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CHANGES in the WIND

A Look at the New Europe *From A to Z*

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Letter From The Editor

NOTHING ILLUSTRATES

"Changes in the Wind" as dramatically as the failed coup attempt in the Soviet Union. As the world watches the complete collapse of the abysmal communist system, it hopes that the changes in the USSR will be peaceful.

Even the terms "Soviet Union" and "USSR" may be in for a change in the coming weeks as the republics continue to declare their independence. As change becomes a daily occurrence in Moscow and throughout the Soviet Union, *Europe* looks not only at the historic events taking place there, but across all of the new Europe.

Europe presents a special issue that looks at the "Changes in the Wind" in the new Europe from A to Z: From Albania to Moscow, from Boris Yeltsin to Yugoslavia and Zagreb—change is the operative word across Europe at the moment.

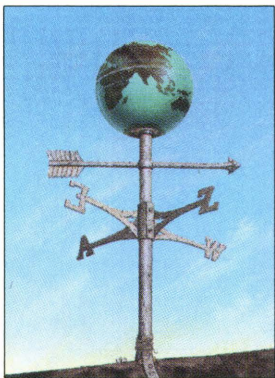
Most of the changes taking place are very positive, ranging from the new democracies in Eastern Europe to the E.C.'s activities leading up to the single market. At the same time, *Europe* gives an in-depth analysis of the turmoil in Yugoslavia.

Europe also presents an exclusive interview with the U.S. Ambassador to the Czech and Slovak Federal Republic, Shirley Temple Black, who discusses American assistance to the emerging democracy; U.S. and Western European firms doing business in the country; her views of President Vaclav Havel; the events leading up to the Velvet Revolution; and Czech-E.C. relations now and in the future.

This interview is the first in *Europe's* series on U.S. Ambassadors in Europe. This fall, *Europe* will feature interviews with the new American Ambassadors in Germany and in the United Kingdom.

Europe also presents interviews with Vladimir Dlouhy, the Economics Minister of the Czech and Slovak Federal Republic, and with Michael Zantovsky, Havel's chief spokesman. We present an interview with a senior official at the *Treuhandanstalt* in Berlin detailing how the agency's privatization efforts are succeeding.

This month's member country report looks at the contradictions of Italy: Although the country's economy appears chaotic, Italians enjoy one of the highest standards of living in Europe. *Europe* also profiles leading Italian business people and television personalities.



Changes sweep across Europe
Illustration by David Groff

EUROPE

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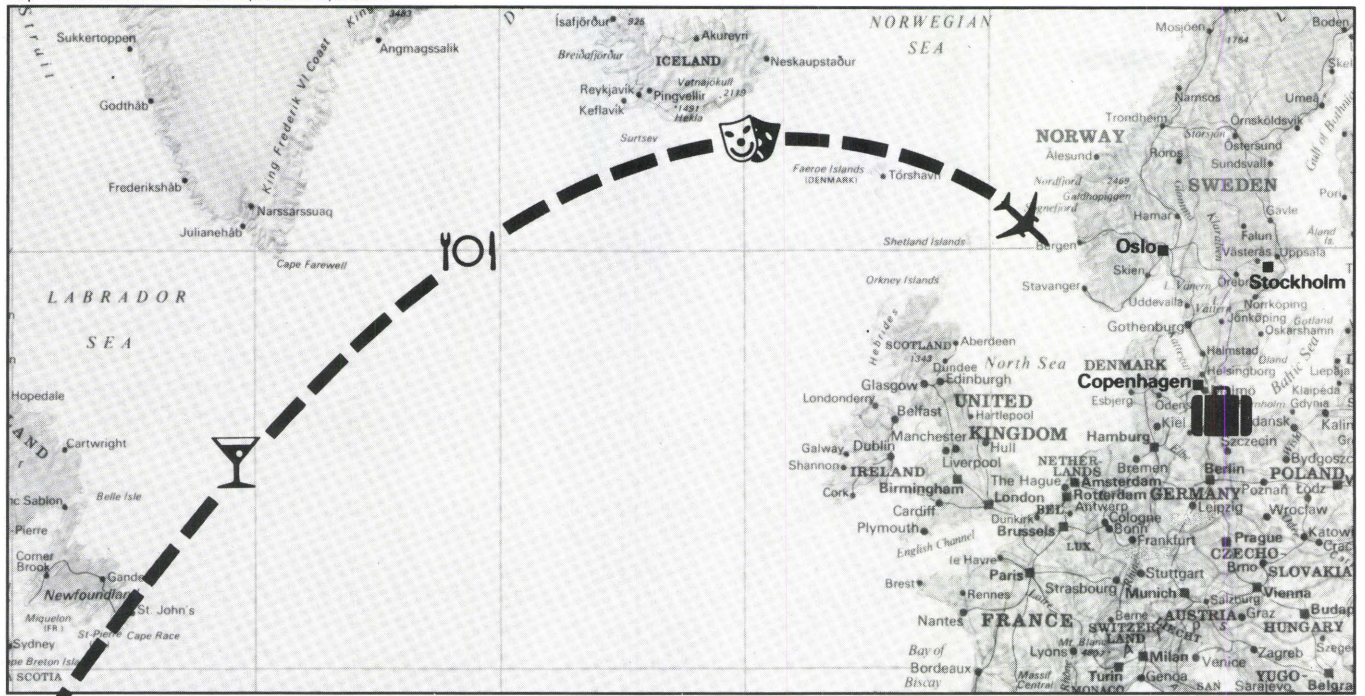
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Reuters has contributed to news reports in this issue of *Europe*.


Robert J. Guttman


Robert J. Guttman
Editor-in-Chief




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EUROPEAN SCENE

WITHOUT SNUFF, THE GOING COULD GET ROUGH — While Sweden's application to join the E.C. in early July was favored by most Swedes, some of that country's citizens don't seem at all ecstatic. Political implications aside, their real fear is the prospect of possibly being deprived of a favorite national habit: chewing a ball of snuff.

Those fears have arisen from a recent European Parliament decision to support a ban from E.C. markets of "moist oral snuff," a mix of tobacco, water, and salt that is widely used in Sweden but almost unknown elsewhere.

First popular in Sweden during the 19th century, snuff has re-emerged in recent years as a popular alternative to cigarettes. Snuff supporters claim it is less harmful than smoking, although research suggests that snuff is more addictive and more carcinogenic than cigarettes.

For many Swedes, moist snuff is more than just a habit; it is a part of their national culture. "It's a century-old tradition," states Ralf Edstrom, a former soccer player and avid snuff user. "They will never be able to do away with it."

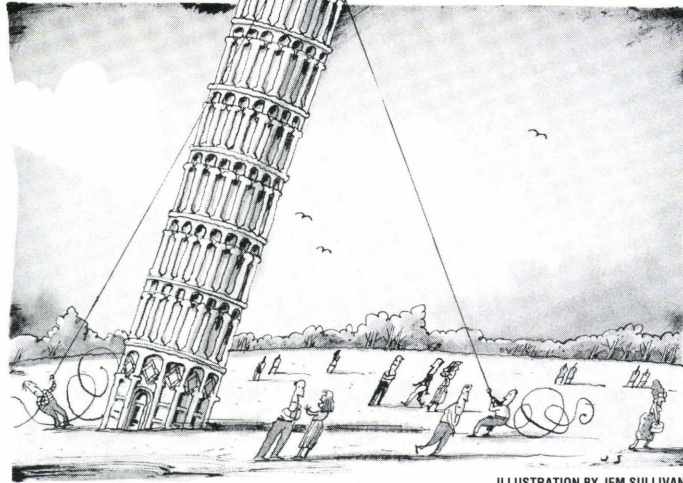


ILLUSTRATION BY JEM SULLIVAN

Don't Stand Up Straight!

Perfect posture is not always desirable—not, at least, if you are the Leaning Tower of Pisa. According to German sculptor Johannes Pfeiffer, "the tower is exciting precisely because of its leaning dynamic; the problem is to keep it from falling down."

Keeping the leaning tower from becoming a fallen tower has been worrying Pisa officials for years. The tower's tilt is on the increase and the building is expected to crash down completely sometime over the next 200 years unless something is done.

Pfeiffer's recent proposal for

propping up the tower is as unique as it is artistic. Instead of working with the structure's foundation, Pfeiffer has suggested tying the tower down (or up) with 200 nylon ropes. The ropes would all meet in a catacomb below the tower. At this point, their tension would be regulated hydraulically by a computer-controlled mechanism that would also register the weight of each visitor to the tower.

Paul Eubel of the German Goethe Institute in Turin noted that the tower would then resemble "a gigantic strung instrument." Perhaps town officials should opt for a change of name as well—The Leaning Lyre of Pisa...?

ADIEU TO FIRST CLASS

The cries of "liberté, égalité, and fraternité," have resounded through France since the French Revolution in the late 18th century, but it took 200 years for "égalité" to also materialize on Paris' 90-year-old metro system. Despite long experience with democracy and equality, first-class subway cars were eliminated on the French capital's underground only this summer.

The final dramatic change occurred for practical rather than political reasons, although the division of first- and second-class cars had already been eroding over the years. In 1900, passengers in first-class sat on plush leather chairs while their counterparts made do with hard wooden benches. During the 1970s, this distinction ceased to exist as leather and wood were replaced by generic brown plastic. And in 1982, first-class cars were opened to all passengers during the rush hours.

Some people say they will miss the privilege of first-class travel, even if it had not been quite the same for at least two decades. Jeanne, a 70-year-old retired schoolteacher, admitted that she had traveled first-class all her life. "My parents would never let me go second class. Now I think I'll go by bus."



Let's Box Around the Clock

Albania, the last European country to get rid of communism, recently came one step closer to shedding more of the communist-inspired vestiges left behind by former Stalinist leader, Enver Hoxha.

Interestingly, that step forward was made not in the fields of politics or business but in sports: Albanians may once again legally engage in one of their most favorite athletic activities, which they were deprived during 40 years of iron-fisted rule—boxing.

Boxing was declared illegal in Albania 28 years ago. The reason? Hoxha and his wife were apparently so distraught by the cuts and bruises that their two

sons, both amateur boxers, brought home from workouts that they outlawed the sport in 1963.

But they made sure that their sons' wounds healed well: According to Albania's new parliament, Hoxha's family and friends spent over \$1 million of state funds on foreign medical treatment in order to avoid using Albania's own primitive health care system.

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CHANGES

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his time last year, most people would have considered inconceivable many of the fundamental changes that have taken place worldwide over the past 12 months, including the historic upheaval happening across the Soviet Union.

In Europe, then British Prime Minister Margaret Thatcher appeared to be firmly entrenched at 10 Downing Street for the foreseeable future, with a low-key politician called John Major as her Chancellor of the Exchequer. German Chancellor Helmut Kohl was still adamant that Germany would be unified without much economic pain, and in France, the popular Michel Rocard seemed to be firmly installed as Prime Minister for some time to come. Unlike today, Sweden still thought its neutrality prevented it from applying for E.C. membership, and Berlin was not yet the capital of Germany. In Paris, meanwhile, one could still get a first-class ride on the metro.

In the United States, the Bush Administration was still insisting that there would be no recession in the United States (ditto the Thatcher Government in Britain).

Throughout the world, no shortage of people predicted that Mikhail Gorbachev would not last another year in the Kremlin (of course, they were very nearly right). Few people were concerned about Yugoslavia or knew much about the Kurds; and some people thought that former Indian Prime Minister Rajiv Gandhi would make a political comeback.

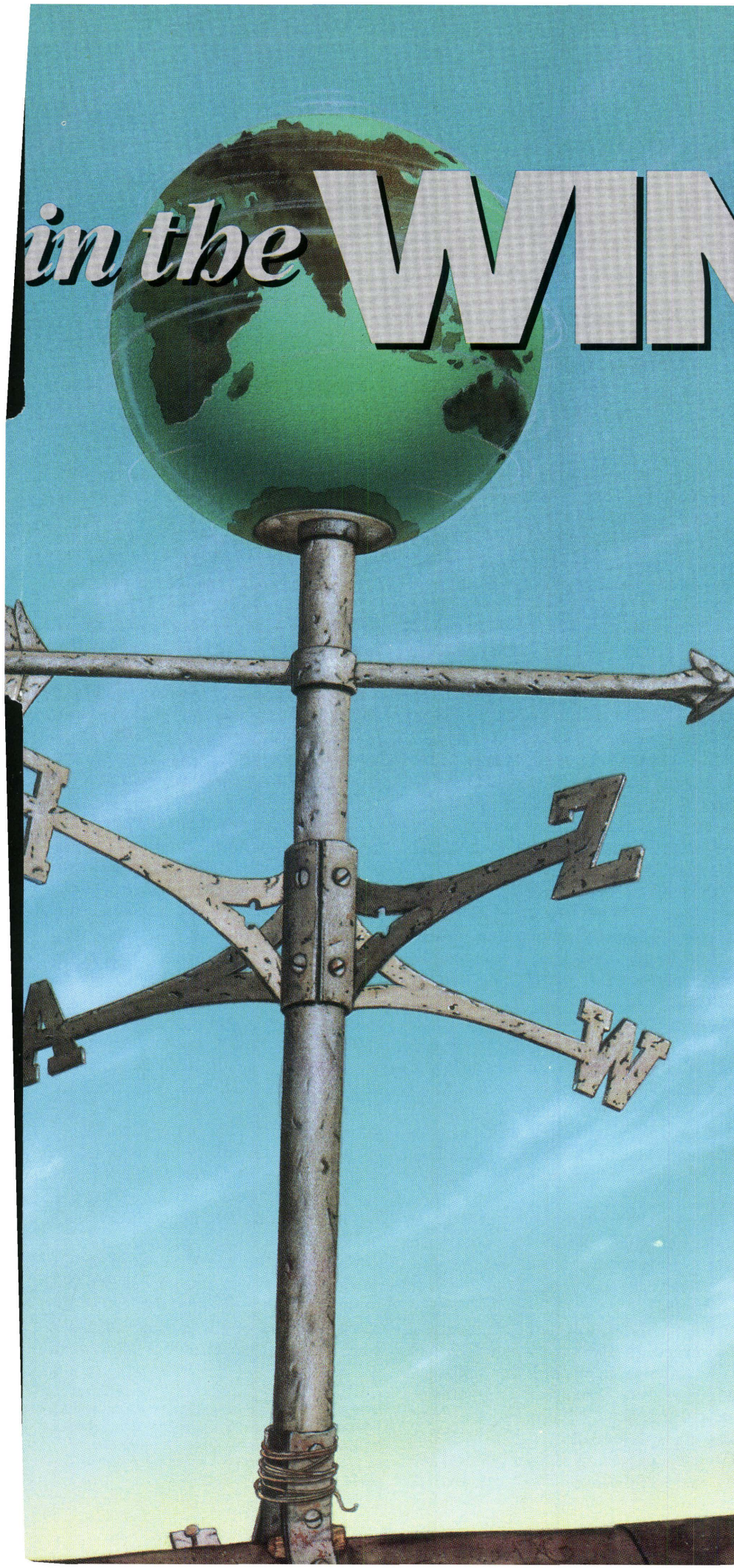
Following Iraq's invasion of Kuwait on August 2, 1990, oil prices had shot to a record of over \$40 a barrel (double

**Since 1989,
the Speed of
Change has
been Acceler-
ating**

BY REGGIE DALE

in the

WIND



today's level) and some respectable analysts said they could go as high as \$80 or more if a shooting war broke out in the Gulf. At that time, most people still thought there would be no war in the Gulf—and that, if there was, a quick allied victory was out of the question.

The world's financial establishment was very optimistic about the economic outlook. At a meeting in Washington, the Finance Ministers of the Group of Seven's (G-7) leading industrial nations said that recession could be avoided and "expansion is expected to continue next year." And carefree investors in a relatively obscure financial institution called the Bank for Commerce and Credit International still thought they were on to a good thing.

A year later, the world is a very different place. Thatcher has gone the way of the first-class metro ticket, and France has its first woman Prime Minister, the controversial Edith Cresson. Kohl, who last year seemed set to become Europe's most powerful leader, is much diminished. Not only did he, like President George Bush, have to eat his promise of "no new taxes," but it has now become clear that the East German economy was in far, far worse shape than anyone thought a year ago.

Fears that the newly united Germany would dominate Europe, which loomed large last fall, have, at least for the time being, receded. And the widely predicted new Bonn-Washington axis has so far failed to materialize.

Bush's leadership, on the other hand, is much enhanced, boosted by a smashing Gulf victory, from which France and Brit-

ILLUSTRATION BY DAVID GROFF

ain also earned new credit in most Western eyes. On top of that, in 1990, the United States and the Soviet Union were still bogged down in negotiations on a major nuclear arms reduction treaty (START), intended to set the seal on the end of the cold war. They were finally able to sign that document at the end of July 1991. And few would have dared to suggest a year ago that Bush and Soviet leader Mikhail Gorbachev would by now be on the verge of convening a potentially historic Middle East peace conference, given that Soviet intentions in the Middle East were deeply distrusted in Washington.

Nor would many people have bet on the likelihood of Gorbachev succeeding in his efforts to attend the 1991 London economic summit, effectively turning it from a G-7 summit into a G-7.5 grouping. Not many would have predicted his ability to withstand a right-wing coup led by elements of the KGB and the army, either.

But not everything has changed—or been unpredictable. In July 1990, the world's major trading nations were still hoping to give a big boost to world prosperity by completing the Uruguay Round of trade negotiations (GATT) by the end of December. That *is* still true, only now the leaders mean December 1991.

Problems over agriculture have held up those talks. The E.C. countries did promise to reform their Common Agricultural Policy last year to make it more acceptable to other nations.

Still, looking back, there seems to have been no let-up in the process of rapid change that started in the second half of 1989 with the crumbling of communism in Europe.

If a former British Prime Minister was right when he said that "a week is a long time in politics," it now seems that a year is a long time in history. That is to say that more historic events have been packed into the last two years than into most recent decades: Indeed, the acceleration of history so widely noted in the fall of 1989 does not seem to have slowed down.

In the 14th and 15th centuries, England and France fought a war for more than 100 years. Now, a major ground war can be fought—and decisively won—in 100 hours. When the Americans defeated the British in the Battle of New Orleans in

Change is the operative word on the world scene today.

1814, they were unaware that the War of 1812 was already officially over and that a peace treaty had been signed. Now news has become virtually instant. Instead of waiting for journalists to report the news, one can see it on television as it happens.

During the coup, Boris Yeltsin stayed in touch with Western leaders on the telephone. And Gorbachev, while being held captive, told reporters that he had received news through the BBC and Voice of America radio broadcasts.

In the era of CNN, fax machines, satellites, and computers, it is difficult to totally isolate people from the news. The vast array of modern telecommunications technology played a key role in thwarting the coup attempt in Moscow.

Despite all this, however, analytical techniques have not kept up with the pace of political and media demands. In the run-up to the Gulf War, most analysts were spectacularly wrong: The military difficulties of liberating Kuwait were vastly exaggerated, with dire warnings of drastic American casualties—some predicted as many as 100,000—and a war that could drag on for months. Many commentators also stated categorically that Jordan's King Hussein would be gone in a matter of weeks. Now, Middle East experts say that his position has strengthened.

The errors are not always made in the same direction. While the pessimists were wrong about the Gulf War, the optimists have been wrong about the U.S. economy.

Where the European Community is concerned, the pessimists over the past year have outnumbered the optimists. Many analysts, particularly Americans, argued that the Gulf War and the Yugoslav crisis showed clearly that the E.C. is incapable of playing a major political role on the world stage. They say that its

failure to respond effectively to these events augurs ill for its plans to forge common foreign and defense policies in the foreseeable future. That may turn out to be true, but the views of some of these Americans seem colored by the secret, possibly even unconscious, hope that the Europeans will fail in their ambitious efforts to become a global player.

Europe's optimists certainly interpret recent events very differently. They say that, despite the U.S. Gulf victory, they now detect greater confidence in Europe's future than in America's. They continue that, contrary to U.S. opinion, the Yugoslav crisis finally prodded the E.C. into trying to implement an assertive common foreign policy.

The E.C. ministerial teams that have been trying to keep the peace in Yugoslavia may not have resolved the crisis. But in its early days, they may have helped to avert the outbreak of full-scale civil war. And everyone, including the Yugoslavs, has accepted the E.C. as the representatives of Europe in a way that has not been seen before.

True, the E.C. is not yet behaving with the unity and authority of a United States of Europe. But it makes little sense to criticize the Community for failing to act like a political and military union when it has not yet become one.

The challenge for the E.C., in this time of rapid flux, is whether it can change its own ways as it heads further down the road toward economic and political unification—and almost certain expansion into Northern and Eastern Europe. For nearly 40 years, it was able to move forward erratically. Now, however, the speed of world change may no longer allow Europe the luxury of proceeding in such a manner. Will the acceleration of world history also accelerate the pace of European integration? Europe's optimists believe that it will.

Change is the operative word on the world scene today, and nowhere is this dramatic change as apparent as in the Europe of the 1990s. From Albania to Moscow to Zagreb, change is in the wind. €

Reggie Dale is Economic and Financial Editor of the *International Herald Tribune* and a contributing editor to *Europe*. His last piece, "The New Reality," on economic and political union, appeared in *Europe's* December 1990 issue.

A LOOK AT THE NEW EUROPE FROM A TO Z

Albania

A year ago, a visiting journalist described Albania as “a Stalinist theme-park.” As recently as February 1991, the State Department’s human rights report for Albania said it was “ruled by a Marxist-Leninist dictatorship.” Since then, there have been free elections, and a coalition government, with the participation of opposition parties, took office in June. On the international front, Albania has established diplomatic relations with the United States, the Soviet Union, Britain, and the European Community. The last bastion of totalitarian communism has discovered social democracy, and without going through a bloodbath.

