

# EUROPE

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# EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY

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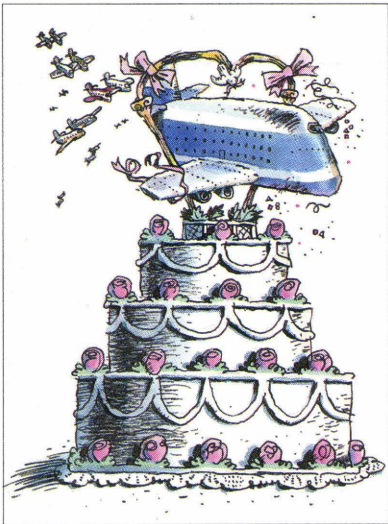
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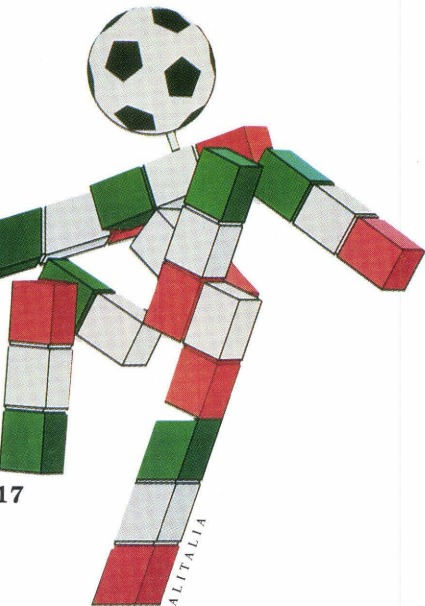
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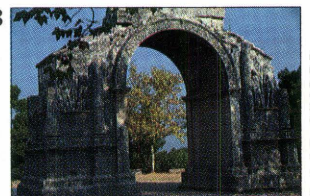
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# Letter From The Editor

**T**HIS MONTH THE WORLD CUP

soccer championship starts in Italy to determine the world's best soccer team. To put the World Cup into perspective, consider this: More people watch the month-long World Cup soccer games than watch the World Series, Super Bowl, and Winter and Summer Olympics combined.

Italy is putting a massive effort into hosting the World Cup. In addition to our article on Italy's preparations, we include what every sports fan wants—facts and figures about the world's most popular sport, along with a rundown of how the World Cup championship is organized.

Italy is more than a soccer-obsessed country, however. In this month's member state report, *Europe* reports that Italy's healthy economy is growing rapidly.

*Europe* brings you an exclusive interview with Umberto Agnelli, president of Fiat, and an article from his brother, Giovanni Agnelli, who is chairman of the parent company. The well-known Agnelli brothers give their opinions on the 1992 single market and the vast changes taking place in Europe today.

And to round out our coverage of Italy, Niccolò d'Aquino takes us behind the scenes of Italy's financial capital, Milan. He explains the industriousness of the city, how the city has moved to the forefront of the world fashion industry, and what sights you should see on a visit to the city.

On a wider front, *Europe* takes a look at the European Parliament. As Europe continues to undergo rapid change, the European Parliament is discussing ways to increase its powers. In addition to an overview on how the Parliament works, we interview the European Parliament President, Enrique Barón Crespo.

E.C. Commissioner for Agriculture Ray MacSharry, in an exclusive *Europe* interview, details the E.C. position on agriculture in the current Uruguay Round trade negotiations. Ambassador Julius Katz, Deputy U.S. Trade Representative, gives the U.S. view on agriculture and other trade issues being discussed between the E.C. and the United States.

Richard Longworth writes a letter from Budapest, which he says seems Western already, and profiles the country's newly selected Prime Minister.

*Europe* gives you a guide to Europe for your travels this summer. We provide background on some less familiar places you might like to visit, along with a convenient list of the 12 E.C. country tourist offices in the United States where you can get more travel information.

I look forward to hearing your comments on *Europe*.



**Robert J. Guttman**  
Editor-in-Chief

# EUROPE

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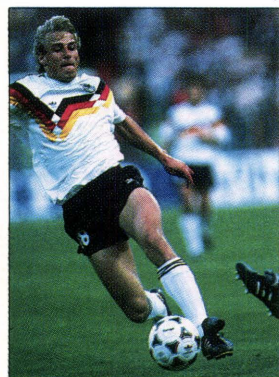
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Second class postage paid at Washington, D.C.

**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.

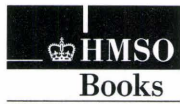
**COVER:** Italy is currently preoccupied with preparations for the World Cup.  
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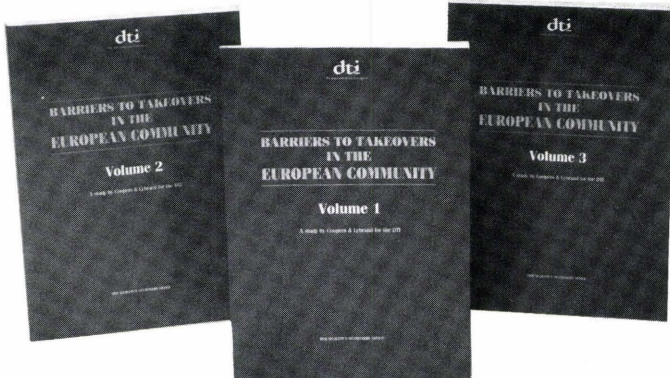
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# EUROPEAN

## Profitable Lunch

**ONLY** IN WEST GERMANY IS IT POSSIBLE to make money during your lunch break.

To help meet expected demands for coins, workers in West German mints have been skipping meals to prepare for the upcoming monetary union scheduled for the beginning of July.

"People are working overtime and through their lunch breaks. They feel it's a national challenge that they're meeting on behalf of the East German people," a spokesman for the Federal Mint in Stuttgart said.

Minting orders have been raised as much as 30 percent over 1989's output. In the Stuttgart mint, extra staff had to be hired and additional equipment purchased.

—Reuters



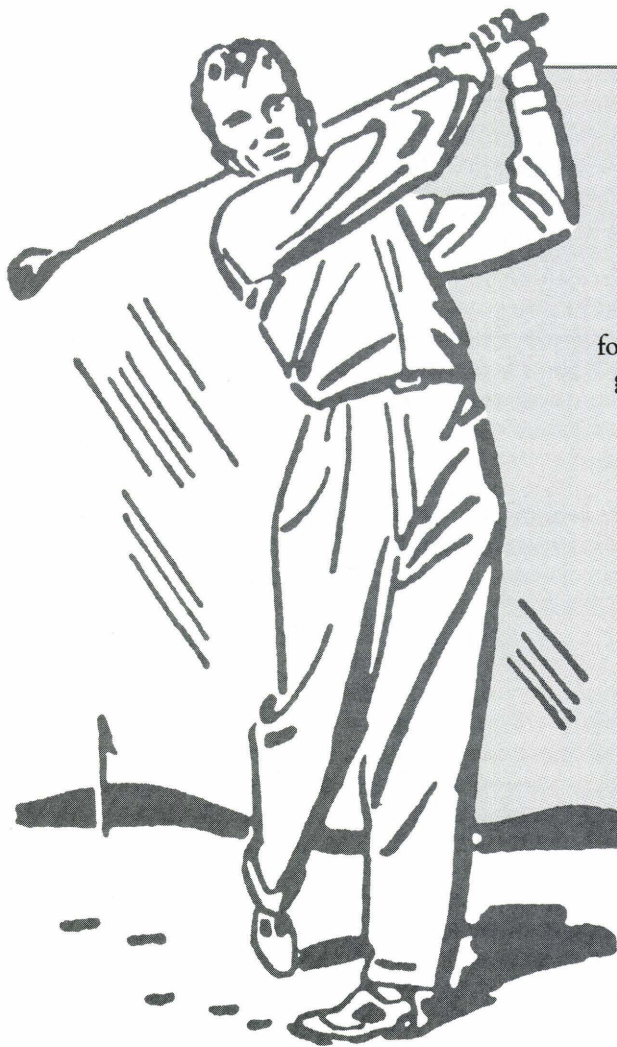
### INDIANA JONES TO THE RESCUE

TURKISH ARCHAEOLOGISTS ARE desperate to reclaim a 3,000-year-old stone sphinx that has been in East German possession for more than 70 years. The archaeologists, who have been negotiating with East Germany for years, fear German unification will further impede the process of getting the sphinx back to its motherland Turkey.

The sphinx, which was made by the ancient Hittites to guard the portals of the capital, is a priceless six-and-a-half-foot statue with a human head, a lion's body, and an eagle's wings.

Turkey claims that Berlin originally received the sphinx on loan. Officials worry that if the decision to return the statue is left up to the West Germans after unification, it will never come back to Turkey.

—Reuters



### MISSING LINKS

FORE-TEE YEARS. THAT'S HOW long it has been since East German golfers have been allowed to engage in the "ultimate capitalist sport."

Now that the Communist-enforced abstinence no longer exists, golf's popularity is on the rise. And so are membership fees at many East German golf courses.

The prohibitive prices will keep many off the green until wages become more comparable to the West.

Last month East Germany set up a Golf Association with 40 members. They plan to compete in local West German tournaments.

—Reuters

ON A SIMILAR (BANKING) NOTE, AFTER July 2, the faces of Karl Marx and Friedrich Engels will no longer appear on East German money. They will be replaced by rather unfamiliar faces now on West German marks; Sebastian Münster, an astronomer from the Middle Ages; and a man from a 16th-century German painting.

## Up, Up, And Away

A fleet of large, motorized balloons may soon be inhabiting Eastern European skies to check up on military activity, according to a plan proposed by a French airship company.

Airship Services, which provided security for leaders of the seven top industrialized countries at the Paris summit last summer, calls the dirigibles a non-threatening, ecological way of observing military movements under the premise of "open skies" between the East and the West.

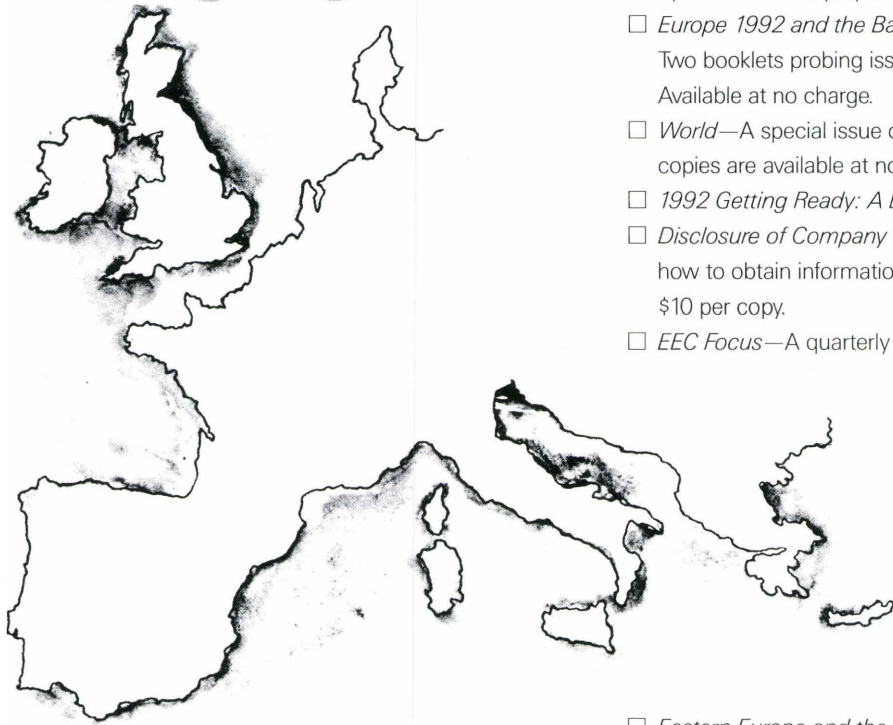
The "open skies" idea—freedom for air patrols to observe deployment of potentially hostile forces as a way of reducing military insecurity and the threat of accidental war—was first put forth by President Dwight D. Eisenhower in the 1950s.

—Reuters



# GETTING READY FOR

# 1992



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# The European Parliament

*Part of the E.C. Legislative Triad Wants a Stronger Voice in Community Policies*

**A** LONG WITH THE COUNCIL OF MINISTERS and the E.C. Commission, the European Parliament is the backbone of the E.C. legislative process. As Europe moves closer to integration by the end of 1992, however, many Europeans are demanding that the Parliament be given more power.

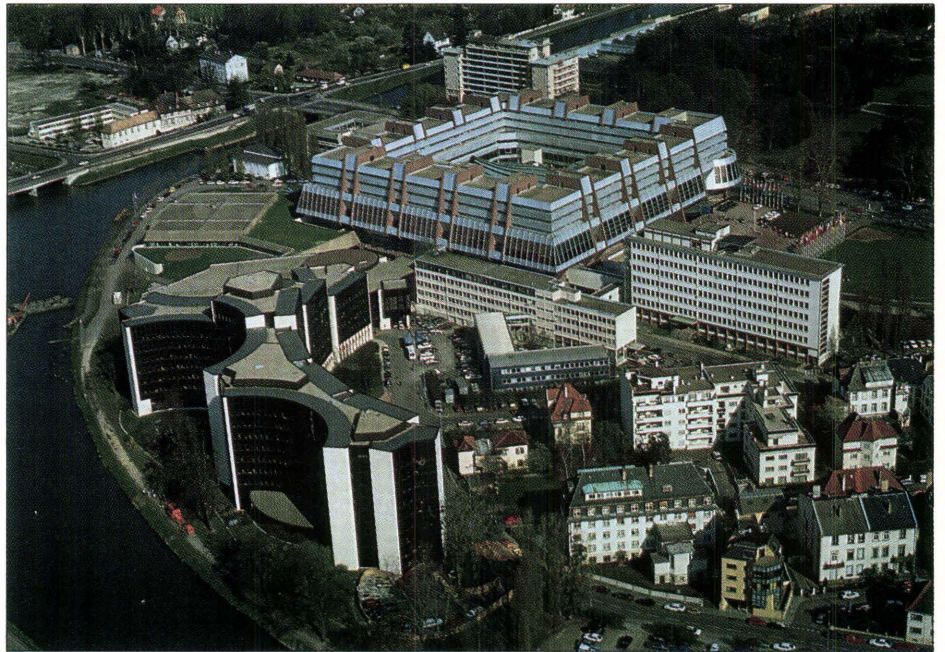
"The pace of change in Eastern Europe," remarks Edward McMillan-Scott, a British Member of the European Parliament (MEP) from York, "is concentrating minds on a strong Western European bloc, based on the E.C., in which the European Parliament must play a central role."

In the Treaty of Rome, the organization is designated "the Assembly," and the Council of Ministers always refers to it as such. However, the body calls itself the European Parliament, and it is known by that name to the Commission, the press, and the general public.

The new Parliament, which consists of 518 members, was elected in June 1989. Countries are represented by 81 members each from France, West Germany, Italy, and the United Kingdom; 60 from Spain; 25 from the Netherlands; 24 each from Belgium, Greece, and Portugal; 16 from Denmark; 15 from Ireland; and six from Luxembourg. Voters directly elect their representatives. Most countries grant franchise to citizens 18 years and older; in Brussels and Luxembourg, voting is compulsory.

Once elected, the MEP's align themselves into political groups. These groups are not political parties, although most have close ties with domestic political organizations.

The European Parliament has no permanent home. "Unlike the U.S. Congress," explains McMillan-Scott, "its or-



The European Parliament holds most of its plenary sessions in Strasbourg (shown here), occasionally convening in Luxembourg. Member offices and committee meetings are in Brussels.

ganization is split between three cities: Brussels, Strasbourg, and Luxembourg. But the Parliament is building itself a new chamber in the Belgian capital." The Parliament holds most of its plenary sessions in Strasbourg, occasionally convening in Luxembourg. In addition, member offices and committee meetings are in Brussels.

Although its members have been directly elected since 1979, the European Parliament does not have the powers of

SETH ELLIOTT



the U.S. Congress. It levies no taxes and enacts no laws. Instead, the European Parliament plays a consultative role in the legislative process of the European Community. The Parliament's main task is to give an opinion to the Council on all proposals from the E.C. Commission (draft directives, major policy decisions, or regulations). Before presenting an opinion, the Parliament may require Commission assurances that amendments will be put forward. In practice, the Parliament has the power both to suggest amendments and to delay legislation it

does not like. These powers have been gradually extended. The Parliament's political strength has also been increasing substantially.

In addition, the European Parliament controls the Community's purse strings. Parliament must approve the annual budget before it can be adopted. If the Parliament rejects the proposed budget through a majority veto, however, it must present a substantive and cohesive reason for its decision.

The Parliament also acts as a check upon the Commission. Article 140 of the

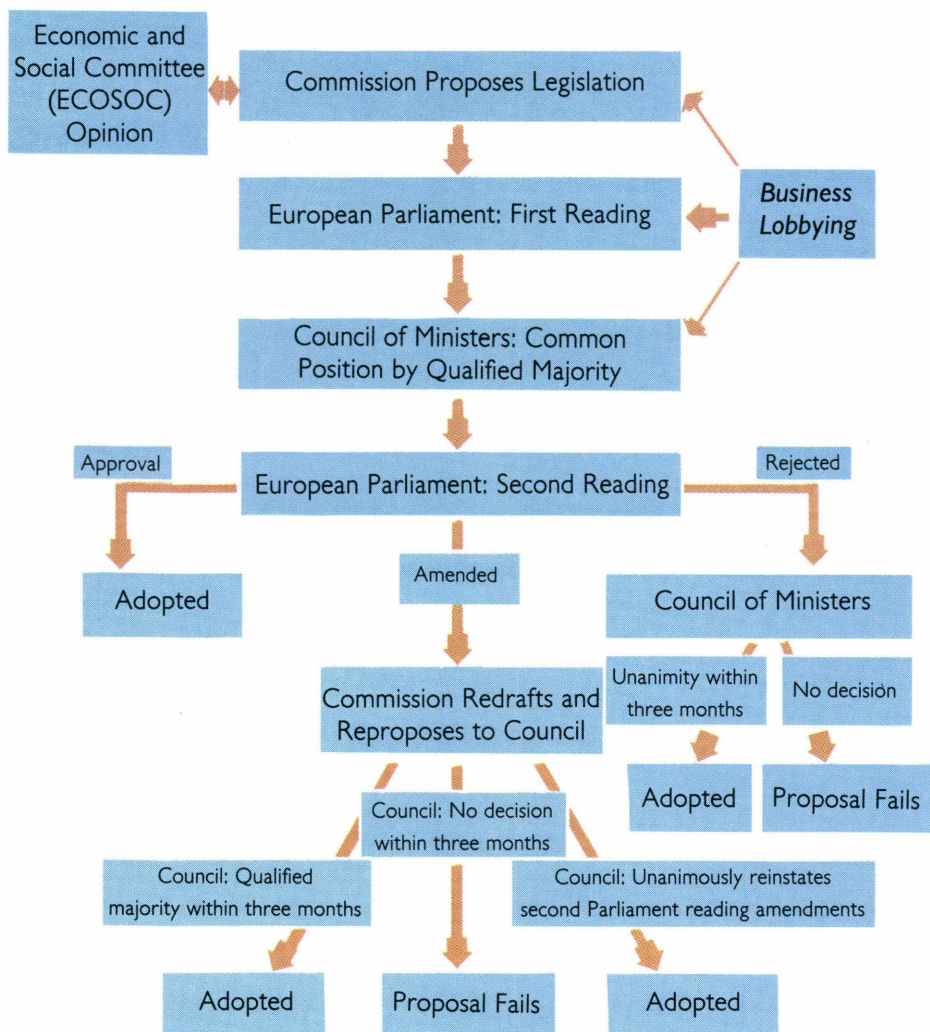
Treaty of Rome requires Commissioners to appear before Parliament and to respond to questions. In addition, the Commission must submit an annual report of its activities to the Parliament. Finally, the Commission is required to resign as a body if the Parliament adopts a motion of censure against it. Only four motions of censure have ever been attempted, and none was successful.

Only comparatively recently have its members been directly elected. Previously, MEP's were appointed from the national parliaments of the member states. In former years the Parliament was used as a political dumping ground. Old retirable persons or young "wet behind the ears" politicians used to be appointed to the European Parliament. Such is no longer the case. The European Parliament is now considered a dynamic institution.

Another change involves the scope of parliamentary powers. "With economic and monetary union already under way," says McMillan-Scott, "the European Parliament is pushing for political union and defense matters to fall within its responsibilities. Many Europeans are beginning to demand that the European Parliament have a stronger voice in Community policies."

Other, more substantive changes are being proposed. Recently the Parliament approved a report that calls for granting more powers to the Parliament. The report, prepared by David Martin, a Scottish Socialist MEP, suggests allowing the Parliament to block European legislation and give it joint power, with the E.C., to initiate proposals. In addition, the report advocates allowing MEP's a say in selecting Commissioners, giving Parliament the power to ratify all constitutional decisions by the Court of Justice, and imparting Parliament with the power to elect the President of the Commission. A strong feeling prevails that it is time democratically elected members had a stronger voice in policy. As McMillan-Scott has said, "The European Parliament is condemned to succeed, since the complex of the E.C. demands a democratic heart." €

## The Making of E.C. Legislation



Source: *Business International*

Seth Elliott has contributed to many staff reports for *Europe* magazine.



