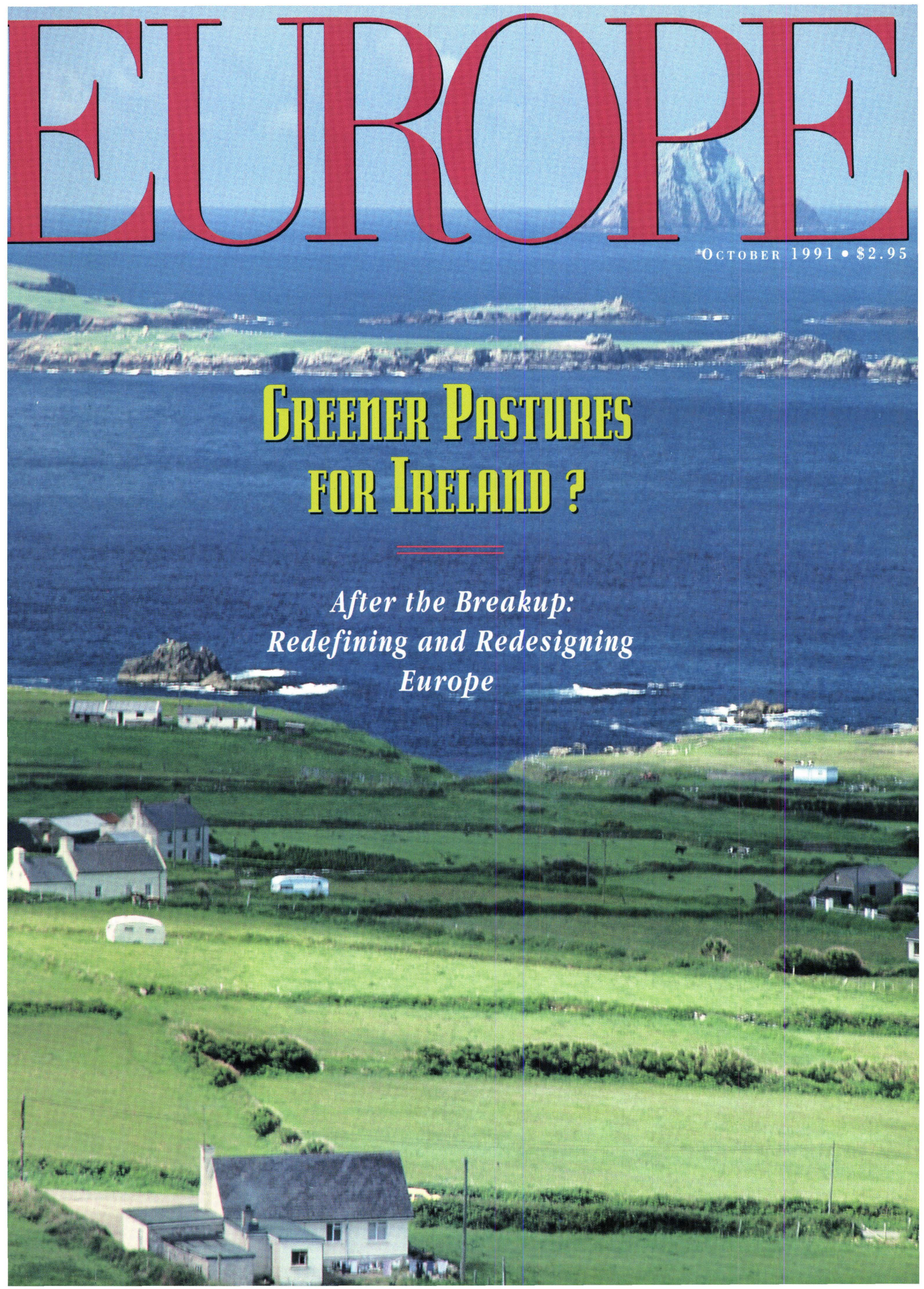


# EUROPE

The background of the cover is a scenic photograph of a coastal landscape. In the foreground, there is a lush green valley with several white houses and a grey-roofed building. The middle ground shows a blue body of water with a small rocky island. In the background, a large, rugged island with a prominent mountain peak is visible under a clear blue sky.

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## GREENER PASTURES FOR IRELAND ?

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*After the Breakup:  
Redefining and Redesigning  
Europe*

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# EUROPE

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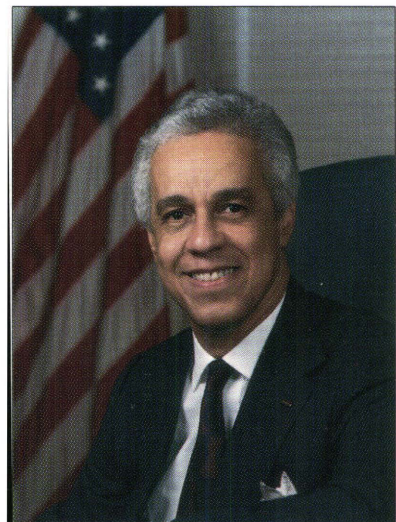
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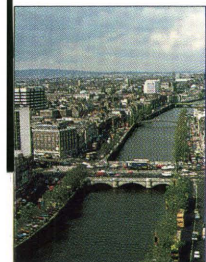
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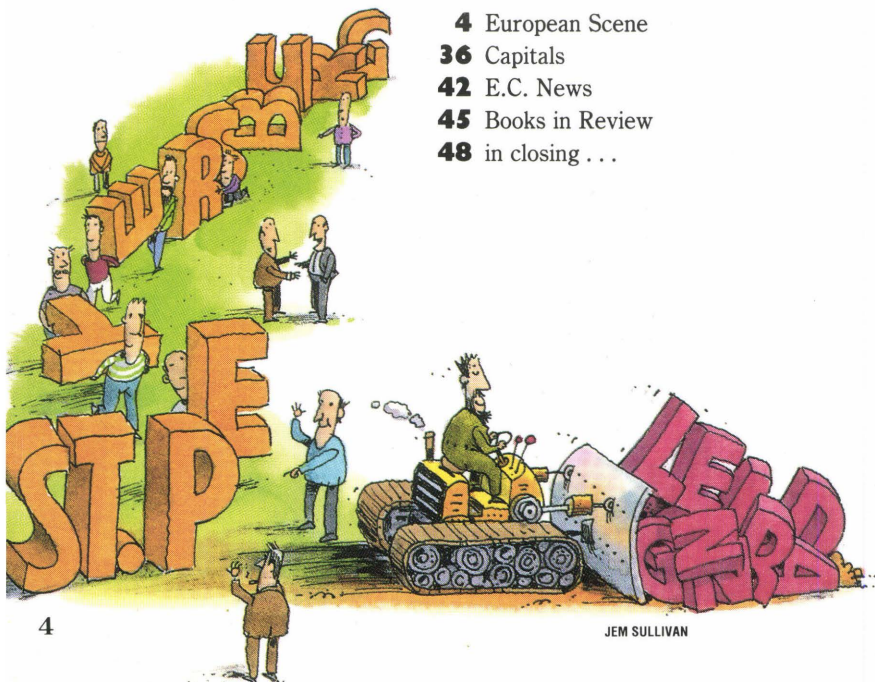
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# Letter From The Editor

**T**HE SPECTER OF A NON-COMMUNIST Soviet Union, or of non-communist republics that used to make up the former Union of Soviet Socialist Republics, is causing the E.C. and the United States to redefine their relationship to their former adversary.

As Lionel Barber, the Washington bureau chief of the *Financial Times*, states in our cover story: "The United States and its European allies are about to enter a new game." The new game is the transformation of the European continent with the breakup of the Soviet Union. Existing alliances and relationships are being re-examined in light of this historic breakup. Barber analyzes the changing relationship between Americans, Europeans, and Soviets.

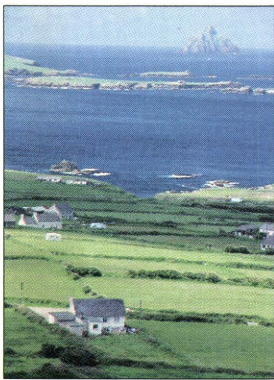
As the E.C. and the United States redefine their relations with the Soviets, the map of Europe is being redesigned. Reginald Dale, economics and finance editor of the *International Herald Tribune*, looks at the "evolving Europe" and makes some predictions on how the future map of the Continent might look. Dale gives our readers a background on the newly independent Soviet republics and on other independence movements across Europe.

Bruce Millan, the E.C.'s Commissioner for Regional Policies, discusses the outlook for the diverse regions of Europe after the 1992 single market and looks at possible winners and losers. Hamburg is definitely a winner, and we present a profile of this bustling port city.

Enigmatic Ireland is the subject of our Member Country Report this month. Joe Carroll, the parliamentary correspondent for the *Irish Times* in Dublin, looks at Ireland's appeal as a base for numerous American firms anticipating the single market.

We also profile the Irish chairman of the H.J. Heinz Corporation, Tony O'Reilly; travel to legendary County Sligo; peek at the many American movie companies filming in Ireland; and look at the new Irish hit film, *The Commitments*.

Our State Profile this month looks at Virginia, which is actively engaged in trade with the E.C. and has a Center for E.C. Studies at George Mason University. Virginia Governor L. Douglas Wilder, in an exclusive *Europe* interview, talks about Virginia-E.C. trade, investment, and tourism. The announced Democratic presidential candidate also gives his views on E.C.-U.S. relations, foreign policy, and his recent trip to Europe.



Alluring Ireland attracts business.

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## EUROPE

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Reuters has contributed to news reports in this issue of *Europe*.

Robert J. Guttman

Robert J. Guttman  
Editor-in-Chief

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# EUROPEAN SCENE

## Charting New Territory

Mapmakers are bringing new publications to a screeching halt—at least temporarily—as they wait for the dust from recent upheavals to settle around the Soviet Union.

Rand McNally actually stopped the presses on its New Cosmopolitan Atlas to redesign the Soviet Union page. But putting changes into print immediately can be risky.

What has been changed once can just as easily be changed again. Cartographers are heeding the case of Burma. About a year ago, Burma decided to give the country a new English spelling: Myanma. A bit later, it came out with a new spelling “for a better pronunciation”; an “r” was added.

So most mapmakers are spending their time watching carefully before they pick up their instruments to inscribe new borders and names. Cartographers, however, agree that these are exciting times for folks whose livelihood involves borders, names, and picking out colors for countries.

Remapping the Soviet Union will be a huge challenge. Every-

## The Names, They Are A-Changin’

Leningrad to St. Petersburg. Sverdlovsk to Yekaterinburg. Gorki Street to Tverskaya. Along with the changes in government and economy sweeping the Soviet Union—or perhaps, the Union of Sovereign States, which is what it may end up being called—people are being affected at the street level, literally.

People are stripping the names of notable

thing—towns, lakes, rivers, streets, mountains, you name it—will revert to original ethnic names. The same holds in Yugoslavia and Croatia.

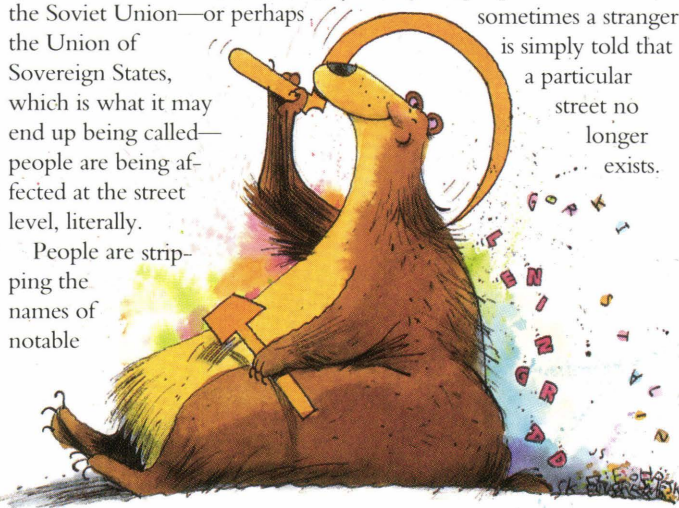
Mapmakers, who like to be consistent from publication to publication, usually wait until both the U.S. State Department

communists from factories, schools, subways, towns, parks, and streets, seemingly overnight. It’s not unusual to wake up with a new address, one that doesn’t smack of communist influence.

While all this name changing is politically correct, it can trouble people trying to read a street map or a subway chart.

Sometimes residents explain the change to people who are lost;

sometimes a stranger is simply told that a particular street no longer exists.



and Board of Geographic Names agree on a change as official.

Risk-taker Rand McNally, in addition to revamping the Soviet Union page, will provide forms to order updated pages if events continue to change.

## 9TH MAY IN THE FALL?

Look up in the sky! It’s a bird! It’s a plane! No, it’s the European Community? Actually, it’s the E.C.’s hot-air balloon, 9th May (named for the date in 1950 when the plan for a United States of Europe was officially proposed). The big blue balloon with the circle of 12 gold stars made its first appearance in the United States over the skies of Muncie, Indiana. The balloon was sent by the E.C. to help Ball State University kick off Europe Year.

Europe Year is Ball State’s focus on the European Community and its neighboring nations. During the year, the university hopes to become a prime source for information regarding trade, travel, culture, and education in Europe.

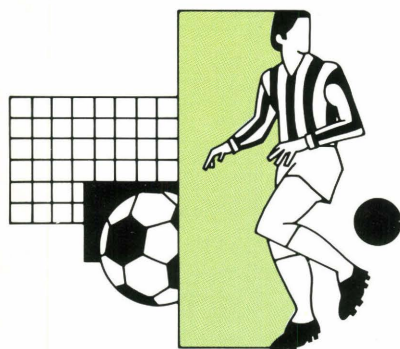
For the inauguration of Europe Year, the university sponsored the construction of a plastic-and-canvas replica of a European village and showed an E.C. multimedia presentation at the “village square.” Ball State also hosted a conference, which was addressed by E.C. Ambassador to the United States, Andreas van Agt.

**AS THE SOCCER WORLD TURNS—** A millionaire duels with a famous film director in the press. A celebrated athlete fails a drug test. Fights erupt over team colors. In many ways the beginning of the Italian soccer season is often as melodramatic as a soap opera.

This year is no exception. With the season not yet two months old, the press has already found much

to write about the celebrated league. Even before the season had begun, Napoli midfielder Diego Maradona was banned from competition when a drug test revealed that the Naples star had used cocaine. Soccer made the headlines again when Fiorentina of Florence played Turin’s Juventus, and fights broke out among fans and police.

The rich and famous, never far from the soccer scene, got into the fray when the film director and Fiorentina fan Franco Zeffirelli called the Juventus team “a peril to football.” Gianni Agnelli, the head of Fiat and owner of the Turin-based team, replied that Zeffirelli’s remarks seemed to indicate that “soccer can go to anyone’s head.”





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# AFTER THE BREAKUP

**A**specter is haunting President George Bush, the specter of a non-communist Soviet Union. The second Russian revolution has swept away all those familiar (if not always friendly) faces, with the exception of President Mikhail Gorbachev.

A younger generation, mostly in their late 30s and 40s, has come to power. Men such as Gavril Popov, Andrei Kozyrev, Yevgeny Shapashnikov, Grigory Yavlinsky, and Vadim Bakatin, the new head of the KGB, who recently asked if the CIA could offer lessons on how to manage a professional spy service in a democracy.

These kaleidoscopic changes challenge many of the convictions and prejudices that have sustained President George Bush's thinking—and U.S. foreign policy—since World War II. This must be unsettling; but the prospect of dealing with a non-communist Soviet Union, assuming the union survives, offers the United States a historic opportunity, similar in significance to the one the West missed in 1917 when it failed to assist Alexander Kerensky against the Bolsheviks. The United States has a second chance to take the lead in the political and economic transformation of its longtime adversary.

Although the new leaders in Moscow and the individual Soviet republics agreed on the all-important new economic

treaty, it is difficult to speculate on how successful such an effort might be. "It may be a gamble, but it is a necessary gamble," says one U.S. official. For the August revolution marked a sea-change not just in Russian history but also in East-West relations.

The United States and its European allies are about to enter a new game. Long-standing assumptions about security and nuclear doctrine will have to be revised, specifically the future of a NATO alliance, which has lost its principal enemy. More immediately, the wholesale transformation of the Soviet leadership—if not the Soviet bureaucracy—has propelled the issue of economic aid to the fore.

Despite his initial tentativeness, Bush has grasped that the collapse of communism in the Soviet Union signals a decisive shift in power in favor of the United States—and the West. This shift became apparent after Gorbachev abandoned the Soviet empire in Eastern Europe in 1989 and acquiesced in German unification within NATO in 1990; any lingering doubts evaporated when Gorbachev supported the U.S.-led war against Iraq.

The real measure of Moscow's desperation became apparent after the Kremlin coup. In a series of stunning concessions, Gorbachev announced he was ending the Soviet military presence in Cuba, cutting off subsidized trade with the Castro regime, and halting arms supplies to the pro-Soviet

**BY LIONEL BARBER**





U.S. Secretary of State James Baker meets with Russian President Boris Yeltsin in Moscow after the failed coup.

regime in Afghanistan (albeit, with a reciprocal U.S. halt to military aid). These moves—supported by favorable noises about a deal on the Northern Territories seized from Japan—confirm that the new Soviet leadership is willing to pay virtually any price for Western assistance this winter.

Moscow also announced it will respond positively to Bush's sweeping proposals to reduce nuclear forces. Reactive by nature, Bush began to be forthcoming on Soviet aid only after meetings in late August and early September with British Prime Minister John Major and Chancellor Helmut Kohl of Germany. The two leaders told him that the United States needed to offer clear incentives to the reformers in the Soviet Union. Failure to do so would likely create even greater costs for the West because an economic collapse could trigger a wave of destabilizing emigration westward.

The first sign of a shift in U.S. policy was the explicit recognition that substantial humanitarian and medical aid would be required this winter; even more striking was the slow appreciation that the United States, along with its allies, would, at some point, be compelled to pledge direct financial aid to the Soviet authorities to assist in the transition to a market economy.

Such aid remains contingent upon a credible Soviet economic reform plan that includes price reform, privatization, and cuts in defense spending. Inevitably, such a plan must await a satisfactory power-sharing treaty between the republics, particularly regarding trade and monetary arrangements. The next

THE E.C., U.S., AND  
SOVIET UNION  
ENTER THE NEXT ERA

critical question is how far Bush—under constant fire for failing to pay attention to America's domestic problems—is prepared to fight for direct financial assistance to the Soviet Union in a presidential election year.

In the short term, the United States is searching desperately for signs of continuity and stability in the former Soviet Union. The absence of central power in a country that only recently emerged from totalitarianism has unnerved Western policymakers. Concerns about the command and control of the more than 30,000 Soviet nuclear warheads remain paramount; at a more personal level, Bush still appears uneasy about dealing with Yeltsin, despite his heroics in Moscow. Gorbachev still carries Bush's vote of confidence.

In the medium term, assuming that food shortages and other economic dislocations do not cause widespread civil unrest of a right-wing countercoup, the United States will inevitably have to make adjustments to a new Soviet Union where the center is dead and all power has moved to the republics. The pre-eminence of Russia seems assured. The United States has already sought out figures such as Kozyrev, the 39-year-old Russian Foreign Minister, and Yavlinsky, the artful economist-cum-politician, and other members of the Yeltsin circle. In late September, President Bush met Ukrainian Chairman Leonid Krauchuk at the White House.

A much more delicate question is whether Washington is ready to draw up a stricter definition of its vital interests: This might entail, for example, a two-tier view of the former Soviet Union. The first tier would comprise Russia, the Ukraine, and Byelorussia. The Central Asian states, Georgia, Armenia, and Azerbaijan, might be relegated to a second tier where market economics might take second place to respect for human rights.

In some respects, Western Europe—specifically the European Community—faces the same dilemma of redefining vital interests. Before the tumultuous events of August, the 12 members of the E.C. were braced psychologically for the next phase of economic and political union in Western Europe; now, new questions arise about the speed of integration and the degree to which the E.C. should be "widening" its membership rather than "deepening" the process.

The E.C. is currently upgrading agreements with the

# The Baltics

**E**stonia, Latvia, and Lithuania have finally ended 50 years of Soviet domination. Taking advantage of a brief power vacuum following the attempted coup in Moscow, Estonia and Latvia followed the example of Lithuania by declaring their independence and seeking diplomatic recognition in the West. Lithuania's move toward independence in 1990 had not gone smoothly. Mikhail Gorbachev imposed oil and gas embargoes and sent special forces that violently attacked demonstrators in Vilnius. In the wake of the failed coup, the world awaited the Soviets' response.

Gorbachev, once again in control of the Kremlin, however, recognized the Baltic states' secession. The European Community, the United States, and the United Nations recognized the independence of the three small nations, and a short time later they were admitted to the United Nations.

The Baltics' independence has been a long time coming. Although the three enjoyed a brief period of self-rule between World Wars I and II, the Baltics have been conquered and annexed by various nations since the Middle Ages.

Estonia was conquered by German knights and the Swedes before falling under Russian rule in 1721. Latvians were also dominated by German knights and the Swedes and for a brief time were ruled by Lithuania. For a long time, Lithuania was part of Poland until Russia took over in the 18th century.

In 1939, as the result of a secret pact between Hitler and Stalin, Germany allowed the Soviet Union to annex the three tiny republics in exchange for Stalin's promise that he would not join the Allies in the war on Germany. Most Western nations did not recognize the Soviet claim; however, little was done to gain their countries' freedom.