The ideological transformation was a classical process in which a modestly reform-minded leader gave an inch or two, and was then pushed by increasingly implacable popular demands into giving more and more. Although troops have violently dispersed demonstrators and people have died, President Ramiz Alia at each stage shunned outright oppression and



REUTERS/BETTMANN NEWSPHOTOS

chose instead the path of piecemeal reform.

Alia took over in 1985 after the death of Enver Hoxha, architect of Albania's go-it-alone ultra-orthodox Marxist system and iron-fisted ruler for 41 years. It became evident that Alia meant to ease the country's rigid isolation when, in 1988, Albania for the first time joined a conference of Balkan Foreign Ministers in Belgrade.

Nevertheless, as the dramatic tide of change swept Eastern Europe during 1989—eagerly watched by Albanians able to receive Italian, Yugoslav, and Greek television—Alia insisted it had nothing to do with Albania: The country would remain true to itself, change was not on the agenda. Within weeks of the overthrow of Nicolae Ceausescu in Romania, however, unrest surfaced among Albania's population of three million, and Alia realized he had to move.

Still underlining the "hegemony of the Party," he announced such major innovations as the election of certain Party and state functionaries, and decentralized management for state enterprises. The introduction of productivity bonuses and the freeing of some farm prices opened the first chinks in the state-run economy.

In May 1990, on the eve of a visit by U.N. Secretary-General Javier Perez de Cuellar, Alia went on to unveil significant human rights reforms. The harsh penal code was relaxed; "religious propaganda" was removed from the list of crimes and defection was no longer a treasonable offense. All Albanians were allowed to apply for passports to travel abroad. In short, an unstoppable process was under way.

But it was to be punctuated by crises, as the people began to sense that the regime was on the defensive. After street clashes in the capital city of Tirana in July 1990, some

5,000 demonstrators staged a mass invasion of Western embassies, where at least four people were reported killed. With U.N. mediation, the asylum-seekers were shipped out to Italy, and further economic reforms—permission for small-scale private businesses, and foreign investment with repatriation of profits—followed.

For many, especially the Catholic and Orthodox minorities in a 70-percent Muslim population, a key test has been the regime's attitude to religious worship, outlawed in 1967. Soon after Tirana itself hosted another Balkan Foreign Ministers' conference last October, the ban was lifted altogether, and 40,000 people in the northern town of Shkodra attended their first legal Mass in 23 years. And this summer, Alia received Bishop Anastasios Yannoulatos, an envoy of the Orthodox Ecumenical Patriarch, to discuss the reconstitution of an autocephalous Orthodox Church in Albania.

Political pressure continued to mount last year, with students striking in Tirana and unrest spreading to other cities. Bookshops displaying the works of Enver Hoxha were burned and troops were called out to restore order. The crucial breakthrough came on December 11, 1990, when it was announced that opposition parties could contest the forthcoming national elections. The next day, a peaceful rally of 50,000 in Tirana greeted the birth of the Democratic Party.

Ironically, with democracy in sight, further waves of refugees fled the country. In the first two months of 1991, at least 25,000 people streamed across the now virtually unguarded border into Greece, and in March, another 20,000 commandeered vessels in Durres harbor and sailed for Italy. But by that time, most of these people were classed as "economic migrants," and many have had to return.

The general election was held on March 31, and declared free and fair by foreign observers. Alia lost his own seat (parliament subsequently re-elected him President) but, with strong support in the countryside, the communist Party of Labor (later renamed the Socialist Party), won a decisive victory. However, the economic situation was so desperate that, within weeks, a general strike forced the government to resign, enabling the Democratic Party to join a coalition administration.

The outside world's seal of approval was conferred with Secretary of State James Baker's visit to Tirana in June. His message of future aid, pegged to specific market reforms, disappointed the Albanians, who face empty shops, plummeting exports, and soaring unemployment. The E.C.'s Commissioner for External Relations, Frans Andriessen, followed and promised emergency medical and food supplies. A trade and cooperation agreement will come next, and in 1992, Albania can expect about \$30 million from the European Community's fund for Eastern Europe. It looks like a hard road ahead.

—PETER THOMPSON

Berlin

B Although the full transfer of the capital from Bonn to Berlin will most likely take at least another decade, the vote in the German Bundestag, or Parliament, last June to make Berlin the capital of Germany is one of the most significant changes in the new Europe.

Geographically, the move is only about 400 miles, but the political implications are much greater than the distance: Germany's center of power is dramatically shifting east. Bonn is close to Paris and Brussels; the closest capitals to Berlin, on the other hand, are Warsaw and Prague.

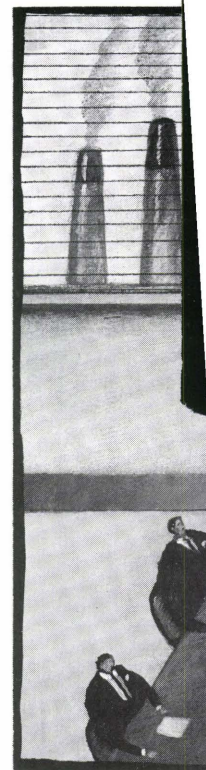
In addition to becoming the new capital of a united Germany, Berlin is fast becoming the key business center of the newly unified nation. Eduard Heussen, a deputy spokesman for the Berlin Senate, told me that "Berlin is right in the middle of all the changes and a gateway from East to West and West to East. Berlin is again the center for future activities, including culture and business. Business is moving to Berlin because of our connections to the eastern markets and because people from the East can make connections with the West."

Walking down the beautiful Unter den Linden avenue in the former east Berlin, one can already visualize this stretch as one of the premier streets in the new Europe. By the end of the decade, when Berlin hopes to once again host the Olympics, Unter den Linden will surely rival Paris' Champs Elysées as a major business street in Europe.

—ROBERT J. GUTTMAN

Bulgaria

The newly democratic countries of Eastern Europe are usually put into two groups: an inner circle consisting of Poland, Hungary, and Czechoslovakia; and an outer circle whose members are Romania, Bulgaria, and Albania. The classification is only partly geographical, since



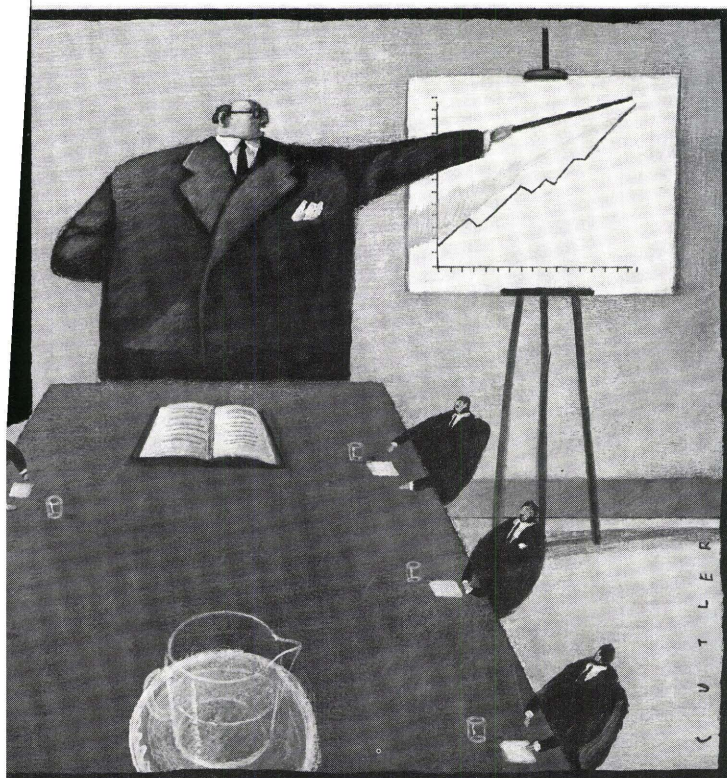


ILLUSTRATION BY DAVE CUTLER

Business

All over Europe, East and West, business is in. Within the E.C., cross-border mergers and acquisitions are at all-time highs, the countries of Eastern Europe are opening their arms to foreign investors, Mikhail Gorbachev wants joint ventures with Western firms to turn the Siberian oil patch into another Texas, while in France it is considered *de rigueur* that new socialist Prime Minister Edith Cresson's previous job was with a private-sector firm.

With money-making now becoming socially and politically acceptable, Europe will need more businessmen and women. Enter the business school. Once looked at as a suspicious American invention, universities offering Masters degrees in Business Administration are perhaps Europe's most profitable academic growth industry. In fact, venerable seats of learning like Britain's Oxford and Cambridge Universities, until recently the leading skeptics toward business education, are even planning full-fledged MBA programs. —PETER RASHISH

Chunnel

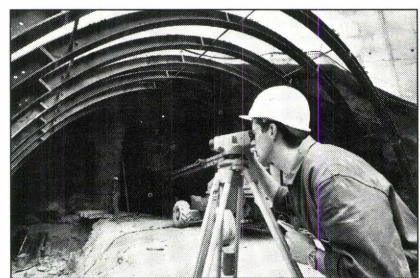
European unification, to most people, means tearing down trade barriers in 1992, facilitating the free movement of goods, capital, and labor, and even a common currency. But in a more down-to-earth—or rather, underwater—sense, the unification of the Old World is already complete. In early November 1990, workers from France and Britain met halfway across a service tunnel under the English Channel, effectively linking up the British Isles with the European mainland.

When completed in 1993, the Channel Tunnel, or Chunnel,

as it has become known, will finally realize the 200-year-old dream of establishing a land link between France and England. During Napoleon's time, in 1802, Frenchman Albert Mathieu-Favier thought up a scheme that included horsedrawn carriages, candle-lit passageways, and a five-hour underwater riding time. Prior to the current Chunnel project, the most serious attempt, proposed in 1975, never managed to raise enough money to get under way.

Of course, what is a dream for some is a nightmare for others. In general, the French have been enthusiastic supporters of an underwater channel crossing; the British have been more circumspect. Ever since the Norman invasion of 1066, the Anglo-Saxons have feared a repeat attempt by the Gauls to cross the narrow waterway. But joint membership in the E.C. has helped allay some of the worst British fears. In fact, the spirit of trans-Channel cooperation is on the upswing: *La Voix du Nord*, the regional newspaper covering the area on the French side of the Chunnel, has begun publishing joint editions with the *Kent Messenger*, a British paper from across the Channel.

Travel time between London and Paris will be cut in half once the Chunnel opens for business. Passengers boarding in London's Waterloo Station



REUTERS/BETTMANN NEWSPHOTOS

will disembark in Paris after a three-hour trip. Going from London to Brussels will take 15 minutes less. The last time travel across the Channel was so easy was thousands of years ago—when England was physically

the first collection of states is also considered to be furthest along the road to political and economic reform. This assumption may have to change, however: Bulgaria is up and coming.

Bulgaria was for many years considered to be the Soviet Union's most faithful ally in the Eastern Bloc, and known to perform some of Moscow's dirty work in the West. Yet when communist governments fell across Eastern Europe in the fall of 1989, Bulgaria was not spared. Todor Zhivkov, the country's ruler since 1956, was toppled, the Communist Party lost its monopoly position, and free elections were held in June 1990. A coalition government was formed last November, made up of the Bulgarian Socialist Party (the ex-communists) and a reformist alliance called the Union of Democratic Forces.

While slow in coming, the magnitude of Bulgaria's economic reform policies has surprised nearly all observers. In February 1991, the government introduced a series of radical proposals, including price liberalization, land reform, a reduc-

tion of trade barriers, and measures to control inflation, to move the economy swiftly to a market basis. Unlike Poland, Hungary, or Czechoslovakia, whose reform programs have been well publicized, Bulgaria has received little financial backing from the West to help it advance these reforms.

Leading the charge is the aptly named Ivan Pushkarov, the Minister for Trade and Industry. He believes that privatization is the key to Bulgaria's successful transformation to a free-market economy. With 90 percent of the economy currently in state hands, Pushkarov's hopes to privatize up to 30 percent in three years through a sort of "big bang" process are ambitious. That position is in sharp contrast with Poland and Czechoslovakia, whose voucher system of privatization could be a slow process. Bulgaria hopes that, by putting almost everything on the block, it will catch the eye of foreign investors now focused elsewhere.

—PETER RASHISH

attached to France during the Ice Age.

—PETER RASHISH

Czechoslovakia

Although the euphoria of the revolution still exists, the practical matters of running the government and moving toward a market economy are uppermost in people's minds.

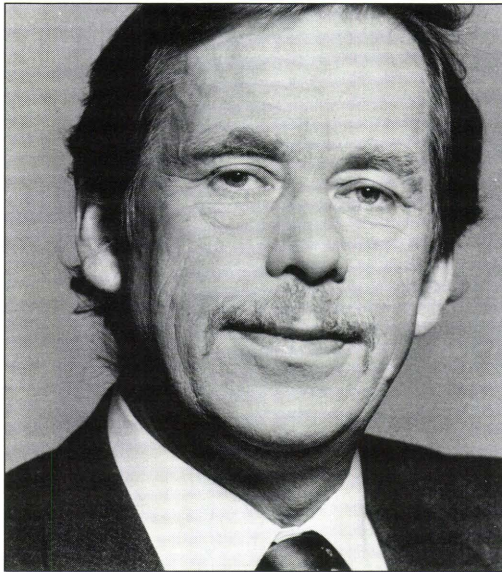
Speaking with Václav Havel's Chief Spokesman, Michael Zantovsky and other senior officials, I discovered a group of hard-working, practical, and determined people, with little previous government experience, running the country.

Speaking of the reasons for the Velvet Revolution, Zantovsky said: "The general atmosphere, Gorbachev, the changes in Poland and Hungary, and the fall of the Berlin Wall certainly all played a part. On the other hand, the dissatisfaction of the people here was growing and so was the strength of the opposition of the various groups that started to cooperate with each other. All of these things contributed."

Zantovsky stressed that the new government welcomed American and Western European investment and added that the country would "certainly like to see more foreign investment from the United States and from entrepreneurs and businessmen. "We would like to have a balanced spread of foreign investment. Right now, Germany is far ahead of the pack, followed by Austria and Italy. France and the United

Kingdom are riding behind and there certainly is not enough investment yet from the United States."

While investment may be slow in coming to Czechoslovakia, I spoke with sales representatives from General Motors, Kroger Foods, U.S. West, and AT&T in the country, who all said they were very optimistic about business prospects for their companies not only in



CZECHOSLOVAKIAN EMBASSY

Czechoslovakia, but in all of Eastern Europe and the Soviet Union.

Zantovsky stated that one of Czechoslovakia's chief foreign policy objectives was to join the E.C. by the end of the century. To reach this goal, he remarked: "We have to take it step by step. Right now, we are in the process of negotiating the association agreement with the Community. That should envisage our membership in economic measures by opening the E.C. market to our goods."

Most of the leaders of the new government have diverse backgrounds. Zantovsky points out: "Some of the people were artists, writers, and Olympic gymnasts. Some have backgrounds that have more to do with the social sciences."

Vladimir Dlouhy, the Czech Minister of Economics,

told me that the move toward a free market economy "is going well. During 1990, we were able to set up a political and economic program. We won the election with this program, so we have a mandate. At the beginning of 1991, we started to liberalize prices. We declared the currency to be convertible, introduced the notion of the restrictions of the budget surplus, liberalized foreign trade, and started privatizing the economy...."

Speaking about E.C.-Czechoslovak relations, Dlouhy stated that "we don't need economic concessions from the E.C. in three, five, or seven years. We need them now. Our debt is quite low, but we need access for our exports. This is where I would like to see a more flexible approach from the Community."

Dlouhy said he has no economic models on which he hopes the Czech economy will pattern itself, but believes that it should "minimize the government's role, liberalize as much as possible, and open the economy. This is always the long-term goal. We must become a standard, European, small, open economy."

Czechoslovakia's comparative advantage toward that end is the fact that "we have been traditionally dependent on international trade and we have an industrial tradition."

—ROBERT J. GUTTMAN

Democratic Russia Movement

D Move over, Mikhail Sergeyevich. Even before the right-wing putschists tried to oust Gorbachev last month, the Democratic Russia Movement (DRM) looked to be the coming force in Soviet politics. With the failure of the coup and the rise of Boris Yeltsin, the elected Russian President, the DRM

seems to be in the vanguard of the reform movement sweeping the Soviet Union.

The DRM includes Eduard Shevardnadze, the former Soviet Foreign Minister, and Alexander Yakovlev, Gorbachev's one-time top adviser, as well as Anatoly Sobchak and Gavril Popov, the mayors of Leningrad and Moscow, respectively.

All four men emerged from the unsuccessful coup with their reputations strengthened by their public opposition to the Committee of Eight; all four are now also expected to be courted assiduously by the West as it examines how best to foster political and economic transformation in the Soviet Union in the coming months.

The problem for the DRM is that it is only a fledgling political movement, a loose collective of like-minded democratic souls rather than a well-organized party. During the summer, when the DRM was created, Shevardnadze spoke of the possibility of a fall conference that could lead to a more formal constitution. But DRM members are conscious that ordinary Soviet people equate "party" with "communism." Ties that turn out to be too formal could, therefore, be counterproductive.

And yet, the DRM appears to have grasped that, before the coup, Soviet reformers were often their own worst enemies. Many of the DRM's members were as disputatious as the characters in a Dostoyevsky novel. U.S. experts on the Soviet Union blame these divisions for Gorbachev's failure to embrace last year's Shatalin reform program to switch the Soviet Union to a market economy.

Behind the scenes, the United States is pressing discreetly for a more united approach—not just on economic reform but also on the critical issue of the relationship between the central authorities in Moscow and the republics. The

intriguing question is whether Gorbachev, the master of political balancing acts, can somehow attach himself to the DRM in the name of reform. This was a much-favored theory before the coup, with one Bush Cabinet Minister speculating that Gorbachev was secretly financing the DRM as a prelude to abandoning the Communist Party. Events may now have moved too fast, leaving Gorbachev, like Alexander Kerensky in 1917, a transition figure in the new Russian revolution.

—LIONEL BARBER

European Community

E Nineteen-ninety-one has been a busy year for the European Community. Even without the challenges of German unification, the Gulf War, or the current crisis in Yugoslavia, the E.C. has had its hands full with a busy agenda of internal activities aiming to define the E.C.'s role in the new Europe and the world. These include:

THE INTERGOVERNMENTAL CONFERENCES (IGCS)

The E.C.'s biggest single task this year is the successful completion by year's end of the intergovernmental conferences on economic and monetary union (EMU) and political union, which opened last December in Rome. They aim to reform the E.C.'s founding treaties so that existing constitutional roadblocks to closer European union can be removed, and founding objectives, such as a single currency and a common foreign and security policy, can be achieved.

Because of their importance to the E.C.'s future and its role in the world, the IGCS take the form of continuous negotiations at two levels: In the case of EMU, the E.C.'s 12 Finance Ministers meet each month,

usually in Brussels, to discuss draft treaty texts. At approximately the same intervals, but not necessarily at the same time, the 12 Foreign Affairs Ministers hold parallel discussions on draft treaty texts for political union. The drafts are prepared in the interim by a second level of negotiators, the permanent representatives of the national governments in Brussels (a group also known as the Coreper), who meet frequently during these intervals. This pace could quicken, however, as the end-of-year deadline approaches.

At the Luxembourg European Council in late June, E.C. Heads of State and Government reviewed a draft treaty incorporating proposed changes from both conferences. The summiteers declared that the draft "forms the basis for the continuation of the negotiations" within the IGCS. They laid down guidelines in particular for the IGC on political union, which could progress more slowly because of the psychological hurdles to be crossed at the national level on questions of defense, European citizenship, and more legislative power for the European Parliament.

In a sense, the IGC on EMU has had a head start because the process of monetary integration has already begun. On July 1, 1990, the E.C. entered the first of what so far is conceived as a three-step process. That step envisions closer economic convergence among member states before the E.C. can move on to the second step—the establishment of a European central bank—and eventually the third step—a single currency.

A new treaty, ratified by all member states, is necessary for progress to the next stages. The sooner this happens the better, because after 1992, national governments will be under pressure from businesses anxious to cut their transaction losses in the otherwise

unfragmented market.

A final draft of the new treaty will be presented in December at the E.C. Council summit in Maastricht, the Netherlands, which currently holds the E.C. Council presidency.

THE SINGLE MARKET

"1992" is alive and well: With just about 16 months to go before the December 31, 1992, deadline, 75 percent of the legislation necessary to establish the frontier-free market is in place and only 89 of the 282 proposals in the 1985 White Paper—the document that imposed the 1992 deadline—have still to be adopted by the E.C. Council of Ministers.

Armed with these figures, E.C. Commission President Jacques Delors told E.C. Heads of State and Government in June that "1992 is now an irreversible process." He has asked the Netherlands to give the 1992 project absolute priority during its Council presidency from July to December.

During those six months, the Netherlands will set up and chair all meetings of the internal market Council, where the Ministers of the Twelve ultimately decide each of the legislative proposals.

