

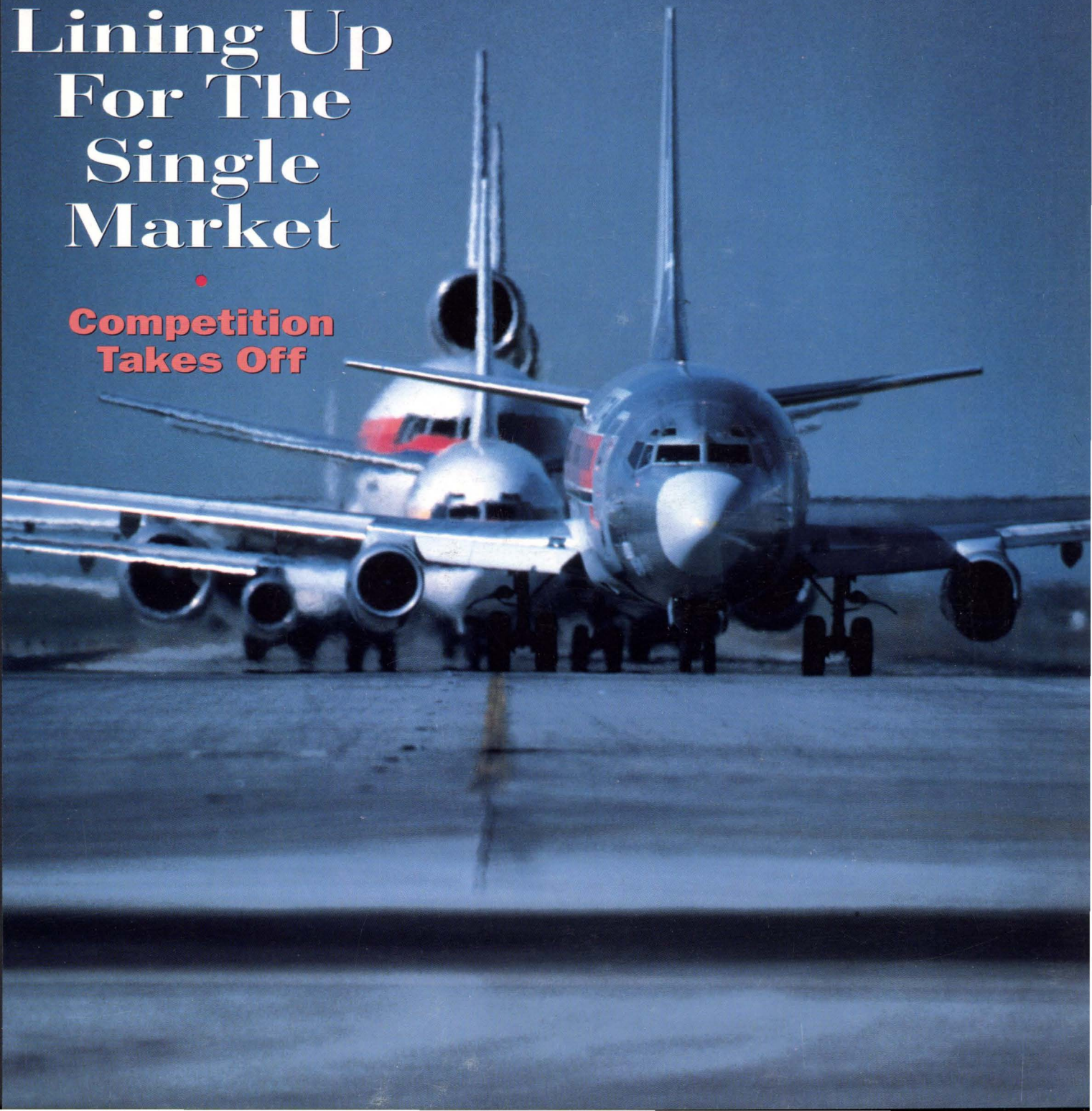
EUROPE

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Governor Mario Cuomo
Speaks Out On Europe

Lining Up For The Single Market

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EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY

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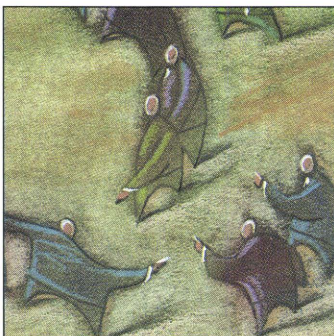
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DON POLLARD

Letter From The Editor

ONE RESULT OF THE 1992

single market will be increased competition among the various companies doing business in Europe. Nowhere will this competition be more fierce than in the airline industry.

Because the readers of *Europe* are frequent travelers to and from Europe, we are presenting an in-depth look at the new and increasingly deregulated airline industry from both sides of the Atlantic.

Europe spoke with senior executives at British Airways, Delta Airlines, and Lufthansa to present a round table discussion on their views on the competition for passengers, especially the more lucrative business traveler on trans-Atlantic flights.

The key airline companies in the United States and in Europe are analyzed and discussed, and we try to project who will be the winners and losers in the 1992 single market.

For those travelers who opt for train travel in Europe, we look at the pros and cons of taking a train versus a plane on short journeys.

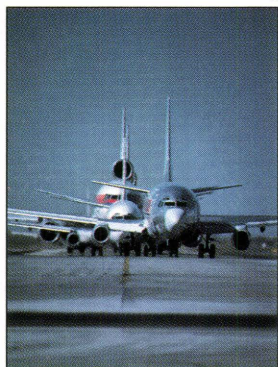
Even before the single market goes into effect on January 1, 1993, the EFTA nations have joined with their E.C. neighbors in forming a European Economic Area. This new free-trade area will benefit both sides, and the Brussels correspondent for *The Journal of Commerce*, Bruce Barnard, points out the new opportunities in trade that will now exist between EFTA and E.C. countries. Barnard also highlights Sweden's perspective toward the new agreement.

Portugal takes over the presidency of the E.C. in January. Ken Pottinger, writing from Lisbon, charts the goals the Portuguese hope to achieve during their term. The Portuguese Foreign Minister, João de Deus Pinheiro, in an exclusive interview, details Portugal's plans for the E.C. presidency.

New York Governor Mario Cuomo gives our readers an in-depth look at his views on U.S.-European relations, the future of NATO, New York-E.C. trade relations, national health care, crime, the economy, and his overall philosophy of government. We look at the vital trade links between the Empire State and the Community.

And, as the holiday season approaches, *Europe* gives our readers a look at how Christmas dinner will be served in homes throughout the 12 E.C. countries. Our January/February 1992 issue will contain information on all the Olympic events in Albertville.

The staff of *Europe* wishes all of our readers a happy holiday!



U.S. airlines are lining up for the single market.

Photograph by Alan Bergman/
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U.S. AIRLINES U.S. FLYING INTO EUROPE

When Pan American and Trans World Airlines (TWA) sold their rights to operate out of London's Heathrow Airport, it marked the end of an era in the airline industry. Since before World War II, when the two American carriers became the first U.S. airlines to be awarded routes to Europe, the names Pan Am and TWA have been synonymous with international travel. And while Pan Am has gone out of business and TWA is struggling to hold on to its remaining European destinations, the original U.S. carriers to Europe are not even second-stringers in today's market.

GETTING
READY FOR
THE SINGLE
MARKET

PETER GWIN

The current situation for U.S. airlines in the European market has its roots in the U.S. Government's 1978 decision to allow free competition in a deregulated airline industry. U.S. carriers could operate routes and set fares at whatever the market would bear. Initially, the industry underwent a rush of fierce competition with no-frills airlines springing into the market with

rock-bottom fares that cut into established airlines' profits. Slowly most of these small enterprises went out of business or were absorbed by larger carriers, but the damage to Pan Am and TWA was irreparable.

Another problem for Pan Am and TWA after deregulation was that they did not develop a hub and spoke system, which other airlines did. With this strategy, an airline establishes base cities where it funnels traffic from smaller surrounding markets and then redirects those passengers onto other flights destined for other points throughout its route system. The three airlines

that made the most of this system of networking now dominate the U.S. domestic market—American, Delta, and United. While the "Big Three" used the hub system to build strong domestic networks, Pan Am and TWA largely concentrated their efforts internationally.

Although TWA did develop something of a domestic system, neither its nor Pan Am's economic foundation was secure enough to weather the tumultuous period of cutthroat fare wars that occurred shortly after deregulation. Since then, the industry's two elder statesmen have floundered in debt and unprofitability during a time when airline profits—even for the Big Three—have been difficult to come by. As a result, both decided to sell their most prized European assets.

Over the years, U.S. carriers acquired various international routes, but the scramble for access to Europe intensified about a year ago when TWA and Pan Am sold their coveted routes into London's Heathrow Airport. American and United paid record sums for the routes, betting that Heathrow, with its large volume of European passengers traveling en route to the United States and to other points in Europe, would provide them with a base to begin building a European hub similar to their successful U.S. hubs. However, while industry analysts see the Heathrow routes as proven profit centers, they agree that London's oldest airport is a fully developed market without room for significant expansion.

In a further move to remain aloft, Pan Am, continuing to struggle under the weight of Chapter 11 bankruptcy, announced that it would also sell to Delta its European hub in Frankfurt, which

serves 30 cities in Europe, and its international network based at New York City's Kennedy Airport. In addition to \$416 million in cash, Delta Air Lines agreed to provide hundreds of millions of dollars in support for a reorganized Pan Am. But even with Delta's aid, Pan Am's management was unable to keep the carrier flying. Nonetheless, the deal has given Delta the dominant position among U.S. carriers in Europe. As the liberalization of Eastern Europe continues to shift the center of the Continent rapidly toward Germany, Delta appears well positioned to exploit this growing market.

U.S. airlines are anxious to push into Europe because of the changes they expect the 1992 single market to bring. U.S. carriers are anxious to see how the air transport industry will change and who will benefit. And, more important, who will get hurt.

Currently, each E.C. country has differ-

ent laws on access to its airline market. Most countries negotiate access to their markets through a series of reciprocal bilateral agreements with the U.S. Government. For example, the French Government might allow a U.S. airline to operate a New York-Paris route in exchange for a French carrier being able to operate a route of equal value into the United States. Germany, on the other hand, has a policy of "open skies" whereby foreign carriers are free to operate into and out of German airports if the airline can obtain landing slots and space at the airports for support facilities.

focuses on the industry buzz words "fifth freedom" and "cabotage." "Fifth freedom" refers to a country allowing a foreign carrier to fly from one country to another, pick up passengers there, and take them to a third country. For example, Air France picks up travelers in London and takes them to New York. U.S. airlines now have fifth freedom rights to operate between a number of E.C. countries. Delta's new hub in Germany is based almost entirely on fifth freedom rights.

Cabotage occurs when a foreign carrier operates a domestic route within another country. British Airways picking up travelers in Miami and flying them to Dallas would be an example of this. By law, cabotage is allowed neither by foreign carriers in the United States nor by U.S. carriers within most European countries.

Of utmost concern to American, United, and Delta is whether they will be allowed to operate within a unified Europe

under the rules of fifth freedom. If the E.C. rules that foreign flights within the single market are cabotage, the U.S. carriers would be effectively shut out of Europe. To hedge against such a ruling, it looks like U.S. airlines are establishing strong positions in Europe before the single mar-

ket takes effect, betting that it will be very difficult to remove them after 1992. Such thinking would explain the record sums the Big Three have spent in Europe in the last six months despite record losses.

So far, the E.C. has said it will honor the bilateral agreements its member governments have signed. However, as those agreements come up for renewal, the E.C. will most certainly try to negotiate a more equitable deal—that is, access to the U.S. domestic market. The E.C. proposal for governing a unified airline market seems to leave the door open to foreign competition within the single market. But officials in Brussels are quick

to point out that the U.S.' position does not allow foreign competition within the vast domestic market.

Privately, many in the U.S. airlines industry agree that the Europeans have a reasonable gripe. Surprisingly, many say they would welcome competition from European carriers at home in exchange for equal access to the single market in Europe. "The key word," one U.S. airline executive emphasized, "is *equal*." We're not about to give them New York-Miami [if] all we get is Luxembourg-Liverpool."

Even though European carriers benefit from lower operating costs in the United States than those U.S. carriers encounter in Europe, open competition still favors the U.S. airlines. The 12 years of operation in a deregulated market have left American, Delta, and United lean and entrenched in their respective major market hubs, each fed by its own commuter flights. As a result, little room remains for foreign carriers, starting from scratch, to move competitively into the U.S. market.

In Europe, the Big Three, however, already have their eyes on potential hub cities. With the Eastern European move toward market economies, Berlin is undoubtedly the jewel of possible airline growth markets. Combined with the bullish German economy, the new German capital's access to the Soviet republics, the Baltics, the Scandinavian countries, and Western capitals puts it at the center of the new Europe. A few southern European cities, such as Barcelona or Milan, could be sites for a major hub that would connect the Mediterranean countries and North African destinations.

Because the Big Three all reported losses for the year ending June 31, the fiscal climate in the industry is not what one would expect during a buying spree. In fact, during the past 18 months, these three U.S. airlines combined have lost an amount almost equal to all the profits they've earned in the last 50 years. But the time for growth is definitely now. The only pertinent question that remains is, who has capital with which to grow? One airline executive summed up the mood by saying, "There's almost a desperate feeling that if you aren't finding new markets and exploiting them, you are falling behind, and now is not the time to fall behind."

Peter Gwin is *Europe's* new managing editor.



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ent laws on access to its airline market. Most countries negotiate access to their markets through a series of reciprocal bilateral agreements with the U.S. Government. For example, the French Government might allow a U.S. airline to operate a New York-Paris route in exchange for a French carrier being able to operate a route of equal value into the United States. Germany, on the other hand, has a policy of "open skies" whereby foreign carriers are free to operate into and out of German airports if the airline can obtain landing slots and space at the airports for support facilities.

The biggest question in relation to 1992



E.C. GOAL: FULLY LIBERALIZED AIR INDUSTRY

“**W**hat we need is less regulation, less bureaucracy, more competition, and cheaper fares,” states Sir Leon Brittan, Vice President of the E.C. Commission in charge of Competition Policy, as he outlines the E.C.’s goal for a fully liberalized air transportation industry by the end of 1993.

Although the consolidation of 12 national air transportation industries into one efficiently governed market is an enormous task, the E.C. has made great strides toward this goal. In December 1987 the E.C. passed the first package of legislation that has gradually increased

competition and allowed greater flexibility in setting fares and allocating flights. In November 1990 the second legislative package further liberalized air fares and allowed better access to routes within the Community. At the same time, the E.C. Commission began strictly enforcing competition rules.

The first two phases succeeded in loosening what had been an industry tangled in a maze of bureaucracy. The

third phase, however, attempts to streamline the bureaucracy and to create an open and equal market for all 12 nations, reserving for the E.C. the role of ref-

LIBERALIZATION
WILL MEAN
LOWER AIRFARES
FOR THE CONSUMER

STAN HUMPHRIES



ALAN BERGMAN © FPS INTERNATIONAL

eree. The third liberalization package, which has been adopted by the E.C. Commission and must still be approved by the Council of Ministers with the support of the European Parliament, would give the airlines many of the changes for which many airline officials have been lobbying in Europe for years and would provide travelers with more choices and lower fares.

The licensing of airlines to operate within each member state has long been a point of contention among the airlines. Under the proposed liberalization, airlines would have to meet certain E.C. technical and financial requirements that would replace national licensing systems that have favored a country's own flag carrier.

Under the new laws, airlines would be able to set fares for flights among member countries with only the approval of one government on either end of the route. Both governments would have to object to the fare to block the airline.

The third-phase legislation would also grant both cabotage and fifth freedom rights. At present an airline may not operate domestic routes within another country. With cabotage rights, however, British airlines could fly passengers between Paris and Lyon, for example. Fifth freedom rights, on the other hand, allow an airline to pick up passengers in another country and fly them to a third. With cabotage and fifth freedom rights, Community airlines could conceivably serve major and regional airports in all 12 member countries. For example, Lufthansa could fly from Frankfurt to Marseille, pick up passengers, and fly on to Barcelona. Air France could fly Paris to Stuttgart to Hamburg.

However, the E.C. does not intend to re-create the sweeping 1979 U.S. airline deregulation. "The antitrust authorities in the United States," Brittan says, "have been criticized for failing to oppose even a single merger or to challenge a single suspected case of predatory pricing. This kind of laissez-faire policy is not one that we intend to adopt in the Community. Anticompetitive behavior by dominant airlines will have to be strictly controlled."

The third-phase legislation would give the Commission the power to make major carriers give up some landing and take-off slots at crowded hub airports to allow for more competition.

LOOKING for an AIR TRAFFIC DECONGESTANT

Even though the worldwide recession has slowed the pace of air traffic, existing air traffic infrastructures in Europe will not be able to handle the doubling of short-haul passengers by the year 2000 (to 800 million) and the tripling by 2010 (to 1.2 billion). Sixteen of Europe's 27 leading airports will be saturated beyond capacity within 10 years if their facilities are not improved and expanded, according to the International Air Transport Association (IATA).

The breaking point for Europe's air traffic control (ATC) system could come as early as 1995, a Stanford Research Institute report predicts. Half of the 50 European ATC centers already have "significant" technical and organizational deficiencies, 24 have "major" limitations, and only 17 have no problems, the ATC coordinating group Eurocontrol found. The proportion of flights in Europe delayed by 15 minutes or longer has doubled during the past four years to 25 percent, IATA reports. Stanford says these delays cost \$5 billion in 1990 and could rise to \$15 billion by the year 2000.

AEA and others insist that the problem results from the fact that Europe's airspace is managed largely by national governments. One proposal advanced by AEA is to create a six-zone ATC system whose boundaries would be defined operationally rather than by national frontiers.

Eurocontrol is designing a new system for Western Europe, which is expected to be completed in 1995. After this, the group will implement the plans. The investment costs are expected to exceed \$4 billion.

—James D. Spellman

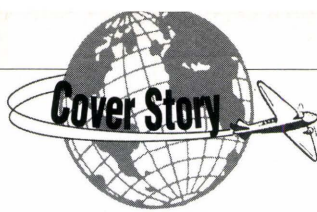
Amid all the talk of liberalization in the skies, there is one very earthly drawback—the current infrastructure cannot support immediate, widespread expansion of Europe's air transportation industry. Overcrowded airports and the lack of a uniform air traffic control system head the list of problems that must be addressed before the infrastructure can support large-scale expansion. In 1990 the Council of Ministers took a major step toward solving the infrastructure problem when it adopted a proposal to fund a three-year transport infrastructure program.

Logistics aside, the Community and its airlines stand to gain a significant amount of bargaining power as a unified market. Each member now negotiates its own bilateral air service agreements with the other members as well as outside countries, most notably the United States. Because U.S. carriers want to enhance their position in the European market, a collective E.C. bargaining position could persuade the U.S. Government to relax its restrictions on European carriers.

