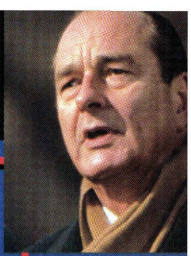


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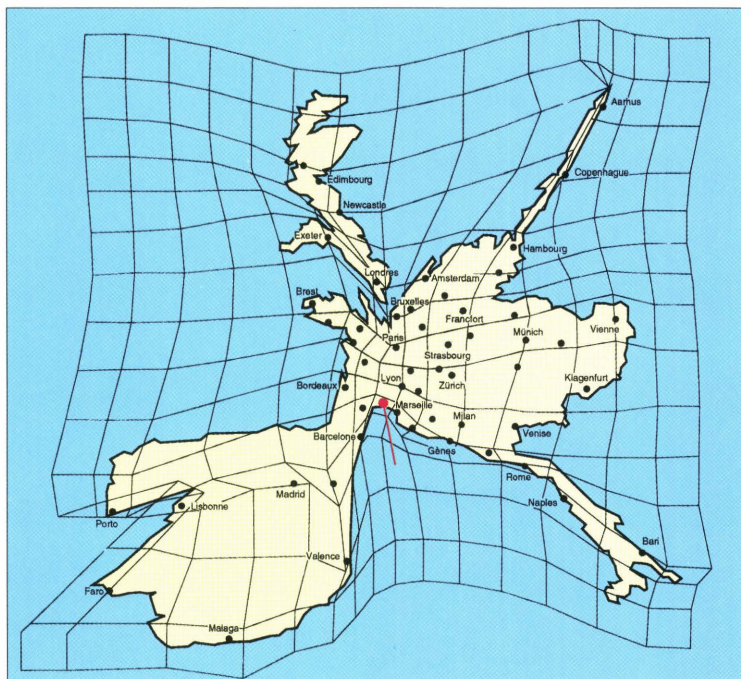
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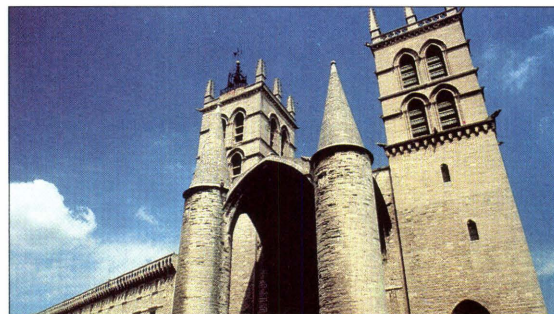
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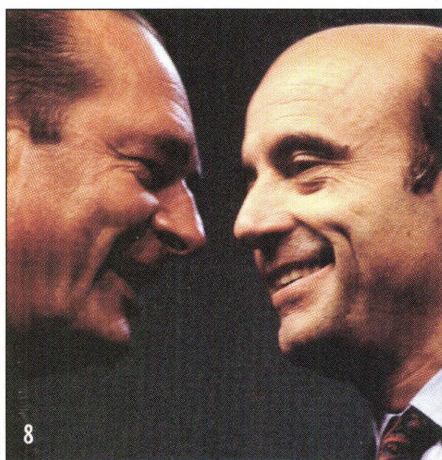
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MAGAZINE OF THE EUROPEAN UNION



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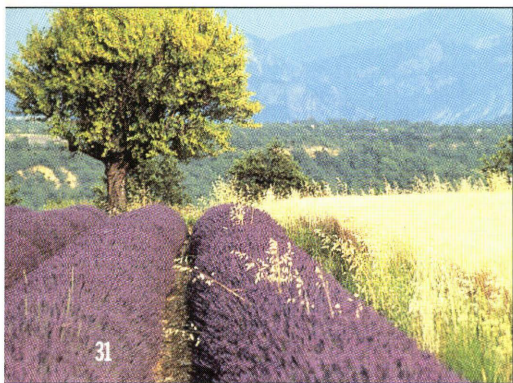
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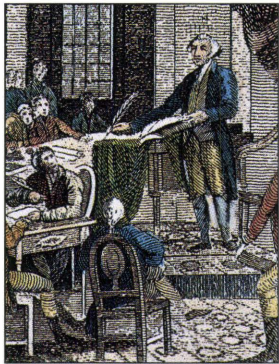


Letter from the Editor

The new president of France, Jacques Chirac, faces many serious challenges as he takes up residence in the Elysée Palace for the next seven years. The most serious challenge France faces is the fact that unemployment is now close to 12 percent.

As was evidenced by the strikes across France last year, there is increasing concern among the population about the economic policies of the new government.

However, there are many positive developments happening across France, the fourth largest economic power in the world. As our Paris correspondent, Ester Laushway, points out, "Foreign investment in France has climbed from a total of \$22 billion in 1980 to a present total of \$140 billion and has generated some 2 million jobs." The major foreign investor, in terms of jobs created and overall new projects, is the United States. *EUROPE* profiles the "hot" business regions of France and the various American companies now doing business across France from Atmel to Ford to Whirlpool.



**Europe's
Philadelphia
Story?**

While American firms are active in France, many French companies have a large and growing presence in the United States. *EUROPE* profiles the French conglomerate, Matra-Hachette, which is best known in the US through its many publications, including part ownership of John F. Kennedy Jr.'s new political magazine *George*. We also look at Alcatel Alsthom, one of the world's largest makers of telecommunications equipment and a growing player in the global telecom market.

The new EU ambassador to the US, Hugo Paemen, speaks out on the future currency of Europe to be known as the "euro," the New Transatlantic Agenda, the WTO, Bosnia, and overall EU-US trade relations.

"With some trepidation, Europe is about to launch fresh negotiations on its constitutional future," writes Lionel Barber from Brussels. Although the intergovernmental conference, or IGC as it has come to be called, will not be as momentous as the 1787 American constitutional convention, "it will be big enough." The IGC, which begins in the Italian city of Turin on March 29, will explore a large list of issues including institutional reform of the EU to providing for a common security and foreign policy for Europe.

EUROPE will keep our readers up to date on the results of the IGC, which is expected to last for at least one year.

EUROPE presents our third annual Europeans of the Year. The 15 people selected range from a popular Spanish actor to a Portuguese poet to a Belgian nun to an Italian entrepreneur creating a new cyberspace company.

It is hard to imagine any of our readers not wanting to move to Aix-en-Provence after reading Ms. Laushway's enchanting article on this gorgeous town in southern France.

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

EUROPE

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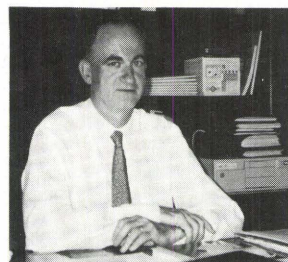
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Reuters has contributed to news reports in this issue of *EUROPE*.

Banking with France:

Banque Transatlantique Makes It Easy



For most of us, dealing with the French banking system can conjure nightmarish visions. Most French banks with offices in the United States are business banks and few address the specific needs of individuals and families. Banque Transatlantique, which opened a representative office over two years ago in Washington, D.C. but serves clients throughout the U.S., meets these and many other needs by providing an extraordinary array of services ranging from traditional banking functions such as overseas transfers to legal, real estate and even contractor services. Although a new player on the American scene, the bank is an affiliate of the CIC (Crédit Industriel et Commercial), one of France's oldest banks. In a recent interview, Mr. Jean-Louis Imhoff, U.S. representative of Banque Transatlantique, explained that the bank specializes in three major areas:

Transactions between France and the U.S.

"As a traveler", he said, "you may have expenditures in France and need cash, travelers' checks or transfers". Opening a French franc or dollar account with Banque Transatlantique in Paris through the U.S. Representative Office in Washington enables you to:

- *transfer money at a competitive rate
- *have a French credit card
- *have a French checkbook
- *invest in the European market

All of these matters, Mr. Imhoff hastens to add, are handled by correspondence, phone and fax; there is no need to be present at the Washington office. Nor are these accounts costly. With the minimum of activity required, there is no charge. To close the cultural gap: a personal bilingual account representative is at your service.

Avoiding red tape on real estate transactions

Real estate transactions are another of the bank's strengths. Buying property in France is complicated, explains Mr. Imhoff, requiring the assistance of a *notaire* or notary. "We simplify the process. We help our client find an apartment or house. We finance the mortgage in dollars, francs or other currency, thereby, the buyer may profit from the rate of exchange. "And should our clients wish to renovate their property", says Mr. Imhoff, "one of our divisions offers referrals for appraisal, architectural and contractor services."

Portfolio management with an overseas flair

Finally, its offices in the Island of Jersey, in addition to Paris, London and Washington enable Banque Transatlantique clients to take full advantage of tax shelters and overseas investment opportunities in different currencies.

"We manage portfolios, and recommend a wide array of mutual funds, certificates of deposits and other investments, traditional or dynamic, according to your objectives. We advise our expatriate clientele on retirement tax shelters, our Franco-American customers on French income tax matters and declarations."

In all cases, Banque Transatlantique prides itself on avoiding the "Dimstore" approach to banking. "We develop a very personal rapport with our clients." And this goes far beyond money matters, as Mr. Imhoff explains: "We help families find schools for their children, we can even provide travel assistance, as in a recent case of a client whose mother needed to be accompanied from Paris to the Alps.

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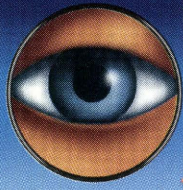
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EYE



ON THE EU

Profiling
Personalities and
Developments
Within the
European Union

It's big business, transatlantic aviation. Last year more than 30 million passengers flew between Europe and America. But the traffic is not equally shared: the three biggest American carriers—Delta, American, and United—have twice as many planes in the air as their principal European rivals, British Airways, Lufthansa, and Air France.

On both sides of the Atlantic aviation has been deregulated. The Americans did it with a big bang, with major operators such as Pan Am and Eastern Airlines going bust.

Open skies have arrived more gently in Europe. The liberalization process, agreed upon by the European Union, has been staggered. It is now in its third and most radical stage, which will not be fully implemented until 1997.

Only then will there be free competition throughout the EU member states. The United States has long sought the right for its airlines to compete freely within Europe, and last year Transportation Secretary Federico Peña launched an initiative to sign up open skies agreements with individual European countries.

He focused on nine smaller states, six of them members of the EU, and proposed deals with them that would offer them extra access to US airports in exchange for which US operators would enjoy so-called "fifth freedom" rights within Europe. This would enable US planes to pick up passengers in one member state and put them down in another, something



EU transport commissioner and former British Labor leader Neil Kinnock.

which no European airline is able to do between airports in different parts of the US.

The EU's transport commissioner, former British Labor leader Neil Kinnock, took a lot of heat when he opposed the US initiative and claimed that, under the Rome Treaty, the member states concerned had no right to negotiate on matters that affected the EU's internal market. He wrote cautionary letters to the governments concerned saying that if they struck deals with the US, the Commission would challenge their validity before the European Court of Justice.