Some "difficult" proposals have yet to be adopted by the Council as directives, particularly in the area of taxation, transport, and the mutual recognition of professional qualifications between member states. Because the Council is also a forum for national interests, sensitive issues can take longer to resolve. Nonetheless, there is overall confidence that the 1992

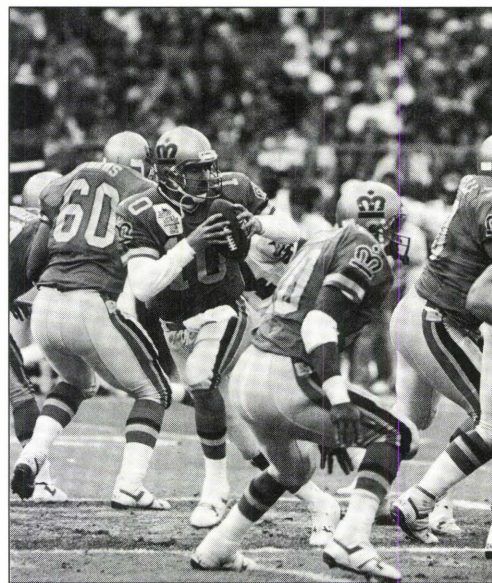
target will be achieved because national governments fully support the objectives of the single market.

Once the measures are agreed, they must be incorporated into the national law of the member states. By early June, 72 percent of adopted directives had been transposed into national law, and the Commission is now urging the member states to give 1992 legislative priority in the run-up to December 31, 1992.

—MAEVE O'BEIRNE

Football

F After a successful series of exhibition games and one full season, the U.S. version of football has proven itself a European crowd pleaser. Consisting of seven U.S.-based franchises and teams in London, Barcelona, and Frankfurt, the



THE WORLD LEAGUE

World League of American Football (WLAF) has found a market in Europe for America's favorite spectator sport.

The American sport has certainly caught the European fancy. There are already over 150 youth league teams in Britain, and the amateur European Football League boasts 50,000 players in 15 countries. Europe-

ans also spend around \$60 million per year on National Football League merchandise. However, the big indication that Europe loves American football is that in the first WFLA season each of the three European teams sold more tickets than their American counterparts.

Originally conceived by the National Football League during the 1970s, the WFLA was officially formed in 1989 as a subsidiary of the National Football League (NFL). In order to make the teams truly international, the WFLA set out on Operation Discovery to find 40 players outside the United States and Canada. John Ralston, a former NFL head coach, held workouts and selected players from Russia, Belgium, Sweden, Australia, England, Germany, the Netherlands, Spain, Mexico, and Norway. "There are no boundaries in our search for world-class athletes." Each team in the league has four of these international players, and Ralston continues to look for others.

As the start of the second season draws near, talk of expansion is increasing. Europe appears ready for more football, especially after the success of the NFL's exhibitions this summer in London and Berlin. All three of the European WFLA teams boasted an average of over 30,000 fans per game, and each operated at, or very close to, profitability. For next season, league officials say they expect to add three or four new teams, one of which will probably be in Europe (early bets are on Paris or Milan). With the loosening of the European television markets in 1992 and an increased demand for more programming, the WFLA seems well positioned to benefit from expanded viewership and exposure as well as increased television revenues.

—PETER GWIN

Mikhail Gorbachev

G Mikhail Gorbachev—the most remarkable politician on the world's stage—seems determined to play the role of Hamlet.

Saved from August's abortive coup by the power of the people—the democratic forces he unleashed—Gorbachev returned to Moscow still unwilling to sever ties with the Communist Party he had served all his adult life. In his first public statements after the coup attempt, the 60-year-old Gorbachev still spoke simultaneously of freedom triumphant and of his belief that the Communist Party could be a vehicle of national unity and reform. It would be two more days—with waves of popular protest sweeping the country—before he broke from the party he had led since 1985. These were days of struggle, betrayal, resurrection, and isolation.

In one sense, it probably does not matter what happens to Gorbachev now. His place in history is assured. He is among the most extraordinary people of the century: He is responsible for a democratic revolution in the Soviet Union, and he liberated Eastern Europe.

That he lost control of his revolution seems clear. He was nearly swept aside by the very forces he set in motion. He did not set out to destroy communism. And yet that—and the destruction of the Soviet Union itself—seems almost certainly to be the outcome of his actions. Courageously, he rode the tiger and sought to balance the forces of reaction and progress, future and past, popular democracy and military orthodoxy. The coup that nearly toppled him seemed the last gasp of bankrupt Marxism-Leninism.

Who could have predicted this from a party *apparatchik* from southern Russia who attracted little attention prior to 1980? Gorbachev's apprenticeship had been routine: a law degree at Moscow State University in 1952 followed by a steady rise through local and national party ranks. He was an agricultural expert and economic planner prior to succeeding Konstantin Chernenko as Communist Party leader in March 1985.

Soon thereafter, the world heard the terms *perestroika* (restructuring) and *glasnost* (openness). By 1987, former British Prime Minister Margaret Thatcher, the first Western leader with whom Gorbachev had met, was saying: "Here is a man with whom business can be done."

Nevertheless, it was still astonishing that in the summer of 1989, Gorbachev would not only urge restraint in the face of popular protest in Eastern Europe but actually prevent a violent crackdown

from the Communist Government of East Germany when its citizens left the country by the thousands. The rest is history. The Berlin Wall was breached in November; revolution spread next to Czechoslovakia and subsequently swept through the entire region. The Red Army stayed in its barracks. The *Financial Times* remarked how amazing it was that all of Stalin's war-time gains were so quickly and peacefully abandoned.

Even in the spring of 1990, few people predicted that Gorbachev would acquiesce to a rapid merger of eastern Germany into the Federal Republic. And yet, exactly that happened when Germany was united last October.

The cold war over and his statesmanship in Eastern Europe rewarded with the 1990 Nobel Peace Prize, Gorbachev sought to preside over a revolution at home. U.S. Secretary of State James Baker, who had built up a close and cooperative relationship with Gorbachev's confidant and fellow reformer Eduard Shevardnadze, was an early and enthusiastic supporter. Baker observed in October 1989 that "President Gorbachev wants to remake the Soviet Union. That's what *perestroika* and *glasnost* are all about. That may not have been his aim in 1985, but the failures of the early reform efforts convinced him and his colleagues that changes must

dig deeper into Soviet society." Baker compared Gorbachev to "other great Russian modernizers, like Peter the Great and Alexander II, fundamentally rooted in the unique Russian experience."

It became fashionable in the last week of August 1991 to speak of Gorbachev in the past tense, to assume that he was a spent force while Russian leader Boris Yeltsin was an ascending one.

But correspondents in Moscow delight in telling stories illustrating Gorbachev's political acumen. They recall how often his political obituary has been written, and that the Soviet leader possesses an uncanny ability to turn difficult situations to his own advantage.

Like a prize fighter hit hard in the early rounds, Gorbachev has bobbed this way and that, moving from tentative economic reform a year ago to communist orthodoxy in October. Now—freed from the Communist Party—he seems headed either for oblivion or—just possibly—for yet another triumph, perhaps at the end of the forces for democracy and free-market reform.

—Barry D. Wood



Václav Havel

I He is the man who did not want to be President of Czechoslovakia.

And, had people not taken to the streets in November 1989 and succeeded in driving a despised Communist Party from power, he probably would have remained just another dissident artist.

But, regrettably for this shy and awkward Bohemian, he was dragged onto center stage, a symbol of his country's fitful resistance against a corrupt and stultifying totalitarianism.

Václav Havel is unique—a 1960s counter-culture figure who attained moral stature; an idealist who endured five years' imprisonment and who was then magnanimous to his jailers. A dedicated anti-communist, he said last July that there should be massive Western aid to help the reforms of Soviet President Mikhail Gorbachev.

The 54-year-old Czechoslovak President is the most significant leader to have yet emerged from Central Europe's revolutions of 1989. His presence in Prague Castle, high above the city, is akin to Frank Zappa or Joan Baez living in the White House, or to Alexander Solzhenitsyn inhabiting the Kremlin.

Resistance in the face of tyranny is a theme in Havel's absurdist plays, which were banned for 20 years. He served three prison terms for dissident activities, the last one only months before the November 1989 revolution. He was a founder of the Charter 77 democracy movement and of Civic Forum, the principal political party contesting the 1990 elections. Havel became a moral center for protest. He personified the ordinary person swimming in a sea of corruption and lies.

While not universally popular, Havel is widely respected for his courage, hon-

esty, and idealism. He has credibility because he is modest and did not seek the presidency. He is unafraid of being himself. People know he prefers jeans to a suit. They are amused that he rides a child's scooter along the castle's long corridors. Admirers point to the ill-fitting new trousers he wore when sworn into office.

Havel's accomplishments in 18 months are substantial. He has negotiated the withdrawal of Soviet troops, and restored dignity and self-respect to a nation bled dry of those qualities. Havel has managed to keep the two disparate parts of his country together while at the same time encouraging vigorous public debate and democracy.

While committed to rooting out the communist influence, he has become a voice of moderation and tolerance, saying that everyone was corrupted during the old regime. When it appeared in mid-August that the democratic reforms in the Soviet Union were over, Havel spoke forthrightly to the nation that the wheel of history could not be rolled back. It was the 23rd anniversary of the day on which Soviet tanks had rolled into Czechoslovakia in 1968 to suppress the Prague Spring.

—BARRY D. WOOD

Hungary

Pessimism is as Hungarian as beef goulash. A joke making the rounds in Budapest these days is an apt reflection of this national trait: Bush, Gorbachev, and Hungarian President Josef Antall visit God to inquire when the economic troubles of each will be resolved. "Not in your lifetime, but in your children's," God tells Bush. "Not in your lifetime or your children's, but in your grandchildren's" is the message for Gorbachev. Then Antall asks when his economic problems will go away. "I am sorry to say, but not in my

lifetime," God informs the Hungarian leader.

The Hungarians may like to complain that their economy is not going the way they would wish, but, in fact, there are many bright spots. In its first survey of an ex-communist Eastern European country, the Paris-based Organization for Economic Cooperation and Development (OECD) gave Hungary high marks in its move toward a market economy. Although inflation, economic growth, and foreign debt remain sore spots, the OECD praised Hungary for its restructuring and privatization of state-run enterprises, its success in attracting foreign investment, and its redirection toward the West of its foreign trade.

Of course, Hungary had a head start: It began reforming its economy in 1964 while still under the communist regime. By 1984, for instance, 35 percent of the economy was already in private hands, compared to only 5 percent in most other ex-Comecon countries. As foreign investors flock to Hungary, the share of private ownership of the economy is on the increase. Important deals are being made over power lunches at Budapest's Forum Hotel or in offices located in the capital's "square mile" centering on Vorosmarty Square and the fashionable Vaci Utca Street.

Some of the bigger investments and joint ventures involving American firms include General Electric's lighting division, Guardian Glass, Ford, General Motors, and Sara Lee. The French firm Sanofi has invested in the pharmaceutical sector, Electrolux of Sweden has set up a refrigerator joint venture, and the Swiss firm Nestle is active in the food sector.

—PETER RASHISH

Immigration

I Has Europe reached its saturation point? The question of how Europe will collectively manage immigration and specifically the problem of the growing number of immigrants calling themselves political refugees has become a hot debate. During the 1970s and 1980s, regular immigration figures declined, but in the last few years, statistics charting the number of those seeking political asylum increased drastically, culminating in a total of about 1.3 million new immigrants to Europe annually.

This unprecedented influx has placed the immigration system across Europe under immense strain. Private interest groups dealing with refugee and immigration issues warn that rising numbers of immigrants and the increasing costs of processing asylum applications will soon overwhelm the bureaucracy and urge that something be done now before the system collapses.

When the Western European countries drafted their asylum laws in the 1950s, they were concerned chiefly with aiding the trickle of political refugees from Eastern Europe. By the mid-1970s, however, the focus had shifted to the flood of people fleeing war and oppression in Southeast Asia and Africa. At the same time, increasing unemployment and recession in Europe forced those governments to impose stricter immigration laws. These laws have resulted in the rise in the number of applications for political asylum.

Many problems await a person seeking asylum. Often, those fleeing political oppression or violent conflicts do not have time to gather the necessary official papers or even a passport. These refugees face possible deportation from country after country while the governments argue over which

nation should accept their application.

Everyone seems to agree that the current system must be changed. At the June 1991 Luxembourg summit, British Prime Minister, John Major urged his fellow leaders to address the problem of immigration before there is a right-wing backlash. The Dutch have emphasized that a unified Community immigration policy is a top priority during their E.C. presidency.

Some say that it may be too late and that the backlash has already begun. Italy, faced with the recent influx of Albanian refugees, is working to return many of those people to their own country. Germany, struggling to provide jobs for 4 million unemployed former East Germans, indicated that it would tighten its immigration system and organize a large-scale deportation of illegal immigrants. However, the French may be making the most dramatic move. Prime Minister Edith Cresson's cabinet recently proposed that France deport between 300,000 and 1 million illegal immigrants and toughen the penalties against businesses that employ foreigners without work permits.

In any event, immigration looms as one of the major challenges facing the E.C. in the 1990s.

—PETER GWIN

Joint Venture

J A joint venture could be described as an extra-marital business relationship especially popular in the 1980s among companies wishing to cross political or cultural barriers. It led to joint ventures between the most unlikely partners: Communist monopolies with capitalist corporations, or small, privately owned European family firms with Japanese mega-trusts.

Each partner brings spe-

cific assets to the relationship: money, skills, and expertise or market presence. In that vein, hundreds of European-Soviet joint ventures have been created since 1989, a third by German and Finnish companies.

Some joint ventures are very successful. Belgium's Solvay company and the U.S. firm Upjohn are jointly marketing their anti-depressant drugs under one trademark. Hungary's Schwinn-Csepel joint venture to manufacture bicycles is an example of a successful East-West joint venture: Schwinn provided cash, a product, and manufacturing technology, and Csepel provided the site, some workers, and its old-guard board of directors. Host country Hungary provided an eager network of dealers and customers ready to buy a decent bicycle.

Europeans have used the joint venture to enter the new markets of the former Comecon countries, with varying success. In the case of partnerships between industrialized and less developed countries, the joint venture is a way for the latter to trade access to its market, labor, or raw materials for advanced foreign technologies, management skills, and know-how, not to mention investment capital, the opportunity to develop exports, and satisfy domestic demand for goods and jobs.

—ROBERT D. HASLACH

Helmut Kohl

K In the summer of 1989, when German Chancellor Helmut Kohl informed the German Government and press of the success of his negotiations with Soviet President Mikhail Gorbachev regarding German unity, he expressed his delight by quoting Bismarck, who once said that "one can only wait until one hears the steps of God resounding through the events, then leap forward and grasp a corner of His mantle!"

Two years later, as exuberance has given way to reality, the glamour of those events has pretty much faded. In fact, ever since winning the first all-German elections last December, Kohl has had to weather some unexpected political and economic storms.

Kohl came out of his talks with Gorbachev in the summer of 1989 as the "victor" who had achieved German unification—a political feat no German politician had until then dared to consider seriously. Usually known as an inflexible politician, Kohl found himself riding an unexpected wave of admiration both at home and abroad. His popularity was particularly high in the former East Germany, which heeded his calls for—and promises of—speedy unification and economic recovery the most.

GERMAN INFORMATION CENTER



Those promises helped him win an overwhelming election in December 1990, but seem to have turned to his disadvantage ever since. While political unification was achieved very quickly, in October 1990, economic recovery may prove to become his nemesis. The number of job losses in the former East Germany has skyrocketed beyond original figures, and industrial rebuilding and investment is moving at a

much slower pace than estimated. Meanwhile, the (West) German state coffers have been run so dry with money being pumped into the faltering East German economy that taxes had to be raised in July 1990—despite Kohl's election pleas to the contrary, and to the anger of voters.

Internationally, too, Kohl's image has taken a beating. Unification revived the fears of some that Kohl's new Germany would again become a new and strong force to be reckoned with—and feared—by the international community. But that scenario quickly changed with the Gulf crisis, which earned Kohl much international criticism and rebuke for being a reluctant member of the Coalition fighting Iraq. The July London Economic Summit further underscored his back-seat position,

when his pleas for immediate large-scale financial assistance to the Soviet Union went largely unheeded by his U.S. and Japanese colleagues.

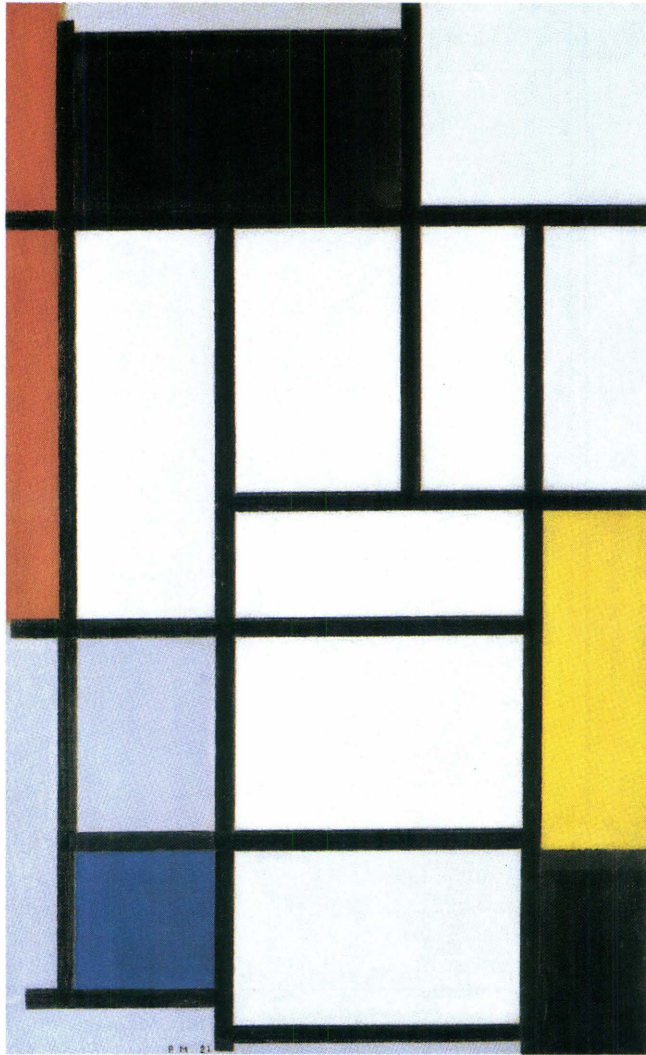
But Kohl, who has been chancellor since 1983, has often been thought to be at his political end—only to bounce back stronger every time. Can he do it again in 1991?

—ANKE MIDDELMANN

Moscow

M As the changes in the Soviet Union continue to unfold, Moscow remains the center of the maelstrom. Long the heart of communism and its attending apparatus, the face of the city is already changing from the backlash that has come with the failed coup attempt and disintegration of the Communist Party.

One of the first of the



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

© Mondriaan, 1937, v/o Beeldrecht Amsterdam.

What does this Dutch artist share with Rabobank? Clarity, strength and vision.

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

Rabobank 

The Art of Dutch Banking

New York Branch, 245 Park Avenue, New York, NY 10167.
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New York, Dallas, San Francisco, São Paulo, Curaçao, London,
Antwerp, Brussels, Paris, Luxemburg, Zürich, Milan,
Madrid, Singapore, Hong Kong, Jakarta, Sydney, ADCA-Bank
(Frankfurt, Berlin, Düsseldorf, Hamburg, Hanover,
Leipzig, Munich, Stuttgart).

Liverpool

L Founded in 1207, Liverpool rose from a small fishing village to become the second most important port in Britain in the 18th and 19th centuries. The city was the center for the exchange of manufactured goods from the Mersey hinterland for slaves in West Africa, who were, in turn, traded for sugar, spices, and other plantation crops in the West Indies. Liverpool continued as a thriving port city until the end of World War II. Then, however, changing travel and trading patterns and the severe damage from bombing during the war combined to send the port into decline.

Liverpool became synonymous with mass unemployment and a decaying city center—despite the reputation the city established for itself as the mecca of the international world of pop music through the “Mersey Beat” and, of course, its greatest proponents, the Beatles.

In the 1990s, Liverpool has set about rejuvenating itself. The real turning point was the 1984 International Garden Festival, which was the beginning of the redevelopment of the Mersey waterfront. By turning a huge landfill into prime real estate, urban planners set the pattern for future development and the festival’s three million visitors showed the great potential for tourism. Following the lead of London’s Docklands, the now defunct Albert Dock, a masterpiece of architecture was gutted and redeveloped as a condominium, shopping, and office complex.

The city is moving away from being a trading center to attracting visitors from all over. The dock houses the Merseyside Maritime Museum and the Tate Gallery of the North (an extension of London’s Tate Gallery), which houses some of the Gallery’s modern art collection.

Of course, the Beatles, or at least their “legend,” has also been used to good advantage. Matthew Street, the site of the original Cavern Club, the first home of the group, is now the site for a delightful shopping arcade. The main Beatles exhibition-museum is a multimedia extravaganza in the Albert Dock, giving a chronological tour of the 1960s and the history of the “Fab Four” through music, film, and other memorabilia.

The huge dock has become the symbol of Liverpool’s bright future. New industries are also beginning to settle in the area or to return to it, a hopeful sign that unemployment may eventually be reduced and the city may be given a new lease on life economically.

—COLIN HENSLEY



symbols of communism to bear the brunt of the demonstrators was a statue of Felix Dzerzhinski, located outside the KGB headquarters just up the hill from Red Square. Lenin chose Polish-born “Iron Felix,” as he was known, to create an early version of the KGB.

As demonstrators defaced and toppled Bolshevik monuments, authorities sealed off Communist Party buildings in an attempt to prevent the loss of information that could someday be used as evidence if the Party and its *apparatchiks* are brought to trial.

There is the fear among communist supporters and reformists that the euphoric demonstrators could become bloodthirsty vigilantes and turn their attention from statues to humans. Gorbachev, supported by Yeltsin, has made public appeals for those supporting democracy to act “differently from the people who wanted to use weapons.”