Since then, the Baltics have built a number of diverse industries. Estonians have concentrated on fishing, farming, and shipbuilding. Latvia has developed electronics and chemical production as well as dairy farming. The largest and most populated of the three Baltics, Lithuania is also the most agricultural, with predominant dairy and meat industries.

Now recognized by the rest of the world as independent nations, the Baltics' main concerns have to do with converting their state-run industries into market economies. Such a conversion amounts to a mountainous task, considering that a recent study by the European Commission said that the Baltics would need between \$2 and \$3 billion per year in short-term economic aid.

Mikhail Gorbachev's policy of *perestroika* allowed the Baltic nations to hold free elections in 1989 and 1990. Now those

democratically elected leaders are moving rapidly toward complete economic restructuring. The presidents of all three countries have announced plans for new currencies and have begun pursuing trade accords with Western leaders.

The E.C. is ready to build economic relations with the Baltics. German Foreign Minister Hans-Dietrich Genscher has said he thinks the three could become full E.C. members within the next few years. E.C. Commissioner for External Relations Frans Andriessen met with ministers from Estonia, Latvia, and Lithuania and pledged to begin a "step-by-step" process toward Baltic and Community economic ties. Andriessen told the Baltic ministers that their countries would qualify this year to receive a share of the \$481 million earmarked for technical aid to the Soviet Union. The International Monetary Fund and the European Bank for Reconstruction and Development have both said they are studying plans to assist the Baltics' developing economies.

Although the road to independence has been smooth so far, many serious problems remain. Baltic infrastructure is far behind Western standards. All of the roads in these countries have only two lanes, which will initially limit large-scale trade. Also, unreliable international telecommunications and the current lack of hard currency create a less-than-favorable environment for Western companies considering investment in the nations. And for now, the Baltics are inextricably tied to the shaky Soviet economy in terms of trade.

Even with the enormous challenges ahead, enthusiasm in the West for business possibilities in the Baltic countries borders on euphoria. Every year, the Baltics' economic performance has been the best of the Soviet states. Their work force is skilled and puts out quality products with high productivity. As infrastructure improves, many predict that the Baltic ports and land access to Northern and Eastern Europe will make Estonia, Latvia, and Lithuania major centers of trade on the Continent.

—Peter Gwin



The E.C. is ready to build economic relations with the Baltics.

© SERGUEI FEDOROV/WOODFIN CAMP

former Soviet satellites in Poland, Hungary, and Czechoslovakia. These countries are the "forgotten Europeans." Although they are being wooed by Moscow to join a "common economic space," their eyes are fixed on the prize of being future members in the European Community.

To open the door prematurely could jeopardize the E.C.'s common project of economic integration upon which so

much effort has been expended in the post-war era. But to bar membership would risk casting the E.C. as an exclusive club for the rich Western nations—not just in the view of the Eastern Europeans but also the United States.

Conversely, if the United States fails to provide a serious financial commitment to a non-communist Soviet Union, this will provoke tensions with the Europeans.

Bush's rhetoric about pursuing "the hard work of freedom" is about to be put to the test. €

Lionel Barber is the Washington bureau chief for the *Financial Times*. His article on the Democratic Russia Movement appeared in *Europe's* September 1991 issue.

# Key Players for the Next Era

## **Andrei Kozyrev: The Russian Foreign Minister**

Aged 39, he is a protégé of Eduard Shevardnadze, the former Soviet Foreign Minister. Urbane, possessed of a wry humor ("The Soviet Union was a bit of an evil empire"), Kozyrev left a promising career in the Soviet Foreign Ministry last year to join the Yeltsin team.

During the coup, Kozyrev flew to Western Europe to muster support and lay the groundwork for a possible exile government. A strong proponent of defense cuts, he also advocated cutting off military aid and subsidies to Cuba. Kozyrev has already struck up close contacts with top State Department officials. Insiders say, however, he is careful to flex his diplomatic muscles behind the scene rather than usurp Boris Pankin, the new Soviet Foreign Minister.

## **General Yevgeny Shapashnikov, Soviet Defense Minister**

One of the unsung heroes of the Russian revolution. Soon after the Kremlin coup, Western intelligence noticed that the Soviet air force was dragging its feet about supporting the coup. Shapashnikov's obstruction won him friends in high places: Brent Scowcroft, National Security Adviser, went as far as to tip for the Defense Minister's job after declaring dissatisfaction with President Mikhail Gorbachev's initial choice.

U.S. Secretary of State James Baker was tremendously impressed with Shapashnikov during his post-coup trip to Moscow. Shapashnikov said that his main goal is to create a professional, volunteer army that will improve morale, boost efficiency, and recapture the support of the Soviet people. A former fighter pilot, Shapashnikov acknowledged after the Gulf War that the Soviet military could learn from the West and pushed for high-tech spending in the air force. So, despite the smile, he's no patsy.

## **Grigory Yavlinsky, Economist**

This young man has become a synonym for radical economic reform in the Soviet Union. He worked with Harvard University professors to produce a program to tie Soviet reform with Western economic aid, but was let down by Gorbachev. The failure of the coup in August has wiped out opposition to economic reform at the leadership level; now Yavlinsky and others are trying to reach agreement with the republics on a new economic treaty.

Although Yavlinsky likes to play the political neophyte, many believe that he is a highly skilled operator—floating, for example, the prospect of a deal on the Northern Territories in the Western press to put pressure on Gorbachev and Yeltsin. If Japan bites and the money comes in, Yavlinsky wins. If it does not, he can blame Gorbachev. No wonder in the pre-coup days someone said of young Grigory: "He's too bright for high office."

## **Anatoly Sobchak: Mayor of St. Petersburg**

He is another hero of the Russian revolution. Like Yeltsin, he stood firm against the tanks; unlike Yeltsin, Sobchak did not have the added protection of Western television cameras, which were mainly stationed in Moscow and the Baltic states. The cool, rational manner in which he persuaded the Soviet military not to enter the city of then-Leningrad was one of the turning points of the coup.

Sobchak is one of a handful of democratically elected politicians in the Soviet Union, having been chosen as Mayor of what is now St. Petersburg in a popular vote. A

founding member of the Democratic Reform Movement, he has worked closely with Yeltsin and Shevardnadze. Senior U.S. officials who have spoken to Sobchak after the coup say he dreams of making St. Petersburg a political and economic model for the rest of the country. His message of hope—and some of his cranky economic ideas—make him a little like Franklin Roosevelt in the early days of the New Deal, according to one account. Aged 54, Sobchak still seems destined for higher office.

## **James Baker, U.S. Secretary of State**

Ever sensitive to the political winds, Baker is one stride ahead of President George Bush on economic aid to the Soviet Union. He believes that it would be dangerous for the United States to duck financial commitments next year when many observers believe the Soviet and republican leaders may have an economic reform plan in place. The reason: It would send a negative message to the Europeans who are already worried about a resurgence of isolationism in the United States. That could in turn spill over into other key issues, such as the future of the NATO alliance.

Baker can handle Treasury opposition to full Soviet membership in the International Monetary Fund (IMF), the prerequisite for the IMF and the World Bank to commit funds to support an economic reform plan. The question is, how far can he overcome the inclinations of other White House operatives who are worried that a row over economic aid to the Soviet Union could become an issue in the November elections? This promises to be the big debate in Washington in the coming months.

## **Hans-Dietrich Genscher, German Foreign Minister**

Hans-Dietrich Genscher, the longest-serving Foreign Minister in the world, is a key player for the next era. The "Man from Halle," who was nominated for the Nobel Peace Prize last year, is committed to keeping Germany's future bound to that of Europe.

The Bush Administration is worried about Genscher's continued interest in an expanded role for the Conference on Security and Cooperation in Europe. U.S. officials worry that it is an indirect means of weakening the NATO alliance. Also, Genscher's sketchy vision of a European conflict resolution center looks like an attempt to undercut the U.N. Security Council (where Germany, despite its wealth and size, is not a permanent member). Lastly, German interest in recognizing Croatia and Slovenia worries the United States, which fears that the breakup of Yugoslavia could spread north to the Soviet Union. But Genscher's experience and his country's power make it certain that the U.S.—German partners will ride out these differences.

—Lionel Barber



St. Petersburg's Mayor Anatoly Sobchak

REUTERS/BETTMANN



# Redesigning the Map of Europe

The map of Europe is once again in transition. As the Soviet Union disintegrates, and long-suppressed ethnic tensions flare up in its former satellites, the list of new candidates for nationhood grows longer every week.

Long-forgotten frontiers are re-emerging from the mists of history. Well-established national borders are under threat as populations seek to regroup themselves along ethnic lines.

French President François Mitterrand has warned that if the explosive process is allowed to continue unchecked, Europe could witness the birth of as many as 17 or 18 new countries.

Mitterrand was deliberately choosing an extreme scenario to illustrate the dangers of the chain reaction that could follow if Yugoslavia splits into pieces. But Mitterrand is not alone in fearing that the current European upheaval could lead to bloodshed and instability in the East and possibly even undermine the seemingly well-entrenched foundations of the E.C. in the West.

**BY REGINALD DALE**

ILLUSTRATION BY GREG HARGREAVES

Few doubt that whatever the European map looks like by the year 2000, the shock waves from the collapse of communism are presenting the E.C. with its potentially biggest challenge ever. Quite apart from possible threats to their own unity, the 12 E.C. member states will have to decide whether to expand their Community to as many as 20, 25, or even 30 members. Most of the new states now emerging will demand early entry into the club, regardless of whether the current members believe their admission to be economically and politically justified.

In addition to recent applications by long-established democracies like Austria and Sweden, for instance, the two northern secessionist states of Yugoslavia, Croatia and Slovenia, both want to be taken under the E.C.'s wing. With the southern republic of Macedonia now also seeking to secede, few people believe that war-torn Yugoslavia will ever be put back together again as a single nation. If Yugoslavia splits up, there are fears that Czechoslovakia could divide into separate Czech and Slovak entities.

To the north, the creation of three new Baltic states—Lithuania, Latvia, and Estonia—is already assured. The successful bid for independence by the Baltic states is already having a profound effect in other corners of the continent, by encouraging others—perhaps less well-qualified for nationhood—to try to follow suit.

On the western European edge of the Soviet Union, the Ukraine and Byelorussia have declared their independence. So has the republic of Moldavia, wedged between Romania and the Ukraine's southern border.

In Central Asia, Georgia and Armenia are heading in the same direction. And an explosion of ethnic tension in one state can easily threaten its neighbors. Some Greeks, for example, fear that Yugoslav Macedonia may try to set up a separate state incorporating the Greek province of the same name. Similar fears have spread throughout the rest of the Balkans, where ethnic and national boundaries rarely coincide.

As the monolithic Soviet empire collapses, smaller and smaller ethnic units are seeking to have their say over their own futures. Tiny Moldavia (population 4.3 million) is a microcosm of what is happening throughout the region. Hitherto a relatively obscure outpost of the Soviet Union, Moldavia wants to merge with Romania, with which it shares a common ethnic heritage. But, before that, Moldavia wants to become an independent state with its own currency and armed forces. And small though it may be, secessionist Moldavia is threatened by its own even smaller separatist movements.

A 700,000-strong Russian-speaking zone along the frontier with the Ukraine has declared its independence from Moldavia as the self-governing Republic of the Oniestr (the name of the river that flows through it to the Black Sea). Just to the south lies the Turkish-speaking enclave of Gagauzia, whose leaders also want to secede from Moldavia. In Georgia, the Ukraine, and Byelorussia there are Russian minorities who want to stay with Russia—just as the Serbian minority in Croatia has been fighting to stay with Serbia.

Such pressures are less acute in Western Europe, where the population pattern is less of a jumble—and where democracy has allowed steam to escape from ethnic pressure cookers like the Belgian linguistic dispute between the Flemish and Walloons.

But even in Western Europe the tremors are being felt. In September, Catalan nationalists in northeastern Spain cel-

brated their national day by parading through the streets of Barcelona bearing placards proclaiming: "Independence is possible." Less than two weeks later, in Britain, representatives of the Scottish Nationalist Party demanded independence for Scotland by 1993. Both Catalonians and Scots cited the successful breakaway of the Baltic states as demonstrating that their demands were achievable.

Ironically, among the major Western European countries, it is the three oldest nations, Britain (or, depending on your viewpoint, England), France, and Spain that seem most vulnerable to these pressures. In Britain, Welsh and even Cornish nationalists should be reinvigorated by their Scottish counterparts. Northern Ireland, where a Catholic minority wants to leave the United Kingdom and join the Irish, is a case by itself.

The pressure could also mount in France, where Basques, Bretons, and Corsicans all have active nationalist movements. One French newspaper has published a map showing the whole of the Languedoc, the southern part of the country that used to speak a slightly different language, as a potential breakaway region. Spain has not only Basque and Catalan nationalists, but Galician and Andalusian as well.

In Austria, Tyrolean nationalists are demanding reunification of their picturesque Alpine region with the South Tyrol, or Alto Adige, a largely German-speaking former part of Austria that was handed to Italy after World War I.

There are also fundamental differences between France and Germany over how the E.C. should deal with the growing list of new applications for admission. France wants the Community to strengthen its institutions and move closer to economic and political union before accepting new members that could slow down or alter its direction.

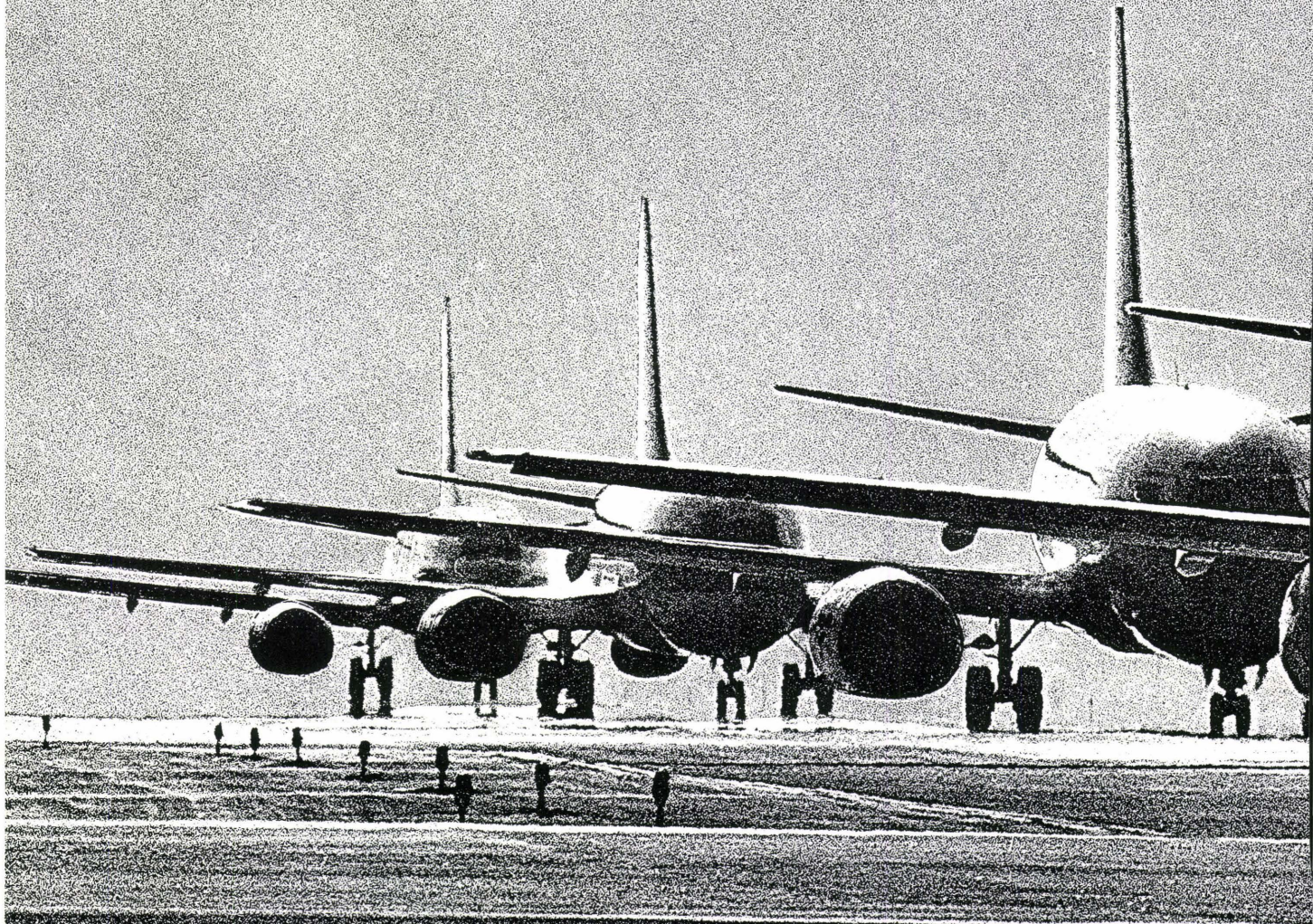
France clearly wants the E.C. to be strong enough to withstand the shock of enlargement. But Paris is also concerned that a flood of new Central European entrants, with closer links to Germany than to France, could weaken French political leadership in the Community—as well as pose a threat to vital French economic and especially agricultural interests. Rather than admit the Eastern European countries immediately into the E.C., Mitterrand has called for a Europe-wide confederation in which the future economic, political, and cultural shape of Europe would be determined.

Germany, conversely, would like to see its historical trading partners in Central Europe inside the E.C. in a reasonably short time. Germany's weight in the Community is now such that it is less concerned than France about the need to further tailor the E.C. institutions to suit its interests.

Britain, for its own reasons, falls more into the German camp (as do some French conservatives). A number of British politicians, above all former Prime Minister Margaret Thatcher, have long supported the extension of the E.C. to Eastern Europe, in the hope that the Community would be so diluted that it could never become the kind of federal "superstate" that many Britons fear.

But not everyone agrees that that would necessarily follow. On the contrary, some advocates of a more closely integrated Community argue that the expansion of the E.C. to 20 or 30 members would require stronger, rather than weaker, central institutions, and further surrenders of national sovereignty. According to this argument, the national veto could not be retained in any form if a Community of such a size were to oper-

THE MAP OF  
EUROPE IS  
ONCE AGAIN IN  
TRANSITION.



Here's good news for travelers everywhere:  
GPA has its 100th new Boeing airliner.

GPA Group plc, the world's largest aircraft leasing company, recently took delivery of a new 737-500, the 100th new Boeing airliner in its fleet.

The twinjet airplane was flown to Guangzhou in the People's Republic of China to begin

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GPA was the first lessor to place new aircraft on operating lease in China, an increasingly important market.

GPA, with headquarters in Shannon, Ireland, has 97 airline customers in 46 countries.



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Boeing congratulates GPA on its growth and extends best wishes for continued success.

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# Mapping Europe's History

**T**hroughout the Continent's turbulent past, the map of Europe has rarely stood still. Settled by wave upon wave of aggressive peoples pushing West, Europe has been wracked by conflicts between competing ethnic, religious, and linguistic groups.

The period of stability since World War II is the exception rather than the rule. For nearly 50 years, Europe has enjoyed one of the longest periods of peace since the height of the Roman Empire—the most formative period of its early history.

Despite nearly 2,000 years of turmoil since then, the outlines of the Roman Empire can still be traced on today's map of Western Europe.

Because the main Mediterranean centers of the Empire—Italy, Spain, and France—are Catholic and historically more inclined toward authoritarianism, their languages are directly descended from Latin. To the north, outside the Empire (or in Britain's case, half in, half out), Protestants are in the majority, democratic traditions are often stronger, and the languages are largely derived from "barbarian" tongues.

The contentious "language line" in Belgium, dividing French-speaking Walloons (Romans) from Dutch-speaking Flemings (Barbarians) is essentially the frontier of the Roman Empire—moved slightly further south in the Empire's closing days by invading Germanic tribes.

Antagonism between France, inside the Empire, and Germany, outside it, has been at the heart of three major wars (two of them world wars) in the last 120 years. Indeed, Franco-German hostility was still considered the main threat to European peace by the E.C.'s "Founding Fathers" in the 1950s. The E.C., in fact, is the first major effort to unite Europe by peaceful means—rather than by military alliance, conquest, or at a post-war conference table.

After the decline of the Roman Empire in the fifth century A.D., the map of Europe shows lesser empires rising and falling—from Charlemagne to Napoleon to Hitler, via the Hapsburgs and Ottomans—all of them acquired by military might and all of them ultimately brought down by it. Around 800 A.D., for example,

Charlemagne's Frankish Empire stretched from northern Spain well into what is today Eastern Europe.

In 1812, the whole of today's France, Belgium, the Netherlands, and parts of Germany, Italy, and Spain were all governed directly from Paris. Virtually all of the rest of continental Europe was either ruled by Napoleon's family or dependent in some way on his empire.

But to any student of European historical maps, the most remarkable shrinking and expansion over the centuries has been that of Germany. The Medieval German Empire of the 13th century included large swaths of Eastern Europe, France, Italy, the Netherlands, Belgium, Austria, Switzerland, and, of course, Germany itself. By the 17th century, Germany had fragmented into an extraordinary mosaic of tiny parts, which by 1648 numbered 234 distinct territorial units, 51 Free Cities, and innumerable estates of Imperial Knights.

With the rise of Prussia in the 19th century, Germany unified and expanded again, only to shrink and expand and shrink again in the 20th century. Now Germany, with East-West unification, has once again expanded as a single nation.