Kinnock was accused of getting too big for his boots. He replied that he had no choice in the matter. If Europe was to have any chance of reaching a fair deal with its mighty competitor, it had to negotiate as one body, or the US would just pick off one country after another with carefully tailored inducements

that would leave European airlines as a whole at a disadvantage. Specifically, Kinnock asserted that only the EU as a whole could secure agreements on slot allocations, a code of conduct for computer reservation systems, and equal ownership rights for foreign investors, all of which had been excluded from the bilateral deals.

Jacques Santer and the entire Commission supported Kinnock's stand, including his fellow British commissioner, Sir Leon Brittan.

Seven ministers, including those of Germany and France, were inclined to let him go ahead, but the remaining eight, including the six countries that had been offered deals by the Americans, were opposed. The most adamant opponent was the then British transport minister, Brian Mawhinney. This position reflected the British government's distaste

for granting new competences to the Commission rather than any conviction that the member states could get better deals on their own. "The British would rather have a poor deal than one negotiated by the Commission," an EU official commented.

In any event, no decision was taken. Kinnock was given six months to produce a detailed paper setting out the economic case for Commission jurisdiction, and in the meantime, Kinnock agreed to hold off his challenge in the Court of Justice.

Since then the British government has had a nasty jolt. Its attempt to negotiate a bilateral deal with the US was aborted last October when the American negotiators walked out. Some Commission officials claim to have recently detected a softening in the British attitude, yet this may merely reflect temperamental differences between the abrasive Mawhinney and the more conciliatory Sir George Young, who replaced him as transport secretary when John Major reshuffled his government.

Kinnock duly produced his report in December, but EU ministers failed to reach a decision, and nobody now expects one in the near future.

This may indeed be yet another issue which cannot be resolved until after the next British general election. In the end, some compromise will no doubt be reached. The price for delay will be paid by the passenger—both European and American—in higher fares and inconvenience.

—Dick Leonard

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By Axel Krause

Remembering

French President Chirac (front left) was joined at Mitterrand's funeral by an array of international dignitaries, including Vice President Al Gore, Prince Charles, and Helmut Kohl.

references appeared in later speeches but no details nor an explanation of what he felt at the time.

Perhaps, no one had ever asked him. So I did during an interview for a one-hour documentary for France 2, the national television network, *Demain l'Europe?* (which was first shown July 7, 1993). "Why was the 1948 meeting so important for you?" I asked.

Mitterrand's answer: "It was just three years after the war...the same people there had been adversaries just before, and here they were, all in the same room, discussing Europe and democracy."

His comments were made against a backdrop of newsreel clips showing the delegates and Sir Winston who firmly predicted that the "union of Europe will be achieved." Recalling that at the same time he was but a freshman member of the French National Assembly, the French leader said, "None of us were sure unity would ever be

François Mitterrand possessed an ardent, pragmatic commitment to strengthening European unity and a long memory—including remembering occasional unpleasant encounters.

An example of the latter occurred May 28, 1982, several days prior to the Versailles summit meeting of allied industrialized nations which he was hosting for the first time. A group of journalists had been invited for a background briefing. As we left the Elysée Palace, he said we could quote him directly.

The next morning, my story in the *International Herald Tribune* caused an uproar. "Emphasizing that he had 'no religious attachment' to the EMS (European Monetary System) or other forms of monetary cooperation, Mr. Mitterrand said he was worried by the continuing speculative 'aggression' against the franc in the currency markets," the article stated, and "that he did not rule out the possibilities of a devaluation of the franc, or withdrawing from the European Monetary System if events warrant."

Within hours, the Elysée had issued a long denial, but fortunately for me, the other American reporters present told our French colleagues following up that my story was accurate. Mitterrand was greatly embarrassed, angry at his aides, and he never forgot the incident.

At the end of 1990, while seeking his contribution to my book on Europe, he at first agreed, then remembered the incident and refused. Only a thinly veiled, written apology convinced him to change his mind.

The related episodes reflect not only Mitterrand's early, casual approach to the media—that gradually became far more controlled and professional—but his sincere, deep commitment to Europe that continued until his death January 8, 1996.

When did he first commit to European integration?

A broad hint was contained in a 1987 speech to the Royal Institute of International Affairs. Mitterrand movingly described himself as "one of the survivors" of the first postwar meeting devoted to building European unity held in the Hague in 1948, chaired by Sir Winston Churchill. The same, brief

achieved...in a climate of indifference and even of hostility.”

“We were pioneers,” Mitterrand continued. “We had the faith, but what was needed was the audacity to pursue the follow-up.”

Bringing him back to the present, I asked him why only 51 percent of the French had approved the Maastricht Treaty in the recent referendum. “We forgot to talk to the people...it’s not as easy as that (to convince people that Europe matters), and our little ‘yes’ was better than the big ‘no’ of the Danes,” Mitterrand answered.

But he repeatedly came back to his basic explanation that ratification of the Maastricht Treaty had become too much the pet project of government of-

mented his greatest failure.

Whenever France went through one of its periodic bouts with “the American invasion” of its cultural scene, notably in films. Mitterrand was always ready to respond with balanced, reasonable assessments. At the height of one such bout a decade ago, he remarked during an interview that “there is a formidable cultural American presence, or force, in France today—in television, the movies, the language.” But, he continued, “We should not fear it. I enjoy American films, many of which are good. At the same time, we should also develop what is French. We have enormous potential for developing our culture, including with others” in Europe.

Mitterrand was fond of noting that

global television news. The result was Euronews, which Mitterrand actively supported. “Although he never said much publicly about his visit to Ted Turner and CNN in Atlanta, it made a lasting impression on him,” an aide said, “convincing him of the need to have a European response.” ☹

Mitterrand

“We were pioneers, we had the faith, but what was needed was the audacity to pursue the follow-up.”

officials, certain European intellectuals, businessmen, and industrialists. “The people were not informed,” he said.

And yet, shortly after his death, many French men and women from all walks of life credited him for having achieved what he cherished deeply as his single, most important priority in foreign relations.

During the 14 years spanning his two presidential terms, did France progress or slide back from building Europe? The responses to that question, published January 14 by *Le Journal du Dimanche*, a Sunday newspaper, showed that 84 percent of those interviewed believed France and European unity went forward under Mitterrand, well ahead of France’s role in the world, which drew a score of only 68 percent. Unemployment drew 19 percent, confirming what Mitterrand had always said for years: France’s growing joblessness repre-

Europe consumes about 125,000 hours of television programs annually, while producing only 25,000. And as opposed to other French leaders, including those in the present Gaullist government who favor quotas on all foreign films, Mitterrand always supported more constructive responses.

Thus, during his 1984 state visit to the United States, which included stopovers in Silicon Valley in California, and to CNN headquarters in Atlanta, Mitterrand began nurturing the idea of developing a European project to counter American domination of





By Axel Krause

Chirac's

THE MOMENTOUS DEATH of former president François Mitterrand January 8 plunged the nation into a state of intense, popular mourning for nearly a week. It also provided Mitterrand's allies, fans, and foes alike a solemn occasion to put aside their conflicts and deep differences.

No sooner had the final tributes been paid to Mitterrand, however, than French leaders returned to planning to confront the aftermath of *le mouvement social*—a three-week, nationwide strike, mainly by transportation workers, that had paralyzed the economy until just before Christmas.

The effects lingered on amid growing signs that the strikes would resume early in the new year.

Beyond the sporadic violence and wide support displayed by millions of French men and women, the strike actions raised serious doubts about the

government's capacity to institute reforms, cut heavy budget deficits, and about its willingness to stimulate economic growth and job creation, while remaining, along with Germany, one of the two most important leaders in the European Union.

The government of Gaullist Prime Minister Alain Juppé acknowledged that the nation was fast approaching stagnant growth in the final quarter of 1995, along with growing joblessness amid prospects of more protests and strikes later in 1996. To describe the nation's state of mind, medical terms





In December, France ground to a halt during a three-week nationwide strike, mainly by transportation workers protesting proposed reductions in the costs associated with government pensions.

began surfacing in the media and everyday conversations: malaise, despair, prolonged virus, *ras-le-bol*, meaning permanently disgusted.

A leading French business magazine, *Challenges*, published a survey in its January issue showing that 74 percent of the French people were pessimistic about the economy; some gloomy observers went so far as to claim the country was having a nervous breakdown.

Indeed, with unemployment rising in early January to well exceed a record 3 million people, a growing number of other nationwide opinion polls were showing that the nation's morale was at its lowest point since 1987.

Yet France also displayed positive signs of hope for the country's longer-term recovery, along with moderate chances of reducing deficits to qualify for Economic and Monetary Union (EMU) if not by 1999, then in a few years later. Interviews with top financial analysts in Europe were virtually unanimous on one point: The French economy is relatively sound and that

president during a January television interview criticized the Chirac-Juppé approach for having placed deficit reduction, fiscal reforms, and qualifying for EMU at the center of its political agenda.

However, the vast majority of French men and women, the former president said, were convinced that reducing unemployment, taxes, protecting health and welfare benefits, and spurring growth were the vital priorities—citing pledges made or implied by President Chirac during the presidential election campaign last spring, which swept him and his Gaullist party to power.

Giscard d'Estaing firmly challenged the Chirac government to organize a national debate with a view to adopting a "global strategy" that would combine reforms, growth, and France's still sketchy plans for the EU's intergovernmental conference scheduled to begin in Italy this month. "Otherwise," he warned, "all our rendezvous—social and European—will be difficult to keep." The suggestion was ignored by

Formidable Challenges



much of what is ailing the economy has to do with perceptions and the nation's state of mind.

Indeed, there was little doubting, analysts said, that the Juppé government, with the blessings of President Jacques Chirac, was responsible for creating what former President Valéry Giscard d'Estaing described as a major *malentendu*, or misunderstanding, between the government, on the one hand, and public opinion, on the other.

In unusually blunt terms, the former

the government.

Even blunter was Alain Madelin, Juppé's ultra-conservative finance minister, who was forced to resign last year because he publicly called for drastic reforms in public sector spending and, specifically, cutting generous wage benefits of civil servants. On January 14, Madelin predicated that the government would lose parliamentary elections scheduled in two years and be swept from power, if it did not undertake reforms, and stimulate the economy now.

During a January visit to Washington, French President Jacques Chirac addressed a joint session of Congress.

The original, much-attacked Juppé plan proposes to streamline the nation's deficit-ridden medical and health care programs; to reduce the costs and improve the efficiency of retirement plans for government and private-sector employees; to set a ceiling of 3.4 percent for increases in wages this year while raising taxes on items ranging from tobacco to gasoline and, at the same time, imposing a special levy on income taxes to further help finance the costs of restructuring the budget deficit.

The deficit had swelled from only 1.6 percent of national output in 1990 to approximately 6 percent currently, or nearly \$84 billion. To qualify for EMU under the EU's Maastricht Treaty, France must reduce that deficit to 3 percent by 1997.