*Enrique Barón Crespo Wants  
to Strengthen the European  
Parliament*

# Parliament President

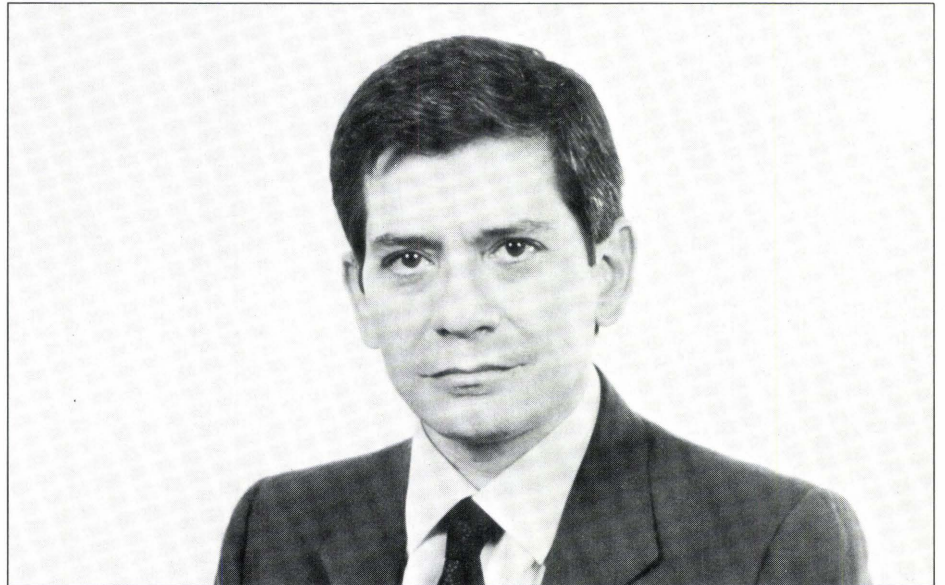
**E**UROPEAN PARLIAMENT PRESIDENT Enrique Barón Crespo is an admitted European Federalist. He assured a Madrid audience in March that "the European Parliament will not renounce its great objectives, especially the absolute need to attain the E.C.'s political union by the year 2000."

Barón Crespo's vision is of a European federal state along the model of the United States, "but with a parliamentary form of government, as that is Europe's tradition," he says. He takes hope from the number of E.C. member states that have already adopted the model nationally.

It is little surprise, then, that the results of the Dublin summit in April on increased powers for the Parliament did not please him. "We must make a qualitative approach to political union. If we do not take this vital step now, we run the risk of seeing sporadic and divisive nationalistic sentiments emerge," Barón Crespo said in an exclusive interview with *Europe* magazine.

What lies behind this polyglot Spaniard's single-minded supranationalism? Barón Crespo, economist-author-professor-human rights lawyer-socialist-politician-parliamentarian, was born in Madrid on March 27, 1944. He came of age in the hothouse of late-Franco Spanish politics and walked straight into the courts of law and national politics.

He holds diplomas in law and commercial science from the Instituto Católico de Alta Dirección de Empresas (ICADE), and the Ecole Supérieure des Sciences Economiques et Commerciales (ESSEC), Paris. In 1966, he began appointments as professor of agrarian economics with the Instituto Nacional de Estudios Agrarios (ENEA) in Valladolid and as professor of



economic structure with the University of Madrid. His expertise in these fields brought him international recognition within weeks of joining the European Parliament in 1986.

Barón Crespo also is author of *Población y hambre en el mundo* (Population and Hunger in the World); *El final del campesino* (The End of the Peasant); *La Civilización del automóvil* (The Automobile Civilization); and numerous articles on economics and political questions. His work as an author brought him official recognition of sorts when the Franco Government indicted him for pub-

ROBERT HASLACH



lishing an article on freedom in Spain. His lawyer in that successfully defended case was Felipe González, who is currently Prime Minister of Spain.

By 1970, Barón Crespo was fully engaged in the social and political upheavals of the waning days of Franco's Spain. He registered with Madrid's College of Lawyers and practiced law, specializing as defense attorney for political prisoners and workers. In December 1973, he was one of the attorneys defending "The Ten"—10 labor unionists arrested in the midst of a June 1972 meeting and charged with plotting to organize alternatives to the Government-controlled trade unions, or syndicates. "That trial was held the same day that President Carrero was killed. A very exciting time," Barón Crespo recalls laconically. The Ten's most famous member, veteran Communist trade union leader Marcellino Camacho, received 20 years. Barón Crespo himself would be indicted and acquitted six times before Franco died in November 1975.

Barón Crespo's clientele dwindled after basic human rights were recognized, political prisoners freed, free trade unions recognized, and all political parties legalized in 1976. On June 15, 1977, Barón Crespo was elected in the first free elections in decades to the Cortes's Congreso de los Diputados for the socialist Partido Socialista Obrero Español (PSOE). He was then appointed parliamentary party spokesman on economic affairs, a post he held until 1982. He was re-elected in 1979 and served on the Committees for Finance, Industry and Energy, and Public Works.

The elections of October 1982 gave the PSOE an absolute majority with 202 seats. In December, PSOE leader and fellow labor-lawyer Felipe González became Prime Minister and formed a Government that included Barón Crespo as Minister for Transport, Tourism, and Communications. The job took him into the international arena. In the spring of 1985, for instance, he visited the Soviet Union for talks on Soviet Union-Spanish shipping cooperation. He met also with a member of the Soviet Central Committee Politburo and the Minister of Civil Aviation. But at the end of 1985, Barón Crespo left Spanish national politics.

"I chose to leave the Government,"

Barón Crespo says, "especially to run for the European Parliament. My colleagues warned me that I was headed onto a side track. On the contrary, I said, I was headed into the future. Events have proven me correct."

When, after years of discussions, Spain finally entered the E.C. on January 1, 1986, Barón Crespo moved from Madrid to Strasbourg and quickly made his name in European politics. By October he had drafted a major report on ways to sell stockpiled E.C. foodstuffs. Parliament passed it nearly intact—only one amendment was deleted, which called for a gasoline tax to raise new revenues earmarked for the European Community.

By November 1986, Barón Crespo and Sir Henry Plumb had emerged as the two contenders, Socialist and Conservative, for President of Parliament. Barón Crespo maintains the parliamentary Socialists put him forward because he had concentrated his efforts on the Community's true Gordian knot: E.C. finances.

Despite losing, Barón Crespo's credentials received a further boost in November when the European Parliament voted 286-37 with 30 abstentions to have President Lord Plumb present another of Barón Crespo's reports to the Copenhagen summit of E.C. heads of government. This one called for controls on farm spending even tougher than the Commission had proposed, as well as a special agricultural tax to finance a budget overrun and specific production controls in each farm sector.

Barón Crespo's second run at the presidency succeeded with a 58 percent majority when on July 25, 1989, he gained the support of a coalition of Socialists and Christian Democrats. The press noted "a welcome flash of humor" when at the post-election press conference he described himself as a "Red Baron" taking over from the "Blue Knight."

He and the Parliament will not stand still between now and January 1992, when his term of office ends. "Parliament at present is more like a salad bowl than a melting pot," he says. "My goal is to defend Parliament. We want to keep as close as possible to all the institutions of the Community," as would be required should his vision of a directly elected Government come true.

Nationalism remains an issue to con-

tend with in the E.C. of 1990. Recognizing that his vision of a European Parliament diminishes the authority of the present 12 independent national Parliaments, Barón Crespo has made appointments with their chairmen. He plans to bring them the message of federalism and the vital role each Parliament would play in such a structure.

The question remains how to attain this goal. Although his election testifies to Barón Crespo's ability to weld together powerful blocs of votes, his skill as a parliamentary chairman is less clear. "Once during the March session, after he let speakers ramble on about points of procedure for far too long, Simone Veil [a former President (1979-1981)], stood up and, to great applause, rebuked him for not enforcing the rules," the *Economist* reported. Barón Crespo responded, "Coalition formation is needed at times, at other times strong leadership. The problem, however, is that the latter is not very well set out in the Parliament's rules."

While the Single European Act gave Parliament the right to approve the budget and dismiss the Commission, Barón Crespo will focus his attention for the next two years on strengthening the European Parliament as an institution. He will also focus on what he sees as the Community's key problem since his arrival in Strasbourg in 1986: taxation. Whence does the Community derive its own revenues, what authority does it have, and should it be able to levy and collect taxes?

The vision of a unified European state is never far from Barón Crespo. Would Europe then have its own head of state? "Yes. One could imagine the Council providing the President, the Commission the Prime Minister, and the Parliament its Speaker."

And does he plan to seek re-election as President of the Parliament at the end of his term in January 1992? "There is no legal impediment to re-election," he admits and then laughs. "But as it was so close the first time, re-election would be a miracle." €

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International business consultant and author Robert Haslach has followed the careers of European public figures since 1973. His profile of Frans Andriessen appeared in the April issue of *Europe*.



# Royalty Represents Bavaria

*Otto von Hapsburg Has Devoted His Life to European Unity and the E.C.'s Success*

**T**ODAY, IN ONE OF THOSE STRANGE TWISTS of fate that seem to have characterized his life, Otto von Hapsburg—son of Austria's last Emperor, Karl, and his wife, the Empress Zita—has become a German citizen and represents the State of Bavaria in the European Parliament, which meets in Strasbourg.

After the family was banned from Austria in 1918, he went to school in Spain and Belgium and eventually earned his doctorate in political science from the University of Louvain. Hapsburg became a German citizen in 1978, retaining his Austrian citizenship at the same time.

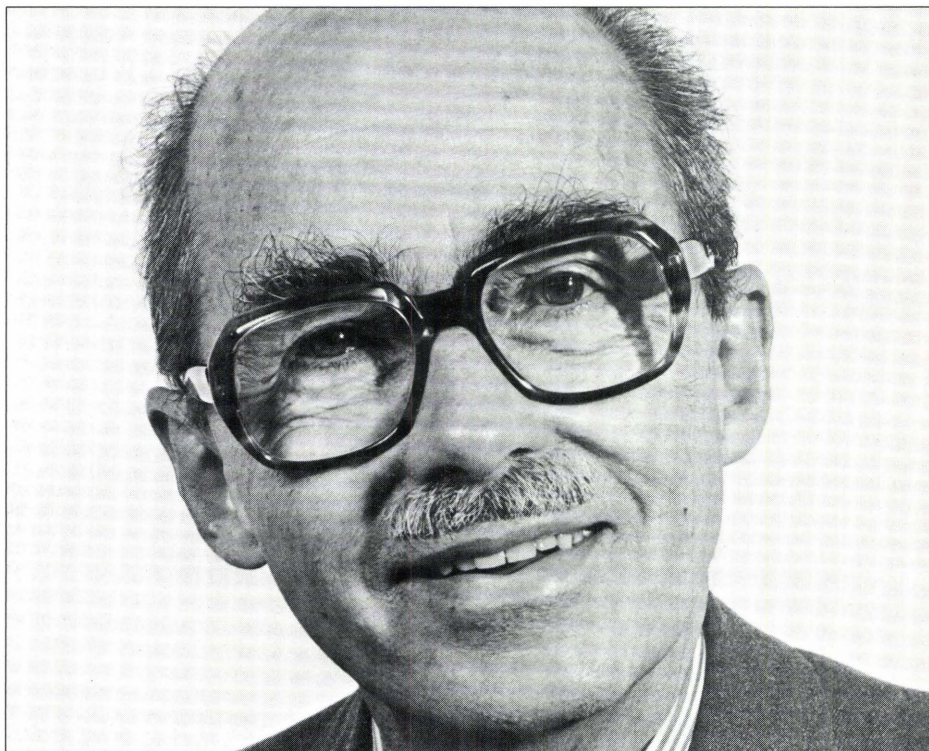
Having officially disavowed any ambition of re-establishing the Hapsburg monarchy in Austria—for years he was the only Austrian whose passport specified that he could not visit his own country—Hapsburg has devoted his life to the ideal of European unity and to making the European Community a success.

Hapsburg, who speaks six languages, is emotionally close to Hungary, where his father was crowned King in 1916. Some Hungarians considered offering him the presidency last year.

"I turned that down," he explains in an exclusive *Europe* magazine interview, "because I didn't think that free elections should start with the presidency. You don't build a house starting with the roof. I am quite for starting with the basement, and that means parliamentary elections. There now has been a referendum, and the people fortunately supported my view. The presidential elections are due in September."

Hapsburg is also president of the Pan-European Union, which he credits with getting the East German revolution rolling last year.

"It was last August 19 that we orga-



nized the Pan-European Union picnic on the Hungarian-Austrian border," he recalls, his voice full of emotion. "That was the first time that 600 or 700 East Germans were able to cross into Austria through the holes we had cut in the barbed wire fence. It was one of the proudest moments of my life."

German unification is very much on Hapsburg's mind these days, and he holds

FRED HIFT



unqualified views on it, views that perhaps reflect his uncompromisingly conservative attitudes.

"I will tell you: German unification is a fact. There are two notions that are mutually exclusive—the so-called German Democratic Republic and a free vote. If you want to keep the German Democratic Republic, you shouldn't give the people a free vote. If you give them a free vote and self-determination, then the German Democratic Republic disappears."

And he continues: "There are some people who are very much afraid of a Germany with 18 million more inhabitants. I personally am not, because the experience of the last decade of European work has shown conclusively that it's not the number of people in the Community that determines the policy, but the quality, the technological knowledge, the political capability."

Hapsburg takes the view that different countries—like Germany under Konrad Adenauer and France under Charles de

Gaulle—at various times appeared to dominate the Community and stood as the number one country. "We are sufficiently balanced that these fears of Germany appear quite unjustified," he maintains.

While many hail Hapsburg as a European visionary, others—quite apart from the Austrian Socialists who for years banned him from Austria—see him in a slightly different light. They note his courage in the days of the 1938 *Anschluss*, when—from Paris—he urged Chancellor Kurt Schuschnigg to resist the Nazis and when he helped many Jews to escape, but they also cringe over some of his much-criticized pronouncements.

He has declared himself a supporter of white South Africa, and he has said that the United Nations is "dominated by anti-European illiterates, despots, and cannibals."

He handles criticism of his hard-line right-wing views with a kind of cool de-

tachment.

"If they are going so hard on me," he told the *New York Times* some years ago, "it's because they can't handle someone who is on the conservative side and who has no Nazi background. If they can't do better, I feel sorry for them."

But today all these things pale for him in the light of the German developments. Has all this talk about unification relegated the E.C. to the background? "On the contrary," he protests, "it was always necessary, but it's even more necessary now to accelerate it. We have to work even harder toward bringing about a genuine success in 1992."

Does he see the new Community succeeding? "I am quite optimistic about it. Maybe it will be impossible to finish everything by 1992, but I would say we shall be able to finish 80 percent to 85 percent of our task."

What does he see as the key problems facing German unification? He pauses. "The question of currency exchange and the establishment of a free market. Equally, there's the problem of the environment in East Germany where I've been speaking recently.

"The destruction of the environment there surpasses anything we could visualize. It is an absolutely reckless, criminal policy that was pursued by that regime. A large percentage of East German industrial plants will have to be scrapped because they no longer meet the demands of a halfway healthy environment."

Hapsburg's European Parliament assignment is for another four years. Does he have plans beyond that? He hesitates again, then breaks into laughter. "I am just a humble representative from Bavaria," he says, "but, of course, I do not preclude the possibility, if there is really something that is in the interest of Europe, that I might—I just might—do something else.

"I've led a strange life. You never know what the future might bring."

One thing it cannot bring is a Hapsburg return to high political office in Vienna. "The Constitution states that I can never become President of Austria," he says, without a trace of regret. €

Fred Hift is a freelance writer in New York who covers European affairs for various media organizations.

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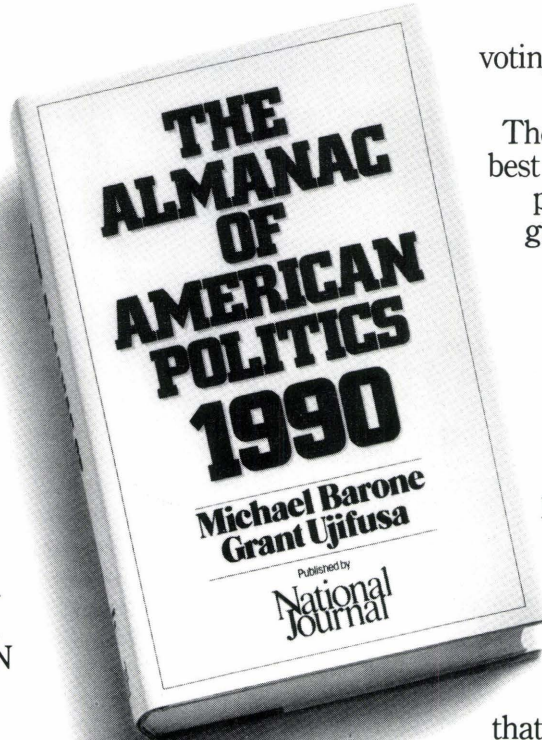


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AL40



**C**ONTRADICTIONS ARE ONE ELEMENT OF THIS COUNTRY THAT MOST strongly strike outside observers. As Italy's semester to preside over the Community comes around, once again Rome arrives bearing a double image of the country to the rest of the world.

On the one hand, Italy is the fifth economic power in terms of gross national product. The country overcame disastrous defeat in World War II more slowly and less spectacularly than Germany or Japan, but it is on its way toward international recognition of its industrial and political weight.

On the other hand, the traditional image still exists of an Italy that is behind the times in several sectors essential to an advanced economy. Above all, Italy is behind in transportation and telecommunications. Even today, "making a telephone call in Italy can be an adventure," as the daily newspaper *Il Corriere della Sera* documented in a series of attacks against the SIP, the company that has the telephone monopoly in Italy and is the object of constant complaints and criticism from dissatisfied customers.

A study conducted by Confindustria, the association of Italian industrialists, has found that, on average, out of 100 telephone calls, more than 50 do not get through on the first try. This inefficiency damages companies enormously, besides being hard on the patience and nerves of the general telephoning customers.

As far as modernizing rail transportation is concerned, Italy risks becoming isolated from the rest of Europe in high-velocity trains, which is the future of railroads. The French TGV (*train à grande vitesse*) and its German cousin are creating a European network that excludes the Pendolino, the Italian version

of the high-velocity train, relegating it to a solely national route joining Milan and Rome.

The Government, taking note of its backwardness, has nominated Mario Schimberni, ex-CEO of the giant industrial conglomerate Montedison and one of the private sector's most able and tempered managers, to become head of the railway agency.

Schimberni will be confronted by enormous difficulties in carrying out his reforms because he will be battling on two fronts: against the unions, which will fight his plans to trim the agency by firing workers; and against the Minister of Transportation, Carlo Bernini, who favors compromises for political reasons.

Italians are familiar with these contradictions within one country that is technologically and economically advanced in some regards but more like a developing country in other ways. Italians are reminded of these inadequacies not only by everyday problems (such as chaotic city traffic and faulty telephone service), but also by studies that various groups constantly conduct.

The most recent study was the annual report presented by the Istat, the central institute of statistics. This study is a virtual X-ray of the country; it is also important because it is an official study. The report confirmed that there are two Italys, one in the north and one in the south.

"It's like a married couple that lives under the same roof but is actually 'sepa-

rated' at home," comments Guido Rey, president of the Istat.

Salaries, work, consumption, habits, even physical aspects—everything in Italy seems to be divided by invisible bars, even though the country was unified more than 100 years ago.

The distances between north and south are both cultural and economical. The "European" Italians live in the north. The "Mediterranean" Italians live in the south. The average yearly per capita income in the country's center and the north is \$16,240. In the south, it is only \$9,200. In a few of the poorer southern regions, like Calabria, it dips down to \$7,600.

Employment differences are just as astounding. In the center and north, unemployment stands at 7.4 percent, and in Bolzano, one of the largest northeastern cities, where the German language vies with Italian, the average is a mere 3 percent. In the south, unemployment stands at 21.1 percent. And even if part of this unemployment is eased by another typical Italian phenomenon, the so-called *lavoro nero*—employment that escapes statistical regulations (and taxation)—the problem remains enormous.

Yet, the country is going through an extended rosy period that is consolidating its economic and political weight. Once again, the figures speak for themselves. Italy's economic depression ended in 1983. Some people, like researcher Gerolamo Fiori, have even counted the

*The Italian Economy, Despite Many Contradictions,  
Is Very Healthy and Growing*

**I T A L Y**

NICCOLÒ D'AQUINO



months of Italian economic expansion: 81 months (when this article was written). Not bad, if one considers that the United States's positive economic phase is not much longer: 90 months. During these 81 months, the Italian national product has risen by at least one-fifth in real terms. The per capita output has risen just slightly less.

The forecast is positive. "There may be a drop-off during the second half of 1990, due in part to a few important work contracts that expire and will have to be renegotiated," says Fabrizio Onida, a professor at the Università Economica Bocconi of Milan, as he explains a study conducted by the IRS, the Institute for Social Research, of which he is a member. But, almost certainly, this will be a slowdown rather than a halt. "And in any case, for the moment we expect another golden semester."

Exports outweigh imports, having increased 9.5 percent in the first trimester of 1990 in comparison with the same period in 1989. Imports have risen 7.2 percent. The internal gross product has slowed its growth, falling below 3 percent, but it maintains a reassuring rate (+2.8 percent). In short, the landing, if there is one, will be soft.

Satisfaction is even seeping out from the headquarters of the Banca d'Italia in Rome where comments are traditionally very cautious. The latest figures published by the governor of the Central Bank, Carlo Azeglio Ciampi, are reassuring.

