

REBUILDING RUSSIA AND THE REPUBLICS

# EUROPE

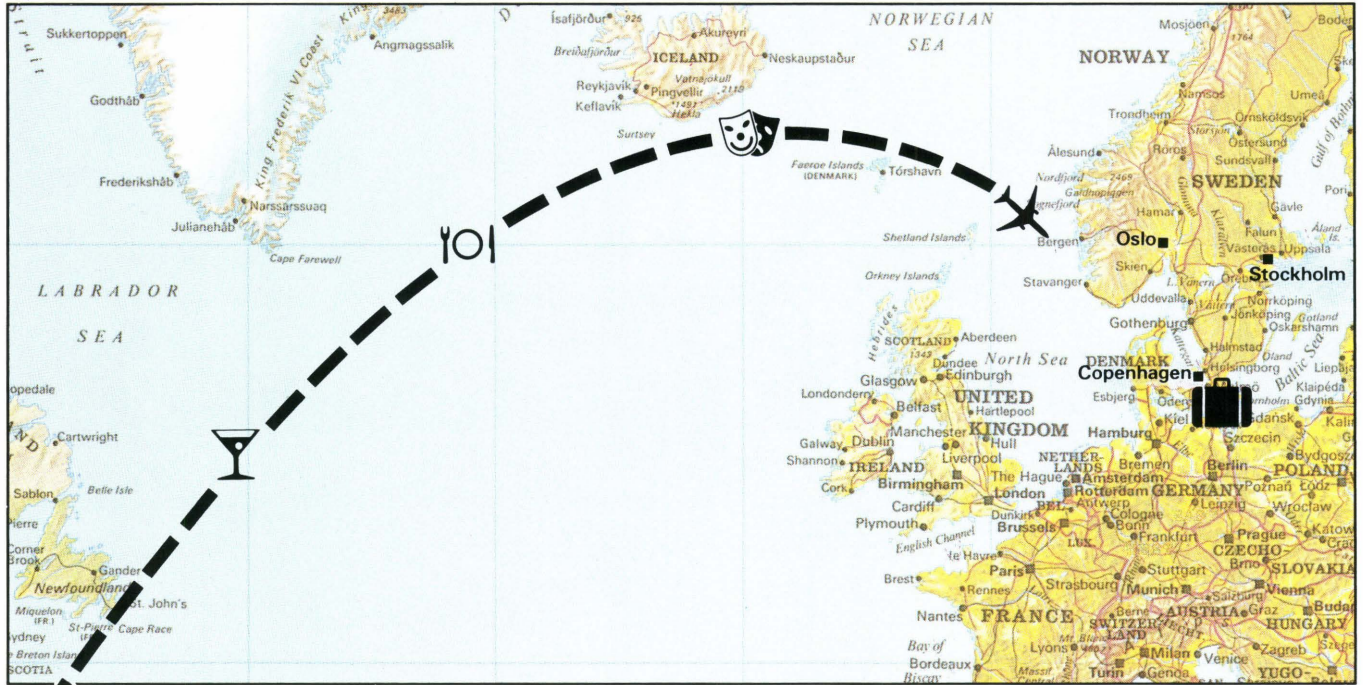
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## Italian Industry Finds Its Niche





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# EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY



32

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# Letter From The Editor

“**T**he task is daunting,” says Lionel Barber of the *Financial Times*, as he discusses what the E.C. and the United States are doing to help Russia and the other Commonwealth of Independent States. Barber points out that while the 1992 Single Market is leading to the realization of the dream of a United Europe the collapse of the former Soviet Union and the Communist governments of Eastern Europe have led to a disintegration process in the eastern part of Europe. How Europe reconciles these twin challenges will determine how the continent will look in the next decade.

Martin Walker, formerly *The Guardian's* bureau chief in Moscow, explains how the European Community has taken the leading role in providing assistance to the Commonwealth of Independent States. Meanwhile, the United States has taken only a supporting role in providing assistance. But, as Martin mentions, the key issue in the new age of Geofinance is not assistance but investment in the former USSR.

Peter Laufer, author of *Iron Curtain Rising*, travels with a private American relief effort to Moscow and indicates that private entrepreneurs are doing more than their fair share to help out the former Soviet citizens.

Sweden has officially applied to join the European Community. *EUROPE* interviews the new Swedish Prime Minister Carl Bildt and presents his views on the advantages of membership for his country. The Swedish prime minister also explains how he is privatizing many companies and leading a more “conservative” revolution in a country once thought to be the epitome of socialism.

Italy works! Our Rome correspondent, Niccolo d'Aquino, lets us in on a secret—Italy is a prosperous and economically sound nation. The Italian fashion industry is particularly prosperous. Italian designers are considered by many to be the current fashion leaders of the world. Armani, Versace, Gucci, Benetton, are now household fashion names across America. *EUROPE* profiles the “hot” Italian fashion industry. And speaking of hot, *EUROPE* also profiles Olympic Gold Medal skier Alberto Tomba.

If you are planning on attending the Summer Olympics in Barcelona, the World Expo in Seville, or visiting Europe's 1992 Cultural Capital, Madrid—then you should read *EUROPE's* special May issue, which will focus on “The Year of Spain.” We look forward to your comments.



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# EUROPE

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

Robert J Guttman

Robert J. Guttman  
Editor-in-Chief



# LOANS TO BUILD THE EUROPEAN COMMUNITY

*Europe - a continent on the move.*

The European Community's history has been characterised by the move towards economic, social and political unification and expansion in both membership and influence.

Establishing a single European market requires the balancing out of economic differences between regions and countries, and the development of trans-European networks in transportation, telecommunications and energy to strengthen integration and relations with neighbouring countries.

The 1990's are witnessing a sea-change in the Continent's perspectives as the European Community and the seven EFTA countries<sup>(1)</sup> create an enlarged European Economic Area, and support the new democracies moving towards market economies in Central and Eastern Europe.

The European Investment Bank, the EC's financing institution, uses its excellent ("AAA") credit rating to borrow funds on capital markets for financing investment projects that promote European integration.

In 1991, the EIB reaffirmed its leading position amongst the world's major financing institutions, borrowing 13.7 billion ECUs<sup>(2)</sup> (US\$ 16.7 billion) and making long-term loans for a total of 15.3 billion ECUs (US\$ 18.7 billion) for capital investment located mostly in the European Community.

*The EIB borrows and lends in many currencies - in 1991, 18% of borrowings was in ECUs and over 16% in US\$. It keeps its accounts in ECUs.*

(1) EFTA: European Free Trade Association. (2) 1 ECU = US\$ 1.22 on 20/03/92

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# EUROPEAN SCENE

## WHAT THEY SAID

**"Nobody puts his hand on the Queen. This was a demonstration of discourtesy."**

—Geoffrey Dickens, Conservative member of Parliament, commenting on Australian Prime Minister Paul Keating's breach of protocol when he put his arm around Queen Elizabeth.

**"In a bacteriologically correct society, what will become of the Brie de Meaux, the Crottin de Chavignol or the Blue d'Auvergne?"**

—Prince Charles questioning proposed E.C. standards that could force a "minimum hygiene standard" on cheeses that have a high bacteriological content.

**"In a society in which the rights and potential of women are constrained, no man can be truly free."**

—Mary Robinson, Irish President, commenting on the unequal place women have in Irish society.

**"There is probably more to the notion of the ugly American than there is to the notion of the rude Frenchman."**

—Michael Wilbon, Washington Post writer, on how he perceived stereotypes while covering the Winter Olympics in France.

**"This is a 15th century fortress. We don't have a lot of room for cafes."**

—Irina Rodimtseva, Kremlin Museum director, opposing the opening of cafes within the Kremlin.

**"The enemy is totalitarianism, not Russia."**

—Vladimir Lukin, democratic Russia's first ambassador to the U.S.

**"Neutrality is becoming irrelevant. There are still some people here who would like to keep the word to describe Finnish policy, because it has a certain emotional appeal. But it no longer means what it used to."**

—Max Jacobson, former Finnish ambassador to Moscow and the United Nations, on Finland's changing political state, including a bid for E.C. membership by 1994.

**"The stakes are high, and we are playing as if it were a penny-ante game."**

—Former President Richard Nixon, commenting on the Bush Administration's policy toward the Russian Republic.

**"We Germans haven't forgotten and won't forget what Gorbachev has done for us."**

—German Chancellor Helmut Kohl.

## The E.C.'s Top Five Ice Cream and Yogurt Consumers

per capita

### Ice Cream

1. Italy

2. Denmark

3. Germany

4. Britain

5. Belgium/Luxembourg\*

### Yogurt

1. Netherlands

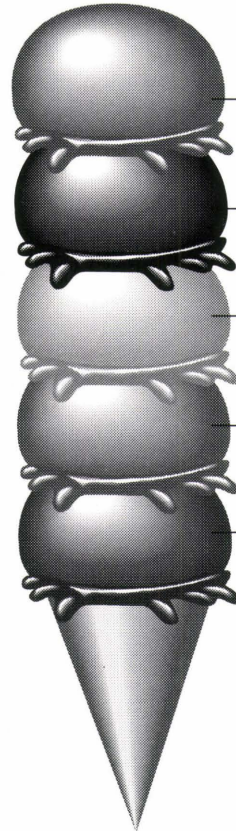
2. France

3. Denmark

4. Germany

5. Belgium

\*Tied for fifth place



Source: Panorama of E.C. Industries 1991-1992

ILLUSTRATION BY GREG TINIUS

## La Pizza

If you're wandering the streets of Paris and could swear you just saw a Domino's delivery truck wheeling around the corner, don't think you're hallucinating—Domino's has gone European.

Domino's Pizza Inc., which first opened European franchises in 1985, is expanding further on the continent after its initial success. In addition to 74 franchises in Britain (where tuna and sweet corn pizza is the rage),

Domino's has three stores in France, one in Germany, and five each in Spain and the Netherlands. Operation contracts were signed to open five more businesses in Lyon and Madrid. Projects are also underway to open 25 franchises in Belgium and Luxembourg, as well as expansion into the Middle East.

While entering markets abroad does not affect Domino's overall business strategy, it does require alter-

ations according to cultural customs and tastes. In the Bahamas one can feast on barbecue chicken pizza; in Japan squid and shrimp are popular toppings; and in France a pizza "flambeé"—containing a creamy white sauce—is a favorite.

But there is one thing all Domino's franchises worldwide will share—all pizzas are guaranteed delivery in under 30 minutes.

Compiled by Dominique DeSantis and Julia Nasser

*All of these securities having been sold, this announcement appears as a matter of record only.*

March 1992

ECU 135,000,000



# The Council of Europe Resettlement Fund

for National Refugees and Over-Population in Europe

9<sup>3</sup>/<sub>8</sub> per cent. Notes due 1994

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Issue Price 100.50%

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# Integration vs. Disintegration

## Twin Challenges Facing Europe

Europe has rarely been short of visionaries. One recalls Jean Monnet, Kurt Schumacher, Roy Jenkins, and lately, Jacques Delors. They have all possessed one quality: the ability to think beyond the present and project a common future for the people of Europe.

The flaw was that this vision was usually limited to western Europe, specifically the European Community. It has been dominated by the desire to avoid a recurrence of another war between France and Germany; and it was by definition exclusive. Few European leaders considered how they could incorporate the countries of central and eastern Europe, let alone Russia, in their plans for greater political and economic integration for the Continent.

This narrow thinking was acceptable as long as Communism prevailed in the East. But the collapse of Communist regimes, which started with the opening of the Austro-Hungarian border in the summer of 1989 and ended with Marxism-Leninism vanquished in its own citadel in Moscow in August 1991, has challenged previous assumptions about the meaning of European unity.

Sticking to a vision of a Europe based on twelve west European nations is no longer viable. The end of the Cold War has offered the West an historic opportunity, as significant as the one missed in 1917 when the United States and its European allies failed to come to the rescue of Alexander Kerensky.

It has also presented the West with what Lenin might have described as an historic contradiction: at the very moment when western European nations are pressing ahead with greater economic and political integration, the forces of disintegration are gathering pace in eastern Europe, from Yugoslavia to the republics of the former Soviet Union. How to reconcile these conflicting trends—integration and disintegration—will most likely be the E.C.'s greatest challenge in the coming decades.

History will record that there were two Europes in 1992. The first was familiar, comfortable, and startlingly prosperous. Take a look at the glitzy shops in Paris, Milan, or Munich. Take a ride on the modern highways filled with tanned tourists driving the latest fuel-efficient cars at speeds which would give most Americans cardiac arrest.

The new Europe, in political terms, was best captured by the Maastricht summit last December which laid down an ambitious road map for a common cur-

rency by 1997 and greater cooperation among the Twelve on foreign policy and defense, built upon a single integrated market for goods and capital.

Add to this picture the growing number of European states such as Austria, Sweden, and Finland, who would like to join the Community in the near future. Many of these nations which, for their own reasons shied away from the Community during the cold war, now find themselves caught up in the *Drang nach Westen* drawn not only by the magnet of the Single Market but also out of a fear of impending chaos in the East.

In many ways the East now bears little resemblance to the uplifting images of late 1989 when thousands of demonstrators took to the streets in Prague, Berlin, and Bucharest to overthrow bankrupt Communist regimes. It is a region plagued by ethnic tensions, falling economic output, and chronic political instability—captured by the violence in Yugoslavia, which has claimed hundreds of civilian lives and led to the breakup of Tito's nation state.

The situation in eastern Europe, however, is similar, in many ways, to 1919 when three empires—Germany, Russia, and Austro-Hungary—col-

lapsed after World War I. In 1992, the implosion of the Soviet Union threatens to unleash the very same forces of nationalism and authoritarianism which held sway for two decades leading to World War II.

By far the most serious threat lies in the steadily deteriorating relations between Russia and the Ukraine, the two largest Slavic states in the former Soviet Union.

At stake is the newly formed Commonwealth of Independent States (CIS), which the reformers in Russia view as a vital stabilizing force to preserve a semblance of joint decision making among the old Soviet republics. Despite initial signs that both sides were willing to show restraint, the Ukrainians seem increasingly inclined to discard the CIS in the drive to establish their own constitution, army, and currency. In short, Ukraine appears intent on creating a full-fledged independent state.

The implications are enormous, starting with the future of the Red Army. Ukraine is already pressing its claim to one third of the Black Sea fleet; the next logical step is to demand the removal of Russian troops from Ukrainian territory on the grounds that they constitute a foreign occupying force.

Just as serious are the territorial disputes,



The new Europe, in political terms, was best captured by the Maastricht summit, which laid down an ambitious road map for a common E.C. currency by 1997.

**BY LIONEL BARBER**



which underly the tensions between Ukraine and Russia. Russian politicians have already hinted that they are prepared to challenge the status of the Crimea, an area conquered by Russia and which arbitrarily switched from Russian to Ukrainian possession in 1954. Such a challenge, if pursued, could be a potential *casus belli*.

What is to be done? So far, the West, led by the E.C. and the U.S., has focused on four areas to promote stability: humanitarian aid such as food and medicine; technical assistance to speed the dismantling of nuclear weapons and halt the defection of Soviet nuclear scientists to nations such as Libya and Iraq; adherence to arms control treaties and principles of human rights laid down by the CSCE process; and financial aid to help the republics, mainly Russia, to continue their halting efforts to dismantle the centrally planned economy and move toward a market-oriented system.

The next step is to implement a detailed economic reform program managed under the auspices of the International Monetary Fund. The program will possibly be supported by a joint multi-billion dollar western government fund that will back the convertibility of the ruble and cushion against likely balance of payment problems. But all these collective efforts are plagued by the fear of failure, especially in the United States where election-year politics and a longer-than-expected recession make it doubly difficult to argue the case for direct financial aid in what could easily prove to be a lost cause.

It is easy to criticize the western effort as not more than a holding action, designed to manage a transition which could last 10 or 20 years in central and eastern Europe, perhaps even longer in the former Soviet Union. At this stage, it begs numerous questions.

How far will the new Europe extend its frontiers? How will it cope with an excluded and embittered Russia and Ukraine on its eastern border? How quickly will it give the former East European countries of Poland, Hungary, and Czechoslovakia access to its markets, especially for its farm produce? Can the E.C. avoid being overwhelmed by a flood of immigrants from east and south alike, now that the Iron Curtain has lifted, without breaking its proclaimed support of human rights?

One conclusion must be that the Maastricht summit, rightly heralded as an



The recent violence in Azerbaijan is a disturbing indication of the ethnic tensions that boiled under the veneer of the Soviet Union for many years.

important step toward greater European union, will have to be followed up with further agreements to admit new members to the Community, particularly from the European Free Trade Area such as Sweden and Austria.

Second, Germany will play an increasingly important role in formulating the Community's response to developments in the East. This should not be interpreted as a renaissance of 1930's assertiveness, but more as a reflection of its geopolitical position, economic power, and desire for stability which makes it a natural diplomatic power for countries wishing to "join Europe." If proof were needed, it came when the Bonn Government, responding to appeals from Croatia, persuaded the E.C. to extend diplomatic recognition to the breakaway Yugoslav republic.

Third, the new Europe could in fact revert to the Old Europe of centuries past. In

the short-term, this means a decline in United States presence in Europe, without necessarily leading to a complete withdrawal of U.S. troops. Longer-term, it is possible to imagine, for example, a new economic zone made up of the Nordic states and parts of the former Soviet Union such as the Baltic countries—a remake of the medieval Hanseatic League—working in concert with the Community.

All this will require significant changes in the E.C.'s decision making process, its administrative and diplomatic machinery, as well as a complete overhaul of the institutions such as the NATO alliance which dominated the post-World War II era. The task is daunting. Nothing less is required than a new vision for Europe. **E**

Lionel Barber is the United States Editor of the *Financial Times*.



# Commonwealth of Independent States

Norwegian Sea

Barents Sea

NORWAY

SWEDEN

FINLAND

EST.

Baltic Sea

LAT.

GER.

LITH.

Kaliningrad (RUSS.)

POLAND

★ Moscow

★ Mensk

**BELARUS**

CZECH.

Kiev ★

**UKRAINE**

AUS.

HUNGARY

★ Kishinev  
**MOLDOVA**

CRO.

ROMANIA

YUGO.

Black Sea

ALB.

BULGARIA

GR.

TUR.

GEORGIA

Caspian Sea

TURKEY

Yerevan  
**ARMENIA**

★ Baku  
**AZER.**

**AZERBAIJAN**

## RUSSIA

**Area:** 6,592,800 square miles

**Population:** 147,400,000 (1989) **Capital:** Moscow **Leader:** Boris Yeltsin **Features:** Huge dams, steel mills, highways, railways. **Main Industries:** steel, hydroelectricity, oil, gas, railroads, road construction.

## UKRAINE

**Area:** 233,100 square miles **Population:** 51,700,000 **Capital:** Kiev **Leader:** Leonid Kravchuk **Features:** Arable black soil, mineral deposits. **Main Industries:** Wheat, sugar beets, potatoes, livestock, coal, iron, chemicals, salt mining.

## BELARUS

**Area:** 80,200 square miles **Population:** 10,200,000 **Capital:** Minsk (C.I.S. Capital) **Leader:** Stanislau Shushkevich **Features:** Arable land, developed machinery sector. **Main Industries:** Machinery, steel, cement, textiles, grain, flax, potatoes, sugar beets.

## AZERBAIJAN

**Area:** 33,400 square miles **Population:** 7,000,000 **Capital:** Baku **Leader:** Ayaz Mutalibov **Features:** High-yield winter crops, rich mineral deposits, oil fields. **Main Industries:** Oil, iron ore, cobalt, wheat, fruits, iron, steel, cement, fertilizers, synthetic rubber, chemical and electrical equipment.

## ARMENIA

**Area:** 11,306 square miles **Population:** 3,300,000 **Capital:** Yerevan **Leader:** Levon Ter-Petrosyan **Features:** Sub-tropical climate, extensive irrigation. **Main Industries:** Copper, zinc, aluminum, molybdenum, marble.

## UZBEKISTAN

**Area:** 172,700 square miles **Population:** 19,900,000 **Capital:** Tashkent **Leader:** Abdulkhashim Mutalov **Features:** C.I.S.'s chief cotton-growing area, mineral resources. **Main Industries:** iron, steel, vehicles, appliances, textiles, food, coal, sulfur, copper, oil.

## TURKMENISTAN

**Area:** 188,417 square miles **Population:** 3,500,000 **Capital:** Ashkhabad **Leader:** Saparmurad Niyazov **Features:** Kara Kum desert takes up 80 percent of the area. **Main Industries:** Cotton, maize, carpets, chemicals, oil, coal, sulfur, barite, lime, salt, gypsum.

## TAJIKISTAN

**Area:** 54,019 square miles **Population:** 5,100,000 **Capital:** Dushanbe **Leader:** Rakhman Nabiev **Features:** Rich mineral deposits, hydroelectric facilities, cattle farms. **Main Industries:** Cattle, cotton, grain, rice, fruits, coal, heavy industry.

