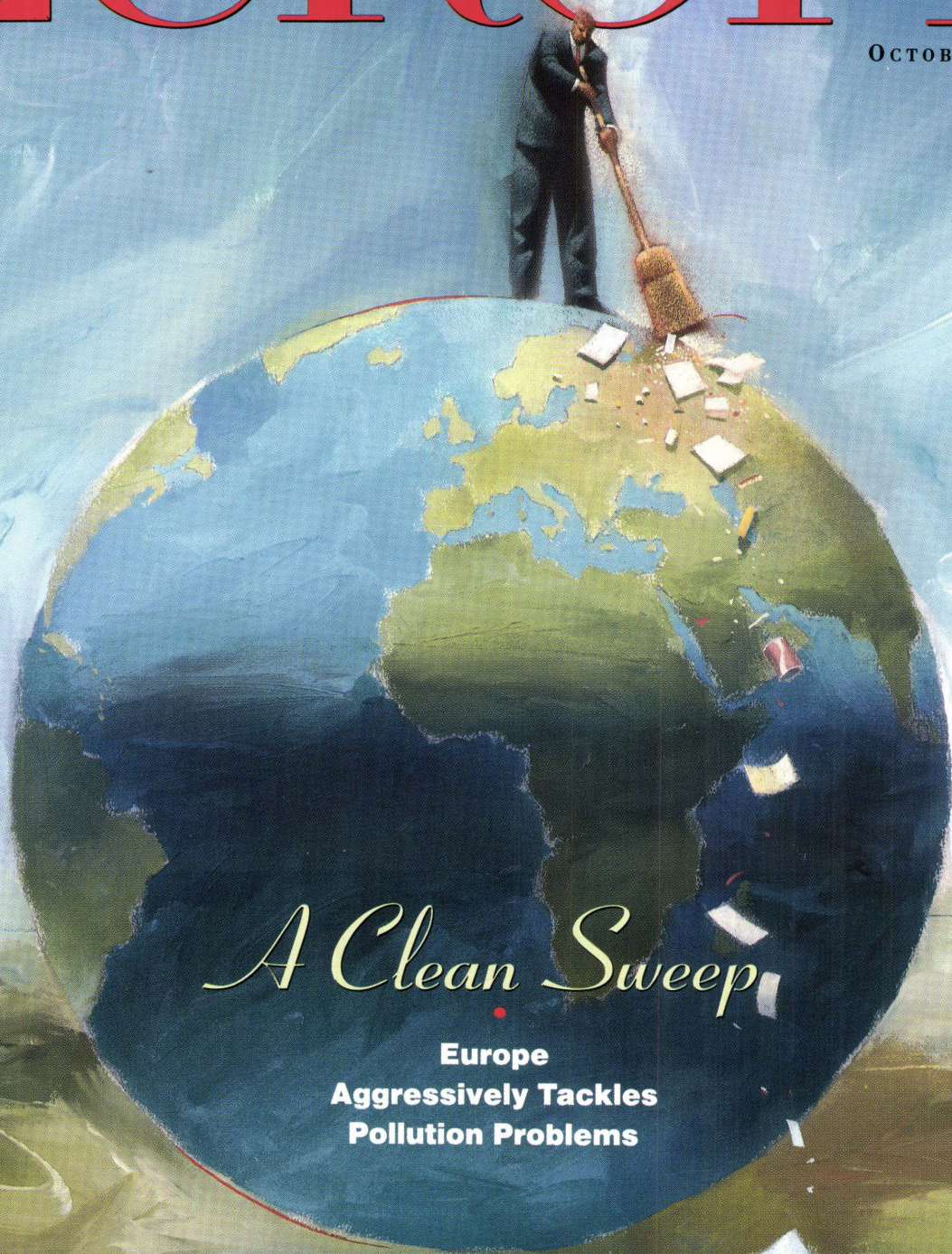


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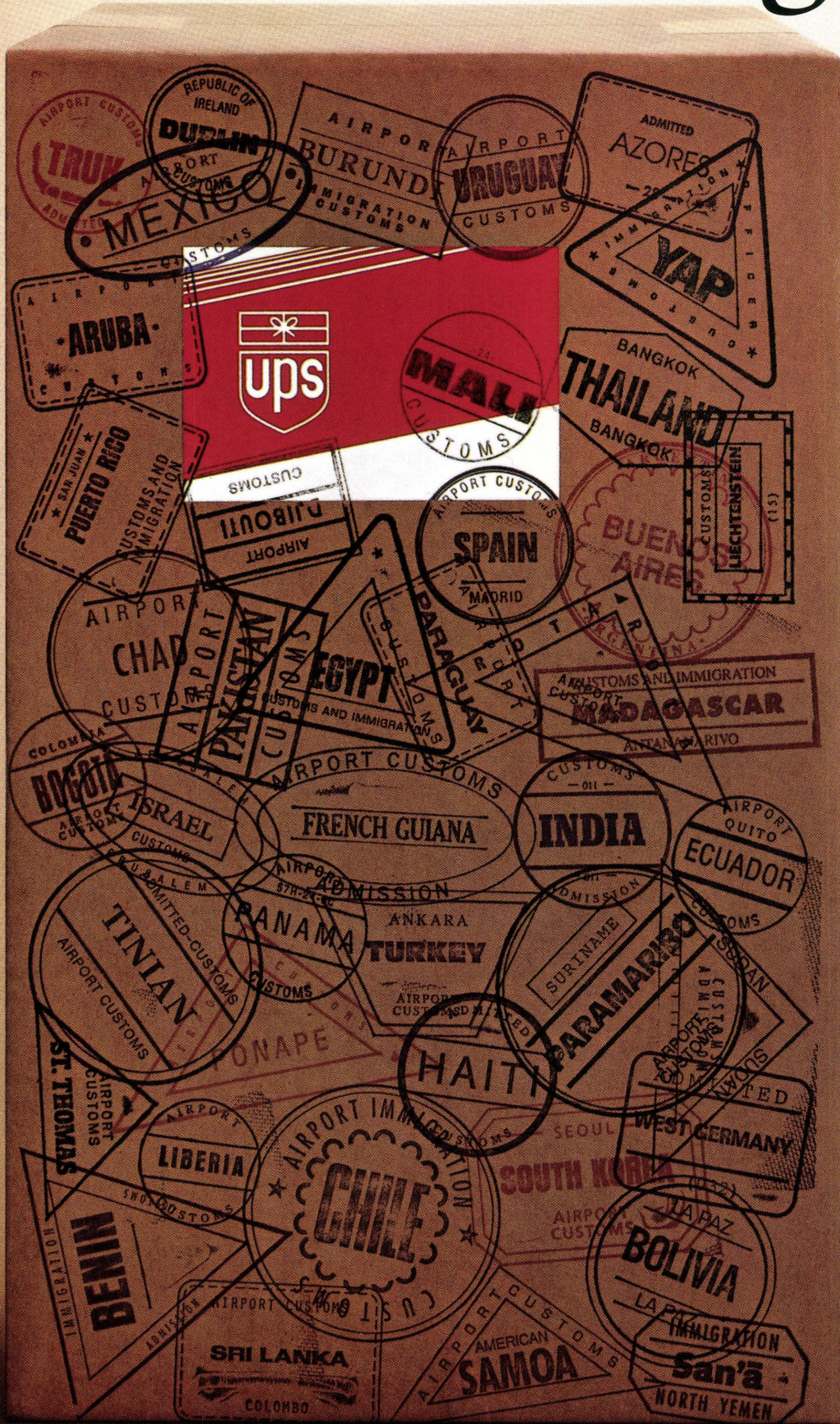


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COVER STORY

The "Greening" of Europe. Environmental issues top political agendas. *Ruth Hawk* **6**

Interview: Carlo Ripa di Meana. The E.C.'s Environment Commissioner speaks out on pollution, global warming, and the European Environmental Agency. **10**

FEATURES

Wiping Out Pollution. European environmental activism grows, but U.S. maintains strictest standards. *Edward Flattau* **13**

"Greens" Gain Votes. The environment becomes a major political issue. *Jay Walljasper* **15**

Eastern Europe: The World's Greatest Polluter. The West is eager to help clean up the region. *Ronald A. Taylor* **17**

Europe Seeks Secure Energy Sources. Persian Gulf crisis spurs re-evaluation of E.C. energy policies. *Peter Rashish* **20**

Interview: Gianni De Michelis. The Italian Foreign Minister voices his views on Europe's role in the Gulf, new relations with the Soviet Union, and his "pentagonal" plans. *Niccolò d'Aquino* **23**

Making a Pitch for Baseball. The sport is no longer a mere curiosity in Europe. *Don Dewey* **34**

MEMBER STATE REPORT

Portugal. Most stable period in 16 years paves way for E.C. presidency. *Ken Pottinger* **26**

A Land of Beauty and Tranquillity. Traveling through Portugal. *Peter S. Greenberg* **31**

DEPARTMENTS

- 4** European Scene
- 36** Capitals
- 42** 1992 Update
- 44** E.C. News
- 46** Book Review
- 48** In Closing . . .



BEN MAHAN

13

26



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20



10

Letter From The Editor

ENVIRONMENTAL ISSUES ARE

at the top of Europe's political agenda today. European political leaders and the average citizen are aggressively tackling the vast number of pollution problems facing the world, and Europe is taking the lead in promoting new ways to clean up the planet.

In our cover stories, Carlo Ripa di Meana, E.C. Commissioner for the Environment, explains the E.C.'s efforts to promote environmental awareness and to wipe out pollution. He discusses the new European Environmental Agency, the new joint U.S.-E.C. environmental agency recently established in Budapest, and the E.C.'s commitment to tackling global warming. Ruth Hawk shows how the individual E.C. countries are tackling environmental problems. The Netherlands, for example, has enforced a National Environment Plan, and France is the first European country to put in place taxes to control pollution.

We also compare U.S. and E.C. environmental policies. Edward Flattau shows how Europe is now more aggressively speaking out on international environmental issues, but writes that the United States still leads in environmental legislation.

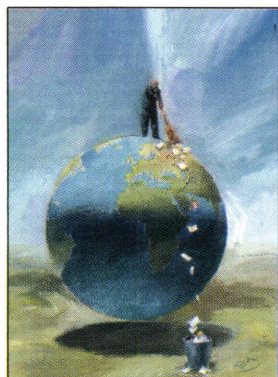
Ronald Taylor gives you a first-hand look at "the industrial world's worst nightmare," namely the massive pollution problems in Eastern Europe, and how European and American firms will attempt to help solve these environmental ills.

And if you think American gasoline prices are high as a result of the Middle East crisis, take a look at those now prevailing at European pumps. Peter Rashish also compares European nations' conservation policies and oil reserves, and their aims to reduce their dependency on oil by seeking alternative energy sources.

The current President of the E.C. Council of Ministers, Italian Foreign Minister Gianni De Michelis, in an exclusive *Europe* interview, talks about the new political, economic, and military alignments in Europe in the 1990s, the Iraqi invasion of Kuwait, and his plans for a "pentagonal" approach to Central Europe.

Portugal, with one of the fastest-growing European economies, is featured in our Member State Report. Investors are finding an attractive climate in Portugal, and Ken Pottinger, writing from Lisbon, points out how Portugal is prospering.

Europe is also very pleased to introduce its new publisher, Peter Doyle (see also p.43). Before coming to Washington, Doyle was Director of Press and Public Affairs at the E.C.'s New York Delegation. He has an extensive background in magazine publishing, and we welcome him aboard.



COVER: Environmentally aware Europeans combat pollution. © Sam Ward

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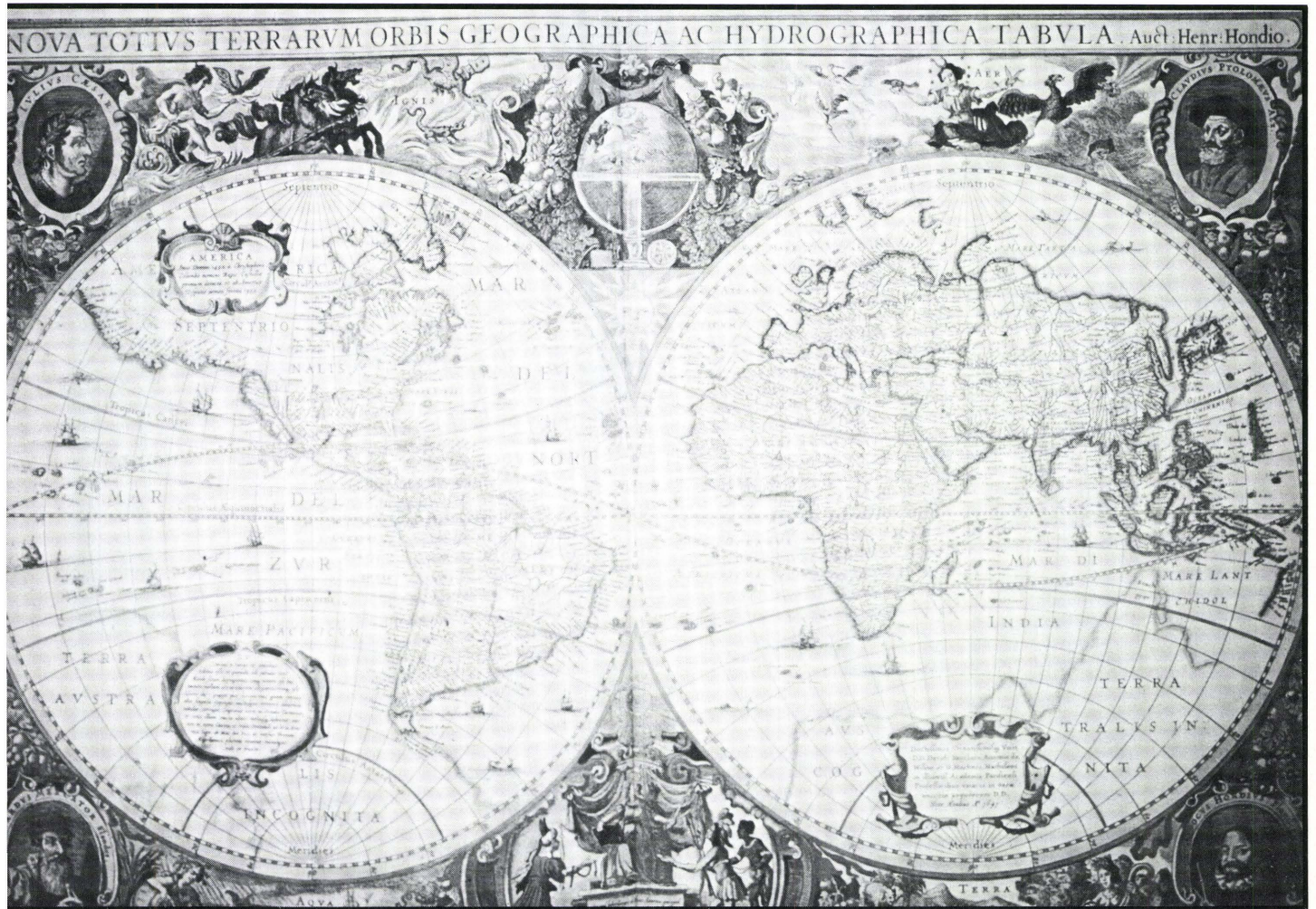
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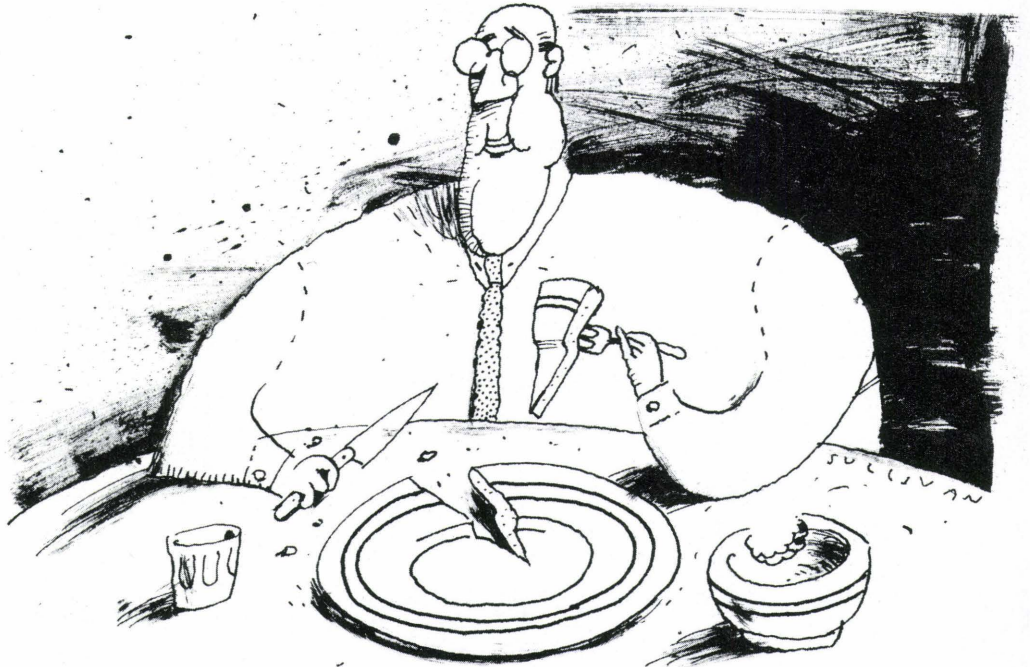
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EUROPEAN SCENE

Environmentally Friendly Flowers

Most people consider flowers to be friendly. But Dutch horticulturalists are going one step further by selling environmentally friendly flowers, which will be grown without pesticides. Chemical-free chrysanthemums are already being sold in the Netherlands, the leading seller of cut flowers in the world. Indeed, the Dutch Agriculture Ministry plans to cut total pesticide use by 50 percent by the end of this century.—Reuters



▼
NO PUSSYFOOTING AROUND—A Berlin newspaper printed a love song entitled "The Man Who Made Those Pussyfooters and Weaklings Feel Ashamed," in honor of ex-President Ronald Reagan's most recent 10-day, four-country European tour. His trip kicked off at the Berlin Wall, where, in 1987, he sternly insisted that Gorbachev "open this gate ... [and] tear down this wall!" Hammer and chisel in hand, Reagan took a few more well-intended swings at the remnants of the Wall for old time's sake. Although by no means a weakling, Reagan found the divider hard to break up, as some dust and random cement chips flew from the force of his blows. Reagan, however, is not at a loss for a souvenir. A 6,000-pound chunk of the Wall will be featured in the Reagan Museum, perhaps to remind us of his contribution to the meltdown of the cold war.

EAT YOUR PLATE!—Children riding on German trains during mealtimes may discover that Mom and Dad's command to "clean your plate" may soon be replaced by "eat your plate." If all goes according to plans made by the Federal Railroad in Frankfurt, future passengers will discover a

new experience in fine dining. No longer will train commuters have to gaze wistfully at an empty plate when done with a delicious meal ... because these new plates will be edible! The creation of such dishes (offered in sweet or spicy flavors) would be advantageous over environmentally less-

friendly plastic utensils, not to mention requiring less time and chemicals spent on washing dishes. Perhaps the Federal Railroad's next project will be to feature the daily "Flavored Soup Bowl Du Jour"

STILL A DIVIDED GERMANY?—After unification on October 3, the new Germany will still be divided when it comes to drinking and driving. A two-year transition period will allow West Germans to drive legally even after a couple

of beers (a blood alcohol level of up to 0.8 parts per thousand), while East Germans will still abide by a mandatory ban on alcohol behind the wheel. "At the end of 1992," West German Transport Minister Friedrich Zim-

merman stated, "... the all-German Parliament should make unified regulations for the whole of Germany." Until then, Germans are warned not to mix up East with West after they've had a beer or two.—Reuters



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The "Greening"
of Europe

Recognizing a need for a partnership that pledges balanced and cohesive development of their different conditions, the E.C. Governments increasingly favor using "green taxes." For example, many member states have imposed levels on ozone depleting chemicals, scaled with the highest taxes on substances that cause the most harm. These and other economic instruments are incentives to encourage consumers and industry to behave in ways that do little harm to the environment. Moreover, this development

• B Y R U T H H A W K •



SAM WARD

coincides with the views of the E.C. Commission, which has long argued that economic and fiscal "tools" are necessary to supplement existing environmental policies.

Underscoring the diverse areas of the environment, policy efforts to control global change are now also increasingly appearing in a host of other sectors, including agriculture, energy, foreign trade, international and economic assistance, and national security.

Environmental issues are high up on the **Netherlands'** political agenda. Says Dutch Member of Parliament A.J. Veldhuis: "In the Netherlands, environmental policy is a matter as serious as economic growth, employment policy, and government budgetary problems."

