THE NEW GREEN EUROPE

EUROPE

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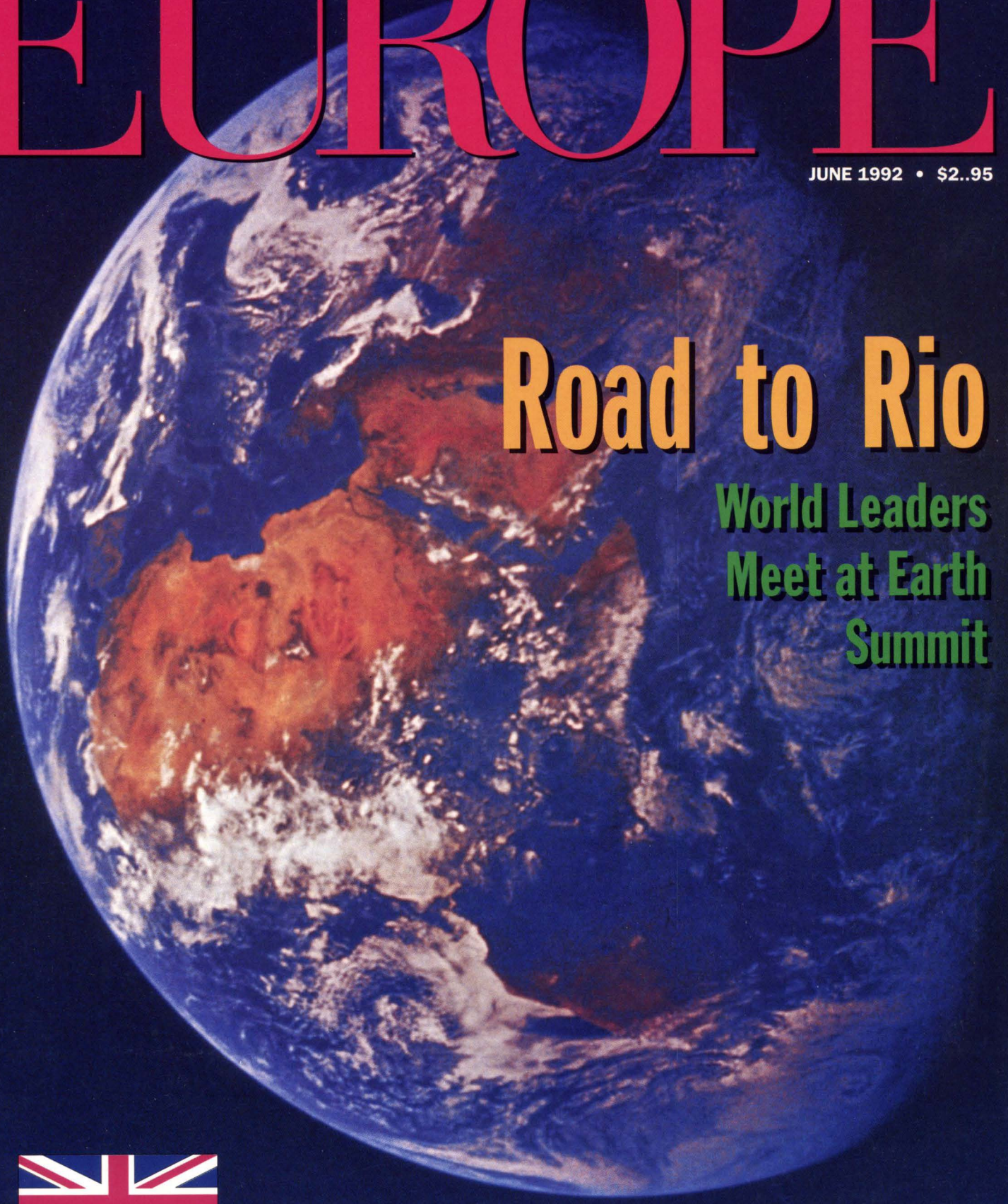

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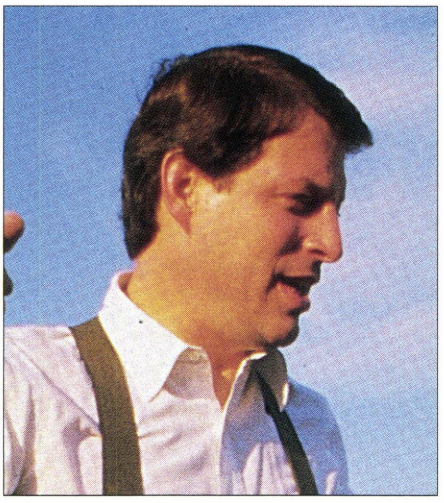

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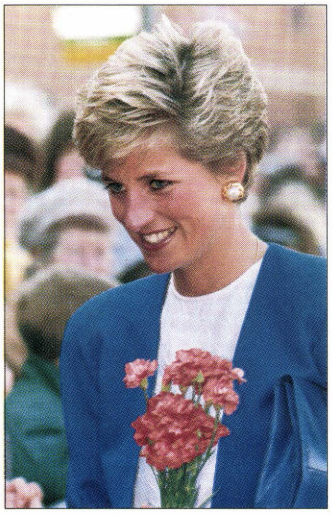

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Letter From the Editor

The environment takes center stage this month as more than one-hundred heads of state meet in Rio de Janeiro to discuss the earth's future. Unofficially dubbed the Earth Summit, the official United Nations Conference on Environment and Development (UNCED) will bring together more than 35,000 participants to discuss and negotiate the earth's well-being. The European Community has become a leader in protecting the environment in the last decade and is placing a high priority on the Earth Summit.

E. C. Environment Commissioner Carlo Ripa di Meana talks to *EUROPE*'s Rome correspondent, Niccolò D'Aquino, about the steps the E.C. has taken on the way to the Earth Summit to protect the environment throughout Europe. The E.C. Environment Commissioner talks about the E.C.'s differences with the U.S. on limiting carbon dioxide emissions, the new E.C. environmental agency, and his objectives in Rio.

Senator Al Gore, a Tennessee Democrat and author of the new best seller, *Earth In The Balance: Ecology and the Human Spirit*, talks about his objectives as head of the U.S. Senate observer group to the Earth Summit. In *EUROPE*'s exclusive interview, Gore calls the Rio conference "the most important and largest gathering of world leaders we have ever seen." He believes the meeting begins "a common effort to redefine our responsibility to the earth's environment."

The head of the U.S. Senate observer group speaks out on his ideas for a new Environmental Marshall Plan that would address overpopulation; global warming and the ozone layer; and the need for a change in the way people think about the environment.

The United Kingdom takes over the E.C. Presidency on July 1 for the remaining six months of 1992. *EUROPE* looks at Prime Minister John Major after his recent election victory. We also compare the brief election campaigns in the United Kingdom with the lengthy and costly efforts in the United States.

London is still the key financial center of Europe, and we look at the reasons why "The City" is still so important to the world's financial community. In our newsletter, *Inside Europe*, Bruce Barnard looks at how the London banking community is changing with an article on the highly charged battle for Midland Bank.

In addition, *EUROPE* analyzes industrial policy in Europe, Japan, and the United States and tackles the subject of American football's growing popularity in Europe.

Next month, we profile the upcoming economic summit in Munich and discuss what Germany's new role will be in Europe and the world. We also will feature a special report, projecting what Europe will look like in the year 2000.

Robert J. Guttman

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Editor-in-Chief

EUROPE

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

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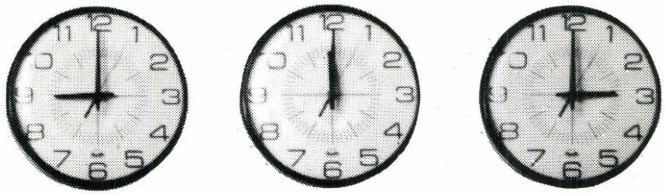


LONDON **MOSCOW** **MEXICO CITY**

EUROSCENE

Standing Out In the Crowd

The United Kingdom emerges as a nation distinctly different from fellow members of the European Community in a new official look at the lives of its 57 million citizens.

The *1992 Social Trends Report,* published by the government Central Statistical Office, presents 250 pages of raw facts and figures on the U.K. from Gross Domestic Product to dwindling attendance at greyhound races.

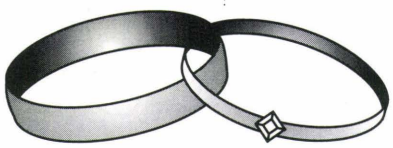
Entries, which include E.C. comparisons, suggest Britons retain a distinctiveness at odds with prophecies from opponents of European unity that the "British way of life" will vanish with the 12-nation Community's increased integration.

"I've been surprised by the extent to which the United Kingdom is different from the other 11 member countries," *Social Trends* editor Tom Griffin told a news conference. "We are an island, and we are separate, so I suppose that makes us different," he said.

Male Britons work an average of 44 hours per week, longer than anywhere else in the E.C., but U.K. workers are the second most likely after the Dutch to take sick leave.

Britons are generally more conscious of their health and the environment, consume less alcohol than they did a decade ago, and are quitting smoking in increasing numbers. Television viewing is on the decline as cinema and theater attendance rises.

But *Social Trends* shows some things don't change. Two out of five adult Britons do not take a holiday, more or less unchanged since 1971, and the "seven-year itch" still applies—couples are most likely to divorce after five to nine years of marriage.

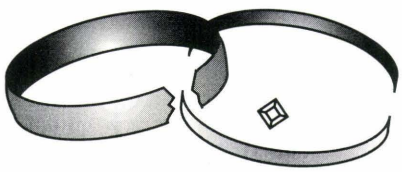


Number of Marriages and Divorces in E.C. Countries

	Marriages	Divorces	Population
Germany	397,738	128,729	79,070,000
United Kingdom	394,500	165,700	57,121,000
Italy	315,447	30,778	57,657,000
France	271,124	106,096	56,184,000
Spain	214,898	21,143	39,623,000
Netherlands	87,843	27,870	14,864,000
Portugal	71,098	9,022	10,528,000
Belgium	59,075	20,809	9,895,000
Greece	47,873	8,556	10,066,000
Denmark	32,080	14,717	5,134,000
Ireland	17,936	0*	3,557,000
Luxembourg	2,079	780	369,000
E.C. Total	1,911,691	534,200	336,158,000
United States	2,395,926	1,167,000	248,709,873

*Legal divorce does not exist in Ireland.

Sources: Eurostat Demographic Statistics 1990 and National Center for Health Statistics.



"The prime minister wants us to be at the heart of Europe."
—An aide to Prime Minister John Major.

"I think (the Conservatives) are going to become more realistic as far as Europe is concerned."
—Mark Eyskens, former Belgian foreign minister, hoping John Major will break with years of Conservative party skepticism about closer ties to Europe after his U.K. election victory.

"I do not feel in great danger here, but one has to cater to the odd stray thing that goes around. A stray bullet does not know who is in the way."
—General Satish Nambiar, head of the U.N. peace-keeping mission in Yugoslavia, on being trapped in his Sarajevo residence by fighting.

"We have to strengthen the ability of Europeans to act on a European basis where the nature of a problem requires a European response."
—Queen Elizabeth II, in a speech to the European Parliament at Strasbourg.

"I will be going to Rio to attend the important meeting there...I won't be able to stay long."
—U.S. President George Bush on his decision to attend the U.N.-sponsored Earth Summit in Brazil in June.

"We live today in a watershed era. One epoch has ended and a second is commencing. No one yet knows how concrete it will be—no one."
—Mikhail Gorbachev in his speech at Westminister College in Fulton, Missouri.

"It's not really my cup of tea, culturally speaking."
—François Mitterrand, president of France, on his impression of Euro Disney.

Compiled by Martha Cronin and Julia Nasser.

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and
environmental protection
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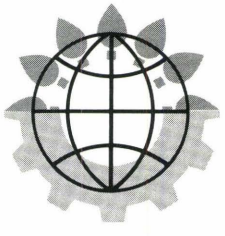


The E.C.'s

GREEN GURU

Carlo Ripa di Meana

Carlo Ripa di Meana, the E.C. Commissioner for the Environment, is a Venetian who speaks softly, articulating his words gently. But his words allow no doubt. "In order to achieve credibility and in order to fulfill it's leadership role, the European Community must go to the Earth Summit Conference in Rio with a series of precise proposals. And it must go there with a true and proper endowment that guarantees the seriousness of its environmental commitment." Ripa di Meana illustrates the Community's new environmental policies to *EUROPE*'s contributing editor in Rome, Niccolò D'Aquino.

The Community is proving to have a fairly strong environmental conscience, especially compared with its past record with respect to past years. How did this happen?

In the past four years, a date we can symbolically say began with the publication of the famous cover of *Time* magazine of the planet in danger, that is when environmental policy, which had developed in Europe especially in a few countries, became the patrimony of all. The realization of the seriousness of the big environmental problems has brought about the birth of environmental awareness in the countries of the so-called Third World. This awareness should allow us to work with these countries on a new basis, starting with the Conference of Rio. Whoever thought that environmental policy was a passing fad was very wrong. A bit of everything has happened in the past few years—from the reunification of Germany to the Gulf War to the dissolution of the Soviet Union. But one thing is certain—the programs of all the parties of every country must take notice of the ecological conscience that is a part of an ever-growing level of public opinion.

How important is the creation of the European Environment Agency and above all the approval of the fifth program of environmental action?

The Agency is at a critical stage. For now it only exists on paper. In order for it to become operative, the problem of where to locate its headquarters must be resolved. The Agency is created with the objective of making itself obsolete. It must be the first stage and the basis of a worldwide network of environmental agencies that will ensure the monitoring of international and domestic commitments. As far as the fifth environmental program is concerned, it was approved by the Commission in view of the Conference of Rio and it is the turning point of Community policy in this sector. By the year 2000, we will have drawn up a strategy that is different from anything so far proposed.

What are the Community's objectives at the Rio Conference?

It is important to mention them, since one often tends to minimize or forget just why we're going to Rio. First of all, the adoption of the "Earth Charter." Then, Agenda 21. Finally, the signing of a convention on climatic changes and another on bio-diversity. These last two will be negotiated in a different conference from UNCED, but there is nevertheless the hope that they will be ready for Rio.

The preparation for the Conference has been characterized by a profound North-South difference of opinion. Until recently, the points of view of the industrialized countries and of the developing countries were very different. Is there a road to "entente"?

You criticize the United States on the environment. How do the other countries measure up?

The French minister, Lalonde, has invited his government to maintain a decisive line. Canada, Australia, New Zealand, and other countries of EFTA (European Free Trade Association) have given signals of openess and could become key players, along with the European Community, in the final phase of UNCED. I would like to underline that Japan, which for a long time had maintained a low profile hiding itself behind the United States, has recently been focusing on several important initiatives that could ensure the success of the Conference.

Everyone says that the success or the failure of the Rio Conference will have extremely important consequences on the future of ecological protection and on the relations between rich and less prosperous countries. How, then, should the final results of the Conference be read?

Above all, one must begin to diminish the chasm of mistrust, suspicion, and ill-will that divides the Third World from industrialized countries. This will not happen without a financial accord and without technological cooperation that respect the political sensitivities of these countries. Furthermore, Rio must generate not only promises that are more or less generic for the future, but also concrete and precise commitments toward facing certain international problems. The industrialized countries must set the example and the European Community must maintain and confirm the leadership role that it has taken, by deciding to stabilize the CO_2 emissions and by preparing itself to pass legislation that is courageous and innovative, like the tax on energy and CO_2.

No type of accord means anything if there are no relative means of control. The Community must take an operative European Environment Agency to Rio, and it must leave Rio with a network that will monitor the environmental commitments undertaken.

The priority of the northern countries is the definition of a global strategy to ensure the ecological equilibrium of the planet. The developing countries, on the other hand, emphasize the necessity of encouraging the development and economic growth of the Third World, contemporaneously correcting imbalances in commercial exchanges and the functioning of international financial structure. I foresee good prospects for an accord at the level of technological cooperation, where the negotiating climate seems to be less tense. One of the principal stumbling blocks, as could be expected, is financial resources. Unless there is a leap in quality and quantity of Western help, it is unthinkable that the South will further commit itself toward environmental protection.

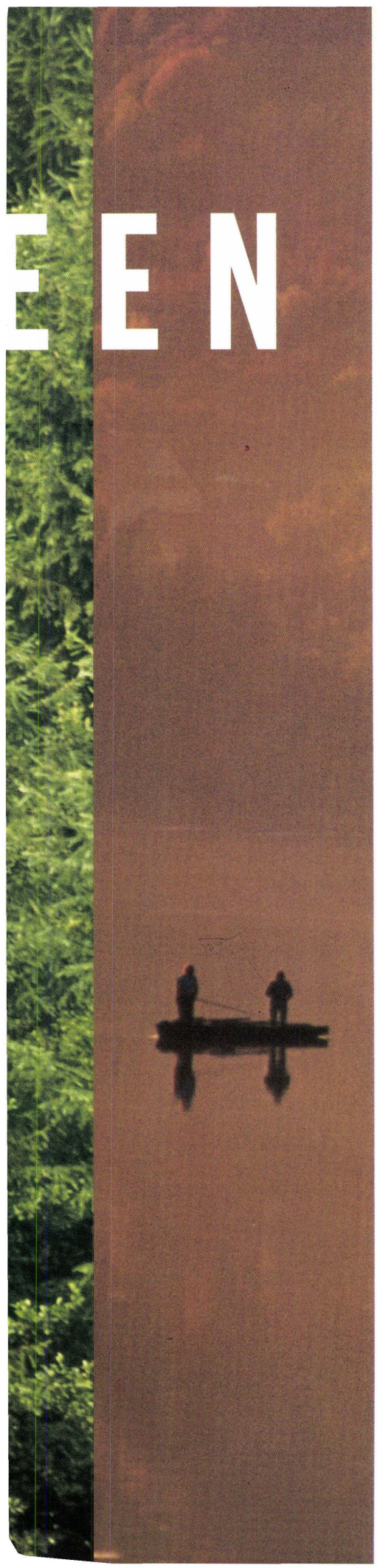
You have recently criticized the attitude of the United States on the subject.

For the moment the United States—occupied as they are with their own internal questions such as the presidential elections, the recession, and unemployment—continues to keep a closed attitude toward commitments that would ensure developing countries new and additional financial resources aimed at resolving global problems. This position has been confirmed by various declarations of President Bush. Washington avoids committing itself on the research of limitations of CO_2 emissions, even though the United States is responsible for almost one quarter of the global production of this compound. The administration does not want to take measures that could put jobs at risk in the States.

You have reacted strongly to the administration's environmental policies.

I reacted by underlining how President Bush's declaration struck at the heart of the Rio Conference by putting out a series of negative signals. First of all, the "no regret policy" concerning the greenhouse effect, means compromising a situation that scientists consider grave and deliberately jeopardizing the environment and future generations' quality of life. The second negative signal is the fact that the largest superpower refuses to assume its environmental responsibilities, both with regard to developing countries and to its Western partners. And then this American attitude could deepen the North-South fracture because the principal actor pulls back at the critical moment. One mustn't forget that even Brazil's President Collor, in different tones from mine but with a political message that was substantially analogous, launched an appeal to Bush concerning limitations on CO_2 emissions and for a constructive American presence at the Rio Conference.