## KAZAKHSTAN

**Area:** 1,049,200 square miles **Population:** 16,500,000 **Capital:** Alma-Ata **Leader:** Noursultan Nazarbayev **Features:** Virgin-grain lands, fisheries, vast mineral deposits. **Main Industries:** Coal, oil, iron, tin, copper, lead, zinc, fish canning.

## KYRGYZSTAN

**Area:** 76,642 square miles **Population:** 4,300,000 **Capital:** Bishkek **Leader:** Askar Akaev **Features:** Cattle and horse farms, chemicals plants. **Main Industries:** Livestock, tobacco, cotton, rice, sugar beets, machines, chemicals.

## MOLDOVA

**Area:** 13,012 square miles **Population:** 4,300,000 **Capital:** Kishinev **Leader:** Mircea Snegur **Features:** Fertile black earth, strong agriculture. **Main Industries:** grains, fruits, vegetables, tobacco, textiles, wine, electrical equipment.

## GEORGIA

**Area:** 26,911 square miles **Population:** 5,500,000 **Capital:** Tbilisi **Leader:** Eduard Shevardnaze **Features:** World's largest manganese mines, timber, coal mines. **Main Industries:** Textiles, iron, steel, grain, tea, tobacco, fruits.

## LITHUANIA

**Area:** 25,170 square miles **Population:** 3,700,000 **Capital:** Vilnius **Leader:** Vytautas Landsbergis **Features:** Arable land, livestock. **Main Industries:** Engineering, shipbuilding, grain, potatoes, vegetables.

## LATVIA

**Area:** 24,595 **Population:** 2,700,000 **Capital:** Riga **Leader:** Ivars Godmanis **Features:** Livestock, developed machinery sector. **Main Industries:** Paper, electric railway passenger cars, oats, barley, potatoes.

## ESTONIA

**Area:** 17,413 square miles **Population:** 1,600,000 **Capital:** Tallinn **Leader:** Arnold Ruutel **Features:** Livestock, developed machinery sector. **Main Industries:** Agricultural machinery, electric motors, grain, vegetables.

MAP ILLUSTRATION BY BRAD WYE

S.)



Note: Of the original 15 Soviet republics, Georgia, Estonia, Latvia, and Lithuania have not joined the C.I.S.

# The Old and



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For years the Moscow subway was a modern showpiece of the Communist Party. Now ten rides cost a single U.S. penny.

Going back to my old apartment on Moscow's Serpukhovsky Val, a grim 15-story high-rise on the site of the old city wall, the first change I felt was in my pocket. The Metro fare used to be 5 kopecks. Now it's 10 kopecks, which is still inexpensive. When I first began living in Moscow back in 1984, it cost me \$2 to buy a single ruble at the official exchange rate. These days, even the banks will give me over 100 rubles for a dollar. Ten rides on the Metro now cost a single U.S.

**BY MARTIN WALKER**

penny.

It was only in 1988, the year I left, that I began to wake to the sound of the tolling bell from the Danilovskiy monastery nearby. Now restored within its ancient white walls, this new center of the Orthodox Church glows with gilt and throbs with worshippers. Even though the Patriarch's limousine these days boasts a car phone, attending a Russian church is like entering a medieval scene from a Breughel painting. Lines of cripples on crutches, palsied youths on wheeled carts, and aged crones muttering into their headscarves gather to beg and squabble at the cathedrals

# the New

## How the Former USSR Has Changed. Or Has It?

and monasteries, perhaps the last places in this collapsed economy where charity may still be hoped for.

The West always tended to think of the Soviet Union as a monolith, but it never really was. To live there was to confront a schizoid culture, where futuristic images of space shots jarred with the pitiful housing and the half-empty shops, where the

barter trade, and the imported technology of fax machines and personal computers, has now spread throughout that industrial and educated sector of the ex-Soviet economy that I think of as a state unto itself. And it was this military-industrial complex and the organized state and Party machine, that has been so thumpingly defeated in the cold war. The

for so long. The most hopeful sign for the future is the way that the peasantry made the peoples' resistance possible by voting so strongly for Yeltsin in the Russian Presidential elections last June. Yeltsin's mandate, the political base for his dramatic resistance to the coup and his succession to Gorbachev's old office in the Kremlin, came from the urban and the rural areas alike.

But Yeltsin's political honeymoon is ending. The urban sector wheels and deals on the black market, rents out its apartments to western firms for dollars and Deutschmarks, and its schoolteachers write anguished letters to the papers about some of their pupils saying the most desirable career is to become a hard currency prostitute.

The rural sector has fallen glumly silent again, selling its fruits and vegetables for insane prices on the free markets, and storing the potatoes in the cellar. They wait for prices to rise further, for the land to be returned, for the urban sector to learn the bitter lesson of dependence on the forgotten despised peasantry. And the Muslim south turns inward to Islam, as Saudis with their donations of Korans and mosques, Iranians with their radio broadcasts across the frontier, and Turkey and Pakistan all vie for influence.

Yeltsin is expending his political capital at a terrifying rate, as the first riots begin to protest the tripling and quintupling of prices that his bold reforms required, and as Moscow's Mayor talks of charging a ruble for each Metro ride. The Russians will survive somehow, reaching down into that traditional, awesome endurance which survived the Mongol yoke, defeated Napoleon, vanquished Hitler's Wehrmacht and outlasted Stalin's Terror. But that history is exacting a dreadful price, as the Soviet and Tsarist shell rots to expose the divisions beneath. €



Now the worry among Russians is not the length of the wait, but whether or not there will be something left to buy.

awesome skill at making weaponry clashed with the grim utility of civilian goods. Like a Third World city where the luxury high-rises towered over the shantytowns, the former Soviet Union was several contradictory societies confusingly lumped into one.

Try to think of the old Soviet Union as a reasonably advanced industrial economy about the size of western Germany, abutted by a southern and largely Muslim slice rather like Iran, all wrapped up in a vast and backwards area like Romania. And almost everything that mattered during perestroika, and above all during the Moscow coup, took place in the big urban centers. And it all depended on the technology that the urban-industrialized sector produced, from the tanks to the radios, from the factories to those buses that made up the bulk of the impromptu barricades.

The black market dollar economy and

rotten health statistics of the Muslim south that had over a third of its young men rejected as unfit for military service in the 1980's made it almost neutral in the struggle.

The vast and miserable provincial countryside has been largely untouched by the tumultuous process Mikhail Gorbachev unleashed. Until the economic reforms become serious to the point at which the peasants are given back their land and allowed to sell their crops for what they are worth, this separation of the urban and rural economies, and the gulf between urban and rural ways of life, will remain.

What we saw in the streets of Moscow during the August coup was a kind of civil war within the urban-industrial sector. The coup was a confrontation between the old administrative class which failed adequately to transform and modernize the industrial economy, and the mass of educated urban dwellers they have misruled

Martin Walker, formerly the Moscow bureau chief for *The Guardian*, is now the Washington bureau chief.

## The European Community's Man in Moscow

# Michael Emerson

**T**he European Community's Head of Delegation in Moscow, Michael Emerson, speaks out on economic conditions in Russia, E.C. food and technical assistance, the C.I.S. and future business opportunities in Russia. Emerson spoke with EUROPE's Editor-in-Chief Robert J. Guttman at the E.C. Embassy in Moscow.

**What's your impression of Russia since the coup? Are you pessimistic or optimistic?**

My first impression of the last year is of the extraordinarily dramatic twists and turns of events that we've seen every month. These have been events of historic or revolutionary importance. The sensation I have now is of a situation which is certainly not yet economically stabilized. We are way off from a situation that could be described as stabilized. We are awaiting in the next few weeks extremely important political events.

**Walking around the city I see people selling their household goods on the street. I was just at a meat market where people are standing in line for hours. How long are people going to put up with this? How patient are the Russian people?**

In any western European country these kind of conditions would lead to a general strike in about five minutes. You have to interpret the extraordinary patience of the Russian people as a product of history. I suppose caution in responding to their great difficulties is a product of that, but it is certainly the case that when you go into the shops and see 300 people queuing up for a straggly little piece of meat, or these kind of markets that you saw this morning of individuals on a soap box just selling one bottle of shampoo or one packet of cigarettes, this is an entire day's activity. It is a sobering thought to reflect upon the current productivity of a person's work if that is all they do all day.

**You talked about conservative forces—is Communism totally dead in this country or could it make a comeback?**

It's certainly not totally dead, but the question is really whether it remains just an old-fashioned political movement with no future representing a minority of the population. I would assert that, indeed, this is the most probable case, it is just that and they represent 10, 15 possibly 20 percent of the population. They are rumbling without any decisive effect.

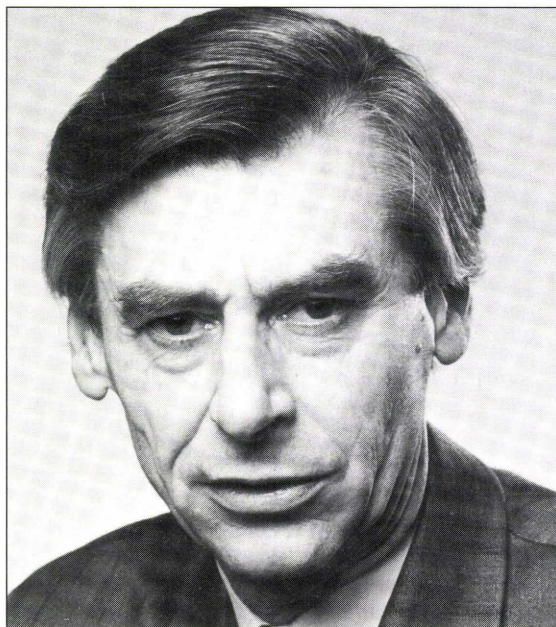
**Are we going to see a variety of fascism or nationalism, or something on the right taking the place of Communism?**

Those forces are also active and indeed growing. We have some political forces that are not so far removed from some of the most controversial extreme right political figures in western Europe.

**Yeltsin was a lifelong Communist, most of the other economic reformers are former Communists. Can people change that quickly and do these people who are leading economic reformers have any idea what the market**

**system is all about?**

On the latter point, the people who are leading the reform process are as well prepared, educated for what they're doing as you could possibly hope to imagine in the West. They are a remarkable collection of people. There are twenty of them altogether who are the deputy prime ministers, or the ministers or deputy ministers of the key parts of the economics, finance, privatization and labor market affairs departments of the government. These are people who are remarkably modern, Western oriented in attitude, they're young, in their thirties and forties and they speak English extremely well. From conversation with them, you appreciate immediately that these people are of our world; that they are in that sense a complete break or change in generation compared to even the people who were representing the Gorbachev Government. The Yeltsin Govern-



ment is remarkably well prepared. You couldn't do better, from that standpoint.

**If you had to describe in a couple of sentences the situation in Russia what words would you use?**

Today, you have this complete contrast between the actual living standards of the people, the poor productivity of the economy, and the dilapidation of almost every piece of physical infrastructure in the country—all on the one hand, and the bright, determined, enlightened, courageous policies of the government on the other.

**Should E.C. and U.S. businesses invest in Russia?**

Quite soon there are going to be extremely attractive investment opportunities in this country, because the basic resources, human, material, market size are there. There'll be some sectors of the economy that should become very profitable, and there will be good opportunities for investment but of course you have to pick the right ones. There will be opportunities.

**Could you explain what the E.C. is doing overall, with food aid, and any other assistance that you're giving?**

We have been increasingly present, busing supplies of food and medical assistance and of technical assistance. The commitments that the European Community made and are making are very large indeed. We've committed over the last two years, 850 million ECUs or over a billion dollars worth of technical assistance. We've given food aid grants of 450 million ECUs, about half a billion dollars. We've offered credits and credit guarantees totalling 1.75 billion ECUs, which is a couple of billion dollars. So, it's like 3.5 billion dollars worth of exceptional assistance. We've made commitments on the technical assistance side already to 400 projects. With regard to food aid we've been running throughout the last six months quite a large array, quite a large program of grants of humanitarian assistance through non-governmental organizations, 250 million ECUs worth. More recently we have innovated an extremely interesting new program for St. Petersburg and Moscow where we gave 150,000 tons of meat, butter and milk products to these two cities. We made the grant to the local economies but when the goods are received we co-manage with them the sale of these products at market-related prices. So, we've become, very, very quickly, virtually the largest supplier of grant assistance, both technical and humanitarian, to Russia.

**If the E.C. weren't supplying food it seems like there might not be any food in the shops. Is that the case?**

Yes, that is practically the case. We are now setting up 500 shops in Moscow and 300 shops in St. Petersburg. There are some domestic meat supplies coming in from the Russian countryside but there's virtually no butter and extremely little milk, so the European Community is the major supplier of these three key products.

**That's incredible. If you think about it, Europe is feeding this area of the world. That's unique in history isn't it?**

You could draw parallels from the Berlin Airlift, and you can probably draw parallels also with the Western economic assistance to Russia in the period shortly after the Revolution in the 1920s.

**If the E.C. wasn't supplying the beef, there would be no beef. Why are Russian farmers holding back their supplies?**

The predominant explanation is farmers are holding back supplying these two cities because they are not happy about receiving non-convertible money in which they can't get anything in return. The farmers need to get a reasonable price, and that is the case now that prices have been liberalized. The money supplied at that price can be used to buy goods that farmers want, consumer goods. Today, they cannot use the money, and they don't particularly want to save rubles since they don't trust it as a medium of savings.

**Do you think we'll see a convertible ruble someday?**

The government has a plan and has a concept. It's looking for support from the West, it's fighting very hard politically to get acceptance for this program and to secure its own political position in ways I've described at the beginning. I don't have a crystal ball. It is a very, very tough job indeed, it's the toughest form of stabilization act in the recent history of East and central Europe. I think we've got the concepts right, and we should help them.

**Would the West be to blame if Russia were to go back to a totalitarian system?**

We're now moving into a climax, a political and economic policy climax in the sense that the government, the Russian government, has gone beyond the point of no return with liberalizing prices, which now needs to be followed through very fast with macro-economic financial stabilization. In order to succeed in that, like stabilization with the worth of the ruble that I mentioned, they will surely need significant Western help. The West, for its part, is not willing to come up with very large sums of money, at least until it is convinced that the policy strategy has been adequately prepared and is working out. All of this should come together pretty fast—in a matter of weeks. It requires their actions, and it requires the West's actions. It'll be quite an exciting time. A lot of things will happen very fast.

**And if they don't happen?**

We'll see continuing chaos. The elements are if the ruble indeed does not stabilize and then the inflation becomes worse and worse you move into a period of hyper-inflation. When you experience hyper-inflation it usually means very big political instability and maybe a period of flip-flop with different characters, less democratic, more left/right wing. I think the bad scenario that I find most convincing is the kind of political and economic cycles you see in the very large Latin American countries. €

# On the Way to Moscow

**Private Relief Efforts Are Ongoing in Both the U.S. and Europe.**

“I have found a thief! I have found a thief!” the grim looking Russian was shouting as he blocked the Lada sedan coming out of Moscow’s Sheremetyevo Airport. Inside the car, Matt Harvey, an American, cradled a carton of fine Vermont cheddar cheese in his lap as the livid police captain barked orders in the sub freezing weather.

Sensitive to growing complaints from humanitarian relief workers that much of the food coming to help the former Soviet Union through the winter is being stolen, authorities assigned the tough captain undercover duty at the exit on the air cargo terminal. “I have found a thief,” he yelled again, and the motley

convoy came to a stop; the Lada, an old, black Volvo, and three dilapidated Zil trucks filled with ten tons of cheddar, dry milk, and butter, all donated by American dairy farmers like Matt Harvey.

The captain refused to listen to the pleas that Harvey was no thief, but an American who had come to Russia to help. He grimaced in the cold, protected by a fur cap and great coat that only made him look more imposing. “I’m a captain of the militia ordered to stop the stealing,” he announced firmly. “I’m not interested if it’s Americans or the American president. It’s all the same to me.” He ordered the cheese to be checked against shipping documents and studied Harvey’s identification, before finally allowing the shocked relief worker to proceed into Moscow.

“He was just doing his job,” agreed an amused Marina Kisejova. As the director of Door-to-Door, a Russian charity, she is coordinating direct food aid to the needy Muscovites. The wife of a popular Moscow television anchorman, Kisejova does not need to worry about her own food supply. She volunteers to help the poor, a difficult job in a society where there was, until recently, officially no poverty. She and her colleagues go door-to-door through Moscow neighborhoods, checking apartments, looking for hungry people.

After several hours of exhausting waiting and paperwork—at one point an arrogant clerk refused to stamp a customs form for an hour while she sat at her desk slowly eating her lunchtime soup chatting with a girlfriend—the dairy farmers left the airport happy and excited. “It’s awful hard to swallow de-

democracy with an empty stomach,” said one. “Hopefully, [the food] won’t be stolen,” said another, “and we’re going to follow it until it’s in the people’s hands.”



Some saw the 1920's American-Relief Administration as a nonpolitical humanitarian organization. Others saw it as an attempt to interfere with Lenin's Government.

democracy with an empty stomach,” said one. “Hopefully, [the food] won’t be stolen,” said another, “and we’re going to follow it until it’s in the people’s hands.”

The farmers acknowledge that their ten tons of help can only feed a few of the hungry. Other private aid providers are working on a more grandiose scale. One of the most ambitious projects is the Russian Winter Campaign, organized by San Francisco entrepreneur Jim Garrison. Suffering severe jet lag from a ride across eleven time zones, Garrison tried to explain his operation as British Air flight 872 rose out of London heading for Moscow. “The weather there,” announced the captain, “Well, I’m sure you don’t want to know about that—cold, snow, minus eight.”

**BY PETER LAUFER**



Garrison sports a fresh-scrubbed, boyish face and enjoys boundless enthusiasm. Puffy-eyed and tired, he still wants to talk about his idea for making sure massive amounts of food get to those in the former Soviet Union who need it. "We are the only group that's figured it out," he insists. "Everybody else just drops it off at the border and that's not good enough." Garrison says the key to success is to maintain control over the goods until they get to those who will actually use them.

He responds to the challenge he's given

Soviet military for all his aircraft needs in return for 20 percent of each load. Now he wants the United States Government to foot his jet fuel bill. "Nobody in the private sector will give you that kind of money. Nobody will give you \$250,000 for gas. Believe me, I've tried."

His Russian Winter Campaign is not just some wild-eyed dream. Garrison is well connected. He orchestrated American speaking tours for Eduard Shevardnadze and Boris Yeltsin; George Shultz and Jimmy Carter are on his list of

smiles. "The point is that they didn't turn it over to anybody."

While Garrison struggled to get his airlift flying, the three dairy farmers struggled through the Moscow snow. Their first stop was the teacher's room at Ordinary Public School Number 104. Bundled up in sweaters and a fur cap, one of the teachers offered the farmers a homemade sponge cake topped with rich raspberry preserves. The smiling English teacher, his long hair graying, thanked them. "We know Americans as people



A U.S. Foreign Service officer watches over boxes of medicine at Moscow's Sheremetyevo Airport.

himself with evangelistic energy. "The issue is not humanitarian aid," he claims. "The issue is, will democracy survive? A parent will do anything they need to in order to feed a hungry son or daughter. It's just human."

Garrison wants to fill one giant Antonov 124 cargo plane a week and send it from San Francisco to the Commonwealth of Independent States. He says he's rounded up enough donated food for the job: soy burgers, powdered milk, canned beans, flour. He claims commitments from the

advisers. But more important than the names is the fact that he has already started delivering aid. So far flights are sporadic, but Garrison gets a gleam in his eyes when he plots the Campaign's future.

He wants warehouses spotted around the Commonwealth, manned by American volunteers guarding the food. He hopes to sell what he brings and plow whatever rubles he collects back into cash donations to charities.

He brings a guidebook with him on his travels to Moscow entitled *Herbert Hoover and Famine Relief to Soviet Russia 1921-23*. Hoover ran the American Relief Administration, a private group surrounded by controversy. Some considered it a nonpolitical humanitarian organization. Others saw it as an attempt by Republican capitalists to interfere with Lenin's Government. For Garrison, it's a model.

"We're doing it the same way," he

with wide souls," he said. "It seems to me you are ready to help."

The distributed dairy products will help. A meal at the school costs parents 400 rubles a month per student, almost as much as the average Moscow salary.

Next the farmers brought their donations to Orphanage Number 13, finally seeing the food they brought in the hands of the Russian children who will eat it. The satisfied dairy farmers say their mission proves assistance can get through. They see benefits for themselves, too, if surplus milk, butter, and cheese keep coming to Moscow. By federal law, market prices back home for American dairy products can increase when less surplus is stockpiled. €

Peter Laufer has reported from eastern Europe for ABC News and is the author of *Iron Curtain Rising* and the upcoming *Nightmare Abroad*.