Currently, American carriers have a significant advantage over their European counterparts. U.S. airlines are permitted to fly into Europe and in many cases are also permitted to fly between countries within Europe. European airlines fly into many cities in the United States, but cannot carry passengers between U.S. cities. For example, Lufthansa can fly from Frankfurt to New York but not from New York to Miami. Delta, however, can fly from New York to Frankfurt and also Frankfurt to Athens. "[Our carriers] should be given the same possibility as [the U.S. carriers] have in the Community," says E.C. Commissioner for Transport Karel Van Miert.

Liberalization will mean lower airfares for the consumer, higher profitability for the carriers, and a more efficient and safer industry. Deregulation in the United States has saved American passengers \$100 billion since 1979, airline safety records have improved, and the industry is more profitable. As Brittan has emphasized, "The challenge for the Community will be to learn from the U.S. experience and avoid the pitfalls encountered there. This means that we must liberalize, fast but smoothly." **E**

Robert Guttman contributed to this article.



AIRLINE INDUSTRY

OFFICIALS FROM BRITISH AIRWAYS,
DELTA, AND LUFTHANSA TALK ABOUT
THE CHANGING AIRLINE MARKET

ROUND

The international airline industry, with its astronomical costs, mounting safety concerns, mammoth labor forces, and worldwide competition, is one of the most complex industries in the world. European and U.S. airlines operate in many of the same markets, but there are many differences in the way they view the air transportation industry. For the first of *Europe's* new series of round table discussions, Peter Gwin separately interviewed John Story, British Airways' Executive Vice President—U.S.A.; Harold Achtziger, Delta Air Lines' Vice President—International; and Anton Lill, Lufthansa German Airlines' Marketing Director—U.S.A. East, on the current situation in the airline industry and the changes it will face as a result of the 1992 single market.

THE SINGLE MARKET

The E.C. Commission has proposed legislation that would create a single airline market. Fares would be deregulated, and carriers from member countries would have access to the entire single market. Much debate remains, however, among European and U.S. carriers as to how that will affect the airline industry.

TABLE

EUROPE: How will the single market and European deregulation coming at the end of 1992 change the way U.S. carriers do business in the European market?

DELTA: It depends on how you envision that happening. How does the ground transportation aspect affect business? There has to be some improvement in Europe, and that has to do with the air traffic controllers. The air traffic control system needs to be addressed. Many flights are delayed that really shouldn't be, which causes problems in scheduling. For a carrier like Delta, where we're carrying people into a hub like Frankfurt, flights pretty much have to be on time or passengers have a problem with their onward connections.

EUROPE: What does British Airways see as most important in the creation of the single airline market?

BA: Ideally the European Community Governments should relinquish all control of airlines to ensure fair competition. As you know, most European airlines are owned by European Governments. We are 100 percent privately owned, but Air France, for example, is 99 percent owned by the French Government. Alitalia is 81 percent owned by the Italian Government. Governments have a very large part of the European airlines, and we believe this should be divested into the private sector.

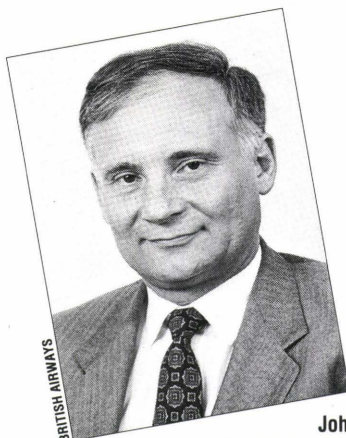
EUROPE: How will European deregulation affect U.S. carriers?

DELTA: As I understand it, deregulation is not going to affect U.S. carriers because they're not going to have cabotage rights in the European single market.

EUROPE: Would U.S. carriers favor an exchange by which they gained cabotage rights in Europe, and European carriers gained access to the U.S. domestic market?

DELTA: Delta's position is that we would like to see that happen. We just want to be able to operate on the same playing field.

BA: [Our position is that] U.S. carriers already have rights to fly within Europe, and what we're talking about now is changing that balance and enabling Europeans to be able to fly within the United States. But it's not just a question of being able to fly within the United States. Because the airport hubs of the major U.S. carriers dominate the domestic market, by definition almost, that makes entry by new airlines very, very difficult and costly. Therefore, an alternative means of entry would be to buy existing



John Story,
Executive Vice President USA
of British Airways.

U.S. airlines, but that is not possible at present. That's why we need to see restrictions on foreign ownership lifted.

EUROPE: How do you see deregulation changing Europe's air transportation infrastructure?

LUFTHANSA: Of first importance is to get a uniform system for air traffic control in Europe, because this [arena] is a disaster. [In addition to commercial airline concerns,] there is the military airspace. Each country has its own air traffic control system. Air traffic control is definitely at the top of the agenda for Europe 1993—not only for Lufthansa but also for other airlines.

OWNERSHIP

Currently, many European airlines are owned primarily by their Governments. These "flag carriers" are often subsidized heavily by their Governments and protected from foreign competition. British Airways was once controlled by the British Government, but is now completely privatized. The German Government has reduced its interest in Lufthansa from more than 70 percent to a little more than 50 percent. Delta, as with all U.S. carriers, is privately owned.

EUROPE: How would state ownership of the European carriers affect your position on allowing European carriers to compete in the United States?

DELTA: I don't think that would be a problem as long as they don't go into price cutting in such a way that nobody can make it. Although I think what's coming out of the single market is that Europe is trying to get away from state-subsidized airlines.

EUROPE: What is British Airways' financial composition?

BA: British Airways is 100 percent privatized. Roughly 60 percent of British Airways is owned by U.K. institutions and

residents, and over 40 percent is owned by overseas entities. Of that 40 percent, 30 percent is actually owned by a mixture of U.S. institutions and private citizens.

EUROPE: How did British Airways make the switch from being Government run to being a profitable private company?

BA: In 1983, [former Prime Minister Margaret] Thatcher said to prepare the airline to go private. After three years of profitability, she sold the Government interest. At that time, we shed 23,000 staff on a voluntary severance program, closed unprofitable routes, divested ourselves of other financial interests that were not relevant to the airline business, and focused back on our core business. We have been profitable from 1983 until today.

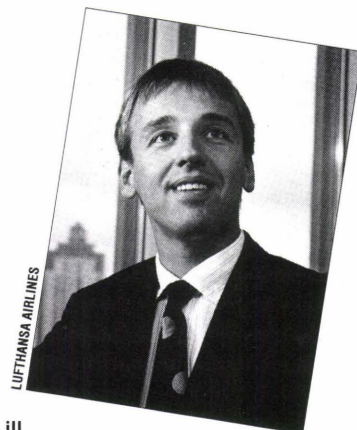
EUROPE: What is the financial composition of Lufthansa?

LUFTHANSA: Lufthansa is based on stocks that are publicly traded, and so far just over 50 percent of the stocks are held by the Government and other official institutions in Germany. The other 49 percent of the stocks are held by other institutional investors. We have a lot of employees who hold shares, and the rest are regular stockholders.

EUROPE: Did Lufthansa make a profit last year?

LUFTHANSA: We have been profitable over the last couple of years. Actually, we showed a \$122 million profit last year, and the previous year it was even higher. For fiscal year ending December 31, we are confident with our consolidated balance sheet that we will not be in the red—perhaps make a small profit.

EUROPE: Why do you think "the Big Three" U.S. carriers—Delta, United, and American—have lost money in the past



Anton Lill,
Marketing Director USA East
of Lufthansa German Airlines.

couple of years when European carriers such as British Airways and Lufthansa have shown profits?

LUFTHANSA: If you look at the network structure of an American carrier—for example, [one of] the Big Three—they each maintain a strong domestic network where you have fierce competition in a deregulated market. Historically, their portion of international traffic has been very small, and just recently they discovered the benefits of international traffic.

If you look at carriers such as British Airways and Lufthansa, because we both have such small home markets, we maintain a very large international network. And the revenue that you make in international traffic is a different dimension than you make in a domestic market, especially under the competitive circumstances in the American market. The profit and loss of [the U.S. airlines'] operation is much more influenced by the domestic market. Also, because international traffic is such a small part of their overall networks, they can go into rock-bottom pricing, and it wouldn't affect their balance sheet that much. But, if big international European carriers were to do that, it would have a severe effect on them financially. For example, [in the United States, 13 American cities make up the] biggest market in our entire route network. About 30 percent of our capacity is flown on the North Atlantic.

EUROPE: Why, then, did TWA and Pan Am fail in their efforts to develop internationally?

LUFTHANSA: The reason why both these U.S. carriers lost money is that neither concentrated on the business traveler, where you really get your bread and butter. They really concentrated on cheap fares, which don't yield enough to sustain a successful operation. Also, they did not have a hub and spoke system in place in the United States. They failed to develop a system that would feed their international services. Ten years ago, there were the European carriers and those two American carriers flying across the Atlantic. Then the Big Three decided to move into the international market and utilized their hub and spoke system to feed their international network. Lufthansa's situation, on the other hand, is the reverse. In America we don't have a developed distribution system, but we have it on the other side where we serve close to 100 cities.

COMPETITION

In anticipation of the single market and changes in the airline industry, both U.S.

and European carriers have been actively working in recent months to strengthen their positions internationally.

EUROPE: Describe the state of trans-Atlantic competition between U.S. carriers and European carriers.

BA: Over the last few years we've built a market share of 39 percent of all the trans-Atlantic business. The early indications are that we are holding on to this share of the market. We have been affected by the recession—as have both sides of the Atlantic—and also by the Gulf War, but as far as the competition is concerned, although it has changed, we are still holding on to that share of the market.

DELTA: Delta is going to compete with whomever is in the market place, European or U.S. airlines. All the airlines are going after the same customers. We all want the business class traveler.... I think it will be difficult to go into the European market if [the Europeans] get a large network of high-speed trains running. Especially in markets that are less than an hour away on the train. What U.S. carriers could do, as well as European carriers, is make deals with the railroads to take the passenger into, for example, Frankfurt on the high-speed train to connect him with a flight on to another destination. I think if you're looking at stage lengths of over an hour or an hour and a half, the train isn't as attractive an alternative. The comparison could be made that European trains would fill the same roles as commuter airlines do in the United States.

EUROPE: What are British Airways' plans to grow within the U.S. market?

BA: Right now we serve 18 cities in the United States, and we carry about 3.5 million passengers across the Atlantic. Next year we're increasing our capacity by about 20 percent by doubling the frequency with which we operate to Boston, to Chicago, to Miami, to Washington. We've just announced a doubling of our frequency to Los Angeles. In fact in the U.S. alone we are a billion-dollar business. We are very big indeed here.

EUROPE: What are Lufthansa's plans for expanding into other cities in the United States?

LUFTHANSA: We are preparing for bilateral negotiations with the U.S. Government in December. Lufthansa currently serves 13 cities in the United States, but we want a more balanced agreement in the United States and Europe. British air-

Harold Achtziger,
Vice President International
of Delta Air Lines.



lines' situation is very different from Germany's in regard to our air service agreements. Britain has a much smaller number of American carriers serving the United Kingdom than are serving Germany. For example, we have seven American carriers flying into Frankfurt alone, plus other carriers applying.

EUROPE: How do you see the new competition by Delta, with its major hub in Germany, and by American and United moving into Heathrow?

BA: Competition with Delta and American is not new to us. We've been competing with them in Europe and in America for many years. We are quite used to the competition. We know what the competition is. We're not frightened by it. We intend to outperform them through our level of service, our innovation, our ability to act faster.

EUROPE: How does Lufthansa view Delta's recent acquisition of Pan Am's hub in Frankfurt and the situation of head-to-head competition out of Germany that will now exist between the two carriers?

LUFTHANSA: With Delta there is a different quality of competition. Whereas Pan Am was operating on the cheap side, now we have a quality carrier. Now, of course, we have to get ready for the competition, and we've already taken steps to ensure our position in the business traveler market. We are ready for the competition. On the other hand, [Delta] gives the competition a little bit more class. Delta is a quality carrier, partially owned by its employees, and we anticipate that probably after an introductory period, the fares will be at a level where you can still make profits, more so than in the Pan Am days. We welcome competition in favor of the customer, and we anticipate that, with Delta, it makes sense economically. €

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Train Travel

In his four years working in Europe, Bruce Macumber estimates he logged more than 10,000 miles in travel for business and pleasure by train. As a U.S. wine distributor in Paris, Macumber made frequent trips to Bordeaux, Toulouse, Brussels, and elsewhere. While he could have driven or flown, Macumber says in most cases he opted for the train.

"If I was traveling by myself it was always the best way," says Macumber, who now lives in Southampton, New York. He says that riding the train saved him at least 30 percent of what the airfare would have cost and avoided the traffic, tolls, and high fuel costs faced by motorists.

"With the train, you're sure to leave on time and to get there on time. It's relatively economical, and it takes you right to the center [of the city], where there are always hotels. It makes a lot of sense."

Even in the age of supersonic air travel, trains have remained a viable transportation option in Europe. That is due in part to short distances between major cities and a high-density rail network, but also to a commitment by E.C. nations to keeping their railroads alive and up to date.

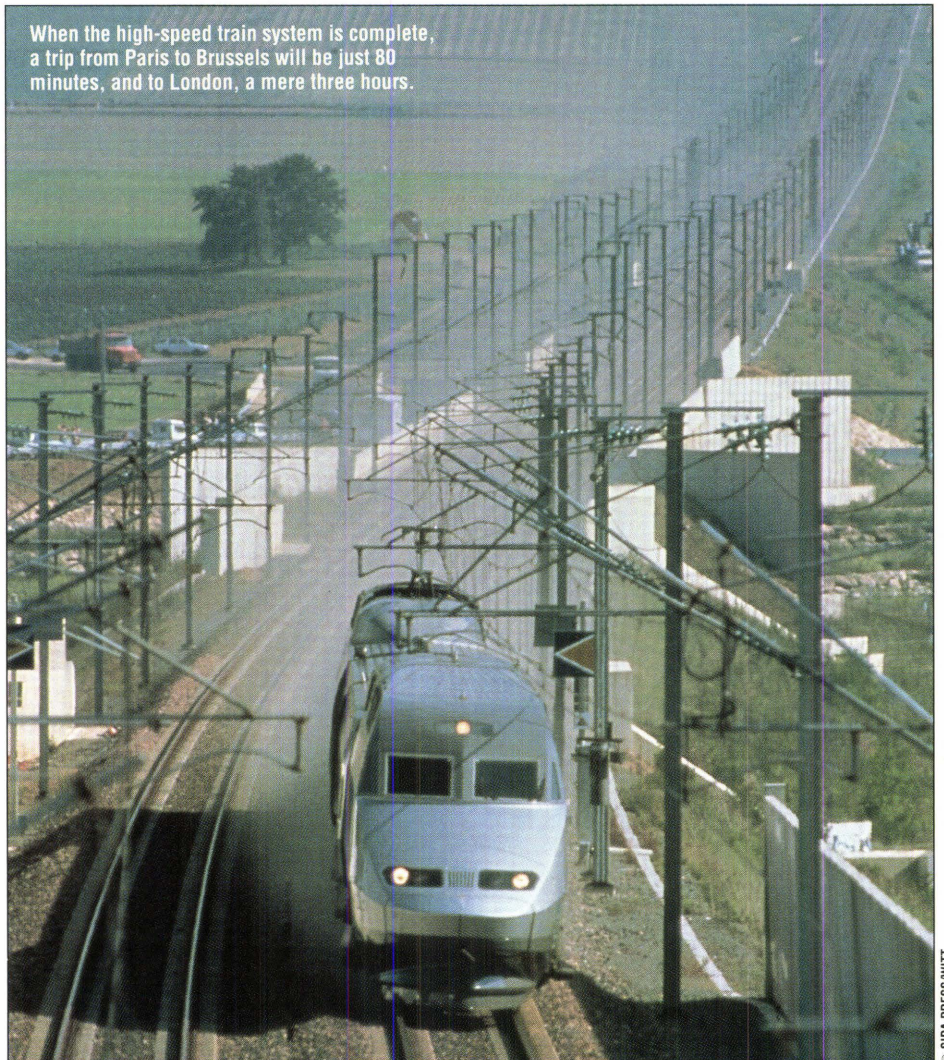
Rail travel in Europe has a mystique associated with luxury trains like the Orient Express, romanticized by Agatha Christie and Graham Greene. (The Paris-Venice link of the Orient Express recently resumed first-class travel for nostalgia seekers.)

But Western Europe's rail system remains arguably the world's most efficient and is a formidable competitor for air travelers, particularly between cities fewer than 400 miles apart.

Unaffected by air traffic bottlenecks or most weather problems, the train can whisk a traveler between downtown Paris and downtown Brussels in less than three hours. That's longer than the 45-minute

*For Shorter Trips, Europe's
Trains Give Planes a Run for
Their Money*

When the high-speed train system is complete, a trip from Paris to Brussels will be just 80 minutes, and to London, a mere three hours.



© SIPA PRESS/WITT

plane ride, but considering ground travel—and a high probability of traffic jams—the train is virtually as fast.

Lufthansa, recognizing the advantage of trains, now operates jointly with German Federal Railways a train shuttle for

traffic and reduces the need for new air travel infrastructure. But support is not unanimous. Environmentalists in Germany and farmers and wine growers in France have objected to the appropriation of new land for the rail lines.

dous opportunity” in competing against air travel. “For anything over three-and-a-half hours, it’s going to be tough.”

France already has 10 years’ experience with its high-speed train, *Train à Grande Vitesse* (TGV). The Paris-Lyon route implemented in 1981 is so successful that it now carries 5.6 million passengers a year on the two-hour, 275-mile run, compared with just 500,000 who go by air.

The TGV system has been expanded to include a Paris-Bordeaux three-hour run at speeds topping 200 m.p.h. And the TGV will head north in coming years to Brussels, Amsterdam, and London via the Channel Tunnel. When the system is complete, Brussels will be just 80 minutes by rail from the French capital, and London will be a mere three hours away.

France has aggressively promoted high-speed rail—especially if it means using French technology. The TGV has been tested at speeds of more than 300 m.p.h., and engineers say it can theoretically go even faster. The

French hope the TGV developed by the Anglo-French consortium GEC-Alsthom can become the norm for Europe and, eventually, the rest of the world.

The German Inter City Express (ICE) is trying to give the TGV a run for its money. The ICE went into service last spring with a high-speed rail loop from Hamburg to Munich via Frankfurt, attaining speeds up to 165 m.p.h. The system, like that of the French, is growing rapidly.

Both systems are designed with features to woo business travelers away from air travel. The TGV-Atlantique line includes Europe’s first on-rail phone service, and special “club compartments” are offered for groups.

The ICE has similar comforts, including telephones, photocopiers, and outlets for laptop computers.

“They’re the same kinds of amenities you would expect in first-class air travel,” says Lemke. €

Robert Lever is a correspondent for United Press International who reported from Paris for the last three years.



Europe's train systems try to offer comforts that business travelers want.

passengers between airports from Düsseldorf to Stuttgart, including Frankfurt and Bonn.

Meanwhile, E.C. transportation officials are encouraged by the success of new high-speed rail lines. With growing concerns about airport congestion, officials are determined to expand the high-speed network. Air travel in Europe expanded 56 percent between 1975 and 1986, and it is expected to double again by the year 2000.

