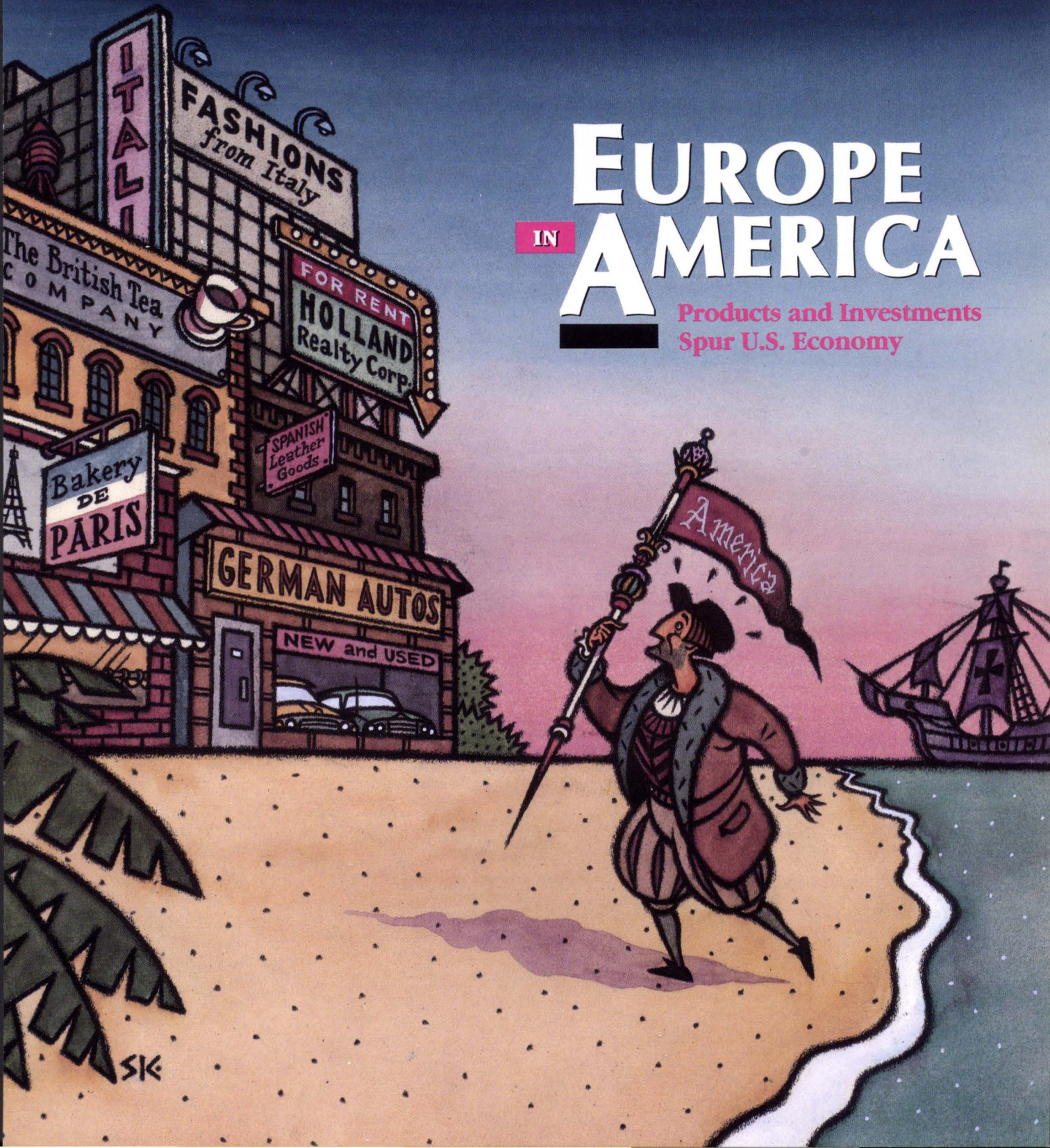


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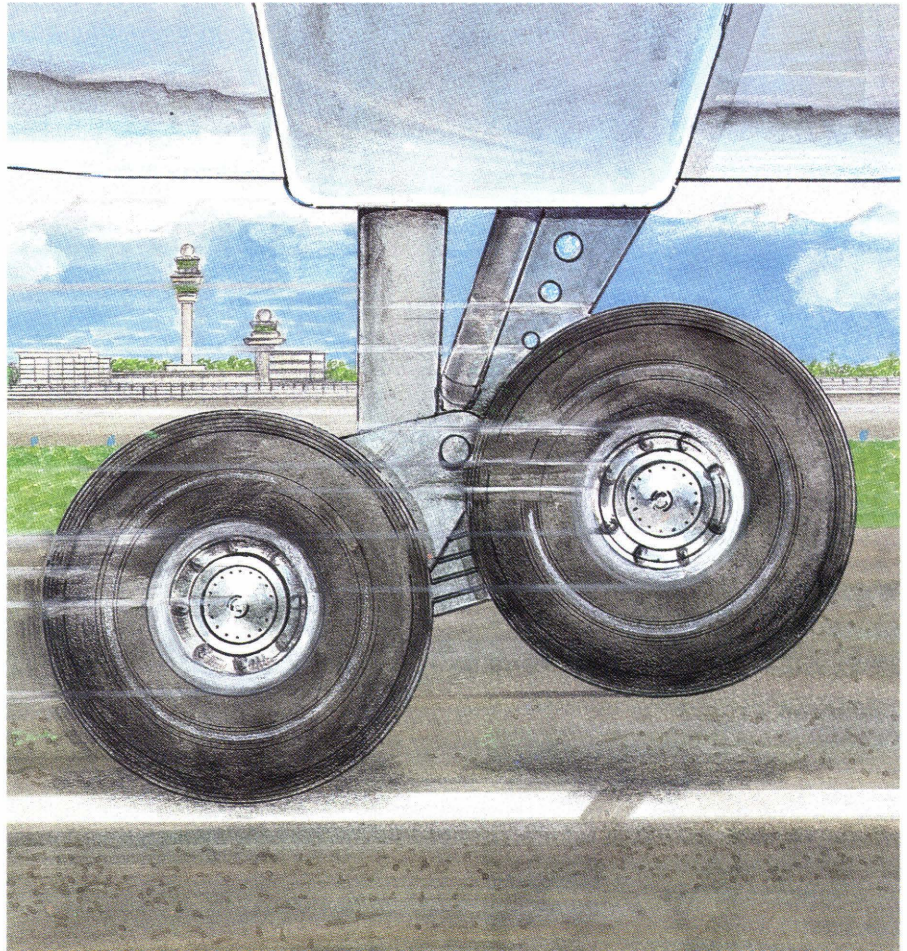
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EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY

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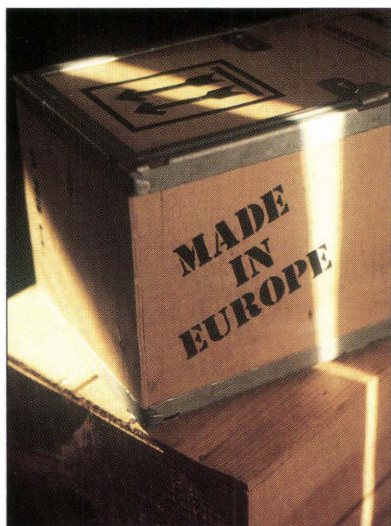
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Letter From The Editor

EUROPEAN INVESTMENT IN

the United States provides jobs for American workers and capital for many real estate and other business ventures. And, as Steve Dryden points out in *Europe's* cover story, European companies are the most active foreign businesses in the U.S. economy: "Last year, British, French, and German firms bought about \$21 billion worth of American companies, compared to Japanese acquisitions valued at \$8.1 billion."

To illustrate the importance of European investment in the American economy, *Europe* profiles the German transportation firm Daimler-Benz. Readers will find that there is much more to the company than its beautiful luxury car, the Mercedes. For example, Daimler-Benz, Germany's largest industrial corporation, is involved in joint ventures with Westinghouse, and owns the Oregon-based Freightliner Company, America's second-largest manufacturer of heavy-duty trucks.

European influence has also found its way into everyday life in America. Peter Rashish provides a glimpse of the many European products an average American uses during the course of a day. In addition, Rashish pinpoints the U.S. states in which European firms have the most investments. He presents some surprises: For example, California, more often associated with its geographical proximity to the Pacific Rim, attracts more investment from Europe than from Japan. And Freda Greene reports that European clothes and food are the "in" items for Californians.

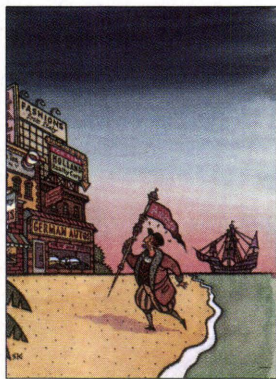
This month's Member State Report focuses on the Netherlands, which is getting ready to take over the E.C. Presidency on July 1. In addition, Robert Haslach notes that the Dutch have actively participated in the development of the United States since its early days. He writes: "By 1805, the Dutch held all U.S. foreign debt, and helped finance the Louisiana Purchase of 1803 out of the Amsterdam capital market."

Today, Dutch investment continues to grow in the United States, with large investments in real estate and insurance. *Europe* explains why Dutch investment in the United States is far greater than its small land area would suggest, and presents a profile of the Dutch-English oil and chemicals company Royal Dutch/Shell.

Europe begins a new "State Profile" series this month, which will focus on a different U.S. state each time, explaining how it interacts with the E.C. through trade, investment, and tourism. The series kicks off with a look at the Midwestern state of Indiana. That state's Governor, Evan Bayh, in an exclusive interview with *Europe*, talks about Indiana-E.C. relations and how Indiana firms are getting ready for the 1992 single market.

Robert J. Guttman

Robert J. Guttman
Editor-in-Chief



Europe in America:
European ideas,
investment, and
influence in the United
States.

Illustration by Sean Kelly

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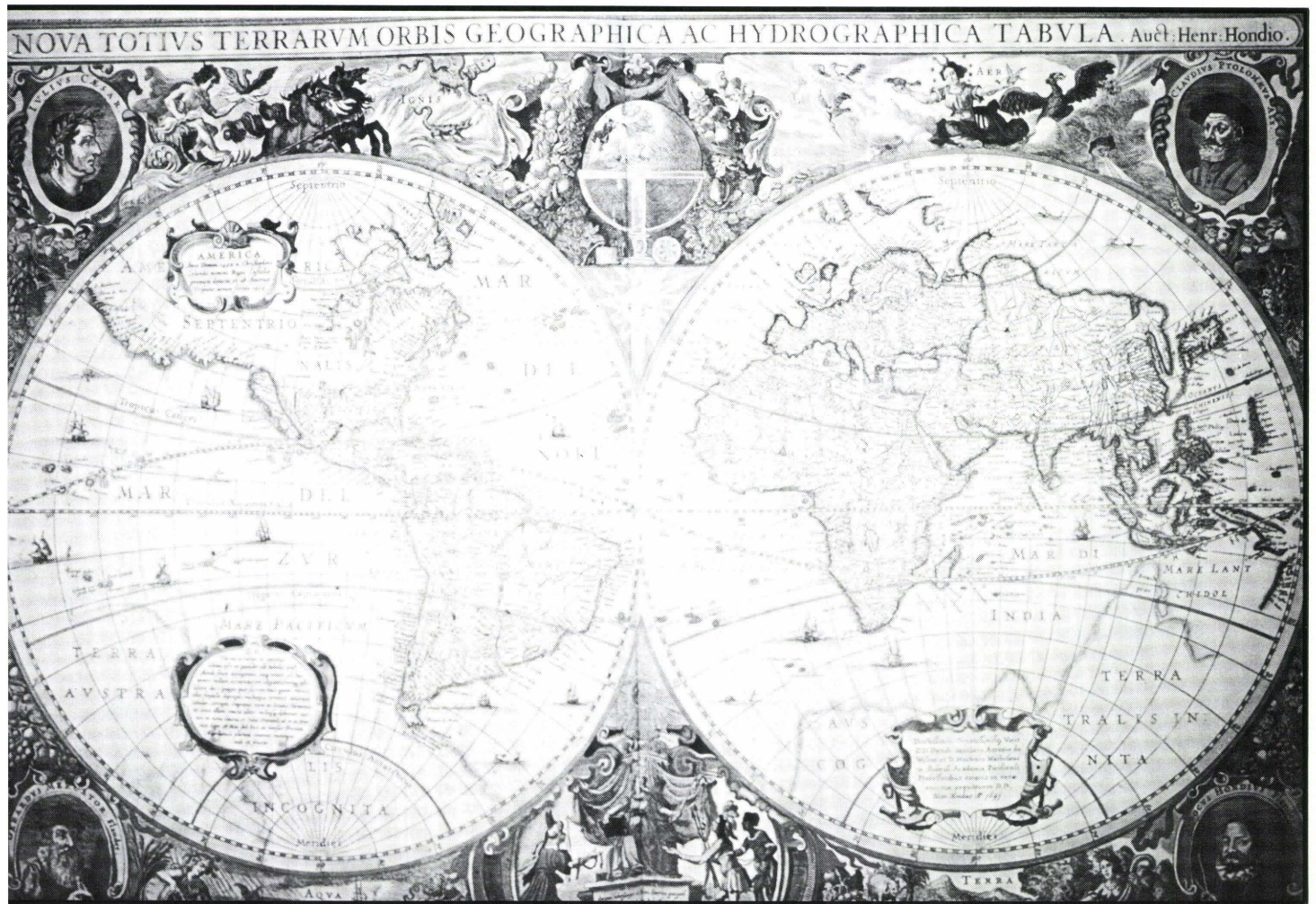
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EUROPEAN SCENE

IN THE NAME OF LOVE — The well-known phrase that “business comes before pleasure” seems to have been seriously taken up by the European Court of Justice and incorporated into the E.C.’s legal system.

In a recent decision, the Court ruled that a man who worked and had a home in Germany, but spent most nights and weekends across the border in Denmark with his romantic interest, did not have to pay Danish taxes on his German car.

Denmark had claimed the defendant as a resident because he spent so much time in that country—therefore making him “eligible” for taxes on his car. The Court, however, judged that the man was actually a German resident, since his work and official residence were in Germany.

The outcome could be seen as somewhat odd. A spokesman for the E.C. Commission noted that, in this case, “work and home [definitely] come before lover,” and that the outcome might have been different had the couple been married.

Given the decision, a wedding does not seem likely in the near future....

Stormin’ Over Norman’s Roots

General “Stormin’” Norman Schwarzkopf’s success in the Middle East seems to have traveled much further north than even the general could have anticipated: right into his family’s ancestral village in Germany.

When the German daily tabloid *Bild* discovered that Schwarzkopf’s family originated from the small south German



ILLUSTRATION BY JEM SULLIVAN

Anything But My Crisps!

Crisps, a snack food near and dear to Britons, may soon cease to exist—as a result of a proposed E.C. food law.

Crisps, known in the United States as potato chips, are as essential to British pubs as pretzels and beer nuts are to American bars. They come in a variety of flavors, ranging from the original “ready salted” to cheese and onion, salt and vinegar, prawn, and even, some claim, hedgehog.

These flavorings, unfortunately, are the very source of the British crisp’s problem. The proposed E.C. law lists all those foods to which artificial flavors may be added—with the exception of the crisp. As crisps account for a large portion of the

British snack food industry, the thin potato wafer manufacturers understandably went into a panic at that omission, and sought immediate talks with the British Government.

The outlook does not seem very promising, however, since Commissioner Martin Bangemann, in charge of industrial affairs, has said that he would not add crisps to the list. Although Britain will take up the crisp makers’ cause, it faces an uphill battle to change the draft, which is likely to be passed in the Council of Ministers.

Meanwhile, the battle is still being fought on another front: Bangemann has become the target of Britain’s tabloid *Sun* newspaper, which has called on its readers to send the Commissioner packets of the much-loved treat.

town of Pfdelbach (population: 6,900), it published an article on the town. But reporters got so carried away with their story that their facts did not match reality. This aggravated Pfdelbachians and their mayor.

For starters, the newspaper increased the age of both the town (which will celebrate its 725th birthday, not its 750th, this year) and its mayor, Jürgen Wecker (who is 36 and not 46 years old). The town probably minded that mistake less than

the mayor.

But the *faux pas* didn’t end there. *Bild* went on to report that the mayor had virtually begged Schwarzkopf to visit Pfdelbach. This outraged Wecker, who had not taken any such initiative.

The beleaguered mayor and his constituents hope to have made amends by inviting the burly Persian Gulf hero “to visit the town, if he is interested in seeing where his forefathers lived.”

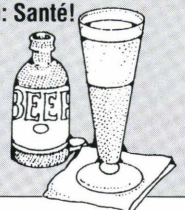
A BEER LOVER’S DREAM: FRANCE

Bordeaux, Burgundy, Beaujolais: Yes, the wine drinker’s paradise on earth is definitely France. But do beer aficionados know that beer heaven could be there, too?

The glitz and glory of France’s famous wine making industry have long obscured its equally fine tradition of beer brewing. It is not well known, for example, that France, which produced a total of 554 million gallons of beer last year, is the E.C.’s fourth-largest beer producer.

Since the days of Charlemagne’s victory feasts, France’s northern Nord-Pas-de-Calais region has been home to the largest concentration of French breweries. In 1914, it boasted 3,100 local breweries. Today, 18 of the country’s remaining 28 breweries are still located in this region. And at 23.8 gallons per person per year, French beer consumption in this part of the country is more than twice the national average of 10.6 gallons.

While the numbers of French-owned breweries may diminish in the future as foreign beer companies gradually move in to take them over, the clanging of beer mugs and the laughter of happy drinkers will remain: Santé!



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Europe **IN** America

Steve Dryden

Uniroyal tires. Maalox antacid. Carnation evaporated milk. Wisk detergent. Zenith lap-top computers. What do all these familiar products have in common? They are all made by American firms owned or controlled by European companies. Indeed, despite all the uproar about Japanese takeovers in the United States, European companies are the most active in the U.S. economy.

When calculated in terms of acquisitions of U.S. companies, the Europeans far outweigh the Japanese, whose purchases actually declined from 1989 to 1990. Last year, British, French, and German firms bought \$21 billion worth of American companies, compared to Japanese acquisitions of \$8.1 billion, according to the Securities Data Company.

The French became the leading European acquirers in 1990, spending \$12 billion on U.S. firms, thereby capping three years of astounding British activity, in which almost \$74 billion was laid out for American purchases. The 1990 French deals included a merger of Rorer, the Pennsylvania-based maker of Maalox and other pharmaceuticals, with Rhône-Poulenc, the country's biggest drug manufacturer, and the purchase of Uniroyal-Goodrich by Groupe Michelin. Groupe Bull, the French electronics concern, bought the computer operations of Honeywell and Zenith in 1987 and 1989, respectively.

It is not clear what this frenzied buying and selling means. Certainly, the American economy has drawn in foreign capital to finance growth in the face of the enormous national debt. But Edward Graham, a visiting fellow at the Institute for International Economics in Washington, D.C., who has studied and written about the phenomenon of investment in the United States, says: "It is striking how little pattern there is to European investment." For example, while a number of British deals have allowed the new owners to sell off assets and make some quick money, the French often appear to follow a

more strategic acquisition policy. But generalizations about corporate behavior by nationality "fall apart upon closer examination," Graham says.

In some instances, the surge of investment is related to the smaller government role in the affairs of European business. In the past, controls were kept on foreign investment and the domination of national markets was emphasized. Now "the move is all toward privatization" in Europe, notes Michael Blumenthal, a former U.S. Treasury Secretary, who is a Paris-based partner of the Lazard Frères investment banking firm. "Government control of key industries is very *démodé*. Everybody is spinning off and out."

According to some analysts, many of the recent European acquisitions are directed toward the creation of truly global business networks, a strategy that is also being followed by big U.S. companies (who spent more than \$24 billion for European businesses in 1989), and, in a much smaller way, by the Japanese. Borders and national identification of firms, in this view, are becoming somewhat meaningless.

Robert B. Reich, a professor at Harvard's Kennedy School of Government, wrote recently in the *Harvard Business Review*: "Gone is the company town, the huge local labor force, the monolithic factory, and the giant vertically integrated corporation that dominated the entire region. . . . The playing field is the world."

Reich also sees the multinational concept of the 1960s and 1970s, with its notion of a home headquarters and far-flung subsidiaries, as a thing of the past. This sentiment seems to be endorsed by the chairman of Germany's Daimler-Benz, Edzard Reuter: "We are increasingly recognizing that collaboration *sans frontières* is more and more becoming an indispensable prerequisite for one's own economic and technological success."

