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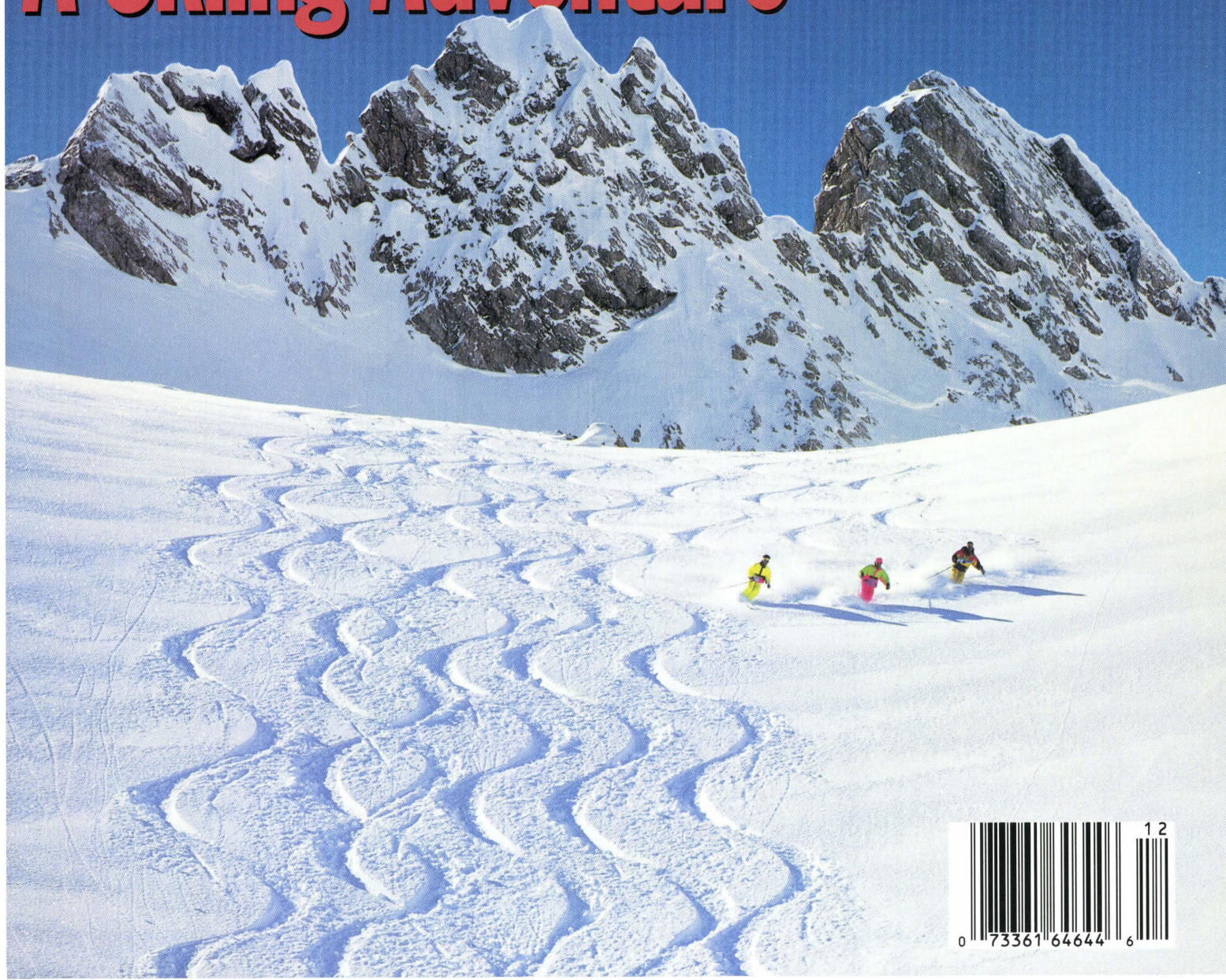


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# EUROPE

MAGAZINE OF THE EUROPEAN UNION



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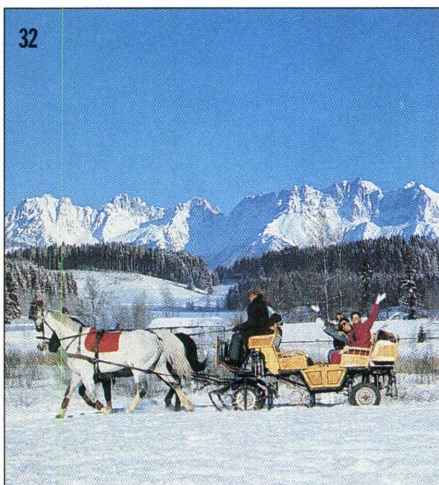
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# Letter from the Editor

**A**ustria, one of the newest EU members, is in the midst of a heated election campaign and is holding elections after the collapse of the government ruling coalition. As is the case in many countries today, the dispute centers on how to resolve budget problems.

Dr. Wolfgang Schüssel, the current vice-chancellor, who is also the foreign minister and head of the People's Party, in an exclusive *EUROPE* interview, talks about his country's budget problems, EU membership, the war in Bosnia, NATO, neutrality, a common currency, a common foreign and security policy, transatlantic relations, right-wing politics, and a host of other issues in this far reaching discussion.

Fred Hift, a journalist and a native of Austria, contributes an article talking about the possibility of Schüssel becoming Austria's new chancellor. He also mentions that the current chancellor, Franz Vranitzky, could actually become chancellor again. Or in another scenario, for the first time, right-wing populist Georg Haider could become a coalition partner in a new government.

*EUROPE* looks at Austria's "Neighbor in Need" program in which private Austrian citizens are providing needed supplies for people in war torn Bosnia.

The European automobile industry is facing new challenges from auto firms from around the world. Europe, the world's largest auto market, is also the most competitive. Bruce Barnard, our business and economics contributing editor, sorts out who is who and what is what in the auto markets of Europe.

*EUROPE* details Austria's growing role in the world automotive components business. Chrysler is very active in building Jeeps and minivans in Graz, Austria. General Motors subsidiary Opel/Austria is doing a brisk component business in Austria as is BMW.

It is very hard to discuss Austria, and Vienna in particular, without mentioning music and more specifically the opera. Ester Laushway explores the world of music in Vienna and tours the beautiful and historic State Opera House.

*EUROPE* profiles the colorful American ambassador to Austria, Swanee Hunt, and interviews average citizens, government officials, business people, and politicians to find out their views—pro and con—regarding Austria's membership in the European Union.

Also, *EUROPE* is off to the snowy ski slopes to present a guide to the best, lesser known resorts around Europe, from skiing near the Arctic Circle in Finland to Mt. Parnassos in Greece. From downhill to cross-country, *EUROPE* tells you how to get the best out of your next ski trip to Europe.

Fred Hift recalls his days growing up on the slopes of the Austrian Alps and presents the best places to ski in Austria.

The staff of *EUROPE* wishes all of our readers a happy and healthy new year.



**Robert J. Guttman**  
Editor-in-Chief

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*EUROPE*, Magazine of the European Union (ISSN 0191-4545), is published by the Delegation of the European Commission, 2300 M Street, NW, Washington, DC 20037. © The European Commission, 1995. The magazine encourages reproduction of its contents, but any such reproduction without permission is prohibited. *EUROPE*, published 10 times per year, is available by subscription for \$19.95 per year; \$34.95 for 2 years; \$46.95 for three years. Add \$10.00 to non-U.S. subscriptions for postage and handling. Student rate (with proof of enrollment): \$14.95 per year; \$25.95 for 2 years; \$35.95 for 3 years. Bulk rate also available. **Editorial, permissions, advertising, and circulation offices:** 2300 M Street, NW, Washington, DC 20037; Telephone (202) 862-9555. Available in microform from UMI, 300 N. Zeeb Rd., Ann Arbor, MI 48106; (313) 761-4700

**Subscriber services:** 1-800-627-7961.

(In Canada call 303-678-0439.)

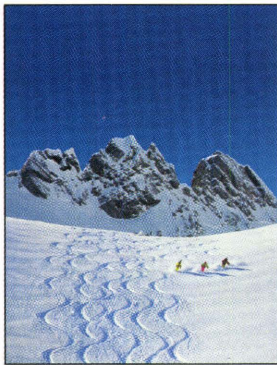
Second class postage paid at Washington, DC and additional entry.

**Postmaster:** Please send change of address forms to *EUROPE*, P.O. Box 55935, Boulder, CO 80322-5935.

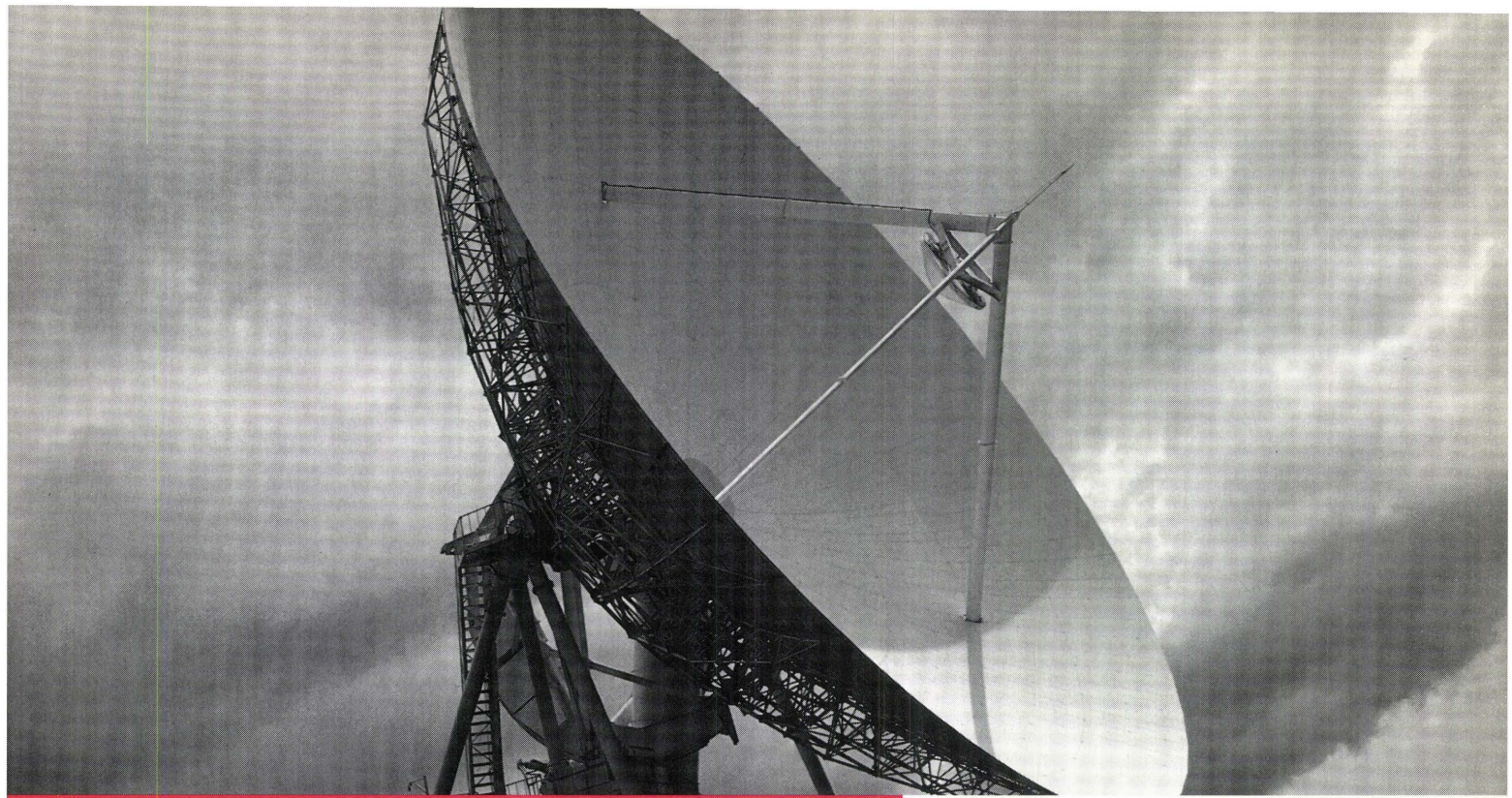
PRINTED IN THE U.S.A.

The magazine is a forum for discussion, and therefore its contents do not necessarily reflect the views of European Union institutions or of the member states.

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



**On the cover:**  
Three skiers  
cut fresh  
powder on  
Mount Valluga  
near Arlberg in  
the Austrian  
Tyrol



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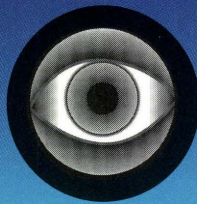
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**AUSTRIA**  
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# EYE ON THE EU



Profiling  
Personalities and  
Developments  
Within the  
European Union

**T**he secretive habits of many European governments, not least the British, are taking a battering within the context of the European Union. The odds are that "open government," on the US model, will prevail and that the decision-making process within the EU will progressively be thrown open to public scrutiny.

An important event in this process was the first Danish referendum on the Maastricht Treaty, in June 1992, when the alleged remoteness of Brussels from the person in the street was one of the reasons identified for the initial rejection of the treaty by Danish voters. The EU Council of Ministers reacted by adopting a code of practice on the right of access to information, which specified that documents should be freely released, except in a small number of defined categories.

Despite a prediction that 99 percent of documents would be made available, the Council continued to adopt a restrictive attitude. In November 1993 and January 1994 it refused to release documents concerning ministerial meetings to the *Guardian* newspaper, and upheld this refusal against the wishes of the Dutch and Danish governments.

The newspaper challenged this decision before the European Court of Justice, and on October 19, 1995 the Court ruled in favor of the *Guardian*. In substance, the judgment was to the effect that the Council was not enti-

tled to withhold documents without giving detailed reasons. In practice, it is likely to mean that refusals will be far rarer in the future.

The entry of Sweden and Finland into the EU last January has given further impetus to the drive for greater openness. Sweden (of which Finland was then a part) adopted the first Freedom of Information Act in the world, as long ago as 1766. Citizens

access to 20 specific documents concerning Europol (the EU organization for police cooperation). In Brussels, the Council released four of them—the rest were considered secret because they "threatened the common security." In Sweden, the authorities released 18 of these documents.

Some other member states are irritated by the Swedish action, but there is little that

1996 Intergovernmental Conference to entrench the principle of openness by amendments to the Rome Treaty.

Swedes comprehensively refute the argument that greater openness leads to less efficiency. Sweden's minister for European Affairs, Mats Hellström, recently addressed a seminar in Stockholm for EU and Nordic journalists. He said: "In my opinion this is a false assumption. On the contrary, openness is often efficient and secrecy inefficient. The decision-making process is not hampered by openness. We have 200 years of tradition to prove it."

So the pressure to open up the EU will continue. The next step is likely to be demands to open up Council of Ministers meetings to the press and the public, whenever it is engaged in law-making.

If any European leader still doubts the wisdom of doing things in the open, he or she should heed the words of newspaper publisher Joseph Pulitzer, who wrote, many years ago:

"There is not a crime, there is not a dodge, there is not a trick, there is not a swindle, there is not a vice which does not live by secrecy. Get these things out into the open, describe them, attack them, ridicule them in the press, and sooner or later public opinion will sweep them away. Publicity may not be the only thing that is needed, but it is the one thing without which all other agencies will fail."

—Dick Leonard



## London's *Guardian* won a victory when the European Court of Justice ruled that the European Council was not entitled to withhold documents without giving detailed reasons.

of both countries have an absolute right to see all official documents except those concerning national security, crime prevention, or where the disclosure of information would harm an individual.

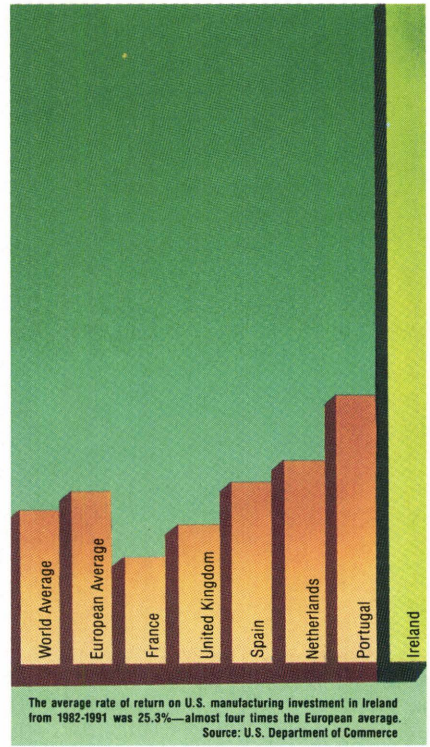
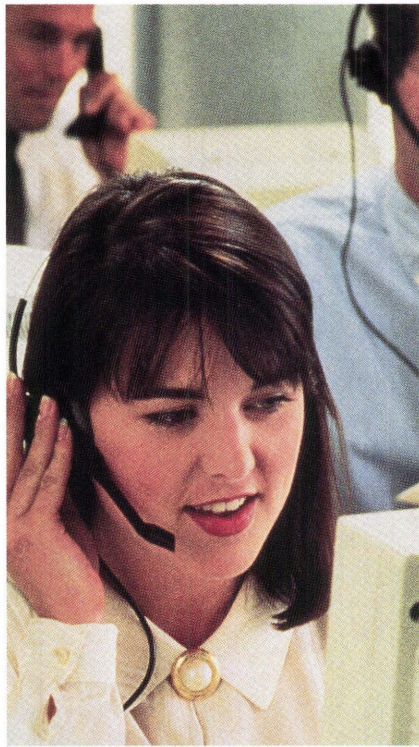
This freedom of access has been extended to EU documents made available to the Swedish government. *Journalisten*, the magazine of the Swedish Union of Journalists, recently tried to get ac-

they can do about it. Swedish citizens have a constitutional right of access, and this cannot legally be overruled by a mere code of practice. Other governments, and the Council itself, will come under great pressure from their own citizens to release documents freely available to Swedes.

The Swedish government is far from being apologetic about what has happened. It is preparing proposals for the

# IRELAND

## FOR TELESERVICES



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### THE PEOPLE

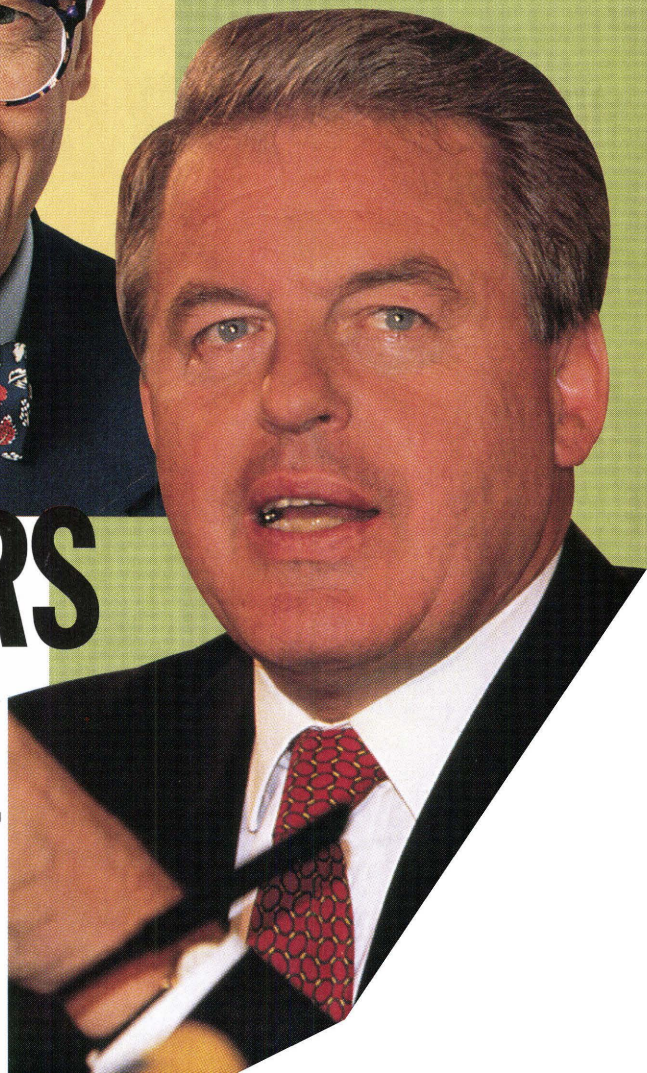
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# AUSTRIA CHOOSES A NEW CHANCELLOR



## THREE FRONT-RUNNERS EMERGE

BY FRED HIFT



Austrian economics and the stability of the government have always been closely connected. So it should not come as much of a surprise that, after a heady period of economic growth, which has peaked, the Socialist-Conservative coalition now governing the country has cracked up over the issue of a \$5 billion budget deficit and drastic measures proposed to deal with it. New elections have been called for December 17.

The coalition combines the Socialist Democratic Party, which provides the chancellor, Franz Vranitzky, and the Austrian People's Party, represented in the leadership by Wolfgang Schüssel, who is the vice-chancellor as well as foreign minister and his party's chairman.

Both parties during the last election a little more than a year ago drew better than 30 percent of the vote.

Looming in the background, and very vocal in its opposition, is the Freedom Party, headed by Georg Haider, an aggressive, young right-winger with an oft-expressed ambition to become chancellor and a following that lumps together Austrian neo-Nazis, ultra-nationalists, anti-immigrant and anti-foreigner activists, the disaffected, and the economically frustrated.

Haider during the last election attracted 23.8 percent of the Austrian vote. Two other important Austrian parties are the Greens, which get about 10 to 12 percent of the vote, and the Liberal Forum, headed by Heide Schmidt, who once was part of the Freedom Party leadership but left it in disgust over Haider's extremism.

The breakup of the coalition, essentially over the new budget and where and how cuts should be made, and the calling of elections sent shock waves through the Austrian political establishment and further sharpened the tone of the already intense rhetoric.

Schüssel, who wants the chancellorship himself, said he regretted the end of the coalition and the calling of elections but added pointedly that he was "not afraid of them."

The opposite view was taken by an editorial in the *Financial Times* which declared that "few will mourn the demise of Austria's latest coalition government" which, after 12 months in office, "had ceased to function effectively."