E.C. officials have endorsed a plan to spend \$205 billion during the next 20 years to develop some 15,000 miles of new or upgraded high-speed rail lines.

France and Germany have invested heavily in high-speed rail for some time. Italy, Spain, and Britain also have begun operating and expanding their high-speed trains between major population centers.

With train speeds averaging 125 miles per hour or more, officials believe they can attract many travelers from the airlines on trips up to 600 miles.

Rail appears to be the logical choice for the Community. It helps curb automobile

“E.C. officials have endorsed a plan to spend \$205 billion during the next 20 years to develop some 15,000 miles of new or upgraded high-speed rail lines. France and Germany have invested heavily in high-speed rail for some time.”

And the network won’t solve all transportation problems. A trip from Frankfurt to Madrid, for example—now 24 hours by train—would still take some 10 hours even at high speeds.

“The key seems to be around three-and-a-half hours,” says Hartmut Lemke, president of German Rail, the U.S. marketing arm of Germany’s railroad system. “For trips up to that long, we have a tremen-

The European Economic Area

The fusion of Europe's splintered economies into a great single market towering over the United States and Japan is fast becoming a reality. The outlines of a single trading area with 380 million consumers by the end of the century were etched into an agreement in late October to create a 19-nation free-trade zone stretching from the Arctic Circle to the Aegean Sea.

The historic accord between the E.C. and the seven-nation European Free Trade Association (EFTA) will bind the economies of Western Europe, paving the way for Eastern and Central Europe to come on board around the turn of the century. But historic as it is, the accord to create a so-called European Economic Area, or EEA, has already been overtaken by events, a victim of its own success.

The EEA, originally conceived of as a way to prevent a stampede by EFTA nations to join the E.C. right away, has triggered the opposite effect. Austria and Sweden have already filed applications for full membership in the Community. Switzerland, which has just celebrated 700 years of fierce independence, says it, too, wants to join. Finland will make up its mind in early 1992, exerting enormous pressure on the other "outsiders," Norway, Iceland, and tiny Liechtenstein, to follow suit.

The EEA, which has to be ratified by the 19 E.C. and EFTA Governments and the European Parliament in Strasbourg, will at a stroke create a free-trade zone with 380 million consumers, accounting for about 43 percent of world trade.

The EEA's bottom line is the creation of a genuine barrier-free single market. The EFTA nations have agreed to transpose more than 1,500 pieces of existing E.C. legislation into their national laws. More important, EFTA will become part of the

*Historic Accord Paves the Way
Now for a Barrier-Free
Single Market*

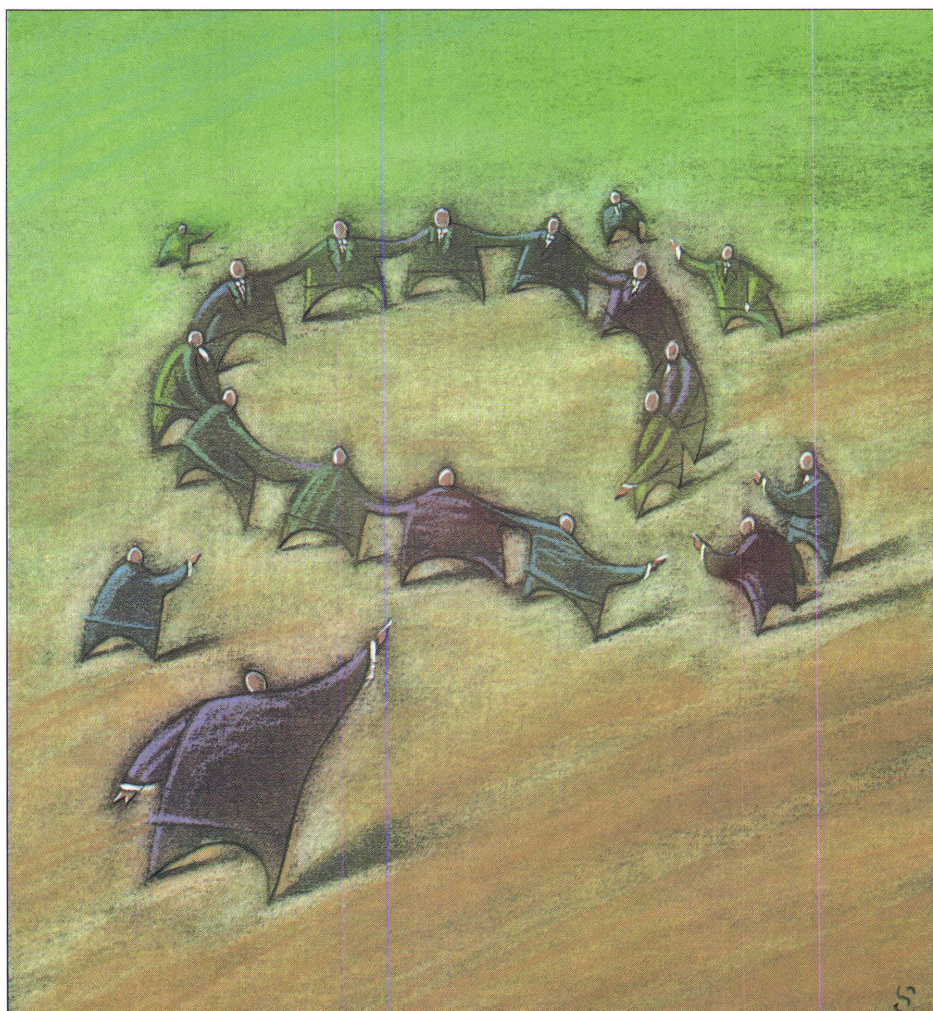


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Sweden Moves Toward E.C. Membership

For Sweden, the EEA accord was yet another milestone in a year of dramatic political and economic change.

September's general election was a watershed in Swedish politics with the triumph of a center-right coalition over the Social Democrats who had held power for all but six years since 1932. The new Government gave the most positive reaction of all EFTA nations toward the EEA accord. "Now we can go full speed ahead into the E.C.," said Prime Minister Carl Bildt.

Commentators say the EEA will put Swedish negotiations for E.C. membership onto the fast track, enabling the country to join the Twelve by January 1, 1995.

Fittingly, the 42-year-old Bildt, who will

be guiding the country toward the E.C., is the first Prime Minister in Swedish history who passionately believes in Europe, in sharp contrast to other leaders who have striven to stay out of the Continental mainstream. The swing to the right will hasten Sweden's move toward a liberal market system as it converges with the rest of Europe. The Government is cutting taxes on small firms, trimming the bloated welfare system, scrapping protectionist regulations, and preparing to sell off state-controlled companies.

Big business is ecstatic about Sweden's move to E.C. membership, which it regards as vital for the survival of the corporate sector. Indeed, its massive investments in the E.C. during the past three years, spurred by fears of

being locked out of the post-1992 single market, played a pivotal role in fostering a pro-E.C. climate throughout the country. The net direct outflow of Swedish capital into the E.C. alone rose from \$1.74 billion in 1987 to \$10 billion in 1990.

Boasting more multinational corporations than many larger E.C. countries, Sweden is poised to "clean up" when it joins the Community.

Blue-chip companies like Volvo and Saab-Scania; SKF, the ball bearings manufacturer; Electrolux, the world's biggest white goods firm; Stora, the paper and pulp plant; and Astra, the pharmaceuticals concern, already manufacture and sell across the Community.

—Bruce Barnard

E.C.'s 1992 single market program, allowing the free movement of goods, services, capital, and people throughout the 19 nations.

On narrow economic criteria, the EEA won't have a massive spinoff in the short term. EFTA's population is only 10 percent of the Community's, and its combined gross domestic product is only half that of Germany's. Moreover, the two blocs are already tightly enmeshed: 69 percent of their total trade last year was conducted among the countries comprising the EEA. EFTA is the E.C.'s biggest trading partner, ahead of the United States and Japan.

The accord will mainly boost the share of services in E.C.-EFTA trade, which is now largely dominated by manufactured goods. Analysts say the E.C. will benefit most as its larger companies move into EFTA's small, protected markets, which will be opened up as they submit to all E.C. banking and insurance directives.

EFTA's telecommunications and engineering companies that are heavily dependent on government contracts, construction, and transport firms will benefit from access to the larger E.C. market.

The EEA will have other effects. It will make high-tech and niche market companies in the Nordic regions more attractive to corporate raiders from the Community. E.C. companies' mergers and acquisitions in EFTA are already rising sharply, up from 36 deals valued at \$157 million in 1988 to 62 deals worth \$1.78 billion in the first nine months of 1991. This will accelerate as the Nordic nations drop restrictions on

"The payoff [for the EFTA countries] won't come from increased exports though, but from fiercer competition in their domestic markets."

foreign share ownership.

The agreement also will douse the fears of EFTA firms that they would be locked out of the huge E.C. market on their doorstep after 1993. Companies that have been shunning investment in their domestic markets to snap up assets and build plants in the E.C. now are likely to refocus on their home turf.

EFTA can also look forward to increased investment from Japan and the United States in sectors where quality and high technology outweigh the disadvantages of high labor and welfare costs and geographical isolation.

On balance, the EEA will benefit EFTA more than the Community. Victor Norman, a Norwegian economist, thinks the gains to EFTA industries from greater access to the E.C.'s single market will be two to three times greater than the benefits to rival E.C. sectors. The payoff won't come from increased exports though, but from fiercer competition in their domestic markets.

The EFTA nations are the rich cousins; their per capita income of \$19,000 a year is almost double that of the Community av-

erage. EFTA also has much lower unemployment and inflation rates than the Community. But their economies, sluggish or stagnant, sorely need the pickup promised by the EEA.

The downside is that EFTA has few political rights under the EEA accord. EFTA Governments have to adopt E.C. legislation that they have no say on and are committed to accepting future E.C. single market rules. EFTA will be consulted by the E.C. Commission and will be involved in E.C. working groups. But only the 12 E.C. member states have the right to vote on E.C. legislation.

This imbalance between economic benefits and political rights has led the EFTA nations to undertake the final step: full membership in the Community. The end of the cold war has removed the final obstacle: the cherished neutrality of Austria, Finland, Switzerland, and Sweden.

The EEA agreement is more than just a businessman's charter. It fits into the new jigsaw puzzle of Europe after two years of dramatic change that saw the collapse of communism in Eastern Europe, the unification of Germany, and the accelerating disintegration of the Soviet Union.

The EEA also will buttress the E.C.'s own move toward economic and political union, leading in time to a single currency across the entire Community. This may be some way off, but it is no longer merely a pipe dream. **€**

Bruce Barnard is the Brussels correspondent for *The Journal of Commerce*.



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NEW YORK

STATE PROFILE

International Business Machines Corporation decided it was time in 1991. Not time to invest in the European Community: IBM's oldest subsidiary in Europe dates to 1910, well before there was an E.C. and before the company was even called IBM.

No, the Armonk, N.Y.-based computer giant decided early this year that it was time to recognize the soon-to-be-completed single market by adopting a single advertising image to reach buyers from Dublin to Rome. IBM felt that because the E.C. has become a more integrated market, inconsistencies in brand identities could hurt its sales there. That's not something IBM would risk. Its net income from Europe—including non-E.C. countries—was approximately \$2.75 billion for 1990, roughly 46 percent of its total worldwide earnings.

Big Blue is one of the largest New York companies doing business with the E.C., but it is hardly the only one. Exports to the E.C. accounted for \$7.7 billion of the state's \$26.8 billion in exports for 1989, the most recent year for which figures are available. That makes the Community New York's largest regional market, followed by the Far East with \$6.9 billion in 1989. (Canada is the state's largest single-country market, with \$3.91 billion in exports.) New York's largest E.C. customers are Britain, Germany, and France, with export bills of \$2.27 billion, \$1.23 billion, and \$1.30 billion respectively. New York is the second-largest U.S. exporter to Britain, after California, and the third-largest exporter to Germany, after California and Washington State.

While art from the Big Apple galleries



The E.C. is New York State's largest regional market.

N.Y. CONVENTION & VISITORS BUREAU

often seems to be New York's most visible export, most of what the state sends to the E.C., and other foreign markets, are high-tech goods. In 1989, industrial machinery and computer equipment was its second-largest export to Britain (\$351.9 million) and Germany (\$258.1 million), and its fourth-largest export to France (\$120.3 million). These high-tech products also are among New York's fastest-growing exports: Sales of electronic and electrical equipment to Italy, for example, rose almost 46 percent between 1987 and 1989.

New York companies have also invested heavily in the E.C. over the years. IBM, for example, is now the largest foreign em-

**NEW YORK IS IN AN
INTERNATIONAL STATE
OF MIND**

VIRGINIA M. CITRANO ★

ployer in France, with more than 21,000 workers there in 1990. As barriers to trade within the E.C. have dropped, three sectors have emerged as investment favorites: pharmaceuticals, public relations and advertising, and the media. Bristol-Myers Squibb Company bought 33.5 percent of

Ellipse Programme, the movie and television production unit of French cable television channel Canal Plus. And ABC News boosted its stake in Worldwide Television News, a British television news agency, to 80 percent.

What does New York get in return? A

mixed reviews from local shoppers.

Much of what the Europeans buy, however, are industrial assets. Reckitt & Colman PLC of London, for example, spent \$1.25 billion in 1991 to acquire the worldwide household products and depilatory units of New York City's American Home Products Corporation.

In the past, attracting foreign investment was the prime focus of New York's Department of Economic Development. But two years ago, Governor Mario Cuomo decided that export growth could be as important to the state's economy and launched the "Global New York" program. It has attempted to draw more small- and medium-sized companies into international trade by offering, at low cost, export education seminars and marketing assistance, trade shows, and export tax breaks through a shared foreign sales corporation.

For just \$100, for example, the state offered to act as the market research manager for select small companies. Drawing on its two E.C. offices in London and Frankfurt (and bureaus in Toronto, Montreal, Tokyo, and Hong Kong), it would identify foreign sales representatives and walk companies through contract negotiations. For \$300-\$400, the state would feature a company's products in a catalogue distributed at foreign trade shows and forward any expressions of interest. And for roughly \$500 more, a company could get space to display its products at New York's booth, have meetings with potential trade partners, and get access to group advertising.

Now, however, Global New York—and many other programs—have been called into question by the state's gaping \$700 million budget deficit. In November, 15 companies almost lost their chance to participate in the Productronica electronics trade show in Munich when Albany legislators banned out-of-state travel by New York officials. A major arm-twisting effort by Commissioner of Economic Development Vincent Tese saved that trip, but department officials can plan no trade show trips in 1992 until the budget crisis is resolved. The officials concede that every state agency has been hit by New York's financial problems, but lament that the redlining has gotten to the level of a \$25,000 trade show. "Trade," says one, "is the most crucial thing we do." ❧

Virginia M. Citrano is a New York writer and a former managing editor of *North American International Business*.



LOVING & WEINTRAUB, INC.

New York is also a prime site for foreign investment. Retailing is a popular choice.

France's Upsa Group this year, while Eastman Kodak Company of Rochester invested \$58.5 million in a joint venture with Britain's Amersham International PLC to produce clinical immunodiagnosics.

In the public relations field, Burson-Marsteller opened offices in Berlin and Bonn. Tipping its hat to the growing Japanese interest in the E.C., Burson-Marsteller and Tokyo's Dentsu Inc. opened a joint office in Brussels to advise Japanese business. Gavin Anderson & Company acquired Valin Pollen PLC, a London investor relations firm. British advertising agency Yellowhammer PLC was picked up by D'Arcy Masius Benton & Bowles, while Dublin-based Javelin Group became part of Young & Rubicam Inc. Howard Marlboro Group, a New York City-based in-store merchandising and marketing company, opened units in Amsterdam, London, and Paris.

Dow Jones & Company, the publisher of *The Wall Street Journal* and *Barron's*, put \$1 million into a joint venture with Von Holtzbrinck Group of Stuttgart, Germany. The venture will develop joint advertising, circulation, and distribution between *The Wall Street Journal/Europe*, a Brussels-based edition, and Von Holtzbrinck's *Handelsblatt*, Germany's leading business newspaper. Also in the media field, Hearst Corporation acquired a 20 percent stake in

lot of tourists from the Community, for starters. As evidenced by the legions of Italian, French, German, Dutch, and British runners among the finishers in this year's New York City Marathon, 10 percent of the state's visitors and 7.5 percent of its tourist dollars come from Europe. (For trivia buffs, the 171,000 Italians who visited in 1989 spent more per person than any other nationality, even the affluent Japanese: \$883 versus \$870.)

New York also, of course, is a prime site for foreign investment. The financial sector continues to be a favored choice: In November, the British merchant bank Barings PLC announced that it was buying 40 percent of Dillon, Read & Company, an investment bank. Earlier in the year, another investment bank, Lodestar Group, allied itself with France's Société Générale bank, and the brokerage Mabon, Nugent & Company joined forces with Istituto Mobiliare Italiano. In late summer, Groupe Axa, one of France's leading insurers, poured \$1 billion into the struggling Equitable Life Assurance Society of the United States.

Retailing also is hot. French designer Christian Dior and Germany's trendy Joop! opened boutiques in Manhattan this year. The Parisian department store Galeries Lafayette took over the former Bonwit Teller store in Trump Tower, to

New York Governor Mario Cuomo

New York Governor Mario Cuomo was interviewed at his office in New York City by Europe's Editor-in-Chief, Robert J. Guttman. Cuomo, who has been Governor of New York since 1983, discusses a wide range of foreign policy, domestic, and economic issues in this exclusive Europe interview. The Governor, now in his third term, talks about New York-E.C. relations, NATO, America's competitiveness in the world, industrial policy, and Japan.

Could you give an overview of what a Cuomo foreign policy would look like?

Where would you start? I'm no good in [taking] in all that complexity and putting it into a slogan. That's why my politics are not terribly effective. You'd have to talk about rule of law, you'd have to talk about the integration of the Third World, the economy. You could go on and on. You'd have to talk about how you deal with human rights. Do you make the kind of commitment Carter made? You need some force to replace the superpowers. Superpowers divided up the world, and they became the marshals really. You got a lot done by stalemate. You got a lot of order just by virtue of two powers facing one another. They could work it out. You don't have that now, and that's a problem. The United States cannot afford to become the policeman of the world. Forget about whether it's right or wrong.

What do you do instead? You should have a rule of international law. That's what the United Nations has begun to be. Four or five years ago, this country probably would have said the United Nations is not very effective. Now after Iraq and after its good use there, people see a new potential for it. I certainly do. You should, therefore, beef up the United Nations and the rule of law. You should keep enough

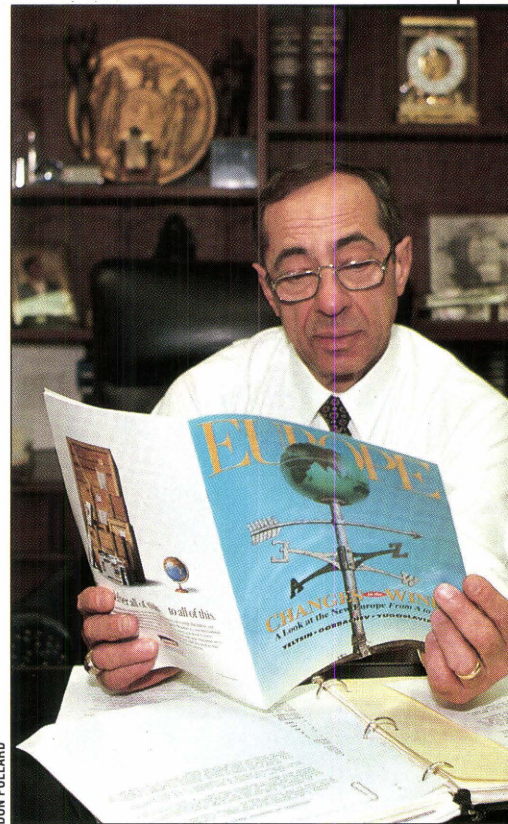
strength so that you can be deployed instantly to deal with smaller conflicts.