However, there are still those in Moscow who favor communism. Thousands of Muscovites proclaiming loyalty to communism turned out at the Red Square mausoleum, where Lenin’s mummified corpse is on display. They fear that the mausoleum will soon go the way of other communist monuments—either be ransacked by mobs or at least be removed by a new democratic regime.

After all of the communist landmarks fall, Moscow’s problems remain: most notably, long lines for scarce food and rationing fuel. With winter approaching, the democratic euphoria will be hard pressed to stave off hunger and cold.

—PETER GWIN

NATO

N One irony of the cold war’s ending is that the group that probably did the most to bring it about—the

North Atlantic Treaty Organization (NATO)—is also the one that currently suffers from the most self-doubts. So much so that the phrase “victim of its own success” could have been invented with NATO in mind.

For 40 years, the Atlantic Alliance allies held fast against the Soviet-dominated Warsaw Pact. With its former adversaries now looking to join the ranks of the Western democracies, NATO is asking itself: “What next?”

NATO’s dilemma is twofold. On the one hand, the countries of Eastern Europe find themselves in a security no-man’s-land—without the old Warsaw Pact but not covered by NATO’s forces, either. NATO could gain some added purpose by taking Eastern Europe under its wing, but that might prove threatening even to a more friendly Soviet Union.

On the other hand, many of the United States’ allies across the Atlantic are seeking to organize their defense on a European basis. The Western European Union (WEU), an organization founded in the 1950s to supervise German re-armament after World War II, is slowly turning into a forum for a united European security policy. Europe’s response to the Gulf crisis, for instance, was coordinated in the WEU. Some have gone further and proposed that the WEU and the E.C. be merged, giving the E.C. a direct defense role.

A Eurodefense force, allied to the United States and Canada, is one way to revitalize NATO, but the Bush Administration has expressed some hesitation at the idea. The United States wants to remain a European power, with a continued, though reduced, troop presence on the Continent.

—PETER RASHISH



oil

O From late July 1990 to the end of July 1991, the price of crude oil underwent the most volatile movements seen since OPEC first began to squeeze supplies in the early 1970s.

From the ill-fated meeting of oil ministers, at which Saddam Hussein threatened Kuwait and Saudi Arabia should they produce too much oil, to his actual invasion of Kuwait a week later, the price of that most vital industrial commodity erupted from below \$20 per barrel to nearly \$30.

By September, as the extent of the conflict grew and world markets began to feel its potential impact, the price of oil skyrocketed again—this time to over \$40 per barrel—effectively doubling the commodity's price in under two months.

Throughout the fall, although Western stockpiles remained plentiful and friendly producers increased output, international tensions and the threat of war kept oil prices above \$30. That price surged once more when U.S. Secretary of State James Baker and Iraqi

Foreign Minister Tariq Aziz reached a stalemate in their talks in Geneva in early January 1991. Consumers, hoarders, and speculators, preparing for the worst, bid the price of oil well above the level than the actual demand-and-supply conditions of the moment would have dictated.

As quickly as prices had exploded upward, however, so they collapsed with the

actual outbreak of war in mid-January 1991. Within hours of the Allied invasion, it became clear that a swift victory was the probable outcome. Tensions instantly subsided and world stock markets took off. The oil price, which had been above \$30 on the eve of the first Baghdad bombardment, dropped by \$10 overnight, and finished that tumultuous week at around \$19—where it had been the previous spring.

This summer, with war at an end and oil prices being sustained by the sanctions that the West continues to impose on Iraq, the issue is whether the former warmonger nations will return to the OPEC fold as a compliant and non-aggressive member. If Allied demands are fully met and sanctions are lifted, the oil price may drop once again, from its current level of \$21.50 per barrel to, according to some analysts, \$18 or \$18.50 per barrel.

—COLIN WAUGH

Poland

P Polish leaders continue to lobby the European Com-

munity to put Poland on its short list of prospects for enlarging the membership of the 12-nation body. And although the E.C. has stated that it will not consider enlargement until 1993, Warsaw is working fast to ensure a full seat at the E.C. table by the end of the decade.

Recent developments in the Soviet Union have refined the E.C.'s focus on its eastern neighbors: The slow and laborious negotiations for a common European foreign policy and strategic goals have been given a jump start as the E.C. views the security void to the east. Poland still houses Red Army troops and shares borders both with E.C. members and the volatile Soviet Union. So Warsaw is aware that its pleas for a broader role in E.C. affairs will be heard.

Another factor that might speed up Polish E.C. membership is that Lech Walesa's Solidarity government is at the forefront of Eastern European economic reforms. Its crash efforts to dispose of industrial inefficiency and step up agricultural production have been inspired by Western economists and supported by Western governments.

The E.C. has been the most active supplier of technical assistance and finances to all of Central and Eastern Europe. It has granted \$1.3 billion for economic restructuring. Poland, in particular, has also received \$1 billion in international support toward its stabilization fund, of which \$600 million are grants. That development is consistent with the agreement reached at the London Economic Summit by the leaders of the world's seven industrialized nations—and the E.C.—to meet technical assistance needs of the former command economies.

Revamping the industrial base is an important strategic move for Poland as it tries to accelerate the pace of integration into the E.C., says Paul

Sacks, president of Multinational Strategies, an international privatization advisory firm. "Technical assistance is the lubricant in that process," he says.

—AMY KASLOW

Quincentennial: 1492-1992

Q Nineteen-ninety-two will see the completion of the E.C.'s single market. It also marks the 500th anniversary of numerous significant people and events.

The most well-known of these is undoubtedly Christopher Columbus' discovery of America, which will be celebrated in style in Spain next year. But other 500-year anniversaries are also worth mentioning.

- In Italy, 1492 saw the death of Lorenzo il Magnifico, a scion of the Medici family of merchants and bankers, the virtual but unofficial rulers of Florence. Lorenzo, astute politician, patron of the arts, and passable poet, gave lavish and legion public entertainments. After gaining control of Florence's public treasury, Lorenzo and Florence both flourished.

- Pope Alexander VI began his reign in the Vatican. Born in Jativa, Spain, he took the name Borja from his mother's brother, Alfonso, who was also a Pope. In Rome, the name became Borgia. While still Cardinal, Borgia had four children, including the later famous Cesare and Lucrezia Borgia.

- Exploration also finds anniversaries. It will have been 500 years since the German traveler and cosmographer Martin Behaim (also spelled Behaim, Behem, or Boenheim) produced Europe's first terrestrial globe, a map of the world painted on a sphere. While inaccurate and not including the best geographical information

then available, it remains his masterpiece, on display in Nuremberg.

• The Conquest of the Kingdom of Grenada by Queen Isabella I of Castile and Leon, and King Ferdinand II of Aragon, (and both adjoint-kings of Castile) ended the Arab presence on the European mainland. By 1492, they felt strong enough to underwrite a high-risk project that promised further expansion for their kingdom. And that, of course, brings us back to Christopher Columbus, who, thanks to their backing, was able to fulfill what he thought was the Enterprise of the Indies, only to discover a new continent—America.

—ROBERT D. HASLACH

Romania

Romania's history and geographical situation help to explain some of that country's current economic, social, and political problems. Bordered by the Black Sea, the Ukraine, Hungary, Yugoslavia, and Bulgaria, the country was overrun throughout history by Goths, Huns, Avars, Slavs, and Mongols. The Ottoman Empire made vassals of its princes and peasants of the native Romanians, and the 19th century was largely taken up with Turkish-Greek-Russian wars that washed back and forth over Romania. In 1861, Alexander John Cuza, elected prince of Moldavia and Walachia, freed the peasants of feudal obligations and then made them buy the land they occupied. His successor, Carol I of Hohenzollern-Sigmaringen, gave Romania independence of Turkey and Russia, and proclaimed it a kingdom in 1881. Since then, succeeding waves of corruption, foreign intervention, and abortive land reform have kept Romania in turmoil.

The official 1992 opening of the Rhine-Main-Danube waterway may do more to

break Romania's isolation, since the Danube forms Romania's southern border with Bulgaria. The Canal may bring Dutch and Belgian barges into Romanian ports; and the Ukraine's Black Sea ports around Odessa are just up the coast.

Romania's heritage links its people to the land and the traditions of the isolated Carpathian mountains. However, ethnic problems abound. Ethnically, the population is 88 percent Romanian (that is, of Latin-speaking Roman, Thracian, Slavonic, and Celtic ancestry), and 8 percent Hungarian. While 87 percent of its people speak Romanian, 9 percent speak Hungarian, 2 percent German, and 1 percent Romani as their first tongue.

On the industrial side, Romania's leadership has tried, disastrously, for the last 20 years to transform the agrarian Balkan nation into an urbanized, industrial powerhouse. As a result, agriculture was neglected and suffers from inadequate transport, storage, and refrigeration capacity. Perhaps the farmers will recover the land: About 30 percent of arable land has now been allocated for private use.

The picture of Romanian industry is bleak. Once Europe's second-largest producer of crude oil (thanks to oilfields around Ploesti), Romania is now an energy importer. Moreover, secure behind a wall of radical protectionism that cut it off from the technologies of the outside world, the country became a relatively efficient producer of obsolete railroad engines and the Dacia automobile—which made the Trabant look good. With Ceausescu's demise in December 1989, industrial production dropped 18 percent as workers took time off to reflect and look for food.

Bucharest has been badly lit and heated for the past several winters. The government's "bitter pill" approach to a market economy may give it one

more winter of discontent to live through.

—ROBERT D. HASLACH

Sweden

Sweden is coming in from the cold. After 60 years of going it alone, building a unique economic model that harnessed capitalism to create an unrivaled cradle-to-grave welfare system, Sweden has decided to leave its cocoon.

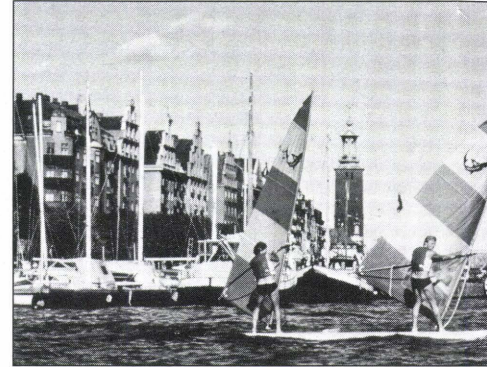
Swedish politicians are still struggling to come to terms with the dramatic changes in Eastern Europe that have redrawn the political map of the Continent during the past three years. First, the traditional neutrality that kept Sweden out of two world wars is being questioned following the end of the cold war. Second, the famous "Swedish model" of the welfare state is fraying at the edges as the economic growth that supported it is lagging further behind the European average.

The political landscape is also changing. The ruling Social Democrats, who have governed Sweden for all but six years since 1932, appear to be running out of steam. Opposition parties remain divided, but they have successfully tapped growing discontent over the world's highest tax rates, a swollen public sector that absorbs 60 percent of gross domestic product, and a pervasive control over private life.

Sweden finally emerged from its cocoon on July 1, when Prime Minister Ingvar Carlsson traveled to The Hague with an application to join the European Community. After years of soul-searching, especially among the Social Democrats, the decision was backed last December by all the major political parties

with reasonably little parliamentary or public debate.

Carlsson hopes negotiations with the E.C. can start early in 1993 and be successfully completed by the end of that year. If all goes according to schedule, a national referendum could be held in September 1994 to coincide with a general election, and full membership could take place on



January 1, 1995.

The decision to seek E.C. membership underlined the growing pressure on Sweden to join mainstream Europe. Less than a year ago, Carlsson firmly ruled out membership, claiming it would threaten Sweden's neutrality and compromise its independent security policy.

But the *volte face* in December didn't come as a complete surprise—Sweden simply didn't have any other choice. The Swedish Government itself was always committed to freeing the movement of capital, labor, goods, and services as laid down in the E.C.'s 1992 single market program. It also wanted to bring education, research and development, and environmental rules closer to E.C. standards.

But while politicians were agonizing over the issue, Swedish business was becoming a de facto member of the E.C., investing, buying companies, and building production plants across the Community in order to be well in place before completion of the single market.

Swedish companies have

for decades been exporting and investing overseas to compensate for their tiny domestic market. In the 1980s, they invested some \$46 billion abroad, with the E.C. hogging almost 60 percent of their spending. Swedish companies made more cross-border transactions in the E.C. in the past two years than any E.C. member except France. The E.C. is now home for half the Swedish multinationals' overseas production and employment.

Indeed, Swedish business has been quicker off the mark to exploit the E.C. single market than its E.C. rivals. This reflected a mixture of fear and hope: Fear of being locked out of a giant market of 340 million consumers and hope of reaping the economies of scale that are not possible in the small Nordic market. In fact, the fear of possible E.C. trade barriers after 1992 were so great that some Swedish companies, notably Volvo, drew up emergency plans to relocate their headquarters to the E.C. if Sweden did not join the Community.

E.C. membership will jolt Swedish society and involve extra costs, but this is being downplayed by politicians in the current euphoria about a reinvigorated Sweden's new future in Europe. Sweden will have to bring its high taxes more in line with European rates, accept foreign labor, get rid of price cartels, laws restricting foreign ownership of Swedish companies, and protectionist legislation that has enabled firms to thrive without the fear of outside competition.

The country has made a good start. Sweden has been quicker than some E.C. member states to adopt E.C. technical standards and regulations. It is fast deregulating its financial sector and in a surprise move last May linked the krona to the European Currency Unit. At the same time, Stockholm's bid for E.C. membership has sent

waves across Scandinavia, forcing Norway, Finland, and Iceland to seriously question whether they can afford to stay out of the Community.

With the E.C. issue out of the way, Sweden's politicians, businessmen, and labor leaders are again turning their attention to tackling a deep recession and even deeper structural problems. Sweden has the highest inflation rate of any industrial nation (10.1 percent last June). Profits of the top 500 companies crashed by nearly 11 percent last year, and a 20-percent drop is forecast for 1991. Industrial investment is set to fall by 14 percent this year and by a further 14 percent in 1992. Wage inflation, at around 9 percent to 11 percent, remains the country's biggest problem, seriously eroding its ability to compete on world markets.

The Social Democratic Government finally appears ready to take unpalatable action to undo the damage inflicted by 20 years of defying conventional economic policies. It is cutting cherished social welfare programs, trimming the bloated public sector that now employs one in three workers, and is finally accepting the heresy of rising unemployment, currently only 2.2 percent.

These policy shifts are proving traumatic for a country that has always gone its own way and reacts cautiously to change. But after it has taken its medicine, Sweden hopes to leapfrog to the top of the E.C. rankings in 1995.

—BRUCE BARNARD

Treuhandanstalt

The *Treuhandanstalt*, the German government agency in charge of privatizing thousands of former East German state-owned companies, symbolizes the vast changes taking place in the new Europe. As the agency's pamphlet states,

"the *Treuhandanstalt*, based in Berlin, has been charged with privatizing the country's 8,000 state-owned industrial enterprises. This makes it the world's largest holding company engaged in the world's largest corporate break-up."

While visiting the *Treuhand* in the former East Berlin, I was reminded of the United States after the Civil War, when hundreds of northerners journeyed to the South to set up businesses. Today, at the *Treuhand*, one sees hundreds of prospective businessmen and women lined up to inquire about purchasing businesses—from bookstores to farms—in the former East Germany.

Speaking with one of the senior officials of the *Treuhand*, Wolfgang Mueller-Stöfen, I was impressed with the task the organization has set out to achieve. Mueller-Stöfen says that "the *Treuhand's* primary aim is to privatize an economy that was under a socialist government for 40 years. *The Treuhand* has to transform this economy and, in doing so, is selling companies to private investors in [the former West] Germany and other countries, including the United States."

Asked to comment on the major successes so far of the agency, Mueller-Stöfen says: "The major success is in the privatization field. At present, we have sold more than 2,200 companies to German and foreign investors. We deem this to be a success because I do not know of any other holding company having sold as many companies."

But, he adds, "selling companies is only one part; the other part is restructuring. These [8,000] companies actually represent about 20,000 companies by Western standards because they were conglomerates with many different fields of activity that did not fit together. Splitting up these big conglomerates into small viable packages that can

survive competition in eastern Germany" is, says Mueller-Stöfen, another success story of the *Treuhand*.

The *Treuhand* official stated that the final success will be completion of the job and, subsequently, going out of business. This, he hopes, will be accomplished by the beginning of 1994.

To attract more American investors, the *Treuhand* will be opening an office in New York in October. Most of the firms that have bought former East German companies are largely West German firms, but several American firms are also buying. "There have been large American firms but not enough," says Mueller-Stöfen. "Philip Morris has bought a cigarette factory and R.J. Reynolds bought part of a cigarette company's assets; Coca-Cola has acquired several companies; and Procter and Gamble has acquired a fruit juice factory."

Mueller-Stöfen feels that acquisition of East German companies is a good chance for American firms to enter the European market. A "second important element is that, here in the east, people know how to trade with the [former] Eastern Bloc countries. Firms will gain a foothold for doing trade with the East."

As the *Treuhandanstalt's* literature says on its cover, this is indeed the "Sale of the Century."

—ROBERT J. GUTTMAN

Ukraine

UIn a flurry of political maneuvering since the failed coup attempt and the dissolution of the Soviet Communist Party, the Ukraine has joined the Baltic states in taking advantage of the confusion in Moscow to pursue independence. The secession of the southern republic from the Soviet Union may well be the

straw that breaks the Union of Soviet Socialist Republics.

Next to Russia, the Ukraine is the second most important of the Soviet Union's republics. Not only is 21 percent of the Soviet Union's population Ukrainian; the region also possesses vast natural resources. One of the richest Soviet republics, the Ukraine supplies 25 percent of the Soviet Union's food and accounts for 21 percent of the national industrial output.

Unlike the Baltics, which consist predominantly of individual ethnic groups with loose historical ties to Russia, the Ukraine is considered by many to be part of the greater Russian homeland. Although the parliament has already voted to develop a Ukrainian currency and to establish a Ukrainian Defense Ministry, the move to independence is subject to a national referendum in December.

The three Baltic republics of Estonia, Latvia, and Lithuania have moved with equal speed to separate from the Soviet Union. Byelorussia and Moldavia have also voted to secede and to establish independent ties with nations worldwide. Denmark, Norway, and Finland were the first to recognize the Baltics, Byelorussia, Moldavia, and the Ukraine as sovereign nations.

With Boris Yeltsin centralizing power in Russia and the dismantling of the Communist Party, it remains to be seen how the Kremlin will react. Indeed, Soviet President Mikhail Gorbachev's power is in doubt. In a televised speech, Gorbachev announced plans to remove all barriers to a free-market economy and called for the republics to sign an up-dated version of the Union treaty that would yield greater power to the individual states.

—PETER GWIN

Van den Broek

V The Netherlands' Minister for Foreign Affairs, Hans van den Broek, is currently serving as the President of the E.C. Council of Ministers during the Netherlands' six-month rotating E.C. presidency, which lasts through December of this year.

Van den Broek, who first became Minister of Foreign Affairs in 1982, has inherited a busy political agenda. He is currently preoccupied with trying to help resolve the situation in Yugoslavia and hopes to make substantial progress on the E.C.'s two intergovernmental conferences.

Van den Broek spoke with *Europe's* Editor-in-Chief, Robert J. Guttman, at the London Economic Summit about his country's objectives and goals while leading the E.C.

What is the theme of the Dutch Presidency for the next six months?

It's the theme of the Community trying to establish its political and monetary union, finalizing its internal market, and remaining outward-looking. There is a great urgency in concluding our association agreements with Central and Eastern Europe and coming to terms with the agreement with EFTA, which is very important for us. Of course, our relations with the Soviet Union also play an important role. In other words, it's a very full agenda.

What do you hope to have accomplished by the end of your presidency?

I hope, as far as our internal deliberations are concerned, to have reached conclusions and to have signed the agreements on monetary and political union, and to have finalized the work that has to be done on the internal market.

Because of your concern for the environment, will you be doing anything special?

Lech Walesa

W When British historian Timothy Garton Ash first met Lech Walesa in the summer of 1980, he described him as "a funny little man with a droopy moustache and ill-fitting trousers." By 1988, Walesa had become "a portly figure, with neatly trimmed hair and moustache, a rather smart sports jacket...[and] well-fitting pin-striped trousers."

Walesa's outward change in style was symptomatic of the political changes brewing in the the communist part of Europe throughout the 1980s. Indeed, if anyone personifies the changes that have taken place throughout Central and Eastern Europe in the past decade, it is, without a doubt, Lech Walesa, the electrician-turned-President.

Walesa's rise to the top of Polish politics has been steep, difficult, and long—nine years of political struggle and activism, underground activities, and a year of imprisonment were the price for democracy and freedom of Poland. During that time, he gained international recognition, meeting with such illustrious leaders as French President François Mitterrand, Pope John Paul II, and being honored with a series of awards, crowned by the 1983 Nobel Peace Prize. All of this made Walesa a hero in the eyes of the Polish people, who overwhelmingly elected him Poland's first democratic President in December 1990.

But, ironic as it may sound, those nine years may have been the easy part. Politically speaking, democracy has arrived in Poland: People are free to travel where they like, buy whatever they like, and do and say what they want without the fear of reprisals. But what about the economic picture?

This is where Walesa faces yet another uphill battle. Having established the political foundations, he must now persuade his countrymen to show patience as the economic ones are put into place; Poland's drastic "cold-turkey" measures to introduce a free market-oriented economy have already laid off thousands and devaluated the zloty dramatically. Although everything is now available in shops, people cannot afford to purchase anything as prices are high.