The newspaper holds that voting for Mr. Haider would be "unwise" since he is "a highly unpredictable opportunist whose presence in any future coalition would make for unstable policy making."

Vranitzky, who enjoys great personal popularity, might continue as chancellor if his party wins by a wide margin, and then again he might not. His "competition" includes Caspar Einem, currently the interior minister, and Viktor Klima, the transportation minister.

Haider, who originally opposed Austria's entry into the European Union but changed his position after two-thirds of Austrians voted in favor of joining the EU, declared that the two coalition parties had acted "like rank amateurs." Earlier,

**Candidates for Austrian chancellor: (left to right) head of the ultra right-wing Freedom Party, Georg Haider; leader of the Austrian People's Party and current vice-chancellor, Wolfgang Schüssel; and Social Democrat leader and current chancellor, Franz Vranitzky.**

**THE BREAKUP OF THE COALITION...SENT SHOCK WAVES THROUGH THE AUSTRIAN POLITICAL ESTABLISHMENT AND FURTHER SHARPENED THE TONE OF THE ALREADY INTENSE RHETORIC.**

he had called for the resignation of the finance minister whom he called "a disaster for the nation."

Opinion polls predict that in the new elections, the Social Democrats will receive between 31 and 32 percent of the vote (down from 35 percent during the last elections in November 1994) while the People's Party should attract between 28 and 29 percent.

Haider's Freedom Party is expected to increase its share of the vote to between 24 and 25 percent, up from its 22.5 percent showing last year.

However, most everyone acknowledges that surprises are possible. For one, Haider, a skilled, charismatic young populist whose strident oratory has a shrill anti-foreigner ring and whose associates make no attempt to hide their antisemitism and nostalgia for the late Third Reich, could attract a much higher percentage of the voters, many of whom are disgusted by the wrangling over the budget gap.

For another, even if the coalition partners win again, Haider may still dominate the political scene by forming a coalition with the People's Party, replacing the Social Democrats who would then go into opposition. Schüssel has left the door open to a new tie with Haider though it is by no means a certainty.

The current mood of the Austrian electorate, and particularly of the working people, is one of disenchantment, in part with the lack of economic change following Austria's entry into the European Union.

"Voters are enormously frustrated," said one top Austrian politician. They feel their expectations have not been met though prices in the supermarkets are now gradually coming down as a result of the country's EU membership."

The same politician noted that the Austrian electorate had undergone a drastic change. "They are young and mobile, and they are pulling away from the parties. In fact, they are leaving them in droves. They vote according to individual preferences rather than to conform with their party's policies."

The same official said he greatly doubted that, despite Haider's public relations image and his determination to appeal to the worst instincts of the electorate, Austrian voters would hand him a significant victory in the elections.

"Haider is very clever, but the people are not foolish enough to be completely overwhelmed by his rhetoric," he added. "They may allow him to gain some in the voting booth but not enough to hand him the chancellorship. Not only the current situation, but also history speaks against it."

The degrees of Austria's economic boom in recent years is evident from a current statistic which shows that, based on individual buying power, Austria, which has close to 8 million citizens, is today the third-richest country in Europe, ranking behind Luxembourg and Denmark. In fact, the Austrian buying power today stands at around 12 percent higher than the European average.

Stoked by Haider's attacks, there is grumbling about the amounts Austria has to pay to the EU. This year, the country

will contribute \$2.8 billion to the EU budget and an additional \$200 million to the European Investment Bank. However, \$1.7 billion of all this comes back to Austria in the form of EU contributions to the country's agriculture and regional subventions. The province of Lower Austria alone is to get \$29.4 million and Vorarlberg \$28.6 million.

Official figures show a steady decline in the Austrian inflation rate, from 3 percent in 1994 to an expected 2.3 percent in 1996. Unemployment is currently at 4.3 percent but is figured to rise to 4.4 percent in 1996. Productivity, which stood at 2.5

percent in 1994, dropped to 2.3 percent this year and will go down to 2.1 percent next year.

There has been a drop in foreign trade this year. It was up by 11.3 percent in 1994. This year, it should rise by only 6 percent, partly due to lackluster demand in Europe.

The hardest hit sector of the economy was tourism, an important money earner for Austria. It was down by 4.5 percent last year and is expected to go down further for the whole of 1995, in part because of the strong schilling, which makes travel in Austria expensive not only for Americans, but also

for other Europeans.

Austria's economic growth this year is put at 3 percent, which compares favorably to countries like the Netherlands (2.9 percent), Germany (2.8 percent), and Switzerland (2.2 percent). On the other hand, both the individual savings and credits volumes were down this year.

But people can't eat statistics, and they tend to follow their emotions, which generates fear in the political establishment and great concern over the future direction of the country.

"We now have a perspective of Europe that is more comprehensive

# A CONVOY OF HUMANITY

**"You have to do something if you see these pictures in the news," says Dr. Christian Marte, a member of the managing board of the Austrian Red Cross, discussing the images in the media which show terrible human suffering as a result of the war in the former Yugoslavia.**

In an amazing outpouring of generosity, more than 40 percent of the population of Austria has given money for aid and assistance directly to the victims of the war in the former Yugoslavia under a program called "Neighbor in Need."

This massive relief effort, which is entirely financed by private donations, started on May 26, 1992. Austrian radio and television broadcasting corporation, ORF, began running free commercials asking its listeners for donations for the war victims in the neighboring former Yugoslavia.

Supported by the Austrian Red Cross and the Caritas relief organizations, Neighbor in Need has become the largest private initiative humanitarian program in the Balkans. Assistance is provided to everyone in need, including Croats, Muslims, and Serbs.

Since its beginning in 1992 the Neighbor in Need relief program has collected nearly 1 billion Austrian schillings, approximately \$100 million, from private citizens and businesses and transported nearly 64,000 tons of supplies to all parts of the war torn Balkans.

Almost 3 million Austrians out of a total population of 8 million, have contributed to this unprecedented relief effort. Neighbor in Need's slogan for last summer's relief drive was "The War Doesn't Take A Vacation."



than ever," says Peter Hohenfellner, the Austrian under-secretary for political affairs in the foreign ministry and a former Austrian ambassador to the UN. "We are now a member of the club. To help create an economic and social framework promising stability and security in Europe we need good economic and social conditions and a stable environment, ourselves," he maintains, pointing out that Austria is well on its way to meet budgetary and other conditions established under the Maastricht Treaty that provides for a single European currency.

Hohenfellner, while reluctant to

comment on the current political situation in Austria, nevertheless is concerned about "if measures are eventually agreed on that might reduce that stability. This could open the door to Haider and his ideas."

Once again playing on Austrian national sentiment, Haider has said that, should he become chancellor, he would see to it that Austria's voice would be heard loudly in the EU and that he would assure that nothing could be done that might in any way hurt Austrian interests as he perceives them.

Austria may be a small country, but located right in the heart of Europe, its

politics and its economics are important to the rest of the continent and particularly to its neighbors who look to Austria as a model in terms of its advanced social security and health care system.

It is the angry arguments over how to deal with the current budget gap and the threat of significant cutbacks on the social scene, including an increase in the retirement age and higher taxes, that appear to be endangering some of the main and long established pillars of that system and to be playing into the hands of the extreme right wing. ☹

*Fred Hift covers Austria for EUROPE.*



(above) Austrian road signs bearing names of former Yugoslav cities emphasize the tragedy's proximity. (left) Refugee children hold up signs in German that read "Neighbor in Need."

Dr. Marte says initially the relief effort was planned for only six weeks. Now, entering its fourth year, Dr. Marte exclaims, "We are totally surprised by the fantastic response by the Austrian people."

Much of the success of this relief effort can be attributed to the fact that all the donors know exactly where their donations are going. The symbol of Neighbor in Need is a truck. All the trucks going to the former Yugoslavia are numbered so donors know where their contributions are destined to go. Each time donations reach \$30,000 one more truck carrying supplies is sent on its way to the war zone with food and medicine.

Dr. Marte points out that having the trucks numbered and showing donors exactly where and how their money is being spent is a key reason for the success of the program. Each truck is registered. Arrival times, destinations, and quantities of supplies sent are minutely checked and recorded and available for all donors to see. Relief workers in the former Yugoslavia send up to the minute faxes of what supplies are actually needed. This makes certain that the food and medicine are actually going where they are needed most urgently.

tas's Helmut Schuller are surprised by the relief efforts "dashing success."

The Neighbor in Need relief effort has certainly saved thousands of lives in the former Yugoslavia. Even though peace talks are in process, the fighting and misery continues and the reason for Neighbor in Need is just as great as it was when it began in 1992.

Other people around the world are now becoming donors to this beneficial relief effort. As Dr. Marte states, "These are our neighbors and we have to care for them." And President Bill Clinton echoed these thoughts when he said, "This humanitarian effort of the Austrian people sets an example for others throughout the world to follow."

It is a real tribute to the generosity of the average Austrian to have made Neighbor in Need such a success. A recent newspaper article discussing the Neighbor in Need relief program stated, "Success justifies the campaign."

For information on how you can become a donor please contact the Austrian Broadcasting Corporation, Wurzburggasse 30, A-1136 Vienna, Austria; tel. 1-87878-4699 or fax 1-87878-3712.

—Robert J. Guttman

# Austria & the EU

By Robert J. Guttman

## “It’s a New Ballgame”

“As you would say in the US, it’s a new ballgame to be a member of the European Union,” exclaims Ambassador Gregor Woschnagg, deputy head of the Economic and Integration Policy department (which handles EU affairs) at the Austrian Foreign Affairs Ministry.

Dr. Woschnagg goes on to point out that “on the political field as members of the European Union, our weight and our importance has increased considerably since we now sit in Brussels and can participate in the decision making and in the shaping of the new Europe.”

Today, however, the overall mood in Austria is less positive toward the EU than it was when more than two-thirds of the voters declared themselves in favor of membership in last January’s referendum. Austrians interviewed for this article were quick to point out the fact that Austria, a prosperous country will pay more into the EU than it will get out.

“Asking people if they would join the EU today is purely a theoretical question,” counters Vice-Chancellor and Foreign Minister Wolfgang Schüssel, “because everybody knows we are already members of the EU, and nobody’s interested in leaving the Union. For instance, a question was asked in a recent poll—‘Should Austria leave the European Union?’—and more than 85 percent of the people said ‘no, we should stay.’ Austria joined the Union and all the positive results we expected came.”

The vice-chancellor explains that people are slowly starting to see firsthand some of the advantages of EU membership. “Fifty percent of all products available in Austria are now cheaper than they were in December 1994. So, the consumers benefited enormously by accession,” he says. “Second, we have this year \$4 billion more economic invest-



After the results of the referendum on EU membership were announced, Austrian President Thomas Klestil celebrated with champagne and EU flags.

ment in Austria than last year. This increased investment is not just from the US but from all over the world.”

The foreign minister adamantly declares that “without EU accession, most of these investors would have invested their money in Germany or in northern Italy or even in Eastern Europe. But because we are members of the European

Union, they have invested their money here in Austria.”

Another point that is not usually discussed, says Dr. Schüssel, is that “Swiss businessmen have come to Austria to invest their money because we are members of the Union and they are not. We can attribute our new jobs to our membership.”

Monika Pacher, president of ICD Austria, the agency charged with the task of bringing new foreign businesses to Austria, echoes the foreign minister. "If we hadn't become a member of the EU we would have had to close the agency because many of the projects we are in the process of negotiating would not have come to Austria," she says.

Patricia Helletzgruber, director of

tria. I personally think that joining the EU has greatly added to business investment in Austria."

Many people interviewed for this article discussed the fact that it would have been very negative if Austria had not joined the EU. Instead of stressing the positive aspects, they point out that membership was necessary in order not to be left out in the cold and out of the decision making process in Brussels.

Franz Ceska, secretary-general of the Federation of Austrian Industrialists, a group comparable to the National Association of Manufacturers in the US, says, "There has never been euphoria in Austria about joining the EU. Yet still, we had an overwhelming majority of two-thirds in favor of joining at the referendum. The reason was not so much that people loved Europe so much or the European Union so much, but people were aware of the negative consequences for the country if we did not join. And people continue to be aware."

The owner of a gift shop across from the State Opera concurred with Dr. Cezka's views, saying "EU membership is a reality. It is probably more good than bad. It would have hurt our country to have stayed out. And in the long run it will be good for my business and other businesses."

What does Austria bring to the European Union? The vice-chancellor responds, "What we are bringing to the EU first of all is money. We bring money and significant amounts of a net payment rate, which is a pity. I am sorry about this, but this is the rule. . . . We bring new elements to the EU; along with Sweden and Finland, we are changing the approach and the cultural balance of the EU. Environment has a high priority in

all three new member states. We are countries interested in free trade. We are really promoters of a free trade approach. And we are interested in enlargement of the Union toward Eastern Europe."

Dr. Cezka points out that Austria "brings in an excellent system of industrial production and quite solid political stability and social stability. We bring in an interesting geographic location and a

certain affinity and experience in dealing with Central and Eastern European countries, which are next-door to us."

Countering the criticisms that Austria is a net giver in the EU, Dr. Ceska says that "Austria gets from the EU a huge market, the necessity to transform, to think larger. It gets from the EU the obligation not to think any longer in terms of a 7.5 million [people] little country. It gets additional pressure to restructure our economic and social system. And it gets the very important fact of being an equal partner in the European integrational process, which we did not have until we became members."

Obviously, not all segments of the society fare the same with EU membership. The farming population has been one sector that has not fared as well. Dr. Schüssel states, "We have problems in some specific branches—the farmers, no doubt about it. They had a terrible decrease in prices. Some branches of the food processing industry had a problem. But taken as a whole we've had a smooth, soft landing. . . ."

Most Austrians agree that the EU and the Austrian government need to do a lot more to explain the EU to the person in the street so they can readily understand the advantages of being part of a united Europe. US Chamber of Commerce Director Helletzgruber believes it is "really a question of marketing it and a question of public relations."

Dr. Woschnagg says that "the EU should try harder to make their decisions more easily understood by the person on the street. This is very necessary. The link between the EU institutions and the people should increase and not decrease."

While Austrians continue to adjust to their new membership in the European Union, the pros and cons of being a member will continue to be raised at all levels of discussion. As time passes proponents say the realities of membership will sink in, and Austria will be a positive participant in the decision making in Brussels.

As Vice-Chancellor Schüssel puts it, "I wouldn't overestimate our membership. We are not alone in the Union, but we are active members, and we are trying our best to move it in the right direction." ☺

*Robert J. Guttman is EUROPE's editor-in-chief.*



the US Chamber of Commerce in Vienna, believes US firms in particular will find Austria a more attractive place to invest now that it is a member of the EU. In addition to using Austria as a springboard for doing business in Central Europe, American firms now get the added advantage of being part of the European single market. "Since Austria joined the EU, there are more than 30 or 40 companies who have newly invested in Aus-

# Wolfgang Schüssel

## AUSTRIAN VICE CHANCELLOR

Austrian Vice-Chancellor Wolfgang Schüssel, also the federal minister for foreign affairs in the current coalition government, is the leader of the Austrian People's Party. He is a possible candidate to become the new chancellor of Austria. The vice-chancellor was interviewed in his offices in Vienna by *EUROPE* Editor-in-Chief Robert J. Guttman in October shortly before the government coalition collapsed and new elections were called.

### Will we see a single currency and European Monetary Union by 1999?

I hope the date can be 1999, because it is already agreed in the Maastricht Treaty, and I think the European Monetary Union will bring enormous advantage to the European economies. But—and there is really a “but”—it depends on the conditions. Everybody wants a European currency which is strong, which is valuable, which is reasonable, and which could be explained to the public.

The problem is at the moment only a few countries fulfill all the conversions criteria for the Maastricht Treaty and the definite stage of the European currency. We all have to work hard to reach the conversions criteria. Even Austria, which has a developed economy, which has a low inflation rate, good interest rates, a stable economy, a blooming economy, we have a budget problem, and we have to fight against our deficit. This is the reason why we have at the moment an enormous critical debate within the government. We have to do everything in our own interest, not only due to the Maastricht criteria, to have the budget deficit reduced. And the single European currency, is at the end of...a long road. It is not the starting point. So what we have to do is not only to agree that the date is fixed and everybody wants to have the same date, but we have to work hard to get a really strong European currency, a reasonably explainable currency.

I think the idea of the last Ecofin meeting in Spain, to call it “Euro” and adding the [names of the] different national currencies is a good idea. I proposed the same idea six months ago. It's the only way to explain it to the public, because a lot of countries, even if they fulfill the criteria, will have serious problems explaining the European currency to their population and to their voters.



**What about the citizens of Austria? Will they be willing to give up the schilling?**

At the moment it is not a high priority. It is only a lower ranking issue in the public debate. There is a lot of skepticism regarding when the date will be, if the date is fixed, and what the name is, and the conditions. But if the impression is, in the public opinion, that the European currency is weaker than the Austrian schilling, then we would have serious problems explaining such a currency. If we can explain that the European currency is as strong as the Austrian schilling always was and we are used to it, then I can go to my voters and say, "Okay, this is a reasonable concept in our advantage, and we should support the idea."

**Do you think Germany has had too dominant a role in this whole question of a single currency?**

The strong currencies like the deutsche mark or franc are very, very important. In my mind, it would be impossible to create a European currency without including the mark and franc. So they play a very, very important role, a significant role, and I hope that more currencies can be included. But the German mark is not the only currency in Europe, and Frankfurt is not the only place where the monetary union can be decided.

**Many people have floated the idea of a transatlantic free trade area. Do you see anything like that coming about, and do you favor it?**

Everything should be supported which brings better economic relations between the United States and Europe as a whole. A transatlantic free trade area can be a positive symbol, but it depends. At the moment there are a lot of single questions, difficult questions, if you go into the details. The idea is good. We should continue the work. We should prepare a framework which fits into the WTO regulations. This is the main problem. It is a new and additional regional trade agreement which may be in contradiction with the WTO regulations. Could it be organized within the framework of WTO with the idea of free trade promoting exports and imports. The idea is good, and Europe and the United States can do a lot more. They al-

ready have. It will need time. It's not an idea which could be fulfilled within a few months, or let's say, one or two years. But the idea to do much more than we agreed in the last years, this is a good one, and we should be focused much more from the European side on America, and America should not forget that Europe as a whole is one of the most interesting markets of the world. Everybody is now looking to Asia. Asia is half of the population of the world, but Asia includes difficult markets and different cultures. And each country has to be treated on its own. Asia is not Asia as a whole. There is no Asian free trade agreement at the moment, only a few elements, and only a few countries taking part in it. The US and Europe should do much more.

**Do you think Europeans and Austrians have a feeling that maybe Americans are turning away from Europe?**

In a pre-election year America is turning to the domestic problems and domestic affairs. I fully understand that, as a pragmatic politician, because this is the way in all the countries we look at. Even in Austria we are focused on domestic affairs, and Germany's concerned with their own ideas about Germany. Foreign policy is always a number two priority in election campaigns. But there will be a time after the elections and after campaigning, and we should have in mind, as future-oriented politicians, that America and Europe are sitting in the same boat. This is my deep faith.

**Does America still need to be a key player in Europe today?**

Of course, America is still and always was a key player, and we Austrians know that exactly. World War II, it's not necessary to mention what all America did. And during all the crises in Europe, the Hungarian crisis, Poland, Czech, the Balkan crisis—wherever you look, America has had to play a key role. The impression is that only America did her job. This is not correct. Europe has done a lot, and it is unfair to underestimate the work of the negotiators before, and the work and the tremendous burden of humanitarian aid of European countries, even Austria—to Bosnia. But Bosnia shows again that at the end, America has to play a very, very impor-

tant role. And congratulations to [US Assistant Secretary of State] Richard Holbrooke and his team. It is a long, bumpy road. But, America played her role, and this was very important that Europe and America were together.

**Are the Austrian people concerned about the Balkans?**

Austrians are concerned about the Balkans. Eighty thousand refugees are living in Austria. This is much more than all the other European countries have taken. Germany, for instance, who is 10 times larger than Austria has only 400,000. So the relation is one to five compared with the size of the population, and then one to ten. I fully see the point that Austria felt for the first time in contemporary history that a civil war or military action could take place immediately at our border. During the Slovenian crisis in 1991, we had tanks in our border zone. The people of Austria know exactly how dangerous the Balkan area is.

**Has this become a political problem—having refugees?**

No, not really. Refugees are not a problem. I don't see really a problem with Croatian or Bosnian or Serbian refugees. We have some problems with, let's say, Vietnamese people, African refugees, coming to Austria in illegal channels. We have problems with foreigners, for instance, the Ukrainian mafia or Russian mafia controlling drug business or prostitutes or money laundering. But these are our problems, and people are very concerned about the number of immigrants in Austria, because we are a small country. At the moment, 15 percent of our population [was] not born in Austria, and are immigrants. And a small country should keep in mind that it is impossible for us to open our doors without restrictions. We are open-minded for refugees, for asylum-seeking people but under certain regulations and in a controlled way. And if that is the case, then I don't see any problems with the Austrian population. At the moment, more than 1 million Austrians, more than 1 million people are living in Austria who are not born in our country.

**Does Bosnia show a need for a common foreign and security policy, or is it showing something like that would never work?**

The Bosnia crisis, or the Balkan crisis, shows that we need a common European foreign and security policy. And this will be one of the most important issues at the intergovernmental conference, which starts next May. Creating such a common foreign policy is the most important step toward a real union.

At the moment, Europe is only an advanced single market—nothing more. It is an economic union, that's true. But an uncompleted one, because we have no common currency; we have no common social standards; we have, in some respects, different ecological standards. So it is possible to have currency dumping. You can have social dumping. You can have ecological dumping. It is an uncompleted advanced single market. This is Europe today. And what we are willing to create is a union, an economic union. This includes especially social standards, common social standards, and a common currency, and a common foreign policy. This is the main point. But at the moment there is a more pragmatic attitude or approach in the European capitals.