THE NEW GR



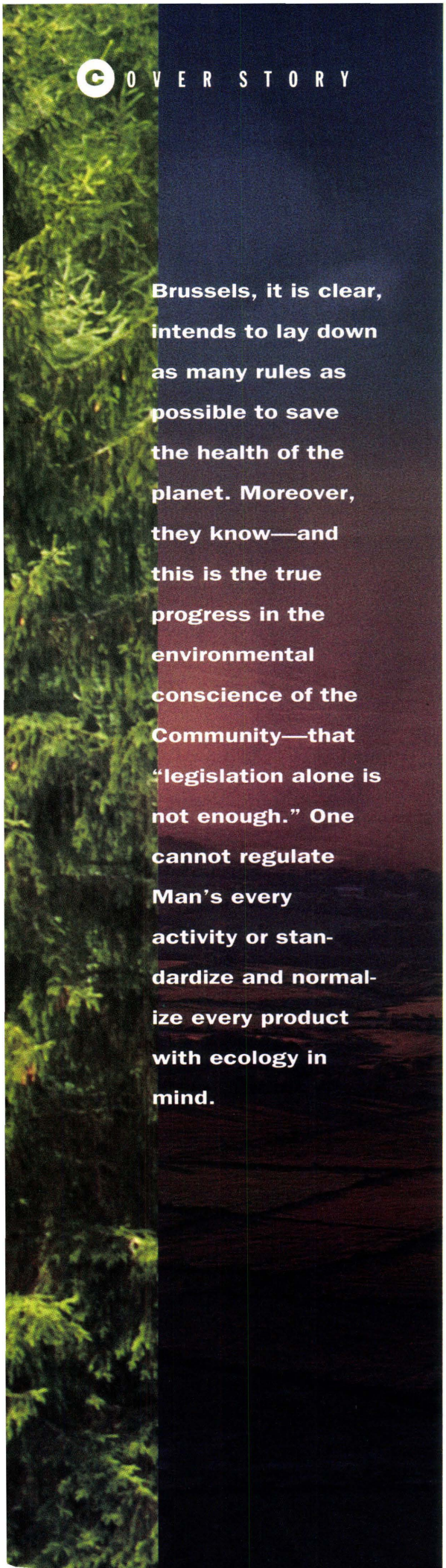
EEN EUROPE

By Niccolò D'Aquino

They really mean it. The Community will arrive at the Earth Summit Conference in Rio de Janeiro with a rigid environmental defense program that includes clear ideas and a true desire to propagate and defend them, as Carlo Ripa di Meana, E.C. Environment Commissioner has discussed.

European policy for defending the environment has now reached maturity. In fact, it was born 20 years ago, in 1972, and has grown in phases. To be precise, during the course of these two decades it has developed in four programs, the last of which ends this year.

Since 1972, the Community has produced over 200 legislative agreements concerning the environment. This wide-ranging coverage of all aspects of the subject has made this weighty package of environmental norms a true legislative code of international ecology. It could even be used as an example to be followed in the creation of a first-ever global code of environmental law. The Community's proposal, which will be presented in Rio, elaborates an "Earth Charter," that is, "a declaration of the fundamental rights and duties concerning the environment and development," and is a logical continuation of the legislative commitment undertaken many years ago by the European Community. The same logic holds for the Community proposal that will be taken to the UNCED conference (United Nations Conference on Environment and Development), in favor of the adoption of Agenda 21, the environmental working plan to be followed by the international community from 1992 until the beginning of the new century.



Brussels, it is clear, intends to lay down as many rules as possible to save the health of the planet. Moreover, they know—and this is the true progress in the environmental conscience of the Community—that "legislation alone is not enough." One cannot regulate Man's every activity or standardize and normalize every product with ecology in mind.

Brussels, it is clear, intends to lay down as many rules as possible to save the planet. Moreover, they know—and this is the true progress in the environmental conscience of the Community—that "legislation alone is not enough." One cannot regulate Man's every activity or standardize and normalize every product with ecology in mind.

The E.C. has arrived at this ecological awareness thanks partly to its proximity to the countries of Central and Eastern Europe. The disastrous record of pollution and environmental neglect registered in various degrees behind the ex-Iron Curtain has confirmed to Brussels legislators the inefficiency that results from an excessively bureaucratized system—a system that doubtless did not help clear Czechoslovakia's and Romania's skies of the pestilential black clouds of coal dust.

Besides the indispensable laws, the E.C. feels that one must call even more on the individual sense of responsibility. Says Ripa di Meana, "We must call on the consumers, on businesses, on public administrations so that environmental duties will become integrated into individual behavior."

In other words, Community standards are an excellent thing, but their efficiency depends on their reception and implementation by the national governments. The change in quality depends on the pressure put on the individual governments of the 12 E.C. countries and in turn the pressure they put on public opinion.

True success began when the Commission began to receive the first environmental complaints by non-governmental organizations, local authorities, members of the European Parliament, local groups, and private citizens. A look at the numbers says it all—in 1984 there were only 11 complaints; five years later, the number had risen to 460. The turn-around had been accomplished, and the concept of environmental defense had taken hold in European public opinion.

The other important stage was the decision to create the European Environmental Agency. The Community is proving that the road toward defending the planet is the road that leads from curing to preventing. The first two of the four programs of environmental action (1973 and 1977) listed various measures that were essentially corrective in nature; in 1983 the cardinal principle of today's environmental politics began to emerge: It is better to prevent than to cure, bearing in mind the experience and steps taken by others. The decision to implement America's rigorous fuel emission standards must be seen in this light.

The Community will focus its attention on five sectors in the new environmental program for the next five years: industry, energy, transportation, agriculture, and tourism. For a few of these sectors the interest is obvious. Industry and energy are among the most visible and are most often accused by the media of violating the environment. This explains, for example, why the Community wants a technology by the year 2000 that can reduce the consumption of combustibles with a high concentration of coal and that can promote sources of renewable energy. Their desire to improve automotive performance, for ecological purposes, is also clear. These improvements will be achieved by organizing transportation infrastructures that will optimize connections, reducing waste and useless overlaps.

One innovation is the vast E.C. international program that covers a new source of pollution—tourism. This preoccupation is justified by recent data. By the year 2000, solid and liquid wastes attributable to tourism will have more than doubled. And land area reserved for tourist installations will have doubled as well.

On the whole, this new environmental program represents a truly positive turning point for the European Community. For the first time there is a real feeling that the problem is worldwide and must be solved on a global level. As Commissioner Ripa di Meana says, "Pollution doesn't stop at the borders." E

Niccolò D'Aquino is the special correspondent for foreign affairs at Il Mondo *and is* EUROPE's *contributing editor in Rome.*

Earth Summit in Rio: Preparation for the 21st Century

"Humanity is confronted with deepening disparities within and between nations. There is pervasive hunger, poverty, illiteracy and ill health. The ecological consequences of ozone depletion, climate change, soil degradation, deforestation, loss of biodiverisity and the increasing pollution of air, water and land threaten our common and sustainable future." ... Maurice F. Strong, Secretary-General of UNCED.

Drafts Agenda 21, Rio Declaration, Forest Principles

This book contains the official documentation of the Rio Conference, otherwise known as the Earth Summit. The central part of the documentation is the Drafts Agenda 21 which is, in essence, a blueprint for action in all major areas affecting the relationship between the environment and the economy. It focuses on the period up to the year 2000 and extends into the 21st century. This unique publication is a must for all professionals in the fields of environment and development, libraries and archives.

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The Global Partnership for Environment and Development: A Guide to Agenda 21

This guide summarizes for the reader the programmes and themes of the "Earth Summit" which will enable each of us to act responsibly and be represented in the important dimension of the overall strategy for a global transition. It has specifically been written for the general reader and as such is easy to read and an invaluable reference for everyone.

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Nations of the Earth Report: United Nations Conference on Environment and Development

As part of the preparations for the Conference, governments were asked to prepare National Reports presenting their perspectives and experience, together with information on policies, activities and issues at the national level. This book is intended as a "Quick-reference Compendium" to these National Reports, which have been summarized to give the reader an idea of the main elements and concerns raised in the various National Reports. Due to the quantity of reports submitted, they are being published in three volumes, with the first 47 reports contained in the first volume. This book is important to everyone monitoring the activities of governments on this basic issue such as librarians, lawyers, public health administrators, teachers and media specialists. Vols. II and III will present other countries not included in Vol. I and will be available in September 1992.

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This publication probes into ways of incorporating the environmental variable into the development process and reappraises the approach in which government and societies are tackling two of the most pressing tasks of mankind as we stand on the threshold of the coming millenium. With emphasis on sustainable development, this study concludes that international co-operation is essential in the global development effort which cannot be separated from the protection of the environment.

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Debt and Environment: Converging Crises

This book presents conditions necessary for resolving the dual crises for high indebtedness of numerous countries and environmental deterioration. The author assesses major obstacles to change, then reviews market-based and debt-reduction proposals for tacking the crises. Of particular interest are new financial approaches such as "debt-for-nature" swaps designed to ease debt burdens and at the same time discourage environmentally harmful practices.

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United Nations Publications

The Road to Rio

By Ronald A. Taylor

Bush Heads to Brazil

For most of the delegates and observers from 150 nations who are gathering in Rio de Janeiro, the United Nations Conference on Environment and Development is the seminal moment of what has become the century of environmental awareness. If the two weeks in Brazil go as planned, what is to emerge is nothing less than a 21st century charter for accommodating the conflicting demands that human activity places on an increasingly fragile planet.

If the United States has anything to say about it, though, that framework will not force a costly new round of pollution control requirements and expenditures on the governments and businesses of the industrial world. "The president would very much like to see the conference's success," says Michael Deland, chairman of the White House Council on Environmental Quality and George Bush's statutory adviser on environmental issues. Officially, the Bush administration is ready to sign treaties to address the effect of manmade air pollution emissions on global climate, to ensure biological diversity and rain forest preservation and to protect the world's oceans. The president will attend the Earth Summit in Brazil for one or two days.

The Bush administration's stance on the Earth Summit was spelled out in March in the president's annual environmental quality report. The section on global environment and development begins: "Robust economic growth is needed to meet the needs and aspirations of the world's peoples." The next sentence says that "the nations of the world must ensure that economic development does not place untenable burdens on the earth's environment."

Those statements reflect a refinement of the Reagan administration's view of such matters, but the fundamental principles underlying the U.S. government's claim to be a friend of the earth is leavened by a continuing resistance to add to in-

dustry's pollution control burden and to let the developing nations dictate the rules of the game when it comes to natural resource development.

So far, the Bush administration has succeeded in getting the Europeans to agree to a draft treaty that does not set binding targets for greenhouse gas emission reductions. Such gases, which include carbon dioxide, chlorofluorocarbons, and other chlorinated compounds are building up in the atmosphere in dimensions that many scientists believe will lead to dramatic global climate changes. But U.S. officials echo industry's argument that the mammoth price tag associated with finding substitute energy sources and refining cleaner burning combustion processes justifies a go-slow approach.

On controlling global climate, the centerpiece issue of the Earth Summit, Environmental Protection Agency chief William Reilly says, the Bush administration wants to "ensure that we respond to the science which...is suggestive but not conclusive with respect to the likelihood of global warming, respond to it carefully, prudently, responsibly, but in ways that don't disadvantage the economy, that don't disadvantage our own competitive position." Pointing to the $1.4 billion the U.S. spends on climate change research, Reilly talks about international "reciprocity." The administration wants to see other nations "take like and similar actions."

In addition, U.S. officials object to the European Community's proposed energy tax. The measure would reduce greenhouse gas buildup by cranking in a tax on each barrel of oil, beginning at the rate of $3 in 1993 and rising to the $20 level by the year 2000. The global warming item is not the only aspect of the Rio agenda that the Bush administration finds troublesome. White House officials also want to tone down the draft treaty on biodiversity. Aides to Vice President Dan Quayle warned him that the developing nations' approach to preserving biological species would mandate a new level of regulations just as the administration is trying to slash from the list of rules confronting U.S. industry.

U.S. environmentalists worry that, while the president is going to Rio, the event might as well be in Washington. Bush will hear only a few of the lofty statements about approaching the next century under a difficult-to-enforce mandate of encouraging environmentally sensible development in have-not nations, reducing the global output of greenhouse gases to limit predicted climate changes and to alter industrial, residential, and institutional consumption patterns so that natural resources don't become weapons of planetary destruction. Instead, there are likely to be more of the same rhetorical exchanges that have marked the environmental debate in the U.S. "The Bush administration is trying to get away with as little as possible in the conference," says National Audubon Society Washington lobbyist Brooks Yaeger.

A preview of the way the administration approaches these matters was offered on another U.N. agreement, the Law of the Sea treaty. That agreement, the product of a decade of negotiation before Reagan took office, attempted to spell out the way in which the treasure trove of minerals lying on the sea floor would be exploited. During a briefing about the treaty in 1981, according to former administration official Ken Adelman, Reagan reminded the briefer of his political philosophy: "I thought this was what the whole thing was about—our running, the election, our winning—not to go along with something we really shouldn't support, just because 150 nations had agreed to it over the past 10 years."

To Adelman and other conservatives, global environmental agreements smack of global socialism. Especially worrisome is UNCED's Agenda 21 and the prospect of giving money to developing nations. *Washington Times* columnist Samuel Francis wrote recently that the treaty "would hand over to the munchkinds of Rio the power to manage the economies and societies of every nation foolish enough to sign on board."

Deland insists that President Bush is being unfairly maligned and is walking a tightrope between extremists—environmental and conservative.The reality is that under Bush, environmental protection and economic development are not mutually exclusive. "The U.S. has made significant progress while the economy has grown by 50 percent in real terms" during the Bush years, he says. Of the administration position on global warming he notes that, as the world's leading consumer, the U.S. should go slowly before committing itself to another costly round of pollution control. A U.S. goal of reducing current CO_2 emissions would force the nation's utilities to spend $24 billion a year by 2005 in new energy technology. "The conference is going to result in enormous costs to industry," Deland says.

Meanwhile, the administration is fighting off forces that reject any U.S. involvement in global cooperation. He says that it's time for the U.S. to broaden its disproportionately small role in the pollution control and abatement market. The U.S. share of the $300 billion a year market in pollution control hardware is only $30 billion a year.

In addition, he says, there are powerful voices within the administration who want to use the Earth Summit as a springboard for the expansion of U.S. industry into the worldwide pollution control and abatement field. Yet there are to be U.S. voices in Rio that will lobby hard for a softening of the U.S. government stance. "This has been the most unfairly disparaged event in recent times," said William Futtrell, president of the Environmental Law Institute. "One of the most important things to do is to not talk about this as a pollyana-ish pie-in-the-sky meeting. What's happening in the White House is pure politics."

In the months leading up to UNCED's opening session in the first week of June, 1992, the prospects for success hinged on cooperation by the industrial nations. Although down at its heels, the U.S. is still considered a major force in the global environmental policy arena. Yet the U.S. approach to the summit is colored by administration recalcitrance to commit to new spending and resistance to what is rapidly becoming conventional wisdom about the prospects of global climate change if greenhouse gas emissions continue unabated. Even though the U.S. Senate observer group is headed by Senator Al Gore, regarded by many in Washington as the environmental conscience of the Democrats, the 100-member U.S. delegation is still expected to be the most critical and skeptical vote in Rio.

Ronald A. Taylor covers politics and environmental affairs for The Washington Times.

The World Can Change

Senator Al Gore talks about the world's environmental future.

As head of the U.S. Senate observer group to the Earth Summit Conference, what do you hope to accomplish for the United States and the world? Are you going to present your global Marshall Plan to the Rio Conference?

This Earth Summit is the most important and largest gathering of world leaders we have ever seen. Regardless of how specific the commitments are in the final documents that are signed in Brazil, this meeting will mark a turning point. It will mark the time when world civilization began a common effort to redefine our responsibility to the future and our relationship to the earth's environment. The effort to save the earth's environment will inevitably become, and must become, the central organizing principle for the post-cold war world just as the defeat of communism was the organizing principle for the Western democracies for the last 50 years.

This new central organizing principle will make it easier to build support in industrial countries as well as in developing countries for policies as diverse as those aimed at raising child survival rates in Zambia to accelerating the development of energy cells for use throughout the world. Specifically where child survival rates are concerned, it is high child survival rates that represent one of the three key conditions that bring about the democratic transition—the shift from high birth rates and high death rates to low birth rates and low death rates.

I believe in a global Marshall Plan with Japanese and European capital added to that of the United States. Countries around the world must begin to build a consensus in favor of such a plan.

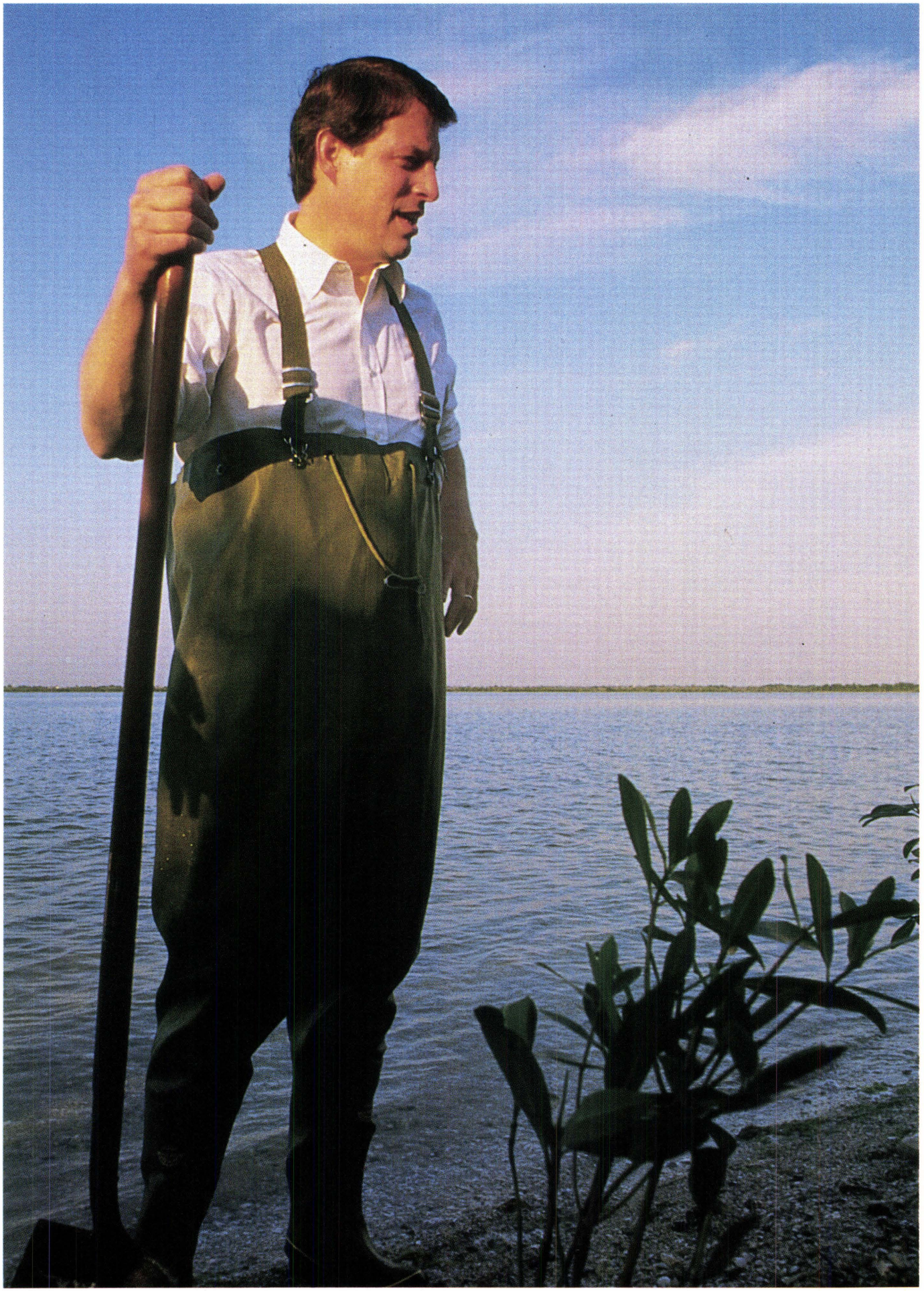
Reading over your Marshall Plan, it seems very Utopian. The ideas are good, but the U.S. is in a recession, Europe's in a recession, Japan's economy is going down, and Third World countries don't have money. How will your Marshall Plan work?

Well, the economic recovery is one of the keys. The worldwide recession is yet another manifestation of the crisis our civilization faces. The old ways of thinking don't work anymore. We have come to a turning point. We must recognize it and head in a different direction.

Factories have closed in Mexico City because of pollution. If officials there can acquire much cleaner machinery to reopen these factories and put people back to work, they will buy it. That will improve the economy of Mexico, and it will improve the economy of whatever nation builds those machines. I'd like to see the United States build those machines. Japan is already doing so. Europe is now ahead of the United States in organizing for this task.