In the early 20th century, states such as Estonia, Latvia, Lithuania, White Russia, the Ukraine, Georgia, Armenia, and Azerbaijan briefly emerged as independent states only to disappear again. Now many of them are re-emerging.

Yugoslavia, created in 1919, lasted much longer, but now appears to be disintegrating.

On a pre-1914 map of Europe, it would have been hard to pick out the outlines of today's Austria, Hungary, Czechoslovakia, Poland, or Finland. In this century, at least, it has been the frontiers of Eastern Europe that have changed the most. And today, as the Soviet Empire disintegrates, the process has once again resumed.

Even after the latest round of border realignment is over, it would be rash to conclude that the map of Europe has attained its final, definitive shape.

—Reginald Dale

ate effectively, and the influence of individual national governments in the central institutions would generally have to be reduced. At the same time, in a genuinely federal Europe, as the authority of national governments diminished, more power could also devolve downward to regional and local governments, meeting the aspirations of regional ethnic groupings for a greater say in their own affairs.

But there is little agreement on when—or how—to tackle these issues.

What is clear is that once the doors are opened—perhaps with the admittance of Austria and Sweden, whose membership credentials are widely accepted—there will be a mad rush for entrance. Waiting in the wings are Finland, Norway, Iceland, Switzerland, and probably soon the Baltic states, too. Turkey, Cyprus, and Malta have already said they want to join.

In Eastern Europe, Poland, Hungary, and Czechoslovakia are generally considered to have priority. But if they join the Community, how can Romania, Bulgaria, and Albania ultimately be refused? And something will have to be done for the Yugoslavs in some shape or form. And if Turkey joins, what about Georgia and Armenia? All that will in turn quickly lead to one of the biggest questions of all: What should the E.C.'s relations be with Russia, or whatever is left of the Soviet Union?

Ironically, the Soviet Union is trying to save itself from disintegrating by becoming an economic and political union of autonomous states not unlike the kind of union that has long been the aim of integrationists in Western Europe. The Soviet Union and the E.C. are now both trying to approach roughly the same goal from opposite directions. Some European idealists see two great sister unions, the European and the Russian/Soviet, stretching across the great Eurasian landmass from the Atlantic to the Pacific.

But it would be a brave, or foolish, person who claimed to know what the map of Europe will look like 10 years from now. **E**

Reginald Dale is Economic and Financial Editor of the *International Herald Tribune* and a contributing editor to *Europe*. His last piece, "Changes in the Wind," appeared in *Europe's* September 1991 issue.



# Regional Strategies for Success

**ONE SIZE DOES NOT FIT ALL. LIKE THE INTELLIGENT consumer, the corporate world wants choice. Every business has a different set of requirements and its own strategy for success. The E.C.'s single European market has focused business' attention on the specific advantages and opportunities offered by the various regions of the Community. Each region offers its own mix of advantages in labor cost and productivity, access to raw materials and to markets, and availability and cost of facilities. Determining the best mix for each business is a real challenge, as a recent Ernst & Young study, *The Regions of the E.C.*, makes clear.**

Location has been a hot topic for study ever since the E.C. decided to become a single market. However, geographic centrality is not the only or the most sophisticated way to select a location. Guardian Industries, a Michigan-based glass manufacturer, opted for a central production facility in Luxembourg that feeds distribution centers in economically active regions. Grain and commodity firms, such as Cargill, logically selected prime operational locations at the E.C.'s Benelux ports. General Motors has operating companies in its main markets and assembly plants in selected cities. And as the economic shape of the Community evolves, companies will want sophisticated tools to decide where to locate for maximum advantage. Focusing on the regional level offers that advantage.

The Ernst & Young study looks at the Community's regions across a range of economic indicators such as inflation and income levels. Companies with a Europe-wide market will not necessarily decide where to locate solely on the economic conditions of their headquarters' country. Access to labor, tax considerations, and

rate of growth are also important. So are efficiency of the work force and wage levels. For example, by total national output per employed person, the Netherlands, France, Belgium, western Germany, and Luxembourg did better than the E.C. average. But in terms of average annual real

*Europe's Diverse Regions  
Provide Business  
Opportunities*



**The North Sea port of Hamburg, which is also connected to the Elbe River, is vital to trade in northern Germany.**

On the threshold of the 1990s, Hamburg is in the midst of a dynamic upward trend. German unity and the accomplishment of the E.C. internal market by the end of 1992 have again shifted Hamburg into the heart of Europe," as Henning Voscherau, the city's Mayor, puts it. "Finally the free port of Hamburg can once again fulfill its natural function as a North Sea port for the entire economic region of the River Elbe in West and East," the Mayor says.

The Free and Hanseatic City of Hamburg—although almost 1,300 years old—is a modern, 20th-century city with some 1.6 million inhabitants. The Great Fire of 1842 devastated one-third of the city, and during World War II much of the historical substance was also destroyed, so the city has few medieval buildings and monuments. Hamburg, crisscrossed by river branches known as "fleets" and canals, linked by some 2,400 bridges (Venice has only 600) has one characteristic in common with Venice—it is built on piles. Today it is a showplace of modern architecture. The showpiece in the middle of the city is the Alster Lake—the Inner and Outer Alster, larger than the Principality of Monaco, is a paradise for sailing enthusiasts, rowing, and paddle boats.

Moreover, Hamburg is a shopping metropolis, with the largest number of covered shopping arcades on the Continent. The real heart of Hamburg's mercantile maze under glass and marble is still the Hansa quarter. Outside, a whiff of London, inside a touch of Florence.

"Their customs are English and their food is heavenly," said the poet Heinrich Heine 200 years ago. And, indeed, gourmet restaurants, adorned with food guides' "stars" and "forks," excellent fish restaurants in the port, and cozy taverns with local cuisine abound. Hamburg is also the greenest metropolis in Europe. Almost half of its 294 square miles consists of parks, green expanses, forests, moorland, and heath.

The performing arts, such as theaters, opera, ballet (John Neumeier's famous ballet company), and the musical scene have an

excellent reputation by international standards. Hamburg's schools, universities, and research institutes are likewise highly regarded.

Hamburg's great potential as an economic center is clearly illustrated by the fact that some 880,000 people have jobs out of a total population of 1.6 million in the city itself and 2.8 million in the greater Hamburg business quarter, which radiates 40 kilometers from the city and includes large areas of Schleswig-Holstein and Lower Saxony.

Before World War II, the Elbe, not the Rhine, was Europe's busiest waterway. Now that the Iron Curtain has fallen, efforts are being made to reactivate the River Elbe. The Mayors of Hamburg and Prague have already signed a joint declaration to this effect.

With Germany's unification on October 3, 1990, and the opening to the East, Hamburg sees increasing chances for itself as a turntable of the north and the east, as a port for the newly developing economic region of the Elbe, and as a hub of the three European markets. Mayor Voscherau points out that Hamburg is a highly modern "economic engine" of the North. He calls it "a city that has successfully accomplished the necessary structural changes and has finally regained its economically interesting location."

In the past, Hamburg had a very important, traditional industrial structure—almost a mono-industrial structure. In response to the changes in the economic environment (for example, the shipbuilding crisis of the 1960s and the two oil crises in 1973-74 and 1979-80), Hamburg has made enormous efforts to modernize and diversify its products. The shipyards have switched their activities toward offshore and environment technology. Hamburg's business structure today includes banking and insurance, the aircraft and electrotechnical industries, publishing, broadcasting, and television. Hamburg has grown from a mere port town to an international metropolis with a thriving port.

The port continues to be a mainstay of the economy and accounts for about

140,000 jobs. Not only is Hamburg one of Europe's principal transit ports, but it also ranks among the 10 leading container ports worldwide.

After industry and trade, the media sector makes up the third largest part of Hamburg's business world pulling in 22 billion German marks, or \$37.4 billion, annually. No fewer than 14 out of 20 of the highest-circulation German newspapers and magazines are published here. Film, radio, television, and printing have more than 35,000 employees.

According to a recent study, "Effects and Accomplishment of the E.C. Internal Market, German Unification, and the Opening of the Eastern European Markets for Hamburg," the Free Hanseatic City stands a good chance of becoming one of the large European economic centers. The study, by the Institute of Economic Research, Munich, and Kienbaum Consulting Firm in Düsseldorf concludes that Hamburg has a balanced, multifaceted economy and that an overwhelming number of Hamburg's companies see many possibilities in the new political changes.

According to the study, German unification offers even more opportunities than the E.C. internal market. The opening of Eastern Europe, on the other hand, will bring economic advantages only in the long term.

The study highlights Hamburg's attractive location, cosmopolitan flair, and high standard of living, but it also points to such weaknesses as serious housing shortages, rising rents, unavailability of industrial sites, and shortage of skilled labor. Companies also complain about bureaucratic obstructions for new investors.

In 1986, ex-Chancellor Helmut Schmidt lamented that his native city Hamburg was "a sleeping beauty." "That was a long time ago," says Rainer Rohde, the Senate's press spokesman. "The sleeping beauty is wide awake and facing the world with a broad smile."

—Wanda Menke Glückert is a freelance writer based in Bonn.

growth in output per occupied person, Portugal and Ireland (at about 3.25 percent), and Italy and France (better than 2 percent) exceeded the E.C.-wide average.

Each E.C. country has its own strengths and weaknesses for firms wish-

ing to establish operations in Europe in anticipation of the single market. A look at each country follows:

**Belgium** earns high marks for its central location. Brussels and Vlaams Gewest rate in the top 10 regions for research and

development centers and are also preferred locations for European headquarters, distribution centers for the E.C., and major energy-using manufacturing processes. Brussels scores in the top 10 for such factors as a strong local market, de-

## Portugal

Portugal may be one of the E.C.'s poorest members, but it boasts the fastest growing economy.

National elections are scheduled this month, and predictably, the issues will focus on the country's growing pains. High taxes and interest rates, acute housing shortages, and inadequate services are top billing for this year, says Marques de Costa, the Lisbon-based spokesman for Portugal's Socialist Party. The 20-year-old party is the country's most powerful opposition party.

While the Socialists have a slim chance of winning the fall elections, their concerns will not disappear after the limelight of campaign politics fades.

De Costa emphasizes that Portuguese life since the country joined the E.C. has improved markedly. The current Government must address the challenges of Portugal's struggle to reach the level of older, more developed members.

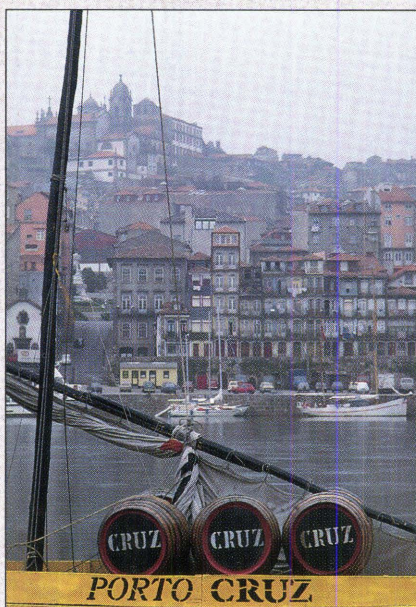
Portugal's membership in the E.C., effective in 1985 after 10 years of negotiations, has afforded the country vast improvements in infrastructure—roads, tunnels, bridges, telecommunications, and the like—and a more efficient economy because of such improvements.

The flow of money from Brussels has literally changed the Portuguese landscape. The Community's financial and technical support can be seen everywhere throughout the country; signs are posted at construction sites and industrial areas where E.C. funds and support have been contributed.

High interest rates—hovering around 25 percent—are a double-edged sword. They provide a favorable return on investments so the domestic savings rate is substantial. But high rates also make borrowing prohibitive, so only the privileged few can afford their

own homes, start their own businesses, or expand existing enterprises.

The Portuguese have enjoyed increased social mobility, a direct result of Portugal's growing economy. Mercantilists and a service sector have emerged to capitalize on new contracts; workers have gained higher



Portuguese industry has benefited greatly from E.C. financing.

wages. A larger selection of higher-quality goods are available, and people are buying them for the first time, says De Costa.

The unemployment rate is testimony to Portugal's success with the Community. It now stands at 4 percent; it was 20 percent before Portugal joined the European Community. "But that doesn't mean our classic industries have been restructured; that they're efficient compared to those of our European partners," cautions De Costa. Textiles and leatherworks, both labor-in-

tensive sectors, represent 30 percent of the country's production base. Labor-intensive industries "were not a problem before we joined the E.C.," he says, "but now we have to pay our workers wages on the E.C. level. When we had cheap labor, we were competitive; today we're not."

Portuguese farmers, who have seemingly planted every millimeter of tillable soil, are anxious for more E.C. advantages. "They don't want subsidies or price controls but access to the same production conditions as the other E.C. farmers," says De Costa. Fuel prices and interest rates for Portuguese farmers are higher than elsewhere in the Community; the level of technological expertise and hence production levels are lower. "Our agriculture population is very old," he adds. "There's no incentive for the youth to stay."

Literacy rates are another telltale sign of progress. In 1974, up to one-quarter of the population could not read or write; today the illiteracy rate is down to 15 percent.

Most of the Portuguese discontent can be traced to its pre-E.C. membership days. Today, the Portuguese are understandably guarded about sharing E.C. membership and resources with Central and Eastern Europe. They are joined by Spaniards and Greeks in their concerns that the newcomers' needs will absorb E.C. investment capital and financial aid that current members would otherwise receive. The Portuguese are also concerned that the E.C. market will not have the absorptive capacity for their goods and services.

—Amy Kaslow reports on domestic and international economics for *The Christian Science Monitor*. Her article on xenophobia appeared in Europe's September 1991 issue.

veloped service sector, and high growth and productivity with low labor costs. Belgium does not rank among the top 10 regions as a location for a greenfield manufacturing plant, a large and educated work force, or for low taxes and high incentives to locate there.

**Denmark** ranks among the top 10 regions as a location for a European headquarters and for a strong service sector. During the past five years, Denmark has maintained a tight rein over real earnings,

while its real unit labor costs have fallen by an average of about 7 percent over the past decade. The new bridge planned between Denmark and Sweden is likely to change Denmark's role in transportation, communications, and service of the northern Scandinavian countries.

**France** encompasses a wide range of economic climates. Nationally, France exceeded the E.C. average of total national output, as well as average annual real growth in output per occupied person.

France's Sud-Ouest region ranks among the top 10 regions as a location for a greenfield manufacturing plant. While its Champagne-Ardennes region is the closest to the Community's economic center, suggesting advantages in distribution, the Ile de France region actually ranks among the top 10 as a center for European distribution.

Although its Nord-Pas-de-Calais region, bordering Belgium's Wallonne, had one of the E.C.'s lowest economic growth rates,

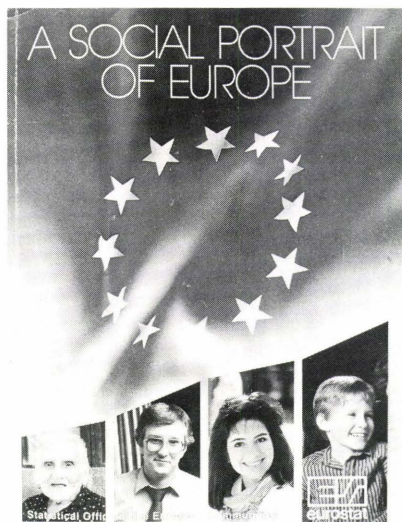
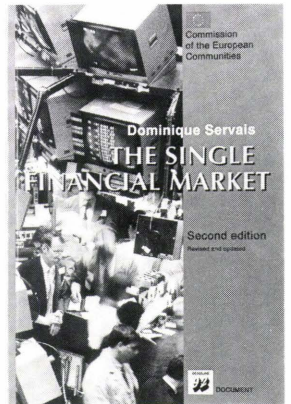
# A CHANGING EUROPE

## The Single Financial Market

The free movement of capital is one of the foundations of the European Economic Community in the same way as the free movement of goods and services. Yet progress, to date, has been minimal.

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1991, 63pp, Pbk, ISBN 92-826-0256-7, \$10.00



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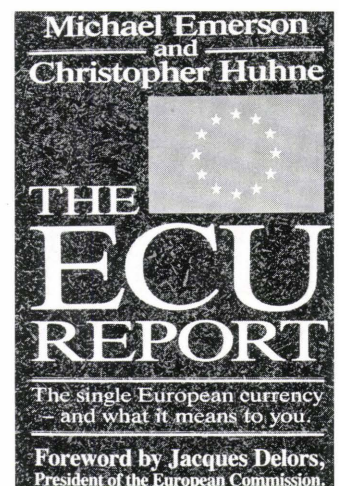
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the completion of the Channel Tunnel, and related highways and rail links, promises to give that region strong growth impetus, especially in the distribution sector. Ile de France also ranks among the top 10 regions for its strong local market, for its service sector, as a center for research and development, and as a location for a European headquarters. Ile de France ranked among the top 10 as a location with high growth and productivity with low labor costs. Along with Sud-Ouest, it also was considered a good location for a major energy-using process.

**Germany** began and completed its political unification as the Ernst & Young study was being written. Looking, therefore, only at the pre-unification data, Germany ranked high for its economic strength, strong local markets, and total national output per employee. There are regional variations, however. Baden-Württemberg, Bayern, and Hessen stood out in the first tier of E.C. regions for their strong economic performance in the 1980s. Although not yet measured in official statistics, Germany's eastern region of Saxony is apparently experiencing strong growth as a result of unification.

What are Germany's regional strong points? Hamburg and Hessen both ranked among the top 10 regions as R&D centers and as locations for European headquarters, along with Berlin and Nordrhein-Westfalen. Berlin, Bremen, and Hamburg all stood out as locations for Community-wide distribution centers, as well as for their strong local markets. Hamburg stood out for its service sector, as well as for high growth and productivity coupled with low labor costs. Hessen was notable for strong local markets and low labor costs.

**Greece** ranks high as a location for a greenfield manufacturing plant, with both Kentriki Ellada and Voreia Ellada making the list of the top 10. As its complete integration into Community programs draws near, additional advantages, especially for access to the eastern Mediterranean region, will increase. At present, Voreia Ellada comes near the top 10 as a location offering low tax and high incentives together with low labor costs. The region ranks above the E.C. average for average real annual growth in output in the 1980s. In addition, the country's total tax regime puts Greece in fifth place in the Community in terms of corporate taxation. Greece does not levy local taxes on companies.

**Ireland**, although on the geographic fringe of the Community, was the E.C.'s fastest growing economy in the 1980s; its

average annual real growth in output per occupied person (about 3.25 percent) far exceeded the E.C.'s average of 1.70 percent. After Greece, Ireland saw the greatest decrease in real unit labor costs. Ireland ranks among the top 10 regions as an

*Each region  
offers its own raw mix of  
advantages....*

R&D center, as a greenfield manufacturing plant location, as a location for a major energy-using manufacturing process, and for its large, educated work force, service sector, high growth and productivity with low labor costs, as well as for low tax coupled with high incentives to locate there.

**Italy**, from north to south, offers diversity of opportunity. Its Lombardy, Nord Est, and Emilia-Romagna rank in the second tier of economically strong E.C. regions. Its annual growth in output per occupied person of better than 2 percent puts Italy ahead of the E.C.-wide average.

Sicily stands out for its large, educated work force, low tax, high incentives, and low labor costs. Lombardy shines for its strong local market as well as, along with Lazio, for high growth and productivity with low labor costs.

**Luxembourg**, at the Community's center, also did rather well during the 1980s on such economic indicators as inflation, income levels, and total national output per employee. Also, the Grand Duchy's average annual growth rate over the 1980s was better than 30 percent above the E.C. average. Not surprisingly, Luxembourg ranks high as a strong local market. Although boasting a population of about three-quarters of a million, Luxembourg still ranks among the top 10 regions as a center for research and development. Home to a major steel producer, the study considers Luxembourg a leading region to locate a major energy-using manufacturing process.

The **Netherlands** is among the economically strongest regions of the E.C.; its work force exceeded the E.C. average for total national output per employee, as well as exhibiting one of the Community's greatest decreases in real unit labor costs during the 1980s. The Netherlands' key asset is proximity to the center. It exploits its location in developing its role as a distribution point. Three of its regions

(Oost-, West-, and Zuid-Nederland) rank among the E.C.'s top 10 as distribution centers. Noord- and West-Nederland also score high on R&D, and West-Nederland as a location for a European headquarters.

Noord-, West-, and Zuid-Nederland rank among the top 10 for their large, educated work forces, while the entire country scores high as a location for a major energy-using manufacturing plant.

**Portugal** ranks well for its economic soundness. It is one of the E.C.'s fastest growing economies. Its Norte do Continente and Sul do Continente regions made the list of the E.C.'s top 10 as locations for greenfield manufacturing plants, while Sul do Continente also scored high for its large, educated work force, as well as high growth and productivity with low labor costs. Both regions also scored high for low tax, good incentives, and low labor costs. Combining output and wages figures over the last decade, Portugal had the E.C.'s greatest decrease in real unit labor costs.

**Spain** is another of the E.C.'s fastest growing economies, and it is a key country for labor-intensive manufacturing operations. Two of Spain's regions, Centro and Sur, score high as locations for a greenfield manufacturing plant. Those two regions, plus the Canary Islands, also score in the top 10 for a large, educated work force. Spain also saw one of the E.C.'s greater drops in real unit labor costs over the 1980s. The Canaries' average real annual growth in output was more than 30 percent greater than that of the Community as a whole in the 1980s.

