

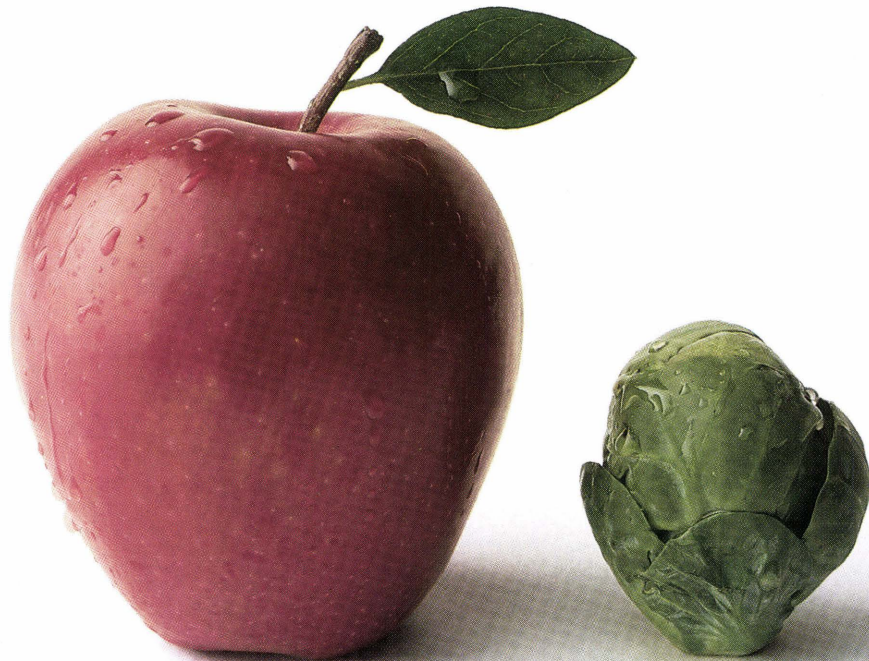
EUROPE

MAY 1990 • \$2.50

THE TOP TRADERS

*E.C., U.S., and Japan:
Major Players in World Trade*





*Announcing twice a day from here to there.
And beyond.*

Starting March 25, Sabena will offer two flights a day between the Big Apple and Brussels. Leave early, beat every flight from JFK to Europe and catch all connecting Sabena flights

to 82 destinations worldwide. Leave later and catch a full day in New York. Coming home, Sabena's new schedule allows you to make a late morning



Daily (except Wed.)	SN542		to		Lv 4:40 PM	Arr 6:00 AM
Airbus A310-300	SN541		to		Lv 11:15 AM	Arr 1:30 PM
Daily	SN548		to		Lv 8:25 PM	Arr 9:30 AM
Boeing 747	SN547		to		Lv 3:20 PM	Arr 5:10 PM

flight or make more of your last day in Brussels. Both flights land at JFK at off-peak hours. In time to go through customs without customary crowds. Who else but Sabena

would dream of doing as much? Now New Yorkers who love to be first can be the first to arrive in Brussels. *And from Brussels sprouts Europe.*

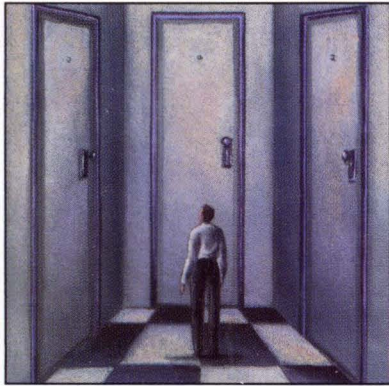


SABENA
WORLD AIRLINES
THE OFFICIAL AIRLINE OF THE COMMON MARKET CAPITAL

Sabena is a partner in Midway's "FlyersFirst" and the **OnePlus** frequent flyer programs.

EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY



KAREN STOLPER

15



21



SANDI AUMAN/E.C.

10

FEATURES

The Top Traders. The Uruguay Round is the glue that holds the world's huge trading triad together. *Keith M. Rockwell 6*

How Japan Is Changing. E.C. Ambassador to the U.S. Andreas van Agt talks candidly about the complexities of U.S.-E.C.-Japanese relations. *Interview 10*

Geneva Round to Uruguay Round. A brief history of the GATT and trade talks. *Barbara A. Fliess 13*

'Trade Warriors.' The E.C., U.S., and the Japanese have trade offices to advance their international economic goals. *Steve Dryden 15*

Still Discovering America. European business is busy investing in America—even more than the Japanese. *Peter Rashish 17*

Horst Krenzler Talks Trade. The E.C. attaches enormous importance to GATT and the Uruguay Round negotiations. *Staff Report 20*

The E.C.'s Chief Negotiator. Hugo Paemen fills us in on the current round of trade talks. *Interview 21*

Another 'Single Market.' ASEAN members are increasing their trade with the E.C. *Julian Weiss 23*

EUROPEAN AFFAIRS

Dublin Summit. German unification, political union, and trade matters are highlights of this special meeting. *Staff Report 26*

Moving Quickly. West Germany's Deputy Foreign Minister Irmgard Adam-Schwaetzer speaks out on unification and the E.C. *Staff Report 29*

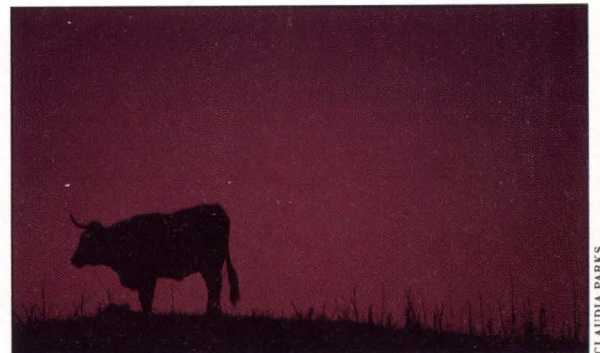
MEMBER STATE REPORT

The Spirit of Spain. Tripping through Andalusia shows you Spain in a new light. *Peter Greenberg 31*

Spain. The Socialists can oversee steady growth—if they can keep peace with the unions and work with their political opponents. *Ben Stocking 33*

DEPARTMENTS

- 4 European Scene
- 27 Update 1992
- 37 Book Review
- 38 Capitals
- 46 E.C. News
- 48 The Community Bookshelf



CLAUDIA PARKS

31

Letter From The Editor

THE E.C., THE UNITED STATES

and Japan represent roughly 58 percent of world trade and nearly two-thirds of global gross national product. These three "top traders" dominate the world trade scene, which *Europe* examines in this issue.

- Keith Rockwell looks behind the day-to-day headlines to see what is really happening with the world's top traders in the Uruguay world trade negotiations scheduled to conclude in Brussels in December. Agriculture and textiles are sectors where differences exist, yet "the triad partners find themselves in near-agreement on the objectives in most of the 15 Uruguay Round negotiating groups."

- Ambassador van Agt, the E.C. Ambassador to Japan before taking up his position as E.C. Ambassador to the United States, talks candidly about the differences on trade and cultural issues between the three trading entities. Van Agt has some very interesting observations on Japan's future economic might.

- Top E.C. trade officials present the E.C.'s views on the Uruguay Round. Hugo Paemen, the E.C.'s chief negotiator to the Uruguay Round, and Dr. Horst Krenzler, head of the directorate that handles trade issues, discuss the enormous importance the E.C. attaches to this round of trade talks.

- *Europe* presents a brief background of the GATT and the various trade negotiations that led up to the Uruguay Round.
- Steve Dryden compares the trade agencies of the United States, the E.C., and Japan. Dryden, who is writing a book on the American trade agency USTR, outlines the background, differences, and strengths of the USTR, the E.C.'s DG I, and Japan's MITI.

- Peter Rashish reports that European firms are still investing heavily in the United States—much more than their Japanese colleagues.

- And rounding out our special trade coverage, Julian Weiss highlights another single market developing in Southeast Asia (ASEAN) that is rapidly increasing its trade with the European Community.

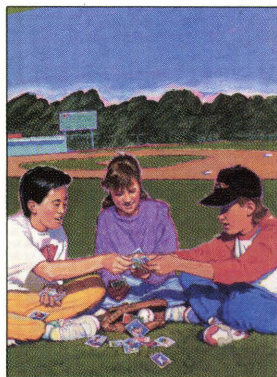
Europe gives an overview of German unification. West German Deputy Foreign Minister Irmgard Adam-Schwaetzer emphasizes Germany's continuing commitment to the E.C. and outlines the steps leading to unification.

This month's member state report looks at the recent political and economic events in Spain, the site of the upcoming 1992 Olympics. A travel piece about southern Spain sheds light on Spain's attractions for you.

I welcome and encourage your letters to the editor.

I welcome and encourage your letters to the editor.

I welcome and encourage your letters to the editor.



COVER: The E.C., the United States, and Japan dominate the world trade scene.

Illustration: Tom Foty

Robert J. Guttman

Robert J. Guttman
Editor-in-Chief

EUROPE

Publisher

Giancarlo Chevallard

Editor-in-Chief

Robert J. Guttman

General Manager

Anne Depigny

Managing Editor

Anke Middelmann

Acting Managing Editor

Lois M. Baron

Editorial Assistant

Giselle Fox-Little

Contributing Editors

Reginald Dale

Axel Krause

Richard Longworth

Editorial Interns

Mark Donnelly

Seth Elliott

Natasha Pinol

Margie Woodland

Design

Pensaré Design

...
EUROPE, Magazine of the European Community (ISSN 0191-4545), is published by the Delegation of the Commission of the European Communities, 2100 M Street, NW, Suite 700, Washington, DC 20037. © The Commission of the European Communities, 1990. The magazine encourages reproduction of its contents, but any such reproduction without permission is prohibited. EUROPE, published 10 times per year, is available by subscription for \$16.95 per year; \$29.90 per 2 years; \$39.90 per three years. Add \$10.00 to non-U.S. subscriptions for postage and handling. **Editorial, permissions, advertising and circulation offices:** 2100 M Street, NW, Suite 700, Washington, DC 20037; telephone (202) 862-9555; telex 64215 EURCOM UW. Available in microform from: UMI, 300 N. Zeeb Rd., Ann Arbor, MI 48106; (313) 761-4700. **Subscriber services:** 1-800-227-7585.

Second class postage paid at Washington, D.C.

Postmaster: Please send change of address forms to EUROPE, P.O. Box 995, Farmingdale, NY 11737-0001.

The magazine is a forum for discussion, and therefore its contents do not necessarily reflect the views of European Community institutions or of the member states.

GETTING READY FOR

1992

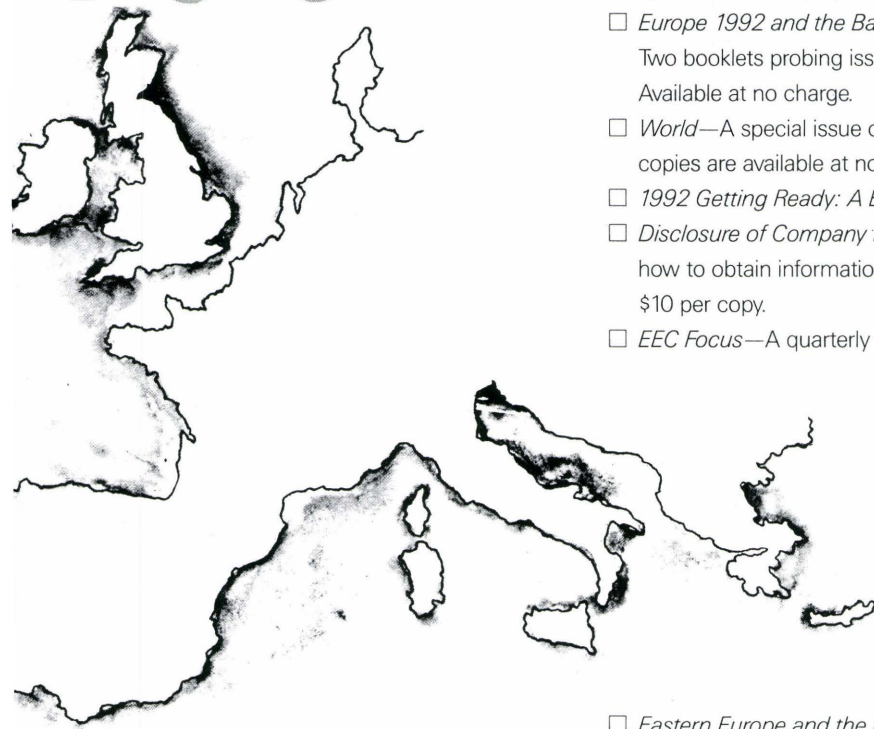
The December 31, 1992, target date for a single European market is less than three years away and companies that want to profit from the new EC are actively preparing for it now.

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.

As one of the largest accounting and consulting firms in the world, KPMG has a strong European presence. Through 165 offices located throughout the EC, more than 130 offices in the United States, and other offices worldwide, KPMG can help its clients to gain a competitive edge.

A number of Peat Marwick resource publications are available for companies looking to participate in the single market. To order, mail this coupon and a check for any publication fees, made payable to KPMG Peat Marwick, to: Europe/U.S.S.R. Center, Aidan St. P. Walsh, KPMG Peat Marwick, 767 Fifth Avenue, New York, NY 10153.

- 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.
- World*—A special issue of Peat Marwick's magazine devoted to EC 1992. Single copies are available at no charge; additional copies are \$2 each.
- 1992 Getting Ready: A Briefing for Tax Professionals*—Available at no charge.
- 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.



KPMG Peat Marwick
International Practice

In addition to providing publications, Peat Marwick can arrange to have a speaker familiar with 1992 and the developments taking place in Eastern Europe and the U.S.S.R. address your management or executive meetings. Contact the Center at the above address for information.

NAME _____
TITLE _____
COMPANY _____
TYPE OF INDUSTRY _____
ADDRESS _____
CITY, STATE, ZIP _____

EUROPEAN SCENE

'Sovietabilia' Craze Invades Europe

Communism is the new fashion rage in Europe.

Ironically, as communist symbols are evaporating in the East, "Sovietabilia" is flooding the West.

Soviet army watches, authentic and otherwise, are being sold in most of the Parisian department stores. Soviet jeans have invaded London and Paris, having been a hot item in Italy for several years.

The new trend is aimed at 15- to 25-year-olds, as many youths wish to reject the anticommunism of their parents.

As one Italian designer put it, "East is Hot." Never mind that the East is doing its best to imitate the West.

Harrods of London now offers the following in its youth department: Soviet soap (\$15 for two bars), Soviet bubble gum, stationery, shaving kits, Lenin T-shirts and buttons, Communist Party pins, and sunglasses.



Kicking Around

SOCCER excitement is making itself felt in Europe. Some tidbits from the sports world:

- Italy's team doctor, in addition to putting players on a strict regime that includes a lot of pasta during the three-week training camps, is discouraging players from smoking and from sex. Two 48-hour breaks will be permitted.

- Although Irish fans may be ecstatic that for the first time ever the Irish soccer team has qualified for the World Cup finals, businesses in Ireland are worried that too many workers will take time off to watch this summer's competition. The Dublin Chamber of Commerce is holding a special seminar to find ways of planning around the finals so Ireland's shops, offices, and factories aren't all empty during the World Cup.

- Even Pope Paul II, a well-known soccer fan and former goalie, will be at the World Cup. He will bless the stadium. He won't have a hometown team to root for, though; Poland didn't qualify for the finals.

They'd Rather Fight Than Switch

A French Government initiative to help people live longer is just making them mad. Public reaction has been hostile to a strong antismoking and antidrinking campaign in the land famous for robust, unfiltered cigarettes, and wine.

The French Parliament will vote this spring on legislation that would restrict tobacco advertisements and sponsorship,

raise cigarette prices 15 percent, and limit the advertising of alcoholic beverages.

Official figures showing that smoking causes one out of eight French deaths motivated the Government to launch the campaign. The move has been associated with a growing trend within the E.C., particularly in West Germany, Britain, and Italy, to increase health awareness.

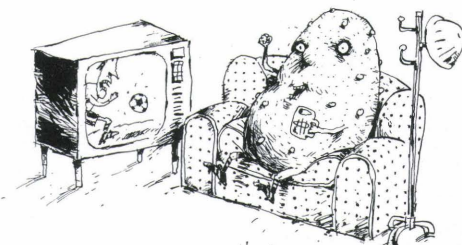
But what on earth will people do now in brasseries?

The Long and the Short of It

Just as acronyms have inundated the U.S. capital, they have also overtaken the E.C. in Brussels.

Inventive jargon is appearing at a faster rate than the E.C.'s 11,000 officials can adapt their vocabularies. Recently, a dictionary of acronyms was put together in an effort to eliminate confusion.

But still no acronym has been invented for the 75-page dictionary itself with the horrendously long title, Dictionary of Acronyms for European Community Action Plans and Programs. There has been, however, one humorous suggestion to call it the Commission's Reduction Acronym Plan.



JEM SULLIVAN

HOLY EGGPLANT

An Asian man in central England says his wife has found an eggplant with the name of Allah written inside. Since then, as many as 4,500 Moslems have flocked to his home to pay homage to the vegetable.

Zahid Kassam, 32, said his wife, Farida, bought the eggplant at a local market. When she cut it open, she discovered that the seeds formed the name of Allah in Arabic.

The local Leicester mosque has declared that eggplants are, in fact, holy objects.

SPECIAL OFFER

EUROPE

**For \$1.69 a month you can see EUROPE—the magazine
that is your passport to 1992.**

Don't enter the 1990s without all the facts you need about Europe and all "1992" facts and figures on business and trade issues. **EUROPE** is the single publication you need to read to know everything about the 1992 single market. Receive this *timely and up-to-the-minute information* at your office every month, and get in-depth perspectives on

- **1992:** All the facts and figures on the single market . . . How to conduct business in the new Europe without frontiers . . . The *key players* in business and government . . . The latest on *mergers and acquisitions and joint ventures* . . . American firms moving into the new European market to get ready for 1992 . . . New rules on procurement and standards . . . Information on telecommunications and technology . . . Recent steps toward economic and monetary union, and much, much more.

- **EASTERN EUROPE:** We keep you up to date with the rapidly changing developments sweeping through Eastern Europe. Timely letters from the East European capitals that put into perspective all the recent happenings, the new leaders, new economies, and new business ventures in these formerly closed markets.

- **GATT UPDATES:** Complete and in-depth information on all the current negotiations under the Uruguay Round.

- **U.S.-E.C. TRADE:** The latest on all aspects of U.S.-E.C. trade *plus information on E.C. trade* with the Pacific Rim countries, Japan, EFTA, and developing nations.

- **PROFILES:** In each issue, **EUROPE** features a different E.C. country . . . *Important interviews* with leading European and American business and government leaders . . . Views from prominent American politicians on European matters and from E.C. decision makers on their U.S. policies.

- **TRAVEL GUIDES:** Practical information for your next trip to Europe . . . Where to eat; where to shop; where to stay and places to visit. Helpful business hints for the business traveler, including information on trade fairs and other business events in the E.C. countries.

SUBSCRIBE NOW AND SAVE!

See **EUROPE** for \$1.69 a month—save nearly 50 percent off the newsstand price. Subscribe now for *only* \$16.95 and receive 10 *essential* issues per year, plus a fact-filled pamphlet about the European Community. Additional savings if you subscribe for two or three years.

\$16.95 for one year (10 issues) \$29.90 for 20 issues \$39.90 for 30 issues

(Non-U.S. subscriptions, add \$10.00 per year)

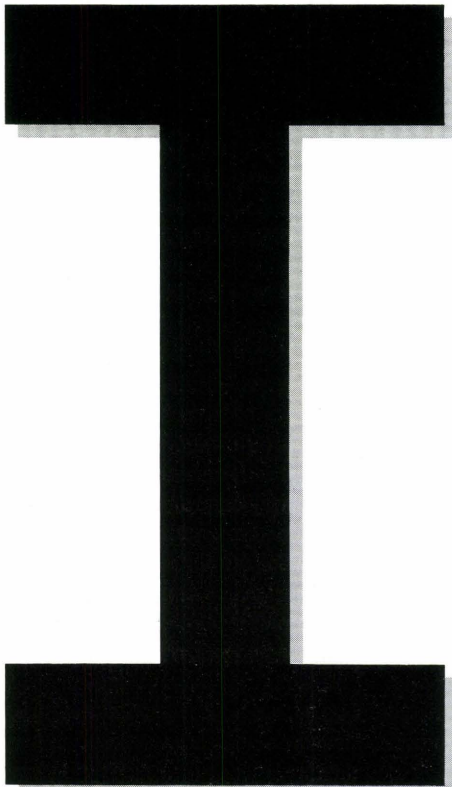
Name

Company/Institution

Address

Send order to Europe Magazine
2100 M St., N.W., 7th Floor, Washington, D.C. 20037

7051EU



IT IS NO OVERSTATEMENT TO SAY THAT IN TODAY'S WORLD TRADING arena, the E.C., the United States, and Japan dominate the stage.

Collectively, this great trading triad represents roughly 58 percent of world trade and nearly two-thirds of global gross national product. The level of imports and exports in all three regions has jumped markedly during the past 10 years, and by all accounts this expansion of trade has contributed mightily to a decade of mostly uninterrupted growth in these industrial nations.

Economists say if protectionist elements in Washington, Tokyo, and Brussels can be beaten back, there is every reason to believe such a pattern of growth will continue.

Why then are these three great economic powers committed to changing the rules of the trading game through the multilateral trade negotiations under way with the General Agreement on Tariffs and Trade (GATT)?

The TOP TRADERS

The Uruguay Round: The Glue That Holds the World's Huge Trading Triad Together

*Keith M.
Rockwell*

One reason is that GATT has greatly facilitated the remarkable expansion of world trade over the past 40 years. Seven previous GATT rounds—mostly devoted to tariff cutting—boosted world trade from roughly \$60 billion in 1948 (when the GATT was founded) to about \$3 trillion today.

There are a host of industry-specific trade issues on which the leaders of the triad disagree these days. One need only raise issues like agriculture, automobiles, computer software, or aviation products to provoke heated debate among Japanese, U.S., or E.C. trade negotiators.

Despite these differences over sectorial matters, however, the three parties have committed themselves fully to achieving success in

the Uruguay Round of GATT talks, scheduled to conclude in Brussels in December this year.

Frans Andriessen, E.C. Vice President and Commissioner for External Affairs, states decisively that nothing on the Community's agenda—including the goal of achieving a single market by year-end 1992—will divert Brussels's attention from gaining a successful trade accord.

Andriessen and many of his colleagues in the E.C. Commission, including Commission President Jacques Delors and Sir Leon Brittan, Commissioner for Competition Policy, believe this eighth GATT round is the best way to dampen down calls for more restrictive trade policies in the United States, Japan, and even inside the Community's borders.

U.S. Trade Representative Carla Hills agrees. Hills points out that nearly one-third of the \$3 trillion in goods and services traded around the world every year is not subject to multilateral trading rules.

"This GATT round represents a bold and ambitious undertaking. It is the last

tional Trade and Industry, believes that without a successful Uruguay Round, the world will lapse into an era of constrictive managed trade.

Remarkably, the triad partners find themselves in near-agreement on the objectives in most of the 15 Uruguay Round negotiating groups. However, one very important difference—over agriculture—could yet undermine any progress made in other areas.

On the need for liberalizing services and removing trade-related investment restrictions, the three generally concur.

In fact, Brussels and Washington submitted a joint proposal on services last month that lays out a framework for a final paper as well as a mechanism for including or exempting certain sectors from GATT rules.

The proposal would extend national treatment to banks, insurance companies,

from circumventing anti-dumping rules.

The E.C. and the United States are also linked by the politically difficult issue of textiles.

The textile lobby is strong in both Brussels and Washington, and producers in both the United States and the E.C. oppose the removal of imports from Asia and Latin America.

It is unlikely that the E.C. or the United States will back away from its commitment in the Punta del Este declaration—which launched the Uruguay Round in 1986—to bring textiles into the GATT framework. But political considerations will make it difficult for either Government to open its door to textile imports without a "transition" period to allow domestic companies to retool for the fierce competition that will come from lower-cost producers in the developing world.

The three giant trading areas share something else in common: They all have been targeted for criticism by the developing countries. The developing coun-



**The three parties
have committed
themselves fully to
achieving success
in the Uruguay
Round.**

ILLUSTRATION BY TOM FOTY

best chance this century to create the trading rules we will need in the next century," she says.

Trade in farm products, services, textiles, and tropical products all fall outside the scope of the GATT.

There are no firm multilateral rules for the protection of patents, copyrights, and trademarks. Likewise, no guidelines govern trade-related investment or "safeguards" that nations invoke to protect struggling industries from fairly traded imports.

Moreover, the rules of the GATT itself—particularly the organization's dispute-settlement mechanism—lack the muscle needed to keep the 97 member countries holding to free trade principles.

Makoto Kuroda, an adviser to the Japan Economic Foundation, a quasi-governmental organization, and former Vice Minister at Japan's Ministry for Interna-

law firms, and other service-related firms and would provide free market access—provided such access did not violate existing national regulations.