The biggest new market in world history is now beginning to open up. As nations throughout the world are confronted with devastating environmental problems they search desperately for new and better ways to accommodate economic progress without destroying the environment. It's not just the air pollution. It's water pollution; it's the deforestation and the advance of the deserts. The solutions involve technologies like drift irrigation, solar energy, and the use of microprocessors to make all of our energy-using devices more efficient by order of magnitude. These efforts represent economic opportunity. We're going to create jobs, not lose them. Now, we need leadership, and we need a shared commitment to move in this new direction. That's what the Earth Summit is all about.

Senator Al Gore (D-TN) is the head of the U.S. Senate observer group to the Earth Summit Conference in Rio de Janeiro and the author of the bestselling book *Earth In the Balance*. In an exclusive interview with *EUROPE*'s Editor-in-Chief Robert J. Guttman, Senator Gore talks about solving the worst environmental problems facing the world today and what the U.S. role should be at the upcoming Rio Conference.



Do you see Europe as being a leader in the process?

Europe has been providing critical leadership in the effort to form this new consensus. It is quite remarkable that the European Community has been able to arrive at a nearly unified position on these global environmental issues and has been willing to uncharacteristically express their viewpoint boldly and effectively. It is one of the major reasons for optimism and hope on these issues. Another, incidentally, is the willingness of Japan to make a 180 degree turn in the last 18 months where many of its environmental policies are concerned. So now, both Europe and Japan are moving in the right direction, waving and beckoning for the United States to come along. It's an unusual experience for the United States and one that President Bush ought to be uncomfortable with.

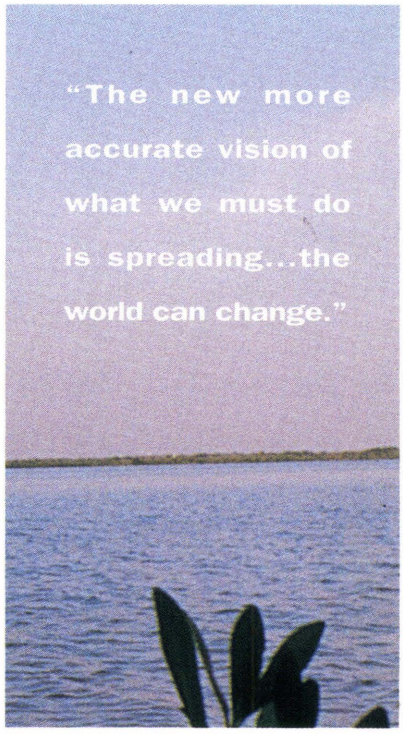
Is overpopulation the major problem for the environment in the world today?

It's one of the three major causes of the ecological crisis. I see the problem of ozone depletion, climate change, the destruction of the earth's forests and the loss of living species, the pollution of the air and water, as all symptoms of this deeper underlying crisis, which is a collision between our civilization, as it's currently constituted, and the ecological system of the earth. There are three causes of that underlying crisis, and one of the three is the population explosion.

What do you advocate to solve the population explosion?

There are actually three conditions that have to be present simultaneously in order to cause the shift from high birth rates and high death rates to low birth rates and low death rates. That shift is often called the demographic transition. Europe has long since made that transition, and the United States has made that transition. Just a few generations ago, it was common in Europe and in the United States for families to have ten kids. Now, it's quite rare, and the average is two.

What causes that transition and how can it come about in the Third World? There are three conditions that have to be present. One of them is the availability of birth control on a voluntary basis. The second is the high child survival rates. An African leader named Julius Nyerere said a few decades ago that the most powerful contraceptive in the world is the confidence of parents that their children will survive. Parents don't feel or have the same pressures if they have confidence that their children will grow up. The third condition is a high level of literacy and education, especially among women, so that women are empowered to participate in choices about birth control and family systems. Wherever those three conditions are present, the transition takes place without fail. If one of the three is missing, it doesn't work.



Why did you write your book *Earth In the Balance*?

It's an effort to accelerate the formation of a political consensus—saving the earth's environment. I tried to range in my analysis across history, politics, religion, science, psychology, philosophy, and economics because I think the ecological crisis is a manifestation of a deeper spiritual process in our civilization that involves our way of thinking in our relationship to the earth, our way of thinking which has an impact on all of our activities.

There is a coercion between modern civilization and the environment, and the relationship is profoundly different than it has been throughout the entire previous history of humankind. Three dramatic changes have taken place: the population explosion, which is adding the equivalent of one China's worth of people every ten years; the scientific and technological revolution, which has accelerated dramatically in this century and has now given us thousands of new tools that magnify the impact on the environment; and third, a relatively new assumption that we are separate from nature, separate from the rest of the world, and entitled to exploit it without a fault to the consequences of what we do.

That way of thinking began with the scientific revolution 373 years ago, but is no longer benign with the additional billions of people and the new technologies that give us the capacity to do serious damage to the earth's ecological balance. I've tried in the final third of the book to present a comprehensive solution to this crisis, and I work in my job as a U.S. senator to help bring this about.

Most books you read on ecology, economics, and politics don't have a spiritual theme. Why do you have this theme?

The global environmental crisis is an outward manifestation of an interspiritual crisis in our relation to the earth. I define the spirit as a collection of ideas and values about how we relate to the universe. And our current notions about how we relate to the world we inhabit are a big part of the problem we are now facing. I try in the book to trace the roots of this dysfunctional way of thinking about our relationship to the earth—the idea that we are disembodied intellects, separate from the physical world. That idea goes back at least as far as Plato, but it was revived in a new iteration by Descartes and others at the dawn of the scientific revolution. Descartes said, "I think therefore I am." Francis Bacon and others took this model of the universe and began to reshape human institutions and disciplines to reflect this definition of human kind.

We can see it everyday—the idea that we can dump pollution into the environment endlessly without having to worry about the consequences. You can see it in the questions of a young child who thinks that food comes from the supermarket. The average amount of waste per capita is now twice the body weight of every man, woman, and child every 24 hours. That's absurd. But the absurdity of that practice is obscured by the assumption that it doesn't matter, that we're separate from

the earth, that resources are in limitless supply, and that there's no limit to the absorbent capacity of the environment to contain all the waste and garbage we dump into it, no matter how poisonous.

You present your argument very well. Yet, most of the problems in the Third World are that people just want to eat and survive. How are we going to get people in the Third World to focus on environmental problems?

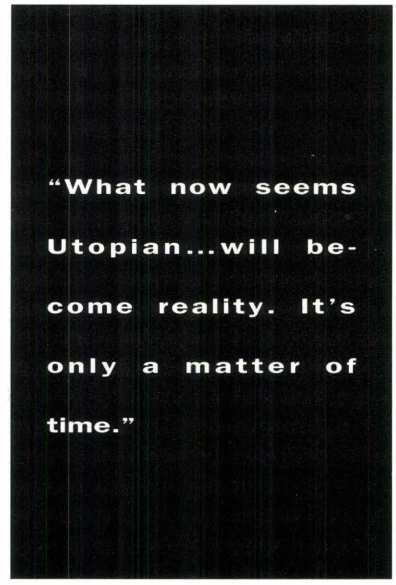
There's been a sea change just in the last two or three years, concerning attitudes in the Third World toward the environment. In Mexico City, retailers have unsold inventories of spray cans that they can't sell, not because of any law, but because consumers there refuse to buy spray cans that don't have the ozone-friendly label. Grassroots environmental organizations are springing up by the thousands all over the world. I'm in touch with them by fax machine in Malaysia, the Philippines, Kenya, Ghana, and Brazil. It's phenomenal!

Given the choice between development of those countries' economies according to the pattern we followed and no development, they will choose development. But now they know there's a third option—sustainable development with new technologies that don't bring about the destruction of the environment. In Mexico City, again, factories are being shut down right now, not because of the economy, but because they are choking to death from pollution. They are actively searching for new, environmentally benign machines and processes that allow economic progress without environmental destruction. Just as Mexico City is choking in its pollution, virtually every large city in the Third World is facing this set of massive problems. Cholera is spreading throughout South America, coming down the coast of Brazil, caused by polluted water. Almost 37,000 children under the age of five die every day. Some die from diarrhea, starvation, and malnutrition—easily preventable diseases. It is an incredible statistic.

Could you explain the problem with the ozone layer?

A very special kind of pollution is responsible for ozone depletion—chlorine compounds in the stratosphere, seven to ten miles up. Regular chlorine compounds in the lower atmosphere don't rise to the altitudes of the ozone layer. Normally, chlorine compounds are washed out by the rain and by other natural chemicals.

Manufacturers chose chlorofluorocarbons, or CFCs, after testing, partly because they were assumed to be safe. They don't react, in the lower atmosphere where we live, in a way that makes them chemically harmful. But because of their chemical stability, they float unimpeded up through the atmosphere until they get to the stratosphere. When they get way up there, the very strong ultraviolet radiation, which is normally filtered out by the ozone layer, slices apart the CFCs. It's only when they reach those altitudes that they break up. Then, they break up into their component parts, one of which is a chlorine compound that eats ozone. So, the low level pollution that you find in Eastern Europe, for example, doesn't cause ozone depletion but the chlorofluorocarbons that float way up there do.



We're still making the problem worse. We're still increasing the concentration of these chemicals. The first thing we have to do is to stop putting these chemicals into the atmosphere.

As you say in your book, we have an addiction to our comfortable lifestyles. What will change this addiction to our consumer-type lifestyles?

We have to break through denial. Dire Straits has a line in one of their songs: "Denial ain't just a river in Egypt." It's a psychological strategy for sticking our heads in the sand. We have to wake up. We have to open our eyes. We have to realize the enormity of what we are doing. Then, there's a second psychological barrier—despair. When you say that it's Utopian to think that this can actually be accomplished, in a way that's a similar thought.

I would respond by saying, "What if I had asked you two or three years ago 'How likely is it that in the spring of 1992, the overwhelming majority of white South Africans would vote to abolish apartheid and share power with the black majority?' " You would have said, or I would have said, "That's Utopian. It can't happen!" Three years ago, how would we have described the prospect of every nation in Eastern Europe banning communism in a few weeks and pulling down the statues of Lenin and embracing freedom? We would have said, "That's Utopian. It can't happen. Too much change in too short a time." Those things did happen in South Africa and Eastern Europe because people changed their way of thinking about apartheid and about communism. As people begin to change their way of thinking about this absurd frenzy of destruction of the earth's environment, then what now seems Utopian or politically impossible will become reality. It's only a matter of time.

Listening to you, this is all fascinating, but it is depressing.

It shouldn't be—it's not depressing at all to me. I'm optimistic. But, I'm optimistic because I see this change coming. I see the fantastic growth in commitment on the part of millions of people around the world—a change in thinking that is preceding a change in the political pattern. These issues will be addressed successfully because people understand that they must be. Politicians are behind the current. Business leaders are behind the current. People at the grassroots level are taking the lead, and it's only a matter of time before we reach a critical mass. That's what happened in Eastern Europe. That's what happened in South Africa. The new way of thinking—the new, more accurate vision of what we must do to secure our future is spreading, and when enough people share these convictions, the world can change.

British Information Services

In Love

With the United Kingdom

By Lionel Barber

As an Englishman living in the United States, I am often struck by how difficult it is to escape my own country. Walk through any supermarket check-out and you will catch Princess Diana smiling benignly from the front cover of many popular magazines. Switch on the television and John Cleese, the quintessential British eccentric, fills the screen. Now that National Public Radio is running regular news broadcasts from the BBC World Service, I might as well be back home in London.

The United Kingdom's influence in American life is pervasive, but that does not make it easy to explain. Why should America be so fascinated by Royalty? What is so attractive to Americans about a British accent? Why should comedian Benny Hill deserve an obituary in the *New York Times*? Why should the recent U.K. general election have received so much attention in the United States when local elections in France, Italy, and Germany barely added up to three sound-bites on the national news?

The U.K.'s influence is doubly difficult to understand because it bears no relation to the country's size, wealth, or military power. Nor does it seem to have declined as a result of the country slipping this century from atop the world power list; in some respects, U.K. influence may even have surreptitiously grown. All this points to a tempting conclusion: maybe those in the United Kingdom are the master manipulators, able to parlay a common language and other historical and cultural ties into assets which are the envy of many of their European and Asian allies.

Consider this: In 1991, U.K. investment in the United States amounted to $8.6 billion—double the amount invested by the Japanese over the same period. In 1990, the total book value of foreign investment in the United States amounted to $403 billion. The United Kingdom accounted for one-quarter ($108 billion), over 20 percent more than the total Japanese investment ($83.5 billion).

Despite this huge financial presence, U.K. investors have escaped the fierce criticism faced by their Japanese counterparts. At times, reaction to Japanese investment among Congressmen, businessmen, or union leaders has been nearly hysterical. Five years ago, *Newsweek* magazine greeted Sony's purchase of Columbia Pictures with a screaming front cover—"Japan Invades Hollywood." The martial metaphors have continued to appear in American news coverage of Japanese business activity, but few pay much attention to the corporate Redcoats taking up position north and south of the Mason-Dixon line.

In the 1980's, U.K. companies were extremely aggressive in the American market. Some businesses such as Hanson Industries, the conglomerate which specializes in takeovers, ruthlessly sought undervalued assets and grew accordingly. Major corporations such as ICI, BP, and Reuters news agency (U.K.-based but a truly international company) expanded their operations, too. Other companies such as Saatchi and Saatchi and WPP, the advertising giants, bought out their American counterparts, only to be humbled by the stock market crash and ensuing recession.

I recall a luncheon some five years ago in Washington in which a Texas oilman related how he had been swindled by a group of British financiers in the City of London. "They were the sweetest people you ever did see," the oilman drawled, without a hint of recrimination.

Yet through all these successes and failures, the U.K. largely avoided accusations of "invading" America. (One notable exception was Sir James Goldsmith, the flamboyant, upper class British financier, but he was based in France.) Even more telling, the United Kingdom's embassy waged a highly effective lobbying campaign to block congressional efforts in the late 1980's to make foreign investment in the United States more transparent. By contrast, Japanese companies who hired Washington lawyers to help their cause found themselves assailed for influence peddling.

In seeking to explain these differences in treatment, it is worth pondering some of the traditional U.K. strengths: discretion, understatement, and an ability to dissemble. I recall a luncheon some five years ago in Washington in which a Texas oilman related how he had been swindled by a group of British financiers in the City of London. "They were the sweetest people you ever did see," the oilman drawled, without a hint of recrimination.

This kind of indulgence toward the "Brits" is widespread. Speeding along the Great Plains at 76 m.p.h. during a recent drive across the United States, I found myself being followed by the wailing siren of the Kansas Highway Patrol. I pulled over, wound down the window, and greeted the patrolman with a booming, "Good afternoon, officer. What can I do for you?" He smiled, inquired whether I was "from across the Big Pond," and let me go with an ever-so-polite warning. Two days later, my co-driver, an American, was fined $155 on the spot for speeding on Route 50 in Nevada.

These experiences are the essence of the special relationship that exists between the United Kingdom and America, a relationship based on the assumption that coming from the Old Country still carries a certain cachet in the United States. This can only be explained in terms of class.

How else can one justify the popularity of the Royal Family, or Miss Manners, the syndicated column in the United States devoted to the propagation of Victorian etiquette? How else can one explain the fact that the higher Americans move up the social ladder, the more likely they are to speak with an Oxford accent? Those with doubts should listen to George Will, the bow-tied syndicated columnist and television pundit.

Or read *Vanity Fair* magazine, which documents the lives of the rich, famous, and criminal (preferably all three together). The focus is on glamour, exclusivity, and high taste. It is no accident, as they say back home, that Tina Brown, *Vanity Fair*'s editor, is British—one of a number of talented men and women who are making their mark in American publishing.

The search for something better, the desire to escape mediocrity is a driving force in American life; however, one may believe in the myth of the classless society. Americans reckon the British have something special to offer. They may not always be right, but as an Englishman, I will never hold it against them.

Lionel Barber, formerly the U.S. bureau chief of the Financial Times, *will become the bureau chief in Brussels in the fall.*

FIVE MORE YEARS

"Five more years, five more years," chanted the ecstatic crowds at Conservative Party headquarters in the early hours of April 10th, as their party won a historic fourth term in office. "Oh no, not five more years in opposition," groaned the shattered supporters of the Labor Party, who had believed the opinion poll predictions that this time they would defeat the incumbent party and take over the government of the United Kingdom.

The dealers and brokers in the trading houses of the City were so delighted that they sent the London Stock Exchange soaring and the pound climbed off the bottom of the ERM band and gained against the dollar. Business confidence appeared to return with the lifting of the perceived threat of a Labor government, which had promised more taxes and growth in the budget deficit.

It certainly says something about the United Kingdom that it would re-elect for the fourth straight time a party that dumped a charismatic leader in favor of a dull, managerial type who presided over the worst recession in 60 years.

The short but vigorous election campaign brought an above-average turnout from the voters who, despite their misgivings about the incumbent at No. 10 Downing Street, could not quite bring themselves to replace him and his colleagues with the Labor Party. John Major saw his 98-seat majority in parliament sharply reduced as Labor registered a net gain of 42 seats, but he still captured 336 seats, giving his party a comfortable majority of 21.

Now reconfirmed in power, 49-year-old John Major is more his own man, having confounded both the opinion polls, which consistently predicted a defeat for the Tories, and the Doubting Thomases in his own party. One of his first moves was to reshuffle his cabinet, replacing some Thatcher appointed ministers with more of his own people. He also included two women in the previously all-male cabinet.

His key appointment was that of Michael Heseltine to the Ministry of Trade and Industry. The most ebullient of today's Tories (and the man who only narrowly lost the battle to replace Thatcher 16 months ago), Heseltine threw all his mesmerizing oratorical talents into the campaign, and the DTI is his reward.

His appointment has caused many a quiver among the residual laissez faire Thatcherite hard-liners among the Conservatives. Heseltine is a vociferous and determined champion of interventionism. He strongly believes that the U.K.'s Ministry of Industry should see its role as operating along the lines of Japan's MITI, in support of industry.

The election was fought solely on the domestic issues of taxation, health care, and education. There was no debate on international or defense topics, or even Europe, the divisive subject which led the Conservatives to remove Margaret Thatcher from the premiership in November 1990.

There will be little change in foreign, policy with the veteran Douglas Hurd remaining at the Foreign Office. The re-election of the Conservatives has ensured stability and continuity in preparing for the United Kingdom to take over the E.C. presidency on July 1. The U.K. has a stability somewhat lacking in other major European countries as indicated by the recent elections in France, Germany, and Italy.

Perhaps Major's greatest challenge on the foreign front over the next few years will be to transform relations with Europe from being perceived as a threat to the United Kingdom's sovereignty to being regarded as an opportunity for growth and expansion.

It will be interesting to see how much Major's attitude toward Europe will be affected by the gift of five more years in power. He insisted on the escape clause from monetary union at Maastricht for the sole purpose of appeasing the anti-Europeans in his own party. Perhaps as a leader in his own right, the U.K. prime minister will now be able to put country before party.

"Perhaps Major's greatest challenge will be to transform relations with Europe."

According to the Tories' election manifesto, a free-market program is promised for the United Kingdom's presidency. Priorities will include completing the single market and starting negotiations to admit the EFTA countries who want to join by 1995. In particular, Sweden is believed to be expecting the U.K. to advance its prospects for membership.

The new government will also be looking at the issue of a new security partnership with Germany and France, something which has so far been hampered by the differing perceptions of each country's national interests. The United Kingdom's new Defense Secretary Malcolm Rifkind may prove to be more constructive on this issue than his predecessor Tom King.

The Conservatives have also pledged to reduce Europe's exorbitant air fares, increase competition in energy supply, ease the shipping and transport market so U.K. operators can carry goods freely within the E.C., and free up the market for life insurance.

The greatest threat to the Major government during the election was the state of the economy. During the 16 months he was prime minister, John Major saw unemployment double to 2.7 million, with a three million figure looming before the end of this year (which breaks the psychologically important 10 percent barrier).