The **United Kingdom** ranks high for its service sector: four of the top 10 regions on this criterion are in the United Kingdom: North East, Northern Ireland, North West, and South East. The South East region scores high on many other points: as a research and development center, as a location for a European headquarters, as a distribution center for the E.C. market, for having a strong local market, and for high growth and productivity with low labor costs.

Northern Ireland ranks among the top 10 E.C. regions as a location for a greenfield manufacturing plant and for having a large, educated work force. **E**

Robert D. Haslach is a freelance writer in Washington, D.C. His last article on quincennials appeared in *Europe's* September 1991 issue.

# Bruce Millan

**B**ruce Millan, the E.C. Commissioner responsible for regional policies, was interviewed last month by Robert J. Guttman, Editor-in-Chief of Europe. Millan was previously Scottish Secretary between 1976 and 1979 in the last Labor Government in the United Kingdom. He is an accountant by training.

*Millan speaks out on regional policies with regard to the 1992 single market, infrastructure, Eastern Europe, the Soviet Union, and the unified Germany.*

**The 1992 single market will bring about change in every field. There will be winners and losers. Will certain regions in Europe become more prosperous as a result of the single market, and will some regions decline because of a lack of investment?**

Obviously, what we hope is that every region will become more prosperous as a result of the single market. However, it is also true that the poorer regions and those with the greatest deficiencies in investment, infrastructure, and so on always risk being left further behind.

It's impossible to indicate at individual regional levels which will be likely to benefit most and which will be at most risk, but you can say that the regions in the poorer countries of the Community—such as Greece and Portugal—have a bigger challenge to meet in the single market. It's the intention of the structural policies that we are operating at the moment to give [these regions] the necessary help to meet that challenge.

Indeed, it was because of the single market and the feeling that some of the poorer regions could be left further behind that the so-called structural funds—the Regional Development Fund, the Social Fund, and a bit of the Agricultural Fund—were agreed to be doubled in real terms in the five years up to 1993, and we're in the process of

putting that into operation at the moment. So, at the end of the day, some will certainly gain more than others, but we're trying to see that everybody gains and, in particular, [that] the poorer regions are not left further behind.

**Could you elaborate a little on the structural funds?**

The Regional Development Fund is fairly clear. It deals with regional development. It's involved, first of all, in helping with infrastructure, particularly in the areas where the basic infrastructure is very poor, and that again tends to be the poorer areas. We can help with all kinds of communications, road, and rail, but also basic services like energy.

Telecommunications are very important at the moment, and so is helping small industrial firms, helping to establish new factories, new workshop units, and generally helping in regional development. Tourism development is a very important aspect these days. But that is the regional front, and we're largely concerned, although not exclusively, with capital expenditure.

The Social Fund is slightly misnamed. It has to do with training and human resources. Again, it helps the poorer regions of the Community, those that have suffered high losses in old industry, for example, through the training of young people and, indeed, also of adults to improve the human resources in the areas concerned.

The Agricultural Guidance Fund side of this is concerned with rural development, particularly with problems in rural areas, which tend to get more acute as the reform of the Common Agricultural Policy will reduce even further the number of people employed in agriculture in the Community as a whole. There are some particularly vulnerable areas from that

*The E.C.'s Commissioner for Regional Policies Discusses the Single Market, Eastern Europe, the Soviet Union, and Unified Germany*

point of view, areas with particular difficulties with the soil, climatic reasons, and so on. These areas are eligible for special assistance for rural development. Again, we need to provide alternative employment out of agriculture—craft industries, small and medium-sized enterprises—improving the infrastructure, and generally providing alternative employment in the rural areas.

**What are the various regions doing to attract American and Japanese companies?**

The initiative for this is very much at the member-state and the regional levels. You will find that, in most member states in the Community, the regions and, in some cases, government agencies are actively involved in trying to attract investment from outside, particularly from the United States and now increasingly from Japan.

There's a long history of this in a country such as my own, the United Kingdom, which has a large number of American companies established there and now has a considerable number of Japanese firms. But that is also increasingly true in the rest of the Community. There has been a lot of Japanese investment in recent years, and most countries are anxious to welcome that, so they do their own "publicity campaigns" and lobbying for that kind of investment when they know it's available.

There are many factors that attract outside investment. A welcoming environment in the widest sense is probably the most important. In other words, you don't invest in a place unless you know you're going to be welcome there. That's fairly basic.

But as well as being welcome in that sense, you need a good business environment. More and more emphasis is being placed on infrastructure, particularly telecommunications. There is also an emphasis on either a trained work force or a highly qualified, highly educated work force available. At the very least, good training facilities need to be available so that if you have to train people for your particular specialty, you know that the authorities will make the facilities available.

For example, there's a very big Ford-Volkswagen investment project in Portugal that has gone to what has been a badly hit area of Portugal with high unemployment and loss of traditional industry.

They're getting financial assistance from the Portuguese Government—partially reimbursed by the Community, which has been very important—but they've also got understandings about some infrastructural improvements that are required in the area (it's not very far from Lisbon). They also have an agreement with the Portuguese authorities about the training facilities that will be made available for the people who are going to be employed in this car plant.

All these things come into play, and most member states at the national level—and certainly this is true of the regional level—are active in encouraging foreign investment if they think it is going to be good for their economy. Investment from the United States and Japan is, in most places, looked upon as very good for the local economy.

**In the United States there's quite a bit of competition between the various states to get European firms' and Japanese firms' investment. Is there competition between the E.C. countries to attract foreign investment?**

Yes, there is a good deal of competition. Again going from my United Kingdom experience, one of the things we try to do is to prevent [competition from] being wasteful by bidding up financial incentives, for example. Since these incentives are controlled at the Community level, there is a certain restraint on that. But some healthy competition between regions is good. There is no reason why in a particular country you shouldn't have a number of different regions all actively involved in attracting foreign investment and therefore, to that extent, competing against one another, as well as competing against regions in other member states.

**Which are the most prosperous regions in the European Community?**

The most prosperous regions are obviously in the northern bit of the E.C., basically in Germany, but also in the south-east of England, in some parts of France, in the Netherlands, and in the north of Italy. A region like Lombardy is very prosperous. They are regions that traditionally either have been strong in economic terms or have adjusted over the last 20 years or so to new economic circumstances and have developed very thriving economies at a regional level, particularly in areas of new technology.

For example, we're now getting some of the areas in the south of France very much involved in the high-technology field. Without listing the 10 most prosperous, these are the kind of areas that are certainly very prosperous: areas in Germany, for example Hamburg; areas in Italy, such as Lombardy; the southeast corner of England; and so on.

The poorest of course are basically in Greece and Portugal, but [there are] also [some] in Spain.

**What kind of assistance are you giving Greece, Portugal, and Spain?**

The structural funds are very much weighted to the least-prosperous regions of the Community. They are listed as so-called Objective One regions and get the bulk of the funding. Out of the total that goes to all the regions of the Community, about 65 percent at the moment, just about two-thirds, goes to these poorest Objective One regions.

They include the whole of Greece, the whole of Portugal, the whole of Ireland, Northern Ireland in the United Kingdom (which is really above the threshold that we use but it has special political problems), the Mezzogiorno in Italy, most of Spain, and the French Overseas Departments, along with Corsica. These are the areas that are considered to be the least prosperous, and they get the bulk of the structural funds support.

**Are any of the least-prosperous regions now self-sufficient because of E.C. funding?**

Without mentioning names, several have gone above the threshold. But, apart from these individual cases, if you look at the experience of the four least-prosperous countries of the Community in the last five or six years—in ascending order Greece, Portugal, Ireland, and Spain—you will see that three of these, Portugal, Ireland, and Spain, have all had growth rates higher than the Community average. Greece, unfortunately, has gone a bit further back. The assistance we have been giving has helped this growth rate. What we want to do is to maintain this kind of improved growth rate in these countries. It has to happen, or they will never catch up. If you're starting as Greece is now, from say 52 percent of the Community average, you really have to grow appreciably stronger over a long period of years before you catch up in any significant way. Portugal, Ireland, and

Spain have been doing rather well in recent years, and we want to try and sustain that.

**What's the E.C. doing to help the Eastern European countries now that they're moving to market economies?**

We have a very large program of assistance there. That's additional assistance by the way. It doesn't compare incidentally with the scale of the assistance that we're giving in the least-prosperous regions of the Community itself.

Apart from the assistance that comes from the Community, we are also coordinating the assistance from the group of 24 nations, including the United States. We started with Poland and Hungary, and that has been extended to Czechoslovakia, Romania, and Bulgaria. We have also been helping Yugoslavia over quite a long period, which is rather more difficult at the moment because of the political situation. However, all of these countries are getting assistance one way or another from the Community to help them modernize their economies. In some cases they are also receiving what one could describe as emergency aid in the form of food and the rest, but basically they're all part of the so-called Phare Program, which the Commission is managing.

We've also entered into association agreements with some of these countries. These are trade agreements, so it's not just aid. It's also seeing how far we can open our markets to their products with reciprocal benefits to the Community as well. There's also a lot of technical assistance as well as just money being made available because they really do need a considerable amount of advice on how they can move to a market economy. There's no point in just putting money in unless you know it's going to be well used. That's where the technical assistance comes in.

The Soviet Union is a special case. There have been agreements on food aid and technical assistance for the Soviet Union as well. But that's at a rather earlier level. You know what was decided at the G-7 meeting in London, and, of course, the potential demands of the Soviet Union would be huge compared with anything that we're doing in Eastern Europe at the moment. Neither the Community nor the other major powers in the world are very keen to take on too massive a scale of aid to the Soviet Union too quickly.

**Are you fairly positive that eastern Germany will be brought up to Community standards within**

**four or five years?**

Yes. The rundown so far has been quite frightening and obviously greater than anyone had expected. The unemployment figures are still increasing, particularly as they had been obscured to some extent

*“Portugal, Ireland,  
and Spain have all had  
growth rates higher than the  
Community average.”*

by so-called part-time employment, which, in many cases, was really unemployment under another name. So that will continue to be very worrying for some time yet.

However, my own feeling from a recent visit was a bit more optimistic, because there is a fairly solid base for economic expansion. I can't say how long it will take, but once the turnaround takes place, things will begin to move quite rapidly upward. They will, of course, be starting from a very low base.

**Portugal, Spain, Greece, and Ireland have voiced concerns that firms may decide to invest in Eastern Europe rather than in their countries. Do you think this may be a problem?**

It's always a possibility. If a multinational firm is looking for the next best place to put its investment, in some cases it's going to be looking to Eastern Europe in a way that two or three years [ago] it wouldn't. There hasn't been a tremendous diversion so far, and, indeed, the countries of Eastern Europe are saying: “We thought Western investment was going to pour in, but it's really only a trickle at the moment.” They complain that it hasn't happened in any significant way. It's much slower and less spectacular than they had expected, so I don't think that has made a big impact so far. However, it is true that it's another challenge for the E.C.'s poorer countries to demonstrate that they are attractive places in which to invest.

From a longer-term point of view, it will add to the competition for everybody if these economies begin to be attractive on a large scale to worldwide investment. It hasn't happened yet, but it's something that will eventually happen. If we can get the economies of the poorer E.C. countries sufficiently resilient and expanding, they can meet that challenge, but it is a challenge.

**Sweden, Turkey, Malta, Cyprus, and Austria have applied for E.C. membership. Other countries are talking about applying. What do you look for in nations when they apply? Are there regional infrastructural conditions that must be met?**

The conditions are basically the same for everyone: a basically free-market economy and a democratic government and other structures and [being able to] meet the demands of Community membership.

We will be looking at these other applications in the same way. We have looked at the Austrian one. I can't anticipate the outcome, but I would expect it will be favorable because Austria clearly could cope economically with the demands of Community membership, is willing to do that, and is a democratic country.

**When would formal negotiations start?**


The most likely start of formal negotiations with Austria would be in 1993, but that still has to be decided. In many ways, Sweden would be analogous to Austria.

**Could you explain subsidiarity and how it works?**

It simply means that we should not try to do things at the Community level unless we think that they can be more effectively dealt with there. Otherwise we should leave things to the member states to organize and manage. Similarly, at the member-state level, it carries the implication that you shouldn't do at the member-state level what can better be done at the regional level within the member states.

You will be familiar in the United States with that kind of argument, having a federal structure [yourselves]. It's an argument that is increasingly heard within the Community as well where we have a mixture of nations, some with a federal structure, some with a very centralized structure. The principle that we are trying to operate is the same. The subsidiarity principle: Don't do at a higher level what can better be done at a lower administrative or governmental level.

**Are you optimistic that the 1992 single market is on track?**

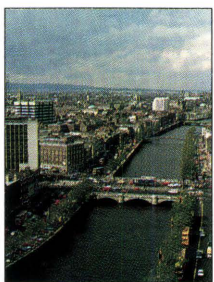
The single market is basically on track. The remaining problems to be resolved will be resolved on time. There will be a few regulations that will still be hanging fire at the end of the period. However, compared with the vast number that will have gone through and the political agreements that have been reached on the single market by the end of 1992, they will be a very small minority. 



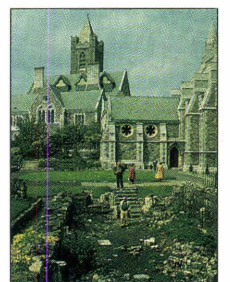


Scenes from Dublin

PHOTOS: IRISH TOURIST BOARD



**A**FTER THREE YEARS OF STEADY ECONOMIC growth, low inflation, and dramatic improvement in its public finances, Ireland is finding 1991 an unexpectedly difficult year as it begins the final countdown to the completion of the E.C. single market in just over one year's time.



*Ireland Remains an Attractive Manufacturing Base*

# IRELAND

## Legendary County Sligo

Half-Moon Bay, Dead Man's Point, Maeve's Mound, Lissadel, and Cloonacool all sound like place names in an imaginary world. But they actually exist—in County Sligo on the northwest coast of Ireland.

Not the rave of tour guides, who often dwell on the American favorites like Killarney and Blarney Castle, County Sligo is truly surprising. Its majestic, lonely landscape inspired much of the early poetry of William Butler Yeats. Indeed, Yeats is buried in Drumcliffe Churchyard at the foot of Benbulbin, the sheer granite plateau that rises suddenly about seven miles north of Sligo town, which you can reach by foot, a fantastic view of the shores of Sligo, Donegal, and Mayo stretches out before the eye, if the often-fickle elements cooperate. If you suffer from acrophobia, just concentrate on the alpine flora that grows in abundance in the mossy soil along the path to the top.

All around, the landscape tells a thousand ancient stories. Legend has it that Queen Maeve, the 1st-century warrior queen who went to war with her husband, is buried on the top of Knocknarea Mountain. Her wrath lives on, so superstitious climbers pay their respects by casting another stone on the heap of stones known as Maeve's Mound.

Besides culture, Sligo has lots to keep you entertained. It has some of the finest beaches in Ireland. Rosses Point, for one, is only five miles from the town. Its white, soft sand beaches are ideal for walking, and swimming is safe because the bay is sheltered from



When the weather cooperates, Benbulbin offers a terrific view of Sligo's shores.

strong Atlantic currents. There is also a Yacht Club that offers sailing courses to all levels throughout the summer. Golfers will enjoy Rosses Point golf course, which is rated as one of the finest in the country. And if you've worked up a hearty appetite after all that activity, or just want to relax in comfortable surroundings, stop by Austie's Pub in the village of Rosses Point for a tasty sea-

food meal. You can also admire the interior, decorated with all kinds of seafaring paraphernalia. For more upmarket dining, try Reveries, also in the village, but "a different kettle of fish" altogether. Owner Damian Brennan has created a menu that blends the best of Irish, European, and nouvelle cuisine.

Sligo is at the mouth of the Garavogue River, mid-way between Benbulbin and Knocknarea. The town has a population of around 26,000. Visitors should try to see the abbey, which was built in 1253 and bears many scars of the country's troubled past. The town is well worth visiting in August when Sligo hosts the International Yeats Summer School. At this time, local pubs—of which there is no shortage—turn into impromptu stages for budding poets reading their works. The best pubs to visit are Hargadon's on O'Connell Street, Kilfeathers on Grattan Street, and Thomas Connelly's near Hyde

Bridge. All have old interiors with dark wainscoting, flagstone floors, and "snugs," little compartments cut off from the main room where more serious drinking or courting can be pursued uninterrupted.

—Maeve O'Beime

The Government insists that the economy is "fundamentally" sound, but admits that the country does have "problems," mainly because neighboring Britain has been slower to come out of recession than expected and the United States' recovery has not been strong enough so far to give a badly needed boost to export-dependent economies like Ireland's. The slowdown has raised the country's unemployment rate to its highest ever as the traditional safety valve of emigration has, for virtually the first time in more than 100 years, failed to work.

Even in the best of times, Ireland, with the youngest population in the E.C. and its small industrial base, would have problems absorbing the flood of students leaving high school and college that comes on the market each year. This problem is now compounded by the continued shrinking of the traditional agricultural base and the return of thousands of jobless emigrants from Britain, who swell the welfare lines.

Nevertheless, the approach of 1992 continues to make Ireland an attractive manufacturing base for U.S., Japanese,

and other non-E.C. corporations. Ireland's geographical position on the periphery of the Community is a disadvantage when transport costs are taken into account but on the plus side are the low, 10 percent corporation tax rate and an exceptionally skilled, English-speaking work force. A large increase in technical training courses is due to substantial grants from the E.C. Social Fund.

The number of overseas companies in Ireland has now passed 1,000; more than

—Continued on page 26

# PROFILE

*There are high hopes that the Abbey Theatre production of Brian Friel's Dancing at Lughnasa will be the hit in New York this month that it has been in Dublin and London. The Abbey's chairman is NOEL PEARSON, Ireland's best-known impresario and now a successful film producer as well.*

*Pearson, 49, is Ireland's most dynamic show-biz character. Over the past 30 years, he has managed bands, singing groups like The Dubliners, and produced musicals, rock operas, classical ballet, Shaw plays, and Gilbert and Sullivan operettas. Some have been brilliant successes and others have flopped, but Pearson never gives up.*

*Several years ago, Pearson teamed up with another Dubliner, JIM SHERIDAN, to make the film My Left Foot about Christy Brown, the physically handicapped boy from the Dublin slums who learned to type with his foot and write successful books.*

*Made on a modest budget, My Left Foot grossed more than \$13 million in the United States and last year won two Oscars for its leading actors, Daniel Day-Lewis and Brenda Fricker. Pearson and Sheridan were immediately signed up by Universal Pictures for three more films. This year their film The Field received an Oscar nomination for the leading actor, Richard Harris, but did not win the award itself.*

"\$10 million man" was the heading on the report about TONY O'REILLY's total income last year. The former Irish rugby player—who, at 55, is the chairman, president, and chief executive of the H.J. Heinz Corporation—is seldom out of the news.

He has spent much of this year battling other multimillionaires for control of the Australian newspaper group of John Fairfax. Rumors of a takeover bid for Heinz have helped push up the value of his more than 10 million shares and options in the company, which has seen its profits triple under O'Reilly over 10 years.

Last year, he signed a five-year contract with Heinz, which he joined in Britain back in 1969, that includes an option for an additional four million shares in 1995.

In 1988, before the election of his friend George Bush, O'Reilly was being mentioned as a candidate for the new U.S. Cabinet. He did not discourage the speculation.

How O'Reilly gets the stamina to keep track of all his business interests in the United States, Ireland, and Australia and still oversee the Heinz business in Europe, Africa, and Asia is a mystery, even if he was once called the "Golden Lion" for his feats on the rugby fields of South Africa, Australia, and New Zealand.

In Ireland, he controls nearly 50 percent of the national press through his Independent Newspapers group. His Fitzwilton conglomerate has

bought into the troubled Waterford crystal-Wedgewood group while his Atlantic Resources oil and gas prospecting company demands much of his valuable time and money.

Home for O'Reilly is Pittsburgh and Castlemartin, a Georgian mansion in County Kildare not far from Dublin. On its 500 acres, he breeds thoroughbred horses and raises Charolais cattle. He is known to throw great parties, invitations to which are much sought after.

He has a holiday home in the exclusive scenic area of West Cork and has a share in two of Ireland's most luxurious hotels, Dromoland and Ashford Castle.

As well as being on the boards of The Washington Post, Georgetown University, and the Bankers Trust, O'Reilly devotes 30 days a year to the Ireland Fund, which he founded to raise money for activities that promote peace by deserving groups in Ireland, north and south. Originally set up in the United States, the Fund is now established in Canada, Australia, Britain, and France.

He has been generous to Irish universities with personal gifts and by helping their fund-raising efforts abroad. As a memorial to his late father, O'Reilly has endowed an Institute for Communications and Technology at Trinity College, Dublin.

Ireland clearly has a strong hold on O'Reilly, in spite

of his absorption in the Heinz worldwide operations, so there is frequent speculation about whether he will one day be tempted to take up the challenge he has so far avoided—Irish politics.



**TONY O'REILLY**

ILLUSTRATION BY BILL ALLEN

one-third of these are from the United States, including Apple Computer, Intel, Digital, Motorola, IBM, New York Life, Bechtel, and Abbott Laboratories. These foreign-owned firms account for more than \$12 billion in exports and employ more than 90,000 people; they are a vital factor in the economy and in plans for its expansion. The U.S. Department of Commerce estimates that the average rate of return on U.S. manufacturing investment in Ireland was 24 percent during the 1980s, or four times the E.C. average.