#### Does NATO still have a role to play?

Of course. NATO and the Western European Union (WEU) are more or less strong pillars. The NATO alliance is the only existing and functioning military alliance. No doubt about it. And the WEU is the pillar, the European pillar, and should be a partner of NATO. And the concept of security and global security policy includes that [partnership] in the future. It is not the old NATO. NATO is now discussing enlargement, including states like the Czech Republic, Hungary, Poland, and maybe the Baltic states. NATO is changing. And NATO is changing in a new direction. It is always, on one side, a strong military alliance—the only functioning one. On the other side, it should include more el-

ements of crisis management, together with the United Nations and other regional organizations, in working toward a peaceful global concept.

#### Would Austria ever become a member of NATO?

It depends. I would say at the moment I wouldn't exclude it. This is our concept. It is a common concept in the government. At the moment we keep all options open. We are prepared to join in the next stage of European foreign and security policy. Not a merger, but a closer relation between the EU and WEU. We would take part in WEU ac-



**Bosnia shows again that at the end, America has to play a very, very important role.**

tions like peacekeeping. And we are prepared to accept the Partnership for Peace programs of NATO. We are discussing now the new approach for NATO with a task group coming to Austria. We are prepared to approximate our positions. I wouldn't exclude [the possibility of joining] in a few years. At the moment, it is not an issue which has to be decided nor can be decided, because at the moment, the Austrian population is not prepared. The majority is still against it. And my coalition partner is not prepared to accept such a move. But we are moving gradually step by step.

#### Is the concept of neutrality dead?

I wouldn't say "dead." But it is completely changed. After the end of the cold war, the breakdown of the communist empire, and the fall of the Iron Curtain neutrality is completely changed. The blocks of West and East

no longer exist, and we are now an active member of the European Union. We have to play a role. We have to take our European responsibility. And this can be included in a new concept of neutrality. This includes also taking part in actions. I mean it's more than a wording. The new concept of neutrality should include all the elements I mentioned before.

#### Is Austria still a gateway or crossroads for business and for dealing with Eastern Europe. Is that concept still valid?

You have around 1,000 international companies, internationally-run companies working in Eastern Europe from the regional center of Vienna or the eastern part of Austria. Significant companies in the industrialized world are represented here in Vienna, but working in the Czech Republic and Slovakia, Hungary, Slovenia, Romania, and Bulgaria. The Austrians themselves have about 15,000 different joint ventures in Eastern Europe. We invested more than \$2 billion in the neighboring countries, and we rank in total investment between second and third, after Germany, Hungary, and the United States. There is a lot of interest. There is a lot of possibility to get in contact with business partners in Eastern Europe, and for the next five to ten years, Austria, and especially Vienna, will play the same, and a growing, role in the region.

#### Do you think the Austrian government and the EU are doing enough to publicize what the EU is all about? Do you think the average Austrian citizen understands the EU?

No, not at all. I have to admit that we do not do enough, and we are too much concentrated on our domestic affairs, as I mentioned before. Most countries make the same mistake, but it is really a fault. We should do much more in this respect because it is like a book with the seven seals in some respect. It is a very complicated game, playing politics in the European Union. It is not easy to sell all these difficult procedures to the public opinion. It is, in some respect, hard to understand why the European law prevails over domestic law, even constitutional regulations in Austria. At the moment, we have not



done enough to explain why a single European currency is in our own interest. We have to explain much more why enlargement is necessary. So I'm self-critical in this respect. We do not do enough.

**Concerning enlargement, do you see the Czech Republic, Poland, and Hungary becoming members before the end of the decade?**

I'm not talking about dates, but from the strict economic point of view, you have to look at the different countries, case by case. Economically-speaking, the Czech Republic and Slovenia can join tomorrow. And in some years no doubt about it, because they are prepared. They caught up enormously with the average of the European Union, and they have a strong economic basis, accepted more or less the same relations. Other countries are on a slower pace. I do not criticize them—but we see the results. But it is by no doubt possible to catch up within the next two, three years, having the same level of economic regulations. And it should be possible to accept this single market framework during a foreseeable future.

The rest is a political question, the political will of the European Union and of the leaders or the relevant forces in these countries. And this is different. In Hungary, they are interested, but they are working hard on the internal front to bring up the right approach and to develop a European concept. In Slovenia, for instance, they are prepared economically, but politically the situation is much more difficult. So it is a very controversial point, EU membership.

In Poland, everything depends on the result of the elections. Today's government is prepared to join as soon as possible. Do we know exactly what the government in two or three years intends to do? What we have to keep in mind is that we should open our mind, and we should open our doors to negotiate as soon as possible the conditions when they could join, how they could join, and how we can support them to join the European Union. It is in our interest to open the Union. The date is as soon as possible, okay? But it is not so important, is it, the year 1999? Or is it the year 2000? It depends on the negotiations. But we are pressing. From the

Austrian side, we are pushing the enlargement issue within the EU ministerial councils, and we are trying everything to help the relevant countries to prepare themselves.

**Is it possible for a right-wing extremist to get into the government in Austria?**

Georg Haider is an extremely populist politician. And if you look at most of the European countries, you have this kind of populism all over Europe. In Italy you have Berlusconi's party, which is not really a party but a kind of a movement. You have in Switzerland a right-wing member of Parliament, and his anti-European movement. Again, it's the same type, the same arguments, and the same symbols. If you look in Germany, in some respect the pity is that the old communists are behaving in the same way. They have a kind of a populist, in some respects, left-wing movement. The same is true in France with Le Pen and in Scandinavian countries. You have a lot of similar type of populist naysayers, with a lot of success. Of course, Haider is successful. He got 22 percent in the last elections, and of course, he is helped by the mistakes of the government. So, if you decide slow, or if you decide nothing—if you always delay necessary decisions, if you quarrel in public, or if you fight controversial debates between the coalition partners, it doesn't help the coalition. It does feed the opposition. So only Haider is benefiting, as are the Greens or the Liberals. But it feeds the opposition.

So what I intend to do, and this is my main impulse since I took over the responsibilities as party chairman of the People's Party six months ago, I have tried to have a clear profile, to say what has to be said in public—I decide as quick as possible. Unfortunately the coalition partner is always delaying and slowing down the decision making process, which is a pity in my mind. I try to react to the same issues people want to bring to the public agenda, and not give it up to the opposition. Let's say, internal security questions, immigration, integration of foreigners, law and order policy. I mean I'm a Christian Democrat, and I do it my own way, with my own wordings, and with my own intentions, and they are completely different from the Free-

dom Party. But I think we shouldn't give up. We have to stand there and to present our views and our ideas.

**Is Austria any more right-wing or antisemitic than other country in Europe?**

Austrians are extremely middle of the road. The typical Austrian is never interested in extremism, neither right- or left-wing extremism. The people in Austria hate extremism. Georg Haider has a lot of support, not because he is extreme in some respect, but people see him as the only one focusing protest. So it is not right or left, it is a protest. And they don't want to give him the power to rule or to govern, but they want to give him enough strength to protest against something or against somebody. This is my first impression. The Austrians are very moderate and very much middle of the road oriented. Of course, there are small numbers of neo-Nazi groups and right-wing extremists believing in antisemitism and everything. What we have to do is to fight them. We have to do it. We have to give the police all the instruments they need because we have to fight those extremists on the left side or the right-wing neo-Nazis scene. From my point as a politician of the mainstream, I find it extremely important to have a clear profile against extremism. And in my mind, it is very important that Austria with its recent history has to be very cautious and very strict against any tendency of antisemitism or anti-foreignerism or anti-somebody else.

**How and why does antisemitism continue?**

That's a good question, and I don't have a real answer. We have only a few tens of thousands of Jews in Austria. Unfortunately, we don't have more because they were expelled and murdered during the war. I'm really happy that we again have more Jewish people living again here in Austria than before. Now we have to do everything to encourage them, to support them, and to give them all the positive feelings they have to have and they need to have and they deserve.

**Are you going to be the chancellor of Austria in the near future?**

I hope so. ☺

**“Coming into Austria via culture is a major advantage for an ambassador, and I have taken advantage of that,” states US Ambassador to Austria Swanee Hunt.**

Ambassador Hunt, daughter of legendary oil man H.L. Hunt, is a very colorful person in her own right. In her own words she announces that “I am a woman of many facets. I am a composer and a musician in general. My husband is a symphony conductor. I’m also a photographer, philanthropist, and artist with a strong commitment to public affairs and community service.”

The American ambassador to Austria has put together a striking collection of photographs called *Witness*. She uses the photographic exhibit as a way of meeting people in all walks of life in Austria. “I use the opening of these exhibits as a chance to pull together several hundred of the civic leaders of the area and talk about what it means to have a multicultural society. I think one of the great challenges right now facing Europe is



US Ambassador to Austria Swanee Hunt

# THE “MULTIFACETED” AMBASSADOR

how to deal with ethnic differences.”

In addition to the *Witness* photographs, the ambassador has composed a cantata entitled *The Witness Cantata*. Describing her composition, she points out that the work is based on the last seven words of Christ. “I took each one of these words in a spoken version and then interpreted it through a contemporary text, using the poetry of folks like the Russian poet Anna Akhmatova and German poet Theodore Roethke among others. It is a grief piece. It is also a passion piece. I wrote some of the words as well.”

Ambassador Hunt, who speaks and writes German, writes a weekly column for a newspaper in Vienna and also puts her thoughts on paper for a column entitled *Ambassador Journal* for the *Rocky Mountain News* back in her home state of Colorado. She also finds time to put on a weekly radio program.

Ambassador Hunt, who holds a doc-

torate in theology and two master’s degrees in psychology and religion, has formed a regional program to help women called the “Vienna Women’s Initiative.” “I’ve begun the Vienna Women’s Network to help women in the new democracies of Central Europe because women have taken a giant step backwards politically, socially, and economically in these countries. I try to meet with these women who are emerging leaders in their respective fields and connect them to other Austrian or American women to form networks of relationships where they will, hopefully, learn how to plan a career in politics or to start a business.”

On the diplomatic front, Ambassador Hunt has traveled to war torn Bosnia. Discussing Central Europe, she says that an “important role for the US is to help stabi-

lize the neighboring new democracies.”

The ambassador has also promoted Vienna as a place for US business firms to locate. She believes Austria is a good place for American investment because “everything works here.” She speaks highly of neighboring Slovenia as “an unsung song that is chugging along toward eventual EU membership.”

Characterizing US–Austrian relations the ambassador says, “I don’t think they have ever been stronger. And it’s not just because of what we can do for each other. It’s because we recognize that together we have a partnership for helping stabilize Central Europe.”

Concerning the European Union, the multifaceted ambassador declares that “the United States absolutely supports European integration.”

—Robert J. Guttman

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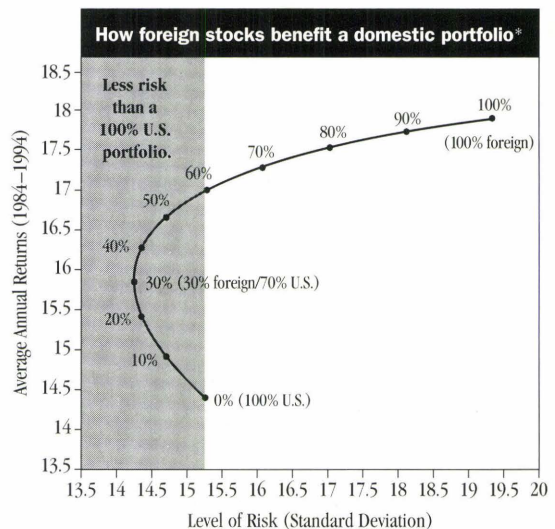
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Europe's car manufacturers are desperately shoring up their defenses as their American and Japanese rivals concentrate their fire on Europe, the world's biggest auto market.

And a lethal new challenge is emerging as South Korean manufacturers target Europe as the next stepping stone in their campaign to become global players.

The industry was hoping for a respite after sales in Western Europe rebounded by nearly 6 percent last year, ending a savage decline that began in 1991.

But latest returns from showrooms suggest sales will rise by barely 1 percent this year to 12 million units, way down from the 13.5 million cars sold in 1991.

The industry is burdened with over-capacity of around 2 million cars a year and with the Japanese set to sharply increase so-called transplant output at their European plants, the glut will remain for the rest of the decade.

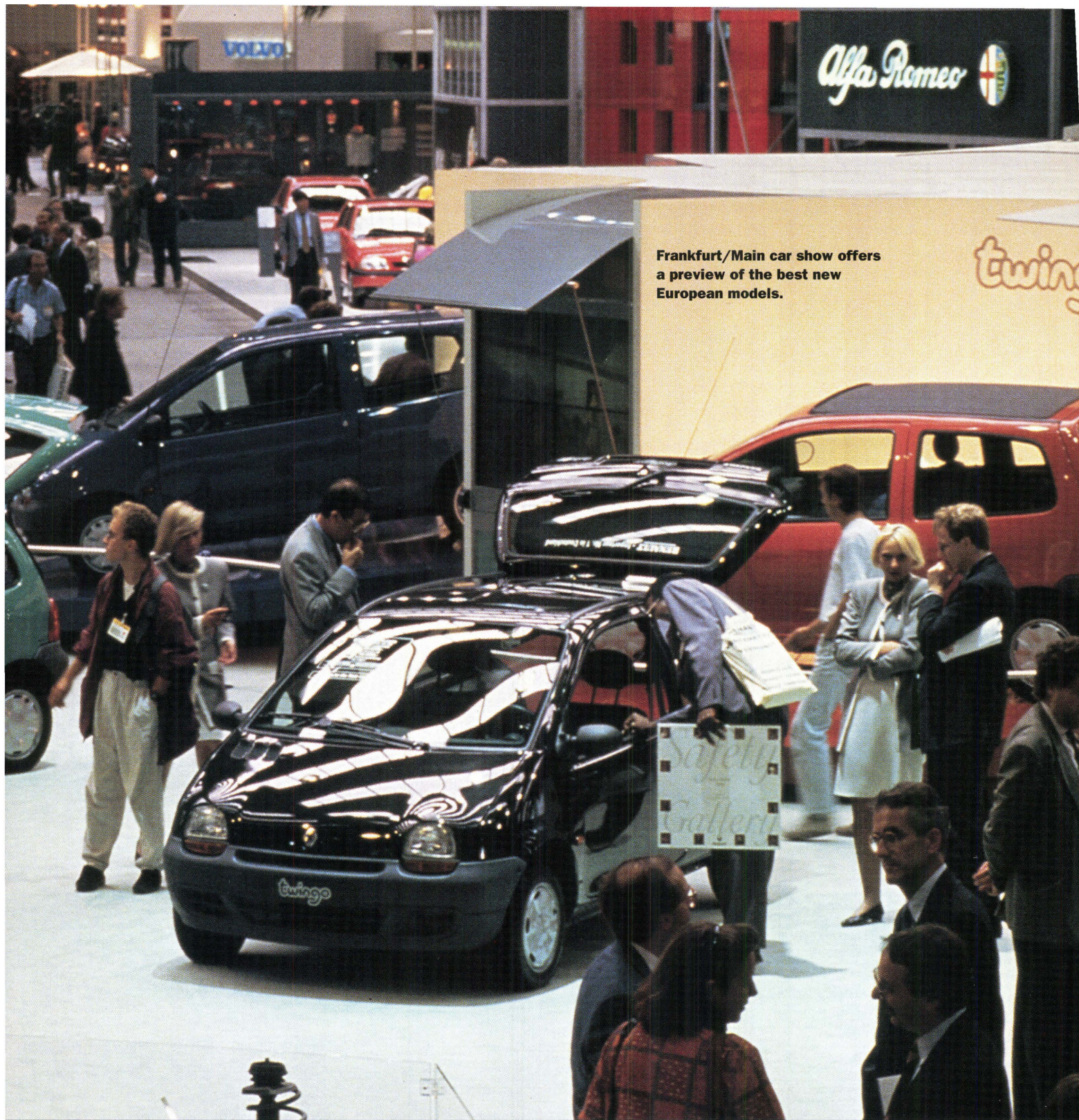
Despite the bearish sentiment pervading the market, there has been very little defensive movement in the industry apart from BMW's surprise takeover of Rover, the only British volume car manufacturer, in 1994. Meanwhile, Renault, once every analysts' favorite to fail, is now one of Europe's most profitable car companies. And Fiat, another vulnerable manufacturer, is benefiting from the sharp devaluation of the Italian lira to break sales records.

The focus has shifted to Sweden's Volvo, which faces a daunting challenge to survive as a medium-sized manufacturer after it walked away from a merger with Renault two years ago. It is



# Europe's Car Makers

# rev up



Frankfurt/Main car show offers a preview of the best new European models.

## competition increasing in the world's biggest car market

By Bruce Barnard

selling \$5.6 billion of non core assets to concentrate on its car and truck activities. Volvo is still making money with pre-tax profits totaling \$746 million in the first half of 1995, but industry analysts say it must merge with a bigger company to ensure its survival into the 21st century. Chrysler was rumored to be seeking a deal with Volvo this fall.

Europe's car industry still trails the US and Japan in terms of productivity despite billion dollar investment programs. The best European firms produced 20.4 cars per worker annually, compared with 50 for Toyota, the best Japanese manufacturer, and 34 at Mazda, one of the weakest, according to a recent report by the *Economist Intelligence Unit (EIU)*. European plants must boost their productivity by 50 percent to match fast-improving North American factories.

But the performance of some European plants suggests that the gap can be closed with a combination of Japanese production techniques and fresh investments. The General Motors factory in Eisenach, eastern Germany, designed along Japanese lines headed the *EIU's* performance league, producing 59.3 cars per worker last year. It was followed by Nissan's plant in northeast England with 54 cars per employee.

The recession hasn't spared the Japanese, who are condemned to a long payoff from their \$4 billion investment in European car plants. Moreover, the strong yen has put the skids on imports from Japan. Even the European plants have

been hit: While they must have 80 percent local content, many key components are imported from Japan.

Sales of Japanese cars in Europe slumped by 5.8 percent last year to 1.3 million units in an overall market that grew by 5.9 percent to 11.9 million, cutting their market share to 10.9 percent—the lowest for five years—from 12.3 percent in 1993.

Japanese manufacturers have revised downward production forecasts for their European plants from 600,000 to 400,000 in 1995.

This setback has given European firms, protected by a ceiling on direct imports from Japan until 1999, a new breath-

**The battle for markets is moving eastward as the big manufacturers take their first hesitant steps in Eastern and Central Europe and Russia, which are almost virgin territory because of the low level of car ownership and the technological inferiority of locally made models.**



ing space to prepare for a totally open market by the turn of the century.

Europe has barely begun to feel the Japanese threat, according to Ford Chairman Alex Trotman. "The (Japanese) needle is only about one-third into the thigh of European manufacturers."

But an equally lethal threat is emerging as the South Korean manufacturers, Daewoo and Hyundai, facing a rising tide of protectionism in the US, turn their guns on Europe.

Daewoo plans to spend \$11 billion between 1995 and 2000 to become one of the world's biggest auto makers. The fact that it ousted GM as the favorite to take over FSO, the state-owned Polish manufacturer, underlined its determination to break into the big time. It opened a 200,000 cars-a-year plant in Romania in October and plans a similar sized factory in Uzbekistan.

The US Big Three are also on a roll, with GM and Ford increasing both profits and market shares and Chrysler making its presence felt with the success of its Jeep Cherokee and minivan, assembled in Austria.

Ford's European operations, excluding Jaguar, its British

and Mercedes Benz have put the problem of the cheap dollar behind them by building plants in North America.

The battle for markets is moving eastward as the big manufacturers take their first hesitant steps in Eastern and Central Europe and Russia, which are almost virgin territory because of the low level of car ownership and the technological inferiority of locally made models.

VW has made the running with its \$700 million acquisition of a 70 percent stake in Skoda, the Czech manufacturer. Once the butt of comedians' jokes because of its low quality and poor reliability, Skoda was ranked sixth in terms of customer satisfaction in Britain this year, ahead of some well known German and Japanese cars, in a report by JD Power,



**Mercedes remains a major force in the European car industry. (left) Brand-new Mercedes models en route to German dealers. (right) La Swatchmobile prototype represents a daring joint venture between the Swiss watch company and Mercedes.**

luxury car unit, made a net profit of \$388 million in 1994, ending a three year run of losses totaling \$1.5 billion.

GM more than doubled profits in Europe last year to \$1.23 billion from \$605 million in 1993 to maintain its position as Europe's most profitable volume car manufacturer. This sparkling performance has continued into 1995 with net profits up by more than 22 percent to \$646 million and market share rising to 12.8 percent from 12.5 percent.

The big European companies aren't standing still. Peugeot-Citroen is mulling a \$4 billion return to the US market it quit in 1991 in order to lessen its dependence on Europe, and Renault plans to spend \$1 billion in Brazil to produce up to 100,000 cars a year for the South American market by 1999. Volkswagen, still struggling to boost productivity to overcome the problem of the rock hard deutsche mark, consolidated its position as Europe's leading car maker with a record 18.1 percent market share in September. BMW


an automotive consultancy.

VW intends to use Skoda's cheap but reliable cars to meet the competitive challenge from low-cost Asian manufacturers, notably Daewoo and Hyundai, in Eastern Europe and other emerging markets.

Others are following. Ford, for example, has just opened a \$55 million plant in Plons, 40 miles northwest of Warsaw, which will be assembling 30,000 cars and light commercial vehicles a year by 1998. Ford's sales in Eastern Europe, where it has 300 dealers, rose to 27,000 units in 1994 from just 1,000 in 1990.

GM too is seeking a site in Poland to build 100,000 cars a year by 1998 in an initial investment of \$235-\$295 million. It is also establishing a central European materials and purchasing office in Warsaw to buy parts for its plants in Western Europe and elsewhere in the world.

Conquering Central and Eastern Europe requires big checkbooks and staying power. Demand isn't likely to take off until the end of the century and growth will vary widely between countries, according to a study by DRI/McGraw-Hill and PlanEcon.

Car ownership in the most advanced countries of Eastern Europe will reach 204 per 1,000 people in the year 2000 compared with the current level of 417 in the European Union. That means a lot of pent-up demand to be satisfied by Western European manufacturers facing saturation in their home markets. 