The proposal's goal is to gradually negotiate away those limited reservations that GATT member states choose to put into place.

General agreement also exists among the three parties on the question of foreign investment. Each supports the removal of restrictions on local equity holdings, repatriation of profits, and product mandate requirements.

Some disagreement remains on local content requirements. Japan and the United States actively oppose the practice while the Community maintains that its dumping policy—which levies duties on certain products unless at least 40 percent of the components are of E.C. origin—is needed to prevent companies

tries hold that Japan, the United States, and the Community have focused their energies on seeking liberalization in the new areas of investment, services, and intellectual property protection while neglecting negotiations of importance to the poor countries such as textiles, safeguards, tropical products, dumping, and subsidies.

"Developing country participants note with deep concern the current lack of balance in the negotiations, which stems from a failure by many developed-country participants to engage meaningfully in the traditional areas while at the same time pressing for cross-linkages to and far-reaching results in the new areas," said the informal group of developing countries in a statement.

Unfortunately, these common negotiating positions in the Uruguay Round have been all but overshadowed by funda-

E.C. Countries' Main Exports

BELGIUM

Transportation equipment
Raw and processed metals
Machinery and apparatus
Chemicals and pharmaceuticals
Precious stones and metals

DENMARK

Meat and meat preparations
Industrial machinery
Fish
Specialized machinery
Dairy products and eggs

FRANCE

Automobiles
Aeronautical equipment
Chemicals
Computer equipment
Processed metals

GERMANY

Motor vehicles
Machinery
Chemicals
Electro-technical equipment
Pharmaceuticals

GREECE

Petroleum and petroleum products
Textiles and apparel
Foodstuffs
Cement
Tobacco

IRELAND

Transportation equipment
Food and livestock
Chemicals
Manufactured goods
Raw materials and fuels

ITALY

Metal products and machinery
Textiles, leather, and clothing
Transportation equipment
Chemicals
Base metals

LUXEMBOURG

Base metals
Plastics and rubber products
Mechanical and electrical equipment
Textiles
Chemicals

NETHERLANDS

Machinery and transportation equipment
Chemicals
Agricultural products
Textiles
Manufactured goods

PORTUGAL

Clothing and footwear
Wood products, cork, and paper
Machinery
Textiles
Transportation equipment

SPAIN

Automobiles
Mechanical machinery
Steel products
Petroleum products
Electrical machinery

UNITED KINGDOM

Office machines
Road vehicles
Petroleum and petroleum products
Electrical machinery
Industrial machinery

TOP FIVE U.S. IMPORTS FROM THE E.C.

Machinery and transportation equipment
Manufactured goods
Chemicals
Mineral fuels and lubricants
Food and live animals

mental differences among the three partners in the area of agricultural trade.

The United States has pressed for improved market access, an end to export subsidies, and the gradual elimination of domestic support for farm production. Washington would like to see support ended in 10 years but says it is flexible on the time frame.

The United States believes import quotas on farm products should be scrapped in favor of tariffs that would gradually be reduced and ultimately eliminated.

The Community rejects this position, as does Japan, because it thinks such a system of "tariffication" could not stem the cyclical "crises" brought on by weather and market conditions that traditionally plague the farm sector.

Brussels has countered with its own proposal that would progressively reduce production payments and market support prices. The Community further proposes a system of "rebalancing" external levies so that some sectors currently without protection—such as soybeans—would be granted relief.

The Community applies restrictions in the import of chickens; the United States slaps import quotas on sugar and dairy products; and Japan's near-zero rice quotas represent perhaps the most restrictive agriculture policy in the world.

All of these policies result in higher food prices for consumers, but they also lend a degree of stability to farmers—a group with broad political power in each leg of the triad.

"We cannot afford to lose the vote of the rice farmers. It would be very easy [for the farmers] to make a stampede against the Liberal Democratic Party (LDP), and we cannot afford to risk this political danger," says Chikara Higashi, Japan's Vice Minister of Agriculture, Forestry, and Fisheries and Member of Parliament representing the ruling LDP.

These views are widely held in the E.C. and the United States as well. Elected officials in all three further worry that if Government support is halted, small farms will disappear, forever altering the countryside.

"According to economic rationale . . . rice should be imported from the United States at a lower price for consumers," Higashi says. "But that is only one side of the equation. If we dramatically reduce support for the rice industry, it would definitely damage local communities."

Leading E.C. Companies Doing Business in the U.S.

COMPANIES

Royal Dutch/Shell Group
 British Petroleum (BP)
 Institute for Industrial Reconstruction (IRI)
 Daimler-Benz
 Siemens
 Fiat
 Volkswagen
 Unilever
 N.V. Philips
 Renault
 National Hydrocarbons Inc. (ENI)
 BASF
 Bayer
 Elf Aquitaine
 Bavarian Motor Works (BMW)
 Hanson
 Michelin
 Petrofina
 Marks & Spencer
 Olivetti
 L'Oréal
 Heineken
 Hoechst

PRODUCT

Oil industry
 Oil industry
 Industrial planning
 Manufacture of vehicles
 Communication and information systems
 Automobiles
 Automobiles
 Consumer products
 Electrical and electronic products
 Automobiles
 Holding company for industrial products
 Consumer products
 Pharmaceuticals
 Hydrocarbons
 Automobiles
 Industrial management and manufacturing
 Holding company for rubber products
 Oil industry
 Retail
 Retail technology
 Beauty products
 Beer
 Pharmaceuticals

HEADQUARTERS

U.K./Netherlands
 U.K.
 Italy
 West Germany
 West Germany
 Italy
 West Germany
 U.K./Netherlands
 Netherlands
 France
 Italy
 West Germany
 West Germany
 France
 West Germany
 U.K.
 France
 Belgium
 U.K.
 Italy
 France
 Netherlands
 West Germany

Hills says she is sympathetic to German politicians, for example, who want to support "small, inefficient farms in Bavaria that dot the landscape."

But the U.S. position is that such funding must be "decoupled" from production and made as direct income support payments. Direct payments are less distortive to farm trade, says Hills, and would result in lower prices for European and Japanese consumers.

But the Community argues that such a system would be prohibitively expensive and rejects it as implausible.

With but six months remaining in the negotiations, resolution of the agriculture questions seems far from certain.

The midterm Uruguay Round meeting, held in Montreal in December 1988, ended in disarray when agricultural exporters from developing nations—including Argentina, Brazil, and Chile—said they would abandon support for the talks unless significant reforms were made in U.S. and E.C. farm policies.

These nations have been badly hurt by the subsidies war waged by the United States and the Community, and there is every reason to believe they will withhold support for the Uruguay Round unless a

**"It is the last best
 chance this cen-
 tury to create the
 trading rules we
 will need in the
 next century,"**

Hills says.

final text produces a dramatic scaling down of support.

And so politicians in both camps find themselves between a rock and a hard place.

Many U.S. farmers share the same concerns about the U.S. proposal as their European counterparts. They worry that without Government funding, the farmer will be cut from the lifeline that protects him from the cyclical hardships that come with the territory.

By the same token, failure to agree on reduced support would almost certainly doom the Uruguay Round to failure, dashing the hopes of businesspeople from New York to Nagoya to Nuremberg who want fewer restrictions on services and better protection for patents.

With so much in common and so much to lose, the three legs of the triad must now find common ground in the one GATT area that truly divides them. €

Keith M. Rockwell, who has just returned from Japan, is a Washington, D.C.-based correspondent with the *Journal of Commerce*. His article "Going Up Together" appeared in *Europe's* April 1990 issue. He is co-author of a new book entitled *One Europe: 1992 and Beyond. How to Prosper in the World's Largest Market*.

HOW JAPAN *Is* CHANGING

Ambassador van Agt Talks Candidly About the Complexities of U.S.-E.C.- Japanese Relations

E. C. AMBASSADOR TO THE UNITED STATES ANDREAS VAN Agt talks to *Europe* magazine about E.C., Japanese, and U.S. relations. Van Agt, a former Dutch Prime Minister, served as E.C. Ambassador to Japan before coming to the United States earlier this year. The United States, Japan, and the E.C. control almost two-thirds of the world's trade, yet trade relations between the three groups continue to be difficult. Do you have any suggestions on ways in which trade relations might be improved?

Quite a lot has already happened. Things are on the right track. Japan has been labeled for many, many years as an export-oriented country, and the best-known criticism leveled at Japan was that it was flooding world markets without opening its own markets to other countries' products and services. That doesn't hold any longer. First, since 1985-86, Japan has restructured its economy in a substantial, pervasive way so as to make it a domestic demand-oriented economy. That is what the Japanese economy is now. Most people overlook that basic fact.

Second, there are various indications that Japanese society is becoming more and more like ours [in the West]. It will never be a copy of ours, but the gaps between the Japanese type of society and ours are certainly narrowing, and narrowing rapidly. You see in Japan an emergence of consumerism, an outcry for better living conditions, an erosion of workaholicism. All these things will make Japan much more a country like the United States. We are a bit impatient. We want things to change overnight, which is not only unrealistic but even unreasonable. **What do you see as the causes of Japan-bashing in the United States and Europe? Is it based on trade or cultural differences?**

Both. Of course, the trade imbalances are serious. In fact, they are both huge and persistent. They were persistent until quite recently. Now things are changing. That is the root of the problem and where all the fuss began.

It is not only the trade imbalances. There is also an element of envy. Success breeds envy. There are even some who claim—I do not want to subscribe to this opinion right away but it is important to note—that there is even an element of racism to the criticism of Japan. The Japanese hint at that when they wonder aloud why their investments in the United States, though trailing those of the British and Canadians, are the only ones criticized. That's just one example. There is more to be said about misunderstanding another culture in a faraway country. We have big problems in

understanding, unfortunately.

One of the opinions deeply held in our countries—both in the United States and in the Western European countries—is that Japan is one great conspiracy. That is



PHOTOS BY SANDI AUMAN/E.C.

the idea behind "Japan Incorporated." Japan Incorporated is the notion that Japan is one great big conspiracy having just one simple, but lethal, target: to devastate other economies, to economically conquer the world, and to subject us all to economic colonization. That is a caricature. There is no such thing as Japan Incorporated. It doesn't exist.

One of the problems anyone living or working in Japan—I did it myself representing the E.C. Commission—has is that you often don't know where to go. Nobody is really in command. Reality in Japan is totally incompatible with the the-

ory of Japan Incorporated, where everyone is conspiring with everyone against the nasty world outside.

During the time you were Ambassador of the E.C. to Japan, did you find that relations were getting better between Japan and Europe and Japan and the United States? Or were they getting worse?

Of course we saw relations with the United States worsening because of the heating up of emotions, in particular, on Capitol Hill. The Americans became impatient with the stubborn trade deficits.

What about the E.C.-Japan relationship? Was it improving over the last years while I was in Japan? It's not easy to say. There has been some improvement for sure. The trade figures over the last years have become increasingly better, thanks to increases in European imports into Japan. But we still have a hefty trade deficit with Japan. And the climate in Europe has not really become forthcoming, welcoming, or very positive toward Japan.

Why do you think that's the case?

I think it's basically the same cultural biases. The Japanese are fully aware of that. They make great efforts to build cultural bridges to Europe. A couple of times the leaders of large Japanese companies came to my office to discuss this crucial question: "How can we become real European citizens? Tell us how to do it. We want to, but we don't know how. We don't know what you want us to do."

And, for example, one of the most famous companies in our world today was preparing for large investments in Europe and came up with concrete suggestions on how to create the image of being a true European corporate citizen. For example, one of the suggestions the company launched: "We are willing to set up a huge foundation for European cultural and social activities in Europe, like the Ford Foundation. We are ready to invest an awful lot of money into that." It shows their readiness to build bridges and to allay the negative feelings raging both in the United States and Europe. Much more could be done on our side, too. We take all the efforts made by the Japanese for granted.

One example is just part of the problem: language. They make great efforts to learn English, not always successfully, but they keep trying, by tens of thousands. When they come to Europe, many

even try to speak Spanish, French, German, or Italian. How many of our people make a serious effort to learn Japanese?

Yes, there are some, but the number is absolutely insufficient.

What are your thoughts on the American attitude toward Europe and Japan?

Clearly it is easier for Americans and Europeans to communicate than it is either for Americans or Europeans to communicate with the Japanese. Again, there is the language problem—a very serious one. But there is more to communicating than just speaking the same words. Identical words may have different meanings and connotations. There are many misunderstandings. The diversity between the two cultures that I referred to earlier is the most serious obstacle.

If we scrutinize our own attitudes, our own behavior, we would find that we simplify things. We want the Japanese to become more like us, and we think that something has to be done, that something is wrong inasmuch as they are still differ-

"You see an outcry for better living conditions, an erosion of workaholism."



ent from us. And that is a basic assumption worth discussing. Why should the Japanese have to become like we are? Are we really in every relevant respect superior? Are our societies in all respects better than theirs? By posing the question, one is almost answering it.

You've given talks in which you have said that the Japanese economic might won't last. What do you see happening?

My analysis is as follows: The Japanese economic might is to a large extent based on its capital surplus with which they can go abroad and yield power. And they do.

**"Japan is a sun
in the after-
noon. It is
early, but the
sun is going
down."**

Everyone would do the same. Now what is the future of these capital surpluses? The future looks rather gloomy. Look at the two main sources of their capital surpluses. One is the current account surplus, and the other is the savings rate. First, the current account surplus. That is mainly their trade surplus. The second component is invisibles. Together, they make up the current account. Now what are the prospects? The trade surpluses are plummeting. They were 30 percent lower in February 1990 than they were in February 1989. That is breathtaking. Perhaps the surplus will not keep going down that fast, but it will go down over the years more and more as Japan becomes more and more domestic demand-oriented and more a country of consumers, like we are.

Invisibles, well, that is less clear. But let us look at the figures reflecting Japanese tourism. Japanese tourists bring enormous amounts of money to the outside world. The conclusion is that the

masters. That mentality is eroding. There are now young people who are much more inclined to go after the sweets of life, who have been influenced—others would say contaminated—by television from abroad, by travels they have made. They have seen other societies, other cultures, people living in a completely different way and enjoying their life much more than the Japanese ever did. And they have been infected by that. That's one reason.

Second, why save? Let's enjoy life. Consumerism. Many, if not most, Japanese have just abandoned the illusion that they will ever be able to buy a house or build a house. Imagine, innumerable Japanese over the decades have been saving a great part of their lives to be able to have their own houses for their own families. As a result of the high real estate prices that now exist in Japan, people have lost their illusions and know they will never be able to afford to buy a house. So why save?

And there is a third reason for savings to decline. Japan is graying much more rapidly than other industrialized countries. That's the demographic factor.

The prospect of the population becoming aged before long means that the Japanese have to create and introduce all kinds of institutions and facilities in order to make an acceptable life for these elderly people. That requires huge investments.

The consequence of that is twofold: On the one hand, elderly people out of the production process do not save because they do not earn. The number of people participating in the saving process diminishes. On the other hand, Government authorities will find themselves drawing upon the savings much more than before. The money will be needed for domestic purposes—to build all these facilities and to introduce all these social security systems and allowances that are needed to make a decent living for the elderly. You have a double effect: less saving and much higher domestic consumption of savings.

Indisputably, Japan is a sun in the afternoon. It is still early in the afternoon, but the sun is going down to the horizon. €



current-account surplus is bound to disappear before long. It might be a matter of five, 10 years at most.

The other source of their wealth, and hence power: the savings rate. Japan is famous for its savings. There are various factors that lead to Japan reducing its savings. The Japanese proclivity for saving will disappear over time. Why is that? Just a few things. One is that a new generation is now appearing on the stage, a new generation that has another mentality. They are no longer the workaholics that suffer all of their lives for the benefit of the company, like samurai to their

Geneva Round to Uruguay Round

A Brief History of the GATT and Trade Talks

IT IS TEMPTING TO TAKE PROSPERITY AND INTERNATIONAL peace for granted. But having witnessed the Great Depression of the 1930s and World War II, the industrialized nations concluded that an international mechanism for guarding against economic nationalism and for reducing and regulating restrictions on trade had to be created.

This belief became embodied in the General Agreement on Tariffs and Trade (GATT), a legal and institutional framework consisting of agreed multilateral trade rules, procedures for trade liberalization, and a mechanism for dispute settlement. A small secretariat located in Geneva oversees its operation.

The GATT was established in 1947 when the United States and 22 other countries met in Geneva to cut tariff rates for industrial goods. Although similar tariff conferences were held in 1949, 1951, and 1956, the resulting tariff reductions were modest and primarily geared toward rebuilding the war-torn European economies.

In the two decades following World War II, the GATT was dominated by the U.S.-European relationship and the trade interests of industrial countries.

The foundation of the E.C. in 1957 provided the impetus for the Dillon and Kennedy Rounds.

The situation changed when North-South economic relations became an increasingly important issue in the 1960s. Constituting two-thirds of GATT's membership, developing countries demanded more consideration for their own economic development needs.

Such requests were acceptable to the industrialized countries at a time when most developing countries had not yet achieved a strong export position in man-

ufactured goods. Their exemption from the reciprocity rule for trade concessions, preferential treatment of some of their exports under the General System of Preferences (GSP), and greater latitude in restricting trade for development purposes rendered multilateral trade disciplines less uniform and less consistent than before.

The late 1960s and early 1970s witnessed a marked erosion of liberal trade practices throughout the industrial world. The impact of the E.C.'s Common Agricultural Policy (CAP), the U.S. balance-of-payments difficulties, the strength of the Japanese economy, and the rapid expansion of low-technology manufactured exports from developing countries all contributed to a strong protectionist backlash. To sustain weak domestic sectors—textiles and clothing, footwear, steel, and electrical manufactures—the United States and other Governments resorted to a variety of nontariff devices. These interventions in the market—import quotas, bilateral “voluntary” export restraints (VER's), orderly marketing ar-

GATT TRADE ROUNDS

1947	Geneva Round creating GATT
1949	Annecy Round
1950-51	Torkay Round
1955-56	Geneva Round
1960-61	Dillon Round
1964-67	Kennedy Round
1973-79	Tokyo Round
since 1986	Uruguay Round

rangements, including the Multifiber Arrangement (MFA)—threatened to undo the gains made from lowering tariffs and undermined the credibility of the GATT.

Such “gray-market” measures tend to be highly discriminatory and fall outside the normal sphere of GATT-sanctioned safeguard procedures. They also hit developing countries particularly hard.

In view of this climate, but also because GATT had no prior experience in regulating and reducing the different forms of nontariff barriers, considerable time elapsed before escalating trade conflicts between the United States, the E.C., and Japan and the collapse in 1971 of the Bretton Woods fixed exchange-rate system shocked the GATT into a concerted response.

In the 1970s, the Tokyo Round brought tariffs down further. The most important outcome of the trade round was the progress made on regulating nontariff barriers through various specific “codes.” Still, the negotiations were deemed only a qualified success. They failed to bring voluntary export constraints and other gray market measures under GATT surveillance.

Developing countries at the Tokyo Round unsuccessfully sought the elimination of the MFA and were left dissatisfied in their efforts to persuade GATT members to support their special needs. A framework agreement established a legal basis for their “special and differential” treatment, but also expected them to “graduate,” at some advanced stage of their economic development.

In the 1980s, slower economic growth in the United States and Europe, the contracting economies of indebted developing countries, and monetary disturbances made it difficult for Governments to resist protectionist pressures and heightened the global competition for new markets. In the GATT, the leveling of economic power among the United States, the E.C., and Japan, as well as more assertiveness on the part of developing countries, made it more difficult to achieve the broad political consensus necessary for a coordinated response. The need to accommodate the interests of more than 90 countries, and a common realization that multilateral talks might be better than no restraint whatsoever on the trade policies of one’s competitor,

helps explain the ambitious mandate for the Uruguay Round of trade negotiations.

Scheduled to conclude by the end of this year, these negotiations address problems that previous GATT rounds failed to solve, such as the liberalization of trade in agriculture and textiles and the strengthening of the safeguard mechanism. But they also seek to establish multilateral disciplines for trade in services, trade-related investment measures, and intellectual property rights. These issues had not been part of GATT’s work in the past.

The earliest push for new GATT talks came from the United States, which demanded that services, investment, and intellectual property receive top priority and also insisted on dramatic changes in European agricultural policies. But a consensus was difficult to achieve—even among the major industrial trading partners. Because of its own economic problems, the E.C. found that new GATT talks were premature. Developing countries opposed the inclusion of the “new areas” in GATT talks that they argued had yet to effectively deal with the restrictive policies in the goods sector that harmed their own export interests. There was also apprehension that subjecting these areas to multilateral disciplines would frustrate the countries’ aspirations for economic and technological advancement.

These disagreements seriously undermined the GATT’s credibility at a time when bilateral trade tensions were rising rapidly. A GATT ministerial meeting in 1982 almost collapsed before it was agreed that GATT should carry out a two-year working program that would at least study further liberalization of trade in goods and agriculture, as well as investment.

Despite its low-key approach, the GATT working program was the starting point for a cumbersome process of consensus building in the following years that eventually led to the Uruguay Round. For example, disagreements over GATT’s competence to deal with services, investment, and intellectual property rights persisted throughout this period, but all three issues were eventually made part of the GATT’s deliberations. Even then, some developing countries maintained that services should be negotiated separately and not as part of a future GATT round.

GATT members agreed in late 1985 to set up a formal preparatory committee to hammer out a framework for the formal negotiations that a GATT ministerial meeting in Punta del Este, Uruguay, launched one year later.

Although by early 1986 this process seemed irreversible, the negotiating mandate was far from settled. Even at Punta del Este, it was uncertain whether the United States and the E.C. would agree on the goals of the agriculture talks. An escalating U.S.-E.C. export subsidies war in this sector caused so much concern among other exporting countries that they formed the so-called Cairns Group to jointly attack the U.S. and E.C. policies.

The other contentious issue remained whether a dwindling number of developing countries would accept the inclusion of services. These outstanding issues were resolved through compromise language that each side could interpret as sustaining its position.

Since Punta del Este, preliminary agreements have been concluded in several areas, notably on the strengthening of the dispute settlement procedures and tariff cuts for tropical products. There has been a greater willingness of GATT members to refrain from new protection and to resort to GATT procedures for resolving bilateral conflicts.

With respect to the GATT talks themselves, a stalemate in one of the key areas could unravel the entire negotiating exercise. A sticking point could be agriculture, where a U.S.-E.C. deadlock persists, or textiles, which is high on the agenda of many developing countries. Furthermore, even if a successful Uruguay Round brings many of the problems and strains of recent years under multilateral management, not all trade problems will be resolved. The talks do not address nor will they resolve global trade imbalances and their underlying macroeconomic causes. To maximize the benefits from the Uruguay Round, this issue will need to be tackled—and, many hope, in more comprehensive ways than through trade policy. ❧

Barbara A. Fliess is a Visiting Fellow at the Johns Hopkins School for Advanced International Studies and a freelance writer specializing in trade issues.

*DG I, USTR, and MITI
Advance E.C., U.S., and
Japanese Trade Goals*

'Trade Warriors'

THE WORLD'S THREE LARGEST ECONOMIC entities—the United States, the E.C., and Japan—have unique means of advancing their foreign trade interests. If you would like to know what lies behind the international economic fortunes of the three, some would say, a good place to start would be their “trade warriors.”

Only Japan has a single governmental body that pursues a comprehensive strategy combining industrial development and trade. Admirers of the Japanese system often argue that the Ministry of International Trade and Industry (MITI) is in large part responsible for Japan's stunning economic strength. But despite the recognized virtues of the Japanese model, it is unlikely the United States or the E.C. will adopt such an approach in the near future.

In Washington, the Office of the U.S. Trade Representative (USTR) dominates the formulation and negotiation of trade policy. Even this narrowly defined mission has been hard won. USTR, which occupies a handsome 19th-century building two blocks from the White House, is one of the Government's strangest creatures. Formally part of the executive branch, the agency is nevertheless regarded by Congress as its own. USTR was set up by President John F. Kennedy in 1962 in response to congressional fears that the State Department, which then represented the United States in international trade talks, would not fully protect American business interests in the upcoming negotiations under the General Agreement on Tariffs and Trade (GATT). Kennedy had proposed that the GATT take the unprecedented step of slashing tariffs

by 50 percent across the board, a prospect that worried Congress even though the United States still enjoyed global economic supremacy.

Kennedy moved to reassure the State Department and send a friendly signal to U.S. trading partners by choosing as the first Trade Representative Christian A. Herter, who had served as Secretary of State under Dwight D. Eisenhower after John Foster Dulles died in 1959. Herter was the archetypal Atlanticist (he was born in Paris, in fact, the son of expatriate American artists), who, as a member of Congress in the late 1940s, had played a key role in securing congressional approval of the Marshall Plan.