The 1987 merger of the Celanese Corporation of New York,

**U.S. is Major
Market for Euro-
pean Investment
and Trade**

a major manufacturer of chemical products, with Germany's Hoechst Group, to form Hoechst Celanese, is an example of a strategic business-technological alliance. "The United States is the largest and fastest-growing market segment for many key Hoechst product lines, and often the logical source point for providing products to the worldwide marketing capability of the Hoechst organization," says Ernest H. Drew, president of Hoechst Celanese. American employees, who work at 32 major locations situated mainly in New Jersey, the Carolinas, and Texas, make up about one-eighth of the Hoechst Group's personnel.

The expansion of France's large computer firm, Groupe Bull, could also be seen as an example of the globalization trend. The company was already active in such diverse locations as India, Australia, and Brazil. Bull's acquisition of Zenith Data System and Honeywell's computer operations opened up the possibility of establishing the company more firmly in the United States, where it had already set up sales and manufacturing ventures. Zenith Data has just unveiled a new generation of lap-top and notebook computers, hoping to enlarge its business from supplying government and educational institutions to a broader market. (Groupe Bull, however, has lost money over the past two years and is receiving an injection of fresh capital from the French Government. Zenith Data, too, suffered from a big drop in revenue in 1990.)

Elsewhere, Europeans are active in the U.S. publishing, public relations, and advertising sectors. Robert Maxwell, the British communications magnate, bought the Macmillan book company in late 1988, adding to his other American properties. The WPP Group, another British concern, owns the Hill and Knowlton public relations firm and the J. Walter Thompson and Ogilvy Group advertising agencies. But the British are also well represented outside the communications area. A sample of British-owned U.S. companies includes Pillsbury, Brown and Williamson Tobacco, and British Petroleum America.

Apart from the acquisition binge of recent years, some European companies have been active in the United States for decades. Nestle, the giant Swiss food concern, markets Carnation milk products and chocolate mixes, and candy bars such as Baby Ruth and Butterfinger. Nestle also sells Mighty Dog canned dog food, Fancy Feast canned cat food, and Stouffer Frozen Foods.

Unilever, a Dutch-British company, has sold the Lever Brothers detergents (including Wisk, Surf, and All), and Dove and Caress soap here for many years. It recently acquired several familiar food brands—Ragù pasta sauces and Boursin cheese—to add to its perennial favorite, Lipton tea. Vaseline Intensive Care and Close-Up toothpaste are also part of the Unilever line.

The British Imperial Chemicals Industries (ICI), one of the world's biggest chemical groups, made its first major U.S. acquisition in 1971, and has continued to build up its American presence over the years. ICI Americas, headquartered in Wilmington, Delaware, has annual sales of over \$4.5 billion and employs more than 17,000 people in manufacturing, research



ILLUSTRATION BY SEAN KELLY

laboratories, and other facilities. ICI's top products include Tanormin, which is used to treat hypertension; Nolvadex, for breast cancer treatment; Hibiclens, a surgical scrub; and Baquacil, a swimming pool sanitizer.

The European acquisition and investment campaign in the United States may be slowing down, however. The British

slacked off in 1990 as their economy cooled, and the French may need a period of relaxation to integrate their purchases. But Europe's place in the American economy, and particularly in the consumer market, seems permanent. **E**

Steve Dryden is a freelance writer based in Washington, D.C. He writes for *Europe* on business topics.

D

Steve Dryden

Daimler-Benz, Germany's largest industrial corporation, is best known in the United States for its luxurious Mercedes cars. But Daimler's American activities, which form just one facet of a major expansion campaign, are actually much more diverse than that.

From Georgia to California, Daimler is making or selling rapid transit vehicles, people movers, jet aircraft, trucks, helicopters, medical equipment, and satellites. The company's activities in the United States have become so complex that it recently opened a new office in Washington, D.C., to handle relations with the U.S. government.

The emphasis on diversification is based on the conviction of Daimler's chairman, Edzard Reuter, that cars may not always be as much in demand as they are today. "A broadly based technological group offers the best prospects for success," Reuter says. "We will guide the individual companies in the group step-by-step into the top rank of international competition, if they are not there already."

Reuter has been chairman of Daimler since 1987. Under him, the company has taken control of several leading German firms in the electronics and aerospace sectors. One of its biggest moves was the 1989 takeover of Messerschmitt-Boelkow-Blohm (MBB), the largest West German aerospace firm.

AEG Westinghouse Transportation Systems, a joint venture between Daimler and Westinghouse, makes complete people mover systems, engines for subways and other mass transit

vehicles, and automated train control components. AEG Westinghouse, which has manufacturing facilities in Pittsburgh, sells to and services transportation networks in San Francisco, New York, Baltimore, and Miami, as well as São Paulo, Rio de Janeiro, Vancouver, and Singapore.

In Oregon, the Freightliner Company, which Daimler acquired in 1981, is the second-largest U.S. manufacturer of heavy-duty trucks—the type you see pulling moving vans, livestock, and other big loads down interstate highways. Earlier this year, the company began offering medium-sized trucks for lighter loads, such as beverages and fuel oil.

Freightliner makes its trucks in Portland, Oregon, and in Mt. Holly and Cleveland, North Carolina, and uses American engines. But the company benefits from the use of Mercedes-Benz truck division facilities in Germany. These include the world's only full-scale wind tunnel for trucks, and a Cray supercomputer, used by Freightliner engineers. The Cray "cuts design time to a fraction of the amount you would normally need," says Freightliner spokeswoman Debra Nicholson.

MBB, meanwhile, is enjoying success as the supplier of about 50 percent of the U.S. market for emergency medical helicopters, which it assembles, equips, and services from its base in West Chester, Pennsylvania. MBB has also provided satellites for the U.S. Strategic Defense Initiative program.

Another Daimler aerospace company, Dornier Aviation, sells turboprop airplanes to commuter airlines. Among the customers are Midway Airlines and Alaskan firefighters, who use the low-flying 228 model to parachute more closely to forest fires. Dornier Medical Systems, based in Atlanta, Georgia, sells a variety of urological equipment, and is awaiting U.S. government approval to market its devices that use sound waves to painlessly dissolve kidney stones and gall stones. The sound wave treatment was a spin-off from observations made by Dornier's aviation engineers about the effect of raindrops on flying aircraft.

Mercedes-Benz continues to manufacture its prestigious cars in Germany. But last fall, the company opened an advanced design studio in Irvine, California, a high-technology enclave south of Los Angeles. It is Mercedes' first such facility outside Germany, and nine of its 10 employees are American. Gisela Folding, the manager of the studio, says the company was looking for "fresh input" and people "not encumbered by the preconceived notions" at the firm's headquarters in Stuttgart.

The Mercedes car remains the flagship of the Daimler empire—and it is a status symbol if ever there was one. As one Daimler executive once told a reporter: "Other people sell automobiles. We sell Mercedes. That's a big difference."



Daimler-Benz' CEO Edzard Reuter (here with E.C. Ambassador Andreas van Agt) opened the company's Washington office last month.

Daimler-Benz in America

profile:

EUROPEAN COMMUNITY

Richard Imus

Richard Imus, President of Daimler-Benz, Washington, Inc., was interviewed by Europe's Editor-in-Chief, Robert J. Guttman, at the company's recently opened office in Washington, D.C., last month.

Imus served in the U.S. diplomatic service for 29 years. Before joining Daimler-Benz, he was Minister for Economic Affairs at the American Embassy in Bonn. In 1989, when working as a trade negotiator in the Executive Office of the President, Imus was accorded the rank of Ambassador.

What is the organizational structure of Daimler Benz in the United States?

Our newly opened Washington, D.C., office covers government relations for the four operating divisions of the Daimler-Benz Corporation; that is, Mercedes-Benz, Deutsche Aerospace, AEG, and Daimler-Benz Investment Services (Debis). In New York, we have a holding company that is set up for tax and financial matters, and we have 22 operating U.S. subsidiaries. We are the Washington eyes and ears for those subsidiaries.

What percentage of total revenue does the Mercedes-Benz division contribute, and what are your car sales in the United States?

Globally, Mercedes-Benz contributes about 75 percent of the corporation's revenue. In the United States, we sell about 70,000 cars [per year].

Why has Mercedes become synonymous with luxury?

It is an extremely well-built car, and is undoubtedly the safest car on the road. But more than anything else, it is a question of quality. German engineering generally stands for quality, and that is the image that Daimler-Benz wants to project

with all of its products.

What manufacturing facilities does Daimler-Benz have in the United States?

We are one of the leading suppliers of trucks in the United States through our Freightliner Corporation, headquartered in Portland, Oregon. That company, for example, employs 5,000 people. All the trucks are manufactured in the United States and supply about 25 percent of the U.S. market.

We also manufacture light rail systems in joint ventures with Westinghouse in Pittsburgh. The propulsion and electronics of the Washington metro system are also our product, as are the people movers at the Atlanta, Tampa, and Miami airports, and the subway in San Francisco.

In addition, we are a major supplier of letter-sorting machinery to the U.S. Post Office. Another company of ours is a leader in high-speed computers and a major supplier of computers to NASA. Yet another American manufacturing company of ours is involved in electronics and chip production, with another company in California, and we are in the automation business in Detroit, Michigan. These are some of the manufacturing areas.

So would you describe Daimler-Benz as a transportation company across the board?

We see ourselves as a company that can provide all types of equipment in the area of transportation. We center on this question of transportation whether it is transportation by rail, road, or air.

Next to Boeing, we are the largest manufacturer of civilian aircraft through our partnership in the Airbus consortium. So when an Airbus flies in the United States with the colors of Northwest Airlines or Pan Am, that is partially our product. The Airbus planes are substan-



The President of Daimler-Benz' Washington operations discusses his company's U.S. activities, its global strategies, German unification, and "1992."

tially manufactured in our Hamburg and Bremen plants, in addition to the French plant in Toulouse. So Daimler-Benz is a transportation company that grew out of cars, but is now beyond cars.

Do you envisage more joint ventures with U.S. firms?

Yes. We will have strategic alliances that will work two ways: The first looks at the U.S. market. We like to work with American companies, particularly in areas that involve public procurement. Second, as technology becomes more complex and the costs become higher and harder for an individual company to bear, we see market opportunities and strategic alliances. Our main one in the United States is with United Technologies, where our engine company, NTU, headquartered in eastern Texas, is planning to cooperate both in the United States and in Germany with Pratt-Whitney Engine Science and Technology, a subsidiary of United Technologies.

How will the 1992 single market affect Daimler-Benz? Do you think it will be a positive event?

It will clearly be a positive event. We are a global corporation. It is clear that, if you are going to be a modern, integrated technology company, you cannot sustain a national base for long, even in a powerful economy like Germany's. You must think globally and take advantage of the world's three great marketplaces—Europe, North America, and Asia. We are already deeply involved across the borders in Europe: We participate in the Airbus venture and we have had other cooperative arrangements in the aerospace and defense systems areas.

We strongly cooperate with other European companies, so we welcome the single market. It is one of the reasons, for example, why we have strongly opposed any type of protectionist trends in the run-up to Europe 1992. For example, we have been one of the strongest voices against protectionist trends directed at Japanese cars.

Are you in favor of a free market for Japanese cars?

Absolutely. Among the European automobile manufacturers, we have agreed to a transition system. But we want that system phased out as soon as possible. We are a world-wide manufacturer and exporter of cars, and we believe in a free and open trading system in cars—including Japanese cars.

Some of your critics have said that Daimler-Benz is going in the wrong direction, that it should focus more on automobile manufacturing and not try to become a conglomerate. How would you respond to that?

That has been a debate within Germany,

"In the technologically advancing economies in which we live, a company cannot make it in the long run if it stands still. You need a strategy that allows you to continue to branch out . . . globally, and take advantage of the world's great marketplaces."

and among car manufacturers. Some German car manufacturers have chosen a different strategy.

Daimler-Benz' strategy was hammered out by two of the greatest industrial minds in Germany—Edzard Reuter of Daimler-Benz and the late Alfred Herrhausen of Deutsche Bank. They believed that, in the kind of dynamic, technologically advancing economies in which we live, a company cannot make it in the long run if it stands still. In the case of luxury cars, for example, there are finite limits to the number of luxury cars that a company can sell.

Therefore, you need a strategy that allows you to continue to strengthen the car side, but also to branch out to other sides. It is an imaginative strategy. It obviously involves a lot of hard work, and the jury is still out. If you pull together as many diverse companies as quickly as Daimler-Benz did, you will have to work out stresses, strains, and bumps. But the position of Daimler-Benz is that it will work.

As an American working for a German corporation, how would you characterize German-American relations today?

They are pretty good. As both Germany and the United States move out of the cold war system, which neither liked, but got used to, we are in transition. As each

country reassesses its international political and economic relationships, there is bound to be some stress and strain along the way.

The Germans have maintained the same interest in the United States as before, but they now have changing interests—getting their own country in order after unification and dealing with the problem of Eastern Europe both politically and socially.

We are going through an adjustment process in which we have to deal with issues such as Germany's new responsibility. We have to deal with the U.S. perception, whether right or wrong, that the Germans may not be carrying their share of the load. We also have to deal with the German perception, right or wrong, that the Americans perhaps are not willing to shake the intellectual shackles of an occupation mentality, namely that they want the Germans to carry their share of the load, but are reluctant to give them their share of the decision-making process. These accusations are a bit overdrawn, but they are there.

How long will it take to bring East Germany up to West German standards?

As things stand now, the West German economy will continue to evolve, and its standard of living will continue to rise. Standards in East Germany will improve more quickly than people think, but it is very hard to calculate what the relationship between the rate of increase in East Germany from, say, Base X, and the rate of continued increase in West Germany from a point of Y will be.

East Germany's tremendous advantage is its people. The communists managed to wreck the economy, but they never really wrecked the educational system, and especially the strong technical training system that is the strength of the German economy. For instance, as the former German Democratic Republic was falling apart, East Germans were able to immediately get employment when they fled to West Germany.

Any economist will agree that the real strength of a country lies in its people, in its work force. Factories are expensive, but you can put them up in years. The training of people, on the other hand, takes decades. The East Germans do not have to be re-trained, they only have to be brought up to date in certain technical areas. Therefore, I tend to be upbeat: It will come along, but not overnight. €

Europe Influences America on a Daily Basis

Peter S. Rashish

In one now-famous scene from *L.A. Story*, the comedy starring and directed by Steve Martin, a group of friends sit around a table on the patio of a trendy Los Angeles restaurant ordering coffee. But not just any coffee. "I'll have an espresso," says one man. "A double espresso," says his girlfriend. Next comes an order for a cappuccino. When the waiter gets to Martin, he nonchalantly asks for "a half caf, half double decaf, espresso cappuccino."

A tall order, to be sure, but otherwise a recognizable slice of life in America in the 1990s. It has become a homegrown American custom to end dinner with an espresso or cappuccino, which are, of course, native to Italy. While the foreign sounding names of these coffee favorites may betray their cultural origin, other products are better camouflaged. Scratch the surface of life in the United States, and a host of everyday items turns out to have a "Made in Europe" label.

It is hard, in fact, to imagine a day in the life of an average American without European products, services, fashions—even political trends. For instance, getting up in the morning—already hard for most—would be impossible without the chirping of a sleek, black alarm clock by Braun, the German consumer electronics firm. You might have programmed your

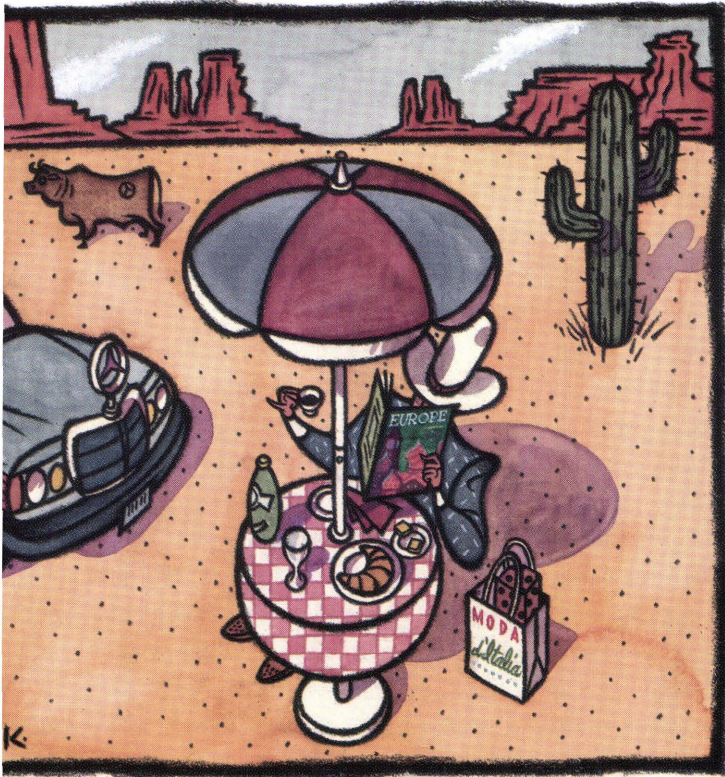


ILLUSTRATION BY SEAN KELLY

Made IN

europa

Krups coffee maker (also German) the night before to have your coffee ready, or use that German appliance to prepare a quick Italian espresso. A croissant from the French-owned Vie de France bakery chain, purchased the day before at a Giant supermarket (run by the Albert Heijn grocery chain of the Netherlands), or some toast spread with health-conscious “I

Daily American life has become unthinkable without European products: You make coffee in your Krups, drive to work in your VW, and eat Italian for lunch; even your antacid is now half-French!

Can't Believe It's Not Butter” (from the Anglo-Dutch company Unilever), followed by a Dannon fruit yogurt (BSN, France) will do for a quick Continental breakfast—in every sense of that word.

A hot shower with that new deodorant soap, Lever 2000 (also Unilever, 20 percent of whose turnover is accounted for by the North American market), helps start the day right, followed by a close shave with your Norelco electric razor (from the Dutch firm Philips). Since you have an important meeting that day, it would be a good idea to slip on that new suit by Giorgio Armani (Italy).

Once out of the house, you hop into your Golf, that strangely named German car made by Volkswagen that lets you experience the mysterious “Fahrvergnügen” (Volkswagen, in the United States since 1954, has \$2 billion in sales here). As you turn on the radio, your favorite radio station is probably playing the latest hit by the rock group U2 (Ireland). After you start your car, however, you realize that you are low on gas, so you fill up at a nearby Steuart/Agip (a U.S.-Italian joint venture) or British Petroleum station.

Now you can go over your plans for the day. You promised your wife, who is away on a business trip in New York, that you would pick up the latest copy of *Elle* magazine (by French publisher Hachette) for her. Up in the Big Apple, she's

probably reading a copy of the British *Financial Times*, or possibly even *The Daily News*, the newspaper recently acquired by British press tycoon Robert Maxwell. You hope that she doesn't forget to buy you that French Hermès tie you asked for, which leads you to wonder if the new Galeries Lafayette (also French) has opened yet in Trump Tower.

While you stay in Washington, you can look forward to lunch at **I Ricchi**, the chic Washington restaurant started by a family from Italy's Tuscany region. On the way, however, you have first to pick up your colleague, who is staying at the Watergate Hotel (owned by the U.K. Trusthouse Forte company). If you have time after lunch, you could try to get a hold of that recent bestseller published by Doubleday (recently acquired by Bertelsmann of Germany) or check out the sale on RCA videocassette recorders (owned by Thomson of France, 26 percent of whose revenues are generated in the United States) and Magnavox television sets (also owned by Philips, which does \$6.2 billion in sales and has 50,000 employees in the United States). Probably the quickest way to the audio store would be to ride the capital's underground metro, whose graffiti-free cars are designed by Breda of Italy.

After work, and with your wife still in New York probably enjoying the latest British musical import, *Miss Saigon*, you might want to indulge in an old movie playing at a revival house, such as *Mutiny on the Bounty*, produced by MGM, the studio being taken over by Italian financier Giancarlo Parretti. First, though, you might want to indulge in some *tapas* at the “Taberna del Alabardero,” the offshoot of a famous restaurant in Madrid, Spain, and wash them down with a glass of Perrier (France).

After you return home, you debate whether you should open the box of Belgian Neuhaus chocolates you bought for your wife. Deciding that one piece can't hurt, you turn on the news and see that a speech by former British Prime Minister Margaret Thatcher has enthralled a sold-out group of American conservative politicians in Washington, while U.K. journalist Christopher Hitchens, the Washington columnist of the left-leaning American magazine *The Nation*, talks about his latest book on British-American cultural ties. You change channels as an ad for Maalox (produced by the U.S.-French company Poulenc-Rorer) comes on, only to find another ad on the next channel, this time for Uniroyal Tire (owned by Michelin of France).