*Bruce Barnard, based in Brussels, is a contributing editor for EUROPE and a correspondent for the Journal of Commerce.*

**FEW COMPANIES CAN MATCH** the spectacular rise of Bayerische Motoren Werke, or **BMW**.

In the 1960s, BMW was building Italian "bubble" cars under license. Today, it boasts one of the most prestigious marques in the automobile and motorbike industries. It was among the first European car firms to build an assembly plant in the United States. And it pulled off an audacious takeover of Rover, the British car manufacturer in which Honda of Japan held a stake. And chief executive Bernd Pischetsrieder says BMW would like to buy Rolls-Royce if it is put up for sale.



# Mixing Marketing Verve and Engineering Excellence

**By Bruce Barnard**

BMW builds around 600,000 cars a year, and yet it still retains the image of a select manufacturer of stylish, desirable automobiles pitched at a young "yuppie" market rather than the more mature and staid customer base of Mercedes-Benz.

BMW's mix of marketing verve and engineering excellence has made it one of Europe's most admired companies, ranked fourth in a 1995 poll of hundreds of firms by the *Financial Times* and Price Waterhouse, behind ABB, the Swiss-Swedish electrical engineering group, British Airways, and Nestle, the Swiss chocolate maker.

BMW has spent nearly three decades moving steadily into Mercedes-Benz territory, starting first with smaller cars, moving on to medium-sized models and eventually breaking into the up-market luxury sector with its flagship 7 series. Technical innovation, superb niche marketing, and classy advertising campaigns have kept it ahead of the pack.

BMW has also demonstrated that style pays. Last year it claimed to be the only car firm in Europe making profits at the operational level, stripping out contributions from subsidiaries and financial items.

BMW has shrugged off the strength of the deutsche mark and high German wages to improve its profitability into 1995. Earnings in the first half of the year were up 5 percent at \$218 million from \$206 million the previous year.

BMW's sales, excluding Rover, rose 5.3 percent to \$17.9 billion in the first nine months of the year as car output increased 10.7 percent to 459,051 units from 414,599 during the same 1994 period. Rover production rose 3 percent to



365,000 units, and sales totaled \$6.33 billion.

Analysts say profits would have been as much as \$64 million higher but for the slide of the Italian lira and the pound sterling which depressed profit margins in two key European markets. But BMW still increased its expensive German work force to meet rising demand for its cars.

While many European car firms, especially the medium-sized producers, react with alarm at the growing challenge from their larger American and Japanese rivals, BMW has no fears about its ability to remain independent. Mr. Pischetsrieder's recipe for Euro-

BMW doesn't minimize the challenge it has taken on. The acquisition was, according to Mr. Pischetsrieder, a "quantum leap" for the Munich-based company.

BMW is prepared to spend big to knock Rover into shape. A five year rolling investment program will swallow around \$3 billion.

Critics have seized on tumbling Rover sales—down 9 percent in Britain to 179,000 units in the first eight months of the year and down nearly 13

terms of size," said Mr. Pischetsrieder. BMW will remain committed to the "sophisticated segment" and will not move into large volume production.

Before it was taken over, Rover's goal was to become the "BMW of Britain." BMW executives have been blunt about their British unit's performance. Mr. Pischetsrieder has said its reliability and quality have improved substantially "but they are still not up to BMW standards."

While Rover battles to retain market

**"Our objective is still to grow in terms of quality, not necessarily in terms of size..."**



BMW's new convertible roadster, featured in the new James Bond film, *Goldeneye*, will soon be available for sale to non secret agents—albeit without the ejection seat and sidewinder missiles.

pean survival is quality, style, efficiency, and "cars with spirit."

But while analysts applaud BMW's strategy for its own range of cars, they question the wisdom of its \$1.4 billion acquisition of Rover, a medium volume manufacturer, from British Aerospace in 1994. It took over the profitable, world famous Land Rover division but also faces the challenge of turning round the volume car business that was still losing money even after a fruitful collaboration with Honda.

percent in continental Europe as evidence that BMW has finally overreached itself.

BMW appears unfazed by Rover's loss of market share—down to 12.8 percent of total British sales in 1994 from 14.4 percent in 1991—arguing this is bound to happen as Rover retreats from head-on competition with the bigger producers as it moves upmarket.

"Our objective is still to grow in terms of quality, not necessarily in

share in the fiercely competitive European arena, it has turned its attention to more far-flung territories, particularly the US and Japan, where sales surged by 75 percent and 45 percent respectively in the first eight months of 1995.

Meanwhile, BMW is mulling shifting more of its production abroad to escape the rock hard D-mark. Its plant in South Carolina has a capacity for 80,000 cars a year, but current production is only 15,000.

And BMW is ready to invest as much as \$712 million to build a plant in Japan if demand for its cars keeps growing there, according

to Mr. Pischetsrieder.

BMW's sales in Japan rose 22 percent in the first nine months of the year to 25,670 units.

The investment in Japan wouldn't happen for at least 10 years, but it underlines BMW's determination to stay ahead of the pack. ☹

*Bruce Barnard, based in Brussels, is a contributing editor for EUROPE and a correspondent for the Journal of Commerce.*

**"It's curious. Automotive parts have developed into a major industry in Austria over the last 20 years," says Dr. Franz Ceska, secretary-general of the Federation of Austrian Industrialists.**

Monika Pacher, president of ICD Austria, agrees, "General Motors has the largest US investment in Austria. They have three different projects, and they manufacture engines and transmissions and also wiring harnesses and engine controls. They are doing extremely well and are about to announce another new addition and expansion project in their Vienna-Aspern location."

Opel Austria's (GM's wholly owned, Austrian subsidiary) director of public affairs, Martin Pfundner, confirms that General Motors will be "adding another \$1.5 billion dollar investment in our business in Austria in the next 18 months. At the present time GM has a \$2 billion investment here with an Austrian work force of 3,000 employees and annual revenue of \$1.7 billion."

GM, which first set up in Austria in 1963 to distribute their cars, "prides itself with the fact that every third Opel built in Europe is fitted with an engine and gearbox made in Austria," declares Mr. Pfundner.

The 400,000 engines and 650,000 transmissions that are produced every year by Opel Austria at their Vienna-Aspern plant are not only shipped to European countries but also go to Brazil and Mexico.

General Motors views Vienna "as a springboard to Central Europe," and Mr. Pfunder says their "Austrian location is very important in providing training for our new sales force in the new emerging democracies in the East. Working out of Vienna is very cost-effective. There are numerous advantages for GM in Austria, including political stability, a highly skilled work force, and good flight connections to Central and Eastern European countries."

Another new success story across Europe is Chrysler's Jeep Grand Cherokee. The Jeep is quickly becoming a status symbol for drivers in Central Europe.

Chrysler is the one car company in



**Chrysler's Jeep Grand Cherokee is selling well in Central Europe and Russia.**

# Austria Attracts American Automakers

By Robert J. Guttman

Austria that is actually producing a finished automobile at their plants near the city of Graz. Unlike Opel Austria and BMW (which produces more than 300,000 automobile engines in Austria), Chrysler builds the Jeep Grand Cherokee and the Voyager, a popular minivan, in Austria.

The Jeep Grand Cherokee plant, which employs more than 800 people in Graz, will next year begin building right-hand drive vehicles for export to the rest of the world.

The Voyager minivan is produced as part of a fifty-fifty joint venture with an Austrian firm called Steyr-Damler-Puch. According to Dick Richard, the regional manager for Chrysler International based in Austria, "The number one market share leader in minivans in Austria is the Chrysler Voyager. And this has a lot to do with the fact that we build the car here. We've taken the attitude that Chrysler is going to keep our minivan the large American-style minivan,

and we are not going to shrink it down."

Mr. Richard goes on to point out that "since coming to Austria in 1992 with our minivan plant we have come to the conclusion that Austria is a good place to do business, and it is the perfect place to do business for selling to Central and Eastern European countries."

Commenting on opportunities in the newly emerging market economies, Mr. Richard says, "We are very optimistic. That is why we have our office here, and that is why we are expanding here. These are growth markets. In Slovenia the minivan has done very well. In Russia, the Jeep Grand Cherokee has done very well, as it has in Hungary."

Mr. Richard believes that one of the key reasons the Jeep Grand Cherokee has been successful in these new markets in Central Europe and Russia is because there is "a very positive image of American products—from Levi's to Coca-Cola to Kodak to the Jeep. When they see that you work for an American company, they see that you have something new to bring to them."

Agreeing with his colleague at Opel Austria, Mr. Richard points out that "Vienna is a wonderful place to do business" especially in Central and Eastern Europe because of its "very good infrastructure and having the people here who understand the cultures of Central and Eastern Europe."

Vienna-Graz-Aspern may not yet be the Detroit or Tokyo of Europe, but Austria is certainly becoming a leading auto and auto components center for Europe and the world. ☺

# *Inside*

# EUROPE

DECEMBER/JANUARY 1995-96

VOLUME IV/NUMBER 1

## EU NEWS

### **BOSNIAN PEACE DEAL APPROVED**

All parties at the Bosnia peace talks held in Dayton, Ohio agreed to a peace accord that would end the three and a half year old Balkan war. On November 21, the leaders of Bosnia, Serbia, and Croatia signed the agreement that should end the worst conflict in Europe since World War II. After nearly four years of fighting, more than 250,000 people killed, and more than 2 million refugees having fled their homes, the former Yugoslavia may actually begin to see the promise of peace. The plan agrees to preserve Bosnia as a single state, within its present borders, and with international recognition. The state will be made up of two parts: the Bosnian-Croat Federation and the Bosnian Serb Republic.

The capital city of Sarajevo will remain united. There will be an effective central government, including a national parliament, a presidency, and a constitutional court.

The EU announced it was "profoundly satisfied" by the outcome of the 21 day talks in Dayton, Ohio. The foreign ministry of Spain, which currently holds the rotating EU presidency, pledged that the EU would do all in its power to help translate the Dayton peace accord into reality. The Spanish foreign ministry released a statement saying, "The EU presidency reiterates the EU's will to contribute to the implementation of the civilian aspects of the peace accord and to participate in the international efforts to back the reconstruction and stabilization of the region."

EU mediator Carl Bildt stated, "What has been achieved here in Dayton has been achieved with difficulty. But the important thing is that it has been achieved."

NATO announced that it was ready to implement the military aspects of the Yugoslavia peace

plan agreed to in Dayton and was preparing to deploy a force in the region.

### **EU ESTABLISHES ARMS EMBARGO ON NIGERIA**

The European Union has agreed upon an arms embargo and freeze on aid and assistance to Nigeria in order to punish the leadership of the country for the November 10 execution of writer-activist Ken Saro-Wiwa and eight other minority rights activists. Although the EU foreign ministers stopped short of imposing an oil ban or freezing assets, the arms embargo will cover the sale of arms, ammunition, and military equipment.

### **EMI SAYS SINGLE CURRENCY ON TRACK**

The European Monetary Institute (EMI), which is the forerunner to a European central bank, offered a blueprint for the introduction of a single European currency. The blueprint closely follows an earlier European Commission proposal. The EMI outlines a multi-stage process that launches a single currency on January 1, 1999 among banks and governments but delays public introduction of bank notes for three years. The introduction of notes and coins would start on January 1, 2002 at the latest, according to the EMI. Leaders were expected to establish a name for the new currency at the EU summit in Madrid December 15-16.

### **CZECH REPUBLIC TO APPLY FOR EU MEMBERSHIP**

Prime Minister of the Czech Republic Vaclav Klaus announced that in January, 1996 his country would apply for membership in the EU. The Czech Republic is the last leading post-communist country in Central Europe to seek full EU membership. Prime Minister Klaus says he intends to hand the EU membership application to the Italian

prime minister during a visit to Rome in January. Italy takes over the rotating EU presidency for the first six months of 1996.

### EU, US SIGN NEW NUCLEAR TRADE AGREEMENT

The EU and the US successfully completed a three year negotiating session in November by signing an accord on nuclear cooperation in research, industrial trade, and safety. The agreement, formally between the US and Euratom, the EU atomic energy treaty, was signed by EU Energy Commissioner Christos Papoutsis, European Commissioner Sir Leon Brittan, and US Ambassador to Brussels Stuart Eizenstat. Commissioner Brittan said the deal was "a welcome complement to the ongoing initiative to deepen the relations between Europe and the US."

### GERMAN SOCIAL DEMOCRATS CHOOSE NEW LEADER

Oskar Lafontaine, prime minister of Saarland, was chosen by the Social Democrats' party conference to replace Rudolf Scharping as their new leader. Recent opinion polls indicate that the party's standing with the German people is at an all-time low.

### POLAND ELECTS NEW PRESIDENT

Ex-Communist Aleksander Kwasniewski, 41, defeated incumbent president Lech Walesa in a very tight vote in November to win the presidency of Poland. Kwasniewski, who says he favors EU and NATO membership for Poland, is the leader of the Left Democratic Alliance (SLD).

### JUPPÉ SHUFFLES CABINET IN FRANCE

French Prime Minister Alain Juppé trimmed the number of portfolios in the cabinet from 42 to 33. The top positions in foreign affairs, finance and economy, defense, and justice remain the same. Alain Lamassoure, who formerly served as European affairs minister in the Balladur cabinet, has been named government spokesman.

### NINE EUROPEAN CITIES OF CULTURE IN 2000

Instead of selecting a single European City of Culture as has been its custom, the EU decided that there should be nine cities of culture in the year 2000. The EU has also decided to break tradition by selecting some non-EU member countries. The cities selected are: Bologna, Prague, Santiago de Compostela, Bergen, Brussels, Avignon, Helsinki, Reykjavik, and Krakow.

### IRELAND VOTES FOR DIVORCE

In a referendum in November, the Irish people voted by a very narrow majority for an amendment to end the constitutional ban on divorce.

### EU-US SUMMIT

President Bill Clinton met with EU Commission President Jacques Santer on December 3 at the EU-US summit held in Madrid. President Clinton also met with Spanish President Felipe González. (Spain currently holds the EU's six month rotating presidency.)

The leaders were expected to announce a new agenda to reinvigorate the transatlantic relationship.

#### WHAT THEY SAID

**"We will meet again soon on the Earth."**

—Yuri Gidzenko, *Mir* Russian space station commander, saying good-bye to the American astronauts from the space shuttle *Atlantis* after their successful three day docking in outer space.

**"The assassin's bullets managed to kill him, but they will not get rid of his vision for peace. Neither in his country, nor in Arab countries, nowhere in the world."**

—Klaus Haensch, *European Parliament* president, giving a tribute to the late Israeli prime minister Yitzhak Rabin

**"Americans should not let themselves be lulled into believing that now that the cold war has gone, so too has the need for America's global leadership. On the contrary, the world looks to America now as much as it has done at any time this century."**

—Sir Leon Brittan, *European commissioner*, speaking at the recent *EU journalists conference* outside of Washington, DC.

**"I'd like to be a queen of people's hearts, but I don't see myself being queen of this country."**

—Princess Diana speaking about her life in a candid interview with the *BBC*.

**"We welcome the Americans. They are the key to our stability."**

—Sali Berisha, *president of Albania*, talking about the possibility of establishing NATO or American bases in his country.

**"America protects its own. We will fight fire with fire and then some."**

—President Bill Clinton in a national television address presenting his case for sending 20,000 US troops to help implement the Bosnia peace plan.

## NOTEBOOK: JOURNALISTS' CONFERENCE

Bringing together top journalists from American and European news organizations, the European Union's annual conference convened October 31 through November 2 at the Airlie Center in the bucolic Virginia countryside.

Inspired by speakers from the worlds of finance, diplomacy, and defense, members of the media focused on ways to reinvigorate transatlantic ties tangled by trade spats, conflicting approaches toward the strife in ex-Yugoslavia, and differences over a military strategy for the NATO alliance in Europe.

Held on the eve of the first ever Transatlantic Business Dialogue in Seville, Spain, a major part of the discussion was devoted to liberalizing trade and investment. US-EU business relations—the world's most extensive—amount to more than \$1.7 trillion annually.

One week later, Commerce Secretary Ron Brown, the bullish advocate of American business who never travels without a corporate entourage, arrived in Spain with a delegation of 40 CEOs co-chaired by Ford Motor Company chairman Alex Trotman and Xerox chairman Paul Allaire.

Secretary Brown was as intent on making progress with the United States' biggest trading partner as he was fixed on making the most of US commercial opportunities in Spain—a country whose economy represents the single largest potential for rapid growth in Western Europe.

"Business, not government, is in the best position to say what remaining barriers exist to transatlantic commerce, and what should be done to remove them," Secretary Brown told the Seville delegates.

The conference at Airlie explored just that. Central to the stability of Europe and its future with the US is a clear US endorsement of the EU's adoption of the EMU, C. Randall Henning, senior fellow at the Institute for Economics, told the journalists.

Far from feeling threatened by the prospect of a powerful EMU, Washington should welcome it as emblematic of a robust European partner, Mr. Henning chided. As the European currency is increasingly accepted, he said, "it will eventually erode the power of the US dollar, but only at the margins. It will not replace the dollar," he predicted. "The US has a broader political and economic interest in European integration."

True, bantered several conference participants. But the EMU, and the US support of it, serves a more immediate purpose. It prods Europe's disparate economies into more prudent—and uniform—fiscal management, even if it is based on the lowest common denominator.

While the US is unquestionably bound toward budget discipline (indeed, it has the lowest deficit as a percentage of gross domestic product among all of the

OECD countries, save Australia), none of Europe's governments have demonstrated that rationality.

Even in Germany, Europe's leading economy, politicians in the relatively conservative Christian Democrat Party appear to lack the resolve to rein in spending. The OECD predicted earlier this year that by 1996—just three years shy of the 1999 join-up date—only 6 of the 15 EU countries would weigh in with deficits that meet the 3 percent of GDP cutoff for eligibility as parties to a single currency.

At a time when more lines are open in the transatlantic dialogue, perhaps EU officials can profit from US budgetary experiences and summon the courage to fight their own battles back home in their domestic camps.

Though touted by Europeans and Americans alike, prospects for a transatlantic free trade agreement (TAFTA) are slim, contends University of Michigan professor John Jackson. Mr. Jackson, a trade specialist, cautions against allowing "the push for TAFTA to take away from the important work of promoting and strengthening the WTO," a point underscored at Airlie by European Commissioner Sir Leon Brittan. "Let the transatlantic alliance develop issues to take to the WTO," Jackson said.

Jackson echoed what even the US legislators who are most engaged in Atlantic ties have long said: After contentious negotiations over the North American Free Trade Agreement and the GATT-cum-WTO, the increasingly "America first" US Congress has trade agreement fatigue. It is unlikely to rev up for a TAFTA fight.

"Economic development and prosperity are essential ingredients for peace and cooperation," Elisabeth Rehn told her captivated audience at the conference. In turn, contends Rehn, the United Nations special rapporteur on human rights for ex-Yugoslavia and Finnish member of the European Parliament, economic security in Europe, the US, and throughout the world is contingent upon competent crisis management of the festering ethnic, religious, and internal conflicts around the world.

She admonishes those who want to tamper with NATO to leave it intact (if not enlarged), with a powerful transatlantic security connection and the US continuing "to play a central role in European security." The ongoing strife in ex-Yugoslavia, she adds "underscores the necessity of continued US involvement in Europe."

In order to prevent the transatlantic network from becoming jammed with economic and security issues in the future, US officials and their European counterparts have pledged to strengthen their links by meeting more frequently and broadening their dialogue.

—Amy Kaslow

## BUSINESS BRIEFS

German utilities are moving quickly to exploit new rules allowing them to compete in the country's telecommunications market, the third largest in the world after the US and Japan.

**Veba**, the diversified energy giant, became the first company to win a license. Its first project will involve linking 36 television studios across Germany with a new national telephone network connected by cable laid alongside the rail tracks of **Deutsche Bahn**, Germany's state-owned railway and Veba's partner in a bid to take business from **Deutsche Telekom**, the state-owned monopoly.

Meanwhile, **Thyssen**, the steel and engineering combine, raised \$713 million from the sale of a 27 percent stake in its telecoms unit, **Thyssen Telekom**, and intends to use part of the proceeds to bid for a 49.9 percent stake in **DBKom**, the telecoms subsidiary of Deutsche Bahn.

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**Kvaerner**, the Norwegian shipbuilder, continues to buck industry trends by reporting another bumper profit and considering expanding in a sector that is littered with bankruptcies.

The group, which has yards in Scotland, Finland, and Germany as well as Norway, and is mulling joint ventures in China and India, increased pre-tax profits by 65 percent to \$10 million in the first nine months of the year.

It was a rare achievement in the European shipbuilding industry, which was rocked recently by the bankruptcy of **Burtmeister & Wain**, the Danish yard which built the first diesel powered vessel, and management upheavals at **Bremer Vulkan**, Germany's biggest shipbuilder.

The secret at Kvaerner, now the world's third biggest shipbuilder, is to stick to niche markets, such as luxury cruise liners and sophisticated chemical carriers, where there is little head-on competition from low-cost Asian yards.

Two of its most novel orders were a \$76 million contract to convert a semi-submersible drilling rig into a mobile launch pad for commercial satellite communications, and a \$93 million order to build a 25,000 ton, roll on-roll off vessel to serve as a satellite control center.

The two vessels are being built for the **Sea Launch** consortium, which groups Kvaerner, **Boeing**, the US aerospace firm, and **RSC-Energia** and **NPO Yuzhoye**, the Russian and Ukrainian rocket builders.

The consortium plans to compete with **Ariane**, the French space company, for commercial satellite launches.

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Central and Eastern Europe have finally pulled out of the post-communist economic nose dive, and even Russia seems to have turned the corner.

This is the verdict of the **European Bank for Reconstruction and Development** (EBRD), which says there are "very good" prospects for strong growth in 1996.

Poland tops the performance league recording its fourth consecutive year of growth with 1995 likely to show a 5 to 6 percent increase.

The other top performers with expected growth rates of 5 to 6 percent are Slovenia, the Slovak Republic, Estonia, and Albania, the EBRD says in its annual transition report.

Hungary remains the most popular nation with foreign investors, accounting for \$6.9 billion of the total \$17.7 billion invested in the region from 1989 to 1994.