Most of all, you should understand the dominance of the economy as a world force. You can't be strong through the military. You can't make other countries strong through the military. You can be strong only through adequate military strength and a strong economy. If you have to choose between the two, as the Japanese were forced to do by their own constitution, then economic power can in the long run prove to be more formidable than military power. You have to remember that for economic power to work in the world, it has to include the entire world. You want to have a free-market economy for the world that includes Mexico, the African nations, Eastern Europe. It is very difficult to do, but that has to be the objective of your foreign policy.

Some analysts feel that the era of Japan is over. They feel the era of the Atlantic is starting, and we will see an economic superpower in Europe in the next century led by the European Community. Do you agree with this assessment?

There's a difference between saying you're about to enter a Europe-Atlantic era and pointing toward an exciting new decade of activity on the way to the next millennium involving the northeastern part of the United States, including particularly New York and the E.C., and saying the era of Japan is over. One does not produce the other. Japan will get stronger. There is nothing about the Japanese that suggests they will either cower or wither because of the European Community. They're smart enough to make the E.C. a better market than it ever was for them. They always had trouble selling automobiles in Europe. It can't get much worse for them in the Community.

We are beginning the era of the Atlantic, yes. And certainly the likelihood is that



DOON POLLARD

"With our deficit...forget about huge amounts of cash going to the Soviet Union...."

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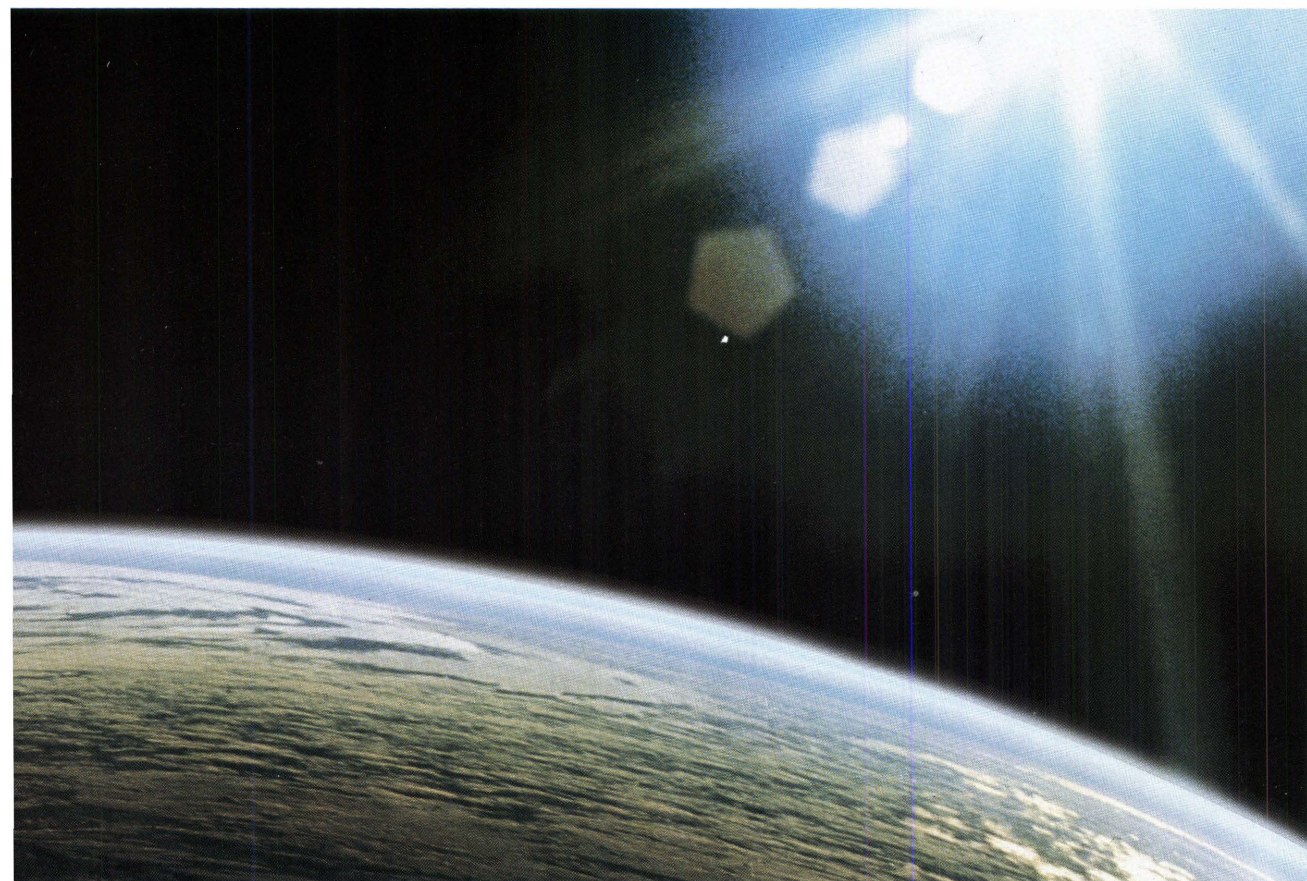
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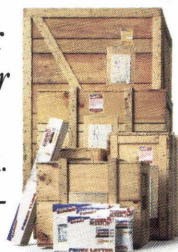


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the E.C. will become a more formidable force consolidated than it could be if you accumulated its separate parts and added them up. But that will not produce the end of the era of Japan. Now you will have the E.C., you will have Japan, and if we do it right here, we will continue to have the United States of America. We can't get there by coasting. But if we do the right things, it'll be at least the United States, the E.C., and Japan. And then a whole series of other internal combinations within those groups. You have Mexico, Canada, and the United States; you have Japan getting closer and closer to the Chinese and the rest of Asia; and everybody trying to figure out what will happen with Africa and Latin America. It's going to be fun. I wish I could live to be 150.

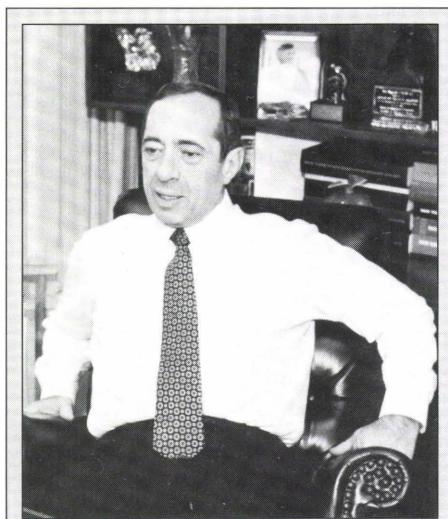
How is New York trying to get businesses to export to Europe and get them involved with the 1992 single market?

We are working on an organized global economy. We were early reaching out to the Europeans and the Asians. We had offices overseas before most of the other states, and now we have expanded the approach.

What is the approach? The approach on the other side of the ocean is to reach out to the European interests and to encourage them to do business with our people. The approach here is to get our people to be aware of the possibilities in Europe. That is the biggest hurdle—when only 50 of your companies do 80 percent of the exports, and you have thousands of companies that could. Especially middle-sized and smaller companies that have marketable commodities but either don't know it or don't know how to make it from Utica to the United Kingdom. Then your mission here becomes, number one, to alert them to the export possibilities. That takes a tremendous amount of outreach. Number two, to assist them in taking the steps that need to be taken.

One place we have lagged has been in the Governor's personal participation. Unlike some other governors, I have spent most of the time at home instead of traveling. I did some traveling, but not enough. The truth is that, in some ways, you can rationalize staying home because, unlike Virginia, unlike even California, unlike any other state in the nation, we can sit here right in the World Trade Center and the world comes to us because the United Nations is here, and [leaders are] in town all the time. You can even make a unique agreement with Japan—a Japan-New York alliance—without ever going to Japan.

That having been said, I still believe it was a mistake not to travel more, and I am now trying to catch up. So we've been to the Soviet Union, where some day there will be tremendous economic potential, no question about it. [Exploiting that potential] was not our purpose for the visit; we



"Of course we have an industrial policy. Everybody does. It's just a question of to what degree and in what form."

were invited to go by the Government and we went. I was invited to visit by the Government of Japan and went there recently. The Taiwanese have invited us many times, and I will go there. I'm also planning a trip to Brussels.

Many European banks are based in New York and are doing well. Citicorp, the largest American bank, is not doing very well. What is your proposal to get American banks competing in the world market?

We have too many banks. We have too many bad loans. We need fewer and larger banks. There will be consolidations. It will hurt. Some people will be laid off. But we have too many banks, and their business hasn't been as good as it should be. They weren't making the proper loans or making loans intelligently. I'm not even talking about savings and loans. We have to consolidate, get smarter.

Now the banks are in a reactive mode

and are scared to death to make any loans. Even those that have a little money on hand are so demanding of the borrower's portfolio that it's very tough to get a loan, no matter what the interest rate is.

Somebody asked me what I think about the lower interest rate. I said, "Great, instead of not getting a loan at 11 percent, I will not get one at 9 percent." What's the difference?

In 1984, I called for, in effect, a deregulation of everything. Let everybody do everything. It was wonderful to watch the conservatives writhe when finally we called them on their boastful proposition about government making too many regulations. What I said was, "Let the insurance companies do banking, let the banks do insurance, let the commercial and the savings banks all do it. Let everybody compete. However, because we're opening you to this new freedom, let us be tougher than ever in monitoring." Savings and loans did exactly the wrong thing. What they said is, "Let everybody do everything and let's not watch them."

The Soviet Union is in economic shambles, but you said it is going to be an economic opportunity area. Would you advocate giving more aid to the Soviet Union?

From where? From what pot? That's a great question. If I had [the resources], sure. People make these wonderful speeches that we should have a Marshall Plan. Some of my people gave me memoranda saying we should have a Marshall Plan. I said, "Terrific, so where's Marshall?" Where are we going to get the money for the Marshall Plan?

The Marshall Plan was great after World War II when you had all the wealth, when you could produce as much as you wanted because there was virtually no competition. There was no Japan to worry about; there was no competitiveness problem. You had just destroyed the competition. That was one thing.

Now, you should help all you can, first with humanitarian aid, second with advice from experts. Business expertise is important, and technical expertise is important. A third step should be credit. Give them credit to buy products from General Electric and Westinghouse, made here preferably. That costs me money, but let's be realistic. With our deficit and our debt, forget about huge amounts of cash going to the Soviet Union and Eastern Europe. You can't do it, you don't have it. I don't think it's a question of whether it would be nice if there were money. That's poetry. The reality is that you don't have the money to

give them. Humanitarian aid, expertise, and credits are what we can do.

How can the United States compete effectively in the world today? Can we compete without an industrial policy? Do we need one?

What's an industrial policy? If industrial policy means the government assisting business, tell me one country that doesn't have an industrial policy. There is none. All governments help business, some more than others. That's all. That's the difference.

We have always had a government that helps business. How do you think [Averell] Harriman got rich? How do you think we opened the West? How did the railroads get built? How did the Erie Canal get built? Private business? Of course we have an industrial policy. Everybody does. It's just a question of to what degree and in what form. This is the old fundamental question for a governor. What is government's role in the private sector?

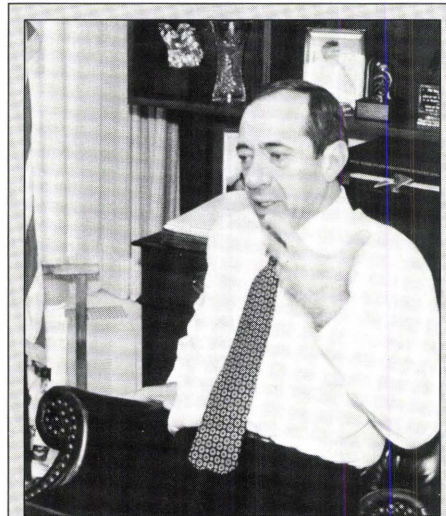
One thing I've learned about politics in the short time I've been in it is that one of the things that gets in the way is language and labels—the shortcuts that we take because it's too difficult to think our way through the problems. Both conservatives and liberals use labels. I would throw away all the labels because mostly they come out of the poetry of campaigning. The prose of governance is altogether different.

As a matter of fact, what I'm thinking of doing is throwing away all the labels and starting a new party called the Progressive Pragmatist Party. I will be a Progressive Pragmatist, and on the logo will be a profile of Thomas Paine.

And when I announce my platform, some sharp-minded analyst will ask, what does a Progressive Pragmatist say about the role of government in the private sector? And I will ask the analyst, are you a conservative or a liberal? And if he says he is a conservative, I'll answer that Progressive Pragmatists believe you should have only the government you need, and he will smile and write it down.

Then the next person who asks me will be a liberal and, having identified herself as a liberal, I will say to her, the Progressive Pragmatist believes you should have all the government you need. The next person will be a smart person, middle-of-the-road, and I will say to him, you should have all the government you need, but only the government you need. And people will say that's perfect, and it is. That's what Lincoln said, and he wasn't even a Progressive Pragmatist.

So industrial policy fits in very nicely. It is the role of government in the private sector, and government should do for the private sector what is needed for business. What is needed changes from time to time, changes in the competition context. Do you need roads and bridges for eco-



“The E.C. is trying to get as strong and independent as it can. Who can blame them? But for now, NATO is important.”

nomical development? Of course you do. Do you need wharves and piers? Of course you do. Do you need a supercollider? Yes, probably a good idea. You can't get the private sector to do all of that. There are some things that a government must contribute to research and development.

Is the state of New York's economic development policy, described as one of the best packages in the United States by the Corporation for Innovation and Development, an industrial policy? We give job development authority loans, expertise, and job training; we buy pieces of business; we take equity in business. Is that industrial policy? We changed the laws so that, to some extent, domestic manufacturers have preferences legally and without getting other states in trouble or getting them angry with us. Should states help private business? Yes. Should the Federal Government? Of course. Everybody does. That's not the question. The question is, how

much should you do for business? Should you save weak businesses that are not competitive and never can be? I don't think so. Should you give money to a business, Chrysler or anyone else, without demanding that it improve its own competitiveness? No, I don't think you should. You should not carry businesses. I don't think you should alter the competitiveness of the free-enterprise system to that extent. You should help businesses, but only on the condition that they strengthen themselves and help themselves.

You've talked about government helping business. What should the average person expect from his or her government?

One, that government not get in their way. Two, what Lincoln said: Government is the coming together of people to do for themselves collectively what they need done, but which they could not get done as well or at all separately.

What is a middle-class person entitled to? In our state, and as we see our nation, a middle-class person should not be overburdened by taxes. The Federal Government has been overburdening them for the last 10 years. Look at the social security tax, which, by withdrawing money from the states, forced us to raise sales and real estate taxes, which are basically regressive against the middle class and the poor. That should be corrected.

You should help them to an education. That is a very important tradition in this state. It wasn't always. We weren't born that way. We were born with private education, church education, private academy education. Then we had some smart people, Jefferson and some others, who said, no, there should be public schools, and now we have public schools.

A very important part of our legacy is a strong public school system at every level that gives the poor and middle class an opportunity to educate themselves in a way that allows them to compete with the very wealthy. Education is very important.

The middle class needs security, and they need a reasonable amount of recreation opportunities, so public parks are very important. You need a tax structure that doesn't hurt them if they want to raise children. That shouldn't be a burden. A tax policy should encourage middle-class families by giving breaks.

You should give them an opportunity to have adequate health care. It doesn't necessarily have to be free, but it has to be affordable. They should have an opportunity for affordable housing because free enterprise will not guarantee that in a

place where land is expensive and building costs are high. The free-enterprise system would keep out middle-class people because you'd build luxury housing. There's enough demand for luxury housing that the market forces wouldn't spend any time on cheaper housing. Why should you if the land costs remain high and the building costs are high? Why should you build middle class when you can build upper class?

Have we done enough for the middle class so far? We don't have to get them Guccis. We don't have to ensure them silk pajamas. What else should we do? We've got to keep the social security system intact and strong. We have to make transportation affordable. Not everybody can afford an automobile.

How do we get out of the recession to make us more competitive in world markets?

First, you have to admit you're wrong. That's difficult in this country. We'd rather believe it was Japanese trade restrictions that are killing us. Japanese policies are hurting us, but there is another cause: Our own economy has been terribly mismanaged. We have to generate capital through savings, and we need policies that encourage savings and investment. We have been trying to do that by freeing up wealth from the hands of the wealthy and praying that they would invest it productively. They didn't do it. From 1981 to 1982, tax cuts just didn't do it. Our savings and investment fell off in that period when we had the greatest tax cuts in the history of the nation. We've reduced our taxes on the wealthy to the point where people in Europe complain that we have the lowest wealth taxes in the world.

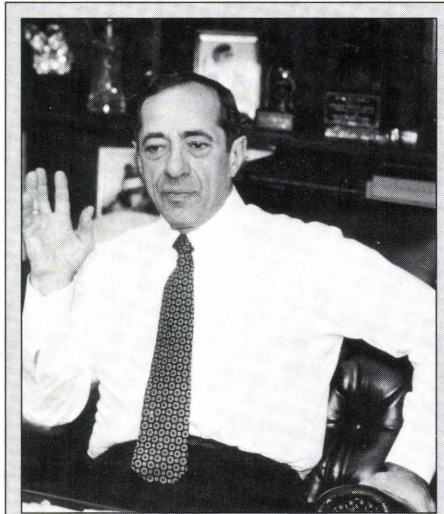
The cuts also didn't produce capital, so we have to find a better way. Targeted incentives would work better, the investment tax credit, R&D [research and development] credits. When you can afford it, down the road a bit, accelerated depreciation. Maybe some capital gains treatment under the right circumstances in a package where you also increase taxes on the super-wealthy. That gets you capital.

What else do you need for economic development? A work force. You need to educate better to compete with people overseas who are going to school more than we are. We need to invest in infrastructure.

Energy sources, we're way behind. We've known for 20 years and more that our dependence on oil was a mistake. We have to market. Market means you have to be in the global economy, and you have to

insist that the playing field is appropriately close to level. That means you have to do better with the Japanese than we've done.

What else? You need wealth to pay for all of that. For that you have to bite the bullet and say, O.K., take down the military, look through your budget, change



"How do you solve [crime] all over the world? The same way. Put people to work, take the drugs away, have families, make babies, go to church."

some of the priorities. If you have to raise taxes, don't do it on the middle class; take it from the top.