The large majority with which Walesa was elected President shows the continued support and trust he has among the population. The one big difference between 1980 and 1991 is that, then, he was the voice of opposition demanding change. Now that voice of opposition has won and the demands for change must be implemented.

—Anke Middelmann



As far as the environment is concerned, we are looking at a more structural approach within the European framework. How, for instance, to make our decision-making in that field more effective. The state of the environment is very much on our mind. It is a priority for all the member states and for the Community. It received new attention at the G-7, so we will certainly be working on that as well.

Will you be working on a new defense role for the E.C.?

A common foreign and defense policy is another subject under discussion in the framework of political union. We will also try to bring more clarity to that issue before the end of this year, because it will be part and parcel of the so-called political union agreement.

Will there be a new role for NATO?

That discussion is developing right now. We had a NATO ministerial in Copenhagen and a WEU ministerial in Luxembourg. We are having a NATO summit next November, and another WEU ministerial. In other words, the whole discussion centers on the relationship between, for instance, WEU and political union, and what role it should have.

Xenophobia

Xenophobia, the fear of foreigners, has long plagued those elements of the world's population who put nationalism above all else. During the past decade, European tolerance has been particularly tested as African and Asian immigrants have descended upon Europe in search of a better life.

During the past two years of volatile change on the Continent, the European Community has cast a watchful eye on its reforming neighbors. If Soviet hegemony commanded the

subjugation of ethnic, religious, and national rivalries, democratization has been the vehicle for their expression.

Czechoslovakia, Hungary, and Poland represent the vanguard of Eastern European progress toward democratization and market economies. Nonetheless, tensions abound. Czechs and Slovaks are so divided that the country's name has been formally changed to the Czech and Slovak Federal Republic. Hungary, Romania, and Bulgaria are also beset with nationalist problems. Poland has suffered a marked rise in anti-Semitism, despite the marked absence of Jews (only several thousand live there since World War II).

If the patience of Eastern Europeans fails to outlive the time needed to achieve reforms, the disenchanted population will move West, European leaders warn. German officials cite problems already present in their own country, where massive job losses in the former communist East have pushed unemployment as high as 50 percent in some regions. An immediate by-product of the necessary market reforms is social unrest. With massive financial transfers, vocational training, and new welfare programs, Bonn has gone to great lengths to soften this blow and to ensure that eastern Germans do not flock to the prosperous West. Those who have migrated since unification have found scarce jobs and housing shortages, and incurred mounting resentment from their west German counterparts.

The so-called "vanguard countries" of Central and Eastern Europe do not have the luxury of a built-in support system like eastern Germany's. While widespread Western assistance—including debt relief, technical aid, and foreign investment—has shored up the shaky reforms process in Poland, for example, Germans still

Boris Yeltsin

Y Boris Yeltsin has a knack for the dramatic. His election on June 12, 1991, as President of the Russian Federation made him the first democratically elected representative in Russia's 1,000-year history. Only a few months later, on August 19, he became yet another symbol of reform: a defender of freedom, democracy, and the Soviet people.

Hailed at home and abroad, Yeltsin has brazenly captured world attention. His open and unpolished style is refreshingly different from the orthodox *apparatchik* of old. But it also has caused him problems.

Born into a peasant family in 1931, Boris Nikolayevich Yeltsin lived and studied at Sverdlovsk in the Urals, where he graduated in 1955 as a construction engineer. In 1961, at the relatively late age of 30, he joined the Communist Party. Yeltsin was a local party chief from 1976–85, gaining a reputation as an energetic, charismatic reformer.

He caught Gorbachev's attention in 1985 when the new Soviet leader plucked him from Siberia to join the new reformists in Moscow. However, Yeltsin's career as Moscow Party Chief and Secretary of the Central Committee for Construction was short-lived. He was removed from office in 1987, after criticizing the slow pace of reforms as well as his Politburo colleagues.

But the Siberian proved undaunted. In March 1989, Yeltsin was overwhelmingly elected to represent Moscow in the new Congress of People's Deputies, capturing 89 percent of the vote in the country's first multi-candidate elections. His resignation from the Communist Party in July 1990 further increased his popularity among the people. However, Yeltsin's outspoken criticisms of Gorbachev's economic and political reforms turned the former ally into a political nemesis. Western leaders viewed his criticism with skepticism and disdain, seeing in him a threat to Gorbachev's leadership.

Yeltsin's election as President of the Russian Federation this June gave him a new legitimacy in the West while demonstrating his popularity at home. His international stature increased dramatically after his defiant stance and denouncement of the ill-fated coup last month.

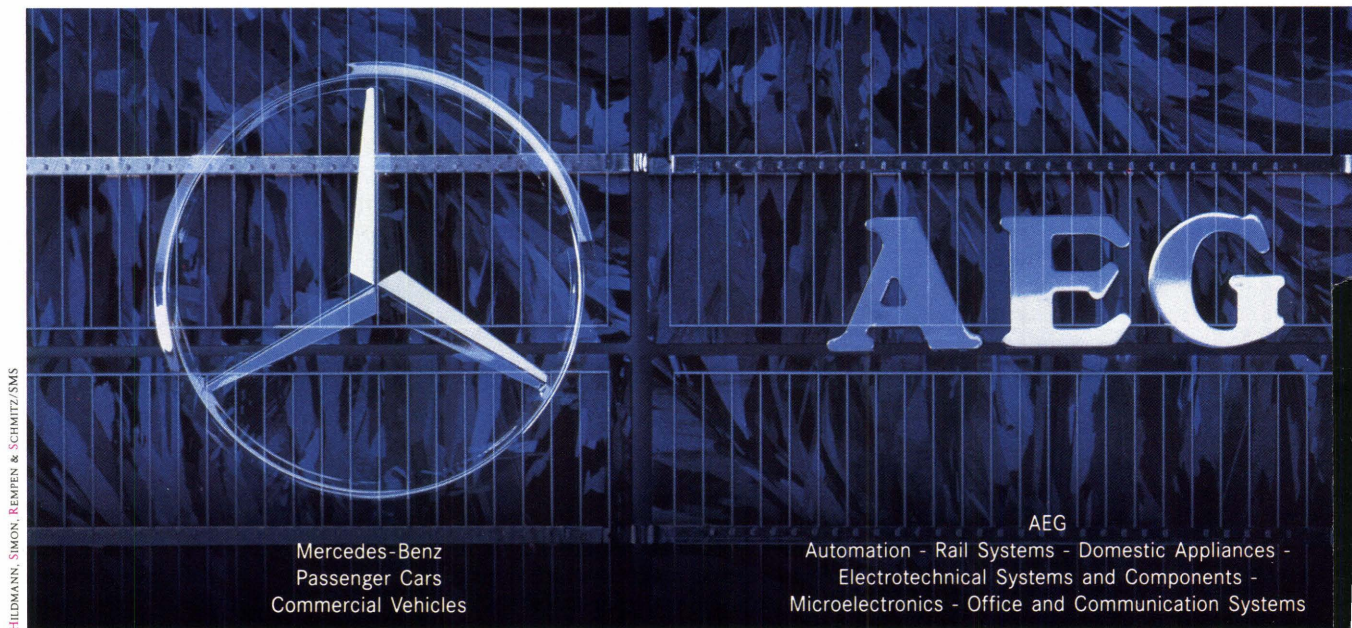
The brash political maverick from Siberia has proven his mettle: He is a voice of the people, a force to be reckoned with, a hope for change.

—Shannon Peterson



“All growth
depends upon
activity.”

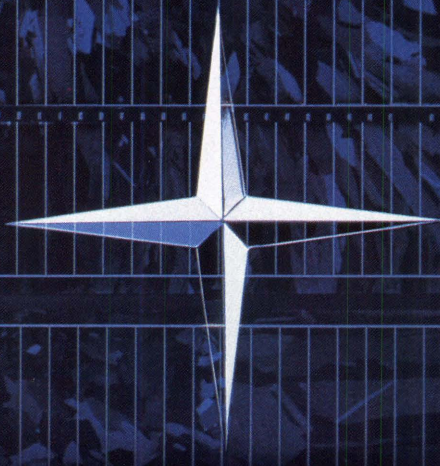
Samuel T. Coleridge



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Deutsche Aerospace and Daimler-Benz InterServices (debis) – we integrate a wide range of knowledge, skills and experience.

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Aircraft - Space Systems - Defense Systems -
Propulsion Systems - Other Activities



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fear Polish migration.

For, when Germany opened its borders on the Polish frontier this spring, a great line of Polish cars, chock full of wares, waited patiently to cross into eastern Germany. As German officials politely welcomed the Poles with maps and brochures, neo-Nazis angrily countered their neighbors, whose primary goal was a day trip into Germany to buy German electronics and other goods scarce in Poland.

Yugoslavia's loosely confederated, religiously, and nationally diverse population has been reduced to its lowest common denominator: violence. Fear among Europeans, both East and West, that a wave of refugees will result from these festering ethnic rivalries has given a sense of urgency to the E.C.'s need for a common foreign and security policy. In that context also, the threat of possible Soviet hard line rule—with all its brutal implications—plays upon Europe's worst fears: Massive civil strife in the Soviet Union could unleash millions of discontented Soviets into Eastern and Western Europe.

—AMY KASLOW

Yugoslavia

Not so long ago, a political joke asked how many countries there would be in Europe in the year 2000. The answer was eight: The European Community, the six republics of Yugoslavia, and Finland.

Although the joke was Finnish, playing on the difficulty of fitting an awkward country like Finland into the new map of post-cold war Europe, it had the side effect of pointing to the irony of the fragmentation of Yugoslavia at a time when the trend in most of the rest of Europe is to coalesce into a larger unit.

Given recent events, however, the joke does not

seem funny anymore. Only a year ago, Yugoslavia might still have been considered the Eastern European country with the best chance of an easy transition to democracy and a market economy. Now it hardly even exists as a country.

The violent upheaval in Yugoslavia has become much nastier since two of the country's republics—Slovenia and Croatia—unilaterally declared their independence on June 25. As fighting between Serbs and Croats intensifies, Yugoslavia seems to revert to its old role as a Balkan powder keg, a chilling throwback to an earlier, more turbulent, period of European history.

For most of the summer, the intractability of the crisis dominated the E.C.'s political agenda, with Washington happy to play second fiddle. The Europeans have taken the lead in crisis management because Washington does not believe that major U.S. strategic interests—or global security—are at stake in the Balkans today.

This vision is certainly different from the situation in the Balkans in 1914. Today, countless commentators remind us that the current strife has haunting echoes of the chain of events that sparked the outbreak of World War I, which also began in Yugoslavia, following the fatal shooting of the Austrian Archduke Francis Ferdinand, successor to the Austrian throne.

Like the Gulf War, the Balkan crisis has revealed many of the shortcomings of the E.C. as a player on the geopolitical stage at this point in its development. And yet, again like the

Gulf War, Yugoslavia may have accelerated the move toward common European foreign and defense policies.

One of the big changes of recent months has been the growing perception in the rest of Europe of the urgency of the crisis. At first, Western Europeans seemed to believe that Yugoslavia had little to do with them. The crisis looked like a remote Balkan melodrama that might, at worst, spread shock waves through some of Eastern Europe. It did not seem to have much relevance to peaceful, prosperous Western Europe or the wider world.

Much of the general

order—and presenting the E.C. with some potentially extremely difficult problems.

When the crisis first began to gather momentum, most Europeans had no idea what the dispute was about, or which side they were meant to be backing. Many Europeans have reservations about Croatia's nationalistic and none too democratic leadership. Recently, however, there has been a growing tendency to see Serbia as the bigger villain of the piece.

Attention has shifted from the attempted secession of Slovenia and Croatia to the increasingly obvious bid by the Serbs to carve out a Greater



REUTERS/BETTANN

public in Western Europe probably still sees it that way. And it is relatively easy to understand why. First, the dramatic impact of the upheaval in Yugoslavia has been greatly diminished by the epic scale of the events that immediately preceded it—the fall of the Berlin Wall, the collapse of communism in Eastern Europe, the end of superpower confrontation, and the Gulf War. And second, despite the momentous events on its doorstep, life in Western Europe has carried on much as usual.

Nevertheless, there is growing concern in some circles that Yugoslavia is increasingly posing a threat to the European

Serbia, incorporating all the other parts of Yugoslavia with sizable Serb populations.

Although Serbs make up only 12 percent of Croatia's population, some Serbs are reported to want 40 percent of Croatia's territory—not to mention parts of other republics.

Serbia's critics accuse it of engaging in the first attempt to change European borders by military force since the end of World War II, undermining the E.C.'s most fundamental principle—that there be no more armed conflict in Europe. And, they say, Serbia's attitude could be contagious.

Of course there have been other examples of the use of force in the last 46 years—the 1974 Turkish invasion of Cyprus, which partitioned the island between Greeks and Turks, and the Soviet military interventions in Hungary in 1956 and Czechoslovakia in 1968. Indeed, the dispatch of the Yugoslav army to Slovenia by the Serbian-dominated central government—following Slovenia's declaration of independence at the end of June—was compared by some to the Soviet moves against Hungary and Czechoslovakia.

But, in a broader sense, the upheaval in Yugoslavia is the obverse of those Soviet interventions. The withdrawal of Soviet troops from Eastern Europe—and the knowledge that they will no longer be used to crush anti-communist uprisings—is one of the main factors that has taken the lid off Yugoslavia.

The other is the collapse of communism itself. With the removal of the totalitarian order, long suppressed ethnic and economic tensions have been bubbling to the surface in many areas of Eastern Europe. But nowhere are those pressures stronger than in Yugoslavia, a state artificially imposed on a fractious collection of fundamentally different peoples.

In a 1981 population census, only 5 percent of the country's inhabitants said they regarded themselves as Yugoslavs, as opposed to Serbs, Croats, Slovenes, Macedonians, or other groups. Moreover, today's Yugoslavia still bears the scars of the great cultural and religious divide that ran right through the middle of the country for nearly 1,000 years. For example, the Roman Catholic Croats, who were in the Austrian Empire, use the Roman alphabet. The Eastern Orthodox Serbs, who were under Ottoman Turkey, use Cyrillic.

Those bitter rifts have

since been deepened by economic disparities with Slovenia and Croatia, in particular leaning more closely to the mainstream European economy. Relatively rich Slovenes earn \$5,000 or \$6,000 a year, against as little as \$700 in some of the poorer regions to the south.

Following elections last year, it became clear that Yugoslavia is now also split ideologically along the former imperial frontiers. The northeastern part of the country, including Croatia and Slovenia, is now non-communist, whereas communists are still in control in much of the southeastern part, including Serbia and Montenegro.

Interestingly, Franjo Tudjman, the President of Croatia, seeks international support by portraying the issue as an ideological struggle against communism rather than an ethnic dispute. However, it is the ethnic aspect that is most worrying to the rest of Europe.

If Yugoslavia splits up, and/or the Serbs succeed in forcibly redrawing the internal borders, the fear is that the disgruntled ethnic minorities in other parts of Europe will be encouraged to press their own claims more forcibly. Around Yugoslavia, there could be pressure for tinkering with the borders of Greece, Albania, Bulgaria, Romania, and even Italy. Some argue that such a development might also accelerate the break-up of Czechoslovakia and the Soviet Union.

There is as yet no consensus on the answer to the key question for Europe: Can the crisis be contained inside Yugoslavia? Nor is the E.C. even in agreement as to whether the aim should be to keep Yugoslavia together, albeit in a looser federation, or to grant full independence to Croatia and Slovenia.

Failure to agree on the ultimate objective has made it more difficult for the Community to intervene effectively.

Germany's greater willingness to recognize Slovene and Croatian independence has led to accusations that it is seeking to recreate a "Teutonic bloc" in central Europe. France and Spain, on the other hand, which would prefer to keep Yugoslavia together, have been portrayed as frightened of the implications of Slovene and Croat secession for their own restless Basque, Breton, Corsican, and Catalan populations.

The governments concerned all strongly deny such charges. But it is clear that quite apart from any domestic considerations, Slovene and Croatian independence would create major headaches for the Community.

What would the E.C. do if Slovenia, say, applied for Community membership as an independent country? The E.C. clearly cannot open the way to membership for every breakaway region of Eastern Europe, and Slovenia is, in any case, not economically ready for E.C. membership. Nevertheless, many Slovenes and Croats still mistakenly believe that the E.C. will welcome them with open arms. It is clear that with the communist system in ruins, the E.C.'s economic and political success is exercising enormous drawing power on its neighboring peoples.

And therein lies a paradox that is hinted at by the Finnish joke: The one major thing that is helping to pull Yugoslavia apart is the magnetic power of European unity.

—REGINALD DALE

Zagreb

Z With a population of just under a million, Zagreb is Yugoslavia's second-largest city and the capital of Croatia.

This summer's attempted secession of Croatia and Slovenia and the subsequent outbreak of fighting brought the

city very much into the international spotlight, a flashpoint for the troubles of Yugoslavia. Predominantly Croatian, there is also a resilient minority of Serbs.

If compromise is to be reached, Zagreb figures to be one of the key places where peace is made or broken. The closeness of the two ethnic groups in the city has contributed to the violence, with angry mobs from both sides rioting and attacking each other.

If a lasting ceasefire is not established, Zagreb could be the first site of a major battle in what would be the first civil war in Europe since the Fascists fought the Loyalists in Spain.

—PETER GWIN

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MEMBER STATE REPORT

Necessity is the mother of invention: The installation of the 50th government in 46 years and unacceptably high public spending levels have convinced Italians of the need for political and economic restructuring. Right: Verona; below: Milan.



ITALY HAS ALWAYS BEEN A COUNTRY OF contradictions. Italian and foreign observers alike have long been aware of the discouraging figures of the country's growing public deficit and certain bureaucratic inefficiencies. Yet, they never seemed overly alarmed by them, since they were always balanced by a reality that mysteriously proved the contrary: Italians, despite any and all alarmist reports, live well; indeed, they are among the best-off Europeans.



ITALY

Despite Economic Woes, Italians Enjoy Superior Lifestyle

away from the office.

His move signaled a call for major constitutional change that would accord more powers to the office of the President (as is the case in the United States and France) and also give the country greater governability. In effect, he was asking the country to consider the First Republic ended and to pass on to a Second Republic. All this has made Italians understand that "this time they're fighting for real" and that maybe "something really can change."

Immediately after the latest political reshuffle came the newest verdicts on the state of Italy's economy. Ratings services Standard and Poor and Moody both reported that Italy's reliability in guaranteeing payments was down from before. The Italian government accounting agencies, including the State Auditor's Department, the country's highest accounting organ, agreed.

The picture of Italy that emerges from these reports is worrisome. At the European level, the country is falling behind its richer colleagues—Germany, France, and the United Kingdom. Some E.C. officials fear that Italy risks not being able to keep up the speed necessary to respect the preset deadlines of European integration. If that were the case, Italy could lose full membership in European monetary union.

The various economic statistics agree that the most disturbing economic figures are those of public spending. The state deficit now equals 10.1 percent of gross national product (the E.C. average is barely 4.6 percent). This means that every Italian, including children and infants, is carrying a tax burden of 23 million lire, roughly \$20,000.

This deficit can be partly explained by the steep rise in the salaries of the growing number of Italian public-sector employees over the past five years. At an annual 10.4-percent increase, the salary raises for this sector were high, too high for an economy in the midst of a productivity crisis.

Moreover, with respect to its GNP, Italy has, until now, spent more than other

countries on pensions. Currently, men are eligible for full retirement benefits at age 60 and women at age 55. This generous pension system has become an increasing burden on the state budget, however, given the combination of Italy's close-to-zero birth rate and large number of retirees. With the looming prospect of a country in which every young Italian worker could be burdened with paying for two pensioners, the government has had to come up with a pension reform.

Under a recently published reform package, which has yet to be approved by the government, the pensionable age would be gradually raised to 65 for both men and women. At the same time, pension contributions would also be raised.

Although this will eventually save the government money and lead to a more productive work force, it will take years for the reform to become fully effective. The proposed package has been criticized by labor organizations as being very tough on the average worker. The government, on the other hand, insists that it needs to cut spending, and government officials point out that this reform will help to accomplish this goal—without depriving anyone of their fair share of benefits.

Italy's growing concern over its public spending and the realization that something must be done about its political system before the country becomes ungovernable, demonstrates that Italy is going through a delicate phase of renewal.

That need for renewal is mirrored in the country's inefficient public services—a result of the breakdown in public spending—and also in its social make-up. Surveys show that the Italian's attitude toward work and money is undergoing a fundamental change: The classical myth of modern Italy—the assured job in the public sector, where the pay is low but there is no risk of being fired—is being replaced by the need—and desire—to make more money.

In 1978, the concept of job security and career was of primary importance for 60 percent of Italians. By 1988, that figure had dropped to 40 percent, with Italians stressing the importance of money over career. It is leading to a new social phenomenon in Italy, whereby Italians work two or three jobs to make ends meet.



PHOTOS: © LEE SNIDER/PHOTO IMAGES

Now, however, a series of events has made it clear that something must change in Italy's political and economic structure if it is to enter the next millennium as a modern, forward-looking European country.

At the top of that list of events are this year's political and constitutional problems, which gave Italy its 50th government in 46 years, and highlighted the need for political restructuring. The political confrontation over constitutional change is still being fought, and the outcome is as yet unknown. However, in a country whose politicians are accustomed to a political atmosphere of tolerant cohabitation, this year's explosion by Italian President Francesco Cossiga caused much surprise.