Italy is becoming a magnet for foreign capital. The balance of total monetary outflow from Italy in various forms (goods, services, investments) is \$334.4 million. That amount is less than the \$546.4 million registered in 1988, but still positive. Public and private coffers are being filled by an impressive flow of transalpine money invested in loans, industrial investments, stocks, Government bills, and the like. More than \$20 billion has been invested by foreigners attracted in part by Italy's high interest rates and in part by the relative stability of the lira. The national currency is proving wrong all the clichés that were the basis of its bad reputation, and it occasionally assumes a true position of strength. The lira is holding its own in Europe, something it has not done in



The distances between the north and south of Italy are cultural and economical, although the country was united more than 100 years ago.

recent memory. The rate of exchange with the deutschmark, for example, fluctuates around 742.98 liras, well below the central rate. The lira, therefore, is soaring in the upper levels of the E.C. monetary system. And it continues to gain ground against the dollar. Judging by the data on the balance of payments, the Italian economy, despite its many contradictions, is very healthy.

In fact, some people murmur that it may be even too healthy. The Italians are renowned savers, and they continue to pour their money into bank accounts and other financial institutions. Official reserves rose by \$12 billion in 1989 to reach a total of \$74.1 billion. Something will have to be done to put at least part of these riches back into circulation.

Two recent events covered amply by the Italian press have reinforced the fact that Italy, despite all its peculiarities, is by all rights one of the world's primary economic powers.

First, Italy put an end to years of special treatment for the lira within the E.C., which had compromised its credibility on the international market. The lira has renounced ample fluctuations within the European Monetary System. Doing so, it has become a strong currency, alongside those of Germany, France, and Great Britain.

Second, two months ahead of schedule, the circulation of capital to and from Italy was completely liberalized as of May 14. The only remaining obligation will be to declare, for tax purposes, the exportation of sums exceeding \$16,220 and to conduct any operations involving sums equal or superior to this amount through the banking system.

Many other problems, such as orga-

nized crime, need to be solved. Kidnapping for ransom is still a flourishing business.

Then there is the showdown now under way between political power and industrial might for control of the national economy. The struggle is worrisome since its consequences will be felt throughout the country.

The most recent battleground is Enimont, a group composed of one private partner, Enimont, which belongs to Raul Gardini, an industrialist in the chemical and agriculture/alimentary sectors; and one public partner, ENI, the state-owned petroleum company. Heralded by general declarations of satisfaction with this historic agreement between public and private companies, Enimont soon showed itself to be a wasps' nest. Gardini, figures in hand, showed that Enimont, despite the fact that initial accords talked of a 50-50 control agreement, is actually his. The Government, albeit belatedly, came to ENI's defense. Prime Minister Giulio Andreotti led the defense of the public interest.

The long-distance clash between Andreotti and Gardini, who have diverse but forceful personalities, has had heavy repercussions. The result: a slowdown in the trend toward privatization that, after decades of nationalizing in the name of social convention, was finally gaining a foothold in Italy. Andreotti has become more cautious in pursuing agreements with the private sector after the Enimont affair, in which the state lost out.

Therefore, as Eugenio Scalfari, the editor of the daily newspaper *La Repubblica* and one of Italy's most widely read journalists, recently thundered, "The policy of privatization has been blocked. The parties, or more precisely the two major parties of the coalition Government (Christian Democrats and Socialists) have understood that going the way of privatization would result in their removal from power and in putting them out of business, and they have dug their heels in."

The problem amounts to another stumbling block on the road to economic growth—the "Italian-style miracle." But this is just one more contradiction that the Italians cope with. €

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





## ITALY FACTS AND FIGURES



### GOVERNMENT

**FORM OF GOVERNMENT:** Pluralist democracy. Parliamentary rule. The President of the Republic is elected by the Parliament (Chamber of Deputies and Senate) and by one delegate from each region. He remains in office seven years. His mandate is renewable, but no President has ever been elected twice since the end of World War II, when the Italian people in a referendum abandoned the monarchy and adopted the republican system. Francesco Cossiga is the current President. He is a member of the Christian Democratic Party. His mandate expires halfway through 1992.

The Parliament is divided into the Chamber of Deputies (630 members elected for a five-year period) and the Senate (315 members elected for a five-year period).

- Executive power is held by the President of the Council of Ministers (or Prime Minister). He is nominated by the President of the Republic after consultations with the leaders of all the political parties.

The Parliament then listens to the program presented by the candidate for Prime Minister and votes on whether to confirm his nomination. The current Prime Minister is Giulio Andreotti, a Christian Democrat. He heads a five-party coalition: Christian Democrats, Socialists, Social Democrats, Republicans, and Liberals.

- The Communist Party is the main opposition party. On the other side of the political fence, there is the MSI, the neo-fascist Italian Social Movement.

- Forty-nine Governments have been formed since the end of World War II; some lasted less than one year. But since the same Head of State was often reconfirmed, there have been fewer than 49 Presidents. Alcide De Gaspari, in power during the postwar years, is the politician who has headed the largest number of Governments (eight) followed by two other Christian Democrats, Amintore Fanfani and Giulio Andreotti (six).

- The Socialist Bettino Craxi has governed the most years consecutively: four years, from 1983 to 1987, divided into two Governments. The Christian Democrat Aldo Moro follows with a Government that lasted two and a half years, from the beginning of 1966 to halfway through 1968.

**ITALIAN AMBASSADOR TO THE U.S.:** Rinaldo Pettrignani.

**U.S. AMBASSADOR TO ITALY:** Peter Secchia.



### DEMOGRAPHICS

**POPULATION:** 57,505,000

**PER CAPITA GNP:** \$13,250

**CURRENCY:** Lira. \$1=.0008278 (May 1990)

**SPOKEN LANGUAGES:** Italian, French (in the northwestern region of the Valley of Aosta), German (in the northeastern region of the Upper Adige). The dialects that are still spoken in the various regions are often true languages that have no ties to Italian. For example: Ladino (in Trento), Friulian (in Friuli), Sardinian, and Sicilian.



### BUSINESS

**LEADING PRIVATE ITALIAN INDUSTRIES:** Fiat (the Agnelli family), Montedison-Ferruzzi (the Ferruzzi-Gardini family), Fininvest (Silvio Berlusconi), Olivetti (Carlo De Benedetti), Benetton (the Benetton family).

**PUBLIC INDUSTRY:** Very strong; grouped around large state agencies like Iri (the Institute for Industrial Reconstruction, which, for example, owns Alitalia, the national airline company, and Eni, the Petroleum and Energy Agency).

**TOTAL U.S. INVESTMENT IN ITALY:** \$10 billion at the end of 1988, giving Italy the fifth largest U.S. investment share in the European Community.

**TOTAL ITALIAN INVESTMENT IN THE U.S.:** \$2 billion at the end of 1988.

**MAIN FOREIGN INVESTMENT PARTNER:** France (793 million ECU [\$953 million] in 1989).

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### GEOGRAPHY

**CAPITAL:** Rome

**PERCENTAGE OF CULTIVATED TERRAIN:** 40 percent

**CLIMATE:** An alpine climate in the north. A Mediterranean climate in the south, in many areas similar to that in Northern Africa.

**NATURAL RESOURCES:** Gas



### SPORTS

- The most popular spectator sport in Italy is soccer. The second most popular sport is watching soccer on television. Basketball has a certain following.

- The most popular participatory sports are talking about soccer and nighttime cruising in powerful, highly polished forward-wheel-drive vehicles and desert jeeps that have never experienced—and never will—the uneven terrain of cross-country travel.



### MISCELLANEOUS

**RELIGION:** Catholicism is the most widespread, and it is also protected by accords between the state and the Vatican. Various Protestant denominations are also practiced (Baptists, Adventists). Among the non-Christian religions: Judaism and Islam.

**WINE:** Since 1987, Italy has been the number one producer of wine worldwide. But wine consumption in Italy has fallen off drastically. At the beginning of the century, annual per capita consumption averaged 120 liters. By 1988 it had fallen to 63 liters.





Fatherland of Soccer Kicks  
Off World Soccer  
Championship

# World Cup

NICCOLÒ D'AQUINO

“**T**he last time such a gigantic effort was made was probably back in Nero’s time when the circus games organized at the Colosseum entertained the Emperor and the Roman populace.”

This wisecrack is making the rounds in Rome right now, but recent history (like Rome’s hosting the Olympic Games in 1960, for example) proves it wrong. Nonetheless, the upcoming World Cup soccer championship, which will be held from June 8 to July 8 in 12 stadiums in 12 Italian cities, requires a massive effort.

Italy, as is well known, considers itself to be—along with Brazil—the fatherland of soccer. When Italy’s turn came around to organize the championship, which takes place every four years, it wanted to organize it in style.

The figures involved are astronomical. An estimated 15 billion television spectators will watch via satellite the 52 matches that make up the championship. A total of 2.6 million tickets have been sold to the matches. Total sales are estimated at \$160 million. Suppliers and official sponsors will pay \$51.2 million. The television rights alone will cost 85 million Swiss francs (\$60.6). The official mascot of the championship, a stylized, computer-generated man wearing the colors of the Italian flag—red, white, and green—will bring in a working profit of \$16 million. The estimated profit, which will end up in the Soccer Federation’s coffers, will amount to \$32 million.

“And yet, if they asked me right now to organize this championship all over again, I wouldn’t do it for all the gold in the world,” complains Luca Cordero di Montezemolo, the young, dynamic manager who hails from the Agnelli family’s

“stable” (he was one of the directors of Ferrari, the prestigious automotive company the Agnellis bought and placed in the orbit of the so-called “Fiat World”).

And why wouldn’t he do it all over again? He explained in a recent article in the weekly magazine *L’Espresso*: “We’ve known since 1984 that we would be hosting the World Cup Soccer Championship. And yet we have had unimaginable difficulty getting the attention of the municipalities of the 12 cities where the

me about 1990,’ they told us, ‘I won’t be around then, and if I am, we’ll talk about it in 1989.’”

As a result, construction work, which could have been carried out quietly and peacefully, has been hurried. Emergency status has allowed many controls to be bypassed. Critics say this had led to the many accidents at the work sites and to the deaths of 21 construction workers.

There have been many controversies and difficulties, enough to justify



An estimated 15 billion people will keep their eye on the ball during this year’s World Cup.

matches will be held, of the contractors who would participate in bidding to modernize the stadiums, and of the construction workers’ union so that we could reach the necessary arrangements.”

Despite the generous time allotment, the organizers find themselves reduced to doing things at the last moment. “When, at the beginning of 1986, we began to contact the mayors, they thought we were crazy. ‘You’re talking to

Montezemolo’s outburst. But is it true that the young manager will never try his hand again? Rumor has it that he will probably organize the next World Cup Soccer Championship, which will be held in the United States in 1994. Montezemolo parries, without worrying too much about being caught in a contradiction: “I wouldn’t do it for anything in the world right now. But in any case, it’s too soon to talk about it.”

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## Naming Names

**A**s the winner of the 1986 World Cup and as the host of the 1990 games, Argentina and Italy, respectively, gained entry automatically to this year's competition. The other 22 teams had to qualify through a series of international matches held between April 1988 and November 1989. Making the cut were Belgium, the Netherlands, West Germany, Spain, England, Scotland, Ireland, Austria, Sweden, Yugoslavia, Czechoslovakia, Romania, the So-

© MICHELANGELO GRATTON



Italy vs. Argentina in 1986.

viet Union, Cameroon, Egypt, the United Arab Emirates, South Korea, Uruguay, Colombia, Brazil, Costa Rica, and the United States.

The World Cup soccer matches will be held in 12 Italian cities between the opening game in Milan on June 8 and the final in Rome on July 8. The other cities hosting the games are Florence, Turin, Bari, Bologna, Naples, Cagliari, Verona, Palermo, Udine, and Genoa. Initially, the teams will be divided into six divisions of four squads each, with the winners then proceeding through a series of semifinal stages along the lines of U.S. football, hockey, and basketball playoffs.

Since the first World Cup in Uruguay 60 years ago, the championship has gone to a markedly restricted circle of countries: Uruguay in 1930 and 1950; Italy in 1934, 1938, and 1982; West Germany in 1954 and 1974; Brazil in 1958, 1962, and 1970; England in 1966; and Argentina in 1978 and 1986. (Because of World War II and related factors, no games were held in 1942 or 1946.) Most experts doubt that the circle will be expanded this year, with Italy and Brazil considered particular favorites.

The 1994 World Cup is scheduled to be held in the United States, marking the first time that the games will be played somewhere other than in Europe or Latin America.

Donald Dewey is a freelance writer based in New York who writes for *Europe* magazine on sports and entertainment.

- Since 1930, the World Cup has been the world's most popular and widely watched sporting event. The World Cup is to soccer what the Olympics are to amateur sports.

- During the 1986 World Cup in Mexico, it was estimated that one-tenth of the world's population watched the final championship match between Italy and Argentina.

- The 1990 Superbowl had a television audience of 110 million; the final game of the 1986 World Cup drew in 660 million people.

- More people watch the World Cup soccer finals than the Summer and Winter Olympics, the World Series, and the Super Bowl combined.

- The World Cup, played every four years, is the most important and prestigious event in soccer. To put it in terms familiar to the American sports fan, it is the World Series or the Super Bowl of soccer. Participating World Cup teams come from all over the globe.

- The World Cup final involves 24 national teams and 52 games played over a one-month span. Qualifying competition takes place two years before the finals, involving 100 countries playing for only 22 spots in the finals (the host country and the defending champions qualify automatically).

- The 52 games of the championship consist of 36 first-round games, 12 second-round games (1/8 finals and 1/4 finals), two semifinals, one third-place game, and the championship game.

- The U.S. team returns to World Cup competition this year after a 40-year absence. Ireland is competing for the first time.

- The U.S. team will play its first three games in Florence and Rome. The first U.S. game is Sunday, June 10, against Czechoslovakia in Florence.

- The championship game will take place in Rome July 8.

- The last World Cup, held in Mexico in 1986, drew more than 2.5 million fans to

the stadium—the largest attendance in the tournament's 56-year history. Another record also was set that year—the most nations ever to compete in qualifying rounds, 121.

- The World Cup will be hosted by the United States for the first time in 1994. The championship will take place in 12 cities, and there will be stiff competition for the privilege of hosting the games. The Mayors of New York and New Haven, Connecticut, have already formed an alliance to try to host part of this competition.

- Top scorers in World Cup soccer competition include Just Fontaine of France in 1958 with 13 goals, Sandor Kocsis of Hungary in 1954 with 11, and Gerd Muller of West Germany in 1970 with 10.

- More than a thousand hours of soccer are shown on Italian television each year.

- Soccer generates more than \$1 billion in revenue annually.

- The official World Cup T-shirt costs \$20. But an imitation can be purchased for \$5.

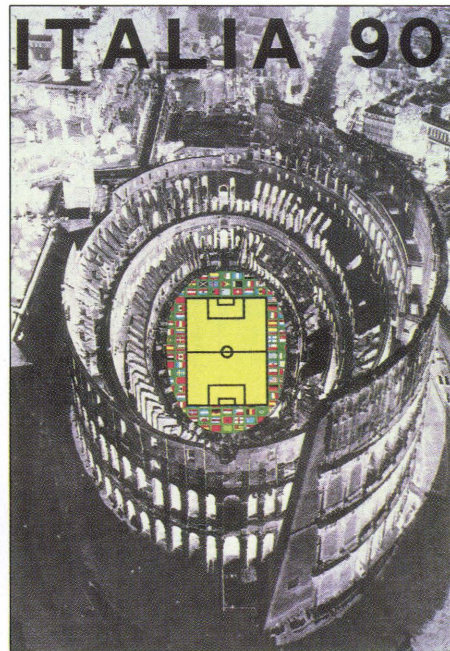
- Major sponsors of the World Cup include Coca-Cola, Gillette, Canon, Carlsberg Beer, and Mars Incorporated.

- One of Italy's most famous living painters, Alberto Burri, designed the official World Cup poster.

- Oscar-winning composer Giorgio Moroder, whose well-known movie soundtracks include *Top Gun* and *Flashdance*, wrote a song especially for the World Cup finals called "Estate Italiana"—translated literally as "Italian Summer." In the English version, however, the song was released as "To Be Number One."

- Opera stars Luciano Pavarotti, Plácido Domingo, and José Carreras will perform together in a singing contest the night before the World Cup final match.

- A red, white, and green stick figure named "Ciao" was chosen from among more than 60,000 proposed designs as the 1990 World Cup mascot. Souvenirs with Ciao's likeness are flooding Italy.





# Meeting Foreign Competition

*Giovanni Agnelli Says  
European Firms Must Tune  
Up to Meet 1992 Competition*

GIOVANNI AGNELLI

**W**E EUROPEAN INDUSTRIALISTS OFTEN find ourselves thinking about the new balance of economic power that will arise between our integrated market and the external competition.

We do not believe that it is in the interest either of Europe or of the E.C.'s member states to settle for a 1992 that merely allows more expansion by non-E.C. industry. What is in Europe's interest, on the contrary, is the creation of an industrial system that is stronger than our competitors' systems.

We believe that economic battles should be fought with the weapons of free competition. We reject all protectionist suggestions as hostile to growth and to a tradition that has made the E.C. the world's most open economic area.

The word "fortress" is inappropriate to describe either our present or our future, and it is with some concern that we watch barriers being erected on the other side of the Atlantic and maintained on the shores of the Pacific.

Nevertheless, as we prepare to modify the conditions of trade within our own market, we also must think very carefully about the critical aspects of this transition.

Without a doubt, the prospect of a great market that is simultaneously more homogeneous and freer from constraints will increase the competitive pressure on Europe from the rest of the world.

The E.C. authorities, therefore, must establish suitable conditions for a smooth transition that will not injure Europe's industry and economy.

We recognize the advisability of placing the logics and instruments of industrial policy more firmly within the purview of Community regulations and institutions. Clearly we need a common approach to

the other industrial areas of the world.

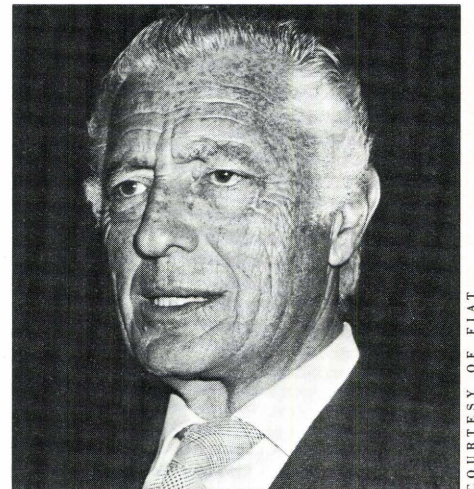
Europe finds itself at one of the tips of the triangle that has the responsibility for "pulling" global growth. It would not be consistent with this role and this responsibility for the E.C. to retreat into a secondary or passive position. Today, in fact, no United States-Europe-Japan triangle exists. Or at least not an equilateral one.

Even if, on the whole, bilateral exchanges between these areas exceeded exports to the rest of the world in this decade, these past 10 years have seen a growing symbiosis between the American and the Japanese economies, both in commercial exchange and in productive integration.

Exchanges between the United States and the E.C., on the other hand, are still polarized around raw materials and advanced technologies. And the insignificance of the intermediate category of goods exchanged reveals that not enough products are being integrated between these two areas.

This imbalance between the trilateral partners limits development, required by the world economy, and the possibilities of solving the enormous problems presented by the global outlook on the threshold of the third millennium.

The presence, or absence, of a Europe that is economically strong and politically compact as it faces Japan and the United States as an equal will have a decisive influence—positive or negative—on many structural changes now under way and on the challenges that have been



COURTESY OF FIAT

issued on a planetary level.

Today, the majority of Governments and members of the European entrepreneurial world favor the realization of the unified market in 1993 and the formulation—even sooner—of a monetary union and eventually the creation of a federal system of European banks.

In anticipation of 1993, European industry has made rapid strides toward Europeanization in the past three years. If Europe's progress should falter—if the choice should prevail of a "low profile" Europe that would not resolve the problems of competition between the various currencies, a disunited monetary policy, and differences between national taxations—then inflation could return. If that happens, it would be more difficult to optimize investments, short-term objectives again would be pursued, and the large-scale infrastructural projects that



# Fiat: On the Move

Europe needs would not be carried out.

Only agreement on economic policy by the Twelve can guarantee the prospect of stability and development. And, in particular, the E.C. must have a policy based on a common currency, because only in this case will be it possible to control the Continent's monetary base and to lay the foundation for a growth cycle similar to that of the 1960s.

Idealism leads us to state that European unity must be expressed in a mone-

*The E.C. authorities, therefore, must establish suitable conditions for a smooth transition that will not injure Europe's industry and economy.*

tary symbol as well as a single flag. But there are more concrete reasons to consider the single currency an urgent requirement.

A single market without its own single currency is a physiological anomaly that cannot be sustained for long.

To denominate our internal trade accounts in different currencies is to maintain an effective barrier to free trade, to limit competition, and to burden business with an additional cost.

Ten years of the European Monetary System have amply demonstrated its efficacy, creating substantially stable exchange rates, promoting regular, dependable growth in intra-Community trade, and gradually reducing inflation differentials.

We are following the steps toward monetary union with the utmost attention and find the speed with which the first phase has been completed (the deadline is July) a very positive sign. These are the right requirements if Europe is to fulfill its role as the third pole of the world economic order. €

Giovanni Agnelli is chairman of Fiat, s.p.a., of Turin, Italy. This article is based on a speech at the CDU meeting in Bonn last October and an article in *Revue des Deux Mondes*. Agnelli gave permission to Europe to publish his views.

“**W**ITHIN THE E.C., THE SINGLE MARKET will stimulate European manufacturers to become more Europe oriented,” says Umberto Agnelli, chairman of Fiat Auto, the leading European automaker in terms of cars sold.