## Harvard Economist

# Jeffrey Sachs

**J**effrey Sachs, Harvard economist and adviser to the Yeltsin Government, is an outspoken proponent of using competition and privatization to move from a controlled to a free economy. Sachs describes economic conditions in Russia today, what the West should do to assist Russia and the republics, and Yeltsin's commitment to reform. Sachs was interviewed in Moscow by EUROPE's Editor-in-Chief, Robert J. Guttman.

### How would you describe the economic situation in Russia today?

The new Yeltsin Government that came into office in November inherited one of the greatest financial catastrophes in monetary history. At the same time, they inherited an economic system that had crumbled in virtually every other dimension as well. So, they face two gargantuan tasks: The first and most urgent is to get the financial crisis under control, and that means to end the hyper-inflation, huge budget deficits, zero foreign exchange reserves, high foreign indebtedness that they inherited; and the second challenge is the long term challenge of creating a working market economy out of the rubble of the communist system. They are moving with remarkable speed, insight, and bravery in both tasks but it remains today a very dangerous situation from a financial point of view and while they have made great progress in getting the budget deficit under control and getting therefore an explosive hyper-inflation under control, the situation remains risky.

### You said that this was explosive economically. What about explosive politically?

Certainly, there are great political uncertainties right now and any government having to manage the extent of the crisis that this government is managing and to do it with nascent institutions that are just now getting under way will find profound political challenges. I think the whole world has to be im-

pressed with the skill with which they've managed, to date, but the difficulties of the situations just underscore the reasons why the West ought to be helping to support them through this very difficult process.

### What should the West be doing? What should the U.S. and E.C. be doing to help the former Soviet Union and Russia?

The task is not solely one for the U.S. The task is for all of the advanced industrial nations and there ought to be a significant multilateral financial effort to help them succeed in the two tasks which I'd stressed: macroeconomic stabilization and transformation of the economy to a market system. We know from all of history that ending hyper-inflation requires financial help. What Russia needs is the kind of help that has always been needed to get through this very difficult financial phase. So far, that help has not been forthcoming but there are now glimmers on the horizon that the effort can get organized. The International Monetary Fund, in February, de-

termined that Russia needs about 18 billion dollars of financial assistance for the year 1992—six billion in the form of a stabilization fund for the ruble and 12 billion in other kinds of balance of payments support. Now that this number is on the table, its incumbent upon the Western governments to satisfy those needs, assuming that Russia goes ahead and implements the measures that it has discussed with the International Monetary Fund.

### Do the Russians need a whole new currency? How do you stabilize the ruble?

The problem with the ruble is the same problem as in any country that is in the midst of this kind of financial crisis. Up until this government came into office, there was rampant printing of money—partly to pay for huge budget deficits



which reached the level of about 25 percent of GNP last year, partly to give cheap credits to enterprises, some of which could not survive without those cheap credits. So, in the circumstances where there is rampant money printing, of course no one holds on to the local currency and the result is the kind of hyper-inflationary pressure that this economy now has. Scrapping the money doesn't solve the fundamental problems.

To solve the fundamental problems, you have to go to the core—to the budget deficit and to the credit policies of the central bank—and if you solve those fundamental problems you also can strengthen the existing currency without needing to replace it. Now, Russia and the International Monetary Fund have discussed these matters and the IMF has endorsed Russia's strategy for stabilizing the value of the ruble.

Of course, what's critical is not just the program, but actually implementing it. Assuming that Russia does that, then the ruble can be stabilized and salvaged as a working currency and indeed a stable currency.

#### **What would you see as the steps of how Russia moves to the market economy?**

The first step is monetary stabilization to create a money that really acts as a money—that people want, that is a medium of exchange, that can be used for supporting not only domestic trade but international trade in the sense that the money is convertible into international currencies. To get macroeconomic stabilization, it is crucial to get the money supply under control. That means tight credit from the central bank, it means a low budget deficit, it means prices being determined by supply and demand, it means an exchange rate that, for international currencies, is market-determined rather than artificially determined. With those steps, Russia would have a working money supply, people would accept rubles, goods would trade for rubles on a very normal basis as occurs in most of the countries in the world, and that would be the monetary base for the rest of the steps.

The next part of the transformation to a market economy is allowing markets to operate—liberalization, in economists' jargon. That means not only scrapping price controls, but also scrapping artificial barriers to international trade for most goods, ending licensing quotas which have cut off Russia from world markets for decades. It means scrapping central planning, central allocation of resources, and it means creating the whole system of private property rights to allow private enterprises both domestic and foreign to operate inside Russia with the protection of their interests, with the ability to write contracts and make the variety of transactions that are fundamental to market relations.

The third step of transformation after stabilization and liberalization is privatization. That means creating real ownership for the vast range of assets which now are nominally in state hands. I say nominally because, in fact, these assets are really in nobody's hands rights now. Enterprises are really not governed by anybody in particular, at least not on a systematic basis and what is important is to get real ownership and real control over the enterprises by those new real owners.

Russia should be able to privatize hundreds of thousands of

small shops this year, through a variety of means and thereby create a working private economy in the wholesale, retail and trade sector within months. What eastern Europe also shows is that privatizing larger enterprises is difficult and that means that are unconventional have to be used to handle the logistical problem of privatizing tens of thousands of larger enterprises—and Russia is developing those methods right now and they will implement methods such as vouchers which is under development in Poland and Czechoslovakia. Russia will soon announce a program of mass privatization that will handle the logistical difficulties of privatizing thousands and thousands of enterprises rapidly.

#### **Would people become stockholders like in Czechoslovakia?**

Yes, as in Poland and Czechoslovakia, people will be given claims on the enterprise shares at either no cost or very low cost. Enterprise shares will be distributed to the society and to the workers and management of the enterprises at quite low costs so that it could be done quickly and thereby one can build up a real ownership structure at the enterprises. It is likely that ownership will be exercised indirectly by individuals, not as individual shareholders of particular enterprises, but rather as individual shareholders of investment funds, pension funds, and other kinds of financial intermediaries. This is what is underway in Czechoslovakia right now.

#### **This all sounds well and good, but if you walk out on the streets, people are selling their household goods. How long are people willing to wait? How much patience do people have?**

Life is extraordinarily difficult here and rather than wringing ones hands about the question of how long they are willing to wait, I wish that the West were more active in helping to sustain the meager living standards here during this difficult transition period. When the question is posed how long are they willing to wait, it's usually posed in a very passive way rather than the right question: What can we do to help? If the Western help is sufficient, if it meets the needs as defined by the International Monetary Fund for 1992, then this process can be seen through.

#### **Does Yeltsin really have a commitment to reform? Do the economists have a commitment? Do the people have a commitment?**

There is a very deep commitment in the Yeltsin government, starting with the president himself. This is a group absolutely committed to a key, basic, and correct idea for Russia and that is that Russia should no longer aspire to some special Russian way or special Soviet way, or should no longer try, as Gorbachev was always trying, to make socialism work.

Rather, Russia should aspire to be a normal economy as a fully integrated member of the world market system. So, the basic idea here is to make Russia normal—normal like Western Europe, normal like the United States and Japan—and they are fully committed to that and are acting with incredible vigor and insight into making that transformation successful.

# Changing the Stakes

## In the Cold War's Aftermath, Geofinance Replaces Geopolitics

For some years now, 1992 has become the global code word for the dawning of the new age of the European Community. Future historians may look back and define the year as seminal for a rather different reason. The year opened with two extraordinary international gatherings, both held in the United States, which not only redefine the shape of the new world to come, but bring a tectonic shift in human affairs into sharp focus. The old power game of geopolitics is giving way to a new strategic era of geofinance.

At the United Nations in the last days of January, Boris Yeltsin met President Bush, Prime Minister Major of Britain, France's President Mitterrand, and China's Li Peng—a summit of the world's nuclear club. This anachronism of nuclear geopolitics was billed as the first real Bush-Yeltsin summit, but may more properly be seen as the end of an era and the end of the cold war definition of "superpower." The world of missiles, MIRV's, Tridents, and thermo-nuclear balance, the virility symbols of global power since 1945, is the last conference chamber at which Japan and Germany and other prosperous nations of the OECD will have no place.

The suddenly diminished importance of these awesome weapons was emphasized by the game of nuclear strip poker in which Bush and Yeltsin engaged. In a single week, Bush offered to halve his already-reduced nuclear arsenal to 4,700 warheads. Yeltsin responded by meeting Bush's bet and raising him—offering to cut each side down to 2,000 warheads.

This rally of the nuclear club came hard on the heels of another international meeting where we saw the new strategic world of geofinance begin to emerge. The Washington conference on aid to the former Soviet republics, launched with such fanfare by Secretary of State James Baker last year, closed with an American whimper. Bush came up with a pocketful of change, some \$400 million in new money, yet to be approved by Congress, which would suffice to feed Russia for about ten hours.

Such, at least, is the calculation of the Russians. Although none of the 15 ex-Soviet republics was invited to the conference, Russian Deputy Prime Minister Gennady Burbulis noted that in the winter of 1991 the West's total contribution of \$1.4 billion, or 250,000 tons, in urgent humanitarian aid was

**BY MARTIN WALKER**

### The real issue is not aid, but making the case for investment.

the equivalent of one day of national consumption. Bush's latest offer of \$645 million will therefore keep the country going for a little more than 10 hours.

The subsequent United States airlift of 54 flights of C-5 U.S. Air Force transport planes with a maximum total cargo of 6,000 tons, will meet the ex-Soviets' consumption for about 35 minutes. (The cargo is composed of surplus military rations from the Gulf War, known to the Pentagon as MREs; Meals Ready to Eat. The troops grimly dubbed them Meals Rejected by Ethiopians.)

And yet the West as a whole has shown an extraordinary generosity to the former Soviet Union. Since September of 1990, the total pledged in aid, grants, and trade credits has reached \$80 billion. The vast bulk of this, roughly 69 percent has come from E.C. nations, and the lion's share has been provided by Germany. The United States contribution, even with Bush's latest donation and the credits for U.S. food which so pleased American farmers, amounts to only 6.5 percent of the total, significantly less than the 7.4 percent pledged by Italy. The European Free Trade Association has pledged some 3.1 percent of the total sum. (In the light of EFTA's new association with the E.C., this means the Western Europeans have contributed over 70 percent of the global total.)

A close analysis of the figures is instructive. Germany's lavish spending is something of a special case, much of it linked to the process of buying Soviet acquiescence in German unification and to German support of Soviet troops awaiting withdrawal from what used to be East Germany. Japan's small share of the total, at 3.1 percent, could also be misleading. Japan has made it clear from the start that much greater sums of over \$20 billion are on offer, if the territorial difficulty over the Kuril Islands, seized by the Soviet Union as its war booty in 1945, can be resolved. Not all the E.C. nations have been equally generous. Britain, for



ILLUSTRATION BY MIKE LUCKOVICH

MIKE LUCKOVICH  
'92



## The suddenly diminished importance of these awesome weapons was emphasized by the game of nuclear strip poker in which Bush and Yeltsin engaged.

"A new world is emerging, and it looks as if the United States is going to be absent at the creation," Senator Joseph Biden complained as the conference closed.

There is another, perhaps equally disturbing factor to consider. In an American election year, where both Bush's Republican and Democrat challengers are stressing the need to help Americans at home rather than former enemies abroad, the real case for helping the Russians has gone by default. American generosity in times of humanitarian need is beyond doubt, but aid is not really the issue. Neither Russia nor the Ukraine are Bangladesh or Ethiopia. There may be short-term distribution problems but even the former Soviet Union could always feed its people. It imported grain in order to feed its livestock.

The real issue is not aid, but making the case for investment. The 350 million people of the former Soviet empire (which

includes eastern Europe) represent a vast credit bank of human capital. Educated, civilized, and hungry for prosperity, rich in energy and natural resources, they represent an enormous potential. The great locomotive of global growth in the 45 years after World War II was the astonishing success of the West Europeans and the Japanese in hauling their living standards up to North American levels. In the next 45 years, the challenge will be to help the ex-subjects of Stalin's grim empire follow that example. This means the West should learn to think of investment rather than aid, and act from thoughtful self-interest rather than spasmodic charity. And this means understanding how the old geo-politics of military power is dying as we watch. As Boris Yeltsin has found, nuclear strategic power has little meaning in the new age of geo-financial politics. €

Martin Walker is the Washington bureau chief for *The Guardian* and author of several books on Russia.

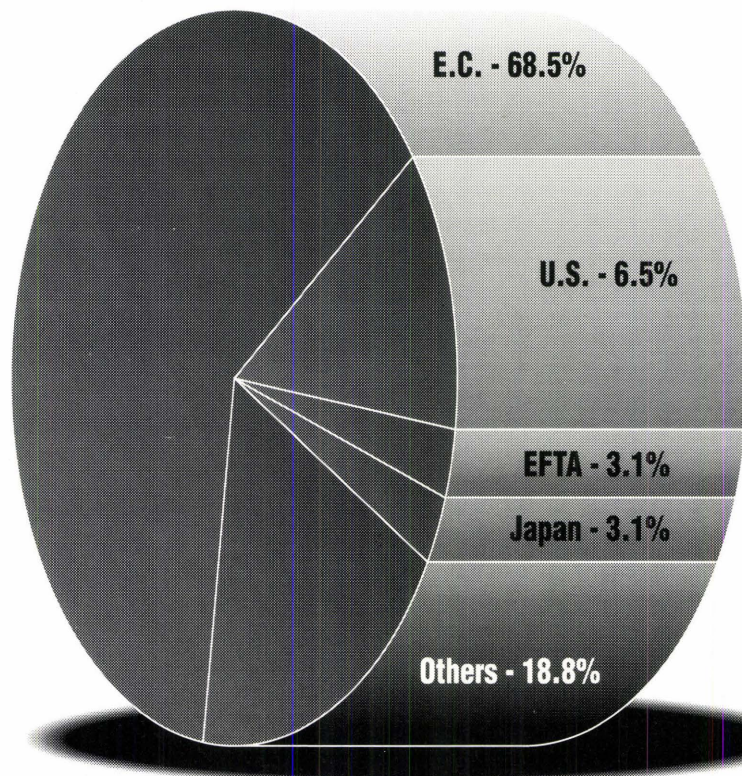
example, has pledged both directly and through the E.C., a total of \$623 million. Foreign Secretary Douglas Hurd revealed at the Washington conference. "In our terms, this is a very substantial sum," he said. However, it is less than one percent of the world's total commitment.

Just under half the \$80 billion is pledged in the form of export credits and guarantees. Of the rest, about four percent has been in the form of food and medical aid, about 10 percent in the shape of balance of payments support, and 14 percent in the form of strategic assistance (largely German subsidies of Soviet forces and United States help to dismantle nuclear weaponry).

So a future historian may judge that Bush's claim to global leadership, so decisively asserted in the Gulf War last year, was surrendered at that Washington conference. Economic recession, budget pressures, and political restiveness at a lavish international role have combined to push the United States down to a lower level in the effort to rescue Russia.

Japan and Germany (or perhaps the E.C. as a whole) have already pointed out that wealth and population give them a claim upon the United Nations Security Council seats Britain and France have occupied since 1945. In the new world of geo-finance, their trade surpluses and economic robustness are starting to loom larger than the missiles of the past.

CHART ILLUSTRATION BY GREG TINNIUS



Total amount of assistance pledged to the ex-Soviet Union since September 1990 (percentage)

## Sweden's Prime Minister

# Carl Bildt

**T**he Prime Minister of Sweden Carl Bildt was interviewed by Europe's Editor-in-Chief Robert J. Guttman during a recent visit to Washington, D.C. Bildt, Chairman of the Moderate Party, is turning Sweden away from many of its socialist policies of the past decade. The Swedish Prime Minister discusses Swedish foreign policy and his efforts at privatizing the economy.

**You have said the "policy of neutrality" is no longer appropriate as an overall description of Swedish foreign and security policy. What would be an appropriate definition of Sweden's foreign policy today?**

In terms of foreign policy, we are going to pursue a foreign policy with a very clear European identity. That's an obvious conclusion from the fact that we have applied for full membership in the emerging European Union. That doesn't deflect the fact that we are not a member of any nuclear alliance. But we are pursuing a European identity in foreign policy terms. This is very important to us.

**What's going to happen with your policy of neutrality when you join the European Community?**

We won't have (neutrality) in terms of foreign policy. And, we are going to be full and active partners in the foreign and security policy cooperation that is inside the European Union, as has recently been decided in Maastricht. And we are also ready to discuss how that should be developed further. We are also actively involved in security and foreign affairs issues, when it comes to the active role that we are taking inside the CSCE (Conference on Security and Cooperation in Europe) process. So these are the two legs that we have in our policy.

**You have also said, "I am convinced that Sweden can become a net contributor to the Community, not only in financial terms but more importantly in political terms." What does Sweden offer the E.C. and what does the E.C. offer Sweden?**

Economically, that's a question of counting who's going to be a net beneficiary and a net contributor. But in political terms, we can offer solutions to certain problems, if not solutions then at least contributions to solutions. Our labor market policies are something that a lot of countries are looking at. Also we can offer a northern European perspective. Northern Europe is going to be a very interesting part of the European alliance, with the opening up to the East that we're having with the Baltic countries and all the potential that exists in northwestern Russia.

**Is the center of Europe moving? Are we seeing northern Europe and eastern Europe taking on more importance?**

I don't think there will be a center of Europe. There will be several growth centers in Europe. The rather simplified picture

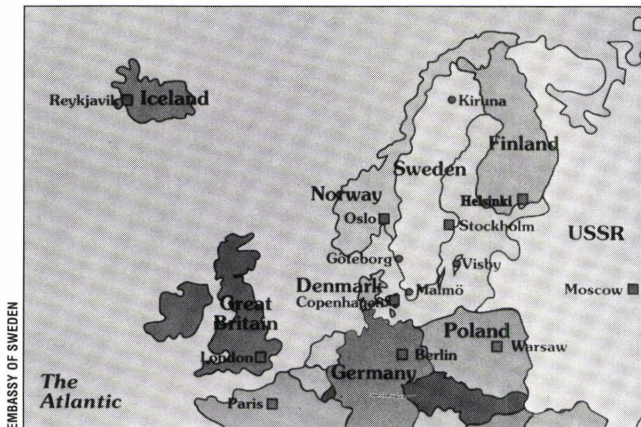
that we've had in the 1980s of growth moving south in Europe, will not be the case throughout the 1990s. We'll have a new growth center in northern Europe and a revival of economic dynamism of the northern European countries. Sweden will be at the center of it and will profit.

**"We can offer solutions to certain problems."**

**The E.C. is discussing the issue of deepening versus widening. Are you in favor of deepening instead of widening?**

I'm in favor of both, obviously, they go hand in hand. The experience of the Community shows that. When Greece and Spain and Portugal were brought in, that was a very large widening. Countries with different circumstances, dif-





ferent orientations were brought into the Community. But that led to deepening of integration. Immediately after that came the Single Act of 1985. So widening makes the deepening process necessary.

**So by the year 2000, would you like to see all of eastern Europe involved in the E.C.?**

In one way or another, yes. We already had, of course, the European Agreements with the central European countries and that's a good starting point for much closer relations.

**You talked about CSCE, isn't that a unwieldy group — 35 countries?**

Well it's more than that, it's 48 by now.

**Can it work? Can something that large work effectively?**

I can understand your question. I share that concern. But it is extremely useful where you have all of the European nations in one place, where you can discuss all of the security issues. And the more we can do to strengthen the differences in mechanisms, the better possibilities we have to work with all of these problems. But 48 nations is quite a lot.

**Sweden has long been active in the United Nations. Do you see the U.N. playing a key role in your foreign relations today?**

It's always been a bit of our foreign policy. But the problem has been that the U.N. has not been able to play the role that we perhaps would have wished. Now the situation is entirely changed and we've seen the U.N. playing a very active role, in the Middle East, the Gulf War, and now with the disassembling of the Iraqi facilities for the manufacturing of weapons of mass destruction. We would like to see the U.N. be able to play a more active and more constructive and more preventative role.