Personal and corporate bankruptcies also shot up as real interest rates continued to remain relatively high at seven-plus percent, more than 50 percent above the real inflation rate. The rising tide of the homeless has also made the approach to the luxury Savoy Hotel on London's famous Strand a hazard for anyone who dares approach on foot.

The newly re-elected government also has to tackle the $50 billion public sector borrowing requirement. The prime minister's appointment of hard-line, monetarist junior ministers at the Treasury does imply that he will seriously try to curb ministerial ambitions and then reduce public spending.

It is generally agreed that as long as the government does not make many serious mistakes, it can expect to see the domestic economy benefit from the expected Western economic recovery over the next couple of years. In the short term, there will be a small upturn domestically as the commercial investment and personal buying decisions, put off while awaiting the outcome of the election, are implemented.

There is no expectation of a rapid return to boom times, but there are many who believe that the U.K.'s economy has already turned the corner. The government will seek to achieve a slow and gradual recovery while inflation is kept firmly under control. The pound will also be kept at its present parity within the ERM if possible, because devaluation is also bound to rekindle expectations of faster price rises.

The opposition Labor Party's fourth straight election defeat led to the immediate resignation of party leader Neil Kinnock. He had rebuilt the party as a more moderate, centrist party during his eight years of leadership, but his own lack of appeal to the voter was seen by many as a handicap for the party.

Labor made a couple of fatal errors

during the campaign, the most damaging was announcing in advance that it would introduce higher taxation for those earning above $34,800. Labor had failed to appreciate that this would hit many of the middle income people whose support it needed if it was to defeat the Tories. Another mistake was to conduct a campaign that blurred the edges of its policies on many issues, thus failing to satisfy the soft left, while at the same time leaving many on the soft right dubious about Labor's real intentions.

The Labor party is due to elect a new leader in July. His or her function will be to try to prepare the party for another attempt to oust the Conservatives four or five years from now. So far none of the candidates with a realistic chance have indicated that they are contemplating any radical reassessment of the party's philosophy.

Nonetheless, a debate is underway in the Labor party. Some believe it needs to return to its more radical base, offering a caring movement and guiding the economy in the redistribution of wealth and priming the economy through greater support for industry. Others argue that salvation lies in a realignment of the non-Tory forces within the country to offer the voters in 1996–97 a new centrist party, combining both the social conscience of Labor and the more laissez faire economic policies of the Liberal Democrats.

One thing that clearly seems to have emerged from this election is that the voters still prefer a party of the center right advocating more freedom, even if it means tougher times for some, than one preaching about the "working class," a term not only outmoded in tone but also in the reality of the United Kingdom in the 1990's.

The political reality of the U.K. in the early 1990's is that the Conservatives are triumphant despite its shortcomings, while the socialist left is in disarray. But the underlying realities are that the U.K. economy is in trouble, companies are closing, jobs are increasingly hard to find, poverty is on the increase, and hope appears to be limited solely to those who believe in the capitalist dream.

For now it is more of the same.

David Lennon is the managing editor of the syndications department of the Financial Times *and a regular contributor to* EUROPE.

Elections in the United Kingdom have the distinct advantage of being mercifully short. Three weeks is all that is required for an electoral campaign. This year incumbent Prime Minister John Major called the election in mid-March, polling took place on April 9, and the result was known by the early hours of April 10.

The 651-seat House of Commons is elected for a maximum five year term, but the prime minister has the right to call an election anytime before the term expires, which is considered advantageous for the government. In 1974 the newly elected Labor government of Harold Wilson exercised this right to call a second election six months after attaining office, in a successful attempt to strengthen its position in parliament.

There were fears before this year's election that if the April vote was indecisive a second election would have to be called to try to resolve the parliamentary deadlock. But as it turned out, there was not a hung parliament, and John Major's government can now remain in power without another election for five years, if he so wishes.

The U.K. Electoral

There is no limit to the number of years a party leader may serve as prime minister. Margaret Thatcher was prime minister for 11 years, having won the election in 1979, 1983, and again in 1987. If the Conservative party had not forced her to resign 18 months ago (because they feared she was becoming an electoral liability), Thatcher could have run again for prime minister this year.

Though Westminster is known as the Mother of Parliaments, the universal franchise only came to Britain in 1918. Ten years later the voting age for women was brought down from 30 to 21, in line with that of men. In 1969 the voting age was lowered to 18 years.

The British electoral system is a body of single-seat constituencies with a first-past-the-post or winner-take-all selection process. The voter draws an "X" against the name of his or her preferred candidate, and the person with the largest number of votes is elected. This means that a member can represent a district without having won a majority of the votes.

This system has been heavily criticized by those who believe that it is undemocratic in that it allows parties that win less than 50 percent of the popular vote to command an absolute majority of the seats in parliament. The Conservative governments of the past decade have all had less than 50 percent of the popular vote.

During this campaign there was much agitation from the third party, the Liberal Democrats, to introduce a form of proportional representation that would send members to the House of Commons in proportion to the number of popular votes attained at the ballot box.

British Information Services

System: Short and Sweet

First-past-the-post artificially strengthens some parties while weakening others. This year the Conservatives won 42 percent of the popular vote which gave them 336 seats; 35 percent voted for Labor which has 271 seats; but the Liberal Democrats won 18 percent of the popular vote and gained only 20 seats. It is hardly surprising that the Liberals are at the forefront of those campaigning for electoral reform.

Small parties also suffer in other ways. There are no rules dictating how much a party can spend during a general election (though spending limits have been proposed in line with other European countries such as France and Germany).

The Conservatives consistently outspend the Labor party. In 1987 the Tories spent $15 million and in this election over $30 million. Labor spent $7 million in 1987 and more than $15 million this year. The Liberal Democrats trailed even further behind. Variations in spending are mainly due to the parties' different sources of income. The Conservatives can count on big business, while Labor draws just over half of its funds from the trade unions and the rest from the party membership. The Liberals derive most of their funds from member fees and donations.

In addition to the direct spending, there are hidden expenses and subsidies, including the value of free advertising on television. Together these probably triple the total amount that is splashed out on electing the British government.

Despite the differences between the parties, and the strong lust for power, British election campaigns are generally well-behaved affairs. There is little mudslinging, and apart from revelations about an old dalliance of Paddy Ashdown, the Liberal Democrats' leader, there were no other sex scandals. No one was accused of fiscal improprieties, tax evasion, or any of the other campaign smears that are commonplace in U.S. election campaigns.

The only descent into the bare-knuckle style of campaigning was the consistent reiteration by the Conservatives that the leader of the Labor party was unfit to govern, because of his lack of experience, lightweight style, and left-wing views expressed as a younger man, not because of any personal wrongdoing.

These often unpleasant and unfair personal attacks, reiterated daily by the pro-conservative majority of the newspapers, led Neil Kinnock to denounce the papers' coverage of the campaign after his election defeat. The attacks were one-sided, John Major was barely criticized on a personal level, and then only for being too dull. But compared to the dirty tricks of elections in other countries, even Kinnock got off relatively lightly. *—David Lennon*

AROUND THE U.K.

AIDS CONCERT

Nearly 100 musicians and 72,000 fans gathered at London's Wembley Stadium on April 20th to pay tribute to showman Freddie Mercury, who died of AIDS last November. Mercury served as lead singer of the enormously popular Queen, a British rock group that burst onto the music scene in the early 1970's.

The event was beamed via satellite to an estimated one billion viewers in 70 countries—an audience larger than 1985's mammoth Live Aid concert. Tickets to the tribute sold out only three hours after the show was announced last November, forcing some die-hard fans to scramble for exorbitantly expensive tickets from scalpers. Organizers hope to realize $17 million for AIDS research from the event.

Mercury's considerable musical talent was transcended only by his flamboyance, particularly in his early 1980's video, "I Want to Break Free," in which he dressed as a woman. However, the group is probably best known for its 1970's mega-hits, "Bohemian Rhapsody" and "We Will Rock You." "Bohemian Rhapsody" went straight to the top of the charts upon its re-release in late 1991, shortly after Mercury's death.

De Kerle/Sipa

Andrew Murray/Sipa

Elizabeth Taylor, president of the American Foundation for AIDS Research, served as master of ceremonies for the extravaganza, which boasted performances by such luminaries as Elton John, Liza Minelli, George Michael, and David Bowie. And normally-cloudy London skies brightened up into a warm, sunny day for the event. Princess Diana, also a supporter of AIDS research, chose to forego the event, spending Easter Monday with her family.

—Laurie Laird

BOTTOMLEY RISES TO THE TOP

There is something very apt about the appointment of Virginia Bottomley as Health Secretary in John Major's new cabinet. Her English-rose good looks and her businesslike charm have led some people to compare her to actress Julie Andrews in the Mary Poppins role—the very English nanny who sang "A spoonful of sugar helps the medicine go down."

No stranger to politics, the

Inside
EUROPE
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BUILDING A BALANCED UNION

At last year's Maastricht Summit E.C. leaders agreed, at the urging of the Spanish government, that a Cohesion Fund should be set up before the end of 1993 to finance programs to help boost the economic and social welfare of the member states of Ireland, Portugal, Spain, and Greece. The main aim is to ensure that these countries will be in a position to press ahead with the Maastricht agenda, especially the Economic and Monetary Union expected by the end of the decade. EMU, which involves creating a single currency for the Community, will require the Twelve to meet stringent targets regarding inflation rates and budget deficits.

Without financial assistance to help the less prosperous countries improve the performance of their economies, their chances of meeting the EMU criteria are uncertain. The Cohesion Fund will also finance projects in the environmental field, to help the less prosperous states meet new, stricter E.C. regulations. Modernization of transportation infrastructure is also part of the Fund's mandate.

A wide variation exists between the E.C.'s richest and poorest countries and regions in terms of per capita income. For instance, in 1990, given a Community average of 100, incomes ranged from 53 for Greece to 129 for Luxembourg. Regionally, the gap spanned from Vorio Egeo, Greece at 40 to Groningen, the Netherlands, at 183. Income in the top ten regions was more than three times as high as that in the ten lowest regions. This gap between richest and poorest in the Community is twice that found in the United States. Unemployment rates also present big differences: They range from 1.5 percent in the richest region to 29 percent in the poorest.

The striking diversity in wealth within the E.C. was a focus of attention before the Maastricht Summit. The aim of the E.C.'s "structural policies" has been to redress both regional and social imbalances. The European Regional Development Fund was set up in 1975 in order to reduce regional imbalances within the Community. The 1958 Treaty of Rome created the European Social Fund to support vocational training, retraining of workers, and more recently, recruitment of young people.

The Single European Act, which put forth the 1992 program of economic unification, also strengthened the E.C.'s structural policies, giving them treaty status within the European Community. With internal barriers to the movement of goods, labor, capital, and services coming down, the Community was concerned that the less developed regions would not be able to attract investment without assistance to improve airports, roads, and ports.

The Community targeted for its programs the 20 percent of its population living in areas where per capita GNP is less than 75 percent of the E.C. average. These include all of Greece, Ireland, and Portugal, as well as parts of Spain, Italy, France, and Northern Ireland. By next year, structural funds to help regional development will reach 14.5 billion ECUs, roughly one-quarter of the entire Community budget, up from 17 percent in 1987.

The Maastricht Summit added the five new German Lander in the former East Germany to the list of regions qualified to benefit from the Community's structural funds. The European Commission, the E.C.'s executive arm, has proposed a two-thirds increase in spending on the less prosperous regions over the next five years. If the funds available from the new Cohesion Fund are included, spending to boost economic prosperity in Greece, Ireland, Portugal, and certain regions of Spain could double by 1997.

—Peter Rashish

Business Notebook: U.K. Banking

The bitter $6.5 billion struggle for control of the United Kingdom's Midland Bank has sent waves throughout the European banking industry in the run-up to the launch of the single European market. The battle, which pits Hong Kong and Shanghai Banking Corp.'s $6.15 billion friendly takeover bid against Lloyds Bank's $6.7 billion hostile counter-offer was being waged as the United Kingdom's banking community was emerging from its deepest recession since the 1930's.

Europe's big banks were watching from the wings, sizing up their chances of joining the fray if both bids flopped. Banque Nationale de Paris, Deutsche Bank, Dresdner Bank, Credit Lyonnais, and ABN Amro were being tipped as potential suitors. Hong Kong and Shanghai Bank was seizing a once-in-a-lifetime chance to buy one of the United Kingdom's "Big Four" high street banks in the midst of a major shakeup of the whole industry.

The "Big Four"—Barclays, Lloyds, National Westminster, and Midland—suffered bad debt provisions of $9.9 billion last year, trimmed their payrolls by 22,000 with 15,000 more layoffs slated for 1992, pruned their sprawling branch networks, lost their triple-A credit ratings, and were buffeted by boardroom upheavals.

The U.K. shakeup appears to be a mirror image, on a smaller scale, of the banking crisis in the United States.

The "Big Bang" liberalization of the United Kingdom's financial services sector in the mid-1980's lured many banks into pricey expansion programs, while the economic boom during the heyday of former Prime Minister Margaret Thatcher's administration prompted massive lending both to companies and individuals and to the overheated property sector.

The 1991 recession, the deepest and most prolonged since the 1930's, decimated the banks' small and medium sized business customers. The banks were also stung by spectacular failures, most notably the collapse of Robert Maxwell's publishing empire. They were also embroiled in the attempts by Olympia and York, developer of London's Canary Wharf, Europe's biggest office complex, to reschedule $12 billion of debt.

The collapse of the 1980's euphoria was sharp and sudden. Three years ago Nat West posted a pre-tax profit of $2.5 billion, more than any other U.K. bank, before or since. In 1991, its pre-tax earnings had shrunk to just under $200 million, with losses on domestic lending of $2.62 billion, the biggest ever incurred by a U.K. bank.

The staid atmosphere of United Kingdom banking was rudely shattered last year when the Bank of England was criticized for failing to detect the massive fraud on its doorstep perpetrated by the Bank of Commerce and Credit International, BCCI.

Meanwhile, heads have rolled in banking boardrooms. Sir Keith McMahon, Midland's chairman, stepped down last year after he announced the first dividend cut by a U.K. bank in 50 years. Nat West's chief executive officer, Tom Frost, recently left the board after his role in the United Kingdom's longest-running fraud case—a share support scheme for Blue Arrow, an employment resources company—was questioned in court.

Sir John Quinton, chairman of Barclays, is taking early retirement, paying the price for a sagging share price, tumbling profits, and a $3.16 billion loss provision last year.

Banks are paying the price for becoming too big and too diversified. Lloyds, the smallest of the Big Four, is the most profitable. Its cautious strategy yielded 1991 pre-tax profits of $1.35 billion.

While Lloyds concentrated on its home turf, its competitors strayed abroad. Midland's problems date back to a disastrous 1980 acquisition of Crocker National Bank in California, a move intended to relaunch the bank as a major global player but ended in a sale, at a substantial loss, to Wells Fargo & Co. in 1986.

Nat West's U.S. subsidiary, National Westminster Bancorp., lost $724 million in the past two years and required a $450 million capital injection from its parent in 1991. Barclays, which lost $392 million in the U.S. last year, is selling its New York retail banking network to Bank of New York.

By contrast, Lloyds sold its California subsidiary at a profit in 1986, well before the U.S. market dived and shed fringe operations in Canada, Portugal, and Spain.

While Lloyds concentrated on its core operations, its rivals rushed into new areas after the "Big Bang." Barclays and Nat West, for example, have each sunk about $724 million into London brokerages that have yet to yield adequate returns.

The banks also moved into sectors like mortgage lending and bought real estate agencies at a time when the building societies, responding to deregulation, were expanding into the traditional banking markets. Abbey National, once a staid building society, is now one of the United Kingdom's most profitable banks.

Lloyds' rationale for taking over Midland differed sharply from Hong Kong and Shanghai's motives. Lloyds was chasing synergies and cost savings of up to $1.81 billion a year from laying off 20,000 staff and closing up to 1,000 competing branches, while the Hong Kong bank wanted to create the first global banker with operations spanning North America, Europe, and the Asia Pacific region.

Regardless of the outcome of the Midland battle, the United Kingdom's chastened bankers are likely to follow Lloyds strategy, putting plans for overseas expansion, especially in Europe, into deep freeze.

Europe isn't a very inviting territory for banks at the moment. The Nordic region, in particular, is in deep trouble; the Norwegian government had to step in with a rescue package for the entire banking sector and KOP, Finland's biggest bank, last year slipped into the red for the first time since 1894.

French banks are heading for big losses after expanding their loan books by 20 percent a year in the 1980's, with sizable exposure to the U.K. and U.S. property sectors.

Banks in Germany, Spain, and Switzerland have fared better benefiting from a lack of outside competition, buoyant domestic economies, and conservative lending cultures.

U.K. banks, once regarded as the major beneficiaries of a single European banking market after 1993, are having second thoughts about moving abroad. Nat West chairman Lord Alexander says his bank won't pursue cross-border activities just for the sake of geographical expansion. Europe is highly banked and local culture tends to dominate and attract customers, according to Lord Alexander.

Rather than expanding into retail banking in Europe, Nat West intends to concentrate on private banking for wealthy individuals and treasury and foreign exchange services for corporate clients.

Instead of using the so-called "single passport" enabling them to spread across Europe, banks are battening down the hatches at home.

Banks in the smaller E.C. countries are joining forces to protect their own domestic markets. ABN and Amro, the Netherlands' top two banks, merged in 1990, and Spain's Banco Central and Banco Hispanoamericano joined forces last year following an earlier merger between Banco Bilbao and Banco Vizcaya.

Efforts to forge cross-border alliances have met with mixed success. Dresdner Bank, Germany's second largest, and Banque Nationale de Paris, France's biggest, are planning a 10 percent equity swap, a merger of their international operations and cooperation in Eastern Europe. But a similar deal between Commerzbank, Germany's third largest, and Credit Lyonnais of France, collapsed last year. Most banks appear now to be concentrating on serving their traditional markets, eyeing overheads more than overseas expansion.

—Bruce Barnard

E.C. News

Queen Addresses European Parliament

On May 12, Queen Elizabeth II made a historic address before the European Parliament in Strasbourg, praising the parliamentarians for their contribution to European democracy and stressing the need for them to welcome with open arms new members into the Community.

Quoting European and British statesmen such as Jean Monnet and Winston Churchill, the Queen spoke repeatedly of the "European family," saying that although this "family" contains diverse personalities, it is possible to "manage and channel differences, to bind nations and peoples together in a common endeavor." Queen Elizabeth also mentioned the healing process that united Germany but remained "badly needed elsewhere," referring to the current battle in Yugoslavia. "The Community offers the message," she said, "...that reconciliation can take the place of conflict, that diversity can be safeguarded within a democratic framework."

E.C. Recalls Ambassador

"Deep depression. That is my feeling," said Lord Carrington, the chief European Community peace negotiator, of the continuing conflict in Yugoslavia and its breakaway republics. Despite his best efforts, Carrington has watched truce after truce crumble. The situation has grown worse in Bosnia-Hercegovina. When the Croat and Muslim majority in Bosnia broke away from Yugoslavia in March, fighting began in the

republic soon thereafter. Bosnian Serbs, who oppose the republic's independence, have aligned with the federal army and have asserted control over two-thirds of the region. The European Community has withdrawn its truce monitors from Sarajevo. "There is no reason to leave E.C. monitors on the spot because they were just being shot at in their hotel," Lord Carrington told reporters. On May 12, the Conference on Security and Cooperation in Europe (CSCE) voted to suspend the participation of the Yugoslav delegation in matters pertaining to the Balkan crisis until June 30, and the member states of the European Community, in a joint decision recalled their ambassadors from Belgrade. Austria, Norway, Sweden, and Finland all followed suit. The E.C. used tough language in calling for the withdrawal of the Yugoslav National Army from Bosnia-Hercegovina and for the reopening of the Sarajevo airport (to assure the delivery of humanitarian aid to the region). However, at press time no decision had been made regarding an E.C.-wide freeze on Yugoslav assets.

E.C. and U.S. Chambers Sign Agreement

The Boards of the European-American Chamber of Commerce, Inc. (EACC-USA) and the European Community Chamber of Commerce in the United States, Inc. (E.C. Chamber in the United States) have signed a cooperative agreement to provide an enhanced range of services to the five thousand E.C. and U.S. companies involved in transatlantic trade and investment.