Brushing off the critics and doomsayers, Chirac, Juppé, and their allies, including European Commissioner Sir Leon Brittan, predicted France will make it. "I have no doubt about the capacity of the French economy to fulfill the agreed criteria for monetary union," Sir Leon told a recent conference in Paris. "There will be a single European currency in 1999, and France will be a founding member of it."

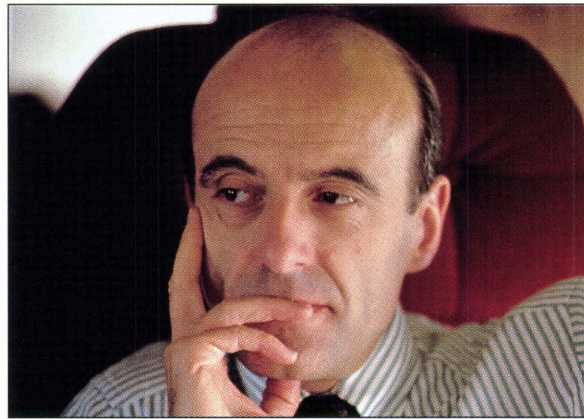
What signs were there indicating such statements represented more than wishful thinking?

- The government emerged from the strike somewhat chastened but confident that it would succeed in streamlining the economy to position France for substantial growth and job creation within a year or so, along with possible tax reductions within two years. The choice, Juppé warned, was "change or decline." In his New Year's message, Chirac added that French society "must adapt...that's the truth." The president, whose popularity jumped by 10 points after January 1, pledged 1996 would be the year of "social dialogue," meaning negotiations mainly with trade unions that had previously accused Chirac and Juppé of ignoring them during the events leading up to the strikes.

Chirac later promised he would soon announce measures to stimulate the economy in coordination with Germany and possibly other EU partners. Germany's unemployment had surprisingly approached the 10 percent mark

at year end, amid what leading German economists described as a mini-recession. Chirac's spokesmen said the French leader was seeking to announce his EU stimulus package to be ready by the end of March.

- Fresh, moderate reform steps quickly followed. For example, France's ailing national railroad, the SNCF, will be brought closer to its customers and business in the future, as part of what Anne-Marie Idrac, state secretary for transport, termed a "new



Prime Minister Alain Juppé bore the brunt of the strikers' criticism for his proposed plan to rein in public sector spending.

departure." Attempting to allay fears of massive layoffs caused by a possible privatization—a major cause of the recent, violent union protests—Idrac promised in an interview that the SNCF would remain "integrated," thus avoiding partial privatization as is the case of the German and British national railways. Future high-speed rail networks, on the other hand, could be financed by private funding without adding to the railroad's deficit, she added.

- Financial markets are giving the Chirac-Juppé approach the benefit of the doubt. The franc is relatively strong, particularly with regard to the D-mark. Prospects of further cuts in interest rates; and a trade surplus expected to reach about 100 billion francs (\$20 billion) in 1996, equal to 1995. Many leading multinational industrial companies were accelerating their own restructuring programs to bolster profits. Some key chief executives were replaced by younger, reform-bent executives, including at the SNCF where Loïk Le Foch-Prigent was brought in, formerly president of France's large, private chemical company Rhône-Poulenc.

What lies ahead? Many leftist and centrist observers agreed with former European Commission President Jacques Delors, who stressed that "profound" reforms in the state social security, medical, and employment programs were indeed necessary. But Delors disagrees profoundly with the Chirac-Juppé approach. "Unfortunately for France, the plan only aggravates the injustices" in French society, between an elite, technocratic leadership and average citizens, Delors said, although he stopped short of predicting a social upheaval.

Juppé, interviewed by several editors of the daily newspaper *Le Figaro*, was asked if he wasn't shut off from the rest of the nation. "I have been occasionally criticized for not having listened enough, for not having a dialogue," which is "not totally without foundation, nor totally justified," the prime minister said in the interview published in January. So isn't the economic slowdown simply a reflection of the morose climate? "Undoubtedly," Juppé responded, adding that "the second half of 1995 has been a period of reorganization; 1996 should be the year of recovery." But, he also conceded, France is experiencing "malaise," reflected by fear of the future and a stubborn resistance to consuming.

Reinforcing the upbeat side of Juppé's message, Chirac recently spent several days on a state visit to the United States urging Americans to take note of France's commitment to playing an active role internationally and to recognize his country's global capacity to deliver on products other than its famed wine, cheese, fashion, and culture.

Addressing a joint session of Congress, February 1, he was conciliatory with regard to France's role within a new European pillar within NATO, carefully avoiding any suggestion that it might be autonomous. And in Chicago, the following day, he argued for the opening and deepening of markets for French technology and industrial exports in the American market. ☺

Axel Krause, based in Paris, is a contributing editor for EUROPE.

Montpellier L.R. Technopole

Found: Europe's Business Hotspot

What makes an area particularly entrepreneurial?

Today, most people agree that it is smaller firms which will create the jobs and managers of the future. But it is important to understand how and why dynamic small and medium firms develop.

The city of Montpellier is an excellent example. Ideally situated in the south of France to serve the French, Italian and Spanish markets,

it is a lovely medieval town with major new developments.

Montpellier boasts an enviable legal, academic and medical history, with the oldest active school of medicine in the western world, a university dating back to the 12th century **and the largest concentration of researchers in the world for**

biotechnology and tropical agriculture.

Given that one fifth of the population of 300,000 are students, perhaps it is not surprising that a strong cosmopolitan accent marks its art festivals, street music and café life. Montpellier also **tops the list of European cities for a highly qualified, diversified workforce.**

Getting Down to Business

Being both dynamic and focused, Montpellier has made a special effort to become **a center of attraction for both life sciences and multimedia**, with a range of services provided by the organizational driving force Montpellier L.R. Technopole.

Five centers of excellence make up the Technopole: *Euromedicine* and *Agropolis* for the life sciences, *Antenna* and *Informatique* for multimedia, and *Heliopolis* for tourism.

Each "Pole" has its own park where specialists in each sector can establish their operations and benefit from the interaction between research institutions and industry. *Euromedicine* Technology Park, for example, being at the core of the region's medical infrastructure, unites 220 companies employing 4,900 people.

Successfully attracting a steady flow of companies, Montpellier's rate of growth in the last ten years has been **four times the French national average** by creating more than 16,000 jobs.

Essential Services for Growing Companies

The English-speaking staff of the Technopole provide small and medium-sized U.S. companies with a wide range of **subsidized services to help them expand in Europe** through the Subsidiary Incubator Program.

They include: free recruitment of European managers; assistance in preparing a business plan; access to public and private capital funds; assistance in preparing filings for EU approval; furnished offices with bilingual shared services; access to contract sales and distribution.

Spotlight on Multimedia

Offering a stimulating mix of business, arts and education, Montpellier L.R. Technopole is now helping companies surf on the European multimedia wave.

One of the first major projects currently being developed with the help of 160 million FRF from the French Ministry of Industry, is **the creation of a multimedia publishing platform.**

Aimed at providing local companies free access to contents, this electronic library is plugged into a European network of resources. Montpellier's universities, museums, dance and music festivals, the entertainment and film industry are well represented, as detailed in **the newly published CD-ROM: "Multimedia: Your Roots In Europe."**

Montpellier will also be one of the few venues of **the 1998 World Soccer Cup**. The Internet will provide a multimedia guide to Montpellier for the thousands of visitors, which they can access even before they arrive.

Interactive TV solutions are also being developed to allow viewers to switch from one camera to another in the course of play, right from their own TV set.

The True European

Thanks to a much lower cost of living than Paris or Provence, but still offering long, sandy beaches and traditional fishing ports, Montpellier is ideally situated for business convenience in Europe. It is only a three hour drive to Spain or Italy, while Paris, London and Africa are all just an hour away by plane.

People enjoy doing business in Montpellier, and the Technopole is dedicated to making it as easy as possible for companies to get established.



Free CD-ROM for U.S. multimedia companies

For further information please call Nicolas Teisseire; Tel: (612) 347 1277; Fax: (612) 347 1278;
Visit our Web site: <http://www-mlrt.lirimm.fr>

ALCATEL

Global Telecom Player

A year ago, France's Alcatel Alsthom, one of the world's largest makers of telecommunications equipment, was embroiled in a controversy that drew worldwide attention. In the end, the chairman, Pierre Suard, fighting corruption investigations that targeted him and the company, was forced by the board to resign.

BY AXEL KRAUSE

Alcatel, which also builds France's high-speed train, the TGV, and has close ties with the ruling Gaullist Party, became the target of very unwelcome attention from not only the judiciary, but the media and the French public, prompting Suard to declare, "We are the victims of a campaign," inspired, he claimed, by a foreign competitor he did not identify.

Yet, what only insiders knew at the time, after having posted respectable profits in 1994 on record sales of \$33 billion, the company was plunging into the red and would soon announce record losses that are still continuing.

Against a backdrop of alleged mismanagement, the red ink reflected fierce price competition and a slowdown in telecommunications, which, along with the energy and transport business, represents the majority of the group's total sales.

Not surprisingly, financial analysts were stunned in

September when Suard's replacement—Serge Tchuruk—announced that 1995 had been particularly "bad," and that the first-half loss stood at \$236 million, on stagnant sales, with no immediate improvement in sight.

But Tchuruk, a tough, pragmatic manager who previously was a top oil executive, also outlined what he termed "a vigorous program of recovery." American analysts conclude that Alcatel is "getting lean and mean—AT&T style."

Among the key measures Tchuruk announced: a \$2-\$2.4 billion restructuring fund that will be used to soften the blow of layoffs coming for an estimated 30,000 to 40,000 employees; a plan to sell some \$2 billion in non core business, including media interests acquired by Suard; and a worldwide corporate streamlining.

"We're mopping up," Tchuruk said. A financial analyst told the *Wall Street Journal* that "it's a tough task, but the

financial markets want quick action.”

“The problems we face are worldwide in scope, similar to those of our main competitors in North America and Europe,” François Petit, executive vice president responsible for international business, said in an interview with *EUROPE*. “And here within the European Union, our key market, we have been caught between the opening of our markets, notably in telecommunications, without being compensated through opening of markets elsewhere, notably in Japan,” added Petit.

“We do have strengths in our core business, however, that we will develop and a strong international presence on which we are also building,” Petit added. France accounts for roughly 27 percent of group sales, Germany more than 11 percent, Italy and the UK a combined 10 percent, and roughly 15 percent scattered in other European countries, compared to 13 percent of sales generated in Asia.

Communications systems, including telecommunications and cables, represent more than 67 percent of total sales, employing roughly 124,000 people, while energy and transport, including trains and power plants, account for nearly 29 percent, employing some 73,000 people.

An immediate, potentially explosive problem is the planned layoff of employees, including white-collar workers, from the company’s worldwide 197,000 work force. The company has carefully avoided citing any figures and any sites that might be affected, amid plans by wary, militant unions to order new strikes against Alcatel affiliates when the firings begin. “We are being very discreet,” a company official said.