*“This transformation will generate new, strong internal competitive pressure, both in terms of market—by mutually increasing European manufacturers' shares of other E.C. markets—and with regard to manufacturing bases. As far as relations with foreign non-European markets are concerned, it will act as a catalyst with respect to manufacturers from third countries, including Japan and the non-industrialized countries.”*

*Agnelli, who is also vice president of Fiat, the family holding company, gave an exclusive interview to Europe magazine.*

**You have often stated that it is vitally important for European manufacturers to increase their competitiveness. What is Fiat doing to prepare for 1992?**

We strongly believe that existing gaps, especially those with Japanese manufacturers, must be closed if we Europeans are to meet the new challenges successfully.

[Meeting these challenges] will be possible—and this is the direction in which Fiat is moving—only by adopting an overall approach that can be summed up as the need, first, to increase investment in research and development (R&D); second, to reduce production costs; and third, to offer a product that is closer to the consumers' requirement and is therefore of higher quality, making more effective use of marketing levers.

Achieving these goals presumes a com-

plex, coordinated program of intervention and action, involving not only all the functions of the final manufacturer, but the whole system—from the suppliers of materials and components right down to their distribution—with an exceptional commitment in terms of financial outlay spread over the medium to long term.

**How can these coordinated programs be carried out?**

There can be no doubt that a policy of agreements and cooperation between manufacturers in a number of areas will encourage the achievement of these goals.

**What is Fiat's strategy in this regard?**

It is common knowledge that in 1990 we expect to finalize operating agreements regarding both a Russian project for a small car and a Polish project for a medium-sized car.

Fiat is also actively involved in negotiating with other partners to establish new joint ventures and to extend existing agreements, including those involving companies producing components.

**Has Fiat decided to concentrate its efforts in any particular geographical area?**

The areas that interest us most are those closest to us: Eastern Europe and the Mediterranean area in general, as well as South America, where Fiat's presence has been consolidated for some years.

**Fiat withdrew from the American market in the early 1980s. What are Fiat's plans for the United States?**



*Umberto Agnelli Talks About  
Fiat's Role in the New  
Europe, the U.S. Auto  
Market, and Japan*

The current dollar exchange rate, the general conditions of the U.S. automotive market, and the expected overcapacity of the sector will certainly have to change before it is realistic and economically viable to imagine Fiat returning to that market. We must also remember that the Fiat Group is already present with elite products and famous brands with longstanding traditions, such as Ferrari and Alfa Romeo. The latter is marketed through a joint venture with Chrysler.

**Besides selling some of your products in the United States again, is Fiat planning on negotiating any joint ventures in any other sectors with American companies?**

Fiat has a general interest in industrial and commercial agreements with other manufacturers so as to strengthen its market position, to expand its product range, and to achieve significant economies of scale or cost reductions.

**Until now, Fiat has been one of the companies most strongly opposed to opening up the domestic market to Japanese imports. What will happen now with the unified European single market?**

Fiat believes in the principle of free trade and is convinced that the single European market should not, and will not, be a "fortress."

But Fiat is equally strongly convinced that certain countries that are, for various reasons, immune to the true liberalization on their home market must adopt an "attitude of graduality" when they start to enter other markets aggressively.

For this reason, in relation to these countries—and Japan is a typical case—the opening of the E.C. automotive market must include the establishment of a transition period during which the Japanese manufacturers should stabilize and moderate their sales in the European

Community. What I am thinking of is a form of self-limitation, which will also take into consideration the manufacturing plants already operating in the Continent.

This transition period should be long enough to avoid the risk of a market upset resulting from immediate and total opening in 1992. And it should be long enough to enable the European manufacturers to implement measures necessary to increase their own competitiveness and to align themselves with worldwide "best practice."

At the same time, if the Japanese market were opened up, European manufacturers could increase their own levels of activity in Japan. This would ensure increased, more effective mutual trade, which today is badly unbalanced in favor of Japan.

**Let's return to Fiat's strategy. Research and development is one of the key indicators of a company's soundness and vision of the future. What is Fiat's R&D strategy?**

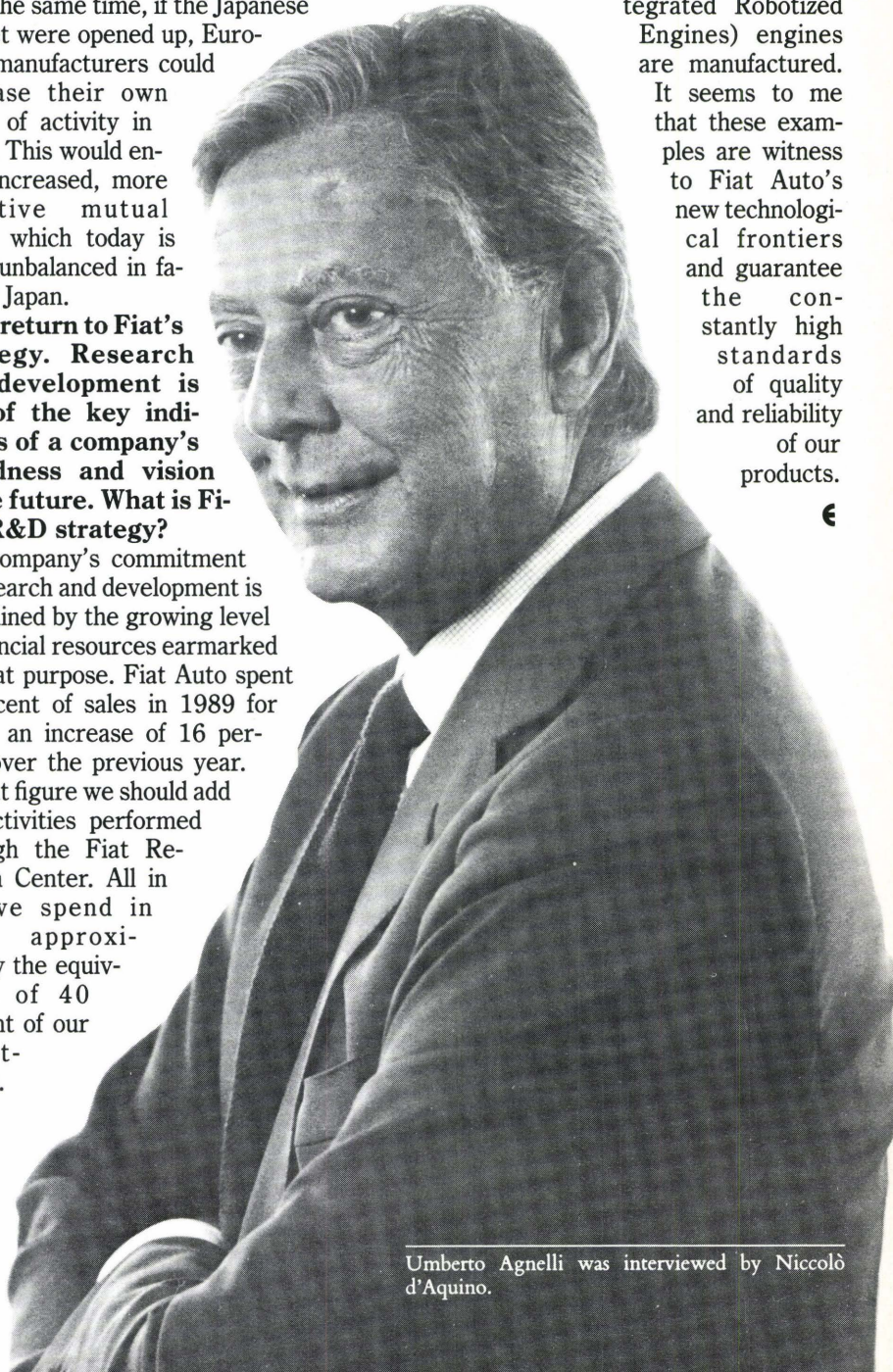
The company's commitment to research and development is underlined by the growing level of financial resources earmarked for that purpose. Fiat Auto spent 3 percent of sales in 1989 for R&D, an increase of 16 percent over the previous year. To that figure we should add the activities performed through the Fiat Research Center. All in all, we spend in R&D approximately the equivalent of 40 percent of our investments.

It is particularly important to note that technological innovation has been directed not only at the product but also, and above all, at manufacturing methods. The most recent example is that of Cassino, in the central region of Italy, where the Tipo model is produced in a completely automated assembly cycle, which called for innovative, integrated design and manufacturing techniques.

Cassino joined the existing Termoli plant, also in the Italian central area, where FIRE (Fully Integrated Robotized Engines) engines are manufactured.

It seems to me that these examples are witness to Fiat Auto's new technological frontiers and guarantee the constantly high standards of quality and reliability of our products.

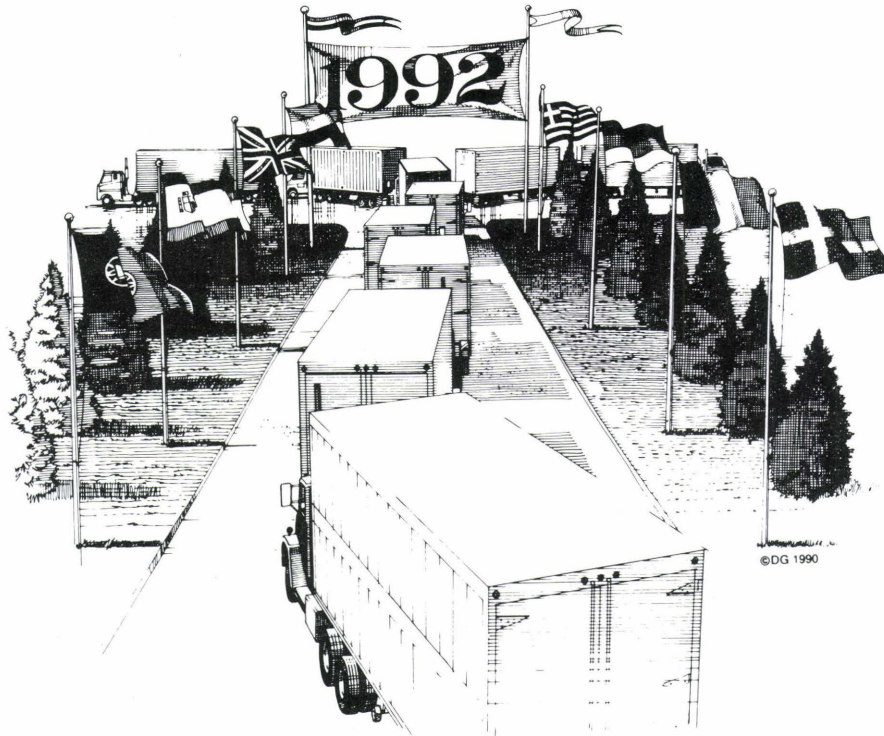
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Umberto Agnelli was interviewed by Niccolò d'Aquino.



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Above: the Piazza del Duomo, the monument to see in Milan. Right: Stazione Centrale is a masterpiece of 1930s architecture.



LEE SNIDER/PHOTO IMAGES

# Milan—City of Contrast

## *Italy's Most Industrious City Has Tourist Attractions, Too*

The Milanese do not waste words telling the world and especially their eternal rivals—the Romans—that Milan is the true capital of Italy. They simply shoot off a series of numbers. Milan, the main city of Lombardy, which is the most industrious region of Italy, alone pays one-quarter of the entire country's taxes. One-third of Italian production comes from the factories massed in the city's gray outskirts. And lastly, after having flirted in the 1970s and early 1980s with the services sector, Milan has returned in full force to its true industrial vocation. In 1988 alone, the average earnings of Milanese companies grew by 11.6 percent.

But after the numbers could come more facts. All decisions concerning industrial policies and, more generally, the Italian economy are made in Milan and then officially enacted by the Ministries in Rome. Even though, for historical reasons, the headquarters of Fiat, the most powerful industrial group in Italy, are in

Turin, and even though other large groups have their headquarters in other cities—Ferruzzi in Ravenna and Olivetti in Ivrea—the presidents of these various groups—Giovanni Agnelli of Fiat, Raul Gardini of Ferruzzi-Montedison, and Carlo De Benedetti of Olivetti—are constant and dominant figures in Milan's daily life.

"Northern Italy, which rotates around Milan, belongs to the market of northern Europe, not southern Europe. This is the real difference with Rome." So says Mayor Paolo Pillitteri. But he is not the first to say it. The Milanese grew up on it. Once again, the numbers back it up. Production costs in Milan and the rest of northern Italy are now on par with West Germany and France. Although Milan's real estate market hasn't reached the astronomical prices of London, it has pulled even with Paris. The cost of living is 20 percent higher than in Rome. And, in turn, salaries for a while now have been at northern European levels. The average number of strikes is trifling, whereas in many areas of southern Italy strikes can involve more than 20 percent of the

active population.

Another standard line makes the rounds when the financial circles of the Borsa, the Milanese stock exchange in Piazza Affari, talk about Europe: "Yes, Rome gave its name to the treaty that founded the Community in 1957. But Milan creates the conditions favorable for the single market in 1992 and the monetary Europe."

The Borsa is the symbol of Milan, along with the golden statue of the Virgin Mary on the highest spire of the Duomo, the city's Gothic cathedral, and the panettone, a typical cake. For two years now, Milan's Borsa has been going through a restructuring to adapt it to modern times. "No one expects us to have a big bang like London," they say very seriously in Piazza Affari. "We know that in comparison with London, not to mention Tokyo or Wall Street, we are dwarfs. But we also know that we play a central role in Italy's economy." And, in fact, the country's second stock exchange, the one in Rome, disappears when compared with Milan's.

The Borsa is representative of the particular division of Italy's financial re-



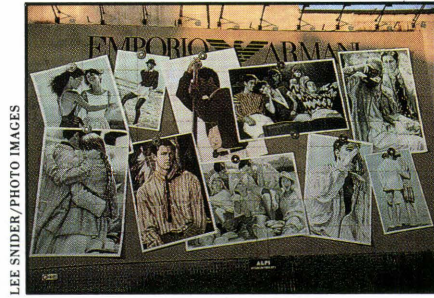
sources, which are concentrated in the hands of a few, very powerful groups. In fact, five of these groups total 60 percent of the stock exchange's capitalization, which is valued at roughly \$140 billion. These five groups are Fiat (19.1 percent of the total); Iri, the Institute for Industrial Reconstruction, a public organization (17.8 percent); the Assicurazioni Generali (15.0 percent); Ferruzzi with Montedison (11.0 percent); and De Benedetti (7.1 percent). The Agnelli family alone, between direct and indirect shareholding, controls about one-fourth of the Milanese stock exchange's capitalization. Another organization that is omnipresent in all the big Italian operations and important financial dealings has its headquarters in Milan—the powerful merchant bank Mediobanca (in which, once again, the Agnellis have a big say).

Milan is also the general headquarters of Silvio Berlusconi. Berlusconi has become an international figure since he achieved the impossible in a very short time—attacking the radio and television monopoly of public broadcasting, through which the state has controlled the Italian airwaves until now. In the American and European television markets, where soap operas, films, and shows are bought for millions of dollars, the men of Berlusconi's group, Fininvest, and of his most important network, Canale 5, are among the most pampered by the sellers.

Berlusconi buys a lot and pays well. He always works from his offices in Milan in the district that he built—his first activity, which he has not abandoned, was construction. But what made him famous (besides the purchase of the Italian champion soccer team, Milan) is television and, above all, television commercials. Berlusconi transmits 600,000 commercials a year on his three networks. Other European statistics pale in comparison. For instance: French networks, combined, transmit 60,000 commercials a year.

He is not the only media mogul in Milan, though. In all, the city has roughly 20 television stations, which makes it one of Europe's most important audiovisual markets.

But the city is proud of another supremacy in a different sector: fashion. Once again, Milan is competing with Paris for the title of fashion queen. After



LEE SNIDER/PHOTO IMAGES

The Giorgio Armani billboard and La Scala stand as monuments to fashion and opera.

years of fashion show skirmishes, the Milanese have won on the commercial front. Today they are in first place in worldwide custom-made clothes exports, with the French in an anonymous sixth place. It is therefore understandable that in via Cusani, in downtown Milan, an enormous mural extols "the emperor Giorgio Armani." It is a highly artistic publicity billboard that every so often is replaced with another. But everyone knows what it really is: a true monument to Milan's industriousness.

"Milan is ugly. It's fog bound and its buildings are gray." This is how the rest of Italy, and above all Rome, tries to dismiss the cumbersome presence of this city that represents the country's economic and industrial power. It is the only criticism that can make the Milanese miss a step. They have learned to reply, "No, it's not true. It's just that its beauty is hidden." In fact, to enjoy this city properly, one needs a group of rich, lucky friends, those that live within the so-called "Cerchia dei Navigli," the old city that flourished in the 1300s under the Grand Duke Visconti. If invited in, one discovers that the buildings that look so austere and gray on the outside are beautiful on the inside, and furnished with valuable furniture. And most look out over charming gardens and private courtyards that are invisible from the outside.

But the tourist who stops in Milan, almost always for business, doesn't have much time. Here is some advice on a few things you must see. If you have an hour all to yourself between lunch and a business appointment, a walk in the Piazza del Duomo, the monument in Milan, and through the vaulted Galleria Vittorio Emanuele is a must. If you are lucky you can still sometimes breathe the old commercial atmosphere that is the essence of the soul and success of the city. Nearby is



the Piazza dei Mercanti with its colonnade.

Two things to see that are unusual but worthwhile are the Stazione Centrale, the main train station that is a masterpiece of 1930s architecture, and the Cimitero Monumentale, a cemetery whose gigantic and sumptuous tombs are admired by experts.

Concerning the museums and art galleries, go to Santa Maria delle Grazie to visit "The Last Supper" by Leonardo da Vinci; the Pinacoteca ambrosiana with its collections of 15th- and 16th-century artwork and its antique library; the Pinacoteca di Brera, one of the richest collections in Italy, but, alas, also one of the worst looked after; and the Poldi Pezzoli, a private museum, small but elegant. It's useless to try to go to La Scala, that temple to opera, if you are only in Milan for one night. The tickets are very expensive and almost certainly all sold out. But if you want to try . . .

Milan also has some bad surprises for the tourist. Hotels are few, pricey, and full because there is always a trade fair or an important exhibit going on. A few deluxe hotels are the Grand Hotel et de Milan, the Principe di Savoia, the Diana Majestic, the Excelsor Galia, the Duc di Milano, the Grand Hotel Duomo, and the Grand Hotel Brun. More affordable hotels include the Carlton Senato, the Cairoli, the Manzoni, the Grand Duca di York, and, for those who want to meet the elegant French colony of Milan, the Ibis.

Every street has at least one restaurant, offering the traveler a varied cuisine. A few typical Milanese dishes are the yellow risotto with saffron and the breaded Viennese veal cutlet, a reminder of when Milan and Lombardy were part of the Austrian Empire. €

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



# Hungary Seems Western Already

*But Hungarians Don't Want  
to Go Too Far Too Fast*

**A**N INTRIGUING PICTURE RAN IN THE PAPER the other day of Poland's old-guard President, Wojciech Jaruzelski, seated at an international meeting beside Czechoslovakia's new President, Vaclav Havel, playwright and ex-prisoner. Havel bubbled with good spirits about the sheer irony of the occasion. Jaruzelski looked uncomfortable.

The picture summed up the Alice-in-Wonderland changes in Eastern Europe in the last six months. So, in a way, did the fact that the paper the picture appeared in was a West German daily, bought on the day of publication from a shop in downtown Budapest, and paid for in Hungarian forints. For those who can remember the days, not too distant, when the only non-Communist Western papers on sale here were a week old and could be had only from hotels for foreign currency, the easy availability makes it seem as though Hungary already is part of the West again.

Certainly, the center of Budapest is more "Western" than anywhere else in Eastern Europe (or Central Europe, as this part of the world has begun to call itself.) The bookstores, the cafés, the good shops, the hotels, the proliferation of international names—Benetton, Adidas, McDonald's, Hyatt—all are lightyears away from the all-Russian grayness of Moscow. On a nice day, it is hard to see the difference between Budapest and Vienna, between Hungary and Austria, between where Hungary is right now and where it thinks it would have been, had it not been caught 40 years ago on the wrong side of the barbed wire.

This is a nation of only 10 million people, homogeneous, united by history and, particularly, by a blood and language unique in Eastern Europe. Hungarians



are quick, smart, hard workers and natural entrepreneurs. It is tempting to think that the transition to democracy and a free-market economy will come quickly and relatively painlessly. It would not be at all visionary to picture Hungary (and probably Czechoslovakia, too) in the E.C. by the turn of the century.

But 43 years of communism cannot be undone overnight. Moreover, the nation's first free elections in April gave no clear answer to the question of how fast the new Government will be able to move toward a truly Western market economy—or even whether such an economy is the goal of most Hungarians.

For 20 years, Hungarians called their country "the best barracks in the camp." After the 1956 uprising, the new Soviet satrap, Janos Kadar, clamped down hard. Then, in 1958, he proclaimed that "he who is not against us is with us," and began a long, slow, uneven liberalization. Maneuvering carefully and always checking his every move with Moscow, Kadar



Private business, including the vegetable stand (left), has grown, but the state still controls 90 percent of the economy. Outwardly, it is difficult to see the difference between Budapest and other Western cities.

RICHARD C. LONGWORTH



permitted Hungary to become the most relaxed, reform-minded nation in the Soviet bloc.

There was always a little less to this than met the eye. The economic reforms promised some free enterprise, less central control, more private ownership, and a more Western-oriented trade, and got most of the publicity. But this was an on-again, off-again affair, with central planners reluctant to give up the controls. Private business did grow, but the state still controls 90 percent of the economy.

Political liberalization had more meat to it. Most Hungarians could travel abroad, if they could get foreign currency. Political cabarets bloomed. Hungarians talked freely to foreigners and among themselves about their problems (though not on the telephone). Officially, there was no censorship, and some good writing got published. But there were limits,

which changed from day to day.