How do we get better education in this country?

There's no denying that you need to invest more wealth.... You need better teachers and you need to pay them more. You get what you pay for in this society. That's not to say you couldn't spend better. But even if you spend better, you're going to have to spend more.

You were against Desert Storm. Do you think the Madrid peace conference was a result of Desert Storm?

Who said I was against Desert Storm? I would have voted "no" on the war resolution. I would have voted for sanctions. I also would have voted at the time the vote was taken, if you're going to go to war, that you commit to "defanging" Saddam Hussein specifically. Which is exactly

what we did not do. If you're going to take lives, Americans and others, you had better get what you are after. We went to war despite the Joint Chiefs of Staff saying it wasn't necessary. We chose to go to war with Democrats voting for it, and then we did not defang Saddam Hussein.

So I was not against Desert Storm. I was not against going to war. None of the people who voted against it at that time was against going to war. The question was, should you go to war at that point? And all the Joint Chiefs of Staff said no. Nobody was saying you can't go to war. The Joint Chiefs of Staff, including Colin Powell it now appears, didn't think you should go to war that early. We not only might have gone too early for all I know, we didn't get what we went for. Desert Storm may be recorded as a bad war before it's all over because we didn't get Saddam Hussein.

Would you favor land in the Middle East for security? Would you favor a Palestinian state?

Those are two different questions. Land for peace has become a buzz word. Land for peace. What does that mean, land for peace? Didn't we do that? Did the Israelis give land for peace with Egypt? The Sinai, wasn't that land for peace? So they've done that. The resolutions, do they say, 242, land for peace and you have to have a Palestinian nation? And doesn't it say you give back the so-called "occupied territories" but you're guaranteed secure borders? It gets to be very much a matter of language. Yes, the U.N. Resolution says give the land, but it also says under circumstances in which you are secure. If you create a new, hostile nation next door, how do you tell Israel they're secure? If you sit down with Arab nations that outnumber you by 10, 30, 40 times your population, and they start by saying, "We are still committed to destroying you," how can you say land for peace? So I think what Shamir is saying is, "Don't start by saying I must end the settlements. Don't skew it. Sit down, take the U.N. resolutions. Let's talk about secured borders and land and who to put there and under what circumstances. If you're talking about a hostile nation that can shoot missiles at me, forget about it, I'm not going to do it."

Do I think they should be talking? It's good. It's better to talk than not to talk, and they're talking. And for that you must commend Secretary [of State James A.] Baker and President Bush. Absolutely.

What's NATO's role in a post-cold war world? Do you think NATO is still relevant?

Of course it's relevant for now. In Europe

they're very diplomatic about it, but they're creating a parallel organization they describe as working hand in hand with NATO and eventually will replace NATO. The E.C. is trying to get as strong and independent as it can. Who can blame them? But for now, NATO is important.

You have said: "We're losing not only our economic strength, but the spirit of the country." Are we losing a sense of what it means to be an American?

Not altogether, but it is withering and dissipating, especially the so-called American dream—the confidence that if I want to work, I can and I can get ahead. That confidence has certainly been diminished.

How do we get it back?

By improving the economy. The economy is the answer to all these things.

Crime in Europe is not as bad as in the United States. You can walk along some streets at night. How do we solve crime in the United States?

How do you solve it all over the world? The same way. Put people to work, take the drugs away, have families, make babies, go to church. The economy, again, has a lot to do with it. If you had to focus on one thing, it would be drugs. Drugs and the economy. We didn't suddenly become more barbaric than we were, or more hostile, more belligerent than we were. It happened as a product of the recession in some places—depression, and the introduction of drugs. Drugs make people crazy.

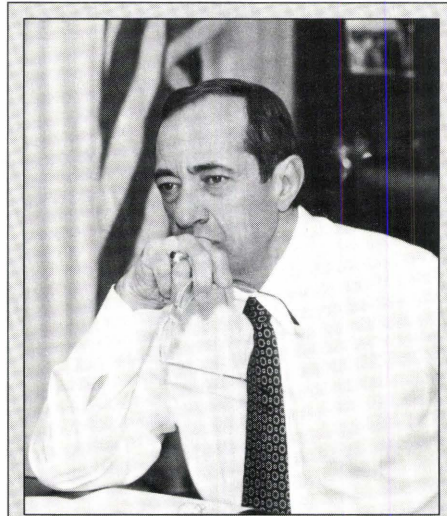
We have the toughest laws in this state. For example, I've built more prison cells than any governor in history. You can't say the laws aren't tough, so it's not tough laws. Draconian punishment has never done anything. A great jurist said, the only thing that works in the use of law against crime is the creation of a certainty of punishment. If all you create is fear of a draconian punishment, the criminals think it's not going to happen to them.

The United States' national health care system does not compare to many countries in Europe. Do you advocate a national health care system?

Absolutely. If you did it 15 years ago, they'd call you a Socialist, a Communist. Now the AMA [American Medical Association] buys full-page ads saying, please, let's have a national health insurance program. Of course you need it. We should have one that's better than Canada's, better than everybody's.

How will it happen? We're quite ad-

vanced in this state; we're on our way toward one on the state level. We'll never be able to afford it totally. My best guess is that it has to get financed eventually by participation. You have to have people who can afford to pay. They will have to pay something toward the premiums in



"We've gone from creditor to debtor, from lender to borrower, from seller to buyer. You can't win that way. You don't have to go to the Wharton [business school] to figure that out."

effect. Business will participate, and government to some extent.

We'd try to do it as fairly as possible. We must put a great emphasis on reducing the costs overall, getting rid of the paperwork, the bureaucratizing and we're working on that here. We're moving in that direction.

It's the middle class that's hurt the most, not the poor. When people think about people without insurance, they automatically think about the poor. But the poor have Medicaid.

Do you have a complaint that the Bush Administration spends too much time on foreign policy?

My complaint is [that Bush] can spend all the time he wants on foreign policy, but he should spend more on domestic policy. If he wants to work twice as hard, that's fine. What he's doing is spending a lot of time over there so he doesn't have to spend it over here. [That way] you don't notice

that the people are going broke here and starving here because he's saving them over there. That I object to. It is not that he's spending time on foreign policy. It is that he's using foreign policy as a distraction and a diversion.

So you approve of most of Bush's foreign policy?

No. What foreign policy? What is this vaunted foreign policy? Please describe it to me. Iraq? He didn't defang Saddam Hussein. Berlin? He had nothing to do with it—he had a good seat. What else, what foreign policy? The Middle East? I congratulate him for putting [all the parties] at the same table. I don't congratulate him for making Syria such an ally because I'm scared to death of Syria.

So what's the foreign policy? The New World Order? What's that? I'm opposed to his most-favored-nation treatment of China. I'm opposed to his cutting a deal with Noriega. What else? The Contras? Is that his foreign policy?

I came back from the Soviet Union in 1987 and said the cold war is over. They said in Washington that I was wrong, that I was premature. They don't impress me with their foreign policy in the Soviet Union. Reagan, maybe. Reagan you can give credit to for bringing down the Soviet Union. He has a better case. Why? He spent so much money on defense he forced them to spend so much money on defense they went broke. They collapsed back into democracy.

What is the main concern on your constituents' minds these days?

The economy.

The United States has a \$260 billion deficit. New York has a budget deficit. Can states and the country continue to exist with such deficits?

No. You have to increase your productivity so dramatically and so fast that you can get out of the deficit that way. Or you have to take draconian steps to reduce it. Or you have to do a little bit of both. We've gone from creditor to debtor, from lender to borrower, from seller to buyer. You can't win that way. You don't have to go to the Wharton [business school] to figure that out.

Doesn't it take political will? Is that what's missing?

That's a very good point. We have the political intelligence, but we lack the political will. E

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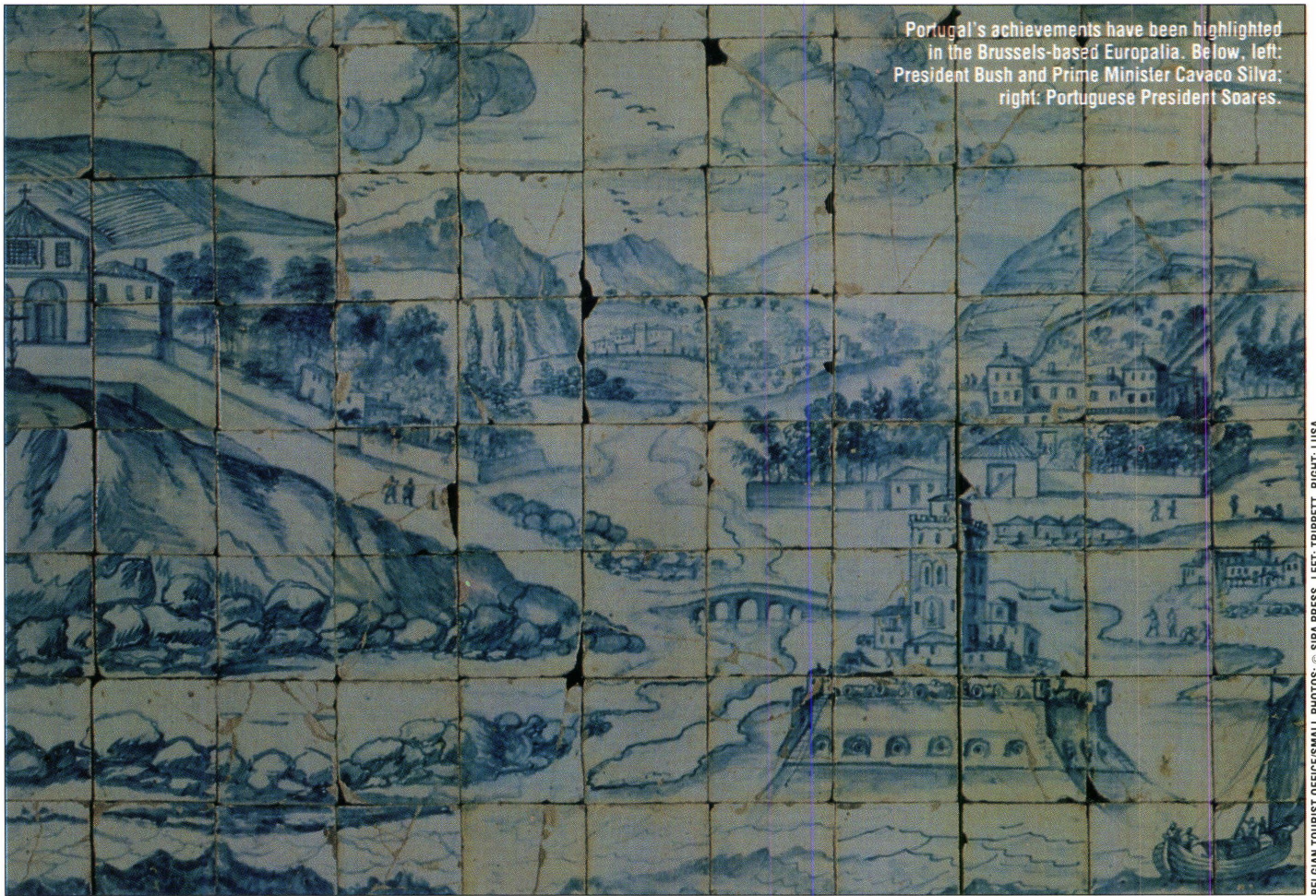
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- Government Publications

Review, September-October 1991



Portugal's achievements have been highlighted in the Brussels-based Europalia. Below, left: President Bush and Prime Minister Cavaco Silva; right: Portuguese President Soares.

BELGIAN TOURIST OFFICES/SMALL PHOTOS: © SIPA PRESS, LEFT: TRIPPETT, RIGHT: LUSA



If Europe generally bows under the weight of its history, this corner of the Continent is currently bent double in concentrating, and rightly so, on its own dramatic and heroic past. Homage is being paid in many forms to the 500th anniversary of brave sailors and adventurers who cleaved sea routes to the New World, Africa, Asia, and beyond. Portugal's glory, heritage, and achievements are being celebrated not only at home but also at the Brussels-based Europalia, which winds up a 100-day exhibition this December.



Preparing to Chair Europe at a Critical Time

PORTUGAL

It is from the baggage of so much history that Portugal unpacks its proposed contribution to the E.C. Presidency, the ship of complexities it will navigate from January 1 for the first time since Lisbon joined the Community in 1986.

Portugal takes the helm at perhaps the most critical moment in E.C. history. The Community is at a crossroads. Commentators suggest it either moves decisively forward in political, economic, and monetary union or its chances may be usurped by tides of Continental turbulence beyond its control.

Portuguese officials are the first to admit the complexity of the moment they assume the Presidency. They must manage and resolve not only major E.C. issues, but also regional and world developments like a volatile Soviet Union, the crisis in Yugoslavia, and Middle East peace efforts, which are all possible flash points during Lisbon's stewardship.

Additionally, the Portuguese are under much discreet pressure in some quarters to complete as far as possible the imple-

mentation of the new political and economic treaties (should Maastricht be successful) and Delors II (a package of reforms on agriculture, regional policies, structural funds, and financing of the E.C. budget), before passing the baton to Britain, whose reservations to union could affect the way the treaties are regulated. (Britain takes the rotating presidency after the June 1992 Lisbon summit). Given a Maastricht breakthrough, officials say, the Portuguese Presidency will focus on political reforms, the post-1992 single market, strengthened foreign relations, and energy and environment issues.

Community foreign policy with other European regions (in the east) and with the south (Magreb, Africa, and Latin America) is of growing importance to the Community. Portugal seeks to ensure that Community policy and action are structured coherently and that efforts to achieve them are well defined.

Portugal's Secretary of State for European Integration, Vitor Martins, said: "It is no longer possible to continue reacting in

a dispersed and one-off fashion as has happened to date."

Portugal will stress solidarity with regions of the south, action it believes politically vital to the Community and economically decisive to these regions.

Political equilibrium and economic and social development of the southern Mediterranean, Morocco, and Egypt demand a European response without further delay.

Martins noted: "Given that the region's average per capita product is seven times lower than the Community's average, it would be very imprudent to ignore it." Africa and Latin America and the movement toward democracy also require Community solidarity, he said.

Lisbon will work hard to ensure the new Community's financing needs are dealt with. "Sufficiency of means must be clearly established in the new treaties. It is clearly an illusion to pretend greater European integration can be achieved without additional financing," said Martins.

The first half of 1992 will focus on the

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FOREIGN MINISTER OF PORTUGAL

João de Deus Pinheiro



Foreign Minister **João de Deus Pinheiro** was born in 1945. He is a graduate of the Higher Institute of Technology, where he earned a degree in chemical industrial engineering in 1970. Later he obtained a master's in science and a doctorate in philosophy in chemical

engineering from the University of Birmingham.

Since 1970 he has been involved in scientific and technological research, having published more than 36 papers nationally and internationally. He was appointed Portugal's Minister of Education in February 1985. He is the Member of Parliament for the Viana de Castelo constituency and was named Foreign Minister in 1987, a post to which he was reappointed in November this year.

He was interviewed by Europe's contributing editor in Portugal, Ken Pottinger.

What innovations to European unification is the Portuguese Presidency likely to bring ?

Rather than innovating, our Presidency will be involved in implementing. There will be lots to do post-Maastricht. Ours will be a low-profile Presidency that concentrates on efficiency and get-

ting things done.

What is the thinking behind the idea of a fresh analysis of the political, administrative, business, and social framework of Europe post-1992?

This will be a valuable tool for the tasks ahead. One of the things we will be seeking to ensure is that the internal market of 1992 will work. This means we must smooth out aspects of the agreements to make sure single market objectives are achieved as early as possible in 1993. Only with determination will it be possible to get everything in place and ready for this. That is one facet for us to concentrate on.

After Maastricht there will be lots to do. First there is the follow-up on the new treaties emerging from the conferences. Then, once a common external and security policy has been decided, we will have to restructure the administration. For example, having only seven staffers in the political secretariat in Brussels is clearly inadequate, and this will need attention, along with other, similar changes. We must build up the services so they can produce proposals whenever we deal with new foreign policy strategy or problems.

As a consequence of Maastricht we will have to implement Delors II [a package of reforms on agriculture, reciprocal policies, and structural funds that involves adopting an additional way of financing the E.C. budget] and deal with reform of current structural policies, financial reforms, definition of new Community resources, creation of a fifth resource, and so on.

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The Power-Sharing System

In winning a second landslide victory in the October 6 general elections, Prime Minister Anibal Cavaco Silva's center-right Social Democrats (PSD) have opened an unprecedented era of Portuguese political stability and confounded critics of the semi-presidential and proportional representation system prevailing here.

The 230-seat Parliament now consists of Social Democrats (PSD), 135 (50.6 percent); Socialists (PS), 72 (29.14 percent); Communists (PCP), 17 (8.8 percent); and Christian Democrats (CDS), 5 (4.43 percent); fringe groups make up the rest.

The PSD's dramatic second-time win and the remarkable drop in Communist support—well down from the heyday 20 percent it once consistently drew—is a clear reflection of how the tide has turned against the decade-long sway held by leftist advocates of centralized state ideology.

Constitutionally, the country runs on a semi-presidential power-sharing system with an elected head of state who serves for a five-year term and an executive Government voted in for four years.

The current President is Mário Soares, a former Prime Minister and Socialist Party leader now serving his second term. His powers are limited—he appoints Governments based on electoral outcome, dismisses them (only on very firm grounds), has a voice in foreign affairs—and he meets weekly with the Prime Minister for a mutual briefing.

While the affable Soares, Portugal's consummate politician, may hold little personal brief for his somewhat austere Prime Minister and political rival, their official working relationship is sound, cordial, and efficient, a far cry from the agitation that often marked the same partnership when other figures played the roles.

Portugal's government system is less and less influenced by fading Marxist constitutional overtones but continues to incorporate a complex proportional representation system

favoring unstable parliamentary minority rule of rift-ridden coalitions. Indeed, the ballot system was deliberately drafted (in 1975) to prevent any one party from winning overall ma-



Prime Minister Anibal Cavaco Silva's second huge victory has offered Portugal unprecedented political stability.

majorities in the house. This was seen at the time as a way of preventing future dictatorships.

The PSD's October electoral victory encore reflects massive voter endorsement of widespread social and economic changes that have transformed Portugal since its 1986 entry to the Community.

For his part, defeated Socialist opposition leader Jorge Sampaio managed one of the party's better results in recent years, suggesting domestic politics have finally polarized along bipartisan lines.

Diogo Freitas do Amaral, leader of the tiny Christian Democrats whose severely eroded support endangers the party's survival, resigned, saying he accepted personal responsibility for the disaster.

The Communist Party saw its vote fall for

the first time into single figures as it paid the price for a hard-line Stalinist approach to politics. The 78-year-old Communist leader Alvaro Cunhal sails firmly on with an admirable dedication to orthodoxy, clearly oblivious to the party's death throes.