For the first time, Cossiga openly challenged the Italian way of conducting politics, by making the government aware of his presidential duties and powers—which, with the frequent change of governments and ministers over the years, have slowly been undermined and taken

One could therefore surmise that Italy is not achieving its economic and political goals. Such a judgment, however, would be misleading. On the contrary, the changes under way in the country, or at least the talk of changes, seem to demon-

giving entire "packets" of votes to a group of candidates within a political party.

The idea of change inherent in the referendum was further reflected by the fact that the referendum's author was not

keting network outside Italy. That meant that Italian companies never created the same kind of solid international network that, for instance, Germany established. Consequently, Italy ranks only 17th in international competitiveness, according to the 1991 World Competitiveness Report. The list is headed by Japan, the United States, and Germany.

So, although international and domestic criticism might give the impression that Italy is overwhelmed and confused about its future, Italians, mysteriously enough, still manage to have enough money to enjoy one of the highest lifestyles in the Western world.

Although public accounts are in the red, and official salaries are not high enough any more, beaches are crowded and airports jammed as Italians indulge in weeks-long vacations. At four to five weeks, the average length of summer holidays is one of the world's highest, to the great envy of other countries. This is due, in large part, to the continued well-being of Italy's thriving "submerged economy."

And despite the pessimistic news in the papers, foreigners trust this Italy of contrasts and sometime uncertainty. On the financial side, for example, the Paris stock exchange is about to issue futures funds tied to the Italian stock exchange for the first time, and a similar initiative is taking place in London.

When it comes to international politics, Italy seems endowed with a consistent foreign policy. Foreign Minister Gianni De Michelis has imposed and defended a policy that accords Italy a central role in the Mediterranean. Italy's allies don't always understand this position, but it is proving to be the right one for Rome.

Italy will have to work hard to enter the next century as a fully modern state. Yet most economic analysts feel that the country is doing just that. The banking system, for example, has recently been restructured to be more efficient and to adjust to the globalization of the financial marketplace. If Italy can now streamline its huge and often inefficient public sector, it will have come a long way toward making Italy the kind of modern and efficient country it aspires to be—in which trains arrive on time and telephone calls get through on the first try. €



Despite economic problems, Italians enjoy one of Western Europe's highest standards of living—including five weeks of vacation each year.

strate that Italy really is undergoing a social and political revolution, or at least renewal.

In addition to finding themselves with yet another government this year, a referendum on reform of the electoral system proved beyond a doubt that Italians are fed up and ready and willing to change. The referendum was looked upon disdainfully by the politicians but achieved a resounding approval rating by the voters: Over 90 percent showed that they had had enough of the old way of voting. From now on, it will be possible to vote for only one candidate rather than

an outsider of the political "system," but Mario Segni (see *Profiles* section), a parliamentary member of the Christian Democratic Party, which holds the relative majority in the Italian government.

The winds of change can also be felt outside the political arena. Italy's business community is particularly taking note: Entrepreneurs are beginning to understand that, if they want to be competitive internationally, they have to change the way they operate. Until now, the Italian business method had been to sell high-quality, "Made in Italy" merchandise without creating an adequate mar-

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PROFILE

In Italy, Alba Parietti, known not only for her beautiful legs but also for her sharp mind, is most likely the show business successor of divas like Sophia Loren or Gina Lollobrigida.

Parietti, 30, is not what one would call a traditional Italian sex symbol. She is not a movie star, but made her mark in an area dominated by men—broadcasting soccer games. A feat all the more spectacular since soccer is viewed as the ultimate temple of the Italian male.

Not only had there never been a woman television host who spoke about soccer, but Italians were not prepared for a beautiful woman who spoke with such knowledge and expertise. Parietti knows her stuff. During each match her commentary belies an insight into the game indicative of someone who cares about soccer. Even the toughest critics have given her good marks for her knowledge and commentary.

Many would argue that she has changed soccer in Italy forever.

—Niccolò d'Aquino

After Fiat CEO Gianni Agnelli, SILVIO BERLUSCONI is Italy's "other" super-rich man. But along with his immense wealth, Berlusconi has yet to gain the popularity and political weight that Agnelli now enjoys. Many Italians view Berlusconi as "new money," lacking the cachet of Agnelli's "old money" fortune and its connections to aristocratic families. Nevertheless, "Fortune" magazine ranked him as one of the world's richest men, estimating his personal wealth at \$3 billion.

Once a singer on a cruise ship, Berlusconi became a successful contractor in Milan. In a relatively short time, he established three private television stations, which have become so successful that they are forcing the state-owned monopoly, RAI, to loosen its control of the industry. Indeed, his three stations, Canale 5, Rete 4, and Italia 1, often surpass the ratings of the three RAI channels.

Berlusconi's interests only begin with television. His empire is a major communications conglomerate, including production and distribution companies and the Mondadori publishing house (which he won in an intense battle with Carlo De Benedetti, another Italian industry giant).

At times, Berlusconi's success has made the government nervous. Worried about the consequences of competition from private telecommunications companies, the government passed a law stipulating that any operator who owns a maximum of three television channels must give up any other media ownership. Berlusconi thwarted this attempt to curb his growing power by selling his daily newspaper, "Giornale Nuovo," (a conservative Milanese daily) to his brother.

All has not been acrimonious. Recently, the Italian government awarded him the title of Chevalier of Industry for his business acumen—and for his efforts to shake the state television network out of its torpor.

Perhaps, after a few more such commendations, Italians might sit up and take notice of the other super-rich man and forget about the age of his money.

—Niccolò d'Aquino



ILLUSTRATION BY BILL ALLEN

SILVIO BERLUSCONI

Shirley Temple Black



U.S. Ambassador to the Czech and Slovak Federal Republic discusses that country's march toward a free-market economy

US. Ambassador to the Czech and Slovak Federal Republic, Shirley Temple Black, spoke with Europe's Editor-in-Chief, Robert J. Guttman, in Prague this summer about the vast changes taking place in the country since the revolution; U.S.-Czech relations; E.C.-Czech relations; and Western investment in the Czech and Slovak Federal Republic.

Ambassador Black previously served as U.S. Ambassador to Ghana and as Chief of Protocol of the United States. She has also been active on many boards of directors and has served as a delegate for the United States to the United Nations. A former actress, she has starred in more than 40 motion pictures and 50 television shows.

Looking back on the changes that took place in 1989, what was it about that year that made the revolution happen?

Having been in Czechoslovakia when the Warsaw Pact countries invaded in 1968, I would say that change was something that was very much wanted [even] then. [Then Prime Minister] Alexander Dubcek wanted communism with a human face and was making strides to improve the quality of life.

Nineteen eighty-nine was amazing to me because the people wanted change, but they had never really gotten together to achieve it. That feeling was building up when I got here 23 months ago. You could feel that there was going to be change.

I met with dissidents—Czechs and Slovaks—six days after I got here and they talked about the need for change. No one knew when it was going to happen, but everyone was talking about it, thinking about it, and hoping that it would happen.

At the large November 17 demonstra-

tion, there were so many beatings of journalists, including foreign journalists, and people of all ages that, I think, that was the point at which the people said: "We're not going to take this any more" and finally got together and acted. This was something they had seen happen in some of the region's other countries.

It was a combination of all these events. It happened very quickly and very dramatically, and not too much blood was spilled.

The so-called "Velvet Revolution" was led by people with little political background. In a practical sense, do you think these people are able to run a government efficiently?

Absolutely. Many of us can learn a lot from this government and from the people leading it. Václav Havel is a superb leader. For the people of this country, he's the moral leader as well as someone who has put much energy and thought into the job. He's a reluctant leader, but he feels he must do this job.

I like the fact that the people leading the government come from various parts of the business, arts, and music worlds. They're serious and thoughtful, and are not one-issue people.

The Revolution brought about a change of government. That may have been the easy part. Now the government has to make it all work. How is it working, and how are the average people adjusting to the change in their lives?

It's very hard on people 40 years of age and younger who have known nothing but communism. One of the shocks and worries for that age group is that, in their estimation, they [didn't] have to work very hard [before the revolution]. The joke is that the government pretended to pay them and they pretended to work. Under the communist system, you couldn't be fired, and there was no unem-

ployment.

Now they're going to have to work. It's becoming competitive: People can be laid off or fired from jobs. People will have to work hard and compete with the rest of the world, particularly in trade. This is on their minds. They realize that they have to tighten their belts to transform a command economy into a market economy.

What is the role of the United States? Is the United States giving enough assistance?

Aid has just started up. We first needed to find out what the country wanted and needed. When I first got here, they didn't want any aid. They said they didn't want to borrow and get into debt, didn't want inflation, or unemployment.

Now they want aid and the United States, as well as the rest of the West, is doing a great deal in this area. The United States will be giving \$60 million to the Czechoslovak-American Enterprise Fund. Part of that money will be spent by September this year, in the areas of management training, finance, banking, privatization, and restructuring—mostly in the financial area. Then there'll be a \$15-million sector grant for the environment.

Do you blame the environmental situation totally on communist mismanagement?

In this area, it's also a regional problem. The communists used the cheapest fuels, pesticides, and insecticides, and didn't worry about what they were doing to the land water table, to the air quality, or to the people. For example, in winter, the air in Prague is supposed to be the equivalent of smoking two packs of cigarettes a day.

Did communism do this country any good?

I don't think anything that oppresses a people like communism did is worthwhile. When I arrived in Czechoslovakia two years ago, I found the people very oppressed-looking: They looked at the ground when they walked, avoiding anybody's eyes, particularly foreigners'. They really ignored my husband and me. On walks or on the metro, we would say "hello" to people. They would first be startled because they didn't talk to each other, let alone to a stranger, and then they looked away without looking up. It was a feeling of "don't get involved."

The one statistic that startles me is that, in the last 370 years, this country has only had 23 years of freedom. That shows me that, first, these people are very patient and, second, very resilient.

Is there any chance that the freedom could be

taken away? Do you think communism or a dictatorship could come back?

I don't think the country will go backward. It'll continue to go forward now.

When Havel came to the United States, his main message seemed to be that Czechoslovakia needs new investment. Are U.S. firms investing in the country?

Investment by U.S. West and Bell Atlantic is an \$80-million telecommunications project. That was the first major deal last year. Ralston Purina is here to make the EverReady battery, and other deals are coming along. Procter & Gamble has bought a detergent factory as a start, and General Electric is here too, producing airplane engines for small training jets. I'm very aggressively lobbying for U.S. business to invest here and feel that a main impetus to peace is through economic trade and investment.

What are you doing to encourage firms to invest?

We don't have to encourage them particularly. My foreign commercial service officers from the Department of Commerce talk to an average of 100 businesspeople a week—either on the phone, in person, by fax, or by letters. A lot of these people are tire kickers and on fishing expeditions, but some are actually going to be doing work here.

When I first arrived, for example, there were three or four U.S. companies in Prague. Now there are over 100.

What's difficult for U.S. businesses at the moment is that not all of the documents are in place to really make it a good place for them to invest in. We have to get the Bilateral Investment Treaty signed, which I hope will be fairly soon, because it will give more comfort to American business. The Overseas Private Investment Corporation is also here and another delegation from that group is coming in October.

So things are coming along, but it's difficult. Three things make it difficult: It's hard to find out who owns anything, whether it's a house, an office building, or an office; it's hard to find out the value of an item; and third, it's hard to find out who makes the final decision. If you get through those three things, it's a piece of cake.

So you think that, eventually, this country will be a profitable place?

Absolutely. I think, on a reciprocal basis, it's a very good place for people to invest in and do business, particularly joint ven-

tures.

What is Czechoslovakia's experience of democracy?

Czechoslovakia is the only country in the [Central European] region that actually ever had a democracy—between 1918 and 1938. At that time, the country had the 10th highest GNP in Europe and was called the "Switzerland of Central Europe." So Czechoslovakia has had a democracy and a Constitution, which Woodrow Wilson helped Tomas Masaryk draft and write.

Do you think Czechoslovakia will use the United States as an economic model, or that it will go for a more socialist type of economy?

Minister of Finance Václav Klaus' hero is [U.S. economist] Milton Friedman, whose economic policies he likes. Czechoslovakia will probably have a combination of styles in its final economic analysis.

Do you see Czechoslovakia entering the E.C.?

It would like to enter as soon as possible. E.C. membership is high on its list of priorities.

How are relations between Czechs and Slovaks? Is there a possibility of this becoming a Yugoslavia?

I don't think so. If one can believe polls, 70 percent to 80 percent of the Slovaks want to remain a part of Czechoslovakia, of the Czech and Slovak Federal Republic.

How does Soviet President Mikhail Gorbachev rate in this country?

I think they like him. Communists [however] are not very popular. From the Alkron Hotel, where I was staying, I saw the first Soviet troops come in here in 1968, and I was here when the last Soviet general left recently, a little before the deadline.

The people don't like you to speak Russian here. They all know Russian because they had to learn it at school, but it is no longer a required language. Now they want English teaching. Our second group of Peace Corps volunteers arrived last Friday. We're now up to 52 Peace Corps volunteers. They are trained English teachers and have been teaching Czechoslovak teachers to teach the students since last year. €

CAPITALS

Enter the Free Market

ATHENS—If one asked the average Athenian what change had most struck him in the last year, he would very likely reply: the rise in the price of meat. And if one pressed him further, he would probably add: the cost of public services (electricity, telephone, water).

For Greece, 1991 is more than just a year of recession and austerity to combat a persistent economic crisis. High inflation, a high balance-of-payments deficit, and still soaring budget deficits must all be brought under control before the country receives two more installments of a \$3-billion emergency E.C. loan. In addition, 1991 is a year of incipient deregulation, as the New Democracy Government's free-market policies take effect.

In fact, inflation has fallen from an annual 22.8 percent in December 1990 to 18 percent by mid-1991, and will improve on the target of 17.5 percent by the end of this year. But reduced E.C. subsidies, combined with local profiteering, have sent the prices of veal, for instance, shooting up from 1,000 drachmas (about \$5) per kilogram (2.2 pounds) to 1,600 drachmas and often even higher. With media support, Greece's fledgling consumers' association organized a popular boycott of veal in response.

At the same time, the general economic recession is now beginning to bite, although coming to Greece later than elsewhere. Retail turnover fell

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by 10.1 percent in the first four months of 1991, but the drop in April alone was 15.4 percent.

"Greece is poor, but the Greeks are rich," goes a Greek saying. Yet the quip rings increasingly hollow to wage and salary earners for whom survival usually depends on both husband and wife working. A school teacher with 18 years of experience, for example, earns just 150,000 drachmas a month (about \$750).

So how do high-spending Greeks manage to live in this impoverished environment? Or, if there is still money around, where does it come from?

Part of the answer, of course, is Brussels; net transfers from the E.C. now run at over \$3 billion per annum. But there are other answers.

Twenty years ago, workers and civil servants in Athens were subsidizing poor relations in the countryside. Today, it is the other way around: The villages are helping low-paid city dwellers to make

ends meet.

Another answer lies in the national sport of tax evasion, which has spawned a vast "black economy" that takes care of hundreds of thousands of Greeks. Despite a declaration of war on tax evasion, the government has not yet curbed it significantly. Finally, a phenomenal rise in land values has virtually created a new middle class in Greece.

While it will take years, if not decades, to turn the structure of the Greek economy around, an encouraging sign is that, today, more E.C. money is going to productive investment than to financing consumption. This will help pay for important public works just getting under way in Athens. So some lasting changes to remember about 1991 should include the take-off of the extended underground metro system and the beginnings of a new international airport for the capital.

—PETER THOMPSON

Secrecy Under Scrutiny

LUXEMBOURG—The international scandal over the Bank of Credit and Commerce International (BCCI) may lead to profound changes in the banking climate of Luxembourg, a country best known for the banking secrecy laws that have made it a tax-free investment haven within the Community, and made it attractive for the scores of foreign bank subsidiaries that have consequently established there.

BCCI, however, which was closed by banking regulators in several countries on July 5, was actually headquartered in Luxembourg, even though its center of operations was in London. The ensuing banking scandal led Sir Leon Brittan, the E.C.'s Commissioner for financial services, to say that it may be time to change current banking structures, noting, in a news conference, that "it might be useful to hold international discussions on whether certain types of corporate structures for banks are safe or in any way need to be revised."

The director of Luxembourg's Monetary Institute, Pierre Jaans, agreed that the country's laws might be changed to prevent banks from setting up headquarters in Luxembourg if their operations are really based elsewhere. BCCI, in fact, conducted less than one percent of its business in Luxembourg.

BCCI was able to operate in this way thanks to Luxem-

bourg's banking secrecy laws, for which the country has been criticized in the international media. These, however, will be changed by the E.C.'s Money Laundering Directive, which was approved by member states last June and takes effect on January 1, 1993. The measure requires banks to train their staffs to look out for suspicious transactions, and calls for banking secrecy laws to be relaxed in order to allow a thorough probe of suspect activity.

—CHARLES GOLDSMITH

A Young Generation

AMSTERDAM—As the Netherlands moves into a new century, the country's social and demographic patterns are changing fairly dramatically, according to a recent study.

The basic trend is for households to get much smaller than ever before. In Amsterdam, more than half of the households already consist of people living alone, and the Netherlands Interdisciplinary Demographic Institute, which carried out the study, predicts that, by the year 2050, more than 50 percent of all Dutch homes will be one-person households. This, the Institute predicts, will bring total household figures down from an average 3.5 persons per household in 1960 and 2.43 in 1989 to 2.37 persons by 2000.

But what are the reasons for this development, especially in a country where family ties are still very strong?

"Aging" of the population is one cause, but increased childlessness also plays a role. To that must be added single-parent families, and the growing number of young people who live alone before settling down to married life.

The study further reveals interesting changes in the Netherlands' general demographic development. It found that

population growth reached its lowest post-war levels in 1982. Since then, however, there has been steady growth. This year, the Dutch population is expected to grow by 125,000 people (compared to only 50,000 in 1982), and to reach over 15 million people next year.

Demographic development from the mid-1980s onward has been much like the 1950s



During the 1990s, the Netherlands will experience a population boom last seen in the post-war period. It will make the Netherlands a "young" country as it approaches the year 2000.

and 1960s: more marriages, fewer divorces, and a rising number of births. The Institute has termed it a "restoration" after the turbulent 1970s.

These figures are partly deceiving, however. While general demographic trends have changed, social trends still show a 1970s heritage throughout the 1980s: The number of single women continued to rise, as did the numbers of unmarried couples, illegitimate children, and working mothers. As a result Dutch social services paid rent subsidies and a living allowance to a

large number of people in those groups contributing to the increasing phenomenon of a greater number of smaller, and one-person, households.

The fact that the Netherlands is currently experiencing another "baby boom" of sorts is part of a regular demographic pattern. Just as in the United States, the first Dutch "boom" occurred immediately after World War II; the second

is taking place now. Another important explanation for the increase in the number of births is that the second generation of foreign workers—mainly Turks and Moroccans—has reached child-bearing age.

It promises to make the Netherlands a young country in the next millennium.

—NEL SLIS

Up in the Air

BRUSSELS—Sabena, the long-

troubled Belgian national airline, was recently given the green light from the European Community to pursue a link-up with a larger European carrier in an effort to inject new life into the airline and save it from bankruptcy.

Like most airlines, Sabena was hard hit by the Gulf War, which combined a decline in passengers with literally sky-high fuel prices. When the Belgian Government found itself pumping more and more into the airline to keep it on its feet, it decided that drastic restructuring and modernization of the airline's operations were desperately needed for the airline to remain viable.

The appointment of Pierre Godfroid as Sabena's new chairman is part of that process. In addition to suggesting layoffs and government funding, Godfroid also recommended that Sabena ally with another, larger carrier to act as a shareholder in the Belgian airline.

The list of candidates has been impressive. With Air France running in the background as a long shot, Sabena pursued serious negotiations with British Airways, KLM Royal Dutch Airlines, and American Airlines. The U.S. airline soon dropped out of the bidding, and the E.C. Commission objected to a joint venture late last year with both British Airways and KLM, arguing that such a link-up would severely curtail competition.

This summer, however, the E.C. Commission granted the Belgian Government approval to inject up to \$1 billion into the airline and to pursue a link-up with another European carrier. As a result, British Airways has resurfaced as a strong candidate. The British carrier has confirmed that it is seeking a large stake in Sabena, perhaps up to 25 percent. British Airways, which has long sought a Continental hub for its operations, clearly hopes that the Brussels airport

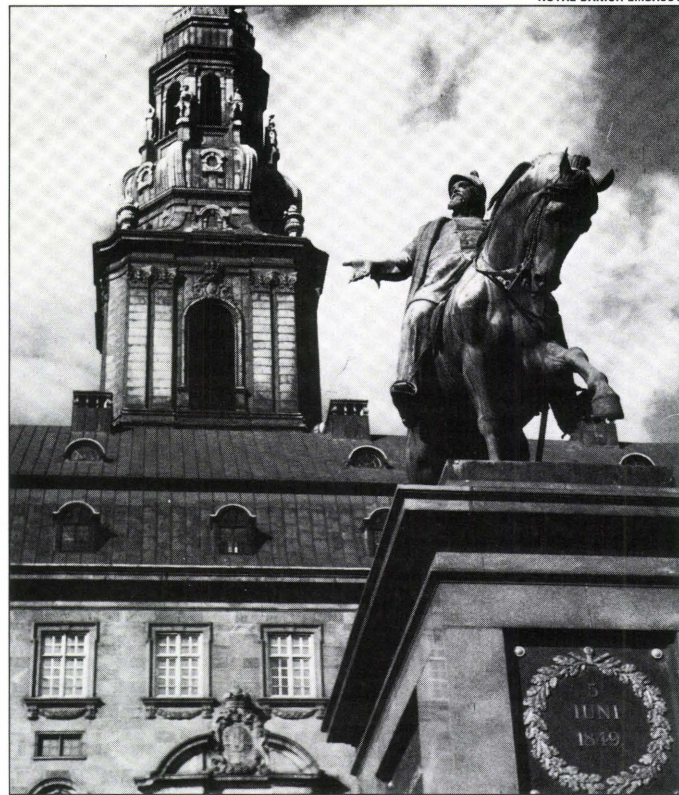
will provide a springboard for enhanced service to other areas in Europe.