The E.C. chamber has agreed to become a full member of the European American Chamber of Commerce in the United States, Inc. and has changed its name to European American Chamber of Commerce in Washington, Inc. (EACC-Washington). To strengthen cooperation, the two chambers appointed two board members to each other's respective boards.

EACC-Washington provides its corporate members with a comprehensive monitoring and lobbying service through its professional staff in their Washington office, focusing on legislation affecting E.C./U.S. trade and investment of concern to the transatlantic business community. This service is now available to the membership of the bilateral chambers and is provided to members at two levels. The managing director of EACC-USA is able to actively participate in the Washington Committee meetings of the EACC-Washington to represent the concerns of smaller and medium-sized companies. Corporate members of the bilateral chambers who would like a more comprehensive service and input are also able to join the EACC-Washington directly for an annual fee.

The two chambers will continue, however, to retain their individual corporate identities and legal structures. EACC-USA will still carry out the traditional trade promotion function of a Chamber of Commerce and will be the coordinator for all bilateral Chambers of Europe operating in the United States. An operating structure has been established in New York to fulfill this function. The Chairman of the EACC-Washington, Gerrit Jeelof, stated that "with the support of EACC-USA and the bilateral Chambers, EACC Washington will be the single most important platform for expressing the viewpoint of the transatlantic business community on significant E.C./U.S. legislative issues."

E.C. Proposes Tax on Carbon Emissions

"It's a historic day for the environment," declared Carlo Ripa di Meana, E.C. commissioner for the environment, regarding the May 13 agreement by the European Commission to propose an E.C.-wide carbon energy tax of $10 per barrel to help reduce emissions of carbon dioxide. The legislation, however, would take effect only if other leading industrialized countries followed suit and introduced their own taxes to combat global warming.

EIB Focuses on Public Sector

President of the European Investment Bank Ernst-Günther Bröder recently spoke to the E.C. Economic and Social Committee about both the opportunities and the challenges posed by the Maastricht Treaty. Bröder discussed the new directions being taken by the EIB, including pursuing trans-European networks, initiatives on the environment, and cooperation with third countries. Although the EIB has traditionally supplied a high percentage of its loans to E.C. countries, its collaboration with the European Bank for Reconstruction and Development (EBRD) has allowed it to play a role funding projects outside the community as well. The EIB's funds are limited, the president noted; however, the bank remains focused on public sector lending, while the EBRD is obliged by its charter to supply 60 percent of its loans to the private sector. Bröder also mentioned in his speech that the ECU has been the primary financing currency for EIB loans over the past three years.

—compiled by Martha Cronin and Robin B. Hodess

Inside Europe

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new Health Secretary is the wife of Peter Bottomley who served as Minister of Transport and then for Northern Ireland in the 1980s. She is also the niece of former Labor Minister Douglas Jay and the former ambassador in Washington, Peter Jay, is her first cousin.

Bottomley, 44, is one of two women (Employment Secretary Gillian Shephard is the other) appointed to the cabinet by Major, who clearly realized the mistake he made in not appointing any women in his first government.

Trained as a psychiatric social worker with a master's degree from the London School of Economics, Bottomley spent the early part of her married life bringing up her three children and promoting the political career of her husband. She also found time to serve as a magistrate in London as chairwoman of Lambeth Junior Court.

She seemed destined for politics, having joined the Conservative party while at university, and with the active encouragement of her husband sought election to the House of Commons. She lost her first attempt but tried again and took her seat in Parliament eight years ago.

After working as parliamentary private secretary for two senior cabinet ministers, she was appointed junior minister for Environment in 1988 and in 1989 moved up to be junior minister for Health. This later promotion came just as her husband was being demoted by Mrs. Thatcher.

Bottomley also has her detractors. They accuse her of being insincere, of using people in her climb to power, and of not being very nice to those who work under her. Others wonder if she has the managerial skills and determination required of a good cabinet minister.

One person who has no doubts on this score is her husband Peter who, after driving her to Downing Street to accept her cabinet appointment, told the waiting press, "Don't mind me, I'm just the driver." He is certain that Virginia Bottomley knows how to make the medicine of National Health Service reforms go down well with the electorate.

—David Lennon

STILL IN THE POLITICAL ARENA

Margaret Thatcher may have retreated from the U.K. political arena, but she can still set Westminster buzzing with her unabashed tendency to speak her mind.

The former prime minister, who was unseated from the premiership in November of 1990, chose not to contest her Parliamentary seat in the April general election, bringing to an end a spectacular political career that saw the U.K. return to political and economic prominence. Before exiting the political arena, Thatcher campaigned dutifully for her successor, John Major, during his hotly contested leadership battle in early April. The fallen leader visited more than 30 U.K. constituencies, gracefully enduring a flogging with daffodils by a dissatisfied voter.

But Thatcher's toeing of the party line came to an abrupt halt in early April, after the appearance of her highly-critical essay in the April 27 issue of *Newsweek* magazine. Entitled "Don't Undo My Work," the former prime minister criticized newly-elected John Major for claiming Thatcher's policies as his own.

British Information Services

"There isn't such a thing as Majorism," she wrote, adding that Major "has accepted" her principles "written them in his manifesto, held it up, and said 'It's all me.' " Downing Street officials have offered no comment on the essay.

Since her departure from 10 Downing Street in late-1990, Thatcher has spent little time in the Westminster area, concentrating instead on the Thatcher Foundation, which aims to promote British relations with Eastern Europe via worker training programs. The former prime minister has also accepted numerous speaking engagements in the U.S. and has worked extensively on her memoirs.

But her recent *Newsweek* essay proves that the Iron Lady has no intention of fading from the political arena. And with the government set to debate the European treaty on monetary union by year's end (a treaty to which she is vehemently opposed), Thatcher's voice is likely to be heard for some time to come.

—Laurie Laird

FIRST WOMAN SPEAKER

Britons may have lived under a woman prime minister for more than a decade but U.K. legislators made history in April by choosing the nation's first female Speaker of the House of Commons.

Betty Boothroyd, a 62-year-old former dancer, was elected to the Speaker's post, after a highly-regarded term as deputy speaker under the departing Bernard Weatherill. Boothroyd earned overwhelming respect for her ability to radiate warmth from the Speaker's chair while remaining cool under pressure. She may be best known for responding "call me madam" when asked how she preferred to be addressed.

The Speaker of the House is responsible for calling on Members of Parliament to speak during House debates but, more often than not, serves as a referee during heated cross-party exchanges. But the new Speaker has chosen to break with some established tradition, discarding the stockings and wig donned by her predecessors.

Boothroyd's victory is particularly impressive, coming after her 18 years of Parliamentary service for the opposition Labor party, which is still reeling from its election defeat. And she soundly defeated four candidates put forth by the ruling Conservative party in the first contested election since 1951.

—Laurie Laird

A ROYAL CAR CONTROVERSY

The normally controversy-shy Princess Diana caused quite a stir recently by trading in her quintessentially English Jaguar XJS for a shiny new Mercedes 500 SL. The raised eyebrows among royal-watchers, who are accustomed to the royal family driving around in British-made automobiles. Even Prime Minister John Major and members of his cabinet are ushered about in racing green Jaguar saloon cars.

The popular press speculated that Jaguar sales worldwide would tail off after the trendsetting Princess traded in her wheels early in 1992. But the ongoing U.K. recession had kept luxury car sales at a minimum, even before the Princess jettisoned her Jaguar. "It's been terrible," said one despondent dealer.

Another Jaguar dealer was quick to point out that the Princess' change in vehicles was due to practical considerations, and was not a slight to Jaguar or its U.S. owner, Ford Motor Company. "The only reason" for the new car "is because there are seats in the back," for the Princess' children the dealer noted.

The every movement of Princess Diana and the rest of the royal family is followed by a cadre of journalists, most from London's thriving tabloid community. The tabs have been known to hire look-outs in places where the royals may be visiting, much to the disdain of the family.

However, three reporters in the London journalism community have been designated as official conduits for information from Buckingham Palace. In return for access to the royal family these so-called court correspondents are responsible for spreading the intended message of the royals.

Court correspondents are chosen by the Palace Staff from the dozens of candidates nominated by U.K. news organizations. At present, the chosen three represent the U.K. Press Association—a sort of British Associated Press—the Independent Radio News, and the venerable BBC.

—Laurie Laird

London Pictures Service

For the first time in its 615-year history the House of Commons will have a female Speaker.

John Major

Clark Kent or Superman?

By Alan Osborn

John Major has been described as the only person ever to have run away from the circus to become an accountant. The gibe is not wildly unfair. Major's parents were, at one time, quite well known music hall performers, whose double act was acclaimed throughout much of southern England. By the time John Major had reached his formative years his father was in business as a manufacturer of plaster garden gnomes. His father was not successful, and the family was forced to move from a genteel middle class London home to a modest apartment in the less congenial suburb of Brixton.

Major does not encourage talk of his early years, but there is clear evidence that the family's misfortune triggered his early political awareness. The story is often told of how, after leaving school at 16 with no job and no great academic distinction, the teenaged John Major sought work as a London bus conductor only to be passed over in favor of a West Indian woman. The young Major then held a number of menial white-collar jobs before entering the Standard Bank and discovering fulfillment among the ledgers and balance sheets.

The politically concerned John Major had meanwhile joined the Conservative Party and soon became a part-time councillor in local government. The records of that time and the testimony of his colleagues provide a picture of an ambitious man with a keenly-felt sense of social justice. There is endless speculation about the reasons why Major joined the Conservative rather than the Labor Party, given his distaste for privilege and concern for the underdog, but his own account is surely convincing: He found Labor politicians unable to deliver the kind of society where individual enterprise could and would be rewarded.

At 49 and secure in the leadership of his country for at least the next five years, John Major is, to the public, an almost painfully ordinary man. He confesses to falling asleep at the opera on an early date with the woman who was to become his wife; he favors fast food over haute cuisine; his preferred relaxation is to attend a game of soccer or cricket. For a politician, his voice can be grating and his language banal. Satirists and cartoonists searching for a means to caricature him have largely settled for the image of a "gray" man, a kind of competent, understanding bank manager on a grand scale.

But there is another popular perception of John Major—as Clark Kent, the bespectacled, soft-spoken alter ego of Superman who, when crisis threatens, can perform unsuspected wonders of daring and strength. A timid or unambitious man would never have risen so spectacularly through the ranks of the Conservative Party as Major did, nor, having reached the summit of No. 10 Downing Street, have gone on to win the election in April against the expectation of all the pundits and pollsters and many within his own party.

There is no clear idea of what Major—at long last "his own man"—will want to see as his lasting contribution to the United Kingdom. He is no conviction politician in the mold of his predecessor Margaret Thatcher, yet he is more than a mere technocrat. A clue to his ambition can perhaps be found in the relatively few subjects he speaks about with real passion: racism, snobbery, privilege, and class. Among his best-known aspirations are for the United Kingdom to be a nation "at ease with itself" and for the introduction of a genuinely classless society. His own background and achievements reinforce his contention that these are perfectly realizable objectives. E

Alan Osborn is a political writer for The Daily Telegraph *in London and a long-time contributor to* EUROPE.

British Information Services

Who's Afraid of Industrial Policy?

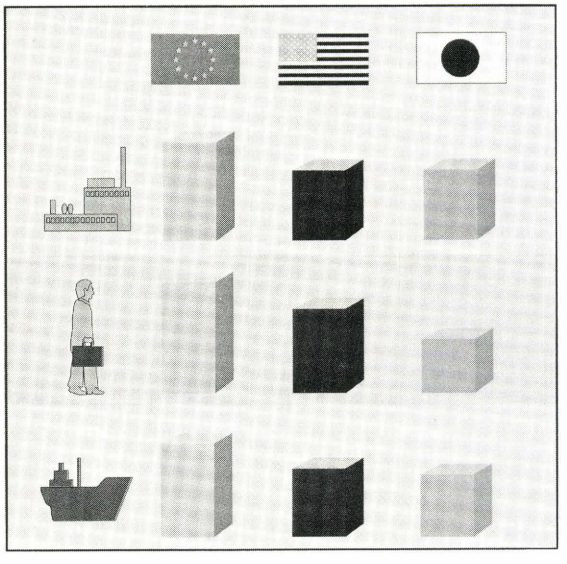
Why is it so controversial?

By Julian Weiss

"Industrial policy"—the very phrase evokes strong, and often mixed, reactions. It inspires controversy regardless of how it is labelled.

Whether applied in Japan, Europe, or in the United States, there are always common, identifiable characteristics of an industrial policy. Foremost among these is targeting a "winner" or an industrial sector considered vital to future commercial performance or to a perceived national security interest. Attracting foreign investment, and hence aspects of technology and innovation from abroad, are deemed pivotal ingredients of even a modest industrial policy program.

Because the three great trading blocs (the E.C., the U.S., and east Asia) represent the world's great industrial and post-industrial powers, common ingredients of national strategic planning are emerging. Targeting and tax incentives alone may not suffice, insist many observers. The goal of forging industrial clusters—such as Silicon Glens in Scotland, the French complexes in Cote d'Azur, or Japan's Technopolis (high tech planned cities)—is but one new mandate of national governments. The quest for value-added spinoffs of aerospace, telecommunications, advanced materials, and the like are as daunting in Berkeley or Berlin, in Osaka, Oslo, or Orlando.



In the decade ahead, a more comprehensive view of industrial policy acknowledges the role of education; efforts to stimulate commercialization of technology-based products; plus a new definition of business-governmental relationships. Reasons for this new definition are simple: this decade is an era of shortened product life cycles. Also, sheer costs of capital required in advanced "sunrise" industries, such as semiconductors and biotechnology, are staggering. A single new advanced facility can cost over $400 million.

The American Dilemma

While most United States policymakers shy away from using the term industrial policy, there are many policies in place that deliberately favor certain industries. Major contributions from the government have led to private sector ventures. (The American space program ranks as

one of the best examples.) The military component of technology-based industries is another example whereby government direction intruded heavily on the ordinarily laissez faire structure of several industries. By 1979, the national government's bailout of automotive titan Chrysler revealed a willingness to respond—in industrial policy fashion—during a crisis situation.

Reluctance to accept any form of central planning has been a major obstacle to any form of industrial policy. "In the United States, different parts of 'industrial policy' are in effect. They are not coordinated or centralized [as in other countries]," insists Dr. Robert Crandall, a long-time senior policy analyst at the Brookings Institute.

Today, the clear distinction between government and business policy has evaporated. Just as Airbus came from the collective pooling of several E.C. national resources, federally funded research consortia are growing in America. William Morin, senior vice president of the National Association of Manufacturers in Washington, D.C., notes that, "the recession has made ideologues less rigid," and "an overall policy conducive to innovation and investment is the key."

Some argue that simple tax legislation will accomplish much to achieving that end. Others conclude, however, that additional spending—and at least a modest form of regulation—is required.

At this time little consensus exists for a coherent national policy. Robust industries that benefit from cross-fertilization of the global manufacturing process—with a large share of parts assembled in, or imported from, overseas locations—despair at the thought of "managed trade." "Sunset" and declining industries still lobby for protectionism in various forms. Younger, entrepreneurial companies are not burdened by pension and healthcare cost liabilities faced by established industries. Brookings' Crandall and others feel that healthcare is now considered an element of industrial policy.

Japan's Thrust

The government-industry combine that thrived for nearly five decades is loosening its grip. This is in part because conditions that made the legendary Ministry of International Trade and Investment (MITI) a near-omnipotent force are no longer in effect. Even before Japanese heavy industry matured, wrong "winners" were picked. MITI made errors such as advising automakers not to export—and the Ministry serves as much of an argument against large-scale, centralized planning as it does for more cohesive governmental interventionism.

Yet, this northeast Asian nation remains an example of the degree to which full-fledged planning and targeting can achieve many long-range national objectives. Of course, the cultural aspect is crucial in examining Japan's policies and their implementation.

Downstream spinoffs from these policies enabled microelectronics and computers to focus on productivity and ever-increasing value-added. Today, the economic colossus finds much of its auto, manufacturing, and consumer electronics industries located at offshore sites in Southeast Asia. This is by design, since labor shortages and rising wages would otherwise make the superpower non-competitive.

Two arenas of industrial policy have performed well. One aspect comes from the long historical tradition of rejecting foreign-made goods. Legendary Japanese protectionism is an anathema to free trade advocates, yet many concur it aided development of strategic industries. Technology transfer is another area. A highly-developed system evolved in the 1920s and is fully capable of reaching small business. In this way, automation successfully reached the countless suppliers and subcontractors which form the core of manufacturing in all industrial societies.

Within The E.C.

Different member states within the European Community define industrial policies in a variety of ways. Promotion of foreign investment from outside the Community remains the common denominator to all E.C. nations. Another widely applied practice is that special considerations are granted to companies that increase foreign export earnings. Providing some tools for exporters and assistance to participate in global trade fairs is a common policy. Social goals—including the expansion of an infrastructure for smaller forms to flourish—are important. Industries that are polluters are often denied any form of assistance.

France and Italy are often considered to have aggressive policies in targeting and in regulatory affairs. The Benelux group is usually perceived as more centrist in their approach, while the the U.K. tends to rely more on market forces as a means of satisfying national objectives.

In the U.K., no national policy exists, per se. Since 1979, privatization and reliance on market forces guided national policy, yet regional industrial policies emphasize tax incentives and joint business-university-government initiatives on educational enhancements. France has a more aggressive national policy, which actively encourages mergers of some businesses and has come to define clearly industries deserving targeted status. The establishment of special technology zones is another goal. Italy strives to achieve some balance between its agricultural south and the concerns of the industrial north.

The Netherlands has chosen biotechnology as a prime industry worthy of support through not only financial incentives, but through fostering university-commercial linkages.

Industrial policies can shift with circumstances if consensus is derived. For the new Germany, previous objectives—strengthening the network of technology transfer centers and promoting automation—are intact. Incorporation of the eastern third requires a greatly improved infrastructure, and serious attention to environmentally sound policies. These are essential to sustain a competitive and dynamic economy.

Debate on modifications of national government policies should accelerate this year, as bold steps by one major trade bloc inspire a degree of anxiety in the other two. Aversion to those programs which stimulate greater government-business cohesion are disappearing on both sides of the Atlantic. At the same time, interest in pure protectionism as an element of industrial policy may be waning, which would allow the industrialized blocs to focus on expanding the consumer pie across the non-developed world.

Julian M. Weiss contributes to EUROPE *and to leading business magazines in the U.S. and Asia and is the author of five books on business related topics.*

THE CITY

Europe's Financial Center

Although the United Kingdom may have been the least enthusiastic of the framers of the Maastricht treaty on monetary union, the depth and sophistication of London's financial markets necessitates a central role for London in a monetarily united Europe.

"London turns over $187 billion daily in currency transactions, dwarfing both New York and Tokyo."

The United Kingdom's capital remains the pre-eminent financial center of Europe, serving as the lead player in the foreign exchange market, the largest and most liquid exchange in the world. London turns over $187 billion daily in currency transactions, dwarfing both New York ($129 billion daily) and Tokyo ($115 billion), according to the Bank for International Settlements.

By contrast, the U.S. Treasury market—the world's largest government securities exchange—turns over only $85 billion per day, says the Bank of England. The U.S. equity market churns even less cash.

The sheer number of houses involved in the capital markets, a whopping 300 in London, demands a role for London in European central bank operations. "London will inevitably stay as the financial center [in the post-EMU environment],"

By Laurie Laird

said Ruth Lea, chief economist at Mitsubishi Bank Ltd. in London and a former U.K. Treasury staffer.

Under the terms of the Maastricht treaty a European central bank will be formed by 1999 at the latest in an as-of-yet unnamed city. An embryonic central bank, the European Monetary Institute, is slated to open in 1994 to pave the way for implementation of the European Central Bank (ECB or Eurofed).