Kadar won grudging respect from his people but, in the end, stayed too long. The reforms stalled, while his economic policies degenerated into the economic mess facing the new Government. The foreign debt, at \$21 billion, is the highest, on a per capita basis, in Eastern Europe. Inflation is 20 percent, forcing many Hungarians to work second or third jobs to make ends meet. Heavy state subsidies for money-losing industries keep the budget in deficit. High spending by Hungarians who find more to buy in Vienna than at home keeps the current-account deficit high. An estimated one million people, one-tenth of the population, live below the poverty line.

By the time Kadar was kicked out of office and died, his Communist successors recognized they had lost any right or mandate to rule. Hungary had no revolu-

tion, possibly to its sorrow: There's nothing like a revolution to clean the slate. Instead, Hungary evolved, almost slid, into democracy. The Communist Party (renamed the Socialist Party) presided over the election, then accepted its fourth-place finish and decamped into opposition.

The leading party in the new Government, the Hungarian Democratic Forum, is a cautious one. It wants free enterprise and a move toward the E.C., but not too fast. It wants gradual reductions in deficits. It wants economic reforms, but with a strong safety net for those hurt by unemployment. It wants foreign investment, but warns of "spontaneous privatization"—the name here for the sale of Hungarian firms to foreigners by the old-guarders who run them.

The Democratic Forum's leading rivals, the Free Democrats, were more anxious to privatize, reform, and join the European Community. Public opinion polls put them even with the Forum, but they ended up with only half as many votes, partly because they wanted to go too far too fast, partly because much of the country saw them as a bunch of fast-talkers from Budapest, and partly because many of them were college Communists before they became middle-aged dissidents. Also, because many of them are Jewish: as *Mittleuropa* revives, so do its prejudices.

The Forum also is more openly nationalistic than the Free Democrats. It claims to represent all Hungarians—not just those in Hungary but those in Czechoslovakia, Yugoslavia, and, particularly, in Romania. This is a claim that is sure to cause trouble, not only in Romania but also at home, where nationalist demagoguery can detract attention from the more pressing but unpleasant economic tasks ahead. Whether the Forum can resist the demagoguery remains to be seen, but it would be unfair to single them out for blame. Nationalism is another reflex that was only hidden, not eradicated, by communism. Other parties, if not so fervent on the issue as the Forum, could not ignore it and expect to stay in power. €

### Profile: Hungary's New Premier

The Hungarian Democratic Forum is the closest thing in Eastern Europe to an American-style umbrella party, uniting a range of ideologies and classes under one tent. This is one reason it won the April elections here. But it also means the party must accommodate a grab bag of beliefs ranging from pro-Western liberalism to that old Eastern European reflex, anti-Semitism.

Jozsef Antall, selected by newly elected President Arpad Gonz to form Hungary's first post-Communist Government, is the man who must hold all this together and justify the party's claim to pilot Hungary out of 40 years of communism and "return it to Europe," as people here say. By background and temperament, he seems ideal for the job.

The word for Antall is "stolid." He is a squarely built 58-year-old man with lots of gray hair. He is a dry, dull speaker, never using one word when 10 will do. Charisma is not his thing.

Which is fine, because the Democratic Forum, a rural-based party with plenty of flamboyant intellectuals and populists, is a noisy clan with a nationalist streak that

scares many foreigners. Antall, by contrast, is a respected scholar, director of Budapest's Semmelweiss Museum of Medical History, who rose to the leadership on integrity and force of personality.

His family history is impeccable. His father, Jozsef Sr., was commissioner for refugees during World War II and saved many Jews and other potential victims from the Nazis. The son traveled in Western Europe and the United States before the election, cementing ties with Christian Democratic leaders in Europe and reassuring Jewish leaders in the United States.

Antall took part in the 1956 uprising and helped reorganize his father's old party, the Smallholders, which ran the last pre-Communist Government. He was arrested and banned from publishing until 1963. He chose medical history as his field, partly because it was a neutral field unlikely to involve Marxist doctrine.

As Communist power here waned, both the Smallholders and the Democratic Forum tried to recruit Antall. He chose the Forum because it stressed patriotism, free markets, and Christian democracy.—R.C.L.

Richard C. Longworth is the chief European correspondent for the *Chicago Tribune*. Longworth, who has just returned from Budapest, last wrote for *Europe* about events in Prague.



*Agriculture Remains a Key  
Issue in the Uruguay  
Round Trade Talks*

# Cultivating Cooperation

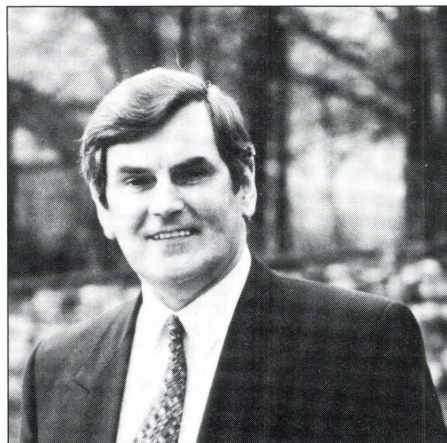
**R**AY MACSHARRY, E.C. COMMISSIONER FOR Agriculture and Rural Development, speaks out on U.S.-E.C. agricultural problems, agriculture and the Uruguay Round, and agriculture in Eastern Europe and the Soviet Union in an exclusive interview with Europe's Editor-in-Chief, Robert J. Guttman, in Washington, D.C., last month.

**Many people are saying that disagreements on agriculture could doom the Uruguay Round. Will compromises on agricultural issues be worked out by December? What are the major areas of disagreement between the United States and the European Community?**

We all hope that there will be progress toward a satisfactory solution for all concerned by the end of the year, but there are still some difficulties. We have the framework agreement that was worked out just a year ago in Geneva, and it was in that context that we were to continue negotiations.

The main argument was whether there would be a total elimination of all trade-distorting measures or whether there would be a progressive reduction in support. In the framework agreement, it was agreed that there would be a progressive reduction, not elimination. The important element from the E.C. side was that we would get credit for the work we had done so far in reforming the Common Agricultural Policy, and that we would be able to continue with our dual price system.

Against this background we have continued those negotiations and have prepared the different papers for what we believe is the way to proceed. We still have some difficulty with the United



States on the question of elimination versus reduction, and we have the approach from the United States about tariffication and the elimination of export refunds. We are prepared to accept some element of tariffication, provided it includes rebalancing and the tariffication of deficiency payments.

Our general approach is not to be talking about specific types of support but to look at the overall support and see how that can be reduced. On that basis we have, since 1986, reduced support for the arable sector by 10 percent and for the livestock sector by 15 percent. We see no reason why we can't continue on that basis; it has eliminated huge surpluses that existed in 1986 when the Punta del

Este negotiations started.

Let's continue to make progress along those lines, rather than taking the approach of totally eliminating support. Such an overdramatic approach is not going to happen; politically it's not possible in most states participating, particularly not in the E.C. Twelve.

**So you think the United States is being unrealistic to talk about elimination?**

The way it is talking about it, the United States has been unrealistic. I think, however, that it may be changing its mind. Many U.S. farming leaders have realized they couldn't go along with the approach that had been adopted because they hadn't fully explained its impact to their farmers. If there were no deficiency payment, no export enhancement program, or no loan credit scheme, what type of agriculture would there be here? This is what the United States, in the first instance, was talking about: the elimination of all trade-distorting measures. The United States would argue that deficiency payments are not border measures. Of course they are, in the very same way that variable levies are.

**If there's still no agreement on agriculture by December, could that undermine the entire Uruguay Round?**

I am an optimist. We still have a lot of time. We have a lot of difficulties to try to overcome, not just in the agricultural sector. The best way to do it is to sit down and understand each other's problems. That process is going on now—the clarification process arising from the submissions by all of the contracting parties to Geneva. That clarification process is making some progress in certain areas, although major questions have to be resolved: tariffication, export refunds, rebalancing, and tariffication of deficiency payments.



**You recently said that the U.S. Secretary of Agriculture, Clayton Yeutter, wants us to abolish subsidies without talking about U.S. support for agriculture. What would you recommend the United States do to end its subsidies?**

I'm not talking about ending subsidies. If I said the United States should, then you'd ask me why don't we end ours. We're not talking about that. What we're talking about is looking at overall support. It doesn't matter what form it is in, which from the E.C. side includes internal support, export refunds, variable levies and in the United States [appears as] the export enhancement program, the deficiency payments, and various other programs. What we're saying is, "Look at the globality of these supports and see how they can be progressively reduced." That is the way forward.

**What is the political impact of farmers in the European Community?**

You have two million farmers in the United States; we have 11 million farmers in the European Community. It's very important to ensure that they have an opportunity for a reasonable return for their work. They are very small farms in Europe.

**Could you explain the E.C.'s Common Agricultural Policy?**

The Common Agricultural Policy guarantees reasonable prices, food supply, and Community preference. That's basically what the principles are. Because of the huge surpluses in the mid-1980s, we have undertaken a program of reform. We're now moving to a more market-oriented approach.

There is strict budgetary discipline, and we have introduced quotas in many product areas, such as the sugar and dairy sectors. We have the stabilizer regime and maximum guarantee quantities in the cereals and seed sectors. We are beginning to reduce support substantially.

**How does the beef hormone dispute stand at this point?**

It doesn't stand too favorably because we haven't made much progress. But we may begin to make progress in the not-too-distant future. We were disappointed that the United States decided to provide beef for the U.S. troops in Europe. We have considered that [decision] to be an escalation [of the problem]. Nevertheless,

we would hope that we can, without further retaliatory measures, reach satisfactory conclusions during the negotiations of these particular problem areas.

**Do you consider farmers large polluters? Is the E.C. doing anything to protect the environment from various forms of farm pollution?**

We have taken quite a lot of measures over recent years to help the environment. We were overusing pesticides and fertilizers. The use of certain products

*"We have been very much involved in Eastern Europe, and we welcome the developments that have taken place there. We have organized food aid programs. . . ."*

should be reduced. We give grants now for the reduction of pesticides, fertilizers, and herbicides. We also have introduced a directive to ensure the good quality of water, and we agreed last year to promote forestry. We have taken many measures and are still examining other ways to improve the environment as much as we can. I think it has to be said that the farmer himself is the one who will suffer most if his environment is further eroded. He's the one who depends most on a good environment.

**Are the Eastern European countries going to be a new market for the E.C.'s products?**

We have been very much involved in Eastern Europe, and we welcome the developments that have taken place there. We have organized food aid programs for Poland, Romania, Russia, and financial help for other countries. We've already increased access possibilities to the Community for a number of those states. We would hope to elaborate further on the trade arrangements that we have made with them. If they work successfully, we hope to have association agreements.

Inasmuch as the potential for agriculture is concerned, in the short term

there's no question about it: There will be additional markets for Western European countries and other countries in the world. Because of the way Eastern European farms have been structured and because of the management of the agricultural industry generally in many of these countries, we see possibilities in the short term.

In the medium to long term, the Eastern European countries could become major competitors. Care must be taken here, especially when we are taking action ourselves before, with, and through the Uruguay Round to curtail production. We mustn't be involved in assisting the Eastern European countries to cause surpluses again.

**Might these newly democratic nations of Eastern Europe affect investment in Ireland, Portugal, and Greece?**

That depends. Some people would suggest that it does affect investment possibilities in Portugal, Greece, and Ireland, but I don't think it does. It will be some time before the Eastern European countries can take the kind of investment that has been talked about. They won't be able to do it all that quickly. One needn't necessarily be competing with the other.

**What do you see happening with the Soviet Union's agricultural problems? Are they going to be resolved? Are they going to get worse?**

The problems seemingly have gotten worse because the state farming has completely failed. Then the Soviets tried a mixture of state and private [farming], and that seems to have been even worse. Now they're not quite sure which way to go. It is a great cause of concern to them.

**How are your relations with Secretary of Agriculture Yeutter?**

Excellent. I find him a very friendly, hospitable man who is an able negotiator.

**Any final comments to the American farmer?**

I'd just say to all the farmers of the world, and particularly the couple of million farmers in the United States, that we're doing our best to ensure that they can continue to survive and make a good living. We are not going to compete excessively with each other and push either the European farmer or the American farmer out of business. We believe there is room for all of us. €



*Conversations Have Begun on  
Agriculture*

# Deepening Dialogue

**D** *EPUTY U.S. TRADE REPRESENTATIVE, AM-  
bassador Julius Katz discusses the U.S. position  
on a wide assortment of trade issues, including  
agriculture and textiles. He talks about the 1992  
single market and overall U.S.-E.C. trade relations. Ambas-  
sador Katz was interviewed by Robert J. Guttman in Wash-  
ington, D.C., last month.*



**What are the main difficulties in agriculture at this point in the Uruguay Round?**

The main difficulties are a very wide disparity of view and a slowness on the part of the E.C. to engage the issues. We've lost a lot of time this year. We've recently accelerated the pace of our discussions, but we're still not talking about the elements of the agreements. We're still exploring technical aspects of various positions. We're not getting down to brass tacks.

**What are the brass tacks, what needs to be done, and what are the main areas of disagreement?**

We need to know the agreement's principal elements and specifically how we are going to achieve substantial, progressive reductions in the main areas of the agricultural problem; that is, internal supports, import barriers, and export subsidies.

**What is the U.S. position versus the E.C. position on export subsidies at this point?**

Our position is that we should eliminate export subsidies. Clearly that has to be our objective. Now, we recognize that we can't do that all at once, and we recognize that export subsidies are also entangled with domestic subsidies. We need to look at each of these areas. We need to look toward the end of export subsidies.

**Could you see agriculture derailing**



**the Uruguay Round?**

Absolutely. Negotiations could collapse over agriculture. Agriculture is essential. There's no possibility of a successful Uruguay Round without fundamentally reforming agriculture. That has been our position all along. It remains and will remain our position.

**Several recent articles have said that U.S.-E.C. relations are getting better, especially on agriculture. Would you agree?**

Conversations have begun. Nothing that provides any light at the end of the tunnel has taken place yet.

**Is the problem in agricultural policy the cultural differences between the E.C. and United States?**

They are very different systems. [The E.C.'s] Common Agricultural Policy is very different from policies basically in all other countries, so that's at the root of the problem. Still, there are enough elements of commonality that it should be possible to arrive at an agreement.

**Textiles is the other sector where problems exist. What's the U.S. position on textiles?**

The U.S. position is the same as everybody else's position in terms of objectives and that is to integrate other textiles eventually into the GATT [General Agreement on Tariffs and Trade] system. The question is how to do it. This problem is not on the same level as agriculture in terms of its conceptual difficulty. There are obviously political difficulties in both countries in dealing with this, but at the end of the day, we need to solve the problem. Here, it's a matter of filling in the blanks. We know what the issues are, and it's a matter of addressing those issues. So far we've been spending a lot of time on form and not addressing the substance; we need to [address the substance].

**Some of the less developed countries have argued that the United States, the E.C., and Japan have been neglecting them in the Uruguay Round. How would you answer that?**

I wouldn't say that the United States is neglecting them. The others can speak for themselves. But I understand the frustration of the developing countries, which is not very different from my own. [The concern] largely has to do with agricul-

cultural and tropical products. To some extent, it has to do with textiles and other market-access issues, but at the end of the day, the interests of developing countries have to be satisfied just as all other countries have to be satisfied.

**What are the prospects for reforming Section 301?**

It's a self-liquidating problem. If you get the international rules right, Section 301 will not be a problem.

**There's been talk lately about a new**

*"Our position is that we should eliminate export subsidies. Clearly that has to be our objective. Now, we recognize that we can't do that all at once, and we recognize that export subsidies are also entangled with domestic subsidies. We need to look at each of these areas. We need to look toward the end of export subsidies."*

**institution to replace GATT. What are your views on this subject?**

It is not a question of replacing GATT. I think the proposals really have to do with strengthening GATT. Some new institutional reforms should strengthen GATT.

**Would the United States favor this approval?**

In principle, yes. It's a matter of how and when. We're concerned that we not be diverted into architecture as opposed to the fundamental rules that need to be developed. If we get the kind of rules we need, then we need to look at institutional reform as well.

**Is the idea of a generic subsidy agreement still necessary now that sector agreements have been taking place?**

I think so. Only three sectorial subsidy agreements are under discussion: agricul-

ture, steel, and shipbuilding. Two of those so far have been discussed outside the GATT—steel and shipbuilding. We certainly need to strengthen the rules on subsidies.

**How do we get Japan to open its markets?**

The Japanese *are* opening their markets. Our exports to Japan have doubled over the last four years. Things are changing. Manufactured exports have more than doubled. And imports in the rest of the world have even grown faster than imports in the United States. Things are changing in terms of trade performance, but they're also changing in terms of ways of doing business and in terms of structure. Our SII [Structural Impediment Initiative] talks will further accelerate that.

**Are you optimistic that the trade deficit with Japan can actually be lowered?**

It has been lowered. The question is, At what point will there be a more sustainable balance? We're not there yet by any means.

**What is happening with the automobile sector in the Uruguay Round?**


I don't know what Europe is going to do in the end. Our concern is that whatever Europe does with respect to Japanese automobiles not be done with respect to U.S. automobiles. If they are U.S. products, we expect them to be treated like U.S. products.

**Are you optimistic about the 1992 single market in Europe?**

I've been optimistic in general but concerned about specific problems. Most of the problems last year were resolved satisfactorily.

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

Good. Agriculture is a continuing problem. A number of issues are open at any one time. There are bound to be [problems] between two entities with the volume of trade we have between us.

Some other issues with regard to 1992 on standards and testing need to be resolved. The Broadcasting Directive is still a matter of concern. Nevertheless, the level of dialogue has been better in the last year than in previous years. We are working well together. 



# The New Global Airlines

*Multinational Mega-Airlines  
Are Being Created*

PETER S. GREENBERG

**R**ECENTLY, ONE CONCERNED OFFICIAL OF Austrian Airlines asked this question: If Delta Air Lines owns 5 percent of Swissair, and Swissair owns 10 percent of Scandinavian Airlines Systems (SAS), and Scandinavian Airlines owns 9.9 percent of Texas Air, then what percent of Texas Air's Eastern Air Lines is owned by Delta?

Welcome to the age of mergers, failures, and consolidations in the airline business. Well before the walls in Eastern Europe began to fall, virtually every airline in Europe and Scandinavia, looking at the American model of deregulation as well as 1992, began to form global partnerships and alliances either to become competitive—or to remain competitive. And the situation only threatens to get worse, for airlines as well as passengers.

What is beginning to concern many industry observers—as well as the U.S. Department of Transportation—is not just the mergers and other airline failures but also the new ownership agreements and how they might affect the frequency of flights, the choice of routes, and perhaps most important, the cost of airline tickets.

Consider this: In 1989, British Airways wanted to own 15 percent of United; United wanted to buy a share of Air New Zealand; Royal Dutch Airlines (KLM) wanted 24 percent of Northwest Orient Airlines (it got about 10 percent).

Some airlines made the painful discovery that if they could not find a partner—or a buyer—they would die in the international marketplace. U.S. airlines are quickly forming global alliances in an attempt to secure long-term survival in an international deregulated environment. These are more than just marriages of convenience. In some cases, the airlines





that are tying the knot are participants in shotgun weddings—bonds made necessary because of dismal economic projections.

Thomas Plaskett, chairman of Pan Am, once a dominant airline considered America's "flag" carrier, publicly acknowledged that, in order to survive, the airline would need a merger partner.

The veteran airline, with an aging fleet and few marketable assets, finds itself confronting possible dissolution—unless it can own an airline healthier than itself or be bought by one.

In Europe, airlines like UTA (Union de Transports Aériens) and Sabena have announced major mergers, and other strong partnerships have already been forged between Lufthansa and Air France (a joint airline called EuroBerlin); Swissair and Austrian Airlines; and British Midland and SAS.

In the United States, ownership of some carriers has changed rapidly, but the number of owners has actually decreased as airlines have failed, been sold, or merged into larger carriers.

Last October, in the wake of the Northwest purchase by Wings Holdings, Inc. (in which KLM has a stake), U.S. Secretary of Transportation Samuel K. Skinner announced that "we quickly recognized that the magnitude and potential impact of the transaction could cause a significant change in the operations and character of the company," and that the department would institute a thorough review of the purchase. "We must assure that a carrier [recently acquired] is fit, willing, and able to perform service and that U.S. airlines must actually be controlled by U.S. citizens."

The United States may be able to regulate—or even stop—some new mergers and acquisitions, but in Europe, airlines are clearly on the offensive.

Two years ago, Jan Carlzon, SAS's chief executive, predicted that no more than five of the current European airlines would survive by 1995. The way things are going, Carlzon's prediction might come true two or three years early. And that's just in Europe.

One by one, airlines are forging domestic and global alliances, creating mega-airlines out of marketing agreements, route swapping, code sharing, and in some cases, substantial ownership of one

airline by another.

In most cases, the resulting companies are now multinational.

There are also reliable reports that KLM, Aer Lingus, Finnair, and Iberia are each quietly looking for a merger partner for another airline to acquire.

And that's just the start.

Other significant ownership changes: Ansett Airlines (an Australian carrier) owns a 20 percent stake in America West. The airline also owns 20 percent of Ladeco, a Chilean airline.

*SAS's chief executive predicted that no more than five of the current European airlines would survive by 1995.*

Air France has moved to acquire 55 percent of UTA. Austrian Airlines has sold 25 percent of its shares to four airlines: Swissair, Lufthansa, Air France, and All Nippon Airways. A year ago, Texas Air (owner of Continental and Eastern), faced with ballooning debt and unable to achieve an operating profit, announced an alliance with SAS. The "preferential air carrier agreement" links both airlines' schedules and flights around the world, and the Scandinavians also paid \$50 million for the right to purchase up to 10 percent of Texas Air (under current Federal law, American air carriers can have a maximum of 25 percent foreign ownership).