The election result has definitively broken the previously installed cycle of instability. People's interests have shifted. They now want to make and spend money and enjoy life where before they were overwhelmed by regular and debilitating Government crises—the political soap opera, as it was called. Pockets of relatively great wealth have been created and better urban living standards shaped. The voters are less willing to countenance political upheaval. This will encourage promised efforts during the present legislature to modify the electoral system to something approaching the United Kingdom's alternating two-party system. One stumbling block is the disarray among the opposition Socialists. The long knives are out for Sampaio; he faces strong challenges from within the party to his continued leadership.

Observers note that the party is not currently a convincing ruling alternative. Its image is poor, and its leadership ill-adjusted to new Western European left-wing realities. Unlike Britain's Labor Party, the PS has not spent its time in opposition remodeling dull and outdated policies or refining its product. However, Young Turks in the wings might soon change this.

Portugal moved out of its economic sidelines and into Europe's main track when it formally became a Community member on January 1, 1986. Since then, the Lusitania Express has accelerated with unexpected speed, thanks to prolonged political stability, favorable global economic conditions, and previously unseen domestic progress. These improvements and massive E.C. and other investment have led Portugal, once a European laggard, to overtake Greece in significant economic health indicators, including GDP.

—Ken Pottinger

The Glorious Past Is Ever-Present

Few countries its size have had as exciting a past as Portugal, and few can rival the diversity and abundance of sights that modern Portugal has to offer. United in the 12th century under Dom Afonso Henriques after centuries of occupation by Greeks, Romans, Visigoths, and Moors, the country became an adventurous seafaring power in the 15th century, launching expeditions all over the globe.

Fortunately, travel has become a lot more comfortable and convenient since Portugal's Age of Discovery. You don't have to be a Vasco da Gama to get as far as Lisbon, the capital, which is one of the oldest cities in Europe. Unfortunately, a major earthquake in 1755 destroyed much of Lisbon, so much of what you see now was built under the edict of the Prime Minister at the time, Marques de Pombal, who favored the then-popular Queen Anne style.

Situated on seven hills along the Tagus River, Lisbon is made up of five main districts. Although all have a warmth and appeal absent in many modern metropolises, a few are really special.

For local color, go to the **Bairro Alto** (Upper District), one of the most typical neighborhoods in Lisbon. There you can have at almost any hour a traditional meal in one of the area's many restaurants. Prices are usually low, but the Bairro's recent popularity with trendier folk has pushed prices up a bit. Local specialties include *Bacalhau* (codfish, boiled or steamed), *Cozida a Portuguesa* (beef and vegetable stew), and *Peixe Espada Grelhado* (grilled scabbard fish). The Bairro Alto is also famous for fado houses, where the fado—melancholic folk music sung with Moorish intonations—can be heard. If you're in the mood to be merry, there are plenty of small bars where locals hang out until well into the night.

The **Baixa**, close to the river, is one of Lisbon's oldest commercial centers and also the site of many Government buildings. Here, there are more glamorous dining possibilities, but prices are usually higher than

the Bairro Alto and the hours are not as flexible. The main shopping street (Rua Augusta), lined with fur, shoe, and clothes shops, is restricted to pedestrians.

The **Alfama**, on the spot where the Moorish aristocracy lived during their 300-year occupation (8th–12th century), is par-



Visiting Sintra in the summer offers music and cooler temperatures.

PHOTOS: © ALADAR NESSER 1991

ticularly charming. Its winding medieval streets and whitewashed houses crammed together at the walls of the Castelo are unique. But don't get too carried away by the charm, as this is one area where bag-snatching has become a problem in recent years.



The Palacio da Pena combines Bavarian and Arabian styles.

Like any other city, Lisbon also boasts its fair share of museums. The **Belém** (Bethlehem), now part of Lisbon but about six kilometers from the center, is probably the best place to visit if you are on a tight schedule because of

the great concentration of historic monuments. As well as a host of other museums and galleries, there is the **Mosteiro do Jeronimos**, a monument to Portugal's Age of Discovery. It was built in 1502 by King Manuel I as a tribute to Vasco da Gama, who led the first European naval expedition to India in 1498. It was built in the Manueline style, which incorporates Gothic, Islamic, Italian, and other influences. For a panoramic view of the Tagus River, climb the Torre de Belém.

From Lisbon, you can take a day trip to **Sintra**, about 45 minutes north of the city by train. A good time to visit is in June or July, when Sintra hosts a well-known music festival. Because of its altitude, the town is also much cooler than Lisbon, so it has become a retreat for wealthy Lisbon dwellers who keep some magnificent summer residences there.

Sintra is often described as a storybook village. Indeed, English poet Lord Byron was so enthralled with its dense vegetation and enchanting forests that he called it "glorious Eden" in one of his poems.

Tourists today are still captivated by Sintra's fairytale-like charm. Its glorious past is ever-present in the palaces and numerous attractions clustered there...so take plenty of film to immortalize your own memories! Among the sights are the **Palacio Nacional**, which takes you back to the 12th century with its Moorish and Gothic interior, and the

Palacio da Pena, which is the more recent work (1840s) of a German architect who blended Bavarian and Arabian architectural styles to create a castle that has to be seen to be believed. Trimmed with Gothic turrets, and situated on one of the highest hills in the Sintra range, it is nothing short of ethereal. About 10 minutes by foot downhill from there is also the **Castelo dos Mouros**, built by the Moors in the seventh and eighth centuries.

For more travel information on Lisbon and the surrounding area, contact: Portuguese National Tourist Office, 590 Fifth Avenue, New York, NY 10036; tel.: (212) 354-4403.

—Maeve O'Beirne and Dina Martinez

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conclusion of the single European market. Officials say this must be given top priority, and Portugal must deal with sensitive areas like insurance, markets, services, elimination of borders, intellectual property, and taxes. Portugal believes incomplete areas of European integration depend on the success of the internal market.

The vast agenda facing Portugal will also include debate on enlargement. The Community has on the table five applications for membership (Austria, Turkey, Sweden, Cyprus, and Malta), three countries interested in future membership (Poland, Hungary, and Czechoslovakia), and other serious contenders: Finland, Norway, and Switzerland—a total of 11.

The Portuguese say the Community debate on this matter remains embryonic and must be faced seriously and in depth during their Presidency. "We cannot leave

important nations like Austria and Sweden hanging in the air for some kind of response," says one official. Summarizing Portugal's position, in a keynote pre-Maastricht address on key E.C. issues, Martins said:

- There is a need to define an external and security and defense policy within a clear time frame. The Community today has economic power not matched on the political level. Portugal favors foreign policy and security decision-making by qualified majority, giving each vote the same weight. In other words, in foreign policy, Portugal calls for "one state, one vote."

- Enlarging Community powers must be done realistically and progressively with tangible results in areas like real citizenship rights. Portugal believes Europe's citizens will support political union to the extent that it responds to their desires for economic progress and social justice.

- Social and economic cohesion: Each step toward fuller Community integration should be accompanied by equal harmonious development in the European space. It is neither politically acceptable nor socially justifiable to accentuate development differences and reinforce the peripheral status of less-developed regions.

- Institutional reform: In general, Portugal must support decision-making by qualified majority. Clearly in some matters there must be unanimity (welfare, for example) or at least a qualified majority of 8 or 10 states in favor.

- Structure of the new treaty. This should be tripartite (E.C., foreign and defense policies, and intergovernmental cooperation) topped by common arrangements giving consistency to European union. €

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

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Then, there are the consequences and implementation of a new Common Agriculture Policy (CAP), possibly linked with whatever comes out at the Uruguay Round of GATT [General Agreement on Tariffs and Trade] if agreed by year-end. We will also need to examine how European industry is competing in world markets compared to the United States and Japan, particularly in traditional industries: automobiles, electronics, textiles, and others.

Also on the table will be E.C. external policy. After Maastricht, the Community can finally aspire to a coherent and strategically oriented external policy embodying political, economic, trade, and even cultural and social aspects. To accommodate this, we will need drafts of ideas and policy themes. This will be a huge task, which I believe is easier for small countries to carry out than for the larger ones; [the larger ones] tend to raise suspicions in these areas.

How much progress can Lisbon expect to make on CAP reform, and is this set to be a major Presidency theme?

If CAP reform becomes a goal in our Presidency, a wide range of issues will open up—involving agriculture, markets, trade, finance, and budget—because CAP reform represents a major change in Community life. We have to set 1992 prices during our Presidency and act on CAP because we cannot wait much longer for reforms.

The Presidency will be charged with engineering compromise among the members on CAP reform proposals. Currently, the basic idea is to shift from subsidizing income so that farmers will not suffer as citizens while E.C. trade policies come more onto what is perceived as a sound basis.

Where do you feel the priorities lie for enlarging the Community?

Maastricht will in principle define the Community's future framework. It will set main objectives, main lines, and main policies. This means applicants must be aware that the Community will have not only an internal market but also a foreign and security policy, economic and monetary union, and in the medium to long term, a common defense policy. They will therefore be obliged to accept the whole package upon

joining. The natural candidates for the first phase of enlargement are the EFTA [European Free Trade Association] countries.

Portugal's position on federalism appears to have softened. Earlier, Portugal had virtually rejected it outright. What is the present position?

We don't accept Community structures or directions being devised top down. However, if the approach finally designed for trade, monetary, and other aspects is considered federal, we don't mind that, provided it is a bottom-up—not top-down—approach.

What specific bridging role will you advocate with Africa—especially Mediterranean Africa—and Latin America?

It is not our intention to shift the support Europe is providing Central and Eastern Europe and other regions in favor of Latin America or Africa. We think Central Europe will quite rightly remain a high priority, but we believe we should not let down the young democracies now being built in Latin America and some African countries. We have a moral responsibility to help them more than we have in the past.

European defense and foreign policy are still thorny issues. Does Lisbon remain strongly NATO-Atlanticist in its defense views?

We are arriving at a convergence here. Basically, NATO has been idealized as a guardian of Western values, and we have jointly defended those successfully. The 16 NATO nations made it clear in Rome that there is no doubt of its prime European defense role. At the same time, we cannot accept the building of a political union with a common foreign and security policy but deprived of a defense component. In the medium to long term, Europe, besides being politically and militarily strong, will also be militarily capable. This does not mean we should weaken links with North America. To the contrary, they should be stronger. In this regard the Atlantic should be seen more and more as a lake than as an ocean.

How hard will you defend key ideas like trans-European networks and lower state contributions to structural fund aid?

The Single Act for the first time introduced the concept of social and economic cohesion. After Maastricht, Portugal must ensure that Europe becomes more cohesive economically, socially, and politically. €

PROFILES

Comedian **Herman José** is the radio and television rage of the decade. He burst onto the television scene as a 28-year-old gadfly in 1982 with some wicked impersonations and highly pertinent digs at the establishment, and he has ridden a wave of popularity ever since. Today, he is a household name noted for his quick wit, perceptive humor, and above all, his gallery of caricatures including "Tony Silva"—an excitable personality with outlandish socks, a loutish approach, and outrageous stories—who tends to express distorted, half-baked opinions about anything and everything. José has developed, widened, and perfected his range of personalities so that today his most trenchant performances are delivered on an early-morning Lisbon radio station, TSF-Radio 5, to an audience of hundreds of thousands.

His popularity, formed through appearances on a number of television shows, started a decade ago with a three-hour variety show called *Passeio des Alegres*, "The Happy Parade."

Today, the man who once complained that Portuguese comedians and television personalities were poorly paid, commands top fees, owns a luxury apartment in a select Lisbon suburb, a magnificent quinta (smallholding) south of the capital, rides a powerful motorbike, and is much in demand by advertisers seeking his inimitable endorsement of products ranging from air conditioners to ice-

BELMIRO MENDES DE AZEVEDO, 53, is one of the wealthiest and most successful industrialists in the country, a rags-to-riches achievement he managed in less than 30 years.

Son of an impoverished northern village carpenter, he built his extensive business empire on the back of an almost-bankrupt laminated-chipboard factory he joined after graduating as an industrial chemical engineer in 1965.

Today, his 40-strong group of companies is held by Sonae Investimentos SGPS worth 85 billion Portuguese escudos (\$600 million).

So when Azevedo speaks, officials tend to sit up and take notice, particularly as he is not adverse to voicing strong and controversial views on Government economic policy and Portugal's industrial future in the single market.

His latest salvo has been against the uncommonly lucrative interest rates enjoyed in the banking sector: "I have said before and I say again, the high cost of money in Portugal is resulting in a transfer, almost a pillaging, of wealth from the industrial to the financial sector, with pernicious and damaging long-term effects for industry."

BELMIRO MENDES DE AZEVEDO

cream parlors.

However, he modestly declines to disclose his earnings. Tackled directly on the subject, he enigmatically replied: "I could say that on a Portuguese level I am very well paid; but on an international level, I am earning about 10 percent of the salary of a good presenter."

The half-German, half-Portuguese José still writes most of his own material—after complaining about the dearth of trained comedy scriptwriters in Portugal. José says he was born to be funny, but it took eight years in show business before people began to laugh at him. "It took a lot of

practice. That's why most good comedians are over 40," he says.

He began performing at the German school in Lisbon. He recalled, "I wasn't doing too well academically, but I discovered that because I was the little guy who could wow them at the end of [a] school program, none

He insists industry is a vital component of the economy that cannot rely solely on the services sector.

Azevedo goes further and calls for the immediate lifting of remaining capital flow restrictions in Portugal. "Only when local banks face international competition will the cost of money reach an acceptable level. Businessmen should be free to choose where and at what risk they raise the capital they need for expansion, investment, and modernization. Furthermore, present interest rates are killing the capital markets, which cannot compete in returns on investment," he said.

He also calls on businessmen to band together and solve by themselves, without government interference, the current problems of the country's overdependence on the textile industry. "The Government can help by providing the tax incentives needed. After that, it is up to entrepreneurs to make the investment decisions, not the

Government," he says.

His own European convictions are refreshingly forthright. "Culturally and socially I am conservative and increasingly more Portuguese; I do not accept the idea of Europe as my motherland. But when it comes to economics and finance, I am virulently European," he says.

—Ken Pottinger

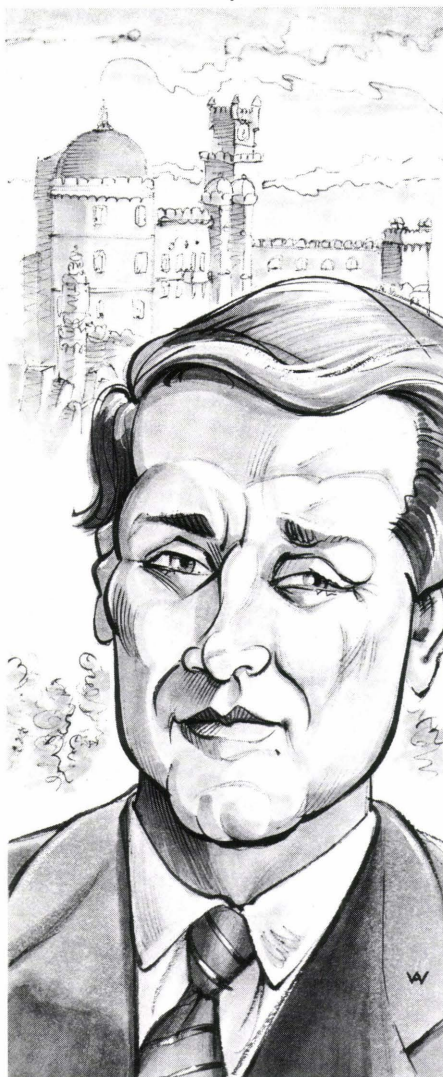


ILLUSTRATION BY BILL ALLEN

CAPITALS

Two-Speed Tunnel

LONDON—Britain has been a proud island fortress for so long that it always seemed ambivalent about being linked by a tunnel with the European mainland. Nonetheless, digging the Channel Tunnel has gone ahead, with completion now due in 1993.

But this is going to be a two-speed tunnel with fast French trains that zip along at 200 miles per hour in France being slowed to 70 m.p.h. once they emerge on the English side of the tunnel. The reason is very simple: France is building a special rail link to the tunnel, and Britain is not.

Well, that's not exactly correct. The British Government finally decided in October to end four years of speculation about the route of a proposed high-speed rail link. One route would have brought the rail link directly from the English coast at Folkestone into Waterloo station. The second option involves a loop that circles to the east and north of London to arrive at a terminal in King's Cross. The Government chose the second option.

This choice means the link will not be completed before the next century. Hence, the French train will have to adapt itself to the more genteel ways of this island people as it emerges on the English side of the Channel.

The decision was greeted with cries of dismay by those who believe this will make

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Britain a laughingstock among its European colleagues. On the other hand, it was heartily welcomed by environmentalists and Conservative politicians in danger of losing their seats in Parliament if the train ran through their constituencies.

British Rail, the national railway company, had proposed a route that could have been operating by 1998, only five years after the Tunnel opens. At a cost of \$6 billion, it would have cut the journey time from Paris to London from three hours to two and a half. The route chosen by the Government will offer a similar time savings, but will cost closer to \$8 billion, and completion time is sometime after 2000—estimates vary between 2001 and 2005.

Despite the protests from British Rail, which has already spent a lot of money on preparations for a southern route into London, and from those who are appalled by the

delays, the Government decision has generally been welcomed by the affected public.

The well-to-do residents of the southeast, who feared the negative impact of the high-speed railway on their homes, are delighted to be left alone. In economically blighted east and northeast London, people are no less delighted by the prospects of regeneration, which they believe the rail link and its big international terminal will bring.

British Rail advertises its services under the slogan "We're Getting There." The Government decision on the Channel Tunnel rail link has led some to comment, "Yes, but when?"

—DAVID LENNON

Leadership Struggle

DUBLIN—The political career of Charles Haughey—Taoiseach (Prime Minister)

since 1987 and a member of the Dail, or lower house of Parliament, since 1957—may be drawing to a close following the recent bruising conflicts within the Fianna Fail Party over the leadership he has held for the past 12 years. Although he has successfully overcome the latest challenge to his leadership, his opponents, led by the sacked Minister for Finance Albert Reynolds, are encouraged by the apparent assurances that Haughey, 66, will not be leading the Fianna Fail Party into the next election.

There is speculation that Haughey may step down when his busy program over the coming months has been completed. This includes the E.C. summit at Maastricht concerning political, economic, and monetary union; an Anglo-Irish summit in Dublin with British Prime Minister John Major; and the drawing up of the 1992 budget by the end of January.

The past few months have been something of a nightmare for Haughey and his Government as questions have arisen concerning a number of state-owned corporations. That and fallout from a public inquiry into the beef-processing industry sent his popularity to a new low in the opinion polls and threatened to bring down the coalition arrangement with the small Progressive Democrats Party. The lengthy negotiations between the Government parties for a new program

were successfully concluded only hours before a motion of confidence in the Government was taken in the Dail.

No sooner was this crisis over than Haughey's critics in Fianna Fail, including some Ministers, began a campaign to have him replaced by Reynolds. Haughey, in a private meeting of the parliamentary party, described the formidable challenges facing the Government on the domestic and international fronts that would require all his experience into 1992. But showing awareness that his leadership is under fire, he told the party he should be allowed to judge the right moment to make way for a new leader.