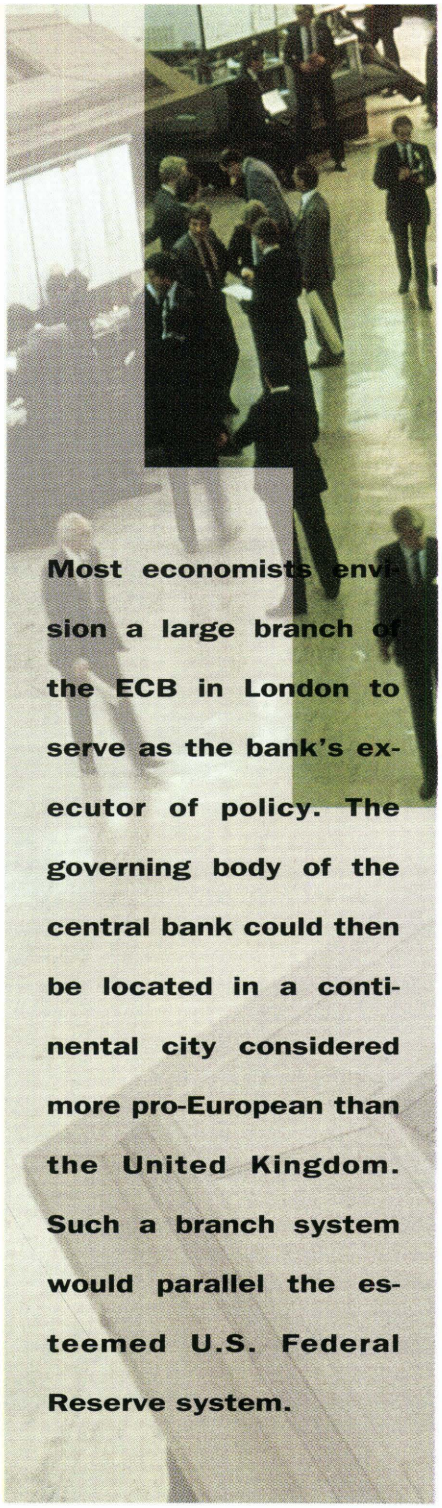
Britain and Denmark signed the agreement only after the eleventh-hour insertion of a clause permitting each to defer a decision on EMU. Britain and Denmark negotiated the right to opt-in to the agreement at an unspecified later date. Britain's reluctance to fully enter the EMU agreement will likely prevent the United Kingdom from winning the right to house the future central bank's command center, as the 11 other European Community countries view Britain's commitment to EMU as shaky at best.

"That opportunity was blown," said David Mays, an economist at London's National Institute for Economic and Social Research, of London's chances of housing the central bank.

However, London's markets are bigger and more mature than her continental counterparts, and will remain more sophisticated than exchanges on the continent even after the establishment of the ECB. "There is a great heritage and tradition in the City of London that no other market can compete with," said Simon Briscoe, U.K. economist at the brokerage Midland Montagu, referring to the square-mile district in east London that houses the bulk of Britain's financial activity.

Most economists envision a large branch of the ECB in London to serve as the bank's executor of policy. The governing body of the central bank could then be located in a continental city considered more pro-European than the United Kingdom. Such a branch system would parallel the esteemed U.S. Federal Reserve system.

The U.S. Federal Reserve policy is chartered at the Board's Washington headquarters, the base of most of the Fed's economists and its powerful Board of Governors. But the central bank's operations, including routine foreign exchange and government security intervention, are conducted through the open market desk of the New York Federal Reserve Bank, the largest of 12 regional branches. The New York Fed is best able to gauge activity in largely New York-based U.S. capital markets.



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For example, the U.S. federal funds rate—the price of overnight Fed loans to member banks—is determined by the D.C. Board, albeit with input from leaders of the Fed's regional banks. But the rate is manipulated at the Board's instruction by the expansion or contraction of bank equity set by the New York Fed with members of the New York-centered dealer community.

And U.S. currency market intervention, occasionally used to smooth the movement of the dollar during times of dramatic currency market volatility, is also conducted in New York, the center of American foreign exchange activity. Economists envision a parallel role for London, with the City holding the distinction as the largest foreign exchange market not only in Europe but across the globe.

"I don't see the point of 50 central bank dealers sitting in Lyon (a dark horse for the home of the ECB) dealing with banks in London," said Midland Montagu's Briscoe, arguing the case for London to serve as the ECB's operational site. The bank's board of directors could then be based elsewhere in Europe, to quell complaints of those who view the U.K.'s opt-out provision from EMU as anti-European.

If London is the logical choice for the operational arm of the ECB, then what is the odds-on locale for the ECB headquarters? Most economists place their money on Amsterdam, a mid-sized European financial center, with Bonn and Berlin the runners-up. Lyon, Madrid, Frankfurt, and even Manchester are bandied about as long shots.

The Dutch capital is still licking its wounds after London was awarded the European Bank for Reconstruction and Development (EBRD) last year, and gaining the ECB may be the proper medicine. French locations can be ruled out while Strasbourg stands as a leading contender to house the European Parliament. Even if the European Parliament moves to Brussels, many think the French might be consoled with another European Community institution, such as an environmental department. Frankfurt, home to the mother of European central banks, might be nixed to avoid too close a Bundesbank-ECB association.

The 12 E.C. nations will attempt to ratify the treaty by year-end, but even one country's failure to pass the agreement mandates a renegotiation of the terms. If the E.C. is forced back to the drawing board, the location of the ECB may be a back-burner issue until a new treaty is negotiated. But the City of London must play a crucial role in European Central Banking, regardless of when the bank is inaugurated.

Laurie Laird is a business and economics writer based in London.

CAPITALS

DUBLIN

JAMES JOYCE PAPERS REVEALED

Bloomsday will be celebrated on June 16 this year, and James Joyce aficionados, retracing the wanderings around Dublin of the events in the novel *Ulysses*, will for the first time know the content of the sealed container of Joyce papers which have been kept hidden from the public for the past 50 years. Dublin wits used to sneer that the box contained Joyce's laundry lists from his last years in Paris, while the Joyce fans hoped for a new manuscript or revelations that would keep the experts busy for another 50 years.

Joyce, once again, has had the last laugh. Both camps have been disappointed as the 3000 items in the file were discovered to be mainly business correspondence. The papers had been gathered up by Joyce's Russian-Jewish private secretary, Paul Leon, who endangered his life to return to Nazi-occupied Paris and later died in Auschwitz concentration camp.

Leon had handed the papers over for safe keeping to Count O'Kelly, the Irish envoy to France, with the instructions that he then have them sent to Dublin National Library and held secret for 50 years if Joyce himself failed to survive the war. Joyce died in Zurich in January 1941. Leon was arrested some months later in Paris and sent to Auschwitz. There, he was shot by an SS guard, apparently during a forced labor detail in April 1942.

Paul Leon's only son, Alexis, was present in Dublin when the papers that were saved by his father were opened to the public by the Prime Minister Albert Reynolds. Alexis Leon spoke movingly about the last time that he and his mother had seen Paul at the notorious transit camp for French Jews at Drancy, outside Paris.

It has recently been revealed that back in 1941, the Irish government was asked by Joyce's son Giorgio, then living in Switzerland, to intervene on Paul Leon's behalf following his arrest. Through the Society of Swiss Writers, Giorgio told the government that if Leon were shot Joyce's literary heritage could be lost, as "no one else understood his work so intimately or could aid so efficiently with a biography." The government agreed to ask the Irish envoy in Berlin to intervene but backed off when the envoy advised that this could be regarded as interfering in internal German matters.

Also present at the ceremony in the National Library, which figures in the "Scylla and Charybdis" episode in *Ulysses*, was Joyce's grand-

DIRECTORY

Irish Tourist Board

Joyce fans frequent the Dublin Writers' Museum, which features selections from many famous Irish writers.

son, Stephen Joyce, who spoke angrily about how critics and the media insist on "meddling" in the writer's private life.

Some experts who have examined the now-revealed letters between Joyce and Leon believe that they can throw light on one of the most difficult of the writer's works, *Finnegan's Wake*, which was written during the 10 years of the correspondence. So there is hope for Joyce fans yet.
—*Joe Carroll*

Pierre Adenis/Sipa

Stasi files occupy five floors of rotating shelves.

BERLIN

STASI FILES

The opening of the vast archives of the East German secret police (Stasi) last January was a risky but necessary experiment. It was necessary because many of the documents had already been removed, even before a government office could be set up to manage the disclosure of the Stasi dossiers. It was risky because no one was really sure exactly what would be revealed.

It is believed that 150,000 to 200,000 informants (IM's) helped the Stasi compile dossiers on some six million people. The result of their spying is five floors stacked with files in the former Ministry of State Security building in East Berlin.

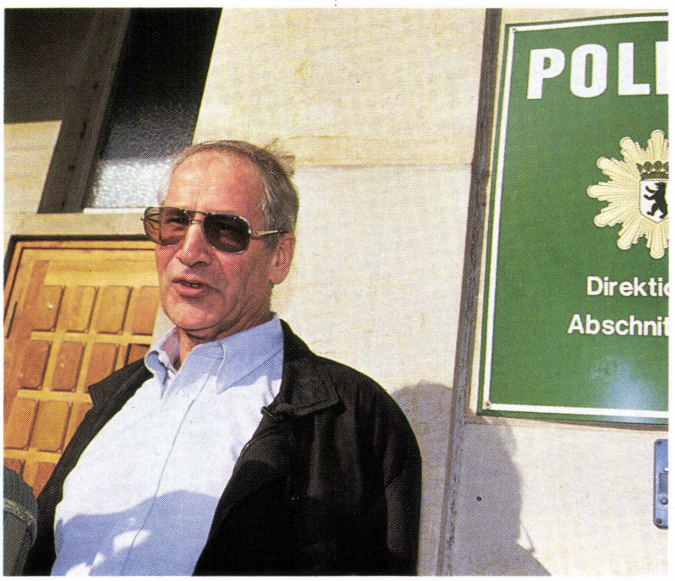
Applications to see the personal dossiers are arriving in huge numbers. Former East Germans want to know who spied on them and betrayed them, despite warnings from former victims that they may be unable to cope with the truth if they find out that their close friends and, in a few cases, even family members informed on them. However, people may also learn who did not betray them.

The files reveal that every little niche within East German society was infiltrated by the Stasi. Although churches were regarded as the shelter of the resistance, some of its prominent leaders have come under suspicion. Manfred Stolpe, the popular SPD Premier of Brandenburg, has been under unrelenting attack for allegedly serving as an informer for the Stasi. He admits that as senior lay official of the Protestant church he had frequent contact with the Stasi in purely humanitarian cases, but he adamantly denies that he was an informer.

The extent of the Church's involvement in the surveillance system of the Stasi probably won't be completely resolved due to the fact that many of the files are missing. Stolpe accused the weekly magazine *Der Spiegel* of taking part in the "trade of Stasi files." *Der Spiegel* responded by asking whether it would be right to withhold the files merely to be in keeping with those who want to suppress them and because many people have gotten tired of hearing about them?

Stolpe has the support of the SPD party and the people of Brandenburg, who feel humiliated by the Western media thunderstorm against their respected figures. Wolfgang Thierse, deputy chairman of the SPD, speaks of Stasi file disclosure by the press as a "devastating action on the part of the media" which deepens the "inter-German gulf." A Munich television commentator fears that if the discussion continues on this level a new wall will be built, if not on the map, then in the minds of the people.
—*Wanda Menke-Glückert*

Markers Wolf was the head of the Stasi, the East German secret police.



Maritime Archambault/Sipa

COPENHAGEN

SOCIAL DEMOCRATS RESHUFFLE

This year, Danish politics are anything but dull. This month's referendum on the E.C. union treaties is a major political event, which until recently was eclipsed by the battle for power within Denmark's largest party, the Social Democratic Party.

In a special session of the party congress, Social Democrat leader Svend Auken was overwhelmingly defeated by his hitherto close friend and vice-chairman, Poul Nyrup Rasmussen.

The Social Democrats hope that Rasmussen, a 48-year-old former chief economist at the Danish trade union headquarters, will attract the additional votes needed to depose the current leadership. And with the support of approximately one third of the electorate, the Social Democrats are expected to present a serious challenge to conservative Prime Minister Paul Schlüter, who is now rapidly approaching his tenth anniversary in power.

The Danish Social Democrats share many of the same problems that most E.C. and other European socialist par-

ties have had to face during recent elections. One problem is the simple fact of having been the opposition party for so long and having no momentum. Some of the optimism within the party has been tempered by the recent defeat of the British Labor Party.

The E.C. was not an issue in the power struggle preceding the change of guard in the Social Democratic Party. But the first major political challenge to Rasmussen will be to convince a majority of the voters within his own party that they should endorse the union treaties. Most of them tell pollsters that they intend to vote "no," and the E.C. has been a particularly divisive issue in the party since Denmark joined in 1973. No one doubts the new party leader's commitment to E.C. integration, and for that very reason a "no" vote on June 2 would be considered a serious political defeat.

If the referendum is successful, the Social Democrats will be in an interesting position in September when the results of an investigation into the government's immigration policy (specifically the denial of entry to families of refugees with legal residence in Denmark) will be published. Some speculate that the results could create political troubles for Prime Minister Schlüter, although he has stressed that he will not be forced out without calling a general election—which very well could mean that power will continue to elude the Social Democrats.
—Leif Beck Fallesen

BRUSSELS

KGB SPIES DISCOVERED

Belgium recently expelled four Russian diplomats, accusing them of working for the former KGB—even after the fall of the Berlin wall and the breakdown of the Communist regime in the former Soviet Union. The spy ring included at least four Belgians who were arrested later, after they had acknowledged that

"There is apparently enough money to finance activities that we thought belonged to the past."

they had been working for the KGB since 1967.

It marked the first time that a Western country had to take a strong stand against activities led by an administration placed under the authority of Russian President Boris Yeltsin. Moreover, it left Willy Claes, the new Belgian foreign minister, with a feeling of bitterness. "While we have been trying to convince the public of the need to make budgetary changes to help Eastern Europe," he said on television, "there is apparently enough money to finance activities that we thought belonged to the past."

Later, Moscow took the unusual step of admitting that these four diplomats were spies. The new spokeswoman for Russia's secret services stated, "That specific situation should be seen as something which happens from time to time in the work of any secret service." At the time that the spy ring was publicly announced in Belgium, the Russian secret service was officially taking part in a conference in Sofia where agents from the East and the West were discussing the role of the secret service in a democracy.

It is still unclear to what extent the Belgian ring continued its activities after the fall of Mikhail Gorbachev. But it confirms reports that were leaked in the United States that Russia maintains a strong interest in Western technology. Robert Gates, head of the CIA, declared in an interview published by *Time* magazine that Russia's military secret services have become "more aggressive" in their search for industrial know-how.

The KGB ring in Belgium was exposed following the release of information directed to the U.S. Embassy from Russia's first secretary in Brussels, Vladimir Komopliev. He revealed that at least four Belgians had received money from Moscow (in some cases as much as $20,000). Among them were a journalist working for the daily *De Standaard*; an employee at the chemical company UCB; a businessman; and even an education inspector.

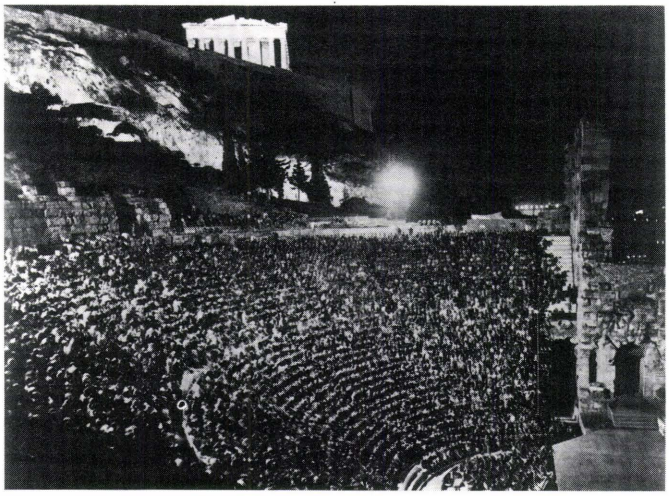
Thanks to Komopliev's allegations, the Belgian authorities launched "Operation Glastnost" resulting in the arrest of the four and in the questioning of other suspects, who might have been unwillingly involved in the spy ring.
—Christophe Lamfalussy

ATHENS

FESTIVAL BRINGS OUT THE STARS

Greece is gearing up for its summer celebration, which include hundreds of local festivals that offer a wealth of music, dance, drama, and wine. The Athens Festival is the centerpiece of the summer's cultural entertainment, welcoming some of the world's best-known performers. Organized in 1955, the festival is held every year at the 2,000-year-old Odeon of Herod Atticus. The outdoor Odeon seats 5,000 and possesses exquisite acoustics. It was built into the foot of the Acropolis and staged the Athens debut of the plays of Virgil.

In ancient Athens locals held festivals and staged plays in homage to their gods. Legendary Greek playwrights such as Sophocles, Euripides, and Aeschylus competed against one another for prizes at these festivals. These rivalries were often rather intense, since



The Herod Atticus Theater staged the debut of the plays of Virgil.

Greek National Tourist Organization

the author of the first place play took home sizable sums of money and won great prestige.

The summer festival always features a wide array of musicians, dancers, and actors from around the world. Last year the festival featured Luciano Pavarotti, and saw Rudolf Nureyev make his conducting debut. The American Ballet Theater headlines this summer's performance festival on July 29 and 30, and August 1 and 2.

An Athens Festival favorite, the St. Petersburg Ballet (formerly the Kirov), is scheduled to perform "Romeo and Juliet" on August 30 and 31 and "Don Quixote" on September 2 and 3. The St. Petersburg Ballet will conclude their stay in Athens with Oleg Vinogradov's presentation of "Gala" on September 5 and 6.

The festival features other performers such as I Musici (The Musicians) from Italy, Japan's Sankai Juku modern dance company, and the Slovak Philharmonic Orchestra and Choir. The National Theater of Greece and the State Theater of Northern Greece will perform plays by Sophocles, Euripides, and Shakespeare. Tickets for the Athens Festival (from June 15 until September 20) are usually inexpensive and fairly easy to get. (Students get a generous discount.)

During the summer, Greece offers a number of other festivals as well. Villages celebrating the name day of the local patron saint always attract a multitude of visitors. Even the smallest and remotest villages take on a carnival-like atmosphere when their holy days roll around.

The festivals do not neglect Greek teenagers who might be reluctant to see a ballet or travel to the *chorio* (ancestral village) for a *Paniqiri* (patron saint festival). Young Athenians can look forward to big-name acts such as Pink Floyd, B.B. King, and top Greek singers.

After a performance, festival goers can sample Greece's best wines and culinary goodies at Athens' various wine festivals. Located throughout the suburbs of Athens in the summer, wine festivals give visitors an opportunity to rub elbows with locals and experience a tradition that traces its roots to ancient Greece.

—Leo Charitos

LUXEMBOURG

RENAISSANCE IN LETZEBURGESCH

What book is more widely read than the country's telephone directory?

Answer: *Dem Asterix sai Jong* (The Son of Asterix) a book based on the French comic star and written in Lëtzeburgesch, Luxembourg's national language. Since the book was published in 1987, it has sold 20,000 copies, attesting to a renaissance in interest in the country's maternal language.

Surrounded by French and German speakers, the tiny trilingual country's citizens struggle to sustain their unique Low German dialect. Luxembourgers learn their own language when they are in the cradle. When they enter school, German and French are formally taught with some courses in Lëtzeburgesch. Although Lëtzeburgesch has been recognized in a decree as the national language, it has a rather limited vocabulary so that its 300,000 speakers often find it necessary to turn to French or German to explain complex thoughts and business transactions.

Following World War II, linguists initiated an effort to revive the language by modernizing it. One of their goals was to establish it as a written language to supplement its widespread spoken use. Between 1948 and 1957 about 90 books, largely plays and poetry, were published. But these initiatives lost momentum as interest waned. (Since the 1970's, however, the use of written Lëtzeburgesch has risen substantially.)

"The 300,000 Lëtzeburgesch-speakers often find it necessary to turn to French or German."