Dutch Environment Minister Hans Alders is convinced that present scientific data on climate change call for immediate political action. "We cannot afford to delay action until there is complete certainty on the relationship between global change and the deterioration of the environment," Alders said following the April White House Conference on Global Change held in Washington, D.C.

The Dutch Government's National Environmental Policy Plan (NEPP) sets forth how and with what resources it intends to push toward sustainable development. The NEPP contains concrete environmental protection measures from 1990-94, and sets out a longer course to be followed until 2010. The plan includes an energy conservation program, slowing the use of private automobiles through gasoline tax increases, doubling investment in public transportation systems, and vigorous waste prevention and recycling programs.

The **Federal Republic of Germany** is viewed as the leader in obtaining joint commitments to limit carbon dioxide emissions. West German Environment Minister Klaus Töpfer has called for a world agreement on environmental issues, particularly carbon dioxide emission reductions. This agreement is to be prepared for the June 1992 Conference on Environment and Development to be held in Rio de Janeiro, Brazil. Töpfer firmly believes that research efforts document that climate change and the depletion of the ozone layer "cannot be taken seriously enough." He refers to these issues "as one of the greatest challenges facing our world today."

The **United Kingdom** is Western Europe's largest producer of chlorofluorocarbons (CFCs), chemicals that are considered one of the major causes of the potential increased warming of the Earth, and that are used worldwide in aerosols, air conditioning units, and refrigerants. To limit global warming, the United Kingdom is planning to stabilize carbon dioxide emissions within 15 years.

The United Kingdom plays a significant role in international environmental issues by chairing the science working group of the Intergovernmental Panel on Climate Change (IPCC). Established by the United Nations, this is the most important international forum for deliberations on how to respond to climate change. In its affiliation with the group, the United Kingdom is charged with identifying gaps and uncertainties in predictions of future climate change and preparing strategies to fill these gaps.

On the national level, the British Environment Ministry is preparing a system for integrated pollution control under an Environmental Protection bill expected to become law this month.

In May, **France** became the first nation to put in place taxes to control pollution under a decree signed by Prime Minister Michel Rocard. It allows substantially higher taxes to be placed on water and air pollution, as well as on household and industrial waste. The tax revenues will be used to develop new technologies for reducing and measuring pollution levels.

A National Environment Plan for France is still under review. This would stringently regulate agriculture and treatment of waste, and provide tougher rules for noise and air pollution. Over the next decade, the French Environment Ministry will grow from 1,000 to 3,000 employees, according to predictions by Brice Lalonde, the French Environment Minister. He also predicts that his Ministry's budget will increase to about \$30 billion from its current \$14.4 billion.

In Sweden, scientists attending a four-day conference in August in Sundsvall agreed that burning fossil fuels and releasing greenhouse gases, particularly carbon dioxide, trap heat in the atmosphere. While the attending officials from 75 nations remained divided on many environmental issues, many did agree on certain specifics, such as the likely occurrence over the

next century of an average rate of global sea rise of about 2.4 inches per decade. Air temperatures, they predicted, will rise by about 0.5 degrees Fahrenheit per decade, assuming there are continued emissions of greenhouse gases at the present rate. This would bring a likely increase of 1.8 degrees Fahrenheit by 2025.

Significant increases in E.C. environmental proposals signal a need to further examine environmental priorities. At their October meeting in Rome, the Environment Ministers sat down to discuss environmental tax issues and a framework for imposing pollution-related taxes on cars and factories. The size of the levies would be based on the potential for contributing to global warming. **Italy**, which holds the E.C. presidency until the end of the year, is said to be planning a "greening" of the E.C. taxation system during its tenure.

Another item on the agenda of the E.C. Environment Ministers in October was progress on the status of the creation of a European Environment Agency. A decision on its commencement has been stalled due to continued debate over its location.

Responding to criticism from the European Parliament, the Council of Ministers amended the Agency structure to allow for a 1992 review of its activities. Opposing Parliament's request that the Agency be given expanded tasks, including "broad enforcement power," Environment Commissioner Carlo Ripa di Meana has repeatedly said the review would prohibit options for enforcing environmental regulations. Ripa di Meana describes the Agency as a scientific arm of the Commission with specialized environmental knowledge.

The \$1.4-million first-year budget for the Agency is small compared to that of the 20-year-old U.S. Environmental Protection Agency, which has annual outlays close to \$5 billion, up substantially from its first-year expenditures of \$384 million.

Since all European countries will be included in the Agency, one of its tasks will be to publish a "code of ethics" to be met by Western companies building factories in Eastern Europe. The conduct measures are intended to ensure that businesses do not exploit the less stringent environmental laws in the East. €

Ruth Hawk is on the Board of Editors of the Bureau of National Affairs, an international publishing bureau in Washington, D.C.

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CARLO RIPA DI MEANA, E.C. COMMISSIONER FOR THE ENVIRONMENT, SPOKE WITH EUROPE'S EDITOR-IN-CHIEF ROBERT J. GUTTMAN LAST MONTH ABOUT THE NEW ENVIRONMENTAL AGENCY TO MONITOR POLLUTION IN EASTERN EUROPE, U.S.-E.C. RELATIONS ON THE ENVIRONMENT, GLOBAL WARMING, AND OTHER ENVIRONMENTAL ISSUES IN THIS EXCLUSIVE EUROPE MAGAZINE INTERVIEW.



Carlo Ripa di Meana **Speaks Out On the Environment**

Ripa di Meana is a former journalist, who served as a Member of Parliament for Lombardy in the 1970s and was elected a Member of the European Parliament in 1979. He joined the E.C. in 1985 as Commissioner in charge of institutional matters, issues relating to a People's Europe, and culture. He has been in charge of E.C. environmental policy since January 1989, when he began his second term as Commissioner.

Can you explain what the new environmental agency you dedicated in Budapest in late September will do? It is supposed to be a monitoring agency specifically for Central and Eastern Europe, where the "environmental cause" left behind by communism is so desperate that at least this agency lets us know what is happening there for the first time. That will be its "first urgent priority duty." Other duties will follow after our first overview of the situation.

Is there a financial commitment from the European Community to this new Agency? Yes. It is rather interesting in the sense that the E.C. contribution makes up approximately 40 percent of the general budget. Some E.C. member states will make their own contributions directly, including the Netherlands, Italy, and, probably, Belgium.

Does the United States have a role in the Budapest project? Yes, a major role, in the sense that the idea was launched during President Bush's visit to Budapest. From the very beginning, the project has been discussed with our American friends, and it is a joint project between the E.C. and the United States.

You stated in Milan last May that "the state of the environment in Poland and Hungary is nothing short of disastrous...." Could you comment on that?

Yes. I also confirm it because, unfortunately, the ruthless development of those economies came largely at the expense of the environment and natural resources like air and soil. The state of rivers and lakes—and consequently of the Baltic Sea—is so serious that life expectancy in those regions is reduced by one-third. The Baltic Sea's condition is so serious that a special conference has had to be convened to try to rescue it.

In Czechoslovakia, I would point to Northwest Bohemia as being the most contaminated part of the country, with its heavy steel and other industrial plants. School-age children have had to be evacuated and moved to other parts of the country.

In Hungary, the major problem is the heavy burden on the waterways and the Romanian and Bulgarian pollution that has affected them in that part of Central and Eastern Europe.

In East Germany, many of the problems were already known through public opinion. Nevertheless, our judgement, and that of the Federal Republic of Germany, is that the most urgent and serious

case is represented by the high levels of atmospheric pollution, produced by energy plants that work with brown coal. This makes air pollution in East Germany four times heavier than in the Federal Republic.

What will the E.C. have to do to stop pollution in East Germany, now that it is becoming an E.C. member?

First of all, we'll have to adapt our environmental legislation, in the sense that [East Germany] will not be able to match our standards and comply with our legislation overnight. The first part of the effort is understanding. The second part is financial. We would like very much to launch a project to restore the Elbe River, which starts in Czechoslovakia, crosses the two Germanys, and is in very poor shape. We would also very much like to transfer technology to attract to East Germany a lot of "green industries." We also must be very, very vigilant to avoid some industries from being tempted to consider environmental dumping in that part of Germany, because of looser environmental laws. These will be our main

tasks.

Of course, we realize—and are happy—that the major effort will be undertaken by the Federal Republic of Germany. However, we do think that the E.C. has to play an additional role; a symbolic role in one sense, and a legislative and financial role in the other.

What steps has the E.C. taken to tackle the two major problems threatening the global environment—global warming and the destruction of the ozone layer?

The E.C. is rather committed to both of these problems. As far as the ozone layer is concerned, we have convinced industries to first reduce and then stop production of chlorofluorocarbons. We will have that guaranteed for the year 2000, but the majority of our member states will have phased CFCs out completely by 1997.

In the international arena, we have very insistently tried to convince our reluctant counterparts—namely China, India, Mexico, and Brazil—to do the same, and have promoted a fund to compensate countries that will shift their technology

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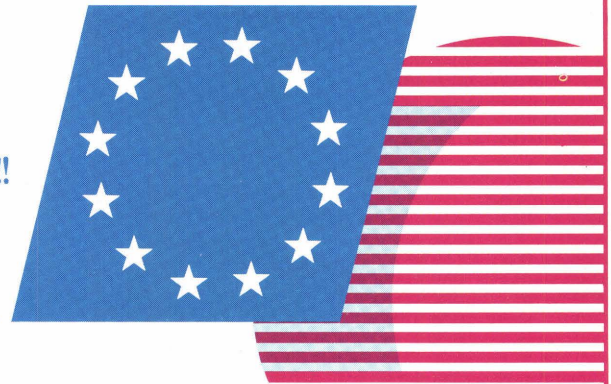
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Regarding the greenhouse effect and climate change, we are very active and trying first to stabilize, and then reduce, carbon dioxide emissions. This fall, we will decide in Geneva on the speed to adopt toward such a stabilization. This will be solemnly endorsed by a major U.N. conference in Brazil in 1992.

Of course, there are still some differences on this subject between the U.S. and the E.C. positions, the American position being very cautious and prudent, waiting for [what they do not yet see as] scientific certainty. We insist that, although some aspects of these scientific certainties have to be confirmed, this is not a good reason to postpone what should be done. Carbon dioxide emissions contribute to the atmosphere's heating, which then changes the climate. That is undisputed. So let's start with what is already undisputed.

What is your main complaint against the United States with regard to its environmental policies?

First, America is historically the first part of the world to be aware of the problem and to fight back. Second, there is an immense scientific reserve. Third, there has been a very important pledge by American public opinion on certain environmental issues. Fourth, the Environmental Protection Agency (EPA) remains a model for all other similar agencies that will be established in Europe. Last, but not least, EPA Administrator William K. Reilly's work has to be very much appreciated. I would cite also the Clean Air Bill as a piece of very advanced legislation.

At the same time, I must say that, on the international stage, the U.S. position has been rather, "cautious and prudent." The United States is cautious in the sense that it is clearly having second thoughts on "carbon taxes;" that is, taxes on carbon dioxide emissions, because that means taxing industry and energy production. I am not criticizing bitterly, I am only saying that we—the United States, the E.C., and Japan, who are the most advanced part of a global system—have the leading responsibility and cannot afford to register a split position between the three.

Does the E.C. have carbon taxes?

No, but we are considering them and we do not exclude making that proposal formal. But, of course, the whole debate is heading in the direction of what to do, as

decision-makers, parliaments, and public opinion digest the gravity of the situation. One has to find ways and means, in addition to legislation, such as fiscal and economic penalties, incentives and disincentives, and so on.

Are E.C. environmental laws complied with by most member states?

The reality is very unsatisfactory. Our 300 directives represent a good block of legislation that is, unfortunately, widely ignored by member states and our enforcement powers are extremely limited with the actual treaties. Our only recourse is before the Court of Justice.

What is the status of the new E.C. environmental agency, and what will be its main role?

First, it will be a fully independent agency. The main goal is to give uniform and complete information. Second, the agency is supposed to start very in-depth ad hoc research on different topics, such as toxic waste. Third, in the very near future we hope to be able to assume the inspecting powers that nobody yet has on a supranational level. So far we have national, but not supranational, communitarian powers to find out how things really are. This goal is also very controversial because member states are reluctant, and they resent the limitations of environmental sovereignty. It is nevertheless a very crucial step.

Last, but not least, because of its scientific background and specialized research, the agency will be able to give environmental impact assessments on major public works going on in the member states, such as highways, roads, and so on.

Have you decided yet on the new environmental agency's location?

With the exception of Luxembourg, all member states have asked that the agency be located in their member state, but I think the final contenders are Copenhagen, Berlin, and Madrid. That should be finally decided before the end of the year, so that we can start operations in January.

Are any new conservation policies being planned as a result of the crisis in the Middle East?

Of course the crisis has, in a way, triggered new and critical thoughts about our consumption and energy systems. The result will be a reinforced and speeded-up thrust in alternative energy research. And a very serious energy savings policy

has been announced, but not so seriously implemented.

What is the E.C. doing to develop a strategy to conserve the world's tropical forests?

The Houston Economic G-7 Summit asked the World Bank and the E.C. Commission to put forward proposals [on that subject] to the G-7 summit in London next year, so we are now studying proposals for the Brazilian rain forests, because all work has to start there. I can already tell you that these proposals will be formulated in close consultation with our American friends.

What is the E.C. view on nuclear energy?

There is no final, formal, and unanimous view because six member states have nuclear power, and six do not. Nevertheless, the E.C. has been involved in plans for nuclear energy production for decades, and, therefore, we have a full policy and treaty—the Euratom treaty. We also have a nuclear safety policy. Our view is that, while nuclear power has immense advantages, there are still many major problems, such as complete safety and radioactive waste elimination. Therefore, I would say that the balance is very complex.

You released a Green Paper on the Urban Environment in June. What was the result of that?

The result is that we have triggered discussion. Until now, the E.C. had not faced the problem of towns in Europe. We discovered that our cities have common problems, like heavy pollution, traffic jams, high noise levels, unacceptable backwardness in transportation systems, and abandoned urban industrial areas. All of this convinced us to start the first assessment and to see which legislation and financial proposals would result from it. It is a very new policy.

What do you see as the main environmental problem facing the world today?

The major evident problem is climate change. It has already produced serious disturbances, surprises, and scars on the planet. But, of course, the blacklist is long and I have to be rather a prophet of gloom.

Can we reverse it? My impression is yes, but we need a really deep and enlightened policy to do so. €

Wiping Out Pollution

*European Environmental
Activism Grows*

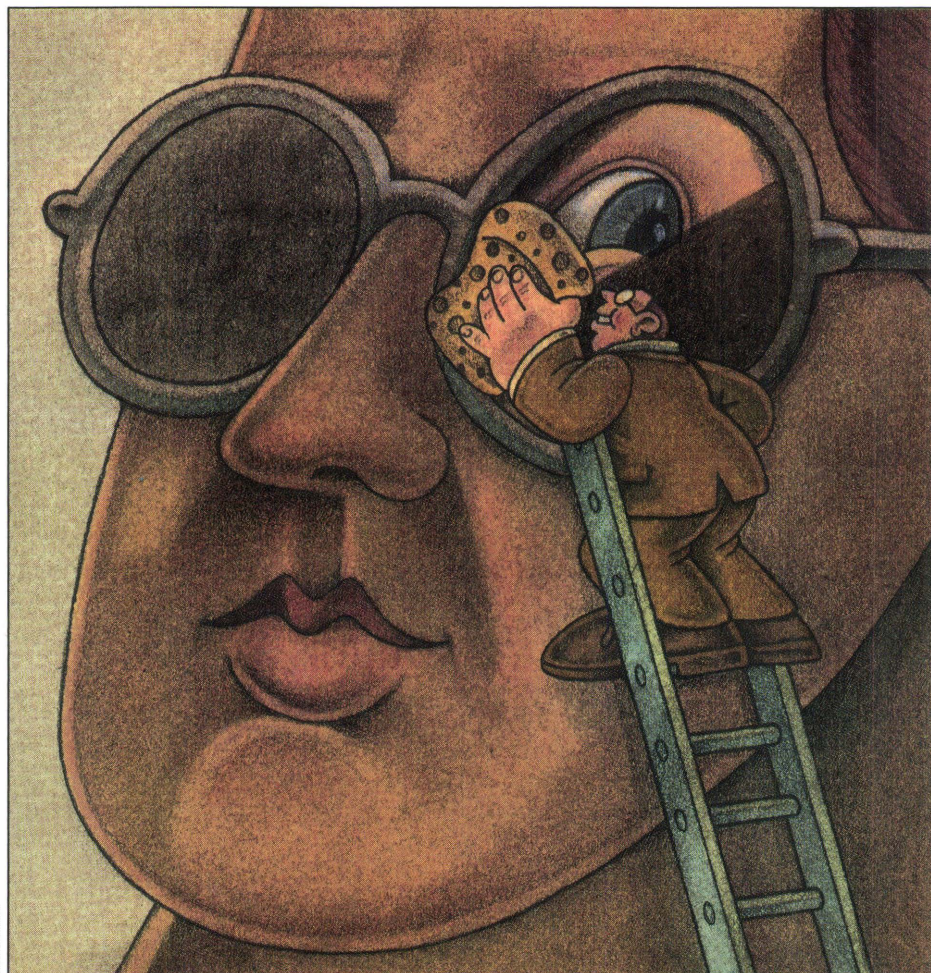
EDWARD FLATTAU ■

AS THE 1990s BEGIN, EUROPEAN POLITICAL leaders appear to have assigned higher priority to environmental issues of international scope than has President George Bush. These, at least, are the conclusions drawn when comparing American indecisiveness with European aggressiveness toward problems such as global warming and acid rain.

While the Bush Administration time and again has called for further scientific studies to eliminate uncertainty regarding those formidable environmental threats, Europeans argue that enough information is already available to warrant immediate corrective action. This is a startling reversal of the pattern in the 1970s.

During that decade, the United States spawned the environmental movement that today is international in scale, and made the country the undisputed world leader of environmental reform. By contrast, European countries at that time were still primarily occupied with putting the finishing touches on their region's post-World War II economic recovery. They either were ignorant of, or indifferent to, environmental threats.

Twenty years later, although President Bush has called himself the "Environment President," many environmental groups feel that the United States no longer plays the main leadership role on the international environmental scene. Europe, on the other hand, has become more sensitive to environmental problems over the last decade. By virtue of the size of the region (only one-fourth that of the United States) and the density of the population, Europeans reacted far more noticeably and quickly than Ameri-



cans when pollution—the result of unregulated prosperity—crossed the threshold of tolerance.

The proximity of the former Eastern bloc countries, where environmental control was of no concern, indicated immense transboundary pollution problems, which further heightened Western Europe's ecological consciousness. And major disasters, such as the chemical spillages on the Rhine River, the contamination of Mediterranean beaches, and the widespread exposure to a radioactive cloud from the Soviet Union's Chernobyl nuclear power plant meltdown, were the final sparks to ignite the flame of European environmental activism.

Political leaders could no longer ignore these issues, and a number of them underwent dramatic conversions. British Prime Minister Margaret Thatcher was the most notable example, becoming transformed practically overnight from an environmental skeptic to a leading crusader against the menace of global warming. Green parties took root in most European Parliaments, and environmentalists began to advance in the various state and local governments.

Perhaps no one person better symbolizes the evolution of European environmental awareness and its growth in importance than Frenchman Brice Lalonde. Fifteen years ago, the blue-jean-clad street activist led the tiny French chapter of Friends of the Earth in lonely protests against his Government's insensitive environmental policies. Today, he is France's Environment Minister, appointed two years ago by President Fran-

çois Mitterrand, who was seeking to make up for lost time.

European politicians' public pronouncements of environmental resolve, however, no matter how commendable, do not a full picture make. For, overall, the statutory lead that the United States achieved over Europe by enacting landmark environmental legislation in the 1970s has, 20 years later, only been modestly narrowed.

Generally, Americans still have more stringent, comprehensive pollution control laws than Europeans, and enforcement is often even spottier overseas than in the United States. For example, a European law requiring pollution control devices on new cars does not take complete effect until 1993. Leaded gasoline is still the dominant fuel in some parts of Europe, but unleaded gasoline is becoming increasingly available.

The infrastructure for public participation in environmental decision-making is also less advanced in Europe than in the United States. Environmental impact statements, freedom of information act privileges, and mandatory public hearings, for example, are not institutionalized the way they are in the United States.

At the same time, Europe has fewer options and less margin for error than the United States because of a smaller land mass, a higher population density, and a sparse endowment of natural resources. Yet Europe is not without advantages. Its size and density, for example, can work in its favor: The compactness of many of its cities and their close proximity to each

other facilitate energy conservation and refinements in urban planning. Mass transit and bicycle use, which are energy-saving and anti-pollution strategies of the first order, are also easier to implement.