He also pointedly did not repeat his usual pledge, made at a press conference only days previously, that he would be leading Fianna Fail into the next election. But supporters of the leading contender, Reynolds, decided to force the issue by bringing a motion of no confidence in Haughey. In the ensuing vote among the Fianna Fail parliamentarians, Haughey won handsomely by 55 to 22 but was also forced to dismiss two senior Cabinet Ministers and three junior Ministers who voted against him.

Haughey and other Ministers have been insisting that the attempts by the opposition parties and elements in the media to link them with financial impropriety and conflict of interest emerging from inquiries into the affairs of the semi-state sector are completely unjustified. Their problem is that, pending the outcome of the inquiries, the rumor mills are running full blast and demoralizing Fianna Fail at all levels.

On the positive side, the new program for the Government is an ambitious but feasible blueprint for a steady improvement in public finances, taxation reform

leading to lower personal taxes, and administrative and legal reforms that are long overdue. If the two partners can stick to their program regardless of the leadership struggle in Fianna Fail, an election will not be necessary until mid-1994. It is, however, a very big "if."

—JOE CARROLL

Almost Anything Goes

ROME—This couldn't happen in America. In Italy, Eva Robbins conducts a television program dedicated to sex. So far, so good. A few, small, hard-core channels have similar programs in the United States as well, late at night. The difference is that Eva Robbins's program is featured on one of the most widely viewed channels of Fininvest, the network that belongs to tycoon Silvio Berlusconi, and transmitted during prime time, when most people watch television.

But that's not all. Eva Robbins, whose name isn't really Eva Robbins, is not an Eva Robbins at all. She is a hermaphrodite whose provocative beauty and ambivalent sexual prowess have put her on the pages of all the most popular Italian magazines this month.

Nobody is scandalized. And this is just one more confirmation of the peculiarity of Italian society. On the one hand, they are profoundly Catholic and religious. In fact, as a recent survey showed, they rank as the most religious people in Europe. On the other hand, they are permissive and tolerant, believe in *laissez-faire*, and are ready to close both eyes to provocations that would irritate, or at least astound, most other Western societies.

Just take a look at the reactions to the "strong sensation" publicity campaign

that well-known photographer Oliviero Toscano is conducting for Benetton. A few of the subjects and settings for his "United Colors of Benetton" themes are without a doubt shocking. But in the long run, no one is too upset. The only reactions come from the other publicity agencies, who proclaim indignation. But it's hard not to suspect that theirs is just envy.

Of all the subjects treated (do you remember the white baby being nursed by a black woman?), only one was censored in Italy. Not the one of the newborn baby still attached to the umbilical cord and dirtied with maternal blood, which was, frankly speaking, excessive. No, the censored advertisement showed a kiss between a young priest and a young, beautiful nun. Italy is willing to forgive a famous photographer like Toscano and a world-class entrepreneur like Benetton almost anything. Just as long as they keep the church out of it.

—NICCOLÒ D'AQUINO

New Tide of Xenophobia

BERLIN—Resentment and fear of foreigners is neither new nor a specific German problem. "What is new," says Lieselotte Funcke, the outgoing Government Commissioner for the integration of foreigners, "are the open, massive attacks and the tacit attitude of the spectators."

Funcke was referring to the shocking incident at Hoyerswerda, a town of 70,000 inhabitants in Saxony, in former East Germany. For almost a week skinheads and neo-Nazis subjected 230 foreigners to a barrage of stones and Molotov cocktails while onlookers apparently approved and even applauded the violence.

Are the eastern Germans the ugly Germans? Far from it, says President Richard von Weizsäcker, who called the assaults "horrifying and shameful." As he points out, since Hoyerswerda, attacks in the western part of the country have increased.

Funcke says that right-wing extremists in western Germany, prompted by the skinheads' victory over the authorities in Hoyerswerda, are imitating the ugly confrontations. Racist attacks are occurring almost daily from Hünze and Pielenhofen in the west to Rostock and Zwickau in the east. "Even if we don't like to admit it," says the independent *Frankfurter Allgemeine*, "intolerance and violence of a minority—mostly young, right-wing extremists—are part of our political life. At night, skinheads come with incendiaries; during the day, politicians come with flowers."

The majority of Germans are shocked by the recent intensity of violence. "A vast majority of citizens are ashamed that people once again fear pogroms in Germany," stated German writer Günter Grass. Thousands of protesters staged demonstrations against the ugly confrontations, for example, in Hamburg, Berlin, Munich, Cologne, and Münster. "The majority of our population has an open heart toward foreigners," von Weizsäcker emphasized. The five million foreigners who live in Germany are "an enrichment for the country," he said.

Many Germans hold politicians partly responsible for the rising anti-foreigner sentiment. Abuse of the country's liberal laws has made the very word "asylum" an irritation to many Germans. Ten years ago the influx of asylum-seekers reached 100,000 for the first time. By the end of this year a record of 200,000 is expected. Article 16

of the German Constitution guarantees every person seeking asylum the right to enter Germany and gives the applicant a provisional right to stay there.

The ruling Conservative parties (CDU/CSU) believe that only an amendment of the liberal Article 16, which stipulates that "politically persecuted persons enjoy the right of asylum," could stop the growing influx of asylum-seekers. But a two-thirds' majority is needed to amend the Constitution. And not only is the opposition Social Democratic Party against it, but so is the Liberal Party FDP, the junior coalition partner of the CDU/CSU.

Because the squabbling over the legal issues has so far yielded no results, the four parties buried their differences and agreed on urgent measures to control the refugee flood. They agreed that asylum-seekers in the future will be placed in special large centers—mostly former army barracks—and their applications processed in no more than six weeks—a sharp acceleration of the present process.

The agreement, which is virtually what the FDP and the opposition Social Democratic Party had proposed, has immediately been condemned as unworkable by Conservative politicians. In addition, church and human rights officials oppose gathering immigrants in large camps, fearing that they would become an easy target for racist groups.

Erwin Teufel, the CDU Premier in Baden-Württemberg fears that the CDU may suffer losses in the forthcoming elections next April if the asylum-seekers issue is not solved. The example of city-state elections of Bremen last September, when the Social Democrats lost their absolute majority because of the asylum-seeker issue, worries

some German politicians. Minister of the Interior, Wolfgang Schäuble, who advocated amending the Constitution, said: "We have reached agreement in our goals, but in my opinion, shortcomings still remain."

—WANDA MENKE-GLÜCKERT

A French Telephone Extension

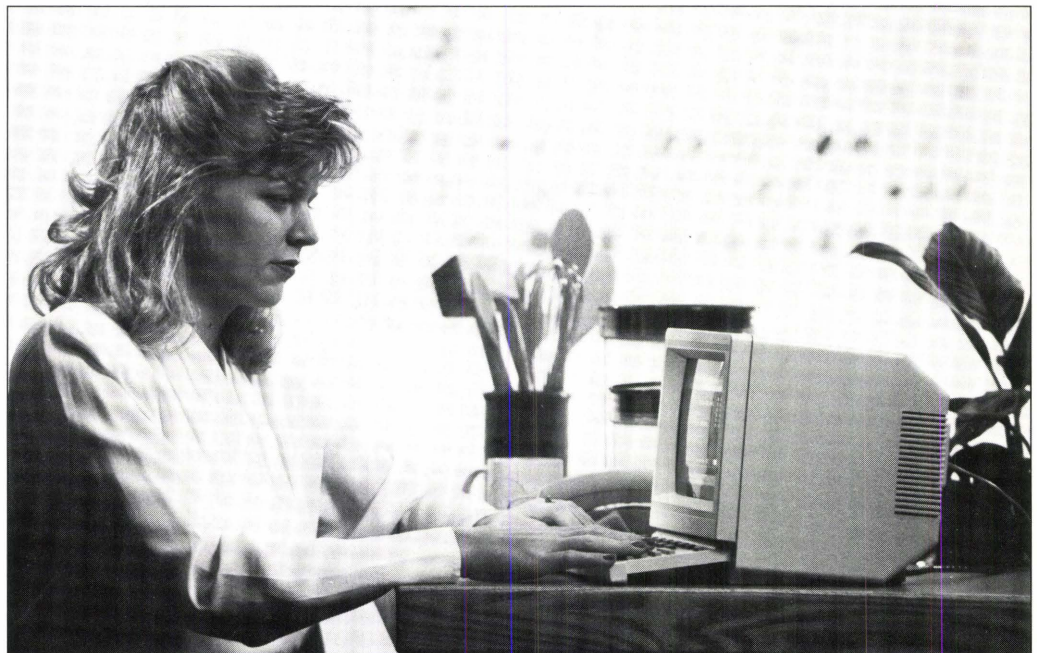
PARIS—Telephone customers in the western United States may soon be able to toss out their Yellow Pages and let their fingers do some elec-

phone company, France Télécom, which developed the Minitel, and US WEST was announced in October at the '91 Télécom conference in Geneva. The union has produced a joint company called Community Link Minitel Associates; the France Télécom subsidiary Intelmatique, in charge of the Minitel's international expansion (it is already available in 30 countries), will hold 40 percent, and US WEST will control the other 60 percent.

In France, the Minitel has grown into much, much more

on the black-and-white screen, but "Ulla" does offer her callers electronic eroticism of a sort. They can share fantasies, exchange messages, place suggestive ads, and often get so hooked on their videoscreen talks, in fact, that titillation by telephone is estimated to account for up to one-third of the Minitel's total traffic.

The Minitel was launched on an experimental basis in 1980, when 55 France Télécom subscribers in Saint-Malo were provided with terminals that gave them access to an electronic phone directory.



France's Minitel, a phone-plus-videoscreen system already available in 30 countries, is coming to the United States.

tronic walking. French Minitel, a phone-plus-video-screen system that provides a huge amount of information services to 5.8 million home and office users in France, will have an American counterpart. Smaller and humbler than the 11-year-old French Minitel, at least to begin with, the U.S. videotext program will be available in several cities hooked up to US WEST, a Denver-based regional Bell telephone company.

The trans-Atlantic alliance between France's national

than the electronic phone book it started out as. It now offers 15,000 different services: everything from home banking and shopping, business data bases and electronic mail to travel reservations, job offers, and sexy chat lines.

The Paris Métro is lined with glossy posters of feline females beckoning Minitel users to call their number. Dial 3516, type in the code ULLA, for example, and what do you get?

The red-haired lioness from the poster fails to materialize

It proved so successful that only five years later the electronic directory, along with a growing number of other information services, was available nationwide to one million Minitel users. Expansion of both customers and services has continued steadily. Last year, subscribers in France made 1.5 billion calls, adding up to about 100 million phone hours.

US WEST's Community Link® service in the western United States will initially offer far fewer services to far fewer customers,

starting in the twin cities of Minneapolis-St. Paul and in Seattle. Within five years, US WEST hopes to expand the system to other cities.

The six other "Baby Bell" companies in the States are likely to follow US WEST's lead soon, since a recent Supreme Court ruling cleared the way for all of them to offer electronic information services. If they do, the Minitel may end up being as much of a household word in the United States as it already is in France, even if some of its more specialized services, like Ulla and her friends, are unlikely to make the trip across the Atlantic.

—ESTER LAUSHWAY

Celebrating Democracy

ATHENS—Greece's 84-year-old President, Constantine Karamanlis, admitted he was awed by speaking from the same podium that Pericles and Demosthenes once used. The occasion was the 2,500th birthday of democracy, and the place was the Hill of the Pnyx opposite the Acropolis, where the ancient Athenian Assembly met and deliberated.

The ceremony, on a late summer evening, was low-key, but the setting at least was suitably dramatic. As the Parthenon turned white in the dusk before the floodlights came up, a symphony orchestra played between readings from the great texts of democracy: the funeral oration of Pericles, the Magna Carta, the U.S. Declaration of Independence, France's Declaration of the Rights of Man and the Citizen.

There were no fireworks displays or gimmicks, bar a single laser beam. Nor had the Greeks gathered a glittering array of celebrities. The main guests were the Speakers of some four dozen Parliaments, including such unlikely

chambers as those of Albania, Liechtenstein, Monaco, and San Marino.

But had all these good folk assembled in the right year? The democratic reforms of Kleisthenes date from 508 B.C., and counting should be a simple matter. Yet confusion and controversy reigned, with some historians insisting the party was one year premature, if not two. The philosophers, though, presumably less wedded to strict chronometry, won the day.

Indeed, more than 40 Greek and foreign professors, mostly of philosophy, swelled the ranks of the dignitaries on the Pnyx. They were fresh, if that is the word, from a three-day symposium, "Democracy in Ancient Greece and Its Meaning to Contemporary Societies," whose appointed task was "to examine democracy in all possible aspects."

The fact that Athenian democracy excluded women, slaves, and non-Greeks caused no problem for the president of the Athens Academy, Michael Sakellariou. "These ideas have no place here, since they are only formulated with hindsight" was his magisterial dismissal.

So wide was the brief that another distinguished Greek academician, winding up the conference proceedings, expatiated on democracy in the cosmic era and the challenge of reconciling liberty and order among the passengers on a spaceship. This flight of futurism might have prompted one visiting professor's verdict on the symposium: "Some of them just took off and never came down."

If the professors were less than unanimous about what precisely constituted democracy, the Greek President was succinct: "One could say that the best definition is contained in the word itself, which means rule by the people." Karamanlis, who as Prime Minister restored democracy in Greece after the collapse of the military dictatorship in 1974, spoke from the heart when he added, referring to Eastern Europe and the Soviet Union: "The transition from a totalitarian regime to full democracy is always sensitive and hazardous."

The Greek colonels from the military dictatorship, of course, were not executed and are still in jail. But it was a

replica of the tablet inscribed with Eukrates' law to protect democracy that that laser beam picked out, a law that permitted any Athenian citizen to kill tyrants and prescribed penalties for whomever cooperated with them. The replica now stands permanently in the tablet's original position on the Pnyx.

—PETER THOMPSON

Cross-Border Cooperation Key to 1992

AMSTERDAM—As Europe heads toward 1992's goal of a single internal market, Europeans, especially those living near member state borders, are increasingly exasperated by the many gaps that result from partial unification.

Some progress has been made. Ien Dales, Dutch Minister of the Interior, addressing German regional authorities, praised the E.C.'s Interreg Initiative, which covers 50 percent of the costs incurred when regional authorities stimulate transborder cooperation. Further progress was made this summer when the

Netherlands joined Belgium, Germany, France, and Luxembourg in signing the Schengen Agreement, which covers practical matters such as mutual recognition of visas and freedom of movement for foreigners. The agreement also includes a large section on police cooperation, allowing for mutual assistance in narcotics and



A symphony orchestra played between readings at Greece's celebration of the 2,500th birthday of democracy atop the Hill of the Pnyx opposite the Acropolis.

firearms control as well as a uniform agreement on extradition.

However, as the intensity of transborder contacts continues to grow, the discovery of new problems with integration are constantly outpacing stopgap cooperation measures. Dales says that sweeping administrative changes are necessary and that ignoring the current border situations would be costly in the long run.

"Cross-border cooperation is the key to a Europe without frontiers," Dales says. "A Europe with a truly free and unhampered stream of goods, capital, services, people, and information cannot succeed as long as there are bottlenecks at the borders between E.C. member states."

Dales has ordered a study of Dutch-German cooperation in a three-city triangle involving a Dutch city and two in Germany as a possible model for other cities along member state borders.

—NEL SLIS



Spain prepared quickly for the recent Middle East peace conference. Work included securing the 18th-century Royal Palace, shown here, against terrorism.

Muslims or Jews. They removed at least one, a tapestry depicting the humiliation of a Turkish "infidel."

The palace was fitted out for Spanish Television, which won praise for the images it fed to networks around the world.

State-owned Telefónica installed 60,000 phone lines for the 5,100 journalists who swarmed the press center a few miles away. Carpenters partitioned open space, while technicians turned empty rooms into television studios and press offices. Caterers handed out free food and drink to those working inside.

Some 12,000 police officers and civil guards were called to duty to guard against terrorism and disruptions—and keep traffic running smoothly.

When President George Bush arrived in Madrid, he called the preparations "nothing short of a miracle."

Other dignitaries were equally effusive.

Although only time will tell the outcome of the talks themselves, the fact that the conference went off without a hitch gave a big boost to Spain's image before it hosts the Barcelona Olympics and Seville's Expo '92.

The biggest political winner was Prime Minister Felipe González, who was internationally lauded.

American reporters accompanying Secretary of State James A. Baker had to have González pointed out to them the day after it was announced the conference would take place in Madrid. Few had to ask the same question a week later when the Spanish Prime Minister delivered the conference's inaugural address to a worldwide television audience.

—RICHARD LORANT

Taking TEA Back to Basics

BRUSSELS—Palma, Tenerife, Ibiza, Djerba, Heraklion...all these destinations sound sunny and cheap for thousands of Belgians who used to get there by package holidays with Trans European Airlines (TEA). But for TEA founder and president Georges Gutelman, those vacation spots are now history.

TEA, one of the largest charter companies in Belgium, went bankrupt in October. Gutelman, a former engineer, was really the type of manager often praised in the United States. He had ideas, ambition, and a European vision. But, from the beginning, he lacked money.

TEA's first plane was a Boeing 707, nicknamed Aline, acquired with a leasing contract during the 1970s. Chartering tourists from Belgium to sunny spots filled a gap in a European market monopolized by national airline companies, such as Sabena, Air France, and British Airways. The industry had room for inexpensive flights.

Gutelman's company grew slowly. It sold trips for travel agencies and tour operators, which was the right thing at the right place. Never before had tourists been as willing to discover new destinations with fares cheaper than those offered by regular airline companies.

TEA shifted its policy three years ago. Growing to a pan-European size, the Belgian company leased 23 new planes, acquired tour operator Sunsnacks, and established subsidiaries in France, Italy, Switzerland, and the United Kingdom.

The Gulf War put an end to all this expansion. With air traffic plunging to its lowest level, TEA lacked strong financial assets to weather the crisis. American Airlines—among others—refused to

Organizing for Peace

MADRID—The decision to hold the first round of the historic Middle East peace conference in Madrid surprised most Spaniards—indeed, most of the world. What surprised many people even more, given Spaniards' reputation for putting things off until *mañana*, was the flawless way the talks were organized.

The announcement threw Madrid into a week-long frenzy of preparation.

Once officials settled on the 18th-century Royal Palace as the conference site, Spanish and American experts secured it against terrorism. Others combed the Hall of Columns searching for tapestries and sculptures with religious motifs that could offend



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engage in any rescue operation. TEA filed for bankruptcy.

Sobelair, a subsidiary of Sabena, the long-troubled Belgian national airline, immediately offered to buy the company. A wealthy industrialist from Zaire, Jean Bemba, also put his name on the bidders' list. But it was finally a little-known company, Brussels-based City Hotels, that acquired TEA for a small fee. "Chartering tourists," said City Hotels' president Victor Hasson, "will only complement our main activity, which is hostelry. We have no plans to restore TEA as it existed before we bought it."

This decision ended Gutelman's dream. The pan-European company returned to a modest Belgian market. Its new name? BEA, the Belgian European Airlines.

—CHRISTOPHE LAMFALUSSY

Immigration and Integration

COPENHAGEN—With fewer than 200,000 non-Danes in a population of five million, Denmark has had no integration problems like those of most other E.C. countries—no street battles like in France, and no violence like that instigated by the neo-Nazis of Germany.