In his announcement of Herter's selection, Kennedy sketched the outline of

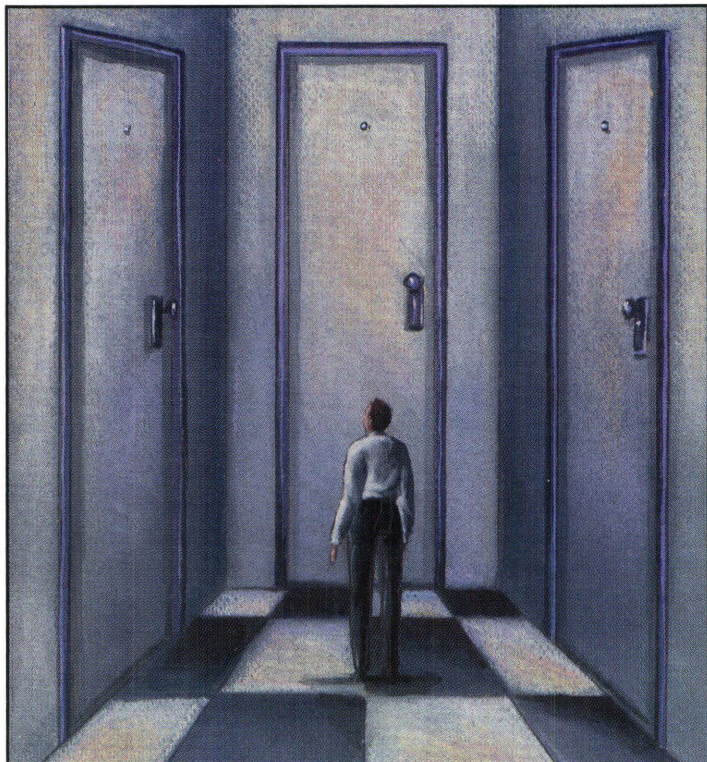


ILLUSTRATION BY KAREN STOLPER

STEVE DRYDEN

what seemed to be a powerful Cabinet position rather than a modest addition to his executive branch staff. The Trade Representative's responsibilities would extend "beyond the immediate particulars of negotiations on tariff and trade matters," giving the individual a "central role in the formulation of trade policy," Kennedy said. The Trade Representative would become, "along with the Secretaries of State and Commerce, one of the top policy officials of the United States Government," he added.

That was a bit of Kennedy overstatement. Herter did wield some influence by virtue of his distinguished career, and he helped push the GATT round along until his untimely death in December 1966, six months before the successful end of the negotiations. But after the conclusion of the talks, the Trade Representative's office, and its handful of staffers, faded into the background of the Washington bureaucratic scene. The office had to fight off two serious challenges to its autonomy during the Nixon Administration; first, from Commerce Secretary Maurice Stans, then from the White House staff. Congress finally came to the rescue in 1974 and gave the Trade Representative Cabinet rank and permanent legal status within the executive branch.

It was under former Democratic Party chairman Robert Strauss, who served as Jimmy Carter's Trade Representative, that the position achieved national prominence and authority in the capital. Strauss worked out several trade agreements with the Japanese and helped conclude the Tokyo Round GATT negotiations. Despite the advent of what one analyst called its "days of glory," the Trade Representative's office again found itself under challenge during the Reagan years. USTR almost was swallowed up by the Commerce Department during President Ronald Reagan's first term as part of a plan to create a MITI-like Department of International Trade and Industry. The plan eventually died because of congressional opposition, and USTR's status now seems secure under the current Trade Representative, Carla Hills. With a staff of about 140, USTR has the élan of an elite unit and usually recruits the best talent from other Cabinet agencies and the private sector.

But USTR's mandate remains limited.

Trade promotion, export financing, industrial research and development, and other aspects of international economic development remain scattered throughout the rest of the bureaucracy, reflecting the traditional American suspicion of Government direction of the economy.

MITI has its own complicated bureaucratic history, complete with infighting and power grabs, but it has essentially existed in its present form since 1949, and its power is credited by admirers with

*In the E.C., . . . the nurturing
of important economic sectors is
split among the member states,
companies, and the
Community.*

pushing Japanese corporations to global leadership. The agency not only conducts trade negotiations, but also has provided the guidance and financial support necessary to build the steel, consumer electronics, and semiconductor industries, to name a few. Among its other responsibilities are the control of manufacturing standards and the licensing of Japanese technology. MITI has less formal power today than it did in the early postwar period, when it controlled foreign exchange and other key levers of the economy, but it remains a formidable agency, according to former Commerce Department trade official Clyde Prestowitz. Prestowitz is particularly impressed with the MITI officials he dealt with in trade negotiations. They are steeped in knowledge of the industrial sectors under negotiation and represent the cream of Japanese society, which still values work in the Government bureaucracy as an honorable profession. "They are among the most capable in the world, both individually and as a class," Prestowitz writes in his book *Trading Places*.

Other observers question MITI's overarching significance. "Subsidies, together with other features of industrial policy, doubtless have helped to give some Japanese industries a competitive edge not

otherwise attainable," says Philip Trezise, a senior fellow at the Brookings Institution. But, he adds, "this is a much overdrawn matter. An overwhelming share of public subsidies goes to agriculture, followed, now that the money-draining national railways have been privatized, by energy and small businesses."

In the E.C., Japanese-style "industrial policy"—the nurturing of important economic sectors—is split among the member states, companies, and the Community. The Commission, the E.C.'s administrative body, funds some ambitious high-tech projects, but its principal role is one of regulator. It decides, for example, what kind of state financial assistance to industry is permissible under Community rules and whether company activities violate E.C. antitrust policy.

Within the External Relations Directorate General of the Commission (DG I), the E.C. does have its own professional class of civil servants who conduct trade negotiations. While Commission officials possess negotiating authority, the member states must approve any agreement the officials conclude. In the past, some E.C. members, such as West Germany and the Netherlands, have forced the Commission to take a less hard-line negotiating position when they believed the Commission's stance might lead to a trade war that would jeopardize their access to foreign markets. And although trade negotiations are to be conducted by Washington and Brussels, U.S. trade officials and their counterparts in the member states inevitably are in contact when trade conflicts heat up, undercutting the Commission's authority.

Commission officials stress that the limited scope of their trade negotiating powers constrains their effectiveness in dealing with major competitors such as the United States. The Community's move toward greater economic and political unity is no doubt strengthening the Commission's powers. But the transfer of complete sovereignty to Brussels will be an act almost as tricky as engineering an industrial policy in the United States. €

Steve Dryden is a Washington, D.C.-based journalist who has written for *Business Week*, the *International Herald Tribune*, and the *Washington Post*. His most recent article for *Europe* dealt with mutual funds. He is writing a book on the Special Trade Representative's office.

Still Discovering America

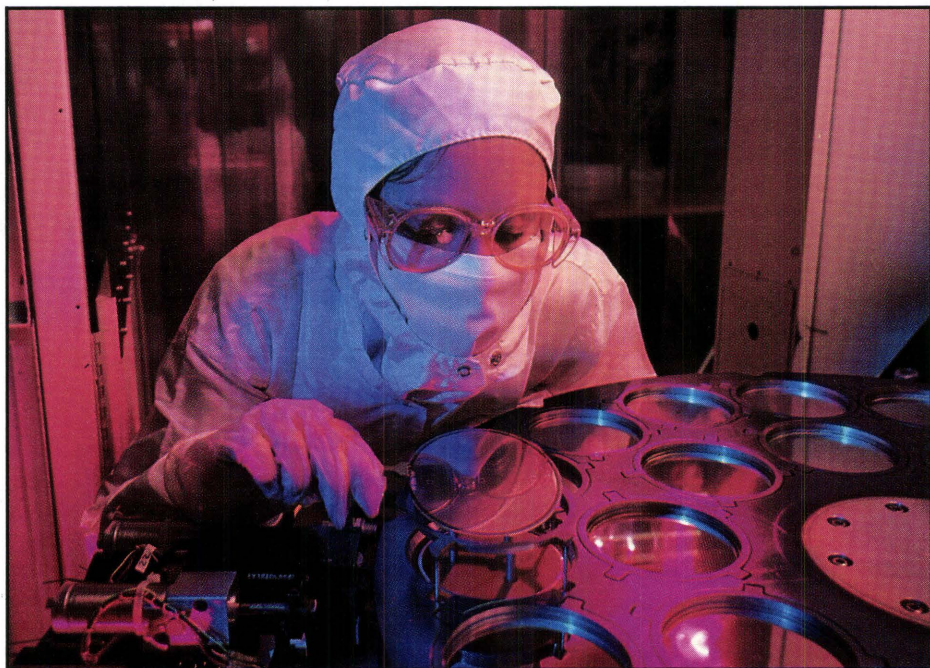
European Business Is Making Itself at Home in the U.S.

WITH ALL THE UPROAR GENERATED LAST year when the Japanese conglomerate Mitsubishi purchased Rockefeller Center, it is often forgotten that it is not the Japanese but the British who are the number one investors in the United States.

While it generated less brouhaha, a good case in point was the acquisition of another famous—some would say infamous—American landmark, the Watergate, by the British hotel and leisure firm Trusthouse Forte. What is remarkable about this deal is not that another 20th-century American architectural monument has passed into foreign hands. Most telling is that this (Italian-designed) office/hotel/residential complex was not only bought by a non-U.S. company, but also was *sold* by British interests. European business is making itself at home in the United States.

The figures speak for themselves. While Japanese direct investment in the United States totaled \$66.1 billion at the end of 1989, the investments of the big four European investors—Britain, the Netherlands, West Germany, and France—came to \$222.5 billion. Despite the vast difference in the size of their two economies, the Dutch, in the number three spot, trail the Japanese by only \$10 billion. Another surprise is that the Japanese are not even the fastest growing investors in the United States. That prize goes to the French, who increased their assets in the United States by 50 percent over the past year, reaching \$17.1 billion.

The enthusiasm with which businesses from E.C. member states regard the American market should help to quell some of the breast-beating that has been reported lately in the U.S. press. The flip side of the “Europhoria” generated by the E.C.’s 1992 single market plan and



NORTH AMERICAN PHILIPS CORP.

Signetics and N.V. Philips together form one of the world's largest semiconductor organizations.

the democratization of Eastern Europe has been a mood of self-doubt in the United States. Americans seem to be asking themselves not only what their future world role will be, but whether their economy can withstand the dual challenges posed by Japan and a resurgent Europe. The British magazine the *Economist*, depicting a limping Uncle Sam on its cover last February, chose to remind the United States in the lead editorial that “Yes, you are the superpower.”

PETER RASHISH

Interview

*Gerrit Jeelof is vice president of N.V. Philips and chairman of the North American Philips Corporation. Peter Rashish interviewed Mr. Jeelof for **Europe** magazine.*

What are the advantages of investing in the United States in high-technology areas like high-definition television (HDTV) and semiconductors? In particular, what are the goals of the HDTV linkup with nbc? To what extent is this a response to Japanese competition?

The nature of global competition in the electronics industry is such that large-scale markets are needed to absorb production and provide fast payback on enormous investment costs. Huge R&D expenditures, shorter product lifecycles, and consequently shorter development periods in high-tech areas like HDTV and semiconductors demand that Philips invest in the world's major markets—the United States, Europe, and the Far East—to remain globally competitive in these technologies.

Moreover, Philips considers it of utmost importance to maintain its strong position in HDTV and semiconductors because of its close interlinkage to professional products and systems.

Our venture with nbc/Sarnoff represents the joining together of two of the leading research centers for video technology and without doubt will pose a formidable challenge to the Japanese. Companies from Japan now control the development and production of consumer electronics in the United States and lead the world in a number of related products. The United States needs desperately to get into the emerging HDTV business if it is to survive the growing electronics onslaught of Japan. HDTV will create large numbers of jobs and technological momentum that will spill over into other areas of the economy and will help restore America's competitiveness. HDTV is more than just a TV enhancement. It is important to the future of the U.S. electronics industry and

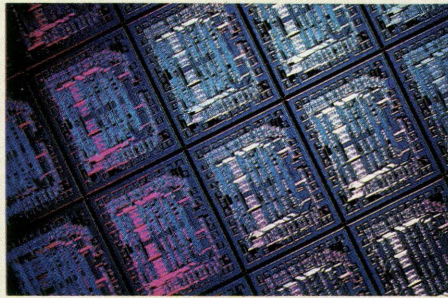
has the capability to affect personal computers, telecommunications, education, medical systems, and a host of other electronics applications.

Will the arrival of a deregulated, U.S.-style E.C. market in 1992 make the United States relatively less attractive as an investment destination, leading Philips to concentrate on its home base?

Philips's global strategy calls for continuing growth and investment in all three of the major industrial regions of the world [Europe, the United States, and the Far East]. While Philips has been a major proponent of the 1992 European integration program and has specific plans in place to benefit from the eventual removal of trade barriers within the common market, this does not mean that the United States will become less attractive for Philips. Philips has been

active in the United States for close to 60 years. Our operations there generate \$6.2 billion in sales annually, and we employ approximately 50,000 Americans in the contiguous United States, more than the top 10 Japanese electronics companies combined. In the United States we maintain assets of \$3.9 billion and net capital investments of \$1.2 billion. Our total manufacturing, sales, and warehousing facilities in the United States comprise 26 million square feet coast-to-coast, and we are one of the nation's top 50 exporters.

Currently, Philips's U.S. revenues represent more than 20 percent of its worldwide total, and we expect this figure to continue to grow. Fully 40 percent of the world's markets for Philips products are represented in the United States.



Huge R&D expenditures, shorter product lifecycles, and consequently shorter development periods demand that Philips invest in the world's major markets—the United States, Europe, and the Far East—to remain competitive in high-technology areas.

Part of America's grumbling about its future economic prospects stems from the perception that after 1992 the United States could lose some of its unique commercial advantages. The single market plan will turn the E.C. into the sort of big, deregulated economy that has until now allowed the United States to make an unrivaled pitch for the attention of international business. Looking to the future, Robert J. Gladwell, director and founding chairman of the British-American Business Association, thinks that "if the E.C. does become a free market, it will have a significant impact on the United States. European businessmen could begin to look inwardly rather than outwardly." This will be all the more likely if certain conditions currently leading European investors to look in the direction of the U.S. market—like the favorable dollar exchange rate for most E.C. currencies—no longer hold.

The 1992 program and the changes in Eastern Europe will undeniably mean greater business opportunities close to home, but for the moment the United States offers advantages that the European market only promises at a later date. Pointing to the long history of European commercial involvement in the New World, Christopher Nicholson, a senior manager with the accounting firm of Deloitte Touche, observes that "it's much more interesting talking about something new—like 1992 and Eastern Europe—than something that's been going on for hundreds of years." While positive about the effects of the single market plan, he cautions that "even if all borders came down, if people in Maryland spoke French and people in Virginia spoke German, it would take several years for business contacts to be developed between them."

Most of Europe's business leaders are of the opinion that the American economy will continue to have its attractions, 1992 and the Pacific Rim notwithstanding. Gerrit Jeelof, vice chairman of Philips, the Dutch electronics giant and head of its U.S. operations, believes that "the U.S. market, with its 250 million consumers, strong affinity for new products, uniform currency and language, as well as other dynamic market features, will continue to make it extremely compelling for many years to come." In an area like consumer

electronics, Philips's specialty, 40 percent of the world market is located on American shores.

European corporation executives stress that in today's global and interdependent economy, a major presence in each of the three big markets—Asia/Pacific, Europe, and North America—is essential. "Without a world presence, companies can't finance the increasingly costly research and development efforts necessary for long-term competitive-

Growing European investment should [remind us that] commercial traffic across the Atlantic is not a one-way street.

ness," says Jean-Marc Dublanc, the U.S. director of corporate financing at Rhone-Poulenc, which recently merged with the U.S. pharmaceutical firm Rorer. This pairing followed last year's linkup between the British drug company Beecham and the American firm of SmithKline Beckman.

Other major deals underline the strengthening of trans-Atlantic commercial bonds. Daimler-Benz, the West German automobile firm that has branched out into aerospace with its acquisition of MBB and Dornier last year, made the news when it announced its new links with Mitsubishi to cooperate in aircraft production. Not long after, though, Daimler and the Connecticut-based United Technologies Corp. revealed their own plan to build jet engines together. This was not the first such teaming: General Electric and France's Snecma have been producing aircraft engines for several years in their joint venture called CFM International.

Investing in the United States is clearly popular with European firms, but how does it sit with the Americans themselves? In their book *Buying Into America*, Susan and Martin Tolchin ask, "Can America continue to sell off its financial resources, as it is selling off its natural resources, to investors who may not have the country's interests at heart in the long run?"

On the other hand, given the interna-

tional character of today's major firms, is it still meaningful to talk of a company's heritage as American or European? Just as Ford and IBM are perceived as "local" firms in most E.C. countries, the U.S. operations of several European firms have taken on an increasingly home-grown quality.

Professor Robert Reich of Harvard argued in an essay in a recent issue of the *Harvard Business Review* that what counts for the competitiveness of the U.S. economy is not the nationality of a given firm, but whether that company, American or foreign, trains American workers and contributes to technological innovation. He told *Europe* that "European portfolio investment is undoubtedly good for the United States since it needs to attract global savings. Direct investment is a double plus, because it increases U.S. labor's productivity and adds value to the U.S. economy."

D. Joseph Donahue, senior vice president for Thomson Consumer Electronics, the French multinational's U.S. arm, says his firm is "betting on America" and thinks that talk about foreign versus domestic ownership misses the point. Thomson purchased the consumer electronics business of General Electric and RCA, making it the leading manufacturer of televisions in the United States. Thomson and Philips, the number two TV producer in the United States, have just established a joint venture with NBC to research and develop a high-definition television (HDTV) system. In Donahue's view, "coordinated industry actions on advanced television and HDTV are vital to maintaining competitiveness in the United States and supporting the consumer." With Zenith the lone U.S.-owned television maker, the United States might have no choice but to look to foreign-owned firms to develop new technologies like HDTV.

Growing European investment in the U.S. economy should serve as a reminder that, despite all the fanfare surrounding 1992, the commercial traffic across the Atlantic is not a one-way street. After all, that very date also marks the 500th anniversary of the European discovery of America—a tradition that Europe's businesses are carrying on to this day. €

Peter Rashish, a Washington, D.C.-based writer and consultant, is a contributing editor to *Europe*.

*E.C. Attaches Enormous
Importance to the Uruguay
Round Negotiations*

Horst Krenzler Talks Trade

THE URUGUAY ROUND IS A KEY ELEMENT IN strengthening world economic order," says Dr. Horst Günter Krenzler, Director General for External Relations in the E.C. Commission.

Krenzler says that when the E.C. hosts the final conference of the Uruguay Round in Brussels in December, negotiators will seek to strengthen the rules of the General Agreement on Tariffs and Trade (GATT) so that unilateral action is no longer possible and to establish multilateral disciplines for services, trade-related investment measures, and intellectual property rights.

"The problem of the progressive and substantial reduction of support and protection in agriculture will also be addressed," he says. "The interest of the developing countries is focused on a better access [for] textiles to the market of industrial countries for which strengthened disciplines and market opening in developing countries is seen as a prerequisite. Difficult negotiations are looming ahead."

"We are attaching enormous importance to the GATT system," Krenzler says.

"The Uruguay Round gains additional importance in the context of the new development of East-West relations," he adds. As a result of the rapid changes in Eastern Europe, Krenzler says the GATT will need to expand its role. "The new task will be to integrate these countries in the world trading system.

"The Soviet Union has asked for observership to the GATT. We have reacted positively to this request." Krenzler thinks this step is necessary for the Soviet Union to understand how the international trading system works

"The role of the GATT becomes more important also because of the necessary integration of the developing countries

into the world trading system."

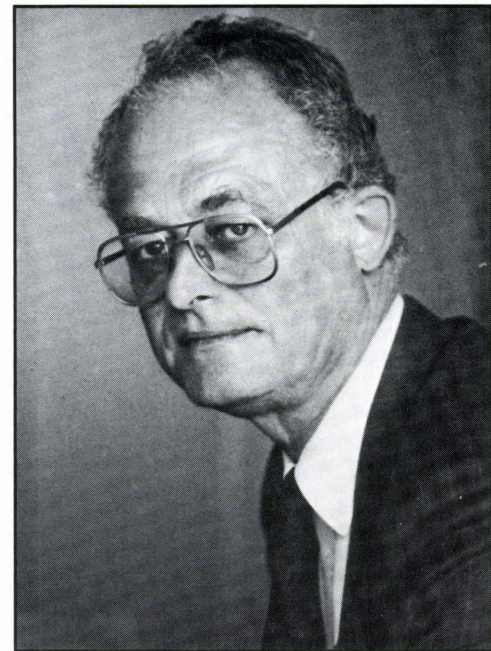
Krenzler says the E.C. is ready to look for settlements and compromises in the upcoming Uruguay Round. "I think we are reasonably on course, but a lot of questions remain open. We are condemned to success. Therefore, I see no dramatic crisis in the immediate future."

Krenzler explains that the E.C.'s policy for the Central and Eastern European countries is twofold. First, the E.C. is coordinating the efforts of 24 industrialized nations (known as the G-24) as they work toward the economic recovery of the Eastern European countries by facilitating market access in the markets of the 24, facilitating investment in Central and Eastern Europe, improving vocational training, and assisting in cleaning up the environment.

"Thus, all partners of the 24 have opened up their markets. The Community in particular now grants the system of generalized preferences to Hungary and Poland and, perhaps tomorrow, to other countries when the G-24 assistance will be enlarged to Czechoslovakia, East Germany, Bulgaria, and Romania."

Krenzler says that although the East-West question is very important to the E.C., it "should not distract our interest and our emphasis on the Uruguay Round."

Another E.C. concern, according to Krenzler, is that the Japanese market presents structural difficulties. He says that neither the Community nor the United States understands these difficulties, and therefore they need to be discussed with Japan. "We don't believe, as



The GATT system gains additional importance in the context of new East-West relations, says Horst Krenzler.

in other cases, that this discussion should be conducted under threat of unilateral action, but we are interested in having the Japanese markets become more open and more accessible for goods of the European Community." €

When Horst Krenzler joined the Commission in 1965, he dealt with the first enlargement of the Community and association agreements with European countries, with particular emphasis on the Mediterranean area. Later he assumed special responsibilities for external relations and external trade for the European Community. He was Deputy Secretary General of the Commission before becoming Director General of External Relations.

Krenzler spoke with *Europe's* editor-in-chief Robert J. Guttman when Krenzler was in Washington, D.C., last month. Margie Woodland assisted in writing this article.

Uruguay Round Negotiations

Hugo Paemen on the Current Round of Trade Talks

HUGO PAEMEN, THE E.C.'S CHIEF NEGOTIATOR on the Uruguay Round, spoke with Europe's Editor-in-Chief Robert Guttman about the current trade negotiations, the General Agreement on Tariffs and Trade, U.S.-E.C. trade, opening Japanese markets, and other trade matters.

Could you give an update on where the Uruguay Round stands?

We have started the last stretch of the negotiations. Participants had to submit all proposals before the end of last year, and now everybody is studying this [material] very carefully, and real negotiations are beginning. In different sectors there have been different degrees of progress made. There is now enough on the table to enable a substantive agreement to be reached that any country should be able to defend before its constituency. In other words, the elements are there for a balanced substantial agreement to be reached at the end of this year in Brussels.

People have been saying that, preoccupied with 1992 and Eastern Europe, the E.C. is not giving the Uruguay Round top priority. Is it still a top priority issue?

The conclusions of a recent Council of Ministers meeting particularly stressed that the Uruguay Round remains a top priority for the Community. We have always said in the clearest terms that the Uruguay Round and 1992 are two complementary exercises.

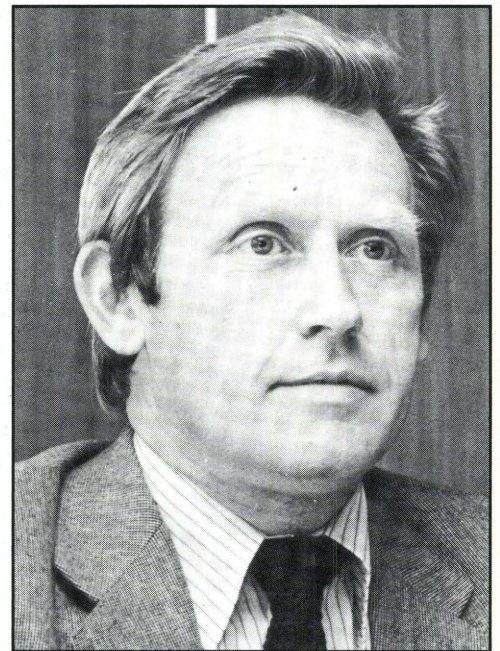
1992 is liberalization and deregulation exercised internally, just as the Uruguay Round is a deregulation exercise worldwide. Both of them start from the same concept and from the same philosophy with respect to international economic relations.

As far as Eastern Europe is concerned, it would be somewhat contradictory that, at the very moment that these countries have discovered the virtues of the multilateral and market trading system, which [the General Agreement on Tariffs and Trade] GATT incarnates, we in the Community would simultaneously decide it is no longer a priority for us.