In addition, Europeans have a superior foundation than Americans for energy conservation. This largely results from the difficult times experienced in the aftermath of World War II. Even today, the hallways in many European apartment buildings, for example, still have lights that are set to remain on for only a minute or two while someone needs them. Europeans also seem psychologically better positioned than Americans to conserve energy. They use only about one-half of the energy and one-third of the water per capita than do Americans in the normal course of a day, without any appreciable difference in living standards.

Finally, Europe has devoted proportionately more money to environmental research to develop renewable energy resources than has the United States; and, incredible as it may seem, a greater percentage of Europeans than Americans are served by sewage treatment facilities.

It is to be hoped that all these comparisons will soon become moot. That will certainly be the case if public opinion throughout the world continues to coalesce and to force heads of state to act in concert against global environmental degradation. €

Edward Flattau is a nationally syndicated environment columnist based in Washington, D.C.

U.S., E.C. Political Views Clash Over Global Warming

E.C. environmental concerns clash with those of U.S. President George Bush over whether the time has come to take aggressive environmental action.

E.C. member states are adamant in their position that areas of scientific uncertainty over global warming have been narrowed and that the implementation of environmental response measures can no longer

be delayed.

In contrast, the Bush Administration firmly believes that much more evidence is needed to close the gap of the scientific uncertainty. U.S. Environmental Protection Agency Administrator William K. Reilly describes it as "policy-making in the face of uncertainty."

—Ruth Hawk

"Greens" Gain Votes

JAY WALLJASPER

In March 1983, residents of West Germany's capital city, Bonn, were treated to a small parade through their streets. A procession of 27 people marched at the front of the line, carrying a huge replica of the earth and waving branches of Black Forest trees dying from acid rain. An assortment of students, young professionals, and 1960s-style activists as well as typical-looking citizens followed—some in suits and some in the usual denim-and-sandal attire of political demonstrations.

But this was not just another protest—one of countless thousands staged since the 1960s across the globe, from Berkeley to Berlin. The 27 people leading this parade—including a retired West German general, an agriculture professor, a union shop steward, a computer programmer, a mason, three engineers, and a nurse—were taking seats in West Germany's national Parliament for the first time. Those who followed were supporters of the Greens, a new political formation that had become the first new party to enter Germany's Bundestag in three decades.

Forged in the late 1970s as a grand alliance of activists from Germany's peace, feminist, environmental, New Left, and back-to-the-land movements, the Green Party grew slowly at first, winning just a few scattered elections for city councils and state legislatures. In 1983, however, they stunned many in Europe by claiming 5.6 percent of the vote in Germany's national elections, including respectable totals in Bavaria and rural regions where their message of living in harmony with nature struck a chord with many conservative voters.

A new era in European politics had arrived in the Bundestag along with the Greens, as leaders across the Continent heard the voters' emphatic message that environmental cleanup was not merely a matter of aesthetics but a serious political issue. After the Greens' surprising victory, Conservatives and Social Democrats in Germany and elsewhere addressed eco-

logical issues with a new vigor. Since then, Western European nations have surpassed the United States in their aggressiveness toward environmental issues, says David Morris, a prominent U.S. environmentalist and director of the Washington-based Institute for Local Self-Reliance.

The Greening of Germany continued in 1987 as the Greens won three million votes (8.3 percent) and earned 44 seats in the Bundestag. The Party has also entered into governing coalitions with the Social Democratic Party in the cities of West Berlin and Frankfurt, as well as in the state of Lower Saxony.

Yet Green politics are not an isolated German phenomenon. Belgium was the first country to elect Greens to Parliament in 1981, and Green parties are now represented in the national legislatures of Italy, Portugal, the Netherlands, Luxembourg, Austria, Switzerland, Sweden, and Finland.

Belgian, Dutch, and German voters supplied the European Parliament with its first Green representatives in 1984, and, after last year's European elections, there are now 29 Greens sitting in Strasbourg (eight French, seven Italian, seven German, three Belgian, two Dutch, one Spanish, and one Portuguese). The British Green Party actually won the most enthusiastic support of voters—a full 15 percent of all ballots cast in 1989—but gained no seats in the European Parliament because Britain does not employ a system of proportional representation.

A national Green Party has yet to be launched in the United States, but candidates are running for office from a number of the 300 local Green groups, and a statewide party was recently formed in California. Some preparations are being made for a presidential campaign in 1996, but John Rensenbrink, a political science professor from Maine and spokesman for the U.S. Greens, points out that non-electoral actions such as community projects and protests at the local level are

an equally important aspect of Green politics. European Green groups also emphasize that attention to social and cultural conditions is as crucial as legislative action in bringing about a better world.

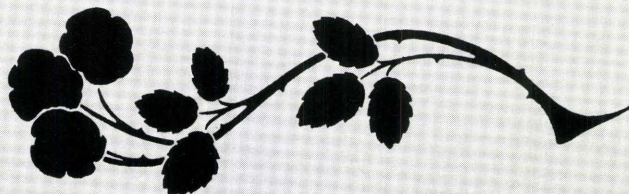
Despite their global reach and 10-year history as an established political party, the Greens are frequently misunderstood as a single-issue cause. Ecology is just one of the foundations upon which Green Parties are built; the German Party adds nonviolence, social responsibility, and grassroots democracy as the three other "pillars" of their program. Child care issues, disarmament, and the rights of indigenous people are just as likely to be addressed in a Green Party platform as are pesticides and nuclear power.

In the European Parliament, for instance, Greens have achieved the greatest impact concerning the issue of genetic engineering. "They have had an influence in holding things up and saying 'watch out,'" notes Diana Johnstone, an American who works as a press spokesperson for the Parliament's Green faction.

Taking a lesson from the science of ecology, Greens believe that all things are interrelated, including political and social issues. Destruction of the rain forest in Brazil and Indonesia, for instance, affects global warming trends in London and Leningrad. And international programs promoting export-based agriculture in the Third World aggravate world hunger by taking prime land out of cultivation for domestic food needs.

At the heart of Green politics is the idea that environmental degradation and social unrest must be dealt with in a comprehensive way that gets to the real root of the problem. This means reordering many of modern life's priorities, rather than just tinkering with a few political programs here and there.

Jay Walljasper is editor of the *Utne Reader*, a magazine containing a compilation of articles from alternative press publications.



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Mars 1990

Eastern Europe: The World's Greatest Polluter

The West Is Eager To Help Clean Up the Region

RONALD A. TAYLOR ■

THE EMERGENCE OF A NEW POLITICAL ORDER should be cause for unrestrained joy. But before the residents of Eastern Europe can bask in their new freedoms, they must first wrestle with some of the world's most dramatic pollution problems.



Excessive pollution, caused by unregulated and outdated heavy industry, has led to lower life expectancy in certain parts of Eastern Europe. Here: Copsa Mica, Romania.

When the Berlin Wall came down last year, its debris released cancer-causing asbestos fibers into the air. But this flurry of fibers was a mere dust mote compared to the dimensions of subsequent revelations of how pollution has left Eastern Europe with foul rivers, blackened skies, and clusters of illness and death that will take years—and billions of dollars—to correct.

When Vaclav Havel assumed the presidency of Czechoslovakia on January 1, he said: "We have laid waste to the soil, rivers, and forests that our forefathers bequeathed to us, and we have the worst environment in all of Europe today. Adults in our country die earlier than in most other European countries."

Even the characterization "dramatic" understates the gravity of the problem facing the emerging Eastern European democracies. Four decades of planned, centralized economy turned the landscapes and skylines of Czechoslovakia, Hungary, East Germany, Poland, Romania, and other one-time satellites of the Soviet Union into the industrial world's worst nightmare.

The list of environmental problems reads like an anthology of the century's environmental ills. Bulgaria's drinking water is contaminated by nitrates. In Hungary, the Danube River runs black with industrial and municipal wastes. Lead contamination in Poland's apples and lettuce exceeds the United Nations' health standards by a factor of 10. Over

Airing their Differences

For anyone traveling from West to East Germany, the difference in air quality can hardly be more striking: From breathing in fairly clean (West German) air one minute, one usually goes on to inhaling a concoction of (East German) "Trabi" car exhausts and filthy fumes blown into the air by smokestacks. Rather than merely crossing the intra-German border, one may feel transported to a different level in the atmosphere.

When unification brings the two Germanys together, they will become one country in all aspects except one: the environment. While both have environmental laws, these were more or less consistently enforced by one, but systematically ignored by the other.

East Germany's treatment of the environment is all the more shameful since the Munich-based Institute for Economic Research says that, if enforced, its laws could have been "exemplary" for Europe. Instead, old factories, built in the earlier part of the century, in many cases pre-dating World War II, use outdated technologies—and therefore far more valuable energy than modern plants. (On the whole, East Germany's per capita energy consumption is about 40 percent higher than West Germany's.)

By depending on cheap—but dirty and unhealthy—brown coal for 70 percent of its energy needs and 85 percent of its electricity, East Germany is further aggravating air quality and its citizens' health: More than half of the country's forests are damaged, and, in heavily industrialized areas, the life expectancy is years lower than elsewhere. On top of all that, East Germany holds the unenviable record of generating the highest annual per capita level of carbon dioxide emissions in the world.

Cleaning up East Germany's environment will not be easy. According to West German Environment Minister Klaus Töpfer, the two aspire to environmental union by the year 2000, which means bringing East Germany up to West German environmental standards between now and then.

It is generally agreed that East Germany's heavy dependence on brown coal and its polluted groundwater present the gravest pollution problems and health risks, and therefore need the most urgent attention. The Institute for Economic Research advocates more efficient use of currently available energy sources and a simultaneous development of other resources, such as natural gas. As a start, the West German Environment Ministry has already invested in smog early-warning systems.

Industrial waste and the use of pesticides in agriculture have "killed" about 30 percent of East German waters, according to Töpfer; another 25 percent can no longer be used for drinking water. The Institute for Economic Research estimates that roughly 150 million German marks (\$80 million) must be invested in this area. The West German Environment Ministry has already set aside money for water quality measurement stations and to help complete water-treatment plants already under construction.

East Germany does have nuclear power, but receives only a small amount of its energy from this source. This is probably a good thing: The safety record of these Soviet-made nuclear power plants is so low that Töpfer recently announced their probable closure following unification because the cost and time needed to bring safety equipment up to Western standards just did not warrant their continued use.

Most of these are short-term measures, and Töpfer has made it clear that it will take at least 10 years—and an overall environmental plan—to make a visible dent in East Germany's environmental mess. That strategy includes the closure of some old factories, fitting others with new safety equipment, and introducing new and cleaner technologies. Hopefully, toxic waste sites will be cleaner, and maybe the Elbe River, into which untreated waste water is currently being pumped for lack of urban water treatment plants, will come to life again. And, hopefully, those polluting Trabis will be off the roads!

Anke Middelman

half of that nation's river water is too acidic even for industrial use.

The problems are not merely eyesores or aesthetic insults. In East Germany, site of the world's single largest carbon dioxide source, air pollution forces motorists to use headlights in midday. One in five Polish children is born with either physical or mental deformities. In a 1985 health survey, 95 percent of 200,000 Romanian women screened showed signs of diseased uteri.

According to medical researchers and environmental scientists, the undeniable factor in those and other health problems is environmental pollution. And that is a legacy of the tunnel vision with which the Communist leaders approached their economy: Industrial output was the sole focus of their centrally planned economies.

After World War II, the Soviet Union created an Eastern European industrial zone that ranged from southern Poland to northern Czechoslovakia. Under the centrally planned economy of Eastern bloc nations, there was no incentive to control industrial pollution from the resulting buildup of manufacturing, most of it fueled by high-sulfur coal. Bedrich Moldan, Czechoslovakia's Environment Minister, says that the problem is similar to the dimensions of America's abandoned toxic dump dilemma that led to the creation of the multi-billion-dollar Superfund program.

The Soviet military presence made things even worse. The discovery of abandoned chemical warfare components, haphazard disposal of waste fuel and cleaning agents, and pollution from leaky sewage pipes leave Czechoslovakia with an overwhelming pollution problem that compounds the country's already dramatic pollution woes, Moldan says.

One of the vacated sites was visited by Ben Tisdale, president of Martech, an Alaska-based pollution control company. He happened to be visiting the region on other business when he was approached by local officials to take a look at a just-abandoned military base at Frenstat Pod Radhosten. "I stepped on a rock, and couldn't step over the little puddle of water. When I got back to the hotel, the dye came out of my shoe, my foot blackened and burned for three days," he said, adding: "We know they've got some problems."

All this presents the emerging nations with a daunting—and costly—dilemma. The estimated price tag for defusing the region's pollution problems is a whopping

\$500 million. That figure is in addition to the staggering costs associated with modernizing production facilities to prepare to compete on the world market.

If there is a bright spot in the region's problems, it is the West's eagerness to help clean up the East's pollution problems. In the rush to share in the cleanup bonanza, E.C. pollution control and combustion engineering firms are seizing center stage with clean air and water pollution control technologies. And, although they are late starters in what could be an anti-pollution gold rush, U.S. businesses are now also aggressively seeking a role in the cleanup. The Bush Administration is already directing \$5 million each to Poland and Hungary for air pollution monitoring in Krakow, Poland, and for upgrading sewage treatment and drinking water supply systems in Hungary.

The United States recently opened a Regional Environmental Center for Central and Eastern Europe in Budapest. With \$5 million a year coming from the E.C. and the United States, the center will funnel money and technical assistance to Eastern European nations to help pin down the scope of their problems and provide the most appropriate technology to solve them.

For those involved in the cleanup, there are new logistical and financial problems. The biggest is that of cash flow mechanisms to pay for the delivery of pollution control equipment and services. "Banks are a problem in that region," said David Andrews, an attorney who oversees the environmental law activities of the San Francisco-based law firm of McCutcheon, Doyle, Brown, and Enerson. "They are not Western-style institutions. They are just there to transfer money, and can't handle hard currency transactions."

Another problem is the lack of a political or technical infrastructure. Even if a plant manager is interested in a pollution control product or service, his good intentions may run up against the realities of converting from a planned economy to a capitalist society. "If you're a plant manager in Prague right now, it's still not clear who owns the plant. So you can't commit the plant to anything," says James Edwards, chairman of American Capital and Research, a Washington, D.C., environmental consulting firm.

Eastern Europeans face tough choices. Confronted for the first time with such free-market dilemmas as unemployment and inflation, the temptation will be great to delay coping with environmental prob-

lems until their economic and political infrastructures are remodeled. "[Eastern Europeans] are going to have to make some extremely hard choices," says Liroff. "A lot of the industry, especially in Poland, is antiquated. Rather than trying to place pollution control equipment on it, it might be better to shut it down entirely and eventually replace it with modern equipment that is energy and resource efficient, and doesn't pollute as much. But that means unemployment. Is society willing to accept that cost? I just don't know."

Other environmental consultants and economists are more upbeat, speculating

that upgrading industrial and urban infrastructures presents the emerging countries with a dual opportunity to modernize and to achieve energy efficiency while reversing the grim health statistics and environmental degradation. Says Robert Fri, vice chairman of the Bush Administration's International Technology Transfer Board, a quasi-governmental panel created to make sure Eastern Europe receives the most appropriate technology: "This is a chance to do it right the first time." **E**

Ronald A. Taylor is a national environment reporter for *The Washington Times*.

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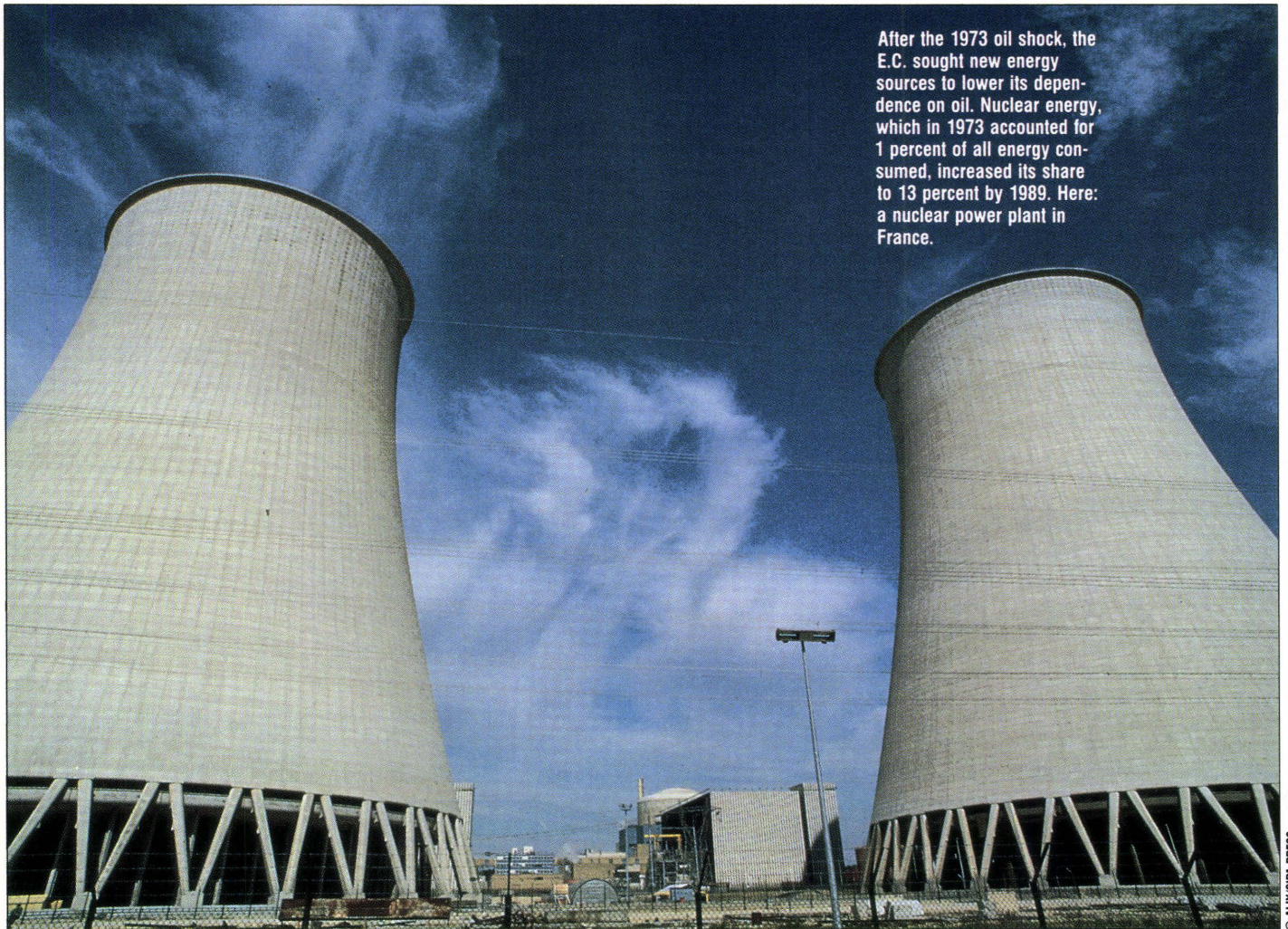
Europe Seeks Secure Energy Sources

Persian Gulf Crisis Spurs Re-evaluation of E.C. Energy Policies

PETER RASHISH

THE INCREASED WORLDWIDE ATTENTION TO such environmental issues as global warming, the greenhouse effect, and acid rain has not been lost on those who are in charge of formulating the European Community's energy policies.

The pressure is on to redirect industrial, commercial, and residential energy consumers away from environmentally damaging fuels like oil and coal, and toward less-polluting alternatives—specifically gas and nuclear power. Research and development funds have also gone into seeking ways to use traditional energy sources in a more environmentally



After the 1973 oil shock, the E.C. sought new energy sources to lower its dependence on oil. Nuclear energy, which in 1973 accounted for 1 percent of all energy consumed, increased its share to 13 percent by 1989. Here: a nuclear power plant in France.

friendly way, with finding the holy grail of "clean coal" at the top of the agenda.

At the same time, the Iraqi invasion of Kuwait and the subsequent United Nations-sponsored embargo of those countries' oil exports have focused minds on the need to continue the search for secure sources of energy for the E.C.'s 12 member states. Switching from Middle Eastern oil to gas, nuclear power, clean coal, and so-called renewable sources (hydroelectric power, geothermal energy) will not only ease environmental degradation, but also cushion the E.C. against unpredictable political shocks. To varying degrees, these alternative energy sources are available either from within the E.C. itself, or from neighboring countries like Norway, Algeria, and the Soviet Union.

Energy issues first gained major political prominence in 1973 when, following the turmoil of the Arab-Israeli war of that year, the members of the Organization of Petroleum Exporting Countries (OPEC) decided to begin fixing oil prices without consulting Western oil companies. This eventually led to a fourfold increase in prices by early 1974. In response, at the Washington conference in February 1974, all E.C. members, except France, joined with other industrialized countries to establish the International Energy Agency (IEA) within the larger framework of the Paris-based Organization for Economic Cooperation and Development (OECD).