The agreement was nothing new to SAS. In 1988, the airline paid approximately \$160 million for a 40 percent share in Aerolineas Argentinas. Not content with two major airline agreements, SAS struck again two months later, buying 24.9 percent of Britain's second largest airline group (British Midland Airways, Manx Airlines, Loganair, and London City Airways).

And, last but not least, Lufthansa and Interflug, the East German carrier, may be forming an alliance to expand air service between the two countries.

What does all this mean to passengers?

In European markets, where mergers have already occurred and competition on routes has diminished, air prices have

risen. And it may only get worse. In about two years—or even sooner—some veteran airline observers contend that these new partnerships and alliances will have a serious impact on airline routes, equipment, and ultimately, the cost of airline tickets. They will go up, up, up and away in prices, especially in Europe, where mega-airlines will have carved out vast fiefdoms in the skies.

Already some American carriers are trying aggressively to fly to as many cities in Europe as possible, in an attempt to extend their own domestic route system in the United States and become global airlines.

American, United, and Delta are slugging it out over the Atlantic. At this writing, American Airlines has increased its trans-Atlantic service by 30 percent, adding seven new flights between the United States and Europe.

As a result, some industry analysts believe that we will no longer measure an airline by how fit it is, but by how fat. Indeed, we may be crossing the threshold of a new era—the survival of the fattest.

A look at the American experience confirms this trend. A U.S. Department of Transportation study revealed that at many airport hub cities where one airline substantially controls the traffic, air fares have risen dramatically. The report showed significant fare hikes in Detroit (27 percent), Salt Lake City (26 percent), and St. Louis (22 percent), where TWA controls more than 80 percent of the flights. And a logical argument can also be made that in markets dominated by single airlines, service standards have also decreased.

As airline alliances increase in number, and the number of airlines decreases, route domination by a small group of the fattest "multi-mega-carriers" threatens to increase air fares and decrease airline service throughout the world.

However, if fuel prices do not rise, it is entirely possible we will see a number of new airlines hit the European market. When—and if—that happens, airfares could conceivably go down—a prospect that would delight air travelers around the world. €

Peter S. Greenberg is a freelance writer in California. His most recent article for *Europe* was on the Andalusian region of Spain.





CHOISNET/FRENCH GOVERNMENT TOURIST OFFICE

Seeing Fouquet's estate, above, made Louis XIV try to surpass it with Versailles. Below: Rubens's studio in Leuven, Belgium, is an out-of-the-way-delight.

# Off the Beaten Track

FRED HIFT

*A Guide to the Unusual and Less Familiar Sights in Europe*



**T**OURISTS TO EUROPE THIS SUMMER ARE advised to be adventurous, by touring regions surrounding the well-known landmark towns. Distances in Europe tend to be much less daunting than in the United States, and the off-beat more often than not is a *lot* cheaper in terms of food and lodgings than places on the well-beaten track.

Here are some travel suggestions with an eye to the unusual and less familiar sights for European travel this summer.

## FRANCE

Just a few miles south of Paris, visit the Château Vaux Le Vicomte—built by the hapless Fouquet, Louis XIV's Finance Minister—a sprawling, sumptuously furnished and decorated castle surrounded by superb, elaborate gardens designed by LeNotre.

See the Dordogne, one of France's least-known but scenically stunning areas, to the east of Bordeaux. It is full of charming little villages, like Collonges-la-Route, dotted along two winding rivers. Some consider this region the prettiest in all of France.

Travel through Provence outside the well-traveled Nîmes-Arles-Avignon trian-

gle. Just a few miles south of Avignon is the village of Barbentane, which has the most intriguing château in the area, wholly untouched since its construction in the 17th century.

Also definitely worth a visit: St. Rémy with its imposing Roman arch and extensive archaeological digs.

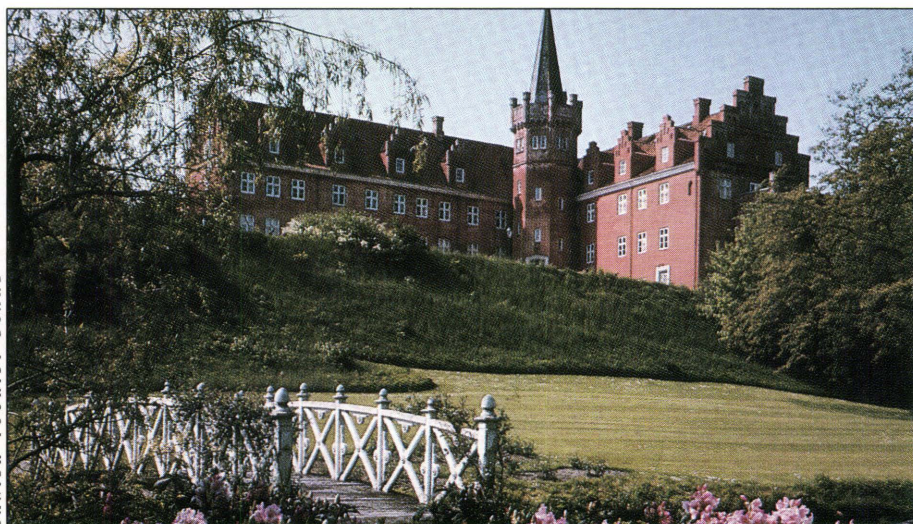
France last year played host to 2.5 million Americans and expects close to 3 million this year.

## BELGIUM

There's a lot more to Belgium than Brussels's fabled Golden Square. Ghent, the port of Antwerp, and Leuven with its Rubens studio should be visited. Ghent is particularly delightful, a city of flowers, given its character by many well-preserved medieval buildings. At St. Bavon's Cathedral, Hubert and Jan Van Eyck's

BELGIAN NATIONAL TOURIST OFFICE





DANISH TOURIST BOARD

Polyptych painting is mesmerizing. Bruges makes a great place to explore.

#### DENMARK

Denmark last year had around 400,000 visitors from the United States and expects close to half a million in 1990. This is an enchanting place and a joy to explore. Particularly attractive is the Jutland coast. Arhus, for instance, is a city 1,000 years old with a most interesting open-air museum. Aalborg is situated in an area with many castles. It now has an archive where people can trace their Scandinavian ancestry.

Also worth exploring: Skibby, west of Copenhagen, Roskilde, and southern Funen, the area around Svendborg where Egerskor Castle dominates.

#### GREECE

Few areas are more satisfying to explore than the Peloponnese, below the Isthmus of Corinth, chock-a-block with reminders of Ancient Greece. From Old Corinth to sleepy Nafplion and the old healing spot, Epidaurus, setting of the world's oldest hospital, the Peloponnese is endlessly fascinating. At Epidaurus there is a jewel of a theater, so acoustically perfect that, from the highest of its 55 marble tiers, one can hear a coin dropped on the stage. Epidaurus is a wonderful visual and sensory experience. The air here is heavy with the scent of pine and thyme.

#### NETHERLANDS

North of Amsterdam is Enkhuizen with its Zuidzee Museum and the sprawling Binnenmuseum, housed in an old warehouse and dedicated mostly to fishing.

Also near here is the Buitenmuseum where an old village has been faithfully reconstructed, from shops down to the cobbled streets. In central Holland, Gelderland, the Dutch Rhine district, two hours from Amsterdam, holds many visual delights. Arnhem is here. So is the 22-square-mile Veluwe national park and the Rijksmuseum at Otterlo with its great collection of van Goghs. In the south, well-preserved Roman villas at Limburg are colorful reminders of an ancient era.

In Tegelen, during June, July, and August, the city stages a passion play every five years. You could attend the moving open-air performance this year.

#### IRELAND

Once you've "done" charming Dublin, Powerscourt House in County Wicklow is a "must." You drive there via the scenic Sally Gap to enjoy the wonderful 18th-century gardens. The view from the terrace of Powerscourt is stunning. Also recommended is the two-valley Vale of Glendalough, where one finds one of these amazing round towers and the little St. Kevin's Kitchen church. Killarney and its lakes are a joy, and Innisfallen should be taken in along with its 14th-century Muckron Abbey. By all means take the highly scenic Ring of Kerry drive in the southwest.

#### SPAIN

Madrid, Barcelona, Toledo, Seville, Valencia—all these cities deserve repeat visits. Less known is the Basque country in the north and particularly San Sebastián and its colorful old-world section where, on small side streets, one finds



NATIONAL TOURIST OFFICE OF SPAIN



ROWLAND CO.

some great restaurants. This is very near the French border, and it is tempting to hop over to St. Luz and Biarritz.

Around San Sebastián, the hills grow quite tall, and it is fun to amble around in a country that is reminiscent of the Alps.

Another too-often-ignored city in the Old Castile province is Salamanca with its superb Plaza Mayor, Roman bridges, and two cathedrals.

#### PORTUGAL

A quarter of a million American tourists came here last year to enjoy everything from the former Royal residence at Sintra in the north to those justly praised beaches in the Algarve in the south. Portugal now has the imaginative Pousadas, a network of small, reasonably priced hotels ranging from the modern to converted castles.

Sintra, not far from Lisbon, enjoys cool temperatures and a host of attractions, particularly the old Moorish castle with its superb views. Also worth visiting: Estoril on the sea, Cascais—a colorful fishing village—and Oeiras, which features a pink palace built in the 1700s by the Marquis of Pombal. The Algarve in the south offers sleepy villages and superb beaches and coves.

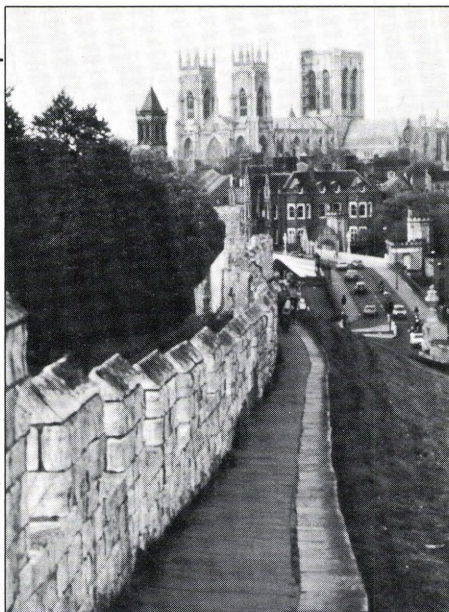
If time is not an obstacle, take the flight to Madeira, which is an enchanting island some 600 miles west of Lisbon.

#### UNITED KINGDOM

Not surprisingly, the United Kingdom is one of the most popular and most thoroughly explored destinations for Americans traveling abroad. No fewer than 2.8 million U.S. tourists "invaded" the Brit-

Denmark has many castles, such as the one shown above (left). In Spain (right, top), all the major cities deserve repeat visits, but this year, try San Sebastian in the Basque country or Salamanca with its superb Plaza Mayor. Greece is chock-a-block with reminders of Ancient Greece.





ish isles in 1989. Even so, there are destinations that are not often visited.

York, Cirencester, and Colchester bring vivid reminders of the Romans. Winchester and its cathedral, and nearby Old Sarum, once overrun by the Saxon hordes, are picturesque and historic. King Arthur's roundtable (though probably not the original one) is on view. The homes of Sackville West (friend of Virginia Wolfe), Knole, and Sissinghurst (with its intimate garden) are delightful, and so is Chester up in Wales. In the west, Exeter and Devon offer a very different England. Don't miss the New Forest and its wild ponies.

#### ITALY

Italy is ideal for exploring outside the "must see" cities like Rome, Naples, Venice, Florence, Pisa, and Milan.

North of Rome beckons Hadrian's villa, the Etruscan tombs and treasures at Tarquinia, the visual and wine delights of the Frascati region, and a trip north of Rome through the Umbrian Hill country—Perugia, Assisi, Gubbio, Spoleto, and Todi—to Siena where, on July 2 and August 16, a historic horse race is held in the slanting Piazza del Campo. The immense, unfinished cathedral in Siena, with its striped black-and-white marble intersia, is unforgettable.

You'll find plenty of wonderful sights, too, in the drive from Venice to Milan through the romantic Palladian villa country, replete with medieval towns like Verona, which goes back to the Etruscans, and the lovely Vicenza, the city of Palladio, which is a Renaissance marvel.

Another, totally different, experience



comes in Sicily, the "boot" of Italy, with Mount Etna, Taormina, and Palermo as well as ancient Syracuse and Agrigento with its Valley of the Temples where graceful pillars and arches reach skyward.

#### GERMANY

Munich, Heidelberg, Bayreuth, Nuremberg, Berlin—few visitors will have missed them. Much less known is the north, with lively Hamburg on the river Elbe and rural Schleswig-Holstein, and the west with Bremen and Lower Saxony. The vast Lueneburger Heide dominates one of the oldest inhabited regions of Germany, covered with woods and huge tracts of heath—a great place to park one's car and walk to one's heart's content.

Schleswig-Holstein is simply different from the Germany one usually thinks about. It has the tangy smell of the sea, the beaches and high dunes are inviting, and thatched-roof cottages dominate the view.

Germany had well over a million U.S. visitors last year.

#### LUXEMBOURG

This tiny Grand Duchy, famous as a banking center, makes a gesture to tourists with its new Pétrasse Express, a sight-seeing mini-train that runs through the parks and the remains of the massive fortification. Older mini-trains operate in Echternach, where one views the medieval town, and along the Moselle Valley, famed for its vineyards. €

Fred Hift is a freelance writer in New York.

For further information on exploring Europe, contact one of the following tourist offices:

French Government Tourist Office  
628 Fifth Ave.  
New York, N.Y. 10020  
Tel.: (212) 757-1125

Italian Government Travel Office  
630 Fifth Ave.  
New York, N.Y. 10111  
Tel.: (212) 245-4822

German National Tourist Office  
747 Third Ave.  
New York, N.Y. 10017  
Tel.: (212) 308-3300

British Tourist Authority  
40 W. 57th St.  
New York, N.Y. 10019  
Tel.: (212) 581-4700

Greek National Tourist Office  
645 Fifth Ave.  
New York, N.Y. 10022  
Tel.: (212) 421-5777

National Tourist Office of Spain  
665 Fifth Ave.  
New York, N.Y. 10022  
Tel.: (212) 759-8822

Portuguese National Tourist Office  
590 Fifth Ave.  
New York, N.Y. 10036  
Tel.: (212) 354-4403

Danish Tourist Board  
655 Third Ave.  
New York, N.Y. 10017  
Tel.: (212) 949-2333

Netherlands Board of Tourism  
355 Lexington Ave.  
New York, N.Y. 10017  
Tel.: (212) 370-7367

Irish Tourist Board  
757 Third Ave.  
New York, N.Y. 10017  
Tel.: (212) 418-0800

Belgian National Tourist Office  
745 Fifth Ave.  
New York, N.Y. 10151  
Tel.: (212) 758-8130

Luxembourg National Tourist Office  
801 Second Ave.  
New York, N.Y. 10017  
Tel.: (212) 370-9850



# UPDATE

1992

## UNIFICATION WILL NOT STALL 1992

An accelerated push for German unification is unlikely to set back the 1992 target date for an economically unified Europe, U.S. Secretary of State James A. Baker III told a House of Representatives committee.

"The E.C. is still firmly committed to E.C. 1992," Baker said. "I don't think German unification is going to set that back."—*Reuters*

## U.K. AND DENMARK DOING THE BEST

Despite the United Kingdom's reluctance toward a united Europe, it—and Denmark—has incorporated the largest number of Community proposals into national legislation. Each country has put 77 out of 90 directives into force.

Germany is not far behind, with 75. At the other end of the list is Greece (46), Portugal (37), and Italy (36). Nonetheless, the Commission notes that the member states all have made progress.

The E.C. Commission, for its part, has almost finished

the bulk of its 1992 work. Only five pieces of legislation still need to be drafted.

In addition to the activity by the member states' Governments, European companies are getting ready for the single market. They are investing heavily at home, in the Community, and in non-E.C. countries, where their investments are bigger than those of third countries in the 12-nation Community. Company mergers and acquisitions as well as reorganizations are the order of the day, and trade between E.C. countries has picked up.

Citizens have already benefited from the 8.5 million jobs created in the E.C. since 1984.

## TAKING TO THE SKIES

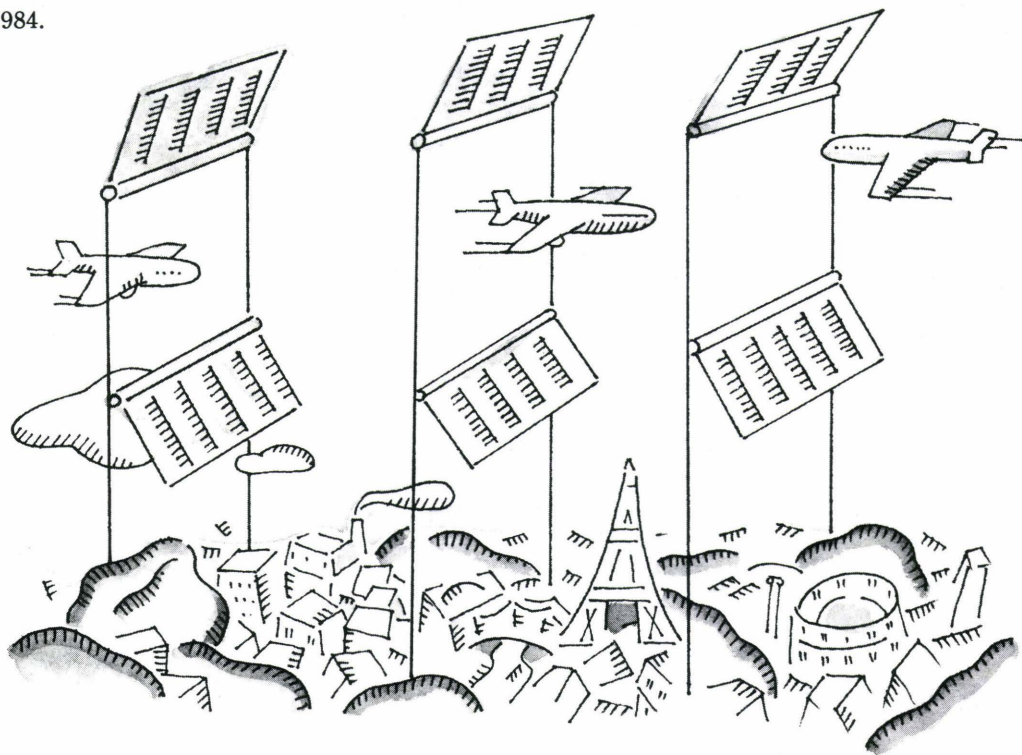
The single market should be extended to the skies over Europe, says the E.C. Commission. Acting on the logic that the creation of a single market also implies that the 12 member states should treat their airspace as a single entity in dealings with non-E.C. nations, the Community recently approved three initiatives:

- For all international air traffic agreements, the Commu-

nity will replace the 12 member states in bilateral agreements with third countries.

- Member states will be asked to consult the Community before granting non-E.C. airlines the right to travel within the single market.

- Community regulations will be extended to EFTA countries (Austria, Finland, Iceland, Norway, Sweden, and Switzerland), which is of particular interest to Scandinavian Airlines (SAS).





## POLL SHOWS A POSITIVE PUBLIC

Europeans are feeling more pro-European than ever before, according to the latest E.C. Commission poll. E.C. citizens want more powerful Community institutions; the political, monetary, and economic union of Europe speeded up; and Brussels to have a larger voice in a growing number of issues.

Even the British are getting excited about a unified Europe, with a majority now in favor of U.K. membership in the single market. The poll shows that only one in six still opposes European unification.

Based on interviews with 1,000 people in each member state, the poll indicates that a majority of E.C. citizens approve of the Commission's work, that they think the Parliament is more important than ever, and that they are overwhelmingly in favor of the Social Charter.

The E.C. Commission does have some public relations work left to do. The rising level of enthusiasm seems to go hand in hand with increased knowledge of Community programs, but in the United Kingdom, 87 percent of those asked had not heard of 1992 and the single market—twice as many as in Greece.

## INVESTMENT DIRECTIVE UNVEILED

The E.C. Commission unveiled a proposed law on investment firms in April. The proposal is a key part of the Community's financial preparations for the single market.

The first stage of these preparations was the Second Banking Directive, adopted last year, and a companion solvency ratios law setting out prudential standards for banks.

The Commission hopes the second stage will be the adoption this year of the Investment Services Directive giving securities and futures firms the same right as banks to set up shop anywhere in the Community if they are licensed to do business at home.

The proposed law covers capital adequacy—the minimum amount financial institutions must have to cover outstanding loans—and is the so-called prudential arm of the investment law.

The final step will be a directive on insurance, to be written this year and next.

—Reuters

## CREDIT CARD COSTS

In the single market, consumers will be able to obtain credit or borrow anywhere in the European Community. To help consumers be well informed and able to compare the terms offered in all the Community countries, the E.C. Council of Ministers adopted legislation that provides a uniform method of calculating the costs to the consumer. The legislation uses a mathematical formula.

The new legislation will apply to credits of between 200 ECU (\$240) and 2,000 ECU (\$2,400). It excludes credit for the purchase of new cars, apartments, and houses, all of which are covered by national legislation protecting consumers.

