator steaks and anything else Cajun or Creole

Germany: Barbecue, pizza

France: California wines, anything microwaveable

Spain: Mineral water, juices

Italy: Enchiladas, tacos, and other Tex-Mex dishes; corn chips, herbal teas, dried fruits, and nuts

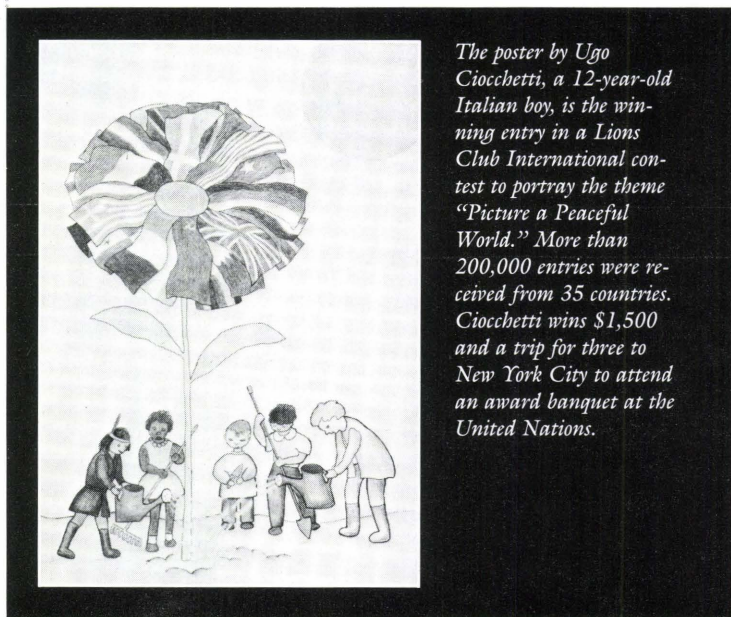


A TUNESOME TRIO

What do Vaclav Havel, Shirley Temple-Black, and Frank Zappa have in common? All three are now significant on the Czechoslovakian political scene. Havel is the country's new President; Temple-Black, former child singing star, is U.S. Ambassador to Czechoslovakia; and Zappa, absurdist rock 'n' roller, is now an official Government adviser. Politics make strange bedfellows.

AMBASSADOR MICKEY?

Will the French be goofy about Goofy? Will Universal Studios have a universal appeal? Will the Spanish prefer Magic Mountain to Busch Gardens? The next big American cultural invasion is the establishment of theme parks in Europe. Euro-Disneyland is scheduled to open outside Paris in 1992, and Busch Gardens is opening in Barcelona to coincide with the 1992 Olympics. France is the locale of choice for operations because of its strategic demographic position, but Spain runs a close second because of its climate. Other American companies, including Marine World, are also becoming involved in Europe. With Mickey as the initial ambassador of goodwill, the market promises to be a lucrative one.



The poster by Ugo Ciocchetti, a 12-year-old Italian boy, is the winning entry in a Lions Club International contest to portray the theme "Picture a Peaceful World." More than 200,000 entries were received from 35 countries. Ciocchetti wins \$1,500 and a trip for three to New York City to attend an award banquet at the United Nations.

PLAY IT AGAIN, HELMUT

West German Chancellor Helmut Kohl has East Germans rocking around a different clock. "What This Historic Hour Has Made Possible" is the title of Kohl's newly recorded album containing all his greatest "hits."



The album, designed for free distribution in the German Democratic Republic, includes Kohl's speech to Parliament on November 28, when he presented his plan for unification, and his speech at the Brandenburg Gate on December 22, when the first parts of the Berlin Wall were knocked down.

The cover of the album features the Chancellor waving to "fans" from his Mercedes during his December 19 visit to Dresden, East Germany.

West German taxpayers are footing the \$90,000 bill for Kohl's recording debut. So far, 100,000 albums have been given to East Germans.

Kohl must also be singing about the Christian Democratic victory in East Germany last month, although there is no word of a follow-up album.

New Issue

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February 21, 1990



IRELAND

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(Deutschland) AG

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Girozentrale

Bank Brussel Lambert N.V.

Bank of Tokyo (Deutschland)
Aktiengesellschaft

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ON THE WAY Up

*U.S.-E.C. Political, Economic, and Corporate Ties
Are Broad, Deep, and Getting Even Better.*

You can say this for the recent relationship between the United States and the E.C.: It has been anything but static.

As the Community moves closer to its goal of a truly common market by year-end 1992, debate between the two over a host of issues has shifted, and issues of great importance only a year ago have now faded.

U.S. concerns about reciprocity in banking, restrictions in the trucking market, and mutual recognition of technical standards have given way to disagreements about the E.C.'s Broadcast Directive and domestic content requirements.

The Community's first 30 years were marked by a certain degree of U.S. indifference. Washington tended to see the Community as little more than a forum for haggling over agricultural and budgetary issues. A series of Presidents preferred to deal with the member states on an individual basis.

But the passage of the Single European Act in 1987 and the launching of the market-integration exercise brought a change in thinking, and the White House

and Congress now consider Brussels in a new light.

The strong performance by the Commission in pushing through nearly two-thirds of the 279 directives needed to implement the single market program and the palpable excitement 1992 has brought to the Community have opened eyes on both ends of Pennsylvania Avenue.

Another factor that has changed the U.S.-E.C. relationship is that the Bush Administration has given greater priority to improving ties with the Community than the Reagan Administration.

President George Bush will meet with Commission President Jacques Delors annually. Bush showed strong support for the Community last July at the economic summit in Paris, when he backed a plan under which the E.C. Commission was charged with coordinating Western food aid to Poland and Hungary.

The Administration is looking for new ways to bolster links between Brussels and Washington. In his December 12 speech in Berlin, Secretary of State James A. Baker III spoke of shifting the

status of the North Atlantic Treaty Organization (NATO) from a military role to a political role. As part of the evolution of NATO, Baker envisions a political treaty between the United States and the Community that would cement the relationship between the two bodies.

"To this end, we propose that the United States and the E.C. work together to achieve, whether in treaty or some other form, a significantly strengthened set of institutional and consultative links," Baker said. "Working from shared values, we face a set of mutual challenges—in economics, the environment, science, and a host of other fields. So it makes sense for us to seek to fashion our responses together as a matter of common course."

The Bush Administration and Congress have been generally supportive of the E.C.'s single market program, though the level of support has oscillated over the past three years as a host of bilateral trade disputes have emerged.

To be sure, none of these scraps threatens to undermine U.S. support for 1992, and E.C. willingness to discuss U.S.

concerns has been warmly praised in the United States. In fact, this openness to U.S. fears may be the principal reason that talk of a "Fortress Europe" has vanished. Of particular relief to Washington were the reforms made by the E.C. in the Second Banking Directive.

The initial directive contained a reciprocity provision that led the White House to wonder whether U.S. banks might face discrimination unless American banking laws were liberalized. Community officials point out that a single market for banking will enable financial institutions to operate in all 12 member states, with freedom to take deposits and underwrite securities.

Banks in the United States, on the other hand, are limited to certain geographical regions and are not permitted to deal in stocks or bonds.

A change in the directive, replacing reciprocity with terms like "effective market access" and "national treatment," has soothed fears at the U.S. Treasury, although some uneasiness still exists over how equivalent market access will be determined. For their part, E.C. officials continue to discuss the inequity in banking freedom in the two markets.

E.C. efforts at improving transparency in the process of setting technical standards have dampened worries that specifications—which will be mutually recognized throughout the Community by 1993—might be used as a nontariff barrier.

Frans Andriessen, E.C. Commissioner for External Relations and Trade Policy, says the Community is even considering the possibility that U.S. laboratories could conduct testing and certification tests.

But these fading disputes have been replaced by new ones. Bush Administration officials now fret that a "transition period" of import relief will provide the E.C. with a tool for erecting barriers to trade in certain industries facing tough foreign competition.

Delors has made it plain that such a transition period will be needed for automobiles. Japanese producers will be asked to accept export limitations and may be required to limit the number of cars they produce within the European Community.

The proposal has set off alarm bells in Washington. U.S. Trade Representative Carla Hills has stated emphatically that she expects no export restrictions on cars made in the United States by Japanese companies.

"If it's made here, it is American . . . Japanese nameplate autos [made in the United States] simply can't be caught in

this net," she said.

This rules-of-origin controversy is linked to perhaps the most nagging conflict in U.S.-E.C. relations today: the potential for the Community to impose domestic content requirements.

Community officials worry that foreign firms, particularly those in Asia, may try to circumvent dumping laws by assembling products in Europe with parts made elsewhere. But the Bush Administration fears domestic content requirements are merely a ruse to force companies into investing in production operations that will create jobs inside the Community.

U.S. officials point to an E.C. Commission ruling stating that the diffusion process involved in manufacturing integrated circuits—in which the circuits are placed onto semiconductor wafers—must take place in the Community if the product is to be of E.C. origin. Chips diffused outside the E.C. would be subject to a 14 percent import duty.

Intel Corporation's decision to build a \$400 million semiconductor plant in Ireland was widely believed to have been based on fears that the company would be unable to compete in that market unless its products were produced in the European Community.

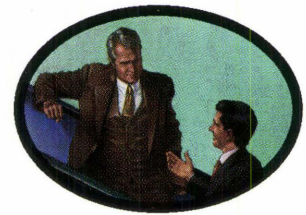
"The Intel investment [in Ireland] was literally kidnapped into Europe by this procedure. . . . These are the types of investment decisions that trouble us," says J. Michael Farren, Assistant Commerce Secretary for International Trade.

While the E.C. maintains its goal is to liberalize trade and to enhance business opportunities for all broadcasting companies, the domestic content row has come up again. The Commission accepted the Broadcast Directive that allows member states to restrict the content of non-European programming to less than 50 percent. While the rule is not binding, U.S. officials philosophically oppose quotas and are particularly unhappy with the E.C. argument that such quotas are needed to protect European culture.

Hills, for example, sees the culture argument as an easy excuse to block imports.

Delors, however, believes that culture of the member states must be protected. He further believes U.S. concerns are moot since the number of available television transmission hours is likely to increase from 250,000 to about 400,000 in this decade. The increase will leave greater opportunities for the U.S. television and movie industries than they now enjoy, according to Delors.

The remarkable transformation of Eastern Europe has also emerged as a



The strong performance by the Commission in pushing through nearly two-thirds of the 279 directives needed to implement the single market program and the palpable excitement 1992 has brought to the Community have opened eyes on both ends of Pennsylvania Avenue.

ILLUSTRATION BY CHRIS FAUVER

KEITH M. ROCKWELL

bone of contention between the two sides. While there is broad U.S. support for the democratic reforms in Eastern Europe, there is some suspicion over E.C. treatment of those nations.

While Delors has said the Community will accept no new members until the single market exercise is completed, Andriessen has said the E.C. may extend preferential trade treatment to Eastern European countries in an effort to boost their sagging economies.

U.S. officials hold that were such benefits granted to Eastern European countries, U.S. companies might find their market share getting squeezed. "Preferential treatment is not Most Favored Nation. If [Eastern European nations] get preferential treatment, we would want that," said Hills.

Indirectly, the situation in Eastern Europe could lead to another U.S.-E.C. imbroglio.

Hills believes the future of the multilateral trading system hinges on the successful completion of the Uruguay Round of multilateral trade talks under the General Agreement on Tariffs and Trade (GATT). Some critical differences remain between the United States and the E.C.—particularly over agriculture—that may undermine the talks.

As the reality of a single market draws closer, it is inevitable that components of the exercise will not sit well with the Bush Administration. Moreover, the possibility exists that any compromise on agriculture in the GATT round will leave both sides with a bad taste in their mouths.

Yet the United States and the E.C. form the largest trading partnership in the world. The political, economic, and corporate linkages between the two are broad and deep and are likely to become closer.

The bottom line is that the United States and the E.C. have too much at stake in each other's prosperity. They simply need each other too much to allow the relationship to deteriorate. €

GOING

Up

TOGETHER

Single market activities are moving ahead on schedule.

T

he close of 1989 brought such sweeping changes to the world of Europe that the "other" great news story—the "1992 project"—has largely been put on the backburner in the minds of the American public.

Yet it is important to report that the process of creating a single market among the E.C. member states has moved forward to the full satisfaction of all participants. While nothing can beat the opening up of Eastern Europe in its dramatic nature, E.C. members have put into place far-reaching agreements in

crucial fields such as merger control, banking, telecommunications, and insurance.

These agreements ensure that 1992 will stay on track, even as Europeans are faced with the additional managerial burden of thinking about the ways in which they can best help the Eastern European countries in their quest for a fundamental transformation of their political and economic regimes.

But, closer to home, what about the interests of the United States in all this? Is the United States, in the words of some

Keith M. Rockwell is a Washington-based correspondent with the *Journal of Commerce*. He has co-authored a book on the Community called *One Europe: 1992 and Beyond. How to Prosper in the World's Largest Market*.

observers, getting a "fair deal"?

Last year began with great worries that the policymakers in the E.C. might be tempted to "squeeze out" the Americans, especially in the banking sector. That is a far cry from what actually happened.

Take a key measure, the so-called Second Banking Directive. With it in mind, U.S. Commerce Secretary Robert Mosbacher challenged the Europeans to give the United States a seat in the room. The final version of that directive proves that U.S. interests are fully preserved. Any U.S. bank operating in Europe will have the same rights to engage in business as any European bank. You can thus count on America's voice being heard very clearly around the corridors of the Berlaymont, the Brussels headquarters of the E.C. Commission.

If you look at the big picture, the most essential truth about the trans-Atlantic economy is this: Not only is the U.S.-E.C. economic relationship second to none, "a trillion-dollar deal" in terms of trade and investment, as George Shultz, the former Secretary of State has put it, but it is the underpinning of the entire world economy.

Between Americans and Europeans there are also no one-sided, chronic deficits. Sometimes it is the United States that has the upper hand in the trade statistics, and at other times, it is the European Community. It is as if they were on a permanent rollercoaster, but one that constantly climbs up to higher and higher levels.

The hidden beauty of the relationship is its complementary nature. Look at the situation right now: The U.S. economy, which for the past decade has hauled the world economy forward in an admirable fashion, may soon be in some need to regroup and retool. At this critical juncture, the Europeans are picking up the slack and stepping into the engine room. The prospects for growth in Europe, both East and West, are bright. This also means many attractive business opportunities for U.S. companies that seek to grow overseas as the domestic economy cools off.

What then about the worry gaining prominence in the American debate on 1992 that a European "superstate" is in the making? Are Europeans really engaged in an act of creating a new behemoth, a kind of mega-bureaucracy reaching even into the last fishing village in Greece?

Such worries seem at least somewhat ironic to Europeans. Remember all the talk about "Eurosclerosis"? European business leaders took that to heart. The

entire 1992 venture was sparked by the need they urgently perceived to gear up corporate structures to the scale of American companies. It thus was "fear" of American corporate empires—as well as an appreciation of governmental flexibility toward entrepreneurial decision-making—that prompted Europeans to take action.

Consider as well the size of the staff of the entire E.C. Commission. Who could build a bureaucratic superstate impeding European as well as U.S. businesses with no more than 15,000 members? A comparable agency in the United States such as the Department of Commerce has more than 50,000 people on its payroll.

What these 15,000 people in Brussels are trying to achieve is to "Europeanize" the different legislative and administrative styles of nations in Western Europe. The E.C. Commission is really a laboratory in which the French, Spaniards, Dutch, Germans, Danes, and others learn to work together. They are devoted to weeding out as many superfluous administrative actions as possible and to blending together the most efficient combination of national styles.

Finally, keep in mind that Brussels is charged only with setting up the framework of operations. The largest part of actually implementing new measures will still be undertaken by national bureaucracies. There can be no talk of a superstate because considerable latitude will emerge in, say, The Hague, London, and Rome in interpreting the guidelines now emanating from Brussels.

Jacques Delors, the President of the E.C. Commission and thus its chief executive, has consistently said that Europe's strength lies in its regional, linguistic, and social diversity. They definitely want to keep it that way. What they would like to add to that diversity is, in his words, "a sense of belonging to the Community" for each of its citizens.

Clearly borrowing from the American example, a fundamental feature of 1992 is to shift the emphasis in their general political thinking toward providing more room for individuals to let them realize their full creative potential. In other words, we Europeans want to get out of people's way, not stand in it. Only if we meet this condition will we be able to successfully re-energize the Merry Old Europe—which is what the whole endeavor is all about. €



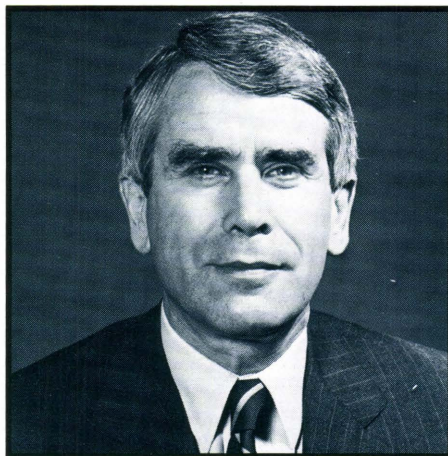
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Stephan-Götz Richter is a freelance writer in Washington, D.C.

VIEW FROM THE U.S.: AMBASSADOR THOMAS M.T. NILES

THE U.S. MISSION TO THE E.C. PROMOTES
AWARENESS OF THE 1992 PROGRAM.

U.S. Ambassador to the E.C. Thomas M.T. Niles presents his views on improving U.S.-E.C. relations; the 1992 single market; and the new role of democracy in Eastern Europe in an exclusive Europe interview. Niles, a career foreign service officer who has served in Moscow and was the U.S. Ambassador to Canada from 1985 to 1989, spoke with Europe's Editor-in-Chief Robert Guttman in Brussels last month.



U.S. STATE DEPARTMENT

What are the pros and cons of 1992?
It's not a question of pros and cons. The United States supports the creation of the single market, but obviously the important caveat that we'll have to make is that we expect our friends in the Community to make sure that U.S. interests aren't injured by the establishment of the single market. We expect the establishment of the single market to be done in a manner consistent with the objectives of maintaining an open, liberal international trading and investment system. That's a broad caveat, but basically we support this process. We have supported it in one form or another since the 1950s.