The IEA's members are pledged to share oil supplies in an emergency and to draw upon private and public oil stocks to soften the price impact of short-term market disruptions. The E.C. Commission, which has observer status, participates in IEA meetings and coordinates its policies closely with it. At a recent gathering of the IEA's Governing Board following the Iraqi invasion of Kuwait, France expressed interest in joining, so soon all 12 E.C. countries will be represented at the Agency.

One of the E.C.'s most important energy policy features is the requirement that its members hold the equivalent of 90 days' consumption of petroleum products, like gasoline, jet fuel, and heating oil. These stocks act as a deterrent against supply cutoffs by reducing the potential value for an exporter of wielding the oil weapon, and serving as a buffer should supplies actually be disrupted. In some countries, like Italy or the United Kingdom, stock requirements are met by private companies, while in others—the

Netherlands, Germany, and Denmark, for example—quasi-governmental agencies manage national oil stocks. In addition, beyond the E.C. requirements, the Bonn Government maintains its own 54-million-barrel federal oil reserve, much like the United States' 590-million-barrel pe-

The Mideast crisis has shown the E.C. that it must continue to search for secure energy sources.

troleum reserve.

While emergency preparedness is certainly a crucial element in the E.C.'s attempt to pursue energy security, it is by no means the only one. On a day-to-day level, the attempt to decouple energy use from economic growth has been much more important: reducing "energy intensity," moving away from oil to other energy sources, and diversifying E.C. oil imports. In all three of these areas, E.C. countries have had reasonable success.

According to the OECD, the energy intensity of the 12 E.C. countries decreased by 11.4 percent in the 1980s. This means that techniques to promote energy conservation (better insulated homes, for example) and greater energy efficiency (industrial furnaces that waste less fuel in the burning process) are having the desired effect. E.C. oil consumption has declined dramatically in recent years. While in 1973—the year of the first oil crisis—62 percent of the E.C.'s energy came from oil, that figure had dropped to 45 percent by 1989. At the same time, nuclear energy's share skyrocketed from a negligible 1 percent to 13 percent, gas rose from 11 percent to 18 percent, while coal declined slightly from 22 percent to 20 percent. These figures correspond almost exactly to the 1990 targets approved by the E.C. Council of Ministers in 1980.

The Twelve have also managed to find new, non-Middle Eastern sources of oil supply, although the simple fact remains that 65.2 percent of the world's proven oil reserves lie in the Middle East. That region accounted for about 40 percent of E.C. oil imports in 1989 compared with 60 percent in 1980. Though indigenous E.C. production probably peaked in 1986, the coming on stream of British oil helped boost Community output by 50 percent

from 1980 to 1989. Last year, domestic production was equivalent to almost 30 percent of total E.C. oil consumption, compared with roughly 16 percent in 1980.

Whatever the E.C.'s overall accomplishments, the energy situation varies greatly from one member state to the next. For instance, the United Kingdom is a net oil exporter and is almost self-sufficient in coal and gas. The Netherlands is the largest gas producer in the E.C., exporting 45 percent of its production to other Community countries. France, on the other hand, has made a concerted effort since 1973 to develop nuclear power, so that fully 70 percent of its electricity and 32 percent of its overall energy requirements come from nuclear reactors. Belgium comes in a close second in this league: It scores 66 percent and 20 percent, respectively. Despite

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some progress, countries like Spain, Italy, Greece, or Portugal still rely on imported oil for over half of their total energy needs.

One source of energy close to the Community's borders—the Soviet Union—has great untapped potential. Now that tensions between East and West have subsided, as witnessed by Moscow's alignment with the United States and its European allies during the current crisis in the Gulf, the Soviet Union's vast oil and gas reserves are coming under closer inspection. Total Soviet oil production was near 12 million barrels per day in 1988 with exports on the order of 2.8 million barrels per day, second to OPEC giant Saudi Arabia's 3.7 million barrels per day. However, its proven reserves add up to 58.5 billion barrels, roughly equivalent to Venezuela, a major OPEC exporter.

The catch is not only that much Soviet oil and gas is located in hard-to-reach areas in Siberia, but also that the Soviet energy industry's infrastructure is severely backward, which is actually leading to declining output. This is where Dutch Prime Minister Ruud Lubber's plan for a European Energy Community

comes in. Under Lubbers' proposal, announced at the June E.C. summit in Dublin, the Community and other European countries would transfer technological know-how to the Soviet energy industry and help with the cost of extracting more Soviet oil and gas for export. Increasing

In 1973, 62 percent of the E.C.'s energy came from oil; by 1989, that figure had dropped to 45 percent.

the use of relatively clean natural gas in Eastern Europe is a particular priority given the severe environmental problems it is now facing. The E.C. Commission has lent its official backing to the Dutch idea and will present a report on the plan at the next summit of the Twelve in December.

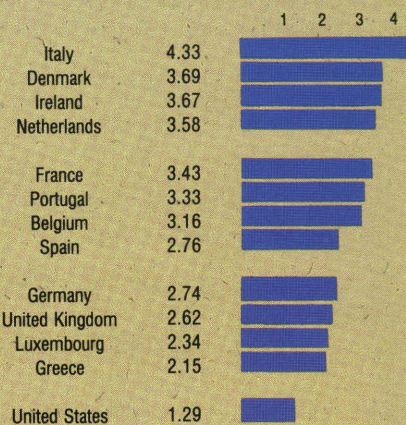
The crisis in the Gulf has somewhat obscured the fact that energy policy is also a part of the 1992 single market project. Four draft directives have been presented by the Commission covering

price transparency, notification of investment in the energy sector, and trade in gas and electricity. All four aim to lower costs to industry and consumers alike by eliminating barriers to trade in energy within the Community. An effort is also being made to overcome differences in technical specifications—electricity grids are one area—that hinder free energy trade.

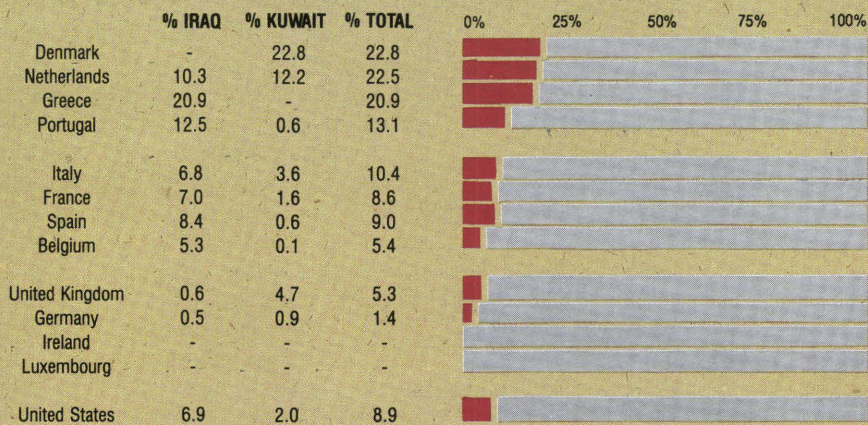
While the single market in energy will certainly improve the E.C.'s security of supply by contributing to more intra-E.C. trade in oil, gas, and electricity, perhaps 1992's greatest impact in the energy area can be gauged in a broader sense. Europe's trade and investment boom of the last two or three years—and the currency stability provided by the European Monetary System—will insulate it from the worst economic side effects of higher oil prices. While growth may slow down a little and inflation may creep upward, it is unlikely that the world will witness a repeat of the post-1973 years of Eurosclerosis. €

Peter S. Rashish, a contributing editor to *Europe*, was Special Assistant to the Deputy Executive Director of the International Energy Agency/OECD in 1985-86.

GASOLINE PRICES IN US DOLLARS/ GALLON FIRST QUARTER 1990



DEPENDENCE ON OIL IMPORTS FROM IRAQ AND KUWAIT FIRST QUARTER 1990



(Source: International Energy Agency, August 7, 1990)

Gianni De Michelis

Italian Foreign Minister Gianni De Michelis, in an exclusive interview with *Europe* magazine, discusses Europe's role in the Middle East crisis, new relations with the Soviet Union, his "Pentagonal" plans, and a host of other issues. Niccolò d'Aquino conducted the interview with De Michelis, who is currently President of the E.C. Council of Foreign Ministers, in Rome in mid-September.

De Michelis is Italian. More precisely, he is Venetian. English newspapers have conferred on him the title of world-class statesman. The *Guardian* dedicated a lengthy, almost full-page article to him and told its readers in admiring tones that "never has a rotating President of the E.C. taken over his semestral period of duty with such a strong sense of accomplishing a mission as Gianni De Michelis." De Michelis was described as "more an American-style politician than an Italian-style minister." This same newspaper compared De Michelis' privileged relationship with his adored Venice to that of "a Kennedy's with Boston."

And to think that up until just a few months ago, the foreign press did not seem particularly enthusiastic about him. English journalists, before radically changing their minds, had waxed ironic over the Quadrangle, the accord between Italy, Austria, Hungary, and Yugoslavia that subsequently became the Pentagonal with the inclusion of Czechoslovakia, an idea thought up and promoted by De Michelis. This accord, which various commentators consider a serious effort to create an alternative axis to Germany's growing economic power, is making steady progress along the lines of the program defined last year at the inaugural meeting in Budapest.

Europe is rapidly redesigning its internal layout. The Pentagonal was conceived before the fall of the Berlin Wall. Haven't too many things changed since then?

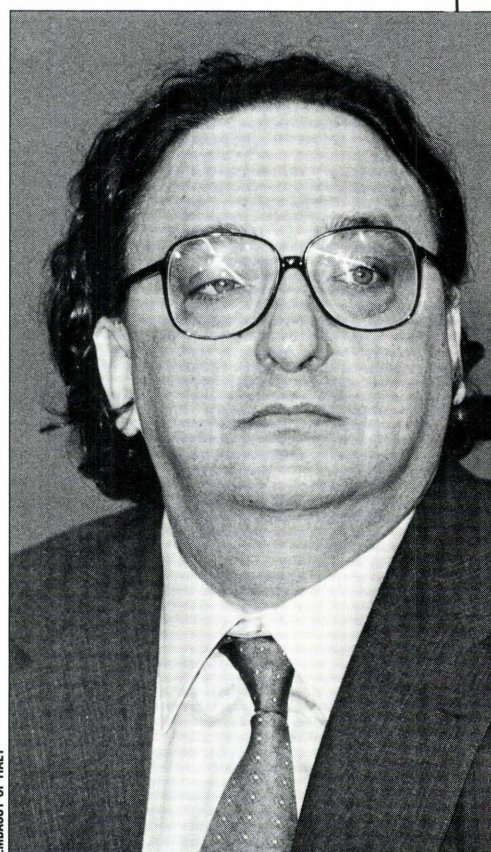
I don't think that the idea of the Pentagonal is any less up-to-date. In fact, it has, if anything, proven the foresight of its underlying idea. This idea was, and still is, to find means of dialogue and cooperation among countries that belong to different systems (Italy belongs to NATO and the E.C.; Hungary and Czechoslovakia belong to the Warsaw Pact; Yugoslavia is non-aligned; and Austria is neutral). The Pentagonal is a contribution to stability and integration toward a new European system during a phase of change.

Some people object, however, to the hypothesis of an axis that is different to the one on which Europe now rests.

No one, least of all me, thinks of it as an alternative axis. I don't expect everyone to read all my articles or my official speeches. But anyone who does read them, even occasionally, would understand that I have always considered the Pentagonal to be an organization that complements the European structure of the Twelve. This structure is the strong nucleus of European integration around which, in a dynamic I call concentric circles, the rest of Europe will gravitate—the European Free Trade Association and ex-Iron Curtain countries.

But, technically speaking, what steps can the Pentagonal take?

We have already launched a cooperation between our countries that takes advantage of several economic complementarities and geographic contiguities to over-



EMBASSY OF ITALY

Italy's Foreign Minister speaks out on Europe's role in the world

NICCOLÒ D'AQUINO

come initial political differences. These differences are becoming increasingly fewer with the return to parliamentary regimes in Hungary and Czechoslovakia. This facilitates collaboration.

And in the near future?

During our last meeting, which was held in Venice on August 1, we approved a working program for the period 1990-92. It has already been arranged on a technical level. We have focused on initiatives in the road and railway transportation sectors, and on better use of internal waterways. The ability to communicate is a prerequisite, perhaps the main one, toward economic integration. We have also identified other projects that will be jointly carried out: protection of the environment and support of small- and medium-sized businesses.

Economically speaking, Italy is the strongest of the Pentagonal's five member countries. What role will it play?

Italy's role in the Pentagonal is certainly of prime importance, because it is an idea that was in great part advanced by us, and also because, objectively viewed, we are the most industrialized of the five countries. Moreover, we are the only country that is already an E.C. member. But I would like to say that the other members of the Pentagonal are no less involved, even at this early stage.

How do you feel about E.C. membership for Austria?

I believe that Austria is the country nearest to full E.C. membership, now that all the integrative processes in Europe have been accelerated.

One of your first official acts as rotating President of the E.C. was to go to Moscow with Prime Minister Giulio Andreotti. What does the E.C. offer [Soviet President] Mikhail Gorbachev? It is well known that the Soviet Union needs money, not just verbal solidarity.

We have always held that political reform in the Soviet Union must be supported as one part of a general equilibrium in which political, economic, and defense elements are closely connected. The problems in the Soviet Union are different from those in other Eastern European countries be-

cause of its geography, the absence of democratic institutions, the seriousness of ethnic tensions, and because of the crisis in an economy that can only be reconverted with great difficulty. It will be very hard for the Soviet Union to achieve a semblance of democracy and a market structure without external cooperation.

In recent months, the 35-country Conference on Security and European Cooperation (CSCE) has been gaining in importance and in newspaper space dedicated to it. What role do you see for the CSCE?

Let me say right away that, in the upcoming months and years, the CSCE will be increasingly recognized by the public. The reorganization of the European area, after the fall of communism and the diversities it generated, is constituted by various dimensions: security, economy, culture, and environment. The CSCE will become Europe's main circle for discussion, for research on a new cohabitation based on a decreasing number of weapons, and on an increasing mutual trust. An area that, in the end, will be more uniform and based on the principles of political democracy.

Concretely speaking, what will be the next steps taken by the CSCE?

The next conference this November in Paris will undoubtedly be an exceptional event. One of the conference's outcomes, besides wide coverage by the international media, will be some type of institutionalization of CSCE proceedings. I foresee regular meetings by the Foreign Ministers of the 35 member countries to lay the groundwork for the entire process.

Alongside this institutionalization, which can be called "horizontal," there will be another, which can be called "vertical." This will be created essentially in the three traditional areas of security, economy, and human rights. And here European cooperation will have to make use of the three existing structures: the Atlantic Alliance, the E.C., and the European Council. In this sense, I see no competition between these three structures and the CSCE. On the contrary.

After Iraq's invasion of Kuwait, the Bush Administration reproached Italy and other Allies for having been too tepid on the military level. It is

known that Washington would have appreciated a greater involvement in the sending of ground troops. What do you think?

First of all, no one formally asked us to send troops. Second, we have already sent some warships. This is already a contribution that, obviously, is commensurate to our means. But there is a more important underlying issue.

Which is?

The ability to send one's military power thousands of kilometers from one's own country cannot be created from one day to the next. First of all, one must have political strategic interests to put forward. The winners of World War II have had these interests. France, Great Britain, and, obviously, the United States have maintained military bases in the four corners of the world. Italy, on the other hand, which had just begun to acquire some bases (but only a few), doesn't have them any more. Germany has been deprived of its own. It is well known that, to send warships and, in general, to move one's own military presence, one needs support bases and assistance. One needs complex military logistics.

In essence you are saying that it isn't a coincidence that certain countries have a more strongly developed political psychology that makes them more involved internationally.

I'm saying that certain attitudes are the offshoot of the logic of 1945, that they don't reflect the present international situation any more. For instance, think of the veto at the United Nations. After the war ended, certain nations acquired a status that was different from the majority. Within a span of two generations, this different status created a different military projection. A few countries, like West Germany and Japan, had a Constitution imposed on them that had very precise directives: no sending of troops out of the country, and no obtaining of certain kinds of armaments. In its Constitution, Italy was explicitly prohibited from going to war to resolve international controversies. Now the Allies are asking us for a greater military effort. Fine. We have taken note. But we have also taken note that the set-up that has existed for two generations and that was born from the balances following World War II is over. €

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Portugal Prepares for Privatization

When the present center-right administration took office in mid-1987, one of the main thrusts of Government policy was an ambitious plan to denationalize the strongly command-oriented economy it inherited—a hangover of the revolutionary excesses that remained even after the 1974 military coup restored democracy to Portugal.

One black spring night in 1975, the then ruling Marxist revolutionaries nationalized 53 percent of fixed investment, or some 800 firms, valued at some \$13.6 billion. That move was later consecrated in the Constitution as an “irreversible conquest of the Revolution.”

Financial experts say that the damage to the economy of this move continues to reverberate and that the bill will not be paid for decades. The drain of the state sector on the public purse—Portugal’s total foreign debt in June stood at \$17.8 billion, according to the Central Bank—prompted the Government to announce the asset sell-off that, initial conservative estimates suggest, will earn it \$266 million over the next five to six years.

The privatization program got under way in April 1989 with the partial sale of a state-owned brewery. Since then, a bank, a second brewery, newspapers, and insurance companies have been made available to public offer. A host of other companies will follow, according to Finance Secretary José Elias de Costa, the man responsible for managing the ambitious privatization program.

The importance of this development is summed up by a leading private-sector economist, Alfredo de Sousa: “The public sector, whose losses created and swelled the public debt, is directly responsible for 3 percent to 4 percent of the annual inflation rate,” he says. (Before the latest oil price shock, inflation stood at an annual 12.7 percent.)

The privatization program has run into snags, however. The dispossessed former owners of the concerns received only token compensation, and some 137,000 of them have grouped together to demand payment, totaling \$14 billion, for their property, or for the right to preferential share access in the sell-offs. Their claim concerns compensation at today’s prices for their factories, businesses, services in-

dustries, and farms seized after the coup in the mid-1970s.

For example, the Government had hoped to raise \$222 million in September from the sale of the successful state-owned brewery Centralcer. Major international bidders stood by to compete for a stake in a company with close to a 50-percent share of the Portuguese beer market. But the offer was delayed following a court challenge from the former shareholders over proper compensation. They had proposed to pay a meager \$8.2 million for 43 percent of the stock the Government was offering, exactly equivalent to the amount they had received in government bonds as compensation when their capital was seized.

The expropriated owners’ bid for Centralcer is a test case that highlights the grievances of the former shareholders in companies nationalized during the Revolution. They believe the denationalization program is the perfect opportunity for the Government to see justice done by compensating them with privatized stock.

Prime Minister Aníbal Cavaco Silva, however, keen to maximize privatization revenues to diminish a massive budget deficit, would prefer to draw a veil over the past. He says the question was resolved by a previous government in 1977, when a \$14.8 million limit was set on indemnity claims. The state has since been settling with the 28-year compensation bonds bearing sliding yields from 2.5 percent to 13 percent—but in amounts that, the expropriated owners say, bear no relation to the real current worth of their stock.

On the one hand, Cavaco Silva would like to encourage the return of the entrepreneurs who dominated Portugal before the Revolution, when seven industrial families accounted for 75 percent of national output. They are seen as essential to helping establish strong Portuguese industrial groups to compete within the single market and to inject new dynamism into companies grown lethargic under state ownership. On the other hand, the Prime Minister appears equally determined that they should rebuild from scratch rather than simply repossess their fortunes.

“Needing the funds to reduce the budget deficit is a convenient argument,” says João Rendeiro, an investment strategist

with Lisbon-based fund managers Gestifundo SA. “But the real reason is political. A key source of Cavaco Silva’s support comes from the many thousands of voters who are from relatively humble origins like himself and who have built up successful businesses over the past 15 years. They would balk at the idea of seeing the economic aristocrats of the former regime handed back their riches on a plate. However, by failing to resolve the compensation question adequately, the Government is not only portraying the Portuguese state as a bad debtor but also preventing an important current of entrepreneurs and dynamic business from playing a more significant role in the economy.”

Meanwhile, the Government’s economic forecasts and careful plans to dampen the overheated economy have been thrown into disarray by the Middle East crisis. Just before the summer, Finance Minister Múgiel Beleza introduced a package of public spending cuts in an effort to reduce a massive budget deficit that is fueling double-digit inflation and starving the productive sector of credit. This move, involving cutbacks of 13 percent to 30 percent in different areas, aimed to diminish Government spending by \$296 million on the amount originally budgeted for 1990.

Beleza stressed that the cuts were structured so as not to penalize the private sector, which has borne the brunt of anti-inflationary measures in recent years. These have included a package of consumer credit curbs, introduced a year ago, and permanently tight monetary restrictions.