Indeed, Tchuruk does not plan to announce the company’s 1995 financial results until the end of March. He has already stated that he does not expect the company to return to profitability until 1998 at the earliest. According to *L’Expansion*, a leading French business magazine, the 1995 net loss he will announce, taking account of restructuring and other, nonrecurring costs, will probably total between \$5–\$5.3 billion francs.

That loss compares to a net profit of \$709 million in 1994 and about \$1.4 billion in the two previous years.

Tchuruk appears well suited for the difficult tasks ahead. Raised in Marseille with the Armenian family name of Tchurukdichian, which he later short-

ened, he graduated from France’s prestigious engineering school, Ecole Polytechnique in 1958, joining Mobil a few years later. He moved on to take top management jobs in France’s large chemical groups, Rhône-Poulenc and CDF Chimie, and six years ago, he became chairman and chief executive officer of France’s privately controlled Total oil group, a post he held until joining Alstom in June 1995.

L’Expansion described him as “a cold and devoted industrialist” whose main passion on the job is *diriger*, managing. Within a few months of taking over, he firmly reorganized the telecommunications division along product lines into eight divisions with worldwide responsibility for financial results as well as strategy; in January he sold off a US subsidiary, Setpoint Inc., a \$45 million software engineering company to Aspen Technology Inc., based in Cambridge, Massachusetts. But by far his most spectacular move was talking the company out of the print media business.

Alcatel CEO Serge Tchuruk announced a massive corporate streamlining, which includes selling some \$2 billion in non core business.



Under Suard, and working through a wholly owned subsidiary, Alcatel gradually accumulated control over some of France’s leading publications—the weekly magazines *L’Express*, *Le Point*, and *Courrier International*, among others. Convinced that print media was not Alcatel’s business, Tchuruk last October announced a wide-ranging agreement with Havas, France’s large advertising-tourism-publishing group, turning over Alcatel’s publishing interests to Havas.

In return, Alcatel obtained a 21.1 percent shareholding in Havas, thus becoming its largest shareholder. Havas, in turn, has become the world’s fifth-largest communications company. However, Alcatel has, for the time being, kept its interests in electronic media, including 70 percent in Rediffusion, a German-Swiss cable television company, and 49 percent in Euronews, the first European television news network.

Alcatel thus remains the largest single and main private shareholder in Euronews, yet it wasn’t clear what, if anything, the large telecommunications company planned to do with its Euronews stake. Some analysts reported that it was for sale. “This is not really our business,” Petit said, “but whatever multimedia strategy emerges in the period ahead, it will be done through Havas.” ☐

Axel Krause is a contributing editor to EUROPE.

HACHETTE

Missiles to Magazines

BY ROBERT LEVER

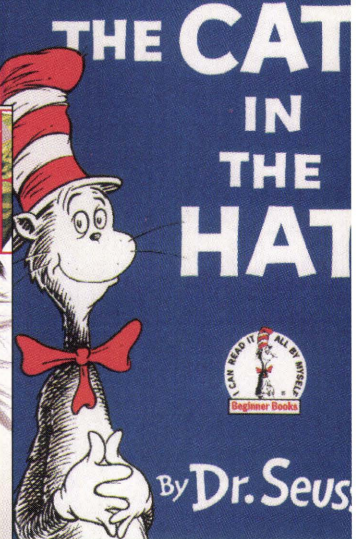
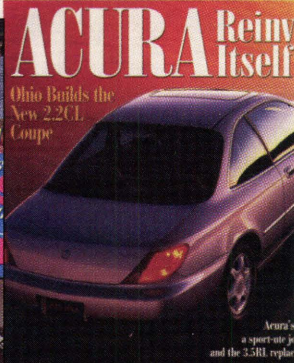
If diversity is the key to success, the Matra-Hachette group is poised for great things. Its product line includes Dr. Seuss children's books, Mistral air-to-ground missiles, space modules, cellular telephones, CD-ROM encyclopedias, automatic subway systems, and a host of consumer magazines published around the globe, including *Elle* and *Car and Driver* in the United States.

The company headed by Jean-Luc Lagardère, who refers to himself as a "Gascon peasant," had 1994 revenues of 53 billion French francs (about \$10 billion) and profits of some 1.8 billion francs (\$3.6 billion).

The group formed in 1992 by the merger of the Hachette publishing empire with the Matra technology firm—both of which were headed independently by Lagardère—created a conglomerate that is one of France's most formidable diversified groups with global reach. The only thread linking these

seemingly unrelated activities is a broad interpretation of technology.

"I have long spoken about the bridges that exist between our different business sectors," Lagardère says.



SCRUTINIZED: Scoring convertible, wild Mercedes AM COMPARED: Benz, Audi, and Volvo apres-ski wagons. MORE: Is Dale Earnhardt the best NASCAR driver ever



"Our group is uniquely placed in this respect, in that we are able to profit from the synergy between hardware and software, container and content."

While many big companies are spinning off units to become more focused on a single activity, Matra-Hachette has been moving in the other direction.

Lagardère told the *New York Times* recently, "People say you have to have a single business—tires or cars or food. But I believe today an industrial group has to be widely diversified. That is the best way to guard against the impact of

separately for several years.

Matra's transit division has made automatic subway systems for Chicago's O'Hare Airport as well as Paris' Orly Airport. The automobile division designed the best-selling Renault minivan. The company's space unit, the biggest in Europe and fifth worldwide, has built modules for Ariane rockets and telecommunications satellites.

In the United States, Matra's defense unit bought Fairchild Space and Defense Corp., most of which was ultimately sold in 1994, retaining a part of

put Matra and Hachette into a single firm with the backing of the banks Credit Lyonnais and Banque Nationale de Paris.

In the United States, Hachette is becoming more of a household name as a result of the 1988 purchase of Grolier for \$670 million, giving the group the well-known *Grolier* encyclopedia, children's books, and magazines, including *Woman's Day*, *Car and Driver*, *Metropolitan Home*, and *Popular Photography*.

The Danbury, Connecticut-based Grolier is a 100 year old firm that, interestingly, was named for Jean Grolier de Servieres, a 16th century French scholar. The unit has some \$44 million sales in children's books and educational materials and is now widely known for its best-selling CD-ROM encyclopedia that is also available through services like CompuServe and America Online.

Grolier, headed by Arnaud Lagardère, the 34 year old son of the chairman, is moving toward expanding its role in multimedia and electronic publishing. It employs some 2,000 people.

The US magazines acquired were merged into a separate New York-based unit, Hachette-Filipacchi, which also launched the US edition of *Elle* (which has 25 editions around the world, including those in Latin America, Poland, and Thailand).

The publishing activities have been helped by a rebound in the magazine advertising market and by being the leader in the upmarket women's magazine market, with *Woman's Day* and *Elle* first and second, respectively.

Hachette, now the fourth-largest US publishing group, also made a splash last year with the launching of *George*, the new political magazine headed by John F. Kennedy Jr. Other groups saw such a magazine as too risky, but for Lagardère, the \$20 million in backing for the project is another example that he is not content to sit on his hands.

The group is also betting on the spread of technology and the Internet. Its magazines are available on the World Wide Web and America Online. Hachette-Filipacchi's partners in the venture include General Motors, which signed a major on-line advertising deal with the group in November. ☐

Robert Lever is an editor for Agence France Presse.



The newest title in the Hachette stable is *George*, John Kennedy Jr.'s hip politics magazine.

business cycles."

An engineer by training, Lagardère built Matra into a major military contractor through missile systems, radar, satellite, and battlefield intelligence. In 1980 he acquired Hachette, the big French publishing house, and ran both

the firm that was renamed Fairchild Controls.

A setback for Lagardère was his attempt in 1990 to make a major entry into television with the purchase of the French network Le Cinq, which ended in bankruptcy two years later. But after some \$600 million in losses, he reorganized his empire in 1992 through the creation of the Lagardère Group, which

Bordeaux Region Agency

Bordeaux, where the past is happily married to the future, where a long tradition of excellence is coupled with the latest technology.

Food Products: With a workforce of 25,000, the Bordeaux region is the European leader in corn production and also notable for edible oil refining and the dairy industry.

Chemicals: A workforce of 17,000 employed in primary chemistry, pharmacy and fertilizers.

Biomedical Engineering: Specializing in medical surgery, imaging equipment and electronic instrumentation, bioreagents and non-destructive testing.

Universities and Research: 60,000 students and 6,000 researchers in 4 international universities.

World Wine Capital: 20,000 wine growers, 400 wine merchants, and VINEXPO — the world's leading wine and spirits show.

International Companies Who Have Chosen

Bordeaux: Ford Motor Company, Solectron, Smurfit Group, Nestlé, P.N.Y, Williams Pitters, Norsk Hydro, Smith Kline & Beecham, Akzo Nobel, Ares Sereno, Siemens-Matsushita, Degussa, Valmet Automation, Grand Metropolitan, Ferruzzi, Black Clawson, Bristol Myers Squibb, Seagram, Pillsbury, Sony, Pioneer, Shadepapir, Suntory...

Bordeaux is preparing to play a prominent role amongst the most dynamic European cities of the 21st century.

As both the leading city in the southwest of France and an important ocean and river port, Bordeaux occupies a key position on the Atlantic coast. Also situated at the crossroads of an extensive land and air transportation system, it offers complete access to the European market.

VITAL STATISTICS

Population: Greater Bordeaux — 700,000

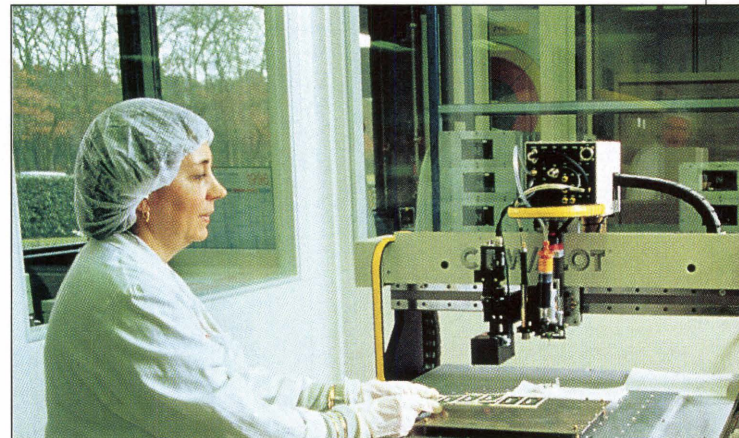
Principal Activity Sectors:
Aeronautics, Space and Defense: A workforce of 22,000 employed in the design of Falcon business jets, Ariane

rocket boosters, Mirage F1 and Rafale fighter planes and in the production of high performance composite materials.

Automotive and Mechanics: A workforce of 25,000, mainly employed by FORD FRANCE, plus a network of 300 sub-contractors serving the aeronautics industry.

Electronics: A highly trained workforce of 10,000, employed in microcomputing, avionics, the manufacture and integration of electronic components and miniaturized modems.

Forestry and Timber: 4.2 million acres, with a workforce of 29,000 employed in every phase of the wood industry.