Any sectors that you've been involved with that could be problem areas?

We've been involved in a lot of sectors. You asked where we've had problems, and the television directive is the issue over which we have expressed the greatest concern so far. We've had intensive discussions with the Community on financial services and the Second Banking Di-

rective. The directive was adopted at the end of 1989. It was, in our view, a great improvement on some of the earlier proposals in this area—national treatment versus reciprocity. We felt that the process of consultation, in a sense, with the United States and other countries on that particular subject went well. We talked about standards. We want to make sure that the setting of standards doesn't close markets. We want to make sure that companies large and small can have a better opportunity to compete.

We're concerned about rules of origin—a very complicated issue in the best of circumstances. It becomes particularly complicated when you're dealing with products such as a printed circuit board that has several hundred elements on it, many of them produced in different countries. It's hard to say when the last substantial transformation of that circuit board took place, so rules of origin are important. We have a lot of discussions with the Community on trade issues that have nothing to do with the single market program.

Has the idea of "Fortress Europe" been put to rest?

It is an unfortunate expression. What we're concerned about is not Fortress Europe. What we're concerned about is the possibility that specific aspects of the single market program could have, either intentionally or otherwise, the effect of excluding third parties from the European market. That's what we don't want, whether we're talking about financial services, television programs, standards for industrial products, or whatever the issue might happen to be. We would hope that this richer, internally freer European market would be more accessible to trading partners, the United States first among them. In exchange we offer reciprocal advantages on the U.S. market, which we think of as being a very open and free market.

American firms are not really gearing up for 1992 like the Japanese and others. Do you see a problem with the Americans not being as involved?

Oh, I don't think that's true. The Japanese certainly are gearing up for the single market, but we see a lot of interest on the part of U.S. firms, U.S. trade associations, U.S. state governments through their offices in Europe or through trade missions that they've been sending to Europe. There should be more, but I don't think it's fair to say that U.S. industry has sat back and done nothing.

How is the U.S. Government trying to encourage awareness of the E.C. and 1992?

Through publicity. The first thing we need to do is have more information about what is going on in Europe. We have a major outreach program that is being run by this mission. The Department of Commerce has a major and even more extensive outreach program informing people, companies, and businesses in the United States of trade opportunities in Europe. It is up to businesses to take advantage of opportunities that are already here, but our job is to make sure that the information gets to these American companies.

Do you think 1992 will be what people envision? Will it be a brand-new market without borders?

It's not going to be a perfectly free market any more than the U.S. market is without impediments in it. State procurement is not totally free in the United States, for example. Within the United States, some states have preferential ar-

rangements within their states, the interstate commerce clause in the Constitution notwithstanding.

Already you can see that the process of removing what are essentially the nontariff barriers in Europe is moving ahead. It will not be totally complete on January 1, 1993, but it will be substantially further down the pike than today.

Do you see many more states opening offices in Brussels?

Yes. For example, my home state of Kentucky is opening an office in Brussels soon.

What are the states trying to do by having offices here?

Trade promotion, reverse investment promotion, information gathering, and support of trade missions that the states organize over here. All of these things. And the states work with us. One of the things that we hope to do more of is to coordinate activities of the states. We'd like to try to make sure there's a good exchange of information among the various state offices in Brussels and throughout Europe about 1992 and the single market program.

Secretary of State James A. Baker's New Atlanticism speech seems to have gotten more publicity in Europe than in the United States. Does his speech represent a new policy for the United States?

No. It was a continuation of the policy we've been following since 1945, but with recognition that conditions have changed substantially since then, particularly during the last months. And we have to make sure that our institutions are up-to-date with the trans-Atlantic institutions, that mechanisms for cooperation are up-to-date in terms of what's going on in Europe, East and West. But Baker's speech doesn't represent a change; it represents a recognition that we need to keep our institutions modern.

Is the United States going to be playing an expanded role with the E.C. in the future?

I think we've recognized that the E.C. is playing an increasingly important role. That's one of the realities, one of the new circumstances, that Secretary of State Baker's speech took into account. But we'll continue to have close relations with member countries. We will continue to have a very important relationship with 11 of the 12 members of the E.C. through NATO, an organization whose relevance remains, at least as we see it, and I think as our European friends see it.

"To call yourself a Communist or a Marxist-Leninist in Eastern Europe today is another way of committing political suicide."

Do you see NATO taking on a new role or continuing the way it is?

NATO has always had a role beyond that of strictly military deterrence. NATO has always been a point for political consultations between the members of the alliance, particularly the East-West relations. One of the things we haven't yet done is sign disarmament agreements with the countries of the Warsaw Pact. We hope to do that. If indeed we do, and if this process of reducing the level of military confrontation in Europe continues and we have further building of confidence between East and West, the military side of the East-West relationship will become less important. Presumably within NATO, the defense deterrence side will be less important than the political side.

You don't see NATO withering away?

Personally, no. I see it changing. But organizations that refuse to change do wither away. That's the message. It would be like the Socialist Unity Party or the Polish United Workers Party. The Polish United Workers Party went out of existence because it refused to change—sort of a dinosaur. You don't want to emulate the dinosaurs.

Is communism a dinosaur?

Well, Marxist-Leninism and the totalitarian approach that the Soviet Union imposed upon Eastern Europe in the post-war period certainly does seem to be in that category. To call yourself a Communist or a Marxist-Leninist in Eastern Europe today is another way of committing political suicide. And if you want to make yourself irrelevant politically in any one of these countries, you stand on the street corner and proclaim that you're a devout believer in Marxism-Leninism. And certainly if you look at what's going on economically in those countries, not to speak of the Soviet Union, you have to say that the economic formula that Stalin developed has not worked.

Were you prepared to see the breakup of communism? What was the catalyst?

We've long felt—and it has been our view—that the system was fundamentally flawed. I spent six years in Moscow, and I certainly observed it firsthand. I couldn't have predicted when it was going to happen, but the weaknesses of the system—its inability to provide goods and services to the people—were certainly apparent to all of us out there at that time. It was clear that this system wasn't performing. Certainly not according to the propaganda and not according to any reasonable expectation. What to me was most obnoxious about the Soviet system was that it failed to produce a reasonably high quality and quantity of goods and services, and the abominable way the Soviet state treated its own people. We lived well in Moscow—relatively speaking—for foreigners. It is the Soviet people who were treated so abominably by their government.

Within Eastern Europe, do you think President Mikhail Gorbachev was the catalyst? When he said he wouldn't send troops in, did the people think it was all right to change their governments?

The systems were in an advanced state of decay. Poland was a tip-off. One of the things that you could see there was the overwhelming weakness of the system: the incapacity of the system to satisfy the needs of the people and, ultimately, the great weakness of the system.

We set up the Soviet Union as this strong monster, and now all of a sudden we act as if it were a third world nation. Which is it?

The Soviet Union *is*—not almost is—a third world nation. The Soviet Union is a very interesting case because you have a very unevenly developed economy. One of the extraordinary things about the Soviet Union is the tremendous disparity between the military sector and those industrial and scientific sectors that support it. Third world is no exaggeration; certainly the Soviet Union is not a characteristic industrially developed country.

What do you think we're going to see in Eastern Europe? Are the countries going to move toward American-type capitalist societies, or be social democracies?

What we hope to see is the development of a movement toward a political pluralism and economic reform. We're not drawing up a blueprint for economic reform in these countries. Or for that matter, political reform. We look for respect of human rights and democratic freedoms, but we recognize that the systems

will be different in each country. It will take a substantial period of time to establish market economies in Eastern Europe. I don't think it's something that can be done overnight.

Do you think the people will wait? Is Poland a test case?

People have to have a sense of participating in the decisions through democratic systems. People are liable to be much more prepared to wait if you're talking about waiting with a cornucopia of consumer goods, and they'll be much more prepared to wait if they feel they are participating in the decision-making process. That's why these elections are so important. Take the situation in Poland as a case in point. The Polish people are showing extraordinary support for their government in difficult conditions—support that they would never have shown for one of the previous governments because the people see this government and Prime Minister Tadeusz Mazowiecki as being their government. Imperfect though those elections were, this government is much closer to being democratic than anything that preceded it.

What's the American position on the new European Bank for Reconstruction and Development for aiding Eastern Europe?

We're participating in the discussions about establishing the bank. We think it's a good idea. We hope we'll be able to take part, but obviously there are certain things that we want to see in the charter or regulations of the bank. It's a positive initiative.

Do you find it sad that the United States isn't in the financial position to provide another Marshall Plan?

No. I think that's quite reasonable. The United States provided the wherewithal, the means for the economic recovery, the initial stage of the economic recovery of Western Europe. We can be very proud of what we did. I saw a figure the other day that showed that in 1990 dollars, the Marshall Plan would equal around \$140 billion. So we can be very proud as Americans that we participated in that reconstruction process. And now, because of the success, we have partners in the reconstruction and economic development of Eastern Europe, and that's good. Whereas the United States carried the overwhelming burden in the case of the Marshall Plan, now, in the case of Poland, it doesn't need to work this way. In the stabilization fund for Poland, which was \$1 billion, the United States put up \$200

“One of the goals of the Eastern Europeans is ultimately membership in the European Community. It's like being a member of a good kind of club—everyone wants to join.”

million. But that's a sign of success, not of failure. It's a practical fact that today the United States for budgetary reasons and other reasons couldn't carry all the burden.

Is the cold war over? Could it heat up again if Gorbachev were overthrown?

It's different. We hope we will achieve a different kind of East-West relationship, a different kind of relationship with the Soviet Union. We haven't done it yet, but we've moved a long way. The President obviously has a good relationship with Gorbachev, and we're looking forward to some important agreements this year. As the President said, we've moved beyond containment and beyond the cold war.

Do you think Germany will slow down the 1992 movement?

No. I think the Germans are totally committed. They can take care of relations with the other German state and continue to carry on the 1992 program. East Germany is an interesting economic issue for Europe, but particularly for the Federal Republic of Germany because of the necessity to undertake programs that would equalize standards of living, standards of environmental protection, standards of health and education, and all that. You've got to have [those changes] as a goal, and a goal that seems realizable to the people of East Germany. Otherwise, you have this tremendous instability caused by almost 2,000 people a day checking out of the GDR, which isn't in anybody's interest.

Are American automobile companies going to be able to compete effectively in 1992?

What do you mean? They're here. GM and Ford have got 14 and 13 percent respectively in the European market. Now, Chrysler is not here as a participant. They've sold their European factories to Peugeot, Citroën. But GM and Ford are major participants in the European automobile industry. Between the two of them, they've got about 27 per-

cent of the market. And they're both doing well here. The European business has been, in the last year or two, more profitable than the North American businesses.

If you're thinking about whether we'll be able to export cars to Europe, we do export. GM exports about 50,000 cars a year. Chrysler is exporting minivans, and Ford is exporting.

The companies that could turn out to be more competitive in Europe are the Japanese like Honda from Ohio. They're exporting cars to Japan—not a lot—but maybe 25,000 or 30,000 cars of the half a million or 750,000 they produce. They may be exporting some cars to Europe. But the Honda automobiles, Toyotas, and Nissans that are being produced in the United States are basically being produced for North American markets. And those same companies are establishing or have established companies in Europe, largely in the United Kingdom. So they're going to be producing in Europe for Europe. Ultimately, it makes more sense—if you can do it profitably and competitively—to produce your cars in the market you're selling them in.

But you feel that Ford, GM, and Chrysler will be able to maintain their competitiveness?

Certainly. The automobile market is going to be a very competitive market in Western Europe. In part, it's going to be very competitive because of the E.C.'s 1992 program. And the Japanese are going to be here to a larger degree. Japanese cars today account for 10 percent or 11 percent of the registrations in Europe. They count for 25 percent of the registrations in the United States, and it's moving up. Japanese share in this market will probably increase somewhat, but that “somewhat” is what is very controversial right now.

Are Americans becoming more aware of the European Community?

More aware, but where the awareness is, on a scale of one to 10, I just don't know. We find an awful lot more are interested now, and we're doing our best to be sure that the business community is aware of what is going on. The events in Eastern Europe, in their own way, have focused attention not just on Eastern Europe, but on Western Europe. And the success of the E.C. as a beacon for the Eastern Europeans is self-evident. One of the goals of the Eastern Europeans is ultimately membership in the European Community. It's like being a member of a good kind of club—everyone wants to join. €



1992

HANDBOOK

Who, What,

When, Where,

Why, & How

Senator Richard L. Lugar
(R-Ind.)

Analyzing the E.C. in 1992 has become something of a cottage industry in Washington. There are newsletters, conferences, and consultants all offering advice or information. My staff and I take advantage of many of these resources. I meet with visiting officials from the Community as well as from the member states.

Small and medium-sized companies that have little or no experience in Europe imagine great potential from unification but do not have the resources themselves to learn about the proposed changes in the market. I want to see the U.S. Administration, particularly the Department of Commerce, play an active role in helping these companies.

I note that the E.C. was the largest supplier of agricultural products to the United States in fiscal year 1989—about \$4.2 billion, an increase of about 2 percent over the previous year. The E.C. is also an excellent market for our agricultural products—about \$6.5 billion in fiscal year 1989, but this was a drop of some 13 percent from the previous fiscal year.

Representative Thomas J. Downey
(D-N.Y.)

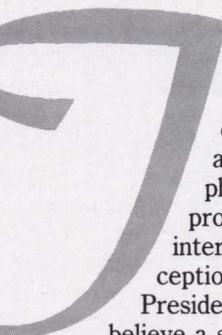
This past October, I chaired a conference on Long Island that brought together a diverse group of leaders from government and the private sector to assess the changes that will come with a unified market in Europe. The conference emphasized strategies to adjust to the economic opportunities an integrated Europe may bring.

I believe that businesses in the New York metropolitan area are in a unique position to take advantage of the changes that a unified market will bring. A vibrant service and high-tech sector and the metropolitan area's historic ties with the European business community make it a natural broker for increased U.S. activity with Europe in 1992.



'U.S. 1992'

*How the U.S. Government Is
Preparing for the Single Market*



The United States has always been supportive of European economic integration, and its current phase—the E.C. 1992 program to complete the internal market—is no exception. In the words of President George Bush, “We believe a strong, united Europe means a strong America.”

Some E.C. directives the United States has seen as *bêtes noires* in the recent past—such as the Second Banking Directive—have been altered enough by the Community to meet with U.S. approval. Thus, the U.S. Government no longer fears that the E.C. is building “Fortress Europe,” but it will keep a wary eye on “Europe Without Frontiers.”

Even the Bush Administration’s “iron lady” on the trade front, U.S. Trade Representative (USTR) Carla Hills, has lowered her crowbar somewhat and refrained from placing the E.C. on the Super 301 list, a list of countries that are suspected of unfair trading practices. Many in Congress, on the other hand, are still using the faded rhetoric of Fortress Europe to characterize E.C. 1992. That Congress should be more hesitant about 1992 is no surprise, however, since the first concern of Members of Congress is their constituents, whose industries and businesses often feel threatened by international competition.

Since February 1989 the bulk of the U.S. Government’s efforts to keep abreast of the E.C. 1992 program has been embodied in the Interagency Task Force. High-level Administration officials meet regularly to review developments in the E.C. internal market and to provide policy guidance to the staff-level Interagency Task Force, which is headed by

the Office of the USTR. The task force reports to the Economic Policy Council, which is chaired by the President.

The Interagency Task Force on E.C. 1992, also known as “the task force on the E.C. internal market,” coordinates the efforts of some 20 Federal departments and agencies and is divided into 11 working groups. The task force’s mandate is to identify and address trade and investment aspects of the single market program that affect U.S. interests.

The task force maintains close ties to the U.S. private sector through each agency’s contact with its particular constituencies and by working with private sector groups established to examine the 1992 program. The primary group is the President’s Advisory Committee for Trade Policy and Negotiations, E.C. 1992 Task Force.

Monetary issues are not directly part of the E.C. 1992 program, thus the Interagency Task Force’s mandate does not cover this area. However, the E.C. has laid out a plan for Economic and Monetary Union (EMU), as a complement to E.C. 1992, and the President’s Economic and Policy Council (EPC) is following these developments.

The U.S. Government does not simply monitor the evolution of the E.C. through its agencies and departments in Washington. It also follows developments in Europe through its embassies in each member state and, most of all, through the U.S. Mission in Brussels. The U.S. Mission in Brussels, known as “USEC,” is staffed by some 40 personnel, headed by the Ambassador to the E.C. Thomas M.T. Niles. The mission includes representatives from the Department of State as well as from the Department of Agriculture, USTR, U.S. Information Agency (USIA), and Customs.

Surprisingly, no Commerce representatives work at the mission, although the Commerce Department's Foreign Commercial Service (FCS) is present in 22 countries in Europe, including all the E.C. member states but Luxembourg. Some FCS people may be at the U.S. Mission in Brussels in the future, however.

USEC is the conduit for contact between the U.S. Government and the Commission, the Council, the European Parliament, and member states' delegations in Brussels. It provides the U.S. Government information and analyses of developments in the E.C., communicating directly with individual U.S. Government agencies and departments, in addition to communicating the views of the U.S. private sector to the Commission and the Parliament.

Back in the U.S. Department of Commerce, the Office of European Community Affairs has created the Single Internal Market: 1992 Information Service (SIMIS). SIMIS counsels the U.S. business community and acts as coordinator for the inquiries from business, referring those seeking detailed information about a specific industry to the appropriate office at Commerce. SIMIS provides lists of legislative directives upon request and drafts testimony for Commerce representatives appearing before Congress and other forums. SIMIS people also speak on E.C. 1992 at various seminars and functions organized by businesses and trade associations.

Recently, SIMIS has become busier. One reason is that the U.S. business community is increasingly interested in E.C. 1992. Another reason is that the overwhelmed E.C. Delegation in Washington has started passing along people with requests for information to SIMIS. The increase in activity at SIMIS has not been matched by an increase in funds, however, and the office is going to start charging for its information pamphlets as a result.

Working in conjunction with SIMIS at Commerce, the Office of International Trade acts as coordinator in the Trade Development Office. For each industry, an expert with detailed knowledge can address aspects of E.C. 1992 of concern to the specific industry (see "Key Contacts," p. 16). The Trade Development Office has put out a two-volume

analysis of Community legislative directives contained within or related to the 1992 program, with a third volume to come out soon. (To order *E.C. 1992: A Commerce Department Analysis of European Community Directives*, call [202] 783-3238.)