Brussels' Zaventem airport would also profit from such an arrangement: Increased air traffic would necessitate modernization of its facilities and could eventually help it become a major pan-European hub.

—CHARLES GOLDSMITH

Focusing on the Baltic

COPENHAGEN—The Danes have always treasured their national identity. In the E.C., for example, they have seldom been in the forefront of those favoring a more closely integrated Community. But over the past year, the Danish sense of national identity has been supplemented by something new: belonging to a long-dormant Baltic region. It is too early to claim that the



Denmark, the first E.C. member to recognize the independence of the Baltic republics last month, has worked toward better political and economic relations with that region for some time. Above: Copenhagen.

Danes are adopting a new regional identity, but there is no doubt that there is a dramatic change in how most Danes see the world politically, culturally, and economically.

Economics first. Danish trade with Poland in the first six months of 1991 was larger than Danish trade with E.C. member Spain, and twice as large as trade with Portugal. A year ago, there was very little business with Poland, or, indeed, with any other Eastern European country. Now, air and sea communications have had to be expanded to cope with the accompanying surge in business travel.

Politically and culturally, the three Baltic states of Lithuania, Latvia, and Estonia, unwilling member states of the Soviet Union, present Denmark with a challenge. Danish Foreign Minister Uffe Ellemann-Jensen is a prime champion of the Baltic cause,

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and a Danish Cultural Institute in the Latvian capital of Riga is a visible symbol of the revival of links at the people-to-people level.

But, it must be stressed, Danish affinity with the Baltic does have its limits. Danes still fly to Spain and Portugal to enjoy their holidays in the sun, a commodity that is sadly lacking along the hundreds of miles of otherwise excellent beaches on the Baltic coastline.

And if you ask Danes whether they feel closer affinity for Portuguese and Spaniards or for Poles and Balts, there may not yet be a total reversal of preferences in favor of the latter, but Denmark's fellow E.C. citizens no longer have a head start.

So what is in the offing for the future? A year or two ago, the Baltic neighbors were very much outside Denmark's scope. Now, although interest and ties are greater on both sides, it is still difficult to gauge the long-term impact of this new relationship on the cohesion of the European Community. But it is a good guess that Swedish E.C. membership and the strong Danish interest in the Baltic region will speed up Polish membership and eventually tilt the balance of power within the E.C. toward its northern half.

Not long ago, Denmark was geographically a marginal E.C. member. It was like an E.C. outpost in a forgotten sea—the Baltic—with one major industrial power, Sweden, trying to forge stronger links with the industrial powerhouse of the center of the E.C. by using—or even bypassing—Denmark.

Now Danes feel differently. They see the Baltic as a sea of opportunity, and Copenhagen no longer on the fringe, but rather at the crossroads, of an area undergoing the deepest changes since World War II.

—LEIF BECK FALLESEN

Fighting Over Peace

DUBLIN—No one is sure if the tripartite talks on the political future of Northern Ireland have been “sabotaged,” as the Unionist parties claim, or “concluded for the time being,” which is Dublin's more hopeful view. No one seems sure, either, who is to blame, but all agreed that much praise should be given to the Northern Ireland Secretary of State, Peter Brooke. Against all odds, Brooke succeeded in getting the main political parties around a negotiating table for the first time in 18 years to talk about a peaceful future for the troubled area.

Unfortunately, arguments about the site for the second round of the talks, which involved the Irish Government, and about the chairman went on so long that time ran out and Brooke told the House of Commons on July 3 that the talks had “been brought to an end.” That time should have run out so quickly shows how extraordinarily difficult it had

been for Brooke to get the talks started in the first place.

Although the peace talks in Ireland failed, all sides to the negotiations agreed that Peter Brooke (below), Britain's Secretary for Northern Ireland, had laid the “foundations for future progress.”



been for Brooke to get the talks started in the first place.

The 1985 Anglo-Irish Agreement, which gave Dublin an important consultative role in northern affairs for the first time in over 60 years, was so resented by the two Protestant Unionist parties in Northern Ireland—led by James Molyneux and Reverend Ian Paisley—and their supporters that they refused all cooperation with the British Government and campaigned for the Agreement's “destruction.” The largely Catholic Northern Irish Social Democratic Labor Party (SDLP) led by John Hume strongly supported the Agreement, which, it hoped, would marginalize the Provisional IRA by weakening its support in the poorer nationalist areas.

Thanks to generous backing from the U.S. Government and Congress, and also from the E.C. and Canada, a Fund linked to the Agreement was established to provide financing for economic development in the more deprived areas where the paramilitaries from

both sides have exploited popular discontent. But because of Unionist hostility to the Agreement, its measures for more self-government have remained a dead letter.

When Brooke decided in January 1990 to try and revive the plan for “devolution” of powers involving Unionists and nationalist politicians but excluding Sinn Fein, the political arm of the IRA, until it renounced violence, he was given little hope of success. But he eventually persuaded the Unionists to accept a period of 10 weeks (popularly known as “the gap”) during which a new agreement altogether could be worked out.

The Unionists also reluctantly accepted that the Irish Government, as a signatory to the existing Agreement, would be involved in the second round of the talks. The SDLP and Dublin both gave pledges that they would be willing to end the 1985 Agreement if it could be replaced by something more acceptable to the two communities in the north and the two governments.

Hence the stage was set for 10 weeks of hectic negotiations between April 26 and July 16. But, incredibly, almost two months were taken up with wrangling over the venue and the chairman for the second round of negotiations. In Belfast, meanwhile, the Unionist and SDLP leaders refused to get around the table until these details were agreed. By the time Brooke made the Unionists accept an ultimatum over the venue and had found an independent chairman—Sir Minian Stephen, a distinguished Australian diplomat and jurist—only four of 10 weeks remained.

The Irish Prime Minister, Charles Haughey, who was originally critical of the 1985 Agreement, said the Government was “sincerely determined” that the talks should resume in the fall. Brooke, although disappointed, said that

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"foundations have been laid for progress in the future that neither cynics nor the men of violence will be able to undermine." So while all hope is not lost, picking up the pieces will not be easy.

—JOE CARROLL

Monumental Price Tags

PARIS—French President François Mitterrand is a man who thinks big. The building projects he has chosen as permanent milestones to mark his presidential career attest to that: They are colossal and invariably controversial.

The Louvre Pyramid, the Bastille Opéra, and the Grande Arche de la Défense were all commissioned during Mitterrand's presidency. The Arche, which consists of two 35-story office towers joined at the top by a flat section that seemingly defies all laws of gravity, was conceived as a modern counterpart to the Arc de Triomphe, and is Mitterrand's most ambitious monument to date. Not only is the cubic space in its center large enough to engulf Notre Dame Cathedral, the Arche also swallowed more than twice the original \$22 million estimate and its inflated cost has drawn some sharp criticism. The *Cour des Comptes* (or Court of Accounts), an independent French watchdog body, recently brought out a report that describes the Arche as a towering example of mismanagement.

Besides pointing the finger at the building's exaggerated price tag, the report criticizes the cramped size and darkness of some of the offices, and the howling winds that are funneled through the center of the structure. But the report *does* end on a positive note, acknowledging the Arche to be an exceptionally striking and important architectural work, "faithful to the initial sketches,



FRENCH EMBASSY

Paris' "Grande Arche de la Défense" is one of the big modern buildings commissioned during French President François Mitterrand's presidency.

and constructed with often daring techniques."

The same combination of roses and brickbats is currently being aimed at Mitterrand's latest project—*La Grande Bibliothèque*—France's new National Library. Grander still than the Arche, the *Grande Bibliothèque* is scheduled to open its doors in 1995 as the largest library in the world.

The library's young French architect, Dominique Perrault, at first enchanted most people in France with the clean elegance of his design: four 96-meter-high glass towers bordering a rectangular sunken garden. A year ago, however, Harvard historian Patrice Higonnet hurled the first verbal stones at the glittering glass edifice, followed by an even fiercer volley this spring from the American architect and library specialist Philip Leighton.

Both experts attack the principle of the four towers. These, they say, will spell certain

doom for the hundreds of thousands of valuable books and documents inside, which will be mercilessly exposed to both heat and light. Perrault claims he has solved both problems by providing 20,000 metallic, wood-veneered blinds for the library's windows and a triple refrigeration system intended to keep the books at an even temperature of 18 degrees Centigrade, no matter what.

Leighton also points out that a tower is far from the optimum shape for a library. A cube would make more sense, he argues, because it would reduce the distances between readers and books to a minimum. Perrault's answer: A computerized conveyance system should unite readers with their requested books in about 10 minutes, barring an electrical breakdown, in which case librarians would have to gallop up and down the 80 flights of stairs to hand-deliver the requested tomes!

The final target for criticism

is, of course, the monumental cost of the project. The latest figures range from an optimistic \$1.2 billion to a probably more realistic \$1.7 billion.

And whereas the *Grande Arche* was in great part paid for by private investors, the *Grande Bibliothèque* will have to be wholly financed by the state (read "the taxpayer"). All of this is making an increasing number of people wonder: If the *Arche* can be classified as a "towering example of mismanagement," what words can be found to describe the *Bibliothèque*?

—ESTER LAUSHWAY

The Accents Must Stay

LISBON—This summer, Brazil's junior world soccer team traveled to Portugal with an interpreter—to translate, of all things, from Brazilian to Portuguese!

This bizarre development, comparable to a U.S. sports team using an interpreter at an event in the United Kingdom, sparked much public amusement, particularly as it was quickly established that the Brazilian 20-year-olds in question had no difficulty communicating with the Portuguese—without translation.

On the more serious side, however, the affair is symptomatic of an issue causing deep concern—the hotly contested Brazilian-sponsored orthographic revision that is supposed to harmonize the way in which Portuguese, the world's fifth most spoken language, is written.

On the positive front, the reform sweeps aside or modifies many of the pronunciation frills that pepper Portuguese—accents, circumflexes, tildes, cedillas, silent consonants, hyphenates, and other specifics—and that give any foreign student of this Latin-derived language intense learning headaches. The problem with the accord, how-

ever, signed by seven Portuguese-speaking nations and ratified by the Portuguese Parliament, is that it harmonizes the language to the *Brazilian* adaptation of the rules.

Portuguese writers, intellectuals, teachers, and publishers are up in arms over what they claim was a hastily cobbled and ill-thought-out change. Moreover, they claim that it was made to accommodate Brazil's biggest publisher of dictionaries, António Houaiss, who is, coincidentally, also author and chief protagonist of the accord. Now that Portuguese is set to be written as Brazilian, he hopes to market his 300,000-word orthographically purified dictionary worldwide.

Geraldo Salles Lane, leader of the 15,000-strong Portuguese-based movement against the revision said that, although Parliament had ratified it, the bill had still to be signed by Portuguese President Mário Soares. "Even if he promulgates it, we will take the matter to the highest courts of the land in an attempt to have it overturned," he said.

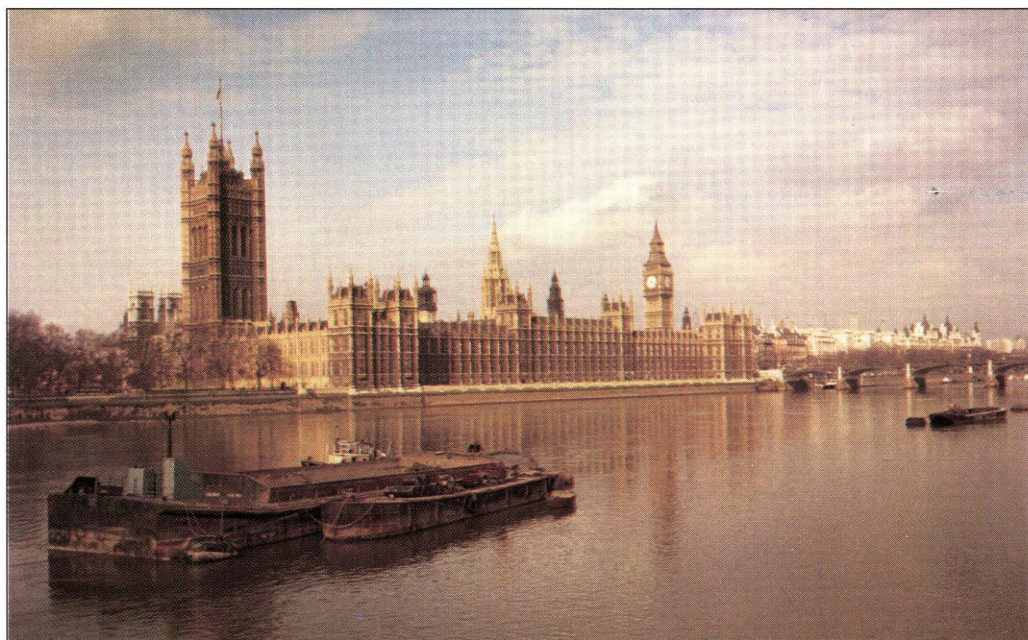
Others have already taken the law into their own hands and launched a bumper sticker and press campaign denouncing the revision. In full-page advertisements, a handful of local journalists and writers have called for civil disobedience saying *they* had no intention of changing the way they write the language of Camoens (Portugal's Shakespearean epic poet).

As one opponent noted: "How would the British react if the Americans demanded the English-speaking world to write and spell like they do, not to mention what the French would say if the Quebecois made similar calls!"

—KEN POTTINGER

Power to the People

LONDON—Change is definitely in the air in Britain. Last



The plans for a "Citizens' Charter" recently unveiled by British Prime Minister John Major would make the government bureaucracy more directly accountable to the people. Above: The Houses of Parliament

year, there was a change of leader, and next year, the country could see a possible change of government. To try to prevent the latter from happening at the general election (due within the next 12 months), Prime Minister John Major recently unveiled a plan for a Citizen's Charter to protect the consumer.

The Citizen's Charter, which might have been better named a Bill of Consumer Rights, is aimed at changing the way in which state institutions and recently privatized public utilities relate to the people. Its goal is to give the users of the monopolistic state and quasi-state services more rights and more powers to fight back against the bureaucratic rigidities of the public bodies and institutionalized services.

The plan is to introduce a series of laws and regulations for these bodies with set performance targets and penalties for failure. The Charter also aims to end the tradition of the anonymous, faceless bureaucrat. Their names will be publicized and they will become answerable to the public for their shortcomings.

Major's proposal for a Citizen's Charter is a continuation

of the political/ideological line introduced by his predecessor Margaret Thatcher. Coming from a non-elitist background, she sought to strengthen the achievers of all classes against Britain's traditional ruling elite—the "Old-Boy Network." In effect, she pursued policies that benefited both.

As the date of the next general election draws near, Major's message is that, if re-elected, he will provide legal slings for the Davids of the electorate to use in their unequal struggles against the Goliaths of the state institutions.

The main targets of the reforms are the government services and the recently privatized (but still largely monopolistic) giant utilities corporations in electricity, gas, telecommunications, and public transportation.

The details have yet to be worked out. What has been presented so far is a charter of good intentions, which, one would think, everyone who has had to suffer the trials and tribulations of dealing with public bodies would welcome. But, of course, life is not that simple.

The opposition Labor Party has attacked the Charter as "adman's imagery," conjured up for electioneering pur-

poses. Labor and other critics note that it glosses over the real problems of insufficient funding for health, education and welfare, as well as for public transport bodies.

Even those not motivated by political enmity have severe doubts that a declaration of good intentions produced by a Prime Minister facing a tough election will really lead to change. The Labor Party has high hopes of effecting the biggest change in Britain in more than a dozen years by winning the next election, but many believe that the party is ill-advised if it thinks that belittling or ridiculing the Citizen's Charter will win it votes.

Britain is a land of well-served traditions and gradual, evolutionary change. It has kept the ceremonial trappings of its former great power status even as it has changed from being the center of a great empire to being a leading member of the European Community. Now it is one among equals and is adapting, however reluctantly, to the standards of its mainland cousins.

Although it may not have originally been thought of in those terms, Major's Citizen's Charter may be the next stage

in the evolution of Britain as a leading nation within Europe. Perhaps this proposal is one of the ways in which Britain can show Europe how to curb the autonomous power of the giant bureaucracies, both state and—in the case of Europe—supra-state, and make them more responsive to the needs and wishes of their citizens.

—DAVID LENNON

A Country on the Move

MADRID—Every year, special trains used to carry Spanish farm laborers from Spain to French wine country in time for the annual vintage. But this year, the state-run railway discontinued the decades-old service, because too few Spaniards were expected to make the arduous trip.

This is not to say that the day laborer has disappeared

from Spain. Today, however, the fruit or vegetable picker in France is more likely to be hunched under an ocean of plastic sheeting on a super-modern farm—and to be an illegal African immigrant rather than a native-born Spaniard.

Spain's dramatic transformation from a nation of emigrants to the European Community's southern gatekeeper is certainly important, and easy enough to point out. But so many dizzying changes have taken place that it is hard to make a comprehensive list and harder still to put the list in order.

When—and where—does one start? With the mass tourism that brought in hard cash and exposed Spaniards to foreign customs during the claustrophobic post-Civil War years of the Franco dictatorship? With the first Spanish industrial boom in the 1960s? With the death of Franco in 1975?

With the first free and democratic elections in 1979? With Spain's entry into the E.C.? Or with the subsequent steady economic growth of the late 1980s?

Once Western Europe's most isolated country, Spain now exercises a new influence as the world's eighth industrialized nation. Moreover, its special cultural ties to Latin America and proximity to North Africa have allowed it to carve out a niche in the E.C. and the United Nations.

But, for all the changes, some things always remain the same. Take the example of transportation. Barcelona and Seville have just opened new airport terminals, and others are under construction in Málaga and Jerez. Still, air travel is more aggravating than ever. And although the long-awaited four-lane highway from Madrid to Algeciras is nearly completed, Spanish

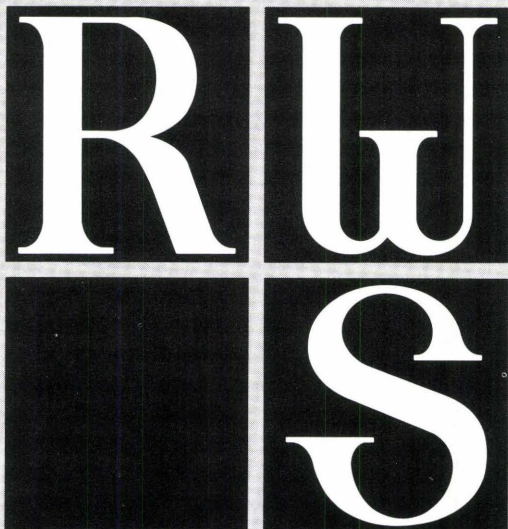
holiday-bound drivers continue to make the same crazy maneuvers they used to on the old two-lane roads.

Real estate prices in major cities have soared, due in part to speculators trying to launder huge sums of "black money." But this does not prevent a large percentage of young Spanish couples, or their parents, from buying homes in time for their wedding.

And at least one other aspect of the Spaniard's daily lifestyle promises to be around for some time: the siesta. Although the growing tendency for people to commute long distances makes the traditional siesta a logistical nightmare for many, work and store hours remain geared to the custom—and Spaniards seem reluctant to give up their midday snooze.

—RICHARD LORANT

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Breaking the ICE

BERLIN—A few years ago, George Vine, a veteran correspondent of the British *Daily Mail* newspaper, reported with glee: “The Germans are like us.” But the word did not get around.

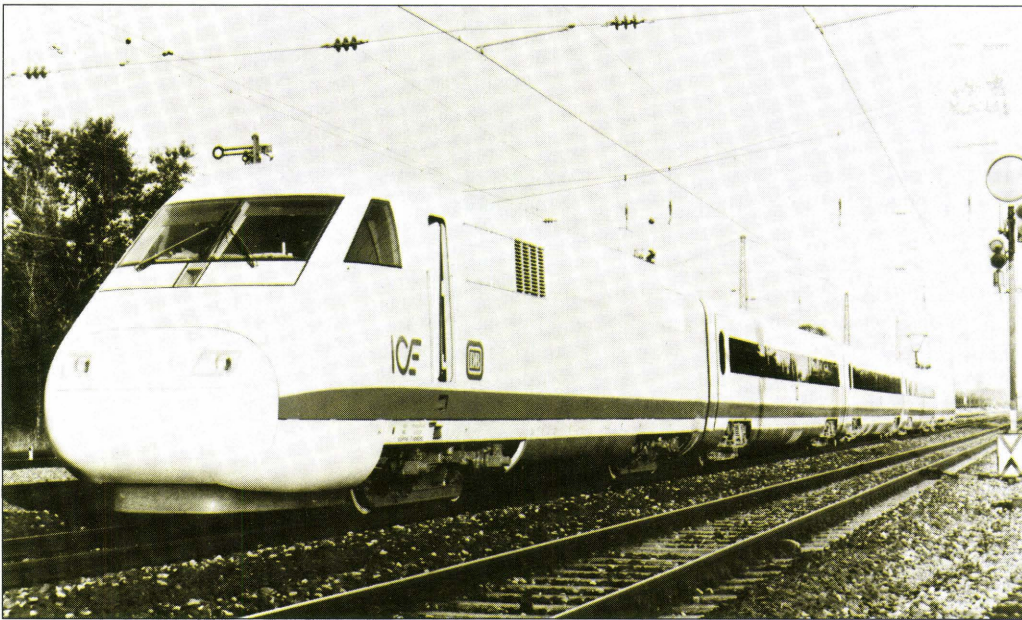
Vine was trying to imply that, despite the world’s impression of Germany as an efficient, disciplined, and industrious country, Germans are not perfect. For example, when

What the Queen’s visit years ago may not have achieved may now be accomplished by German’s railway system, the *Bundesbahn*. The much-touted super-fast ICE (Inter-City Express) train system it introduced last June may help to convince Germany’s neighbors and the world that the Germans are not necessarily the most punctual or efficient, and by no means the fastest. For a start, the era of high-speed trains comes to Germany 10

at 250 kilometers per hour (155 miles), have been plagued with a series of problems, ranging from jamming doors, breakdowns, and malfunctioning toilets to limited dining facilities, slow service, and even worse, late arrivals. A passenger using the ICE between Hamburg and Frankfurt saves more than one hour over normal train service; between Hamburg and Stuttgart he can save one hour and 50 minutes if the train runs on schedule.

man disaster: “Nothing spoils a German party faster than beer taps and toilets that don’t work,” it said. The French, too, were totally bewildered: “Wasn’t punctuality always a striking virtue of our German neighbor?” they asked. “Where is the German reliability?” Seemingly, the Germans have tried hard to convince their neighbors of their shortcomings, only the word has yet to get around. “Now we can say: The ICE has done [us] a great service,” concludes the *Frankfurter Allgemeine*.