Significantly, the EBRD estimates that by mid-1995 the private sector accounted for around 70 percent of the gross domestic product in the Czech Republic and 60 percent of the GDP in Hungary, Poland, and the Slovak Republic.

•••

**Peugeot-Citroën**, the French car manufacturer, has decided not to build an assembly plant in the United States and is now looking for a partner to return to a market it quit several years ago.

Jacques Calvet, Peugeot's chairman, has made a return to the US a key part of his strategy to cut the company's dependence on the European market. He wants to double the share of cars sold outside Europe from 13 percent at present to 25 percent by the turn of the century.

Peugeot has made inroads into Asia and Latin America, but the US remains at the center of its marketing plans.

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**KLM Royal Dutch Airlines** says it will continue to cooperate with **Northwest Airlines** despite attempts by the US carrier to limit the size of its shareholding.

The alliance between the two carriers, cemented by KLM's 18.8 percent voting stake in Northwest, was hailed as a perfect match by airline analysts. But this has been soured by a public spat as Northwest got nervous KLM would use a \$3.5 billion war chest to take majority control of the Minneapolis-based airline.

Northwest approved a so-called poison pill takeover defense which will be triggered if a company buys more than 19 percent of its stock. This would give other shareholders the right to buy stock for less than the market price, diluting a would-be acquirer's stake.

KLM has an option to increase its stake in Northwest to 24.3 percent in 1998, but under the new rules it will be compelled to sell 5 percent of that bigger stake.

—Bruce Barnard

### INSIDE EUROPE

#### Correspondents

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

*Inside Europe* is published by the Delegation of the European Commission, 2300 M Street, N.W., 3rd Floor, Washington, DC 20037.

The contents of this newsletter do not necessarily reflect the views of the European Union institutions or the member states.

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# SOUNDS OF

## *A tour of Vienna's music scene*

**V**IENNA IS THE MUSICAL DOWAGER OF EUROPE. No other city has produced and performed more great music, and nowhere else keeps the memory of its glorious musical past more proudly in the present.

The roll call of musicians who were either born in Vienna or came to live there include some of the greatest names of all time. Mozart, who first performed for Empress Maria Theresa at Schönbrunn Palace in 1762, when he was six years old, settled in Vienna when he was 26 and died there nine years later. His close friend Haydn, who spent 30 years in the service of the Princes of Esterhazy, composed a vast number of masterpieces for his royal patrons in Vienna. Beethoven came at age 20 to study with Haydn and stayed on for the rest of his life, finding inspiration for his great symphonies in the Viennese countryside. Schubert, the Strauss waltz kings—father and son—Brahms, Bruckner, Mahler, and Schoenberg all worked in the city which the music-loving Hapsburgs (also spelled Habsburgs), Austria's imperial family, had made into the music capital of Europe.

When the six centuries of Hapsburg rule ended in 1918, Vienna still remained a city of music-lovers. Grand old lady that she is today, she likes to reminisce about her glory years, to replay the music of that time, and to show visitors every nook and cranny where it was created.

Rare is the street in Vienna where some great musician has not been born or lived or died. They were a nomadic lot who could seldom afford

(above) Vienna's famed Staatsoper (circa 1900, 31 years after it was inaugurated with a production of Mozart's *Don Giovanni*). (right) An extravagant Vienna production of *The Fairy Puppet*.





to stay in one place for more than a few years. For Beethoven, over 60 different addresses have been recorded. Three of them can be visited including the house in the country where he composed the *Eroica* symphony. Mozart had nearly a dozen residences, but the one where he lived the longest (3 and a half years) and where he composed *The Marriage of Figaro* is right near St. Stephen's Cathedral. The house where Haydn spent his last years, Schubert's birthplace, and the room in his brother's apartment where he died have all been turned into museums.

Some musical landmarks have fallen victim to the 20th century. The house in which Mozart died in 1791 while he was working on *Requiem* has been pulled down and replaced by a particularly ugly department store, and the apartment where the younger Strauss composed *The Blue Danube* waltz in 1867 now sits above a McDonalds.

But wherever possible, Vienna pays homage to its musicians. Its parks are studded with statues of them with the most garish example being the gilded effigy of Johann Strauss, in the City Park. The church where Schubert played the organ and Bruckner's funeral took place (St. Charles), the restaurant where Beethoven wrote his name on the ceil-

ing (the Griechenbeissl), even the very spot where Mozart was apparently kicked out into the street after a heated argument with his patron—the lives of Vienna's musical geniuses can be re-traced from the cradle to the grave.

Final tribute is paid to them in the city's cemeteries, not only where they lie buried, but also a second time in a collection of honorary graves which unites them all in the musician's corner of the Central Cemetery.

Fascinating as it is to see where great music was created, nothing can replace hearing it played. And here Vienna offers such a symphony of operas, concerts, church masses, recitals, and festivals that the city is alive with music every day of the year.

Setting the tone for music in Vienna is its famed *Staatsoper* (State Opera). The magnificent opera house, a marvel of French Renaissance style, was inaugurated in 1869 with a performance of Mozart's *Don Giovanni*. Its gold and marble splendor was extensively damaged by bombs in 1945, but parts of the interior, such as the loggia, with its bronze statues and frescoes from Mozart's *Magic Flute* escaped unscathed. By 1955 it had been carefully rebuilt to both preserve its original grandeur and incorporate the latest stage technology.

# MUSIC

By Ester Laushway





**Nineteenth century German painter William Gause depicted the intermingling of the Viennese political and artistic communities in his painting, *Emperor Franz Josef at Ball in Vienna*.**

A long succession of great conductors has directed the State Opera. Gustav Mahler, Richard Strauss, and Herbert von Karajan all had their turn at the head of the opera's illustrious orchestra, the Viennese Philharmonic. Recognized as the best opera orchestra in the world, it is also one of the world's top symphony orchestras.

During its September to June season the Vienna State Opera offers an astoundingly varied program of exceptionally high quality operas and ballets. Its present managing director, Eoan Holender, has continued the tradition of offering a different work every night. The diversity and quality of its productions fill the house on average to 90 percent of its capacity, and nightly box office receipts total \$90,000—miraculous statistics in today's financially troubled music world.

Vienna's other opera house, the Volksoper, presents an even greater variety of works ranging from small scale and modern opera to operettas, ballets, and musicals, with particular emphasis on Mozart and other Austrian composers. As a rule, everything is sung in German, except for the odd occasion when a foreign guest star is unable or unwilling to do so.

Besides the wealth of music offered by its two main lyric theaters, not a day goes by in Vienna without several concerts, many of them featuring the music of the holy triumvirate of Austrian composers: Haydn, Mozart, and Strauss. In the Palais Ferstl, the former Austro-Hungarian stock exchange, the audience sways along to operettas and Strauss waltz concerts. Mozart recitals are so plentiful that the tickets to them are sold in the street by vendors dressed in period costume, complete with powdered wig. (In December an entire festival dedicated to Mozart brings performers from all over the world to the Konzerthaus, while the Musikverein is the setting of a Schubert festival in November and a Haydn festival in March.)

Sundays are the high-point of music-making in Vienna. The city's churches resound with organ concerts and choral masses. In the Chapel of the Hofburg, the Imperial Palace, tickets are sold out every week, and even standing room is crowded for

the 500 year old tradition of hearing Sunday morning mass sung by the Vienna Boy's Choir. No one can actually see the little boys in their traditional sailor's uniform, but their pure voices waft down from a gallery high up in the chapel.

The most sought after concert ticket of the entire year, always sold out months in advance, are for the New Year's Eve concert given by the Vienna Philharmonic in the Golden Hall at the Musikverein. It is broadcast around the world, attended by the cream of Viennese society, and people are willing to pay scalpers as much as \$1,500 for a ticket. It is the grand finale of every year in Vienna—a city which still lives, as it has done for centuries, to the sounds of music. ☺

*Ester Laushway is EUROPE's Paris correspondent.*

For information on musical events in Vienna contact the Austrian National Tourist Office at P.O. Box 1142, New York, NY 10108-1142, Tel: (212) 944-6880, Fax: (212) 730-4568.

Telephone ticket sales for the Vienna State Opera and Volksoper are available worldwide for credit card holders, starting within a month of the performance. Tel: (43) 1 513 1513.



**Vienna's annual Debutante's Ball remains one of the main events of the social season.**

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**If you've skied every run in the usual ski resorts of Europe, fear not. There are hundreds of lesser known, though no-less-spectacular ski areas all over the continent, and they are awaiting your arrival this season. Here are a handful of ski resorts that you might not have discovered yet.**

France is so well equipped for skiers that even the lesser known resorts boast an incredible number of lifts and trails. **Les Arcs**, for example, features 75 ski lifts serving 70 miles of marked Olympic class trails. The 5,905-foot main peak is just a stone's throw from the Italian border, but it's pure France. It's also quite affordable if you purchase a package from a



From out of the way downhill runs in the French Alps (below) to the cross-country trails of Lapland, Finland (above) to a brief rest from the slopes of Jämtland, Sweden (right), skiers can find great places in Europe to enjoy their favorite winter sport away from the crowds.

# let's take it from the top

skiing europe's [other] resorts

By Elisabeth Farrell



medalists and world champions alike. If the long distance trails prove too much for you, wile away your time watching the ski jumpers or dashing down the bobsleigh run in nearby Oberhofer Hirsch. [German National Tourist Office (212) 661-7172.]

If you're really a cross-country enthusiast, why not ski **Finland**, where snow is absolutely positively guaranteed all winter long. In fact, if you head to **Saariselkä** far above the Arctic Circle, you'll see nothing but white stuff in mile after mile of untouched wilder-

that back, too. These guys learned to ski almost before they walked, so when they say they can teach anyone to ski, they mean it. But even if you're the lone exception, you can still have fun. Simply spend your time hang gliding, paragliding, taking snow scooter safaris, or dog sledding (you drive your own team), or making a slippery run down illuminated toboggan trails.

This month, Sweden begins an English-language ski phone service. Simply call (46 8) 457-0005 or (46 6) 471-7780 and listen for the prompts for options including package holidays, downhill skiing, cross-country, events, and excursions. You can even receive information by fax. [Swedish Travel & Tourism Council (212) 949 2333.]

In **Spain**, you can have your cake and eat it, too. You can enjoy winter sports such as skiing without suffering through the blistering cold found in other locales. Most of Spain's ski activity is concentrated on the southern—sunnier—slopes of the Pyrenees. You may be skiing around artificial snow machines, but that's the price you pay to ski in the south. **Baqueira Beret**, in the Catalonian Pyrenees in Lerida, is probably the best equipped resort in Spain, offering 21 lifts, two slalom courses, and a beautiful cross-country ski trail that runs the length of the Beret Valley. [Tourist Office of Spain (212) 759 8822.]

We know no one goes to **Greece** to ski; it's the land of sun drenched islands. But really, how many people can say they've actually skied **Mt. Parnassos**? So if you find yourself in Athens, and your ski legs are itching for some powder, head two and a half hours north of town to this fabled mountain. Try out the 20 downhill runs, ranging from a half mile to two and a half miles, which you can reach via tows and lifts bearing such names as Bacchus, Zeus, and Pan. There's even a helicopter service to one of the peaks [Greek National Tourist Office, (212) 421-5777.]

Now you're all ready to explore Europe's undiscovered ski areas. So wax those skis, pack those sweaters, and don't forget to send a postcard to your friends at the more famous ski resorts telling them what they have missed. ☺

*Elisabeth Farrell writes frequently for EUROPE. She has skidded down black diamond slopes in France and Austria.*

tour operator such as Nouvelles Frontières, which includes roundtrip airfare, transfers, daily breakfast and dinner, lift passes, and 7 nights in a 3-star hotel surrounded by a forest at the foot of one of the lifts. [For more information, contact the French Government Tourist Office (212) 838-7800 or Nouvelles Frontières (800) 868-0608.]

What a difference a capital letter makes. A few years ago, it would have been most difficult for you to ski in East Germany. Today, however, you can easily ski in eastern **Germany**—in the lovely area of Thuringia, dotted with crumbly castles, charming towns, and the beautiful Thuringia Forest. Downhill skiers may not be impressed, but cross-country fanatics will delight in the 310 miles of marked trails at **Oberhof**—a destination popular among Olympic gold

ness. This is Lapland—Northern Lapland, to be exact—so you won't have much daylight. But many of the trails—such as the 10 mile track from Saariselkä to Kiilopää—are illuminated. Plus, you'll experience the magnificent beauty of the "blue moment"—that time right after sunset when everything (even the snow) turns amazing shades of blue. Be sure to save a few days of your vacation to go ice fishing or to take a self-guided tour in a reindeer sled. [Finnish Tourist Board, (212) 949-2333.]

Now here's a guarantee: Instructors at the ski school at **Årefjällen** in **Sweden** guarantee they can teach you to ski in a week, or you get your money back on lessons, ski passes, and ski rentals. If you've booked your accommodations through Årefjällen Resor, you'll get



## AUSTRIA'S

## ALPS

a skiing adventure

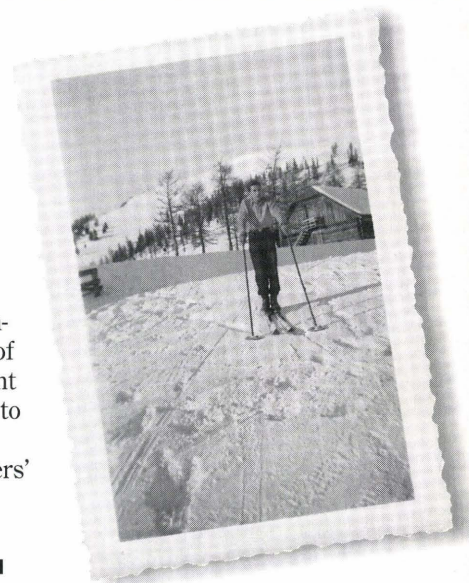
By Fred Hift



**How well I remember the day, one of the happiest of my young boyhood in Vienna. It was snowing heavily when my father came home and presented me with my first pair of skis, ski boots, and of course ski poles. That evening he showed me how to apply a hot iron to wax the skis' running surface.**

The aromatic memory of that wax to this day conjures up idyllic images of cozy mountaintop huts, a blinding white snow cover glistening in the sun, the scrape and crunch of my skis gliding over powdery crystals, the delight of the sharp wind in my face as I went schussing down the steep slopes, that wonderful sense of being alive and of being able to control such speed with just the slight movement of my body.

The Sunday after I got my new, red-lacquered skis my father took me on a beginners' slope quite near Vienna where I learned the rudimentaries of skiing.



**Austria offers great cross-country skiing near Arlberg (above) as well as world class downhill runs and the occasional sleigh ride in Kitzbühel (facing page). (right) The author in the Austrian Alps during the winter of 1936.**

As the years went by, I progressed to the Austrian Alps and learned to appreciate the incredible variety of skiing terrain they offer. It's no different today except that the facilities have improved and expanded. There is plenty of exciting skiing all over Europe, but the Austrian Alps really are unique, not just because they offer such a varied landscape suited to the skiers' skill and experience, but also because the ski runs are so well maintained and designed, the access to the slopes is made so convenient, instruction is easy to come by, and safety is assured.

According to the Austrian Tourist Office, there are no fewer than 600 Austrian ski resorts offering not only all manner of housing, but also ski lifts, hard and easy trails, and the kind of après ski relaxation which is part and parcel of the whole great adventure.

Much of Austria's best skiing is concentrated in the western region of the country, in the provinces of Tyrol, where they hosted the 1964 and 1976 Winter Olympics, and Vorarlberg, though there is excellent Alpine skiing also in Salzburg, Styria, and in Carinthia.

First a look at the Tyrol. There is the Alpbach Valley, with its four resorts of Rattenberg, Brixlegg, Reith, and Alpbach, not far from Innsbruck. They all have chairlifts aplenty, and the main runs feature snow-making equipment, which means that one can ski them to the end of the season, and the valley offers some 6,000 beds, accommodations to fit just about every pocketbook. The highest ski lift terminal is at 6,642 feet.

Probably the most famous ski resort in the Tyrol is glamorous Kitzbühel, where skiing is said to have started more than 100 years ago. Here they stage the spectacular Hahnenkamm downhill races, rated the most difficult on the World Cup circuit, but the area features 64 ski lifts that cater to all levels of experience. Kitzbühel, which also offers skating and walking along plowed trails, is probably the most elegant and social of Austria's winter sport resorts, as well as one of the most expensive.

Near Innsbruck is Igls, host to Winter Olympic events in 1964 and 1976. Igls has some 200 ski lifts that serve 300 magnificent miles of ski runs. Because of the altitude, Igls and the Innsbruck region practically guarantee good snow during the winter season, and wonderful skiing to go with it.

Less well known, but no less attractive, is the Oetzal Valley with its four skiing resorts. The area even has 10 lifts that take you up to the zone of permanent snow, and there are runs on two glaciers.

If you want to find skiing in style, and with a good deal of social life to go with it, St. Anton am Arlberg with its international atmosphere is the place. It tends to get a bit crowded,

but the skiing here is sensational and the accommodations are plentiful, with 8,000 beds and lots of good restaurants. The nearest airport is in Innsbruck, 62 miles away.

As a youngster we used to journey for the Christmas holidays to Lech in Vorarlberg. It's a truly spectacular place, nestled against tall mountains whose slopes offer ideal skiing for beginners and champions alike. In the same area one finds Zürs with equally good skiing. In the evening you can come into town and rub elbows with celebrities from all over. The last time we were here we got a glimpse of Princess Di.

Last, but by no means least, in Vorarlberg is the Brandnertal, a region of stunning beauty and looming mountains, a winter landscape that can be intoxicating on a bright, sunny day.

The Saalbach Hinterglemm region in Salzburg, home to the 1991 Ski World Championships, simply brims with great skiing opportunities of all kinds. The longest run here is five miles, and there are no fewer than 60 lifts. The nearest airport is Salzburg, which is 59 miles away,



about an hour's drive to Saalbach.

Great skiing is also available in Zell am See, which offers a single pass for its 55 chair lifts and other uphill transportation. The cross-country skiing here is sensational.

In Styria, Schladming, about 56 miles from Salzburg, the justly famous Dachstein area beckons. Schladming isn't as high up as most of the other resorts, but it has 87 miles of ski runs. Snow conditions are usually good, and there are 124 miles of plowed hiking paths for non skiers.

Finally, Carinthia calls with its Katschberg-Rennweg Ski Center which caters largely to families. They even have free childcare services. There's a heated ski checkroom up the mountain to save you from lugging around your equipment. They sure didn't have that sort of luxury in my day! ☺

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*Fred Hift covers Austria for EUROPE.*

*For more details on skiing in the Austrian Alps you can contact the Austrian National Tourist Office in New York at (212) 730 4568, or Austria Tourist Office branches in other parts of the country.*

TRAVEL

# VIENNA



Schönbrunn Palace was the site of a hunting lodge before Empress Maria Theresa (1740-1780) had it transformed into an opulent palace.



# MAKE TIME FOR IT!

By Robert J. Guttman



**V**IENNA is a vibrant, fascinating city in the heart of Europe. From wine tasting in Grinzing to whiling away the hours sipping coffee—or in my case hot chocolate—in the numerous coffee houses throughout the city to enjoying all types of wonderful music to simply walking around the charming hilly streets, Vienna belies its image as a museum-like city still living in its glory days.

The capital of Austria provides a tourist with an incredible number of choices and the hardest part of a visit is to allot your time efficiently. Certainly it is hard to forget the Hapsburg era (also spelled Habsburg) or the glory days of the Austro-Hungarian Empire. But modern Vienna is equally as fascinating. Austria is remembering its miraculous rebirth after World War II. At various points around the city, photographs are displayed depicting Austria after World War II. Vienna, heavily bombed in the final months of the war, made a remarkable turnaround, and it is fascinating to look at these pictures from 50 years ago and see how Vienna has rebuilt itself.

Obviously, one of the key attractions of visiting Vienna is the chance to explore the remains of its former grandeur. In my opinion, the grandest and most interesting place to visit is Schönbrunn Palace and the elegant and expansive surrounding grounds.

*Schönbrunn*, which means “beautiful fountain,” was named for a pure water spring discovered on the property by Emperor Matthew in 1614. Originally set up as a hunting lodge, it was Maria Theresa (1740–1780) who turned it into an extravagant palace.

In my opinion, more impressive than Versailles, this opulent “Austrian Versailles” was the summer residence of the Hapsburgs. In fact, the most famous Hapsburg ruler, Franz Joseph, was born in the palace in 1830 and died there in 1916.

According to the Schönbrunn official guidebook, “The palace itself has come to epitomize the ideal of idyllic absolutism associated with Maria Theresa’s reign. The predominantly white and gold interiors of the palace rooms are considered masterpieces of Rococo design. Of the 1,400 rooms, 39 are open to the public.”

The palace is located a short subway ride away from the center of town and is a good place to spend several hours or more. Schönbrunn, which “ranks as an outstanding masterpiece of 18th century architecture is one of Vienna’s most frequented attractions. Some 1.3 million visitors tour the palace and its grounds every year,” according to an article on the palace in *Skylines Magazine*.

The Large Gallery, which is one of the most impressive rooms in the palace, has been the backdrop for many a historic diplomatic meeting. From the Congress of Vienna, which helped keep the peace in Europe for many years be-

fore World War I, to the 1961 meeting between President John F. Kennedy and the former Soviet Union's leader Nikita Khrushchev, this room holds many memories. The gorgeous Hall of Mirrors is the room where the six year old Mozart performed for the Empress Maria Theresa. She gave birth to 16 children in the room originally called, appropriately enough, the Nursery; however, it is now called Napoleon's Room, relating to the French Emperor's stays at Schönbrunn, for a few weeks in 1805 and for more than six months in 1809.

It is also interesting to note that one of Maria Theresa's daughters, Maria Antonia, later became known as the infamous Marie Antoinette after she married the man who became King Louis XVI of France. Marie "Let them eat cake" Antoinette has an appropriately elegant room named after her with white wooden paneling and rich gold leaf decor.