The State Department has several people focusing on E.C. 1992 issues, and the department chairs two of the Interagency Task Force's 11 working groups: U.S. Treaty Rights and Third Country Relations. The State Department puts out several informative publications, including a booklet entitled *Europe 1992: A Business Guide to U.S. Government Resources*, which can be ordered through the office of Regional Political and Economic Affairs (RPE) at (202) 647-2395.

On Capitol Hill, the first hint of Congress's interest in E.C. 1992 came in early 1989, when the Subcommittee on International Economic Policy and Trade and the Subcommittee on Europe and the Middle East of the House Foreign Affairs Committee sponsored a series of joint hearings in March and April on issues raised by E.C. 1992. Representative Sam Gejdenson (D-Conn.) chaired the joint subcommittee hearings and set a tone of mistrust of the Community's intentions, in addition to faulting the Federal Government's response to E.C. 1992. Since then, however, few hearings on this issue have been held in Congress, possibly because the Europeans have shown a willingness to address many of Congress's most pressing concerns about E.C. 1992, as they did with the Second Banking Directive.

Fewer hearings on the House side might also be needed because the Interparliamentary Meeting of Delegations from the U.S. Congress and the European Parliament exists. Representatives from the House and the European Parliament meet twice yearly, alternately in the United States and in Europe, to discuss issues of concern to both sides, including E.C. 1992. The U.S. delegation chairman is Representative Tom Lantos (D-Calif.), and it is co-chaired by Sam M. Gibbons (D-Fla.) and Benjamin A. Gilman (R-N.Y.). The interparliamentary meetings have no substantive legislative role, but rather serve as a forum for discussion

Senator Max Baucus

(D-Mont.)

The Senate Task Force on E.C. 1992, co-chaired by myself and Senator William Roth, was formed in March 1989 as part of the bipartisan Congressional Competitiveness Caucus. It was created to monitor the single internal market program; to sponsor regular briefings for Senators and their staffs on key E.C. 1992 issues; and to promote the exchange of ideas between business and Government leaders in the United States and the European Community.

In addition, as a member of the Senate Finance Committee, I participated in a hearing on E.C. 1992 in May 1989. This hearing discussed the single market program from the perspectives of the Administration and the U.S. private sector. It also gave me an opportunity to impress upon U.S. Trade Representative Carla Hills the importance of maintaining a strong U.S. Government presence in Brussels, and of voicing our concerns about E.C. 1992 policies when they threaten U.S. trade interests. As the E.C. 1992 program evolves, more hearings are likely.

Finally, as chairman of the Subcommittee on International Trade, I requested the U.S. General Accounting Office (GAO) to study the potential impact of the E.C. 1992 program on U.S. exporters. This report was published in February 1990. It evaluates the concerns of U.S. exporters about E.C. 1992 policies on standards, testing and certification, rules of origin, and public procurement. At my request, a second GAO report will focus on how the U.S. Federal and State Governments are helping U.S. small and medium-sized businesses prepare for E.C. 1992.

Montana companies export forest products, metals, industrial machinery, and other products to E.C. countries. These companies are anxious to see how new E.C. technical standards and testing and certification procedures will affect their sales to the European Community.

Montana's community of small and medium-sized businesses is concerned about E.C. 1992 policies that favor companies with investments in Europe over U.S. exporters. I share this concern. Small and medium-sized businesses in my state are also interested in Federal Government programs to assist them in preparing for E.C. 1992.



KEY CONTACTS IN THE U.S. GOVERNMENT ON 1992

THE INTERAGENCY TASK FORCE ON E.C. 1992

U.S. Trade Representative
 Agriculture
 Council of Economic Advisers
 Securities and Exchange Commission
 Office of Management and Budget
 Energy
 Commerce
 Justice
 Central Intelligence Agency
 Environmental Protection Agency
 Customs
 Census
 State
 Labor
 U.S. International Trade Commission
 Transportation
 Small Business Administration
 Interior
 Treasury
 Defense
 Food and Drug Administration
 U.S. Information Agency
 National Security Council
 U.S. OCA
 (ITC participates as an observer)

Working Groups (chaired by)

Services (Commerce)
 Rules of Origin (USTR)
 Residual Quantitative Restrictions (USTR)
 U.S. Treaty Rights (State)
 Standards Development, Testing & Certification (Commerce)
 Third Country Relations (State)
 Civil Aviation Issues (Transportation)
 Health & Environment (FDA)
 Investment Issues (Treasury)
 Agriculture (Agriculture)
 Social Dimension (Labor)
 For more information on the Inter-agency Task Force or the U.S. Government policy response, contact Mark Orr or Michael Brownrigg, Office of the U.S. Trade Representative (202) 395-3320 or 3211

ECONOMIC AND POLICY COUNCIL

For more information on the EPC and European Monetary Reform, contact Helen Walsh
 Industrial and Global Analyses
 Department of the Treasury
 (202) 566-2856

USEC

U.S. Mission to the E.C.
 40 Boulevard du Regent
 B-1000 Brussels
 or APO New York 09667

Tel.: 32-2-513-4450;
 TELEX: 846-21336

COMMERCE DEPARTMENT

Single Internal Market: 1992 Information Service
 Office of European Community Affairs
 U.S. Department of Commerce
 Room 3036
 14th & Constitution Avenue, N.W.
 Washington, D.C. 20230
 Charles Ludolph or Mary Saunders,
 (202) 377-5276

Industry Sector Outreach Coordinator
 Debra Miller, Office of Industrial Trade, (202) 377-3703

Trade Development Industry Experts at Commerce

Textiles and Apparel
 Michael Hutchinson, (202) 377-2043

Service Industries
 Fred Elliot, (202) 377-3734

Information Technology, Instrumentation and Electronics
 Myles Denny-Brown, (202) 377-4466

Chemicals, Construction Industry Products, and Basic Industries
 Maryanne Smith, (202) 377-0614

Autos and Consumer Goods
 Bruce Miller, (202) 377-2762

Construction Projects and Industrial Machinery
 Kay Thompson, (202) 377-2474

Aerospace
 Marci Kenney, (202) 377-8228

Office of Industrial Trade
 Debra Miller, (202) 377-3733

STATE DEPARTMENT

For more information, contact The Department of State
 Bureau of European and Canadian Affairs
 Regional Political-Economic Affairs (RPE)
 Richard Kauzlarich or Ann Carey
 (202) 647-2395

For information on Residual Quantitative Restrictions, contact Robert Pollard, Bureau of Economics and Business Affairs, (202) 647-2742

OTHER U.S. GOVERNMENT AGENCY CONTACTS

Department of the Treasury
 Industrial and Global Analyses

Helen Walsh, 566-2856 or
 Office of International Trade
 Wes McGrew, (202) 566-8106

Department of Agriculture
 Foreign Agricultural Service
 Western Europe and Inter-America Group
 Carol Harvey, Director (202) 447-2144

Department of Defense
 Office of International Economics and Energy Affairs
 Dave Tarbell, Director (202) 695-2659

Environmental Protection Agency
 Office of International Activities
 Carol Deck, (202) 475-8199

Food and Drug Administration
 Office of International Affairs
 Walter Batts, Acting Director
 (301) 443-4480

United States Information Agency
 Office of European Affairs
 Bernard F. Skinkman, E.C. Desk Officer, (202) 485-8853

U.S. International Trade Commission
 Office of Executive and International Liaison
 Eliza Patterson, Deputy Director,
 (202) 252-1146

Department of Justice
 Public Affairs
 David Runkel, Director,
 (202) 633-2007
 Antitrust Division, Foreign Commerce Section
 Charles S. Stark, Director,
 (202) 633-2464

Department of Labor
 Bureau of International Labor Affairs
 Richard Schulman, E.C.-92 Affairs,
 (202) 523-9548

Securities and Exchange Commission
 Public Affairs
 Mary McCue, Director, (202) 272-2650
 Office of International Affairs
 Michael D. Mann, Director,
 (202) 272-2306

Small Business Administration
 Office of International Trade
 Antony Korenstein, Director,
 (202) 653-7794

Department of Transportation
 International Aviation
 Paul Gretch, Director, (202) 366-2423



of outstanding issues of the day and, more simply, as a means of increasing trans-Atlantic understanding.

The U.S. delegation usually includes about a dozen representatives from such committees as Foreign Affairs; Ways and Means; Energy and Commerce; Education and Labor; Government Operations, and Public Works and Transportation. Members who regularly participate, in addition to the co-chairs, include Representatives Douglas Bereuter (R-Nev.); Robert J. Lagomarsino (R-Calif.); Donald J. Pease (D-Ohio); Bill Frenzel (R-Minn.); Guy vander Jagt (R-Mich.); William M. Thomas (R-Calif.); Esteban Edward Torres (D-Calif.); Bill Richardson (D-N.M.); Thomas C. Sawyer (D-Ohio); William F. Clinger (R-Penn.); and Bob McEwen (R-Ohio).

Also on the House side, the bipartisan Export Task Force, co-chaired by Representatives Mel Levine (D-Calif.) and Bereuter keep Members of Congress informed of E.C. 1992 issues. The Democratic Policy Committee's Task Force on Competitiveness, chaired by Representative Richard A. Gephardt (D-Mo.), and the Republican Task Force on Fair Trade and Open Markets, chaired by Representative Bill Emerson (R-Mo.), also monitor E.C. 1992 issues to some degree.

In the Senate, E.C. 1992 issues fall mainly under the jurisdiction of the Foreign Relations Subcommittee on European Affairs, chaired by Senator Joseph R. Biden (D-Del.), and the Subcommittee on International Economic Policy and Trade, chaired by Senator Paul S. Sarbanes (D-Md.). The Senate Finance Committee also has an interest in 1992, as do the Senate Banking and Commerce committees.

Finally, there is a bipartisan Senate Task Force on E.C. 1992, co-chaired by Senator Max Baucus (D-Mont.) and Sena-

tor William V. Roth Jr. (R-Del.), that endeavors to keep interested Senators up to speed on E.C. 1992 developments.

The Congressional Research Service has done several studies and analyses concerning E.C. 1992, and these can be obtained by contacting your congressional representative.

Certainly more could be done, but those in the Federal Government working on 1992 feel the Government has done a pretty good job of staying on top of developments with the resources it has. The United States has obtained some important concessions from the E.C. in several areas, most notably the redrafting of the Second Banking Directive. According to State Department testimony to the Gejdenson subcommittee in February this year, the E.C. has also responded to objections or requests raised by the U.S. Government concerning product standards, trucking rules, and merger controls.

To be sure, the Administration itself has many remaining concerns about E.C. 1992, but it is trying to resolve outstanding problems. Bilateral discussions already take place regularly on a number of issues, and the Administration recently proposed "a strengthened set of institutional and consultative links" in economics, foreign policy, the environment, and other areas. These links, according to Eugene McAllister, Assistant Secretary of State for Economic and Business Affairs, would "proceed in parallel with Europe's efforts to achieve by 1992 a common internal market so that plans for U.S.-E.C. interaction would evolve with changes in the Community." ❀

Keir B. Bonine is a freelance writer based in Washington, D.C. He has written for *Europe* magazine before and contributed to the *Almanac of Transatlantic Politics*, which will be published this year.

Senator William V. Roth Jr.

(R-Del.)

I've been very much involved in E.C. 1992. One of the things Max Baucus and I established is the Senate Task Force on E.C. 1992, which has been primarily to ensure a constructive dialogue between the E.C. and the Congress. We have also brought in businesspeople from our home states in some of the meetings. At the staff level, we've had many discussions led by Europeans and Americans. As an indication of the importance we attach to the task force, more than 30 Senators belong to it.

I also am involved in what's known as the American European Community Association, which was really initiated by members of the European Parliament and businessmen who felt that there was a need to strengthen relations. We've had meetings in Brussels and in Washington. The idea is to create a network of communication among members of the European Parliament, the Congress, and businesspeople in both regions so that it will provide good communication between the E.C. and ourselves.

Delaware has a very active trade council called the Governor's Trade Council. I serve on it, and I meet from time to time with the council, occasionally giving a speech to them on late developments. It's a very large, active group. Big businesses, which we have a number of in Delaware, have participated in some of our meetings. DuPont Company, for example, seems to be very optimistic about the European Community. DuPont, of course, invests as well as exports to the Community. It's my feeling that larger companies feel very positive about the opportunities the E.C. provides them and think the simplification of the E.C. rules will benefit them.

The state itself is providing leadership through this trade council for medium and small businesses. There is some concern, for example, that if a business doesn't invest, it will have difficulty exporting to the Community. But the state is very aggressively going out and trying to seek business for our smaller businesses. We also feel that the more trade is promoted, the more our port at Wilmington will benefit.

Representative Ben Gilman
(R-N.Y.)

U.S.-European relations are entering a new era of changes and challenges. Through careful analysis and prudent action, American business can benefit from the opportunities represented by the European 1992 plan.

Europe 1992 can offer significant opportunities for the United States, but we must remain vigilant. International trade is a two-way street.

There are problems. But I believe it is important to underscore the many positive aspects of Europe 1992 that could benefit American business. Many firms recognize that a reduction in trade barriers within the E.C. could lead to a rise in European income and thus create new opportunities for U.S. companies. American businesses with branches or subsidiaries in the E.C. are gearing up to be ready for 1992, and other companies are just now planning to open operations there.

For the U.S. and European business communities to make the most of 1992, I believe we must press for American companies to be allowed to review and comment upon proposed E.C. directives to standardize products. The integrated market system will not only have important economic significance to U.S. business, but the Europe 1992 plan will also change the fundamental nature of U.S.-European political relations.

A balanced, nondiscriminatory, nonprotectionist relationship with our European allies can benefit all of us. We must, however, pay careful attention to developments within the E.C. and devote time and attention to becoming involved and continuing to ask the right questions.



STAFF REPORT

AWARENESS OF 1992 ON THE WAY UP AMONG THE STATES

*States Are Establishing
a Presence in the E.C.*

The European Community is 12 independent trading units working together. It is often forgotten, however, that the United States is, in fact, made up of 50 separate trading units. Each state trades on an individual basis with other states and other nations including the European Community. Indeed, according to William T. Archey, Vice President International of the U.S. Chamber of Commerce, "states are probably more at the forefront on the issue of promoting and understanding what's going on in the world than the Federal Government in some ways."

There is now a definite sense among the states that they need to establish a presence in the E.C. market soon. "You can't wait until December 31, 1992, or later, to figure out what your business plan is," says Paul O'Liva, research analyst for the California State World Trade Commission. "You have to act now to take advantage of the opportunities E.C. 1992 has to offer." This growing awareness of 1992's economic possibilities is leading states to develop and implement programs for dealing with the Community.

One way states are attempting to foster exports to the E.C. is by setting up a trade office, such as Illinois's Export Development Agency. Approximately five years ago, the state's trade office in Brussels (which is the oldest of the state offices there, having been established in

1968) indicated the need to match European agents and distributors with Illinois exporters. The Export Development Agency was created to perform that function. In addition, the agency provides a revolving line of credit for exporters, if certain criteria are met. The agency has proved quite successful, and a number of states (including California and New York) have implemented similar programs.

Nearly every state recognizes the need to educate domestic industry about the trade opportunities that exist in Europe. Therefore, seminars and conferences dealing with exports to the E.C. are becoming more prevalent. More Community-oriented publications are also appearing. California, the state that trades most with the E.C., has published a guidebook containing a list of questions company executives should be asking themselves. Several states publish monthly or bimonthly magazines focusing on international trade; for example, *Wisconsin International Trade* and *Minnesota Trade* often scrutinize aspects of the progress toward the single market.

State-level activities to prepare for 1992 don't stop there, however. State commercial agencies are helping firms trying to attend trade shows, both domestic and foreign. Furthermore, state officials are leading increasingly larger numbers of trade missions to various E.C. member states. And in an effort to inform industries, the World Trade Services Division of the Michigan Department of Agriculture has announced an export promotion awards program targeting indus-

State-Level Activities

STATE	BRUSSELS OFFICE	OTHER OFFICES IN THE E.C.	EXPORT VALUE TO E.C. IN \$ MILLIONS*	RANK
ALABAMA		Frankfurt	560.4	27
ALASKA			52.8	44
ARIZONA			979.3	20
ARKANSAS	X		153.1	39
CALIFORNIA		Frankfurt, London	10,679.5	1
COLORADO			728.9	24
CONNECTICUT		Frankfurt	1,295.6	16
DELAWARE		The Hague	110.3	40
FLORIDA	X		2,065.0	10
GEORGIA	X		1,097.5	17
HAWAII			10.1	50
IDAHO			104.2	42
ILLINOIS	X		3,046.5	6
INDIANA		Amstelveen (Netherlands)	1,034.9	19
IOWA		Frankfurt	469.6	29
KANSAS		Stuttgart	371.4	31
KENTUCKY	X		938.9	22
LOUISIANA			1,785.5	12
MAINE			186.2	36
MARYLAND	X	London	527.5	28
MASSACHUSETTS			3,971.3	4
MICHIGAN	X		1,835.6	11
MINNESOTA	X	London	1,588.1	15
MISSISSIPPI		Frankfurt	359.7	32
MISSOURI		Düsseldorf	703.0	25
MONTANA			32.2	46
NEBRASKA			124.4	41
NEVADA			70.4	43
NEW HAMPSHIRE			359.1	33
NEW JERSEY			2,562.8	8
NEW MEXICO			38.8	45
NEW YORK		Frankfurt, London	5,871.9	2
NORTH CAROLINA		Düsseldorf	1,704.9	14
NORTH DAKOTA			18.2	49
OHIO	X		2,946.2	7
OKLAHOMA			409.8	30
OREGON			690.2	26
PENNSYLVANIA	X	Frankfurt	1,747.1	13
RHODE ISLAND		Antwerp	159.5	37
SOUTH CAROLINA		Frankfurt	942.0	21
SOUTH DAKOTA			26.2	47
TENNESSEE			845.7	23
TEXAS			4,979.0	3
UTAH			187.4	35
VERMONT			153.7	38
VIRGINIA	X		2,371.7	9
WASHINGTON			3,810.7	5
WEST VIRGINIA			307.9	34
WISCONSIN		Frankfurt	1,078.1	18
WYOMING		Eze-Village (France)	23.7	48

*Exports are to the E.C. and are for commercial commodities (including processed foods). Figures do not include crops, livestock, minerals, fish, forestry products, and scrap.