He added that it was now time for the public sector to make a sacrifice in the fight against inflation. The cuts are designed to produce a significant drop in the budget deficit, which, prior to the Iraq affair, was officially set to reach \$4.5–4.6 billion this year, some 7.5 percent to 7.8 percent of gross domestic product (GDP).

Convinced that monetary and financial stability are fundamental to the success of Portugal’s integration into the E.C.’s Economic and Monetary Union, Beleza advocated a policy of budgetary restraint coupled to moderate rises in indirect taxation in mid-June. “The costs of such a program [aimed at monetary and financial stability] are not very great, relatively short term, and can be tuned,” he said.

—Ken Pottinger



PHOTOS: PORTUGUESE NATIONAL TOURIST OFFICE



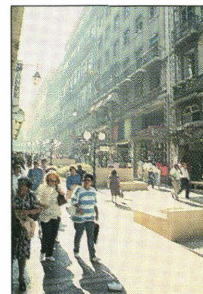
RISING ELEPHANTINELY ON THE BANKS OF the Tagus River, close to Portugal's famous Jerónimos monastery, is a massive concrete and steel testament to the country's new European commitment—the Belem cultural center. The desperate race against the clock to finish this multi-million-dollar convention and cultural complex is being personally conducted by center-right Social Democratic Prime Minister Aníbal Cavaco Silva.

Not only does he plan to use it as a glossy headquarters for Portugal's six-month E.C. presidency starting in January 1992, he also sees it as a living monument to his Government's not inconsiderable achievements—many of which are closely intertwined with the multiple blessings of E.C. membership.

The multiple symbolism of the new

center includes the marriage of Portugal's past glories to the bold hopes for its new future, the counterpoint of yesterday's voyages of discovery with the new routes unfolding in Europe, to the fact that the site is the riverside departure point from which Vasco da Gama set off to find the sea route to India in 1497.

Portugal's first crack at the E.C. presi-



Most Stable Period in 16 Years Paves Way for E.C. Presidency in 1992

PORTUGAL

dency is being touted as a watershed in the country's post-E.C. accession history. Officials point to it as firm affirmation of the country's rejuvenated role as a modern European nation after hundreds of years as an imperial—and later colonial and isolated—power, whose gilded days, just as the discovers of the world, have faded into a much lamented past and a mixed legacy. Now the country is experiencing its most stable period in the 16 years since the 1974 military revolt reinstated democracy here and opened the way to E.C. integration.

When Portugal takes on the E.C. presidency, it will do so hard on the heels of a round of vital national elections in 1991—one for the post of Head of State and one for the Government—that could change the face of domestic politics.

At issue in both elections is the fate of the unprecedented parliamentary majority obtained in a landslide poll in July 1987 by the ruling Social Democratic Party. Against all odds—including a complex proportional representation system virtually designed to perpetuate unstable minority rule—the present Government won a single-party majority that ended a decade-long succession of revolving-door administrations and stop-and-go government.

Fourteen months earlier, former Socialist Party leader and Prime Minister Mario Soares had won a narrow victory for a five-year term as president over his conservative- and government-backed candidate. According to the latest opinion polls, his re-election is virtually a foregone conclusion, so ably has he played his part in Portugal's power-sharing system of government. At the time of writing, however, he had still to formally announce that he would run again.

The present Government's prospects for winning a second term with an overall majority are more dubious. Stained by the exercise of power, burdened with the legacy of other administrations' economic misadventures, and tarnished by a handful of unpopular scandals and a range of political misjudgments, the Government is not helped by the fact that it will go into the elections on an austerity budget and with double-digit inflation untamed. Meanwhile, the run-up to the poll (run-ups in Portuguese politics traditionally begin prematurely) is now overshadowed by unpredictable international events that could have inevitable repercussions on a domestic economy that depends on external sources for 80 percent of its energy.

Many analysts agree that it would be a

blow if the Government fails to repeat its electoral victory. "After 16 years of upheaval and constant change, Portugal could well do with a solid and prolonged period of peace and governmental continuity," says one Western diplomat, summing up the views of many who would like to see the current Government, despite its errors, stay in office for another term. Current business sentiment, as expressed in recent newspaper polls, underlines this view.

The post-electoral scenario, while clouded, will, however, be less traumatic than in the post-1974 past. The national consensus on E.C. membership remains strongly favorable—some 63 percent of the country endorses it, according to one poll. Community transfers, structural aid, single European market-imposed economic and financial reform and liberalization are all ongoing programs, hardly likely to be affected by domestic political change.

Consensus politics between the two largest parties, the ruling Social Democrats and the main opposition Socialists (whose socialism is closer to Western European social democracy than to dogmatic command economics), while not a local strong point, will probably, by force of circumstances, emerge as a workable alternative to an overall parliamentary majority, should this be what the electorate decides.

Meanwhile, on the wider and currently vital issues of European unity, Portugal has tended toward caution, sympathetic in part to the line taken by Britain's Prime Minister Margaret Thatcher. Portugal backs political union but calls for care in imposing it so as not to erode national sovereignty. Cavaco Silva made Lisbon's point firmly at the Dublin summit in June: "The Community must advance step by step, gradually, flexibly, pragmatically, and without ruptures. Excessive speed in political integration could in reaction prompt a resurgence of nationalism," he warned. This guarded approach is perhaps typical of the circumspection with which the Portuguese approach issues generally, be they domestic or pan-European.

Once Europe's poorest nation, Portugal, thanks to four years of singular political stability and massive transfers of E.C. funds, has now moved up one place and overtaken Greece in some of the economic health indicators, including gross domestic product. Signs of progress are everywhere as the country moves forward with a massive infrastructure and

public works program designed to narrow disparities with its rich and powerful partners and to provide a modern framework for investment and growth. Between 1986 and 1988, Brussels poured some \$2.5 billion worth of structural and financial funds into Portugal. The effects of this aid can be seen up and down this 90,000-square-kilometer corner of the Iberian peninsula.


A recent Portuguese Government trade mission touring the United States to encourage more foreign investment, took along this message: "Portugal aims to be the Japan of Europe." Indeed, foreign investment has boomed since E.C. accession, rising from \$185 million in 1986 to \$2.7 billion in 1989, including, among others, a number of prestigious U.S. projects by companies like Ford and General Motors.

This ambitious attempt to imitate the Japanese miracle has not escaped local officials, who acknowledge that the gap with the rest of the E.C. is large and the targeted task great. But the analogy with the Asian phoenix rising from the ashes of World War II is apposite.

There is no lack of ambition and dynamism among the movers and shakers of the Portuguese business world. Opportunity abounds: Geographically well placed as a bridge between the Americas, Africa, and Europe, and climatically blessed, Portugal clearly has much going for it. Its work force is young and easily adaptable. Its universities and business schools are churning out a generation of well-trained managers and financial whiz kids.

In four short years the rejuvenated stock market has boomed, bust, and begun to flower again (although presently in the doldrums, thanks to the Middle East crisis). The roads are crammed with latest-model cars, including top-of-the-range BMWs, Volvos, and other artifacts of a prospering economy.

To show how concerned he is about the economic impact of the bureaucratic Government's army of paper pushers, the Prime Minister has declared a national "debureaucratization" day in October, on which every government department has been instructed to abolish at least one piece of red tape to simplify procedures.

One wagging cartoonist, however, pictured it differently in a cartoon that proclaimed: "We'll only see some progress with 365 national debureaucratization days a year, and at least a dozen measures on each one." 

Ken Pottinger reports from Lisbon for London's *Daily Telegraph* and *Sunday Telegraph*.

**GOVERNMENT**

FORM OF GOVERNMENT: Republic. Parliamentary democracy since dictatorship was overthrown in 1974. Popular democratic elections held for President (five-year term) and for the legislature (the Assembly of the Republic) for four years.

PRESIDENT: Mario Soares.

PRIME MINISTER: Anibal Cavaco Silva, leader of the ruling center-right Social Democratic Party.

MAJOR POLITICAL PARTIES: Socialist Party and the Social Democratic Party. Since July 1987, the Social Democrats have enjoyed an overall majority in Parliament. The next legislative elections will be held in 1991.

The new Government, headed by Prime Minister Anibal Cavaco Silva, has initiated a new economic policy based on economic liberalization, limiting Government control of the economy, and aggressively seeking external trade and investment. Portugal's entry into the E.C. in January 1986 was a crucial turning point in the country's political and economic transformation.

**BRIEF HISTORY**

Independence was achieved during the middle of the 12th century; until then, Portugal had been part of Spain.

During the 14th and 15th centuries, thanks to the curiosity of its navigators, Portugal acquired colonies across the globe. These included Mozambique, Angola, and Guinea-Bissau in Africa, Macao, Goa, and East Timor in Asia, and Brazil in Latin America.

In 1910, a revolution brought about a French-style Republic.

On April 25, 1974, a bloodless military coup formed a provisional military government. Growing leftist power and Communist government control led to a political struggle, and many short-lived governments. In 1976, finally, the Socialist Mario Soares became Portugal's first democratic Prime Minister in 50 years.

**DEMOGRAPHICS**

POPULATION: 10.2 million.

Approximately 37 percent of the population are under 20 years of age, 49 percent between 20 and 59 years, 14 percent are 60 and over.

RELIGION: Roman Catholic: 97 percent; Protestant: 1 percent; other: 2 percent.

LANGUAGE: Portuguese.

GDP: \$45.2 billion.

CURRENCY: Portuguese Escudo (100 Centavos). \$1.00 = 135 Escudos (at current exchange rate).

MISCELLANEOUS

NATIONAL HOLIDAY: The Day of Portugal, held on June 10, honors the famous Portuguese writer Luis Vaz de Camões.

PERSONALITIES: Amalia Rodrigues, one of the best-known "fado" (folklore) singers, will appear in November at the Kennedy Center in Washington, D.C.

FAVORITE SPORTS: Soccer, bullfights (in which the bull is not killed), and golf.

WELL-KNOWN AMERICANS OF PORTUGUESE DESCENT: John Philip Sousa, band master and composer; John Dos Passos, writer; Tony Coelho, former U.S. Congressman

MOST POPULAR FOOD: Cod fish.

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**GEOGRAPHY**

AREA: 35,550 square miles (92,075 square kilometers).

LARGEST CITIES: Lisbon (the capital), population 827,800; Porto, population 344,500.

PORTUGUESE ISLANDS: Azores and Madeira.

MAIN PORTS: Lisbon (annual cargo: 12 million tons); Sines (oil and petrochemical terminal).

CLIMATE: Mediterranean climate in the south and Continental climate along the Atlantic coast and the interior. Average temperatures: 74 degrees Fahrenheit (21 degrees Centigrade) in summer; 52 degrees Fahrenheit (10 degrees Centigrade) in winter.

**BUSINESS**

MAJOR TRADING PARTNERS: Spain, West Germany, France.

DIRECT FOREIGN INVESTMENT: More than doubled last year, to a record 360 billion escudos (approximately \$2.7 billion). The most attractive investments are in real estate, finance, and tourism. Around 19.7 percent of total new investment is going into manufacturing.

MAIN EXPORTS: One-third of Portugal's exports are textile and apparel products; wood, paper, and cork make up 15 percent; machinery 11 percent; footwear 8 percent; and agricultural products 8 percent.

MAIN IMPORTS: Portugal's primary imports are machinery, food and agricultural products, chemicals, transportation, and energy products.

PORTUGUESE INDUSTRIAL LEADERS: Petroleos de Portugal, SA (Petrogal); Electricidade de Portugal-EDP EP; Renault Portuguesa-Sociedade Industrial e Comercial SA; Transportes Aereos Portugueses, EP; Correios e Telecomunicacoes de Portugal, EP.

MAJOR BANKS: Caixa Geral de Depositos; Banco Comercial Portugues.

INSURANCE COMPANIES: Bonança; Mundial Confiança.



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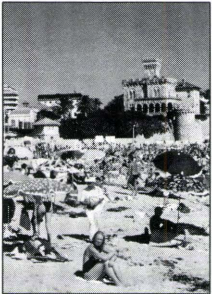
In our country, you are the explorer because every visit is filled with discoveries. Our cities. Our countrysides. Our stately mansions. Our romantic country inns. Our excellent cuisine. Our golden beaches. And most of all, our friendly people. On your next trip to Europe, find out for yourself why the world knows that Portugal is truly the land of discoveries.

Portugal
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PHOTOS: PORTUGUESE NATIONAL TOURIST OFFICE



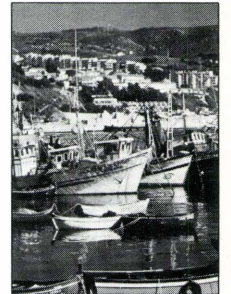
IT IS NOT SURPRISING THAT, SLOWLY BUT surely, Portugal is being discovered. What is surprising, however, is that it has taken this long for the good news to spread.

When I first visited Portugal 20 years ago, a friend warned me: "Don't expect too much." He further cautioned: "The country's not exactly with it. If you ask the Portuguese to tell you what's happening, they're likely to talk about Vasco da Gama."

I traveled to Portugal, and can honestly report that the famous explorer's name was never mentioned. And yet, once in the country, I understood almost immediately what my friend was talking about. At first glance, Portugal does seem like an ancient empire. However, the Portuguese empire is essentially over and, in a few years, when Portugal returns Macao to the Chinese, the country will be colony-less for the first time in centuries.

Portugal is not perceived as being at the cutting edge of pop culture or of geopolitics. No one seems to talk about the latest Portuguese music or art, or about what the Portuguese position might be on a current world crisis. But, while their empire may be gone, the Portuguese are very much alive. And therein lies the true beauty of the place and the essence of the Portuguese travel experience.

Portugal is one of the most beautiful countries—and one of the last remaining bargains—in Europe. It is also accessible, both physically and, perhaps most importantly, in the attitude of its people: You are now getting the picture—Portugal may not have the answers but may, in



A Land of Beauty and Tranquillity

At the southwesternmost tip of Europe, Portugal combines a flair for the Mediterranean way of life with an Atlantic climate. Above: Fishing boats; the seaside resorts of Cascais, above, and Tamariz, right.

Lisbon: Modernizing its Charms

As a long-time Lisbon resident, this correspondent suggests taking the tram as the best way to appreciate the full beauty of this ancient Roman-founded city on the banks of the great Tagus River.

Lisbon's best side is seen from the trams. Yellow, turn-of-the-century, and slow, they crawl up the sides of the steep, twisting hills on which this riverside city rests. The trams, together with donkey carts and motorized vegetable barrows, reduce the already choked traffic flow to a painfully slow pace. But the trams or *electricos*, as they are known, give visitors fascinating glimpses of a Lisbon they would not otherwise see.

Until the beginning of last summer, for instance, visitors could enjoy the intriguing sight of the *tasca*- (or tavern)-based tram signalmen near the Flea Market directing trams and vehicles alternatively along a narrow curved single track, glass of beer in one hand, green and red signal batons in the other. Sadly, when the three long-entrenched signalmen needed to control this snaky stretch of the city's tram route were replaced in June by traffic lights, Lisbon lost one of its quaint sights.

And if—as many do—you fall in love with the trams, you can hire a splendid velvet-upholstered baroque ceremonial version for a four-hour trip along the extensive city network. Sundays are the best time for such trips because of the appalling weekday traffic congestion.

The old city dwells less and less comfortably alongside the new in this once half-forgotten European capital, which is now being rediscovered by businessmen, investors, and real estate developers.

Lisbon still badly needs a coat of paint, although things have much improved compared to 10 years ago. The grime and revolutionary graffiti that then covered the walls have virtually completely disappeared. In 1755, the city was struck by a devastating earthquake and was largely rebuilt by a visionary prime minister, the Marques de Pombal. But one can still find Lisbon's Moorish and earlier origins around the Castle of St. George and in the Alfama district clustered below. New housing schemes spiral outward from the old town along wide, flat, tree-lined boulevards where town planners have sensibly restricted building height. The undulating hills of the city are thus not unduly

pierced by soaring tower blocks.

Lisbon's charm lies in its still provincial air. With none of the elegant grandeur of Paris or the Renaissance splendor of Rome, its dimensions are nevertheless poetically satisfying; its charm and beauty are hidden behind discreet gateways and in unexpected nooks. An inquisitive tourist can still glimpse many reminders of the former splendor of this once-powerful city, which, in its heyday, was a major trading center with the New World, mother of a far-flung empire, and, consequently, very wealthy and powerful.

The Portuguese discoverers set out from the Tagus estuary to charter the sea routes to the East and to bring back its secrets and flavors. At the Maritime Museum in Belem, where the odyssey began, one gets an insight into the restless character, hardiness, and often reckless adventuring of these early explorers.

A number of other museums are also worth visiting, including the fine private collections of Calouste Gulbenkian at the Foundation this Armenian oil magnate endowed in Lisbon.

The Portuguese capital has an expanding cultural life with comprehensive opera, ballet, and concert seasons, good original-language cinema circuits, and a flourishing and popular nightlife centered around the narrow streets of downtown Bairro Alto. There are shopping bargains in high-quality porcelain, pottery, book-binding, old books, leather, lace, and fine linens in the fashionable central business district—the Chiado. Hours of free street-based entertainment can be had indulging in the favorite Latin pastime of the *passio* (the walkabout) or in idle conversation at sidewalk cafés.

While an easily oriented capital, chaotic traffic makes traveling by taxi, car, or public transportation tiresome and slow. One of Lisbon's attractive features is its close proximity—30 minutes' drive—to the golden beaches of the Costa de Caparica or the fashionable seaside resorts of Cascais and Estoril, all of which are worth a visit in season. Lisbon's greatest asset is its magnificent setting, best seen by leaving the city over the famous Tagus River bridge and seeking a viewpoint from the riverbank on the other side. At sunset, the deep pink tints that bathe the city are spectacular. —Ken Pottinger

fact, *be* the answer.

Celebrities, including Paul McCartney and at least one unidentified member of the British Royal Family, have expressed interest in purchasing Portuguese real estate. Portugal, however, has no grand plans for expanding or increasing its real estate. It is a country that, perhaps for the first time in its history, has begun to embrace its own quality of life. And when a country still practices the art of the bullfight, but the bull lives, what does that say about a country? It certainly seems to reflect a progressive attitude.

If you love beaches, two of the best beaches and coastal villages—Cascais and Estoril—are just half an hour's drive from Lisbon. There you'll also find the **Hotel Albatroz**, located on a tiny and private promontory in Cascais, and the **Hotel Palacio**, in Estoril, which is a great location for long afternoon lunches. You can watch people windsurfing from the Cape Taso and Guincho beaches, where stiff breezes off the Atlantic are the norm.

If you like history, visit the summer residence of the kings of Portugal at Sintra, less than 20 miles northwest of Lisbon. When the poet Lord Byron stayed there in 1809, he could not resist writing a letter home to his mother, calling Sintra "perhaps in every aspect the most delightful of Europe . . . [with] palaces and gardens rising in the midst of rocks, cataracts, and precipices . . . it unites in itself all the wildness of the Western Highlands with the verdure of the South of France . . ." Byron's description of Sintra's romantic appeal remains true today.

Defining the Portuguese character is somewhat more difficult, but the charm of the Portuguese is one of the more compelling reasons for a visit. And, equally compelling, is their palpable sense of honesty: If someone gives you his or her word, it remains so; the restaurant tab is accurate; and if your cab driver tells you he'll wait for you, he does (more on the cab driver later.)

Another attraction is the real dollar value of the trip. The Portuguese escudo is still devalued and therefore hotel accommodations and food are surprisingly inexpensive by European standards, even with a weakening U.S. dollar.

For those who can venture out beyond Lisbon on one-day trips, there remains the discovery of the other Portugal. There is the Algarve, with its long, sandy beaches and rocky curves. Like parts of Spain, the area has suffered from overdevelopment and the crush of thousands

of tourists during the summer months. But the Algarve still holds a special appeal in the fall and winter months when the area reverts to a near-original state of being at peace with itself.

Of the small coastal towns, Portimao and Lagos are two of my favorites. In early morning and late afternoon, the towns take on a special character when the sunlight is soft. They are great places for long walks in the crisp winter air, which are usually followed by naps of legendary intensity. Old men sip drinks and play cards or chess, and children and dogs run and play freely.

Then there are the Portuguese islands, the forgotten destinations that are the real travel finds. The island of Madeira, 350 miles off the coast of North Africa, gives you the immediate feeling that you are special, simply because you are there, drinking late-morning coffee at the **Apolo Café** in the center of town, or having afternoon tea overlooking the bay of Funchal from the patio at **Reid's Hotel**. Madeira is one of those places that forces you to confront (or in some cases begin to develop) your own sense of history. In its beauty and tranquillity, it creates an environment for much-needed personal reflection.