As ornate and ostentatious as Schönbrunn Palace is, I also recommend the impressively manicured grounds surrounding the building. They are really magnificent and a wonderful place for an afternoon walk. They include the Gloriette, a huge monument erected in 1757 in honor of the Austrian victory over the Prussians. Its terrace offers a fine view right across Vienna. Also, if you are taking children on a tour of these grand grounds be sure to visit the zoo. According to the official Schönbrunn guidebook, "The Vienna Zoo is the oldest surviving zoo in the world, and in fact is the only baroque menagerie in existence." Also the Palm and the Butterfly houses are located on the grounds and worth a visit.

Schönbrunn Palace is more than a collection of museums. It is also part of vibrant Vienna, featuring orchestras performing waltzes in the palace's White Gold Rooms from April through October. In the summer, the palace hosts operas, operettas, ballets, and puppet shows.

Even if you don't see a performance, every tourist should visit the stunning *Staatsoper* (State Opera). It is a massive building with a gorgeous interior of ruby red carpets and glittering chandeliers.

Walking down the pedestrian shopping street Karntner Strasse from the

State Opera to St. Stephen's Cathedral, you encounter the Sacher Hotel where it is advisable to go in and sample the *sachertorte* (a rich chocolate cake). From there to the cathedral you encounter an array of small shops with some excellent bookstores along the route.

St. Stephen's Cathedral (which was bombed during World War II, as was the State Opera House) is a key symbol of Vienna. St. Stephen's is held to be one of the most outstanding works of Gothic architecture in all of Europe. If you are feeling especially athletic, you can climb to the top of the 344 step south tower for an outstanding view of Vienna. Directly across from this ancient Gothic church is what has been described as a showpiece of modern architecture, the Haas Haus. Sitting at an outside cafe at the Haas House, you can see the reflection of the church in this unique glass structure, which is definitely a strong modern contrast to its surroundings.

It is hard to grasp the immense size of the Hofburg Imperial Palace, which comprises 18 sections, 54 staircases, and 19 courtyards, all covering an area of almost 2.6 million square feet. There appears to be no central building or center of this sprawling complex, which stands as a monument to Austria's glory days under the Hapsburgs.

Among the best attractions in the complex are the State Apartments. Empress Elizabeth, the wife of Franz Joseph, had her apartment in the baroque Amalienburg Building. The impressive dining room is still used for state functions.

The world famous Lipizzaner horses are stabled on the former imperial grounds. The Spanish Riding School performances can be seen on Sundays and Wednesdays, but tourists can view the horses being trained in the mornings at their stables. I've never seen horses this well trained anywhere in the world. A guide informed me that General George Patton was very helpful in keeping this riding tradition alive after the end of World War II when Vienna had been badly bombed in the final days of the war. In fact, there is an excellent photographic exhibit outside the stables depicting the war damage and the rebuilding of Vienna.

In a city full of memorable museums my favorite was the Museum of Fine

Arts which houses works from French, Spanish, Italian, German, and Flemish artists, including Rubens, Van Dyck, and Raphael among many others. The museum is especially noted for its works by 16th century painter Pieter Bruegel. Walking up the museum's grand staircase is alone worth the visit. The sculpture *Theseus Slaying the Centaur* awaits at the top along with superb murals on the ceilings.

The Sigmund Freud House, a smaller, less visited museum that I highly recommend, is located at 19 Berggasse where Freud had his office until his expulsion by the Nazis on June 4, 1938. The father of psychoanalysis had a fairly austere office, but walking up the winding outdoor stairs to his former residence and place of business you can almost visualize the famous doctor with his patients. In fact, the museum features old movies of Freud during his heyday in Vienna.

The Vienna Woods actually exist! They are beautiful and offer views of not only Vienna but neighboring Hungary and the Czech Republic. In addition to walking through the Vienna Woods, tourists should take advantage of the numerous parks, including the Stadtpark with the gold statue of Johann Strauss and the Volksgarten, to get their exercise in beautiful surroundings.

The liveliness and vibrancy of Vienna is most apparent in the many coffeehouses scattered all around the city. People seem to sit for hours drinking coffee, tea, or hot chocolate discussing the key issues of the day. I wonder how these places make a profit with people spending more time than money, but they all seem to be thriving. My favorites were Cafe Central, Cafe Lindtman, and Kleines Cafe.

I haven't even mentioned the Ringstrasse, the Prater, the Belvedere, and other well known places to visit. Vienna is definitely a place to come back to time after time. Even then you won't be able to see everything.

And remember you don't have to drink coffee to enjoy this vibrant city. Take it from a non-coffee drinker, you can still sit and think and discuss as long as you want at any coffeehouse in town—the hot chocolate is excellent! ☺

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Robert J. Guttman is EUROPE's editor-in-chief.

# CAPITALS

AN OVERVIEW OF  
CURRENT AFFAIRS  
IN EUROPE'S  
CAPITALS

It is not trite to say that the Hotel Imperial is a hotel fit for a king or queen. And the good news is that you don't have to be a Hapsburg heir to stay at this magnificent hotel in the center of Vienna.

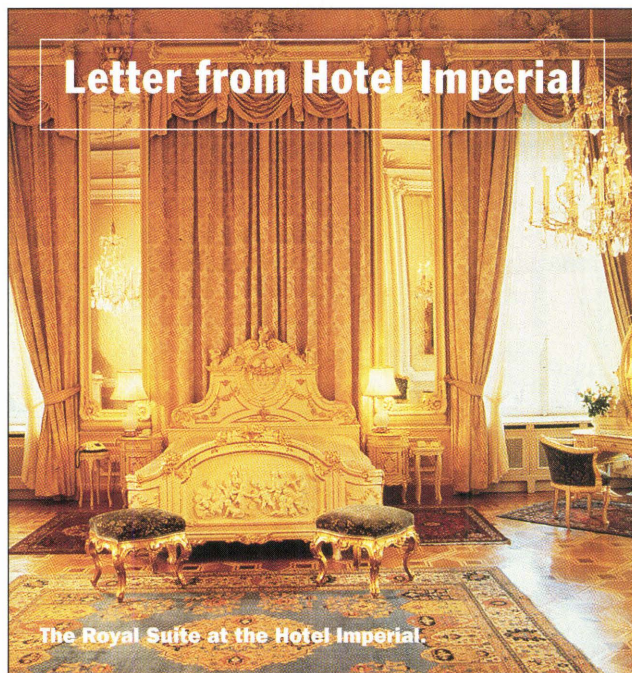
The Hotel Imperial deserves its many accolades. According to *Conde Naste Traveler*, which named it the best hotel in the world last year, "Service proves key once again, with the Hotel Imperial scoring the highest approval rating of any hotel in the world: 95.3 percent."

The neoclassical Hotel Imperial began as a palace that Emperor Franz Joseph gave to his favorite niece as a wedding gift in 1865 when she married Prince Philip of Wurttemberg. However, the newly married couple soon moved out of the palace, and in 1873, the palace became the Hotel Imperial, hosting the illustrious guests arriving in Vienna to visit that year's World Exhibition in what came to be considered a sort of court residence. Today the government puts up its official visitors there.

The Imperial has had a famous clientele ranging from Kaiser Wilhelm I and Chancellor Otto Von Bismarck of Germany to Richard Wagner and Sarah Bernhardt to Queen Elizabeth I to Rudolf Nureyev and Luciano Pavarotti. The King and Queen of Spain had just checked out of the Royal Suites the week of my stay.

According to the hotel's literature, after the fall of Vienna in 1945, "For a decade the Imperial became the seat of the Soviet military administration after Vienna had been divided into four allied zones."

In 1955, the Russians had gone, and the Hotel Imperial opened its doors again as a hotel. Recently, the hotel was purchased by the American based ITT Sheraton Luxury Collection of Hotels.



Several years ago as the hotel was being refurbished, workers discovered the entirely forgotten original stuccoes of 1863-65. The false ceiling and the mezzanine itself were removed; the stuccoes were scrupulously restored; and the doubly spacious hall now rises to its intended impressive height and again provides the proper perspective for the ceremonial staircase known all over the world as one of the symbols of the Hotel Imperial.

Although its famous royal staircase is the hotel's symbol—and it is stunning—the symbol of the hotel should be the ever present chandeliers hanging in the lobbies, hallways, and in the bedrooms of the hotel. They are magnificent and truly make the guest feel as if they are residing in an elegant palace for a few days of luxury.

The rooms are filled with antique furniture reminiscent of the 1800s when Biedermeier furniture was in vogue. Silk wallpaper and expansive drapes that seem to go on forever grace the many rooms of the hotel. The bathrooms are large and modern.

Touring the royal suites I can hon-

estly say that they are indeed quite royal. There are impressive molded stucco ceilings covered with gold. The parquet wood floors are covered with beautiful rugs reminiscent of the Hapsburg era. The gigantic beds feature flowery headboards in gold. The two royal suites can be joined together for even more space. The royal suite goes for a mere \$3,900 a night while the average double room starts at \$550 for an evening's stay.

The Cafe Imperial is an excellent place to forget about cholesterol and try the world famous Imperial Torte. The main restaurant features items like the "Emperor's favorite cream soup," Wiener schnitzel, tafel-

spitz, and Viennese potato soup with mushrooms. To work off these delicious meals the restaurant even has a small dance floor off to the side.

For the Christmas holiday season the Hotel Imperial offers the "Viennese Advent Fragrance Imperial Cookies Course." Along with two nights' stay, guests can learn how to make vanillekipferl (vanilla rolls) and other famous Viennese pastries from their top pastry chef.

The lobby or sitting room area, where I conducted several interviews, is exquisite. Chandeliers grace the ceilings and the room is full of comfortable couches.

I have never experienced as friendly a staff at a hotel of this size. Everyone seemed to go out of their way for even the smallest request.

If you are looking for a grand hotel where the service is excellent, the accommodations elegant, and the overall surroundings luxurious, look to the Hotel Imperial.

For more information please contact the Hotel Imperial, tel. (43) 1 501-10-387, fax: (43) 1 501-10-410.

—Robert J. Guttman

## ATHENS

## THESSALONIKI REVISITED

No wonder the biggest supermarket in northern Greece is located close to Thessaloniki airport. The city is often overlooked by Western tourists but is fast becoming a hub for visitors from ex-communist countries of the Balkans and Central Europe.

Thessaloniki looks out on the northern Aegean. Its long waterfront, dotted with parks, cafes, and marinas, is dominated by the medieval White Tower, resembling a giant chess piece. The city rises behind, its red-tiled Byzantine churches hidden by apartment blocks and dense traffic.

In Ottoman times, Thessaloniki was a trading center for the region where Greek residents were outnumbered by large Jewish, Turkish, and Armenian communities. In the 1920s, Greek immigrants flowed in from Anatolia under an exchange of populations between Greece and Turkey.

Thessaloniki is poised to recover its international role. Now that Greece has restored ties with the former Yugoslav republic of Macedonia, retailers are looking forward to a surge in business with the return of shoppers from Skopje after a four-year gap. A peace settlement in Bosnia would bring back Serbian tourists and businessmen.

In the meantime, the city's bankers and lawyers are providing services for Bulgarian and Romanian companies trading with Greece. Thessaloniki port is expanding to handle an expected increase in traffic as market economies take root in the Balkans.

But Thessaloniki is not just a city for doing business. Over the past few years, it has become Greece's gastronomic capital. Fish restaurants in the seaside suburbs like Nea Krini compare with any along the Bosphorus in Istanbul. Restaurants and bars have proliferated in Ladadika, the old commercial district close to the port which is now being restored.

With its cobbled streets and brick-fronted buildings, Ladadika has become a focus of the city's night life. It caters to all ages and tastes: rock music blares from bars in converted warehouses along one street, but around the corner family parties drink ouzo in traditional tavernas.

In the industrial suburbs west of

town, Myloi, a converted 19th century mill, has been attractively restored as a bar, restaurant, and exhibition center.

Thessaloniki's culinary boom has a Turkish style that recalls its residents' Anatolian origins. But Balkan cooking also plays a part: spices and fresh peppers are added to seafood dishes to create distinctive flavors.

Thessaloniki's appeal will become better known in 1997 when the city takes over as Europe's cultural capital. An ambitious program to provide venues for cultural events includes the conversion of a Turkish prison in the medieval fortress overlooking the city center. A newly completed Byzantine museum is to be filled with treasures from all over northern Greece, reflecting the days when Thessaloniki was the Byzantine empire's second city.

Some of the grander projects have been delayed and will not be ready by 1997. The city's concert hall is still at the design stage after a long dispute over where it should be located, while the contract for a subway through the city center is still being negotiated.

But there will be more than enough to tempt the tourist, from the glittering 4th century BC gold found in the tomb of King Philip of Macedon, father of Alexander the Great, in the archaeological museum, to the beaches of Halkidiki, an hour's drive from the city.

—Kerin Hope

## AMSTERDAM

## DUTCHBAT IN SREBRENICA

On July 11 of this year, the "Dutchbat," the Dutch battalion of UNPROFOR troops in the Muslim enclave of Srebrenica, surrendered to the Bosnian-Serb troops of General Mladic. In the days that followed, the Dutch troops were involuntary witnesses of the "ethnic cleansing" and forced removal of the Muslim population.

In the Netherlands, the loss of Srebrenica came as an incredible shock. Initially, the return of the troops from the lost "safe haven" was celebrated. But within weeks, questions arose about what had really happened in Srebrenica. The media started to report that mistakes were made in the final hours before the defeat. Particularly, it was questioned whether the Dutchbat had helped in any way with the separation and subsequent forced removal of Muslim men

by Bosnian-Serb troops. Several media outlets have reported that thousands of Muslim men were killed, many execution style, shortly afterward by the Bosnian Serbs.

The majority of the Dutch public believed that after Srebrenica was taken by the Bosnian Serbs the Dutchbat could do little more than try to maintain some order among the frightened refugees in the enclave, and the Dutchbat troops were largely helpless to prevent the atrocities. However, some in the Netherlands say that the soldiers had not fulfilled their duties.

Months later, the debate continued to rage. The government produced a lengthy report, based on the personal testimonies of the 400 men of the Dutchbat. The report was extensively debated in Parliament, emphasizing the shortcomings in the relationship between the army and the political leadership of the defense ministry.

The aftermath of Srebrenica has become a painful act of soul-searching by a nation that sincerely believed it was contributing to the peace keeping and humanitarian mission of the United Nations when it sent troops to Bosnia in 1993. Even though the army commanders had warned from the onset about the dangers the lightly armed troops would be exposed to in an isolated site that was impossible to defend, the government, under strong popular and political pressure, decided to send the newly formed rapid deployment troops to protect the Srebrenica enclave. In a country with no recent military combat experience, supplying troops under the UN flag was considered a kind of developmental work, and the move reinforced the country's strong belief in the virtues of internationalism.

For two years, it seemed to work. But while the Dutch troops were desperately waiting to be relieved from Srebrenica, the Bosnian Serbs launched their attack. In the confusion, it seems almost inevitable that mistakes were made and that communications were deficient. Some obvious bumbles added to the perception of some that the army had failed.

Parliamentarians, instead of questioning their own eagerness to send the troops in the first place, started to blame the soldiers and their commanders. Nobody could believe, it seemed, that the "good guys" had been dragged into a real, dirty war. The soldiers, at first considered humanitarian heroes, became

the scapegoats for a failed policy and for an erroneous perception of the possibilities of the UN in the Bosnian civil war. Also, public opinion in the Netherlands did not perceive how the Western powers were quietly preparing a combined military and diplomatic solution in Bosnia.

The loss of Srebrenica (and shortly afterward of Zepa) subsequently led to the NATO bombings and, ultimately, the initial acceptance of the American peace initiative by the Bosnian Serbs. It seems the enclaves were not only perceived as an obstacle to territorial negotiations, but also a liability, leaving under-equipped UN troops exposed to the wrath of Bosnian Serb troops in the event of Western military action.

Reportedly, days before the fall of Srebrenica, the commander of Dutchbat had requested NATO air attacks to halt the advance of the Bosnian Serbs, and initially UN headquarters approved the request, but the planes never came. The beleaguered enclave was given up—ultimately at the loss of thousands of Muslim men and, in a way, sacrificing the reputation of the Dutchbat in the Netherlands.

As a nation that often seems to view international relations as right versus wrong and one that has a tendency to see itself as consistently on the moral side, the Netherlands finds it difficult to accept the harsh reality of Srebrenica. Perhaps, as a result the Dutch have become a bit less idealistic.

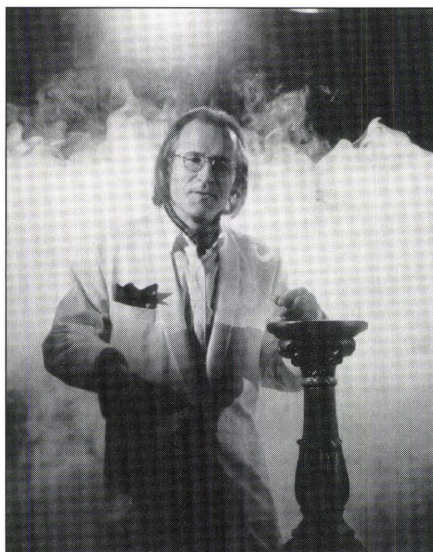
—Roel Janssen

## HELSINKI

### ELVIS LIVES IN LATIN

Jukka Ammond, a literature professor at the University of Jyväskylä, Finland, has surprised everyone in Finland again. He amazed Finns for the first time when he recorded Finnish tangos in classical Latin. This time he has surprised not only Finns but people around the world with his second all Latin compact disc, this time singing mostly Elvis Presley hits.

*The Legend Lives Forever in Latin*, distributed by K-Tel International, is selling worldwide. The record includes some of the Elvis classics such as "Tenere me ama" (Love me tender) and "Nunc hic aut numquam" (It's now or never). Because of the widespread American interest in the King's hits in Latin, Dr. Ammond decided to go on



**Jukka Ammond, by day a literature professor by night a "Latin" Elvis.**

tour. The American tour included performances in North Dakota, New York, and Washington DC.

Dr. Ammond says that music has always played a large role in his life. He played guitar and sang rock music, Elvis included, in English during his youth. This time around he chose Latin, a language known worldwide.

Dr. Ammond's interest in Latin has developed over the years. He studied Latin at school and three years ago started to sing Finnish tangos in Latin. In the beginning he sang tangos because he believed that they reflected the Finnish personality. They are full of melancholy, which is the basis of the Finnish nature. Also, they represent the two starkly different sides of Finland: the joyful summers with the midnight sun and the long, dark winters.

As a lecturer in literature, he finds connections between Finnish literature and tango music. Both of them are influenced by the Finnish nature, the harsh Arctic climate, and the brevity of Northern summers.

As for his latest record, Dr. Ammond has been an Elvis fan all his life and therefore wanted to sing the King's songs, not in English because Elvis himself did it so well, but in Latin because no one has done it before. Also, for him Elvis represents an appealing era, one full of youth, dreams, and nostalgia.

The process of translating and performing tangos and Elvis songs in Latin has been a great challenge. His colleague Teivas Oksala, who is a Latin scholar from Finland, did all the transla-

tions. Translating the King's songs into Latin is not an easy task but neither is the performing. Despite how difficult it seems, Dr. Ammond, with his white suit and Elvis-style charm, appears to have succeeded wonderfully.

—Hanna Tukiainen-de Carvalho

## PARIS

### THE BEAN KING

Marc Delmas is a fighter. All alone, in the depths of a narrow mountain valley in the Drôme region of southern France, he is battling against the Asian invasion of the French bean market. Not the kind you can eat. The bean variety Delmas produces and is stoutly defending against cut-price competition from the Far East is the ceramic *fève* hidden inside the *galette des Rois*, the special Twelfth Night cake which the French traditionally eat on the first Sunday after New Year's Day. Whoever finds the bean in their slice of cake becomes *Roi* (King), wears a gold paper crown and chooses a queen.

The tradition is a pleasing hybrid of pagan feast and religious festivity. For centuries much carousing and merry-making has gone into choosing a bean-king on Twelfth Night to commemorate the solemn moment when the three wise men first came upon the Christ Child in the stable in Bethlehem. Originally, the bean was of the vegetable kind, and the king had to buy everyone a round. If he did not feel so inclined, he simply swallowed it and no one was any the wiser. Nowadays the beans are man-made and come in a staggering variety of unbean-like shapes.

Every year the French consume 60 million gallettes, each containing a bean. Of those 60 million beans, Marc Delmas in his little valley makes 20,000 by hand, in three hundred different motifs. His catalogue includes everything from miniature croissants and kangaroos to chateaux, ships, shoes, soldiers, and saxophones.

He is the smallest French *fève* producer but proud to be the only one whose entire stock is completely "made in France." The bulk of the beans the French find in their gallettes these days are mass produced in the Far East and inspired by cartoon strips.

Delmas is bravely fighting the onslaught of diminutive Disney characters made in Taiwan. In spite of being forced

to cut his price per bean from a dollar down to 80 cents and having lost most of his big clients, such as the Paris food emporium Fauchon, to the foreign competition, he is determined to carry on. In the past he employed several full-time workers; now he simply hires occasional outside help by the hour.

Most of the time he works with his wife in his garage at the bottom of the garden. Each new bean design is first carved in wood by a local craftsman, then Delmas makes a series of rubber molds from it which he fills with clay. The clay beans are fired in a small oven, the resulting "biscuit" is hand-painted with enamel and returned to the oven to melt and fix the color glaze.

The busy period for Delmas begins in October. By December he is working night and day to get his orders out by New Year's Eve. His client list is small but prestigious. The bakers and pastry chefs who put beans made by Delmas in their galettes are those who value quality over quantity and have a reputation for excellence themselves.

Sadly, there is one man in France who will never come across one of Delmas' beautifully crafted beans. At the

Elysée Palace, the residence of the president of the French Republic, where any coronation, even of a bean-king, would be in doubtful taste, it is customary to serve an empty galette. It is the one day of the year when Jacques Chirac can end up with less on his plate than anyone else in France.