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try associations. Recipient associations will be asked to find matching funds for export promotion.

A number of states feel the need for a more in-depth focus. New York, which ranks second in terms of E.C. trade, is in the early stages of an extensive examination of the state's trade with the Community. Currently, the state's export office is attempting to identify New York firms that have a competitive advantage in an export market. In the future, the state plans to have an outside consultant study the effects E.C. 1992 will have on New York.

Maryland recently launched a program entitled "Maryland Opportunity '92." This program, supervised by Maryland's International Division, is an intensive program designed to stimulate exports to the European Community. It includes educational efforts, an E.C. business assistance center, trade promotion events, and targeted market research and counseling. A series of trade fairs and seminars accompany ongoing marketing support to firms interested in shipping and selling to the Community. In addition, Maryland's E.C. Assistance Center provides information on new regulations, standards, and market developments.

Frederic Alden, a Maryland trade specialist who directed the development of Maryland's Opportunity '92 program, says, "We have had a great response to this across-the-board approach. It confirms that the way to leverage diverse opportunities for Maryland is from all the international angles that affect our economy. In sum, the one-stop approach pays big dividends over the long term."

Interest in the E.C. is clearly growing. Firms recognize the need to get involved with the Community now. Perhaps this growing sentiment is best expressed by California's O'Liva: "You can't wait until the dust settles." €



Whirlpool: Whirlpool took a major step toward E.C. 1992 last year by entering into a joint venture with the Netherlands-based N.V. Philips, buying 53 percent of the second largest appliance business in Europe. "With the joint venture, Whirlpool is now the largest appliance producer in the world," says Vice President of Public Relations Bruce Berger. "It positions us very strongly."

General Motors: Already a well-established corporation in Europe, GM is implementing innovations in preparation for the single market. At a Spanish assembly plant, a third shift has been added, making it the first 24-hour-a-day auto assembly operation in Europe. Plants in Germany will soon follow suit. In Belgium, two factories were consolidated without any loss of productivity or employment. The emphasis is on increased productivity, which GM's existing network makes possible. GM is preparing for, as Executive Vice President John F. Smith puts it, "A market typified by growth as well as intensified competition. In most sectors, and certainly in the auto industry, manufacturers will fight as they never have before for each new sale and each decimal point of market share . . . GM is bullish on E.C. 1992 and Europe."

Intel: Intel, the world's largest producer of microprocessors, has set up three plants in Ireland that are already in the production phase. Also in the works are plants to test and assemble semiconductors. Intel estimates that over the next 10 years more than \$600 million will be invested in Ireland, creating some 2,500 jobs. Although Michael Maibach, director of government affairs for Intel, is worried that the microelectronics industry may suffer from overprotective tariffs in the post-1992 market, he maintains that, overall, "1992 is to be admired."

3M: 3M has been in Europe for 40 years and has operations in all of the E.C. countries except Luxembourg. With 23 plants in the E.C., the company has a solid working base from which to expand. The firm sees great potential in the European market because its market share is only half that in the United States. Executive Vice President of International Operations M.J. Monteiro sums up 3M's view of E.C. 1992 by saying, "After 1992, Europe will be a very different kind of market from the one we have



known. It will be characterized by fewer but stronger competitors, fewer but larger customers, and lower prices and stiffer competition. This will bring strong pressure on profit margins, in spite of lower costs of doing business, and a higher level of customer expectations in both product quality and service. The winners in the single market will be the companies that find the best balance between global scale and local market flexibility."



Ford: Ford has been in Europe since the turn of the century and remains one of the leaders in American industry in the European Community. The firm is established in 15 European countries, has plants in seven, and captured the largest foreign share of the auto market in Europe in 1989. The company has been preparing for 1992 for quite some time, as Andrew Napier, chairman of Ford's 1992 task force, explains. "We have as a result of Henry Ford's vision spent the last 20-plus years trying to create our own sort of common market within Ford."

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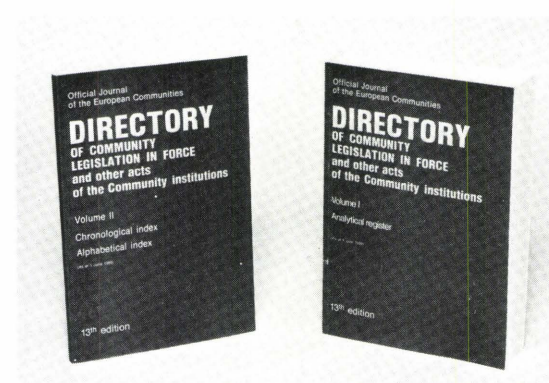
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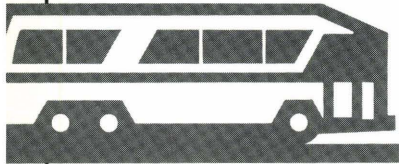
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BUSLOAD OF INFO

A "1992 bus" is traveling the length and breadth of Portugal spreading the word about the single market. The project is part of the Lisbon E.C. Commission's office's efforts to tell the country more about the impact and opportunities of 1992.

said it is proposing the moves as a nonbinding recommendation, rather than a directive requiring new legislation in the 12 member states, because it does not want to push up the cost of transfers.

"It should be as easy to transfer money across borders," said Sir Leon Brittan, E.C. Commissioner for Financial Institutions, "as it is to move funds from Paris to Strasbourg, Rome to Milan, or Madrid to Bilbao."

SPEEDING UP TRANSFERS

In a step toward economic unity, the E.C. recommended measures to make it easier for bank customers to transfer money from one country to another. The E.C. Commission

SINGLE-PERSON LIABILITY

The Council for the internal market has adopted the 12th company law directive regarding single-person limited liability companies. By recognizing on a Community level the limited liability of the sole associate in a single-person company, the directive aims to encourage the creation of small and medium-sized enterprises, which the E.C. views as important for Europe's industrial success in 1992 and beyond.

NOTES ON 1992



VOCATIONAL TRAINING

Employers and trade unions have agreed that all young people will receive vocational training leading to professional careers in the single European market. To this end, they have decided to set up training programs within companies and in national or regional educational systems. Trade unions, employers, and the E.C. regard a basic

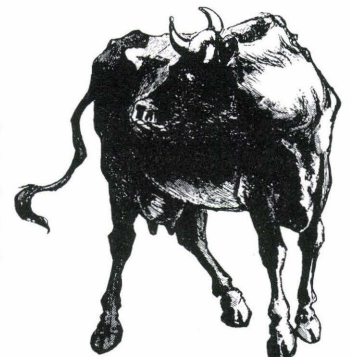
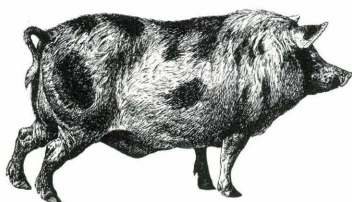
education and good vocational training as indispensable for a Europe that is competitive, social, and united.

In a separate discussion, employers and trade unions have started working on another agreement to create a genuine European labor market in the context of 1992.

VET CHECKS SET ASIDE

Veterinary checks on meat and other animal products at borders between E.C. countries will be abolished by January 1, 1992. The inspections will be replaced by checks at the place

of dispatch, according to the Community's Agricultural Ministers. Checks on live animals are still under discussion as the Twelve try to agree on how to combat certain diseases.



**TUNING
IN
TO
HDTV**



Encouraged by the E.C., all those interested in the spread of high-definition television (HDTV) in the Community have met to set up a "European economic interest grouping." The meeting brought together equipment manufacturers, program producers, television companies, and national PTT's.



**REWARDING
CREATIVITY**

The E.C. has decided to back a competition that will reward the most creative small and medium-sized enterprises (SME's) in the Community. The E.C. Commission hopes the competition will demonstrate that creativity is financially profitable. The competition will be administered through SPRINT (the Strategic Program for Innovation and Technology Transfer).

Fifty SME's have been chosen from all 12 Community states for the 1990 European Community Design Award. Most of them have called on leading European designers to exercise their creativity in the fields of production, communication, or the environment. The works of the award-winning SME's will be displayed in a traveling exhibition this year.

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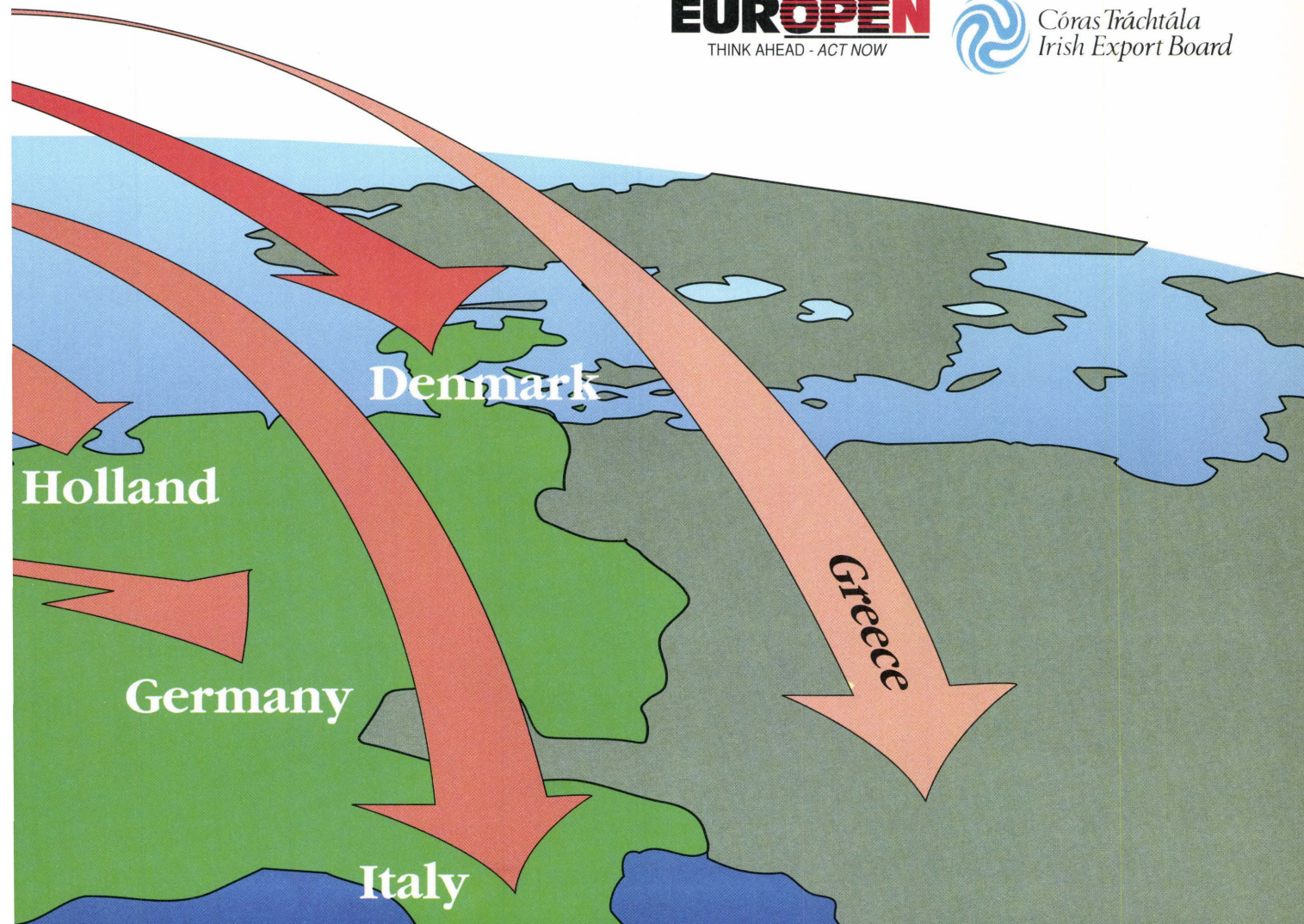
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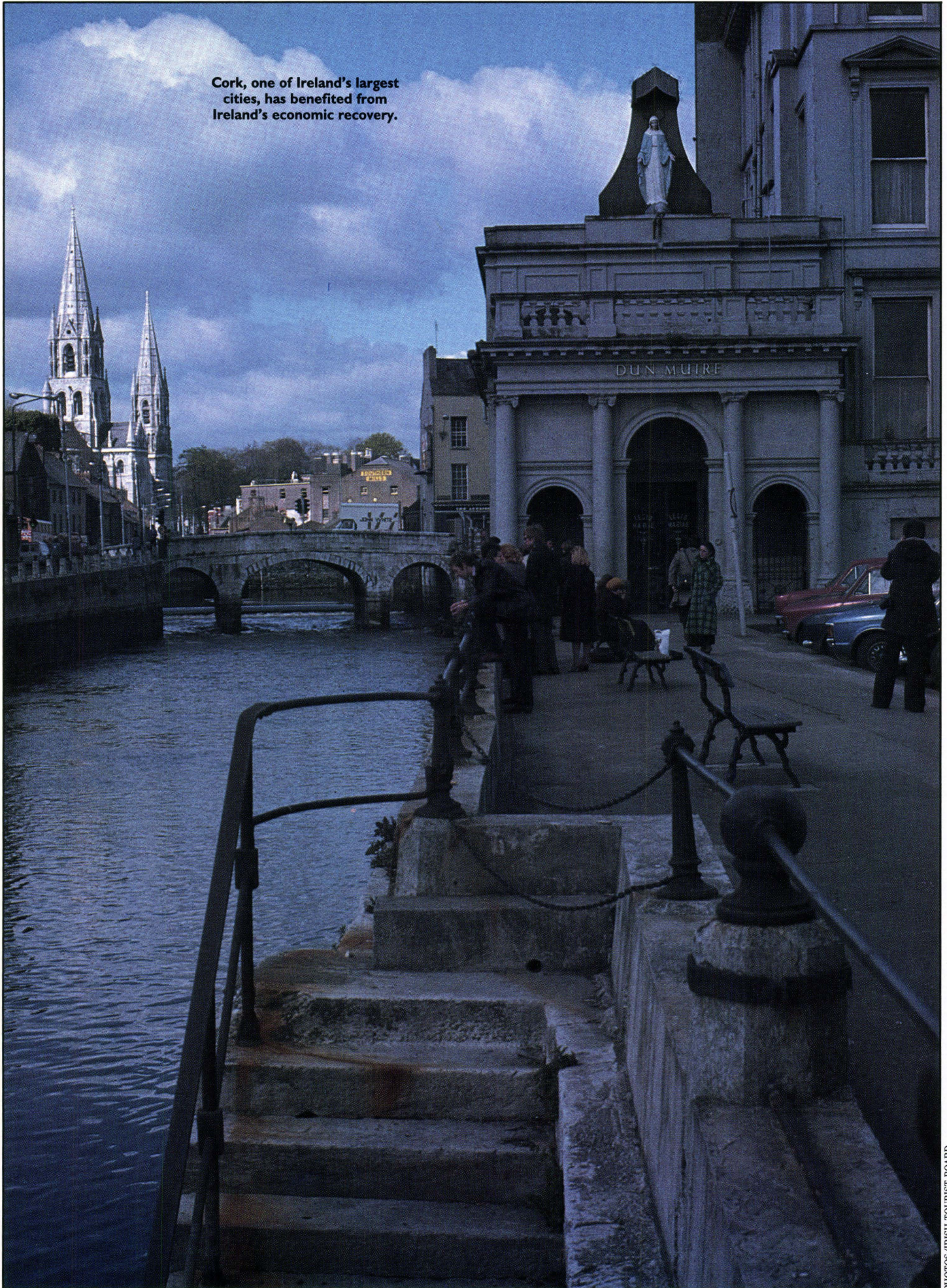
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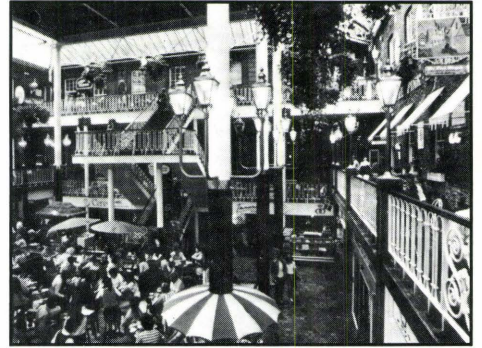
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IRELAND

We have reached the end of a decade of exceptional turmoil. We have passed through the depths, but have seen the worst." This was how the Irish Minister for Finance, Albert Reynolds, described the 1980s as he prepared to launch his cautiously expansionary budget for 1990. Most of the country would agree with him that the 1980s were mainly an economic nightmare.

Optimism

is in

the air.

Joe Carroll

FACTS AND FIGURES

GOVERNMENT

President: Patrick J. Hillery

Taoiseach (Prime Minister): Charles J. Haughey (Fianna Fáil)

Government: Parliamentary Democracy. National Parliament consists of a House of Representatives and a Senate.

Major Political Parties: Fianna Fáil (Soldiers of Destiny), Fine Gael, and Labor

Irish Ambassador to the United States: Padraic MacKernan

U.S. Ambassador to Ireland: Richard Moore

GEOGRAPHY

Area: 27,136 square miles (1/2 the size of Arkansas)

Capital: Dublin

Largest Cities: Dublin, Cork, Limerick

Highest Peak: Carrantuohill (3,415 ft.)

Principal River: The Shannon (240 miles long)

Climate: Dublin is similar to Seattle in climate.

DEMOGRAPHICS

Population: 3.5 million

Birthrate: 19.1 per 1,000 population (1981-86)

Marriage Rate: 5.5 per 1,000 population (1981-86)

Languages: Irish-Gaelic, English

Religions: Roman Catholic, Protestant

Monetary Unit: Irish pound (punt)

1989 GNP: \$28.3 billion

1989 GNP per capita: \$8,086

MISCELLANEOUS

Famous Irish Rock Stars: U2, Bob Geldof, Sinéad O'Connor, Hothouse Flowers

Famous Irish Playwrights: George Bernard Shaw, Brendan Behan, Samuel Beckett, Hugh Leonard, John Synge,

Sean O'Casey, William Butler

Yeats, Frank O'Connor

Favorite Sports: Soccer, Gaelic football, rugby, hurley, cycling, golf, horse racing. Ireland has the highest number of golf courses per capita of any country.