Before turning in, you check your messages at the office. Your boss tells you that you are booked on a Northwest flight (25 percent owned by KLM of the Netherlands) the next day for a sudden business trip to Europe. “*Bon Voyage*,” he signs off. “*C'est la vie*,” you say to yourself. €

Peter S. Rashish is a contributing editor to *Europe*. His last article, “Economic Burden Sharing,” appeared in *Europe's* January/February 1991 issue.

Most of the 50 American states maintain offices in one or more of the E.C. member states. Their main objective is to attract European investment capital to their state. These state bureaus in Europe are not a new phenomenon, but reflect a growing awareness in Governors' offices across the country that an economically mightier E.C. after 1992 also means an increased potential for investment by European businesses in the United States.

While most forms of investment are welcome, the states are especially looking for companies wanting to make "greenfield" investments in new plants, which are likely to boost statewide employment. Some states go so far as to offer subsidies, such as low-interest loans and tax breaks, to entice foreign businesses to set up shop in their state. On the other hand, about half the states have "Buy American" laws that could put European companies at a disadvantage in the bidding on statewide public procurement contracts.

Virginia has maintained a Brussels office since the late 1960s, operated by the State's Department of Economic Development. European firms account for roughly 80 percent of total foreign investment in the state, and 100,000 Virginia jobs depend on European investment. Among E.C. countries, the United Kingdom is the top investor in Virginia, outpacing Japan by almost three-to-one in dollar terms, at \$1.8 billion in 1989, followed by Germany at \$672 million, and France at \$276 million. Some other big investors in Virginia include Thomson of France, Royal Dutch/Shell (United Kingdom/Netherlands), Hoechst of Germany, and Hanson PLC of the United Kingdom.

In Maryland, the United Kingdom is the second-largest investor overall, and the first among E.C. states, at \$1 billion in 1988. The Netherlands follows with \$372 million, and France with \$337 million. The state maintains an office in Brussels, and has taken part in the Council of American States' "Invest in America" seminars held in Europe. Among the largest E.C. companies with investments in Maryland are Matra of France, Allied Irish Banks PLC, Philips of the Netherlands, and Unilever, the Anglo-Dutch firm.

Further up the Eastern seaboard, New York has investment offices in London and Frankfurt, and is focusing its efforts in Europe on areas in which the state has strong research and development capabilities, particularly biotechnology, pharmaceuticals, and optics and imaging. The largest E.C. investors there, according to 1989 estimates for the manufacturing sector, are the United Kingdom with \$900 million, Germany with \$420 million, and the Netherlands with \$295 million. Major E.C. companies in New York include British Petroleum, Daimler Benz and Siemens of Germany, and the state-run Italian conglomerate IRI.

Texas, which has a European investment office in Frankfurt, has recently been one of the top three destinations for E.C. companies. Figures for 1988 show that the leading E.C. investors were the Netherlands at \$8.9 billion, the United Kingdom at \$5.3 billion, and Germany at \$4.1 billion. Many of the most important E.C. companies in Texas are in the energy field, among them Royal Dutch/Shell Petroleum, British Petroleum, ENI of Italy, and Petrofina of Belgium. Other firms include Daimler Benz, Bayer, and Siemens of Germany, as well as the United Kingdom's Hanson PLC and the French firm Thomson.

The honor of the oldest continuous European presence of any state goes to Illinois, whose Brussels office was started in 1968. Illinois has also opened bureaus in Budapest and Warsaw to keep an eye on the Eastern European markets. The largest investors in Illinois in 1987 from the E.C. were the Netherlands, in first place with \$2 billion, followed by the United Kingdom at \$1.8 billion, and Germany at \$935 million. Some of the major E.C. firms in Illinois are Siemens and Porsche of Germany, and BAT Industries PLC and Hanson PLC of the United Kingdom.

What about California, America's most populous state? In many people's minds, California, the leading U.S. state on the Pacific Rim, is the land of Japanese investment *par excellence*. In fact, California attracts the second-largest amount of European investment among the 50 U.S. states, and more investment from Europe than from Japan. Much of Europe's investment in the biotechnology and electronics industries has centered in Silicon Valley. In 1988, the leading E.C. investor in California was the Netherlands at \$9.9 billion, followed by the United Kingdom at \$6.3 billion, and Germany at \$2.5 billion. California maintains offices in Frankfurt and London, and some of the state's biggest E.C. investors include Siemens, British Telecom, BAT Industries PLC, Royal Dutch/Shell, Unilever, and CGE of France.

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KEEP YOUR EYE ON THE NEWSPAPER THAT IS KEEPING ITS EYE ON EUROPE!

Evan Bayh

The Governor of Indiana, Evan Bayh, was interviewed by Europe's Editor-in-Chief, Robert J. Guttman.

Governor Bayh, the nation's youngest Governor, discusses Indiana's relations with the European Community, and European investment in the Hoosier state.

What is Indiana doing to make the Hoosier state a more attractive place for European investment?

We have a very successful European office based in Amsterdam that handles relations with the Continent as well as Great Britain. We also have an international trade division that has been very active in helping Indiana companies seeking trade opportunities in Europe, and in conveying information about Indiana and its business to Europeans. That is our primary outreach effort to, and in, Europe.

A variety of European companies already do business in the state, and we're always working with European firms to make the state more attractive to them.

Have you or any members of your staff traveled to any E.C. countries recently to try to promote investment?

I have not traveled outside of the United States to date. This is not because I have an aversion to undertaking trade delegations. On the contrary, I would be delighted to expand trade and investment opportunities. What has kept me from undertaking trade missions at this point is primarily the recession that we have experienced over the last year-and-a-half. I felt it an inopportune time to be abroad.

Also, when I go to Europe I would like to have substantive meetings to which I

would bring along representatives of our business community and put them in touch with their counterparts in the countries that I would visit. I would hope to have some specific agreements or business opportunities arise out of the mission, rather than it just being a general trade mission.

There are, however, a couple of things in the works. I've been invited by the Aspen Institute to attend a meeting in Berlin this fall that will bring together some of the U.S. Governors and their counterparts from the new five provinces in what was formerly East Germany. That should be very interesting. They need a lot of basic infrastructure work in telecommunications, the environmental area, and so forth, with which some of our Indiana-based companies might be able to assist them.

We're also trying to combine that with a visit to some companies in Germany, France, and elsewhere that already have a presence in Indiana and might choose to expand.

Which European companies already in Indiana might choose to do so?

Thomson, the electronics firm based in France, has been considering putting its new U.S. headquarters here for some time and I think that decision has finally been made. Now we're trying to work with them to provide some incentives. That effort is ongoing.

Is there much interest or knowledge about the 1992 European single market in Indiana's business community?

Quite a bit. We have included information on the Europe 1992 developments in almost all of the literature that we distribute to Indiana companies, trying to make them aware of the changing trade situation vis-à-vis Europe. This has led to



The Governor of Indiana discusses his state's relations with the European Community.

greater interest on the part of many of our companies in doing business in Europe. Traditionally, American companies focused more on the domestic market, but with the changing international business climate in Europe, they're increasingly working overseas, and we try to help focus them in the direction of Europe.

Do you think Indiana firms are becoming more involved with the 1992 single market?

Yes, to a much greater degree. We have been actively involved in trying to do so, particularly with our large international companies, such as Eli Lilly. They already have significant European operations, as have companies like General Motors and Great Lakes Chemical, which is headquartered here.

Many of our Fortune 500 companies are already fully aware of the single market developments. We are now trying to target the medium-sized companies that haven't considered Europe before because they were focused on the domestic market. We're now focusing on those medium-sized and smaller companies so that they, too, can become involved in that opportunity.

Ball State University recently put on a seminar on the European Community. Are you conducting any other seminars or trade fairs?

We have an active trade fair assistance program, which helps to subsidize the cost to companies that wish to participate in trade fairs in Europe.

Ball State University recently announced that, in the next academic year, it will focus attention on the European Community and changes in the new Europe. During the upcoming academic year, Ball State will become an information link on Europe to people in Indiana. Their program is called "Bringing Europe to the Midwest."

What are Indiana's largest exports to Europe?

We are very active in the areas of automotive parts and electronics. Eli Lilly is very active in pharmaceuticals, and has a significant presence in Europe. We also have some agricultural exports.

Does the renowned Indianapolis 500 auto race, won last year by a Dutch driver, contribute to better U.S.-European relations?

There's no question that this kind of internationally known sporting event helps relations between our state and Europe. All the ambassadors and foreign business people I have met are aware of

the Indianapolis 500, the largest single sporting event in the world.

Indianapolis now has the reputation of the amateur sports center of the country. Does that have an impact on Indiana-European relations?

"Many of our Fortune 500 companies are already aware of the 1992 single market. We are now targeting the small- and medium-sized enterprises that had not considered Europe before so that they, too, can become involved in that opportunity."

Indianapolis will host the world gymnastics championships next year, which will bring gymnastics enthusiasts from all over the world, and particularly from Europe. We are, of course, known for swimming competitions and a variety of other amateur track and field athletics. But gymnastics is particularly popular in Europe. We'll probably have as many participants and guests here from Europe as from the United States.

Do you think Indiana farmers compete well with European farmers?

I have no doubt that the quality of our produce and livestock can compete with that produced in any other country. We are well aware of the long-standing political considerations of the many nations that treat their agricultural sectors differently and the latest round of GATT negotiations has been a source of some controversy.

What do you think most Europeans associate with Indiana?

They probably think of us as a state in the Midwest with a strong agricultural and industrial economic base. They probably associate us with good old American values, like hard work, honesty, and friendliness. Your European readers would find that we're not only a good place in which to do business, but also to make friendships.

What do you think most Hoosiers associate with Europe?

In the business community, there is an increasing recognition that Europe presents business opportunities with which they need to be involved. On a broader basis, many people would associate Europe with its long cultural and historic traditions.

Do you see many Indiana law firms trying to set up branches in Europe?

Some of that is taking place. Interestingly enough, we have sent several delegations to Eastern Europe, and our state has signed a bilateral agreement with the Ukraine. The reason for that is that the Ukraine has the most potential to have a hard currency. Some prominent lawyers helped us spearhead that effort.

Is there any possibility of trade agreements with other parts of the Soviet Union?

At this time, we're focusing on the Ukraine. As you know, uncertainty and risk are always two primary factors affecting investment decisions and trade agreements. The current domestic political situation in the Soviet Union is probably slowing down what might otherwise be significant opportunities. There's more of a wait-and-see attitude about the Soviet Union and even about Eastern Europe.

Do you think many Hoosiers are aware of the European Community and the 1992 single market?

In the business community, increasingly so. As far as the man or woman on the street is concerned, I think you won't find nearly that level of recognition. But a cultural change is taking place.

Finally, I'd like to say that, for the first two centuries of our nation's existence, we were separated from the rest of the world by two large oceans. Now you can pick up the phone and talk to someone anywhere in the E.C. and have the connection sound as if they were in the office next door. And you can send a fax instantaneously. As a result of these and other changes, Indiana and the United States as a whole, and the business community in particular, are rapidly becoming more aware of the international economy. There's a rapidly growing recognition of the importance of Europe and our strong bonds with Europe. €

INDIANA

STATE PROFILE

Indiana's location in the United States' Midwest, its historically strong manufacturing base, and a changing attitude toward the global market will be the keys to increased trade with Europe after 1992. Some Hoosier companies have already jumped aggressively into the international waters, establishing overseas operations and trade deals years ago. Others have been more cautious.

Exporting has always been important to the state's economy. Indiana usually is the 10th- or 11th-largest exporting state in the Union, depending on the year, and ranks fourth per capita in the dollar value of exports, according to the state's Commerce Department. Indiana's top five exports to the E.C. in 1989 were chemicals and allied products, transportation equipment, industrial machinery, computer equipment, primary metal industries, and medical equipment and instruments.

The state's geographical location is a great advantage to trade with Europe, which the state has fully exploited. Situated in the Midwest, Indiana has 10 major airports, rail routes, and seven major interstate highways, in addition to direct international air cargo service and three ports located in the northern and southern parts of the state.

The prospects of a soon-to-be booming European economy is both exciting and frightening to Indiana businesses, according to Robert Fowler, vice president of the Indiana Chamber of Commerce. Real and perceived barriers to trade have left some firms paralyzed. It is not that Indiana companies have not been given the chance to learn about foreign markets: The state was saturated with conferences

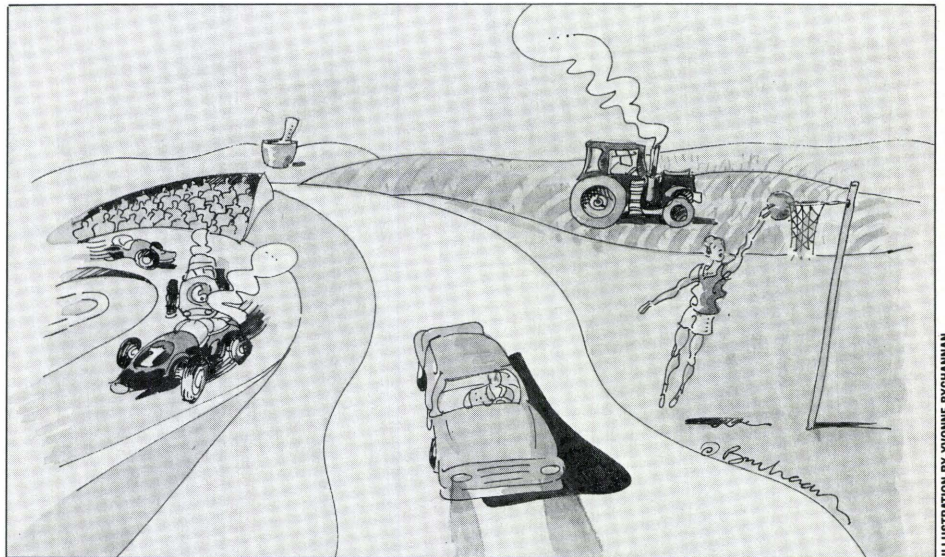


ILLUSTRATION BY YVONNE BYCHANNAN

and programs on international trade in 1990. "If there is a company in Indiana that wanted to go to a seminar about E.C. 1992, and didn't, it is living under a rock," Fowler says.

The state's commerce department, under the leadership of Lieutenant Governor Frank O'Bannon, publishes a monthly international newsletter that goes out to 5,000 readers. Trade leads are listed in the newsletter, and are also passed along by direct mail to targeted companies. The state's European office in the Netherlands is headed by director Ilka Fehling, who transmits tips and information on doing business abroad. The department offers financial assistance for attendance at trade shows and will give a helping hand no matter how new a firm is to international trade.

Despite the education process, however, some companies have remained un-

HOOSIER STATE COMPANIES WEIGH THE PROS AND CONS OF "1992"

SUSAN J. GUYETT ★

waveringly provincial in their attitude toward trading with foreign nations, said Maria Mercedes Plant, who heads the Indiana Department of Commerce's International Division. Plant's matter-of-fact talk may not sit well with companies that insist the status quo is just fine, or with businesses that are used to traditional Commerce Department boosterism. A pragmatic businesswoman, Plant does not mince words. She typifies international perspective, which is alien to so many in the Midwest. Born in Uruguay, she speaks four languages and her message is clear: America is going to have to adjust to the global marketplace, it's not going to happen the other way around.

The provincialism has nothing to do with company size or sales figures. "There is no pattern," Plant says. "Size does not mean international awareness." Some Indiana companies do not follow trade leads and do not even respond to direct inquiries from abroad, she laments. "Our role is to help companies enter the international marketplace, but we can only help those who help themselves. In the long run, we cannot manufacture a product," she says.

Not everyone in Indiana has needed a nudge, however. Glascoll Corporation of Terre Haute, for example, which makes heating apparatus and mixers for laboratory equipment, has been exporting overseas since late 1988. The prospect of 1992 and domestic market saturation led company officials to plan a stronger presence in the E.C., says Karen Elliott, the firm's export sales representative.

Some of the state's larger companies sensed the growing opportunities in Europe more than a decade ago, and have been making strategic moves to place themselves in the best position possible for 1992. Automotive supply giant Arvin Industries of Columbus, and the pharmaceutical/agricultural products firm of Eli Lilly & Company, based in Indianapolis, now have a firm footing in the European market.

Arvin's major purchases in 1988 of existing operations based in the Netherlands and the United Kingdom have added to the company's sales, says vice president William Kendall. In 1987, Arvin posted European sales of \$130 million. By 1990, that figure had jumped to \$1.7 billion out of the company's total sales of \$4.24 billion.

Eli Lilly & Company, meanwhile, has been concentrating its international efforts in the areas of medical and regulatory affairs, sales organizations, and mar-

One U.S. Company's European Experience

Monica Brown, the managing director of Chariot-Euro in Elkhart, Indiana, got involved with international trade through a tempting offer made by Ford Europe in 1988.

Ford was looking for prototypes and interior conversion kits for its Transit Van. That work was right up Brown's alley. With eight years of experience in the van conversion business, Brown welcomed the invitation to set up a distribution system of van conversion kits and interior equipment that would fit Ford's needs.

What she didn't expect was the long, uphill climb it would take to go from an idea to a reality. "I'm used to the van industry, where everyone wants it yesterday," she says. It's taken more than two years to modify and certify the parts to meet stringent European standards. Production is expected to start this summer, and Brown is more than ready. "It's like the last month of pregnancy," she says.

Brown and other Indiana businesses are learning that trade with Europe takes time and patience. "Europeans

are much slower to respond than Americans," she observes. "You really have to develop a relationship before they will buy from you." And she hopes that her patience will be rewarded with customers who are loyal to her products for years to come.

While the equipment was being tested in Cologne last September, Brown did not sit around. She took advantage of a state Department of Commerce grant and attended the Automechanika trade show that takes place every other year in Frankfurt. There she pedaled some truck and van parts, including exterior graphics, bumpers, bedliners, and rails. The most popular items were storage boxes and truck caps.

Chariot-Euro, which was incorporated in 1989, did less than \$250,000 in sales in 1990. Brown is hoping to boost that to just under \$1 million this year as her goods get to the market. The firm expects to outgrow its current headquarters in early 1992.

—Susan J. Guyett

ket planning and research. "We laid the foundation to participate in the post-1992 European Community. During the 1990s, we expect to strengthen our competitive position in the market," says Gerianne Hap, a Lilly spokeswoman.

Richard V.L. Cooper, a partner with Ernst & Young's International Business Services in Chicago, says that some of the larger Indiana firms will solidify their presence in Europe with the opening of foreign headquarters to serve the unified economic Continent. Cooper predicts that businesses that have been dragging their feet will come around, too. Indiana's auto component manufacturers can no longer count on shipping goods to the nearby Big Three auto makers to survive, he says. Foreign parts have already arrived on U.S. turf, cutting into domestic sales.

"It's going to force our guys to wake up and adjust. That's beginning to happen, but it takes time," he says. According to Cooper, Indiana is no different from many other states that are slowly coming around to a more global perspective.

If the right response to the global marketplace is competition, the desire to compete comes in big and small packages.

Lafayette Instruments, located in West Lafayette, is a 45-year-old scientific instruments firm owned by the privately held carpet sweeper-famed Bissell Company of Grand Rapids, Michigan. Exports account for about 13 percent of Lafayette Instruments' \$7.8 million total sales, says export manager Jolaine Roberts. But until now, sales have been word-of-mouth or direct mail-induced purchases. Plans for

increased sales will be stepped up rapidly if Roberts can find agents in Milan and Paris when she attends a "matchmaking" session this month set up by the U.S. Department of Commerce. She is looking for distributors throughout Europe with the sales savvy and expertise for selling and servicing scientific equipment. Her trip will extend to Germany, where the Department of Commerce will have pre-screened additional agents for Roberts to consider.

Elliott, of Terre Haute's Glascoll, is also taking her first trip abroad this month. She will be checking out the distributors who have been handling the Glascoll line, educating them on the products, and seeing if additional agents are needed to boost sales.

Still other firms have been ready to take a giant step into the European market, only to be disappointed. Ball Corporation of Muncie, a giant packaging firm with 1990 sales of \$1.3 billion, had signed the contract to purchase Continental Can Europe (CCE) last summer. The agreement eventually fell through during the jittery financial period of the Persian Gulf War, and CCE was bought by Viag, a German firm. While disappointed, Ball executives say they will continue to look for significant opportunities in Europe. Ball is counting on a European boom in the soft-drink industry. By buying CCE, it wanted to be ready as a solid supplier as Europeans got as used to soda pop as Americans.

Thomas Clark, Ball's vice president for planning and development, says the corporation considered, and rejected, the piecemeal approach to getting involved in the E.C., even though Ball does have operations in Northern Ireland and West Germany. The smaller, family-owned packaging firms that Ball officials considered on the Continent did not have the administrative structure the head office wanted. Moreover, Ball thought it too risky to have plants in various countries, despite the unified economy brought about by E.C. 1992, Clark says.