On the contrary, recent developments in Eastern Europe give us more reason to make progress in our European integration process. They are also a reason for us to make progress in the Uruguay Round.

What new areas and sectors are being discussed in the Uruguay Round?

The so-called new sectors are services, intellectual property, and trade-related investment measures. These are areas where we think the Uruguay Round constitutes a revolutionary step forward because never before have these issues been negotiated in a multilateral framework worldwide. We know what the importance of services is in our economies; for certain of our economies they constitute more than 65 percent of total economic activity. We know the importance of services in our [gross national product] GNP, and the growing importance they have on international economic relations. It is high time, of course, that we brought them up into the GATT, and that is what is going to happen.



"The Uruguay Round and 1992 are complementary."

The same is true for problems like intellectual property. With the growing interdependence and integration of world production processes, problems like intellectual property protection become more and more important. It is high time that we deal with these issues in a multilateral context, which of course is not an easy process because this is the first time that such an exercise has been undertaken. We have to develop the expertise, and we have to develop the processes and the procedures to do this. That's what we have been doing up to now. I think we are now ready to go into the real negotiations.

What do you think will finally come out of the services field?

We think in any case that there will be a kind of general framework that will cover the whole services sector, just as we have a general agreement for the goods sector. The GATT agreement is a fairly general agreement that does not go into sectorial details. It covers the whole area of goods. We would expect to have a comparable text for the services sector.

Are there going to be any new developments in agriculture?

There is certainly the potential to come to an agreement in agriculture, but one has to be realistic in what can be done. The limits in the United States and the E.C. are as real in one as in the other. We should not go for the sky because we know very well that this is not going to be reached. If we are ready to be pragmatic in the spirit of what the GATT has always done—[taking] the step-by-step approach—an agreement is possible. We have made a lot of efforts internally in our agricultural policy in the Community. We are ready to have this [effort] reflected in the international scene. We are ready to consider, with the United States and with all the other countries, what can be done to make substantial progress in reducing protection and support. It's clear that the support has been too heavy, that it has become a large burden on our budgets. We simply can't afford to go on as we have been doing for some time.

There are complaints about Japanese unfair trade practices. Is GATT going to remedy any of this and open the Japanese markets?

We have to be very careful that we don't try to set up an international trade sys-

tem [based on] one or two or more countries having specific problems with one country. The danger today is that a lot of people are so obsessed with the specific problems they have with one country such as Japan that [they want to take] measures and policies to solve this problem. [Unfortunately the problem] very often is not a trade policy problem, but a problem of an industrial nature or even of a much wider character. We should not try to remedy with trade policies a situation that has not been caused by trade policy.

What do you think the problem is with Japan if it's not trade?

The problem with Japan on the import side is that there is no access to its market in terms of traditional trade policy. We can't say so much about Japan not conforming with the GATT. The Japanese have no tariffs; they have no very easily identifiable nontariff measures. There is instead an overall combination of circumstances that makes market access not easy. There are, however, examples of people who have achieved access.

We have an example in the Community with flowers, but it took a very long time.

What do you think about the telecommunications issue?

Telecommunications is one of those sectors that has recently come to the fore in international discussions. Both the E.C. and the United States have a long tradition of telecommunications sectors developed in a national context. It was [developed] in a specific way in the United States, with agreements between the private sector and the Government; in Europe, the national industries were very often under direct control of the Governments or [there was] a monopolistic situation by individual industries. We are now trying to deregulate this in an orderly fashion. Since we come from a different starting point and different traditions, deregulation is not an easy thing to do because the national networks are very often linked with national supplying industries. It's going to take some time before one can try to come to some harmonization worldwide. But we are on the way to doing that.

People are worried that the E.C. is going to give automobiles a transition period after 1992. What do you see happening in trade talks about

automobiles?

I don't think this is going to influence greatly the Uruguay Round negotiations. It's only recently that the Community as such has taken over trade policy in that sector with Japan. Now we have to phase in new arrangements. This will take some time, but the important thing is that the final result will be complete liberalization. The number of years it is going to take is not of essential importance. The essential thing is that we want to get rid of national restrictions, and of course we are not going to introduce Community restrictions. Again it's a process of liberalization, which will end with completely free trade between Japan and the Community. We would very much hope that we would have the same kind of access to the Japanese market for our cars as the Japanese have in the E.C. for their cars.

How would you characterize U.S.-E.C. trade relations?

For the moment, they are very good. We have a balanced relationship in terms of figures. International mechanisms are working. When the dollar was very strong, it clearly had an influence on the trade balance between the United States and the Community and led to a substantial U.S. deficit. Now, since the dollar has gone down, the trade balance has been restored and we are more or less in balance for the moment. This shows that, contrary to the relationship between Japan and the United States, in our relationship between the Community and the United States traditional corrective mechanisms work. On the other hand, we have nearly permanent contact between the responsible people in the U.S. Government and in the European Commission, mainly [Vice President Frans] Andriessen. We have everything in place to monitor and remedy problems. Both sides are willing to try to come to solutions that are reasonable and acceptable for both sides.

What was accomplished in the April trade meeting in Puerto Vallarta, Mexico?

The informal meeting of Trade Ministers in Mexico was the final occasion to assess how the various countries stand on the different trade issues. No confrontations took place, and there was a strong indication that all parties are ready to seriously enter into the final phases of negotiation.

Another 'Single Market'

ASEAN Nations Increase Trade With the E.C.

JULIAN WEISS

SINCE 1967, A LITTLE-KNOWN BLOC WITHIN East Asia has attempted to forge its own common single market. Progress to date is impressive. It is this group of nations that, after Japan, Taiwan, and Korea, ranks as an economic powerhouse in its own right. A group of six countries, the Association of Southeast Asian Nations (ASEAN) has—because of concerns over trade relations—quietly improved its dialogue with the European Community.

ASEAN consists of Thailand, Indonesia, Singapore, the Philippines, Brunei, and Malaysia. The six are as economically diverse as one could imagine.

Kernial Sandhu, director of the Institute for Southeast Asian Studies in Singa-

pore, thinks Southeast Asia would like to view itself more as a single market, but he says a true, European-modeled end to internal barriers is years in the making. "It's far too early to think of ASEAN as negotiating with Europe in terms of one bloc," he says. But, notes Sandhu, many initiatives "are starting to look as if they are based on a regional approach," while "common policies" are taken seriously in both ASEAN and in Brussels.

Southeast Asia's natural resource base remains important in its growth, but other factors led to yearly growth rates of 7 percent or greater throughout ASEAN for most of the 1970s and

1980s; Singapore claimed the world's biggest growth in output (at 12 percent) for two years in that period. To put this in perspective, continuous 7 percent increases each year double national wealth in a decade.

According to Hans Singer, until recently director of the E.C.-ASEAN Business Council, this region of Asia is a "primary" focus of the Community.

During the 1970s, the E.C. held as much as 20 percent of shares in both exports and with the association members. By the early 1980s, the amount was halved on both sides of the ledger. In part, this was because growth in commerce resulted in diversification (on both sides). After 1987, however, the shares neared 15 percent. "Some European countries have far greater potential to expand two-way trade (with ASEAN countries)," says Juanji Anjanat, a noted economist at Bangkok's Chulalongkorn University.

Two-way trade has grown at a rate of 8 percent since 1987. In 1988, the ASEAN nations exported nearly \$15 billion worth of goods to the E.C., and imported \$12.6 billion. Nearly \$2 billion of exports was in electrical machinery, which shows how rapidly the Asian bloc's industries are moving forward. Natural rubber accounts for a billion dollars' worth of the total, and food oils make up \$1.5 billion of exports. The brightest spots for the 1990s exports from Europe will include infrastruc-

Natural rubber accounts for a billion dollars' worth of ASEAN's total exports. The bloc exported nearly \$15 billion worth of goods to the E.C. in 1988.



ture, telecommunications, and niche markets in electronics and in some services.

Over the past several months, ASEAN members have formed a consensus. The worry, as U.S.-based economist A. Gary Shilling asserts, is "not tariffs," but that a "patchwork of industry-specific regulations" designed to protect European companies will be developed. Export-minded ASEAN members fear import restrictions. The group's members spent two decades grappling among themselves, streamlining thousands of separate import barriers and protective policies that ultimately hindered growth. Complicating the issue is a sense that anything Japan does to Europe will bring

retaliation against all Asia.

Problems that emerged in the mid-1980s may be resolved before 1992. Textiles have dominated trade negotiations as they constitute nearly \$3.3 billion, or a fourth, of all ASEAN exports to Western Europe. Brussels argues that Southeast Asian producers must end restrictions on E.C. sales in "the rag trade." ASEAN thinks that current terms of the international MFA (multifiber arrangement) are discriminatory and is asking European help in dismantling the accords. The sore point is that Spain, Italy, and Portugal are direct competitors with ASEAN. The bloc is also nervous about "dumping" charges leveled against Hong Kong textiles manu-

facturers. (The city-state has appealed to the General Agreement on Tariffs and Trade [GATT] tribunal in protest.)

Another longstanding problem is direct foreign investment (DFI) policies within ASEAN. The E.C. hopes greater liberalization will occur. Restrictions exist everywhere but in Singapore, and these regulations govern repatriation of capital as well as other guidelines associated with DFI. Malaysia has made some progress, says Brussels, in streamlining rules regarding percentages of foreign ownership and hiring rules. Yet pressure is mounting—in concert with pressure from the United States—to open ASEAN economies further to DFI.

A third area of disagreement concerns automobiles. Without fanfare, Thailand and Malaysia, with the aid of transplanted Japanese technologies, have joined the league of automakers. Sandhu describes a "readjustment" in this new tier of Asian producers' outlook. Their hope to sell cars "may increase trade disputes with Europe, because any steps taken to make cars less costly can increase the temptation to buy non-European import brands."

A fourth area of dispute is how the E.C. classifies ASEAN. If the E.C. defines the Southeast Asian group as "developed" or "fully developed," remaining tariffs are likely.

A fifth concern later this year is how the GATT will interpret commerce in commodities and whether GATT policies will ensure a wider market for wood products on the Continent.

The Community's opportunities within its sister common market will depend on how well Europe can accommodate ASEAN's growth. Europe must anticipate upscale moves by the bloc. The ASEAN group senses the need—as Japan did—to leave behind heavy manufacturing in search of the higher value-added "sunrise" industries such as advanced electronics and biotechnology. Four of the six members (excluding Singapore and Brunei) will offer competitive advantages in labor, but E.C. groups should work closely to boost job skills. Technical assistance pacts also will secure an E.C. foothold. €

Julian Weiss, a frequent traveler to Asia, is the author of the recently published *The Asian Century* (Facts on File/Oxford University Press).

The Other Single Market

Economic and trade considerations for the ASEAN bloc differ for each of the members. At one end is Singapore, a city-state of 2.6 million citizens whose per capita income equals that of France. Singapore marches in step with the post-industrial transformation sweeping the roster of advanced countries. At the other end is Indonesia, whose 150 million citizens earn less than \$470 annually.

Malaysia and Thailand have much in common. Both are awash in Japanese plant investment, and fortunes are improving in both nations. The former has some 17 million people whose incomes are rising (at \$1,800 per capita) after years of downturn. Malaysia is a hotbed of electronics production and plays host to major E.C. semiconductor and consumer electronics firms.

Thailand has industrialized overnight, as its own low-wage base allows Western multinationals to realize cost savings on manufactured goods. The Philippines offers a mixed picture: opportunities for growth are evident, but years of stagnation have crippled many sectors of the economy for this nation of 58 million who earn an average of \$600 a year. Brunei is, as they say, in its own class.

Monarchy reigns in this tiny, oil-rich nation of a mere 300,000. This scant populace allows the country to proclaim an average income of \$17,000.

A colonial past has given Western Europe a foothold in the region that outlasted the post-war era. The Dutch have long been players in Indonesia, while Singapore and Malaysia were regarded as jewels in Britain's crown.

Similarly, Brunei was part of the old British-ruled Malaya Federation. One ASEAN member has historically been independent—indeed, its name means "Land of the Free"—yet it is poor and agricultural. Only in the past few years has this member, Thailand, been considered worthy of nonagricultural forms of invest-

ment. The Philippines overthrew Spanish rule in 1898, but ties to the United States never replaced a cultural link to Iberia.

Among the unique characteristics of ASEAN is its vast reserve of natural resources. The region contains between one-fourth and one-third of all the world's natural rubber, timber, oil and gas reserves, and tin. Other minerals and commodities are plentiful.—J.W.



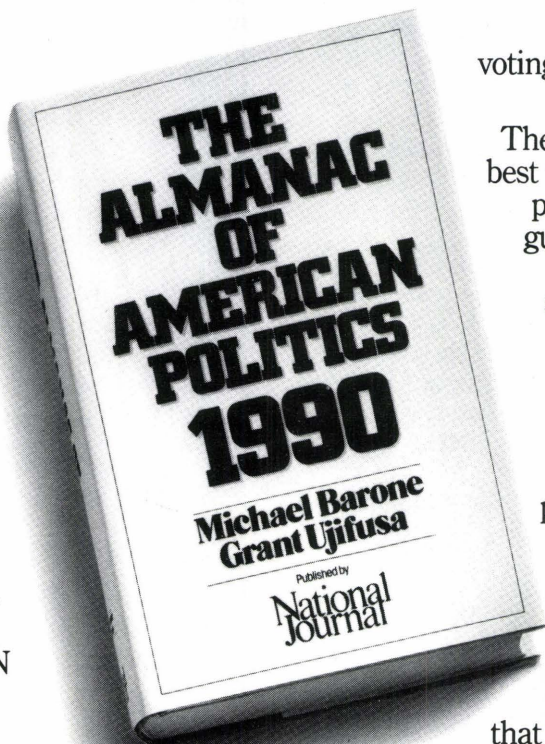
Singapore's workers earn a per capita income as high as the French.

If you live in America, you need this book.

The 1990 ALMANAC OF AMERICAN POLITICS is the indispensable guide to your hometown, your state, and your elected officials.

From California to Kennebunkport to Capitol Hill, the ALMANAC uncovers the real America and brings your elected leaders into focus in lively and revealing profiles. Wherever you live, whatever you do, whether you're Republican, Democrat or undecided, the ALMANAC OF AMERICAN POLITICS will bring America home to you.

The ALMANAC OF AMERICAN POLITICS is filled with information and analysis not available in any other book: vivid and entertaining descriptions of every state and congressional district; complete results of the 1988 elections; detailed profiles and photos of every Member of Congress and governor, with their



voting records, interest group ratings and campaign finances.

The 1990 ALMANAC combines the best features of a fact book, contemporary history volume and travel guide. If you are a concerned and aware citizen whose curiosity about America isn't satisfied by newspapers or television, you need the ALMANAC OF AMERICAN POLITICS.

The ALMANAC is frequently called the "bible" of American politics. The Wall Street Journal gives one of the reasons: "The book is actually fun to read because of the broad historic sweep in which it places each of the 435 congressional districts." We know you'll agree that the ALMANAC OF AMERICAN POLITICS is the most useful, most comprehensive, most readable almanac published in America...in fact, we guarantee it.

SPECIAL OFFER: Reserve your copy today at these special discount prices: \$12 off the hardcover bookstore price, \$5 off the softcover.

YES! I want to take advantage of your special discount offer. Please rush me the following order for the ALMANAC OF AMERICAN POLITICS.

_____ Hardcover copies @ \$44.95... _____
a \$12 savings!

_____ Softcover copies @ \$39.95... _____
a \$5 savings!

Shipping & handling @ \$2.50 each _____
(not charged on prepaid orders)

D.C. orders, add 6% sales tax _____

TOTAL _____

Name _____

Organization _____ Phone _____

Address _____

City _____ State _____ Zip _____

I want to save shipping & handling costs, so I'm sending payment (or credit card order) now.

Bill me MasterCard Visa American Express

Publisher's Guarantee: Examine the ALMANAC for 21 days. If not completely satisfied, return it for a complete refund.

Acct. # Exp. Date _____

Signature _____

**National
Journal**

MAIL TO: National Journal, 1730 M Street NW, Washington, D.C. 20036
FOR FASTER SERVICE & BULK ORDERS CALL 1-800-424-2921 (in D.C. call 857-1448).

AL40

Dublin Summit

Moving Forward on Political Union and German Unification

“THE COMMUNITY FIRMLY, DECISIVELY, and categorically committed itself to political union,” stated Charles Haughey, the Irish Prime Minister and current E.C. President, after a special one-day summit meeting held in Dublin April 28.

All 12 E.C. leaders meeting in Dublin agreed to move forward on planning for political union in order to create a more unified Community by the end of 1992.

Although the term “political union” has yet to be defined completely, the Foreign Ministers of the 12 E.C. countries are busy preparing guidelines on the subject for the June 25–26 E.C. summit, which will also be held in Dublin.

It seems almost certain that leaders at the June summit will call an intergovernmental conference on political union for December and push for ratification of treaty changes by the end of 1992, the same timetable now set for monetary union.

The E.C. warmly welcomed German unity at

the Dublin summit. The official E.C. statement released after the Dublin summit states, “We are confident that German unification . . . will be a positive factor in the development of Europe as a whole and of the Community in particular. . . . We are pleased that German unification is taking place under a European roof. The Community will ensure that the integration of the territory of the German Democratic Republic into the Community is accomplished in a smooth and harmonious way.”

“The European Council is satisfied that this integration will contribute to faster economic growth in the Community and agrees that it will take place in conditions of economic balance and monetary stability.”

The summit participants also agreed that the Group of 24 (G-24) industrialized nations should expand its aid program to Eastern Europe—which the E.C. is coordinating—to include the German Democratic Republic (until unification), the Czech and Slovak Federative Republic, Yugoslavia, Bulgaria, and Romania.

—Reuters

E.C. and U.S. Hold Their First Ministerial Meetings in Washington, D.C.

E.C. COMMISSION PRESIDENT JACQUES Delors held talks with U.S. President George Bush and Secretary of State James A. Baker III April 23 and 24 as part of the new twice-yearly talks to intensify the political and economic relationship between the E.C. and the United States.

This set of ministerial meetings was the first held in Washington, D.C.

While most of the discussions focused on trade and economic issues and the vast changes taking place in Europe, the United States delegation did ask the E.C. to play a greater economic and political role in Central America and the Caribbean.

Delors, at a press conference held in Washington after meeting with the U.S. Secretary of State, commented, “A strengthened partnership between us is not, however, directed solely to influencing events in Europe. Both the U.S. and the Community have worldwide interests, and our economies are increasingly interdependent.

“The intensified number and rhythm of



U.S. President Bush and E.C. Commission President Delors discussing the roles of the United States and the E.C. in a changing Europe.

bilateral meetings at all levels is the correct response to the acceleration of history in which we are participating. That is the significance of this meeting, which has taken place four short months after the last one in Brussels in December last year, at which we agreed, in a joint declaration to strengthen our relations. That strengthening is now well under way.”

UPDATE

1992

RUNNING THE RAILS

According to an E.C. report, the European railway industry is the biggest in the world and is lauded as producing the finest quality equipment. The E.C. Commission is very receptive to the industry's call for a common railway policy.

The most exciting E.C. railway project at the moment is the future network of high-speed trains that will link Glasgow to Frankfurt, and Lisbon to Copenhagen.

But the E.C. is encouraging the railways to look beyond internal frontiers to the global market, where some 1,500 high-speed trains will be built in the next 20 years. The E.C. is in a position to be highly competitive for those contracts, says the report. The E.C. already exports one-third of its output.

REGULATING AIR CARGO

The E.C. Commission has drafted a regulation to cover the air cargo services sector. Karel Van Miert, E.C. Commissioner for Transport, says the proposal is aimed at creating an open system in

the Community market regarding the establishment and access to the market, prices, and organization of services.

The Commission wants the Council of Ministers to adopt the regulation now so that it can come into force in 1992. The regulation provides for free access to the market for every Community operator and fixes criteria and procedures for air cargo tariffs within the Community.

Under the regulation, member states would allow air traffic rights to be exercised between state airports without discrimination. Therefore, transporters would be able to change aircraft in an airport according to their requirements.

The liberalization of the air cargo services market comes at a time when this sector is facing many problems. Until now, transporting goods has been an ordeal requiring many intermediaries. According to the Commission, the proposed legislation is an attempt to alleviate such complexities.

SOCCER WORRIES

The fierce nationalistic competition between European countries is nowhere more accurately represented than in soccer. The game in-

spires fierce loyalty on both national and local levels. The future of the game in Europe as it exists today is in doubt, however. The soccer leagues worry that 1992 will mean the end of national teams, as players will be attracted to the clubs with the most money regardless of their nationality. Currently, 10 of the E.C.'s leagues allow teams to acquire up to three foreign players. With the deregulation that will accompany 1992, it is conceivable that teams could have a much higher percentage of foreign players.

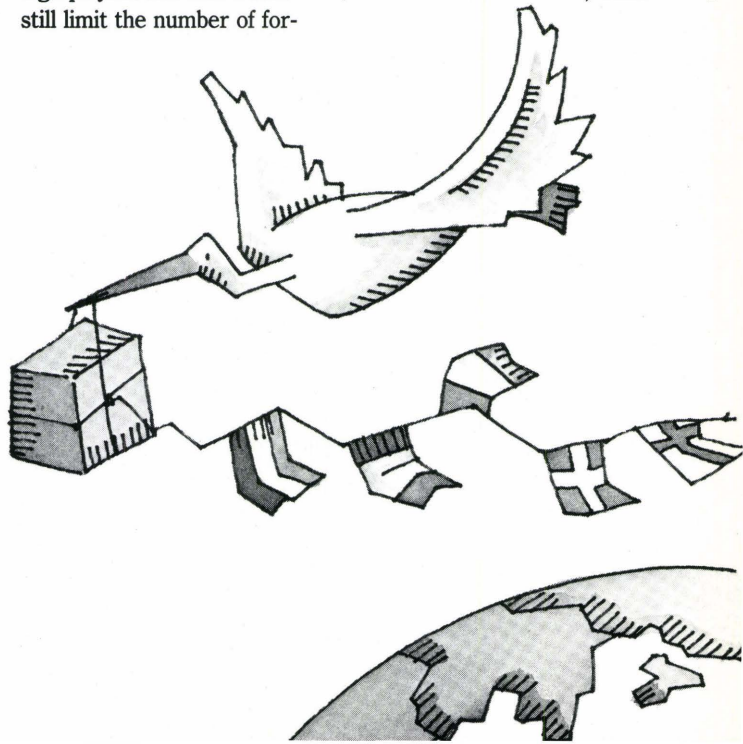
The Union of European Football Associations (UEFA) is working on a compromise with the E.C. that would allow clubs to purchase more foreign players but that would still limit the number of for-

eign players per club to five. "We're not against the free market and free circulation," says UEFA's Andre Vieli, "but we do want to conserve the specific character of soccer."

SINGLE MARKET SLIPPING ON BANANAS

The E.C.'s road to a single market by 1992 has always been littered with banana skins, but few people expected the bloc's banana market to contribute to the slippery pile.

Traditional African, Carib-



ILLUSTRATIONS BY ROBIN JAREAU

bean, and Pacific (ACP) suppliers, who enjoy a high degree of protection, are dismayed at the prospect of open competition as the E.C. labors away at the politically daunting task of dissolving internal trade barriers and freeing movement of goods, services, capital, and labor.

A recent decision by the Dominican Republic, a newcomer to ACP ranks, to sell bananas to the E.C. on a large scale threatens to give other ACP states an early, unhappy taste of deregulation.

"We are very concerned about the Dominican Republic," says Leslie Wilson, Jamaica's Ambassador to the European Community. "They are potentially very large producers of bananas, and if they

entered the E.C. market, it could create serious problems.

"If they flooded the market, then we would inevitably see declining prices. Because of the big difference in production costs, small Caribbean producers would not be [able] to compete," he added.

The Dominican Republic was admitted to the ACP group under the 1989 Lomé IV treaty after more than a year of negotiations.

The E.C.'s banana market—far from being representative of the unified ideal of 1992—comprises a complex web of bilateral arrangements between Community members and their traditional suppliers, often former colonies.

Britain, for example, im-

ports all of its banana crop from Jamaica and the Windward Isles in the Caribbean. Other countries can only mop up any demand remaining in the British market afterward and have to pay a 20 percent import tax.

France has a similar deal with Madagascar, Ivory Coast, and Cameroon. Italy favors imports from Somalia.

But the Dominican Republic points out that, although it is not a traditional supplier, it now shares the right of all ACP members to export bananas to the E.C. without paying customs duty or suffering quota restrictions.

"From the legal point of view, there would be no difficulty. The Dominican Republic can export what it likes to the E.C.," said the Republic's chargé d'affaires in Brussels, Renso Herrera.

The E.C. considers the Caribbean row a purely ACP matter.

But it has already taken steps to reassure long-standing ACP growers that after 1992 they will not be swept away by a tide of bananas from Central America, where plantations are bigger, labor cheaper, and weather kinder.