Popular Athletes: Stephen Roche, cyclist, winner of Tour de France; Sean Kelly, cyclist; Eamon Coughlan, runner

Popular Sports Team: Irish World Cup Soccer Team

Most Popular Tourist Spot: Killarney

Private Motor Cars: 212 per 1,000 population (1988)

Private Telephones: 160 per 1,000 population (1988)

Famous Irish Americans: Ronald Reagan, former President of the United States; Tip O'Neill, former Speaker of the House; Congressman Brian J. Donnelly (D-Mass.), chairman of the Friends of Ireland Congressional Committee and nominated for Irish American of the Year; Speaker of the House Thomas S. Foley (D-Wash.); Senator Daniel Patrick Moynihan (D-N.Y.); Senator Edward M. Kennedy (D-Mass.); Senator Christopher J. Dodd (D-Conn.); Governor William A. O'Neill (D-Conn); Neil Armstrong, first man on the moon.

BUSINESS

Extra-E.C. Imports: \$4.4 billion

Imports From the U.S.: \$2.2 billion

Top Corporations: Jefferson Smurfit Group; Allied Irish Banks; Bank of Ireland; Cement Roadstone; Kerry Group; Fysses; Waterford-Wedgewood; James Crean; Woodchester Investments Leasing; Independent Newspapers

Commercial Office

Embassy of Ireland
2234 Massachusetts Ave., N.W.
Washington, D.C. 20008
Tel.: (202) 462-3939

Irish Export Board

320 Park Ave., 26th Floor
New York, N.Y. 10022
Tel.: (212) 371-3600

Industrial Development Authority of Ireland (IDA)

140-148 E. 45th St.
New York, N.Y. 10017
Tel.: (212) 972-1000

Irish Tourist Board

757 Third Avenue
New York, N.Y. 10017
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The Taoiseach (Prime Minister) Charles Haughey reached back further in time to declare that "deficit budgeting on the current side since 1973 has brought disaster." Deficit budgeting was very much in vogue as an economic doctrine at the time, but "claims that it would promote growth and employment have proved to be a fraud and the very opposite has been the case." The Taoiseach pledged, "We intend to draw a line under that unhappy 20-year period and to get back to balanced annual budgets. When we do, I am certain that no Government will ever again dare depart from the essential discipline."



As chance would have it, the start of the new decade has coincided with Ireland taking over the E.C. presidency, and this assignment, combined with the new air of confidence in the economy, has given a definite boost to morale. *Time* magazine recently found "the optimism at home and abroad apparent everywhere" and wrote glowingly about how "Dublin's young professionals park new Mercedes sedans in front of renovated Georgian townhouses, sip French wine, and buy European designer fashions at downtown boutiques."

A picture of shabbily dressed young men outside an unemployment exchange, also in downtown Dublin, injected a note of realism into the magazine's more lyrical passages on how Ireland's turnabout has made it "a showpiece of the European Community." There are still somber sides to the economic situation, such as 15 percent unemployment and a rate of emigration that has reversed a short-lived increase in the population and threatened a serious brain drain among the most qualified graduates. Some economists and religious bodies even claim that one-third of the population lives below the poverty line.

On the macroeconomic level, the facts of recovery are indisputable. Government borrowing has been reduced since 1987 from 13 percent of the gross national product (GNP) to 1.3 percent, the lowest since 1973. The ratio of national debt to GNP will start falling this year for the first time in a decade, but at 123 percent, it is twice the Organization for Economic Cooperation and Development (OECD) average, ahead of all other E.C. countries except Belgium.

Economic growth has averaged 3.5 percent over the past three years led by exports that last year yielded a \$3 billion trade surplus or 10 percent of GNP, the

kind of figure usually seen only in Southeast Asia. In trade with the rest of the E.C., Ireland is running a \$3.7 billion surplus largely because U.S. and other foreign companies are taking advantage of free access to the Community market.

Investment from abroad was also impressive last year, with the front-runners being Motorola, Intel, Fujitsu Isotec, CYGNA, and Norwich Union. The decision by Intel to locate its major European manufacturing operation in Ireland was a significant achievement for the Government's Industrial Development Authority (IDA), which negotiated for the \$1 billion project for several years. It is the latest example of the IDA's strategy of attracting the world's most advanced electronic firms with the promise of assured access to the E.C. single market, a well-trained labor force that speaks English, generous grants, and low taxes.

There are now 350 U.S. firms among the 950 foreign ones that have set up in Ireland. The U.S. firms account for 48 percent of all overseas manufacturing jobs and 18 percent of manufacturing employment. U.S. Department of Commerce figures show that between 1982 and 1987, the average rate of return on U.S. manufacturing investment in Ireland was 23 percent, or almost three times the E.C. average.

The zero rate tax on profits from exports is being phased out this year, but Ireland will still appear an attractive base with a low 10 percent tax on manufacturing profits and access to the single market of 320 million consumers. Some concern, however, is being expressed at the scale at which U.S. subsidiaries, including Digital, Amdahl, and Apple, are repatriating their lowly taxed profits and leaving a "black hole" in the Irish balance of payments.

Yet, the single market that is such a boon for Irish exporters will also require a difficult adjustment to the generally lower indirect taxes in the other E.C. countries. The Government estimates that almost \$1 billion could be lost in tax revenue if the E.C.'s harmonization plans go through, but there are vague reassurances from the Commission that some kind of compensation might be available.

The E.C. Commission has already pledged \$4.5 billion for the Irish National Development Plan, which will be matched by roughly equal amounts from the Government and the private sector. This massive investment over a four-year pe-

riod is aimed at transforming transport links, tourism, industry, and agriculture while creating thousands of new jobs.

Politically, the present Government of Fianna Fáil, with a minority participation of the new but dwindling Progressive Democrat Party, seems likely to last another three to four years in spite of its precarious one-seat majority.

Of greater concern at present is whether the labor unions will be persuaded to negotiate a successor to the three-year Program for National Recovery. The program, which expires in October, played a major role in Ireland's economic recovery by keeping wage increases and inflation below E.C. average levels.

There is, however, a widespread feeling among the unions that the sacrifices demanded by the program were largely borne by the lower-paid and highly taxed workers. The signs of affluence that impressed *Time* have also been noted by the unions and have made them determined to extract a much tougher deal

from the Government on wages, tax reductions, and job creation than was negotiated in 1987 when the economy was in deep recession.

Abroad, the Government sees problems for the Irish economy in the form of higher interest rates, a flagging British market, and increased competition for E.C. funds from less well-off Community countries and now from Eastern Europe. Ireland took it as an ominous sign when the West German electronics giant, Siemens, decided to close down the Irish Nixdorf plant outside Dublin following the merger of the two German firms. At the same time, Siemens announced its keen interest in investing in Eastern Europe. Ireland will have a fight to maintain the hard-earned recovery of the past three years, but optimism is in the air. **€**

Joe Carroll is the parliamentary correspondent for the *Irish Times* in Dublin.

International Financial Services Center

The ambitious International Financial Services Center (IFSC) on Dublin's waterfront begun less than three years ago already has 90 companies, among them the most prestigious in the world, signed on. Under phase two, the aim is to have 200 projects employing 2,500 people, 70 percent of whom will be senior financial staff.

Key projects already secured include Sumitomo of Japan, one of the world's largest banks; AIG (American International Group), the largest commercial and industrial insurance company in the United States; National Westminster, which is number one in Britain for asset financing; and West Germany's Dresdner, which is number two for fund management.

Other U.S. and Canadian companies that will operate out of the \$400 million center beside the elegant 18th-century Custom House on the river Liffey are Citibank, Chase Manhattan, Bank of Nova Scotia, Chilton and O'Connor, Marsh & McLennan, Blue Cross & Blue Shield, General Electric, and BCL (John Labatt).

The center is attracting the world's top financial groups to this one-time rundown docks area with such incentives as a 10 percent corporation tax, a 10-year relief from lo-

cal municipal taxes, allowances up to 100 percent for capital expenditure, and a double rent allowance against trading income.

There is no capital gains tax for transactions inside the center not involving Irish nationals, and there are no exchange controls in non-Irish currencies. Thanks to Ireland's membership in the E.C., fund managers in the center can market their products throughout the Community under the UCITS directive on collective investments in transferable securities.

The "single license" system now in operation for banking in the E.C. and that will be applied later to insurance and securities will pressure non-E.C. financial institutions to locate in one country. Dublin's center hopes it will prove especially attractive to U.S. firms because of the common language and a similar "regulatory culture."

A balance has also been achieved between the key sectors of asset financing and leasing, trading and dealing, insurance, fund management, and corporate treasury management. But it's not all work. The center's plans include a marina, cinemas, nightclubs, museums, a winter garden, a boat club, restaurants, and an open-air market.



EMBASSY OF IRELAND

Profile

CHARLES HAUGHEY

IRISH PRIME MINISTER CHARLES Haughey made little secret of his ambition to be in the driver's seat when Ireland took over the rotating presidency of the E.C. in January. He had played little part in the three previous Irish presidencies, during two of which his Fianna Fáil Party had been in opposition.

Under the "troika" system, he had already been instrumental in calling the special E.C. summit in Paris last December to discuss the fast-moving developments in Eastern Europe. With the Community at a critical stage in implementing the single market, in moving toward Economic and Monetary Union (EMU), and in forging a new relationship with both Eastern Europe and the United States, Haughey is convinced that this Irish presidency is the most important so far.

He was determined that it would not pass virtually unnoticed by the country at large, as was the case with the previous presidencies. Dublin Castle, where the E.C. summit and other high-level meetings are being held, has been renovated and expanded at a cost of about \$20 million. Extra press and public relations staff have been hired, a long-distance jet aircraft has been leased to get ministers

and aides to and from their meetings, public buildings have been ordered to fly the E.C. flag, and stickers and other emblems are carried on public transport buses.

Already E.C. history has been made by the calling of a second full summit of Heads of Government during the Irish term to discuss the implications for the Community of German unity. Unlike the Paris "informal summit" last December, which consisted of a discussion over dinner, the extra Dublin summit on April 28 will have full working sessions.

While Haughey has made it clear that the Irish presidency will be giving full priority to the big questions of the day, such as the completion of the single market, the preparations for the crucial second stage of EMU, and relations between the E.C. and the rest of the world, he also wants to mark his six months in the Community chair with a distinguishing Irish characteristic, as it were.

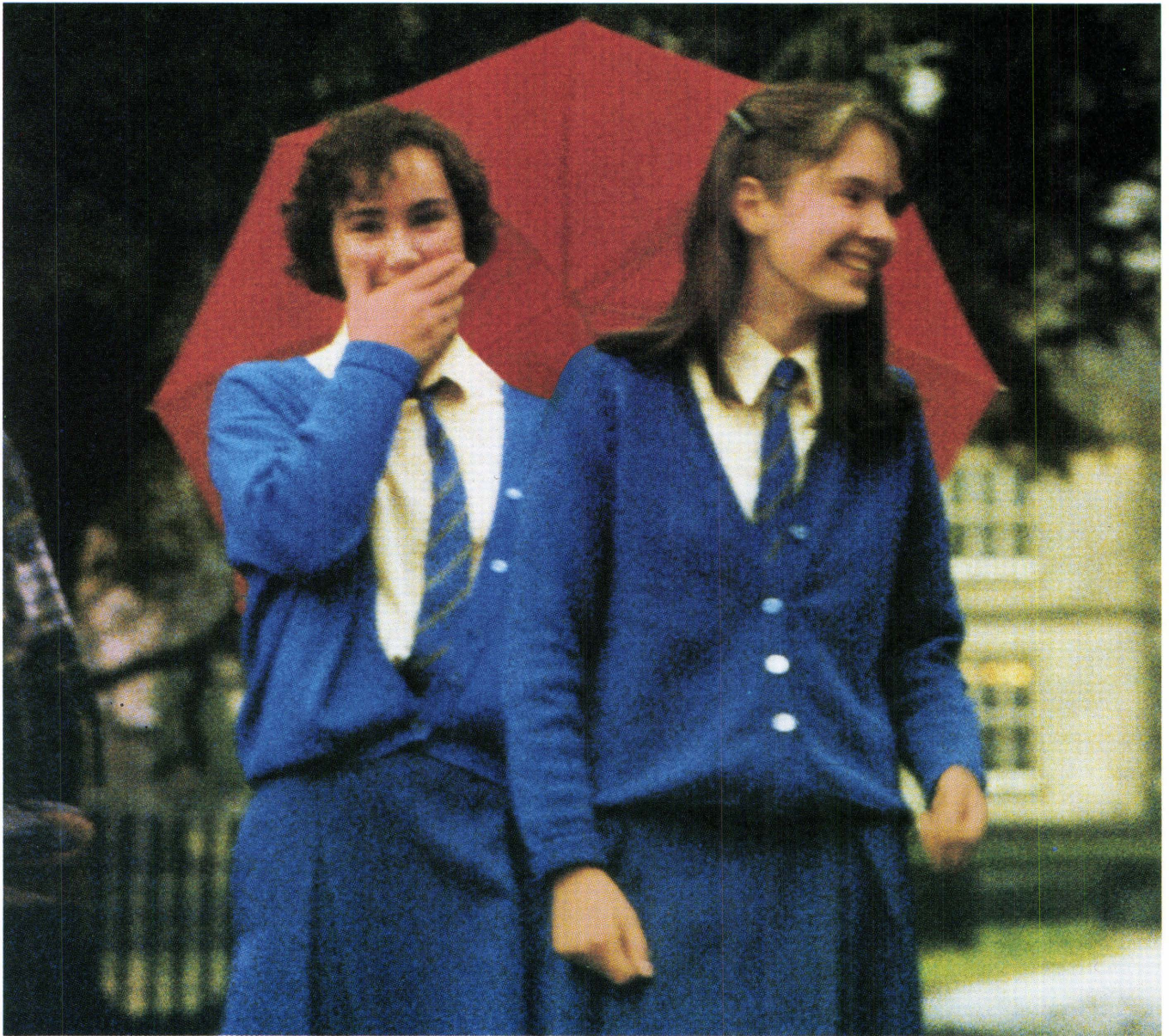
Hence, Ireland, the second smallest country in the Community, will concentrate on the environment. "As the threat of military confrontation recedes, the persistent pervasive danger to the natural environment of our planet emerges as the real common enemy," Haughey declared last December. The Irish presidency will, he hopes, be seen as a "green" one in every sense of the term.

Although there was some cynical comment, the idea has been seen as a highly appropriate one for a country that has been spared the worst excesses of indus-

trial pollution and has probably the cleanest air and water in the Community. In fact, Ireland's record in implementing environmental standards set by the E.C. is not without blemish, but the critics hope that the laggardly public authorities will be shamed into action where necessary by the hype over the green presidency.

Haughey has already announced that he plans to have "a major declaration on the environment" adopted at the E.C. summit in Dublin in June that will be a framework for a more comprehensive Community policy and for action on a wider international level. Other measures being pressed forward include the setting up of a European Environment Agency, programs for waste control, "eco-labeling" to help consumers choose safe products, control of nitrates in farming, conservation of habitats and species, and stricter car emission limits.

The environment is a topic about which Haughey feels deeply. He emphasized it back in 1980 when he first became Taoiseach (Prime Minister), when it was not a fashionable issue. He grows a variety of trees and shrubs on his large estate near Dublin and has introduced a herd of red deer, a traditional but endangered species, to his island home off the southwest coast where he has been visited by French President François Mitterrand. On a more down-to-earth level, he has ordered the public utilities to keep the digging of holes in Dublin's streets to a minimum during this six months. **€**



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E.C. OUTLOOK: E.C. COMMISSIONER FRANS ANDRIESSEN

THE E.C.'S NEW POLITICAL ROLE IN A CHANGING EUROPE.

FRANS ANDRIESSEN, Vice President of the Commission for External Relations and Trade Policy and Cooperation with other European countries, speaks out on the new role of the E.C. in a changing Europe. Andriessen looks at the U.S.-E.C. relationship in an exclusive interview with Europe's Editor-in-Chief Robert J. Guttman in Washington, D.C., last month.



How would you define U.S.-E.C. relations? What are the main points of agreement and disagreement?

The relationship between the E.C. and the United States has to be reshaped. In the past it was largely dominated by the existing blocs in the world. Now everything is changing: East-West relations, Eastern Europe, Central Europe, and German unification. The political weight of the E.C. is increasing. Sometimes this change has been recognized more outside the Community than inside the European Community. All this makes it necessary to reconsider relations.

Secretary of State James A. Baker has made substantive contributions to that process of reconsidering relations. President George Bush has done the same. E.C. President Jacques Delors also has indicated that we should have a new dimension in our trans-Atlantic dialogue. The time seems right to go into the details of this new relationship. I hope that in the course of this year, perhaps in the coming months, we will be able to come to complete solutions.

Do you think some form of agreement needs to be institutionalized

between the United States and the European Community?

The point is that the political cooperation aspect is the new political weight of the European Community. This has not been sufficiently institutionalized. The new relationship with the United States really doesn't have much to do with trade and these kinds of things. It has to do with political relations between the Community and the United States. So as long as we are, let's say, developing ourselves, a formal institutional form might not be the most appropriate. But I think we could build on existing structures and increase relations. Perhaps I would say that the outcome is more important than the form.

What about the idea of expanding on the Conference for the Security and Cooperation of Europe (CSCE)? Is there a way of making that into a viable institution to broaden Europe?

I think CSCE is a valuable instrument to discuss matters concerning the future construction of Europe and the way in which Eastern and Western Europe should be related to each other. But, I'm not sure that this process is the only

appropriate one. First, it has to be reconsidered because CSCE was established in a totally different world than the world where it now has to function. To a certain extent, it was built on two blocs. Those blocs will not exist in the future. It's quite clear that when Eastern and Central European countries become democratic countries, they will turn to the West.