The new European method of calculating costs will be ef-

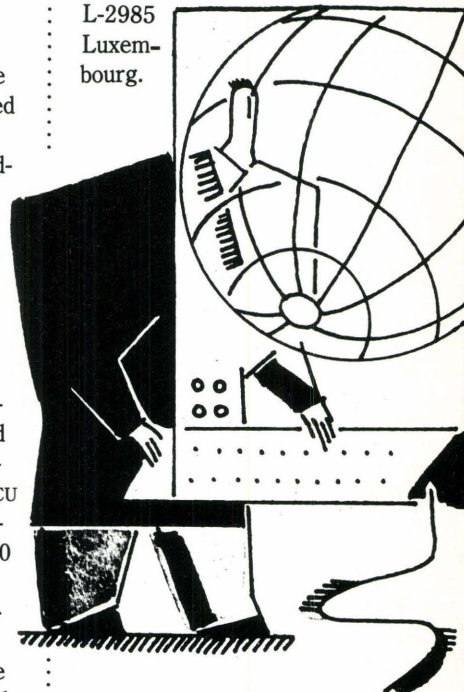
## LOG ON TO 1992

A personal computer hooked up to your phone and a password is all you need to find out quickly, at any time, the state of play regarding Europe 1992 and the incorporation of Community directives into the national legislation of E.C. member states.

INFO 92, a new E.C. data base, is available in Danish, Dutch, English, French, German, Italian, Portuguese, and Spanish. The charge for consulting the data base is 10 ECU (\$12) per hour. For the password, contact Eurobases, 200 rue de la Loi, B-1049 Brussels, Belgium; telephone: 32-2-235-00-01.

A document containing the same information is published

twice a year by the Office for Official Publications of the European Communities, 2 rue Mercier, L-2985 Luxembourg.



fective January 1, 1993, although countries using a formula other than the Council's may continue to do so until the end of 1995.

## ECU FOR 1992

A new publication is available to help you understand the role the European Currency Unit (ECU) will play in the single market. *The ECU for the Europe of 1992* is a 70-page handbook put out by the Association for the Monetary Union of Europe (AMUE). The publication can be obtained for 6 ECU (\$7) by writing to the association at 26 rue de la Pépinière, F-75008 Paris, France.

## 'HISTORIC LIBERALIZATION'

Sir Leon Brittan, E.C. Commissioner for Financial Institutions, says that the E.C.'s fundamental contribution to the development of more open world markets is its historic liberalization of financial service markets, "a liberalization that we are convinced will benefit us and that we invite other markets to follow."

He stresses that on January 1, 1993, the E.C. will move from its present fragmented position to a unified banking market that will place fewer restraints on what financial institutions can do (and how they must do it) than exists in the United States or Japan.

**FILM FESTIVAL**—The Seventh American Film Institute-European Community Film Festival will run from June 1 through June 29 at the American Film Institute Theater in the Kennedy Center, Washington, D.C.

The film festival will also be in Los Angeles from June 15 through 21.

The 28 films to be shown represent the very newest works by major European directors in the E.C. countries.



# CAPITALS

## Telephone Trauma

LONDON—Three-digit telephone area codes are normal to the average U.S. citizen, but not to residents of London. At the beginning of May, the inhabitants of the British capital had to undergo a trauma almost as great as that caused by the change to decimal currency.

Londoners, who have long regarded their city as the center of Britain and possibly the universe, used to phone each other without needing an area code. If they needed to call from outside the sprawling metropolis, the code was an easy-to-remember and clearly superior "01."

Now, at a time when the world is trying to erase the traces of the division of Berlin, the telephone company has split the capital and turned London into a divided city.

With a flick of a switch on May 6, British Telecom separated inner London from outer London. If your business or home lies within four miles of Charing Cross, you are a resident of central London, and your area code is "071." Farther out, you are irrevocably identified as a dweller of suburbia with an "081" prefix.

The eccentricities of the new telephone map of London mean that, for some people, phoning their neighbors across the road will involve dialing only one less digit than calling Tonga, 12,000 miles away in the South Pacific.

The change has not meant just adjusting to a new concept of a capital no longer identified

as "the" city by being number "1", but it may also affect the prices of homes and offices. Real estate agents have warned that some people may consider the inner London code area as more upmarket and desirable than a suburban code.

Londoners are renowned for their stoic acceptance of hardship, as demonstrated during the German air raids during World War II and their current acceptance of the gradual strangulation of the city's traffic arteries. But some have inquired, politely of course, whether British Telecom could not have come up with a less confusing way to expand the telephone network's capacity.

Most major cities have responded to this problem by adding one digit to the old telephone numbers. Nippon Telephone and Telegraph took this approach in Tokyo in April, for example.

Another possibility would have been to split the London telephone network north-south along the line of the Thames River. This division would have been familiar to Londoners, who have always regarded the side they do not live on as almost foreign territory. Instead, now we are all foreigners.

—DAVID LENNON



## DIRECTORY

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## Club Med Turns 40

PARIS—Club Med, the French resort operation that has seduced hordes of holidaymakers with its heady mixture of sports, sea, sex, and sun, is celebrating its 40th anniversary this year.

Like a lot of 40-year-olds, the Club is settling down and spreading out. It has realized that the swinging singles it attracted in the 1960s have married, had children, and have developed a slight paunch.

For them the Club is introducing a more sedate style of vacation than the energetic romp on the beach Club Med became known for. It is now starting to offer a variety of nonphysical activities ranging from computer sciences to perfume making.

Club Med's managing director, Serge Trigano—whose father, Gilbert Trigano, built the Club into the international vacation empire it is today—admits

the Club's clients are much more demanding than they used to be. A Polynesian hut in an exotic location is no longer everyone's idea of Paradise. "Today we know that we have to offer not only good activities but good accommodations—air conditioning, even a telephone in the room in some of our new resorts."

Back in 1950 when Club Med was founded, just taking a holiday in the sun was enough of a novelty to please most people. The Club's first villa, built in Spain by Belgian swimming champion Gérard Blitz, was nothing more than a collection of tents. The staff and guests shared everything, from pitching camp to cooking and cleaning up.

Since those humble, nonprofit beginnings, Club Med has grown into the world's largest holiday resort operation, with 100 villages in more than 30 countries. The Club is quoted on the stock exchanges of





Club Med has begun gearing its new villages, such as the one in Huatulco, Mexico, toward a changing clientele. Its aging guests want more privacy, a little more contact with the outside world, and golf courses.

© MICHEL VERDURE PRODUCTIONS

Paris, Brussels, Luxembourg, and New York. It has expanded into time-sharing hotels and luxury villas, has just bought its own charter airline in France, and has launched a luxury cruise ship, the Club Med One.

There is growing competition from other resort operators within the various countries the Club has colonized, but so far, no other organization can match it on an international scale.

The Club made its reputation in the 1960s—the era of sexual liberation—by offering people a vacation where they could throw off the restraints of everyday life along with their clothes. It cultivated a spirit of carefree camaraderie inside its villages by having no locks on the doors and by grouping people together around large tables for its gargantuan smorgasbords.

To run each village, Club Med recruits a team of relentlessly friendly GO's (*Gentils Organisateur*s—Congenial Organizers), handpicked for their inexhaustible energy, Pollyanna outlook, and permanent smiles. Their mission is to make the on-average one million vacationers who attend Club Med annually happy. The Club's all-inclusive, pay-before-you-go formula was designed to let those GM's (*Gentils Membres*—Congenial Members) leave all their

cares back home with their money. For little extras, like the occasional Mai Tai, the Club developed its own currency—a plastic bar necklace.

This concept worked beautifully in the sociable 1960s, but in the 1980s—the “Me Decade”—the zest for communal living passed. People started demanding privacy on their vacations. So the Club has begun to individualize its newer villages. It is building more single rooms, providing locks on doors, and offering several choices of restaurants with flexible mealtimes and tables for two.

Another recent problem the Club is dealing with is the mixing of its growing numbers of business clients, who now account for 15 percent of Club Med's revenues in Europe, with ordinary people on vacation. Having both at the same village has led to some embarrassing encounters, such as someone in a suit and tie with an attaché case finding himself cheek-to-jowl at poolside with a nude sunbather. The Club thinks it has found a solution by building a separate resort exclusively for corporate use in the heart of France.

It is also building golf courses *everywhere*. Forty villages now offer one, as opposed to 10 villages six years ago. By catering to a society that, like

the Club itself, is not as young as it used to be, Club Med hopes to hang on to its position as the biggest international resort operator. In the past, Club Med set its sights on the young sporty crowd. In the future, it plans to attract the world's aging baby boomers—people who prefer seminars to surfing and who do *their* swinging on the fairway.

—ESTER LAUSHWAY

### A Part of Diary Life

DUBLIN—Some kind of Irish history has been made with the publication of the diaries of a former Government Minister, Gemma Hussey, who served in the Fine Gael-Labor coalition Government of Garret FitzGerald from 1982–87.

While it has become commonplace in Britain for former Prime Ministers and senior Government figures to publish edited versions of their diaries, no Irish Minister has done so since the state was founded in 1922.

Hussey, who is 51 and married to a successful businessman who was also a political adviser to FitzGerald, kept a diary during her four years and three months at the Cabinet table. Before the diary's publication, Ireland was agog at the prospect of hearing for the first time what really goes on behind the scenes at the highest level of government.

In *At the Cutting Edge*, we learn that the twice-weekly meeting often went on so long that the most powerful people in the land had to dine on take-out chicken and chips after midnight and wash them down with wine or gin out of paper cups when there was nothing else to drink. Hussey once got a note passed across the table from a colleague after “an interminable discussion” about the national transport company asking, “What are they talking about?”

Outside the Cabinet room,

life as Minister for Education had its own hazards. She was once “groped disgustingly by a drunken Donegal teacher after the dinner who wanted to get on the dance floor.” She “considered slapping his face but then thought the better of it.” Canvassing during a by-election in an isolated rural area, she was brought to meet an elderly farmer who was asked by the Minister's aides to guess who she was. The old farmer stared at her and then said, “Dolly Parton.”

On a more serious note, Hussey confesses that she was under enormous strain during her term of office as the crisis in the country's public finances forced sharp cutbacks, in education as elsewhere, and she had to bear the brunt of teachers' and parents' anger. She is also critical of the junior coalition partner, the Labor Party, for making life very difficult at times for the Fine Gael Ministers. She writes about being frequently reduced to tears by the time she got home at night.

The most traumatic time for her was when FitzGerald botched a Government reshuffle in February 1986. She was thrilled to be told that he was going to make her Minister for European Affairs, a new post with responsibility for E.C. negotiations. But when a Labor Minister, Barry Desmond, refused to be moved from the health department, Hussey ended up with the unpopular social welfare portfolio.

Reaction to the diaries has ranged from sympathy for the former Minister for the stress Ministers suffer, especially if they are women trying to run a family as well, to criticism that Hussey was not really up to the job because she was not tough-skinned enough. Many readers are surprised to learn, however, what a work load Ministers have to carry under the Irish political system. Ministers have to find time outside their official schedules to nurse their constituencies and to ensure their



re-election, so most of their evenings are spent at boring party functions eating more chicken and chips. No wonder Hussey had a weight problem on top of everything else.

Her account of life at the Cabinet table is to be followed by FitzGerald's own account in an autobiography and that of Barry Desmond, who contributed to Hussey's woes.

—JOE CARROLL

## The King's Day Off

BRUSSELS—For journalists in Belgium, two topics are very touchy: abortion and the King. In April both issues merged to make a single story. As a result, the media world was thrown into shock. All dailies, radio stations, and television stations featured dramatic headlines and special editions. The controversy was such that a journalist was fired from the daily *Gazet van Antwerpen* because he chose to write in a guest article for the European edition of the *Wall Street Journal* what he could not write in his own publication. Yet, weeks later, it looked as though the crisis was only temporary.

The event that created all this fuss was King Baudouin I's refusal to sign a bill legalizing abortion. For the Belgian King, it was a matter of religious conscience. A fervent Catholic, he had warned—although discreetly—that he did not share the view of Members of Parliament that Belgium needed an abortion law. Belgium and Ireland had been the countries among the 12 to forbid abortion, although Belgium tolerated it unofficially.

Deputies from the Liberal Party and the Socialist Party joined together to pass a law against the will of the Social-Christian Party (PSC). Minister of Justice Melchior Wathelet, a member of the PSC, signed the bill. But King Baudouin did not.

According to the Belgian Constitution, the King has the right to refuse. But some legal experts said that King Baudouin should not have used that right in light of the established tradition for Belgian Kings automatically to approve bills voted by the deputies.

What made things more complicated is that the Belgian monarch did not want to ban a bill that had been voted by democratic methods.

In a letter to Prime Minister Wilfried Martens, King Baudouin said, "I know that I am not taking the easy path and that I risk being misunderstood by many citizens. . . . For those who are surprised by my decision, I say: Would it be normal that I be the only citizen in Belgium to be forced to act against his conscience? Is freedom of conscience a privilege for all except the King?"

So Martens reportedly suggested that the King suspend his reign for 48 hours. In the meantime, the Government would use the lapse to approve the bill and convert it to law. Thus, King Baudouin stepped down from his throne on April 3, only to resume it again on April 5.

—CHRISTOPHE LAMFALUSSY

## Trimming the Military

LISBON—In 1974, as Portugal wound up its colonial wars, disbanded its 600-year-old empire, and busied itself with a democracy-restoring revolution instigated by left-wing military officers, it had 154 generals on active duty in the armed forces.

In 1988, as Soviet leader Mikhail Gorbachev's reforms sparked serious military reviews across Europe and prompted debate on the future of NATO and the Warsaw Pact, Portugal's active officer strength had dropped to 152.

While overall manpower in the three branches of the



From a tiny settlement, Rotterdam has grown into the world's biggest port.

## Rotterdam Celebrates 650 Years

AMSTERDAM—Rotterdam, the world's biggest port, is celebrating its 650th birthday this year. Rotterdam was recognized as a city in 1250 and has since played a major part in the nation's affairs.

Since the beginning of the 20th century, Rotterdam has carried out successive programs of port development, water management, and industrialization that have made the city the powerhouse of the Dutch economy. The port handles an annual 292 million metric tons of goods and is the largest bulk cargo port in the world.

Rotterdam is the best equipped transport, distribution, and trade center in Western Europe. Ideally situated at the combined estuaries of the Rhine and Meuse Rivers, it has a direct lock- and bridge-free access to the open sea. A sophisticated network of waterways, roads, railways, and pipelines links it with the continental hinterland.

A circle with a radius of more than 500 square kilometers makes the Rotterdam area one of the largest industrial

centers of Europe and a consumer's market of some 160 million people.

Each year, more than 30,000 seagoing vessels call at Rotterdam, and 180,000 inland waterway barges handle shipments to the interior.

Rotterdam started as a tiny spot on the Rotte River in 1028 settled by poor peasants and fishermen who became involved in local trade and shipping.

In 1299, Rotterdam was officially recognized as an urban community by its feudal overlord, Wolfert van Borssele. In 1340, Rotterdam received city privileges from the Counts of Holland.

The city fathers are working hard to make the world's largest port not only an example of a business center of hard-working people, but also a city with artistic aspirations. Each year Rotterdam organizes an international film festival, where off-beat film art is shown, and an increasingly successful international poetry festival. Still, rivalry between Rotterdam and Amsterdam can be illustrated by the fact that many call the people of Amsterdam "the semi-artists" and those of Rotterdam "the sleeves-up."

—NEL SLIS



armed forces has in these 14 years fallen from 248,147 to 71,677, the cost of running Portugal's military machine remains disproportionately high, according to some analysts.

Money for weapons eats up around 4 percent of the national budget. Portugal currently spends 13 percent of this amount annually on defense equipment, only 2.2 points less than West Germany and significantly more than Belgium or Luxembourg, countries with similar populations.

Furthermore, compulsory military service, which in the army lasts 18 months and involves every able-bodied youth, provokes a major economic distortion. It also generates considerable opposition among conscripts, many of whose academic or business careers are interrupted by the service. Indeed, some opinion polls show that in recent years the armed forces have lost much prestige and are in danger of being regarded as a parasitical institution, contributing little economically, yet continually complaining about poor wages and conditions and out-of-date equipment.

Considerable turmoil exists within the forces themselves. Some 3,500 sergeants have formed an association to press demands for better wages and working conditions, despite warnings that they are contravening military regulations. In the air force, dozens of pilots have been grounded following months of efforts to quit the service for lucrative posts in commercial aviation.

The air force, which says it cannot afford "to be turned into a training school for airline pilots" does not want to let them go because it has invested thousands of dollars in training them for sophisticated fighter aircraft jobs.

However, in a completely unexpected turn of events, the recently appointed Defense Minister Fernando Nogueira announced that the Govern-

ment intends to cut compulsory military service in all three branches to four months and simultaneously make the armed forces a professional career. The announcement, clearly designed to win popularity in the end-1991 general election, caught the generals by surprise and sparked swift military rear-guard action.

Leading members of the hierarchy agree with Army Chief of Staff General Firmino Miguel who said: "I favor compulsory military service even though these days people are beginning to feel that perhaps a professionalized military force would be better for Portugal."

The move to trim the military apparatus comes in the wake of news that the United States is planning to downgrade its use of the giant mid-Atlantic Lajes air base on the Portuguese Azores, which in the cold war was regarded as a vital

staging post for reinforcing North American forces in the European war theater.

This rethinking on Lajes's importance will cut the Portuguese military equipment budget, which has been partly met through U.S. contributions in exchange for use of the Azores base.

Furthermore, as Portuguese military needs have shrunk, the generals have found themselves sitting on some increasingly valuable central city real estate, which in Lisbon, now gripped by a property boom, is worth millions of dollars.

Recently, a Spanish investment company offered to buy a prime 51,000-square-meter site now occupied by a military hospital and logistics division for a record price of 25 billion escudos (\$167.5 million).

The Government, meanwhile, set up a Defense Department study group on April 3 to

examine the possible sale of dozens of military installations around Lisbon and other major Portuguese urban centers. In Lisbon, the armed forces are studying a plan to centralize manpower, equipment, and supporting services outside the capital in new installations. The new installations would be built with income generated from sales of existing property. The move, if it comes off, is certain to fuel a new round of property speculation in Lisbon, where prices per square meter have quadrupled in the past five years.

—KEN POTTINGER

#### New Head for Information

LUXEMBOURG—On June 1, a Luxembourger will take over as head of the E.C. Commission's information department. Colette Flesch, who has been

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## PERSONALITIES

### ATHENS

*Constantine Mitsotakis*, 71, leader of the conservative New Democracy Party: "Greece has the right to be governed." (Speaking to the press at 4:00 a.m. on April 9, after winning 150 seats out of 300 in the previous day's general election. Mitsotakis was sworn in as Prime Minister two days later.)

*Costis Stephanopoulos*, 63, leader of the center-right Democratic Renewal Party, which elected a single Member of Parliament, Theodore Katsikis: "We shall give a vote of confidence to New Democracy with the one vote we have in Parliament, both because the national interest demands it and in order to avert at all costs a fourth general election." (Speaking to the press at midday April 9, after agreeing to support a Government headed by Mitsotakis.)

### BONN

*Karl Dedecius*, 68, noted author and translator will be awarded the West German book trade's Peace Prize for 1990. With this prestigious prize, the jury honors Poland's interpreter "who has devoted his life to furthering the understanding between the German and the Polish people." Born in Lodz, Poland, Dedecius has lived in Darmstadt, West Germany, since 1932 and has translated into German more than 80 works by famous Polish writers. He has also discovered and promoted young unknown talents.

*Kurt Masur*, 62, musical director of Leipzig's prestigious Gewandhaus Orchestra, has accepted the post of music director of the New York Philharmonic starting in 1992. His

short, but extremely important, political role in East Germany's "soft revolution" is now over, he says firmly. "I have come back to music," he says. He has declined to be President of East Germany and believes that Richard von Weizsäcker, West Germany's President, "who is one of the wise men," would be a much better choice.

### BRUSSELS

Belgian Prime Minister *Wilfried Martens* recently envisioned a Europe with a "central government." Guess who should see its power enlarged? The European Commission, based in Brussels. So far, no E.C. head of state has come forth with such a detailed plan for the Europe in the year 2000. In a little-noticed statement, Martens added that Brussels should become the center for European institutions concerned with a "political Europe." This, of course, also includes the European Parliament, whose offices are currently scattered over three countries.

Few people quit their job without venting frustration in one way or another. And when *Josy Dubie* left the official Belgian television network RTBF in April, he created a heap of trouble. Well known as a reporter in both Belgium and France, Dubie said that the network was paralyzed by internal political patronage and dominated by the Socialist Party. "I saw idiots, fools, and deceits rising freely up through the hierarchy because they all were protected by solid political connections," said Dubie. Today, the reporter works for the United Nations in Geneva and earns more than any director at the Belgian RTBF.

appointed Director General of DG X, responsible for information, communication, culture, and audiovisual policy, is one of Luxembourg's more successful political personalities.

Born in 1937, Flesch first came to public notice when she won an Olympic medal for her fencing prowess. She then went on to wield her saber at City Hall, becoming the first woman Mayor of the City of Luxembourg.

From there, she went on to hold practically every major post in the Cabinet. She served as Vice Prime Minister, Minister of Foreign Affairs, Finance Minister, and Minister of Justice.

In 1969, she turned her attention to Europe and became a Member of the European Parliament.

Reporting to E.C. Commissioner Jean Dondelinger, Flesch will head up a Commission staff of about 570 working in Brussels and in 26 other offices scattered throughout the world. —DENISE CLAVELOUX

### Staunchly Socialist

MADRID—Andalusia has been a Socialist stronghold since the first post-Franco elections in 1977, and it continues to provide the party's most solid electoral base despite the Socialists' waning popularity in other regions.

In 1986, the Socialist-run Andalusian Government scheduled regional elections the same day as the national vote to ensure a large Andalusian turnout. The voters in the southern region responded by giving the Socialists 55 percent of the seats in the autonomous legislature and helping maintain their majority in the national Parliament.

That same year, when Prime Minister Felipe González threatened to resign if Spaniards voted the country out of the North Atlantic Treaty Or-

ganization (NATO), Andalusia gave him a 2 to 1 margin of victory, the biggest in the country.