Clark does not see many opportunities for a large acquisition in Europe any time soon, but the firm will be looking at other licensing and technology alliances as a way of getting involved. Ball already has a licensing relationship with PLM of Sweden.

Six other Hoosier companies in Columbus are learning that size is not everything. The network of businesses, put together by a group called the Columbus Enterprise Development Corporation, is

sharing information and, occasionally, machinery, in order to cooperate and survive in the global marketplace. None of the firms, which include a stamper, a tool-and-die operation, a pattern supplier, and a mold maker, employs more than 50 people. They are in the first year of the expected two-year quality process they will need to meet the stringent European certification requirements.

Staying separate but working together, says Development Corporation president Kurt Ellis, keeps the businesses manageable, flexible, and low in overhead. In Indiana, that spells competitive. The concept, Ellis freely admits, was stolen directly from northern Italy, where the same kinds of partnerships exist on a much larger scale. The group is funded by state and federal grants, the City of Columbus, and area businesses, which have pledged \$50,000 a year for three years.

Since the 1992 single market is seen in Indiana as a process, and not as a date when everything changes, businesses will gradually get on board for doing business in the global marketplace. Ernest Young's Cooper is advising companies to try the international waters by being thoughtful and careful. One can get burned if one doesn't do one's homework, but there are also profits to be won.

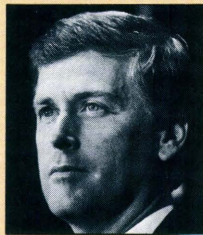
Susan J. Guyett is a freelance writer based in Indianapolis, Indiana.

US/EC Trade Statistics: State by State

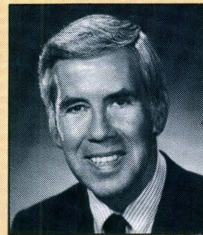
	Exports to the E.C. (1989) (in million dollars)	Foreign Direct Investment (E.C. to U.S.) (1987) (in million dollars)
Alabama	960	3,883
Alaska	136	18,390
Arizona	1,175	4,015
Arkansas	190	1,256
California	13,390	42,600
Colorado	1,002	4,485
Connecticut	1,520	2,910
Delaware	97	3,400
D. Columbia	105.6	1,503
Florida	2,435	9,484
Georgia	1,709	8,870
Hawaii	11.5	N.A.
Idaho	173	391
Illinois	3,369	12,657
Indiana	1,281	1,883
Iowa	630	1,671
Kansas	435	2,308
Kentucky	1,243	4,377
Louisiana	3,810	14,289
Maine	209	1,299
Maryland	925	3,112
Massachusetts	4,416	4,967
Michigan	1,968	7,561
Minnesota	1,655	4,291
Mississippi	489	2,387
Missouri	1,025	4,147
Montana	51.3	1,611
Nebraska	129	477
Nevada	105.7	1,590
New Hampshire	381	862
New Jersey	2,840	11,168
New Mexico	78.9	2,739
New York	7,752	22,546
North Carolina	2,557	9,515
North Dakota	59	1,289
Ohio	3,682	10,408
Oklahoma	429	4,992
Oregon	836	1,780
Pennsylvania	2,282	10,712
Rhode Island	213	588
South Carolina	1,050	6,012
South Dakota	56	383
Tennessee	1,018	5,553
Texas	5,822	41,375
Utah	269	2,483
Vermont	115	377
Virginia	4,061	6,632
Washington	6,134	3,557
West Virginia	674	4,987
Wisconsin	1,335	2,610
Wyoming	14.5	2,903

Hoosiers Who Influence America's European Policies

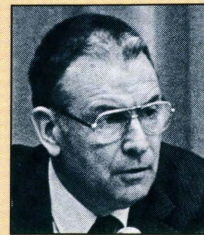
DOUG McDANIEL



Vice-President Dan Quayle



Senator Richard Lugar



Representative Lee Hamilton

For a state of its size, Indiana has disproportionate clout in foreign affairs. From the White House, Congress, and government agencies to think-tanks and the private sector, Indiana can list Hoosiers in key positions with leverage over matters that affect the European Community.

The state's biggest gun, of course, is Vice-President Dan Quayle, 44. Before his election in 1988 as the second-highest official in the United States, Quayle represented Indiana for eight years in the U.S. Senate and for four years in the U.S. House of Representatives.

After more than two years as Vice-President, Quayle's influence on foreign policy matters is now beginning to emerge. For instance, he has just completed a trip to Japan and is scheduled to travel to several Eastern European countries later this month.

An advocate of free and fair trade, Quayle's foreign policy influence has, however, been largely in the areas of national security and arms control. That he is more comfortable with these issues than with foreign policy matters dates back to his days in the Senate, where he articulated a healthy dose of skepticism of the Soviet reforms of Mikhail Gorbachev. A staunch supporter of the Reagan military buildup of the 1980s, Quayle argued that the INF treaty was dangerously vague enough to possibly prevent modernization of NATO weapons systems.

Quayle is also chairman of the National Space Council. He recently attacked House Democrats for voting to kill NASA's planned space station, a move that could force the United States to back out on agreements with the European Space Agency.

In Congress, two of the most influential Indiana voices on foreign policy matters belong to Senator Richard Lugar and Representative Lee Hamilton.

Lugar, 59, a Republican, is a former

chairman of the Senate Foreign Relations Committee. During his 1985-86 tenure as Chairman, Lugar was credited with reviving the long-dormant Committee, developing an international reputation for his work in the Philippines election, South African sanctions, and aid for the Nicaraguan Contras.

Since then, he has become part of a Senate arms control observer group that travels periodically to Geneva to meet with negotiators. More importantly, he has the ear of President George Bush and is considered the Republican leader in the Senate on foreign policy issues.

Lugar recently returned from a 10-day trip to Europe at the request of the Bush Administration. His mission was to reassure European leaders, especially those in countries with fledgling democracies, that the war with Iraq had not diminished the importance of the pro-democracy movement. "I'm very excited about it," Lugar said after his trip. "My overall feeling is that remarkable things are happening."

A Democrat, Rep. Lee Hamilton, 60, has been in Congress since 1966. He is currently the chairman of the House Foreign Affairs Subcommittee on Europe and the Middle East, and is next in line to take over the full committee when the current chairman retires. He is also a former chairman of the House Intelligence Committee, and the former co-chairman of the Congressional committee that investigated the Iran-Contra scandal.

Hamilton's interest in Europe dates back to the 1950s, when he attended the Goethe University in Frankfurt, Germany, in 1952-53. He uses his subcommittee for analyzing public policy rather than for partisan politics. Like Quayle and Lugar, Hamilton supported the deployment of Pershing II missiles in Germany.

At the Department of Commerce, Indiana native Thomas K. Duesterberg, 41, a former top assistant to Quayle, holds the

key post of assistant secretary for international economic policy. Duesterberg has traveled to Eastern Europe six times in the last two years to examine how U.S. companies can best benefit from the fall of communism.

Duesterberg tries to generate better economic relations with other countries. As a part of that, he works with the Japanese and Europeans to help U.S. companies to do business overseas. ability of U.S. companies to do business overseas.

Back in Indianapolis, the capital of Indiana, the Hudson Institute, a well-known think-tank, has been providing Eastern European countries with assistance in moving to a free enterprise system. The Institute moved from New York to Indianapolis in 1984, and has been very active in offering aid to Hungary and the Baltics.

Most of Hudson's expertise is in the area of economics. The institute sponsored a forum on German unification and on NATO's future in June 1990, and is planning another international gathering for the Baltics later this year.

The city's best-known real estate tycoon and shopping center developer, Melvin Simon, 64, has been making his own business forays into Eastern Europe. The owner of Simon and Associates, Simon makes the *Forbes* list of the 400 richest Americans every year. In 1990, *Forbes* placed his wealth at \$600 million.

When the Berlin Wall fell, Simon was one of the first U.S. businessmen to travel to Eastern Europe. He used his international connections to put together an investor group to buy a 50-percent stake in a bank in Budapest. Simon envisages a number of other deals with Eastern European countries and has been traveling to Hungary and Czechoslovakia in search of real estate opportunities.

Doug McDaniel is the Washington bureau chief of the *Indianapolis Star*.

European Traditions— California-Style

Los Angeles' "Spago" restaurant owner Wolfgang Puck notes that all food in America has been influenced by European cuisine. He combines traditional European recipes with a typical Californian touch.



*The West Coast's Revival of
Continental Food, Fashion,
and Flair*

THERE'S NO DOUBT ABOUT IT, THE UNITED States is returning to things traditional. Indeed, if one considers the plethora of European styles on the West Coast alone, whether in fashion, foods, or small deluxe Euro-style hotels, the European influence has captured the imagination and marketplaces of the West Coast.



Beverly Hills' "L'Ermitage Hotel" prides itself on its European elegance and service—including overnight shoe shine services.

German-born chef Wolfgang Puck, also known as Prestigious Puck, noted for his cross-Continental California-plus cuisine, says: "In any restaurant in America, no matter where, there is an influence of European cuisine. And middle Europe [is] certainly [represented] in the delicatessens." Of the food at his four restaurants (the legendary **Spago**, **Chinois on Main**, and **Eureka**, all in the Los Angeles area, and the new **Postrio** in San Francisco), he says: "We cook the way we feel like doing," which can lead to pizza margaritas that no Neapolitan would recognize. (Puck must be reaching the right taste buds—you need to call two weeks in advance to get a reservation at Spago's, and six weeks for one at Postrio's.)

Puck adds: "In the 1970s, every good restaurant *had* to be French. But today the most popular is Italian cuisine—and has been for the past eight years." Why Italian? "People think it's healthier, and more every-day. They see most French cooking as too heavy and rich."

Joyce Goldstein, owner of San Francisco's **Square One** agrees, calling Italian cooking the most popular cuisine in the States. In fact, she says that what is known today as California cuisine originated from an Italian stock of recipes.

Euro-lifestyle euphoria was very much in the air last October, when the South Coast Plaza mall in Costa Mesa showcased the 17-day Festival of Britain, a *mélange* of fashion, food, crafts, and giftware from the United Kingdom. Opened with great fanfare, including a ribbon-cutting ceremony by Princess Al-

xandra, the event's first weekend drew over a million visitors, some coming from as far away as San Diego and Portland, Oregon. This was a higher attendance for the Orange County mall than the previous Thanksgiving weekend, usually its busiest shopping weekend of the year.

The new horizons discovered by Americans during their overseas travels of the 1970s and 1980s have accustomed them to the advantages of European-style hotels. Since 1981, San Francisco entrepreneur Bill Kimpton has developed his version of what he calls America's "cookie cutter hotels." His European-style hosteries—one of which, the **Juliana**, is named after the Dutch Queen Beatrix' mother, the former Queen Juliana—"provide intimate surroundings and personalized service." A concierge lobby, evening turndown, and overnight shoeshine are just some of the amenities offered. Guests of Kimpton's **Prescott Hotel** can dine at Puck's Postrio restaurant, where tables are especially reserved for the hotel.

And in Beverly Hills, of course, there is **L'Ermitage Hotel de Grande Classe**—the last word in European elegance and attention—evening turndown and overnight shoeshine services... *de rigueur*.

In terms of fashion, Europe is also at the forefront of West Coast trends. When Sami Dinar's **Men** opened four years ago, Dinar knew that Beverly Hills did not need another American designer-style store. "So our collection is about 95 percent European design," says the store's manager, Marty Weiss. More of the same

will be offered next season, with blue book names like Canali, Gian Marco Venturi, Krizia Uomo, and Zenalla. These clothes draw such prestigious clients as television titan Arsenio Hall.

"Most important" for the San Francisco Fashion Center was the Spanish Salon Cibeles Fashion Show, says the center's fashion director, Rand Burrus. The event was designed to bring Spanish designers from that country's fashion capital, Madrid, to the West Coast and Pacific Rim. "These included top names like Adolfo Dominguez, Jesus del Pozo, Victorio Luccino, Manuel Pina, and Loewe," says Burrus. The show was an image event: The more than 600 attendees were all from upper retail management. Styles were simple, colors exuded vegetable tones like celery green and carrot orange—very different from those seen in the United States—and fabrics were excellent.

Who are today's top designer names in San Francisco? Burrus says: "No question, Armani and Versace are the gods. Gaultier is favored by the younger set." I. Magnin's Senior Vice President, Communications, Wilmer Weiss, says the 26-store chain has carried European designers for many years. "After World War II, we were one of the first West Coast stores to bring back European fashions. We have had an extremely important relationship through the years with the different designers." Later, Paris' ready-to-wear fashions played a most significant role in I. Magnin's ranges, as well as designs emanating from Italy and Britain.

Weiss says that West Coast consumers like these clothes. Thus, two floors are devoted to European designers in the San Francisco store, and almost two-and-a-half floors in Beverly Hills. European designer accessories and many private European labels in millinery, jewelry, scarves, and shoes fare very well.

I. Magnin features the most lavish and expensive designers in the San Francisco, Beverly Hills, or Wilshire flagship stores. Many of the chain's suburban stores also carry collections by the Italian design houses Missoni and Ferragamo.

I. Magnin's Weiss concludes that the European designers are inspirational "because they are so directional in fashion, and influence much of American fashion. In a sense, it's a combination—we're one world of fashion today." ☐

Freda Greene is a freelance writer based in California. Her last article, on Luxembourg's Villeroy and Boch china manufacturer, appeared in *Europe's* January/February 1991 issue.

America Participates in the New Europe

The American Center of Paris

ESTER LAUSHWAY ■

SIXTY MAY BE CLOSE TO RETIREMENT AGE for some, but for the American Center of Paris it is the time to take on a new lease on life. From the charming but archaic building in the heart of Montparnasse, its home since it was founded in 1931, the Center is moving to the new urban development area of Bercy Park in the east of Paris.

The Center chose architect Frank Gehry (shown here with a model of the new building) to design its new building because of his uniquely "American" approach.

Construction has begun on a 175,200-square-foot complex designed by California-based architect Frank Gehry. Its bold design promises to equal other recent architectural showpieces in Paris, such as the Louvre Pyramid and the Grand Arch of La Défense. When the new center opens in the late spring of 1993, it will be the largest independent presenter of American culture outside of the United States, and an important foothold for American ideas and values within a newly united Europe.

The American Center started out as a social club for expatriate students and artists. Its founding father, Frederick Beekman, Dean of the American Cathedral in Paris, also hoped that, in the waning years of the Prohibition era in the United States, the alcohol-free Center might keep American youth away from the temptations of Parisian cafés.

The American Center's first quarters were built on a leafy plot of land on the Boulevard Raspail, in the middle of Montparnasse. It was a sociable building, with a library, auditorium, swimming pool, gymnasium, bowling alley, billiard hall, canteen, and several art studios. Tea dances were held regularly, gradually giving way to concerts, theater and dance performances, and exhibitions.

In the 1960s, the Center launched its American Language program and also started offering master classes in the



© JEANNE HILARY

Arts. It also became recognized as an important and unique European showcase for American avant garde artists and performers.

The Raspail building adapted bravely to the frenetic activity inside its walls: Its

Since its founding in the 1930s, the American Center has become an important U.S. cultural landmark in Europe.

canteen became a tap-dance studio, the bowling alley was converted into a percussion studio, the swimming pool (empty) became dance rehearsal space. But by 1987, the Center's board of directors realized that, for a membership of 8,000, the old premises had been stretched beyond their limits and that new quarters would have to be found. "We finally felt that dance performances in the swimming pool and visual arts exhibitions in the billiard parlor were no longer viable as a way of operating," explains Henry Pillsbury, executive director of the Center since 1969. The Raspail property was sold for a handsome \$40 million and a new site was purchased at the entrance to Bercy Park.

To match the dynamism of the Bercy site with an equally vibrant building, the American Center's directors chose architect Gehry, whom Pillsbury describes as "perhaps the most uniquely 'American' architect working today." Gehry, whose recent designs include the California Aerospace Museum and the Walt Disney Concert Hall, both in Los Angeles, is known for his sculptural approach to architecture.

For the new American Center, he has come up with a building that piles different forms on top of each other in what at first seems higgledy-piggledy disorder, with boxes and towers leaning and tilting in tipsy abandon. But the chaos is organized; the apparent spontaneity has been carefully designed to make the building as open and inviting as possible.

Once inside the two-level atrium reception area, visitors are faced with a dizzying choice of state-of-the-art facilities, including a 350-seat theater, a 100-seat cinema, two "black box" multipurpose studios, a visual arts gallery, classrooms and an audiovisual center, an international bookstore, a California-style

restaurant and café, offices, and apartments for artists-in-residence. In short, every square inch of Gehry's creation will pulse with activity.

During construction of the Gehry complex, which got under way in March and is expected to be completed by the end of next year, the American Center, housed in temporary quarters, has cut its staff to a skeleton crew and suspended all of its programs except for a reduced number of American language classes. The transition period is being used by the board of directors to rethink and expand the Center's aims. When it reopens in 1993, its programs will reach beyond the visual

and performing arts and language education to include politics, economics, world health, and environmental issues.

With a new century and a new Europe on the horizon, Pillsbury believes that "America runs the very real risk of becoming irrelevant" in Europe, unless it can prove, through an institution like the American Center, that it still has a contribution to make to European intellectual and cultural life. Pillsbury concludes: "You could say that in building a new American Center we are trying to help America participate in the new Europe."

Ester Laushway is a Paris-based freelance writer, who contributes regularly to *Europe*.

American Food in France: Simply Delicious

It has taken some time, but the French are no longer just *sniffing* at American food. They are now also eating and even cooking it, and are starting to admit that nosh à l'américaine does not always amount to culinary slumming.

The arrival and relentless spread of fast food chains convinced the French for a long time that American food was really as bad as they had always suspected. With both Burger King and McDonald's popping up all over France, the French had only a very limited appreciation of—and even less respect for—what they presumed to be coming out of American kitchens.

But over the last five years, some truly palatable American restaurants have opened in France. They wisely avoid elaborate gourmet creations, best left to the Escoffiers of this world, and concentrate instead on unpretentious, down home dishes like Caesar salad, chili, ribs, coleslaw, and brownies. And the French are gobbling them up, delighted to learn that fairly fast food *can* taste good. Tex-Mex restaurants and those that offer American brunch are currently the most popular American eateries in France. With the imitation born of flattery, a growing number of French restaurants now also offer *American-style* food, *très californien* décor, and soups, salads, and sandwiches as an alternative to the traditional three-course French lunch.

For those willing to go one step further and actually cook American food at home,

two enterprising Americans, Sheila Malovany-Chevallier and Connie Borde, published *Le Grand Livre de la Cuisine Américaine* four years ago. It is an American cookbook written in French, for people using French measurements and ingredients to produce American food. It includes recipes for hard-to-get-hold-of-in-France items like graham wafers, and offers detailed instructions on how to produce handmade chocolate chips—using a bar of chocolate and a choice of rolling pin or hammer.

Fledgling American chefs, daunted by the prospect of beating a chocolate bar into submission, can buy their chocolate chips ready-made at the General Store in Paris. Its two locations offer a wide choice of packaged American goodies, including tacos, ketchup, pancake mixes, and popcorn, as well as homemade cookies, muffins, and brownies. Owner Elaine Bourbeillon says that, once the French decide to launch themselves into American cooking, they do it in a big way: "They'll say: 'Well, maybe we'll put together a little dinner party for 50 people.' We just about died the first time that happened. Now we help people put together a chili party for 50 people. I think it's becoming *chic*; it's as simple as that."

In fact, American cuisine is getting to be so trendy in France, that apple pie is à la mode—even without ice cream!

—Ester Laushway



Profile

Internationale Nederlanden Group

Internationale Nederlanden Group came into existence in March 1991 following the merger between Nationale-Nederlanden and NMB Postbank Group. The latter two companies will continue to exist as subholdings of the new combination under the names Internationale Nederlanden Insurance and Internationale Nederlanden Bank. The subholdings will remain legally and organizationally separate.

Internationale Nederlanden Group occupies a leading position in the world financial services market and it is the largest financial enterprise in the Netherlands. The new group has 48,000 employees, a third of whom work outside of the Netherlands.

Internationale Nederlanden Group offers a wide range of high-quality financial services to

individuals, companies and institutions. This covers all forms of insurance, reinsurance, funds transfer services, savings plans, investments, lending, mortgages, leasing, investment banking, debtor finance, debt conversion and international project management, as well as real estate development, finance and management. The Group is represented in 41 countries throughout the world, through a large number of subsidiaries, branches and agencies.

Based on pro forma combined 1990 annual figures of Nationale-Nederlanden and NMB Postbank Group, net profit of the **Internationale Nederlanden Group** amounted to US\$ 888 million. On the same basis, the Group's net assets at 31 December 1990 were US\$ 8 billion and total assets US\$ 164 billion.