—Ester Laushway

## STOCKHOLM

### TO FIND A LEADER

The search for Sweden's next prime minister is proving more complicated than the ruling Social Democratic Party ever thought it would be. The stage was set for the peaceful "passing of the crown" from Ingvar Carlsson, due to retire in March after a decade as party leader, to his long-time protégé, the young and colorful party secretary Mona Sahlin. The labor unions had grumbled a bit, worried about Sahlin's occasional talk about the need for social welfare cutbacks. On the whole, however, there was widespread consensus that for better or worse, Sahlin was the only candidate for the party chairmanship and, consequently, for the gov-

ernment premiership.

That is until a Swedish tabloid, *Expressen*, started digging deep into Sahlin's personal finances.

What *Expressen*, and subsequently others who tapped into the media feeding frenzy, found was, by anybody's standards, badly managed home economics, which Sahlin was the first to admit. Late bill payments, a few run-ins with fiscal authorities on outstanding debts, unpaid parking tickets, unpaid television fees, and so on.

"Can someone who is unable to balance her own checkbook be trusted to run a country?" some people asked. Fair enough, but as Sahlin correctly pointed out, late payments are not illegal. More troubling to Sahlin, however, were revelations that she had used the credit card specifically issued to her as a cabinet member for a number of private purchases. This is completely against regulations, according to experts within the government. Sahlin complained nobody told her about these rules, that they were unclear at best, and that she had settled the private debts run up on her business card some time before *Expressen* started examining the affair.

While confessing to her own imperfection, Sahlin also launched into a stinging attack on the media and its tactics in covering the story at a live television press conference a few days after the revelations. She picked her target well since journalists are the only professionals whose dismal approval ratings can compete with that of the politicians in Sweden. Whether Sahlin is guilty of any crime is for the court to decide—an investigation into Sahlin's card dealings was launched in October. At this time, Sahlin asked for a "time out" for herself and the Social Democratic Party, as it proceeds with an internal discussion on both Sahlin's personal and its own credibility problem.

"Can I talk about the importance of paying taxes in front of voters and still be credible? I don't know," Sahlin said as she announced her "time out."

"Do I want to be prime minister? I don't know. Am I a candidate today? No," she answered cryptically to questions about whether she would consider reentering the race at some point.

In early November, Ms. Sahlin announced that she was resigning from the government and dropping her bid to succeed Mr. Carlsson.

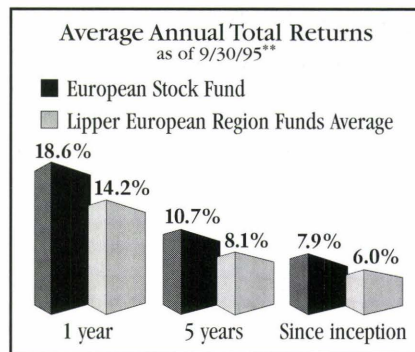
In March, the Social Democratic

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Party faithful will convene to choose their, and the country's, new leader. But with a "king" thinking increasingly about retirement and, perhaps, international work and a "crown princess," who, for now, has left political life, the country stands at a loss as to whom to turn in a time of need.

—Jonas Weiss

## LONDON

## POLITICAL TURMOIL

Politics in the UK continue to promise excitement as the government's majority dwindles and the reinvigorated opposition Labor Party snaps with increasingly sharper teeth at the heels of the ruling Conservative Party.

Prime Minister John Major warned party members at the Conservative's annual conference in October that while he hoped there would not be a general election until spring 1997, this might not be realistic. An early election could be called at any time because of the slimness of the government's parliamentary majority.

After the defection to Labor of former Conservative minister Alan Howarth, the government was left with a technical majority of only five. This is a very slim margin in the House of Parliament.

The political parties hold their conferences every fall, and these have become the show windows for party policies. This fall it was clear that the two main parties are gearing up to fight the next election.

All the parties try to emerge from conference strong and united, but this year the Conservatives looked pale and flaccid compared to the bright and shiny image of the "new Labor Party," as its spin doctors have now decided we should call it.

Tony Blair, the Labor leader, delivered a crusading speech which caught the imagination of not only the party faithful, but many others within the UK.

Blair promised that the new Labor would be a party for all the nation and not just sectional interests; that it would support the traditional family; reward the work ethic; and be tough on crime.

This sounded suspiciously like Conservative rhetoric and the Tories accused him of stealing their clothes, but this did not prevent the delegates from giving him a seven minute standing ovation.

The evocation of the late President

John F. Kennedy's cry of "ask not what your country can do for you, but what you can do for your country" hit a receptive cord.

So too did his promise that education would be put at the forefront of a Labor government's agenda and that to ensure that no one was left behind in the information revolution, they would aim to provide "a laptop computer for every child."

Sniping at the demonstrative flag waving at the Conservative's conference, Blair said, "It's no good waving the fabric of our flag when you have spent 16 years tearing apart the fabric of our nation."

The Tories responded by accusing the new Labor leader of papering over divisions within Labor between the modernizers and the traditionalists. Furthermore, said Tory party chairman Brian Mawhinney, Blair is still finding it difficult to move from "sound bite to substantially costed proposals."

So, the conference season was all good rollicking stuff with politicians adopting positions and firing broadsides at each other. But this year as the autumn air grew cooler, you could also feel a sharper bite to the political air.

—David Lennon

## BRUSSELS

## PARTY SHAKE-UPS

Belgian politics are being destabilized. This is due, though only in part, to scandals involving former government ministers, including former foreign minister Willy Claes.

He was forced to step down from his post as NATO secretary-general on October 20, after being indicted by the Chamber of Representatives for alleged corruption. This indictment was in connection with the Agusta affair, in which the Italian arms company is suspected of having paid bribes in 1988 and 1989 to both the Flemish and French-speaking Socialist parties in exchange for receiving a contract to supply the Belgian army with 46 helicopters.

The Agusta affair had already claimed the scalps of four other Socialist ministers who have resigned since January 1994. It may also have been responsible for two deaths—that of former Socialist leader André Cools, murdered in 1991, and of Major-General Jacques Lefebvre, who committed suicide last March after allegations that he had taken kickbacks.

The trial of Claes and of some of the

other ex-ministers, all of whom loudly proclaim their innocence, is unlikely to take place before 1997. The long wait may have an unsettling effect on the government, where the Socialists are in a left-center coalition with the Christian Democrats of Prime Minister Jean-Luc Dehaene.

The other destabilizing factor is the change in the leadership of the opposition Liberals. Both the Flemish and the French-speaking Liberals have chosen new leaders this fall. The French-speaking Liberals, long led by powerful ex-vice premier Jean Gol, were devastated by his sudden death, from cardiac arrest, on September 18. They have turned to Louis Michel, a steady but unexciting figure who will attract fewer friends and enemies alike than his more rumbustious predecessor.

The change in the Flemish Liberal Democratic party has, if anything, been more abrupt. Out has gone former budget minister Guy Verhofstadt, after a disappointing Liberal performance in the May election. Verhofstadt, who glories in his reputation as a Reaganite or Thatcherite, has been replaced by veteran ex-communications minister Herman De Croo, whose avowed aim is to move his party sharply to the left and regain the center ground in Belgian politics.

There is unlikely to be another Belgian election for four years, but Michel and De Croo may not have to wait until then before bidding for power. While Verhofstadt and Gol ruled the roost, neither Christian Democrats nor the Socialists regarded the Liberals as possible coalition partners. With moderates such as De Croo and Michel in charge, however, they appear altogether more attractive. If the present government parties should ever fall out, it is by no means excluded that one or the other of them would seek an alternative coalition with the Liberals.

—Dick Leonard

## BERLIN

## NUMBERS CRUNCH

So solid-looking to the outside world, Germany at times seems a curiously vulnerable place from within. Pessimism and anxiety about employment, environmental degradation, the weather, and life in general—are national mindsets. Prosperity has failed to ease the national angst although the Germans are still the

fat cats of Europe. "Germans are rich, and their standard of living is high," says Rainer Veit, a senior economist with the Deutsche Bank's research institute in Frankfurt. The average western German household has DM 140,000 (\$94,000) in savings, not counting houses and apartments which more than 40 percent call their own. That sum is by no means accounted for by five or six household members. Some 40 percent of German households are run by singles. On average, a household in western Germany consists of 1.5 persons.

The feel-bad factor of the Germans has many sources. Although in 1995 their wages went up by 4 percent, they have less disposable income. Taxes have risen steadily since German unification in 1990. Increases from January 1, 1995 included the reintroduction of a 7.5 percent "solidarity surcharge" on income tax, the doubling in four years of tax on insurance premiums. By international standards Germany remains a highly taxed country.

However, private consumption in 1995 grew unexpectedly high despite falls in real income, massive tax rises, and grim job statistics. Business and industry surveys and income statistics do not take into account "black economy" data. "A lot of money is being made in the black economy that statistics don't show," says Veit. There are a half million

asylum seekers who are not allowed to take up formal work, but they do find jobs on the black economy. Also, the jobless who draw dole are not supposed to take paid jobs. But who can check them? In addition, a large number of low-wage construction workers from the former Eastern Bloc countries work illegally on German building sites and spend their money in Germany.

Consumer attitudes in Germany are no longer an indication of growth or a slowdown of the economy as they were 10 years ago. A housewife's shopping habits no longer react to the fluctuations of the economy. Economists speak of a social phenomenon: the so-called "self-cocooning" of the consumer. "Consumers shut themselves off to bad news and continue to maintain their standards of living, independent of their incomes," says Veit.

In 1996, Germans with lower incomes (under \$33,600 for singles and \$67,200 for married couples) will benefit from tax cuts amounting to some \$10 billion. This will, economists say, give a boost to the economy's slowed growth. The strength of the deutsche mark has been reflected in a halt in employment growth. Pan-German unemployment jumped in September by an unexpectedly sharp 48,000. The jobless rate in eastern Germany was unchanged from a year ago at 13.8 percent and in the west at 8.1 percent.

The rise of the mark and wage increases have wiped out many of the benefits of German industry's recent restructuring efforts and undermined the ability of German companies to create jobs. The unavoidable result will be the location of production plants abroad.

Jürgen Schrempp, chairman of the Daimler-Benz group, said that up to 20,000 German jobs in the aerospace sector (DASA) could be lost if the dollar continued trading below DM 1.40. DASA's labor force has fallen by 16,000 to 75,000 over the past two years. David Herman, chairman of Adam Opel, fears the "creeping erosion" of German competitiveness due to the strong mark and high labor costs.

Smaller companies have tried to protect themselves against the fall in the dollar and high German wages by using more foreign suppliers, especially in Poland, the Czech Republic, and elsewhere in Eastern Europe where wages are much lower. Skilled labor costs in Germany are \$30 per hour; in the Czech Republic, for instance, they are the equivalent of around \$3 per hour.

In its annual survey for 1995 the OECD says that Germany's future prosperity depends on the ability of its society to tackle these problems. In many cases, the solutions lie outside the direct power of government and more with trade unions and employers. But there

## NEWSMAKERS

**A**fter a dazzling career as both player and coach, German soccer legend **Franz Beckenbauer** has been sidelined in Austria. Authorities in Innsbruck are stopping "Der Kaiser," as he was known, from buying himself a house in the Alpine ski resort of Kitzbühel in the Tyrol.

He has fallen foul of a local law which is trying to keep the lion's share of property in the region in Austrian hands by decreeing that only those working or living there permanently are entitled to buy a house. With only 10 percent of land in the Tyrol suitable for human use, and the rest mountains, there is not enough living space for locals, let alone tourists who spend only a few weeks a year there.

Beckenbauer is arguing against his exclusion by claiming that Kitzbühel has been his main residence for 20 years. The fate of his application is the talk of the trendy little resort. Many locals consider Beckenbauer's presence to be a tourist attraction and would be only too happy to

have perhaps the best defender in the history of soccer as a neighbor. Kitzbühel's mayor **Friedhelm Capellari** has even stated in public: "Franz is one of us."

• • •

German Chancellor **Helmut Kohl**, visibly a man not averse to second helpings, is writing a book with his wife **Hannelore** called *A Culinary Trip Through the German States*.

As well as 350 different regional recipes, the book will include the history and culture of the specialties described. Proceeds will go to a research fund for brain-damaged children.

If the lunch offered to British Prime Minister **John Major** during a weekend visit is anything to go by, Kohl's cookbook will not be for calorie counters. For starters, Major was served a choice bit of black pudding and some pigs' entrails, followed by beef and potatoes and topped off with a hearty helping of strudel.

• • •

Anyone who stops to eat at the river-

side auberge La Lucerne aux Chouettes in the village of Villeneuve-sur-Yonne in the Burgundy region of France, may find the petite brunette who greets them strangely familiar. If they look at the posters and film stills displayed on one of the white-washed brick walls, they will know why.

**Leslie Caron**, the elfin star of such films as *Gigi* and *An American in Paris* has made a second career for herself as a restaurant owner. She never dreamed of doing anything of the kind when she first moved to Burgundy 15 years ago. Originally, she decided to buy a row of abandoned houses on the waterfront with the idea of converting them to an artistic community for friends.

The project fell through and her only hope was to open a business. "We could not afford to employ anyone to manage the restoration," Caron recalls, "so I literally did everything myself. It was a nightmare, but I have no regrets."

Caron is still continuing with her screen career as well. Her two latest releases are *Funny Bones*, a film in which



are signs that some trade unions, at least, are aware of the size of the challenge ahead.

—Wanda Menke-Gluckert

## LISBON

## COLONIAL CONSCIENCE

Portugal gave up its empire 20 years ago, following the overthrow of the dictatorship in 1974. However, it is still haunted by the colonial past. An anniversary in December regularly reminds the Portuguese that one problem remains unresolved: that of East Timor, which was invaded by Indonesia 20 years ago and annexed in 1976.

Portugal conquered East Timor, to the northwest of Australia, in the 16th century. When the dictatorial regime fell in Lisbon, little attention was paid to this faraway colony. It appeared to have even less strategic importance than the African territories, to which Portugal's new leaders were not eager to hold onto either.

After a short civil war between East Timor's two pro-independence movements, UDT and the left-wing Fretilin, fueled by allegations that the latter was planning a communist-supported coup, Fretilin gained control and proclaimed independence. On December 7, 1975 Indonesian troops launched an attack on

East Timor from the western part of the island, over which they had long held sovereignty. On July 17, 1976, by which time tens of thousands of East Timorese had been killed by the invaders, Indonesia annexed the territory as its twenty-seventh province.

Because the invasion came before the decolonization process was complete, the United Nations still regards Portugal as the administering power in East Timor, and it has passed several resolutions calling for the withdrawal of Indonesian troops and—in support of Portugal—for the territory's people to be allowed to determine their own future.

Since the invasion, some 200,000 people are thought to have been killed in East Timor, about one-third of the population. Many have been tortured and imprisoned without trial. The Portuguese language and culture are gradually being erased, and it is increasingly difficult for the Roman Catholic Church, around which much opposition to the Indonesian occupants has focused, to operate freely. In the mountains, an armed resistance continues the fight against the Indonesians.

Many, even in Portugal, had almost forgotten about this unresolved colonial problem. But on November 12, 1991, more than 200 people were killed when Indonesian troops fired into a pro-independence demonstration in East Timor's

capital, Dili. This time, a foreign television camera was there, and the world was alerted to the situation in the territory. Since then, Portugal and Indonesia have held several rounds of negotiations under UN auspices to find a solution. However, neither side has so far shown any willingness to shift its position.

It is sad anniversaries, such as the one marking the invasion this month, that regularly stir Portugal's colonial conscience.

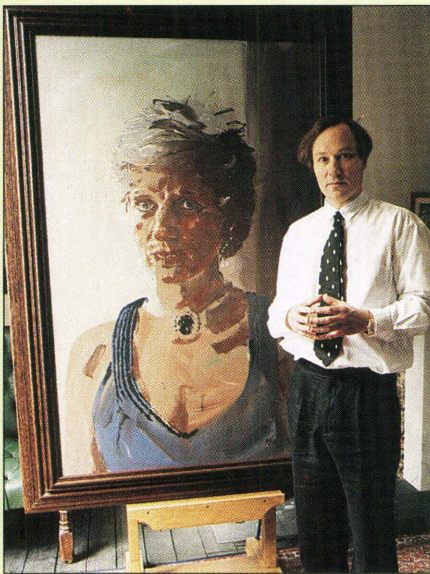
—Peter Miles

## ROME

## NAPLES' ACTIVIST BARONESS

Her success rests on an explosive mixture: culture and worldliness; literary salons, art openings, and scientific gatherings; receptions and restorations. The mix has worked well. Even if she were forced today to give up all her activities, Baroness Mirella Barracco has already earned an important place in Italian and European culture. With Napoli '99, the association she founded in 1984, she has achieved an ambitious goal: the revival of Naples.

Once the capital of the Kingdom of the Two Sicilies, Naples was the seat from which the house of Bourbon governed the region until the unification of Italy. In the past century, however, the glorious former capital had become a Eu-



Henry Mee with his controversial portrait of Princess Diana.

she stars as a single mother alongside veteran American comedian Jerry Lewis, and *Let It Be Me*, a romantic comedy set in New York.

• • •

Robert Runcie, the former Archbishop of Canterbury, has a bright blue complexion, Queen Elizabeth, looks like she's suffering from jaundice, and his latest celebrity, Princess Diana, has a brown smear across her chest. Yet all three are—at least according to the artist who painted them—absolutely delighted with their portraits. Henry Mee has made a highly successful career of painting members of the British establishment, often in lurid colors and always for startling prices. Being captured by him on canvas costs upwards of \$15,000.

Why anyone would want to be painted by him is an interesting question. Rather than being a great, or even good, artist, he seems to be more of a gifted self-publicist. After studying at Leeds University, where he paid for his art supplies by painting store signs, he started his career as a portrait painter among the gentry of Yorkshire. Art critics have said that he got his first important commis-

sions by offering his services to people, then using the references from one sitter to attract the next.

By 1990 he had built up a big enough upper class clientele to hold his first solo exhibition, grandly entitled *British Eminencies*. Among the 30 pictures featured were prominent figures like Lord Carrington, Lord Home, Sir Robin Day, and actor Sir John Mills. Two years later, Margaret Thatcher was so thrilled with her portrait by Mee that she commissioned a second one of herself and one of her husband Denis.

The critics do not have a good word to say about Mee. They claim that his Princess Diana portrait, finished in September, makes her look like a haggard, middle-aged housewife with shaving cream in her hair.

But Mee can afford not to mind. The Diana picture is already insured for \$75,000 and commissions continue to pour in. He now has his sights trained on someone like the writer Martin Amis or maybe Madonna.

—Ester Laushway

ropean symbol of urban and social decay.

But last year, Naples took a major step toward changing its image when the leaders of the richest nations of the world met in Naples for the annual Group of Seven conference. Later, the UN held a world conference there. Part of the credit for these two successful events went to Barracco and her tireless promotion of the city.

Though she's a baroness, thoroughly at ease among the cliques of cultural and industrial celebrities on both sides of the Atlantic, Mirella comes from a good bourgeois Naples family. Even today this elegant but modest *signora* is not a snob. She remains the same as in the 1960s, when she was one of the many students who participated in the fervent university demonstrations of that decade. It is with astonishment that gossip columnists note that there is never a trace of make-up on her face; that her hair is not contrived by the touch of a personal stylist; that her clothes boast the decided disregard for haute couture. Her passion is culture, with a particular predilection for the Anglo-Saxon. Her university dissertation, on Virginia Woolf, was published—a rare and coveted feat for a student. At 21 she was a reader at a British university. Then, after returning to study for a while in Naples, she taught at the City University of New York.

It was in America where she met Maurizio Barrocco, the man who, through marriage, provided her with the baronial title. Though heir to one of the oldest families in Naples, he, like his wife, does not rely solely on his noble title. He has three degrees, including one in business administration from an American university and is now a financier and businessman, who at only 27 years of age was a top executive at Getty Oil. Today, among numerous other commitments, Maurizio sits on the administrative board of the foremost Italian publishing group, Rizzoli-Corriere della Sera.

Taking an "American" approach to problems is a quality shared by Mirella and Maurizio. It is with a yankee spirit that the woman, in love with her city and incapable of sharing the resigned fatalism with which her fellow Neapolitans and other Italians regard the steady decline of Naples, breathes life into her association. Certainly, the money generously invested by the Barracco family has helped the association thrive. But in order to preserve and display the vast array of artistic objects now covered with dust in the ne-

glected storage rooms of many ancient Neapolitan *palazzi*, one needs—in addition to the right connections—enterprises never before seen in southern Italy, American style enterprises.

Operation "Monuments, Open Doors" was born at Villa Emma, Mirella's residence and one of the most beautiful estates in Naples. This initiative made public visits to some splendid churches and palaces possible for the first time in decades thanks to the help of students and volunteers who act as guides. Later on came an operation called "Schools Adopt a Monument."

At first, skeptics were doubtful that such initiatives could rouse southern Italy from its torpor. Yet their success was so great that it spread beyond the south. Venice, a northern city struggling to save its artistic assets from decline, sent unexpected praise, "We are lagging behind what is happening in Naples," admitted the secretary of culture of the island city. Her fame and methods have spread throughout Europe, and adopting monuments has become a project of the European Union.

The revival of a decaying, crime-ridden metropolis appeared at first doomed to failure, but Naples, with help from Mrs. Barracco and Mayor Antonio Bassolino, appears to be well on its way to better days.

—Niccolò d'Aquino

## MADRID

### THE JURY IS IN, AGAIN

Starting next year, juries will once again ponder the culpability of the accused in Spain, resurrecting a long judicial tradition that was suspended during the 40-year Franco dictatorship.

The first case to be heard by the nine-member panels will probably begin in May and judicial authorities are already selecting people who will hear serious cases such as murder, arson, bribery, and extortion in provincial courts.

Juries were reestablished by the constitution of 1978, but it has taken 17 years for the idea to overcome government inertia and opposition.

Right-wingers both in and out of the legal professions have criticized the jury system as dangerous and argue for maintaining the current method of having a panel of judges decide the cases.

They claim the judges are professional, independent, and, unlike the man

or woman in the street, immune to outside pressure or bribery.

Liberals, and especially the ruling Socialists, say the people can be trusted to return a correct verdict and that it is time the populace played a part in the legal system.