I wouldn't be in favor of a strong institutionalized body, but some institutionalization might be necessary just to make it more efficient. We need to hold an increased number of meetings on different levels, which will very likely be the outcome of the conference we will have in autumn of this year. CSCE can play a role. It can play a very important role in solving problems related to human rights, security measures, and economics, but it shouldn't replace the integration process in the European Community.

The United States had worried about "Fortress Europe." Now you talk about forced investment. What do you tell American businesses to allay their fears about forced investment?

I tell them there is no reason to believe that we are going the way of forced investment. I regret that some people have used that expression and have created the impression that we are going in that direction. That is not at all the case.

Foreign investment is welcome. We will not impede it. But we will not force people to invest in the European Community. We believe in the free exchange of investments. Europeans have substantial investments in the United States, and the United States has a very important investment in Europe. Japan is investing in Europe very rapidly. We would like to have more investment in Japan. We don't ask for more investment in the United States.

So, there is no reason that we would go into this forced investment. We will not have local content legislation obliging people investing in Europe to have an x percentage of local content or to be limited in the transfer of profits and so on. All these kinds of things we don't like. It's not the concept. It's not the E.C.'s philosophy, and we are not going to shape it in that way.

Do you have any special plans worked out for East Germany to become part of the European Community?

The process is proceeding at an enormous pace. The E.C. is examining the impact and the implications of German unification for our politics, for our agricul-

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tural policy, for our structural policy, for our commercial policy, and so on. Nobody knows at this very moment exactly what it would mean, but we have some time left. In fact, the unification of Germany is, from the Community point of view, a kind of negotiation for a new member. It seems the GDR will be combined with West Germany. But the problems are the same. Perhaps they are even greater because normally when you have third countries coming into the Community, you have transitional periods where you can negotiate lots of things. In the German situation, things are going much more rapidly than in any other case in the past. This is a matter we have to look into very carefully. We are trying to do that. But it is at this very moment impossible to be very specific. Let's first see what the decisions will be and what kinds of government we can negotiate, and then we'll see how we can shape the situation.

Is it too farfetched to think that the United States should ever become a member of the European Community?

The United States? The Treaty of Rome doesn't permit it because only European countries can be members of the European Community. I don't think that the United States would ask for that. The United States asks for a good, solid relationship, and this is what we should bring about.

Do you see the E.C. taking on a new role in the world?

The point is that the E.C. is getting more and more politically relevant. Everybody, therefore, has to get used to this new phenomenon, which is directly linked to the success of the economic unification process on the one hand, and the fact that the Community as such is involved more and more in political processes, particularly in Europe. For example, we have to define E.C. political positions as far as countries in Central and Eastern Europe are concerned. We have to make political evaluations that then will be the basis for other decisions.

Whether we like it or not, this is the trend, and I think that in itself it is useful and fits in with the intent already recognized in the Single Act that we have to coordinate the economic integration process on one hand and the political cooperation on the other. That is that article in the Single Act, and I think now with all that is happening in the world, and in particular in Europe, these processes will come on stream and will be absolutely accelerated.

Should the Community deepen or widen? What is your thinking on that?

My thinking, and more or less the thinking of the Community, is that we should concentrate on deepening for the very simple reason that what we have undertaken is the single market and economic and monetary union. Strengthening the political aspect or the political union is such that we have to concentrate on deepening. If we combine that with widening and enlarging, that perhaps would tax our own absorption capacity too much. To be able in the longer term to enlarge, which basically remains an option for the E.C. because it is in the Treaty of Rome itself, we should now concentrate on deepening. But we should not separate ourselves from people interested in what's happening; we should add one word: cooperation. As long as we are not able to widen, we should try to cooperate in the most comprehensive way, and that is what we try to do when negotiating with European Free Trade Association (EFTA) countries to create a European economic space. That's what we try to do when we conclude agreements with countries in Central and Eastern Europe to express a special relationship between the E.C. and these countries. It is not either/or, deepening or widening. It is deepening, cooperating, and maintaining the possibility of enlargement in the future.

What do you see as the major stumbling blocks for Poland, Czechoslovakia, Hungary, and Romania?

The point is that they have no market structure, they have no management, they have no experience with normal prices, they have not had the necessary legislation, they have to start from scratch, so to speak. That is not impossible, but it is, of course, a very time-consuming operation, and experience teaches that if you try to speed up this process too rapidly, it's very difficult to succeed. So we have to start with legislation, with vocational training for people, and with creating an infrastructure for private investment and private capital. We have to give assistance where necessary; it will be different degrees in each individual country. And then, of course, they're trying to put the microeconomic situation in order in Poland, and very likely they'll be done soon in Hungary as well. These are a few elements we have to look into, but for long-term success, we need to engage private capital in these countries. I don't think we can be successful with public funds alone.

What do you think will actually happen with the new European Development Bank?

I think we are making progress with the bank. There are some problems we have to solve. I don't think it's impossible to find solutions. Decisions in principle, in my view, could be taken at rather short notice, but the establishment of the bank itself will take more time. I don't see the bank operational before next year. It depends a bit upon the solution of some problems like the question of whether the Soviet Union as a member should also be able to borrow and to what extent—that kind of thing.

Could you see ever giving loans to the Soviet Union?

I could see that as a possibility but, of course, in a limited way. It is quite clear that the needs of such huge countries are completely different from the other countries involved. The Soviet Union is a very different priority than all the others in that area, and that has to be taken into account.

What do you think brought about all this? Do you think it was Gorbachev's recognizing the failures of communism in the Soviet Union? What do you think is bringing about *perestroika* and the decline of communism?

I think he has made substantive progress. He has enormous internal difficulties; everybody knows that. He deserves help from outside as far as we can give that help. We have in a very short time negotiated a comprehensive agreement, and we will now try to implement it in a constructive way. The United States is now negotiating an agreement as well. We have taken a positive stand for an observer status for the Soviet Union in the GATT, and these kinds of things. My personal view is that the Soviet Union has no other option than the Gorbachev option. If that is true, that in itself is a certain guarantee that he will be successful. I'm not pessimistic about that, but it is an extremely difficult situation, and we will have to wait for what will happen. Nobody can predict it.

We talked earlier about a united Germany. Do you see a united Germany being an asset to the 1992 single market, a liability, or having no effect?

My personal view is that it will be an asset if it is pursued and conducted in the correct way. I think now the conditions are there for us to make it an asset. €



Profile

FRANS ANDRIESSEN

FRANS ANDRIESSEN IS A DOGGED AND determined Dutchman who grew up breathing politics and service. His father was an official of the Netherlands' Catholic Peoples Party, KVP. Like his father, Andriessen rose from a solid base of provincial politics. The apex of his national political career came when he led the KVP in Parliament and helped reshape its future in the Christian Democratic Appeal. What might appear to have been his greatest triumph, the post of Finance Minister, in fact taught him the power of politics over right thinking. As Europe's de facto Foreign Minister, this firsthand knowledge of winning and losing is bound to be useful.

The Netherlands into which Frans Andriessen was born on April 2, 1929, was defined by the Crisis Years. In his childhood that crisis was the Depression. His father responded by doing political and trade union work. Andriessen grew up in the provincial capital of Utrecht, seat of the Roman Catholic Archbishop and home to one of the country's important state universities. Unlike Catholic boys who had to leave small towns for Nijmegen's Catholic University, Andriessen went from a local "gymnasium" to Utrecht University, earning his degree in law in 1951.

Rather than taking up private practice, he followed his father's path when, in 1954, he joined the Catholic Institute for Housing, a national organization of local Catholic housing corporations that sponsored and often provided the financing for low-income housing. He married Catherine ten Holter, and they eventually had four children. The country in which their children grew up was completely differ-

ent from the one they knew as children. Andriessen admits that some of his offspring have come to regard him as "a crusty old reactionary."

Andriessen remained with the Catholic Institute for Housing for 18 years, rising to the post of director before he resigned in 1972. That year he was also chairman of Utrecht Province's advisory Public Health Council.

His political career began in 1958, when he was elected to the Utrecht provincial legislature for the KVP. He served until 1967, when the party moved him to the national list for the elections for the Second Chamber of the States General. By 1971 Andriessen had risen in the party ranks to become chairman of its parliamentary faction and one of the daily executive's six advisory members.

Although avowedly conservative, Andriessen was also one of the party's forces for change and renewal. He was an architect of the KVP's successful merger into a Christian Democratic Party, the CDA, along with two Protestant-based parties. He had the political savvy to preserve an institution he valued from voter indifference. Support for confessional parties had been declining since 1952.

In the heady days of 1970s politics, Andriessen was a famous voice of caution amid strident calls for change. In 1976, cabaretier Wim Kan characterized Dutch politics as a race and the KVP's parliamentary leader as a "snail braking into the turn." Andriessen was deeply suspicious of the progressive Cabinet led by Labor Party Prime Minister Joop den Uyl.

Although the newly formed CDA lost the 1977 election, political maneuvering won it the right to form a coalition government with the conservative VVD Party. It was believed that naming the cautious Andriessen as the new Minister of Finance induced the VVD party to cooperate.

But Andriessen's was a controversial term of office. Christmas 1977 dawned with a cautious and conservative light,

much to the dismay even of Christian Democrats. As Finance Minister, Andriessen fought for budget cuts and belt-tightening. He wanted to slash the budget by four billion guilders; his fellow cabinet members wanted to accept two billion. He wanted the cuts to be structural; they wanted them to be ad hoc. After months of arguing without support for his views, Andriessen resigned on February 20, 1980, and took a seat in the First Chamber of the States General.

By January 1, 1981, Andriessen had moved from The Hague to Brussels, replacing fellow countryman Henk Vredeling in the E.C. Commission. His first-term portfolio included enforcement of the Community's antitrust policies and relations with the European Parliament. He took his antitrust duties seriously and demonstrated economy of action. When he acted to quash Dutch Government subsidies to greenhouse tulip growers, he both rectified a violation of the treaty and forced his former Cabinet colleagues to cut Government spending.

In 1985, Andriessen became Commission Vice President. His second-term agriculture portfolio was then—as now—politically hot. He stirred up rancorous debate on adjustments to the Common Agricultural Policy with publication of a green paper and demonstrated the political strength to talk tough to national Agricultural Ministers on the stabilizer package.

In 1989, Andriessen began his third term as one of six Vice Presidents, with responsibility for external relations and trade policy and for cooperation with other European countries. He has moved about as far as possible from his first provincial election of 1958. Now he is widely regarded as the Foreign Minister of Europe. €

International business consultant and author Robert Haslach has followed the careers of Netherlands' public figures since 1973.

CAPITALS

New Schools of Thought

BONN—Since the first crack in the Wall on November 9, 1989, university life in East Germany has been in a wild state of flux. For the students, changes cannot come fast enough. But professors and university administrators are trying to close the floodgates. Laments Jörg Billhardt, 35, scientific assistant to the professor of education at the Leipzig Karl Marx University: "Students are too demanding, too rebellious, and [they] don't show enough respect for the teaching staff. They must learn to walk first." But the self-confident students of the newly founded Students' Council disagree. "It is the professors and the teaching staff who must learn that we have rights, and that the time of drill is over," they say.

German educators from East and West Germany have begun to evaluate the gigantic problems of bureaucracy that comes from state monopoly. In East Germany, education, as well as the economy, has been rigidly planned. East German universities received their marching orders from the Ministry of Education in East Berlin. Self-administrative structures and democracy are virtually unknown.

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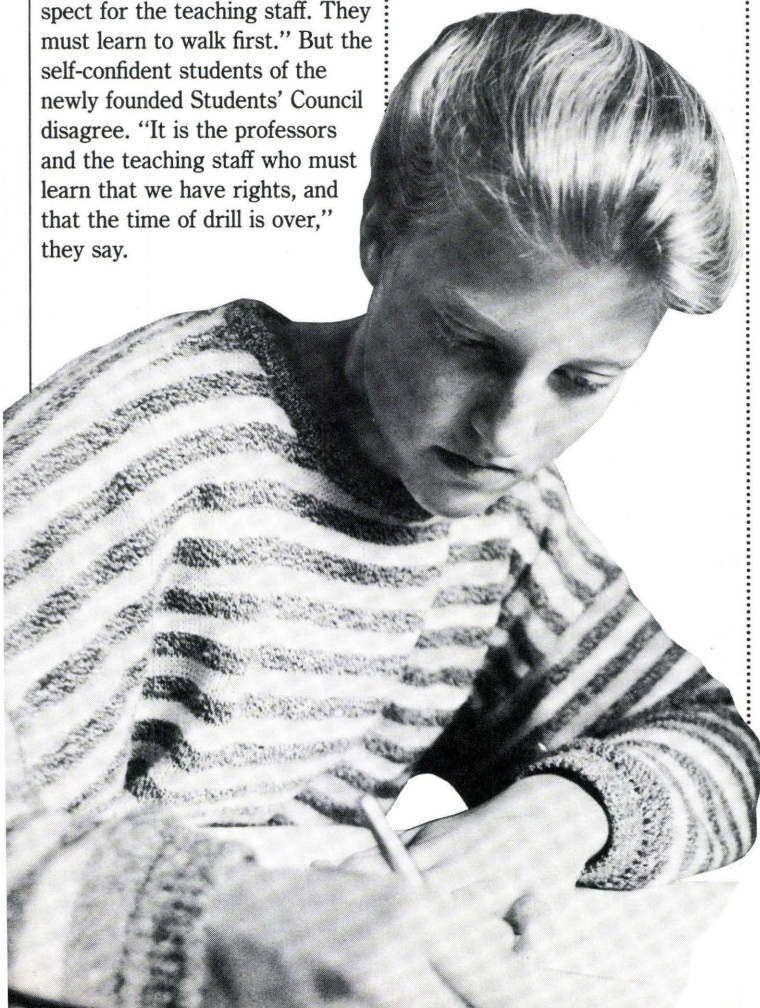
The first meeting between the West German Standing Conference of University Rectors and the rectors from eight East German universities, which took place in Bonn last January, did not yield any immediate results. "It was a first fact-finding mission," says Werner Becker, spokesman for the Standing Conference of University Rectors in Bonn. "The situation in East Germany is so confusing," he added, "that the eight rectors present were unable to oversee their own situation. They were in no position to conclude any mutual long-term arrangements."

A big problem for the West Germans is the fact that rectors and professors at East German universities have been members of the Communist Party (SED). "In order to survive they are now trying to get as much autonomy for themselves as possible, and this makes things very difficult for us," says Becker.

East German students also worry that if they are not vigilant they may lose their new rights to

"rector power." Says Student Council spokesman Ulrich Wurzel, 23, a student of Oriental languages and science at the University of Leipzig, "Now we can push through our demands to control the rector and to influence the curriculum. If we miss this unique opportunity, the rector could use his new muscle and reign like an emperor."

Independent student organizations are replacing the Free German Youth Association (FDJ), which used to call itself the "cadre of the Communist Party." Membership was compulsory. Another important change since the successful "soft revolution" is the scrapping of Marxist-Leninist philosophy, political economics, and scientific socialism. During the Communist reign, a student of medicine with excellent marks could not get his diploma if he had low marks in Marxism-Leninism. Apparently, they thought "only a good Marxist-Leninist could make a good doctor," said Dieter Müller, chancellor at the University of Leipzig.



Students are no longer obliged to take courses in Russian. They are free to choose any foreign language, and English is leading the field.

Another advantage for the students is that they are no longer forced to work in industry or on rebuilding East Berlin during their summer vacation. And students who wanted to study popular subjects such as medicine or computer science had been expected to sign up for three years' military service.

Up to now there was no free enrollment in any discipline in East Germany. The planned education system allowed for only 20,000 first-year students a year at its nine universities and 42 institutions of higher learning. The university could also reject an applicant if he or she was reported to be "politically unreliable."

West German Education Minister Jürgen Möllemann fears that now, with open borders, those young people who were rejected and those who were obliged to do military service first will seek admission at the already overcrowded West German universities (1.5 million students jam a system built for 850,000) for the summer term. Education officials expect a glut of East German students for the winter term, especially in such fields as business administration, economics, computer science, law, and medicine.

Möllemann hopes to avert a brain drain of East German academics by persuading West German teaching staff to lecture at East German universities.

—WANDA MENKE-GLÜCKERT

Reaching for the Torch

ATHENS—"This is fantastic!" exclaimed Juan Antonio Samaranch, president of the International Olympic Committee (IOC), viewing the dossier submitted two months ago by Athens in its bid for the 1996 Centenary Olympic Games. Athens faces tough competition from the other contenders, especially Melbourne, but is confident of its his-

toric advantage, having hosted the first modern Games in 1896. Once the international sporting establishment has scrutinized the bids, all that remains is the vote of the 92 IOC members in Tokyo this September.

The Athens bid is deliberately unconventional—low-key some would say—in contrast with the glossy technicolor approach of rival cities aiming at yet another lavish jamboree. Athens, for example, would depart from the recent tradition of adding more new sports that has sent the number from 14 in 1968 to 25 today. This approach will not necessarily enhance its appeal for everyone, since expansion of power, influence, and, not least, revenue has been the hallmark of Samaranch's IOC presidency.

Greece's aspiration is to re-establish the purity of "the Olympic spirit" by taming the rampant commercialism that has accompanied recent Games and by restoring a cultural dimension to the Olympiad. Greece also wants to purge the Games of creeping professionalism and perhaps abandon the razzmatazz of gold, silver, and bronze medals in favor of a return to simple olive wreaths. It has also been proposed, unofficially, to resurrect the ancient condition of entry: A participant must implement a truce in armed conflicts.

These plans sound very grand, but what of the practicalities? Can Greece, which recorded public sector deficits of \$12 billion last year, afford the daunting cost of hosting the Games? The planners concede that an average annual increase of 14 percent in overall public investment will be required from next year on to shoulder the cost of the Games. But they add that the \$1.05 billion budget for the Games themselves (excluding regional infrastructure works) balances with revenues estimated modestly.

Greece has two "secret weapons." One is the state-run football pools scheme, whose annual profits of more than \$450 million are compulsorily plowed back into the construction of sporting

facilities. The second is the Mediterranean Games, to be held in Athens in June 1991. More than \$500,000 has already been committed for building the necessary installations, so two-thirds of the Olympic facilities will be complete five years in advance.