**You're in a key position to observe the former Soviet Union, the Commonwealth of Independent States. Is there any possibility of a counter coup? Is Communism dead? Can it come back?**

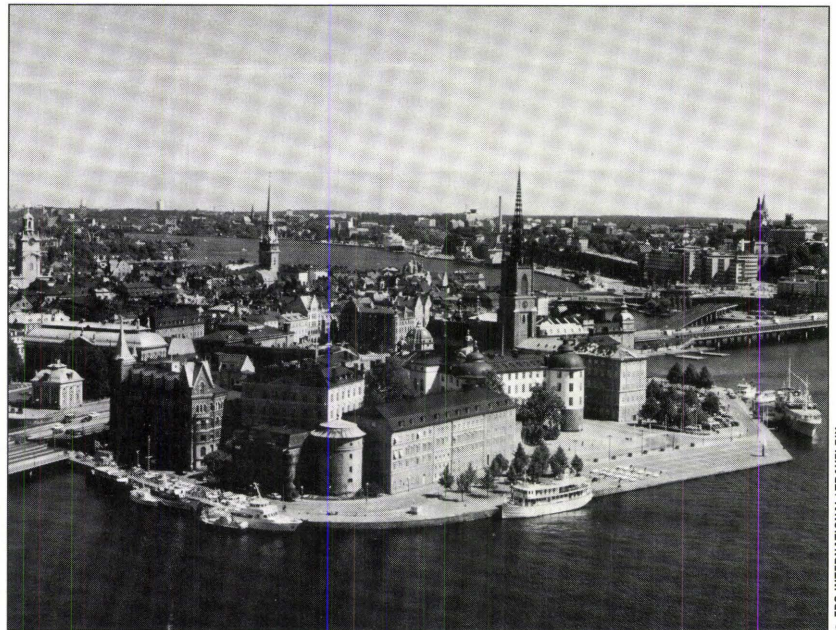
Well I think Communism is as dead as it can be. There is no way it can revive. That's gone forever. Period. But of course there are risks of another kind. There could be a nationalist revival. There could be a chauvinist revival. There could be a revanchist sentiment. I don't see an immediate danger for it. But the future is a rather long period. Much could happen.

**What do you see in the future? Do you see a role for Mikhail Gorbachev in the future?**

He is an elder statesman.

**Could you briefly talk about your new economic policy?**

A number of things have been done. We've opened up the economy, completely taken away all the restrictions that have been, not only in capital but also in investment. We have started to take taxes down which is necessary. We are



Stockholm is the Swedish capital and a center for shipping and trade on the Baltic Sea.

going to undertake rather massive programs in privatization. There are five major state-owned corporations that are going to be privatized over the next few years. And we are trimming certain public expenditure programs. Briefly, those are the cornerstones of the program.

**Are we seeing the end of socialism in Sweden and the beginning of a free market?**

Certainly. Communism and socialism are gone. And there are different varieties and versions of free market solutions.

## Sweden and the E.C.

The election of Carl Bildt, the leader of a moderate four party coalition, as the new Prime Minister has set Sweden on the course to greater privatization. In last September's election, Bildt's coalition handed former Prime Minister Ingvar Carlsson's Social Democratic Party its worst loss in a national election since 1928.

Bildt has already begun the move away from Sweden's socialist tradition through massive cuts in government spending and a campaign to privatize major state-owned industries.

The new Prime Minister is also continuing Sweden's drive toward full membership in the European Community. Although a popular referendum on this issue is not scheduled to take place until 1994, Sweden has already linked its currency, the krona, to the European Currency Unit. The emergence of a new European security system, including the break up of the Warsaw Pact and the Soviet Union, made it possible for Sweden to apply to the E.C. without violating its major obstacle for membership—its neutrality.

Swedish businessmen have played a major role in moving the politicians toward a Swedish application for E.C. membership. In reality, Sweden ran the risk of losing large corporate investments if it stayed out of the single market. While Swedish industry expanded in the E.C. countries, it stagnated at home. Swedish investment in the E.C. rose from \$30 million in 1981 to \$12 billion in 1990.

After raising serious doubts about the benefits of an E.C. membership only a few years ago, the former Social Democratic Government suddenly jumped onto the fast track to European cooperation and applied for E.C. membership on July 1, 1991.

Then Prime Minister Ingvar Carlsson explained that "Membership of the E.C. would bring considerable advantages to Sweden, outweighing the drawbacks. We share the Community's long term goals and want to work for their realization together with the other members of the Community." Almost 90 percent of Sweden's voters stand behind this statement.

Like the leaders that preceded him, Bildt no longer regards Swedish neutrality as an obstacle for membership. The vast political changes in Europe and cutbacks in both

nuclear weapons and conventional forces have greatly decreased the risk of war in Europe. Sweden will keep the essence of its longstanding neutrality—now defined as being able to defend itself and refraining from attacking others—and still participate in a future E.C. security system.

The final decision on Sweden's application for E.C. membership will be made by referen-



Long committed to Socialism and neutrality, Sweden appears ready for change.

dum in September 1994 (when the next general elections are held). According to the latest polls 44 percent of all Swedes want to join the E.C. while 36 percent do not. Young Swedes tend to be more interested in E.C. membership than older Swedes. Men are more eager for Sweden to join than women are, and people in cities and in the south are more willing to become full E.C. members than people in the countryside and in the north. The two political parties against membership—the Green Party (which has no seats in Parliament) and the Left Party, represent eight percent of the votes.

The coalition Government, however, is split on the issue, a rift that could become troublesome for the parties in power. The Center Party is split on the issue of E.C. membership, as are the Social Democrats, who with 37.6 percent of the votes are still the largest single party in the country. Prime Minister Bildt has already declared that his Government will follow the decision of the 1994 referendum.

The change of government implies that Sweden will follow a new political path, not so much due to a change of parties in power, but because of economic realities and necessities. Sweden abandoned the "third way" under Social Democrat rule and its ambitions for the last 20 years to keep down inflation allowed Sweden's public sector to expand.

Sweden is conducting the same deflationary policies as many other European countries. Bildt's Government is preparing to sell off 35 state-controlled companies to enhance private initiative in areas traditionally handled by the state to save money in the welfare system and to lower taxes. Swedish taxes on companies are among the most generous within the OECD. Taxes on small firms have been cut, as has the capital gains tax. There is no longer a tax on private capital. Income taxes were lowered during the Carlsson regime.

Sweden has recently endured several years without significant economic growth and is predicted to do so for several more. As a result, the Government will have to save money in Sweden's traditionally-expensive social security system. The generous insurance for parents (18 months paid leave from work to take care of children) will be trimmed and later replaced by a new system. The health care system, which gives compensation for lost salary from the first day of illness, will be lowered. The compensation rules for work-related injuries will change. Unemployed workers will have to pay more for their unemployment insurance. State subsidies for housing will be cut considerably, resulting in higher costs for individual home buyers.

The municipal councils will have more influence on major decisions, such as child care, schools, and caring for the elderly. Some are already experimenting with a system of "vouchers" that would make it easier for the individual to choose which school she wants for her children, for instance.

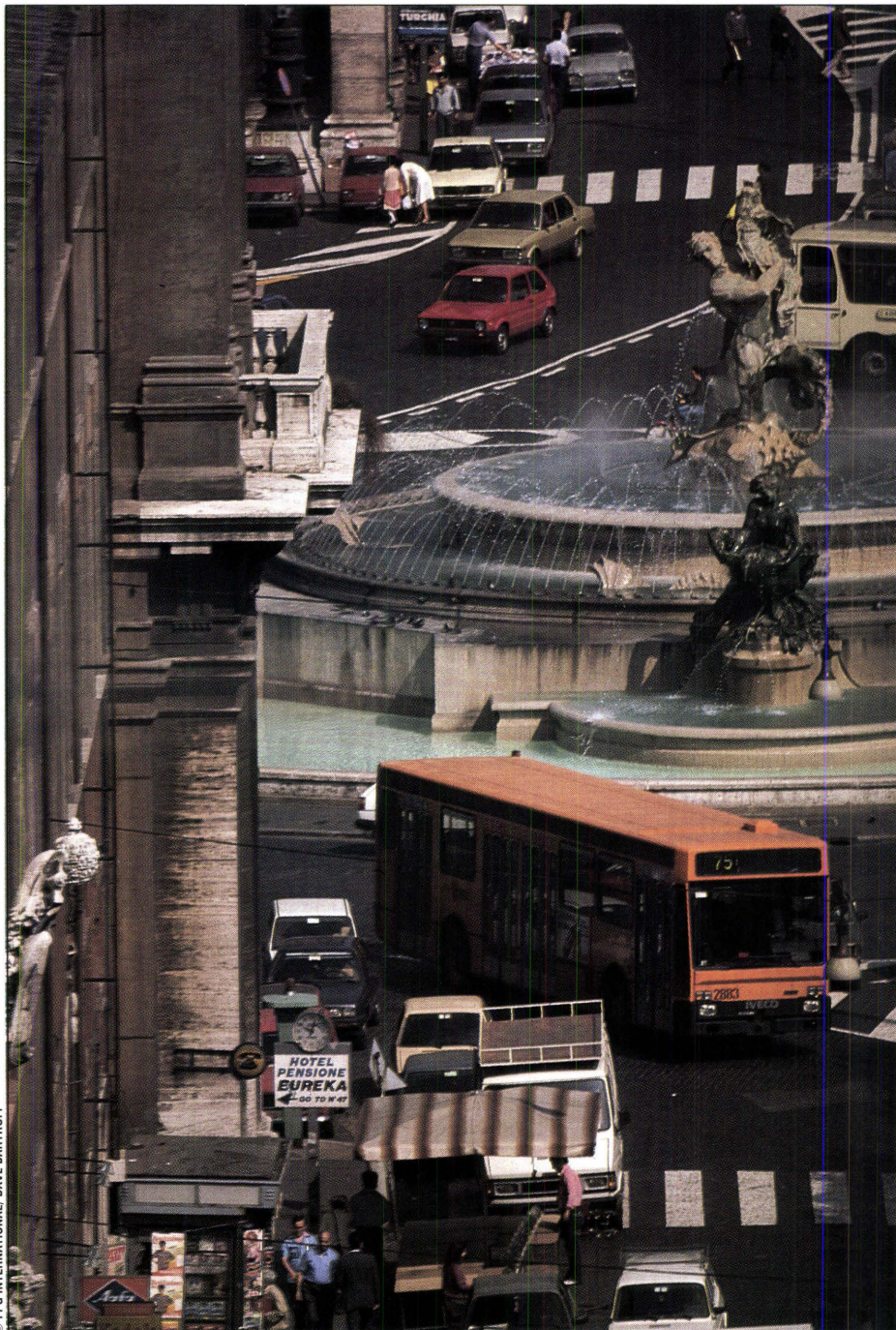
With no growth, a large budget deficit, unusually high unemployment and almost 20 percent of all Swedes in state paid pension programs, there is not much room for spending more money. One of the few exceptions from cost-cutting is Swedish defense. Although half of the Swedish army is to be "closed down" and compulsory military service is to be abandoned, the government is willing to spend more money, in real terms, on defense. The ambition to keep cutting taxes is a major part of the new Government's program, but will be difficult to realize.

—Inger Arenander is a former correspondent for Swedish radio.



# ITALY

BY NICCOLO D'AQUINO



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The most recent E.C. classifications put Italy in third place behind Germany and France in terms of gross domestic product.

The Mona Lisa, winking in a conspiratorial manner, appeared on the cover of *Il Mondo* with the title "Italy's Surprises." What did Italy's leading economic weekly magazine discover that caused it to change da Vinci's famous portrait? It is something that all Italians know, but about which, with historic prudence, they prefer not to talk: the fact that despite all the well-known contradictions, Italy works, and works well. Well enough to justify the most recent E.C. classifications which put Italy in third place behind Germany and close behind France in terms of gross domestic product.

Naturally, in order to understand this fact, one must use different parameters when looking at Italy than those usually used when examining the statistics of other industrial powers. Without much effort, Italy allowed its foreign balance of payments to swing in one year from a \$13 billion surplus in 1990 to a deficit of over \$7 billion in 1991, but the country actually lives quite well thanks to a considerable number of productive "islands of excellence." So excellent that they are

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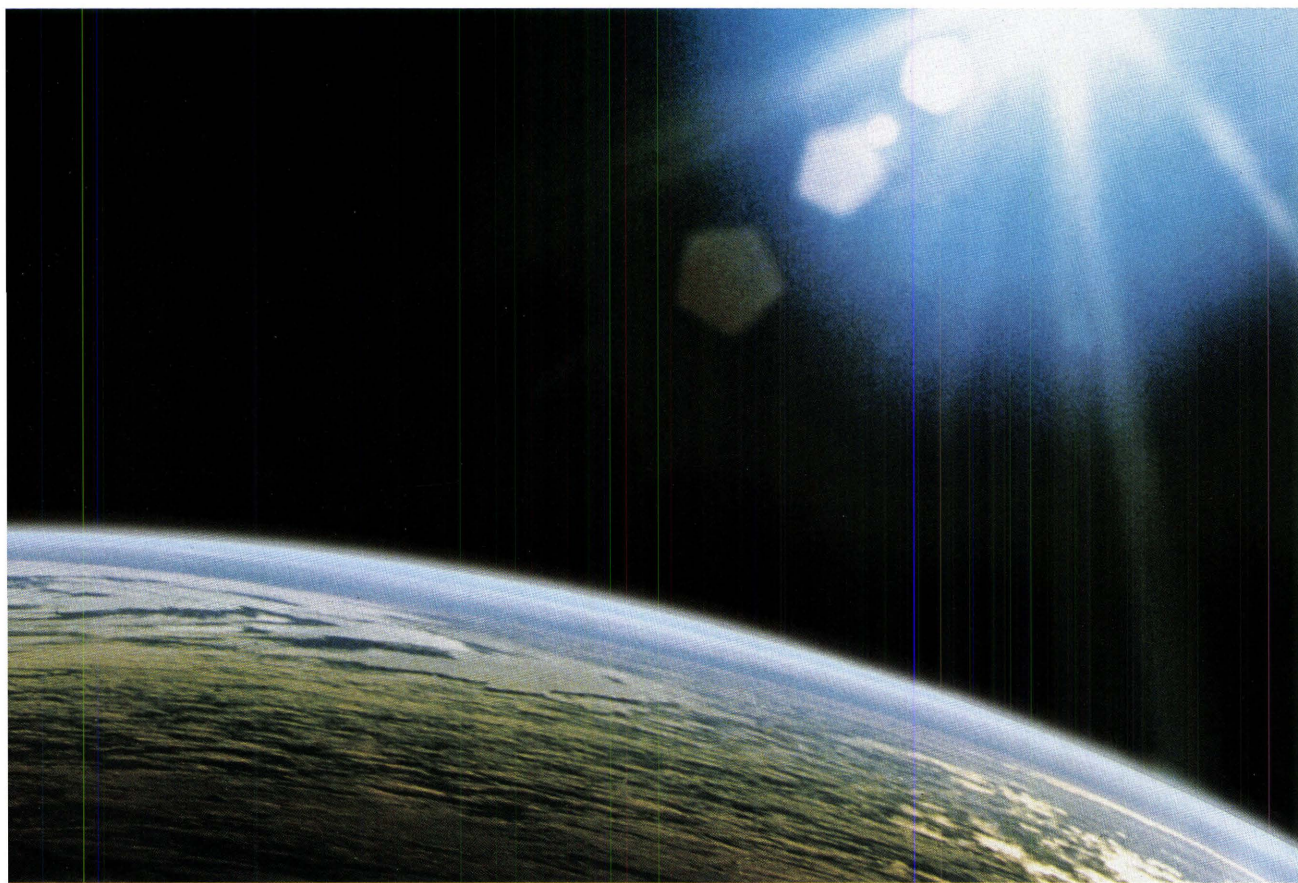


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Giovanni Agnelli's Fiat S.P.A. is Europe's second largest automaker

the cause of foreign admiration. The Banca d'Italia, for example. This issuing bank, even though it is the vital core of a country where politics is in the blood of every citizen, has always successfully defended its autonomy from political parties and public opinion. Other banks point to it as a model of good administration.

Foreign competition, of course, keeps an eye on the usual big names, the "trade-marks" that are synonymous with Italian style. Even with the difficulties that all Western countries are undergoing right now, a few large groups continue to be the pivot point of the country's productive system.

Fiat and Olivetti, Pirelli and Montedison, Benetton and Marzotto in the industrial field. Rai, Fininvest and Rizzoli-Corriere della Sera for the media. In banking: Banca Commerciale (COMIT), Istituto Immobiliare Italiano (IMI), and Monte dei Paschi, the oldest bank in the world still in

business. These are a few of the most showy calling cards that Italy can flash to the rest of the world.

But the Italian miracle is composed not only of the "big names" but of a myriad of small and medium-sized companies — they are the ones who contributed to the fame of "made in Italy." The textile industry, high fashion included, comes immediately to mind. Even if in 1991 the sector registered a one percent decrease in its external trade balance, Italian designers Valentino, Armani, Krizia, and Missoni, are still the major exporters worldwide. Part of the credit goes to creative marketing strategies that debunk the myth of Italian products that are good but not sufficiently supported by the mother company in foreign ventures. It is only thanks to these creative marketing strategies that Italian stylists can hold their own against foreign competition beginning with American competition. The big foreign

fashion buyers have, in fact, begun placing a series of orders with New York designers. The Italians have initiated a two-pronged response. On one hand, they have diversified, using their trademarks for other products from perfume to eyeglasses. On the other hand they have begun franchising on the international level. The winning model and forerunner of this strategy is Benetton.

But, besides fashion and industrial design (two of the most recognizable names are Gigliarò, known for luxury car chassis, and Ettore Sottsass, the father of one of the most famous schools of contemporary domestic design) there is a long line of other successful businesses. One discovers that many of these, even if they are small, are virtual world leaders in their sector.

*Il Mondo*, in its detailed report, discovered that there are 62 Italian companies in the number one position worldwide in

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**"Sixty-two Italian companies are in the the number one position worldwide in their fields."**

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their field. On the European level there are over 100 Italian firms that are leaders. A few of their names will ring a bell. Others are truly a surprise. And this, in a nutshell, is the true popularity of the Italian industrial machine. It does not attack the international market with a unanimous strategy, with collective aggressions that seem to be programmed at the government level, like Germany and Japan. No, they penetrate individually, with each separate business taking the initiative. Only time will tell if this system will prove to be a winner in the long run. For now, it definitely is for the companies which have adopted it.

The class of Italian companies that are world leaders in their sector is truly mixed. The American trademark Himont, which belongs to the Ferruzzi family, controls 20 percent of the world market of polypropylene, beating out giants such as Shell, Hoechst, BASF, and DSM. The world's number one producer of hydrofoils belongs to the Rodriguez brothers of Messina, on the Straits of Sicily, who export over half of their total production.

**A**lso noteworthy are Beretta of Brescia, whose automatic pistols have convinced the U.S. Army to abandon their historical Colts, and Alenia Spazio, created two years ago by the fusion of Aeritalia and Selenia, and now the leader in air traffic control systems. One can also become a world champion by producing in a small factory near Genoa 2,000 globes a day — globes that are destined for school rooms worldwide. Tecnodidattica Ligure, whose lilliputian headquarters are located in an obscure locality called San Colombano Cartedoli, has become a world leader in its corner of the market employing just 33 workers and exporting 90 percent of the globes it produces. In the textile and fashion industry, Ermenegildo Zegna in Vercelli employs 1,600 workers and exports 70 percent of the merchandise. But if Zegna is well-known, like Marzotto, world leader in linen fibers, how many people have ever heard of the Mantero company in Cuomo? It has 933 employees and exports 61 percent of its total product — finished silk.

Clothing is closely tied to the image of Italy. No surprise then if Golden Lady, an English name but an Italian owner, has its headquarters in Mantova with 1,700 employees and a 70 percent export total.

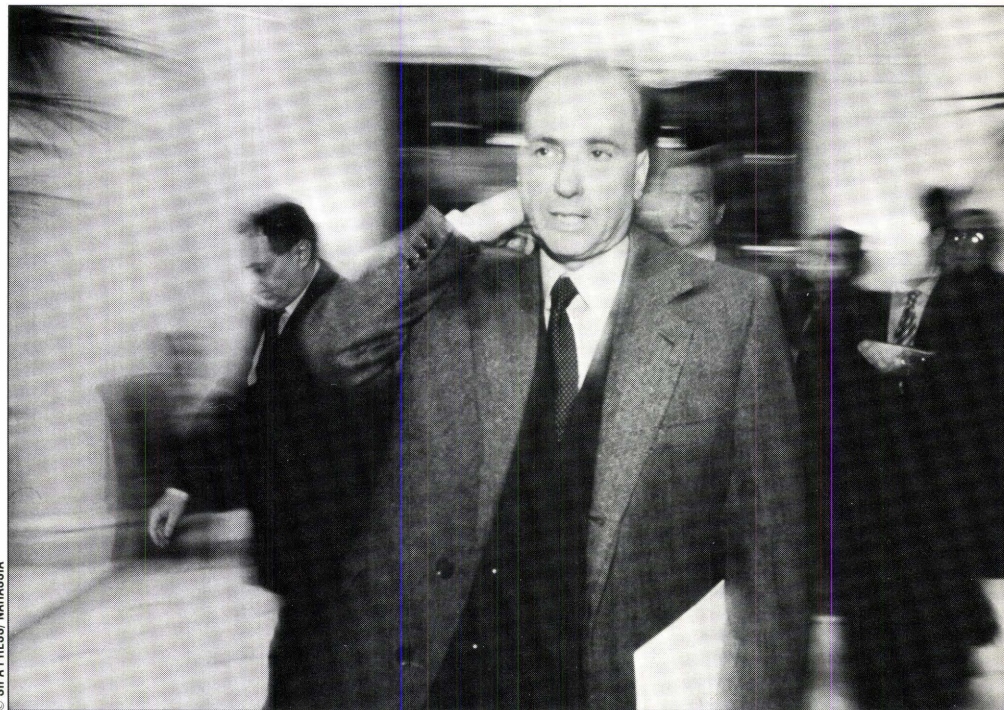
The same goes for the food industry. Barilla of Parma, even though it exports only 13 percent of its total product, is still

the leading pasta producer in the world. And since Italian ice cream is a truly "unique" product it is understandable that the Carpegiani company of Bologna (290 employees, 65 percent exported) is the world leader in its sector. And one need not frequent bars or cocktail parties to recognize the trademark Martini and Rossi. The company based in Turin exports 85 percent of its vermouth.