The Industrial Development Authority (IDA), the state agency responsible for helping industry, rejects the criticism that too much of state and E.C. subsidies is channeled to overseas companies and not enough to Irish ones. Ireland's spectacular record in exporting is due largely to the foreign multinationals, while the domestic companies often do not have the resources to go after new markets abroad.

The IDA, however, is going to focus more on Irish-owned industry in an attempt to provide more badly needed jobs. It estimates that only 150 Irish manufacturing firms have the capacity to grow enough to make a significant impact on the unemployment rolls, now at 260,000, or about 20 percent of the work force. But of the 150 firms, only one-third have drawn up plans for expansion in the single market conditions, one-third know they should be making an effort, and the rest have no interest in taking any risks through major investment.

A Government-appointed committee has now identified those industrial areas that are most likely to feature prominently in European market demand. The 10 sectors that need hands-on guidance for their development in the post-1992 European economy if they are to maximize employment and output are chemicals; electrical engineering; food; drink and tobacco; mechanical engineering; paper, printing, and publishing; forestry and marine; internationally traded services; timber products; precision instruments; and tourism and leisure.

The committee points out that Ireland has lost market share in more than half of these sectors compared with overseas competitors, and this must be "a major concern." While acknowledging that foreign-owned industry has contributed most to successful sectoral development, the committee urges that more attention be focused on how Ireland's indigenous industries can be developed to play a

stronger role.

The Government is determined to achieve the targets set in 1989 when the Fianna Fail Party entered, for the first time in its history, into a coalition arrangement. Reaching these goals means lower-

*The prudent public finances  
policy has kept inflation  
at one of the lowest rates in  
the E.C.*

ing taxes, eliminating the current budget deficit, and bringing the public debt/GNP ratio—now at 111 percent—down to 100 percent (compared with 131 percent in 1987 when Fianna Fail returned to power after almost five years of a Fine Gael-Labor coalition). The Central Bank's latest prediction is that growth this year will be a disappointing 0.5 percent, compared with about 6 percent last year; such a growth rate will make it very difficult to achieve the official targets.

The Government's minority partner, the Progressive Democrat Party, is, however, insisting on a radical reform of the taxation system, which is seen as hindering job creation. But the Minister for Finance, Albert Reynolds, is reluctant to be innovative at a time when E.C. tax harmonization plans will reduce revenue by forcing down Ireland's high indirect taxes such as value-added tax (VAT) and excise duties.

The Minister is all the more inclined to be cautious as a result of unjustified optimism about this year's budget estimates for expenditure and revenue. By July, the projections made in January had to be revised downward for economic growth, consumption, investment, and employment. But Reynolds rejected opposition charges of a budget crisis and pointed out that other E.C. countries have also been missing their targets.

Nobody wants a rerun of the early 1980s, when the public debt soared out of control in ill-fated attempts to create more jobs in the public sector. The effects of that experience are still being felt today, when the annual interest payments of about \$3.5 billion on the national debt eat up most of the receipts from personal income tax. At the same time, there seems no obvious way out of the dilemma that strict discipline over the public finances is also hindering the economic expansion

that alone can create more jobs.

The opposition parties insist that the unemployment figures now represent a national crisis and that the present 20 percent rate will rise to a frightening 30 percent in a few years if the trend continues. For the Government, the welcome reduction in the unemployment figures that began last year has been wiped out in 1991 as the emigrants return, overwhelming the IDA's efforts to create jobs. But the Government can only welcome an end to "the scourge" of emigration while ruefully pointing out that this good turn of events has also upended the Government's employment strategy.

On the plus side, the prudent public finances policy has kept inflation at one of the lowest rates in the E.C., maintained the currency at an unprecedented stability inside the European Monetary System, boosted exports, and provided jobholders with a comfortable standard of living while welfare payments have been regularly increased to stay ahead of inflation.

The new Program for Economic and Social Progress sets out targets for expansion and improved living standards during the next three years and binds the Government, the trade unions, and the employment and farming organizations. But the program presupposes steady economic growth, and already there are signs that the Government will have to renegotiate the pay agreement for the public sector or risk seeing the public finances relapse into a spiraling deficit.

Politically, the climate is becoming more difficult as the Progressive Democrats try to assert their independence inside the Government with an eye on the next election, which is likely to be called next year. Fianna Fail is publicly hopeful of returning to government with an overall majority, while privately the party is resigned to staying in power only with the help of a smaller partner.

The main opposition parties are finding that the increasingly younger and better educated electorate is unhappy with the traditional political structures and expresses this by supporting the environmental Green Party and single-issue candidates campaigning against health cuts or bad roads. The unemployment figures have surprisingly not yet figured as a major political issue, perhaps because the voters recognize that no party has a satisfactory answer in a country so vulnerable to changes on the international scene. ◀

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

## Irish Hollywood

There has never been as much filming activity in Ireland as during this last year, and American movie companies and movie stars are one of the main reasons for this increase.

As an example, the biggest film ever made in the country, *Far and Away*, with a budget of \$40 million and starring Tom Cruise and his wife, Nicole Kidman, has just finished shooting around Dublin. The Temple Bar area of Dublin, the bohemian quarter, was temporarily transformed into a turn-of-the-century Boston ghetto complete with rotten vegetables and horse droppings, but the hundreds of Irish extras were not complaining about the smell.

*The Commitments*, directed by Alan Parker, was filmed in Dublin last year and is already a hit in the United States. It has also launched the young and hitherto unknown musicians into stardom. The Noel Pearson-Jim Sheridan team is following up on their two recent successes filmed in Ireland, *My Left Foot* and *The Field*, with a film called *The Dublin Story*.

Director Michael Cimino and actor-director Kevin Costner are eager to make a film on the life of Michael Collins, who led the armed struggle for Irish independence in

1920–21 before being killed in the civil war that followed. Irish and British television companies are combining to make a film on the dramatic negotiations for the Anglo-Irish Treaty that led to the civil war breaking out.

Woody Allen and Mia Farrow vacationed this summer in Ireland, while Sean Penn toured pubs associated with the flamboyant Brendan Behan, whose life is also going to be filmed. Penn's girlfriend, Robin Wright, was filming *The Playboys* in County Cavan, a setting for small-town Ireland. Director and author Neil Jordan, who made *The Miracle* in the seaside town of Bray near Dublin, has now embarked on his seventh film.

Jordan learned a lot about filmmaking from John Boorman, who lives in County Wicklow and takes an active interest in the native film industry. He worked closely for a time with the Irish Film Board, set up in 1981 to finance Irish feature films, the last of which had been made in 1936.

The board was abolished in 1987 in a cost-cutting exercise, but it had helped Irish companies make 10 films. Since then, only a token \$150,000 has been available each year from the Arts Council to subsidize Irish

films. An Irish Film Centre, however, has now been established with the help of an E.C. grant of nearly \$1 million.

Situated in the Temple Bar area of Dublin, the center is drawing up a report on the Irish film industry and its potential. One area that is thriving after some problems is animation films, which were pioneered here by the Sullivan Bluth studios, which employ 350 people. Incidentally, Roy Disney, whose father and uncle, Walt, were the first to produce animated features, has set up an Irish home in a castle in west Cork. From there he and his wife can oversee the new Paris Disneyland.

The film that is associated with Ireland the world over is *The Quiet Man* with John Wayne and Maureen O'Hara made in Cong, Co. Galway in the 1950s. Maureen, who spends much spare time in her native country, just made a comeback in *Only the Lonely*. Her performance as a "bigoted Irish mother" should make younger Irish actors in Hollywood, Liam Neeson and Gabriel Byrne, take notice.

—Joe Carroll

## Reversal of Fortune, Irish-Style

It must be one of history's greatest ironies... for generations, young Irish people have flocked to the United States to find employment and financial security. Now, U.S. companies are going to Ireland to find their crock of gold.

Several factors make Ireland a unique and logical place in which to invest: It offers a low tax rate on profits (10 percent until 2010), a young, English-speaking, computer-literate work force, and duty-free access to the E.C. market of 340 million consumers. Not surprisingly, the number of U.S. companies with operations in Ireland has grown from a handful in the early 1970s to more than 350 in 1991.

Among the early arrivals was Abbott

Laboratories, Inc., the Chicago-based maker of a range of health-care, nutritional, and hospital products. It opened two plants in Ireland in 1974, one year after Ireland joined the European Community. So successful was the venture that Abbott, which has had a sales office in Ireland since 1946, opened a third plant, and expanded both of the other plants. With almost 1,000 Irish employees, Abbott executives say the experience has been a very positive one.

Ireland has also become one of Europe's prime computer systems manufacturing locations, with some 18 systems makers in place. High-tech products now make up the majority of Irish exports. Among these is Massachusetts-based Digital Equipment

Corporation, which set up operations in Ireland in 1971. With 2,000 employees at all levels of its operations, Digital is Ireland's biggest individual employer in the high-tech field. Digital Ireland designs and manufactures minicomputers, peripherals, and computer software in its two production facilities. They generate about \$1 billion in sales annually.

U.S. company executives uniformly praise the high caliber of Irish high school and university graduates. With high unemployment and low wage inflation, U.S. companies can get top Irish managers to run their companies for less than almost anywhere else in Europe.

—Maevé O'Beime



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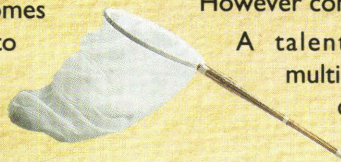
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# VIRGINIA

## STATE PROFILE

**F**ormer Virginia Governor Gerald Baliles, who logged more international miles during his four-year term than any previous state chief executive, used to chide reporters about their lack of world vision.

Reporters chuckled when he declared the second year of his administration "the year of international trade." They groaned when he stumped again and again on the theme of a global economy. When he announced another of his more than half-dozen trips to Europe and the Far East, they demanded to know the cost to taxpayers.

As in other states, Virginia's bustling economy slowed in 1990, prompting Baliles' successor, Governor L. Douglas Wilder, to abolish a handful of state agencies, including the World Trade Department. Wilder insisted the pace of carving out new markets for Virginia products would not slow, however, and designated the state's Department of Economic Development as home for a slimmed-down export agency. Mindful of the coming changes in Europe, both East and West, Wilder made sure his first trade mission took him to Europe—the United Kingdom, Germany, Belgium, and Poland.

Officials, some who survived the layoffs at World Trade, say the state has not faltered in its international efforts, particularly when it comes to preparing for a unified European Community. They insist that Virginia—with its diversified economy, flourishing ports, and entrepreneurial spirit—will be well positioned to do business with a united Europe in 1992.

Statistics appear to prove this evaluation. Worldwide exports in 1990 reached a



The port of Hampton Roads is second only to New York in tonnage.

record \$9.5 billion, according to figures supplied by the Economic Development Department, a 19.5 percent increase over 1989. The port of Hampton Roads, second only to New York in tonnage, handled nearly 72 million tons of cargo, including 64.8 million in bulk tonnage and 7.7 million tons of general cargo.

Western Europe, Virginia's oldest trading partner, continued to be Virginia's top client, a factor that fits in with the state's optimistic attitude toward relations after 1992. The European countries purchased more than half of the state's goods, running up a \$5.5 billion tab last year. Coal and tobacco remain the most sought-after

**VIRGINIA IS PRIMED TO  
SERVICE THE SINGLE  
MARKET**

CAROLYN CLICK ★

commodities, followed by industrial machinery, chemicals, transportation equipment, electronic components, fabricated metals, agricultural products, medical and optical equipment, and rubber.

"The development of a single market, the largest in the world, is a significant opportunity," says Larry Framme, Virginia's Secretary of Economic Development. "In Virginia, we are in a prime location to service it."

While the incomplete General Agreement on Tariffs and Trade (GATT) talks lend an air of uncertainty to the relationship, Framme says he sees no reason Virginia cannot continue to forge new alliances in the post-1992 era.

"I think we are going to see increases in exports from Virginia because of the E.C. in 1992," says Framme. "We are viewing it not as an attempt to lock us out. There are certainly going to be some barriers, but we are trying not to sit back and whine at the barriers."

"Europe is by far Virginia's largest market—over half of our market—and there will be some restrictions, but there will be less if the United States and the other nations can conclude the Uruguay Round of GATT," he says.

Since 1983, 33 shipping lines have been added at the Hampton Roads port, a sign that Virginia has positioned itself well to handle incoming and outgoing cargo, says Richard Culbreth, spokesman for the Virginia Port Authority.

"We look at it [the E.C.] in a positive sense," he says. "We have superior steamship line service to and from Europe. We are now considered a major container load center on the East Coast."

The state has established an overseas office in Brussels with Hans Schetelig serving as export development manager. He says Virginia companies hungering for access to European markets must prepare now.

In a recent economic development newsletter, Schetelig wrote: "The Virginia exporter to the E.C. will find fewer technical standards, less bureaucracy, more market growth, and improved transportation and distribution networks."

As Stuart Perkins, Virginia's Director of Export Development, explains it, companies like cigarette manufacturer Philip Morris and Norfolk Southern Railway need little help in marketing their products overseas. The European appetite for the state's golden leaf has not diminished despite a heightened awareness of the link between smoking and health. And with reduced or eliminated subsidies on coal

## European Companies in Virginia

More than three dozen companies with European affiliations have located in Virginia in 1991, joining more than 400 companies already firmly planted on the commonwealth's soil.

Among those are a Danish manufacturer of conveyor belts, a French microcomputer sales and service group, an Irish manufacturer and distributor of excavators and backhoe buckets and attachments, and a German brick manufacturer.

The Danish company, Polymax, Inc., placed its plant in Hampton, while Zenith Data Systems, a subsidiary of the French Bull Group, has its facility in Vienna, with convenient access to the federal government. Geith Inc., a subsidiary of Ireland's P.F. Doggett Eng., Ltd., moved to Dinwiddie, one of the rural communities that are enticing foreign companies with the prospect of open space, low taxes, and an eager work force. Triangle Brick Co., an affiliate of Germany's Roben Tonbaustoffe GmbH, will manufacture its brick blocks in Portsmouth.

Others that have added to Virginia's European ranks include Multiton MIC Corp., a subsidiary of Germany's Jungheinrich Group, a manufacturer of material handling equipment. Polypenco Inc., an acquisition of DSW NV of the Netherlands, makes thermoplastic shapes and injection molding resins in Wytheville. The United Kingdom's Beazer Group is involved in heavy construction and industrial projects through its Tidewater Equipment Corp., a specialty steel fabricator and barge builder.

—Carolyn Click

production in the E.C., coupled with pressures to reduce pollution, the demand for Virginia's low-sulfur ore is expected to increase substantially.

It is the little guy, the small and mid-sized companies, that the department aims to win over through periodic export seminars around the state and the annual Virginia Conference on World Trade, which was held earlier this month in Williamsburg.

"It doesn't hurt," he says, for potential exporters to attend trade shows overseas, although the travel costs coupled with preparation of a trade booth seem daunting to those uncertain about the gains

they will reap.

Some companies are already ahead of the curve. Gala Industries Inc. in Botetourt County has been exporting its machinery used in the plastics industry for 22 years. The company's leaders don't need the state to tell them to prepare for 1992.

"We're working on that now," says James Wilhelm, Gala's export director. A big complaint is the amount of paperwork that must be completed before items can enter a European country. With a united front, he and his overseas trade representatives hope those restrictions will ease.

The Economic Development Department, in cooperation with Peat Marwick and the Center for E.C. Studies at George Mason University, has also published a book, *Virginia and the New European Market: A Guide to Business Opportunities in the 1990s*. It answers questions ranging from simple marketing of a product to consideration of mergers and acquisitions. It also provides a "snapshot" of the 12 E.C. countries and how they currently rank in the world marketplace. The department also supplies an 800 number at its Infocenter to answer international trade questions.

The private sector is also getting into the business of helping Virginia companies export their products. With the demise of the Department of World Trade, its former director Gene Justice and a handful of former staff members formed Alliance International Inc., a trade management and services company headquartered in Norfolk.

Philippe Chino, director of Europe for Alliance, says that contacts made while he was in the state's employ proved valuable when re-entering the private sector.

"A lot of people say that what you have essentially done is privatize the whole thing, but not at all," he says. "Sometimes we are consultants, other times we are part of a company that is selling a product overseas. We also have three European companies trying to enter the E.C. market."

And as for former Governor Baliles? His international business savvy and impressive list of foreign contacts were not lost on the state's business community when he left the Executive Mansion in 1990. The prestigious Hunton & Williams law firm, Virginia's largest, hired Baliles for its international division. Baliles is now a regular on the Washington-to-Brussels flight—flying this time at company expense. **E**

Carolyn Click is the Virginia State editor for United Press International.



# L. Douglas Wilder

**T**he Governor of Virginia, L. Douglas Wilder, was interviewed at his office in the State Capitol in Richmond by Europe's Editor-in-Chief, Robert J. Guttman. The nation's first elected black governor and an announced Democratic presidential candidate speaks out on his future agenda, Virginia's relations with the E.C., and his recent trip to Europe.

## What was the purpose of your trip to Europe?

Trade and understanding the changing dynamics of Europe, because Europeans are doing business in Virginia and calling at our ports. I'm very pleased with increased trade as far as our ports are concerned. There will be European firms locating in Virginia in the future. Some who are already here are expanding; for others it will be a new venture.

As far as tourism is concerned, just going over there showed that we are interested. There had never been the accent on tourism, especially in Germany and the United Kingdom; my presence put an accent on it.

In terms of other reasons for the trip, it was a continuation [of what Virginia has been trying to do] because former Governor Baliles had been in several of these areas. I went to Poland, however, where Governor Baliles hadn't gone, and, quite frankly, I'm not optimistic about anything materializing in the immediate future in several of the Eastern European countries.

## What are your views on Eastern Europe?

East Germany, because of unification, will be a bit more advanced than some of the other countries. What is taking place in Yugoslavia could have a fallout in certain other areas. Czechoslovakia, Hungary, and Poland are considered three areas

that could be affected immediately. The problems, especially in Yugoslavia, are so unsettling.

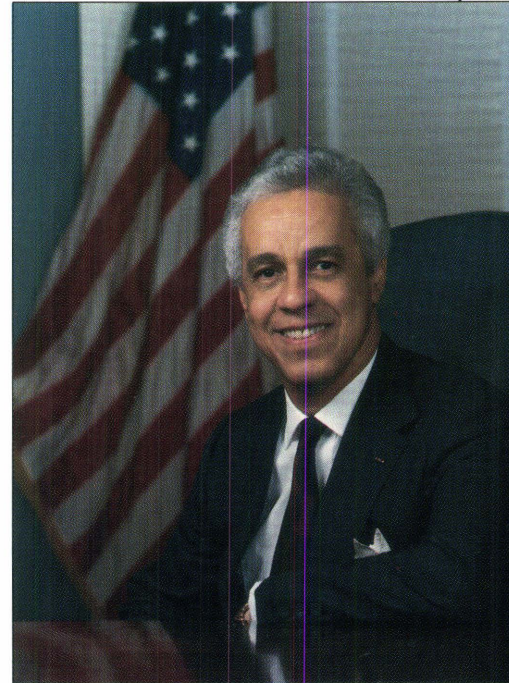
The Poles desperately want trade, but they want it with the East as well as the West. They want to establish something they can trade with the Soviet Union. Right now, they don't see the money there. They see the need for the United States to provide the Soviets with aid.

Other than that, they fear an influx of people coming to Poland. That's why some are saying in Poland that they want to establish a corridor through Poland to Germany, because they are just not going to be able to absorb the people coming in. Yet I told them that, unless we got our affairs straight in our country, we won't be able to continue to play big uncle to the rest of the world.

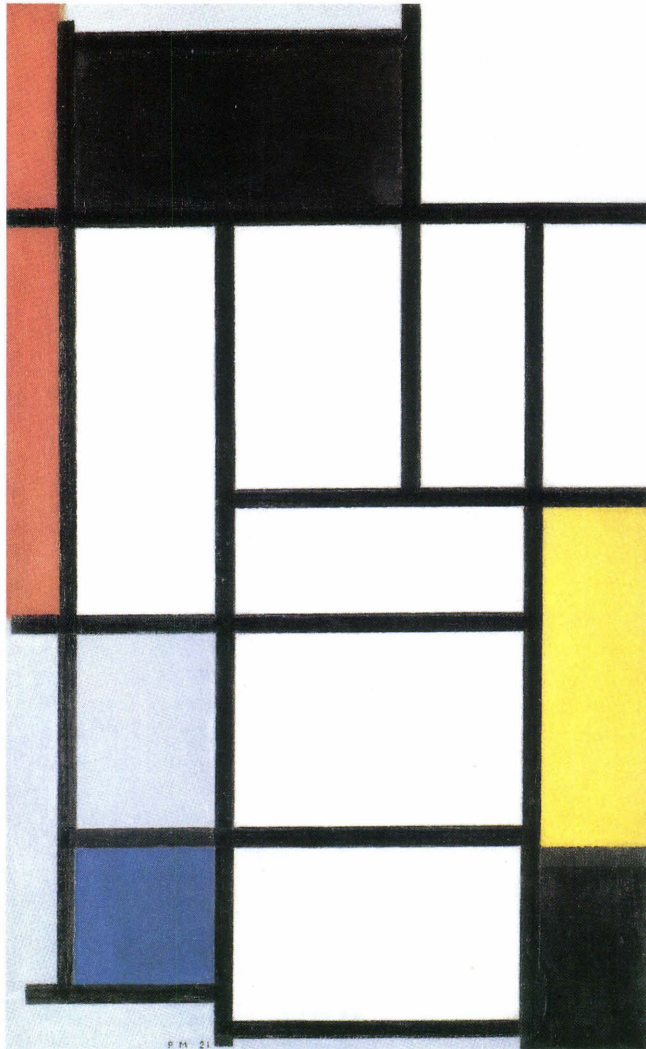
The Japanese and the Germans are present everywhere, particularly the Japanese; there isn't a country that we've discussed that they aren't already involved in.