"A good combination of conviction and femininity," was how Alain Duhamel, one of France's most respected political journalists, described France's first female Prime Minister, Edith Cresson. Her name may be new to most Americans, but in France, Cresson has been at the center of French politics for over 25 years.

Brought up in a well-to-do family outside Paris, and raised partly by an English nanny, Cresson turned to Socialist politics after she discovered that "one of the most obvious characteristics [of] the bourgeoisie is boredom." Determined to lead her life differently, the 57-year-old Socialist started out on the political battlefield in 1965, when she worked with President François Mitterrand on his first—and failed—1965 presidential campaign. When he became leader of the Socialist Party in 1971, she stayed loyal to him.

She firmly established her political reputation in 1975, when she agreed to challenge a conservative parliamentary seat in Chatellerault, which her party considered unwinnable. They were right: She lost that election—only to become mayor of that city eight years later, the only Socialist to wrest a mayoral seat from the conservatives.

When Mitterrand won the presidential elections in 1981, he appointed her Minister of Agriculture, a difficult office for a woman in France. Working with a strongly unionized and very conservative farm industry, her term (1981–83) was quite tumultuous: She said later that "French farmers were such conservatives and woman-haters that, giving them a female minister, and a Socialist on top of it, nearly amounted to provocation." Nevertheless, despite the unfavorable reactions to her gender and political affiliation, Cresson eventually endeared herself to the farm community when, in 1982, farmers' income rose by 10 percent.

From agriculture, Cresson went on to head the Ministry of Trade and Tourism (1983–84), where she tirelessly promoted French products: The married mother of two even once went so far as to hop on a French-made scooter and ride it around

the streets of Paris—just to prove the point that it was just as good as its Japanese competition.

As the head of the Ministry for Foreign



FRENCH EMBASSY PRESS AND INFORMATION SERVICE

Edith Cresson

France's First Woman

Prime Minister

Trade (1984–86), she actively sought the advice and involvement of the French business community. She toured the world with French businessmen, organizing courses to teach them about export opportunities and preparing for the 1992 single market. Finally, in 1988, then Prime Minister Michel Rocard appointed her Minister for European Affairs, a post from which she resigned last year over disagreement with Rocard over economic policy.

As a politician, Cresson has a reputation for being a firebrand, with no qualms about expressing her views. Her resignation last year proved that point. Upon

leaving, she said: "There is a world economic war on. France is not waging it. France needs an industrial policy, but it doesn't want one—so I'm off." Turning her back on politics, she went on to consult for Groupe Schneider, the French electrical manufacturing company.

Allies and opponents alike agree that she has a flair for her work and that she is a tireless, tough, and persuasive negotiator. She has made enormous strides as one of the few women in key positions in the French world of politics. Critics say that she too often sees the political world in black and white, yet that same characteristic is partly the very strength of her convictions.

Mitterrand chose Cresson to be his prime minister in the hope of adding new impetus to France—both domestically and internationally—in the final push before completion of the E.C.'s single market. At a critical time in the E.C.'s plans to remove all internal trade barriers, the nationalistic personality of the new prime minister has sounded the alarm against the re-emergence of a protectionist France. Cresson's views on Japanese trade practices are well known, and she stands firm in her determination to reach an automobile agreement favorable to European car producers. She made that clear in her first statement as prime minister, when she said: "I'm against the manifest imbalance that exists between the European Community, which is not at all protectionist . . . and the Japanese system, which is hermetically sealed."

Nevertheless, France remains one of the most ardent proponents of European integration. And although Cresson's appointment was initially greeted with nervousness in some quarters of the Community, confidence in her abilities as a politician is high: She is widely considered a pragmatic politician rather than an intractable ideologue, a person who gets the job done because she never acknowledges defeat.

As 1992 draws closer, the new woman at the Matignon will no doubt have ample opportunity to put those talents to use.

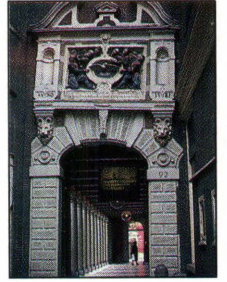
—Meera Shankar



LARGE PHOTO: NETHERLANDS BOARD OF TOURISM. SMALL PHOTOS: © RON BOONE/NUBIAN RENAISSANCE



WHEN DUTCH PRIME MINISTER RUUD LUBBERS takes on the presidency of the E.C. on July 1, he will do so at a critical time in the E.C.'s march to a borderless Europe. One-and-a-half years remain until the end-1992 deadline and, although much progress has already been made, many tough decisions still remain and many complex issues need to be resolved. In addition, the two intergovernmental conferences (IGCs), on political union and on economic and monetary union, need to be successfully concluded by the end of 1991.



THE

The Dutch E.C. Presidency Has a Full Agenda

NETHERLANDS

Lubbers recently outlined his goals for the important six-month stint during which the Netherlands will preside over the Community. "To hold the Community presidency," he said, "does not in our view mean chalking up as many spectacu-

become adept in their dealings with the Community. Lubbers, a Christian Democrat, has been Prime Minister since 1982, and Hans van den Broek has been Foreign Minister for the same period of time.

to address during his six-month presidency are cross-border problems that the Netherlands shares with its European neighbors, especially in the run-up to a borderless European market.

The environment has been an issue of primary concern for Dutch governments since the early 1980s. Since national borders do not stop water and air pollution from spreading into other countries, the E.C. began to formulate an E.C.-wide environmental policy in 1986. The Netherlands has been a consistent advocate of going further and faster on environmental policies. The country is in a good position to do so: The Dutch are already advanced in dealing with pollution problems, having already implemented one of the most revolutionary environmental plans to come to grips with industrial and agricultural pollution in their own country.

The Netherlands' strategic location makes it central to world trade. Rotterdam is the world's largest port and Amsterdam's Schiphol airport is Europe's fourth-largest airfreight center. Thus the Netherlands is a key transportation center for all European import and export traffic. Since cross-border traffic by rail, road, sea, and air promises to increase as barriers come down, the Dutch hope to reduce border controls and tariffs with the Community to ease such traffic.

On the domestic front, the Netherlands is facing some serious realities. Regarded by some as a "social paradise," the country is now facing the prospect of severe financial cutbacks.

The Dutch built their progressive welfare state on the revenue of gas riches that were found in the country after World War II. The export of natural gas made the country one of Europe's richest, enabling it to establish a generous welfare net. However, as gas resources start to dwindle, the Dutch can no longer rely on that natural resource as guaranteed income. As a result, they are finding that they have to painfully adjust—by tightening the belt on social services.

The Netherlands' budget deficit stands at 4.25 percent of its gross domestic product. Yet the country spends an estimated 80 billion guilders (\$41.5 billion) on social benefits each year. For many, such funds have become an acceptable way of life, even replacing work. The Ministry of Social Affairs estimates that social fraud runs at a level of six billion guilders (\$3.1 billion) a year. One example: Although the unemployment rate officially stands at 5.1 percent, the number



NETHERLANDS BOARD OF TOURISM

Dutch Prime Minister Ruud Lubbers is determined to make headway in the E.C.'s single market program during his six-month presidency. Opposite page: Amsterdam; above: Rotterdam.

lar achievements as possible. We need to ensure that the Community continues on a course of balanced development and responds adequately to the challenges that arise." He underlined that special attention must be paid to the completion of the single market and to the satisfactory conclusion of the IGCS.

Other issues Lubbers regards as a priority during his E.C. presidency are the continuing discussions on Community financing—the "Delors Package" covering the period 1988–92—and the reform of social and other funds, especially the Common Agricultural Policy. He also hopes that one of the issues he proposed at the June 1990 Dublin Summit—discussions on a European Energy Community—will take off during his presidency. This policy would coordinate energy activities by both E.C. member states and other European countries. In foreign policy, the Dutch Prime Minister has said that relations with Eastern Europe, including the Soviet Union, will require much attention.

The Dutch team in charge of the E.C. for the next six months appears confident. Most of the key figures have been in government for nearly a decade and have

Lubbers' first and second governments, from 1982–86, and from 1986–90, respectively, were right-of-center coalitions. Yet he is equally at ease in his current left-of-center administration, which he runs with the Socialist Deputy Prime Minister and Finance Minister, Wim Kok.

The Netherlands has definite views on what it would like the outcome of the two IGCS to be. Politically, it would like to see the E.C.'s powers to be commensurate with its economic weight. This would mean that the European Parliament and the E.C. Commission would cooperate more closely with one other and that both institutions could be given more decision-making powers. In international affairs, van den Broek says the Dutch wish to safeguard the U.S.-European link in foreign and defense policies.

On EMU, the Netherlands sees the need for a central bank that acts independently of national governments, and for a single European currency. The country, however, is acutely aware of the dangers of proceeding with such goals while wide disparities remain between the economies of the member states.

Other areas of concern Lubbers hopes

The "Dutch Character"

Gerrit Jeelof is on the board of Philips N.V., as well as serving as chairman of the European Community Chamber of Commerce in the United States. In an exclusive interview conducted last May with Europe's Editor-in-chief, Robert J. Guttman, Jeelof shared some of his views on the "Dutch character" and the reasons for the successful development of the Netherlands as a major international trading power. Following are excerpts from that interview.

Jeelof notes that the Netherlands' small domestic market partly explains the large amount of Dutch investment in the United States. He says: "If you really want to be successful, you have to export, because the Dutch market is just not big enough to enable you to make a living—at least not in fields with an international dimension. And that has been the case for many years."

On the subject of the Dutch business community's remarkable business acumen and its ability to trade successfully with the world, Jeelof points out that "the Dutch have been international traders for centuries. That has been our tradition, and that tradition has been maintained."

But other reasons, too, rooted in European history, helped the Netherlands to establish its firm grip on international trade and business. Says Jeelof: "Holland has always been a country in which minorities were well received. During all periods of religious persecution—and particularly during the Spanish Inquisition—many religious minorities ended up in Holland, like Jews from Spain and Portugal, and Huguenots from France. They

brought with them an international dimension and attitude.

"When you consider these factors, I think that all these things made it necessary for the Netherlands to become internationally big—for its own survival. This resulted in creating some very big multinationals, like Royal Dutch/Shell, basically a merger between British and Dutch oil interests, or Unilever, also an Anglo-Dutch merger."

Asked about the appeal of the United States to Dutch investors, Jeelof stressed that this was always "very positive" among the business and financial communities, which have made huge investments in the United States for a very long time. In other business sectors, Jeelof highlighted the insurance industry, which "has taken huge positions in the United States. And the biggest Dutch retailer, Ahold, N.V. is probably bigger in the United States now than in the Netherlands."

How would Jeelof define the "Dutch character?" Are the Dutch really very conservative when it comes to business transactions, yet very tolerant in social matters?

He noted that what makes them good international business partners is their lack of nationalistic feeling, an absence of "the enormous emotional relationship between the country and its population." In addition, "they know how to behave internationally, although they tend to want to teach everybody how they should behave . . . and that they know exactly how other countries should solve their problems! Where that comes from, I don't know, most probably from our Calvinist religious background—which has made us very dogmatic."

of persons on unemployment benefits is higher than that. Thus the outlays on social security payments are clearly above the European average, even though the relatively high benefits are subject to tax.

Lubbers is confident that his country's domestic woes will not sidetrack his efforts to guide the E.C. closer to "1992."

According to the Central Economic Planning Bureau, absenteeism figures in the Netherlands run extremely high—nearly twice as high as in Belgium and 60 percent higher than in Germany. Research has shown that the health of the Dutch population is better on average than in many other countries. Yet the Dutch socio-cultural climate makes it acceptable for people not to work. The Government wants to remedy this situation by reducing the number of young people leaving high school without a degree and by raising the qualifications of those already working by stimulating employers to improve incentive structures.

Despite these efforts, however, the Labor Party fears that the Netherlands' carefully constructed social edifice, which the party regards as sacrosanct, could crumble. This will undoubtedly create problems when the Conservative-Labor coalition sits down to draft next year's budget. For, despite the necessity of budgetary constraint, Labor will insist on maintaining one of its basic political principles—the link between private-sector wage levels on the one hand, and public-sector wage levels and all kinds of social benefits, ranging from unemployment and pension benefits to welfare and disability allowances, on the other.

Although the outlook does not seem bright on all fronts as the Netherlands launches its presidency, Lubbers is confident that his six-month stint at the helm of the Community will be a successful one, and that his country's domestic woes will not sidetrack his efforts to guide the E.C. into 1992. €

Nel Slis is a freelance writer based in The Hague, and a regular contributor to *Europe*.

The Dutch Role in U.S. Business

*Patient and Prudent Investors
In America for Over 300
Years*

ROBERT HASLACH ■

FOR THE PAST DECADE, JUST THREE COUNTRIES have accounted for nearly half the direct foreign investment in the United States. They have bought nearly anything American owners were willing to sell, from skyscrapers and steelworks to supermarkets, department stores, cement plants, tire plants, and farms.

Of that trio, Japan makes the headlines and inspires the editorials, while the United States' "special relations" with the United Kingdom make that country's heavy investment non-controversial. The surprise comes from the third member of this exclusive world league of big business: the Netherlands. It packs an investment wallop far greater than its modest land area or 14.5-million population might suggest. Who are these investors, and why are the Dutch so keen on investing in the United States?

The lands occupied by the Dutch over the centuries have always been strategically located and important for trade and commerce. The Dutch masterfully reclaimed their land from the North Sea through dam, dike, and polder construction and maintenance.

By the 15th century, the center of Europe's economic power moved north from Italy and Spain to the coastal cities of the Low Countries: Bruges, Ghent, Antwerp, Rotterdam, and Amsterdam. When the first three cities, now in Belgium, lost access to the high seas through sedimentation, religio-political conflict, and blockade, the Netherlands emerged as a major trading power. With experience in self-organization and leadership, and a need to seek their fortunes on more fertile and expansive soil, the Dutch seafarers burst into the 17th-century world, trading wherever their ships would take them, taking whatever was available, and



establishing trading posts and colonial cities in Africa, India, the East Indies, and North and South America. That century also marked the beginning of Dutch investment in America.

The Dutch knew that commercial and state interests were often closely related. The 17th-century Netherlands East Indies Company and the Netherlands West Indies Company were typical of Dutch business thinking. From the time they first settled in today's states of Delaware and New York, the urge to acquire, develop, and sell real estate was at times strong enough to pull government policy in its train. New York City was first New Amsterdam; all five boroughs are of

Although losing sovereignty over its North American acquisitions in the 17th century, the Netherlands continued to play a key financial role in America's development: It financed the Louisiana Purchase of 1803 and held all U.S. foreign debt in 1805.

Royal Dutch Shell: A Profile in Success

Dutch origin. Most of the Hudson River valley was a Dutch settlement. The Dutch were the preferred trading and business partners of the American colonists; they paid in cash, made few rules, and asked even fewer questions.

Despite prior claim, and valiant and often victorious naval battles against Stuart and Cromwellian England, the Peace of Westminster, which ended the Third Anglo-Dutch War of 1672-74, also ended Dutch sovereignty over their North American lands. The Dutch nonetheless remained a major force in America: When the American colonists revolted against England in 1776, the Dutch ultimately helped finance the Revolutionary War.

By 1805, the Dutch held all U.S. foreign debt, owned vast tracts of western New York State and Pennsylvania, which they sold for development, and financed the Louisiana Purchase of 1803 out of the Amsterdam capital market. Later, the Dutch were among the chief investors in America's 19th-century wave of railroad construction.

Real estate has lost none of its charm for today's Dutch. In February 1990, the insurer Nationale Nederlanden/VastGoed invested \$2 billion in the Prudential Global Real Estate Program. In March 1990, the RODAMCO investment fund bought 12 percent of Corporate Property Investors. In short, the Dutch have never really left North America.

British investors may have bought and sold the famous Watergate Complex in Washington, D.C., but Dutch investors and their typically cash-rich pension funds were close behind in buying other blocks of the capital city. Dutch investment is extensive in Washington, D.C., including the Sun Building near the complex at Metro Center that houses the Dutch investment firms Nationale-Nederlanden/VastGoed, Noro, VIB, and PGGM/GAK.

Dutch real estate investments also focus on other parts of the United States. Georgia, California, Texas, and Illinois have been attractive locations, as has the harbor city of Baltimore.

By far the largest number of Dutch operations in the United States last year were involved in finance, insurance, and real estate. It should be evident that, real estate being a scarce commodity in the densely populated and developed Netherlands, Dutch firms and individuals like to buy American.

But, however important, real estate is not the whole story of Dutch investment in the United States. Seventy-six Dutch operations are involved in the manufac-

The list of the 25 largest public companies in the world is headed by American, German, and Japanese firms. In their midst is one Dutch company, Royal Dutch/Shell, a worldwide energy and chemical company that generates nearly \$85.5 billion in annual sales and employs approximately 135,000 people in more than 100 countries.

Royal Dutch/Shell is a Dutch-English company with one foot rooted in the history of the former Netherlands East Indies, now the Republic of Indonesia, and the other in the development of the Black Sea oil fields.

The business goal of the original company, the Provisional Sumatra Petroleum Company, was to drill for and produce lamp oil in Sumatra on a concession obtained in 1880 by Aeilko Jan Zijlker, once a plantation manager with the East Sumatra Tobacco Company. In 1885, Zijlker brought in his first commercial well, which produced for 50 years. In 1890, he converted the Provisional Sumatra Petroleum Company into the "Royal Dutch Company for the Working of Petroleum Wells in the Dutch Indies," which was formally established in The Hague with the support of then King William III—hence the name Royal Dutch.

In 1892, J.B. August Kessler succeeded Zijlker as the firm's managing director, and Crown Oil became the firm's first brand name retail product. In 1895, Royal Dutch paid its first dividend. Kessler died suddenly in 1900, and was succeeded by Royal Dutch's most well-known director, Henri Deterding, who ran the company until 1937.

The Shell portion of the present firm

—Robert Haslach

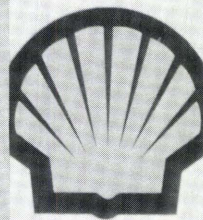
was founded in 1897 in London by Marcus Samuel as The Shell Transport and Trading Company Ltd. The name "Shell" commemorates his father's successful career as a trader in Far Eastern shells and mother of pearl.

The British oil tanker company exported Russian Black Sea oil field production to the Far East. Royal Dutch answered that challenge by building its own oil tankers. Competition ended in 1907,

when The Royal Dutch/Shell group of companies was formed. Royal Dutch and Shell merged their interests on a 60:40 basis without losing their separate identities.

In sales, Royal Dutch/Shell is ranked number four in *Fortune's* listing of the world's biggest industrial corporations, just ahead of IBM and behind Exxon. Founded to produce lamp oil, Royal Dutch/Shell's growth and presence in the U.S. market parallels the development of the automotive industry. Shell's first U.S. production and sales date from 1912.

In addition to the familiar Shell gas stations operated in the United States by Houston-based Shell Oil Company, Royal Dutch/Shell's Shell Chemical Company has operated in the United States since 1929. In 1970, the group acquired Billiton Metals Inc., Billiton International Metals, and their subsidiaries, which also operate in the United States. The Group also owns Scallop Corporation, a marketer of petroleum and special industry machinery, as well as Scallop Nuclear Inc., and Massey Coal Company, among other companies.



ture of non-electrical machinery, and 65 companies provide transportation or communications services. Other key Dutch investment areas are chemicals and allied products (56 operations), electrical and electronic products (53 operations), and primary metals and metal products (50 operations).

Alongside the predictable Japanese and German firms in last year's *Forbes* magazine list of the 25 largest (by sales) public companies outside the United States, the Dutch ranked 7th and 21st with Royal Dutch/Shell and Unilever, respectively. In 29th place came the Philips Group, followed by Nationale-Nederlanden N.V. (insurance), the AKZO Group (chemicals), Ahold N.V. (retailing), AEGON Insurance, NV DSM, and some others, all pulling in annual revenues in excess of \$5 billion, and all well invested and operating profitably in the United States.

Nationale-Nederlanden N.V. is the major insurance company in the Netherlands. In the United States, it owns the Life Insurance Company of Georgia, Southland Life Insurance Company, Associated Doctors Life and Health Insurance

Company, Security Life of Denver, Wisconsin National Life, First of Georgia Insurance Company, Indiana Insurance Company, Peerless and Excelsior.

AKZO operates under its own name, but it also owns International Salt, Organon,

Most Dutch U.S. operations are in finance, insurance, and real estate. Other key areas are chemicals, electronics, and communications.

Advanced Bioscience Laboratories Inc., and the Biotechnical Research Institute, both near Washington, D.C. Other American companies with Dutch parents are Applied Management Services, Aspen Publishers Inc., Aspen Systems Corp., Cambridge Scientific Abstracts, Congressional Information Service, and Disclosure Inc.