One Lëtzeburgesch classic is the poem "De Renert" by Michel Rodange (1827–76). This tale combines wit and satire as it tells of the rival claims of France and Germany on the Grand Duchy during the Franco-Prussian War. The author bases his work on Goethe's recreation of the medieval legend about the fox. Another popular book is *Nu Sangt*, a collection of songs by editor Laure Wolter, which was published in 1980.

Since the first Asterix book appeared five years ago, six more Asterix titles have been published, as have 25 Tintin and Walt Disney tales, selling on average thousands of copies each. The translator of all these books is in the midst of another very successful original Luxembourgian comic, *Superjhemp*, which recounts a crusader's efforts to have the world's literature translated into Lëtzeburgesch.

What lies behind the renewed interest in the language? Luxembourgers want to preserve their own identity, and their national language is a main part of it. They are good Europeans, but they see an E.C. *e pluribus unum* in which Luxembourgers, like others, "want to remain what they are"—which by the way is the national motto of...Luxembourg!

—James Spellman

PARIS

THE PARIS MÉTRO GOES GREEN

Since July 19, 1900, when the Paris métro made its inaugural run on Line 1 across the city, from the Porte de Vincennes to the Porte Maillot, it has concentrated on becoming the world's most densely knit and efficient subway system. It has done just that. Today its 13 lines form an intricate spiderweb of 368 stations linked by 125 miles of track, on which during rush hour a train passes every 95 seconds. For less than the price of a cup of coffee, anyone can travel to within 500 yards of any point in Paris.

Having mastered efficiency, the métro has now set itself a new goal: it wants to create a more friendly image for itself, not just toward passengers, but also toward the environment. To achieve its new look, it has gone green.

Its freshly created logo is a jade green circle symbolizing Paris, with a blue line meandering through it that evokes both a human profile and the river Seine. That visual pun, linking man and the environment, is the hallmark of the métro's entire new marketing strategy. It is borne out by ads showing flowerbuds or different species of trees, accompanied by the message

that taking the métro not only saves gas but also plant life. Posters announcing the just completed extension of the métro to the Grande Arche of La Défense carry on the vegetable motif by depicting a vine sprouting a new leaf, with the caption: "The métro is 'growing' westward."

Even the tickets, those familiar rectangles that for 20 years have been bright yellow with a chocolate-brown magnetic stripe down the middle, even *they* have turned turquoise. Their first appearance in March gave regular métro riders quite a turn. No one minded being seen with the canary-colored tickets: enterprising artisans even folded them into Eiffel towers, pencil holders, and key chains, and people actually bought them. When suddenly confronted with pastel bits of cardboard in their place, male passengers tend to look slightly shocked and slip them furtively into their pockets. But with 450 million of them sold a year, no doubt the delicate green tickets will soon become as much a part of métro life as their bolder-looking predecessors.

The métro is also pursuing its green theme with an intensified clean-up campaign of its stations. Some are notorious for the grime and strong smells that seem to adhere to their tiled walls and cement floors, no matter how often they are hosed down. All-out war has also been declared on "taggers," a spray can plague imported from the United States. Last year cleaning graffiti from the exteriors and inside trains cost the métro $16 million. This year it is prepared to spend even more, if necessary, to prove to its passengers that green rhymes with clean.

The Paris métro's new strategy makes eminent good sense. With ecology as the turn-of-the-century's watchword, people will have to turn away from cars toward public transportation, particularly the underground variety. The logic is especially apparent when you consider that a two-lane highway tunnel allows on the average 6,000 passengers in cars to travel through every hour, but the métro can transport 60,000 people in that time through a tunnel of the same size—what better way can there be to go?
—Ester Laushway

LISBON

PORTO: CITY OF COMMERCE

"Coimbra sings, Braga prays, Lisbon shows off, and Porto works," thus goes an old saying about some of Portugal's cities. Perhaps the least glamorous of these cities (and the least known), Porto is nonetheless the unofficial capital of northern Portugal and the nation's well-respected center of commerce.

Porto, sometimes called Oporto by the English-speaking world, also stakes its claim in history books, calling itself the birthplace of modern Portugal. In the 11th century, when King Alfonso IV of Spain drove the Moors south with the help of Christian resistance in the Douro region, he gave his daughter Teresa's hand to Henry of Burgundy. Teresa's dowry included the town of Portu-cale. In 1143, the offspring of this marriage, Alfonso Henriques, was made the first King of this liberated country, duly named Portugal. To add to the city's glory, the dialect of Porto was later made the country's official language.

Porto has always maintained a reputation as an independent, serious, and modern-thinking city. In the early modern period, Porto—home to Prince Henry the Navigator—was instrumental in the building of the ships which explored the globe and established a worldwide empire for Portugal by the 16th century. In 1820, the people of Porto rebelled against their British rulers and established the country's first liberal constitution. And in 1890, Porto was the center of the anti-monarchist, republican rebellion, which resulted in the expulsion of the monarchy from Lisbon some two decades later.

Situated on the *Costa Verde*, or Green Coast, an area of Portugal not as frequented by tourists as Lisbon or the South, Porto and its environs offer an authenticity that is often missing on the crowded beaches of the Algarve. The region boasts a varied terrain, from mountains to farmland, with a spectacular coastline, pine forests (thus the name "Green Coast"), and sandy beaches of the Atlantic.

Yet perhaps the item for which Porto is best known abroad is its namesake wine, Port. Exported in large quantities around the globe, Port was originally an exclusive product of the Douro Valley. It is produced from the grapes of Douro vineyards and aged in the wooden casks on the south bank of Porto, in a section of town called the Vila Nova de Gaia. The international popularity of Port has much to do with Portugal's long association with England. In the 17th century, when French rulers forbade the English to sell their cloth in France, England's Charles II retaliated by banning the import of French wines to his nation. As a result, the thirsty English cultivated relations with the Portuguese, and under the Treaty of Methuen (1703) Portuguese wines gained easy access to the British market.

Today the city of Porto maintains the aura of a 19th century port. And although it might not qualify as Portugal's quaintest of spots, a visit to this *capital do trabalho* (work capital) offers a different perspective on Portuguese life and culture. Not to be missed in Porto are the famous Port houses, each of which maintains a "lodge" or warehouse in the Vila de Gaia, just over the Dom Luis I bridge. The area around the lodges is full of outdoor cafes, many with great views of Porto across the river, and several of the old barges, or *rabelos*, which used to provide transport downriver for the wine. Free guided tours of the lodges are provided which show how Port is stored and, of course, offer samplings of the prized wine. Three of the best known producers which give tours are Sandeman (2 Largo Miguel Bombarda, tel 30 40 81), Real Vincola (314 Rua Azevedo Magalhaes, tel 30 30 13), and Ferreira (19 Rua de Carvalhosa, tel 37 00 10). All are open Monday to Friday, and weekends in the summer; tours can be arranged by a tourist office, hotel concierge, or by calling directly.
—Robin B. Hodess

AMSTERDAM

STRIKES—MORE THAN JUST SPILLED MILK

The Hague suffered from an epidemic of spring fever this year, manifested by a wave of strikes. In early April, the candy plants went on strike, followed by the railway, metal industries, the dairy industry, teachers, and nursing personnel.

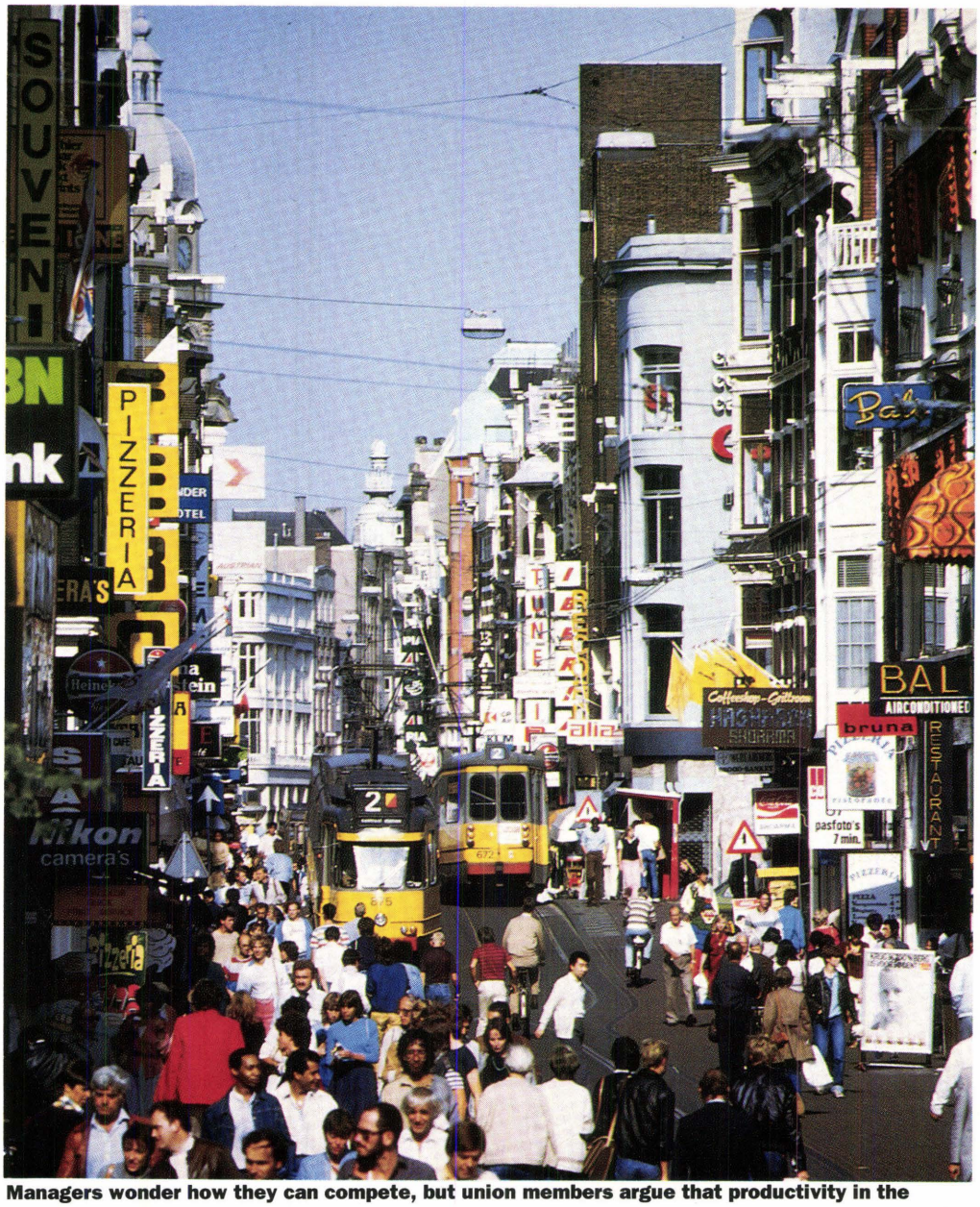
Union leader Johan van Stekelenburg had predicted this type of social unrest back in early April as there was a foreboding sense of general

mistrust brewing between management and labor unions. Because of the weakening economy, management is looking to cut back expenses, and labor feels slighted.

An editorial in the leading Dutch daily, *N.R.C Handelsbladin*, stated: "The strike wave occurs at the end of an economic cycle. Though one cannot call it a real recession, the Dutch economy is at a standstill, and next year's prospects are meager. Industrial profits are under pressure, while labor costs are rising. The unions have not yet adapted their demands to the current state of the economy. Whereas industrial management is making efforts toward greater flexibility, the unions are beginning to defend their claims more forcefully."

The government of The Hague has tried to ease the financial pressures on labor by reducing the value added tax. However, this tax reduction doesn't come close to counterbalancing the effects of the increase in taxes introduced last year. Management, meanwhile, has been slow to adjust to the increase in taxes. Government, management, and labor, therefore, find themselves in a triple bind. The chairman of one of the largest unions said that he would like to see one central agreement (not about wages, however) between the three parties.

Over the past few months, strikes have spread in epidemic proportions. Strikes planned at 20 companies in the metal processing industry spread to an additional 60 metal companies within a week. The companies involved were mainly garages, plumbers, and fitters. Unions attempted to negotiate a new collective labor agreement which would have affected 280,000 employees working at 30,000 companies. Talks stalled, however, over employers' proposals to introduce incentives to reduce absenteeism.



Netherlands Board of Tourism

Managers wonder how they can compete, but union members argue that productivity in the Netherlands is unusually high.

The dairy industry strikes were started over worker demands that employers agree to a salary increase and withdraw proposals which would raise the age limit for early retirement from 59 to 60. Last week workers went on strike at one of the Netherlands' largest dairy plants. Instead of delivering milk to the plants, the workers in the northern province spilled milk throughout the streets of major cities. Forty dairy plants throughout the country followed suit, and the strike went on for five days. Eventually, the unions called it off—not because an agreement had been settled—but because the Netherland's sensitive "greens" began to cry out over the damage that the spilled milk was causing to the environment. Talks between the dairy industries and the unions were finally resumed.

The unions called for a "central agreement" between the employers and the government. This compromise applied to all sectors of the industry. The unions hoped for an agreement that would cover not merely salaries but also better medical insurance, retirement pensions, and improved working hours.

Management has repeatedly complained that in Japan workers get ten days vacation, while in the Netherlands workers get up to 25 days holiday. Managers wonder how they can compete in

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the international marketplace, but union members continue to argue that productivity in the Netherlands is unusually high.
—*Nel Slis*

ROME

CHANGE IS IN THE AIR

Could it be that the average American has been a true Marxist all his life without ever realizing it? It's hard to believe, but anyone who has been following the vicissitudes that have stirred up the waters of Italian left-leaning parties in recent weeks could be forgiven for thinking so. Now it appears as though having a maid who takes care of the housekeeping, even for only a few hours a day, is a type of capitalist exploitation even if the worker is paid regularly and according to legal rates.

The uproar originated on the pages of the newspaper of the extreme Left, *Il Manifesto*, when one of its most authoritative journalists happened to mention in one of his articles the woman who cleans his apartment. Almost overnight, the newspaper was inundated by a flood of letters of protest. *Il Manifesto* is a newspaper of considerable cultural and political importance. In fact, just a few years ago *Il Manifesto* received an unexpected certificate of independence from *The Wall Street Journal*, a newspaper that certainly cannot be suspected of harboring Marxist sympathies.

Others in the Italian media were quick to seize the argument, some satirically and others seriously. Many made a point of mentioning that the number of dual-career families is increasing in Italy, and the help of a maid—I beg your pardon—domestic engineer is indispensable to many such families. Even the *Corriere della Sera* had a comment on the matter, stating that asking a professional person who works outside of the home to do the laundry and clean the house is like requiring an athlete to clean the field at the end of a game.

All for naught. The unshakeable Marxist *Il Manifesto* readers would not let themselves be convinced. Whoever has help in doing the housework, in their opinion, is an exploiter of the working class. Perhaps it's true that a good many unassisted American housewives are orthodox Marxists, and they didn't know it.
—*Niccolò D'Aquino*

MADRID

BASQUE TERRORIST LEADERS CAPTURED

Spaniards breathed a collective sigh of relief in late March after French and Spanish police swooped down on a chalet in France and nabbed the three top leaders of the armed Basque separatist group ETA. This terrorist organization has killed over 700 people in its 24-year campaign for the independence of northern Spain's Basque region. The members of the trio were identified as ETA supremo, Francisco Mugica Garmendia; explosives expert, Jose Maria Arregui Erostarbe; and political chief, Luis Alvarez Santacristina.

ETA gunmen and bombers had already murdered close to 20 people this year. The organization had announced that it considered the Summer Olympic Games in Barcelona and Expo '92 in Seville as legitimate targets. With the opening of these events approaching, Spain was working feverishly to head off a terrorist offensive.

Spanish officials now say that, according to documents found at the chalet and in another ETA safehouse raided in Spain, the ETA was not planning any nasty surprises at the Olympics. However, there is still at least one active ETA unit still believed to be in hiding in or around Barcelona. And so the authorities have pledged not to drop their guard against terrorist attacks by the group which hopes to, in the words of Prime Minister Felipe Gonzalez, "blackmail the state" into holding peace talks, or in the words of another observer, "shoot their way to the bargaining table."

"They will not succeed," vows the prime minister, "not in such a significant year." And the security forces are doing everything in their power to ensure that the events which mark 1992 as "The Year of Spain" do not suffer any outrage from the ETA or any other outlaw group, homegrown or foreign, with a gun, a grievance, and a shot at publicity.

In Barcelona, local anti-terrorist experts are huddling with their counterparts from France, Germany, Italy, Israel, the United States, and Japan to compare notes on worse-case scenarios.

Special helicopters to patrol the city's skies have been purchased from the United States and mini-submarines will guard the huge port, where luxury liners are to be berthed as floating hotels. They will also be lurking off the beach where the Athletes' Village is situated. Just to make sure no ETA gunmen sneak in from France, up to 3,000 soldiers will be deployed along the nearby mountainous border.

By July 25 when the Olympic Games kick off, the city itself and the surrounding towns hosting individual events will be swarming with 30,000 members of the security forces, including local and national police, Civil Guards, elite commandos, snipers, and soldiers on loan from the Ministry of Defense.
—*Benjamin Jones*

Thirty-thousand members of Spain's security forces will be stationed in and around Barcelona during the Olympic Games.

SPORTS

EUROPE TACKLES AMERICAN FOOTBALL

By Kent Gilges

Purists may argue what to call the ball, but nobody can deny: Europe is catching American football fever.

Across the Atlantic, the World League of American Football (as opposed to "true" football, or soccer) begins in March and carries through to the World Bowl in June. This season is just beginning, and, with a continuation of last May's SRO performances, the sport is clearly building a following in Europe that would put even Washington Redskin fans to shame.

There are only four European teams in the bi-continental World League of American Football: London, Barcelona, Frankfurt, and Birmingham. Yet each team attracted near-capacity crowds by the end of last season, so the League is already planning an expansion of two teams per year in 1993 and 1994. Probable next stops: Paris, Berlin, and Rome.

American football has been building its support in Europe since the mid-eighties, when the NFL sent the first two teams across to play in the American Bowl—a glorified preseason exhibition—at London's Wembley Stadium, long one of the European temples of world-class soccer. That first NFL game sold out in five days and the American Bowl became an annual event.

Seven years later—last June—the fledgling WLAF staged its first World Bowl in the same venue with an all-European game between the London Monarchs and the Barcelona Dragons. Final score: London-21, Barcelona-0. Attendance: 61,108. Another sell-out.

Three more American Bowl games were played this summer. Sixty-six thousand fans packed into Berlin. Fifty thousand in Tokyo. And the customary full stadium at Wembley, where advance sales were down at first because—claimed promoters—London's loyalty is now with its WLAF Monarchs.

Skeptics of the League like to claim that football is only drawing expatriate Americans and that European hearts are solidly behind soccer. The second statement is probably true: Soccer is the true king in Europe. Yet American football is proving a wily crown prince. The Frankfurt front office says that 80 percent of its 149,000 home tickets sold last year went to Germans—this in spite of the fact that the football stadium is located within two miles of the largest American air base in Europe. In addition, *Newsweek* reports that 50,000 people in a dozen countries here play in youth or amateur football leagues. The German Football Federation alone has fifty teams, while the most recent practice for the Frankfurt Gamblers, a youth squad that runs its drills beside the Galaxy's Waldstation, turned out hundreds of eager new recruits.

Brent Musberger, the former ABC announcer and football guru, said after a game last year, "I think the biggest surprise of the World League so far for me has been the obvious acceptance by the Europeans... The support here has been unbelievable."

But what exactly is the big attraction—particularly for people, the majority of whom admittedly don't understand the intricacies of the game?

First and foremost, football in Europe is a show. No, it is more than a show. It is a spectacle. Football typifies for Europeans the energy and zest of America. As one League executive put it, "Gridiron is the rock and roll sport." And the fans here have responded to that.

Scene: A floodlit stadium set in the midst of a German forest. Dark sky. Fifty-thousand fans joined in long rows, rocking and singing to the deafening rhythm of David Lee Roth. Rockets fire skyward. Cheerleaders form in a col-

Bob Straus

Harry Wilson and the London Monarchs celebrate their 21–0 championship victory over the Barcelona dragons.

umn. The loudspeaker cuts in:

"LADIES AND GENTLEMEN," the echo reverberates.