Much of the Socialists' political strength in Andalusia stems from González's personal popularity among rural, working-class voters in his native region. Adorning the wall in more than one modest dwelling are three postcard-size pictures that bear the likenesses of the Virgin Mary, a local bullfighter, and González. The particular bullfighter and the particular Virgin vary from town to town. Only González, who is from the regional capital of Seville, is a constant fixture in this peculiar southern Trinity.

These staunchly loyal people still see González and Deputy Prime Minister Alfonso Guerra, another Seville native, as representatives of the ideals of prosperity and justice for all that swept the Socialists to a nationwide landslide victory in 1982—or at least they have until now.

On June 23, Andalusians again head to the polls in regional elections viewed as a crucial test of Socialist strength, coming as they do on the heels of last October's national vote that left González with exactly half the seats in Parliament.

Three months before the elections, the conservative Popular Party (PP), the country's main political opposition force, looked ready to challenge the Socialists' domination. Braving its way into the belly of the beast, the PP went to Seville to coronate a new leader, José María Aznar, who pledged to move the party toward the political center.

The Socialists, meanwhile, were doing their best to divert national attention from the "Guerra Affair," a political scandal involving the Deputy Prime Minister's brother, who is under investigation for alleged influence-peddling.

But by late April, the tide had turned, at least temporarily.



The PP was dealing with its own "affair" in the press, stemming from a judicial investigation into construction industry kickbacks to the party's treasurer and other PP officials in Valencia.

—RICHARD LORANT

## Union by Another Name

COPENHAGEN—Sovereignty is no longer the sacred commodity it used to be in Denmark. A strong bipartisan majority in the *Folketing*, the Danish Parliament, has for the first time decided that Denmark should desert British Prime Minister Margaret Thatcher as she drags her feet on political union.

Parliament not only endorsed the progress already made, but also demanded that the scope of majority voting in the E.C. Council be extended to environmental and social issues; that is, advocating an even stronger union than foreseen. But the legislative body carefully refrained from using the word "union." Semantics? Perhaps, but in this case, semantics may have political substance.

Few Europeans understand why the Danes have always regarded a political union as a taboo terminology. France, Italy, and other Latin countries discuss union often and without

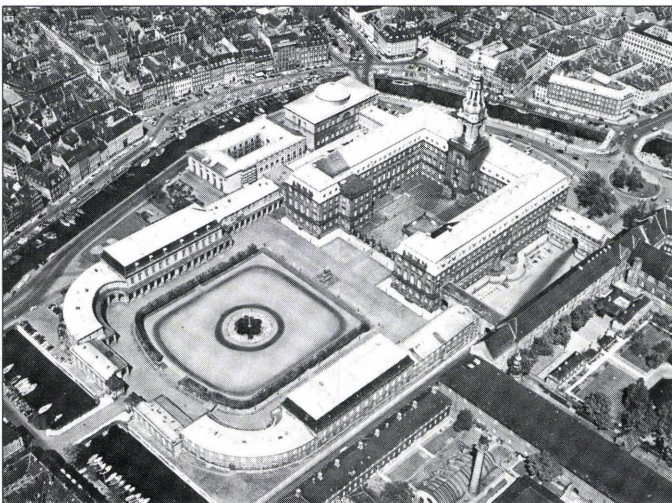
hesitation. History offers one reason for Danish reservations. In South Jutland, the part of Denmark occupied by Germany from 1864 to 1920, union described an unpleasant state of affairs. During World War I and World War II, Denmark tried to remain neutral, unsuccessfully in World War II, when a Nazi victory could have created a new and nasty union.

Fear that a united Germany will dominate the E.C. has certainly acted as a catalyst to the change in the Danish view of political union.

Many Danes accept the Benelux view that makes a small country's acceptance of a stronger political union sound simple and logical. Namely, you cannot lose more sovereignty than you possess, and a larger country in the E.C. by definition has more sovereignty to lose than a small country.

The French and German determination to press ahead with political union by that name almost nipped the new Danish consensus in the bud. But the Government has downplayed the speed of European integration. As real progress toward political union requires amending the Danish Constitution and thus broad bipartisan support, it seems a reasonable price. Denmark can now be counted as a supporter of political union, though by another name. —LEIF BECK FALLESEN

The Danish Parliament has come out strongly for European political union.



ROYAL DANISH EMBASSY

## Of Goats and Dinosaurs

ATHENS—There is a saying in Greece that goes, "Nothing more permanent than the temporary." This time last year, when the first of three recent elections was imminent, it appeared that the country was entering a transitional period, at least regarding the age, style, and personality of its political leadership. Now, with Constantine Mitsotakis in office, albeit by one vote, a familiar cast has merely been rearranged, and that transitional period has a decidedly open-ended look.

What cannot be open-ended is the transition from an overcentralized and overbureaucratized—and, lately, debt-ridden—economy to a model able to hold its own in the E.C.'s single internal market after 1992. Yet, before the new Government can devote much attention to long-term structural changes, it has the daunting task of bringing under control a runaway medium-term economic crisis.

The annual inflation rate shot up from 14.8 percent last year to 17.8 percent by the April election, levels that preclude Greece's joining the European Monetary System for the foreseeable future. The 1989 public sector deficit finished at more than \$10 billion, around 19 percent of gross domestic product, and the state is borrowing to pay its monthly wages and pensions bill. Moreover, unless Mitsotakis restores confidence with miraculous speed, a record-breaking balance-of-payments deficit looks inevitable this year.

The roots of these problems lie in the period of rule, before last June by Andreas Papandreou's socialist movement (PASOK). But they grew explosively through the inability of subsequent coalition Governments to impose effective restraints.

None of this is an ideal inheritance for somebody coming to

power for the first time, and Mitsotakis—along with Greece's other septuagenarian party leaders—has long been dubbed a "dinosaur" by the press.

He is aware of the age factor. In a campaign advertisement he defined his role as bringing on the next generation. Among that "next generation" are men of proven ability, yet some of them—like Environment Minister Stefanos Manos, 50—find themselves occupying the same post they held 10 years ago.

Meanwhile, Papandreou, although 72 and facing possible trial on corruption charges, shows no sign of relinquishing the PASOK leadership. Until recently, he diligently kept alive a personal political feud with Mitsotakis dating back to 1965. The April result dashed his last hopes of a return to the premiership.

The political and economic uncertainty has prompted a recall to the presidency for veteran statesman Constantine Karamanlis, 83, who was first appointed Prime Minister of Greece in 1955. A recent joke has a youth asking his grandmother who the politicians were in her day. "Well," she starts, "I remember Karamanlis on the right, then there were Mitsotakis and Papandreou . . ."

But for caricaturists, the real gift was the election of Democratic Renewal's Theodore Katsikis, who alone provides Mitsotakis's majority and whose name means "goat." A cartoon on Easter Sunday showed Papandreou, with a prehistoric body, roasting on a spit turned by . . . ? Yes—in the caption, a bystander says: "I thought I'd seen everything. But a goat roasting a dinosaur?"

—PETER THOMPSON



## Pacing Unification

BONN—“German unification will not come about as quickly as some people expect,” said ex-Chancellor Willy Brandt. In his view, a good result is better than a rushed one. Many experts seem to share his opinion, especially after the so-called “Two-Plus-Four” conference in Bonn on May 5, 1990. The meeting—at which the two Germanys, the United States, the Soviet Union, Britain, and France participated—was only the first round of a long process of international negotiations.

But at the first meeting Eduard Shevardnadze, the Soviet Foreign Minister, who spoke of a “decoupling” of the external and internal aspects of German unification, admitted that German unity is inevitable.

“There are no more obstacles to the realization of the right of self-determination of all Germans,” commented West German Chancellor Helmut

Kohl in a statement released after the meeting.

Shevardnadze’s “decoupling” idea means that after the internal merger of the country’s two halves, the victors of World War II would continue to have rights and responsibilities over Germany for a transitional period. Nobody at this stage can say whether the transitional period will last two or three years or, as the Soviets suggest, five to seven years. What is important is that the Soviets no longer insist on the clarification of a united Germany’s military status.

There is no doubt that the pros and cons of this “proposal of unity without sovereignty” will be hotly discussed at many national and international meetings over the next months. Foreign Minister Hans-Dietrich Genscher is optimistic. He says the result of the “Two-Plus-Four” meeting has reassured his expectation that German unification can be accomplished speedily.

In the meantime, the two Germanys took a major step toward unification with the agreement on monetary, economic, and social union. Both the West German and the East German Parliaments will have to hurry the ratification process so that the deutschmark becomes the single German currency on July 1, 1990, as scheduled. There is no historical precedent for taking a planned economy with nonconvertible currency to a free-market economy with hard currency.

The West German people are reassured by Kohl that the currency conversion, which will be a financial burden to West Germany, can be financed without tax increases, but 75 percent of the West German population does not believe him and expects heavy tax increases.

In the March 18 national elections and in the May 6 local elections, the East German people made it clear that they want German unity as quickly as possible. The quickest way

would be under the provisions of Article 23 of the Basic Law (West Germany’s Constitution), which declares that the Basic Law applies in any German state that accedes to it. East Germany’s first Constitution of 1949 was based on five federal states, but in 1952 they were abolished and replaced by 14 districts. Now the new East German Government will restore the five old states of Saxony, Thuringia, Saxony-Anhalt, Mecklenburg, and Brandenburg in order to take advantage of Article 23.

—WANDA MENKE-GLÜCKERT

**Ex-Chancellor of Germany Willy Brandt thinks that German unification should not be rushed. In his view, a good result is better than a fast one. Although many experts seem to share his opinion, the pace of unification remains a fast one.**



GERMAN INFORMATION CENTER

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# E.C. NEWS

## PUBLIC OPINION

### U.S. Awareness of E.C. Increases

ROUGHLY HALF OF ALL American adults (47 percent) now say they have "heard or read about" the European Community, according to a newly released Gallup poll. Fully 78 percent of college graduates surveyed are aware of the European Community.

Awareness of the E.C. among the general population in the United States has risen sharply; in a similar survey taken three years ago, only 29 percent of Americans surveyed answered the question in the affirmative.

This rapid, dramatic change no doubt reflects the increasing attention paid to the E.C. (and European events in general) by the U.S. media.

This increased knowledge about the E.C. among Americans is only one of many positive findings in the poll, which was conducted to determine American public opinion about Western Europe in 1990.

Other poll findings show that Americans regard Western Europe's trade policies as more equitable than those of Japan or Korea. Americans who are aware of the E.C. feel positive about it as an organization. The single most common response among the people who had heard of the Community was that of having "fairly good" feelings about the E.C. (54 percent).

The poll asked Americans

nationwide how interested they might be in learning more about the E.C. via various media. The idea of a television program about the Community appears to be the most popular choice—an overwhelming majority (84 percent) said they are either somewhat interested (51 percent) or very interested (33 percent) in viewing such a program.

Among those aware of E.C. 1992, the consensus is that the process will improve (61 percent) rather than harm (25 percent) relations between the United States and Western Europe.

Roughly one in five Americans (42 percent) thinks the 1992 single market process might make it easier for American firms to export to Europe because of simplified and unified regulations and standards. Nearly as many (38 percent) said they think a unified Western European market will force American companies to become more competitive.

Those who know about the single market project are more likely to see its consequences as more favorable than unfavorable for them as individuals. By a wide margin, respondents aware of E.C. 1992 see it as having a "mostly good" (50 percent) rather than "mostly bad" (18 percent) effect on them as consumers.

These findings on American public opinion about Western Europe are based on telephone interviews with a national probability sample of adults from the general population

aged 18 or over. Between February 9 and March 11, 1990, Gallup interviewed 1,001 adults.

## NATO

### Bush Wants U.S. Presence Maintained

PRESIDENT GEORGE BUSH says the NATO alliance must remain the centerpiece of Europe's defense for the foreseeable future.

In a commencement address at Oklahoma State University last month, the President, calling for "A New Age of Freedom," said, "My European colleagues want the United States to be a part of Europe's future. I believe they are right. The United States should remain a European power in the broadest sense, politically, militarily, and economically. And as part of our global responsibilities, the foundation for America's engagement in Europe has been, and will continue to be, NATO."

The President, talking about the need to cut short-range nuclear missiles in Europe, also stressed the need for a continued U.S. presence in Europe because "our enemy today is uncertainty and instability. The alliance will need to maintain a sound, collective military structure with forces in the field backed by larger forces that can be called upon in crisis."

Bush said, "Military

significant U.S. forces must remain on the other side of the Atlantic for as long as our allies want and need them. These forces demonstrate, as no words can, the enduring political compact that binds America's fate with Europe."

The President called for a June NATO summit in London to discuss "a new Western strategy for new and changing times."

## EASTERN EUROPE

### Aid to Five East Bloc Countries

THE E.C. COMMISSION published a plan in early May that would allow the world's richest industrialized countries to help Bulgaria, East Germany, Czechoslovakia, Yugoslavia, and Romania switch to market-oriented economies.

The five East Bloc countries have followed the leads of Poland and Hungary in adopting reforms after decades of central planning.

"The plan has been drawn up from detailed requests by the five countries in question," said the E.C. Commission report announcing the new program. The E.C. has been coordinating assistance being offered in cash and kind by 24 nations that got together after a summit in Paris last July of the Group of Seven major industrial nations pledged help for Poland and Hungary. Ministers representing the so-called Group of 24 will approve the E.C. Commission's new,



extended plan in June. The E.C. Commission's statement listed environmental protection as a high priority for all five countries. All five countries want better access to E.C. markets. Other priorities are as follows:

- Bulgaria: agriculture, food industry, investment in transport and telecommunications, training, restructuring of chemical and light industry, tourism.
- Czechoslovakia: industrial restructuring, training for young people, investment in transport and telecommunications.
- East Germany: improving food industry, investment in transport and telecommunications, training.
- Romania: agriculture and food industry, investment in transport, tourism, small enterprises, training.
- Yugoslavia: agriculture; investment; restructuring in banking, industry, and social welfare; training, especially in banking and tax. —Reuters

## Non-Germans Need to Invest

NON-GERMANS WHO ARE reluctant to beat West German companies to investment opportunities in East Germany are endangering competition in a united Germany, warns Sir Leon Brittan, E.C. Commissioner of Competition and Financial Institutions.

Speaking to the independent Center for European Studies in Brussels, he said a spate of East-West German corporate mergers "may preserve, in a paradoxical way, the dominant economic structures in East Germany and pose new threats to competition in West Germany."

He wants industry from outside West Germany to take a greater role in joint ventures and investment with East German partners. —Reuters

## EASTERN EUROPE

### EBRD Head, Location Named

JACQUES ATTALI, THE CHIEF personal adviser of President François Mitterrand of France, has been voted in as president of the newly minted European Bank for Reconstruction and Development (EBRD). The 42 members of the new bank also picked London as the bank's headquarters.

The bank will lend money to Eastern European nations to help them build efficient market economies.

## TRADE

### Talks With EFTA

THE E.C. AND ITS SIX neighbors in the European Free Trade Association (EFTA)—Austria, Switzerland, Sweden, Norway, Finland, and Iceland—are gearing up for crucial negotiations that could well determine whether EFTA countries stay together or seek E.C. membership.

Going in to the talks, the E.C. Commission was expected to agree on what the Community should offer EFTA in negotiations to integrate their economies, covering 370 million people from the Arctic to the Mediterranean.

The aims are twofold:

- To extend as far as possible to EFTA nations the free movement of goods, services, capital, and people that the 12-member E.C. aims to achieve by the end of 1992;
- To step up cooperation in other areas such as social welfare, environmental protection, and research and development. EFTA members are pushing for a quick accord. But the key problem facing negotiators is a fundamental rift over how much influence EFTA should get in shaping and making E.C. decisions. —Reuters

## Harmony at Trade Talks

SENIOR OFFICIALS FROM four major trading groups met last month in California to discuss bilateral and global trade problems, with a new harmony marking their deliberations.

Trade Ministers from the United States, Japan, the E.C., and Canada meet twice a year to discuss outstanding issues. Usually they come up short on solutions. Although this time was no different, U.S. Trade Representative Carla Hills told a closing press conference that the sessions "added momentum to the process." It builds on the successes in April at a 30-nation trade meeting in Puerto Vallarta, Mexico, and a recent string of trade accords between the United States and Japan.

The Ministers wanted to find ways to reach a provisional GATT (General Agreement on Tariffs and Trade) accord by July and a final accord by December. —Reuters

## AGRICULTURE

### Farm Fraud

THE E.C. WILL PROVIDE 10 million ECU (\$12 million) a year for five years for a crackdown on agricultural fraud in its 12 member states.

The campaign has already discovered numerous rackets in the E.C. farm sector, including nonexistent olive groves and sheep. Officials estimate that about 10 percent of the E.C.'s agricultural budget gets diverted through irregularities or rackets.

The 10 million ECU a year will pay for training, equipment, private detective work, specialist laboratory analysis, and inspectors to check that cargoes are what their papers say they are. —Reuters

## Helping Farmers Stay Put

THE E.C. COMMISSION HAS approved plans to spend more than \$3 billion to help country dwellers who depend mainly on farming income to stay where they are, instead of moving to towns.

The E.C. wants farmers to be able to make a decent living through environment-friendly farming of quality products and other money-making ventures that will help preserve the countryside.

The five-year program covers 17 percent of E.C. land and 5 percent of its population of 320 million. The funds will be spent on such things as helping open up remote areas to vacationers and encouraging cottage industries. France, the E.C.'s largest farming country, gets the lion's share of the money. —Reuters

## FOREIGN AFFAIRS

### Mandela to Visit Parliament

NELSON MANDELA WILL visit the European Parliament in June when it meets for its monthly session in Strasbourg. The deputy president of the African National Congress will also visit Irish Prime Minister Charles Haughey and then proceed to Britain on July 3 and 4 for talks with Prime Minister Margaret Thatcher and British Foreign Secretary Douglas Hurd. —Reuters

## TRANSPORTATION

### Protecting Airlines

THE E.C. COMMISSION wants powers against airlines that try to squeeze out new competitors with unfair prac-



tices. If the Community member states approve, the Commission will shorten the time—from three months to three weeks—it takes to act against airlines engaging in unfair practices.

The Commission says it wants to be able to step in quickly to bar practices such as setting excessively low fares, stacking flight departures to deny business to competitors, and granting special commissions to travel agents.

—Reuters

## ENVIRONMENT

### A 'Green' Code of Conduct?

MEETING AN ENVIRONMENTAL code of conduct may be required for E.C. countries setting up in Central and Eastern Europe.

The idea for such a code emerged at talks in May among E.C. Environmental Ministers. Officials say the Community is keen on making sure that E.C.-based firms rushing to take advantage of the newly opened markets in Eastern Europe should help reduce air, water, and soil pollution by observing tight environmental standards.

The suggestion will be discussed when the Ministers hold a special cooperation meeting with their counterparts from Central and Eastern Europe in Dublin in mid-June. The Dublin talks will consider the following:

- Transferring technology to allow the development of cleaner industry in the emerging democracies.
- Developing environmental policies and programs in those countries.
- Measures to combat air and water pollution.
- The need for more data on environmental problems in Central and Eastern Europe.
- Assistance through training and information exchanges.

Bonn estimates it could take 20 years and \$200 billion to bring Eastern Europe's industry up to Western environmental standards—without even tackling the pollution already emitted.—Reuters

### Soviet Union Wants to Join

THE SOVIET UNION wants to join an E.C. agency dedicated to combating the threat posed by industrial pollution.

An E.C. representative visited Moscow in May to discuss a pan-European campaign aimed at cleaning up the pollution-hit environment. One of the major difficulties in fighting pollution in Europe has been lack of coordination between countries.—Reuters

### Trying to Clean Up Trucks

NEW HEAVY DIESEL trucks sold in the E.C. will have to be up to 60 percent cleaner under a two-stage plan to cut pollution, according to the E.C. Commission.

Under the proposal, which the E.C. member states have to approve, polluting gases will be reduced in two phases. The emissions will be cut by between 40 percent and 60 percent compared with the maximum levels set in 1988.

First-stage cuts will take effect for new models on July 1, 1992, and for all new trucks on December 31, 1992. Second-phase limits will enter force October 1, 1996, for new models and a year later for all new trucks.

Carlo Ripa di Meana, E.C. Environment Commissioner, says he hopes the proposals, and separate measures to reduce noise pollution from trucks due to be presented later this year, would help solve a

row with neighbors Austria and Switzerland over truck traffic.—Reuters

## TOURISM

### Selling Europe

THE E.C. COMMISSION'S tourism program has been favorably received by the Community's 12 members.

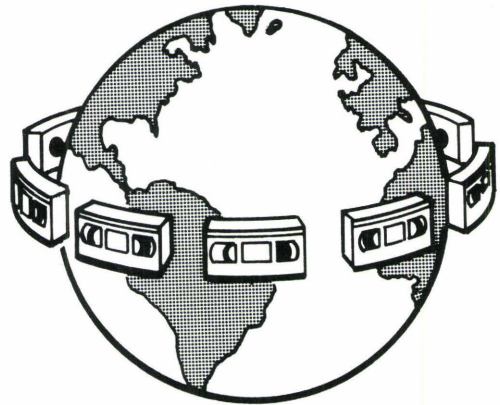
Although the E.C.'s policy on tourism was born in 1984, only

now—with a program called "Tourism for Europe in the 90s"—can one finally talk of a Community strategy in this field. The program was presented by Commissioner Antonio Cardoso e Cunha at a meeting of E.C. Tourism Ministers.

The program has four elements: improving the quality of services offered by European tourism; promoting European tourism; improving the environment in which firms in the tourism sector operate; and enhancing cooperation between the E.C. and third countries.

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