The new system was given a dress rehearsal in October when a jury in Palma de Majorca heard a murder case involving the killing of a man who the accused said had made a pass at him.

Before the trial began, both the prosecutor and the defense queried the prospective jurors on whether they had anything against homosexuals or, because drugs figured in the case, whether they believed in decriminalization.

After two days of testimony and five hours of deliberation, the jury found the accused guilty by reason of insanity and rejected the prosecution's claim that the murder was premeditated.

Twenty-five judges who observed the case said they believed it had gone well.

Despite the controversy in the United States over the verdict in the O.J. Simpson case which received wide publicity in Spain, jurists said that such an example was impossible in this country.

"As Spain is a largely homogeneous nation, you would never see such things as juries influenced by the alleged planting of evidence by racist cops or juries divided along racial lines," said one lawyer.

Spanish Supreme Court judge Jose Antonio Martin Pallin told the press that the verdict in the Simpson case "shows the strength of the jury system and how the panel can decide in the favor of the accused in a case of reasonable doubt."

—Benjamin Jones

## DUBLIN

### POET HEANEY WINS NOBEL

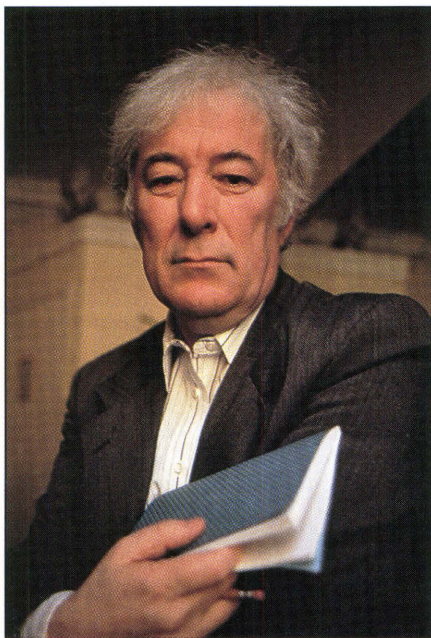
Ireland's fourth Nobel Prize winner for literature, poet Seamus Heaney, receives his award this month in Stockholm. For a while there was speculation that Heaney's schoolmate from St. Columb's College in Derry, John Hume, would win the Nobel Peace Prize for his role in the Northern Ireland peace process but that was not to be.

Heaney's distinguished predecessors were William Butler Yeats, George Bernard Shaw, and Samuel Beckett. But one of Ireland's most famous writers of this century, James Joyce, was rejected for the Nobel Prize, probably because of the notoriety of his novel, *Ulysses*, in a

less liberal age. When Yeats was told by a reporter that he had won the prize in 1923, his first question was: "How much is it worth?" For Heaney, the \$1 million prize will give him financial security at age 56 after 30 years dedicated to the craft of poetry which had to be supplemented by teaching.

Until recently he filled two teaching posts, albeit at the highest level. He is still Boylston Professor of Poetry and Rhetoric at Harvard which involves living in the United States for one term each year. He has just finished his spell as Professor of Poetry at Oxford, where he had to deliver an annual series of lectures.

Heaney's rural background on a farm in County Derry in Northern Ireland comes through still in his lyric poetry. He first attracted attention with the collection *Death of a Naturalist* in 1966 while he was teaching English in Queen's University, Belfast, where he had graduated some years earlier. He came to live with his wife and three children in County Wicklow to get away from the increasing violence and now lives in Dublin overlooking Sandymount



Ireland's newest Nobel Prize winner Seamus Heaney

strand, which is the scene for an episode in *Ulysses*.

While Heaney's poetry has won increasing acclaim with each new collection, there have been a few dissenting voices. Some English critics have found his style "flat," and an Irish critic in 1991 argued that Heaney's work

lacked a philosophy or vision and was adapted to suit Anglo-American literary trends. But the poet, who is a popular and approachable figure, just shrugged it off.

Heaney was on a walking tour in Greece when the award was announced and could not be found for several days while his grown-up children tried to fend off the world's press. On his return to Ireland he was greeted at the airport by the taoiseach, John Bruton, clutching one of his works, and many other admirers. He was then whisked away with his family for a private reception given by President Mary Robinson who is a close friend and often quotes from his poetry in her speeches.

Asked what effect the Nobel Prize will have on him or his poetry, Heaney hopes not too much. He would like to "have a kind of freedom to not care much, which is something I have been aiming for anyway, to daydream more..."

—Joe Carroll

## COPENHAGEN

### PEOPLE POWER

The Danish government is treading carefully with its mandate for the EU intergovernmental conference in 1996. The overriding consideration is to ensure that the Danes will not repeat the 1992 referendum rejection of the first Maastricht Treaty. And that the majority will be more comfortable than the one the Danes eventually delivered in 1993, with a price tag stating that Denmark cannot join the third phase of Economic and Monetary Union, join the Western European Union, nor intensify judicial cooperation nor introduce Union citizenship without a new referendum.

A broad majority in the Folketing, the Danish parliament, is expected to support the government platform, which has enlargement of the European Union with the East European countries as its main plank. More emphasis on the environment and more openness and transparency in EU decision making are other major elements in the Danish input to the conference. The government is prepared to discuss adjustment of the voting rules so that the larger EU countries cannot be outvoted by their smaller partners, but otherwise there is no support for further institutional

changes. This is a minimalist approach to political union.

Depending on when the intergovernmental conference completes its work, a new Danish referendum is expected in late 1997 or, more likely, in 1998. Economic and Monetary Union is not specifically on the agenda of the conference, but the government wants Denmark to be a charter member of EMU, removing any doubts about the stability of the Danish economy and allowing the Danish interest rate to drop toward the German level. Membership of the Western European Union could, by 1997 or 1998, also be seen as an integral part of Danish NATO membership and could also be linked to enlargement of the EU.

Popular support for the further integration of the European Union cannot be taken for granted anywhere. But in Denmark people power is rampant. Opponents of Danish membership of the EU do not have their own party in the Folketing, but they have two groupings in the European Parliament. And when the Danish member of the European Commission, Ritt Bjerregaard, in her diary criticized the lack of openness in EU decision making (and several EU leaders as well), opinion polls showed strong popular support for her views and intentions. No other EU issue has sparked as intensive a debate since the referendum of 1993.

Bjerregaard formally withdrew the publication of her diary as a book, but it has become the most widely read non-book in Denmark. Available on the Internet for anyone with a working knowledge of Danish, it was published as what the daily newspaper *Politiken* called a full-text quote in a special section of the paper, which doubled its circulation that day to about 300,000 copies, which is a lot more than the 2,000 copies of the book planned by the publisher.

The courts in Denmark now have to decide whether there is any difference between a theft of intellectual property rights, as claimed by Ms. Bjerregaard and her would-be publisher, and a full-text quote accommodating the public's right to know, as claimed by the newspaper editor. It is a case without legal precedent, and if the newspaper loses, its editor may be jailed, though a fine is more likely. Whatever the outcome, it is not likely to increase popular support in Denmark for the EU.

—Leif Beck Fallesen

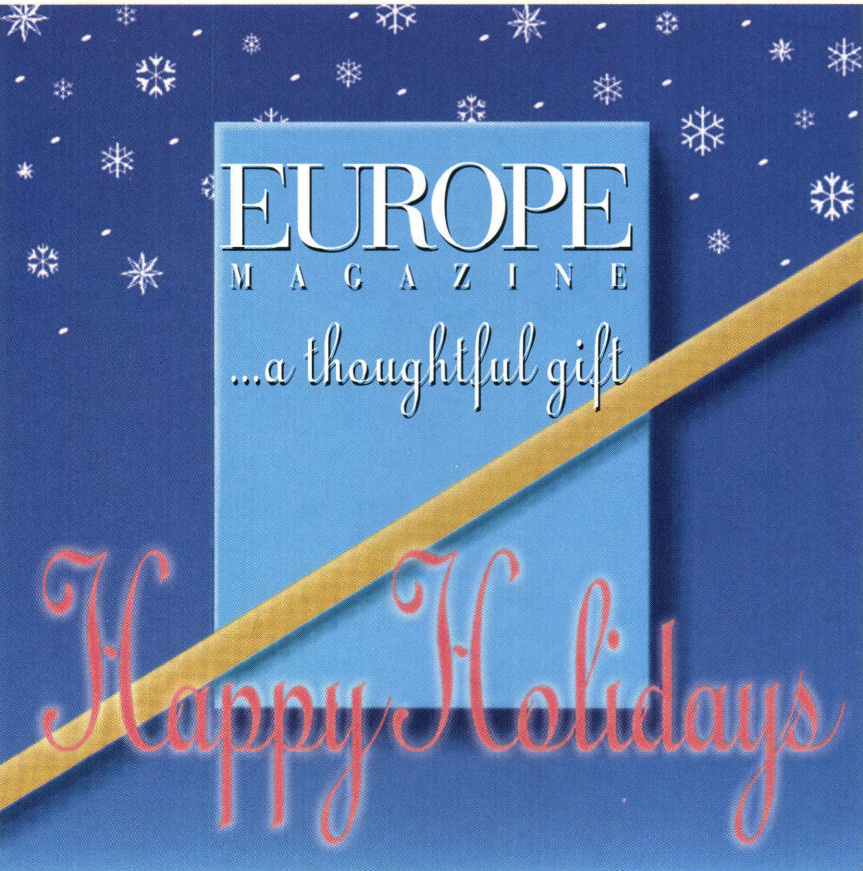
LUXEMBOURG

NEW TRADING SYSTEM

The Luxembourg Stock Exchange (LSE) will start 1996 with a new trading system. Brokers will no longer be physically present on the exchange's floor to buy or sell the 12,000 securities listed in Luxembourg. The open outcry where brokers and dealers shout out prices at the exchange's two trading posts—the core of an auction securities market—will be completely gone. The prices at which brokers and dealers are willing to buy or sell securities will be posted on computer screens. From home offices, traders will negotiate prices over computer or telephone, as they already began doing in LSE's earlier stage to phase out floor operations. These and other trading system changes move the exchange away from being a pure auction market. In an auction market, one person, a specialist, matches buy and sell orders from customers or buys and sells shares for its own account when there are no matches. Specialists profit from the difference—the spread—in

the prices they offer buyers and sellers. Auction markets differ from dealer markets in which several firms post prices in one stock, committing capital to carry an inventory in the stock. They compete with one another for customer's orders and profit from the spreads in securities prices. The NASDAQ Stock Market in the US is one example of such a market. When Luxembourg's trading changes take effect in January, LSE will become a hybrid of the auction and dealer markets, following the lead of other markets around the world, including the Amsterdam Stock Exchange. In short, Luxembourg's technology investments will result in the launching of three trading systems: multi-quote, over-the-counter, and on-demand. Under the multiquote system, the securities are distributed over a number of quote groups (for example, bonds denominated in Luxembourg francs, Luxembourg shares, unit investment trusts). Each group is traded at specific times during the trading day. At the end of the trading period, or "call", the transactions are sent for clearing and settlement and the prices are reported immediately to the public. The LSE also developed an "on-demand" market. The participants in this

continuous market will be traders who need to fulfill large-size orders. A security may be traded on either the multiquote or on-demand markets. The third component is an "over-the-counter" market for trades executed outside the LSE. These trades, however, would be reported to LSE and the transaction prices reported to the public. The LSE opened its doors in 1929 but its first major spurt of growth occurred in 1963 when the US proposed a federal withholding tax on bonds, triggering an explosive growth in the Eurodollar bond market. The market ranks at number 43 worldwide, with \$1.77 billion in dollar volume, split in half between shares/investment funds and bonds, warrants, and other debt instruments. The five largest domestic companies trading on the LSE are Vendome Luxembourg Group, Minorca, Excor Group, Quilmes Industrial (Quinsa), and Audiofina. These five companies account for more than half of the market's capitalization, which is about \$357 billion. The five most actively traded investment funds are Fidelity's Asian, Hong Kong, Malaysia, and Southeast Asia funds and the Fleming Flagship Latin American Fund. —James D. Spellman



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# ARTS & LEISURE

## ART

### Cézanne in Paris, London, and Philadelphia

*Grand Palais, Paris, (until January 7); Tate Gallery, London (February 7 to April 28); Philadelphia Museum of Art, (May 26 to August 18).*

The first articles announcing the Cézanne exhibition at the Grand Palais National Gallery in Paris as the cultural event of the fall season appeared this spring. Since it opened on September 30, the retrospective, which will go on to London and Philadelphia, has drawn 5,000 visitors a day and generated such an outpouring of ecstatic publicity, of rapturous reviews, books, films, and videos, of television and radio coverage, that Paul Cézanne, were he alive to see it, would shake his bearded head in disbelief and growl at the fickleness of a world which rejected him as a mad eccentric for most of his life.

This exhibition, the most complete display of his works since 1936, brings together nearly 200 paintings and drawings from all over the world. It has been arranged chronologically, to show the evolution of Cézanne's style from the exuberant, erotically charged canvases of his youth, through the lighter, color-imbued landscapes of his impressionistic period, to the rigorous, restrained compositions of middle age and the grandiose, visionary masterpieces of his final years.

It comes exactly 100 years after the art dealer Ambroise Vollard gave Cézanne his first



**Self Portrait, by Paul Cézanne, is one of the nearly 200 paintings brought together in the retrospective to tour Paris, London, and Philadelphia.**

personal exhibition. He was 56 years old and used to having his paintings systematically refused by the official Salon in Paris. Practically the only ones to recognize his genius and buy some of his works were fellow artists like Monet, Degas, Renoir, and Pissarro.

But Cézanne was not easily discouraged. Painting was more than a profession to him. From the time he started drawing as a boy in Aix-en-Provence, it had taken hold of him and had become an obsession which he pursued obstinately and alone. Not part of any particular

school or trend, he absorbed the color values and techniques of the Impressionists from his mentor, Pissarro, but went his own painstaking way.

He worked deliberately, slowly. Sometimes a quarter of an hour would pass between one brush stroke and the next, and a portrait could require as many as 150 sittings before it was finished. Even then, he was never satisfied and would often trample his paintings in a rage or even fling them out of the window of his atelier with brush and palette knife after them.

Nature was his inspiration, from a simple arrangement of fruits on a table to the scenic splendors of his native Provence. The craggy profile of Ste-Victoire, the mountain which looms over the city of Aix, drew Cézanne like a magnet. He painted it more than 60 times. Wearing a paint-spattered waistcoat and battered hat, he would set out with his easel, laughed at by the locals, but tireless in his quest for perfection. He died in October 1906 after having been caught in a violent storm on one of his painting expeditions.

Now, 90 years later, the solitary searcher who was determined "to astonish Paris with an apple" is widely recognized as the father of 20th century painting.

The Cézanne retrospective stays at the Grand Palais until January 7. Reservations for timed visits can be made by calling 33 1 49 87 54 54.

—Ester Laushway

## FILM

### The Third Man Tour: Harry Lime's Vienna

The best publicity film ever made about Vienna is not some glossy Austrian Tourist Board production showing the imperial splendors of the city in glowing color, with the lush sounds of a full symphony orchestra as backdrop. It is a grainy black-and-white film, shot entirely at night and accompanied only by the haunting strains of a single zither.

*The Third Man*, Graham Greene's classic thriller set in post-war occupied Vienna,

was an extraordinary combination of talents: the author's brilliant screenplay directed by the gifted Carol Reed, with a star cast headed by Orson Welles and Joseph Cotton, backed by superb camera-work and lighting and underscored by the unforgettable zither music of Anton Karas.

It made Vienna's bombed-out ruins, its sewers, and its giant Ferris wheel into

some of the city's most memorable sights. The ruins have disappeared, but many of the film's other locations can still be visited on a guided walking tour which shows a side of Vienna not usually seen by tourists.

The tour begins at the Friedensbruecke Underground station, at the confluence of two main sewers, where some of the film's most famous scenes were shot. There is no need to book in advance, but you are advised to come equipped with good walking shoes and a flashlight. (A cold in the nose is not a bad thing for this part of the tour, either.)

What becomes clear right from the start, when you bend down and peer into the dank darkness, is that *The Third Man* is a masterful blend of reality and illusion. Like the main character, the elusive Harry Lime, the Vienna portrayed in the film is not all it appears to be.

The sewers are real enough—cavernous and evil-smelling—but the murky water coursing through them is so deep that anyone trying to wade through them would probably drown in a particularly nasty way. For Harry



Orson Welles starred in *The Third Man*, which was based on Graham Greene's classic novel of intrigue in post war Vienna.

Lime to be chased through them by the sewer police, the water had to be diverted, which was simple enough because there is a system of locks in place to do just that, usually for repairs and cleaning. But the majority of the so-called sewer scenes were actually shot in the tunnel of the Wien River in the City Park, which is high enough for a man to stand up in and much more pleasant to splash around in as well.

After visiting both the real and fake sewer locations, the tour concentrates on scenes which were filmed in downtown Vienna. No cinematic tricks were needed here. The doorway in whose shadow Harry Lime was standing when the little cat found him; the square where he disappeared down a manhole into the sewer; the small courtyard through which he ran—all are just as they were in the film. Also unchanged is the place where Harry Lime lived, the Pallavicini Palace, with the equestrian statue of Emperor Joseph II opposite.

Albertinaplatz, the square where the Mozart Cafe and the Hotel Sacher are located, is another stop on the tour.

Here, the film had to make use of artistic license because there was a gaping bomb crater directly in front of the Mozart Cafe. So the scene—supposedly shot outside—was simply moved a few hundred feet away. The Hotel Sacher, best known as the birthplace of the *sachertorte*, one of the world's divinely rich, moist chocolate cakes, was also more or less the birthplace of *The Third Man*.

When the Allied Forces moved into Vienna in 1945, the British troops requisitioned the Hotel Sacher for the exclusive use of British officers. Graham Greene, with his excellent connections to the British authorities, was allowed to stay there as a guest of honor. He wove his screenplay from the places he visited in the war torn city and the stories he heard. His Harry Lime was not a real person, but cynical opportunists like him did exist and profited from the thriving black market in Vienna.

Two locations not included in the tour but easily reached by public transport are the Central Cemetery, where the film opens with Harry Lime's fake funeral and closes with

his real one, and the giant Ferris wheel at the Prater fair-ground. If you have a head for heights and really want to capture the mood of the film, you can ride up to where people dwindle to the size of dots and ask yourself how you would answer Harry Lime's question: "If I offered you 20,000 pounds for every dot that stopped, would you really, old man, tell me to keep my money, or would you calculate how many dots you could afford to spare?"

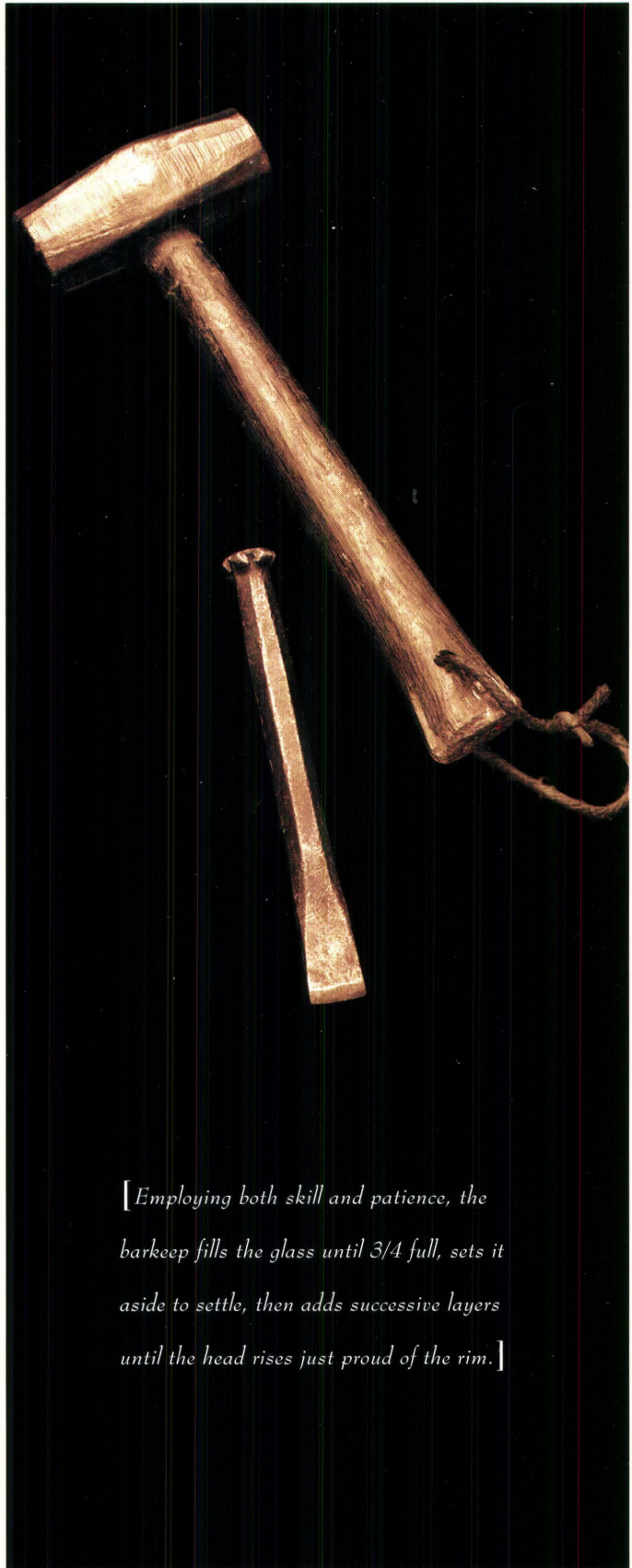
—Ester Laushway

*The Third Man tour is one of 28 historical and cultural walking tours of Vienna organized by a team of professional tour guides and historians. For more information, you can contact Brigitte Timmermann. A-1220 Vienna, Wiethestrasse, 69/1, Austria, tel. 011-43 220 6620, fax, 011-43 210 3340.*

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A pint of  
Guinness  
is built,  
not poured.



*[Employing both skill and patience, the barkeep fills the glass until 3/4 full, sets it aside to settle, then adds successive layers until the head rises just proud of the rim.]*

*The nature of Guinness*

*There is  
music in the air...*

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