The same can be said for Portugal's other isolated islands, the Azores, a nine-island chain located 800 miles west of Portugal. The islands are extravagantly green and often windy, always offering the dreams your imagination sometimes requires. The islands are distinctly uncrowded, hospitable places where the concept of family remains refreshingly strong. The food—especially the seafood—is incredible, and the beaches are still the way they were when first discovered by the Carthaginians. The streets are cobbled, the villages tidy, and the traffic almost nonexistent. (The top hotel rooms rent for \$45 per night; an expensive bottle of wine will run you \$5).

Now, back to the honesty of Portuguese cab drivers. On a recent trip along the Portuguese coast by ship, I sailed from Madeira to Portimao, in the Algarve. Once in port, I hailed a taxi to drive me to Lagos for the afternoon. The driver waited for me at every stop for sightseeing or shopping. When we returned to the ship three hours later, he told me what I owed him. Since I only had U.S. dollars, I made a quick exchange calculation and gave him \$10. "Is that enough?" I asked. "If you say that's the exchange rate," he smiled, "then that's O.K. with me." We shook hands, and he was off. But, as the

ship was preparing to leave five minutes later, I suddenly realized that I had underpaid him. I ran down, hailed another cab, told the driver my predicament, and described my driver from the afternoon. Did he know him?

"Yes," he said, "there are not that many cab drivers in Portimao." I gave the man another \$10 bill and asked that he give it to my driver, with my apologies and thanks.

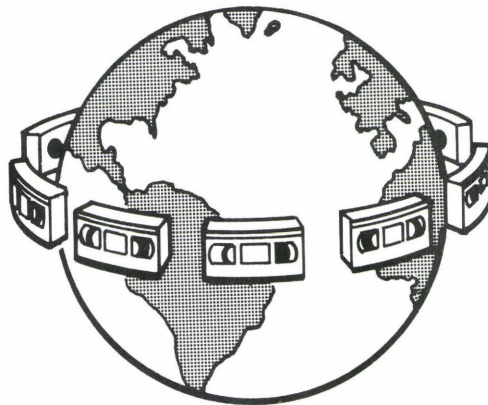
"You what?" my friends exclaimed, laughing when I told them the story of giving the extra money to the second taxi driver. "You really think that other driver will see the money?"

Just then, as the ship was leaving, the second taxi driver pulled up. "Yes," he smiled, "I gave it to him, and he says to thank you very much." As the ship moved slowly out to sea, I saw a cab racing down to the end of the pier. He drove parallel to the ship and, just as we cleared the last dock, the driver stopped his cab and got out of it. It was my driver. He took off his hat, bowed, and waved. **€**

Peter S. Greenberg, who appears frequently on *Good Morning America*, is a syndicated travel writer in California. His article "Luxembourg: The Undiscovered Jewel" appeared in *Europe's* September 1990 issue.

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Making a Pitch for Baseball

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Curiosity*

DON DEWEY ■

ONE OF THE MORE GLARING MISNOMERS OF professional sports goes on display in the United States every October, when two teams meet in the baseball championship games known as the World Series. In fact, since the first series was held in 1903 between the Boston Red Sox and the Pittsburgh Pirates, the "world" in question has been that of the United States exclusively, with the only possible extensions being to the Canadian cities of Montreal and Toronto.

Europeans in Baseball

Since the first National League game between Boston and Philadelphia on April 22, 1876, some 200 European-born players have worn major league uniforms. Many of them, including Hall of Fame catcher Roger Bresnahan, were late 19th-century immigrants from Ireland. More recently, a score of others, including Craig Lefferts of the San Diego Padres and Steve Jaltz of the Kansas City Royals, were born to American families on military bases. Among contemporary players, the most successful by far has been California Angels pitcher Bert Blyleven, a native of the Netherlands who figures to be a strong Hall of Fame candidate following his retirement. Blyleven would be the clear pitching choice on an all-star Continental team that might also include:

1B — Johnny Reeder, Poland
2B — Joe Strauss, Hungary
SS — Willie Kuehne, Germany
3B — Reno Bertoia, Italy
OF — Elmer Valo, Czechoslovakia
OF — Jake Gettman, Czarist Russia
OF — Olaf Hendriksen, Denmark
C — Art Jorgens, Norway

A team made up exclusively of natives of the British Isles would have:

1B — Ed Cogswell, England
2B — Dick Higham, England
SS — Andy Leonard, Ireland
3B — Jimmy Austin, Wales
OF — Bobby Thomson, Scotland
OF — High Nicol, Scotland
OF — Jack Doyle, Ireland
C — Roger Bresnahan, Ireland
P — Tony Mullane, Ireland

—Don Dewey

But now, according to some baseball authorities, the groundwork is finally being laid for the establishment of baseball as a truly international game. They point out that the designation of baseball as a medal-earning competition for the 1992 Olympics in Barcelona, and a previously undetected fervor for the sport in many Eastern European countries, are contributing to this trend.

Europeans are the first to admit that baseball on the Continent is at an embryonic stage, except, possibly, for Italy, the Netherlands, and Belgium, which boast national leagues superior to the playing level of semiprofessional American teams. More typical is Great Britain, where more than 50 regional divisions play on weekends in an atmosphere and with a skill reminiscent of U.S. beer leagues.

But this said, there is little doubt that the game of balls and strikes has begun to pique Europe's interest in a serious commercial way. No longer is the sport regarded merely as a curiosity indulged in by American soldiers on NATO military bases, or by U.S. Embassy staff members in London's Hyde Park.

For some years now, England has been picking up the telecasts of the Game of the Week, the championship playoffs, and the World Series for an audience that it clearly envisions as larger than North American expatriate colonies. Satellites have also begun relaying American games more regularly to the Continent. The Anheuser-Busch beer company, which has become synonymous with American baseball coverage, has put up money for equipment in England and several other countries, and has also become a promotional force.

Not to be outdone, Major League Baseball itself has seen to it that Paris souve-

nir stands stock Mets caps along with miniature Eiffel Towers, and that Rome kiosks are furnished with the insignias of the Detroit Tigers and Chicago Cubs along with the bronzed wolves of the Capitoline.

As for the development of the European game, the consensus so far has been to eschew the quick-fix tactics adopted by U.S. soccer promoters some years ago in importing fading stars, and to bring along young talent. To this end, the Belgian Baseball Federation has shipped a few of its best players to train with the University of Alabama team every year, while Spain, Italy, and Poland have brought in American managers and coaches.

Some skeptics believe this emphasis will last only as long as European play remains on a level equivalent to U.S. colleges. They further argue that, as in the case of basketball, players with some residual name value will hop over to the Continent as soon as they can convince themselves that they will not be embarrassing reputations built up in the major leagues and once big money offers are forthcoming. The role of television and companies like Anheuser-Busch in the European game would certainly point to such an eventuality.

Another problem for fledgling European baseball is the possible siphoning off of European talent to U.S. teams. An example of this is 23-year-old Pedro Vallerzco, a pitcher from Barcelona, who became the first Spaniard to join an American team after being signed to a minor league contract by the Texas Rangers. Some Spanish sportswriters celebrated this signing as an indication of how far baseball had come in the country, but others worried aloud that American interests saw Europe as little more than a new incubator for the major leagues.

Baseball has been known to Europeans for more than a century. In 1889, for example, Albert Goodwill Spalding, a pioneer who blended the personalities of a zealous missionary and a hustling salesman, concluded a barnstorming trip with exhibition games in France, Italy, England, Scotland, and Ireland. Making it clear that he regarded baseball as the next best thing to godliness and cleanliness, Spalding was appalled that French authorities would not permit him to stage his contests in the gardens of Versailles, and that the Italians proved equally stubborn about fixing up the Colosseum for a couple of games. When he was also rebuffed in an attempt to play in the Vatican gardens, Spalding decided that the Conti-

ment was not ready for baseball. (He refused to change his mind even when some behind-the-scenes diplomacy succeeded in getting the King of Italy to attend an exhibition game in the Villa Borghese.)

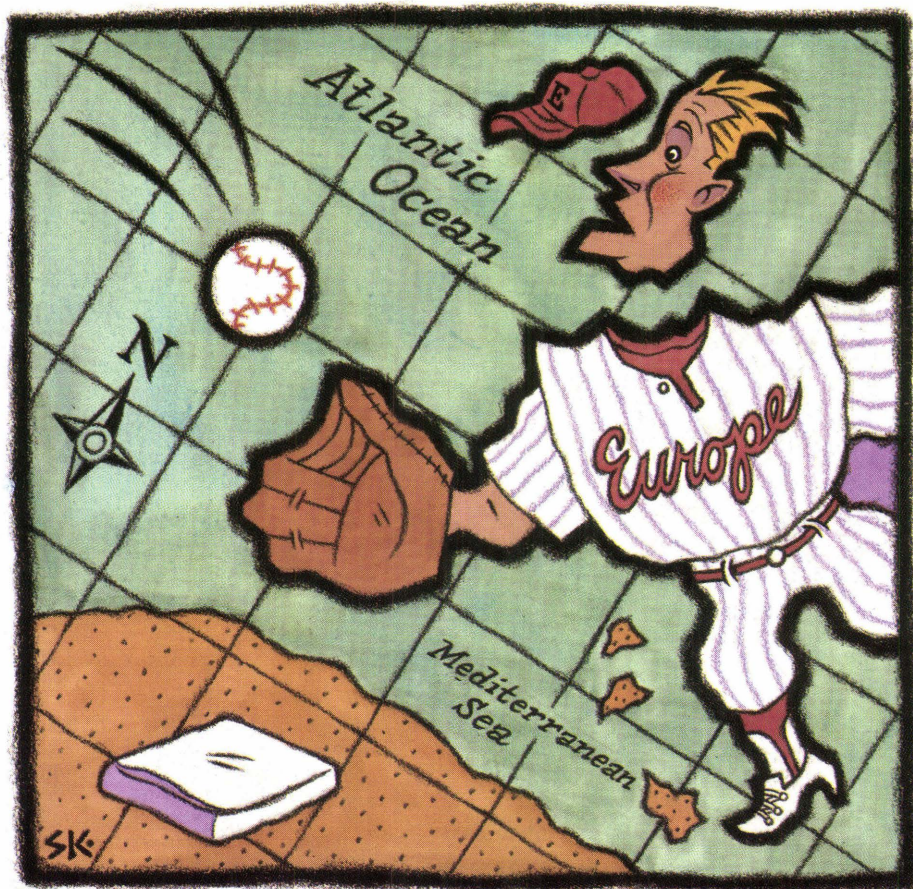
On the other hand, Spalding, whose name later became synonymous with one of the world's first sporting goods companies, was pleased with his reception in the British Isles. Records indicate, however, that Spalding and his teams were more successful off the field than on it. While the Americans were warmly received wherever they went, even holding a meeting with the Prince of Wales and earning special acknowledgement from Parliament, they failed to convince the public at large that baseball had more to offer than cricket. One sportswriter of the time sniped that the American game was as welcome in Britain as "a nursery frolic in the House of Commons."

The most important force for keeping baseball alive on the Continent was the American military, particularly after the two world wars, when camp games were opened to the public in Britain, France, Germany, the Netherlands, Italy, and Austria. Barnstorming tours by American and Canadian army teams in England and

Scotland after World War I drew up to 40,000 spectators. And while baseball never became a national sport anywhere in Europe, it scored more than a few propaganda points by being deliberately organized in such places as the Nuremberg stadium where Hitler had once whipped up Nazi passions.

Baseball promoters expect the Barcelona Olympics to give the sport a boost, especially in Europe. A little less predictable is whether the recently publicized ardor for the game in the eastern half of the Continent will reflect a true grassroots interest in the game or just a passing frenzy for all things American. Working on the former assumption, the U.S. baseball commissioner's office has already singled out the Soviet Union as one country where baseball should grow rapidly. Considering the almost primitive level of play in the Soviet Union at present, this might seem a hazardous forecast. But then again, it wasn't too long ago that the same thing could have been said of Soviet basketball. ☾

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



SEAN KELLY

CAPITALS

Energy from the Atlantic to the Urals

AMSTERDAM—E.C. member states have reacted "very positively" to a Dutch proposal to create a European energy community within the next five years that would include the Soviet Union, European Free Trade Association nations, and Eastern bloc countries.

Dutch Prime Minister Ruud Lubbers tabled this proposal at the E.C. summit in Dublin at the end of June. It recommends technical aid to improve the Soviet oil and gas industry as a way to help Eastern European democracies that will have to pay hard currency for imports in the coming years. The idea underlying the proposal is that the West would help the Soviet Union technologically in return for a Soviet contribution to the West's future energy penury. In that way, dependence on Arab oil could be reduced in favor of environmentally cleaner natural gas from Western Europe and the Soviet Union.

Lubbers said that the E.C. Commission would now work on the Dutch proposal. He called the plan for such an organization a "concrete way of pan-European cooperation" that will foster long-term economic and political ties between Eastern and Western Europe.

Demand for natural gas in Eastern and Western Europe is expected to grow from 400 billion cubic meters to 500 billion cubic meters annually. At present, growing Norwegian deliveries already complement

Dutch gas production. Dutch gas reserves total 2,200 billion cubic meters, and larger Norwegian production will be boosted by reserves in the Arctic. Its exploitation will, however, be very costly. The Soviet Union, meanwhile, has already become the largest supplier of natural gas to West Germany and Italy.

With the unstable situation in the Middle East, Lubbers argues that, with funds from the European Bank for Reconstruction and Development, and with Western technology, the gas fields in the European and Asian regions of the Soviet Union should be developed.

In that vein, two Dutch companies, Royal Dutch Shell and the Dutch Gas Union, have already announced their intention to play an important part in Eastern Europe. Shell is already active in Central and Eastern Europe, and is currently negotiating a commercial agreement for exploration and exploitation

of energy with the Soviet Union. The Dutch Gas Union hopes that its 40-year experience in exploration, production, and transportation of natural gas can contribute handsomely in such projects in Eastern Europe.

—NEL SLIS

Divining Executive Talents

PARIS—It is enough to make Descartes roll over in his grave. The French business world, a supposed bastion of clear-headed logic and rational thinking, is being infiltrated by mysticism and magic. Executives who have traditionally been recruited on the basis of their educational background and professional track record, are now often being picked with the help of handwriting samples, horoscopes, and other even more wondrous methods.

Heading the hit-parade of esoteric selection techniques is

graphology—handwriting analysis. According to a 1988 study of 425 French corporations, 85 percent use graphology in their recruitment process. Alexandre Tic, who directs one of France's largest and most reputable recruitment agencies, says that, in France, graphology is considered "almost a science." He himself swears by it. An aspiring young marketing and sales director he interviewed recently looked like just the man for the job, until his handwriting was scrutinized. "My graphologist told me: 'Look! he wants to go too fast,' so I told my client to be very cautious concerning this gentleman."

Other applicants may find themselves hired—or not—simply because they are a Taurus or a Virgo. Danièle Rousseau has built up a thriving astrological consulting service called *Les Gêmeaux* (Gemini) that advises corporate clients on how to create productive and harmonious management teams through a judicious mixture of earth, air, fire, and water signs.

Divinitel, a five-year-old parapsychological organization that deals in everything from clairvoyance and séances to Tarot card reading and black magic, also uses astrology for recruitment purposes. In an atmosphere heavy with incense and dim with blue lighting, its head consultant, Eric Wolinski, looks deep into visitor's eyes and explains that the star charts of job candidates, teamed with a numerological analysis of their names and birth dates, can re-

DIRECTORY

AMSTERDAM	<i>Energy from the Atlantic to the Urals</i> . . .	36
PARIS	<i>Divining Executive Magic</i>	36
LONDON	<i>Where are the Politicians Now?</i>	37
BRUSSELS	<i>Plagued Pork</i>	37
COPENHAGEN	<i>Change in the Air</i>	38
DUBLIN	<i>U.S. Aid Under Fire</i>	38
LUXEMBOURG	<i>Tax Breaks</i>	39
BONN	<i>Tinker, Tailor, Soldier, Stasi</i>	39
ROME	<i>Banking on the Family</i>	40
ATHENS	<i>Parched, but not Panicked</i>	40
MADRID	<i>Vignettes from Spain</i>	41

veal the past, present, and future." Wolinski claims that Divinitel hands out advice of this kind to as many as 60 French companies and that business is so good that Divinitel will be quoted on the second market of the Paris Stock Exchange within the next six months.

French companies that use services like Divinitel are understandably reluctant to admit the kind of hocus-pocus to which they resort in their search for the perfect executive. But Caroline Brun, a French business journalist, managed to penetrate the smooth façade of French big business in her book *L'Irrationnel dans l'Entreprise* ("The Irrational in Business"). She cites an astounding number of case histories in which company directors behave more like guests at the Mad Hatter's tea party than lucid industry leaders.

There is Ambroise Roug, for example, one of France's most successful and respected business tycoons, who set up a "laboratory" of parapsychology inside his firm, La Compagnie Générale d'Electricité. Then there is Michel Giffard, who was fired as personnel director of Bull France after openly admitting that he used Tarot cards to hire new staff.

For hapless job applicants, the selection process is turning into an uncharted voyage into the Beyond. Outside the familiar territory of curriculum vitae, interviews, and tests, *anything* may lie in wait. The lines on their hands (chirology), their blood group (hemato-psychology), the setting of their eyes (morpho-psychology); any of a plethora of "-ologies" could be used to weed them out from other hopefuls.

From the list of magical recruitment methods just one simple and time-honored technique is missing. It consists of taking a coin and . . . flipping it.

—ESTER LAUSHWAY

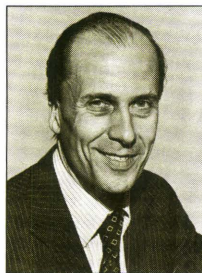
Where are the Politicians Now?

LONDON—It used to be said that old soldiers never die, but simply fade away. If you ever wondered what happened to old politicians, the answer—in Britain at any rate—is that they go to the boardroom.

Whether they retire gracefully, or are pushed off the front bench, those politicians who have achieved cabinet rank find that, out in the political cold, a warm seat awaits them as non-executive directors on the country's leading company boards. The roll call of distinguished politicians now gracing the boards includes former Chancellor of the Exchequer Nigel Lawson, former Foreign Secretary Lord Carrington, and former Conservative Party Chairman Norman Tebbit.

In return for lending their name, reputation, prestige, and contacts to the company, they are only required to attend a board meeting once a month and perhaps to sit on one committee. For this they can pick up an average of \$30,000 a year. The package might also be sweetened with a company car and driver, and/or an office and a secretary. Some ex-cabinet ministers hold as many as five non-executive directorships, which certainly must provide a soothing balm to the sting of losing power, and be especially welcome for gentlemen in that awkward age between 50 and 60 when new jobs and new careers are hard to come by.

Some ex-politicians do much better than that. Lawson is paid close to \$200,000 a year by Barclays Bank, plus another \$80,000 from Guinness Peat Aviation, the Irish-based aircraft leasing company. Tebbit is non-executive director of British Telecom, Sears, and JCB Excavators, as well as being an adviser to the chairman of British



Former British ministers Norman Tebbit, Lord Carrington, and Nigel Lawson grace major company boards.

Aerospace. In addition to all that, he has a weekly television program and writes newspaper articles.

The idea of politicians parachuting directly from cabinet post to boardroom chair does not please everyone. David Winnick, a Labor Party Member of Parliament, tried to win support in the House of Commons for a bill aimed at preventing cabinet ministers from taking directorships within five years of leaving office in any company for which they had departmental responsibility. His gesture was dismissed as tilting at windmills, but, nonetheless, there continues to be some concern about the propriety and morality of ex-ministers taking jobs in industries for which they previously had government responsibility.

Not all former top politicians restrict themselves to non-executive roles in companies. The new chairman of Cable & Wireless is Lord David Young, former Trade and Industry Secretary. His salary is about \$800,000 a year. Sir John Nott, Defense Secretary at the time of the Falklands War, served as chairman of the merchant bank Lazard Frères between 1985–89, where his salary is reputed to have reached close to \$2 million at current exchange rates.

On appointment to a cabinet post, ministers have to divest themselves of directorships, investments have to be handled by independent advisers, and shares or holdings in areas for which the minister has responsibility have to be disposed of. Lawson said that serving as a

cabinet minister for 10 years meant a massive loss of potential earnings, which perhaps explains why he dismissed the idea of imposing a cooling-off period between cabinet table and boardroom as "sanctimonious humbug."

—DAVID LENNON

Plagued Pork

BRUSSELS—Europe has been busy combating Britain's "mad cow" disease and the fear of an epidemic all over the European Community. Now another animal sickness is also threatening Europe's herds. Known as pork plague, the disease started last February at a little farm in Flanders, Belgium's Dutch-speaking northern region and the country's main pig producer. At the time, the plague received little notice. But by summer it had become a national disaster.