But the surprises come from other sectors—machine tools, for example. Comau

91 percent of what it produces—another world leader. Who is number one in packaging machinery? The answer, OD, headquartered in Bologna, owned by one family, Seragnoli. OD employs 1,250 workers and exports 83 percent of its machines.

There is a Latin proverb that says, *nemo profeta in patria* — no one is a prophet at home. This maxim, which explains typical Italian reticence to boast about their success, is firmly believed by entrepreneurs in the civil building industry. They feel suf-



In the Italian communications industry, Silvio Berlusconi stands head and shoulders above the crowd. In addition to his three television stations, his holdings include production and distribution companies and the Mondadori publishing house.

of Turin first developed a particular technology for the construction of robotic equipment primarily for the automotive industry (50 percent exported) and counts on the support of Fiat. Many other "number one" companies are first in the international market thanks to their own efforts, including Gori and Zucchi of Arezzo which works in gold and precious stones, 73 percent exported; Ima of Bologna, which exports 90 percent of their equipment for packaging tea; or Casigliani of Pisa, which has only 15 employees and is the leader in marble tables, 85 percent of which are exported.

**D**o you like to spend an evening nightclubbing? Chances are that the lights and special effects are made by Coemar of Mantova, which has just 30 employees and exports

focused by excessive bureaucracy in Italy. But business is booming in foreign lands. They are highly competitive, especially in the Middle East and now, in the "new" countries in eastern Europe. But there is a surprise. There are no single Italian groups in the very top positions worldwide. However, the number of construction and plant engineering companies at work in foreign countries guarantees Italy the bronze medal behind the United States and Japan. One figure is particularly significant. Compared to 1989, the workload of Italian construction companies increased 19.6 percent, whereas the world average increased only 6.8 percent. The top 37 Italian companies involved in plant engineering worldwide (including Fiatimpresit, Ansaldo of the state-owned IRI group, Fochi, Astaldi) had foreign orders placed for a total of \$13 billion in 1991.



Carlo De Benedetti's Olivetti is Europe's largest maker of personal computers and electronic office equipment.

There are also surprises in the educational sector which are of fundamental importance in the formation of the managerial pool and the work force of tomorrow. In elementary schools there is one teacher per every 13 students, as opposed to one every 16 students in Sweden, one every 17 in Germany and one every 21 in France. The same excellent teacher-student ratio holds true in the higher schools as well. The Italian state pays 5.7 percent of its gross national product for schooling, sixth place worldwide, ahead of Japan, Germany and the United States.

But, if the basic instruction is good, at university level things get a bit worse. The number of graduates per one thousand youths is low — barely 70, behind Canada, the United States, Japan as well as France, Britain, and Germany. But even here Italy has its “islands of excellence” — universities and research institutes famous throughout the world. The universities of

Rome, Trieste, Ferrara, and Catania have a good international reputation in the physics sector. In economics, the private university Bocconi of Milan is Italy's answer to the economics programs at Harvard or Columbia University.

Naturally, Italy has problems as well. On the whole, they are all in the same field — public services. State telephones, under the guidance of the company SIP, are among the slowest in the advanced industrial world. Public transport is behind in every sector, not only trains but urban transportation as well.

**I**taly, however, is the land of dramatic last-moment recoveries, as in the case of transposing Community standards into national legislation. After years of bringing up the rear and earning a warning from Commission President Jacques Delors, in just a few weeks Giulio

Andreotti's Government turned the situation around. One hundred and ten of the 151 standards necessary for entering the unified market of 1993 have been approved. And so Italy jumped to fifth place in the list of diligent countries, ahead of Germany and close behind France.

Such is the Italian recipe for excellence and well-being. A mixture of strong individualisms that seem to flee from collective organization and common effort, but which, at the last moment, help to recover what seemed to be lost ground. In this way Italy resembles a naturally-gifted student who prefers to spend his time having fun and only starts to cram during the final days. His teachers and parents might anxiously suffer. But in the end he is promoted cum laude. And he smiles, already thinking about new diversions. €

Niccolo D'Aquino is the special correspondent for foreign affairs at *Il Mondo* and reports regularly from Rome for *EUROPE*.

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**“Italy pays 5.7 percent of its gross national product for schooling, sixth place worldwide, ahead of Japan, Germany, and the U.S.”**

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# Around Italy

## Ferrari Brings In Big Brother

**T**wo-time Formula One World Champion Niki Lauda is once again a member of the Ferrari Racing Team. Instead of driving, however, this time he is consulting.

Lauda will accompany Team Ferrari to 16 Grand Prix around the world. Ferrari spokesmen say that his role will be more of a "big brother" to the drivers than a consultant.

During his campaign for a third Formula One title, Lauda was seriously burned during an accident, and decided to leave the driver's seat. Since his racing days, Lauda has gotten into another race of sorts—the corporate rat race. He now operates his own airline, appropriately named Lauda Air.



© DUOMO/DAVE MADISON

Ferrari drivers hope Lauda's "brotherly" advice will put them in the winner's circle more often.



## Italian Karaoke

At first glance the Bella Li appears to be just an average hip Milanese nightclub. The waiters wear Versace and serve excellent *focaccine genovesi* and the young and not so young come to see and be seen...and to sing. That's because the Bella Li is Italy's first "Karaoke" bar—dedicated to letting customers sing like the stars.

Karaoke is an audiovisual system that plays the latest pop-rock music videos with an instrumental soundtrack and close captioned song lyrics. The system, marketed by Pioneer, allows customers to

takeover the microphone and croon the lyrics just like Madonna or Frank Sinatra—sort of.

The idea began in Japan (karaoke is Japanese for "empty orchestra") which now boasts over 200,000 karaoke bars. In Italy the fad has gained so much attention that nightclub and restaurant owners all over the country are clamoring to add karaoke to their establishments. Sales of Pioneer's Laser Karaoke (left) are booming—so much so that Pioneer is already in the process of providing the video-text of popular Italian songs.

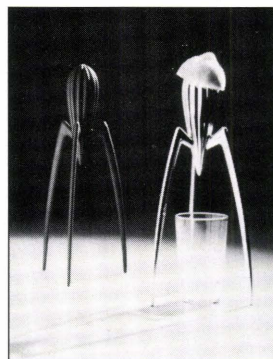
—Emanuela Silvestri

## Is It Art...Or A Kitchen Appliance?

This year marks the tenth anniversary of Alessi's world-famous espresso machine. As head of the home appliance manufacturer, not-yet-40-year-old Alberto Alessi represents the third generation of the company's family. Alessi's appliances are best known for their striking artistic shapes, such as triangular tea kettles and spider-shaped juicers.

Kitchens have always been central meeting places for families and friends. And as the emphasis on status and luxury has increased, even household appliances have become symbols of wealth. Alessi was one of the first to capitalize on the idea of ordinary appliances that are both functional and beautiful.

Alessi's products, however, are far from ordinary. Over the years the firm has won countless design awards for its unique style. As artistic supervisor, Alessandro Mendini is the man behind the Alessi style. A well-



Alessi juicer



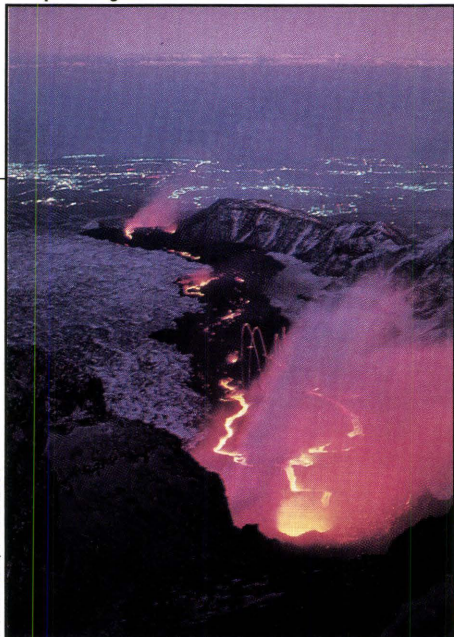
Alessi water kettle

known Milan architect, Mendini was hired by Alberto Alessi in the early 1980s and now Alessi creations grace countless kitchen counters worldwide.

—Dominique De Santis and Julia Nasser



Europe's largest active volcano.



© SIPA PRESS/ YVES DRETON

## Sicilian Volcano

When the Sicilian volcano Etna erupted in December 1991, few people outside Italy noticed, and fewer still are aware that it is still erupting.

So far lava flows have destroyed important water springs that served small villages surrounding Etna. Fields and towns were spared when army and emergency teams built barriers against the lava. Almost one million people live near the volcano.

Etna is the largest active volcano in Europe, standing 11,000 feet high. Unlike Vesuvius in Naples, which last erupted in 1944, and Stromboli, inactive since 1930, Etna is extremely active—erupting seven times in the last ten years. Its worst eruption took place in 1669, when the lava burned all the way to the sea, devastating the countryside.

## Tomba is Bomba

Nobody liked him when he used to win. Now he's winning again and he's become likable, idolized by fans and pointed out as an example to follow. What has happened to **ALBERTO TOMBA**, the skier who by winning a gold medal at the Olympic Games in Albertville, Savoy, became a legend as the only athlete ever to win two consecutive gold medals in the Winter Olympics?

What happened is that the champion has travelled a road that few are able to follow. He descended from the Paradise of the "number ones" down to the Hell of the ex-champions who can't manage to win anymore and then was able to turn around and follow that road back up to the top. And on the way he acquired the humility and human qualities which were lacking when he was first winning, back in 1986.

Tomba, by profession a "carabiniere" (a member of the military police), and by extension a man of order and legality, has tightened the reins on his exuberance. He has forsworn "excessive" manifestations. No more loaded comments in front of the television cameras. His passion for Ferraris has been momentarily sidelined. He has stopped violating training rules. The old Tomba was legendary for spending the night before a race with a female admirer in direct violation of Italian Ski Federation training rules. Adding insult to injury, he would slip the fine under the door of the directors of the Ski Federation: "It's faster this way."

His reply? No more slogans issue from his mouth. His slogans made him famous with the crowds, but didn't make him any friends. Slogans like the one that plays on the double meaning of his last name (tomb). "I'll bury you all!" he would often shout before beginning his race.



Who performed the miracle of transforming this prime example of "genius and immoderation" into a model of "genius and moderation"?

One of the people responsible was certainly Italian Gustavo Thoeni, world ski champion of times gone by, and the diametrical opposite of Alberto Tomba. Thoeni is a man of few words, often cold (interviewers still remember their desperate attempts to get comments from him after his victories). He is a mountain man from northeastern Italy, a border zone shared with Austria where German is more frequently spoken than Italian. Tomba's rebirth is the result of the rapport that sprang up between the Master and the Student. The Master,

with few discourses and much self-confidence, corrected the defects that the young, exuberant champion didn't see in himself. Defects both in his personality and in his skiing style. "Ski with your seat higher up, Alberto," Thoeni would say with his German accent. And it was good advice, since Tomba has begun winning again. And now, girls aren't seen in the corridors of the hotels where Tomba goes into seclusion with his teammates.

In Italy where the true national passion, soccer, has become disconcerting because it has become too commercial and is dominated by the strange-

sounding names of foreign champions, part of the Tomba mania is due to the fact that he is "all Italian"—his passport, his extroverted personality, the fact that he doesn't hail from some isolated, snow-bound village, but from the urban outskirts of Bologna. By overcoming the defeats and re-scaling the heights, Tomba has become in the Italians' eyes "one of us." It is no coincidence that his fans, who followed him to Albertville, serenaded him after his victory with the chorus from the opera "Nabucco." Now Tomba can rightfully and laughingly shout out his favorite battle cry, that is both a pun and an assonance: "Tomba is bomba!"

—Niccolo D'Aquino

© DUOMO

# The Style Capital

Christopher Columbus could not have charted it better. The quincentennial of his famous voyage and all its attendant hoopla just happen to coincide with what might be considered the Italian moment in America. Which means that across the United States people are dining on pasta and risotto in the hottest Italian restaurants—Coco Pazzo or Bice in New York, I Ricchi or Bice in Washington, or Bice in Beverly Hills. And the four-digit duds those diners are wearing? As Italian as that divine comedian, Dante.

Think of all the delicious vowels tripping off American tongues these days: Gucci, Pucci. The trendy Fendi sisters and Prada. The elegant Valentino, bad boy Franco Moschino, dramatic Gianfranco Ferré, daring Romeo Gigli and the team of Dolce and Gabbana, Krizia, Genny, Complice, Byblos. At the most affordable level, the boys from Benetton.

And at the top of the well-dressed heap, the master of minimal chic, Giorgio Armani. Back in the late 1970's, when women were trying to shoulder their way into the boardroom and the courtroom, Armani's the designer who gave them the shoulders. His inverted pyramid became the power suit—wide shoulders, double-breasted jacket closing on the diagonal, tight little skirt, the whole thing in serious-looking narrow diagonal stripes of olive and black. The uniform.

It worked, and so did women. For the past few years, Armani has felt that women no longer need the shoulders. So he has been offering them the unconstructed jackets he's been making for men since he started in 1974. And now the Armani daytime uniform, male and female, is the jacket, t-shirt of the same color or white and loose, easy trousers, and all made from the most seductive fabrics. Leave the Ladies-Who-Lunch-in-Little-Dresses to Valentino, the modern American woman, with her long lean sportswear body, has Armani on her side.

Think "Miami Vice." Think "American Gigolo." In fact, the Armani look is getting a lot of very visible help from Hollywood. And vice versa. Those denizens of Tinseltown who want to appear as though they have style and class have embraced the intense Piacenza's favorite son. For them the Armani look is more than clothing,

more than fashion. Armani is, to cross the Alps for a moment, Zeitgeist. A way to look rich without looking rich, if you get the picture. Class and breeding.

No! Boring, boring, boring, says Armani's most influential rival, Gianni Versace. Sequined jackets? Try Versace's sequined jeans, skin-tight satin pants! Think Madonna's outgoing? Consider Versace's painted-on, cantilevered-bosom sheath dress!

So the contest becomes Richard Gere and Cindy Crawford in Armani versus the high-voltage Tina Turner and Cher in Versace. But not winning the allegiance of Cher and Tina is no skin off Armani's nose. He doesn't need them. He has, in addition to the Geres, Michelle Pfeiffer, Isabella Rossellini, Anjelica Huston, Caroline Kennedy Schlossberg,

Jodie Foster, Julia Roberts, Winona Ryder, and a good portion of the beautiful people gathered at the recent Oscar Awards presentation (both on stage and in the audience)—not to mention the thousands of others who won't be wearing their Armani in the pages of *People* and *Vogue*.

That leaves the real people shopping for real clothes in the hands of the clever Benetton family. Or it did. When the 1980's turned into the decade of fast food and faster fashion, Benetton was there on every American corner (or so it seemed) just like McDonald's. The theory was to be wherever the customer happened to be when he or she got hungry for a fuchsia pullover. Or,

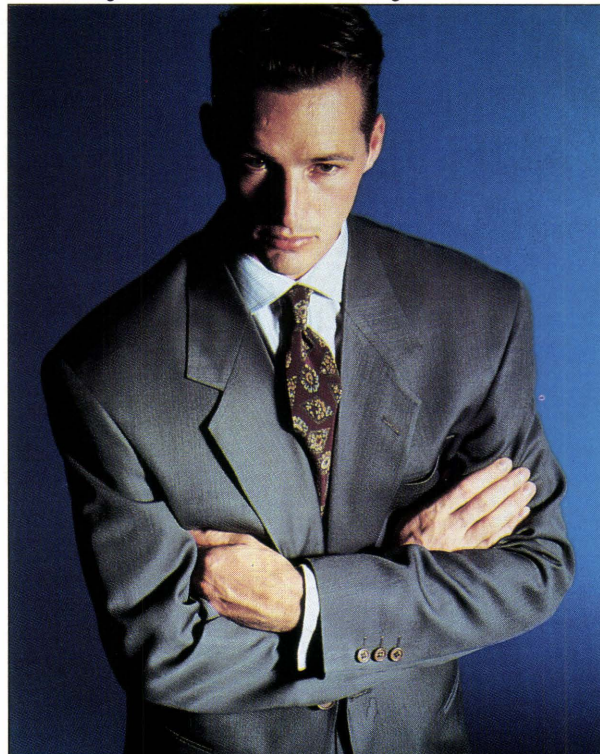
if there were two Benettos in the neighborhood (and there were, there were), one would do the fuchsia buy while the other coordinated the lemons and limes.

If Benetton has lost a little of its momentum for the moment (for several years it became distracted from its 5,000-plus shops in 80 countries and branched out into financial services), that's certainly not the fault of the ambitious and sometimes controversial advertising campaigns the company has been running for the past eight years.

Then there are the prices. Benetton's fast-fashion image puts it in competition with the San Francisco-based Gap, and the Columbus, Ohio-based Limited. But while The Gap and The Limited shop around the world for cut-rate manufacturing, Benetton seems committed to mostly Italian manufacture—and in

BY NANCY McKEON

Italian designer Krizia is one of Milan's rising stars.





COURTESY OF ARMANI



COURTESY OF GUCCI

## ADVERTISING BENETTON-STYLE

these days of the vigorous lira, that means more money at the cash register.

Faced with the same upward drift in fabric and production costs, high-end Italians have felt the pinch as well. By one estimate, sales of quality ready-to-wear were down some 25 percent from 1988 to 1991, and there has been no good news since then. The only operation exempt from this rule seems to be Armani's—and now Giorgio is coming in to scoop up his share of the erstwhile Benetton crowd.

December 1991 saw the first of his "low-end" A/X: Armani Exchange stores open in New York City. And who would buy \$100 jeans and \$75 t-shirts in the middle of a recession? Enough people to rack up the sale of 2,600 items in the first two days, that's who.

Clearly the Italian moment is going to run a while longer than scheduled. The good news from Milan is that it doesn't take vast amounts of money to dress well in clothes designed by top stylists. According to the countess Donatella Pecci Blunt, one of Italy's "beautiful people," the new code is "Women are free to dress however they want." As long as it is an Italian who dresses them. €

Nancy McKeon is the features editor for the *Washington Post Magazine*.

The Italian clothing group Benetton is once again attracting international attention and criticism for its latest advertising campaign. The Spring/Summer 1992 ads, which appear in magazines and on billboards around the world, are under fire from international critics for their graphic images. An AIDS victim being comforted by his family, Albanian refugees climbing into an overcrowded ship, and a burning car are three of Benetton's most talked about print ads.

Benetton is no stranger to controversy. The Treviso-based company's 1991 photo ad campaign, featuring Baby Giusy—a newborn with her umbilical chord still attached—created an uproar in much of Europe. Britain, Ireland, and France forced Benetton to remove the ads from their billboards and the city of Milan forbade Benetton to display the ad on the Plaza Duomo, one of Italy's foremost religious centers.

Nevertheless, Benetton perennially wins advertising awards for their controversial ad campaigns. In 1990, the year in which the trademark "United Colors of Benetton" ads came



UNITED COLORS OF BENETTON

COURTESY OF BENETTON

**No stranger to controversy, Benetton's ads have created an uproar in much of Europe.**

out, Benetton won the International Andy Awards of Excellence in the United States and Media and Marketing Europe in the United Kingdom for their print campaign.

The controversy surrounding Benetton's ad campaigns have not hurt the clothing company's sales. Last year, gross profits rose 36.2 percent as the company netted \$115.6 million. Benetton now has 6,300 stores operating in almost 100 countries, including one in Armenia of the former Soviet Union.

For now, Benetton wants to brush all the controversy aside and focus on taking on "the role of the protagonist in the confrontation of ideas on important topics" in their advertising.

—Leo Charitos

## THE ARMANI CAMPAIGN

If you hear the name "Armani" and automatically a flood of adjectives comes to mind—Italian, expensive, elegant, glamorous, sophisticated, and sensual—you are not alone. In the past fifteen years, "Armani" has become an international synonym for ultra-chic among style-watchers and fashion-lovers everywhere.

For much of the 1980s, Giorgio Armani has been at the center of a fashion revolution. During that time, the clean, understated Armani designs proceeded to debunk the stereotype of flashy, dysfunctional Italian fashion and in the process built a business that now boasts his designs in 2,000 stores worldwide with estimated sales of \$654 million.