The Lomé IV Treaty, which was signed last December and runs until the end of the century, includes an E.C. undertaking to safeguard the interests of traditional suppliers after 1992. But it does not say how this will be done.

The Dominican Republic wants to discuss its plans with its ACP neighbors, said Herrera, and has proposed a 20 percent export tax on its own bananas, to be paid into a fund to promote the production in the region as a whole.

But there has been no question of it blocking banana exports to the Community, Herrera added. "You can't tell another country what it can and cannot export—that's what free trade is all about." —Reuters

KEEPING TRADE HEALTHY

The Uruguay Round trade negotiations were among the issues discussed by Jacques Delors, president of the E.C. Commission, and James A. Baker III, U.S. Secretary of State, at the April E.C.-U.S. ministerial meetings in Washington, D.C.

Delors made it clear that the E.C. regards the international trade talks as very important. "The welfare of our citizens on both sides of the Atlantic is heavily dependent on the smooth functioning of the complex network of multilateral rules for international trade and investment flows, which we have constructed with our partners over the last four decades.

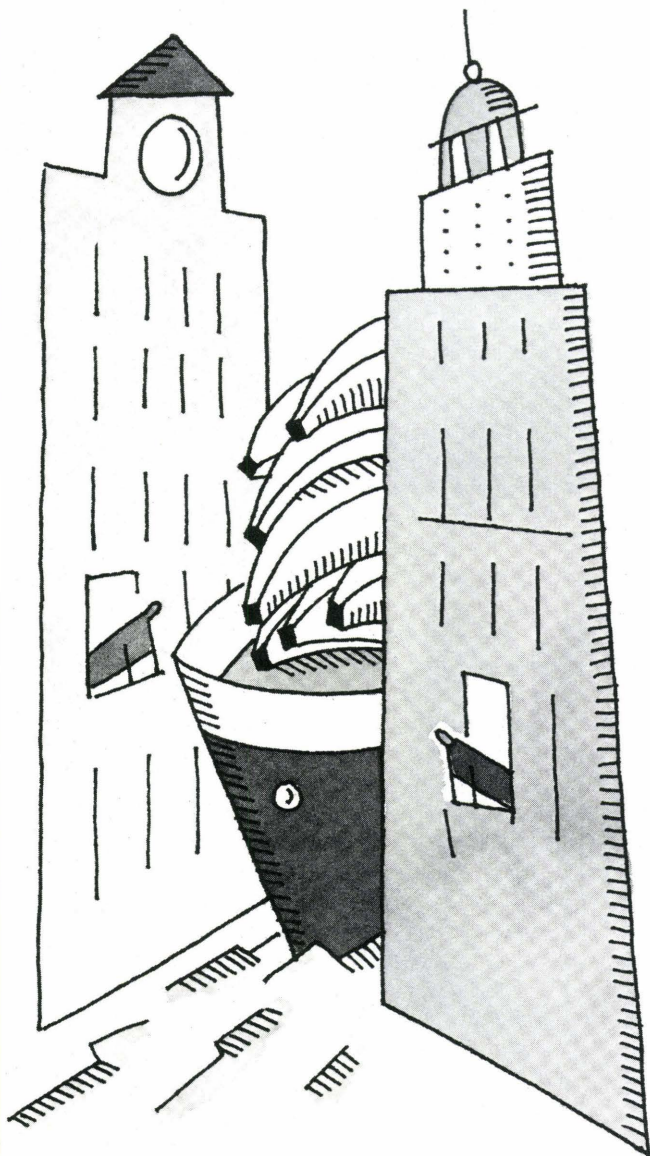
"The Community and the United States are major actors in that system, and we accept the responsibility of working together to maintain its health. That is why the differences between us, and the broad areas of convergence, in our position in the Uruguay Round negotiations have been an important part of our deliberations today and in particular those of Vice President [Frans] Andriessen and Commissioner [Ray] MacSharry. For both of us, a successful conclusion of these negotiations in Brussels in December is essential."

FARM TALKS

In an attempt to narrow differences over ways to liberalize world trade in agricultural products, the United States and the E.C. agreed to hold meetings every two weeks between their top trade and agricultural officials from now until the conclusion of the Uruguay Round in December.

The decision was reached at the E.C.-U.S. ministerial meetings in Washington, D.C., between Secretary of Agriculture Clayton Yeutter and Trade Representative Carla Hills on the U.S. side and E.C. Farm Commissioner Ray MacSharry and E.C. Trade Commissioner Frans Andriessen.

—Reuters



*West Germany's Deputy
Foreign Minister Speaks Out
on Unification and the E.C.*

Moving Quickly

STAFF REPORT

“**W**E WANT TO BE GERMAN EUROPEANS and European Germans,” German Chancellor Helmut Kohl said following a March meeting with E.C. Commission President Jacques Delors. Kohl has repeatedly told journalists that the German unification process must take place in close coordination with the European Community. Kohl has asserted that as a result of events in Germany a more rapid movement toward E.C. economic and currency union will be needed.

“In five years, it will be completely evident that this German union will mean a push and not a decline for the Community,” Kohl said recently in Brussels.

Now that the special Dublin summit meeting on German unification is over, the 12 E.C. nations are ready to press on with their own integration.

Continuing with steps toward unification, the West German mark will become the currency of all Germany in July. “Two-Plus-Four” talks among the two German states and the Four Powers will conclude in the fall, and the 35-nation Conference on Security and Cooperation in Europe will meet to ratify the plan outlined in the Two-Plus-Four talks.

As unification proceeds at a rapid pace, *Europe* magazine’s Editor-in-Chief Robert Guttman spoke with West German Deputy Foreign Minister Irmgard Adam-Schwaetzer at the German Embassy in Washington last month.

The Deputy Foreign Minister, whose responsibilities are mainly concerned with relations with the E.C. and the economic integration of Europe, said, “I’m convinced that [German unification] will enhance the integration of the European Community.” Amid rapid preparation for German unity, Adam-Schwaetzer is



“We don’t talk of reunification because the Germany of the future is something completely new.”

highly optimistic about the vast changes taking place in Europe.

Adam-Schwaetzer met with American officials to discuss the current situation in Europe, German unification, and the multilateral effort to assist the new Governments of Eastern Europe.

The Minister, vice chairperson of the Free Democratic Party (FDP), which is a partner in the coalition Government of West Germany with Chancellor Helmut Kohl's Christian Democratic Union and the Christian Social Union Parties, said

unification will not take place this year, but that the recent East German elections were a crucial first step.

The East Germans have strived for democratic rights through peaceful revolution, Adam-Schwaetzer said. Now both sides appear "eager to live together, work together, and shape their futures together.

"We don't talk of reunification, but of unification because what will be the Germany of the future is something completely new," she said.

improvements to be brought about in East Germany's industry, ecology, and infrastructure outweigh the costs, she said. "Maybe this year we will have to spend substantial amounts of money without so much additionally coming in, but the picture will be completely different two or three years from now."

Rather than look at the down side of unification, Adam-Schwaetzer said it is important for West Germans to ask themselves, "What does this bring us?" She believes the advantages of unification are great. "A unified Germany is something we have strived for now for more than 40 years."

As for the E.C., Adam-Schwaetzer said that the decisions on the necessary measures on the single market are being taken "step by step at a very high speed."

"Our goal still is the political union and the preparation of the single market as well as the economic and monetary union [EMU]." The EMU intergovernmental conference is scheduled for the end of the year.

She said it will not be necessary to make changes in the E.C. treaty when the two Germanys unite. "By enlargement of the territory of one member state, that is Germany, the GDR will be within the European Community. We have discussed this with our partners, and they accept this," she said. "Nothing will change the institutional equilibrium as it is now."

This means Germany will still have 81 members in the European Parliament, two Commissioners, and 10 votes in the Council of Ministers, as it has now, Adam-Schwaetzer said.

The Minister said she does not think that unification will hurt Germany's membership in the European Community. "The development of the E.C. has been that every country within the Community needs the others," Adam-Schwaetzer said. "This is true for Germany as well as for Luxembourg."

"Only if we work together, if we cooperate, if we play our active role—only then can we be a successful Community," she said. "We are prepared to play our part."

Negotiations for currency union between the newly elected East German Government and the Federal Government of West Germany are already under way. "We hope that this can be put into effect the first of July," Adam-Schwaetzer said. "This would be the first and very decisive step for German unity."

The Minister is optimistic that the currency union will curb the flow of East German citizens crossing the border each day to resettle in the West. "I think the creation of the economic and monetary union [of East and West Germany] will bring about hope to the East German people," she said. "It is a brain-drain that the GDR cannot support for long. We need these people for the reconstruction of the GDR."

The Minister recognized that unification in its initial stages will be quite an expense for the Federal Republic of Germany. But the

Speak Spanish like a diplomat!

(... or French, German, Italian, Arabic, and others.)



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

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

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

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

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

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

- Vol. I: **Basic**, 12 cassettes (17 hr.), manual, and 464-p. text, \$175.
- Vol. II: **Intermediate**, 8 cassettes (12 hr.), manual, and 614-p. text, \$145.

Introductory courses in other languages also available:

- French**: 12 cassettes, 194-p. text, \$175.
- German**: 10 cassettes, 647-p. text, \$175.
- Italian**: 8 cassettes, 124-p. text, \$175.
- Arabic**: 10 cassettes, 288-p. text, \$175.

(CT residents add sales tax.)

TO ORDER BY PHONE, CALL TOLL-FREE 1-800-243-1234.

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

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

190 courses in 56 languages. Write us for free catalog. Our 17th year.

AUDIO-FORUM THE LANGUAGE SOURCE Room M338, 96 Broad St., Guilford, CT 06437 (203) 453-9794

The Spirit of Spain

*A Trip Through Andalusia
Shows Off Spain*

THE FIRST THING THAT STRIKES YOU IS THE light. It is a soft light that seems to wait for just the right moment, adding just the proper touch of mystery to the buildings, the passageways, the people.

The light is followed by the aromas—the unmistakable scents of the jasmine and oleander that surround the mosques, the palaces, and the spirit of Spain.

Few countries are better equipped to handle short vacations than Spain. The country is large but enjoys an excellent train system that can whisk you out of virtually any major city and into the countryside quickly.

By air, the flights between cities like Seville, Madrid, Barcelona, and Málaga are frequent and manageable.

And now, with Spain on the threshold of both the 1992 Olympics and an international exposition (Barcelona and Seville), the country is working feverishly to make everything work even better. Beating the crowds to Spain is a convincing reason to visit Spain now.

Using Madrid as your hub, fly or take the train to the Andalusia region.

Topographically, Andalusia offers a wide diversity of landscapes—endless rolling hills, miles of citrus groves, vineyards punctuated by Spain's highest mountains, and even some patches of desert.

A few years ago, Andalusia was more or less a secret known only to savvy travelers who had their fill of Italy's Tuscany. It was a region known to history buffs who worshipped the separate reality Andalusia provides.

Usually, it is a rare region that can support the expectations that travel hyperbole generates. But in the case of Andalusia, it is not hyperbole, but positive word of mouth (and mouths) that is finally

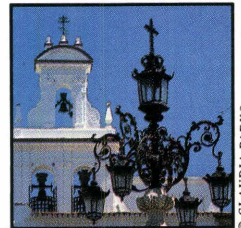
having its effect on the region.

Somehow, perhaps as a result of some cosmic accident, Spain sits at the threshold of a convoluted dream of history and the present, of architecture and the legacy of the Iberian Peninsula's Moslem conquerors right next to tall, white-washed houses with terra-cotta pantile rooftops that overlook cool, tiled patios and darkened passageways.

Somehow, perhaps as a result of some cosmic accident, Spain sits at the threshold of a convoluted dream of history and the present, of architecture and the legacy of the Iberian Peninsula's Moslem conquerors right next to tall, white-washed houses with terra-cotta pantile rooftops that overlook cool, tiled patios and darkened passageways.

Remarkably, in Andalusia it blends together and creates a duende of vitality that does not quit and a social calendar that seems to know no boundaries.

Perhaps more than any other city in Andalusia, Seville stands proudly at the edge of history. It is at once colorful and quiet, exciting without being oppressive in its sophistication, rich in history as the focal point of the Spanish Renaissance, and refreshingly informal as a cultural center. There is a certain theatrical quality to Seville, and the energy serves the



Olive fields—one face of Andalusia's wide range of landscapes. In Seville, the buildings reflect the city's long history.

© CLAUDIA PARKS

PETER GREENBERG

city well.

Some say the city's landmark is the Giralda, a 322-foot-high minaret (a 12th-century survivor). Other guides point to the Alcazar, a fascinating palace that dates back to 1360.

But my two favorites are the Casa de Pilotos, a 1540s palace jammed with beautiful tilework and finely molded stucco and Gothic vaulting in the chapel. (Go early in the morning or late in the afternoon, when the light seems to give the rooms a new dimension.)

Then there is Maria Luisa Park. The 19th-century park is a joy to children of any age. It distinguishes Seville from most other cities, and Spain from most other countries. Built in the 19th century (it once formed the grounds for a palace), the park was redesigned in 1929 at the time of the Exposicion Iberoamericana. It has retained much of its grand flavor. A long walk in the park is recommended, followed by an ice cream sold by one of the many street vendors.

For me, Seville is a city that has always encouraged a slower pace, pensive walks, contemplation on the passing of time. Don't look for discos and loud nightlife in Andalusia. Evenings are best spent consuming long dinners and in celebration and reflection of the discoveries of the daylight hours.

Still, Seville is also known as a festival city. That doesn't mean, however, that the people need an organized event to have fun. On one recent Seville trip, I was walking down a narrow street when I was confronted by a merry band of eight marching musicians, playing their guitars and singing, for no apparent reason. There was not enough room for me to pass, and before I knew it, they had swept me up in their midst and began serenading me. Who were they? Local medical students celebrating completion of their examinations.

Seville has a number of good accommodation choices, not the least of which is the Alfonso XIII. Like the park, the hotel was built to celebrate the 1929 Exposition and rightly holds a position as *the* prestige hotel in southern Spain.

There are more moderate hotels, and all have good service.

When it comes to food, however, Andalusia is not known for the grand culinary experiences of other European des-

tinations. But that doesn't mean you won't find great food.

The food is simple—aged cheese (*manchego curado*) in olive oil, air-dried beef, crisp fried fish (*frito andaluz*), and my favorite, slices of air-dried ham, which you can find in virtually every restaurant and bar.

Seville serves as a great starting point for the rest of Andalusia. Here you can catch the Andalusian Express, with two- or three-day itineraries and one of the best ways to see southern Spain in a limited amount of time.

Not surprisingly, the train has often been promoted as the Spanish version of the Orient Express. Indeed, each rail car is extremely well appointed. There's an abundance of detailed old-school workmanship, from the interior wainscoting and plush fabrics to the ornate lighting fixtures and thick carpets.

But this train is different: It is stylish without being stuffy. The cars boast a practical design that allows for space and more leisurely travel.

And the prices are decidedly reasonable: Prices for summer departures start at \$950 per person and include all meals aboard the train, sightseeing, and sleeping accommodations. One dining car, the "Alhambra," was built in France in 1929; the "Gibralfó," built in England the same year, often carried members of the royal family. Both cars are totally restored. Passengers eat surrounded by gleaming wood marquetry, pink Art Deco lamps, and velvet brocade upholstery.

The bar car, the "Giralda," was built in 1929 and boasts a parquet dance floor. And for those type-A personalities who think they really need it, Andalusian Express officials have reluctantly added a late-20th-century concession: a mobile telephone.

One important note: Perhaps the most thoughtful touch on the Andalusian Express is the bathrooms. On most regular trains (and yes, even on some upscale trains like the Orient Express), bathrooms have been almost an afterthought. They are small, not particularly functional, and not conveniently located. On the Andalusian trains, not only are the bathrooms large, but the train also features an entire car devoted to nothing but full-sized showers.

From the trip's start in Seville, the

train heads first to Córdoba, the former capital of Moslem Spain.

There, passengers disembark for a full day of touring a city that is nothing less than a tangible encounter with history, a dance with antiquity, failed visions, and dreams of mythic proportions.

I can assure you that you can visit the cathedrals and churches without your eyes glazing over. This is especially true at "La Mezquita," the eighth-century mosque, the crowning achievement of the Moslem culture in southern Spain, complete with more than 1,000 white and red Roman arches. (As you walk around this mosque, try to keep in mind that in the 11th century, Córdoba had 3,000 mosques. The buildings' architecture not only preserves the history, but tells a clear story of the process of how the region grew, how it was nearly destroyed, and how some of it was saved.)

After an overnight on the train, the Express reaches Granada, where the giant Alhambra stands guard on a ridge above the modern city.

The Alhambra deserves to be seen simply to appreciate its size. But I found it—curiously like so many new megaresort developments—to be a relatively unmagical place. Yes, its gardens are large, but it's hard to have a special feeling about a place that seems to be under constant attack from tour buses and visiting schoolchildren.

Next and final stop is Málaga, the gateway to Spain's Costa del Sol. The train trip here is worth it just to recover from walking around the huge Alhambra.

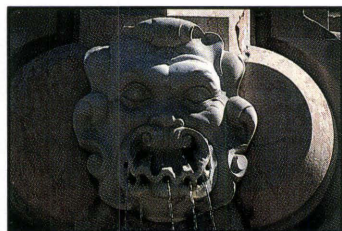
Most leave the train in Málaga, but some prefer to stay on board for another night on the train and a return to Seville.

The Costa del Sol has become something of a disappointment. Over the years, the sea coast has been overbuilt with large condominium developments and huge convention hotels, and after spending time being pampered with individual service on the train, adjusting to volume tourism may be a bit rough. The best thing to do at this point is head for the Málaga airport and fly back to Madrid. After all, you don't want to spoil things. €

Peter Greenberg is a freelance writer based in Los Angeles who last wrote for *Europe* on travel to Berlin. Greenberg appears frequently on ABC's "Good Morning America" discussing his travels.

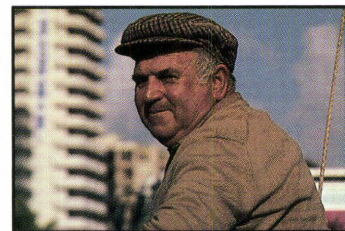


© CLAUDIA PARKS



SPANISH PRIME MINISTER FELIPE GONZÁLEZ, who wants to strengthen ties with Latin America and is highly regarded by many of its leaders, must have relished his most recent visit to the region. The trip offered him a chance to play the role of statesman, and he played it to the hilt, meeting with Fidel Castro, attending the presidential inauguration in Brazil, paying homage to the return of democracy in Chile, even holding a mini-summit with four Latin presidents while flying in his plane from one country to another. The Spanish press covered his trip in detail, and the desired image registered back home: Felipe González, diplomat, negotiator, world leader.

González's Government has presided over four years of economic growth. Above, the port in Barcelona, detail of a fountain in Seville, and a taxi driver in Palma.

BEN
STOCKING

The Socialists Can Weather Their Woes

SPAIN

Back in Spain, less pleasant realities awaited him. His center-left Socialist Government was on the defensive, struggling with the possible loss of its one-seat parliamentary majority, a political scandal, and an overheating economy.

González's Government, which has presided over four years of economic growth unmatched by Spain's 11 E.C. partners, is far from the political precipice. But a party that recently appeared invincible has begun to show signs of vulnerability. The Socialists have had to modify their style—considered confident by some and arrogant by others—and become more conciliatory.

No sooner had González returned from Latin America than domestic realities were pressed upon him. His Socialist Party lost a special repeat election in the North African enclave of Melilla on March 25. The election was called after a judge determined irregularities had occurred in the October 29 general elec-

tions, in which the Socialists won a one-seat parliamentary majority. The Melilla vote left the Socialists with 175 deputies in the policy-making lower house—exactly half the seats in the chamber.

In practical terms, the Socialists maintain a working majority because four members of the Herri Batasuna Party, considered the political wing of the radical Basque separatist group BTA, were forbidden to take their seats after refusing to recite the traditional oath of office. The courts may yet let them serve their terms, but the Socialists can apparently rely on the cooperation of deputies representing regional parties from Catalonia and the Basque Country, as well as a centrist party led by former Prime Minister Adolfo Suarez. They gave González a show of support in an April 5 vote of confidence the Prime Minister had called to resolve political uncertainty following the report of election irregularities in Melilla and two other districts. He won

the vote of confidence, 176 to 130.

The Socialists may have the votes they need to govern, but Spain's political landscape has nonetheless been symbolically transformed. The Socialists swept to power in 1982 with a 202-seat parliamentary majority and returned to power in 1986 with a substantial 184 seats. For eight years, they could enact legislation at will without taking the splintered opposition into account.

Now the political buzzwords in Madrid are consultation and compromise. In his speech to Parliament before the vote of confidence, González called on opposition, labor, and business leaders to form a pact with the Socialists aimed at making Spain competitive when Europe's economic boundaries fall in 1992. The Government, he said, "wants to maintain a climate of dialogue." It hopes to reach an accord that would stem inflation, which reached 6.9 percent last year, while preserving workers' purchasing power, creating jobs, and stimulating savings and investment.

Since their October election setback, when they lost votes to the Communist-led United Left coalition, the Socialists have mended fences with the Socialist-based UGT labor union. The UGT had long been the bedrock of Socialist support, but relations between the two groups reached a low point in December 1988, when the UGT and the Communist-affiliated union led a 24-hour strike that virtually shut down Spain. The unions, angered by what they viewed as the Socialists' drift to the right, demanded increased social spending for those who had been left behind by Spain's boom. After virtually ignoring each other for months, the Socialists and the UGT sat down to talk again earlier this year. The Government has now agreed to raise the minimum wage and pensions, and civil servants have been granted the right to collective bargaining.

As the Socialists have watched their political power erode, the conservative Popular Party (PP), the largest opposition party (107 seats), has elected a new leader and worked to get its political house in order. At the party's 10th annual congress April 1, PP delegates elected 37-year-old José Maria Aznar as president, replacing 67-year-old party founder Manuel Fraga, who served as Tourism Min-

Olympics and Expo '92

Last September, International Olympic Committee president Juan Antonio Samaranch emerged from an emergency meeting with Spanish Prime Minister Felipe González and warned that "drastic and urgent" actions were needed to ensure that Barcelona was prepared to host the 1992 Summer Olympics.

Half a year later, planning for the Games appears to be getting back on track. Samaranch met with local organizers on April 2 and said they were overcoming regional political squabbles that had delayed projects crucial to the Games' success. He was especially pleased that Spain's central Government had just set up a commission to oversee preparations for the Games and work out conflicts caused by the local political tensions. Gonzalez will chair the national commission, made up of nine Cabinet Ministers.

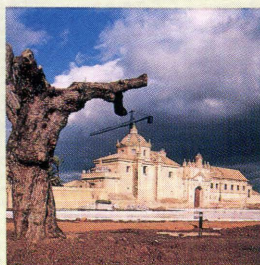
Questions have arisen about whether the

city will be able to complete a new highway from the Barcelona airport to the city center before the Games begin. Doubts have also been raised about whether the city will construct enough hotel space in time to accommodate all the Olympics visitors.

The political tensions have arisen from disagreements between Barcelona's Socialist Mayor, Pascual Maragall, and the conservative Catalan nationalist leader Jordi Pujol, presi-

dent of the region of Catalonia, of which Barcelona is the capital.

The Barcelona Olympics is not the only event that will draw the international spotlight to Spain in 1992. That same year, Seville will host Expo '92, the world's fair that will celebrate the 500th anniversary of Christopher Columbus's first trans-Atlantic voyage to the Americas. Madrid, meanwhile, will serve as the European Cultural Capital.—B.S.



The Santa Maria de las Cuevas monastery is being restored for the 1992 international exposition.

SPAIN FACTS AND FIGURES

GOVERNMENT

RULER: King Juan Carlos I
PRIME MINISTER: Felipe González Márquez

FORM OF GOVERNMENT: Parliamentary monarchy. The legislature is called Las Cortes Generales; it is made up of the Senate and the Chamber of Deputies.

POLITICAL PARTIES: The Spanish Socialist Workers' Party is the ruling party, led by Felipe González Márquez. Other parties are the Popular Party (the largest opposition party), the Union of the Democratic Center, the Convergence and Union Party, and the Spanish Communist Party.

U.S. AMBASSADOR TO SPAIN: Joseph Zappala

SPANISH AMBASSADOR TO THE UNITED STATES: Jaime de Ojeda



DEMOGRAPHICS

CAPITAL: Madrid

POPULATION: 39.2 million

GDP: \$504.9 billion (1989)

INCOME PER CAPITA: \$5,198 (1986)

CURRENCY: Peseta (\$1.00 = 109.25 pesetas)

LANGUAGES SPOKEN: Castilian Spanish, Basque, Catalan, Galician, Valencian

RELIGION: Almost entirely Roman Catholic. There are also small groups of Protestants, Jews, and Moslems.