More than one million pigs have been electrocuted in a desperate effort to halt the spread of the disease. Knowing that the plague was extremely contagious (for pigs, not humans), Belgian Agriculture Ministry officials established a two-mile protective zone around each disease-infested farm. Police and sanitation officials patrolled the area to prevent any vehicles from leaving the farms.

Nevertheless, the plague continued to spread, forcing quarantine measures on more than 100 farms in Flanders. By July, the first pig-breeding site

PHOTOS: BRITISH EMBASSY

in Wallonia, the French-speaking southern half of Belgium, was affected.

One reason for the rapid spread is that pig breeding is highly concentrated in certain rural areas of Flanders. In fact, 95 percent of all Belgian pig production rests in the hands of Flemish breeders. But, aside from overcrowding in stock pens, there was another explanation, as E.C. specialists later discovered.

Some traders apparently continued driving from one pig-raising area to another with trucks that had previously transported infected animals. They had inadvertently been granted permits by regional authorities to shuttle between safe and infected areas. As a result, infections needlessly broke into new territory.

The E.C. asked Belgium to strengthen its quarantine around the infected areas. Together with the Belgian Government and the Belgian Pig Breeders' Association, the E.C. paid \$5 million a week to compensate farmers for losses incurred, while its experts monitored all cases to prevent spread outside Belgium.

By August, the disease was still expanding—but at a more moderate pace. The E.C. decided to ease its sanctions, and authorized exports of Belgian pork from safe areas. French producers condemned the decision, calling it “premature” and “risky.” For Belgian farmers it was the first sign of relief in a seven-month battle against an economically devastating plague.

—CHRISTOPHE LAMFALUSSY

Change in the Air

COPENHAGEN—Denmark has never been in the vanguard of E.C. nations in terms of privatization. This is partly because public ownership of Danish industry has never been

high on the agenda, and partly because a political majority has protected with great consistency the privileges of the few state-owned, or state-controlled, corporations.

Now there is change in the air, quite literally speaking. With Sweden's Social Democratic Government planning to reduce its dominant position in the Swedish part-ownership of Scandinavian Airlines (SAS), (which is operated by the Governments of Sweden, Denmark, and Norway), the Danish Conservative-Liberal Government is under pressure to do the same. Jan Carlzon, the dynamic Chief Executive Officer of SAS, is adding even more weight to this proposal. He insists that turning SAS into a predominantly private company will ease his access to the international financial markets and make SAS more competitive.

Buying Frank Lorenzo out of Continental Airlines not only strengthened SAS in the U.S. and trans-Atlantic markets, but also gave Carlzon far greater political clout in Scandinavia: Lorenzo was public enemy number one of the Scandinavian union members who sit on the SAS board and who also have strong political influence in the national Scandinavian parliaments, where the future of SAS will eventually be decided.

Deregulation of E.C. skies is proceeding so slowly that most observers do not see it as a short-term threat to the extremely lucrative SAS routes in Western Europe. But there is no doubt that SAS, like all other major European carriers, is preparing for a free-for-all on the scale of what happened in the United States in the 1980s.

Preparing and implementing such a strategy with three governments as dominant owners, and shareholders in three countries, is not easy.

Sweden owns three-sevenths of SAS, Denmark and Norway each two-sevenths. Norway's support of the Swedish move al-



Scandinavian Airlines is considering privatizing part of its operations.

ready assures a majority. Although Denmark could legally veto any major change in the ownership structure, the Danish Minister of Finance, Henning Dyremose, has, not unsurprisingly, declared that the Danish Government intends to follow the Swedish lead. The Danish Government owns half of all the Danish shares outright; the Bank of Denmark, the national bank, owns another 6 percent. A sale of these assets would make an appreciable and happy dent in the expected Danish central government deficit, projected to be close to \$3 billion in 1991.

Discussion of ownership of Copenhagen Airport, the major SAS hub, is also picking up. The Danish Government and the opposition parties have agreed to sell 25 percent of the airport to private investors next year, which, say airline insiders, is much too little. If Copenhagen is to compete with Berlin, 30 minutes' flying time away, and with already established airports in the former West and East Berlin, Copenhagen will need a much more aggressive, private-sector approach.

—LEIF BECK FALLESEN

U.S. Aid Under Fire

DUBLIN—For the past five years, the International Fund for Ireland (IFI) has helped to bring new life and hope to some of the most depressed and deprived areas in Northern Ireland as well as to the adjoining

regions in the Republic south of the border.

The Fund was set up to be an economic boost to the Anglo-Irish Agreement signed between Ireland and Britain in November 1985. Through its foreign aid budget, the United States has so far provided about 80 percent of the \$166 million spent by the Fund.

IFI's link to the Agreement has made it a target of the outlawed Irish Republican Army, its political wing Sinn Fein, and their U.S. friends. Their criticisms of some of the 1,520 projects have caused problems for the Fund's supporters in the U.S. Congress, who are mostly in the influential Friends of Ireland Group.

On the face of it, it is unusual for two comparatively well-off countries such as Britain and Ireland, both in the E.C., to receive economic help under the U.S. foreign aid budget. In 1986, however, the then U.S. Administration and Congress agreed to give \$120 million over three years to get the Fund off the ground as a concrete sign of U.S. support for the Agreement, which was supposed to bring about peace and stability in Northern Ireland.

About 70 percent of IFI funds go to predominantly Catholic disadvantaged areas. The strongest criticisms against IFI allocations have come from Sinn Fein and its supporters, who have highlighted the aid given to tourism projects. These criticisms have embarrassed IFI supporters in Congress, even though one of IFI's

stated aims is to stimulate job-creating private investment by providing "seed" money for local enterprises that need cash to expand.

For the past two years, the Irish and British Governments and the Friends of Ireland Group have had to lobby strongly in Washington to ensure continued U.S. aid for the Fund. After a long delay, the IFI now also gets E.C. aid and symbolic funding from Canada and New Zealand, but there is still some skepticism among members of the Congressional appropriations committees about the need for U.S. involvement at all.

However, the U.S. Government's Agency for International Development (USAID) has praised the Fund for its "notable achievements in the areas of job creation, leverage of private investment and reconciliation," and feels that the Fund is "effectively addressing the needs of both Communities in Northern Ireland." Since it was founded, the Fund has helped to generate over 8,000 permanent jobs in Northern Ireland, 4,000 in the past year, and 2,000 in West Belfast alone.

—JOE CARROLL

Tax Breaks

LUXEMBOURG—While governments everywhere are thinking up devious new ways of raising taxes, the Luxembourg Government has just announced radical measures to slash the tax bill by \$400 million effective January 1991.

According to the Government, which proposed the scheme right before the summer vacation, private households will benefit most from the tax reductions, with some savings being passed on to companies.

Corporate taxes, for example, will be reduced from their current level of 34 percent to

33 percent, and other financial incentives will be offered, particularly for companies investing in ecologically sound projects.

For private individuals, the tax base will rise, so that the first \$7,000 will be considered tax free—as opposed to the current level of \$5,000.

New measures will also be introduced to ensure that married couples receive identical tax treatment as unmarried couples who are living together, who previously could claim greater tax advantages. The amount a married woman can earn before it becomes taxable will also be raised to \$5,000 per annum.

A variety of other measures, including child allowance and mortgage relief, means that the average Luxembourg worker will have to pay out around \$1,500 less on his or her tax bill in 1991.

—DENISE CLAVELOUX

Tinker, Tailor, Soldier, Stasi

BONN—A united Germany will need years, if not decades, to cope with the Stasi heritage of the former German Democratic Republic (GDR). Stasi is an acronym for *Staatssicherheitsdienst*, or State Secret Service. In East Germany, with a population of under 16.5 million, 85,000 Stasi officers were responsible for state security. On top of that, it has been admitted that another 550,000 worked for the Stasi on an informal basis.

The Stasi was modeled on the Soviet KGB. Some 33,000 people worked at its headquarters in East Berlin, which grouped all activities under one roof: secret police, foreign intelligence service, counterintelligence, and some 20,000 troops for rounding up suspects. About 5,000 to 6,000 agents spied in West Germany alone.

Gerhard Boeden, president of

the Office for the Protection of the Constitution in Cologne, says the Stasi was a state within a state: "It gave itself legitimacy, it was an uncontrolled central control point outside the reach of laws." It saw itself as the "sword and shield" of the Communist Party.

Since December 1989, the Stasi archives have been under the control of a 200-member committee that is desperately trying to plough its way through the masses of dossiers, documents, protocols, photographs, and videotapes of some six million citizens from both Germanys. Stasi informers wanted to know everything about their victims from the most intimate to the most banal. In Leipzig alone, their files, if arranged side by side, would cover a distance of six kilometers.

The German press reports almost daily on new revelations of monstrous Stasi activities: It had extensive contacts with terrorist organizations, and sheltered eight fugitive West German terrorists of the Red Army Faction. Plans to intern thousands of Communist dissidents have also been uncovered. Former Stasi agents have further revealed that prominent defectors to the West were killed in traffic accidents or were poisoned.

In a cloak-and-dagger operation, many important files have been removed and handed over to the KGB. West German agents have discovered that some former Stasi members have been trying to get employment with the KGB and, as an "entry fee," have taken incriminating files with them.

Other former Stasis are actively passing incriminating material to the press—for a price. A former high-ranking Stasi officer told a news agency that many Stasi officers had clandestinely removed files on German politicians, industry bosses, and other public figures intending

to use them as blackmail later.

Some East German careers came to an abrupt end when it was disclosed that they had collaborated with the Stasi: Wolfgang Schnur, Chairman of the Democratic Awakening Party, had to resign when Stasi files revealed that he had been a police informer. Ibrahim Böhme, Chairman of the East German Social Democratic Party, although denying the charges, stepped down last April because of accusations that he had been a Stasi collaborator. Even Prime Minister Lothar de Maizière was accused of collaboration, but he firmly and convincingly rejected these charges, saying that his contacts with the Ministry of State security never went further than was necessary in his work as a defense lawyer.

Of the 85,000 Stasi members who unexpectedly found themselves out of work, many were transferred to the *Volkspolizei*, or People's Police. Other got jobs as teachers or found employment in universities, local administrations, and hotels.

So far, only the 82-year-old former Stasi chief Erich Mielke has been jailed. Earlier this year, he was arrested for corruption, embezzlement, and abuse of power but was freed on health grounds. He was re-arrested last July, however, when the investigation was broadened to include East Germany's obstruction of justice in providing refuge to West German terrorists on the run and planning internment camps for dissidents.

West German Interior Minister Wolfgang Schäuble is considering a general amnesty for former Stasi officers, excluding only secret police staff found guilty of capital crimes. His East German counterpart, Peter Michael Diestel, advocates a quick destruction of Stasi files because, he argues, they could be misused. These suggestions have triggered understandable outrage in East Germany,

where the wounds inflicted by 40 years of communist rule are still very fresh for many people. Others fear that, if East Germans do not come to terms with the Stasi past, it will weigh heavily on a united Germany. West Germany went through a similar experience when it swept the Nazi past under the carpet.

The East German Parliament decided on August 24 to keep the Stasi files in special archives and inaccessible to the general public. Only Stasi victims would receive information for their restitution claims.

—WANDA MENKE-GLÜCKERT

Banking on the Family

ROME—Italy will never cease to amaze. The constant slowing down caused by strikes and union agitation hides a fundamental agreement among opposing sides, which is based upon a strong sense of family. One can argue about everything but sacred is the salary that maintains the family, even that of one's enemy.

A recent news item has officially confirmed this intrinsically Italian philosophy.

It concerns an announcement from the Banco di Napoli, one of the country's leading credit institutions. Its underlying motive was that of parents' legitimate concerns about their children's economic futures. The Banco di Napoli now has finally found the most simple solution: Employees who have accrued the minimum number of years necessary to receive retirement benefits (which, in Italy, are paid through the state) are encouraged to retire . . . and to leave their jobs to their children. In this way, workers who are as young as 40 and who have worked the minimum number of years required by law (19 years and six months) achieve a double objective: They free themselves from the

"9 to 5 slavery" and ensure a job for their own children.

Obviously, the bank stands to gain as well. It saves on personnel management costs because the children, being younger and at their first place of work, cost less than their parents. Officially, this initiative aims to "rejuvenate the personnel." But the bank, without much coyness, officially declared in a memo that it is also doing it to "help achieve the desire of many employees to hire their own children."

This mechanism is proving successful. Two hundred youngsters have already been hired to replace Mommy or Daddy, and another 400 are confidently awaiting their turn.

As always, where someone gains, another loses. In this case it is the National Institute for Social Security, the Italian state agency that pays pensions. It is almost bankrupt, and must now bear the burden of new pensioners. But the Banco di Napoli, although one of the leading so-called public law banks (in essence, state-controlled), could not care less.

—NICCOLÒ D'AQUINO

Parched, but not Panicked

ATHENS—Like other Mediterranean countries, Greece has suffered a two-year drought described as the worst for at least a century.

Now there is an imminent threat to urban water supplies. According to Athens' water authority's daily bulletin, the reserves available for the city will last only until December 3. But officials insist that, although the situation is critical, they do not foresee the taps simply drying up.

With 3.5 million people—one-third of Greece's population—Athens normally needs a little over one million cubic meters of water a day. The capital's needs were once met by



Athens, above, has just experienced its driest summer in a century.

historic Lake Marathon. Now, however, even when full, Marathon holds only enough water for less than a month's consumption. Today, Athens is supplied more or less equally by Lake Yliki, near Thebes, and the Mornos Dam, west of Delphi.

The present crisis derives not only from the severe drought but also from mismanagement of resources during the past decade. Lake Yliki loses large quantities of water through fissures in the rocks lining it, and the fuller it is the more it loses. Yet, because Mornos water is cheaper (no pumping is required), supplies have been drawn from there rather than from Yliki, where the level has therefore been allowed to rise, causing huge leakages.

Public Works Ministry figures show that, between 1983 and 1989, while 1.85 billion cubic meters were taken from Mornos, only 540 million cubic meters were pumped from Yliki, which consequently lost a staggering 1.3 billion cubic meters. Almost half of this wasted water, declared the Ministry's Secretary-General, Antonis Panayotopoulos, could have been saved for the benefit of Athens.

Five years ago, Mornos and Yliki between them contained 956 million cubic meters of wa-

ter—perhaps an eight-year supply. By March 1990, after two dry winters in succession, that level had fallen to just 110 million cubic meters, with an extra "gravity tank" of 150 million in Yliki at levels lower than those previously drawn upon. Today, Athens is all too literally scraping the bottom of the barrel.

In April, however, the new Government tripled the price of water, administering a shock that, combined with an all-out publicity campaign in the press and mass media, succeeded in cutting consumption by around 20 percent without hose pipe bans or rationing. Officials are pleased, but far from complacent. "Nothing has changed during the summer," said Panayotopoulos, "except that we have gained a little time."

How, then, do they expect to keep the water flowing toward the thirsty Athenians? An intensive program of drillings, both near Yliki and in Attica itself, has shown promising results, and when this "new water" comes on line in December, it could cover as much as two-thirds of the capital's needs. The other one-third, officials say, should be met, even at the worst, by the winter's rainfall.

If the rains then fail again, there are emergency plans to ferry water in giant tankers up the Gulf of Corinth from Lake

BONN

Retirement is not yet in sight for veteran police agency chief *Gerhard Boeden*, 65, reputed to be "a fireman for tough cases." He should have retired at 60, mandatory for members of the police. When Boeden turned 60, he was a vice-president of the Federal Criminal Office (equivalent to the FBI) and his service was extended twice by one year. In February 1987, 21 days after his retirement, Boeden became president of the Office for the Protection of the Constitution. Since then, he has been indispensable for West German Interior Minister Wolfgang Schäuble in view of the upheavals in the Eastern bloc. He has also stepped up surveillance of foreign terrorists, which paid off when a Palestinian group was captured with a bomb. In addition, his spy hunters have made deep inroads into the KGB's spy network.

PARIS

Jacques Attali, 46, who was recently appointed as head of the new London-based European Bank for Reconstruction and Development in Eastern Europe (EBRD), has been special adviser and confidant to French President *François Mitterrand* for the past 10 years.

Attali does nothing by halves. He attended not only one, but four, *grandes écoles*—France's most exclusive institutes of higher learning; speaks six languages; is married to a former model; has two children; and, to top it all, needs only four or five hours' sleep a night.

To the job of president of the EBRD, he may bring little banking experience, but all the right contacts and a bulletproof ego

(he claims to be on a first-name basis with 47 heads of state).

In his latest book, he predicts that the economic decline of the United States will bring about a new world order. "Western Europe," he writes, "could lay claim to becoming the hub of the world economy."

ATHENS

Greeks, as well as Cypriots, were quick to draw parallels between Saddam Hussein's seizure of Kuwait and the Turkish invasion of Cyprus in 1974, and to contrast the international response to the two events. While Greece was pondering whether to participate in the multinational task force in the Gulf, Defense Minister *Yannis Varvitsiotis* declared: "The invasion of Kuwait has points in common with Turkey's invasion of Cyprus, which the world community does not have the right to forget." Not surprisingly, President *George Vassiliou* of Cyprus has also drawn the comparison.

Battling for the post of Mayor of Athens in this month's municipal elections are the former socialist (PASOK) Culture Minister, *Melina Mercouri*, and another former socialist official, *Antonis Tritsis*. As PASOK's Environment Minister, Tritsis gave a new face to the traditional Plaka neighborhood of Athens, but was expelled from the party after abstaining in a vote of confidence in the then Socialist Government 18 months ago. Running now as an independent, he has secured the support of the ruling conservative New Democracy party, but insists: "The fact of my being supported by New Democracy does not make me any less of an independent candidate."

Trichonida and the mouth of the Evinou River near Missolonghi, to be fed into the Mornos pipeline where it passes near the coast below Delphi. In the last resort, concluded Panayotopoulos, nothing is ruled out, from fines for excessive consumption through rationing to a complete ban on all outdoor use of water.

—PETER THOMPSON

Vignettes from Spain

MADRID—In the heat and desolation of a Madrid August, it is impossible to imagine a time when activities return to normal, let alone the bustling month of October. Here, then, are some vignettes:

- A new 7-Eleven convenience store has just opened up around the corner, the fifth to spring up in the neighborhood in the two years since Southland, its U.S. parent company, set up operations in Spain. Five years ago, if one wanted milk after 8 P.M., one had to find a cow with insomnia. Of course, drinks and *tapas* are available all night long in the numerous bars . . .
- At the beginning of September, the NBA Chicago Bulls' Michael "Air" Jordan quite literally breezed through Barcelona. He touched down just long enough to play in a Spanish basketball league exhibition game.
- The streets are torn up around Madrid as the city takes advantage of the holiday exodus to fix sidewalks, patch streets, repair broken water and gas pipes, and spruce up in general. Commuting time has been reduced dramatically for those forced to remain in Madrid and Barcelona. Highway death tolls are up, however: Sixty-nine people died on the highways on one August weekend.
- The Socialist Government's decision to send three warships to the Persian Gulf to support the U.S. embargo against Kuwait has split most of the coun-

try along generational lines. The youth organizations of most parties, including the Socialists' own, have criticized the move. They are especially miffed that more than half of the nearly 500 sailors being sent to the Gulf are completing their mandatory one year of military service. The *mili*, as it is called, is known more for its brutal hazings and fatal accidents than for its solid training.

The newspapers call the decision "historic," but they, too, are worried: Spain has spent the last decade breaking down the walls of nearly a century of isolation. This leap into the breach, however logical, is disconcerting to many Spaniards.

—RICHARD LORANT

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

E.C. NEWS

FOREIGN AFFAIRS

Germany Completes Unification

THE LAST "TWO-PLUS-FOUR" meeting on September 12, and the subsequent signing in East and West Germany of the Unification Treaty, removed the final hurdles for German unification, which took place on October 3.

The whole unification process was achieved less than a year after the fall of the Berlin Wall. Following the series of "two-plus-four" meetings throughout this year, the four World War II allies signed their "Treaty on the Final Provisions Regarding Germany" in September. This treaty must now be ratified by the six governments concerned before German unity can fully and *de facto* go into effect.

The treaty lays down the limits of Germany's territory (which will be that of the Federal Republic, the Democratic Republic, and all of Berlin) and reaffirms Germany's peaceful intentions (renouncing chemical, biological, and nuclear weapons, limiting its army to 370,000 men, and choosing, once Soviet troops have withdrawn, the military alliance to which it will belong). The Treaty further terminates Allied rights in Germany, and returns to the country complete sovereignty in internal and external affairs.

Although ratification of this

treaty will, in effect delay German unity formally by another month or two, October 3 was a big day in the unification process. On that day, the five East German states (Mecklenburg-Vorpommern, Brandenburg, Saxony-Anhalt, Saxony, and Thuringia) joined the Federal Republic. Berlin became the German capital, although the location of the seat of parliament and government has not yet been decided upon.