Background: Born of a common desire to unite the economic forces of the Bordeaux-Aquitaine region, the Bordeaux Region Agency was created by the Regional Council, the Gironde General Council, the Bordeaux Urban Community, the City of Bordeaux and the Bordeaux Chamber of Commerce and Industry. Its mission is to inform and assist foreign investors coming to the Bordeaux-Aquitaine region.

For any help or information you require, contact: Robert GHILARDI de BENEDETTI, Bordeaux Region Agency, Tel: (33) 56 79 50 56, Fax: (33) 56 79 52 67

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In the early 70's, the board of directors of FORD MOTOR COMPANY decided to go South and turn a French greenfield investment into a worldwide source of best-in-class automotive components.

Bordeaux's strategic position in the European market, with easy access to Spain and Portugal, was a major factor in the decision.

Today, all over the world, close to 20 million cars and trucks are relying on a Bordeaux transmission to smoothly shift gears.

This impressive achievement owes a great deal to the 3900 employees whose dedication, efficiency and global performance have won great respect from the automotive community, customers... and benchmarking experts.

And recently in October 18th, Alex TROTMAN, C.E.O. of the FORD MOTOR COMPANY, announced a

new investment in Bordeaux (300 million US dollars) to build the third plant dedicated to a new generation of gearboxes.

Bordeaux does mean business and, like FORD, you will be free to chose the best environment and capable suppliers to support your project. Needless to say that you will be very welcome to talk business with local government authorities.

Many other American, Japanese and European firms have followed Ford's example and developed successfully in the Bordeaux area.

Bordeaux, right across the ocean from the East Coast is certainly the best base for international companies to benefit from the European economic recovery.

The Bordeaux New Investor's Office is ready to contribute and help american firms in this process.

For further information, please contact :

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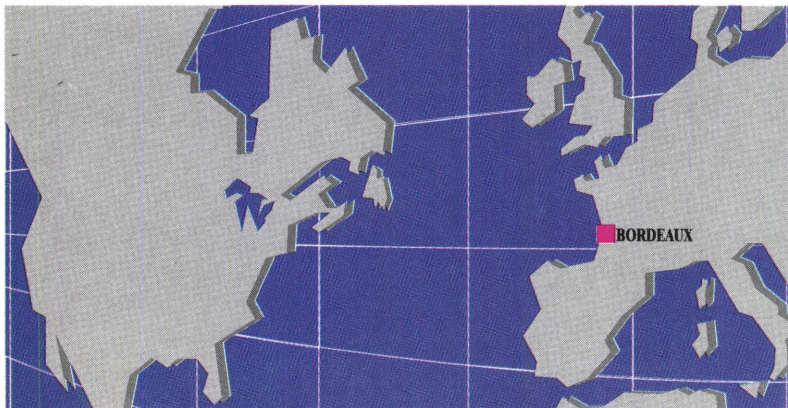
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New Investors Office

Invest in France  **Network**



B O R D E A U X
G I R O N D E



The earth itself has got skill.



Last year Ford France expanded its Bordeaux transmission facilities with a \$300 million unit that will employ an additional 300 people.

There was a time when the only business France was interested in minding was its own. Within the last 10 years that attitude has changed dramatically, and foreign investors are now being welcomed with open arms to a country that has always been able to seduce when it decides to make the effort.

As the fourth largest industrial power in the world and situated in the center of Europe, which is the world's number one market, its location is its greatest attraction. Besides just sitting pretty, it has also developed highly efficient transportation and telecommunications networks that link it directly to seven other European markets—Germany, the United Kingdom, Belgium, Luxembourg, Switzerland, Spain, and Italy.

Other strong drawing cards for France include its resources—human,

natural, and technical. It can offer a skilled and productive work force, competitively priced energy resources, and a strong commitment to science and research. Add to those a government that is actively wooing foreign investors by various means—grants, low-interest loans, tax credits—and an overall stable financial situation, with the lowest inflation rate in the EU, and you have the main reasons why France is now ranked as the world's third most attractive host country for international direct investment (after the US and the

UK).

Foreign investment in France has climbed from a total of \$22 billion in 1980 to a present total of \$140 billion and has generated some 2 million jobs. The country most responsible for creating these statistics is the United States, which leads all foreign investors, both in the number of projects and the number of jobs created. In 1995 alone, more than 120 American projects were announced in France, of which 70 were either completely new operations, expansions, or purchases of ailing companies, which created or saved a total of more than 4,500 jobs. The remaining projects were mergers or acquisitions.

American companies are present in every area of the French economy, from food products and farm machinery to perfume and panty hose. But the sectors that draw the biggest investments are the high-technology industries (electronics, computers, telecommunications), the automotive industry,



FRANCE SEDUCES FOREIGN INVESTORS

By Ester Laushway

pharmaceuticals, and biotechnology. Research and development centers are gaining ground, as are logistics centers, an area that France rather neglected in the past.

Traditionally, the Ile de France—the Paris region and home to more than 8,000 companies—has been the obvious focal point for business, both French and foreign. But within the last few years other French regions and cities are starting to give the capital some serious competition. Those that tend to attract the most foreign investment are the regions located near France's borders, particularly in the northeastern part of the country, which is closest to other important European markets.

Taking it from the top, leading regions for foreign investment in the north of France are the Nord Pas-de-Calais, Lorraine, and Alsace.

The Nord Pas-de-Calais, now galvanized by its dynamic capital of Lille, France's candidate for the 2004 Sum-

mer Olympics, was once known for its shipbuilding, coal mining, and steel industries. In the 1970s and 1980s it became more noted for its high level of unemployment. Salvation came in the shape of the Channel Tunnel, with the high-speed TGV trains that travel through it transforming the region from a remote outpost to an easily accessible area with plenty of open space for development. The French government added a financial incentive by creating a "priority investment zone" in the region.

The region of Lorraine, whose major cities are Metz and Nancy, has accomplished the nearly miraculous feat of convincing Mercedes Benz and Swatch to build the micro-compact Swatchmobile there, instead of in Germany. It was the plum investment project of 1994 and will create 2,000 new jobs. But even without that one mega-deal, Lorraine managed to lure more foreign investors than any other area in France, including the Paris region. Its secrets are a

qualified and responsible work force that costs less than its German neighbor, and once again, location, location, location. It is the only French region with three foreign borders (Belgium, Luxembourg, and Germany) and sits at the hub of a highway system linking Scandinavia to the Mediterranean and Eastern Europe to the Atlantic coast.

East of Lorraine, the region of Alsace, dominated by the city of Strasbourg, regularly pulls in foreign companies with its unique combination of French and German assets—flair and creativity coupled with its reliability and efficiency. Its situation at the geographic center of Europe is, of course, vital, making it a prime gateway to both established European markets and those just emerging in the East. Within the past 25 years more than 600 international companies have established themselves in the region, many of them, like the US pharmaceuticals giant Eli Lilly, impressed by the region's top-notch scientific resources.

Last year in Alsace 27 foreign firms, primarily German or American, either set up or expanded operations, which represented a total of \$54 million and 800 jobs.

In eastern France, the region of Rhône-Alpes and particularly the city of Lyon dominate the economic landscape. Lyon is one of Europe's busiest

Foreign investment in the sunny south of France is clustered around its ports, and in several science parks, which combine relatively low costs, because they are not urban areas, with an enticingly high quality of life.

A-Z Sampler of 1995 US Investments in France

Company	Type of investment	Sector
AGCO	Construction of an \$18 million distribution platform in Lorraine for its Massey Ferguson agricultural equipment subsidy	Machinery
Biogen	Establishment of its European headquarters, medical research, and distribution operations in Nanterre, near Paris	Pharmaceuticals
Cargill	Acquisition of Perdrai SA , an animal feed company located in western France	Agribusiness
Deere	Expansion of its John Deere plant near Orléans with a \$20 million investment to produce a new line of diesel engines	Automotive
EDS	Establishment of a Centre REM France in Strasbourg, a 40-employee unit that will offer IT solutions to the French distribution industry	Business Services
Ford	Expansion of its Bordeaux transmission facilities with a \$300 million unit that will employ an additional 300 people.	Automotive Components
General	Establishment of a sales office in Paris to market and distribute the company's Telescript and Magic Cap products	Software
Hines Interests Ltd. Partnerships	Establishment of Hines Holdings France in Paris to provide real estate development management services	Real Estate
International Paper	Acquisition of Papeteries de Lana , a producer of stationary products based in Lorraine	Paper
Johnson Controls	Acquisition of a 75 percent stake in Alsace-based Roth Frères SA , a car interior components firm	Automotive Components
Keystone Intern.	Acquisition of an 80 percent interest in Gachot SA , a manufacturer of a wide range of ball valves for the European market	Machinery
Live Picture	Establishment of Live Picture SARL in the Sofia Antipolis Park near Nice, to provide multimedia software services	Software
MINC	Acquisition of Innovative Synthesis Technologies in Grenoble, a provider of design software for programmable logic spectrum	Software
Nellcor	Acquisition of Pierre Médial , a producer of respiratory products in the Paris area	Health Care
Owens	Expansion of its fiberglass plant near Nimes that will increase capacity by 40 percent	Chemicals
Packard Bell	Transfer of a manufacturing unit from the Netherlands to Angers in the Loire valley, which is now the company's sole European plant	Electronics
Rubbermaid	Acquisition of Injectaplastic SA , a producer and marketer of plastic housewares based in Oyonnax, near the Swiss border	Chemicals
Sara Lee	Construction by its DIM women's hosiery and intimate apparel subsidiary of a \$20 million distribution center in Burgundy	Consumer
Tropicana Dole Beverages	Expansion of its juice facility in Picardy, with the addition of 50 more employees	Agribusiness
Universal Foods	Acquisition of Silva-Leon , a \$15 million dehydrated vegetable products company in Picardy	Agribusiness
VLSI	Formation of Comatlas SA in Brittany , a 50/50 joint venture with Sorep SA , to focus on digital data transmission technology	Telecommunication
Whirlpool	Extension of its white goods plant in Picardy, with a logistics unit to serve northern France and the UK	Machinery

For more information, contact: Invest in France Agency, New York, Tel: (212) 757-9340

junctions, offering high-speed air, rail, road, and telecommunications links to foreign investors. Important industries are medical research, chemicals, textiles, electronics, and logistics. Some 50 logistics companies have located in the region, handling global or European distribution for such US companies as Whirlpool and Hewlett-Packard. The region also excels in food and wine production—this is, after all, the land of such legendary chefs as Paul Bocuse and Frères Troisgros.

Foreign investment in the sunny south of France is clustered around its ports and in several science parks, which combine relatively low costs, because they are not urban areas, with an enticingly high quality of life.

The biggest of them, Sophia Antipolis, which sprawls over 5,750 acres just west of Nice on the Côte d'Azur, is home to about 1,000 companies—a tenth of them foreign-owned—mainly working in computers and electronics, healthcare, new energy sources, and telecommunications. Telecommunications has become so much of a specialty in the park that several companies, among them AT&T, Digital Equipment, IBM, and Texas Instruments from the United States, have formed the "Telecom Valley" association of Sophia Antipolis, itself often described as the Silicon Valley of mainland Europe.