NATIONAL HOLIDAY: October 12

NUMBER OF CARS PER THOUSAND INHABITANTS: 316

NUMBER OF TELEPHONES: 15 million



BUSINESS

LEADING INDUSTRIAL TRADE CENTER: Barcelona

TOP CORPORATIONS IN SPAIN: Repsol, Campsa, Telefonica, Tabacalera, ENDESA, El Corte Ingles, CEPSA, FASA Renault, SEAT, Iberia, Ford España, General Motors España

• U.S. exports made up 10.1 percent of the Spanish import market in 1989.

TOP U.S. EXPORTS TO SPAIN: Aircraft and parts; computers and peripherals; industrial chemicals; coal; building materials; drugs and pharmaceuticals; medical instruments; lab and scientific instruments; construction machinery; telecommunications equipment

• **COMMERCIAL OFFICE OF SPAIN**
405 Lexington Ave.
New York, N.Y. 10017
Tel.: (212) 661-4959

• **COMMERCIAL OFFICE OF SPAIN**
2558 Massachusetts Ave., N.W.
Washington, D.C. 20008
Tel.: (202) 265-8600

• **EMBASSY OF THE KINGDOM OF SPAIN**
2700 15th St., N.W.
Washington, D.C. 20009
Tel.: (202) 265-0190

• **CONSULATE GENERAL OF SPAIN**
150 East 58th St., 16th Floor
New York, N.Y. 10155
Tel.: (212) 355-4080

GEOGRAPHY

AREA: 194,885 square miles. Spain occupies 85 percent of the Iberian Peninsula and includes the Balearic Islands in the Mediterranean.

PRINCIPAL CITIES: Madrid, Seville, Barcelona, and Valencia

LARGEST PORT: Barcelona

PRINCIPAL RIVERS: Ebro, Tajo, and Guadalquivir

• Daily average temperatures range from 50 to 68 degrees Fahrenheit eight months of the year.



SPORTS

MOST POPULAR SPECTATOR SPORTS: Soccer, bullfighting, basketball, and rugby

POPULAR PARTICIPATORY SPORTS: Tennis, hunting, golf, fishing, sailing, and riding

FAMOUS SPANISH ATHLETES: Juan Antonio San Epifanio, who plays forward for the Barcelona basketball team, was recently named the best European basketball player of the 1980s. In January, Manuel Periera won the world championship in fencing, beating the West German Olympic champion.



MISCELLANEOUS

• Seville will host the 1992 Universal Exposition. The theme will be "The Age of Discovery" in honor of the 500th anniversary of Columbus's discovery of the Americas.

• The 1992 Summer Olympic Games will be held in Barcelona. They will be the first held in Western Europe in 20 years and the first ever in Spain.

• A recent top-40 hit list for Spain included "Great Balls of Fire" by Jerry Lee Lewis (#5), "Scandalous" by Prince (#11), "You Got It" by New Kids on the Block (#15), "All That You Have Is Your Soul" by Tracy Chapman (#29), and "Don't Be Cruel" by Bobby Brown (#31).

• A recent list of the top movies in Spain put *sex, lies, & videotape* at the number one spot, with *Indiana Jones and the Last Crusade* at number eight, and *Dead Poets Society* at number 12.

• Spain's most famous museum is the Prado in Madrid.

• Camilo José Cela, a famous Spanish writer, won the Nobel Prize for literature in 1989.

ister, Minister of Government, and Ambassador to Britain under ex-dictator Franco. Aznar led the party in the October elections and proved a more successful vote-getter than Fraga, whose ties to the dictatorship handicapped the party.

The party ran newspaper advertisements in advance of the congress showing a determined "President" Aznar beneath the quotation: "I understand politics as a great moral commitment to all citizens."

The quotation appeared to be a jab at the Socialists, whose ethics have been called into question by the opposition since the "Guerra Affair" erupted last January. At that time, newspapers alleged that Juan Guerra, the brother of Deputy Prime Minister Alfonso Guerra, used his surname to build an extensive real estate empire while working out of a Government office in Seville put at his disposal by Alfonso Guerra—even though Juan held no Government position.

The opposition has demanded that Alfonso Guerra resign, but he has refused. In a testy appearance before Parliament, Guerra denied any wrongdoing and said he knew nothing about any improper activities his brother may have engaged in. An angry González, defending the integrity of his Cabinet, told reporters he would resign too if his deputy were forced out of office.

Since then, Party Secretary José Maria Genegas has said the Socialists told Juan Guerra to leave the Government office after learning he had been carrying out activities unrelated to his party job as Alfonso Guerra's aide in Seville.

In addition to their political problems, the Socialists have been confronting economic worries brought about by Spain's rapid growth, which has averaged 5 percent for the last four years. Inflation was running at an annual rate of 7.3 percent at the end of February. Meanwhile, as imports soared along with the rising demand for consumer goods, Spain's 1989 foreign trade deficit reached a record 3.2 trillion pesetas (\$26.8 billion), up 36 percent from the previous year. The Government has imposed restrictions on banks and businesses aimed at reducing the money supply and cooling off the economy, but it remains to be seen whether they will be effective.

On the positive side, rapid growth has

meant more jobs. Spain's unemployment rate, which peaked at 22 percent in 1985 at the end of a 10-year recession, has since fallen five points. At the end of 1989, unemployment stood at 17 percent—still unacceptably high, but moving in the right direction.

The engine driving Spain's growth for the last four years has been foreign investment, which accounted for one-third of Spain's economic expansion from 1986 to 1988. Overall foreign investment rose 47.9 percent in 1989, but Spaniards worry that investors may now neglect Spain as they turn their attention to East Germany and the other emerging democracies in the East Bloc. Volkswagen chairman Carl Hahn came to Spain in late March to reassure Spanish industrialists, telling them that although Volkswagen plans to build a plant in East Germany and perhaps expand into Poland and Romania, it will increase investment in Spain, too.

But the fears persist. Britain's *Econo-*

mist magazine tried to reassure the Spaniards, saying they should be more confident: "Their country still boasts huge advantages over any country in Eastern Europe: a stable currency, liberal and proven laws on the repatriation of profit and capital, direct access to the rest of the European Community's emerging single market, and millions of increasingly affluent consumers."

Although González has expressed enthusiasm about the changes in Eastern Europe, he appears more comfortable trying to build bridges to Latin America, where he can speak to leaders in their own language. During his March visit, he signed a \$3 billion credit and trade pact with Venezuela and a \$2 billion package with Chile's new president, Patricio Aylwin. In January, Spain sealed a similar, \$4 billion pact with Mexico.

While the Latin America trip offered him a welcome respite from his political troubles at home, González does not need

to flee Spain to make a case for his leadership. The Socialists can boast about strong growth, rising salaries, falling unemployment, high foreign currency reserves, and increases in social spending. They will have 68 more parliamentary seats than their closest competitor, and they have eight years of experience wielding power. Their challenge now is to limit inflation without hampering the steady growth of the Spanish economy. That may depend on their ability to keep peace with the unions while working with their political opponents—something they have never had to worry about before. If the April vote of confidence is any indication, their efforts to meet that challenge have started off on the right foot. €

Ben Stocking is a reporter for the Associated Press Madrid bureau.

PREPARE YOURSELF AND YOUR ORGANIZATION FOR EC92.

Learn how multinationals are fitting training and human resources development in their strategic and operational response to EC92. The in-depth interviews with over 100 top executives in 84 multinationals analyzed in this 96-page report reveal:

- The current status of employee training and human resources development in multinational corporations.
- How employee training and development is being used as a competitive tool as unified Europe emerges.
- The challenges, issues and barriers being faced and the responses to them.
- The role of outside training and development suppliers in meeting these challenges.
- Four major decision making models wherein the roles of headquarters and subsidiary offices differ.

From Lakewood Research

ORDER YOUR REPORT TODAY!

Be prepared for 1992 and beyond! Return the order form with payment to: Gary Ballman, Ph.D., Director, Lakewood Research, Lakewood Building, 50 South Ninth Street, Minneapolis, MN 55402.

Call for more information: 800-328-4329 or 612-333-0471.



YES, please send me a copy of EC92 — TRAINING AND HUMAN RESOURCES DEVELOPMENT: Challenges and Opportunities in Multinational Corporations.

Enclosed is payment in the amount of \$650 (U.S.).

Charge my: Visa/MasterCard American Express

Card # _____

Expires _____

Signature _____

Contact me about multiple copy discounts.

Name/Title _____

Organization _____

Address _____

City/State/Zip _____

Postal Code/Country _____

BOOKS IN REVIEW

Wall, the Inside Story of Divided Berlin. By Peter Wyden. Simon & Schuster. 762 pages. \$27.50.

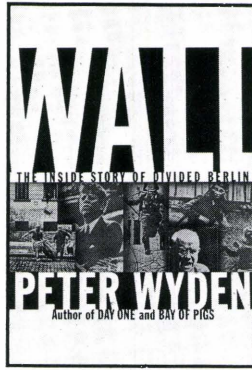
Robert S. Bassman

Déjà vu is pre-eminent among the emotions one feels after reading *Wall*, Peter Wyden's painstakingly researched work on the Berlin Wall. Almost 30 years earlier another elderly (Wyden is now 67) American man of letters read these words, penned decades earlier: "There is something that doesn't love a wall, that wants it down." Robert Frost's recital of his "Mending Walls" at John F. Kennedy's inauguration presaged the creation of the Berlin Wall by almost six months, and its collapse by almost 30 years. With eerily similar prescience, Wyden wrote the following in mid-1989 concerning the possibility of German unification, "It won't happen—not unless cataclysmic events change the European landscape in ways not foreseeable."

With the *New York Times* touting summer vacation trips to Berlin and Eastern Europe for American college students because of the relatively inexpensive food and lodging, and the *Washington Post* travel section leading off its annual "Europe" section with the exhortation to visit "The Time Capsule That Is East Berlin," the results of that requisite "cataclysmic change" are everywhere.

As to that change and how it came about, *Wall* is a detailed history of what will be the prologue to the "New Europe" of the 1990s.

Wyden's own history makes him an appropriate teller of this tale. Born in Berlin in the 1920s, he returned, after a nine-year absence as a teenage refugee in America, in the uniform of a technical sergeant with the occupying U.S. Army in 1945. His assignment, city editor of *Allgemeine Zeitung*, added to his insights and experience in his home town and rekindled the passion for Berlin so evident in his latest work. He weaves a gripping tale focusing on the reporter's



The *Wall* is a detailed history of what will be the prologue to the "New Europe" of the 1990s.

classic "who, what, when, where, why, and how" of the Berlin Wall.

Appropriately, Kennedy and Khrushchev are the key players, supported by Adenauer and Brandt, Ulbricht and Honecker, and so many others. The book reads like a précis of the major news stories from the postwar era. For after all, Berlin quickly became the pressure point whenever the Soviet Union needed to raise its voice, geopolitically speaking, in relations with the West.

Through dozens of vignettes ranging from tense illuminations of high-powered conclaves of both Eastern and Western decision makers, to the hushed conversations of "captive" East German families (it takes three full pages to list all of "the interviewees" for this book), Wyden's articulation of events is captivating. Here we read of Kennedy's concern over a possible "miscalculation" causing nuclear conflagration and Khrushchev's final recognition of American resolve in Berlin shortly after the building of the Wall.

But it is the unfolding of the highly personal stories of two East Berlin families and how their lives were forever altered by the Wall that gives the book real meaning. Perhaps the most gripping segment is the day-by-day, hour-by-hour, and sometimes minute-by-minute recitation of how the Wall completely surprised all of the U.S. intelligence services, and how this surprise came to pass.

The Wall's creation was, of course, a monument to desperation. The Communist East would simply have disappeared without it. Between 1945 and 1961, more than four million East Germans, the best and the brightest, fled to the West.

And, while the Wall postponed the inevitable collapse for more than two decades, its fall certainly signifies even greater desperation, this time not in Berlin but Moscow itself. For Gorbachev's decisions in the latter half of 1989, first in Czechoslovakia, then Hungary, and finally East Germany itself, to change "the game" is surely the product of a no less desperate economic situation than that which caused Khrushchev to allow Ulbricht to build his wall in the first place.

As Wyden shows us, it was the Soviet Union, not East Germany, that actually approved the Wall's construction and everything else in East Germany in the 1960s. In one memorable passage about the negotiations over the swap of Soviet spy Rudolf Abel for U-2 pilot Francis Gary Powers, Wyden quotes U.S. negotiator William Donovan, "If Shiskin, [the KGB] told the Attorney General of East Germany to walk across the floor on his hands, he'd get down and try." So, too, no one doubts that it was Gorbachev's order to both the Soviet and East German troops to "stay in their barracks" late last year that allowed the startling developments we now see in Berlin and East Germany as a whole.

The Wall is down, and Secretary James A. Baker III now speaks of the "promotion and consolidation of democracy" as the basis of American diplomacy in the post-cold war era. This statement, when read in *pari materia* with the book's four-page recitation of how the geopolitically impossible situation in Berlin came to be (isolated West Berlin, miles from the rest of West Germany and, of course, impossible to defend), seems strangely similar to the United States and other European powers currently showing great forbearance over both Gorbachev's actions in Lithuania and the rest of the Baltic and Chancellor Kohl's rush to unification.

Wyden initially blames President Franklin D. Roosevelt's ego for the creation of a divided Berlin as the postwar era was ushered in: "I can handle Stalin." But mostly Wyden pins the blame on the Americans' desire to accommodate the Soviet Union because "we have to live with them" in a new Europe after the war. This same attitude seems the major underpinning of the current U.S. policy toward post-cold war Germany and the Soviet Union. Whether these striking similarities will amount to much or be an interesting historical footnote remains to be seen and may well be the fodder for a future book by Peter Wyden. €

Robert Bassman is an attorney and freelance writer in Washington, D.C.

CAPITALS

All or Nothing

COPENHAGEN—The Danish Minister of Foreign Affairs, the liberal Uffe Ellemann-Jensen, has always been a committed European and an outspoken personality. Both attributes have often irked his political opponents in Denmark, at times even infuriated them. Now many leading politicians of the other Nordic countries, currently engaged in an attempt to get the best possible European Free Trade Agreement (EFTA) deal with the E.C.,

have reacted sharply to a blunt statement by the Minister that basically tells them they are wasting their time.

In the Danish newspaper *Politiken*, Ellemann-Jensen wrote that Sweden, Norway, Iceland, and Finland should realize that real influence in the E.C. is linked to full membership. He added that he doubts very much that the aspirations of a number of EFTA countries can be satisfied with some kind of halfway house to E.C. membership. None of the four Nordic countries has appreciated this candid

appraisal at the official level. They had counted on Danish support for a special Nordic relationship with the European Community. Opinion polls show that the populations of the Nordic countries have no illusions. A majority in both Sweden and Norway consider E.C. membership inevitable, and business is not waiting for it. A large number of cor-

D I R E C T O R Y		
COPENHAGEN	<i>All or Nothing</i>	38
DUBLIN	<i>Courting Disaster</i>	39
ATHENS	<i>Squabble on the Square</i>	39
LONDON	<i>Thatcher's Ungrateful Children</i>	39
BRUSSELS	<i>Company Seeking Compensation</i>	40
BONN	<i>Marking the Way</i>	41
PARIS	<i>Divine Plans</i>	42
LUXEMBOURG	<i>Drive a Bargain</i>	43
AMSTERDAM	<i>Dutch Labor's Loss</i>	43
LISBON	<i>Static About Church Channel</i>	44
ROME	<i>Doing It Privately</i>	45

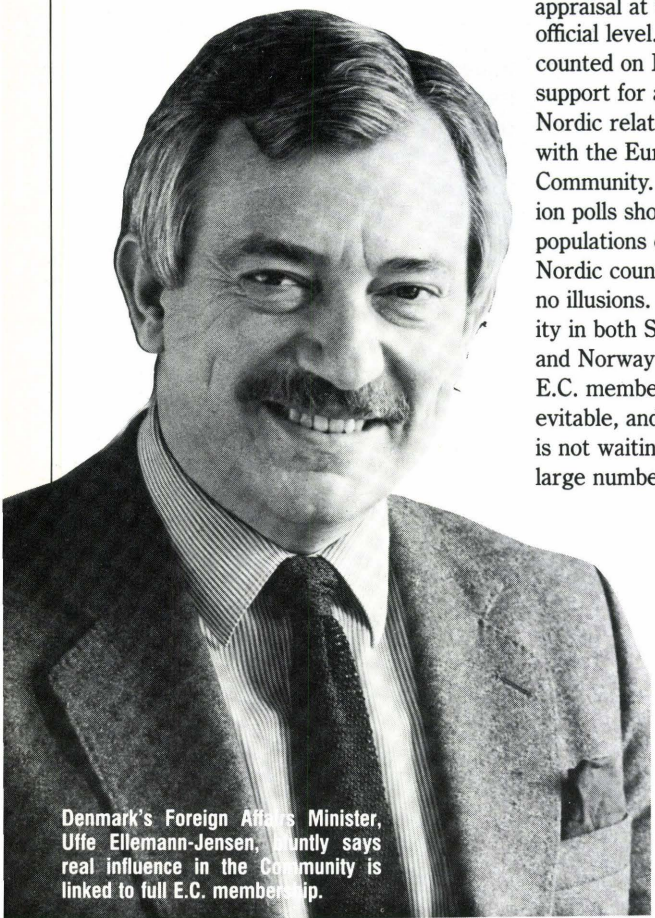
porations, especially Swedish and Finnish, have bought Danish corporations to establish a bridgehead for operations all over the Community. Worries that events in Eastern Europe will eclipse events in Scandinavia have speeded up plans to build bridges from Sweden to Denmark—a final approval is expected by early fall—and from Denmark to Germany, with easy access to the former German Democratic Republic and beyond.

The Swedish Government still insists that its neutrality prevents it from joining an E.C. that is turning itself into a political union. The Danish Foreign Minister notes that Austria has applied for full membership, which required that it make a choice. Some Danes have maliciously pointed out that the very essence of neutrality is having at least one set of antagonists to demonstrate that neutrality to. With the dissolution of the communist armies and the probable unification of Germany, these antagonists no longer loom large. The same rea-

soning is applied to Finland, where the idea of E.C. membership was a nonstarter just a few months ago.

The Danish stand is more than verbal, and more than the view of just one minister. At the E.C. Council meeting that turned down a Norwegian request for de facto membership in the European Monetary System (EMS), the Danish Minister of Economics, Niels Helveg Petersen, was more encouraging than Ellemann-Jensen. He supported the consensus view that now is not the time to open the back door to the advantages of E.C. membership without a simultaneous pledge to pay up front.

Confrontation is not the whole story of contemporary Nordic relations, however. One issue—the fate of the Baltic states—serves as a point of virtually undiluted unity. Myth has it that the present Danish flag, the Dannebrog, descended from the skies near Tallinn, the capital of Estonia, in 1219, giving heart to a beleaguered group of Danish



Denmark's Foreign Affairs Minister, Uffe Ellemann-Jensen, bluntly says real influence in the Community is linked to full E.C. membership.

ROYAL DANISH EMBASSY

warriors and their bishop. Whatever the divine truth of this myth, faithfully repeated in Danish schoolbooks since then, it is a fact that all the Nordic countries have special language, cultural, and economic ties to Estonia, Latvia, and Lithuania.

The Nordic countries never recognized the Soviet occupation of these three countries. And the Danes share with their Nordic brethren the conviction that the historic liberation of Eastern Europe will not be complete before the last Soviet flag is hauled down in the Baltic states.

—LEIF BECK FALLESEN

Courting Disaster

DUBLIN—A series of judgments by the Irish Supreme Court threatens to halt the snail-like progress toward a political agreement in Northern Ireland that would bring together the unionist majority and the largely Catholic nationalist minority. The court in Dublin ruled that the Government must consider as a binding legal claim—not as an “aspiration”—the article in the Republic’s Constitution saying the territory of the country is “the whole island” of Ireland.

Soon after this, the court refused to extradite two members of the Irish Republican Army (IRA) to Northern Ireland, where they had escaped from prison in 1983. The court accepted the argument that they risked ill treatment from prison guards on the basis of what happened to other escapees recaptured soon after the mass breakout. The court also appeared to reverse earlier rulings that IRA members cannot escape extradition by pleading that their violent campaign is “political” because it seeks the reunification of Ireland.

While the rulings caused mild consternation in both political and legal circles in Dublin, they were also seized upon by unionist politicians in the North as further ammunition against the hated Anglo-Irish Agreement signed by Britain and Ireland in 1985 but

immediately repudiated by a large majority in Northern Ireland.

In fact, the case in the Supreme Court concerning the Republic’s constitutional claim to the whole island had been brought by two unionist politicians, Christopher and Michael McGimpsey. They argued that the Anglo-Irish Agreement, which says the constitutional status of the North cannot be changed without the consent of a majority of the people there, is contrary to the territorial claim in the Irish Constitution. The judges ruled there was no incompatibility, but what surprised everybody was the further ruling that the claim in the 1937 Constitution is an “imperative” for every Irish Government and not just an aspiration.

The leader of the Ulster Unionist Party, James Molyneux, has seized upon what he calls this “political earthquake.” At the recent annual party conference, he announced that the ruling had rent the “veil of deception” shielding the Anglo-Irish Agreement for the past five years. The conference agreed that the court ruling confirmed the “deceitful and fraudulent” nature of the assurances attached to the agreement.

The British and Irish Governments, although still unclear about the ruling’s legal implications, have indicated it does not affect the agreement, but the timing is unfortunate. The talks between Northern Ireland Secretary of State Peter Brooke and the political parties on an internal settlement to restore limited power to the parties had reached a delicate stage. Now the unionists, who were never keen on such a settlement and prefer full integration with the rest of Britain, threaten to call off further negotiations until the Dublin Government revises the disputed article in the Constitution.

The Taoiseach (Prime Minister), Charles Haughey, takes the position that there can be no change in this part of the Constitution until an overall settle-

ment on the partition question can be reached. He has said repeatedly that unionists will then be surprised at how “generous” the Dublin Government will be. The junior members of the present coalition Government, the Progressive Democrats, favor amending the controversial article before a final settlement. The opposition Fine Gael and Labor Parties are being forced to reconsider their positions.

The IRA, while continuing attacks on the security forces in the North, has been putting out feelers to Brooke on what its role could be in political negotiations if its campaign of violence ceased. These cautious approaches have been made through its political wing, Sinn Fein, which has seen its support at the polls drop because of IRA violence.

The Supreme Court has now put the onus on the politicians to find a solution.—JOE CARROLL

Squabble on the Square

ATHENS—Constitution Square in Athens (or simply *Syntagma*, as it is known in Greek) may not be the Place de la Concorde, but it is Greece’s most historic square and has its own slightly faded nobility and charm. Since January, its two-and-a-half-acre central island, studded with orange trees and cypresses and home to two or three rundown cafés, has been barred from view by a ring of giant temporary board fences. It will remain closed until midsummer for what Athens Mayor Nikos Yatrakos calls “aesthetic upgrading and embellishment.”

The works that have closed the central island, estimated at a modest 270 million drachmas (\$1.7 million), involve replacing the concrete pavingstones with marble, refurbishing the fountain, adding additional flowerbeds and shrubbery, and installing “traditional” lighting. Bronze and marble statuary and other ornaments also need restoration, and the facades of the cafés will be rede-

signed. Already a new network of drainage pipes and electric cables is in place.

However, behind all this commendable activity lies a confused squabble with the Ministry of the Environment and Public Works, which both sides have tried to play down.

Any day now, the contract will be awarded for the building of two new underground metro lines in Athens, each nine kilometers long with 10 stations. The two lines will intersect at Syntagma Square, requiring a station to be built beneath the open space before Parliament. The Ministry has called unsuccessfully on Yatrakos to suspend his works in the square and give priority to the metro.

“If the job is to be completed by 1996, work must begin this summer,” said Panayotopoulos, adding that Yatrakos did not have enough information about the requirements of the metro before he started and would have done better to seek approval before closing Syntagma Square.

The Mayor brushed aside the idea that he should have sought approval for his works in the square. Yatrakos, a little-known councillor who stepped into the substantial shoes of Miltiades Evert when the latter—a former Conservative Cabinet Minister—resigned as Mayor last year to be re-elected to Parliament, evidently sees Syntagma Square as his chance to make a mark before municipal elections in October. “If I had gone through the bureaucratic channels,” he insisted, “approval would have been either withheld or delayed until after my term was over, and nothing would have been done at all.”