I was very impressed with what is going on in Brussels within the business community. I was there about 12 or 13 years ago, and things have changed considerably. There is a more European flavor to the market and market influences. And there are a few chinks to iron out of the market. The G-7 [Group of Seven] decision involving Gorbachev was salutary, and yet caution is merited. You must be certain that you find out exactly what is taking place. The situation is still very unsettled in the Soviet Union. I believe that it is more a result of the people there more than any ideologic constraints being put on them by the East or the West. The people are fed up with not having enough of whatever, standing in line all day for nothing. They watch television. They see what is going on in the rest of the world.

**You said Brussels has changed. Do you think the**



*The Governor of Virginia  
Discusses Virginia-E.C.  
Relations*



© Mondriaan, 1937, o/o Beeldrecht Amsterdam.

Composition with red, yellow and blue.  
Mondriaan, 1921, Haags Gemeentemuseum.

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Mondriaan's paintings are characterised by clear lines, and strong use of form and colour, based on very definite views on his art. Similarly, Rabobank has carefully developed its own vision of banking. As Dutch industry grew, so did Rabobank, building up a network of 2,200 offices to become the largest domestic bank. With one third of all Dutch companies doing business with Rabobank. Today, with total assets of more than US\$ 110 billion, Rabobank is one of the top 50 banks in the world, with offices in major financial centres and ports around the globe. If you are thinking of doing business with the Netherlands, contact Rabobank. You'll find that our clarity is our strength.

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**people of Virginia understand the 1992 single market and that Europe is going to become the world's largest market?**

I don't think so. I met with a group in London, people who live there and who are interested in politics in our country. Most of them were Democrats, and we talked about that very subject. It is such a tremendous perception problem. Europeans, I find, localize politics. They eat, drink, and sleep it. It's part of everything they do. More so than Americans. We seasonalize it. We talk about it when it is time for an election, and then you look at the low numbers of those who participate. I have no question that Americans don't really understand the aspects of what one market in Europe could portend. And if Americans don't, the people of Virginia don't.

**Is Virginia doing anything to prepare people for the 1992 single market?**

One of the reasons I went to Poland was to see if we could increase the amount of ships calling on our ports. Warsaw Pact nations are no longer banned from using our harbors and our ports, and we're not banned from theirs.

We have two offices in Brussels. One's a port office, and the other's an agriculture office. We have tourist representatives in other places. I think the biggest thing we can do is to do the best we can through the Office of Economic Development. We need to stress the need for global competitiveness. I do it every time I make a speech on education as well as on economic development. In the absence of that, we are going to fall behind.

I went to a plant in Germany, and they are doing the very thing I'm trying to get done in Virginia; they take the kids out of high school, bring them right to a plant, and teach them in the vocational school in the plant. They pay them while they're there. They stay there for three or four years. When they finish, they have learned not just how to be machine operators. They have learned the entire operation, from management to quality control to manual dexterity. We don't have that intensity here, although we have components of it. We're trying to do that with several programs in Virginia.

**What's Virginia's attraction to Europe? Which are the largest companies here?**

We have a cigarette machine manufacturer who does quite a bit for Philip Morris, which is located right here. We have companies that produce the cigarette filters, but [the material] can also be used for baby's disposable diapers.

They're pretty large operations.

I went to Hamburg and other parts of Germany with ports. Germans are encouraging investment in east Germany. They see there's a long-term benefit for both parties. The important thing I stress is Virginia's ready work force. We are a right-to-work state, which means we are not slowed down by strikes and things of that nature. And we have a very low tax rate—corporate taxes, income taxes, and sales taxes. We have a high commitment to education and infrastructure.

As an example of that commitment, George Mason University has the Center for European Community Studies, where they teach kids foreign trade.

**One immediately notices that people in Europe smoke far more than they do in the United States. Is the E.C. going to be a large market for Virginia tobacco companies?**

I was asked that question just two days before I left for my trip when some youngsters here received a certificate for smoke-free classrooms. The press asked how I could talk about smoke-free classrooms when I was going over to Europe asking people to smoke Virginia tobacco. I said that I wasn't asking them to smoke Virginia tobacco. I'm saying that if they're going to smoke, [they should] use tobacco that comes from Virginia. The demand for cigarettes has increased, contrary to what people would think with all of the health talk and advertising. We think it's a great market.

**Are you selling coal to Eastern Europe?**

Not as much as we would like. We have metallurgical coal, which is very high quality with a low sulfur-dioxide content. We're trying to increase [sales]. One of the problems we have is transporting the coal from the southwest across the state to the port of Hampton Roads to be shipped at a lower cost. We're trying to improve that. We're not as large a producer as West Virginia, but we have a pocket of coal in the southwest that we push as much as we can. There is quite a bit being sold.

**Do you sell much computer software to Europe?**

We're trying. Virginia's a very high-index defense state in terms of military defense spending. Technology in that regard is some of the software that we do sell.

**You said you're impressed with what's happening in Brussels. What's your opinion of the E.C. today?**

I think it's strengthening. The political flaps over the location of the capital will

subside, whether it be Luxembourg or Brussels or over who should have control, the appointed ministers or the elected ministers of the country.

A lot of people didn't think the E.C. would have the clout that it is beginning to have. With the rising Japanese influence, I think Europeans sense the need, almost the necessity, for a combined market.

It doesn't necessarily follow that you have a combined European military force because those things don't go hand in hand. I've talked to a number of ministers and representatives of various countries, and I can appreciate their differences.

**When you were over in Europe, you talked to some North Atlantic Treaty Organization people. What are your views of NATO now that the cold war is over?**

Without NATO you wouldn't have had the kind of cooperation in the Gulf War that you had, not just from the commitment of the forces but also the logistics. The base at Frankfurt, for instance, was absolutely essential for cutting the time down to get men and supplies ready. The contribution of several of the countries was paramount. The presence of NATO thwarted the efforts the Soviets may have made to overrun Europe.

NATO was one of the reasons the Soviets have not been able to keep abreast. The Germans have said on any number of occasions that they can bridge the gap financially between East Germany and West Germany within 10 or 15 years. Some say five years. The cultural differences will be longer. The Germans defend the time it will take by saying: "Look what 40 years of domination have done—[they resulted in] cultural, psychological, and economic deprivation." That's why I said earlier that you'll see east Germany move up quicker than you'll see some of the other parts of Europe progress.

**How would a Wilder foreign policy differ from the Bush-Baker foreign policy for Europe?**

Right now I would say that obviously there isn't the need for as many ground forces in Europe. That's being taken care of. The Soviets are reducing theirs. They have gotten past some of the technical objections they were raising as to what constitutes a military presence, trying to shift themselves to being a naval power rather than relying on their army. To be honest, relative to what the Bush Administration is doing in Europe at the present time as it relates to NATO and a return to normalcy, I'm not one of the critics.

## Center for European Community Studies, George Mason University

Although there are many Centers for European Studies in the United States, on October 31, 1989, George Mason University took the singular step of opening the Center for European Community Studies. The decision to launch such a Center reflects the University's commitment to innovative initiatives in international education, and Richmond's recognition of the increasingly important economic relationship between the Commonwealth of Virginia and soon-to-be-realized European single market.

In recognition of George Mason's commitment to European Community studies, the Commission in Brussels designated the University a European Documentation Center (EDC). As an EDC, George Mason receives all official Community publications and has unlimited access to the Community's databases in Brussels and Luxembourg. The EDC forms the core collection of the University's branch library in Arlington, where the Center is located. The EDC is an invaluable resource for research and teaching on all aspects of the constantly changing Community.

The Center organizes conferences, courses, and seminars on E.C. issues. Although the Center offers courses throughout the year, a special summer session forms the core of the Center's teaching program. Altogether, over 300 students have taken courses at the Center.

Apart from E.C. courses offered in Arlington, the Center works with relevant schools and colleges at the main campus in Fairfax to develop curricula on the Community throughout the University. For instance, the Center co-sponsored, with the Department of Foreign Languages and Literatures, an undergraduate course this summer, in French, on the role of France in the Community. Also, as a component of the University's International Institute, the Center plays an important part in organizing the Institute's thriving MA program in International Transactions.

As well as a flourishing teaching program and a crowded conference and seminar schedule, the Center encourages research throughout the University on E.C. issues. Current research projects include E.C. sci-

ence and technology policy, regional policy, and implementation of the single market program. Increasingly, E.C.-related research at the University is being conducted in collaboration with other institutions in the United States and abroad.

Under the auspices of the Fulbright Commission and the E.C., during the 1991-92 academic year, the Center is hosting Dr. William Nicoll, a former Director-General in the Secretariat of the Council of Ministers in Brussels, as a resident E.C. Fellow. Dr. Nicoll is making a contribution to the Center's research, teaching, and curriculum-development programs. Moreover, as if to emphasize the Center's contribution to the Commonwealth of Virginia's growing relationship with the European Community, Dr. Nicoll briefed Governor Wilder on the single market, during the Governor's recent visit to Brussels.

For more information about the Center for European Community Studies, call (703) 993-8210, or fax (703) 993-8215.

— *Desmond Dinan, Director*

*Center for European Community Studies*

### **Any criticism of any of the Bush policies toward Western or Eastern Europe?**

As far as Russia is concerned, I think the President had better be very careful how he interferes in the affairs of the Ukraine and take sides one way or the other. We've got to let other countries know they've got to start shouldering their fair share of the burden as equitably as possible.

To separate the Soviets from Europe, I'd be more cautious in terms of saying: "We're going to feed you, we're going to clothe you, we're going to do the other kinds of things" without some very real commitments.

One of the changes that needs to take place obviously is Cuba. It has to be abundantly clear that you're not going to give any funds to a nation that supports an enemy. We didn't make an enemy of Cuba in the first place.

### **What can a one-term governor from a Southern state offer the American people? Would it be similar to what Jimmy Carter offered?**

I wouldn't make that comparison because we didn't have a \$3 trillion debt or a \$348 billion dollar deficit. We didn't have a

trade imbalance the magnitude of what we have today. Accordingly, what is more important now is someone who has some record of accomplishment and achievement domestically on education, infrastructure, highways, and schools. Somebody who would envision a plan for health care, and someone who really understands what global competitiveness is going to require.

That's why it's important that American interests be put before any other interest, and that national security and national interest always be protected before we speak of aiding the Russians and giving them money and before we speak of spending and doing things in other places.

### **That sounds somewhat protectionist.**

Not at all. Everything I've said heretofore shows a concern for other people, a need to provide. But it's like your own home. I would like to help my neighbor, but I would be crazy if I'd allow my own home to crumble and fall and not be concerned about my own children's future. Not selfishness, not protectionist at all. It's not

bashing anybody. It's saying that it's in my best interest to look out for myself.

What other nations are not doing it? The Germans are doing it. The Japanese are doing it. You name a nation in the world that is not doing it. In my judgment we are the only nation not doing it.

We've got the largest debt known to man. And who do we owe? What do we do? When we borrow, who do we borrow from? We're really borrowing from the Japanese, the Germans, and who do we pay on the interest? We pay the interest to people who can afford those kinds of bonds and those notes. They're not average John Does walking around the street. So it means we're getting poorer to make others richer in the process. That, in my judgment, is going to catch up with us. I hope it doesn't catch up with us before someone is returned to the White House with enough sense to know that it's important to put necessities before niceties.

### **Do you think race will play a role in a campaign?**

It could, but to the extent that it would, there would be a pocket of people who would do that. The burden is on the candi-

date to get the message out. But I have more faith in the people than to believe that people would just discount you automatically. That didn't happen in Virginia, and I think that Virginians aren't in too many ways different than people nationwide.

**What is it about the United States or Virginia—the home of the Confederacy—that allowed you to become the first elected black governor in the nation's history?**

The people. They are always ahead of leaders. People ask me: "Do you think America is ready for that?" People live in America. People aren't any different around the country than they are in Virginia. They may not have had a chance. I've had people that voted for me that said: "We never had a chance to vote for a minority candidate before." Especially in some parts of the state where minorities don't live. So they said they were glad to hear someone speaking about the [real] issues rather than the false issues. The thing that I'm concerned with is putting the issues before the American people.

**What's the answer to making America more competitive with Europe and Japan? Is it leadership?**

First it has to be leadership, and then it has to be education. Improving the quality of life. You take the European Continent and the Far East countries; kids stand in line to go to school. They have to pass very rigid examinations to be accepted from high school into college. Ours is sometimes a question of who you know. Other than that, it's a question of: "You passed, you're entitled to come on in" rather than to have counseling. You might be better fitted with starting at the tenth grade—where we teach the same thing up through grade ten. At that level, those kids who want to go into vocations will be going into the labor force, and we'll have the private sector work with them. We need leadership in that regard.

It's not a question of saying things are going to be better by and by and just rev the economy up. Let's assume the economy turns around in October. If we have more of the same that we had in the 1980s, when the economy was doing well, is that going to make America better? No. We'll still be falling behind in education. We still won't have health-care plans, or housing for the homeless—and the numbers are increasing daily. Crime will be rampant. The question is, are we ever, as a nation, going to put necessities before niceties and start polic-

ing ourselves?

Do you know any other corporation in the world that would promote bankruptcy, make a report to its stockholders, and the board members would say: "Things are bad, things are tight, it doesn't look good,

*"The Europeans sense the need for a combined market."*

but we're going to give ourselves a raise?" Congress did. It doesn't make any sense at all. And the American people can't understand it.

**One of the main issues between Europe and the United States right now is the Uruguay Round trade talks. How would you get the talks resolved?**

I wouldn't let agriculture be the hang-up, first of all. I think that some good things are coming out of it, such as intellectual privacy. Agreements on what would be fair and some of the imbalances are being met. I don't think agriculture will be the snag it has been in years past, and I hope that it won't be. I think if that's the case, whatever we can agree to, we ought to agree to and pool upon that as best we can. I don't want to see us walk away from the table without an extended period.

**Is the necessity for the Uruguay Round so important that you would finalize it without agriculture?**

No. I would not have it finalized without agriculture. I would agree on all we could agree to and then extend it.

**If you were in a position as president, would you be giving more money to Eastern Europe?**

No, not now. Where's the money going to come from? We don't have it. It's very important to work with the Soviets to see how we can help them along the lines I've described. It's also important obviously to try to assist fledgling nations, Czechoslovakia being one of them. But you and I know that the infrastructure needs are so great that it's going to require time and a massive infusion of capital, and that just can't come from one source.

**So you wouldn't advocate a Marshall-type plan like we did after World War II?**

No. First, there's no money. Second, we really need to look at our country and see where we're headed. We need to try to

help other countries as best we can, but our number one priority ought to be America.

**As far as the Soviet Union is concerned, would you, as the national leader, stake American policy on one person such as Gorbachev?**

No. I think it ought to be more policy oriented than cult oriented. Yeltsin is far more popular than people ever thought he would be. He won his election despite enormous odds.

**If you were running the country, would you approve of self-determination for the various republics in Yugoslavia, or would you like to see the country stay together?**

Only the iron armies of Tito kept it together for as long as it did. To say that you want to see that country stay together and then support independence in the Soviet Union would be inconsistent. On the other hand, I'd like to see a system where the degree of independence is more interdependent. In other words, the republics would share certain things, such as a common defense, joint trade, and those types of things with the understanding that free elections and self-determination relative to rule would be more independent.

**Would you like to see the E.C. have its own defense force?**

That's highly controversial. Any number of the E.C. countries don't want that, so it isn't for us to force on them that which is not in their best interest. We saw something like that take place in the Persian Gulf. Some European nations took one view, and some took another. Some provided one degree of assistance, some provided another. To bring about that degree of unity is going to be very difficult.

**When you run for president, what will be your theme?**

We need to have fiscal responsibility with compassion. We must get this nation back on track. People are afraid to spend now. They are afraid to buy. It isn't that people haven't made money. There's a consumer caution because they're losing confidence and faith as to where this nation is headed. I'd want to show people that fiscal responsibility is something that can be practiced as well as preached. Unfortunately, we haven't had anyone to send down a balanced budget in the last 10 years in Washington. Some people wouldn't know one if they saw it. **E**

# CAPITALS

## Examining Euthanasia

AMSTERDAM—The Dutch Government, already busy with the E.C. presidency until Christmas, must formalize a stand on euthanasia this November.

For decades, euthanasia has been discussed in Dutch society and Parliament. At present, the law calls for 12 years' imprisonment for anyone who takes the life of another at his or her explicit request. Over the past 25 years, however, doctors have not been imprisoned in such cases.

Last year, the Government appointed a commission to research the practice of euthanasia in the Netherlands. Professor J. Rummelink, solicitor-general with the Dutch Supreme Court, heads the commission, which includes members of the Association for Voluntary Euthanasia. The final report is now before the Government. Prime Minister Ruud Lubbers, Minister Hirsch-ballin (Justice), and State Secretary for Health Simons are preparing a Government viewpoint on the Rummelink Report for November 1.

The report includes studies done by researchers at four Dutch universities as a way of dispelling myths about euthanasia. Most of the report, however, bases its findings on information given by physicians who responded anonymously to a questionnaire sent to more than 1,000 general practitioners.

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According to the report, 2,300 times every year a physician or specialist ends the life of a seriously ill patient. According to the Association for Voluntary Euthanasia, doctors refuse 600 to 700 times annually to practice euthanasia. It is forbidden to help psychiatric patients asking for euthanasia.

About 80 percent of mercy killings and assisted suicides involve cancer patients. Researchers also found that requests to die were mostly made by people in their mid-60s. Rarely did anyone over 80 request euthanasia. Requests for euthanasia are rarer in the country than in the larger cities.

The age of doctors and nurses also plays a role in whether euthanasia takes place. Usually, young nurses fear euthanasia and often refuse to administer medicine that would help a patient commit suicide. The Rummelink Report stresses the need for universities to give more attention to ethical and juridical

aspects of euthanasia during medical training.

In late 1990, a rule was established under which physicians or specialists had to report a case of euthanasia only to the coroner. If, on the basis of the coroner's report, the public prosecutor did not see a reason for further action, the inquiry was closed. The commission's report says that hushing up the real case of death, however, occurs fairly regularly because practitioners are often uncertain about the results of telling the truth and concludes that doctors must honestly report a non-natural death and give a written report of the decision making involved. The report reveals that Dutch physicians and specialists believe they generally act with extreme prudence and care in cases of euthanasia.

The center-right Liberal Party, left-of-center Democrats, and left-wing Green Party agree with the report's recommendation that legislation for euthanasia be insti-

tuted. Many Parliament members of the Labor Party and the Christian Democratic Party, however, are hesitant concerning the need for such legislation.

—NEL SLIS

## A Novel Enterprise

ATHENS—Visitors to Greece who were looking for something to read on holiday this summer must have noticed, sandwiched among the usual paperbacks aimed at tourists, a series of eight contemporary Greek novels in English translation. Nothing remarkable about that, one might say. Well, no, except that the books in question are not the product of some large British or American publishing house, but bear the imprint of a respected Athenian publisher, Kedros.

Modern Greek poetry is quite well known outside the country, but the contemporary novel has fared less well. The Kedros paperback series "Modern Greek Writers" was launched in July, with an initial distribution of 1,580 copies of each title to the bookshops of Athens and the main tourist resorts. The owner of Kedros, Katya Lembessi, says: "We had to find a way to help Greek novels break through the language barrier."

This month, Kedros will have a stand at the Frankfurt Book Fair for the first time, and Lembessi will be seeking

to interest British or American publishers in taking the project further. "We could go for an agreement on overseas distribution," she explains, "but I would prefer to sell the rights to our translations for republication." She also hopes her initiative will persuade other European publishers to commission their own translations of Greek novels.

Postwar fiction has been dominated by a school of hard—even brutal—realism, in which the upheavals of recent Greek history are searchingly re-experienced. Not surprisingly, four of Kedros' eight books require an explanatory note to help the English-language reader with the background. One author, Alexandros Kotzias, points out: "We still have not got over those things, the war and the civil war. They still mark us and mark our fiction." However, one of the most impressive novels, Dido Sotiriou's *Farewell Anatolia*, which has sold more than 150,000 copies since it appeared in 1962, deals with an earlier period, from the 1912 Balkan Wars to the Asia Minor disaster of 1922. Chronicling the harrowing adventures of a young Greek villager from Asia Minor during that turbulent decade, *Farewell Anatolia* was translated into Turkish in 1970 and was acclaimed for its contribution to Greek-Turkish understanding at the time.

In *Fool's Gold*, a younger writer, Maro Douka, explores a tangled web of personal relationships in the student resistance to the 1967-74 military dictatorship.

Another strikingly successful semi-autobiographical novel, Alki Zei's *Achilles' Fiancée*, probes age-old questions of identity, values, and human strengths and weaknesses against an epic backdrop ranging from the German occupation in World War II, through the civil war,

to exile in Tashkent in the 1960s, and on to a second exile in Paris after 1967.