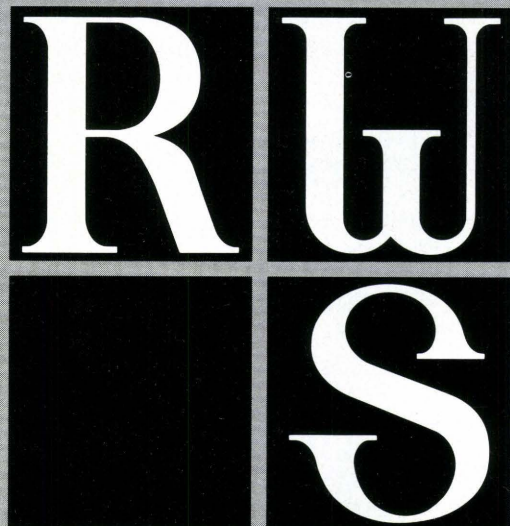
In the same way, Philips operates as

Philips, but also as Marantz, Sylvania, Signetics, Magnavox, Mepco, Centralab, Norelco, Polygram, and others. Ahold N.V., the operator of the Albert Heijn supermarket chain in the Netherlands, has a habit of buying American supermarket chains for cash. It now owns the FINAST (First National), BI-LO, and Giant Food chains in the United States.

Dutch companies operating as U.S. companies often refuse all public connection with their parent company's nationality—much to the frustration of embassy officials and public relations workers. The Dutch investor does not usually announce his nationality, but, like a chameleon, blends with the culture. Although not necessarily colorful or flamboyant, and often shy of self-promotion and embarrassed by their riches, the Dutch have proven to be patient and prudent investors over the course of three centuries in America. **€**

Robert Hashach is a freelance writer in Washington, D.C. His most recent article, "Whither Free Enterprise?", on Western investment in the Soviet Union, appeared in *Europe's* April 1991 issue.

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PROFILE

Eighteen years after attending a race car driving school in Zandvoort, Netherlands, Arie Luyendyk is still aggressive on the race track. "I used to drive the nose off the car (in my younger days), and my dad would get mad about that," he says.

In only his sixth full year on the Indianapolis Car circuit, Luyendyk continues to reap the benefits of his aggressive style, winning last year's Indianapolis 500 in record-breaking time, and finishing third in this year's race. After 92 starts, 15 finishes in the top 5, and 46 in the top 10, Luyendyk has become a serious contender on the American racing scene.

The "Flying Dutchman," as he has become known among racing circles, got his start working on race cars in his father's garage. He moved to the United States in the early 1980s, climbing through the racing ranks to the Indy class. Since his rookie season in 1984, Luyendyk has won over \$3 million.

During the off-season, he and his wife Mieke, and their two children reside in Scottsdale, Arizona, where they have recently opened an art gallery. Luyendyk also acts as a spokesman for the Center of Missing and Exploited Children.

RUUD LUBBERS, 52, has held the office of Prime Minister of the Netherlands since 1982.

Born in Rotterdam in 1939, Lubbers showed an early interest in everything related to economics and finance. He studied economics in Nijmegen and Rotterdam, and, although planning a career in academia, he abandoned that idea and joined the family business instead. Managing the Lubbers Construction Workshops and Machinefabriek Hollandia B.V. enabled Lubbers to use his economic interests in business.

At the same time, he developed his interest in politics. In the mid-1960s, he joined the Young Christian Employers Association, and went on to become a board member of the Netherlands Christian Employers Federation.

By the early 1970s, Lubbers had made a political name for himself, and became Minister for Economic Affairs in Joop Den Uyl's Catholic People's Party Government. That party joined up with two other denominational parties to form the Christian Democratic Alliance (CDA), which he came to head in 1978. In 1982, he became Prime Minister, a position that, nine years and two governments later, he still holds.

On the domestic front, Lubbers has grappled with a variety of problems since coming to office. Throughout

Europe, including the Netherlands, the 1980s were marked by severe unemployment. And during the past decade, the Dutch have worried about losing the benefits of their generous welfare state—made possible by the vast quantities of natural gas found in the country and exported to the rest of Europe.

Dutch concern for the environment and the eventual loss of the country's natural gas resources led Lubbers to propose a challenging plan last year for a European Energy Community that would include all of Europe. He has specifically proposed an arrangement with the Soviet Union under which Western Europe would be able to tap into the Soviet Union's considerable oil and gas resources in exchange for western technological expertise to help the Soviets exploit their resources.

During his decade in office, Lubbers has emerged as an important European figure. He heads into the E.C. presidency with an ambitious agenda that includes making continued progress on the single market, the intergovernmental conferences, and a cleaner environment. If he is able to conduct that six-month assignment with as much determination as he has led the reins of his national governments over the past decade, he is likely to succeed in making impressive progress on most fronts.



RUUD LUBBERS

ILLUSTRATION BY BILL ALLEN

PROFILE

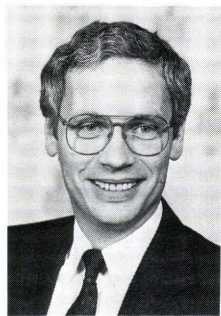
Frans Andriessen, 62, one of the six Vice-Presidents of the Commission of the European Community, has become known to Americans as Europe's "unofficial Foreign Minister" through his active participation in the Uruguay Round, which brings him to the United States frequently to discuss trade policy with U.S. Trade Representative Carla Hills.

In the past 10 years, he has had a busy portfolio at the Commission, holding responsibility for such key areas as competition policy, agricultural policy, and, most recently, external relations and trade.

Born in the Netherlands in 1929, the Dutch politician earned his doctorate in law from the University of Utrecht in 1951, and followed in his father's footsteps by joining the Catholic Housing Institute in 1954.

He began his political career in 1958, when he was elected to the Utrecht provincial legislature for the Catholic People's Party (KVP). By 1967, Andriessen had acquired national political recognition and, four years later, became chairman of the KVP party. He was one of those who realized that, because of its confessional nature, the KVP was facing declining voter interest. In a move to save its future, the

It seems ironically appropriate that **HANS VAN DEN BROEK**, the Netherlands' Foreign Minister, was born abroad—in Paris, France.



ROYAL NETHERLANDS EMBASSY

Van den Broek has been in his current post for almost a decade. Having served in all three Lubbers Governments, van den Broek continues to assert the Netherlands' support for maintaining a strong NATO and is helping to guide his country into position for the single market in 1992.

Van den Broek's path to politics included stints in both law and management. After working for a legal practice in Rotterdam, he entered the corporate scene working for industrial fiber producer, ENKA B.V., a subsidiary of the Arnhem group. He eventually served as the company's commercial manager. In 1976, van den Broek made his first foray into Dutch politics, winning a seat in the Lower House of Parliament as a member of the Catholic People's Party. He later became an executive member of the reorganized and renamed Christian Democratic Appeal party and, in 1981, was named State Secretary for Foreign Affairs in the second van Agt Government. He held on to that position when Ruud Lubbers took over the reins.

He continues in that position today. As State Secretary for Foreign Affairs, Hans van den Broek is looking forward to the next six months when the Netherlands will hold the rotating E.C. presidency.

party was merged with two Protestant-based parties into the Christian Democratic Appeal.

In 1977, he became Dutch Finance Minister. In this post, he made his mark with sweeping economic austerity measures. When his term ended in 1980, he moved from The Hague to Brussels to begin his first term as E.C.

Competition Commissioner, responsible for enforcing the E.C.'s antitrust policies.

In that capacity, he abolished Dutch state subsidies to greenhouse tulip growers, which had been illegal under the E.C.'s Treaties. With this move, he accomplished two things: He rectified E.C. competition policy and made it the byword

BEATRIX WILHELMINA ARMGARD is the sixth monarch of the Netherlands. She was inaugurated as **Queen Beatrix** on April 30, 1980, when her mother, Queen Juliana, abdicated at 71 to let her daughter be Head of State.

Considering that Britain's Prince Charles will probably be quite old by the time he succeeds his mother, Queen Beatrix of the Netherlands was lucky to be able to succeed to the throne at the age of 42. This gives her many years to celebrate two birthdays a year, since the Dutch monarch's accession is commemorated as an "official" birthday.

Most people know Queen Beatrix for her agility in managing the crown's public image and for her frequent public appearances and bicycle tours. But few people know that behind the doors of her royal home she sculpts bronze head figures and abstract objects as a way of cultivating the creative arts.

Queen Beatrix, who paid two royal visits to the United States in 1982, one of which celebrated the bicentennial of Dutch-American friendship, also has family ties with the United States through her two sons. Prince Johan Friso, 23 years old and second in line to the throne, studied engineering at the University of California at Berkeley, and Prince Willem Alexander, 24, the oldest son and a former naval lieutenant in the Netherlands Royal Navy, participated in the 1987 naval exercises of the NATO maneuvers.

At home, the Queen, who is very popular with the Dutch people, signs state documents and helps form new governments. She also keeps in close contact with the country's politicians. But she has only limited power in the legislative field: Acts of Parliament and Royal Decrees need to be countersigned by one or more of her ministers, and her most prominent task remains to lead the annual opening of Parliament on the third Thursday of September.



ROYAL NETHERLANDS EMBASSY

among Europe's industrialists. Since 1989, and as free competition begins to break down national barriers, Andriessen has been in the forefront of the drive toward closer European integration, this time as E.C. Commission Vice-President for external relations and trade policy.

Andriessen is one

of the main engines driving the Continent toward closer union. Today, amid the calls both for deeper and wider integration, Andriessen advocates caution. He says that internal integration is close on the horizon but that it could be jeopardized if new countries are added too soon.

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CAPITALS

Cutting the Red Tape

LISBON—The push is on in Portugal to cut a national army of red-tape merchants down to size. With the 1992 single market around the corner, the country's central administration and local authorities alike are increasingly aware of the crying need to reform a rusty, creaking, and entrenched bureaucracy.

Horror stories abound on the trials and tribulations of having to go through official channels. In fact, a whole sub-industry of agencies has mushroomed, which will handle the documentation for those lacking a strong constitution or the persistence to do battle themselves.

José António Rabaça, director of one such agency, noted with considerable understatement: "Patience and plenty of time are essential. Things improve slowly. We really need dozens of interlinked computers. That would help solve the problem."

The red-tape woes of Portuguese citizenry, drowned in piles of paperwork, long lines, and unproductive civil service procedures are a constant theme of letter writers to newspapers. "The problem," said Maria de Lourdes, herself an underpaid bureaucrat, "is that everything is so disorganized." She had just wasted 90 minutes of her (state) employer's time trying to get flight information from a telephone ostensibly belonging to the nationalized airline. The

recorded voice at the other end, however, would do nothing more than urge her not to hang up.

Concerned about the effects on productivity, the Portuguese cabinet recently held a special session to find ways to tackle the maze of red tape that confuses the country. It also proclaimed National De-Bureaucratization Day—on which bureaucrats must come up with suggested cuts in their own procedures. On top of that, a number of local authorities in the greater Lisbon area has been selected in a pilot scheme to simplify bureaucracy, boost administrative efficiency, and generally slash wasted time.

Working against these good intentions, however, is a deeply implanted streak of disorganization and distrust. This manifests itself in otherwise unnecessary procedures designed to shield some 480,000 civil servants in 980 government departments from the consequences of ill-considered

decisions or responsibility.

The already large number of government departments has now been swelled by one more—the Department of Administrative Reform. Its Sisyphean task is to prune paperwork and slim the civil service.

The department even advertises a free telephone for citizens' complaints or suggestions. However, when this reporter tried to get through for the best part of a morning, he was told, after a further 40 minutes dialing directory assistance that, despite the ringing tone, the number was out of order.

Ah well, it's the thought that counts!

—KEN POTTINGER

For Sale

BRUSSELS—Alexanderplatz 6, in the center of the reunited Berlin, sounds like a grand shopping address—and in a

way it is. *Treuhand*, the German state-backed privatization agency, has taken over those premises, where foreigners can buy the former East German state-owned *kombinats* (companies), once the pride of the German Democratic Republic.

Belgians are among those coming to knock at the door. Long before them, however, West German investors flooded into their country's Eastern counterpart to buy land, antiques, and even horses at low prices. Some of the big companies made deals with the *Treuhand* to acquire *kombinats*. The French, followed by the Dutch and Belgians, also tried to get a footing in this market, but arrived late. Of the 1,300 former state-owned companies sold by the *Treuhand* since German unification last year, 90 percent are now in German hands. That sounds like a lot, but more than 6,000 other companies are still for sale.

Despite a slow start, Belgians are now enjoying an added incentive in their quest for East German business opportunities. The *Treuhand* provides its neighboring Belgian investors with a computerized list of all companies up for sale, including names, locations, and business activities. Moreover, thanks to new German laws, foreign investors have the guarantee that Germany will pay for any financial compensation demanded by former owners whose companies were confiscated by the

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Nazis before 1945 or by the Soviets in the aftermath of World War II.

Some Belgian companies, however, did not wait for all these assurances before shopping in the eastern German *Länder*. One of these intrepid hunters is Vandemoortele, a Belgian food company that produces vegetable oil. The company used personal contacts with German bankers in Brussels to buy an oil extraction plant in Riesa, in which the *Treuhand* has retained a 25-percent share. Vandemoortele plans a \$6-million investment there—mainly to update the factory's water system and build a new coal-fired power station.

Buying former *kombinats* is only one element in the booming business relations between Belgium and Germany. Belgian Ministry of Commerce officials point out that some Belgian companies are hoping to subcontract with West Germans who invest in the former GDR, while others are looking for direct exports. Indeed, Germany became Belgium's major export market last year—particularly in textiles, fishing products, and machines.

—CHRISTOPHE LAMFALUSSY

The Crusading Prince

LONDON—Prince Charles, the future King of England, once battled against architects, whom he accused of blighting the country's cities with awful buildings. Now he is directing his criticism against the education system, which, he says, is producing educationally limited and culturally deprived citizens.

Seizing the occasion of the annual Shakespeare birthday lecture at Stratford-upon-Avon, he proclaimed that "it is almost incredible that in Shakespeare's land one child in seven leaves school functionally illiterate." The

basic problems, according to the heir-apparent, are that not enough children have pre-school education and too many drop out early, that pupils are forced to specialize in arts or science courses at an early age, and that few children go on to vocational or higher education.

The British education system creates a deprived underclass from a very early age, he believes. "In France, Italy, and Belgium, every child under the age of five receives nursery education from the state. Here, less than half our children have that right." That problem continues through high school. The Prince called it "alarming" that "only a third of our 16- to 18-year-olds are still in full-time education. In France, the figure is 66 percent, in Japan and the Netherlands 77 percent, in the United States 79 percent." In Britain by comparison, "40 percent of our children leave full-time schooling with no

significant educational qualifications at all."

The fact that the British are notorious for their poor command of foreign languages does not surprise the Prince at all. He points out that children are deemed incapable of learning foreign languages before the age of 11 in most schools, and that, by the age of 14, half of them had given language classes up.

In that light, and stressing the importance of Britain's role in the E.C., Prince Charles worries "how [Britain is] going to survive in the Europe of 1992 and beyond, shackled with such manifest handicaps."

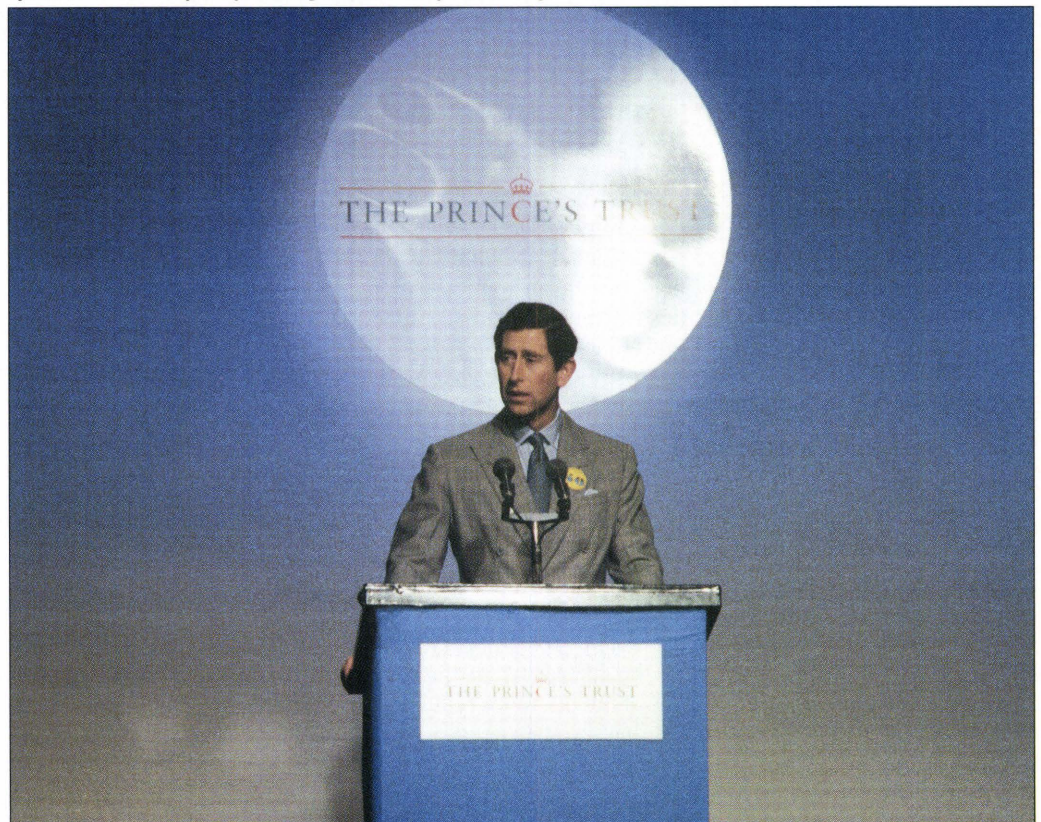
He places the blame for this situation squarely on the shoulders of the "educationalist" profession, which, he believes, "has become increasingly out of touch with the true feelings of so-called ordinary people." The Prince argues that children should be intellectually and culturally

well-rounded. "Education is not about social engineering, but about preparing our children as best we can for all the challenges in front of them."

The heir to the House of Windsor is now firmly enthroned in the public imagination as the royal crusader, defending the nation and its individuals against the monolithic establishments of experts who, he believes, are responsible for the decline in aesthetic and intellectual standards.

It is ironic that the monarchy, the central pillar of the British establishment, should produce one of the greatest scourges of the bureaucratic establishments. After having first raised people's awareness of the state of the nation's architecture and then of the educational system, will he next turn his piercing and challenging gaze on to the very establishment that gave him such a platform, the

Prince Charles, who was critical of British postwar architecture, is now directing his criticism against the British education system, which, he says, is producing a "functionally illiterate" generation.



British class system?
—DAVID LENNON

Seeds of Reform

ROME—Italy recently installed its 50th government since the end of World War II, an event that foreign observers and the international press have followed somewhat distractedly. And, on the face of it, this crisis appeared to have been like all the previous ones, as the same politicians are again in power. The Prime Minister is, once again, Christian Democrat Giulio Andreotti, who, in almost 50 years of political activity, has now formed his seventh cabinet. And Socialist Gianni De Michelis was re-confirmed as Foreign Minister. It is justifiable, therefore, that the American press dedicated little space to the “usual Italian-style crisis.”

But this time something new did happen, even if it is not evident by a simple perusal of the long list of ministers and under-secretaries, which has grown even longer to accommodate the parties' requests. This list in fact alone lends more weight to the impression that things not only have not changed, but are getting worse.

So, where is the change? Unlike previous crises, constitutional reform was seriously discussed for the first time. The desire to end the First Republic and to begin a Second, based on the French or American model, is clearly evident. Such reform would lead to a presidential republic, in which the head of state would not be invested with merely representational functions and whose managerial role would not be limited to designating the prime minister and subsequently accepting almost passively the latter's choices of men and strategies. During this last crisis, Francesco



In the case of an international conflict, Chancellor Helmut Kohl wants German troops to be able to participate, within the U.N. framework, anywhere in the world—not just within NATO territory.

Cossiga, the President of the Republic, for the first time forcefully underlined the duties assigned to him by the Constitution—duties that too many politicians had forgotten during the past decades.

In the end, this crisis, as the others before it, was resolved “as usual.” But no one doubts that the seed of reform has been sown. Between now and the summer of 1992, when the next national elections will be held, the Italian political parties will meet to study the formula that would bring about the historical modification. There will be compromises and accords, but, in the end, optimists believe that Italy will have a new, more modern, and up-to-date constitutional structure.