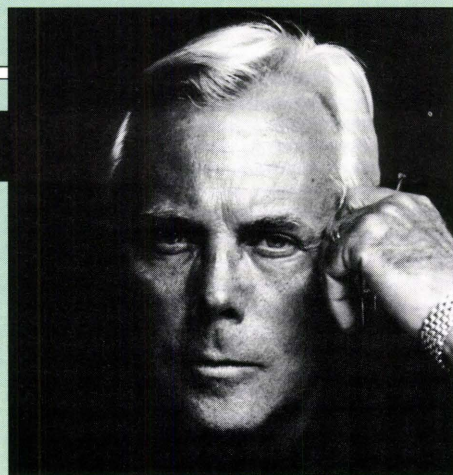
The man behind the famously wealthy label grew up in a middle class family in Piacenza, northern Italy. After two years as a medical student, Armani left school in 1957 to pursue a career in fashion. He began as a buyer for la Rinascente, Milan's largest department store. He left after eight years to become an assistant designer for Nino Cerruti. In 1975 at

age 41, Armani with a partner started his own men's and women's lines. Seven years later, he was on the cover of *Time Magazine*.

The Armani style emanates from a basic philosophy of "eliminating the superfluous, emphasizing the comfortable, and acknowledging the elegance of the uncomplicated." His clothes begin with the idea that they should be unpretentious and comfortable.

He designs unstructured jackets and pants without creases. His jewelry is described as "de-accessorized" and his haute couture as "understated without baroque excesses." His menswear begins with "crisp" natural fabrics in cool, deep tones that are cut to emphasize clean-cut shoulders and slim pants.

It is not surprising that Hollywood, long devoted to the Paris houses, has taken notice of Armani. *Women's Wear Daily* named him "the official outfitter of the 62nd Annual Academy Awards." Celebrities such as Robert De Niro, Candice Bergen, Kevin Costner, Anjelica Huston, Glenn Close, Billy Crystal,



Goldie Hawn, Jessica Lange, and Barbra Streisand are regularly seen dressed in Armani designs.

Although Giorgio Armani, himself, prefers to avoid the limelight, many in the industry see the Armani name leading an Italian campaign (which includes rising Italian talents such as Missoni and Krizia and established labels like Valentino and Fendi) to center the fashion world in Milan. Many veterans of the fashion watch discard such speculation as self-serving bombast, but in the meantime Armani definitely has Paris on notice.

—Peter Gwin and Dominique DeSantis

COURTESY OF ARMANI

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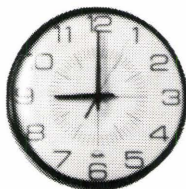
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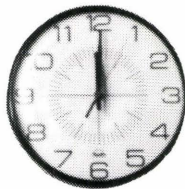
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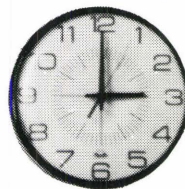
## it's time we talked



LONDON



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# CAPITALS

## Danes Vote On Maastricht

COPENHAGEN—Though few doubt that a majority of the Danes will endorse the Maastricht treaties at the referendum on June 2nd, the opinion polls show serious wavering among the supporters of Denmark's largest political party, the Social Democrats. The party leadership has committed itself to support the union treaties, but the polls show that between one half and three quarters of Social Democrat voters are against this step toward E.C. integration. If they stick to their intention in June, this could leave Denmark out on a limb. It would also be a strong disavowment of the party leadership. As a result, party leaders are campaigning vigorously among Social Democrats to vote in favor of Maastricht.

This is the third Danish referendum on membership in the European Community. None of the outcomes of the referenda are constitutionally binding for the Danish Parliament, the Folketing, but parliament has historically respected the will of the voters.

In 1973, a majority of two-thirds of the Danes decided to join the E.C. in a referendum, which was called by a Social Democratic government faced with strong internal dissensions on whether to join the European Community. Svend Auken, today's party leader,

was until the final weeks of the campaign, the chairman of the Social Democratic group advocating a "no" to Danish E.C. membership. Once membership was an established fact, Auken did not support those who wanted Denmark to leave the E.C., but has worked successfully to ensure that Denmark would never be in the vanguard of E.C. integration, whether his party was in power or not.

In 1986 the present prime minister, Paul Schlüter, called a referendum, when the Social Democratic Party—again after internal dissension—could not accept the European Act, the E.C. Treaty amendment that created the single market. A majority of 56 percent of the voters approved, but there was a fairly strong minority of 44 percent against the measure, a figure that is considered significant this spring.

The campaign to approve Maastricht had a slow start, with opponents of the new E.C. treaties stressing the loss

of sovereignty, with possible repercussions on the welfare state. Supporters of the treaty amendments, including the influential Social Democratic Industrial Worker's Union, focus on jobs and increased Danish influence of E.C. decisions, as shared sovereignty will reduce the power of Denmark's ever-more-powerful neighbor—Germany.

One subject is taboo—defense. Though young Danes are happy to enlist for a United Nations peacekeeping force in Croatia, European Defense is not on the agenda of union supporters, at the insistence of the Social Democratic Party, which is also blocking Danish membership to the West European Union.

—LEIF BECK FALLESEN

## New Portuguese Television

LISBON—A decision to award one of two new private television channel licenses to a

Roman Catholic church project has stirred controversy. The move was strongly attacked by the defeated contender in the three-way license contest, a consortium led by Daniel Proenca de Carvalho, former chairman of the state-run national network RTP (Radio Televisao Portuguesa).

The move to grant two new licenses was taken after years of agonized debate and political concern. Television has a major influence in Portugal, where 80 percent of the population watch the box and illiteracy remains above 20 percent. Critics of the Church television station claim that no other E.C. country provides similar facilities to the Roman Catholic hierarchy. Defenders saw the license as an extension of the highly popular and profitable Church-run national radio network, Radio Renascenca, which attracts a wide audience and large volumes of advertising and generates revenue partially used for religious activities.

The private license decision, after three years of delays and argument, means that in Portugal the prospect of wider choice is at hand. The two new private television channels have the green light to begin broadcasting as early as this autumn.

Until satellite television began to catch on here about three years ago, television viewers were restricted to the two state-owned national television channels, RTP 1 and

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## Forty Years on the Throne

RTP 2.

While satellites broadened the choice, language remained a barrier for many viewers. The private channel decision opens not only wider domestic viewing but will hopefully promote a whole new television production industry and boost national awareness, language, and culture.

One of the problems facing Portuguese television networks is the lack of domestically produced programming. Arts ministers over the years have expressed concern about the effects of subtitled foreign language and Brazilian programs on domestic Portuguese usage. Efforts to introduce dubbing have proved too costly for the relatively small audience—around 10 million.

The government has earmarked \$5.6 million for domestic television program production. The cash will be channeled through an IACA (Institute for Arts, Film, and Audiovisual) fund and is to help stimulate Portuguese-language programming as the number of transmission hours doubles.

—KEN POTTINGER

### Investment in Germany Questioned

BERLIN—"Germany as an investment location," says Chancellor Helmut Kohl, "constitutes the central issue for the Federal Government."

But worried economists ask: "Are the Germans enjoying high life and not caring enough about high performance?" Henrich Weiss, President of the German Industries Federation, warns "Germany is no longer competitive as an investment location.... If we fail to make Germany more attractive as a location for investment, hundreds of thousands of jobs will be exported."

LONDON—Queen Elizabeth II has just celebrated 40 years on the throne and has dismissed any suggestions that she might retire and hand the crown over to Prince Charles by declaring that hers is "a job for life."

The celebrations marking the fact that she is one of the world's longest serving heads of state were relatively restrained. This was probably just as well, because any ostentatious display would have provided more ammunition for the critics who have been complaining recently that despite being the richest woman in the world, the Queen pays no taxes.

When the young Princess Elizabeth ascended to the throne in 1952 after the death of her father King George VI, the institution was widely revered and the monarch held in awe. The steady decline in Britain's world position plus a more iconoclastic media has led an increasing number of people to enquire, very politely in most cases, who's paying for the monarch's clothes.

A Gallup poll last year revealed that while 75 percent of those questioned think that Britain needs a royal family, primarily as a tourist attraction, only a quarter of these said they had a great deal of affection for the royals. Among the under-25 age group, that figure dropped to a mere six percent.

A descendant of the oldest British instrument of government, the Queen no longer has any real political power. By the end of the 19th century, with the development of modern party politics, the monarch's role has become largely symbolic.

The whole world, however, loves the pomp and circumstance of a royal wedding, and equally the whole world seems

to want to know every titillating detail of the often crass or eccentric behavior of the Queen's children. The attempt to adapt to the modern world by being a bit more open about their activities has led to caricature and mockery by the tabloid press and television satire.

Critics say the royal family is a bastion of a system of class and privilege, and is essentially out of touch with modern democracy. A very few on the eccentric fringe call for the abolition of the monarchy, others say their privileges should be curtailed, and a larger number question the economics of the monarchical system in Britain.

The British taxpayer provided the Queen with \$100 million in 1990-91 to help pay the expenses of the Royal household, the Queen's own private expenses, the Royal yacht, palace maintenance, the Queen's aircraft, and the Royal train, and so on. Some say it is money well spent as the Queen and her family are a huge tourist attraction earning millions of pounds for the country every year.

Others argue that it is ridiculous for the British taxpayer to provide vast sums of money to the pampered royals who live in vast and conspicuous luxury. They also question the need to provide yet more money to a family whose head, the Queen, has a personal fortune estimated as well in excess of \$10 billion—and who pays no taxes.

It appears increasingly unlikely that the British monarchy will be the same 40 years from now. It may have to become more like other European royal families where there are as many bicycles as Bentleys in the garage.

—DAVID LENNON



At a recent conference, business leaders in Bonn came to the conclusion that Germany had lost much of its attraction as an investment location. Entrepreneur Hans-Peter Stihl, who is also President of the Chamber of Industry and Commerce, illustrated Germany's relative decline in attractiveness by providing gloomy facts and figures from his own business group. Out of his group's 21 independent businesses, 17 have been founded abroad to improve competitiveness on the world market. Two of them were set up in 1990 in Japan and in Hungary.

The experts agree that the main impediments to investment in Germany are high taxes and large personnel and environmental protection costs. In fact, Germany has dropped to fourth place in the competition for American capital behind Great Britain, France, and the Netherlands (in 1985 Germany was in second place behind Great Britain). The bulk of Japanese investment in Europe goes to the Netherlands and Britain (six times as much as to Germany).

Stihl reports that in an international comparison, Germany ranks highest in personnel costs and in shortest working hours. He admits that Germany offers a number of positive factors such as highly educated workers, an efficient infrastructure, stable politics, and high productivity.

Edzard Reuter, Daimler Benz Chairman of the Board, says that, "Even with respect to quality or other arguments based on German reliability... we in Germany no longer have any significant advantages as an investment location. Recently Daimler Benz announced that it would set up a production line in South East Asia.

Alarmed entrepreneurs call for speedy corrective action to

## *“Reynolds has signalled his intention of giving priority to issues such as divorce and contraception.”*

enhance Germany's attractiveness. They demand lower corporation taxes following the example of the United States, Great Britain, Spain, Austria, and the Netherlands which have drastically lowered their corporate taxes. Stihl says that in Switzerland after paying taxes on a profit of 10 million Swiss francs, he is left with 6 million francs to invest. In Germany, a profit of 10 million German marks leaves only 3 million German marks.

Another major concern is environmental protection costs. Hermann Stranger, Bayer's Chairman of the Board says that, "I find it problematic that we Germans are developing the ambition to leave all other countries far behind us with our environmental policy. The extreme costs inherent in new regulations are approaching the limits of our financial capacity."

With the 1992 integration process, the competition for capital in Europe will become increasingly intense. Harmonized standards and open borders will diminish the need for multiple production facilities. Potential investors will place even greater emphasis on finance issues such as taxation and employment cost. "Germany cannot afford to be the world's champion in longest holidays and shortest working hours," Chancellor Kohl warns. Entrepreneurs could not agree more.

—WANDA MENKE-GLÜCKERT

### **New Taoiseach**

DUBLIN—The scale of the Cabinet changes by the new Taoiseach (Prime Minister), Albert Reynolds, staggered political commentators as well

as the politicians themselves. "St. Valentine's Day massacre" and "butchery" were two recurring headlines as Reynolds fired eight senior ministers from his own party, Fianna Fail, and 10 of the party's 12 junior ministers.

One reason for the huge clean-out may have been the firing of Reynolds himself last November when he was among the 22 Fianna Fail parliamentarians who voted for a failed motion of no



After serving as Ireland's prime minister for eight years, Charles Haughey (above) was replaced by his former finance minister, Albert Reynolds.

confidence in the then leader, Charles Haughey. Most of the 22 have now been rewarded with government posts while experienced ministers like Gerry Collings (foreign affairs) and Mary O'Rourke (health) have been fired or demoted.

Reynolds himself defended the firings by saying that the electorate "demanded change" after the series of business scandals with political overtones which have been unfolding over the past six months. Media comment was generally favorable to the new leader's desire for a "new broom" while expressing surprise at its extent.

Unemployment and Northern Ireland are seen as the new Government's most pressing tasks as the number of jobless has soared to the

highest ever recorded in the State and the sectarian killings across the Border become more horrible. With his background in business, Reynolds is expected to put increased emphasis on job creation schemes through greater investment in industry. But what he can do to improve the situation in Northern Ireland beyond setting up meetings with British ministers is unclear, especially as the forthcoming election in

Britain may change the political landscape.

Conscious of the need to increase support among the younger, urban voters, Reynolds, who has been seen as a conservative on social issues, has signalled his intention of giving priority to the sensitive "liberal" issues such as divorce and contraception. He expects that there will be a new referendum to permit the introduction of divorce within two years while the Minister for Health, Dr. John O'Connell, has said he is determined to tackle the AIDS problem more vigorously than his predecessors and will not hesitate to offend the Catholic Church by making contraception more available for young people.

As one of the most outspo-

ken critics of the present coalition arrangement which sees Fianna Fail staying in power with the help of the small Progressive Democrats' party, Reynolds has also signalled that he hopes the Government re-shuffle will help Fianna Fail win extra seats in the next election which may be less than two years away. In this way, he would become leader of a new Fianna Fail Government which would have an overall majority and not be dependent on what he has derisively described as "a temporary little arrangement."

The new Taoiseach has little time to build up the party morale after the traumatic events of the past two years, which included entering a coalition government, losing the Presidential election, doing badly in local elections and the forced resignation of Haughey and the Cabinet blood-letting. If Reynolds can deliver the overall majority, the first since 1977, he will be hailed as the savior of the party and the wounds caused by his widespread sackings will be forgotten. If he fails, there will be a lot of enemies waiting for revenge.

—JOE CARROLL

### **The New Rules of Seduction**

PARIS—For a recent French public-opinion poll, one thousand men and women were asked to imagine the following scenario: Jean-Pierre, manager of a small company, is interviewing a female candidate for a secretarial position. In the midst of the job interview he asks her: "Would you be willing to take off all your clothes in front of me?"

One out of five of the



## Brussels' Hero

women polled (and one out of four of the men) did not consider this to be sexual harassment! Seriously—this is not some kind of April Fool's joke, but a genuine example of how the French view behavior that elsewhere would have feminists leaping for the throat of any man who dared to make such a suggestion.

France is currently in the process of amending its Penal Code. Among the proposed changes is a new law that would make "sexual harassment" a legal concept in France for the first time. There is little doubt that the law will be passed and enter into effect within the next few months, but in the meantime there is a lot of discussion of just what is meant by the term "sexual harassment."

By looking at a few more results of the poll cited above, it becomes pretty clear that the French definition is unlikely to be the same as anyone else's. For example, a boss who suggests to a female employee that they should go away together for the weekend "to discuss" a possible promotion was found guilty of sexual harassment by 46 percent of the men and women questioned, not guilty by 48 percent. The manager of a beauty salon who wants all his female employees to wear short skirts and stockings instead of pantyhose, was condemned by 43 percent, condoned by 52 percent. The boss, who has been showering his secretary with presents ever since his divorce, was judged even more tolerantly: 60 percent saw no harm in his generosity. As for construction workers who show their appreciation of the female form with loud wolf whistles: 82 percent of the men and 84 percent of the women found them inoffensive.

"The French are an exception. A veritable connivance between the sexes has survived all crises," explains

BRUSSELS—Deep in the school culture, every child in Belgium knows about Toto. He is the perfect street boy, a school dropout, the one that everybody likes because he constantly blunders. But now, with Jaco Van Dormael's movie that hit the United States in March, Toto is the hero.

*Toto le Hero* is one of those good movies that Belgium produces every few years and that can be sold over the world. The low budget film was a favorite at Cannes last May, winning the Camera d'Or—an award given to the best movie by a new filmmaker. Since then, it has accumulated many other prizes: the Chaplin Award at the Edinburgh festival, four European Felix awards and a nomination for the best foreign film at Hollywood's Academy Awards.

More than 200,000 people have seen the film in Belgium—which is a lot in a country with only 10 million people. There were even more viewers in France, the U.K., Italy, Switzerland, and Japan. Says Van Dormael: "I now receive more than ten scripts a week, 90 per-

cent of them coming from the United States. They even offered me to work with Madonna."

*Toto le Hero* tells a very simple story. An old man, played by French actor Michel Bouquet, screens his past. Thomas is con-



vinced that an error was made at the maternity ward where he was mistaken for the newborn child of someone else. The adopting parents were poor, while the real ones were rich. Feeling that he missed the lucky life of a golden child,

Thomas, now an old man, goes after Alfred—the other baby.

According to Van Dormael, viewers react differently from one country to another. "In most of Europe," he says, "people shift from laughter to tears. In the U.S., Italy, and the U.K., viewers don't stop laughing. For them, it's a comedy."

Born in 1957, Van Dormael started his film career with short movies and documentaries. He won numerous awards during the 1980s, but *Toto le Hero* was his first attempt at a feature-length film.

—CHRISTOPHE LAMFALUSSY

the French philosopher Elisabeth Badinter, who has written several books on the relationship between the sexes. "Contrary to England and other Anglo-Saxon countries, where there has always been a sexual power struggle, men in France have never wanted to fight with women."

France's friendly complicity between men and women is in stark contrast to the bitter battle of the sexes that is currently being waged in some other countries. Accusations of the kind that Anita Hill made

against Judge Clarence Thomas, for example, would likely have been laughed out of court here, and no French politician needs to fear for his career just because he has been a little more than friendly with a chorus girl or two.

Which is not to say that sexual harassment does not exist or will not be punished here, just that the law defining it will try hard to still leave some room for one of the favorite pastimes of both French men and women: the art of seduction.

—ESTER LAUSHWAY

## Jewish History Remembered

ATHENS—The Jewish Museum is not the best-known in Athens, but it has a particular fascination, its subject being so close yet so far. The Museum is housed in a recently refurbished neo-classical building a stone's throw from Hadrian's Arch, five minutes walk from Constitution Square. A wood-paneled octagonal lift wheezes up to the third floor, where you must ring a doorbell to enter.

Jewish legend likes to invoke, as the first meeting of a Jew and a Greek, an encounter of Alexander the Great with the High Priest of Jerusalem, as a result the holy city was spared from destruction. There were thriving Jewish communities in Greece in antiquity, and the oldest known synagogue of the Diaspora, found on the island of Delos, dates from the 1st century B.C.

After about 1300 A.D., Greek cities like Salonica became decidedly Jewish in character. Indeed, the Jewish population of Greece probably increased tenfold when Salonica and Macedonia were incorporated after the 1912 Balkan War. When Italy attacked Greece in 1940, 17,000 Jews volunteered in Salonica alone. But 90 percent of Salonica's Jews died in the war, and today there are no more than 5,000 Jews living in Greece.

The museum's cramped little rooms are stuffed with religious artifacts—oil lamps, spice-boxes, and candlesticks—or with the traditional costumes in a period Greek setting. Inevitably, though, it is the Holocaust room that overwhelms, with the relentless preservation of the reminders of evil including an Auschwitz standard issue "uniform" of coarse blue and white striped cloth.

Especially moving is the

*“Austrian doctors told Girardelli he would be ‘lucky if he could ever climb up stairs again.’”*

corner devoted to Liza Pinhas, just 24 and married for two years when the Germans invaded. Deported to Auschwitz, where her husband died, and later transferred to Ravensbrück, north of Berlin, she was forced with some 15,000 other women to march aimlessly for days through heavy snow to evade the approaching Allied armies. Hundreds died of exhaustion and starvation before one morning the women found their SS guards had vanished.

It took her five months to struggle home via Prague, Vienna, Budapest, Bucharest, and Belgrade, a journey documented in the museum with ticket stubs, Red Cross papers, temporary ID cards and other documents. From Budapest, Pinhas tried unsuccessfully to contact her brother in Istanbul, learning later that he had committed suicide on hearing the fate of the Salonica Jews. She refused an immigration permit for Palestine and rebuilt her life in Athens, where she died in 1980.