With unification, East Germany also adopted West Germany's Basic Law and, simultaneously, all E.C. laws that already apply to West Germany. Finally, 144 East German *Volkskammer* representatives will sit in the West German Bundestag until elections on December 2 produce a new all-German Parliament.

—*The Week in Germany*

No Sympathy for Oil Speculators

E.C. ENERGY COMMISSIONER ANTONIO Cardoso e Cunha has said that the recent rises in oil prices were not linked to supply but were the result of speculation. "The increase in oil prices . . . can only be explained by speculation at the expense of consumers. [In] reality the loss of oil production from Iraq and Kuwait has been made up by higher production in other countries . . ."

—*Reuters*

EASTERN EUROPE

Thatcher, Mitterrand, Delors Visit Eastern Europe

EASTERN EUROPE HAS received a flurry of West European heads of state and government visitors in recent weeks, all encouraging the Eastern European countries' goal of democracy and free-market economies.

British Prime Minister Margaret Thatcher visited Czechoslovakia and Hungary in September. In her address in Prague to the Czechoslovakian Federal Assembly, she spoke about a European Community in the future that would include the new Eastern European democracies. Her speech was enthusiastically received by her audience. On her visit, Thatcher also renamed a Prague square after one of her predecessors, Winston Churchill. During her stay in Budapest, she attended one of the sessions of the recently opened stock exchange, the first in the former communist bloc.

French President François Mitterrand had also addressed the Federal Assembly in Czechoslovakia just a week before his British colleague, and also inaugurated a Prague square, this one in memory of French General Charles de Gaulle.

E.C. Commission President

Jacques Delors made an official trip to Czechoslovakia on September 20, where he met with Czechoslovakian President Vaclav Havel.

Strengthening E.C.-Moscow Links

E.C. ENERGY COMMISSIONER Antonio Cardoso e Cunha recently visited Moscow to strengthen E.C.-Soviet links in the energy field. He presented the Soviets with the Dutch proposal for an E.C.-Soviet energy network that would primarily coordinate supply and demand in the energy markets of Eastern and Western Europe.

In the same vein, Gianni De Michelis, the Italian Foreign Minister and current Chairman of the E.C. Council of Ministers, visited Moscow in September to reveal a proposed aid program to the Soviet Union. The first part of the aid package would be a credit of possibly \$5 billion to foster monetary stabilization and progress in the process toward the convertibility of the ruble. The second fund would be provided as balance of payments support. The third part of the program would be the aforementioned plan for multilateral exploitation of energy and other natural resources.

Finally, there is a specifically Italian part to the project. This contains a proposal to create a

comparable program for Soviet communications in Rome, direct assistance to refinance Soviet debts to Italian suppliers, and a short-term bilateral aid with Italian Government guarantees to promote Italian exports to re-equip Soviet industry. These generous credit facilities reveal Italy's strong determination to maintain its place as Moscow's second-largest West European trading partner after Germany. —Reuters

COMPETITION

E.C. Enacts New Mergers Policy

ACCORDING TO THE NEW E.C. mergers regulation, which went into force on September 21, 1990, all proposed mergers between companies with \$6.6 billion or more aggregate turnover will be compelled to notify the E.C. Commission.

From now on, the Commission will be able to maintain fair competition as Europe's industry adapts to the dimensions of the 1992 single market. Its role will be to vet or modify mergers that would damage competition in the E.C.'s economic area.

The Community already had some powers under the Treaty of Rome in the field of merger control. These were limited, however, and could not be effected until the merger had been consummated.

The new regulation establishes a mechanism that, for the first time, allows the Commission to examine mergers while they are still in the planning stages. It has one month to approve or block the proposed mergers. If, after this period, no response has been issued, it should be assumed that no conflict exists with competition rules.

The Commission argues that, with the recent rapid growth of mergers and the advent of

1992, the strengthening of its role in this area is inevitable if it is to preserve fair play in the post-1992 single market.

Sir Leon Brittan, the E.C. Competition Commissioner, affirmed that merger cases would be decided strictly on competition grounds.

ENVIRONMENT

Green Light for Natural Gas

ACCORDING TO E.C. Commission sources, experts from the member states have agreed that the 1974 Community law discouraging the use of natural gas, in order to protect the coal market, has become obsolete.

The law had been adopted after the 1973 oil crisis. Its aim was to foster coal consumption by requiring administrative authorization to use gas in power stations. The assumption underlying the 1974 law that natural gas would be in short supply after the oil shock proved unfounded.

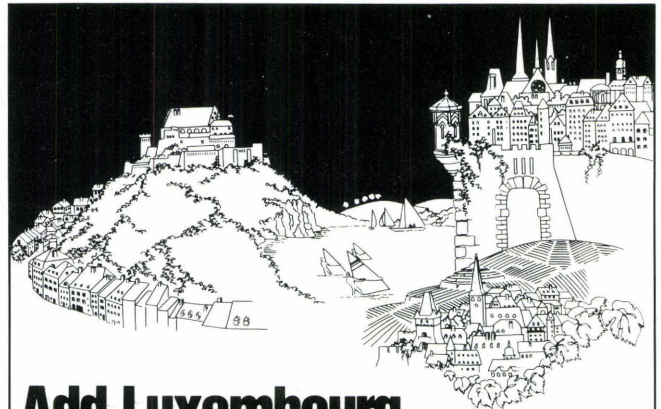
Furthermore, the use of natural gas as opposed to fossil fuels, such as coal and oil, considerably reduces carbon dioxide emissions and therefore assists in the struggle against global warming.

E.C. Energy and Environment Ministers are expected to approve abolition of the law at a meeting in late October, at which they will try to agree on a joint policy to tackle the global warming problem. —Reuters

FOREIGN AFFAIRS

E.C. Expels Iraqi Military Attaches

E.C. COUNTRIES HAVE expelled Iraqi military attaches and restricted the movements of other Iraqi diplomats in response to incursions by Iraqi



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troops into several Western Embassy buildings in Kuwait.

Italian Foreign Minister Gianni De Michelis emphasized the strength of E.C. unity vis-à-vis the Gulf Crisis: "The escalation will not help Saddam Hussein but, on the contrary, will strengthen our will . . . ; The philosophy of 'one for all and all for one' is very important. The decision we have taken together is a very strong answer."

France has reacted strongly against Iraq's violation of international law by entering their Embassy by force. French President François Mitterrand ordered a 4,000-man force to the Persian Gulf.

In addition, France called an emergency meeting of the Western European Union, the only all-European defense organization. The Foreign and Defense Ministers present stated their intentions to adopt

"supplementary measures" to reinforce the strength of the embargo against Iraq; a warning to include an air traffic blockade along with the land and sea embargo against Iraq was issued. —Reuters

FOREIGN AFFAIRS

E.C. Military Contributions to the Gulf

• WITHIN THE NEXT MONTH, the United Kingdom will have 12,000 troops committed to the Gulf, along with the already present squadrons of aircraft in Saudi Arabia, Bahrain, and Oman; surface-to-air missile batteries; maritime control aircraft; minesweepers, frigates, tanks, and destroyers. • *France*: Has a total of 13,000 troops in the Gulf. Fourteen

New Publisher of Magazine Named

Peter Doyle is the new Director of Press and Public Affairs at the E.C. Commission's Delegation in Washington, D.C. Doyle, who has been Director of Press and Public Affairs at the E.C. office in New York since 1987, will also assume the role of publisher of *Europe* magazine.

Doyle has an extensive background in journalism. Before joining the E.C. in 1975, he was an editor and reporter with the *Irish Press*, *Irish Independent*, and the *Daily Express*. He was also a free-lance Irish correspondent for the *Chicago Tribune*.

Doyle, born in Dublin in 1942, is a graduate of University College, Dublin. His first assignment for the E.C. Commission was in Dublin, where he served as the Deputy Head of the Commission's Press and Information office.

In 1977, Doyle was appointed Principal Administrator in Brussels with responsibility for publications. In this position, he founded, and was editor-in-chief of, the Community's biweekly magazine *Euroforum*, published in five languages.

Doyle is an avid golfer who is hoping to reduce his handicap from a modest 18 while he is in Washington. His musical tastes range from Italian opera to American jazz, and he is a keen student of American history.

Doyle and his wife Brenda, an architectural historian, have two children.

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warships with 8,000 troops are presently en route to the area.

- *Greece*: The country's most advanced frigate has been sent to the eastern Mediterranean.

- *Belgium*: Two minehunters and a supply ship are presently in the Gulf of Oman.

- *Netherlands*: Two frigates are in the Gulf of Oman, and a combat supply ship is expected to arrive in November.

- *Spain*: One frigate is in the Gulf of Oman; two corvettes are in the southern Red Sea.

- *Portugal*: A frigate is in the Gulf to relieve NATO forces.

Portugal is also seeking permission for tanker basing in the Azores.

- *Denmark*: Merchant ships will aid in the U.S. sealift; a corvette has been sent to the region.

- *Italy*: Two frigates and a support ship are in the Gulf; two corvettes are in the eastern Mediterranean; another warship and eight fighter jets will be sent.

- *Germany*: West German Chancellor Helmut Kohl assured U.S. Secretary of State James Baker that his Government would pursue a constitutional change to allow troops to be sent in the case of future conflicts. Kohl also joined in the international effort to isolate Iraq by pledging a \$2-billion aid package for those nations hurt most by the trade embargo against Iraq.

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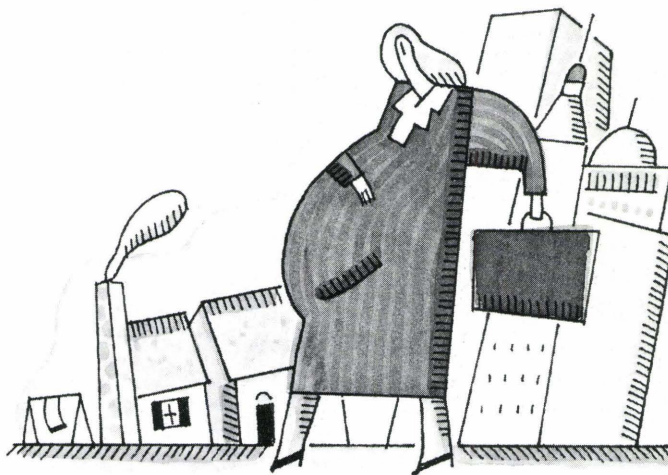
1992 MAKES WASTE TRANSPORT TOUGHER

“Nineteen-ninety-two must not be a tourist visa for waste destined for final disposal within the Community,” said E.C. Environment Commissioner Carlo Ripa di Meana of the E.C. Commission’s proposed tougher rules on waste transportation.

The proposals strongly emphasize the principle that waste should be disposed of as close as possible to its source. Moreover, waste transportation will have to be approved by authorities in the place of destination, even if it is being transported within the same country. Tough controls would also be placed on waste exports to the 68 African, Caribbean, and Pacific nations with which the E.C. has trade-and-aid agreements. —Reuters

U.S. BUSINESS THOUGHTS ON 1992

According to a survey conducted by Washington,



ROBIN JAREAUX

D.C.-based Market Access Europe, U.S. executives are concerned about the prospects of the 1992 single market.

The survey was conducted among 3,000 chief executive officers (CEOs) and presidents of non-Fortune 500 companies across a wide spectrum of sectors of American industry. Although the specter of “Fortress Europe” is gradually losing force, one out of every three CEOs still fears the possible impact of 1992 on U.S. trade. Moreover, 57 percent view the American market as offering the best prospects for business growth, and 48 percent believe the single market

will have no effect on their profitability.

A very limited knowledge of E.C. regulations among chief executives was also revealed: Nine out of 10 have very little or no knowledge of specific E.C. directives affecting their business.

REGULATING MATERNITY LEAVE?

In an effort to protect workers’ rights once the single market becomes effective, the

Commission proposed in September to grant women 14 weeks of maternity leave with full pay. In addition, employers would have to switch those women working in jobs hazardous to their own and their baby’s health, to other positions. The proposal specifies night work as dangerous, and lists chemicals and other substances to which pregnant women should not be exposed.

If approved by the E.C. Council of Ministers, this proposal would force several member states to improve their maternity benefits to mothers, which would add to business costs. In this vein, the United Kingdom voiced criticism, arguing that such decisions should be left to national governments, since additional business costs would only undermine the benefits to be derived from the single market. It also objected to the fact that the Council of Ministers could make the proposal law through a majority, instead of a unanimous vote.

Other member states, most notably France, Italy, and Luxembourg, already give workers more than 14 weeks of maternity leave. These countries will still be able to offer more than the stipulated time. Countries may also offer more maternity leave at less than full pay as long as this does not fall below 80 percent of regular pay.

—Reuters

BOOKS IN REVIEW

The Competitive Advantage of Nations. By Michael E. Porter. Free Press, New York. 855 pages. \$35.00.

Robert S. Bassman

With 1992's European economic unification fast approaching, most major trading nations, whether E.C. members or not, are increasingly concerned about their ability to compete in the new, more open world marketplace. Earlier this year, Harvard Business School professor Michael Porter completed his answer to the principal questions underlying this concern. *The Competitive Advantage of Nations* is the culmination of his effort to update Adam Smith's 214-year-old classic, *An Inquiry Into the Nature and Causes of the Wealth of Nations*.

Porter has crafted a somewhat looser variant of the so-called "iron laws" of economics that David Ricardo and many others created in their attempts to codify Smith's seminal work. While well written, the breadth of this project translates into a work that, even Porter acknowledges, is "a very long book," of which the level of complexity may be daunting to many. And, clearly cognizant of the old teacher's maxim that "the mind cannot absorb what the seat cannot endure," Porter kindly suggests such shortcuts as "most readers should cover the first four chapters" (179 pages).

Declaring the need for a "new paradigm," Porter attempts to improve on past economics works, which, he believes, failed to offer "an integrated theory of competitiveness." He has synthesized his theory of international competitiveness from four-and-a-half years of study of over 100 industries in 10 countries.

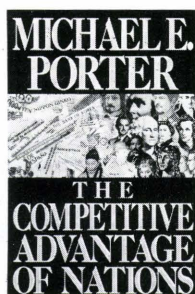
To begin his study of national competitive advantage, Porter first had to define the term. His statement that "the only meaningful concept of competitiveness at the national level is national productivity" is, while somewhat controversial, most

credibly defended and forms the basis for the entire exposition that follows. Next, Porter states that productivity "does not grow out of a country's natural endowments, its labor pool, its interest rates, or its currency's value, as classical economists insist. A nation's competitiveness depends on the capacity of its industry to innovate and upgrade." To illustrate this thesis, Porter examined dozens of industries, concentrating on German printing presses, Italian ceramic tiles, American patient monitoring equipment, and Japanese robotics.

Like most of the views expressed in the book, Porter's belief that a nation's success is due to the success of individual industries does not at first strike the reader as a breakthrough of economic thought. In fact, his background in studying individual industries, as well as the way in which he frames his inquiry, almost dictate this outcome. At the outset, Porter states that asking "why some nations succeed and others fail at international competition" improperly focuses any investigation of national success. Instead, Porter asks and attempts to answer:

Why does a nation become the home base for successful international competitors in the industry? Why are firms based in a particular nation able to create sustained competitive advantage against the world's best competitors in the particular field? Why is one nation often the home for so many of an industry's world leaders?

Porter's competitiveness theory is built on a framework he calls the "diamond of national advantage," on which he arrays the four broad attributes of a nation working alone and in concert to create the "playing field" for that nation's industries. These four attributes are: "factor conditions" (skilled labor, natural resources, infrastructure, etc.); demand conditions (the nature of home-market demand for the product); related and supporting industries (ease of access to



world-class supplies and machinery); and firm strategy, structure, and rivalry (local industry management, organization, and competition). Porter's relative denigration of the importance of the traditionally accepted "factor conditions" and corresponding emphasis on strong local consumer quality demands and local competition make Porter's work possibly seminal.

These latter forces make industries continually strive and innovate, argues Porter. In fact, he believes that easy access to raw materials or labor actually hinders international competitiveness by fostering sloth and complacency rather than forcing the type of hard-charging innovation he believes to be the key to international success.

His recounting of the competitive development of national economies demonstrates his views. In the initial or "factor-driven stage," the basic factors of production give nations an advantage. In the second, or "investment-driven stage," classic risk-taking is the principal determinant. Here, strategy, structure, and rivalry begin to come into play as well. The "innovation-driven stage" is the one on which Porter places the most emphasis in international competition today. This final stage of a nation's competitive advance is the one where all of the determinants are at work and their interactions are the strongest. Porter calls this the "innovation-driven stage" because "firms not only appropriate and improve technology and methods from other nations but create them."

Porter's final stage in the economic development of a nation is one of decline. In the "wealth-driven stage," Porter's far lengthier explanation can be analogized to a football team using the "prevent defense" in order to wait out the clock and sit on a big lead. Porter specifically cites ebbing rivalry, declining motivation to invest, and the ability of firms to insulate themselves by influencing government policy.

Porter's gospel resembles nothing so much as the exhortation of a military officer to his troops. Boiled down to its essence, his message for corporate planners is: "Keep striving, don't let down, do your best, turn adversity into advantage, relish the battle." Or, even more simply, Porter is the Vince Lombardi of international business, simply saying: "Winning isn't everything; it's the only thing." €

Robert S. Bassman is a freelance writer in Washington, D.C.

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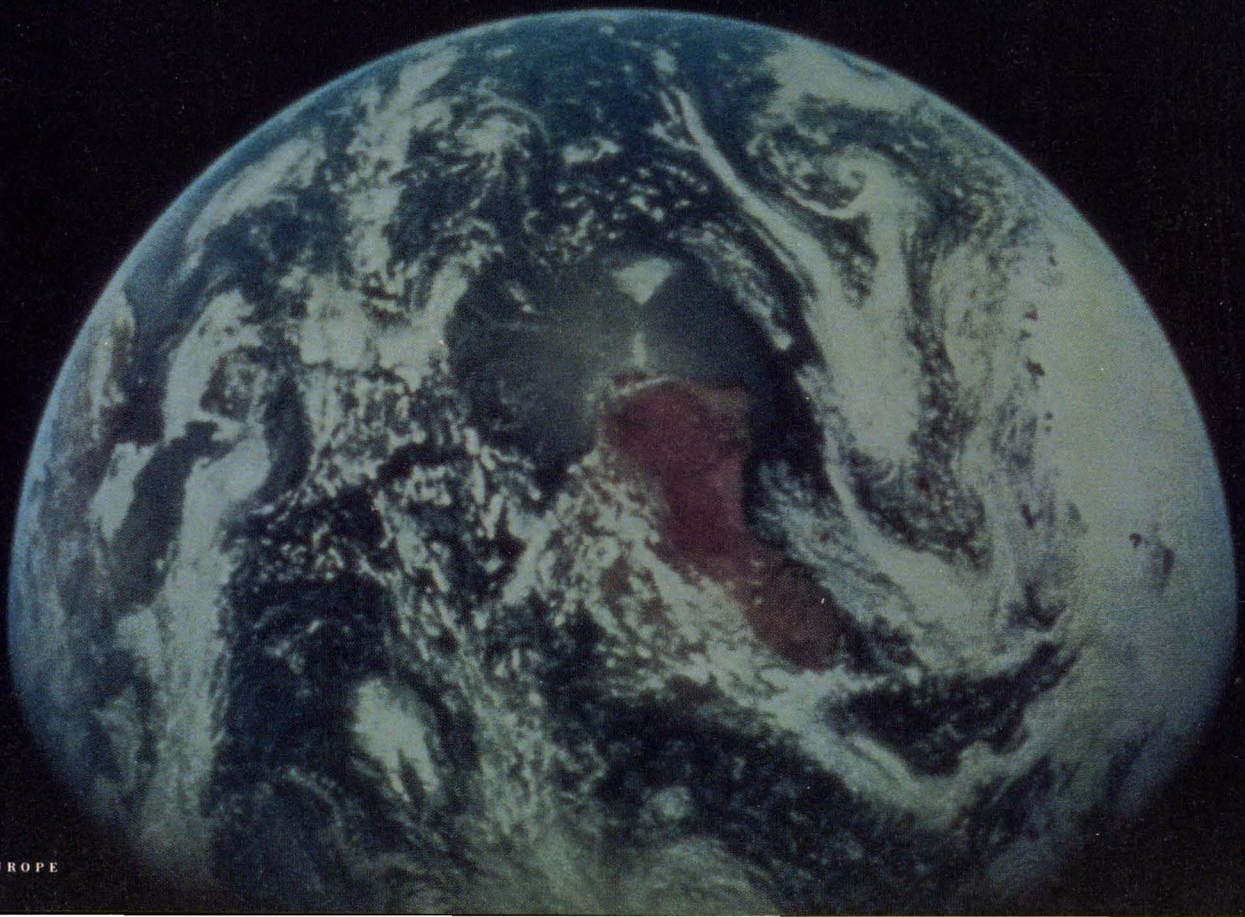
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