After this construction, still to be done are \$1.96 billion worth of essential infrastructure works and another \$3.61 billion for works described as "desirable," including the construction of two new underground metro lines. But here again an answer is at hand, this time in the E.C.'s Regional Development Plan (RDP) for Greece, worth some \$7 billion in aid between now and 1993. For example, 40 percent of the \$1 billion budget for the new metro lines will be provided under the RDP. One gray area, though, is the completion of the new international airport at Spata, 23 kilometers from Athens. It is not yet clear whether this project will qualify for E.C. funds.

Additional revenue would be generated by cultural events associated with the Games. Regional competitions in music, dance, opera, and theater would culminate in finals at Epidaurus while the Games proceed in Athens. These, with events at Delphi and Olympia, would feature as special "Olympic trips," which would help disperse many of the 700,000 visitors. About 150,000 visitors are expected to remain in Athens throughout the Games.

A basic theme of the Greek bid is that the Games should regain "a human scale," a theme that underlies the design of the Olympic Village at the foot of Mt. Parnes, with housing for 16,000 athletes and officials. In keeping with this theme, the Olympic Village and the Press Village would go over to residential use after the Games, while the sports halls to be built at Faliron Bay would provide Athens with an international conference and trade fair center.

Greece is one of only two countries never to miss a modern Olympics (Mexico is the other)

and is doing everything possible to bring them home again in 1996.

—PETER THOMPSON

Cleaning Up Its Act

LUXEMBOURG—Luxembourg has a very good record of compliance with E.C. environmental legislation, according to a report just released by the E.C. Commission.

Out of the 160 environmental directives the E.C. Council of Ministers has adopted to date, Luxembourg has failed to implement only 12 of them. Only Denmark, which has not implemented just five of the E.C. directives, has a better record than tiny Luxembourg.

Noncompliance with the E.C.'s directives on water—including ground water, drinking water, bathing water, and discharges of waste into water—account for five of Luxembourg's offenses.

In each of these instances, Luxembourg has national legislation controlling these forms of pollution, but the E.C. Commission decided that some provisions do not match the E.C.'s own standards. According to a Luxembourg Government official, the Luxembourg Parliament will soon consider a new water management bill, which will amend all previous laws on water pollution and bring Luxembourg into line with E.C. legislation.

In a country as small as Luxembourg—at 1,552 square miles, it's about the size of Rhode Island—there is a very strong impetus to hold on to and protect all of the existing countryside. Despite its minuscule size, Luxembourg gives the impression of being full of wide-open, unpopulated spaces. About half of the country is devoted to farmland, and more than a third is planted with forests. It is obvious that the Luxembourgers intend to keep it that way.

Given the seriousness the Government gives to protecting the environment, it is not surprising that a recent E.C. survey

showed that Luxembourgers are more aware of environmental issues than the citizens in any other E.C. country. According to the survey carried out last summer, 45 percent of Luxembourgers were very aware of, and concerned about, damage being caused to the environment, the highest percentage of all the member countries. Greece trailed the list, with only 15 percent of those questioned being aware of environmental hazards.

Although Luxembourgers come out on top for awareness of the issues, they fall behind in terms of actual knowledge and ability to identify what is causing various forms of pollution. Luxembourgers trail behind the British, Danes, and Dutch. Perhaps in recognition of this fact, the Luxembourg Environment Ministry has stepped up its information campaign for the general public. —DENISE CLAVELOUX

Privileged Trade

ROME—The recent astounding events unfolding in Eastern Europe have caused journalists and Western observers to take their first close look at the import-export movements between countries with capitalist economies and those with planned economies. Many observers were surprised to discover that West Germany has been for years number one on the list of countries with which Moscow's ex-satellites have maintained privileged status. But the second surprise is Italy's activity in the same sector.

Although their involvement began after their West German colleagues, Italian entrepreneurs and politicians are working hard to make up for lost time. The latest official figures confirm this: In 1989, Italian exports to countries beyond the Iron Curtain grew 25 percent. The flow of Italian exports to these "new" markets is nine percentage points better than the overall average of Italy's exports to the rest of the world.

The flip side of the coin is that Italy's deficit with respect to

these countries has also grown, now exceeding \$2 billion. The greatest import-export imbalance is with Moscow. Italy is one of the Soviet Union's best customers for petroleum and methane gas.

Nevertheless, the upsurge in Italian initiatives in this area is continuing. It is not only the major companies (Fiat, Eni, Montedison) that have been active in that area for a long time. A veritable fleet of small and middle-sized companies, many in tourism and hotels, is going to "see what's on the other side of the Wall."

This activity has been noted with a certain surprise by the other Western allies, especially by the English. The *Financial Times*, commenting on the fact that the people in charge of the Eastern Europe sections of four of the main international organizations (International Monetary Fund, World Bank, E.C., and OECD) are Italian, wrote of an "Italian connection." These appointments, however, were entirely coincidental; the four were nominated to their positions in an

Dialing for Dollars

BRUSSELS—Brussels might be the capital of Europe, but thanks to SWIFT, it is also the transit center for many of the computerized financial messages that flow around the world.

SWIFT stands for the Society of Worldwide Interbanking Financial Telecommunications; it is a company that shifts financial information among about 2,500 banks in 67 countries, handling more than 1.3 million messages a day.

Despite its global connections, SWIFT has a low profile in Belgium. "The image was really going badly five years ago," Bessel Kok, general manager of SWIFT, recently said. "So we decided to build a new image by promoting chess tournaments, sponsoring opera, and organizing conferences at universities."

Kok was born in Amsterdam 47 years ago. He eventually ac-

quired Belgian nationality after moving to Brussels, where he served as adviser for Copeta, a Belgian financial holding company. He quit the Copeta group to found SWIFT in 1973 with three other bankers.

Comments from other countries, however, do not bother the makers of Italian foreign policy in the slightest. "It's true," Foreign Minister Gianni De Michelis's closest collaborators openly admit. "We're moving in this sector. Moreover, we plan on moving even more."

—NICCOLÒ D'AQUINO

Stormy Weather

AMSTERDAM—February was stormy for the Netherlands on many fronts.

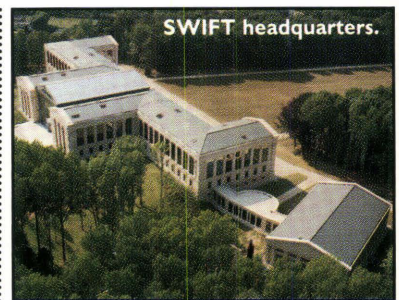
For two weeks, some 10,000 farmers carried on angry protests using tractors to block off roads, strategic crossings, bridges, public buildings, waste-burning installations, and even trains. Endless traffic jams resulted. The farmers claim that E.C. rules limiting total E.C. grain production to 160 million tons annually will seriously reduce their income.

Worse yet were the ferocious gales that continued to batter the

North Sea coast. Sea defenses could not keep kilometers of beaches from being lost. Damage to the Dutch dunes and dikes is estimated at hundreds of millions of guilders. The country went on its most serious storm alert in 37 years, as a high spring tide combined with southwest storms that raised the sea level to its highest since the catastrophic floods of 1953, when some 2,000 Dutch lost their lives.

Vegetable growers had their hothouses blown to bits by the fierce gusts of wind. Insurers are facing a record level of claims.

The same angry North Sea was the subject of international discussions when ministers of West European countries met in The Hague for the third international conference on the protection of the North Sea on March 7 and 8. Dutch Transport Minister Hanja May presided at the meeting attended by Switzerland, Norway, Denmark, Sweden, West Germany, France, the United Kingdom, and Belgium. E.C. Commissioner for the Environment Carlo Ripa di Meana also attended. Ireland, Iceland, Portu-



SWIFT headquarters.

done in Europe's capital to help companies work more efficiently in the international environment.

Kok has good reason to worry about the quality of the public telephone lines at his disposal, since SWIFT faces a new challenge: intercompany telecommunications. Most companies want to accelerate payment of bills and transactions with their customers and partners. "This is a huge market," says a spokesperson for SWIFT "but this time, we are not alone anymore."

—CHRISTOPHE LAMFALUSSY

—CHRISTOPHE LAMFALUSSY

—CHRISTOPHE LAMFALUSSY

gal, East Germany, and Czechoslovakia sent observers. The North Sea is the access route to the large ports of Rotterdam, Amsterdam, Antwerp, London, Bremen, Hamburg, and the Baltic ports. The North Sea is the most intensively navigated sea in the world.

The conference ended in disappointment. The nine countries most concerned with the North Sea failed to agree on a deadline for dumping industrial waste and storing nuclear waste. One diplomat attending said, "Once or twice I feared the conference would break up because of British-West German clashes."

The conference was intended to sharpen up measures taken at the second North Sea conference in London in 1987. Ripa di Meana said that he agreed with presiding Minister May that legal instruments and E.C. directives should be improved to minimize intentional and accidental pollution. —NEL SLIS

Reigning Lightly

COPENHAGEN—Few Danish events attract international media attention on a grand scale, and perhaps few merit it. But this year there is a certain winner: the 50th birthday of the Danish Queen, Her Majesty Margrethe II, on April 16. Much more than a personal celebration, it is a unique portrayal of the vitality of a royal institution that has survived 1,000 years and is now well set to face the challenge of European unification within the European Community.

Sixty years ago the official slogan of Denmark's largest party, the Social Democrats, "Break the saber, overthrow the monarchy," demonstrated at least some popular controversy about the monarchy, although the Socialists focused most of their attention on a successful effort to make Denmark defenseless. Now the party is neither pacifist nor republican, and abolishing the monarchy is not on any platform in Danish politics.

Acceptance of the monarchy is partly an expression of the experience of World War II, including the strongly nationalist, anti-Nazi behavior of King Christian X, the grandfather of the present Queen, in a country occupied by Hitler's Germany. The acceptance is also partly an acknowledgement that this ancient institution has been modernized.

The modernization has had a distinctly personal touch. Queen Margrethe II has combined the formal, purely ceremonial duties as head of state with a personal style uncharacteristic of monarchy, stressing the human and individualistic family aspects. She writes her own televised New Year's speeches, her only programmed address to her subjects, and has managed to give them substance without crossing the lethal line dividing personal views from partisan politics, even when dealing with such touchy subjects as asking Danes to improve the often unacceptable social status of guest workers to Denmark.

A gifted artist and a serious amateur archaeologist, Queen Margrethe II has had her work reproduced on almost everything from silver spoons to stamps. Supported by her husband, French-born Henrik of Denmark, she has provided the Danish monarchy with a human face more in

tune with the 20th and 21st centuries than most of her incumbent colleagues elsewhere.

Danes, like most Europeans—with the marked exception of the French—dislike presidential systems with a strong executive. But the vast majority of Danes dislike the idea of a weak, partisan president even more, according to the polls. And the monarchy fills its small niche in the political system well.

After elections, where the presence of up to a dozen political parties in Parliament complicates the formation of a government, the Queen—acting on the advice of a personal aide and all political parties—often has to designate one politician as the leader of the negotiations. Theoretically, this decision can influence the outcome, but it has not been abused since 1920. The monarchy serves as a catalyst in the strict sense of that word, furthering the political process without actively participating in it.

Popular with business as hard-working ambassadors for Danish exports, the royal family seems to have secured a career for the two princes, Frederik and Joachim. The eldest will inherit the throne.

Obviously, a united Europe will change the environment of the Danish monarchy. No one, however, seriously thinks it is in danger, and most believe that it will

remain in demand as a symbol of a distinct Danish identity in any European political configuration. —LEIF BECK FALLESEN

Sending China the Fax

PARIS—The student massacre around Beijing's Tiananmen Square last June outraged some French journalists so deeply that they decided to show their support for the Chinese revolutionary movement by launching their own freedom-of-information campaign. The weapon they chose was the fax machine.

In October, the outspoken French monthly *Actuel* recruited 15 other magazines in Europe and South America for a fax blitz of China that has been billed as the first high-tech international liberation movement. *Actuel* and the other magazines printed a mock issue of the *People's Daily*, the Chinese Communist Party's official newspaper, featuring news of the exiled liberation movement, eyewitness accounts of the June massacre, and statements by the student leaders. With it they published a list of nearly every fax number in China and a page of transmission instructions.

Actuel kicked off the fax campaign by sending out 800 faxes in 12 hours. Its readers, and those of the 15 other magazines involved, quickly followed suit. Within days, fax machines all over China were jammed with transmissions from the West. The Chinese Government complained angrily about the "deluge of propaganda" and sent the First Secretary of its embassy in Paris on an official protest visit to *Actuel*'s offices.

But there was no stemming the flood of faxes. At one point, nearly 200 an hour were being sent from France alone. Entire schools and businesses were faxing together; French celebrities and politicians joined in. In China, the authorities first thought of blocking the fax ma-



chines but soon realized they would also be paralyzing business. They then tried to station a police guard at every machine to seize the heretical document as it came through. But with more than 6,000 fax machines in China, that plan turned out to be more ridiculous than realistic.

Actuel followed up its spoof issue of the *People's Daily* with an article about the fall of the Berlin Wall. When Ceausescu fell in Romania, details of his demise were also faxed to the Chinese. The fax network became a news pipeline, a means of breaking through government censorship and informing the Chinese people of events in the outside world.

In January, *Spy* magazine in the United States became the last publication to print an official fax bulletin to China. Since then, the fax-in has continued on a smaller, more personal scale. People are composing individual messages and are even sending poems and sketches to the Chinese.

Actuel raised money from the project by charging a fee from the other publications for the rights to publish articles from the spoof. The publication has used the money raised with the fax campaign to finance a second, far riskier operation against the Chinese Communist regime. It has bought and equipped a ship—a pirate radio station—that is now on its way from France to China. The ship, which has been christened the *Goddess of Democracy* in memory of the statue erected by the Chinese students in Tiananmen Square, is due to arrive and anchor off the Chinese coast on April 20. From there she will broadcast round-the-clock news and culture to mainland China. The ship's transmitters are powerful enough to reach an audience of more than one billion listeners. The permanent team of journalists on board, headed by Wu Er Kaixi, the exiled leader of the student movement at Beijing University, will have regular visits from guest celebrities. Intellectuals from the West, dissidents from the East,

and performers from around the world will broadcast live from the *Goddess of Democracy*, which is intended to be a floating tribune for human rights. On the night of June 3, the first anniversary of the Beijing massacre, a memorial concert on board the *Goddess* will lead off a global night of music, with other concerts in Asia, Europe, the United States, and Latin America being relayed to the ship and broadcast live to the world.

When the Chinese Government got wind of the "pirate" radio station, it issued a dark warning through its embassy in London that it would take whatever measures necessary to prevent the broadcasting of propaganda inside its borders. The *Goddess* has no weapons on board and no sophisticated defense system. The ship's sole security lies in the international attention she hopes to draw. A permanent television hookup will

be able to give live coverage of anything happening on board or in the surrounding waters, and with the eyes of the world on the ship, her crew is gambling that China will choose to ignore rather than annihilate.

The *Goddess of Democracy* will continue broadcasting until funds run out. As of now there is enough money to keep the pirate station afloat until the end of June. But plans are already under way for the recording of a fundraising album. Yoko Ono has donated the rights to John Lennon's *Imagine*, which will be sung by a Chinese children's choir accompanied by singers from every part of the world. The rest of the album, to be released in May, will be a compilation of international hits.

Actuel's project shows that repressive regimes can be undermined without violence, just by giving people the fax.

—ESTER LAUSHWAY

Up with the Environment

MADRID—When Du Pont chairman Edgar S. Woolard, Jr., recently announced plans to build a \$1 billion industrial plant in a quiet Austrian valley, he promised the U.S. chemical giant would include state-of-the-art pollution controls.

After reporters at the Madrid news conference failed to pick up on the theme, Woolard stressed the company's commitment to the environment twice more. The Spanish papers, however, focused on the number of people the complex would employ.

The apparent lack of priority given the plant's environmental impact may not have registered on Woolard, who, like most U.S. manufacturers, has learned to think of efforts to minimize damage to air and water as part of the cost of doing business.

But in Spain the movement to protect the environment is just

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If the E.C. is years behind North America in several key areas—auto emission controls, for example—Spain is, in turn, years behind its northern European partners, where strong “green” parties have raised environmental consciousness and forced legislative action. Spain’s greens, split into several factions, have yet to win a seat in parliament.

A report issued early this year by E.C. Commissioner for the Environment Carlo Ripa di Meana listed Spain as the worst violator of the Community’s anti-pollution norms, with 57 known transgressions.

The Government of Socialist Prime Minister Felipe González disputed the findings, saying its

records showed only 16 violations. Still, Madrid implicitly recognized the inadequacy of its existing policy earlier this year by creating a subministerial environmental agency.

Spain’s air and water could get what may prove to be the biggest boost of all this month when the E.C. Council of Foreign Ministers is expected to vote to install the Community’s new environmental affairs office in Madrid’s Retiro park.

Spain has been lobbying hard for the office, which it believes will improve the country’s image abroad and help bolster sagging tourism revenues. It was the only one of the five contenders to offer to donate the building for the headquarters and one of three that did not yet have an E.C. office.

—RICHARD LORANT

The RSC’s Poor Season

LONDON—“Now is the winter of our discontent,” cried the director of the Royal Shakespeare Company as he announced that the world’s most famous theater company will close its two London theaters for four months at the end of this year in an attempt to stave off financial collapse. This dramatic bombshell underlines the growing problems of financing the theater in London.

Each year, more than one million people pay up to \$50 a seat to watch the Royal Shakespeare Company (RSC) perform the plays of England’s greatest writer at its theaters in London and Stratford-upon-Avon. Yet by April, the end of the current British fiscal year, the theater company will have an accumulated deficit of nearly \$5 million.

The company’s artistic director, Terry Hands, says that canceling the winter season at the RSC’s two theaters in London’s Barbican Center will save the company more than \$2 million. The main 1,000-seat auditorium and the 240-seat studio hall known as “The Pit” will stay dark from November 5 until mid-March in an attempt to balance the books.