The Museum's last exhibit is a reconstruction of the synagogue from the western port of Patras. The synagogue was closed but not demolished during the mass arrest of Greek Jews in March 1943, and awaited the handful of survivors who eventually returned. When the tiny community was formally dissolved in 1979, the synagogue's furnishings and fittings—veils and coverings, reader's desk and benches, carpets and candlesticks—were reassembled in the Museum, established just two years earlier.

—PETER THOMPSON

### One-Man Ski Team

LUXEMBOURG—Luxembourg's one-man ski team, Marc Girardelli, has been a sensation after winning the country's only two Olympic medals, both silver, at the 16th Winter Olympics in Albertville, France.

Girardelli came here at age 12 after his father, Helmut, who still coaches and manages his son refused to give up his control over his son's skiing to the Austrian Skiing Federation. But Girardelli's Austrian birth and his Swiss residence disqualified him from the 1984 Olympics when officials ruled that he could not compete on behalf of Luxembourg. This confusion earned him the sports writers' tag "man without a country"—perhaps unfair today since he carries a Luxembourg passport.

A legend in Alpine skiing, the 28-year-old Girardelli has won virtually every skiing prize—a four-time World Cup champion with 36 career race wins—except an Olympic medal.

It has not, however, been all

downhill. Girardelli's career has been plagued by severe injuries. The worst was in 1983, when every ligament in his left leg was torn after a ski accident. Austrian doctors told him he would be "lucky if he could ever climb up stairs again," he said. Pioneering reconstructive surgery by an American proved them wrong.

After falling in the men's downhill early in the Albertville Games, Girardelli's Olympic medal hopes seemed to be only dreams. But in the men's super giant slalom—a grueling course of 30 gates that skiers zig-zag around at straight downhill-skiing speeds—he finished second. The cumulative time for his two runs was a mere 73 one-hundredths of a second out of taking the gold, which was won by Norway's Kjetil Andre Aamodt (1.13.045).

Two days later, his second challenge was the giant slalom on the notorious "Face de Bellevard" course at Val d'Isere. Skiers must pass 55 gates at speeds exceeding 45 mph. Here, he fell behind the charismatic World Cup

Italy—but only by 32 one-hundredths of a second. Aamodt ran third.

"With the Olympics," he told reporters, "you need all the right conditions and a little luck, too." For the "line between failure and success here is very, very close."

—JAMES D. SPELLMAN

### Rotterdam Looks Towards United Europe

AMSTERDAM—The world's largest port, Rotterdam, is quietly preparing for Europe's rapid changes. It will also affect the port of Rotterdam that is celebrating its 30th anniversary as a "mainport."

"If the port of Rotterdam wants to retain its position as the major gateway to Europe," Rotterdam's Mayor Bram Peper said, "massive financial assistance from the government will be essential in the coming years." To maintain Rotterdam's position as a mainport, he believes that short-term decisions are needed to maintain the port's

Before Albertville Girardelli, a four-time World Cup champion, lacked only an Olympic medal.



# Inside

# EUROPE

APRIL 1992

VOLUME 1/NUMBER 3

## EQUAL PARTNERS

In 1991 the United States continued to post an overall trade deficit of \$66.2 billion, but that was \$35.5 billion less than the 1990 deficit of \$101.7 billion. The bright spot in the American trade picture was its surplus with the countries of the European Community.

In 1990 the U.S. exported \$6.3 billion more to the E.C. countries than it imported from them. In 1991 this surplus grew to \$16.7 billion according to the U.S. Department of Commerce. But the United States is still a major destination for goods from the European Community: The E.C. countries shipped \$86.5 billion worth of exports to the United States last year, compared to the \$103.2 in U.S. exports to the Community. Country by country, the U.S. trade balance was most favorable with the Netherlands (\$8.7 billion surplus), Belgium (\$6.6 billion), the United Kingdom (\$3.5 billion), and Spain (\$2.6 billion).

The five leading exports by sector to the U.S.'s four biggest customers were as follows:

**The Netherlands:** Computers; aircraft; office machinery; agricultural items (oil seeds); and coal. **Belgium:** Tobacco; aircraft; automobiles; coal; and pearls and precious and semi-precious stones. **United Kingdom:** Aircraft; engines and parts; computers; electronic components; and internal combustion engines. **Spain:** Aircraft; oil seeds; coal; maize; and computers.

The United States continued to maintain trade deficits with Germany and Italy, but even with those countries, the U.S. made noteworthy gains. The deficit with Germany declined from \$9.4 billion to \$4.9 billion, and with Italy from \$4.6 billion to \$3.2 billion.

The E.C. continues to be the United States' main trading partner. U.S.-E.C. bilateral trade accounts for 21 percent of total U.S. foreign trade, and U.S. exports to the

Community amount to 24 percent of total U.S. exports.

The good news in U.S. trade with the European Community contrasts with the continuing deficit the United States runs with Japan. U.S. exports to Japan actually dropped from \$48.6 billion to \$48.1 billion and the overall trade balance worsened, with the U.S. deficit increasing by \$2.3 billion.

Looking at the larger Europe that stretches from the Atlantic to Vladivostok, U.S. trade with the six EFTA countries—with whom the E.C. has signed a wide-ranging agreement for a "European Economic Area"—remained in the red, although U.S. sales did mount, with the deficit moving from \$3.2 billion to only \$1.8 billion.

There have been headlines in the automobile sector about the decline of U.S. companies' sales domestically and the rise in Ford and General Motors' sales in Europe. However, Ford and General Motors' success in Europe is due to their locally-based production, rather than exports of models made in the U.S. Both companies ship only a few thousand cars per year to Europe, while Ford's Europe-based plants (which include Jaguar) turned out almost 275,000 cars last year, and GM's German-based Opel and British-based Vauxhall produced roughly 290,000 units.

Chrysler, which sold 91,000 cars, minivans and Jeeps last year to Europe—all exported from U.S. plants—has just named former GM Europe head Robert J. Eaton to succeed Lee Iacocca as their Chairman. The number three automaker hopes to import Eaton's magic touch at GM Europe and make it pay off in Detroit.

—Peter Rashish

## BUSINESS BRIEFS

BRUSSELS—Powerful Swiss food group **Nestlé** won control of **Perrier**, ending a three-month battle with Italy's **Agnelli** family for control of the popular French mineral water company. The deal is said to have cost Nestlé around \$2.3 billion.

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Analysts are drawing up their 1992 hit parade of the potential winners in a single European market.

Swiss Bank Corp.'s scan of the best European firms put **Deutsche Bank**, Nestlé, and **Volkswagen**, Europe's biggest auto manufacturer, on top of the list.

They were joined in a strategic portfolio by **Allianz**, the German insurance group, **Asea Brown Boveri**, the Swiss-Swedish electrical engineering venture, two British drug concerns, **Glaxo** and **Wellcome**,

**L'Oreal**, the French cosmetics firm, oil major, **Royal Dutch**, and **St. Gobain**, the French glassmaker.

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Europe's cross-border mergers and acquisitions boom fizzled out in 1991 despite a spurt of activity in the final quarter. The total value of takeovers of E.C. companies almost halved to \$35 billion from \$64 billion in the previous year, according to *Acquisitions Monthly*.

The fourth quarter bucked the trend with transactions worth \$8.46 billion up from \$6.3 billion in the same period, last year. The United Kingdom again topped the league in mergers and acquisitions, although the value of bids shrank to \$11.6 billion from \$25 billion in 1990. French companies were the leading buyers, spending \$5.99 billion, against \$11.34

billion the previous year.

Spurred by the coming single market, **Unilever** is centralizing marketing and distribution in its sprawling food-to-household products empire.

The Anglo-Dutch giant is slowly reversing its previous strategy of decentralized decision-making to respond to the rapid emergence of regional and global markets.

The change at Unilever, Europe's second largest food concern after Nestlé, is also a response to the arrival of the pan-European consumer. **Floris Maljers**, chairman of the company's Dutch half, said Unilever is responding to "a unification of consumer attitudes, more than the creation of a single market."

"If people in Copenhagen have the same needs as the people in Madrid, they buy the same detergent."

## MOSCOW NOTEBOOK

**Despair. Disgust. Apathy. Anger. Sadness. Poverty. Uncertainty. Gloom and, yes, even some exhilaration.**

People's emotions in Moscow run the gamut from complete despair and apathy to tremendous excitement over the vast changes that have taken place since the August coup. Even a slight glimmer of hope can be detected among some of the people.

But the hope, sad to say, is not found among the Russian people. The only partial optimists I spoke with were Western entrepreneurs who were hoping to profit from the new business opportunities if and when they appear.

Alexander Likhotal, senior political adviser to Mikhail Gorbachev at the Gorbachev Foundation, said that most people today in Russia "would gladly trade freedom for bread." He is not optimistic about his country's future. Likhotal feels "that people are humiliated by the present situation" and are apathetic after all the changes that have occurred. He is concerned that "apathy is good for creating a dictatorship."

While economists talk about Russia and the republics moving to a market economy, the concept seems so alien and foreign to most of these people that it will take at least a generation for free market ideas to take hold.

To be blunt, conditions for a market economy are not even on the horizon. Yeltsin may have a core group of bright, Western oriented economic advisers but there

appears to be no constituency supporting these economic changes. Certainly, the entrenched bureaucrats throughout the government will not favor reforms which will endanger their own well-being.

Overall, Yeltsin appears to be quite popular with the average Russian. There seems to be a genuine high regard for the "Russian peasant who made good."

The overall view of Moscow today: utter confusion tempered by a very, very small sign that some positive change could occur in the near future.

The ruble is nearly worthless. During the week I was in Moscow nobody asked to be paid in rubles. Everyone wanted dollars or other Western currency. The ruble has become a national joke among the people.

Lines exist everywhere in Moscow. However, there is a dual society in existence. If you have dollars you can purchase goods at hard currency stores, but if you only have rubles you will wait in line for hours for little or no food. It is common to see thousands of people standing on the sidewalks all day attempting to sell their possessions for hard currency.

The Irish are doing business in Moscow. In addition to their joint venture store at the airport, I went to a fully stocked Irish pub next door to an Irish-run grocery store. Downstairs in the same building there was a Russian grocery, where the only food being sold was supplied by the

**France Telecom** and **Deutsche Telekom**, the French and German telecommunications monopolies, set up a joint venture to provide global services for multinational companies. The company, **Eunetcom**, will be operational within two months.

France Telecom is also keen to join **Syncordia**, a venture set up by British Telecom last year in Atlanta, Georgia, to run voice, data, and video links for international companies.

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The **Pirelli** family finally surrendered direct control of Italy's giant tire group, partly spurred by last year's abortive bid to merge with **Continental**, its German rival.

**Leopoldo Pirelli** stepped down as chief executive, handing over the reins to **Marco Tranchetti Provera**, completing a sweeping management

reshuffle at the wounded group that is heading for a \$540 million loss this year. But Pirelli is still very much a "family affair": Provera is married to Leopoldo's daughter. And Leopoldo, who has run the firm since 1959, stays on as chairman.

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**Allianz**, the German insurer, is resigned to a long term payoff from its 1990 acquisition of the former East German state insurance monopoly **Deutsche Versicherungs, DVAG**.

Allianz paid \$428 million for DVAG, which is expected to lose more than \$900 million before making operating profits in 1996. But eastern Germany, in time, could provide rich pickings for Allianz. Before unification, East Germans spent an average of \$128 each, per year, on insurance, barely a tenth of West German out-

lays. Allianz hopes the former-East Germans will eventually catch up with their Western cousins.

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The French government approved a cooperation agreement between **Eurocopter**, the Franco-German helicopter manufacturer, and **Kamov**, the Russian aeronautics concern. The Eurocopter partners, **Aerospatiale** of France and Germany's **MBB**, will promote Kamov's small civil aircraft.

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**Philips**, the Dutch electronics group, and **Motorola**, the U.S. semiconductor and telecommunications firm, formed a joint venture semiconductor design facility.

Philips teamed up with Motorola to support the manufacture of chips for CDI, its interactive multi-media consumer electronics products. The deal

European Community. And Irish butchers were there as part of the E.C. technical assistance program to show their Russian colleagues how to properly cut the meat.

Speaking of the Irish, there was a St. Patrick's Day Parade in the streets of Moscow attended by E.C. Ambassador Michael Emerson and 1,000 other residents of the city.

When I asked a taxi driver to show me what he thought was the most historic landmark in Moscow, he drove me to McDonald's. However, McDonald's is not the only American restaurant in the city. A young entrepreneur from Trenton, New Jersey has opened the first American-Russian restaurant, named Tren-Mos in Moscow. The food is excellent, and his is one of the few restaurants that takes both rubles and dollars. The restaurant's walls are adorned with American state flags and photographs of American politicians. Jeff Zieger, the owner, is opening a new bar and cafe next month. How does he get taxi drivers to pick up guests? He gives them free hamburgers, and they wait outside.

The Wild, Wild West exists in the new Russia. Western entrepreneurs and Asian businessmen are coming to Russia in large numbers to try and make deals even though the situation now is very chaotic and uncertain. One American entrepreneur told me that coming to Russia is like "cleaning up a filthy house. The house is filthy

but you can see the progress you make every day because you are a true pioneer."

Another budding entrepreneur told me that "Moscow is a city where everything is forbidden, but everything is possible if you have the right connections and the right amount of hard currency."

The hammer and sickle flags were everywhere in evidence during a demonstration against the Yeltsin Government. Almost 30,000 communists showed up to denounce free press, capitalism, democracy, and almost everything else. It could have been 1917 with Lenin speaking on the podium.

Most people agree that Communism is dead and finished. There is growing fear of a threat from an extreme right wing, nationalist, staging a counter-coup.

Moscow is fascinating. Free speech does exist. The communist system is gone. However, the city and the country are a mess. There is a plummeting economy, a worthless currency, and little confidence among the people about their future.

Communism ruined several generations of people in the former Soviet Union. The psychological, environmental, political, and economic damage was deep and severe. It will take several generations or more to heal these tragic wounds. It will not be a pretty or easy process.

—Robert J. Guttman

## BUSINESS BRIEFS

squashed persistent speculation that a heavily indebted Philips was poised to dump its loss-making semiconductor business.

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**IBM** has chosen Europe to launch its cheap "IBM compatible" computer made in Asia. The computer, which doesn't carry IBM's name, likely will be sold in the U.S. after its European trial.

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**Silvio Berlusconi**, Italy's maverick media magnate, is going to bid for Britain's new Channel 5 commercial television franchise.

Berlusconi's \$9 billion a year holding company **Fininvest** currently runs Europe's second largest media empire after **Bertelsmann** of Germany. Berlusconi, who has television interests in Italy, Spain, France, and Germany, is also plotting to loosen Hollywood's grip on Europe's movie market by building production facilities in Italy and the U.S. to feed a pan-European film distribution market.

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**Guinness Peat Aviation**, the world's biggest aircraft leasing group, plans a stock flotation in June that will raise almost \$1.5 billion on world markets.

Privately-held GPA, based at Shannon, Ireland, has a fleet of 392 planes and a client list of 100 airlines in 47 countries. The share offer could value GPA at between \$3 billion and \$4 billion, analysts estimate.

—Bruce Barnard

## UPCOMING EVENTS

**APRIL 9: General elections will be held in Britain.**

**APRIL 21-22: President George Bush hosts E.C. Commission President Jacques Delors and Portuguese Prime Minister Anibal Cavaco Silva for the U.S./E.C. Presidential Meeting in Washington.**

**APRIL 21-24: E.C. Vice President Sir Leon Brittan tours the U.S., speaking in New York, Los Angeles, San Francisco, and Chicago.**

**APRIL 26-28: The Atlantic CEO Institute 1992 Roundtable sponsors a conference entitled *E.C. 2000: Toward a European Economic Empire?* in Washington. German President Richard von Weizsäcker, E.C. Commission Vice President responsible for economic and financial affairs Henning Christophersen, and E.C. Ambassador to the U.S. Andreas van Agt will participate.**

## E.C. NEWS

### DELORS AND CAVACO SILVA TO MEET WITH BUSH

E.C. Commission President Jacques Delors and Portuguese Prime Minister Anibal Cavaco Silva will have a busy schedule when they visit President Bush for the U.S.-E.C. Presidential Meeting in Washington on April 21-22. The meeting gives the three leaders a chance to discuss the GATT Uruguay Round trade talks. GATT Director-General Arthur Dunkel would like to see the U.S. and the E.C. come to an agreement regarding the Uruguay Round by the end of April. Delors, Silva, and Bush will also plan for the upcoming G-7 Summit in Munich, which promises to play an important role in outlining a coordinated Western aid policy toward Eastern Europe and the former Soviet Union. The leaders will also discuss the June conference on the environment to be held in Rio de Janeiro.

### FINLAND APPLIES TO JOIN E.C.

Finland's parliament approved a proposal to apply for full membership in the European Community on March 18th. Finland's Prime Minister Esko Aho called the decision "one of the most important and far-reaching decisions ever taken by Finland as an independent state." Finland's next step is to begin negotiations with the Community in the next year in order to prepare the way for full membership, possibly by 1995.

### FRENCH HOLD REGIONAL ELECTIONS

The Socialist Party of President François Mitterrand won only 18.3 percent of the vote in last month's regional elections in which France's political parties held contests at the local level. The conservative alliance of former Premier Jacques Chirac and former President Valéry Giscard d'Estaing won 33 percent. Jean Marie Le Pen's National Front and the French Green party also made significant gains.

### RUSSIA TO RECEIVE \$24 BILLION

The leading western industrial democracies, led by President George Bush and German Chancellor Helmut Kohl, pledged on April 1 to contribute \$24 billion to Russia in an effort to help the country avoid an economic collapse.

The aid package consists of a total of \$11 billion in direct help from the industrial nations, a \$6 billion fund to stabilize the Russian ruble, \$4.5 billion in aid from the International Monetary Fund, and \$2.5 billion to help Russia reschedule its massive foreign debt. Chancellor Kohl, the chairman of the upcoming summit in Munich, said that "the West must do everything to contribute towards the stabilization of the democracy and the economy (in Russia)."

### ITALY HOLDS ELECTIONS

According to Reuters, Italy's ruling four-party coalition could lose its parliamentary majority in general elections which ended on April 6. Prime Minister Giulio Andreotti's Christian Democrats were forecast to post their worst showing since the end of World War Two.

—compiled by Leo Charitos,  
Shabrokh Moinian, and Julia Nasser.

### INSIDE EUROPE

**Correspondents**  
Bruce Barnard  
Peter Rashish

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infrastructure—especially the network of roads and rail that connect Rotterdam to the rest of the Continent. In 1991, 292.5 million tons of cargo moved through Rotterdam, representing a 4.6 percent increase compared to 1990.

The biggest growth sector is crude oil—mainly going to Rotterdam-based oil refineries, since Middle Eastern countries are reducing their refining capacity. Crude oil exports rose to 5.5 million tons and total trans-shipments reached 97 million tons, an increase of 9.7 percent compared to 1990.

Due to strong competition from other West European ports and to European agricultural policy, imports of grain and animal feed, trans-shipments fell in 1991 by 14.7 percent. There was a slight rise in trans-shipments of ore due to a revival in the German steel industry. Because of declining coal production in Germany and Great Britain, coal imports continued to increase in the short term.

Mayor Peper has warned that if GATT negotiations fail this will have serious consequences for Rotterdam because participating countries may fall back into protectionist blocks.

Meanwhile, successful negotiations leading to an agreement between the European Community and the European Free Trade Association will mean beneficial development for Rotterdam. But Peper cautioned that an enlarged Europe will need harmonized legislation for transport and environment. He emphasized that this is not a problem for tomorrow, appealing for a joint effort by national and local governments to safeguard Rotterdam's position. Otherwise, Peper says that, "The state will impoverish itself by being too thrifty."

Of vital interest for Rotterdam port is the opening up of

Eastern Europe and next September's opening of the Rhine-Main-Donau Canal. It means that Rotterdam's inland traffic of goods will no longer halt at Basel, Switzerland. But with the new canal, goods can be shipped as far as Odessa on the Black Sea. This means that Rotterdam's trans-shipments can be delivered at many ports along the new 3,600 kilometer canal, including Nuremberg and Regensburg in Germany, at Linz and Graz in Austria, at Bratislava in Czechoslovakia, Budapest in Hungary, Orsova in Bulgaria, Constanza in Romania, and finally Odessa and the Crimea on the Black Sea.

A lot of work would still be needed to make the Donau River and the ports alongside the river fit for inland shipping. Piers might have to be built, and the river may have to be dredged at places. But once port facilities are completed, the way will be cleared for a considerably shorter path to the Black Sea than the current route that takes ships along the Atlantic coast, through the Straits of Gibraltar, and across the Mediterranean.