"YOUR FRANKFURT GALAXY!"

The near hysteric crowd breaks into thunderous applause as the players run onto the field, whipping up the crowd. The hi-fi system pounds out the heavy bass beat of Springsteen's "Born in the USA." Flags wave. More rockets whiz up and burst above the stadium.

"It's like a cross between a sport and a rock concert," says Frieda Klein, a 22-year old philosophy student from Bornheim, "It gives us something to do before the discos get going at midnight."

Young people are a major draw for the new league. In Barcelona, the students sing soccer choruses of "Olé" when points are scored. In Frankfurt, they do The Wave the way they've seen it on broadcasts of the NFL games to Europe. An older woman, who is at the Frankfurt-London game with her husband and two children, grabs my arm. "I don't understand this sport," she shouts, "but it sure is fun. I love the energy."

Football, indeed, is not just for the young. Other Europeans, like this German mother, have found that the games are an ideal family entertainment. In one of the quirkier ironies of modern sport, American football is perceived on this side of the Atlantic as being non-violent, while soccer has a notorious reputation for hooliganism. "We don't have that aggressive male element in the stands yet," says Marshall Hopper, a spokesman for the Galaxy, "It has really been a stroke of luck for us."

So bring the wife and kids. Pregame festivities include barbecues with grilled sausage and beer ("We've even imported the tailgate party," says Oliver Luck), punt-pass-and-kick contests for the kids, and a dunking machine. The games are circus, concert, and county fair all rolled into one. Football is in the center ring, but it is by no means the only attraction.

In spite of a positive first year abroad, the League is not without its problems. Chief among these is the qualified failure of the American teams. Granted, fans cannot expect NFL caliber play. At best, it is closer to the level of, say, the top college teams. But for American fans, weaned in a long tradition of top-level football, second rate play is not really good enough. Indeed, attendance in the U.S. was notably worse than in Europe. The Raleigh-Durham franchise was so poor, in fact, that the team folded and moved to Columbus, Ohio for 1992. The television ratings, meanwhile, weren't exactly a beer company's fantasy. Add to this the fact that startup football leagues have a long history of failure (vide, World Football League and the USFL), and the picture grows more gloomy.

In fact, given only attendance numbers, it would seem that the best thing for the WLAF would be to concentrate on founding European franchises, which could at some point form a third division in the NFL, making it the "world" league. That scenario, however, fails to consider television. As with the NFL, television accounts for the largest revenue share—around 80 percent—in the WLAF. "TV runs the world, right?" says Frankfurt's Marshall Hopper.

Well, maybe not the world, but football anyway. As of last September, the League had still not scheduled its spring season because it was renegotiating the television rights with ABC. In mid-September the WLAF teams got notice that the League shareholders (i.e. the NFL owners) had postponed until late-October the decision of whether or not to continue for another season. When a deal through 1994 was finally struck with the network, the front offices were left with only three months to complete six months of preparations. "It was a real problem for us," says Oliver Luck, "We wanted to pump out season tickets while the fans were still hot for them, but we couldn't sell anything until we found out if and when we're playing."

Talk about threading a logistical needle.

And the problems go on. If the American television audience continues to tune out, the League is most probably non-viable. Although football is popular among Europeans, it is highly unlikely to attract the living room viewers and armchair quarterbacks that nourish the NFL, so any television contracts that might come here certainly wouldn't reward the NFL owners to the extent they have come to expect in the United States. The second great irony of the WLAF, therefore, is that despite its popularity abroad, the League could conceivably be dragged under by the failure of football in North America.

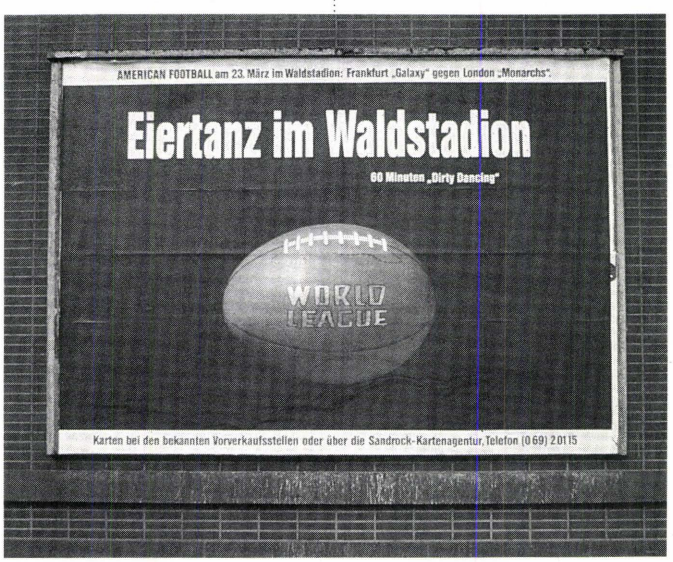
The NFL owners are looking for a variety of solutions, the most promising of which is to allow second-string NFL players to play a spring-season with the World League, thereby raising both the quality of play and the popularity at home.

And as more and more fans pour into European stadiums and youth-league football grows, the tide may turn. For the present, the WLAF sees American football in Europe as a gamble. If they manage to keep going through 1994, they may yet prove the pundits wrong and show that an international football league could be very successful.

As Barcelona's mayor, Pasqual Maragall, says, "I think this sport will get deep into the heart of Spanish fans. To unite more than 40,000 spectators is something no one could have imagined."

What does the World League say to that?

Olé!



Bob Strauss

The European franchise could at some point form a third division of the NFL.

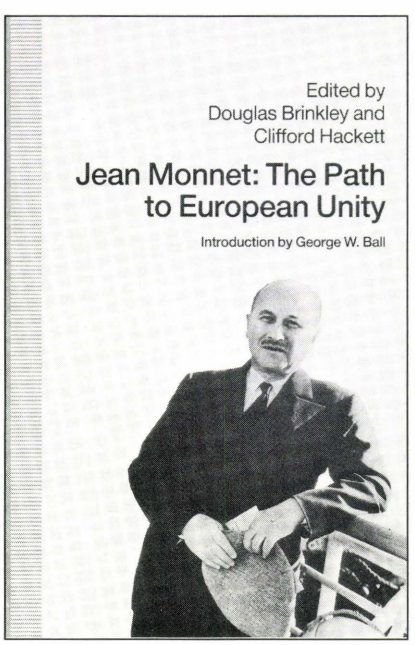
Kent Gilges is a writer based in the United Kingdom.

ARTS & LEISURE

BOOKS

Jean Monnet: The Path to European Unity. *Edited by Douglas Brinkley and Clifford Hackett. St. Martin's Press. 226 pages.*

In a recent address to the European Parliament, Jacques Delors, President of the E.C.'s Executive Commission, eloquently outlined the challenges facing the Community this year: "History has many milestones. 1992 is one. It marks the culmination of an inspiring adventure, the European Economic Community, and an awesome undertaking, the Treaty of Rome. It marks the beginning of a new era, the age of Maastricht. It points to a new horizon, the dawning of European Union."



These words would have been music to the ears of Jean Monnet, the Frenchman who from the wings of the postwar European stage prompted the foundation of the European Community in the 1950's. When he died on March 20, 1979, the Community he helped create only made headlines as the victim of Eurosclerosis; now, in 1992, the E.C. is the world's largest unified consumer market and a major source of economic stability in Europe and the world.

So, things turned out a lot better than expected at the end of the 1970's. That might not have surprised Jean Monnet, who in his vocation to unite Europe encountered many pitfalls, but never gave in. For him, perplexity was the beginning of fresh thought. Recent history has proved him right. When a true common market was beginning to seem unattainable, Jacques Delors, a former French finance minister became President of the Commission in 1985. In his first term, he re-launched Europe on the course to a single market with a deadline of December 31, 1992. Like Monnet four decades before him, Delors made headlines for his efforts under the moniker—"Mr. Europe."

A recent publication by St. Martin's Press, *Jean Monnet: The Path to European Unity*, is an interesting collection of essays on the man without whom the European Community might never have got off the ground. Eight essays by colleagues of Monnet and professional historians of the next generation now document the profound impact this native of Cognac had on Europe and the cause of international peace.

What emerges most from the collection is the portrait of a human and political dynamo whose greatness is thrown into even sharper relief by his extraordinary personal modesty, which some of the contributors in this volume believe deprived his autobiography, *Memoirs*, of details and insights which now have died with him.

The essays, particularly those by his collaborators, reveal a man who was fascinated and inspired by the United States, which he came to know while promoting his father's cognac business, and who later, as a highly effective political outsider, worked behind the scenes to create equal partnership between the European Community and the United States. Those who knew him forty years ago still marvel at this influence on world leaders without being one of them. He had the ear of Churchill, Roosevelt, and de Gaulle (although this relationship was more volatile) who all sought his advice at one point or another. Monnet himself recognized that he could see things more clearly than those in elected office, which is why he deliberately remained an outsider who relied on his connections at all levels.

Perhaps the best feature of the book is the personal character of the anecdotes that restore a third dimension to a man who is all too often flatly described in E.C. public information materials as "a founding father of the European Community." All relate firsthand experience of his determination in the face of difficulties, his imaginative realism in finding solutions, his habit of ending social dinners with exacting discussions on current affairs, his lack of friends in a purely social sense, and his devotion to his wife, Silvia, who often participated ably in the heavy-duty dinner discussions, when politics was still a particularly male domain. Whether alone on one of his early morning walks, or sitting around a table discussing with friends, his mind was constantly working, formulating ideas about how things could be done better, if governments agreed to cooperate economically as they had done in the wartime emergencies.

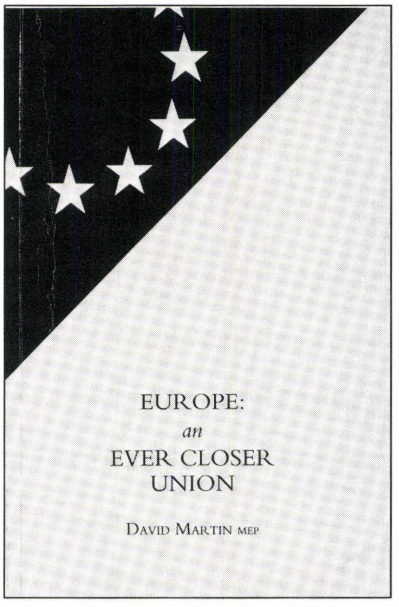
The secret of Monnet's success is a question many of the contributors have tried to answer in these essays. George Ball puts it down to

his complete lack of personal ambition and his matter-of-fact approach to state and power. Richard Mayne, a writer and colleague of Monnet's and translator of his *Memoirs*, felt that it was his goodness that set him apart from the rest. Francois Duchene, another colleague of Monnet's in the early days of the Community, put it down to his ability to choose the right man for the job. He was demanding of himself and of others. According to Duchene, this truly set him apart and sometimes cost those who worked with him: "It is true that ordinary men had trouble keeping up the pace he imposed on their teamwork. It was not beyond the physical or intellectual capacities of a well-chosen team. But it destabilized men in it."

Edited by Douglas Brinkley, Assistant Professor of History at Hofstra University, and Clifford Hackett, Executive Director at the American Council of Jean Monnet, this volume is probably one of the most valuable contributions to the memory of a man whose own autobiography does not do him justice.

Clifford Hackett is also author of *Cautious Revolution* (Praeger, 1990). Subtitled *The European Community Arrives*, Hackett's work is an extremely impressive, well-organized, and insightful analysis of the European Community's history, workings, and challenges. Although it predates Maastricht and the Treaty of European Union, it remains one of the most thorough, scholarly, and comprehensive guides for Americans interested in learning more about the E.C.'s institutional operations, its common policies, budget, trade relations, and cooperation with the United States.

—Maeve O'Beirne



Europe: an Ever Closer Union. *By David Martin. Bertrand Russell House. 101 pages.*

As vice president of the European Parliament and author of the Parliament's reports on European Political Union, David Martin is in a unique position to appreciate and analyze the problems faced by the European Community, including the "democratic deficit." In his book *Europe: an Ever Closer Union*, Martin examines the path of European Union and proposes reforms to create, in his words, a "socialist superstate." The alternative to a socialist superstate for Martin is a "capitalist superstate" where "we are all slaves of the market." He then poses the provocative question: "who wants to end up like the United States of America where poverty still persists in a land of plenty?"

President Bush's new world order casts the E.C. as "posse to the United States as world Sheriff."

To secure fundamental rights and freedoms within the E.C., Martin proposes several things including the accession of the E.C. as a whole to the European Convention on Human Rights and the creation of a Second Chamber of the Nations and Regions to replace the Council of Ministers. In addition, Martin recommends that the European Parliament assume legislative power in the area of fundamental rights to prevent the Council of Ministers from reducing race relations and immigration laws to the "lowest common denominator." Throughout his book Martin argues forcefully and persuasively that the European Parliament must be given more power to correct the democratic deficit and guarantee liberty, equality, and fraternity for all Europeans.

The most intriguing chapter for Americans may be the one discussing the E.C. attempts to formulate a common foreign policy through the process known as European Political Cooperation (EPC). Martin insightfully acknowledges that the United States government's opinion of the E.C.'s foreign policy is "usually critical" when the Community fails to act in a unified manner, but "very worried" when the E.C. achieves a united response to an international crisis. According to Martin, President Bush's new world order casts the E.C. as "posse to the United States as world sheriff." Instead of this part, Martin's vision of the E.C. embraces an international role which prevents United States hegemony by making the Community's political influence commensurate with its economic influence. Martin advocates abolishing the policy-making distinctions between external economic relations and political cooperation, subjecting the E.C.'s foreign policy to scrutiny by the European Parliament to ensure democratic legitimacy, and pushing a non-nuclear defense policy for the Community.

Margaret Thatcher and the Conservative Party are criticized, not surprisingly, for their opposition to federalism in the European Community. Martin maintains that the ever closer union feared by the Conservatives is not a "centralized superstate," but rather a federal Europe resembling the Swiss federation and employing the principle of subsidiarity to create and distribute wealth. His views on the future of European Union and subsidiarity are particularly timely given the recent elections in the United Kingdom and the continuing debate on federalism there.

Europe: an Ever Closer Union is an interesting and thoughtful book for any reader following the course of European integration. Martin's suggestions for institutional reform in the E.C. to reduce the democratic deficit and enhance the E.C.'s international role merit serious consideration. As the Community confronts the challenges of American and Japanese competition, the 1992 program, and the changes in eastern Europe, Martin reminds us that democracy is the building block of the Community and the prerequisite for economic success.

—Donna Starr

Single Market Europe: Opportunities and Challenges for Business. *By Spyros G. Makridakis & Associates. Jossey-Bass, Inc. 369 pages. $32.95.*

Please, not *another* book about 1992. That's the same reaction Spyros Makridakis, the highly respected professor and expert on business forecasting methods at France's prestigious INSEAD says he had when first approached to write a book on the E.C. and 1992.

But, after giving it some thought, Makridakis and his INSEAD colleagues did what any smart business executive would do—they found a market niche that had been overlooked then produced a product they, themselves, would like to read. Namely, a straightforward look ahead for corporate executives offering practical advice on how market unification will affect the nuts and bolts of running a business for firms already operating in Europe or hoping to go European.

The result is *Single Market Europe*, a must-read for any aspiring Euro-executive that is as current and topical as the front pages of *The Wall Street Journal* or *Financial Times*, written and edited by 17 of INSEAD's top business and economic experts.

According to the authors, there will be plenty of opportunities for smart, agile, and strong companies to profit from market unification. Yet, like most new opportunities, there is a catch. The combination of government deregulation, market forces, and technological innovation will, indeed, transform the overall European economy into a more efficient and productive one. However, "the more efficient a market, the less predictable it becomes," the authors note.

The ability to do business relatively unrestricted by national boundaries and domestic barriers will open up previously protected local markets. It also means increased competition and greater uncertainty for all European firms. In turn, companies are going to have to reinvent, restructure, and revise their corporate strategies from top to bottom. Executives accustomed to being "kings in their own countries" will have to learn to produce in this new neo-Darwinian marketplace if they want to prosper—not to mention keep their jobs. With market share and profitability no longer guaranteed by government mandate, flexibility, uncertainty, and long-term thinking will become the new corporate status quo.

"Executives will have to learn to produce in this new neo-Darwinian market place."

To glimpse what the successful post-1992 pan-European corporation might be like, just look back to the United States during the 1980s. As in America, the mergers and acquisitions game—already on the upswing in Europe—will become even hotter as European companies bulk up by buying or merging with other firms to avoid being pushed out of the marketplace by even bigger rivals. Meanwhile, corporate bureaucracies will be pared down to cut costs and decision-making time, putting many non-producing midlevel managers out on the street. Increased price competition will mean more investment in new technology, plus harder bargaining with unions for work-rule concessions and smaller salary hikes to increase productivity.

Along with streamlined organizational charts, more flexible manufacturing networks, and pumped-up market muscle, access to financing and future monetary policies will play an increasingly vital role. Ironically, because European financial markets have been one of the most protected, they will also be one of the most unstable during this restructuring period. Indeed, the authors estimate that it will take at least five years after economic integration for the financial services sector to shake itself out. In the end, this should mean fewer, but bigger, banks and financial houses offering more and better products. Good news for already-large companies looking for leverage to get even larger. Small and middle-market commercial companies will also come up winners as increased competition makes them more attractive to deal-hungry stock and bond underwriters. However, some re-regulation may be required to ensure the newly revitalized European stock markets do not run amok. In turn, INSEAD predicts that the E.C. might need to create an agency modeled after the U.S. Securities and Exchange Commission (SEC) to maintain "a level playing field" in security transactions.

But before any company doing business in Europe can fully realize the long-promised economic benefits of 1992, corporate managers are going to have to learn how to handle what may be the biggest "X" factor in the 1992 equation—a factor that no government commission, politician, or E.C. Eurocrat can plan for or really control. The people factor. As the INSEAD authors note, E.C. 1992 means companies will be able not only to integrate and expand their economic activities, but they will have to "harmonize" their human resources, as well.

Doing business across borders means more managers from different countries working together for the same company or as joint-venture partners. Yet, even if all these executives speak a common second or third language, it does not mean that they will be able to communicate. Indeed, as *Single Market Europe* notes, managers from different European cultures often cannot even agree on the best way to run a business meeting—much less come to a common decision.

The British, for instance, tend to shy away from open public conflict, preferring to handle disagreements informally and privately outside the meeting. An Italian manager, however, may feel it is better to heatedly argue differences of opinion in the open. And both are right—for their cultures.

Despite all the other challenges and opportunities awaiting the new pan-European company and economy, how individual managers handle this human factor could be what determines the real success, or failure, of the whole E.C. 1992 process. As any good manager knows: You can have the best corporate strategy and market forecasts money can buy. But, in the end, how well each person in the company from the shop floor to the executive suite executes his or her part of the overall plan is what really counts.

—Larry Reynolds

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IN CLOSING...

Reviving the Thames

Once the source of commerce and trade (not to mention the very life spring of the city of London), the River Thames has always been at the heart of the city. Its lazy curves winding through London have provided the inspiration for countless poets and artists alike . Monet painted a series of works detailing the Thames. Wordsworth wrote in 1802 of the view from Westminster Bridge, "Earth has not anything to show more fair."

By the 1950's, however, the Thames had become foul. The salmon, once a staple of the many Londoners' diets had disappeared and warehouses and factories lined its shores.

For the past twenty years, Londoners have been working steadily to bring their river back to life, and it is well on its way to recovery. Today, the Thames' banks have a new vitality. Although the water is still a bit murky, the salmon are returning to spawn. And the old docks and run-down warehouses have been transformed into glitzy, high-tech business centers. The riverside offers a number of nightspots with scores of restaurants and pubs, and the new RiverBus provides the quickest route across London.

Taking a river tour is probably one of the quickest ways to learn the history of the city. Hampton Court Palace, Westminster Abbey, Cleopatra's Needle, the Tower of London, the site of the Globe Theater, and the Royal Naval College are all located along the River Thames—that is the new, cleaner Thames. *—Martha Cronin*

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