“If this were played upon a stage now, I should condemn it as an improbable,” says Fabian in *Twelfth Night*. Indeed, there is much that is improbable about the losses of a company that has the greatest English playwright supplying the material, that can call on the finest actors in the land and elsewhere to perform on its stage, and that still attracts audiences of 75 percent capacity, way above the average for West

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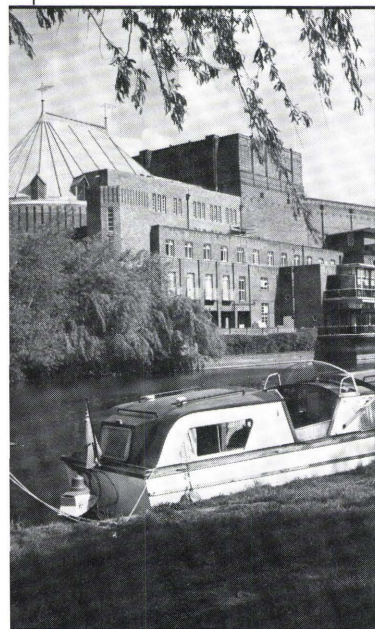
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The Swann Theatre, one of the places where the RSC's finances have taken a dive.

End productions.

Sales this year are \$32 million. The RSC earns two-thirds of this amount from ticket and ancillary sales, including \$1.65 million from its production of the worldwide smash hit musical *Les Misérables*. The Government provides a subsidy of about \$10 million through the Arts Council, and corporate sponsorship has quadrupled over the past four years to \$1.7 million.

Despite this financial support, the losses are real and growing. That is why the RSC is appealing to the Government for assistance. As Portia says to Shylock in *The Merchant of Venice*: "The quality of mercy is not strained, it droppeth as the gentle rain from Heaven upon the place beneath. It is twice blest: It blesseth him that gives and him that takes." So far, the plea, like Portia's, has fallen on deaf ears.

The sad fact is that the RSC is only a shadow of its former greatness. At its high point in 1987, the RSC staged 40 shows in six theaters with a company of 200 actors. In the current year, there will be only 19 productions in four theaters with a company of 130. At least two of the productions on this year's program may be postponed or dropped completely.

Critics have been complaining

for some time about falling standards at the RSC. Actors have been criticized for sounding as though they do not understand or appreciate the words, while it has been suggested that the directors are so bored by the repetitive nature of their work that they have taken to vandalizing the bard of Avon's work.

A further complaint has been that the company founded to present Shakespeare and the classics has compromised its identity by staging musicals in an attempt to make money. The trouble is that, with the exception of *Les Misérables*, many of the musicals have been substandard. If the RSC is to recover its former glory and get out of its "sea of troubles," many people think the company has to get back to its roots, to its primary task of producing the best Shakespeare in the world.

—DAVID LENNON

Southern Africa Unsettling

LISBON—Down in southern Africa, two former Portuguese territories cling stubbornly to *perestroika* principles and outmoded Marxist ideology. Three decades after then U.K. Prime Minister Harold Macmillan's winds of change swept Africa, *perestroika* gusts are not raising much dust in Angola and Mozambique. Lisbon has made earnest pleas to all sides to reassess outdated ideological commitments and take on board some of the Gorbachev peace dividend.

Portugal regards itself as a privileged interpreter of regional southern African affairs in the E.C., and Portuguese Africa-watchers in Lisbon are concerned about the lack of change.

Observers here suggest that of the two former territories, both racked by nonstop civil wars since independence in 1975, Mozambique is closer to some real political reshaping even though the going is ponderously slow.

Under pressure from Kenya's President Arap Mol and Zimbabwe's President Robert Mugabe,

Maputo is beginning to make some concessions to right-wing Renamo rebels. But entrenched institutional and ideological interests have hobbled constitutional and ideological changes.

Notwithstanding all this, Maputo is still streaks ahead of Luanda, where a Zairean-brokered cease-fire in July last year has had precisely the opposite of its desired effect.

The cease-fire broke down within weeks, and the guerrilla war with pro-Western UNITA rebels has been stoked up as never before, apparently sucking in further Soviet aid at a time when the big powers had supposedly agreed to end regional conflicts by pressuring their respective clients to settle differences around tables instead of down gun sights.

A new factor has suddenly been added to the situation to worry Lisbon policymakers. The recent liberation of South Africa's most famous detainee, African National Congress (ANC) founder Nelson Mandela, is stirring fears in Portugal of a massive return of Portuguese from South Africa. The more-than-500,000-strong Portuguese community is the largest foreign resident group in South Africa.

Lisbon papers have carried scare reports about increasing attacks by South African blacks on Portuguese property. Portuguese shopkeepers in a Johannesburg suburb complained of looting in the aftermath of Mandela's release. For its part, the ANC reportedly apologized and offered to pay for the damages. But the Portuguese community is clearly unsettled. Many went through traumatic experiences following the dismantling of the Portuguese empire in 1975 when more than one million refugees were airlifted back to Portugal, and tens of thousands fled overland to South Africa.

It took a major five-year effort to absorb these refugees into Portuguese society, and no one relishes the thought of having to try again, 15 years later.

The Portuguese Foreign Min-

istry has acknowledged it has plans for emergency evacuation should the situation worsen. The Ministry has been at pains to stress, however, that the plans are merely precautionary and that there is no immediate cause for worry.

But the specter remains of a second massive settler inflow at a time when domestic energies are directed to, and attention is focused on, adapting to the E.C. single European market.

—KEN POTTINGER

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E.C. NEWS

AGRICULTURE

French Farmers Lobby

Low prices and slumping overseas sales have spurred French grain farmers to pressure the E.C. to combat U.S. exports more aggressively and adopt a harder line in GATT (General Agreement on Tariffs and Trade) talks.

After meeting with leaders of the French farm lobby (the E.C.'s largest grain producer and exporter), French Agriculture Minister Henri Nallet urged the E.C. Executive Commission to help France relieve its mounting grain stocks by underwriting exports.

Jacques Chambaud, president of the French federation of farm cooperatives, says, "We think there are markets that can be captured for a few ECU's." However, he and other farm leaders say the E.C. wants to avoid provoking the United States at GATT talks aimed at freeing trade in agriculture.

Eyeing New Markets

The farmers of Western Europe are eyeing new Eastern European markets hungrily, hoping that the lifting of the Iron Curtain will provide an outlet for E.C. overproduction as well as a lucrative market.

At a conference of Agra Europe Outlook in February, how-

ever, Kenneth Thomson, an agricultural economics professor at the University of Aberdeen in Scotland, said, "On the one hand, there seems to be the prospect of markets opening up with all these extra mouths to feed. But how are they going to pay for imports?" Early benefits for Western agricultural businesses could be limited to helping Eastern European farmers boost output through breeding stock, farm advice, and education and research, he said.

The opportunities of a huge new market have emerged just as E.C. food producers are adapting to measures in the Common Agricultural Policy (CAP) aimed at curbing chronic overproduction.

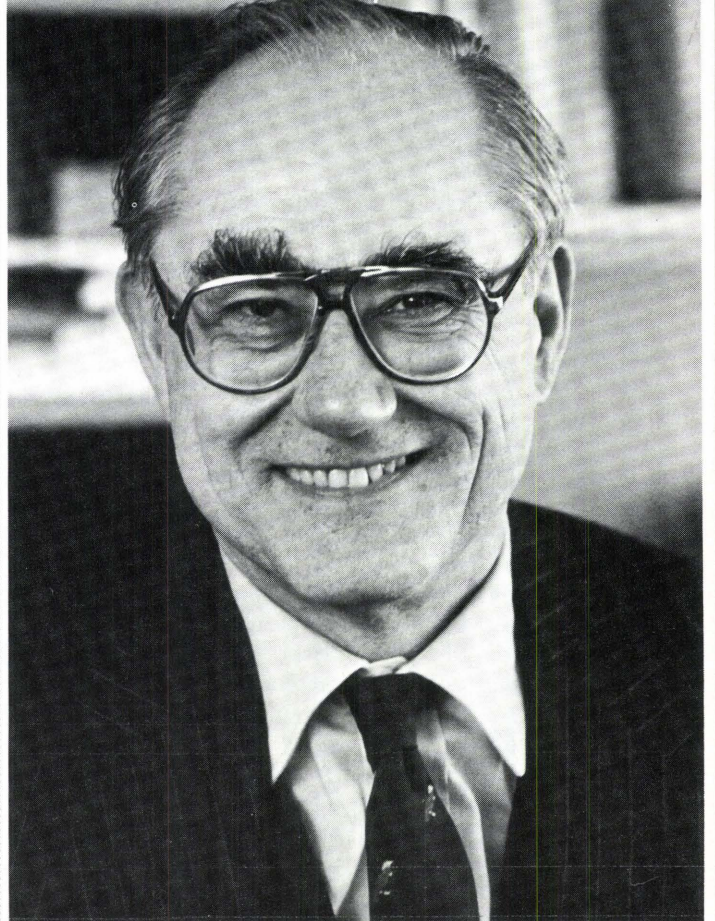
But Caba Csaki, professor at the Karl Marx University of Budapest and president-elect of the International Association of Agricultural Economics, sought to reassure delegates, saying, "Development everywhere is more free market friendly, more business friendly." Caba stressed the need for technology to boost food processing in the emerging democracies.

EASTERN EUROPE

Additional Aid for Eastern Europe

E.C. Budget Commissioner Peter Schmidhuber has requested an additional \$362.5 million to be earmarked for aid to Eastern Europe this year. If given the go-

E.C. Budget Commissioner Schmidhuber has requested that the E.C. earmark more aid for Eastern Europe.



ahead by the E.C. Council of Ministers and the European Parliament, the supplementary budget request will bring the total to \$612.5 million.

Schmidhuber says the Commission calculates how much aid a region can absorb, not how much is sought. He asserts that the E.C. will have no trouble coming up with the extra money because spending is down in other areas, such as agriculture,

which once swallowed two-thirds of the budget.

Italian Financing Company

Eastern European joint ventures will be promoted through a new financing company called Simest set up by the Italian Cabinet. Operating like a merchant bank, the new company will take stakes in

joint ventures and participate in other forms of industrial and commercial collaboration, mainly with small and medium-sized companies.

In addition, Foreign Trade Minister Renato Ruggiero says Simest will cooperate with the new European Bank for Reconstruction and Development. Simest will focus its initial operations on Poland and Hungary.

FOREIGN AFFAIRS

Islands Want In

The Canary Islands, a province of Spain off the northwest coast of Africa, are changing their tax system to pave the way for full integration into the European Community. Under the accord, the seven islands will levy a unified indirect tax in place of a series of local taxes to conform with E.C. norms on value-added tax.

When Spain joined the E.C. in 1986, the Canary Islands opted out of the customs union, common farm policy, and tax system to protect the booming tourist industry their duty-free status attracted. Over the past year, however, tourism has slumped, causing the Canary Parliament to

seek full incorporation into the European Community.

New Zealand Included

The proposed European Bank for Reconstruction and Development will soon include some of Oceania. Geoffrey Palmer, Prime Minister of New Zealand, announced that New Zealand will join the proposed bank. Palmer says that New Zealand cannot remain isolated from the economic and political effects of the changes in Eastern Europe.

Applauding Nicaragua

The E.C. Commission praised Nicaragua for its free and fair elections and extended congratulations to the President-elect, Violeta Chamorro. In an E.C. statement, the Twelve "welcome the commitments made by both sides to work for national reconciliation" and hope that "the demobilization of the Nicaraguan resistance can now proceed in compliance with the terms of the agreements reached by the countries of the region."

SOCIAL ISSUES

Unemployment Is Down

Unemployment in the E.C. fell to an eight-year low in 1989, as 1.2 million people found jobs during the year. These unemployment figures show a continued improvement in the E.C.: Over the last three years, 2.2 million have left the unemployment rolls.

In 1989, 9 percent of the E.C. work force (12.7 million) was jobless. Unemployment figures among the 12 member countries range from a low of 1.9 percent in Luxembourg to a high of 16.2 percent in Spain. Unemployment in the United Kingdom dropped from 7.4 percent in 1988 to 6.0 percent in 1989.

Only in Denmark and Italy did the situation worsen slightly in 1989, with unemployment rising to 7.0 and 11.1 percent from 6.9 and 10.8 percent, respectively.

—Reuters

Executive Training

The E.C. is looking for young executives to take part in its executive training program in Japan. The 18-month program from May 1991 to November 1992

was designed by the E.C. Commission to prepare European companies to enter the difficult Japanese market more easily.

The Commission is urging European companies to participate in the training program to take advantage of the Japanese Government's encouragement of its citizens to buy foreign products.

Applicants to the training program should be around 30 years old, hold citizenship in one of the E.C. nations, have at least two years of market or managerial experience, and be interested in international affairs.

For more information, contact A. Toutledge, 011-44-1-236-8000 at Peat Marwick McLintock in London or B. Ward, 011-353-1-735566 at KPMG Stokes Kennedy Crowley in Dublin. Applications will be accepted through June 1990.

Need Skilled Workers

On the whole, firms in the E.C. have begun creating more jobs for skilled workers, while reducing the number of jobs for unskilled laborers. In a recent survey, however, 62 percent of employers questioned have found that the absence of qualified workers is the main obstacle to hiring new employees. In 1985, only 43 percent found this lack to be a problem.

Teaching Europeans

Nine schools in the Community are designed to educate the children of E.C. employees to be "Europeans."

These European Schools have 15,000 students enrolled in them, ranging from kindergarten to 12th grade. The curriculum emphasizes culture and linguistics, promoting fluency in at least three languages.

The idea is that the European Schools educate students for life and work. The goal is to have



students emerge not as "products of their native country" but as Europeans. These schools create a whole new layer of identity in the students by encouraging a more general appreciation of Europe.

Working to Employ Youth

At the end of 1989, the E.C. Commission agreed to support a three-year fight against long-term and youth unemployment in the Community. Eight E.C. countries will receive a combined amount of 3.6 billion European Currency Units (ECU) (\$4.4 billion) from the E.C.'s Social Fund (ESF) to improve vocational training, create jobs in high unemployment areas, and modernize industry. Activities of the self-employed and developments of small and medium-sized enterprises will also be supported through the financial aid package.

The United Kingdom will receive the largest portion of aid (\$1.2 billion), with France, Italy, and Germany receiving \$1.05 billion, \$708.3 million, and \$693.7 million, respectively. Smaller nations are delegated more modest amounts: the Netherlands (\$278.5 million), Belgium (\$210.7 million), Denmark (\$119.9 million), and Luxembourg (\$8.5 million). Ireland, Portugal, Greece, and Spain will be allotted special aid designated for economically disadvantaged regions.

U.S.-E.C. RELATIONS

Relationship on Firmer Footing

As a result of Irish Prime Minister Charles Haughey's visit to Washington, President George Bush has committed himself to the closest ties the United States has ever had with the 12-nation bloc. To improve cooperation and consultation, Bush agreed to hold

twice-yearly summit meetings with the current E.C. President. Secretary of State James A. Baker III will also hold twice-yearly meetings with E.C. Foreign Ministers.

While in Washington, Haughey eased U.S. fears of the E.C. as a protectionist "Fortress Europe" and said the two sides have now put their political relationship on a much firmer footing. Haughey explained, "We are in fact building a broader bridge across the Atlantic."

Following talks with Haughey, Speaker of the House of Representatives Thomas Foley said, "On our part, we have been remiss in not seeking closer ties with what obviously was an enormously important political and economic institution."

Both Bush and Haughey support efforts to combat drug trafficking and the international movement of drug funds. They also agree that environmental issues including global climate change, depletion of the ozone layer, and endangered species need bilateral attention.

TRADE

Fragmented Stock Markets

The E.C. is losing outside investment because its stock markets are too fragmented, says E.C. Competition Commissioner Sir Leon Brittan. He says the E.C. has the most open banking market in the world, but it needs to lower barriers in the securities and insurance sectors.

At a business lunch in Dublin, Brittan asserted, "The European securities markets could easily compete with those of the United States or Japan, but for the time being they remain fragmented." Stressing the need for E.C. firms to stay competitive and flexible in global terms, he said, "The formulation of harmonized solvency rules for securities business is the most complex issue facing us in this sector."



A paper authorized by Commissioner Christophersen analyzes the implications of two scenarios for German monetary union.

EUROPEAN AFFAIRS

German Monetary Union

E.C. experts estimate what will happen under two separate scenarios of German monetary union in a recent paper prepared for Economic and Financial Affairs Commissioner Henning Christophersen called "Economic Implications of German Economic and Monetary Unification." In the first scenario, East and West German marks are exchanged at a one-for-one ratio; in the second scenario, the exchange is two East marks for one West mark.

Under a one-for-one swap, East German unemployment could skyrocket to an average of 15 percent in the first year because businesses are not competitive. West German economic growth could expand one percentage point per year, with E.C. growth expanding 0.5 percent. The West German mark would appreciate, causing interest rates to rise in response. Extra East German purchasing power could be absorbed by selling off state-owned companies and housing to

the public.

Under the more realistic two-for-one exchange scenario, unemployment would decline, but a jump in prices would accompany the decline.

With a one-for-one swap, West Germany will have to transfer 4 to 5 percent of its gross domestic product (GDP) to support East Germany, while a two-for-one swap will require an estimated 6 percent of West German GDP. E.C. Commissioner Martin Bangemann warns that West Germany will have to pick up 60 to 80 percent of the cost of German reunification with only limited help from the other 11 E.C. member states.

The E.C. will have to provide substantial amounts of aid whether East Germany remains independent or becomes part of West Germany. If it is independent, Brussels may have to contribute 2 billion ECU (\$2.4 billion) in aid; if it becomes part of West Germany, Brussels may only have to part with 1.15 billion ECU (\$1.4 billion) a year. Bangemann says West Germany must pay 25 percent of any E.C. contributions to restructure the East German economy and integrate it into the bloc.—Reuters

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Labour Force Sample Survey 1987. *Statistical Office, 1989, 241 pages.* Presents detailed results of a recent year's labor force survey conducted in the European Community. Contains tables showing statistics on the following topics: population and activity, employment, working time, unemployment and search for work. Topics such as employment population ratios by age groups and duration of search by unemployed job-seekers are

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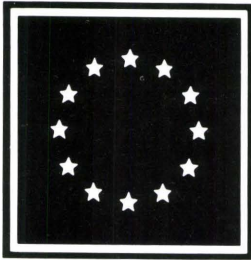
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