Nonetheless, Danish immigration laws are being tightened, and there is a growing demand for some kind of common E.C. stand, because it is becoming literally impossible to police E.C. borders. Denmark still retains its normal border controls, unlike the E.C. countries that subscribe to the so-called Schengen Agreement that has abolished these controls between France, the Benelux, and Germany. But it is growing ever more difficult to control entry to Denmark.

A majority in the Danish Parliament, the Folketing, is prepared to tighten Danish

immigration laws. The first target will be relatives of immigrants already in Denmark with official status. Until now, parents and other close relatives have routinely been granted entry, but the opposition Social Democratic Party is reappraising its stand and is likely to support a Government proposal to make family reunions in Denmark much more difficult.

This is a major shift in Danish attitudes. The former Minister of Justice, Erik Ninn Hansen, lost his job because he decided to restrict access of family members to Denmark some years ago. He claims that his decision was sanctioned by the Government, including the Prime Minister, Poul Schlüter. The Prime Minister and other members of the Government and top civil servants are the subject of a special judicial investigation, which will not be concluded until the spring of 1992.

The spearhead of the political movement trying to stop immigration used to be the so-called Progressive Party, founded by a former tax lawyer, Mogens Glistrup. The issue is still very much alive on that party's platform, although Glistrup is no longer with the party. But a relatively new organization, called the Danske Forening (the Danish Society), has taken the initiative on a non-party basis. And tension is definitely rising, including in the Copenhagen area, where some schools have classes where Danish-speaking pupils are a minority. Many small shops in the center of Copenhagen are also owned by non-Danes, who do business after most Danish shops have closed.

Perhaps more disturbing to the Danes is the prospect of millions of new immigrants from Eastern Europe and the countries outside the E.C. bordering the Mediterranean, although few of these people may settle in Denmark.

The largest group of immigrants, however, presents no problems: nationals of other Nordic countries. The five Nordic countries were a single labor market long before the E.C. was born, but similarities in culture and language have ensured that integration has never caused a problem.

—LEIF BECK FALLESEN

Banks Gang Up On Organized Crime

LUXEMBOURG—The money-laundering trial of three Colombian businessmen is seen as a sign that Luxembourg is joining in an E.C.-wide move to crack down on banking activities connected to organized crime.

The trial in Luxembourg's Court of Justice, which was expected to continue into December, has been attracting big crowds in the country of just 380,000 citizens.

Franklin Jurado, Alberto Garcia Montilla, and Ricardo Mehecha-Bustos were arrested in July in a cottage about 10 miles east of the city of Luxembourg. They were charged with laundering drug money of the Cali cartel, which has been linked by law enforcement officials with cocaine trade in the United States. The three men deny the charges.

In the wake of the Bank of Commerce and Credit International (BCCI) scandal, Luxembourg has sought to dispel its image as a haven for drug launderers. BCCI was headquartered in Luxembourg, although its real center of operations was in London.

Journalists who have covered the trial say it sometimes becomes amusing: The train heading toward Brussels passes near the courthouse and drowns out the proceedings, and spectators sometimes help in

translations, as five different languages are used.

Earlier this year the E.C. enacted a law to discourage money-laundering. The law requires bank employees to receive training so they can recognize suspicious activity and contains other safeguards to ensure against criminal activity.

—CHARLES GOLDSMITH

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E.C. NEWS

DEFENSE

SUPPORT FOR NATO

The North Atlantic Treaty Organization (NATO) endorsed the E.C.'s proposal to speak collectively on defense issues, but the leaders, meeting in Rome, were careful to reiterate the U.S. role in the alliance.

At the end of the conference, NATO leaders glossed over an unresolved dispute regarding proposals for a new European army independent of the United States. At issue is a Franco-German proposal to create a 35,000-man mixed corps as a possible nucleus for a European army that would be organized by the Western European Union (WEU) and serve as the defense arm of the Community.

The NATO communiqué welcomed the idea of a European defense identity, but Secretary-General Manfred Wörner said the alliance could not prejudice the proposal.

Consequently, the NATO declaration took a neutral tone that carefully balanced all points of view: "We welcome the reinforcement of the WEU...as a means of strengthening the European pillar of the alliance."

Whatever the outcome of the discussions on the European force, the United States won assurances that it



Giulio Andreotti, Italy's Prime Minister, speaking at NATO's Rome Summit. The summit's communiqué welcomed the idea of a European defense identity.

is still an integral part of European defense from NATO allies after President Bush bluntly demanded to know if European leaders wanted U.S. forces to remain in Europe in the future.

"Our premise is that the American role in the defense and affairs of Europe will not be made superfluous by European union," Bush told his fellow leaders. "If our premise is wrong—if, my friends, your ultimate aim is to provide independently for your own defense—the time to tell us is today."

French President François Mitterrand, one of the main proponents of a common defense strategy in Europe,

conceded that "NATO will continue to be the main forum for Europe's defense. It was never a question of creating a European defense identity that would go against the alliance."

But Europe will assume more responsibility within the alliance. All 16 NATO leaders emphasized the importance of giving Europe greater responsibility—considered essential to upholding the alliance.

British Prime Minister John Major stressed that Britain could not accept the WEU taking orders from the Community.

"We do not see [the WEU] as being subordinate to the European Council... Britain

will not accept that," he said.

While Britain insists that the E.C. and WEU be held as independent organizations, France and Germany continue to seek a harmonization within the decision-making structure that would enable E.C. Ministers to determine issues on both foreign and defense policy.

Concern was also expressed at the summit about the future of the disintegrating Soviet Union.

AGRICULTURE

MEETING CENTERS ON AGRICULTURE

The United States and the E.C. announced after the recent November meeting in The Hague that they had made significant progress toward removing long-standing barriers to the Uruguay Round trade talks. The summit, attended by President George Bush, E.C. President Jacques Delors, and Dutch Prime Minister Ruud Lubbers, focused on jump-starting the stalled negotiations in the GATT (General Agreement on Tariffs and Trade) talks.

Agriculture emerged as the main topic during the summit, with the leaders seeking to resolve the impasse over farm subsidies—the issue that has stalled the Uruguay Round of GATT talks.

At The Hague, both sides

took significant steps toward narrowing their differences in agriculture. The E.C. agreed to discuss cutting farm subsidies, and the United States reduced its demand for sweeping cuts. "We intend to produce less, to import more, and to export less...if we produce less we put less pressure on the world market and this is a contribution to the GATT round," Delors said.

Officials on both sides view the progress as balanced and say that a solution to the farm subsidies issue will likely open the door to trade agreements in a wide range of areas.

Remaining differences include the method of limiting export subsidies and the E.C.'s demand for so-called rebalancing of support.

In a joint declaration following the summit, the United States and the E.C. said they are committed to bridging any remaining differences and to conclude the Uruguay Round of trade talks by the end of the year.

FOREIGN AFFAIRS

U.S. JOINS E.C. IN YUGOSLAVIA SANCTIONS

The United States announced at The Hague that it would join the E.C. in imposing sanctions on Yugoslavia. The E.C., frustrated by repeated attempts to organize a lasting cease-fire, announced wide-ranging sanctions against Belgrade and urged the United Nations to impose an oil embargo.

British Foreign Minister Douglas Hurd said an oil embargo would hurt Serbia and its federal army, but he admitted economic measures alone could not stop the warring parties. "We are not pretending this is going to

bring about peace tomorrow," he said.

The sanctions suspend trade concessions, ban imports of Yugoslav textiles, and drop Belgrade from a 24-nation recovery program for Eastern Europe.

The E.C. also held out the possibility for financial aid for those republics that cooperate with E.C. peace efforts. However, all of the measures apply to Yugoslavia as a whole, despite a statement by a senior E.C. diplomat that the time had come to "sort out the good guys from the bad guys."

Mihajlo Crnobrnja, Yugoslavia's Ambassador to the E.C., described the sanctions as "not overly aggressive" and praised the rejection of "more pushy or radical suggestions." He also said that the measures would cost Yugoslavia trade preferences worth \$450 million in a normal year, but the sanctions were "more a political signal than an actual impediment."

GREECE TO LOSE MILLIONS FROM SANCTIONS

Greece will lose about \$10 million a day following an E.C. decision to impose economic sanctions on Yugoslavia, Government officials said.

"The sanctions effectively mean that our trucks carrying merchandise will no longer be able to pass through Yugoslavia," a senior Government official said. "The loss is going to be tremendous.... Greece is the hardest-hit E.C. country from the sanctions."

Greece says 40 percent of its trade goes to or through Yugoslavia, including two million tons of oil a year.

Greek Foreign Minister Antonis Samaras expressed the strongest reservations

about an oil embargo, but did not carry out a veto threat after E.C. Ministers promised compensation to members seriously affected by the sanctions.

ECONOMICS

BECOMING ECONOMICALLY FIT FOR MONETARY UNION

A Brussels-based think tank released the results of its latest economic and monetary union (EMU) study examining the economic fitness of the 12 E.C. member countries to join a single European currency.

According to a study by the Center for European Policy Studies (CEPS), Germany, the Netherlands, Britain, France, Denmark, and Luxembourg have achieved above-average economic performance and are economically ready to join a single European currency.

Belgium, Portugal, Spain, and Ireland are performing below average and need to implement steps to prepare for monetary union. Greece and Italy are two laggards.

The study based its conclusions on five economic criteria: inflation, budget deficit, public debt, unemployment, and the balance on current account. The CEPS used the "EMU-indicator," which measures the convergence process of each member country on the five economic issues.

The CEPS concluded that the general convergence of the economic performance of all E.C. members has barely improved since 1987, and 1991 will bring no changes. The only way to enter the second monetary stage on time is to improve economic convergence by 1994 through drastic

fiscal retrenchments.

As the E.C. moves down the road to monetary union, a recent poll shows that 81 percent of Italians and 79 percent of French residents favor a European Central Bank and a common currency. Belgium, Greece, Portugal, and Luxembourg also have more than 70 percent of their populations in favor.

By contrast, only 39 percent of British respondents and 33 percent of Danes are in favor of these economic steps.

SPACE

E.C. LOOKS TO SPACE

A panel of space experts convened by the E.C. to plan European space strategy recommended deregulation, greater funding for earth observation, and greater E.C. involvement as steps to help bolster Europe's space industry.

The report, issued in October, advises the E.C. Commission to use deregulation to prepare Europe's aerospace industry for worldwide competition.

The report also recommends that the E.C. anchor its space investment in earth observation, including arms-verification satellites.

The panel concluded that the Community is an untapped resource and that the Commission should coordinate its technology with the 13-nation European Space Agency and its clout to trade negotiations carried out under the General Agreement on Tariffs and Trade.

"[It] is inevitable that the E.C. become involved," said Roy Gibbons, the panel's chairman, according to *Space News*. "Space has become too important to be left to the space agencies."

BOOKS

in

REVIEW

The Soviet Union After Perestroika: Change and Continuity.

By the Institute for Foreign Policy Analysis, Inc. *Brassey's (U.S.) Inc.* 117 pages. \$9.95.

The Rise of Nations in the Soviet Union, American Foreign Policy and the Disintegration of the U.S.S.R. By Michael Mandelbaum, Ed. *Council on Foreign Relations Press.* 118 pages. \$14.95.

Wither goest the (former) Soviet Union? And how will its metamorphosis affect the United States, Europe, and the rest of the world? These two questions are the topics of a spate of new publications from the nation's myriad think tanks. Unfortunately, as noted by Czechoslovak President, Václav Havel, in his historic address to the Congress last year, communism (and now the Soviet Union itself) is disintegrating so quickly that "we have literally no time even to be astonished." Thus, most of these new works are out of date before they leave the publisher's warehouse. Irrespective of this drawback, the times demand that most of us be better informed of the current conditions, causes, and possible impact of the events and developments in the Soviet Union. Two recent publications that are useful toward this end are *The Soviet Union After Perestroika: Change and Continuity* and *The Rise of Nations in the Soviet Union, American Foreign Policy and the Disintegration of the U.S.S.R.*

The Soviet Union After Perestroika contains six monographs written by a collection of experts principally from the defense-national security area.

Beginning with an interesting attempt to "bound our uncertainties about the Soviet future by examining first economics, then politics, and finally the nationalities problem," the text goes on to examine developments between the ascension of Mikhail Gorbachev to power in 1985 and his pre-coup "shift" to the Soviet "right" in both Georgia and the Baltics in 1990 and early 1991.

In the chapter entitled "The Problem of Property," the author addresses the most intractable of the many problems confronting the Soviet Union's transition to a market economy, the parceling out of state-owned resources to its citizens. The philosophical and practical aspects of the issue make this problem both the proverbial "irresistible force" and "immovable object" standing in the way of the transformation of whatever will remain of the Soviet Union.

The two most informative chapters are those addressing the "roots and origins" and "implications for Western security" of the Soviets' decline. The author who deals with roots and origins cites the "intellectual confusion" in the American defense policy community that has come from actually obtaining "the best hypothetical outcome...of its containment policy."

The chapter proceeds to list those outcomes as the adoption of the "sufficiency" theory of military strength, a retreat from the Third World, and the freeing of Eastern Europe. The author cites the "unprecedented superpower accord... restoring Kuwait's sovereignty" as the first major tangible manifestation of this change outside of the Soviet empire or its satellites.

As to why these changes came about, the book states, "Indeed the agenda for Gorbachev's reforms was largely predicated on the dramatic history of failure in every relevant dimension of Soviet internal and external political life."

After declaring that the European international system that existed from 1945-1989 has passed into history, the writer posits that the principal threats and challenges posed by the "great success" of the U.S. containment policy are the rise of a hostile Russia, the violent disintegration of the Soviet empire, and the effects this could have on Eastern Europe. Finally, "out of area" problems specifically from the Mahgreb and the Persian Gulf are raised. By way of advice to minimize these problems, the book urges continuing U.S. involvement in Europe as a stabilizing influence.

The Rise of Nations in the Soviet Union looks as if it will give the reader the background needed to understand today's developments. And while it contains a lot of information in its five essays and appendix enumerating Soviet nation-

ality populations, the book is less helpful than one hopes. This failure is due in part to the pace of change in the Soviet Union, but, lamentably, it is also due to the organization and syntax of many of the essays. The frustrated reader is often grateful for their brevity.

Although difficult to read, the chapter attempting to establish an historical overview between Russian and Soviet nationalism does contain a useful comparison of the "pillars supporting the tsarist empire" (orthodoxy, autocracy, and nationality) and those of the Soviet Union (ideology, dictatorship, and nationalism).

Perhaps the most useful essay is the one on the implications for U.S. policy. The author cites nuclear proliferation, Russian fascism, Islamic fundamentalism, and Balkanization as the principal threats. The author advocates the establishment of an official U.S. presence in the republics, the encouragement and support of healthy trends through technical assistance to those that support human rights, and the withholding of assistance from republics that refuse to do so.

—Robert Bassman

THE RISE OF NATIONS IN THE SOVIET UNION



AMERICAN FOREIGN POLICY & THE DISINTEGRATION OF THE USSR

MICHAEL MANDELBAUM, editor

A photo caption in "Diplomatic Recognition" (November issue) misidentified the U.N. Secretary General Javier Perez de Cuellar. We regret the error.

the COMMUNITY BOOKSHELF

NOVEMBER-DECEMBER

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International Trade in Services (EUR 12): From 1979 to 1988. *Statistical Office, Luxembourg, 1990.* Examines the Community trading position in the world market, drawing comparisons

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in closing...



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Christmas Dinner in Europe



Christmas in Europe is still a week-long holiday. Generally, celebrations get under way on December 24 and end after New Year's Day when everyone returns to work a few pounds (or kilos) heavier after a steady dose of rich food and the inevitable Christmas drink with friends. But not all Europeans have the same Christmas dinner, and although December 25 is observed in each country, for some, like Germany, the highlight is New Year, or Sylvester. Here is a sampling of traditional Christmas dinners around the Community, compiled by Marina Garzolini.

Belgium: Consommé (chicken broth); shrimp croquette; *poularde* (chicken stuffed with bread and foie gras); cheese; *bûche aux marrons* (Yule log with chestnuts).

France: Oysters; turkey stuffed with truffles, bread, chicken livers, and ham served with chestnuts and apples; cheese; *bûche de Noël* (Yule log made with a butter cream flavored with chocolate or mocha).

The Netherlands: Clear soup; roast rabbit or goose served with apricots, prunes, pears, potatoes, and applesauce; apple

pie; *kerstkrans* (wreath-shaped cake made with puff pastry filled with almonds).

Greece: *Avgolemono* (turkey soup with lemon); boiled then roasted turkey (the same one used for the soup) served with potatoes; *gemisto* (minced meat with rice, prunes, and pinoli nuts); Greek salad; *karithopita* (walnut cake); *kourambie* (almond cookies with castor sugar).

Denmark: Roast goose or duck stuffed with prunes and apples served with caramelized potatoes, white potatoes, red cabbage, and pickled cucumber salad and gravy; rice porridge (prepared the day before) with whipped cream, ground almonds, and one whole almond (the person who gets it receives a present) served with a red cherry sauce.

Ireland: Smoked salmon and brown bread; clear soup; stuffed turkey served with baked potatoes, Brussels sprouts, carrots, peas, and cranberry sauce; plum pudding made with bread, dried fruit, and suet boiled in Guinness and whiskey, over which hot brandy is poured and set on fire. Served with braided butter and whipped cream. Christmas cake made with fruit and brandy (iced with marzipan and hard sugar frosting).

Britain: Cooked ham or roast turkey (stuffed with bread and herbs or sausage) served with Brussels sprouts, carrots, parsnips, roast potatoes, and gravy with giblets; mince pies; Christmas pudding with custard.

Portugal: Codfish with potatoes, onions, eggs, chickpeas, and collard greens; olive oil and vinegar over warm vegetables and fish; chickpeas with chopped onions and parsley; *filho's* (dumplings made with pumpkin and served with sugar and cinnamon); *rabanadas* (like French toast but fried in olive oil and served with sugar and cinnamon).

Italy: Chicken broth with tortellini; roast turkey or rabbit served with vegetables; *panettone* (Christmas cake made with candied fruit and raisins); *torrone* (nougat).

Germany: Goose, either roasted or stuffed with apples and prunes, served with red cabbage; potato dumplings; *Stollen* (cake made with candied fruit and nuts); *Lebkuchen* (Advent cookies).

Spain: *Chorizos*, ham, cheese from La Mancha, olives, asparagus with mayonnaise, and *langostinos* (large shrimp); *lombarda* (boiled vegetables) with roasted veal, beef, or lamb; *turon* (nougat with fruit or chocolate); *anguila de mazapan* (eel-shaped marzipan); fresh fruit.

Luxembourg: Smoked salmon or other fish; turkey stuffed with chestnuts, apples, or truffles; *bûche de Noël*.

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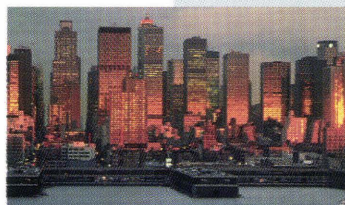
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