Another center of high technology is the metropolitan Toulouse *Technopole* in the Midi-Pyrenees region. As the headquarters of the Airbus consortium, it ranks first in Europe in the aeronautics industry and is the most important center in France for robotics production. The electronics giant Motorola arrived in 1967 and was one of the first American companies in the region; since then other US companies like Kodak and Honeywell count among the 224 international firms established in the area.

In the region of Provence, the city of

ATMEL CORPORATION

Marseille, which has the largest port in France and on the Mediterranean, is becoming a pole of attraction for foreign investors who want to establish a southern European distribution center. The whole area, with its stunning scenery and abundant sunshine, is so conducive to pleasure that it has sometimes been hard to sell it as also being suitable for business. But it is now becoming known in specific sectors, such as aeronautics, microelectronics, medical technology, and robotics, and has drawn a total of 30 US companies, which include pharmaceuticals manufacturer Genta, International Paper, Dole Foods, and Air Products. Last year it pulled off the biggest American investment deal for the whole of France: Atmel Corporation, a California manufacturer of complex integrated circuits, decided to set up its first overseas wafer fabrication plant in Provence.

These regions are some of the prominent players in the field of foreign investment in France, but they are not the whole team. In the southwest, Bordeaux, strategically placed between the north and south of Europe, with easy access to Spain and Portugal, has become a base for such US companies as Ford. In the northwest, Normandy has become a beachhead for a friendly American invasion of 100 companies, among them Exxon, Johnson & Johnson, and Goodyear.

For all of these regions, and the other areas of France that now beckon to foreign investors, a network of public and private organizations has been put in place to help international companies decide if and when and where and how they would like to establish a French base. Created by DATAR, the economic development and regional planning agency of the French government, the Invest in France Network includes 17 agencies around the world (the Invest in France Agencies), which assist investors in everything from site location to regulatory procedures and financial incentives. In the US, seven Invest in France offices work to make sure that American companies continue to head the list of foreigners who find France's attractions irresistible. ☉

Ester Laushway is EUROPE's Paris correspondent.

The biggest American fish netted in all of France last year was Atmel Corporation, a semiconductor manufacturer founded in 1984 and based in San José, California. Atmel was looking for a European site for its first overseas wafer fabrication plant, but the company did not want to invest in a completely new location, which would have meant not just building a factory but also finding or transferring qualified personnel to work in it.

Last April, in the industrial zone of Rousset, near Aix-en-Provence, it found what it was looking for—European Silicon Structures (ES2), a Luxembourg-based producer of application-specific integrated circuits (ASIC), which needed outside investment to strengthen its capital base and product development.

Atmel decided to take the plunge. ES2's trained work force of 225, its existing facilities, which included some technology that Atmel did not yet have, plus some enticing financial incentives from French government agencies were just too good to pass up. It announced that it was buying a majority interest in ES2 and that it would expand the existing operations as well as build a new wafer fabrication plant—a project which represents a half billion dollar investment and will create 500 new jobs over the next three years.

FAB6, the catchy new name for the converted ES2 plant, is now practically complete. The clean rooms, sterile chambers in which the silicon wafers are produced, have been enlarged, and a new assembly and test hall built. Production is shifting into higher gear; from 350 wafers per week last October, the expanded factory is gradually climbing toward a weekly capacity of 2,000 wafers.

Construction for the new 150,000 square-foot plant FAB7 is well underway, and it should be up and running by the end of this year. When fully operational, it will manufacture 5,000 8-inch wafers per week.

The arrival of Atmel in Rousset has increased the attractiveness of this industrial zone for other companies in the microelectronics sector. Just five months after the American project was announced, the French-Italian electronics giant SGS Thomson, already firmly established at Rousset, decided to build a second wafer plant costing \$800 million and creating 800 new jobs. Rousset now represents nearly 25 percent of wafer production in France and is starting to merit the label under which it would like to be known—as the Silicon Valley of Provence.

To show just how committed it feels to its new location, Atmel has planted a Californian sequoia at the entrance to its Rousset site. The tree symbolizes the deep roots that the American company is sinking into French soil and the long-term growth it is expecting under the sunny skies of Provence.

For more information on the Marseille-Provence region contact the US office of Promotion 13, the regional economic development agency, tel. (215) 851-1472, fax (215) 851-1420.

—Ester Laushway



What It Means

I n t e r g o v e r n m e n t a l C o n f e r e n c e S h a p e s N e w E u r o p e **BY LIONEL BARBER**

WITH SOME TREPIDATION, Europe is about to launch fresh negotiations on its constitutional future.

These negotiations—known as an intergovernmental conference (IGC)—will open on March 29 in the northern Italian city of Turin, home of Fiat, the giant auto maker. They are likely to last at least a year. And while the IGC will not be as momentous as the Philadelphia convention in 1787 that created the United States of America, it will be big enough.

The task is comparable to the one that the six founding members addressed when they laid the groundwork for the 1957 Treaty of Rome. The 15-member Union must reform its institutional machinery to cope with enlargement to the former communist countries of Central and Eastern Europe, without damaging the interests and rights of the organization.

The EU must also strengthen support for cooperation and integration among its 370 million inhabitants. At all costs, European governments need to avoid the mistakes of the 1991 Maastricht Treaty when the political classes found themselves out of step with public opinion and Danish voters almost wrecked the project with a “no” vote in the June 1992 referendum.

At issue in the 1996 IGC are two competing visions of Europe. One is German and is embodied by Chancellor Kohl, Europe's senior statesman. The other is British and is most readily identified with the ruling UK Conservative party led by John Major.

Chancellor Kohl's campaign for greater integration is driven by fears of an unfettered Germany drifting dangerously at the center of the continent. The Bonn government is also pressing its EU partners to make a further down payment in sovereignty to compensate for the planned surrender of the D-mark for a future single currency in 1999, though the terms of this German-backed political union remain vague.

Mr. Major's vision of Europe rests on more flexible forms of integration in which nation states select areas of cooperation while resisting further transfers of sovereignty to Brussels. The British are not alone in voicing skepticism and can count on support from independent-minded Scandinavians, as well as tactical alliances with the Greeks, the Spanish, and other Mediterranean countries.

The key question is whether France will tilt toward the more coercive German approach, recognizing that it must pay a political price for monetary union, or whether it will repeat the experience of Maastricht and side with the sovereignty-conscious British. So far President Chirac has sent mixed signals, insisting on the primacy of the Franco-German alliance while moving toward a more triangular diplomacy between Bonn, London, and Paris.

The following is a working guide on the IGC, the issues likely to dominate, and possible compromises.

Majority Voting and the National Veto.

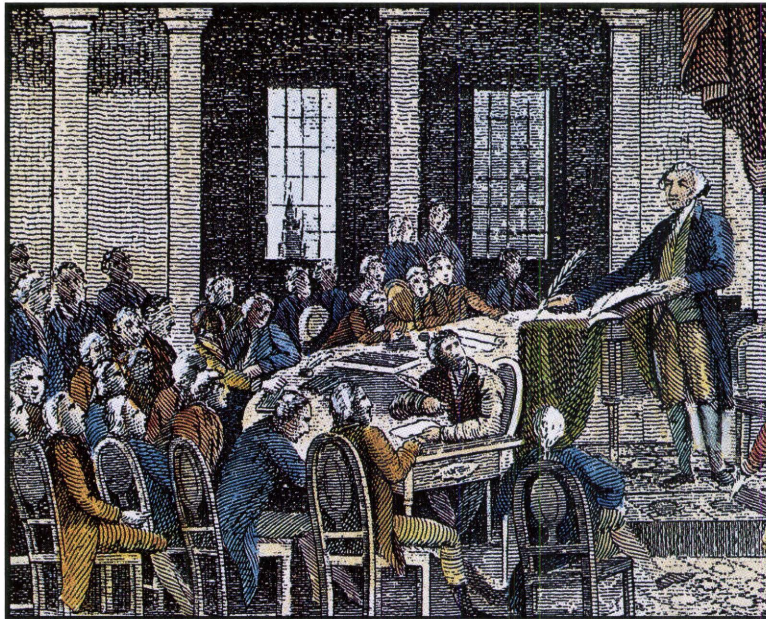
The national veto may be exercised as a solo effort or through a so-called blocking minority of countries. The UK government has served notice that it will oppose all extensions of majority voting and will resist efforts to dilute veto pow-

ers. British intransigence on this point could paralyze the IGC, forcing a delay until after the next UK general election, which must take place in May 1997. The unknown question is whether Tony Blair, the present Labor opposition leader, would be more flexible.

A linked question is how to redistribute voting weights in favor of countries with large populations, such as the UK, France, Germany, Italy, and Spain. This would strengthen the bigger countries' ability to block decisions; but smaller countries such as Belgium, Luxembourg, and the Netherlands are

some countries are wary of creating a rival power-center to national capitals or backing a measure that would undercut the authority of the Commission.

Another idea is to form "team presidencies" to run longer than the present six monthly presidencies between member states. The idea is to offer more continuity to EU external relations. The European Commission, the leading agency on trade, is trying to build a profile in external political relations and is fighting hard to protect its institutional authority.



George Washington presiding over the 1787 Constitutional Convention held in Philadelphia.

insisting that a shift in voting weights must be accompanied by more majority voting. They are also pressing their right to retain an EU commissioner in Brussels even though the present team of 20 is large by historical standards.

The Common Security and Foreign Policy.

The Maastricht Treaty laid the groundwork for tighter cooperation on foreign policy known as CSFP. Member states and the European Commission agree that more needs to be done to make the CSFP more effective, credible, and visible. But they are divided on how best to advance, other than agreeing that more majority voting is not the answer.

France is pushing the idea of creating a new foreign policy post to give the EU a public face on the lines of the president of the European Commission, but

Justice and Home Affairs. The consensus is that the EU needs to overhaul its decision-making in internal security matters. Maastricht produced an agreement for loose intergovernmental cooperation and a reliance on treaty-based conventions. But countries such as Germany, which is in the front-line of efforts to tackle organized crime from Eastern Europe, argue that the system is cumbersome, slow-moving, and should adopt more majority voting with an oversight role for the European Court of Justice and European Parliament.

The UK is dragging its feet. One likely compromise is that specific subjects such as visa policy might be shifted to the EU, while sensitive matters such as police cooperation should remain under tight control of national governments.

The Democratic Deficit. If there is more majority voting in the decision-taking Council of Ministers, some national governments argue that there needs to be a democratic counterweight in Brussels. The European Parliament is the natural choice, despite some dissatisfaction with its performance. The broader point is that decision-making in the EU is mind-numbingly complex; more than 20 procedures exist, leaving ample scope for streamlining.