The nature of Italy's volatile form of government can be explained by recent history. After the fall of fascism, the parties of the new-born republic felt that the state needed a “weak” governmental structure that would avoid the risk of new, disastrous authoritar-

ian temptations. This is no longer necessary, however. Italy has proved that it is now a “secure” democracy. That political maturity was illustrated by the fact that, for the first time in about 15 years, the 49th parliament was not dissolved before the end of its legislative period to hold emergency elections; instead, elections will be held during the summer of 1992, upon its natural expiration. That is already a big success.

—NICCOLÒ D'AQUINO

Constitutional Debate

BERLIN—The German Defense Ministry in Bonn was alarmed by the attitude of German soldiers who, in view of a possible deployment in Turkey—a NATO ally—rushed by the thousands to apply for conscientious objector status during the Gulf War.

In January 1991, a total of 22,197 German conscripts and reservists had filed conscien-

tious objector applications, compared with 8,864 in January 1990. By February, applications had risen to 31,235 (February 1990: 7,492). “This sad and shameful reaction,” says Hans Rühle, General Manager of NATO Development and Production Management Agency, “reflects the condition of a society that has successfully suppressed solidarity with the alliance for more than 40 years.”

The impact of the Gulf crisis has started a lively and controversial discussion on the future role of the German army, the Bundeswehr, and the new Germany's global responsibilities. The confusion of arguments could not be greater.

The Government insists that the German Constitution does not allow out-of-NATO-area engagements and demands an amendment of the Constitution—which will require a two-thirds parliamentary majority.

Many legal experts disagree with that stand, however. They argue that no amendment is necessary, since Article 24, paragraph 2, of the current

Constitution already stipulates that "for the maintenance of peace, the [Federal Republic] may enter a system of mutual collective security; in doing so, it will consent to such limitations upon its rights of sovereignty as will bring about and secure a peaceful and lasting order in Europe and among the nations of the world."

Christian Tomuschat, an authority on international law and a professor at Bonn University, says that an amendment is not necessary. However, he adds that the German Government has held for the last 15 years that a clarification of the Constitution is needed, and that, given the present legal situation, the Bundeswehr cannot act within the U.N. framework. Chancellor Helmut Kohl, however, refuses to engage in that legal debate, insisting that he needs a broad consensus for political reasons.

The political parties are divided on the issue. The conservative parties would like to amend the Constitution to permit Bundeswehr units to join U.N. peacekeeping and military activities. The Social Democrats and the Free Democrats, on the other hand, do not yet have a firm position.

Largely because of memories of World War II, many Social Democrats think that, for Germany, the wisest solution is to keep German soldiers strictly on German territory and not to make them guardians of the world order, like their American counterparts. "We are not a superpower; we do not have nuclear weapons like the five permanent members of the U.N. Security Council," says Uwe Stehr, the Social Democrats' defense expert. In his view, Germany should stick to the obligations of the NATO alliance, shape a European defense system, continue to defend NATO territory, and oppose the idea of German involvement outside NATO.

Kohl, however, warns against a "minimum solution." He demands participation in U.N. military actions according to the U.N. charter and within the framework of the Western European Union. Moreover, Kohl rejects the abolition of general conscription, arguing that "peace and freedom cannot be had free of charge."

Tomuschat notes that "if we amend the Constitution, only actions placed under the direct responsibility of the Security Council will be authorized, not actions by a coalition led by one state—like the United States in the Gulf War." In his opinion, a clear legal basis is needed for U.N. purposes to be able to make troops available for U.N. peacekeeping and other military activities.

—WANDA MENKE-GLÜCKERT

Trials and Tribulations

MADRID—On May 1, 1981, a strange ailment killed eight-year-old Jaime Vaquero after a day of intense suffering. Nobody knew it then, but within a few weeks, dozens, then hundreds, of Spaniards would follow Jaime, struck down by Toxic Syndrome, one of the worst cases of food poisoning in modern history.

Scientists were unable to

discover the chemical agent that caused Toxic Syndrome. But epidemiology studies showed beyond a reasonable doubt that the poison was contained in adulterated rapeseed oil falsely sold as olive oil in poor neighborhoods that summer.

That was the conclusion in May 1989 of a national tribunal that convicted 13 oil importers, refiners, and salesmen for their role in marketing the oil. The guilty men were given surprisingly short prison sentences—only two remain in jail today—and ordered to pay indemnities to the victims. Since they had all declared bankruptcy, however, the government agreed to step in and pay fair compensation.

But the government decided later that it would not pay out any damages until all legal proceedings had ended. The appeals process for the 1989 mass trial is expected to conclude this fall, but a second trial against government health officials has yet to begin.

A decade later, therefore, the victims of Toxic Syndrome, along with the parents, widows, and orphans of the more than 450 people who died of the poison, are still waiting to receive the indemnities legally owed them. Of the roughly 20,000 people who still suffer the physical side effects

of the syndrome, those who bear only occasional pains—about half—are the best off. Ten percent of the victims are confined to wheelchairs.

On the eve of the 10th anniversary of Jaime's death, the head of a national association of Toxic Syndrome sufferers said: "Indemnities [are] for the victims, not their grandchildren. This is shameful."

—RICHARD LORANT

Irish Solutions to Irish Problems

DUBLIN—Ireland has been plunged into yet another "great condom debate." This time around, however, few people find the subject funny, given that AIDS has introduced a grim note that was missing from the early controversies.

The current row blew up when the Irish Family Planning Association (IFPA) was prosecuted for selling condoms without the obligatory license in Richard Branson's Virgin Megastore in Dublin, where many teenagers buy music tapes and records.

Under Ireland's fairly strict contraception laws, even non-medical contraceptives can only be sold from licensed outlets. Branson's Megastore was

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not one of these.

The Government, under pressure to step up its anti-AIDS campaign, especially among young people, would probably have continued to turn a blind eye to these technically illegal sales of condoms. Pressure from Catholic conservative groups, however, eventually resulted in a court case against the IFPA, in which it was fined \$600. On appeal, this was increased to \$750.

The IFPA's chief executive, Christine Donaghy, immediately condemned the situation as "scandalous," and pointed out that one of the organization's witnesses in the original trial had since died of AIDS. Several European family planning centers told the IFPA that they were "horrified" that, in 1991, family planning clinics could be prosecuted in this way. "We are the laughing stock of Europe," Donaghy commented. She also called on

parliamentarians, trade unionists, and all reasonably minded people to make a stand to try and change the legislation.

In London, Virgin Megastore owner Branson condemned the judgment, saying that it was "an utter disgrace that in the 1990s the laws of Ireland would be responsible for the deaths of thousands of young people."

The Irish Government announced soon afterward that the law would be amended to allow for greater availability of condoms. Charles Haughey, the Taoiseach, or Prime Minister, also told a meeting of his Fianna Fail parliamentarians that, in addition, the law would probably reduce the age for the legal sale of condoms from 18 to 16.

That produced an immediate outcry from Catholic organizations and stern words from the two most senior archbishops. Dissenting voices were even raised inside Fianna Fail

and the Cabinet.

Suddenly Haughey found himself in the middle of the kind of church-state clash he has been so adept at avoiding in the past. When a previous government got into trouble with the Catholic Church over legalizing contraception in 1973, it was Haughey who eventually worked out the compromise that he called "an Irish solution to an Irish problem."

The election last year of President Mary Robinson was widely seen as an indication that the electorate was receptive to further liberalization in sensitive areas, such as the ban on divorce and the controls over contraception. To that extent, Haughey may have miscalculated by proposing that the age limit for the sale of condoms be reduced to 16.

The Government is still determined to amend the existing laws, but the smell of compromise is in the air. Another "Irish solution to an Irish problem" seems on the way.

—JOE CARROLL

Neither Here Nor There

PARIS—Ten years on May 10: A catchy concurrence of dates marks the decade that has passed since François Mitterrand was first elected President of France in 1981. This political milestone is inevitably marked by numerous polls and surveys, all trying to summarize and analyze Mitterrand's 10 years as the country's leader.

What emerges from the stock-taking is a remarkably un-Gallic lack of strong feelings one way or the other. The French are neither terribly happy nor desperately disgruntled with Mitterrand's leadership. *Ni-ni* (neither-nor), a term that was coined to describe Mitterrand's recent policy of favoring *neither*

privatization *nor* nationalization, now seems an apt phrase to apply to the French political atmosphere in general.

For one thing, the time-honored distinctions between the political Right and Left are disappearing. In a public-opinion survey conducted by the news weekly *L'Express*, 55 percent of the people questioned believed that political parties could no longer be clearly classified as being distinctly right- or left-wing. In contrast, in a similar survey taken in 1981, shortly after Mitterrand's election, only 32 percent held that opinion.

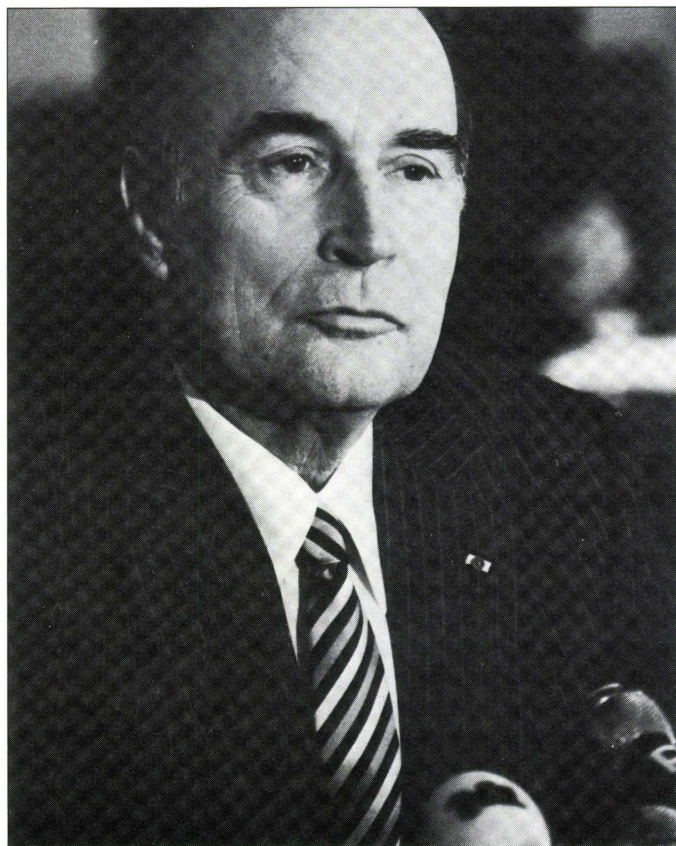
Thus, it seems that fewer and fewer people identify themselves with one end or the other of the political spectrum. In the *Express* poll, 36 percent claimed to be of the Left, 28 percent of the Right, and 30 percent pledged allegiance to *neither* the one *nor* the other.

One reason for such blurring of traditional boundaries is that Mitterrand's Socialist Government, which in 1981 proclaimed left-wing ideals, nowadays leans perceptively to the Right: The United States has become France's main ally, the public sector has been told to examine its conscience, and profit has been rehabilitated—to the point that business tycoon Bernard Tapie has been hailed by the Socialist Party's Secretary-General, Pierre Mauroy, as its "savior."

Some political analysts believe that it is not a bad thing for France to be *neither* of the Left *nor* of the Right. They argue that the country has become *consensuel*—a place where people live together peacefully and where politics are now only a secondary preoccupation.

But others interpret the *ni-ni* state of affairs as a sign of general disenchantment. The Sunday newspaper, *Le Journal du Dimanche*, found in its own poll that Mitterrand has lost nine percentage points in

In the 10 years that François Mitterrand has been President of France, political polarization has given way to decision-making by consensus.





Will Copenhagen's Mermaid one day look at a redeveloped port filled with high-rises, hotels, and office buildings, or an old harbor, whose facilities have been merely renovated and repopulated?

popularity in just one month: Of the people interviewed, 58 percent were satisfied with him in March, against only 47 percent in April. The *Journal* attributed the drop to the end of what it calls *l'effet Golfe*—the Gulf effect.

With national pride in France's active role in the Gulf War subsiding, the paper sees old complaints resurfacing: the high rate of unemployment, the increasing number of people below the poverty line, and, in particular, the Government's decision to grant a sweeping amnesty for all suspect political fund-raising carried out prior to 1989. Indeed, that date neatly excludes Mitterrand's entire 1988 re-election campaign. In the *Express* questionnaire, 470 of the 1,000 people interviewed picked that particular shady *affaire* as the most disappointing move the Government has made.

On the positive side, there is general agreement that Mitterrand and his team have performed well for the country in the international arena. Anywhere from 37 percent to 44 percent of the population, de-

pending on the poll and the particular questions asked, applauded the Government's participation in the Gulf War, its intervention on behalf of the Kurds, and its approach to a united Europe.

Mitterrand himself is unruffled by the public soul-searching his 10-year anniversary has caused. He is worried *ni* by what he might have done differently in the past, *ni* by the present gray haze hanging over the French political landscape. In a recent television interview, he serenely pointed out that his re-election in 1988 was for a seven-year term. And he has his eyes firmly fixed on those four years in power that still lie ahead.

—ESTER LAUSHWAY

The Old vs. the New

COPENHAGEN—A debate over the future of Copenhagen's port area is becoming increasingly heated. Some call the proposed development plans a new Battle of Copenhagen, which revives unpleasant memories of the

defeat of the Danes by Admiral Nelson in 1801. Others claim that this is a unique opportunity to repopulate the city center with the utmost respect for the environment.

The bone of contention is the large port area of Copenhagen, which has been underutilized since the port lost most of its business to Gothenburg and Hamburg ports, blessed with the deeper water required by container ships, and perhaps also with more visionary management. Now the Danish Government and Copenhagen's city council and port authority are battling for the property rights and the future of the port and of the hundreds of acres of land that will not be required for shipping purposes.

The Nelson analogy is used by people close to the port authority, who fear that the dismemberment of the property will force the port to charge such high dues that ships will not want to berth there unless they are in distress. The board of the port authority also claims that the government is planning to sell off large chunks of land to finance de-

velopment of the city area before the bridge from Copenhagen to Sweden is completed by the late 1990s.

Copenhagen's city council wants to develop the port not only as a business and commercial center, but also as a place to live. A plan to build low-rent subsidized housing on reclaimed land has already been christened the Venice of the North.

No less than 19 different projects have already been put forward by private investors and various public authorities. They include all kinds of housing, light industry, high-rise buildings, hotels, and new headquarters of the East Asiatic Company, a very large Danish conglomerate. The time frame of the projects ranges from a few to a hefty 30 years. Up to 60,000 new jobs could be created.

The most ambitious proponents of developing the port point to Paris as an example of new development in an old city. They highlight the La Défense area, created as a dynamic and futuristic business center some distance from the traditional city center, linked to it by the Danish-designed Arc de l'Humanité that is visible from the Louvre and perfectly encompassed by the Arc de Triomphe at the top of the Champs Elysées. Although the Danes have the architects, a more modest solution is likely for Copenhagen.

Whatever will happen to the Danish capital's port area, the Danes do not want to replicate another E.C. port redevelopment, the Docklands of London, which, through lacking foresight and planning, is turning into a financial fiasco.

—LEIF BECK FALLESEN

Ageless Beauties

ATHENS—One of the newest museums in Athens, the Museum of Cycladic Art, is de-

BERLIN

Chemists **Peter Lietz** and **Franz Wiesnbach** of East Berlin's Industrial Research Center are working on an unusual biotechnology project: They are breeding bacteria that can "devour" the plastic of which the East-German two-stroke Trabant cars were largely made, and thus end the Trabi's polluting history in an environmentally friendly way.

The scientists have already set the microbes to work on Trabant bodies, after shredding them into tiny chips to enable the bacteria to perform their task more easily and in their own good time. Within three weeks, the bacteria were said to have converted 650 kilograms (1,430 pounds) of plastic into roughly 10 kilograms (22 pounds) of ocher-colored biomass. This process eliminates otherwise necessary incineration, which releases harmful toxins, such as phenol and formaldehyde, into the environment.

In accepting the presidency of the **Treuhand** agency, which is privatizing the thousands of former East German state-owned companies, **Birgit Breuel**, 53, has taken on one of the most difficult and thankless assignments Germany has to offer.

She succeeds **Detlev Karsten Rohwedder** who was assassinated by terrorists on April 1. Breuel, daughter of the well-known banker **Alvin Münchmeyer**, has—next to Rohwedder—played a prominent role in the **Treuhand** since she joined it last October. As the only woman on the organization's board, she was responsible for its 15 offices in the five new federal states.

The unanimous choice of

Breuel by the **Treuhand's** administrative board did not come as a surprise. She has first-hand knowledge of the problems and shortcomings of the giant agency, as well as ample political experience: She served as Minister of Economics and Finance in Lower Saxony from 1978–89. Like Rohwedder, she will be exposed to criticism by politicians, trade unions, and investors. And, also like Rohwedder, she opts for privatization rather than investing to put East German companies on a sound footing. Her maxim: to privatize quickly, to reorganize resolutely, and, if necessary, to close down cautiously. Amid rising unease over large-scale unemployment in the former East Germany, Breuel compassionately advocates "less hardship and more humanity."

ATHENS

The new chairman of Greece's third-largest political grouping, the communist-dominated Coalition of the Left, got off to a dashing start in her maiden speech in parliament as party leader. "The government," declared **Maria Damanaki**, 39, (profiled in our April issue), "is nothing more than a glorified Prices and Incomes Board—with soaring prices and sinking incomes." Conservative Prime Minister **Constantine Mitsotakis**, battling a major economic crisis, could offer only limited solace: The annual inflation rate, he said, had fallen from 22.8 percent in December to 19.5 percent in March.

COPENHAGEN

Few members of the European Parliament are able to pursue both political and business careers as successfully as **Klaus Riskaer Pedersen**, 35, Danish liberal Member of the European Parliament. Since he is just serving his first term in Strasbourg, his business achievements are more obvious to the eye—especially in Denmark.

Pedersen is attempting to remodel the Danish media landscape. He has just bought a moribund group of small liberal newspapers, and makes no secret of his ambition to develop a much stronger media base. He aims to revamp local and regional newspapers, and some suspect that he may develop or purchase a national newspaper as a flagship.

Many already call Pedersen the Danish answer to Robert Maxwell or Rupert Murdoch.

A self-made man of humble origins, an entrepreneur, corporate raider, grandscale risk-taker, and very conspicuous consumer, Pedersen seems more like an American than Danish businessman. And Pedersen is a highly controversial personality, not only in politics but also in the Danish business community, which tends to give corporate raiding an even lower status than its U.S. counterpart.

Pedersen's election to the European Parliament signals a change in the values of many Danes. This is true especially among the young, who helped elect him to the European Parliament.

PARIS

Anne Lauvergeon, 31, who recently took over the reins as Deputy Secretary-General of the Elysée Palace, and Sherpa for the G-7 economic summits, from predecessor **Jacques Attali**, promises to breathe some much-needed fresh—and young—air into the traditional ranks of France's top-level civil service.

President François

Mitterrand is known for hiring young, yet highly qualified, staff. Nevertheless, the appointment of Lauvergeon to succeed Attali, Mitterrand's closest aide until he took over the European Bank for Reconstruction and Development, surprised most, including the appointee herself.

Lauvergeon's young age was not the only element to raise a few eyebrows. Contrary to French political tradition, she has virtually no prior experience in politics or foreign affairs, not having attended the prestigious Ecole Nationale d'Administration, through which most French politicians have passed. Quite the opposite, her education has been in the sciences—she holds two doctorates, in physics and engineering.

So what did Mitterrand see in the young scientist?

Lauvergeon is known as a nonsense, straightforward, frank, and charming person, hard-working and a born organizer. And, in the spirit of European integration, she speaks fluent German and English and commands a working knowledge of Russian.

Attali was sometimes referred to as Mitterrand's "one man think-tank," and a difficult example to follow. Lauvergeon looks capable of taking on that challenge.

voted to one of the oldest Greek cultures. It houses the private collection of Nicholas and Dolly Goulandris, who have spent three decades in search of the finest Early Bronze Age carvings and artifacts.

The museum, a narrow four-story building in a leafy side-street, creates an airy and spacious impression, with large windows giving on to a courtyard at the back, and its white marble-lined entrance hall and stairway. The presentation and labeling of the objects is of an exceptionally high standard, and is accompanied by a lavishly illustrated and informative catalogue published by the British Museum, which costs only about \$12.

Early Cycladic civilization spans the third millennium B.C., stretching roughly from the end of the Neolithic period to the rise to pre-eminence of the great Bronze Age cultures of Crete and Mycenae. It was concentrated in relatively small-scale settlements on the central Aegean Islands known as the Cyclades, which form a circle (*kyklos* in Greek) around the sanctuary dedicated to Apollo on Oslos. The island group enjoyed trading contacts throughout the Aegean and beyond.