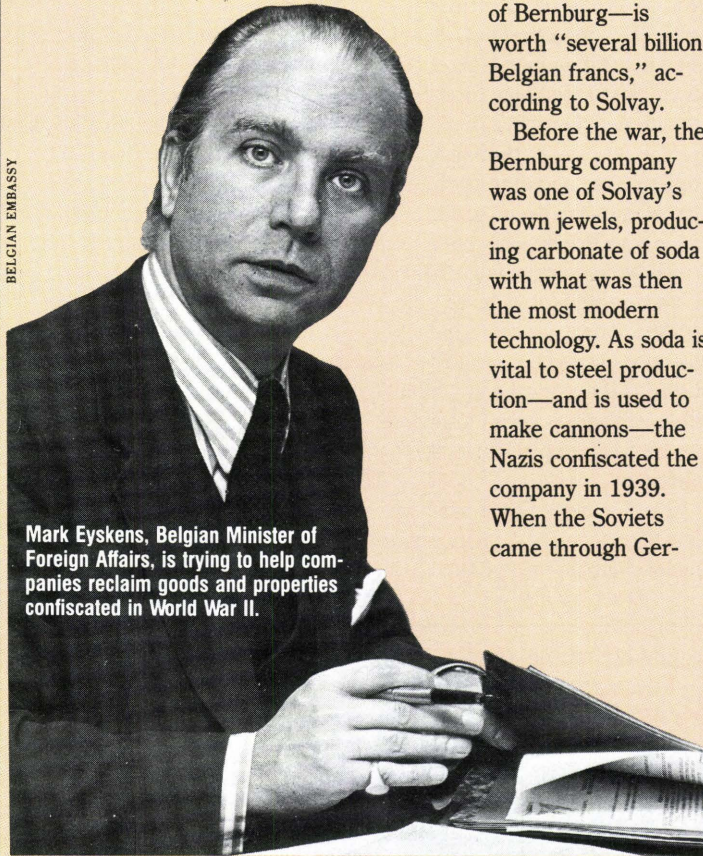
—PETER THOMPSON

Thatcher’s Ungrateful Children

LONDON—The newly prosperous, home-owning, middle class beneficiaries of the Thatcher Revolution have begun to display a nasty streak of ingratitude for all that the Conservative Prime Minister has done for them dur-

Company Seeking Compensation

BRUSSELS—Among the hundreds of foreign companies that went to the Leipzig fair in the German Democratic Republic (GDR) last March, more than a few were Belgian. At least one—Solvay—had a strong reason for



BELGIAN EMBASSY

Mark Eyskens, Belgian Minister of Foreign Affairs, is trying to help companies reclaim goods and properties confiscated in World War II.

attending East Germany's most popular industrial fair.

Solvay, Belgium's biggest chemical producer, lost three companies in East Germany after World War II and has never received any financial compensation for them. Yet one of these companies—now an East German *combinat* in the little town of Bernburg—is worth "several billion Belgian francs," according to Solvay.

Before the war, the Bernburg company was one of Solvay's crown jewels, producing carbonate of soda with what was then the most modern technology. As soda is vital to steel production—and is used to make cannons—the Nazis confiscated the company in 1939. When the Soviets came through Ger-

many to crush Hitler's army, they declared that the *Sodawerke* company had been involved in the "war effort." The company was confiscated again and then handed over to the new East German state.

Similar action was taken against two other Solvay companies in Eisenach and Westeregeln, as well as a potash mine in Halle. Solvay subsidiaries in Poland, Hungary, and Czechoslovakia suffered similar fates. Solvay received compensation for all of them after the war—except for the ones in East Germany.

Since 1972, when it established diplomatic relations with the GDR, Belgium has tried to negotiate Solvay's case. But all attempts failed because East Germany's Communist regime held that because Solvay took part in the war, the company did not need to be paid. Now that a democratic Government has been elected in the GDR, Belgium hopes that negotiations will start in a better position. In a move seen as highly symbolic just before the March 18 elections in East Germany, Belgian Foreign Minister Mark Eyskens discussed the idea with his West German counterpart, Hans-Dietrich Genscher, in Dublin. As for the bereft Belgian chemical maker, "we're still the owners of

those companies," declared Daniel Janssen, Solvay's president and major stockholder. Whatever the eventual outcome, Solvay will eventually gain from the discussions—by recovering the keys to its former GDR subsidiaries or by forming privileged joint ventures with them.

Solvay is not alone in its quest. Indeed, Switzerland is engaged in similar negotiations. And several families from the Belgian nobility and gentry are also trying to recover assets—houses, apartments, land—confiscated during the war. One family of German descent, for example, was deprived of nearly 6,000 acres and now lives in Belgium on rather less exalted means.

Expropriations are "one of the most complicated issues" in the GDR, says Ebergard Engel, economic expert for the Christian Democratic Party (CDU) in East Berlin. Apart from confiscations by the Nazis, others were carried out by the Communists after the war. Those who fled to West Germany received a modest sum as compensation from Bonn. Those who stayed in East Germany, however, were never indemnified. Says Engel, "You cannot take away someone's land which he's owned for 40 years."

—CHRISTOPHE LAMFALUSSY

ing the past 11 years of political and economic reform.

During a recent by-election, necessitated by the death of a Conservative Member of Parliament, the Government's natural supporters in mid-Staffordshire, a prosperous region in middle England, switched their allegiance to the Labor Party. This delivered the Thatcher Government the biggest by-election defeat since it was elected in 1979 and handed Labor its most significant by-election triumph in 50 years.

The current Thatcher Administration is halfway through its term with two years to go to the next general election. Midterm by-election upsets are generally regarded as expressions of discontent by normally loyal voters. The tradition is that, having rapped the Government across

the knuckles, or given it "a short, sharp shock" as one voter put it recently, voters will return to the fold as soon as a general election is called.

Thatcher says she believes that this was the case at mid-Staffordshire where the Conservative majority of 14,000 was turned into a Labor majority of almost 10,000. But not all her ministerial colleagues are as confident. Indeed, the whispering about the failing sensitivity of the Prime Minister's political antennae became a deafening roar when the politically neutral *Evening Standard* ran a massive headline proclaiming "Thatcher is now the issue." The headline reflected the crisis within the Tory Party, which fears electoral defeat may be looming.

There is clear discontent

among the middle classes sometimes known as "Thatcher's Children." Interest rates have soared as the Government battles to control inflation. Mortgage rates have been pushed to a punitive 15.5 percent, which is making life increasingly difficult for all those people who bought homes encouraged by Thatcher who saw homeownership as a way of weaning the nation away from socialist Labor policies.

Reducing inflation was one of the primary tasks that the newly elected Thatcher Government set itself in 1979, and its success in this arena was one of the key elements in the Prime Minister's record-breaking series of general election triumphs. The middle class believed that this success proved the Conservative Party truly did have the economic ex-

pertise it had always claimed for itself.

That the Government is now back to battling inflation with almost as much single-minded determination as in its early years has led many people to question the competence of Government's management of the economy. "We seem to be right back where we started," commented one disillusioned Thatcher supporter distressed by the struggle to pay for the cost of his newly acquired home.

The party is becoming increasingly divided over the policies of its leader. The pretenders to her throne are beginning to weigh up their chances of unseating the longest-serving British Prime Minister this century.

Their first chance will come at the annual Conservative Party

leadership election in the fall, which is usually an occasion to laud the excellence of the Prime Minister. If she wants to ensure that such is the case again this year, Thatcher will have to spend the next few months demonstrating to her party colleagues, the nation, and the resurgent Labor Party that it is premature to say that the age of Thatcherism is drawing to a close.

—DAVID LENNON

Marking the Way

BONN—“East German industry is in no way prepared for a quick introduction of the West German mark,” warns Professor Siegfried Schiller of the prestigious Research Institute Manfred von Ardenne in Dresden. “But unfortunately,” he adds, “we have no time. The East and West German Governments are forced to respond quickly to the continued flood of East Germans leaving for West Germany [about 2,000 a day before the March 18 elections].”

“To make our economy competitive and ecologically acceptable,” says Schiller, “we need some 700 billion West German marks [\$413 billion].” He realizes that the West German mark will ruin many East German companies and lead to high unemployment. Experts in Bonn expect some 1.4 million to be made jobless. Schiller believes that high unemployment, with the accompanying social tensions, will be felt in West Germany. But Schiller and West German experts agree that in the long run an economic miracle in East Germany will follow a difficult transitional period.

In Schiller's view, capital is only one side of the coin. “The other and decisive side is the people,” Schiller says. Although in East Germany many things just didn't work, he says training of skilled labor is fine. “Our schools offer good training in natural sciences, and after completing that, more than 90 percent of all young people finish with

skilled labor training.” He thinks a few months of training with Western technology will be all that is needed to bring the skilled labor pool up to speed. The problems will be in attitude. “The military teaching methods at our schools and universities have produced a certain attitude of dependence in our young people. Many of our scientists and engineers need practical experience in the social market economy. There is a great deficit in economic thinking.”

East German companies lack management expertise and modern equipment, and they have been hampered from entering international markets by the lack of foreign exchange.

Now, marketing and market research are no longer forbidden words. And the key word is efficiency. East German managers are realizing that the Western market is tough, and they are striving to impress upon their labor force that after the currency reform there can be no more dawdling about and taking unscheduled breaks.

The prevailing view on currency reform is that East Germans will be able to convert between 2,000 and 5,000 ostmarks into deutschemarks at the rate of 1:1 at once, and their savings will have to be frozen to counteract inflation both in East and West Germany. Officially the volume of savings in East Germany is 177 billion ostmarks (in West Germany some 2,600 billion deutschemarks [\$1,534 billion]).

But what will happen to the East German wages? On average, East German skilled workers get 1,000 (\$590) marks per month. Their West German counterparts make 3,500 (\$2,065) marks per month. Experts say that this discrepancy reflects the productivity gap between East and West. Labor productivity in East Germany is roughly 40 percent that of West Germany. Will East German workers be willing to work for less, or will they pack their bags and move to the West?

The unemployed and pensioners present another problem. If

prices and rents are decontrolled (East Germans spend less than 10 percent of their income on rents; West Germans spend more than 20 percent), there would be a risk of the new poor even if the pensions are exchanged on a 1:1 basis. A financing of pensions by the Federal Republic, therefore, must be a supportive measure.

Chancellor Helmut Kohl has assured Soviet President Mikhail Gorbachev that West Germany will honor East German import and export contracts. This will, of course, also include the upkeep of the 370,000 Soviet troops stationed in East Germany.

However, the West German voter is realistic. According to a recent study, 75 percent expect tax increases to which only 27 percent are amenable. They also expect increases of social contributions (61 percent), state in-

debtedness (61 percent), higher interest rates, and more expensive credits (47 percent). But when asked whether they would be prepared to accept a devaluation of the deutschemark by 20 percent for the sake of German unity, an astounding 91 percent said no.

Unification of the two Germanys is important, but other issues come first. For 60 percent of the West German population environment tops the list, followed by 52 percent concerned with unemployment, 44 percent with housing, and only 23 percent with unification. Although German unification is played up by the media, West Germans have other problems to preoccupy them. The majority of West Germans (69 percent) are for unification (in East Germany 79 percent), but they don't want unification to

The SPAIN Fund

The Spain Fund, Inc. is a closed-end investment company that seeks to provide long-term capital appreciation by investing primarily in equity securities of Spanish companies. The Fund's shares are traded on the New York Stock Exchange. (N.Y.S.E.: SNF)

The Fund's investment manager is Alliance Capital Management L.P. and the Spanish sub-advisers are Banco Bilbao Vizcaya, S.A. and A.B. Asesores Bursatiles, S.A.

For more information or a copy of the latest available quarterly report, please write to:

The Spain Fund
c/o Alliance Capital Management L.P.
Attn: A. Bisagna
1345 Avenue of the Americas
New York, N.Y. 10105

or call 800-247-4145.

AllianceCapital 

jeopardize prosperity in West Germany.—WANDA MENKE-GLÜCKERT

Divine Plans

PARIS—The carefully planned new city of Evry—15 miles southeast of Paris—will be the site of France's first cathedral to be built since the Revolution two centuries ago.

Although Evry was laid out with ultramodern housing complexes and shopping arcades, made-to-measure green space, and sports facilities, its planners overlooked the spiritual end of things. Evry has no central church, nor indeed anything that could be pinpointed as a town center.

Evry's enterprising Roman Catholic bishop, Monseigneur Guy Herbulot, came up with a bold solution to the sterility of the townscape. He decided that not only should a church be built to give Evry the soul it lacks, but that it should be a cathedral, as avant-garde in design as the town itself.

At first Herbulot's idea met with astonishment and skepticism. To build a cathedral in a designer town like Evry, where 80 percent of the population is younger than 40 years old and only 5 percent is made of practicing Catholics, seemed inappropriate, if not ludicrous.

But gradually the sheer panache of the project won the French over. In a nationwide public opinion poll conducted last year, 53 percent declared themselves in favor of building the cathedral; only 8 percent opposed its construction. The French Government gave the project its blessing and promised financial aid, and an architect for Evry's cathedral was found.

The choice fell on Swiss architect Mario Botta, who is also designing San Francisco's new Museum of Modern Art. The cathedral he has planned is a monumental double-walled cylinder faced with brick, with its top cut on a slant and its rim capped

with a crown of trees. It will rise to a height of 35 meters (110 feet), with room inside for a congregation of 1,000. Light will pour in through a giant triangular skylight.

The design has attracted its share of controversy. Some criticize it for looking more like a Roman arena than a Catholic church; others question the aesthetics of the circle of trees around its upper edge. But for Botta the trees provide an essential link between heaven and earth. "They have their feet in the ground, and their heads in the sky," he explains, and they will lend the only decorative touch to his otherwise austere design.

Marketing a cathedral in the 20th century is a delicate business. The French do not like the idea of religious publicity. So ABCD, the agency handling the project, is coyly calling its campaign "*ingénierie culturelle*"—"cultural engineering."

Hiding behind the verbal camouflage is a determined publicity drive presenting Evry cathedral as *the* cathedral of the future. The marketing strategy includes

France's first cathedral since the Revolution will be modern inside and out.

a poster blitz of the Paris metro, a benefit rock concert and auction, and a direct mailing to two million French households. Each letter will contain a small piece of cast iron that, when returned with a contribution, will be melted down with all the other scraps and used to cast one of the cathedral's four bells.

The bells will be one of the cathedral's few traditional elements. Elsewhere, it will function along blatantly modern lines. Worshipers will be able to use their credit cards at collection time, a giant video screen will allow transmissions from around the world—for example, Easter service direct from the Vatican—the organ will be state-of-the-art electronics, and even laser and hologram facilities are planned.

It will take 60 million French francs—roughly \$10 million—to turn Botta's futuristic design into concrete reality.

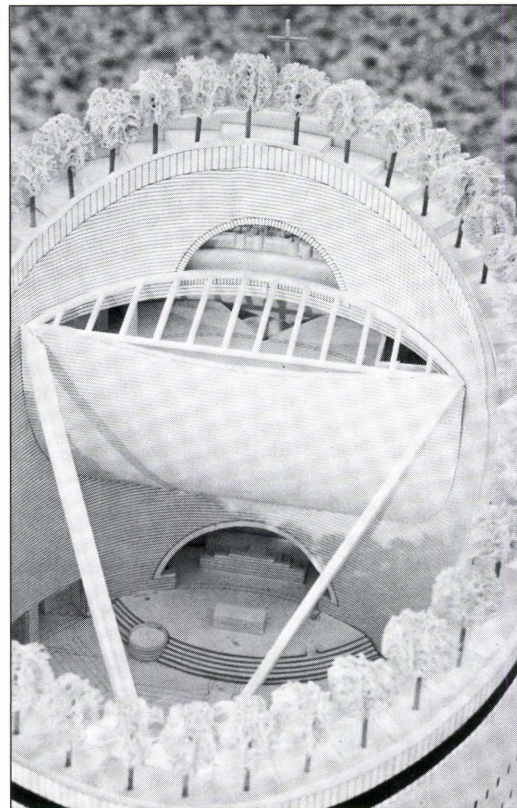
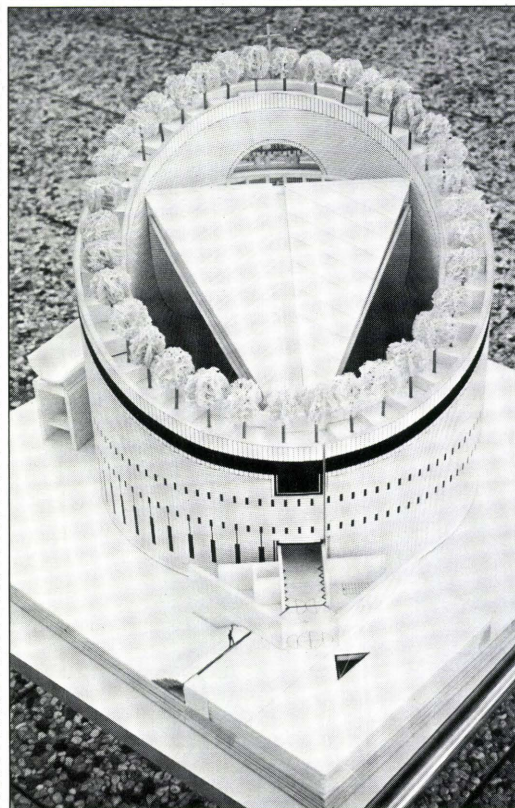
Officially, the French Government cannot finance any religious construction, because of "*la loi de 1905*," a law that separated the French church and state. But for Evry the French have adroitly sidestepped the law of 1905 by

planning a museum of religious art inside the cathedral's walls. This museum falls neatly under the auspices of the French Ministry of Culture and as such can and will be financed by the Government, to the tune of 15 million francs—a quarter of the cathedral's total cost.

Another healthy chunk of the funding is expected to come from French corporations, which are being solicited for their share by an industrial sponsorship committee headed by Alain-Dominique Perrin, president of Cartier International. The rest of the budget will have to come from private donations.

So far the response has been excellent. Father Alain Bobière, who is in charge of the cathedral's finances, says that the 15-million-franc mark has already been passed. He hopes the cathedral's foundation stone can be laid at the end of this year and that construction will be finished by 1993.

Anyone who contributes to Evry Cathedral will have his or her name inscribed in the cathedral's golden book, and, as tangible proof of the contributor's



generosity, the person will receive something totally new in the annals of cathedral building—a "Cathedral Builder's Certificate."

—ESTER LAUSHWAY

Drive a Bargain

LUXEMBOURG—The E.C.'s planned single market in cars is a long way off, according to a recently published survey by the Brussels-based European Consumers' Union, known as the BEUC. But while we're waiting for it to arrive, the 350,000 citizens of Luxembourg are benefiting from the lowest car prices of any of the 12 E.C. countries.

According to the figures released by the BEUC earlier this year, Greece, which has the lowest gross domestic product (GDP) per head of any E.C. country, has car prices nearly three times higher than Luxembourg, where the GDP per head—the highest in the E.C.—is nearly 150 percent more than in Greece. The BEUC thinks these price discrepancies are grossly unfair, and the E.C. Commission tends to agree with it. But if the E.C. Commission moves in to do something about it, it remains to be seen whether prices in Greece will be forced down to a more reasonable level or whether the Luxembourg prices will be increased.

The BEUC survey looks at the prices for 1,400 different models of cars in the 12 E.C. countries and reveals how manufacturers, distributors, and national Governments are conspiring to push up car prices, forcing consumers in some countries to pay much more than others for the identical product.

Denmark applies heavy taxes on cars, equal to 200 percent of the purchase price. Car manufacturers supply their cars to Danish dealers at cut-rate prices so that, once the taxes have been added on, the average Dane can actually afford to buy one.

In most countries, the manufacturers and dealers push up the showroom prices. Not so in Lux-

embourg, where the tax on cars is only 12 percent, and manufacturers' showroom prices are among the lowest in the European Community.

In dollar terms, this means that the pre-tax price of a Ford Fiesta is \$7,713 in Luxembourg, but \$9,104 across the border in the Netherlands and \$9,090 in Germany. Once local car tax has been added on, the price difference is even more significant. In Luxembourg, the price of the Ford Fiesta with all the taxes added on is \$8,640, compared with \$10,363 in Germany and \$12,664 in the Netherlands: a 20 percent difference between Luxembourg and Germany, and a 46 percent price difference between Luxembourg and the Netherlands.

The E.C. Commission has a regulation on its books saying that the maximum pre-tax price difference between identical cars sold in different member states should not exceed 12 percent.

The BEUC survey provides clear evidence that this rule is not being respected, and the E.C. Commission is now examining the European Consumers' Union's complaint.

Consumers who have the time to cross borders to look for new cars should be able to get the best deal, with a lot of consumers from Germany, the Netherlands, Belgium, and France being lured to Luxembourg because of inexpensive car prices. But, according to the BEUC, both member Governments and national car dealers throw obstacles in the path of the independent consumer who tries to import a car from abroad, despite the E.C.'s single market being little more than a year away.

Meanwhile, the lucky citizens of Luxembourg can continue to buy the least expensive cars in Europe.—DENISE CLAVELoux

Dutch Labor's Loss

AMSTERDAM—The Dutch Labor Party suffered heavy losses in the municipal elections held in late March. In many municipalities, Labor lost one-third of its votes, and overall, the party polled 25.0 percent of the votes compared with 33.4 percent in 1986's local elections.

The obvious winner of the elections was the left liberal party, Democrats 66, with a 12.9 percent vote, up from 4.2 percent in 1986. Equally surprising were the gains the Bentrum Party and Center Democrats scored, particularly in the larger cities. Analysts say these two extreme right-wing parties benefited from the Labor Party's loss.

Although the Center Party has only one representative, Hans Janmaat, in the Dutch Parliament, his party scored well in Amsterdam, The Hague, Rotterdam, and other large cities.

It was the lowest voting turn-

Edited in Paris. Now Printed in New York.

The INTERNATIONAL HERALD TRIBUNE
is now available for home or office delivery on date of
issue in the following cities:

Los Angeles
Boston
Houston

Philadelphia
Washington D.C.

New York
Miami
San Francisco

Subscribe today. Call 1-800-882-2884 or in
New York call (212) 752-3890.

Herald INTERNATIONAL **Tribune**
Published With The New York Times and The Washington Post

out—61.9 percent compared with municipal votes in 1986 (72.4 percent) and 80.1 percent in the national elections of last year. Local and national politicians see the election as a sign that local democracy needs to be substantially improved in terms of quality and public relations “especially with regard to the gains of political ‘haters of migrant workers’ in Amsterdam,” the center left national daily *Volkscrant* commented.

Meanwhile, the left-wing parties like the “Green left” and Pacifists gained from 4 to 7 percent.

These parties criticized the Labor Party’s “arrogance” not only in the larger cities but also in smaller villages throughout the country. The Labor Party in Amsterdam had its seats in the council drop from 21 to 12.

Party leader Wim Kok, cur-

rently Finance Minister and Vice President, said, “We have a balanced Government agreement with the Christian Democrats (CDA), and I refuse to get nervous about results of municipal elections.”

Prime Minister Ruud Lubbers, now steering the Netherlands for a third term, remarked that the results will have no political effect on the coalition of Labor and Christian Democrats.

Professor Peter Naas, political expert at Nijmegen University, wrote, “If Labor were to lose the elections one should not panic and immediately question Wim Kok’s leadership. Leave him alone to govern and win again the electorate’s confidence. Only then can renewal of his party be discussed. Our social renewal may appear hazy now, but in the coming years, more is going to happen than in the past seven.

One can’t expect Labor to have a blueprint ready at this point.”

Politicians and professors in the media all wondered why Labor lost so many votes. Perhaps Professor Peter Hofstede of Groningen University was right when he said that events in Eastern Europe had shown the bankruptcy of socialism.

It is wrong to blame Kok, he argued. If socialism had not been the culprit of Eastern Europe’s upheaval, the Labor Party might have fared a good deal better. Now the reverse is the case. “The trouble with the Dutch Labor Party is that the elections took place in a period where socialism is losing widespread support. The Labor Party just has this bad luck by sitting in the wrong corner of history.”

—NEL SLIS

Doing It Privately

ROME—The cost of preparing Italy’s cities to host the upcoming World Soccer championships has dried up the already meager municipality coffers. The councillor of public gardens of Rome, Corrado Bernardo, has proposed putting management into private hands. The councillor has also done some arithmetic. In three years, he says, the private sector could do more for the green areas than the administration could do in 30, including new public parks and “tree-lined avenues that would give a breath of air to the streets that are polluted from exhaust fumes.” The councillor has also suggested entrusting public space to local tradespeople as long as they transform them into green areas.

All this may not mean much to someone who is not familiar with the jealousy with which the Italian state and its local branches—regions, municipalities, and state agencies—defend their right to manage the “public thing.” Even if it means letting it decay and go to ruin, this right must be defended from the intrusive and aggressive activism of the private sector. It is therefore even more significant that Rome, the capital, should send the first signal of willingness for some collaboration between public and private management.

This whole incidence calls to mind the “challenge” that billionaire Donald Trump made to Mayor Edward Koch of New York a few years ago. “You haven’t been able to rebuild Central Park’s ice skating rink for years now? Fine, give me the concession, and I guarantee you I’ll build it in a few months.” And, to the municipality’s great humiliation, Trump did just that.

Bernardo’s idea is to ask help not from rich individuals, but from private institutions such as banks, foundations, and commercial or industrial associations. These institutions would provide the capital, and Bernardo would guarantee the manpower. “The creation and maintenance of

EUROPE

WE HAVE THE RIGHT ANSWER

Advertisers who want to place their print ads in a quality publication ask the question: “Is your circulation audited?”