The Parliament, with some support in the member states, argues that these could be rationalized to three categories in EU legislation—extending the “co-decision” procedure with the Council for all normal legislation where the Council decides by majority; giving the Parliament the power of assent, where the Council decides by unanimity; and reserving consultation mainly to areas of foreign affairs and intergovernmental cooperation.

None of these questions is likely to be resolved easily. But without an agreement, there is no prospect of the EU moving forward to the historic task of enlargement to the former communist countries of Central and Eastern Europe. At the same time, the IGC’s results will face a further obstacle in the member states since they will require ratification in national parliaments or in referendums.

Up to one-half of EU countries are

likely to hold referenda, including Denmark, Finland, and Sweden, the independent-minded Scandinavian countries. These referenda introduce an element of unpredictability EU leaders would be well-advised to consider as they embark on the constitutional discussions of the next 12 months. **E**

Lionel Barber is a contributing editor for EUROPE and the Brussels bureau chief for the Financial Times.

SIX PLAYERS TO WATCH IN THE IGC

GERMAN CHANCELLOR HELMUT KOHL

Kohl united West and East Germany in 1990; now he wants to unite Europe in 1996. He believes that the IGC offers an historic opportunity to anchor Germany in a democratic Europe, assuring stability and prosperity for the next generation. But however much he may yearn for another “Great Leap Forward,” Kohl knows he faces a more skeptical mood among the European public. He may therefore have to content himself with visible though limited institutional reform that will be enough to allow Eastern enlargement to go ahead on schedule around the turn of the century. Kohl’s watchword for the IGC is “movement”—enough progress to keep integration going rather than a step backward which could endanger the whole project.

FRENCH PRESIDENT JACQUES CHIRAC

The French leader has kept everyone guessing about his government’s intentions in the IGC, partly because the ruling Gaullist coalition in France is divided on the issue. Mr. Chirac must balance the pro-European beliefs of his prime minister, Alain Juppé, with the euroskeptical instincts of Phillipe Seguin, the president of the National Assembly. France’s priority is to maintain its political standing in the Union, particularly in the area of foreign affairs. Watch out for French initiatives on defense. The experience of cooperation with the UK in Bosnia, the primacy of the NATO alliance, and the aggressive neutrality of EU newcomers such as Sweden have forced Mr. Chirac to be more realistic about the prospects of a common European defense even if the goal remains.

EUROPEAN COMMISSION PRESIDENT

JACQUES SANTER

The Commission president is biding his time on the IGC. He is wary of asking for too much, too soon. Jacques Delors, his Brussels predecessor, lost out in the Maastricht Treaty negotiations by peaking too soon. Santer wants to strengthen the legitimacy of decision-making in the EU, most likely via limited new powers for the European Parliament. His greatest concern is to defend the authority of the Commission against marauding powers, such as the UK, which are determined to cut the Brussels-based executive down to size. Santer also shares German demands for more effective decision-making in justice and home affairs.

UK PRIME MINISTER JOHN MAJOR

The British leader is boxed in by his euroskeptical minority and has little negotiating room in the IGC. His priority is survival at home rather than victory abroad—a far cry from Maastricht when he declared “Game, Set, and Match” to the UK. Major’s game plan will be to construct tactical alliances with individual countries to buy time and block faster integration. Watch out for heavy courting of the Dutch on budget reform, the Spanish and Scandinavians on opposition to more majority voting, and the French on common foreign and security policy initiatives. If Major’s domestic difficulties paralyze the IGC, much will depend on the outcome of the UK general election likely to be held next year. All eyes are on a future prime minister Tony Blair and the self-styled new Labor Party. Insiders say that Labor is not nearly as immune to euroskepticism as is popularly thought.

BELGIAN PRIME MINISTER

JEAN-LUC DEHAENE

Do not underestimate Dehaene. The Belgian prime minister has grown in stature ever since he came within a whisker of succeeding Jacques Delors as president of the European Commission in 1994. Known as the “Carthorse” or the “Bulldozer” at home, he is moving mountains to get his country in shape for the monetary union in 1999. In Europe, he has rapidly assumed leadership of the Benelux countries and is working hard to produce a common, pro-integrationist approach at the IGC. The Santer Commission plans to use Dehaene as a surrogate for its own ideas on political integration, calculating that there is strength in numbers when dealing with the bigger powers. Dehaene, who is close to Chancellor Kohl, is determined to secure maximum progress at the IGC. The implicit threat is that failure to streamline decision making could hold up enlargement to the East.

FINNISH PRIME MINISTER PAAVO LIPPONEN

A bright young(ish) newcomer on the European stage, Lipponen has already impressed his colleagues with his grasp of foreign policy issues. A Social Democrat, Lipponen has maintained Finland’s drive for budgetary discipline in order to stay in line for monetary union and is determined to make sure his country’s voice is heard in the IGC. With one eye on political instability in neighboring Russia, his interest is to bind Finland more securely into Western Europe without, however, compromising the country’s non-aligned stance. Finland is ready to offer peace-keeping troops as part of its contribution to a beefed up common and security policy but is not prepared to join combat missions or seek security guarantees—yet.

—Lionel Barber

Inside

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EU NEWS

LAUNCHING THE EURO

The European Union has begun the three year countdown to the launch of a currency that will challenge the global supremacy of the dollar in the 21st century.

The leaders of the 15-nation bloc set the process in motion at their summit in Madrid last December when they christened the new currency—the euro—and reaffirmed January 1, 1999, as the launch date.

The EU leaders resolved all outstanding issues involved in the transition to a single currency, paving the way for the European Commission, the EU's executive wing, and EU member governments to "sell" the euro to the man in the street who, if all goes to plan, will be spending the coins and notes of the new currency starting in July 2002.

The Madrid summit set out a precise calendar for the phased introduction of the euro. Now the only question is which of the EU's member countries will meet the tough economic criteria to participate in the final phase of Economic and Monetary Union (EMU).

That question will be answered "as soon as possible in 1998," most probably March, when EU leaders will meet to decide on the basis of the economic performance in 1997—not on forecasts—which countries are eligible to participate in EMU.

The stakes are so high that even the choice of a date provoked controversy. France had fought for economic data to be evaluated in late 1997, mainly to avoid the EMU selection process clashing with its parliamentary elections in the spring of 1998. But Germany successfully argued that such a momentous decision requires the most reliable figures, which will only be available in early 1998.

The four qualifying criteria set out in the Maastricht Treaty are: total government debt less than 60 percent of Gross Domestic Product; budget deficit less than 3 percent of GDP; long-term interest rates not to exceed the average rate of the three lowest rates in the EU by more than 2 percent; and inflation not to exceed the three best performing countries by more than 1.5 percent.

The technical preparations will continue throughout 1998 leading to the creation of the European Central Bank (ECB), which will police the single currency and take over the monetary policy of the nations participating in the EMU.

Much of the ground work has already been done: an embryonic central bank, the European Monetary Institute, is up and running in Frankfurt, preparing the way for a painless handover to its successor in 1999. People already are speculating on who will be chosen to run the ECB.

Before the euro is introduced, the exchange rates of the participating currencies will be irrevocably fixed against each other and also against the new money.

Then on January 1, 1999, the new single currency will be expressed in different units: the euro on one hand and the national denominations (the former national currencies) on the other. The euro will progressively replace national currencies in a transition period lasting until the year 2002.

In the initial stage no paper currency or coins will be issued in euros: the only legal tender will continue to be the national currencies (of the countries in EMU).

The euro will exist, however, as a banking currency. The European Central Bank will carry out its monetary operations with commercial banks in euros. The monetary and inter-banking market will also switch to the euro. Europe's new currency will also be traded on the foreign exchange markets along with the dollar and the yen.

Governments participating in EMU will issue tradable debt in euros once exchange rates are fixed. But, bowing to pressure from Germany, EU leaders agreed that non-tradable debts can be issued during the 1999-2002 transition. But no decision has been reached yet on when stocks of existing debt must be converted into euros.

From 1999, commercial banks will have the option of taking deposits and opening checking accounts in euros before the switch over from national currencies becomes mandatory in 2002.

The Commission says the speed of the conversion from national currencies into the euro depends on how rapidly banks can carry out the necessary technical changes and adapt their computer systems. Large corporations are expected to quickly change their bank accounts to euros while individual bank customers will change over much more slowly.

D-Day for the ordinary person is January 1, 2002, when paper currency and coins are issued in euros. Notes and coins of the national currencies will be progressively withdrawn from circulation and will no longer be legal tender after midnight on June 30, 2002.

From July 1, all banking and cash transactions must be carried out in euros.

The European Commission staged a three-day conference and exhibition in late January, attended by politicians, businessmen, and media personalities, to launch an EU-wide campaign to sell the euro to the 371 million EU citizens that will be affected, one way or the other, by the new currency less than three years from now.

The Commission doesn't play down the size of task it faces. "The single currency cannot be imposed," said Yves Thibault de Silguy, the EU commissioner for monetary affairs. "People must welcome it. They have to learn to love it."

Polls show European public opinion is marginally in favor of a single currency, but crucially, two-thirds of Germans do not want to trade in the mighty D-mark for an untested currency. And the fact that the German general election will be held in October 1998, just three months before the planned introduction of the single currency heightens the doubts about the entire project.

Signs that Europe may be heading for an economic downturn have also cast a cloud over EMU with a grow-

ing number of commentators suggesting the timetable is too optimistic and some slippage is inevitable.

The fact that Germany's budget deficit rose from 2.4 percent of GDP in 1994 to 3.6 percent in 1995 has narrowed the number of countries meeting all four EMU criteria to just one: Luxembourg.

The wave of strikes by public sector workers in France last December has put a big question mark on the government's commitment to trim the budget deficit from 5 percent of GDP to 3 percent to qualify for monetary union.

The Commission says there is still sufficient time to get things right. Its president, Jacques Santer, says he expects up to nine EU members to qualify for the single currency on schedule in 1999. "I am confident we can meet the deadline. We must meet it."

And Alexandre Lamfalussy, president of the European Monetary Institute, says there's no sign Europe is heading for a recession that will torpedo monetary union. Delaying monetary union would be a "political shock" that would jeopardize EU action in other areas. But for the moment, the jury is still out.

—Bruce Barnard

REORGANIZING THE FRENCH MILITARY

President Jacques Chirac announced a plan to drastically reorganize the French military. He proposed to dismantle the country's land-based nuclear missiles, end the production of nuclear war-heads, and create a smaller, all-volunteer army. Over the next six years, France will abolish its long tradition of conscription and turn the military into a fully professional force, cutting its size from a current 500,000 to 350,000. By making its military smaller and more flexible, France wants to be able to send a rapid intervention force of 50,000–60,000 soldiers to distant trouble spots, threatening French and European interests. The changes would not affect France's commitment to the multinational Eurocorps, Chirac promised, and would not endanger any jobs in the country's armaments industry.

COMMISSION PAPER ON IGC

The European Commission has released a paper outlining its position on several key issues that will be discussed at the intergovernmental conference to be held March 29 in Turin, Italy.