—NEL SLIS

### Madrid's New Tastes

MADRID—Not so long ago, the local gourmet eager for a walk on the culinary wild side or a tourist from abroad seeking out a change from the native paella, roast suckling pig, and flan would have been hard pressed to find more than a handful of foreign restaurants in the Spanish capital. Chinese eateries were cheap and plentiful, but not recommended for one used to the standards of Hong Kong, London's Soho or even any corner chop suey joint in the States. And one could find the odd Peruvian restaurant, or the perennial pizzeria, usually

owned and staffed by expatriate Argentines. A Madras curry, a lamb kebab or a bowl of fire-alarm chili con carne, though, was as rare as a Protestant church.

But in the past five years, there has been an explosion of foreign restaurants in Madrid, many started up by a wave of immigrants who arrived from Asia, the Middle East, and Eastern Europe in the 1980's, or established by recent arrivals from Japan and Korea to cater to their compatriots working in Spain. The weekend leisure sections of Madrid daily newspapers now list no less than eight Indian curry restaurants, and a pair each of Moroccan, Greek, and Armenian. An American rib joint, run by a Stetson-hatted and bandana-sporting ex-New Yorker, has recently opened a new branch, and hotels are offering luxury brunches, on the American model, every Sunday.

The Spanish, once the most conservative eaters on the Continent, are flocking in droves to try out the latest sensation, fueled by a more sophisticated, and adventurous palate and fat pocketbooks filled with disposable income. An Iranian woman who owns a Persian restaurant here says there has been an enormous change in the clientele since she opened five years ago. She noted that at that time the few Spaniards who dared enter her place were almost reluctant to order the simple rice and shish kebab dishes on the menu. These days she has added exotic stews, and starters and it's reservations only most nights of the week.

The majority of these new gourmards are well-traveled young people between the ages of 25 and 40, and willing to try new culinary experiences, explains a Spanish news agency journalist, who writes a weekly column on the pleasures of the table. They're well-heeled too, enjoying the

fruits of the boom in the Spanish economy. They have to be. According to a recent study by the Union Bank of Switzerland, Madrid is the most expensive city in the European Community and the sixth priciest in the world. A night out at a five-star restaurant in the capital costs an average of \$74 per person, while the average for the rest of the E.C. is \$29.

—BENJAMIN JONES

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# SPORTS

## AMERICA'S WONDER WOMAN GOES EUROPEAN

BY MIKE McCORMICK

No athlete personifies the Olympic motto, "swifter, higher, stronger," as well as Jackie Joyner Kersee.

"I don't feel there's a limit to what I can do," says the woman who, barring injury, will compete in her third consecutive Summer Olympics at Barcelona.

It's a pity that television is two dimensional. Watch Kersee in person and you'll never take running or jumping for granted again. Most athletes perform the long jump as a scrambling leap. Kersee does it as an elegant denial of gravity. The hurdles make many a runner look clumsy. Not Kersee. She sprints down her lane as smoothly and fluidly as a Lear Jet at take off.

Known as the world's greatest female athlete, Kersee is a one woman track and field dynasty. Her Olympic career began with a silver medal in the heptathlon (the seven-event women's version of the men's decathlon) at the 1984 Los Angeles Games. By 1987 she had earned the world's number one ranking in long jump and heptathlon. At Seoul in 1988, she won the long jump gold medal and set

points, an Olympic and world record.

Kersee wants 7,300 points in the Barcelona heptathlon; that would bring another Olympic record. She'll also go for a second long jump gold medal. She hopes to surpass 24 feet 6 inches.



Known as the world's greatest female athlete, Kersee is a one woman track and field dynasty.

an Olympic record of 24 feet 3 1/2 inches. She claimed her second gold medal in the heptathlon, amassing 7,291

"Long jump is my strongest event because it's my favorite," she says.

But Kersee knows

Barcelona will be different from Seoul. "In 1988 I was a world record holder, I wasn't a gold medalist. That was a goal I was shooting for. It makes practice easier for me now in the sense that I work better with my coaches. If I want to take a short cut, they remind me not to.... After '88 I took off from the heptathlon. I thought once I got back into it in '90, the shot put and javelin and all those events would come easy. But we multi-eventers have to work at so much. I'm now trying to perfect those technical events. They'll be the key for me."

A rangy 5-feet-10-inches and 155 pounds, Kersee is physically suited for the grueling two day competition. But one can speculate that the impetus for her great performances comes from her connection with the spectators. She likes European track fans and that bodes well for Barcelona.

"The Germans and ex-Soviets don't come to America to compete, so we find ourselves going [to Europe] to compete against the best.... The atmosphere there is very good for track and field, and that is a positive thing because track and field is something I love and when you can go somewhere and people appreciate what you're doing and the work you're putting into practice, then you feel good," Kersee says.

Mike McCormick is a freelance writer based in Maryland.



*All of these securities having been sold, this announcement appears as a matter of record only.*

February 1992

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# BOOKS

**Against The Grain—Boris Yeltsin An Autobiography.** Summit Books 1990, 263 Pages, \$19.95

**Boris Yeltsin—From Bolshevik To Democrat.** by John Morrison, Dutton, 303 pages, \$20.00

From his triumphant defiance of the coup plotters astride a T-72 tank in Moscow last August to his almost plaintive pleas for patience to an angry crowd of would-be food shoppers in St. Petersburg this January, Boris Yeltsin's stocky visage has suddenly become almost omnipresent in the world media. But who is this man? And how did he develop the courage he exhibited in the defense of the "White House," then the seat of the Russian Republic's government? Perhaps more important, can he lead Russia out of its current post-Communist wilderness to a brighter future as a democracy? While neither book seriously attempts to answer the last question, the best glimpses currently available into the personality and background of Yeltsin are contained in *Against The Grain* and *Boris Yeltsin—From Bolshevik To Democrat*.

*Against the Grain* seems to have been dictated to a young Soviet journalist, Valentin Yumashev, during the summer and fall of 1989. The book alternates flashbacks of Yeltsin's early life with a "chronicle" of his campaign, between December 1988 and March 1989, for election as a People's Deputy to the then newly formulated, freely elected Soviet government. Here Yeltsin reveals his humble origins in answers to "questions from the floor at meetings during the election campaign." The straightforward narrative takes the reader from Yeltsin's birth in a small village in Sverdlovsk Province in 1931, through his early childhood, education as an engineer, and first employment to his ultimate decision to enter politics.

This brief book, which has been overtaken by events, ends appropriately with ominous rumblings for the future. Citing "rumors" that "a coup is being planned for the next plenum of the Central Committee, with the aim of dismissing Gorbachev from his post," Yeltsin states "our huge country is balanced on a razor's edge, and nobody knows what will happen to it tomorrow."

In *Boris Yeltsin—From Bolshevik To Democrat*, John

an experienced reporter for Reuters, demonstrates the depth and breadth of his knowledge of Yeltsin and contemporary Soviet and Russian history as well as his love for his subject. This work is actually less about Yeltsin than the Soviet Union itself, between the ascent of Gorbachev in 1985 and the defeat of the coup last summer.

Morrison begins by relating his feelings upon returning to Moscow in May 1991 after a four-year hiatus. He vividly portrays the exhilaration present in the populace of the capital under the vastly different political circumstances which had been created since his last visit. His prose gives the reader a sense of the charged atmosphere in the air.

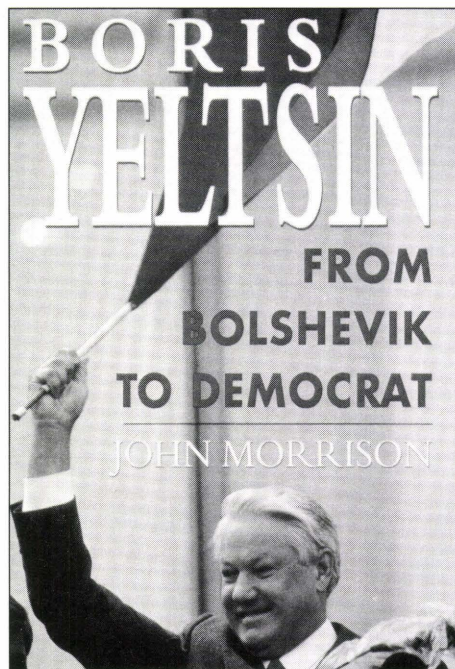
By critiquing *Against the Grain*, Morrison quickly schools the reader on the basics of Yeltsin. In so doing, he acknowledges much that is accurate in Yeltsin's autobiography and debunks that which is self-aggrandizing.

For example, Morrison punctures the almost indomitable portrait Yeltsin creates by detailing his political "execution," at the November 11, 1987 meeting of the Moscow City Party Committee. Morrison depicts a Yeltsin who "stumbled to the rostrum, and his words were barely coherent." He then describes Yeltsin's "abject apology" as

having its desired effect of "softening" Gorbachev. But most of Morrison's portrait of Yeltsin in his early years, during his "lower depths" after his expulsion and up through the failed coup, is flattering. While careful to report on less enthusiastic views such as the headline of *The Washington Post* story "Boris' Boozy Bear Hug For The Capitalists" printed during Yeltsin's first visit to the United States, Morrison paints Yeltsin in more glowing terms.

And while properly refusing to prognosticate on whether Yeltsin is a democrat or even if he will survive until 1993, Morrison concludes his report by saying, "If a democratic politician is one who is prepared to submit to the verdict of the voters in a free ballot then Yeltsin passes easily...if Yeltsin, with such great popular support, fails, then the chances of anyone succeeding are slim." So is Yeltsin the man of the Russian hour? This is an entertaining way for one to become better informed as to the whys of whatever fate eventually befalls him.

—Robert Bassman is a lawyer and freelance writer.



**From Nyet to Da: Understanding the Russians.** By Yale Richmond. Intercultural Press, Inc. 166 pages. \$15.95.

A word of advice for the apprehensive traveler to Russia: This book won't solve any of the myriad of problems you will encounter on your journey. However, this excellent short book will make you realize *why* you are encountering all of these difficulties on your visit to Russia.

Mr. Richmond, a former Foreign Service Officer, who has dealt extensively with the Russians over the years explains, in a lighthearted way, the culture and character of the Russian people.

While you are having trouble using the telephone or having difficulty with your business negotiations in Moscow or St. Petersburg, it would be well to remember the words of advice from *Nyet to Da* such as "Russians are not accustomed to doing business by phone because service is bad and they know that the phone may be bugged." And the best advice of all: "Things seldom go as planned with Russians."

In addition to the book's practical advice for the business traveler *Nyet to Da* goes a long way in explaining overall Russian behavior. "Their cruel climate, harsh history, and skeptical outlook on life have caused the Russians to value stability, security, social order and predictability, and to avoid risk."

The author also attempts to explain whether or not Russia is truly a European or an Asian nation. He concludes by stating that "Russia today, neither European nor Asian, is beset with contradictions."

While the book is an excellent primer in explaining the behavior of the new Russia, this reviewer agrees with the sentiments of Winston Churchill when he described Russia in 1939 as a "riddle, wrapped in a mystery, inside an enigma."

—Robert J. Guttman

**Leonardo. Discovering the Life of Leonardo da Vinci.** By Serge Bramly. Harper Collins. 493 pages. \$35.00.

"Painting relates to the surfaces, colors, and shapes of everything created by nature; and philosophy penetrates inside these bodies, considering their intrinsic properties, but it does not have the reward of that truth which the painter attains in grasping their essential truth, for the eye makes fewer mistakes."

For Leonardo da Vinci, that was the role of the artist, to define and convey that essential truth, using simply his eye, the most earnest and discerning means he has. Serge Bramly's biography traces that quest of the quintessential Renaissance man. Bramley writes in an exquisite narrative, with an incisive eye for the telling details. The artifices and enigmas that Leonardo adeptly crafted are made more comprehensible if they are not resolved by Bramly, an emphatic and kindred soul.

Leonardo was the first-born of a Florentine lawyer, but an illegitimate child. This circumstance denied Leonardo entrance into university studies or a career in such professions as medicine and law. The emotional pain of his beginnings would endure throughout his life, as is suggested, for example, in his notebook riddles and in his observations about the impact that a woman's emotional state has on the child she carries.

In adolescence, Leonardo left Vinci for Florence, where he joined the *botteghe*, or store-studio, of the leading artist Andrea Verrocchio. Though disrupted by internecine warfare, the city was at Europe's forefront in developing techniques in painting and sculpture that gave to the arts sensitivity, spirit, luminosity, transcendence, and "human-ness." Three-dimensional perspectives, softly rendered natural gestures, translucent flesh, psychological dimensions—these were some of the many aspects achieved by Renaissance artists in progressing beyond the flat, wooden and claustrophobic religious works of medieval artists.

## BEST SELLING BOOKS IN THE E.C.

### **NON-FICTION**

**BELGIUM:** French Language: *1492*, by Jacques Attali, Fayard.

Flemish Language: *De Prehistorie, (The Prehistoric)*, by Guy De Pralle, BRT.

**BRITAIN:** *Elizabeth R.*, by Anthony Jay, BBC.

**DENMARK:** *Feel the World*, by Tor Noerretranders, Gyldendal.

**GERMANY:** *Verschlussache Jesus, (Top Secret Jesus)*, by Baigent/Leigh, Droemer.

**GREECE:** *Jacques Delors: The European Challenge*, by Jacques Delors, Lambrakis Press.

**FRANCE:** *Vendues!*, by Zana Muhsen, Fixot.

**IRELAND:** *Readers Digest Illustrated Guide to Ireland*, Readers Digest.

**ITALY:** *Il Provinciale, (The Provincialist)*, by Giorgio Bocca, Mondadori.

**LUXEMBOURG:** *L'Amant, (The Lover)*, Marguerite Duras, Minvit.

**NETHERLANDS:** *Het aanzien van 1991, (The Face of 1991)*, Spectrum Utrecht.

**PORTUGAL:** *Kennedy e Salazar: Leao e a Raposa, (Kennedy and Salazar: The Lion and the Fox)*, by Jose Freire Antunes, Difusao Cultural.

**SPAIN:** *Tratado de las Buenas Maneras, (Speaking of Good Manners)*, by Alfonso Ussia, Planeta.

Renaissance masters taught students to draw from life itself, but also to understand what lies behind what one sees. As Leonardo himself wrote, to draw a cloud one must understand first what it is and how it reacts, for example, to wind currents.

In his first major assignment for Verrocchio, Baptism of Christ, da Vinci's genius was readily apparent. For the master's composition, da Vinci painted one angel, which he rendered in a difficult three-quarter pose. Against a tableau of more stilted, less natural figures, da Vinci's angel stands apart for its subtle and soft naturalism, its verisimilitude, and its idealization of human perfection. Whether for reasons of expedience or jealousy, it is said that his master abandoned painting after seeing his student's work.

Within this painting lie the techniques that give da Vinci's work its uniqueness. After covering the surface with a thin layer of white paint (which reflects the light back to the viewer and thereby enhances the translucency of succeeding layers of paint), nearly transparent layers of oil paint are applied to orchestrate the soft emergence of light from darkness. This was the *sfumato* effect, which literally means "evaporating into smoke."

Bramly traces Leonardo's intellectual development through his notebooks and the major remaining works that are known to have been done largely by him. What emerges is a story of an insatiably inquisitive man, as adept at explaining human anatomy as he was at creating mechanical devices (from a mechanized drum to a flying machine, the *ornitottero*). Throughout, Leonardo lumbered under the angst of self-doubt and found himself blocked at times by a fateful conspiracy of events that would prevent him from realizing some of his greatest works.

The enigmas and ambiguities that mark his writings (elliptical phrases, allegories, riddles) and surround his life indeed, too, haunt the painting of Mona Lisa. Who she is remains a mystery. Some suggest it is really a posthumous portrait of his mother while others suggest she was the lover of the silk merchant who apparently commissioned the work. With four years of work already completed on it, da Vinci still felt it unfinished and carried it with him until he died.

"The Mona Lisa has kept its secret," Bramly writes. "In fact, the mists surrounding its origins are perfectly matched to the sibylline character of the portrait. Leonardo employed the *sfumato* effect not only in his painting and writing but in his manner of drawing a veil, or so it seems, over certain circumstances in his life, as if he were leaving a trail of smoke behind him. This was his style, his manner, and the way his mind worked."

Bramly compels us to look again at the familiar works of da Vinci and discover new insights, lexicons, symbolisms, and masteries of composition. He leaves us with impressions

of Leonardo that will assuredly endure as have the artists' works. He has given us a sense of being bathed in the harmony and light of what one writer called the "celestial spheres" of da Vinci.

—James D. Spellman

**Manston's Italy: Eat, Sleep and Play.** By Peter B. Manston. *Travel Keys*. 597 pages. \$13.95.

If the subtitle hasn't struck you as different for a different travel guide, it won't take long to realize that Manston's *Italy: Eat, Sleep & Play* is unusual in its genre. You won't find here any of the dry prose that normally graces travel books: Manston writes colorfully and with humor of the trials and tribulations of holidaying in one of Europe's best-loved vacation spots.

Manston is first and foremost a travel writer who believes in realism. His guide is dedicated to giving everyone—seasoned travelers and homebodies alike—the most accurate picture possible of their dream destination.

No stone is left unturned: the first 80-odd pages prime the reader for the real Italy, which Manston warns, is often chaotic and noisy (this he attributes not only to Italians' love of conversation at high volume, but to the acoustic effects of tiled floor and wall surfaces typical in Italian construction).

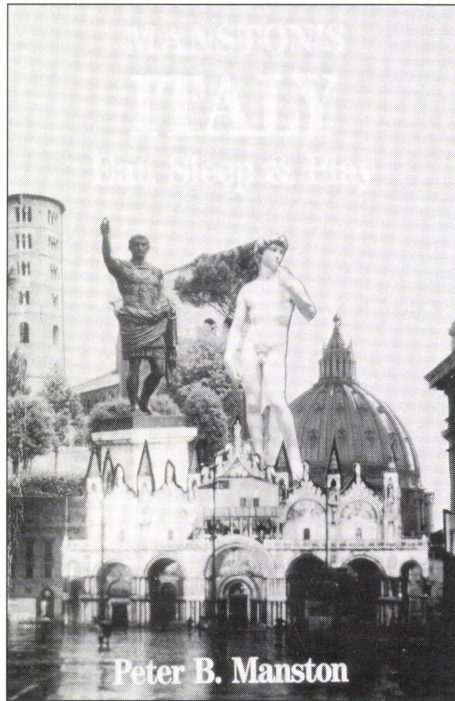
Most of this section, however, is only of interest to the absolute travel novice, whose pulse races even at the thought of packing a bag. For him/her, Manston has rigid rules on how many and what

kind of clothes to bring (recommendations for fabric and launderability, included). And there's even a step-by-step explanation on how to use a Turkish toilet, which Manston describes as "surprisingly well designed, despite your initial state of anxiety."

But Manston has something for experienced travelers, too. His accounts of eight major Italian cities reflect the knowledge of someone who knows the history and geography of every square inch of the place. His information is organized into three lots: Eat (everything you need to know about Italian regional cuisine, where to get the best meal at the best price), Sleep (everything you need to know about hotels, checking in and out, the different categories of hotels and where to find them), and Play (what to see and do, ranging from museum trips to visiting local beaches or wineries). And, most importantly, each city-chapter includes a very useful list of emergency telephone numbers, in case anything should go wrong, business hours and holidays, tourist information offices (which can hardly do better than the guide), and postal services and facilities.

Manston's guide can save you a lot of time, trouble...and money (starting with discount airfares and ending with duty free purchases and allowances). At \$13.95, it is probably the most thorough introduction to a tourist's Italy on the market.

—Maeve O'Beirne



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**Economic and Social Committee: Annual Report 1990.** *Economic and Social*

*Committee, Brussels, 1991, 200 pages.* Outlines the Committee's work in the following sectors: agriculture, forestry and fisheries; transport and telecommunications; social and educational affairs; economic, financial and monetary policy; regional development; industrial policy; trade; energy policy; and the environment. Information on the staff and the Committee budget is also provided.

**Review of the Foundation's Work 1985-92 and its Implications for Women.** *European Foundation for the Improvement of Working and Living Conditions, Dublin, 1991, 7 pages.* Discusses the position and needs of women both in the workforce and in the wider community and relates them to research and other programs established by the European Foundation. Also examines issues likely to affect women in the 1990s and the implications arising from the Foundations's current work. **\$8.00**

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# in closing...

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There are 71.6 million children under the age of 15 in the former-Soviet Union, comprising over 25 percent of the total population. Meanwhile, a post-communism increase in the birth rate continues to lower the population's average age.

While the children of the new Commonwealth of Independent States and the other former-Soviet republics are as fun-loving as their American and European counterparts, the subject of education is something that they take very seriously. Under Communism, the Soviet Union boasted a 99 percent literacy rate, and most citizens received 11 years of schooling that emphasized math and science.



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