We’re very proud to answer “Yes.”

We are a member of the Audit Bureau of Circulations because we share ABC’s belief that circulation audits are an essential assurance of value.

ABC is the premier circulation auditing organization in the world, and has been since 1914. Each year, ABC auditors test and verify that our circulation figures are facts, not claims. An ABC audit is the sign of a sound investment for advertisers.

Not all publications are audited, but they should be. Because when advertisers ask “Is your circulation audited?” there’s only one answer.

“Yes.”



Audit Bureau of Circulations

green public areas is by law a duty of the municipality," Bernardo acknowledges, "but we find ourselves in the position of someone who has gone out to do the shopping with little money but has to buy everything to feed the entire family. We have to accept a compromise."

Some people view this event, which in itself is minor, as an example of the growth of private power in Italy to the detriment of public power.

—NICCOLÒ D'AQUINO

Static About Church Channel

LISBON—Portugal, with one of the highest per capita television audiences in the E.C., is engrossed in an absorbing new *telenovela* (soap opera): the debate raging around the pros and cons of granting a television channel to the Roman Catholic Church.

The issue is raising political temperatures as church bishops, darkly invoking Republican excesses earlier this century that stripped the church of much of its privilege and some of its wealth, insist the Government honor a pledge made a decade ago to provide a church channel.

A bill setting out Government proposals for private television in Portugal has gone to Parliament. The bill provides for the continuation of the two existing state-owned channels (Radio Televisão Portuguesa—RTP 1 and 2); 15-year licenses for two private channels; and a concession for one private channel to the Roman Catholic Church.

Polls show strong support among center and right-wing voters for church TV, even though such a concession would be unique to Europe.

Those opposed say that although the church officially claims it merely wants a vehicle to divulge the faith, the experience of the church's highly profitable national radio network, Radio Renascença, indicates that the proposed TV station would rapidly become an "electronic

piggy bank."

Moreover, while a large majority of Portuguese are at least professing if not practicing Roman Catholics, the church is no longer the official state religion, and other religious groups are interested in receiving air time.

The bill presented by the ruling majority Social Democratic Government guarantees not simply a window for the church's religious views but a fully commercial franchise.

This proposal was subsequently changed to make the time available to a private channel, reportedly after the RTP lobby convinced the Government that conceding half a channel to the church would make state television commercially unviable.

The Government says that constitutional experts have ruled the church could use state television only for noncommercial religious broadcasts.

The decision to give the church part of a private channel has divided opinion among other competitors for franchises. Smaller groups see it as an opportunity to enhance their position by seeking an alliance with the church and presenting themselves as privileged candidates for the franchise that includes the church concession.

But the measure has diminished the chances of the big contenders and provoked dissent

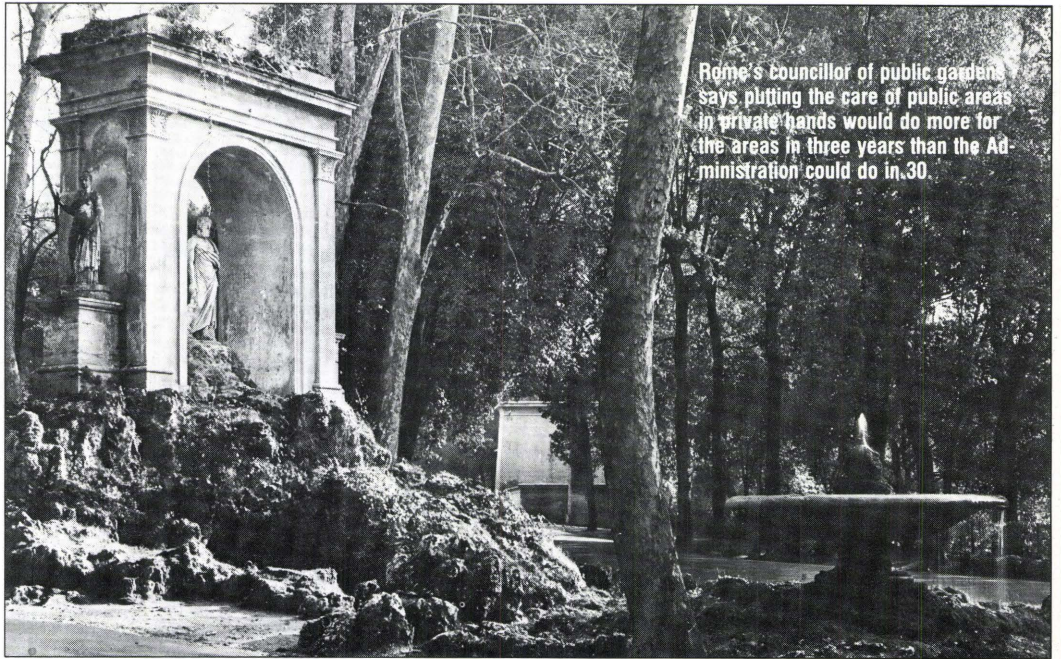
among Social Democrat deputies. Many are demanding that the Government alter its proposals and revert to offering the church space on RTP 2.

The church itself is far from happy with the proposals. Church representatives have launched a glossy campaign under the slogan "See the world through *other eyes*" to hold the Government to its pledge for space on RTP 2 and have made clear they will compete for a whole channel if the Government insists on keeping the church off state television.

The long-awaited television bill has emerged during a boom in marketing as the Portuguese economy expands at one of the fastest rates in Europe. Investment in advertising grew 30 percent in 1989 to 45 billion escudos (\$301 million), with television accounting for 47.5 percent of the total.

Private broadcasts are unlikely to begin before early 1992. Commentators point out that the timing of the bill appears to be linked to presidential and parliamentary elections scheduled for the first half of 1991.

They say the Government hopes to reap electoral kudos for introducing private television while ensuring independent channels are not on the air to compete with the pro-Government RTP 2 channel until after the voting.—KEN POTTINGER



Rome's councillor of public gardens says putting the care of public areas in private hands would do more for the areas in three years than the Administration could do in 30.

CORRESPONDENTS

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

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

NEL SLIS is a freelance writer based in The Hague.

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

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

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

ESTER LAUSHWAY is a freelance writer based in Paris.

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

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

DENISE CLAVELOUX is a freelance writer based in Brussels.

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

E.C. NEWS

TRADE

Soviet Union's GATT Status

THE SOVIET UNION'S application for observer status in the General Agreement on Tariffs and Trade (GATT) has met with no opposition, but member states have decided to hold further consultations to decide when to accept the application. The United States and Japan maintain that the Soviet Union should wait until after the current GATT Uruguay Round of world trade negotiations. Observer status would enable Soviet representatives to follow GATT proceedings at close quarters and keep up to date with changes in the world trading system as Moscow seeks to liberate its economy from central control and move toward a free market system.

EASTERN EUROPE

Give Help Now

E.C. LEADERS HAVE called for extending E.C. aid programs to all of Eastern Europe as quickly as possible.

Commissioner Frans Andriessen has indicated that a new trade and cooperation agreement with Czechoslovakia will probably be signed in early May. In addition, a similar accord with Bulgaria is expected to be concluded and signed in June.

Andriessen also says that he could consider a British proposal that calls for the Community to scrap immediately all quota restrictions on imports from Czechoslovakia.

There is a growing awareness that immediate aid is needed for Eastern European countries. As Gianni De

Michelis, Italy's Foreign Minister, has said, the Community has to provide continual encouragement for these countries rather than wait for them to complete their transitions from communism to democracy.

Ending Visa Requirements

E.C. FOREIGN MINISTERS have agreed to end visa requirements for East Germans. However, they could not decide on how quickly to ease restrictions for citizens of other Eastern European nations.

Gianni De Michelis, the Italian Foreign Minister, indicated that relaxing visa restrictions only for East Germany would send a negative signal to other Eastern European countries. He also demanded similar treatment for Hungary and Czechoslovakia. Although many Ministers were sympathetic, a number said that it was too early to make such decisions. Discussion on the matter is expected to resume this month.

Hungary Wants to Join E.C.

HUNGARIAN DEMOCRATIC Forum President Jozsef Antall has made E.C. membership Hungary's top foreign policy priority.

"We must do everything to stimulate capitalism in Hungary," Antall says.

Antall, who is likely to be the

country's next Prime Minister, also said that Hungarian industry should be privatized rapidly, although these changes should not jeopardize national interests.

If Hungary were to become a member of the E.C., Antall thinks it would not affect Hungary's close ties to the Soviet Union. But, he adds, a "serious question mark" is hanging over the future of the Warsaw Pact because of events in Eastern Europe, where Communist Governments have crumbled.

FOREIGN AID

Helping Namibia

THE E.C. COMMISSION HAS indicated its willingness to help the newly independent Namibia in its development. The Commission has offered aid to the country as it attempts to struggle through any postindependence problems.

Aid to the country amounted to 12 million ECU (\$14.28 million) last year. That figure is expected to rise to 19 million ECU (\$22.61 million) this year.

Development Commissioner Manuel Marin recently made known his desire to welcome Namibia into the Lomé Convention.

Emergency Aid

THE E.C. HAS GRANTED 1.47 million ECU (\$1.76 million) worth of emergency aid to victims of fighting in Lebanon and



Cambodia. The money was used for teams of doctors, food, and medical equipment. In addition, 650,000 ECU (\$780,000) was granted to airlift food into southern Sudan.

FOREIGN AFFAIRS

Andorra Agreement

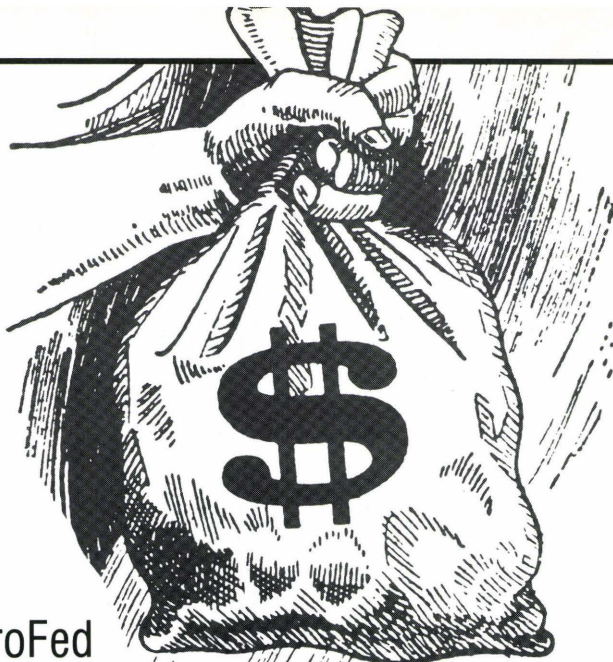
FOR THE FIRST TIME IN 700 years, the nation of Andorra has signed an international treaty. The European principality has approved a trade agreement with the European Community.

The treaty makes the territory, inhabited by 50,000 people, a member of the E.C. customs union. This agreement means that industrial goods will flow freely between Andorra and the E.C., and Andorra will apply the E.C.'s external tariffs on such goods to third countries.

FINANCE

Bank Hits Lending High

THE EUROPEAN INVESTMENT Bank (EIB) hit a new high in lending activity in 1989, creating more than 40,000 new jobs and increasing "green" investments by 40 percent. The EIB, the E.C.'s own bank, lent 12.2 billion ECU (\$14.8 billion) last year, a 56 percent rise over the 1988 figure of 10.2 billion ECU (\$12.2 billion). A higher proportion of the total investments went to the poorest E.C. countries, notably Portugal, Ireland, Greece, and Italy. This is in keeping with the EIB's main goal of reducing regional inequalities. In the environmental sector, projects were financed that will improve the quality of drinking water and more effectively treat liquid waste in seven E.C. countries. Reducing atmospheric pollution is also high on the EIB agenda.



EuroFed Proposed

THE E.C. COMMISSION HAS proposed a European Central Bank and a single European currency.

The paper recommends the establishment of a new E.C. institution to be called the EuroFed. The EuroFed would be independent and legally committed to price stability. It would determine monetary policy and then entrust the 12 national central banks with the task of implementing this policy.

The document also calls for a regular dialogue between the EuroFed and those responsible for economic policy in the European Community. The aim is to promote consistency between internal monetary policy and external exchange rate policy.

In addition, the Commission suggests that the budgetary policy field needs to be reformed. A system is needed for coordination and voluntary restraints that would guarantee a consistent and cohesive macroeconomic policy.

EBRD to Be Formally Established

THE EUROPEAN BANK for Reconstruction and Development (EBRD) has finally been codified. The bank will be formally established at a treaty ceremony May 30. The bank will have initial capital of \$12

billion (10 billion ECU), and will probably be making loans to Eastern European countries by early next year.

An interesting facet of the bank's charter will be the requirement that 60 percent or more of the credits from the bank be channeled into Eastern Europe's emerging private sector. Only 40 percent of the funds may be granted directly to Governments.

The bank will have 42 shareholders. The United States will have 10 percent of the bank's capital, while the Soviet Union will have 6 percent. Moscow has agreed, for a period of three years, to borrow no more than its paid-in capital contribution, allaying U.S. fears that Soviet borrowing would syphon off massive amounts. The E.C., as a whole, will control 51 percent of the capital.

The location of the bank's headquarters has yet to be determined. The leading candidates are London, Amsterdam, and Copenhagen. However, E.C. nations are deeply divided as to where the headquarters should be. The French Government has suggested that Paris be chosen as a compromise choice.

Jacques Attali, Special Adviser to French President François Mitterrand, and former Dutch Finance Minister Onno Ruding are leading contenders for the new bank's presidency. The final decision will be announced at the May 30 ceremony.

PARLIAMENT

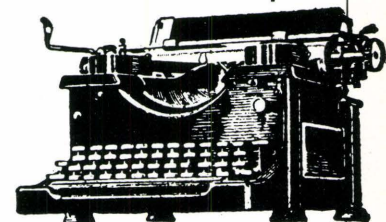
Parliamentary Compromise

IN AN EFFORT TO END the dispute over where the Parliament should meet, an acceptable and expensive compromise has been reached. The plan, which will relieve French concerns of losing the Parliament, calls for the use of new premises in both Strasbourg and Brussels.

Thus, 12 plenary sessions a year will be held in a new building under construction in Strasbourg. In addition, the Parliament will rent new facilities being built in Brussels for special sessions and committee meetings.

COMMUNICATIONS

Journalism Awards Set Up



THE E.C. COMMISSION, IN conjunction with the Brussels-based Adelphi Foundation, has established the Stendhal awards for Journalism and Communication in Europe. This award will go to editorial teams and journalists who make the greatest contribution to creating a climate favorable to European integration, a spirit of openness toward it, and a tangible image of what it might be.

Winners will be selected for best front page, cover, presentation of European social problems, articles or series of articles on European economy, and television program on Europe. Each winner will receive 15,000 ECU (\$18,023). The first awards will be presented in September 1990.

THE COMMUNITY BOOKSHELF

To order these publications, please check the desired items, fill out the order form and **ENCLOSE A SELF-ADDRESSED MAILING LABEL.**

May-June

European Unification: The Origins and Growth of the European Community. *European Documentation No. 1/1990, Commission, Brussels, 1990, 81 pages.* Third edition. Booklet on the history of and policy developments in the E.C. **Free**

The Institutions of the European Community. *European File No. 16/89, Commission, Brussels, and European Parliament, Luxembourg, 1989, 16 pages.* Brief outline of the institutions and their competence in the decision-making process. **Free**

Esprit: Key to the Technological Awakening of Europe. *European File No. 15/89, Commission, Brussels, November 1989, 11 pages.* Description of the European strategic program for research and development in information technology. **Free**

Patents, Trade Marks and Copyright in the European Community. *European File No. 17/89, Commission, Brussels, December 1989, 9 pages.* Summary of E.C. policies on intellectual property. **Free**

Health and Safety at Work in the European Community. *European File No. 3/90, Commission, Brussels, March 1990, 11 pages.* **Free**

TEDIS: Trade Electronic Data Interchange Systems. *Commission, Brussels, 1989, 10 pages.* Fact sheets on electronic data interchange (EDI) for processing of commercial documents. **Free**

The Community's Agricultural Policy on the Threshold of the 1990s. *European File No. 1/90, January 1990, Commission, Brussels, 11 pages.* **Free**

Guidelines for Improving the Synergy Between the Public and Private Sectors in the Information Market. *Commission, Brussels, 1989, 13 pages.* Guidelines to encourage private sector use and exploitation of public sector data. **Free**

The European Community and the Problems of Its Waters. *EUR 12109, Commission, Brussels, 1989, 21 pages.* Summary of E.C. policies to improve and protect water resources. **Free**

European Coal and Steel Community Financial Report 1988. *Commission, Luxembourg, 1989, 84 pages.* ECSC lending and borrowing operations and balance sheets for 1988. **Free**

Twenty-Third General Report on the Activities of the European Communities 1989. *Commission, Brussels, 1990, 446 pages.* Detailed review of policy developments in the E.C. in 1989 in each sector. Includes an outline of the 1989 and 1990 budgets, a section on developments in European Political Cooperation, and a chronology. **\$15.00**

Structure and Activity of Industry: Annual Inquiry Main Results 1985-1986. *Statistical Office, Luxembourg, 1990, 320 pages.* Presents the main results of the coordinated annual inquiry into industrial activity carried out by the member states. Sections include data on enterprises, data by kind of activity units, and tables presented by industries. Tables comprise majority of text. German and French translations included. **\$26.00**

Europe In Figures: Second Edition 1989/1990 Edition. *Statistics Office, Luxembourg, 1989, 66 pages.* A booklet that presents data on the European Community for educational purposes. In five sections it provides information on the E.C.'s background, policies and trends in population, education and the labor market. The E.C.'s gross domestic products are examined. Includes production in agriculture, industry, energy, tourism, and more. Covers external trade in the E.C. and gives comparison with the United States and Japan. Includes full color maps, graphs, and photos. **\$7.50**

1992: The European Social Dimensions. *Commission, Brussels, 1989, 119 pages.* Report by Patrick Venturini, an adviser to the President of the Commission, on the history of E.C. social policy and the major facets of the 1992 social dimension. **\$12.00**

Report on Economic and Monetary Union in the European Community. *Office for Official Publications, Luxembourg, 1989, 235 pages.* Report of the Committee for the Study of Economic and Monetary Union, chaired by Jacques Delors, and the collection of expert papers submitted to the Committee. **\$12.00**

Compendium of Community Monetary Texts 1989. *Monetary Committee, Brussels, 1989, 161 pages.* Official texts, including EEC Treaty extracts, for the economic and monetary union. Covers economic coordination, the monetary system, capital movements, the ECU and agricultural unit of account, and committees. **\$12.00**

Community Public Finance: The European Budget After the 1988 Reform. *Commission, Brussels, 1989, 116 pages.* Historical review of the development of the Community's financial system and the 1988 reform package. Summary of the budgetary rules and trends in revenue and expenditure. **\$12.00**

International Trade in Services: EUR 12 from 1979 to 1986. *Statistical Office, Luxembourg, 1989, 188 pages.* Evaluation of the external trade in services of the E.C. on the basis of member states' balance of payments statistics. **\$17.50**

Seminar on the Social Aspects of the Common Agricultural Policy. *Social Europe Supplement No. 3/89, Commission, Brussels, 1989, 82 pages.* Proceedings of a workshop, Brussels, June 24-26, 1987. Covers employment, working conditions, and vocational training for agricultural workers and adjustment policies for European agriculture. **\$7.00**

The Fight Against Poverty. *Social Europe Supplement No. 2/89, Commission, Brussels, 1989, 89 pages.* Interim report prepared by the Commission on projects under the First Poverty Programme. **\$7.00**

ERASMUS and COMETT in 1988. *Social Europe Supplement No. 4/89, Commission, Brussels, 1989, 88 pages.* Report on the initial operations of the ERASMUS program to promote academic interchange and the COMETT project for university/industry links for scientific research and development. **\$7.00**

New Technologies in Printing and Publishing. *Social Europe Supplement No. 6/89, Commission, Brussels, 1989, 230 pages.* Reports, by member state, on the introduction of new technologies in the publishing industries and the potential impact on employment. **\$7.00**

Statistical Analysis of Extra-EUR 12 Trade in Hi-tech Products. *Statistical Office, Luxembourg, 1989, 378 pages.* Investigates the structure and distribution of international trade in high-technology products for 1978-1986. Comparative data on imports and exports for the E.C.-12, United States, Japan, and EFTA. **\$8.50**

Analysis of Agricultural Trade: E.C.-Developing Countries 1970-1986. *Statistical Office, Luxembourg, 1989, 235 pages.* Study on principal trends in E.C. agricultural trade with LDC's with data presented by primary product groups and by countries. **\$8.50**

Individual Choice and Higher Growth: The Aim of Consumer Policy in the Single Market. *Commission, Brussels, 1989, 72 pages.* Second edition. Reviews measures in the 1992 program that affect consumer concerns—safety, legal support, information, and representation. **\$10.00**

ORDER FORM-PRICE PUBLICATIONS

Mail to UNIPUB, 4611-F Assembly Drive, Lanham, MD 20706-4391. 1-800-274-4888 (US), 1-800-233-0504 (Canada), 1-301-459-7666.

Please send me the price publications I have checked above. NOTE: Add postage and handling as follows: US, 5% or \$2.50 min. Outside US, 8% or \$4.00 min. State and local taxes: MD-5% and NY-varies.

_____ My check for \$_____ is enclosed. (Orders from individuals MUST BE PREPAID before publications are sent.)

_____ Please send me the free European Community Catalog of Publications.

VISA MasterCard Number _____

Expiration date _____ Signature _____

ORDER FORM-FREE PUBLICATIONS

Mail to Publications Section, European Community, 2100 M Street, N.W., 7th Fl., Washington, D.C. 20037. PLEASE DO NOT FORGET TO ENCLOSE A SELF-ADDRESSED MAILING LABEL.

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

NAME _____
ORGANIZATION _____
ADDRESS _____
CITY _____ STATE _____ ZIP _____

NAME _____
COMPANY _____
ADDRESS _____
CITY _____ STATE _____ ZIP _____

Reader's Digest has been preparing for 1992 since 1938. That's the year we launched our first European edition—in the United Kingdom, more than 50 years ago.

Today readers from London to Lisbon consider our 15 European editions, published in 11 languages, their own local magazines. As Europe's internal barriers disappear, *Reader's Digest* editors will continue tailoring each edition to serve readers' native cultural and language differences.

Our editors—who live and work

in the countries they serve—speak their readers' language, know their customs and are intimately familiar with their interests and concerns.

Reader's Digest has been informing, inspiring and entertaining Europeans for more than half a century. That's why we're the number one magazine in Europe—and ready for 1992.

Reader's Digest. We're a leading force in providing knowledge and entertainment to the world through magazine and book publishing,

music and video products, travel and financial services. We also provide significant support for programs for youth, education, the arts and humanities, both directly and through the Reader's Digest Foundation.



We make a difference in 100 million lives worldwide.

Ready for 1992.



ATI spells international success in 110 languages.

ATI, éxito internacional en 110 idiomas.

ATI דוברת שפתך ב-110 לשונות

ATI: successo internazionale in 110 lingue.

ATI, c'est la réussite internationale en 110 langues.

ATI 能將您的
母語譯成
一百一十種語言

ATI ΣΗΜΑΙΝΕΙ ΔΙΕΘΝΗΣ ΕΠΙΤΥΧΙΑ ΣΕ 110 ΓΛΩΣΣΕΣ

एटीआई आपकी भाषा ११० भाषाओं में बोल सकता है।

ATI— das heißt weltweiter Erfolg in 110 Sprachen

ATIは、110ヶ国語で皆様が国際的成功を収めるお手伝いを致します。

ATI: 110 ЯЗЫКОВ— ПУТЬ К МЕЖДУНАРОДНОМУ ПРИЗНАНИЮ

Use ATI's translation services to overcome the language barrier.

As international challenges and opportunities increase, so does the demand for foreign-language expertise.

ATI can satisfy all of your translation needs, regardless of their nature, deadline, or location. From and into 110 different languages, from legalese to computerese, we speak and write the idiom of international law and business.

Specialization enables ATI to translate your materials skillfully. With an average of 12 years of experience, each translator focuses on a specific legal, technical, or commercial field. 87% of our translators possess advanced degrees.

In addition to written translations, ATI provides typesetting for multilingual publications, and interpreters for speaking engagements. Whatever your foreign-language need, written or oral, here or abroad, we can help.

ATI's clients include Apple, Blue Cross, Chevron, Coca-Cola, Federal Express, Ford, Fujitsu, General Electric, IBM, Rockwell, Siemens, Skadden Arps, Stanford Medical School, 3M, United Artists, & Xerox. ATI is based in California's Silicon Valley, across from Stanford University.

To spell success, from your language into 110 languages, please call or fax ATI.



AMERICAN TRANSLATORS INTERNATIONAL

Inside U.S.
1-800-443-2344

In California
1-800-443-2444

Outside U.S.
1-415-323-2244

FAX
1-415-323-3233