The London-based Hellenic Foundation paid for some of the translations in the Kedros series, but the venture was accomplished without any state subsidy, nor did it qualify for a grant from the E.C.'s translation fund, since the books are initially being sold only in Greece. But the



Many German students combine general education with practical, on-the-job training.

enterprising Lembessi says a second series of six titles is already on the way and will be in print early next year.

—PETER THOMPSON

### Working to Get Jobs

BERLIN—Although the area that was East Germany is showing signs of a slight recovery, unemployment there is soaring. Joblessness jumped from 142,000 a year ago, when the currency and economy were united, to one million, and experts expect that it may hit 1.5 million or more before the end of the year.

Joblessness, which is demoralizing, accounts for the prevailing bad mood in east Germany. Officials worry that once students leave school, they may drift into criminal behavior if they cannot find jobs.

Despite the rising unemployment, Germany has kept unemployment among young people relatively low, even in the east. The Institute of German Industry in Cologne reports that less than 5 percent of those under 25 are jobless while, on average, E.C. member states have 16 percent unemployment among youth. Considerable differences exist among individual E.C. coun-

tries, however. Youth unemployment ranges from 32 percent in Spain, 29 percent in Italy, and 19 percent in France, to 4 percent in Luxembourg.

That youth unemployment in Germany is not posing a big problem is due to Germany's much-admired dual system of vocational training, which combines in-company training with technical and general education in external schools. This system links the provision of knowledge and skills to the acquisition of job experience and ensures that the student receives training in a realistic setting.

Nearly half of German 16-year-olds go into the dual system. The practical, on-the-job training, called an apprenticeship, takes about three years. An apprenticeship is required for 430 occupations.

The National Institute for Vocational Training draws up

the training syllabuses, but the local Chambers of Commerce also play a very important role. They award training status to member companies, inspect the training, oversee much of the trainee examination system, and ensure a common training standard across companies. The chambers also provide training centers for smaller firms that cannot afford their own training facilities.

Attendance at state-run vocational training schools, which accompanies on-the-job training, is compulsory for every trainee for eight to 12 hours' instruction a week. Instruction emphasizes the occupation in question but also covers general subjects, such as social studies and politics. Every trainee has to take a final examination; 90 percent of all trainees pass.

Integrating east Germany into the dual system poses some difficulties. All experts agree that thoroughly training young people is the prerequisite for an economic upswing in east Germany, but there are not enough training places. The federal government is offering a subsidy of 5,000 German marks (\$2,890) a year to companies in east Germany that cannot afford to take on trainees. Moreover, the 9,000 companies run by the *Treuhandanstalt*, the organization that took over the failing industries of the former communist regime in the east, have to offer 100,000 training places. Even if young people cannot find employment in the profession they have been trained for, they are better equipped for a working life.

Germany's neighbors admire the training system, which is essentially financed by the industry. Foreign experts say Germany's system gives it an undeniable lead over practices in other European countries and say that it would be a good thing if all young people in Europe

were given the same initial opportunity.

—WANDA MENKE-GLÜCKERT

### A Hub of Activity

COPENHAGEN—When the E.C. deregulates its air transportation after 1992, it is going to be the survival of the fittest, not only among airlines but also among airports. Copenhagen Airport, Scandinavia's busiest, is doing its best to attract more airlines, with Delta Airlines as one of the recent intercontinental arrivals.

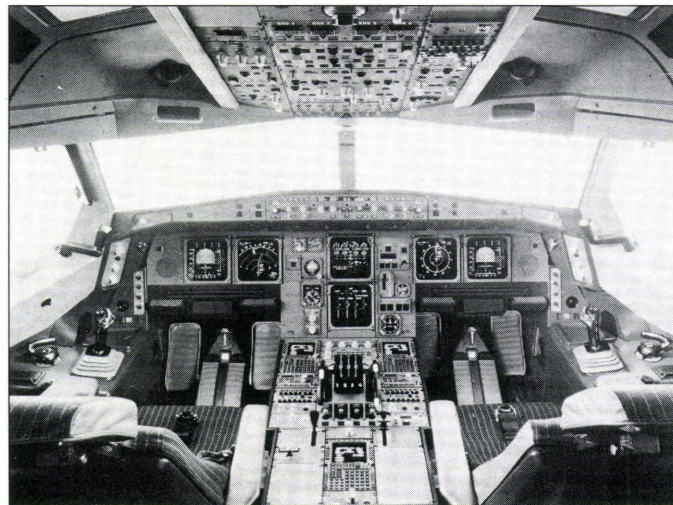
It is no secret that the fate of Copenhagen Airport is closely linked to that of its major user, Scandinavian Airlines (SAS). Despite its current financial difficulties, SAS is considering a huge investment in a new terminal with 38 gates, to serve as the hub of SAS operations in Scandinavia.

SAS is forecasting a growth from the present 13 million passengers annually to 22 million by the year 2000. SAS expects almost three-quarters of these passengers to be carried by itself and its partners, Canadian, Thai, Austrian, Swissair, and Finnair. Forecasting is always a tricky profession, but a number of developments augur well for a strong growth path for Copenhagen Airport.

One is the decision in August, by a special session of the Danish Parliament, to build the bridge from Copenhagen to Malmö in Sweden. Copenhagen Airport faces Malmö, and the bridge, when completed in seven years' time, will give convenient expressway and rail access to the airport from the south of Sweden. By then, Sweden will probably be a full member of the E.C., and the Swedes expect this to stimulate economic growth in the area, generating more airline business.

Another development is the death of Soviet communism. Copenhagen is close to the three newly independent Baltic countries, Poland, Czechoslovakia, and even Russia. The Baltic has every chance of becoming a growth area.

Competition will be fierce. Schipol Airport of Amsterdam is a well-known intercontinental airline hub, with a long-



For the moment, Airbus is concentrating on the launch of its A340 airplane.

standing reputation for efficiency and tax-free shopping. Berlin, the new capital of Germany, wants to build a new international airport, which will be uncomfortably close to Copenhagen and even closer to growth markets in Eastern Europe. And the ambitions of Oslo and Stockholm to have a larger number of direct flights, bypassing Copenhagen, cannot be dismissed lightly by an airline that is controlled by three governments.

Copenhagen is not giving up any ground. A major modernization of the existing terminals has been completed, and the shops openly challenge Amsterdam's prices. Air links to Eastern Europe have improved dramatically, and Copenhagen finds some solace in the fact that it will have a head start on the new Berlin Airport, still just a project.

—LEIF BECK FALLESEN

### Flying into the Future

PARIS—This month, Airbus Industrie, the French-based European aircraft manufacturing consortium, is launching its latest model—the A340. The four-engine, wide-body A340 is not a particularly large airplane, carrying fewer than 300 passengers, but it is athletic, capable of flying more than 7,500

reason to be particularly pleased with the track record of the past two years. A 50 percent increase in orders boosted the delivery backlog to 1,000 airplanes, worth \$68.5 billion, while the 200 Airbuses that were delivered earned the consortium its first operational surplus in history.

Gratifying as these statistics are for the company, they still do not put Airbus anywhere on a par with Boeing, the undisputed ruler of the skies.

For the moment, Airbus is concentrating on the launch of its A340. It is promoting the plane's long-distance stamina, its high technology, and low operating cost. The company is also pointing out special features like the executive business center, complete with telephone, fax, telex, and the five-bunk rest area for the cabin crew underneath the floor—obviously not designed for claustrophobics.

But as soon as the A340 has soared for the first time over the heads of the 5,000 guests invited to its debut, the chief engineers in Toulouse, in southern France, where Airbus has its headquarters, will head back to their drawing boards. They will prepare the first sketches for the preliminary studies for an airplane they define as an "ultra-high-capacity aircraft" (UHCA). Airbus Industrie has given itself until 1997 to launch its UHCA. Modest estimates put its capacity at more than 600 passengers; bolder rumors suggest that it will be able to engulf as many as 1,000.

—ESTER LAUSHWAY

### A Capital City

BRUSSELS—As the E.C. countries move toward political union, a common currency, and common social regula-



tions, Brussels, the capital of Belgium, is doing everything possible to become the capital of Europe. Dozens of new buildings are emerging along Brussels' skyline, and there is a new site for each E.C. institution—a new hemicycle for the Parliament, a large compound designed for the Council, and perhaps, a new building to replace the old and asbestos-ridden Berlaymont building that houses the E.C. Commission.

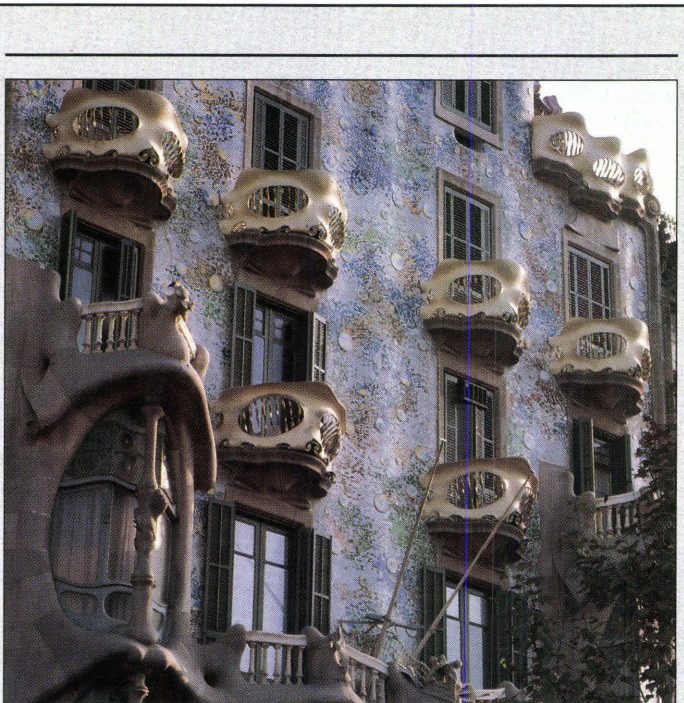
According to a report released by the Belgian Government in June, three more buildings are needed to lodge E.C. employees in Brussels. Private clubs, schools, parking lots, train tracks, tunnels, and new telecommunications facilities are also planned. The Government also has proposed to the E.C. Commission to rebuild a famous Art Nouveau house that would become a permanent home for the E.C. President.

On top of that, Belgium's Prime Minister Wilfried Martens will soon move to Brussels where he will be a candidate for the next national elections, scheduled in January 1992. Moving from Ghent, a Flemish town, to Brussels, where 80 percent of the population speaks French, is a long shot for Martens.

Although a veteran in Belgian politics, Martens will be one of the rare candidates who dare to go out of their voting area to get votes. He makes no mystery about his choice.

"Hosting all E.C. institutions, including the Parliament, is a vital question for Brussels and Belgium," he said in a recent interview. "This is my struggle for the next 10 years."

With no such institutions in Brussels, he added, Belgium, a small country with only 10 million people, would risk becoming "a country like Ireland or Denmark." Fears of such an isolation grew rapidly after the aborted coup d'état in Moscow. Requests for



### Ring in the Olympics

MADRID—In 1987, shortly after Barcelona won the right to host next year's Summer Olympics, officials launched an ambitious campaign to spruce up the soot-covered city of four million.

Called *Barcelona, Posa't Guapa* ("Pretty Yourself Up, Barcelona"), the plan has provided public and corporate seed money to recover the Mediterranean city's architectural heritage.

In its first four years, the plan has tackled everything from restoring facades, parks, and fountains to cutting down the forest of television antennas that clutter the rooftops.

Now officials are vaulting into the realm of sound.

Observant visitors may notice something odd as they stroll through the city's Gothic quarter or gape at the playful opulence of its Modernist apartment buildings. Barcelona is a city of churches. But precious few have bells.

The problem dates from the 1936–39 Spanish Civil War, when pro-Republican forces—which included anarchists and others who had little love for the Roman Catholic Church—

melted down many of the bells to make cannons.

The church had no money to spend to restore the bells in the hunger-filled years following the war. And by the time money was available, the Second Vatican Council had placed church priorities elsewhere.

A study by the archdiocese carried out for *Barcelona, Posa't Guapa* showed that 250 belfries need restoration, 24 of them in the city center, before the peal of church bells can again fill the air.

The campaign has begun looking for a sponsor to put up somewhere between 30 million (\$284,711) and 300 million pesetas (\$2.8 million) to repair belfries, repair or buy bells, and install electrical chimes.

The idea is to fix enough of the downtown bell towers by next summer to ring in the Olympics in style.

"The bells were an important form of communication in the Middle Ages," campaign director Ferran Ferrer said. "In this age of computers and fax machines, we hope we can recapture the romance of the church bells."

—RICHARD LORANT

**Barcelona is being spruced up for the 1992 Olympics.**

strong E.C. relations from the Baltic states, and from Soviet Georgia, fueled the feeling that the center of Europe was moving somewhat to the east.

—CHRISTOPHE LAMFALUSSY

### A Month of Conferences

LUXEMBOURG—September is normally a slow time in Luxembourg, but this year was an exception as two major conferences were held in the Grand Duchy just a week apart.

European immigration Ministers met on September 17–18 to review policies concerning the free movement of people, while an international conference was held September 23–24 on the role of the European Currency Unit in international finance.

Normally, the busy months for Luxembourg are April, June, and October, when the E.C. Council of Ministers holds all its meetings there rather than in Brussels.

The immigration meeting was open to all 25 members of the Council of Europe, as well as—in observer status—Albania, Bulgaria, Canada, Poland, Romania, the Soviet Union, Yugoslavia, and the Vatican.

The Ministers proposed the creation, under Council of Europe auspices, of a rapid emergency system in cases of large-scale refugee flight. The system would include medical help and other humanitarian assistance, and would help refugees return to their native countries in appropriate cases.

Luxembourg gets back to normal E.C. business on October 1, with a meeting of the E.C. Environment Council.

—CHARLES GOLDSMITH

### Artful Designs

LONDON—The National

Gallery on London's famous Trafalgar Square got a new wing this summer, more than 50 years after the first attempt to enlarge the nation's premier art gallery. It was a team of U.S. architects who finally overcame the design objections that had stymied the project over the decades.

The original building was designed in 1833 and since the turn of the century has suf-

fered from a shortage of space in which to hang all the paintings that were available. In the 1930s, the trustees of the gallery realized that an extension must be built, ideally on the site of Hampton's furniture store next door.



U.S. architects designed the new wing of the National Gallery on Trafalgar Square.

fered from a shortage of space in which to hang all the paintings that were available. In the 1930s, the trustees of the gallery realized that an extension must be built, ideally on the site of Hampton's furniture store next door.

Their attempts over the past half-century to find either wealthy benefactors or government funding and to come up with an acceptable design have been described by one paper here as "a gloriously English saga of exasperation, breast beating, contumely, and bureaucratic bungling."

Among the players to feature in this saga were the oil magnate Calouste Gulbenkian, who had agreed in the late 1930s to play munificent benefactor, until the Foreign Office decided at the outbreak of World War II to declare him

an enemy alien. That setback was only slightly offset by the fact that Luftwaffe bombs destroyed Hampton's store in 1940.

Even though the ideal site for the new wing was now vacant, various proposals came to naught, and the turning point did not come until 1985. That was the year in which the extension project suffered both its most terrible setback

and the unexpected leap forward that culminated in the grand opening by the Queen of England on July 9.

It was another member of the royal family, Prince Charles, the heir apparent, who shattered the trustees' hopes in the mid-1980s that they were about to have an extension built. He launched his famous attack on the way some modern architecture was ruining London. In particular, he picked out the already heavily criticized design that had won a government-sponsored public competition for the National Gallery extension.

By describing it as "a kind of vast municipal fire station complete with the sort of tower that contains the siren...a monstrous carbuncle on the face of a much-loved and elegant friend," the Prince

effectively destroyed the chances of a public inquiry approving the plan chosen from the 79 entrants.

Fortunately for the nation, all the publicity that this created led the Sainsbury brothers, supermarket chain magnates, to come forward to offer the \$50 million needed to build the extension without government assistance. The successful businessmen also

proposed that, instead of looking for a suitable design, the trustees should look first for a suitable architect.

The Philadelphia-based firm of Venturi, Scott Brown, and Associates was the surprise appointment as architects, and naturally their final design, which left them "happy but crying in a couple of places," in the words of Denise Scott Brown, has been subject to

fierce criticism. It would hardly be otherwise, considering the importance of the site.

Looked at from Trafalgar Square, the new wing blends in with the main building. Indeed, if you were not told that it was brand new, you could easily assume it had been there for years. That is exactly what has so enraged many critics who believe that such major works should be opportunities to demonstrate revolutionary designs, as has been done in Paris.

However, it has won huge plaudits for the wonderful way in which it shows off the art works hung on its walls. Indeed, the extension is so successful inside that it makes the original gallery interior look shabby indeed. If the primary function of an art gallery is to display art in the best possible

way, then the extension is a triumph.

Nonetheless, there will continue to be those who will regard this Sainsbury wing as a lost opportunity to add an architectural work of art to the London landscape.

—DAVID LENNON

## Watching the Party Crumble

LISBON—The country is fascinated by the amazing contortions of Portugal's Communist Party (PCP), whose 78-year-old Stalinist leader, Alvaro Cunhal, warmly applauded the August coup attempt against Soviet leader Mikhail Gorbachev (together with Libya, the Palestine Liberation Organization, Iraq, Cuba, and North Korea). Earlier, Cunhal had announced that his party would stand firmly behind orthodoxy, ready to be the platform for a true communist rebirth around Europe once current erring ways were inverted. Such a stance has jolted even his most ardent local supporters for whom television coverage of Soviet and Eastern European developments during the past two years has been a constant revelation.

The party's death throes here are painful to watch; most observers think that with its more educated members and intellectuals defecting almost daily, it will be virtually impossible to keep the PCP together. Already dissidents and others seeking a home on the liberal left are lobbying to replace the PCP after the general election held on October 6.

The outcome of the current struggle in the party—which 15 years ago still drew nearly 20 percent of the national vote and was a power to be reckoned with on the labor and rural fronts—could be crucial to the election result.

The October vote for 250 seats in the Portuguese Parliament will be a water-



Italian taxpayers overwhelmingly favor the Catholic Church over the state.

shed. Either the ruling Social Democratic Party, holding an unprecedented parliamentary majority (elected on a proportional representation system geared to splintering, not consolidating, the final result) will be given a new four-year mandate to complete fundamental economic and social reforms now under way, or the opposition Socialists will take power in an inherently unstable minority government. The latter experience haunts many who, since 1974, have lived through a series of revolving-door, stop-go governments that left the economy in ruins and the country in chaos.

Current polls suggest, however, that the Social Democrats will scrape home with a renewed overall majority—one recent sounding gave the Social Democrats 46.3 percent, the Socialists 38.1 percent, the Communists 8.9 percent, and the Christian Democrats 3.8 percent. The same poll showed Prime Minister Anibal Cavaco Silva the favorite, with 48.2 percent of voters for a new term as Prime Minister. The winners need 43 percent of the vote for absolute majority.

However, if PCP supporters, disillusioned by Cunhal's an-

tics, abandon their traditional ways, their 8 percent swing vote (in all likelihood destined for the Socialists) could mean the outcome would be much closer than currently forecast. —KEN POTTINGER

### Giving the Church a Hand

ROME—The majority of Italians are Catholic. And even though “free church in a free state” is an ideal that is fundamental in the Republic, evidence shows the deep feelings of the average Italian citizen. Given the choice between the state and the church, the choice would be an easy one, if one is to judge from the results of a 1988 tax law.

This act, voted by the Parliament, and the new concordat between the Vatican and Italy has allotted eight parts in a thousand of the country's entire income tax takings to “social purposes.” Acting as “middlemen” are the state or three religious organizations: the Catholic Church, the Seventh-day Adventists, and the Pentecostal Church. Other religious groups, such as the Jewish communities, have refused this deal but have worked out an agreement with

the state whereby members may deduct contributions before tax.

The amount of money involved in the “eight per 1,000” law is no peanuts. Last year, the grand total was around 900 billion lire (\$700 million). Taxpayers may indicate on their income tax returns which institution they wish as a recipient for the mandatory charity. If the taxpayer chooses the state, money will be put into a special fund for charity or community needs, for example, the Italian Red Cross or humanitarian aid in the developing world.

As it turned out last year, 42.4 percent of taxpayers ticked the Catholic box, while only 12.5 percent favored the state and less than 0.8 percent combined went to the other two churches. The total of taxpayers who made a choice was therefore 55.7 percent. But not only the average Italian citizen loves the church. The state does too. The way Governmental officials worked out the eight per 1,000 law means that those who do not exercise their choice delegate to those who do. Because the two smaller churches simply took what was due to them (less the 0.8 percent) and declined to take part in the division of the rest, 99 percent of the grand total was divided between the state and the Catholic Church, in proportion to the preferences that were expressed. This way, the Catholic Church eventually got 77 percent of the grand total, instead of the 42.4 percent. No small difference: \$570 million instead of \$318 million. “Render unto God that which is God's and unto Caesar that which is Caesar's” goes the Holy Gospel. Since 1988, Caesar, in the guise of the Italian Government, has been giving God a hand.

—NICCOLÒ D'AQUINO

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# E.C. NEWS

## FOREIGN AFFAIRS

### U.N. RESOLUTION FOR YUGOSLAVIA

The German, French, and Dutch Foreign Ministers addressed the U.N. General Assembly and called for the adoption of a resolution demanding a U.N. arms embargo on strife-torn Yugoslavia and an end to the fighting there.