The most distinctive surviving Cycladic works are exquisite marble figurines, usually folded-arm female nudes measuring less than 70 centimeters, with disc-like heads slightly tilted, and a stylized nose as the only facial feature. Peculiarly modern in their lightness and simplicity, these figurines come in a variety of styles, allowing some individual artists to be tentatively identified. One of these is the "Goulandris Master," who is represented in the museum by three pieces.

But the Goulandris collection is dominated by a larger female form—at three-quarters life-size, it is more than figurine—whose precise carv-

ing, perfect proportions, and fluid pose hint at much later classical sculpture. It is described as "expressing, in marble, the awe inspired by the Great Goddess, shrouded in mystery...perhaps a cult statue that stood in one of her shrines."

However, no Cycladic inscriptions have been discovered, so nothing is known about the beliefs or customs of the people who quarried and carved the marble of these islands. Most of the figurines were found in graves, suggesting a funerary significance. Could it have been their role to guide the souls of the dead into the next world? Or were they really representations of divinities? No certain answer can be given.

Nor is an answer necessary. One of the most enchanting sculptures, just 15 centimeters high, depicts a figure seated on a four-legged stool, holding out a cup at chin height as if proposing a toast to "the Cycladic Miracle," as British archaeologist Colin Renfrew calls "...[those] small island communities around 2500 B.C. [that] could produce works of art of such dazzling simplicity that they attract the modern eye, which responds directly to them with a real pleasure."
—PETER THOMPSON

Happy-go-Lucky Luxembourgers

LUXEMBOURG—A recent survey of living and working conditions in the 12 E.C. countries has concluded that the 350,000 inhabitants of the tiny country of Luxembourg are the most satisfied with life. The British rank second in the happiness stakes, while the Irish trail behind in last place.

This, at any rate, is the theory put forward by Frenchman Gérard Mermet in his 500-page tome, *Euroscopie*, published by the French pub-

lisher Larousse. Primarily a vast collection of statistical tables culled from diverse sources including the E.C., the OECD, and the U.N., the book also ranks nations according to their most outstanding achievements.

Thus we discover that Luxembourgers have the greatest number of houses equipped with central heating, electronic gadgets, washing machines, and dishwashers. Luxembourgers also enjoy greater disposable incomes and longer holidays than their neighbors. They tie with the French in drinking the most alcohol, 13 liters (3.3 gallons) per person per year. The Irish, on the other hand, come in last with only 5.4 liters (1.4 gallons).

The Irish, however, spend more of their income on food, eat more potatoes, go to the cinema more often, and own more dogs than anyone else. They also have the highest birthrate and the largest families in Europe. If statistics are to be believed, they would swap all of this for a few more washing machines and dishwashers.

The British, who are not quite as happy-go-lucky as the Luxembourgers, use more contraceptives, drink more instant coffee, and eat more sugar than anyone in Europe. They pay more for their housing than other Europeans, but also have more bathrooms equipped with baths or showers. They also read more newspapers and buy more videocassettes than other Europeans.

The Danes' list of achievements paints an interesting picture. They own more telephones and deep freezers than anyone else and, maybe not surprisingly, also eat more frozen food. They have the highest number of births outside of marriage and the largest number of unmarried couples living together. They also have the highest divorce, crime, death, and suicide rates.

From the happiest to the most unhappy Europeans, the line-up is as follows: Luxembourg, the United Kingdom, Germany, France, Italy, the Netherlands, Spain, Greece, Denmark, Belgium, Portugal, and, last but not least, Ireland.
—DENISE CLAVELOUX

CORRESPONDENTS

ESTER LAUSHWAY is a freelance writer based in Paris.

JOE CARROLL is the parliamentary correspondent for the *Irish Times* in Dublin.

DAVID LENNON is the managing editor of the syndication department of the *Financial Times*.

CHRISTOPHE LAMFALUSSY is the foreign affairs correspondent for the Belgian daily *La Libre Belgique*.

NICCOLÒ D'AQUINO is the special correspondent for foreign affairs at *Il Mondo*.

KEN POTTINGER reports from Lisbon for London's *Daily Telegraph* and *Sunday Telegraph*.

WANDA MENKE-GLÜCKERT is a freelance writer based in Bonn.

DENISE CLAVELOUX is the Brussels correspondent for *The European*.

LEIF BECK FALLESEN is the economic director of the daily *Borsen* newspaper.

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

RICHARD LORANT reports for *Associated Press* from Madrid.

E.C. NEWS

U.S.-E.C. RELATIONS

KOHL, BUSH EMPHASIZE GOOD U.S.- EUROPEAN RELATIONS

German Chancellor Helmut Kohl called U.S.-German relations "excellent" after completing his first visit to the United States as chancellor of the united Germany last May.

During his stay, Kohl met with President George Bush and with leaders of Congress, some of whom had criticized Germany for not taking a more active role during the Gulf War. Of his meeting on Capitol Hill, Kohl said: "Whoever attended the meetings on [Capitol] Hill, certainly was unable to detect any irritations between us and the Senators and Congressmen."

He went on to say that communication did break down during the time of German unification. "The drama of the developments in Germany that took place in the course of a few months were not fully seen on this side of the Atlantic."

Answering questions about the future of NATO, Kohl emphasized his support for a "substantial U.S. troop presence both on German soil and in Western Europe." He also



Following his meetings with U.S. Agriculture Secretary Ed Madigan, E.C. Commissioner for Agriculture Ray MacSharry, left, said he was optimistic trade talks could be completed by the end of this year.

said that, on matters of defense, western European unity would serve only to support NATO rather than replace it. While stressing the need for strong ties with the United States, Kohl also called for the creation of a United States of Europe.

The two leaders also spoke about Western support for the Soviet Union during their meetings.

QUEEN ELIZABETH ADDRESSES U.S. CONGRESS

In the first Congressional address by a British monarch, Queen Elizabeth II touched on a wide array of subjects, ranging from praise for U.S. and British resolve during the Gulf War and a hope for continued cooperation and understanding between the two countries.

She saluted President George Bush for his commitment to freedom and democ-

racy, and for his show of leadership during the Gulf War and the "swift and dramatic" changes in Eastern Europe. "[Eastern Europeans] are finding their own paths to freedom. But the paths would have been blocked if your country and mine had not stood together. Let us never forget that," the Queen said. In facing the challenges presented by the opening of the Eastern Bloc, she said that it was "Britain's prime concern that the new Europe is open and liberal" and that the best progress toward social, economic, and environmental change is made when Europeans and Americans act in con-

cert.

She also said that Britain and America had a special advantage in leading the world toward stability through tolerance and understanding because of their rich cultural and ethnic diversity.

The Queen was often interrupted by applause during the short speech, in which she quoted Abraham Lincoln and Franklin Roosevelt.

E.C., U.S. OPTIMISTIC ON SUCCESSFUL AGRICULTURE AGREEMENT

E. C. Commissioner for Agriculture Ray MacSharry met with the newly appointed U.S. Secretary of Agriculture, Ed Madigan, and with U.S. Trade Representative Carla Hills in Washington, D.C. last month. MacSharry's meetings with both focused on the need for a successful conclusion of the Uruguay Round.

When MacSharry spoke to *Europe* about his discussions with Madigan and Hills, he stated he was optimistic that the trade talks could be successfully concluded by December. "If we don't do that, I think we are going to look a bit ridiculous, simply because these discussions started in 1986. We're now moving to the end of 1991, so we should be moving to a conclusion," said the Agriculture Commissioner.

EUROPEAN AFFAIRS

E.C.-EFTA TALKS MUST STILL OVERCOME SEVERAL HURDLES

The European Community and the European Free Trade Association (EFTA) have hit a few snags in their negotiations to create the European Economic Area (EEA), a single market that would encompass 380 million European consumers.

Foremost is Switzerland's reluctance to sign any deal that does not include an "escape clause" that would allow Switzerland the right to opt out of any legislation authored exclusively by the Community. The Swiss and Austrian delegations must also still resolve a dispute with the E.C. concerning truck transit rights through the Alps. A further obstacle to the EEA agreement is Norway's and Iceland's refusal to include their fishing grounds in the negotiations.

Although many at the talks are optimistic about a successful agreement, others see EFTA as a weakening union. Austria applied to join the E.C. in 1989, Sweden is expected to do so this summer, and Norway and Finland are seriously considering applying. Many view Liechtenstein's recent entry into EFTA as a step toward the E.C., and Switzerland, despite its coveted neutrality, may eventually join the club, too.

Whatever the outcome of the current talks, the prevailing view seems to be that the EEA might be only a prelude to a bigger European Community.

EBRD SETS GOALS TO HELP EASTERN EUROPE

The European Bank for Reconstruction and Development (EBRD), established to aid Central and Eastern Europe in its economic restructuring, has released a list of its initial priorities and policies.

According to bank officials, the EBRD, supported by 39 countries, including the United States, and two E.C. institutions, will seek an advisory role with the Eastern European governments in helping to determine political and economic reforms. Initially, it will co-finance projects with other multilateral institutions such as the World Bank and the European Investment Bank. These projects will focus on developing "an entrepreneurial spirit at the grassroots level by helping to establish small enterprises."

Other areas of emphasis include:

- building an efficient infrastructure;
- improving the region's energy, transport, and telecommunications systems;
- privatization;
- developing capital markets and private commercial banks;
- supporting the establishment of the private sector, particularly small- and medium-sized companies, in industry, agriculture, and services;
- making the industrial sectors more efficient and competitive;
- encouraging direct foreign investment;
- addressing environmental concerns.

SCIENCE

EUROPE'S NEW ASTRONAUTS

In response to a recent search for astronauts from its member countries, the European Space Agency (ESA) is now reviewing 61 applications.

The requirements for an astronaut training position include fluency in English, a university degree and three years' experience in the natural sciences, engineering or medicine, and physical and psychological fitness for the program.

The final selection process will last until December and will include a series of psychological and professional interviews and space-related medical tests. ESA will select up to 10 "European candidate astronauts" who will take part in several European space missions, such as the Hermès and Columbus manned space flights, and missions with the NASA Space Shuttle. All will become members of the European Astronaut Corps.

ENERGY

NATURAL GAS: FUEL OF THE NEXT MILLENNIUM?

Natural gas could prove to be the fuel of the future for European consumers.

A recent study showed that Western European natural gas consumption could rise to nearly twice the levels of current consumption by 2010. It is therefore not surprising that many European companies are trying to get into the

market.

The E.C. Commission is trying to increase competition among suppliers. Although facing intense resistance, the Commission favors a policy of open access that would allow independent suppliers to use existing pipelines to transport gas to customers. The Commission has begun legal proceedings to loosen the state monopolies that currently exist in France, Denmark, and Belgium.

The monopoly gas companies, such as the Dutch Gas Unie, France's Gaz de France, British Gas, and Germany's Ruhrgas, argue that, in the long run, open access would reduce the security of supply for consumers. The companies also argue that increased competition would lower prices, and that there would no longer be an incentive to invest in long-term projects in an industry not known for quick profits.

HEALTH

E.C. PROPOSES TO BAN ALL TOBACCO ADVERTISING

In a move that will cause much debate, the E.C. Commission has proposed to ban all tobacco advertising in newspapers, magazines, and on billboards.

Vasso Papandreou, the E.C. Commissioner for Social Affairs, said that the move was primarily health-related. "Some 444,000 people in the European Community die of cancer caused by tobacco each year," she noted.

Last year, the European Parliament voted in favor of such a ban, but the Commission proposal must still be passed by a weighted majority

in the Council of Ministers before becoming law.

In addition to citing health reasons, the proposal also aims at harmonizing advertising policy on tobacco within the Community. For example, Italy and Portugal already have strict regulations concerning tobacco advertisements, and France is in the process of implementing its own prohibition.

Those against the ban are waging major lobbying campaigns. Spokesmen for the tobacco companies argue that government-subsidized firms and monopolies in countries such as France and Italy would benefit unfairly from the restrictions, while private tobacco concerns would suffer. The United Kingdom, Germany, and the Netherlands are likely to vote against the proposal.

BUSINESS

U.S., EUROPEAN CROSS-BORDER M&A FEVER CONTINUES

Automotive giants **Fiat** and **Ford** announced the completion of an agreement combining their tractor, farm, and earth-moving equipment operations. The U.S.-Italian venture creates the world's third-largest supplier of agricultural machinery.

The deal, in the works for more than a year, was slowed by regulatory snags on both sides of the Atlantic. Fiat's decision to loosen control on Italian tractor dealerships and the sale of its U.S. Heston hay-making equipment division helped pave the way for U.S. and E.C. approval.

The French bank, **Société Générale**, has taken steps to plunge into the tumultuous U.S. mergers and acquisitions (M&A) market by joining Wall Street takeover specialist **Lodestar** as a minority partner. If approved by the U.S. Federal Reserve Board, the deal would involve the purchase of an undisclosed amount of shares from both **Lodestar** and **Yamaichi**, a Japanese minority partner.

McDonnell Douglas Missile Systems recently awarded the U.K.-based **Lucas Aerospace** a contract to produce harpoon missile capsules. The 5-year, \$43-million contract will make the fabrications division of the engineering group the sole provider of the capsules, which are designed to protect the missile during launch from a submarine.

Rumors that **Jacuzzi**, the British-owned whirlpool manufacturer, might offer \$20 a share for the Texas-based **Eljer Industries**, set off a buying frenzy for the latter company's stock. The offer from **Jacuzzi**, a **Hanson Group** subsidiary, was termed "unsolicited" by an **Eljer** spokesman.

Blenheim Group, a U.K. conglomerate, disclosed the sale of 12.2 percent of the company to the U.S. publisher, **Ziff Communications**, in an attempt to bolster its growing publishing business. **Ziff** bought the shares from **Blenheim's** former chief executive officer and founder, **Lawrie Lewis**, for approximately \$48 million.

The E.C. Commission has approved a pharmaceuticals joint venture between **DuPont de Nemours** and **Merck**, two of the world's largest chemicals companies. In response to concern about the effects on competition, the Commission stated that the consumer benefits would surpass any ill effects.

AID AND DEVELOPMENT

E.C. SENDS EMERGENCY AID TO BANGLADESH

The European Community pledged \$73 million worth of emergency aid to Bangladesh to help the survivors of the worst cyclone in the country's 20-year history. The European Parliament proposed to send another \$48 million to fund water-purification equipment, vaccines, and antibiotics to prevent mass outbreaks of disease.

Since the Community's 1991 budget is already committed, the 12 member countries agreed to take the money from their national coffers, based on a percentage of gross national product.

E.C. Development Commissioner **Manuel Marin** admitted that the process was slow to respond to the immediate needs of the victims, and that this showed how necessary it was to "organize a European agency for humanitarian aid with the structures and mechanisms needed to face situations like that in Bangladesh."

E.C. "SHOCKED" BY GANDHI KILLING

The Commission expressed shock and outrage at the assassination on May 21 of former Indian Prime Minister **Rajiv Gandhi**.

In telegrams sent to the Indian President and Gandhi's widow, E.C. Commission President **Delors** condemned the brutal killing of a man "who fought so hard for progress and democracy in India."

the COMMUNITY BOOKSHELF

MAY-JUNE

A Guide to the European Community. *Office of Press and Public Affairs, Washington, D.C., 1991, 32 pages.* Overview of the institutions and policies of the EC. Includes an extensive section on US-EC relations. **Free**

Public Opinion in the European Community. *Eurobarometer No. 34, Commission, Brussels, December 1990, 161 pages.* Survey of opinion in the EC members states in the autumn of 1990. Includes standard questions on integration, political and monetary union, the Gulf crisis, Eastern Europe, and the role of the Parliament. **Free**

Energy in the European Community. *European Documentation No. 7/1990, Commission, Brussels, 1991, 45 pages.* Basic description of the energy situation in the EC, the Community's objectives for an internal energy market, and the effect of energy policy on the environment. **Free**

EIB Lends 13.4 Billion ECUs in 1990. *EIB Information No. 67, European Investment Bank, Luxembourg, February 1991, 8 pages.* Summary of EIB lending operations in 1990. **Free**

Fisheries in the Developing Countries: The European Community's Policy. *Europe Information Development, Commission, Brussels, October 1990, 31 pages.* Description of the EC's fisheries agreements with developing countries and related development aid. **Free**

A War for Peace. *European Affairs, Elsevier, Amsterdam, February/March 1991, 95 pages.* Sample issue. Lead article on the Gulf War by Richard Nixon. Interview with Sir Leon Brittan on Britain and the EC. Other articles on ESPRIT, Japan, investment, and Italy. **Free**

The European Community and German Unification. *Bulletin of the European Communities, Supplement 4/90, Commission, Brussels, 1990, 193*

pages. Presents essential documents laid before the Council and Parliament in connection with German unification and the integration of the new territory into the Community. These measures form the basis for the integration of the new land into the Community and for their gradual economic and social adjustment to the Community way of life. **\$5.50**

Future System for Free Movement of Medicinal Products in the European Communities. *Commission, Brussels, 1990, 198 pages.* Proposals concerning the future system of free movement of medicinal products for both human and veterinary use throughout the Community. Discusses objectives, authorization of medicinal products after 1992, obligations of the pharmaceutical industries, and the European Agency for the evaluation of medicinal products. **\$34.00**

General Government Accounts and Statistics 1970-1987. *Statistical Office, Luxembourg, 1990, 328 pages.* An annual publication devoted to results of the national accounts of Member States. Discusses three analyses: accounting presentation of general government expenditures and income, a class-classification of general government expenditure by function and economic use, and detailed statistical information of the revenue. **\$34.00**

Economic and Monetary Union. *Commission, Brussels, 1990, 42 pages.* Discusses economic and monetary union for the Member states. Topics covered include benefits and costs, the choice of a single currency and the objectives and principles of an economic union. Also covers the general concept of transition and

the institutional aspects of the union. **\$7.00**

Poverty in Figures: Europe in the Early 1980s. *Statistical Office, Luxembourg, 1990, 1188 pages.* Presents the evolution of poverty and inequality in Member States between 1980 and 1985 from a national and Community perspective. **\$18.00**

Economic Consequences of Fiscal Harmonization in Europe. *European Parliament, Luxembourg, 1990, 44 pages.* Contains a summary of a 400 page report commissioned by the French Senate for their Committee on Finance in May 1990. The text deals essentially with a study of the economic impact of the disparities in the level and structure of compulsory deductions from one country to another. Topics also include social security contributions, income and corporation tax, and VAT and excise duties. **\$7.00**

One Market, One Money: An Evaluation of the Potential Benefits and Costs of Forming an Economic and Monetary Union. *European Economy, Number 44, Commission, Brussels, 1990, 200 pages.* Examines forecasted policy and behavioral changes, the financial and economic impacts, and the overall implications for the Community. Also available as a subscription. **\$25.00**

Report on Competition Policy. *Commission, Brussels, 1990, 310 pages.* Provides

background on the EC's competition policy and reviews recent contributions by socio-economic and political circles such as European Parliament, Advisory Committee on restrictive practices, and dominant positions. Adoptions include proposals for a block exemption regulation in certain franchise agreements and air transport. Reviews EC decisions, measures, cases, assistance given, and public undertakings. **\$27.00**

Twenty-Fourth General Report of the Activities of the European Communities 1990. *Commission, Brussels, 1991, 459 pages.* Provides a sweeping overview of the EC's activities in the last year, including details of endeavors of Community institutions. Topics covered include: developments in EC financing, budget drafts, revenue, expenditures, and a five year financial perspective. Also updates progress made toward completing the internal market. There is information on EC research and technology, employment, education, and social policies. It also provides reviews of external relations and Community law activities. Contains tables and annexes of directives. **\$17.00**

EC Commodities Imports From Developing Countries 1976-1987. *Statistical Office, Luxembourg, 1990, 80 pages.* Looks at EC commodities imports from the third world and analyzes them by individual products. Part one, an overview, examines the composition of imports, the diversification of EC sourcing of commodities (breaking down commodity sourcing by region and by broad economic category). Other chapters deal with raw materials, food and beverages, and imports of commodities from individual less developed countries. **\$8.50**

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in closing . . .

The bicycle is one of the most popular forms of transportation in Europe. The first two-wheeled bicycle, the *draisienne*, was invented in 1816 by Baron Karl von Sauerbronn of Germany. The first bicycle race was held in France in 1868.

Bicycle racing has become popular all over the world. Recently, Dutch cyclist Erik Breukink won the American Tour DuPont, and in July, American Greg LeMond will try to repeat his success in winning the Tour de France.

There are about 11 million bicycles for 14 million people in the Netherlands. The Dutch are particularly fond of this environmentally friendly form of transportation. Of the 64 percent of urban trips already made without automobiles in Amsterdam, 20 percent are made on bicycles.

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