—WANDA MENKE-GLÜCKERT



Germany’s new high speed Inter-City Express, or ICE, trains were inaugurated last May. While fast, they are still experiencing “teething problems.”

Queen Elizabeth II paid a state visit to then West Germany years ago, the luxurious Mercedes 600 hired for the occasion came to a sudden stop, after only a few miles on the *Autobahn*. A brand new Mercedes, unbelievable! The reason was simple: The car had run out of petrol. Then, to make matters worse, when Her Majesty asked for some fresh air, then Minister President of Baden-Württemberg, Kurt Kiesinger (he became German Chancellor a year later), who accompanied her, pushed a button, which did not open the window but abruptly moved Her Majesty’s seat forward... Kiesinger did not dare press another button to bring the seat back.

years after France launched its TGV (*train à grande vitesse*) and 25 years after the Japanese first pioneered the high-speed rail system.

The Bundesbahn spent more than \$10 million on a lavish advertising campaign for its 25 ICE high-speed trains, which initially cover the Hamburg-Frankfurt-Stuttgart-Munich stretch. The Bundesbahn hopes that “the renaissance of the railway,” as President Richard von Weizsäcker put it when inaugurating the new service, will lure passengers away from crowded roads and skies to the rails and thus turn around the fortunes of the perennially money-losing Bundesbahn.

The ICE trains, which travel

For 14 percent over the price of regular trains, passengers do find more comfort. All seats have headphones providing music and some even have video screens. Passengers can make and receive telephone calls or use computerized information terminals in each carriage. But they must not expect the train to be punctual as well. During the heat wave in July, ICE-792, maybe inappropriately named “Seawind,” simply refused to move, and the 600 passengers had to be moved to other trains.

Bundesbahn authorities speak of a “teething period,” which German passengers have accepted with more calm than foreigners. The *International Herald Tribune* spoke of a Ger-

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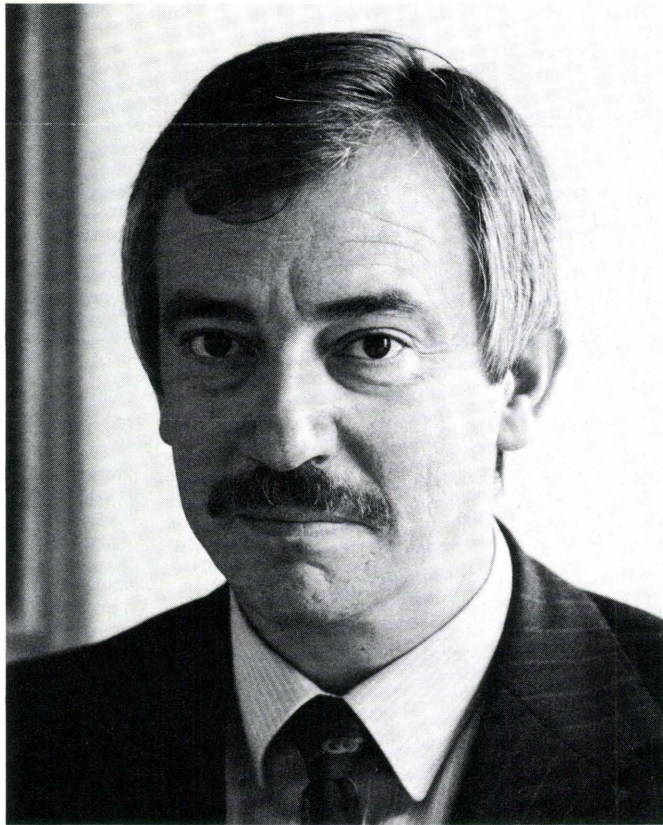
E.C. NEWS

FOREIGN AFFAIRS

E.C. RECOGNIZES BALTICS' INDEPENDENCE

As Boris Yeltsin was being hailed as an international hero and the world was relieved that Soviet President Mikhail Gorbachev had survived the coup attempt against him last August, the Baltic states were moving to reshape the map of Europe. Taking advantage of the disarray in the Kremlin after the failed coup, the Baltics declared their independence almost before Gorbachev had returned to Moscow from house arrest in the Crimea.

Since then, the European Community has officially recognized the sovereignty of the Baltic states—Estonia, Latvia, and Lithuania. Prodded by Denmark's immediate recognition of the three former Soviet states as independent nations, the E.C. Foreign Ministers met and released a statement saying that "it is now time, after more than 50 years, that these states resume their rightful place among the nations of Europe."



Danish Foreign Minister Uffe Ellemann-Jensen was instrumental in obtaining E.C. recognition of the Baltic states' independence.

Indeed, the Baltics' independence has been a long time coming. As part of the terms of a secret treaty between Hitler and Stalin in 1939, Germany allowed the annexation of the three tiny republics by the Soviet Union in exchange for Russia's promise not to enter the war against Germany. Most Western nations did not recognize the Soviet claim to the Baltics; however, they also did little to pursue their independence.

Although four other republics

have voted for secession (Byelorussia, Georgia, Moldova, and the Ukraine), the history surrounding the three Baltics makes theirs a special case and accounts for the speed of the E.C.'s recognition. "It is a restoration in which the law catches up with the facts," said French Foreign Minister Roland Dumas.

"Everyone is operating on the assumption that the three Baltic states are different from the other Soviet republics," commented British Foreign Minister Douglas Hurd.

He went on to say that no guidelines had been set for how the E.C. would decide its position on the other secessionist republics.

Now that official recognition of the independent Baltics has come, many questions remain, especially regarding economic assistance. A recent study by the E.C. Commission said that the Baltics would need between \$2 billion and \$3 billion per year in short-term economic aid. The Commission has tentatively planned a mission to the region for this month to further assess the individual states' economic situations.

Some people, such as Danish Foreign Minister Uffe Ellemann-Jensen, view the mission as a possible lead-in to negotiations with the Baltics on future trade accords (that is, a fast track to associate status). France, Spain, and the United Kingdom, however, argue that talk of such negotiations is premature and that the Baltics will have to get in line behind Eastern European countries already working to meet E.C. guidelines for associate status.

Politically, the E.C. was unanimous in its assertion that Lithuania, Estonia, and Latvia be given immediate membership in the United Nations, the CSCE, and the Council of Europe. However, the E.C.,

along with the United States, is making a concerted effort to avoid undermining Gorbachev's power. In its carefully worded statement recognizing Baltic independence, the Twelve called for "open and constructive negotiations between the Baltic States and the Soviet Union to settle outstanding issues between them."

By September 3, about 40 countries, including the United States, had established ties with the Baltic countries.

E.C. MEDIATES YUGOSLAV CRISIS

The European Community has taken on the role of primary mediator in the Yugoslav crisis. In late June, it dispatched its *troika* of E.C. Foreign Ministers to Belgrade in an attempt to avert civil war in Yugoslavia. Foreign Ministers Jacques Poos of Luxembourg, Gianni De Michelis of Italy, and Hans van den Broek of the Netherlands initially negotiated two cease-fires with Croatian and Slovenian leaders. Both republics agreed to halt their secessionist drives for three months while a compromise was sought with the federal government. Unfortunately, the peace was short-lived.

As the fighting began again in early July, the E.C. banned all arms exports to Yugoslavia and suspended almost \$1 billion in economic aid. The *troika* was again dispatched and was able to negotiate the Brioni Peace Agreement, which required Slovenia to relinquish full control over its international borders for three months and to agree to a cease-fire monitored by an unarmed European observer force.

On August 4, however,

peace efforts appeared fruitless when the Serbian republic refused to go along with a proposal for a Community-monitored cease-fire between Croatian militias and rebel Serbs inside Croatia. "We have to conclude that it is not really helpful to continue at this point in time with further discussions," said van den Broek after the aborted meeting.

In late August, after numerous violations of the latest cease-fire agreement and an attack on an observer force helicopter, the E.C. issued its strongest statement on the conflict, citing its "dismay at the increasing violence in Croatia." The declaration went on to state that the E.C. and its member states "are determined not to recognize changes of borders by force and will encourage others not to do so."

The situation worsened as the Serbian-controlled Federal Army sent tank formations to cut off major routes of transportation in Croatia. Heavy artillery and air strikes were reported as intense fighting erupted in the Croatian cities of Vukovar and Osijek.

Facing the possibility of a flood of Yugoslavian refugees, the E.C. is under increasing pressure to negotiate a peaceful end to the crisis. Germany and Italy have stated that they might recognize Croatian and Slovenian independence if the Yugoslav Army continued its apparent siding with Serbian guerrillas.

On September 2, Brussels outlined a plan for a cease-fire, combined with a peace conference arbitrated by five international mediators—three members appointed by the E.C. and two members chosen by the Federal Presidency in Yugoslavia. A day later, the E.C. appointed former NATO Secretary-General Lord Carrington to coordinate the upcoming peace conference.

E.C. REACTION TO SOVIET COUP

Following the events in the Soviet Union on August 19, the European Community issued a statement strongly condemning the removal of Soviet President Mikhail Gorbachev from office and the subsequent seizure of power by hard-liners.

Declaring the act "clearly unconstitutional" and "a flagrant violation of the Soviet Union's obligations under the Helsinki Final Act and the Paris Charter," the 12 member states proclaimed that, if the new regime remained in power, it would "bring to a halt the dramatic improvements in the international climate to which President Gorbachev has made such an important contribution and which we consider a prerequisite for fruitful cooperation."

At an emergency session in The Hague on August 20, E.C. officials backed their statements by suspending more than \$1 billion in aid to Moscow. The E.C., the biggest contributor of aid to the Soviet Union, had approved \$625 million in credit guarantees to finance food purchases and around \$520 million in technical assistance.

Following the coup's failure and Gorbachev's restoration to the Soviet presidency, the E.C. restored the suspended aid. In a written statement, it expressed "[its] deep admiration for all individuals who resisted the coup and acknowledge[d] the key role played in this respect by [Russian] President Yeltsin and other democratically elected leaders."

Individual European leaders stated their own feelings at the favorable turn of events. British Foreign Secretary Douglas Hurd said that the collapse of the coup "is obviously the beginning of a new chapter in the reform effort."

French President François Mitterrand felt the coup failure revealed "the power of the forces of democratization unleashed by Gorbachev."

A special E.C. summit on the Soviet Union will most likely take place in early October.

SOCIAL AFFAIRS

SPORTS IN THE SINGLE MARKET

As 1992 draws nearer, the European Community is busily harmonizing all sectors of the internal market—including sports.

On July 31, the E.C. Commission adopted a proposal creating a "European Sport Forum." Its purpose, as explained by Jean Dondelinger, E.C. Commissioner for Information and Communication, is to facilitate dialogue and exchange of information between the Commission and the sporting world. The forum will be a "facility where representatives of the Commission, sporting movements, and the member states could meet to discuss common problems."

Like their American counterparts, Europeans love sports. However, besides providing leisure and entertainment, sports are economically significant. For example, in 1989, over 85 percent of the programs on European television were sports-related. Globally, sport and related activities account for 2.5 percent of world trade.

Because of its significance, the Commission hopes that the forum will give a better understanding of the opportunities that the single market can offer. Additionally, it hopes it will help bring the rules governing sports into line with E.C. law as smoothly as possible.

BOOKS

in

REVIEW

CADOGAN GUIDES: ITALY. By Dana Facaros and Michael Pauls. *The Globe Pequot Press, Chester, CT, 1990.*

Whether you are planning a whirlwind dash through the best of Italy or an extended visit to a particular city or region, one or a combination of the *Cadogan Guides* could prove to be an invaluable resource. After three years of traveling through Italy, Michael Pauls and Dana Facaros have completed a series of wonderfully inclusive guides to Italy.

The books cover all the basic travel information (how to get around, where to stay, shop, eat), but also detail the history and culture unique to each city and region.

Additionally, each of the guides comes with a helpful mini-dictionary of Italian phrases and words. From the word for hazelnuts (*nocciole*) to directions on finding the most talented glass-blower, the *Cadogan Guides* have the last word on Italy.

Northwest Italy

Drenched in spectacular scenery and history, the authors find the northwest region of Piedmont, Lombardy, the Aosta Valley, and Liguria “the most dynamic and diverse in Italy.”

Piedmont and the Aosta valleys contain some of the world’s most stunning ski resorts, nestled on the slopes of such famous peaks as Mont Blanc, the Matterhorn, and Monte Rosa. Liguria, more commonly known as the Italian Riviera, is a refined strand of sensuous beaches. If you tire of ski slopes and tanning lotion, Lombardy and the Lake area boasts legendary mountain-lake resorts, myriad natural and artistic treasures, and the fashionable and frenetic city of Milan.

Northeast Italy

Described as one of the most addictive corners of Italy, this guide covers the Venetia, the Dolomites, Friuli-Venezia Giulia, and Emilia-Romagna as well as Venice. The secret to understanding this region, the writers confide, is to “travel leisurely, as free from timetables and reservations as you possibly can.”

The Northeast seems to be the land of everything, ranging from a rich topography with green vineyards to pristine white glaciers, ancient seaports at Venice and Trieste, the medieval university town of Bologna, and seemingly scores of picturesque resort villages. The Ferrari automobile originated here, as did composer Giuseppe Verdi and Lambrusco wine. The region also contains San Marino, the world’s smallest and oldest republic.

Venice

The companion city guide to Northeast Italy reveals the intriguing character of Venice. The authors finished the book “after ruining three pairs of shoes, [their] bank accounts, and [their] digestive tracts.” What emerges from their efforts is an engaging look at one of the world’s most fascinating cities.

The guide details Venetian history, culture, and cuisine (supporting what the authors say is “a great historical truth: Venetians can’t cook”) in a manner that is both informative and entertaining. Ten maps and six detailed walks lead you through the maze of canals and confusing streets, providing an insider’s look into multi-faceted Venice.

Tuscany, Umbria & The Marches

“The enduring charm of Tuscany and Umbria is in that dreamy glass of wine . . . in those bewitching Etruscan smiles that seem to have been smiled only yesterday.” While other regions in Italy may be more spectacular in scenery, Tuscany and Umbria’s landscapes, villas, gardens, and cheap wine possess a subtle charm.

The most famous city in the area, Florence, is the birthplace of the Renaissance and an art lover’s dream. In addition to comprehensive information about the countless museums, palaces, and churches, the authors go beyond Florence to often overlooked towns nearby including: Chianti, famous for its wines; Assisi, known for its saint; and Lucca, one of Italy’s most beautiful and relatively unknown treasures.

South Italy

Mezzogiorno (Noonday) is how Italians describe the South of their country. “It is a land of harshness and clarity—merciless sun and strong castles,” write Facaros and Pauls. While the North is famous for its artists, the South has given Italy most of its philosophers.

Although Rome is located in the center of Italy, it is largely designated as the beginning of the South. Facaros and Pauls begin there and travel down the “boot” to Calabria, introducing a region where life still has some rough edges—where people like hot peppers, wine, and local gatherings.

Rome

As one would expect, the Rome guide includes all of the essential sight-seeing information (when to see the Vatican, how to get to the Trevi Fountain, etc.), but Pauls and Facaros also include several walking tours perfect for travelers wanting to make the most of a limited stay.

However, when in Rome, protect your wallet. In a section titled “Crime,” the authors describe various ne’er-do-wells and their usual *modus operandi*. Under “Gigolos,” Facaros and Pauls advise that, if a woman finds herself unable to get rid of an over-amorous stranger, she should “never be shy about kicking (him) where it hurts, as many times as necessary and more.”

Italian Islands

Off the coast of Italy, 32 islands provide an escape from the mainland. A few offer convicts an escape for life since the government sees that they are their sole inhabitants. Most, however, are open and accessible to the public.

For centuries, the Italians (and other adventurers) have coveted these gems. Capri, which “can lay claim to being the most beautiful island in the Mediterranean,” and Sardinia, “altogether the least isolated Italian corner of all Italy” are just two of these unique islands explored by the authors.

Whether one is traveling to Italy for the first or the fiftieth time, the *Cadogan Guides* are worth their space in the suitcase. Pauls’ and Facaros’ facile commentary offers an intimate appreciation for the real Italy rather than a travel-agent inspired *dolce vita*. Their books consistently present new twists on well-trodden tourist hang-outs and bring to light little-known hideaways.

—Peter Gwin, Shannon Peterson



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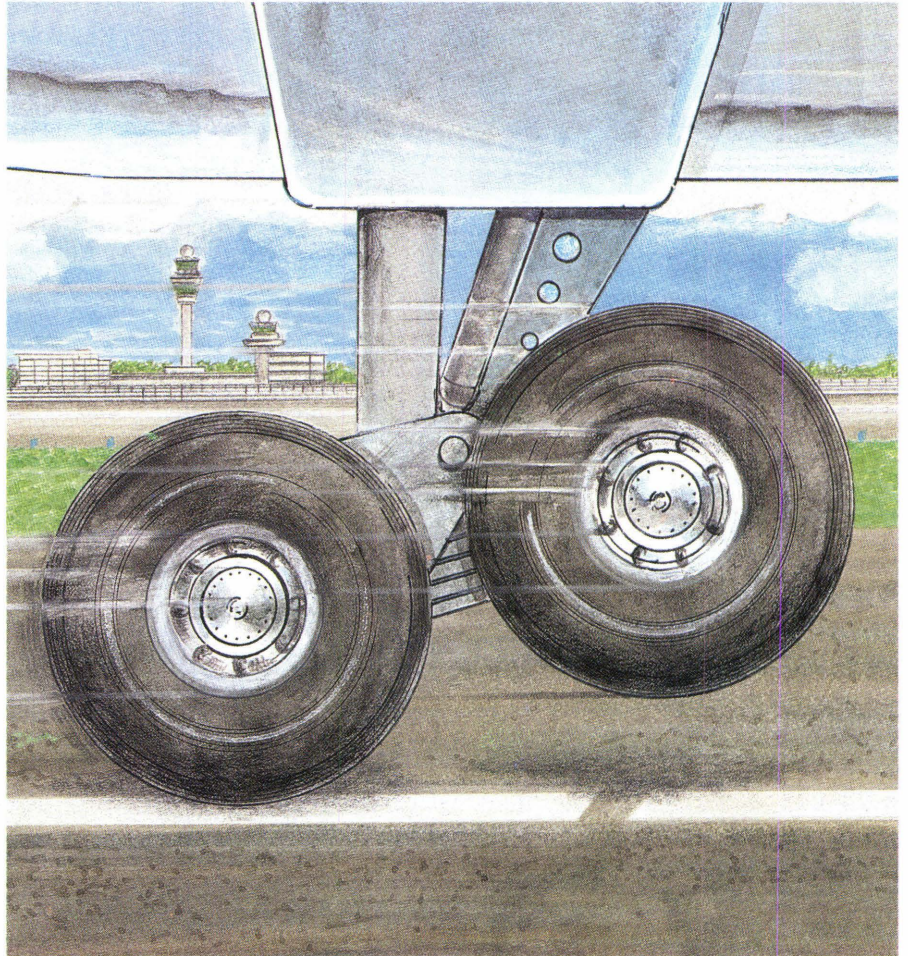
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in closing . . .

Communism: Gone with the Wind

Nikolai Lenin, born Vladimir Ilich Ulyanov, may some day be a footnote in the history books. For now, statues of the father of Soviet communism are being torn down and destroyed throughout the Soviet Union.

Since seizing power in 1917, the Soviet Communist Party has dominated almost every facet of the average person's economic, political, and social life. Founded by Lenin in 1903, the party was based on the ideas developed by German political philosophers Karl Marx and Friedrich Engels.

When Soviet President Mikhail Gorbachev resigned as the Communist Party's General Secretary on August 24, 1991, he sounded the death knell for the party that has ruled the country for the past 74 years.

Events in the Soviet Union after the unsuccessful coup prove that Lenin was wrong when he stated that "no amount of political freedom will satisfy the hungry masses."

While communism is being condemned to the ash heap across the Soviet Union and Eastern Europe, freedom is on the rise. Lenin died in Gorky in 1924 of a stroke. His ideology, which had been ill for a long time, died in Moscow in the summer of 1991.



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