The European draft resolution, sponsored by Belgium, Britain, and France, cites the enforcement provisions of Chapter VII of the U.N. Charter after alleged violations of cease-fire agreements in Yugoslavia, but does not call for a U.N. peacekeeping force to supervise the cease-fire as France had originally proposed.

The Belgian text of the resolution also contains a paragraph affirming the Security Council's support of the E.C.'s monitoring measures in Yugoslavia. If adopted, it will be the first time that the E.C. has been mentioned in a U.N. resolution.

"Given the continuous breaches of the cease-fire agreements, the 12 [E.C. members] moreover feel that a mandatory arms embargo by the Security Council is needed to bring peace to this region," Hans van den Broek, Dutch Foreign Minister and E.C. Council President, said. German Foreign Minister



The head of the E.C.'s peace conference on Yugoslavia, Lord Carrington.

Hans-Dietrich Genscher called for adoption of the resolution to avoid further bloodshed. "There's a war going on in Europe. People are dying and bleeding to death," he said. "The CSCE (Conference for Security and Cooperation in Europe), the E.C., and the WEU (Western European Union) are working toward a cease-fire and peaceful order. They need the support of the world community and Security Council. We expect a binding arms embargo."

French Foreign Minister Roland Dumas warned that Yugoslavia is heading deeper

into an "impasse" and urged the U.N. to adopt the resolution. "France believes it is incumbent on the United Nations to bring the parties to reason by demanding compliance with the cease-fire, by showing the way to dialogue and to negotiation that has been mapped out with their consent by the European Community," Dumas said.

The head of the E.C.'s peace conference on Yugoslavia, Lord Carrington, held talks with President Slobodan Milosevic of Serbia, President Franjo Tudjman of Croatia,

and head of the pro-Serbian Federal army, General Veljko Kadijevic, in the neutral Yugoslav territory of Montenegro. Carrington, a former British Foreign Secretary, was sent in an effort to bring all the players to the table in hopes of heading off an intensified conflict.

### SOVIETS REQUEST MASSIVE FOOD AID

The Soviet Union has more than doubled its request for food aid from the West to a total of \$14.7 billion. Soviet officials said that the earlier request totaling \$7 billion was intended for the European Community alone. The updated request, directed to all of the industrialized nations, asks for 20 million tons of grain (four times the amount first requested by the E.C.)

E.C. Commissioner for External Relations Frans Andriessen is said to favor a "triangle" combination of administering aid that consists of Western financing, Eastern Europe food products, and a Soviet distribution network. The plan appears to solve two immediate problems for the West (providing food for the Soviets this winter and giving the Eastern European countries access to hard currency and an export market for their agricultural products).

Great concern, however, remains as to the ability of the crumbling Soviet infrastruc-

ture to receive and disburse massive amounts of grain and foodstuffs. Along with a severe shortage of gasoline, the country's transportation system is rife with inefficiency and corruption. One Western official was quoted as saying that "a very large part of the problem is not lack of food, but the absence of a system to distribute it before it rots."

With winter coming on, the outlook is not encouraging. U.S. Agriculture Department Under Secretary Richard Crowder reports that grain production in the Soviet Union is down by 20 percent from last year. The Ukraine, the U.S.S.R.'s biggest grain producer, has said that it has barely half of what it will need for the winter. Ordinarily, the Soviet Union would purchase grain abroad, but due to a 51 percent drop in oil exports, hard currency is lacking.

## BUSINESS

### HOFFMEYER NAMED HEAD OF E.C. BANK

The governors of the European Community central bank have elected Erik Hoffmeyer to finish Karl Otto Pöhl's term as chairman of the governors' committee.

Head of the Danish Central Bank since 1965, Hoffmeyer is known for his pragmatism, reserved wit, and conservative monetary philosophy. Like Pöhl, Hoffmeyer is not one for espousing grand designs to speed monetary union.

The Dane's pragmatism might seem a bit ironic considering the amount of foreign debt Denmark incurred during the last two decades; however, Hoffmeyer has remained a longtime critic of his country's spending policies, consistently calling for a more conservative

approach to government spending.

Hoffmeyer supports a European central bank that would operate on a one-vote-per-country basis; thus, smaller countries such as Denmark would be afforded an equal voice among their larger counterparts.

The board's decision came as little surprise since the 66-year-old Hoffmeyer is the most senior member of the bank's governors.

### E.C. APPROVES DELTA TAKEOVER

The E.C. Commission cleared Delta Air Lines' proposed acquisition of Pan Am's route authorities between the United States and Europe, and Pan Am's Frankfurt Hub.

The Commission examined the market share between various European and American cities and concluded that Delta's acquisition would significantly impede competition in the single market.

The purchase agreement is part of a larger transaction between Delta and Pan Am under the Chapter 11 U.S. Bankruptcy Code Procedure concluded after Pan Am filed for the purpose of reorganizing in January. Besides Pan Am's European routes, Delta also acquired other overseas routes and certain assets of Pan Am's shuttle services.

## U.S.-E.C. AFFAIRS

### EUROPE ASSISTS U.S. WEATHER SERVICE

The United States has decided to borrow surplus European spacecraft to assist

in weather surveillance until new U.S. technology is refined.

After many delays in getting the next generation of weather watchers off the ground, Commerce Secretary Robert A. Mosbacher has asked to borrow satellites from Europe to act as backups to the National Weather Service's aging spacecraft. Commenting on the decision, Mosbacher said that he did not want the new U.S. satellites (which are already over budget and behind schedule) rushed into service without further testing.

The new GOES-Next (Geostationary Operational Environmental Satellite) is designed to replace the five-year-old GOES-7 as the United States' main weather eye. The satellites are launched to a high-altitude orbit over the United States and move at the same speed as the rotation of the earth, sending continuous pictures of the country's weather patterns. The GOES-Next is not expected to be launched until 1993.

### KOHL SUPPORTS MID-EAST PEACE CONFERENCE

After meeting with President George Bush in September, German Chancellor Helmut Kohl said that Europe supports the president's efforts for an Arab-Israeli peace conference "completely and unequivocally." Although recent events in Eastern Europe have focused attention away from the Middle East, the two leaders reiterated the importance of the beginning of a dialogue between Arabs and Israel in the region.

## GETTING TOUGH ON TRUSTS

The E.C. and the United States have announced an agreement that will increase cooperation in antitrust enforcement. After a year of negotiations, the two sides have agreed to a system of coordination that will promote business competition and protect consumers in the long run.

Officials from both sides said that the agreement was needed to keep viable government controls on the rapidly growing international market place. Last year, U.S. companies and firms from the E.C. accounted for 160 mergers in the world marketplace. The measure is similar to agreements that the United States already has with Australia, Canada, and Germany.

## MONETARY UNION

### MONETARY UNION ONE STEP CLOSER

The E.C.'s long-debated monetary union has taken "a considerable step forward," according to Dutch Finance Minister Wim Kok at a recent E.C. Finance Ministers' meeting. Kok said that a general agreement had been reached on the importance of keeping the 12 member states on track toward a single E.C. currency. The agreement calls for the creation of the European Monetary Institute, which will begin monitoring and promoting the use of the European Currency Unit in 1994. In 1997, the European Commission and the European Monetary Institute will recommend to the Council of Finance Ministers which countries are ready for the final phase of monetary union.

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# BOOKS

in

# REVIEW

**IRON CURTAIN RISING.** By Peter Laufer. *Mercury House, San Francisco, 213 pages, \$19.50.*

Peter Laufer has described, in a witty and offbeat but serious way, the enormous changes that have swept across Eastern Europe in the last couple of years.

He takes the reader on "a personal journey through the changing landscape of Eastern Europe." And he does it in a different way than most writers describing monumental events. Instead of interviewing well-known personalities like Václav Havel and Lech Walesa, he talks with the average citizen. The author lived in the working-class districts of the various capitals undergoing revolutionary change and reports on how regular people go about their daily lives in the midst of these sweeping changes.

Laufer takes the reader into Eastern Europe before, during, and after the revolutions. This reviewer read the book while traveling to Berlin and Prague and found it very insightful, providing a history of the events leading up to the revolutions of 1989.

The reader gets a sense of the absurdity and despair that existed in just attempting to cross borders before 1989. When recounting a story about his experiences trying to cross the Berlin border several years ago, Laufer says the guards "double-checked, often triple-checked, as if for some unfathomable reason you might be trying to sneak into East Germany."

While Laufer describes the enormous changes taking place across Eastern Europe, he is not entirely optimistic. "The Iron Curtain is rising. But let no one fool you; it is not gone. The legacy of a few generations of Stalinist authoritarian dictatorships cannot be wiped away by the remarkable 1989 revolutions. The damage to people, places, and things will last for at least a couple of generations."

Other insights in the book include people's reactions across Europe to a united Germany; the terrible pollution problems ("Eastern Europe stinks. The air is so thick from pollution that you can taste it."); the incredible influence of American cigarettes on the black market; and the problems that led to the current crisis in Yugoslavia.

Although Laufer is sympathetic to the people who rid themselves of their communist leaders, he says: "By the end of 1990, I had realized that I'd had my fill of standing out in the freezing Eastern European cold with thousands of miserable and abused people overthrowing their government."

The author has written a humorous but very insightful account of the changes that are sweeping across Europe. Before you travel to Prague, Berlin, Budapest, or Warsaw, I suggest you read Laufer's book—or better yet, take it along with you. —Robert J. Guttman

**THE END OF LAISSEZ-FAIRE.** By Robert Kuttner. *Alfred N. Knopf, 304 pages, \$22.95.*

One would have expected this book to have been written by a European rather than an American. Kuttner's central contention is that the concept of laissez-faire, dear to the hearts of many Americans in high places, is largely a chimera.

He believes that the purists have put the United States at a competitive disadvantage in a world where a mix of managed and free markets is the norm. If the United States could not convince the rest of the world of the virtues of laissez-faire when its economy was dominant, it should accept that it is even less likely to do so now.

Kuttner says that this competitive disadvantage is compounded by America's geopolitical interests. Successive administrations have been reluctant to lean on recalcitrant trading partners whose strategic importance to the United States may override purely commercial considerations.

Kuttner is critical of the Government's reluctance to commit itself to any form of strategic industrial planning except as an incidental byproduct of military spending. In passing, he takes a legitimate shot at American criticism of subsidies for the European Airbus program. "American trade negotiations chronically find themselves in the ludicrous position of earnestly denying that U.S. supremacy in aircraft has anything to do with the trillion dollars expended on purchases for the Air Force."

The author believes that the United States must recognize that it is at an ideological crossroads and that it must make up its mind now that greater management of both the national and the global economy is where the future lies. He will find many echoes of this view in Europe. He may also find support on this side of the Atlantic among Democrats in search of a cause. Acceptance among Republicans is less likely.

For Kuttner, laissez-faire is a false idol, for both the domestic and global economies. "The global intelligentsia may think of itself as stateless, and global capital may see nation states as anachronistic encumbrances. But the state remains the focus of the polity...and the polity remains the structure best suited for counterbalancing the excesses of the market."

Kuttner's thesis could be used as an argument for protectionism were it not for the fact that he favors not just a mixed economy at home but also greater global management of trade, investment, and technical development to ensure a greater balance of advantage between competing nations. He argues for a form of internationalism, "liberal but not laissez-faire in the spirit of the internationalism of Roosevelt and Keynes."

The author points out that, despite its purist protestations, the United States has underwritten mixed or managed economies throughout the world. On this subject, he is particularly interesting on the American support of the genesis of the European Community, where he points out that "it was hard to find European leaders who did not embrace the idea of a substantial welfare state and a degree of state involvement in the economy."

Clearly, this is the model he thinks the United States should now adapt, and not a moment too soon. He is particularly caustic about the Reagan presidency, which, he believes, deferred an overdue revision of U.S. strategic goals in the world. "Rather than recognizing that Europe and Japan had long since become mature economic competitors...Reagan's program removed American imperial pretensions. Rather than grasping that most Western nations relied on a managed form

of capitalism, his government intensified America's commitment to one-sided laissez-faire, at the expense of the nation's own economic well-being." He would like to see the United States view its international interests through a geo-economic, rather than a geopolitical, lens.

Free trade, in the textbook sense, does not exist, according to Kuttner. What he would like to see is a stronger GATT, perhaps something closer to the still-born ITO, supervising a mixed system of partially managed trade.

On the subject of GATT, it is interesting to note that he blames "the ultra laissez-faire position of the United States on agriculture" for the near collapse of the current Uruguay Round of GATT negotiations last December. The conventional American argument ascribes the failure to the E.C.'s alleged stubbornness.

Kuttner also has some ideas about the management of the world monetary system that merit attention. He rightly recognizes the burden borne by the dollar as the currency of the hegemonic world economy, a responsibility that the United States is no longer in a position to discharge alone. He would prefer to see a tripolar system based on three currencies—the dollar, the yen, and the German mark, or, eventually, the ECU, which will emerge from the planned E.C. monetary union—as well as a world quasi-central bank.

Kuttner has lost faith in Adam Smith's "unseen hand" as a stable influence on economic development. The real debate for the decade, as he sees it, should be about how to structure the departures from pure laissez-faire. He believes that there is a growing coalition that favors such an undertaking.

—Peter Doyle

**THE WORK OF NATIONS.** By Robert B. Reich. *Alfred N. Knopf*. 331 pages. \$24.00.

This finely argued book makes for rather depressing reading for anyone who is serious about the future of the United States. Ironically, the only segment of the population that will not be too shocked by Reich's thesis is the one that has the disposable income to buy his book.

The theme of this new work by an eminent Harvard political economist is that the top 20 percent of American earners are gradually pulling away from the other 80 percent, not only in economic terms but also in the societal sense.

You may say that it was ever thus. But the difference as we approach the end of the second millennium—the subtitle of Reich's book is "Preparing Ourselves for 21st-Century Capitalism"—is that the upper fifth is rapidly distancing itself from the rest of America because it is becoming less and less dependent on it to make a dollar.

According to Reich, the advent of the global economy has meant that Americans with internationally tradable skills, whom he describes as "symbolic analysts" or problem solvers, have less and less professional need of the other four-fifths of fellow Americans, whom he divides into "in-person servers" and "routine producers."

As the symbolic analysts increasingly trade their skills in the international marketplace, the fate of the less fortunate becomes less and less of a concern to them. This has led to a behavioral pattern that manifests itself in the top 20 percent distancing itself from the rest.

Witness the mushrooming of residential enclaves for the super rich, into which they can withdraw in comfort and

safety, emerging only to avail of the services of the "in-person servers" in restaurants or the "routine producers" by purchasing the goods they produce in stores. Reich might have gone further by noting that restaurant delivery and credit card shopping can relieve them of even this tedium.

The result of these trends is a breakdown in community solidarity. Reich sees a danger that, as the symbolic analysts put more distance between themselves and the rest of society, both in terms of income flow and where they earn it, the less they will be inclined to contribute to the infrastructure needs of the country and the social needs of the less well-off, particularly education. America is moving toward what Disraeli called Two Nations in 19th-Century Britain.

Reich is particularly concerned about the poor quality of education available to the disadvantaged, who face increasing competition from emerging countries for the type of skills and services they have to offer. Only a small percentage of American workers are being properly educated to compete in the global economy.

At the same time, the concept of an "American" corporation is fast fading as capital becomes more internationally mobile. More than 20 percent of the output of American-owned firms is being produced by foreign workers outside the United States—and the figure is rising.

The oft-repeated slogan "What's good for General Motors is good for the United States of America" appears to be losing its validity. As Reich puts it, "that the strength of the American economy is synonymous with the profitability and productivity of American corporations is...an axiom on the brink of anachronism."

Reich produces some startling statistics, at least to a European reviewer, to highlight the widening prosperity gap in the United States. Between 1977–90, the income of the poorest fifth of Americans declined by about 5 percent, while the richest fifth became about 9 percent wealthier. That left the richest fifth accounting for about half the nation's income.

By the end of the 1980s, the top 1 percent of earners were paying a combined federal-state-local tax rate of only 26.8 percent, compared with almost 40 percent 25 years earlier. In 1960, a CEO's take-home pay was on average 12 times that of a worker on the line. By 1988, it was 93 times higher.

Reich believes that the problem is far from insoluble. But is the will, particularly the political will, there? Will governments grasp the tax nettle? Is the upper fifth willing to bear the burden? He is not too sanguine: "As the economic fates of Americans diverge, the top may be losing the long-held sense of connectedness with the bottom fifth, or even the bottom four-fifths, that would motivate such generosity."

The economic independence of Americans that Alexis de Tocqueville remarked on in the last century is evaporating. His nation of "self-interest properly understood" is no longer axiomatic. Reich goes so far as to characterize the trend among the top fifth to increasingly work and live apart from their compatriots as "secession," when what is needed is "a new patriotism."

He looks in passing at the systems used in the European Community to redistribute wealth. If sovereign European nations can agree to give up part of their wealth to help less fortunate regions in the Community, is it not reasonable to expect that similar financial solidarity could be shown by members of a single nation that has always rightly prided itself on its generosity?

—Peter Doyle





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## Music to My Peers

In terms of music, the Emerald Isle has it all, from folk to funk.

With the newly released hit film, *The Commitments*, the Irish now have soul, too. The movie charts the trials of a group of young Dubliners who form a soul band, The Commitments. To cast the film, director Alan Parker says he rather rashly decided to audition anyone who sang or played a musical instrument. After whittling down the 1,500 hopefuls to the 12 leads, he was still able to showcase other Irish musicians in his



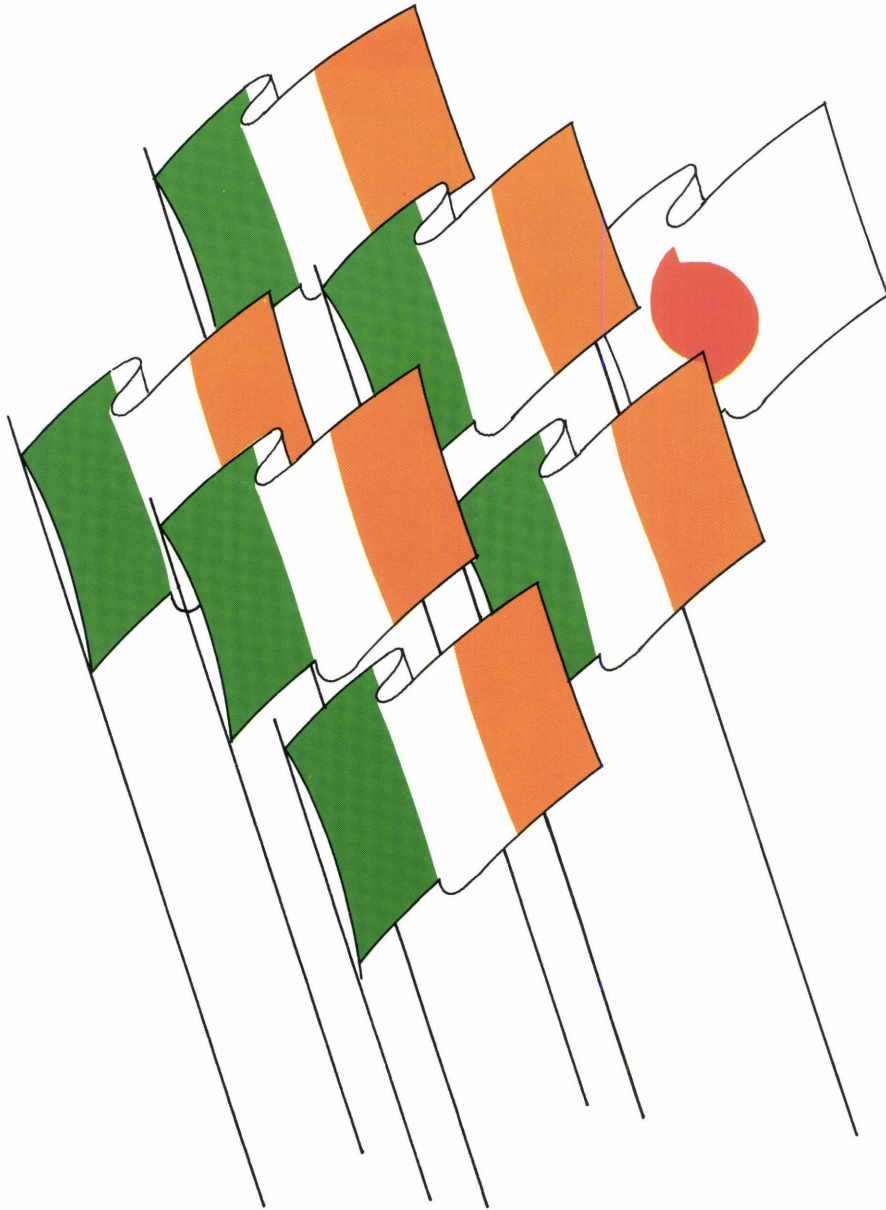
## in closing...

film, from an Uilleann pipe player to a Cajun version of Elvis.

Few European countries can match the Irish in appealing to large musical audiences on both sides of the Atlantic. Current Irish musical exports include U2, Sinéad O'Connor, Van Morrison, Bob Geldof, and the Pogues.

The next likely Irish export may well be The Saw Doctors, a new band from Tuam in County Galway. Their first album, *If This Is Rock and Roll I Want My Old Job Back*, was an immediate success. Their songs—upbeat, witty views of the ordinariness of Irish life—have bridged the generation gap, giving them an immense following in Ireland.

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