Among the issues mentioned in the paper, the Commission calls for a move, in most cases, to qualified majority voting to replace the current unanimity requirement. It also favors speedier movement toward a stronger common foreign and security policy.

Additionally, the paper brings up the possibility that the larger member countries—Germany, the UK, France, Spain, and Italy—would each give up one of their two seats on the Commission, leaving each member country with one commissioner to prepare the executive branch for an enlarged union.

WHAT THEY SAID

"I see the arrival of the euro as one of the great opportunities for the universe."

—*Michel Camdessus, managing director of the IMF, at a conference in Brussels organized by the Belgian Catholic Association.*

"Irrespective of the circumstances of the incident, there can be no excuse for not respecting international law and human rights norms."

—*EU foreign ministers in a joint statement condemning the shooting down of two US civilian airplanes by the Cuban air force.*

"I could well understand if you would be tempted by isolationism. But the historical record is that it never works and never lasts... (NATO) is a community of destiny between two continents... (It) is needed to make the transatlantic link work."

—*Javier Solana, NATO secretary-general, to a mostly student audience at Georgetown University.*

BUSINESS BRIEFS

Richard Branson, the flamboyant billionaire owner of **Virgin Atlantic**, is moving into Europe with the acquisition of a majority stake in **European Belgian Airlines** (EBA), a low-cost, no-frills Belgian carrier.

Virgin will pay about \$65 million for 80 percent of five year old EBA, fulfilling Mr. Branson's ambition to run a low-cost short haul airline in Europe.

Virgin's move comes a year before the European Union's air transport market is completely liberalized to allow EU airlines to fly wherever they choose, including services inside other EU countries.

At present, Virgin's European operations are limited to a London-Athens service and a franchise operation between Brussels and Dublin. The move into Europe will pit Virgin against its old foe **British Airways** which has stakes in **Deutsche BA** of Germany and **TAT**, a French airline.

•••

Bremer Vulkan, Germany's biggest shipbuilder, filed for protection from its creditors, threatening the biggest single loss of jobs in the country since World War II.

The company, based in the northern port city of Bremen, said it needs about \$1 billion to complete a backlog of orders worth \$4.5 billion and salvage the jobs of its 23,000-person work force.

The company, which has been in serious financial difficulty for more than a year due to mismanagement and a disastrous over-expansion, called in the receivers after the European Commission began an investigation into allegations it misused \$414 million of state funds intended for two East German yards it acquired in the early 1990s.

•••

Another troubled shipbuilder, **Burmeister & Wain** in Copenhagen, was saved from closure after a Japanese shipbuilder, **Mitsui Engineering and Shipbuilding**, joined a \$71 million rescue plan for the 152 year old Danish yard that built the world's first diesel driven vessel.

•••

Mercedes-Benz is launching a new attack on the Japanese truck market through a joint sales venture with **Komatsu**, the Japanese con-

struction equipment manufacturer.

The German company plans to double its sales of trucks and small vans in the first year of the venture to 700 units in a market with yearly sales of 1.6 million commercial vehicles.

Mercedes-Benz, one of the world's top three truck manufacturers, has sold only 1,250 vehicles in Japan since 1989.

•••

Mitsubishi Motors, the Japanese car manufacturer, is mulling the assembly of **Volvo** cars at its plant in Illinois.

Mitsubishi already has a joint venture with Volvo in the Netherlands and production of the Swedish car in the US is seen as the best way of replacing an agreement with **Chrysler** which is expected to end in 1999.

At present Mitsubishi supplies half of its 100,000-cars-a-year output in Illinois to Chrysler. Volvo has long mulled setting up a plant in the US, one of its biggest markets, but has always backed down from the large investment required.

•••

Unilever, the Anglo-Dutch consumer products giant, made an agreed \$770 million bid for **Helene Curtis**, a Chicago-based maker of shampoos and personal products, to double its share of the American market to 16 percent.

The deal followed a \$608 million bid by **L'Oreal**, the French cosmetics group, for **Maybelline**, a US cosmetics firm.

•••

Europe's aircraft industry was plunged into turmoil, as **Fokker**, the Dutch group, looked for a white knight to avoid going out of business, British, French, and Italian firms considered a \$1 billion investment in a new regional jetliner, and the Airbus consortium prepared to do battle with Boeing for the next generation of jumbo jet.

Fokker's position became dire after its German parent **Daimler-Benz** cut off financial support, and there is little chance it will survive as an independent manufacturer as rival aircraft firms, including Samsung of South Korea, considered buying parts of the group.

Meanwhile, **British Aerospace**, **Aerospatiale** of France, and Italy's **Alenia** are considering building their first jet after combining their sales and marketing organizations in a joint venture, **Air**, at the beginning of the year.

Air will begin market research soon into the feasibility of building a 70 or 85-seat twin jet aircraft. Air is also bidding to join a Chinese-South Korean project to build a 100 seat jet which would cost the three European partners more than \$2 billion.

Meanwhile, the four nation Airbus consortium, faces a tough battle in the future market for jumbo jets capable of carrying more than 500 people.

Boeing needs to spend only \$2.5 billion—\$3.5 billion stretching its existing 747 jumbo while Airbus faces a bill of \$8–9 billion to develop a completely new model, code named A3XX.

•••

Metallgesellschaft, the German trading firm that ran up losses of \$2 billion on the US oil futures market in 1993 and 1994 and nearly entered the record books as the country's biggest bankruptcy, returned to the black last year.

Profits totaled \$81 million for the year ended last September compared with a year earlier loss of \$1.8 billion on sales down to \$12.1 billion with \$14.1 billion.

The turnaround was at the expense of a sharp cut in the work force, down 15 percent to 22,000 people. The company intends to pay a dividend—its first since 1992—in 1997.

—Bruce Barnard

INSIDE EUROPE

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

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BUSINESS IN EUROPE : DON'T MISS YOUR TARGET.



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Invest in France

France, now more than ever, is encouraging foreign investment as a way of creating employment. In an environment of increasing competition, France is one of the main players prospecting for and receiving foreign investment. Foreign industry already plays a very important role in the French economy with foreign companies representing 25% of French annual production, 22% of employment, 27% of investment, and 30% of exports.

As a major industrial power, France was not the first country to implement a competitive policy of attraction and encouragement of foreign investment. But thanks to the Invest in France Network (IFN), France is quickly making up for its relatively late entry into the international investment arena.

The initiative started with DATAR (the French government Delegation for Economic Development and Regional Planning). It was the prime-mover of this policy, enhancing its original aim as a regional economic development organization. This was accomplished by setting up a voluntarist policy to promote and prompt foreign investments bringing wealth, employment, and technological progress.

The IFN was created in 1992 in order to group together and reinforce the coherence of the local and national initiatives taking place throughout the country to prospect and encourage foreign investment.

Today the "pro-business" image of France is strengthened by the fact that all the major players in the economic development of the country have formed a network, at the heart of which is IFN. The network's concept of "collective action" allows it to sell France in a professional, efficient and dynamic manner.

The Invest in France Network is a worldwide operation that gathers together many partners:

The Invest in France Agencies (IFA): There are 17 IFA (offices of DATAR) worldwide; 8 in Europe (Belgium, the

Netherlands, UK, Germany, Spain, Italy, Switzerland, and Sweden), 4 in the USA, and 5 in Asia (2 of which are in Japan, Taiwan, Korea, and Hong Kong). Their aim is to prospect for potential investors and also to keep a close watch on any major projects that could be established in France.

The DATAR in Paris administrates all the formalities relating to foreign investment in France [various exemptions, a bonus for territorial land planning, subsidies from the Ministries of Industry, Research and Labor, from the ANVAR — national agency for research enhancement — and funding from (stock conversion companies)], by coordinating all the national and regional aid in association with the regional DATAR offices.

A local network: promoting a personalized welcome to investors and offering appropriate sites. As well as providing first hand information on possible sites this service guarantees the maximization of national-regional aid at European levels. The local network is set up in the following way:

■ Local Development Agencies, falling under the jurisdiction of the local authorities or of the Chambers of Commerce and Industry. The Agencies are committed to prospecting for tried-and-true skills and know-how.

DATAR also has some of its own agencies, called "Commissariats à L'industrialisation."

■ Re-engineering centers have been set up by industrial groups in order to retrain their workforce, enabling them to implement

specific re-engineering projects. They add an extra financial and technical dimension to DATAR. The organization brings into line and coordinates proposals from local and national partners.

■ The IFN team in Paris promotes France's image with communication campaigns and analyzes investors' expectations and strategies. The IFN plays an important role in improving the legal and fiscal environment to make France a more attractive location for foreign investors.

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Invest in France



For more information contact Invest in France Network/DATAR, 1 avenue Charles Floquet 75007 Paris; Tel. (33) 1 40 65 10 06; Fax (33) 1 40 65 12 40 or IFA New York Office, 610 Fifth Avenue, Suite 301, New York, NY 10020; Tel. (212) 757-9340; Fax (212) 245-1568.

Hugo Paemen

European Union Ambassador to the US

Hugo Paemen, a 60 year old native of Belgium and formerly a senior trade negotiator active in the Uruguay Round trade talks, is the new European Union ambassador to the US. In a lengthy interview with *EUROPE's* editor-in-chief, Robert J. Guttman, Ambassador Paemen, who is the author of the recently published *From the GATT to the WTO: The European Community in the Uruguay Round* (Leuven University Press, Belgium), discusses EU-US trade relations, the WTO, the New Transatlantic Agenda, the role of business in creating a new dialogue, the IGC, and Europe's single currency, the euro.

New EU Ambassador Hugo Paemen officially presented his credentials to President Clinton at a White House ceremony in February.



EUROPE INTERVIEW

Is the New Transatlantic Agenda recently signed between the EU and US really a significant document or is it merely cosmetics?

It's certainly not cosmetic. It will organize our relationship for the next century. Perhaps century is too big a word, but at least for the next decade. On both sides of the Atlantic it was felt that in the new international context the relationship would be different because of what happened in Eastern Europe and the former Soviet Union. We have gone from a relationship based on consultation mainly in the context of NATO to a system of cooperation. Our relationship will now be broadened and deepened. A certain number of areas have been sketched out where this would happen, the traditional ones—foreign policy, international trade, of course—but also issues where there was no systematic cooperation, like international security. We have in common a certain number of problems like drug trafficking, terrorism, and environmental problems. Those are the areas where we have already started to organize a more intensive cooperation.

The New Transatlantic Agenda discusses promoting peace in the world, improving trade, and preventing illegal drugs. Can this all be accomplished, and what is the practical follow-up to all these impressive goals?

We already have the Transatlantic Declaration. A certain number of regular contacts have already been established. This is working very well, so we don't need additional institutional arrangements for implementing this new agenda. What we will have is a pragmatic approach, with working groups to go deeper into specific problems. We will treat them on their merits and make progress according to the characteristics of each problem.

The New Transatlantic Agenda

states, "We are determined to create a new transatlantic marketplace." What does this mean? There is already more than \$200 billion trade a year, and corporate sales in each other's markets total hundreds of billions more. How do you improve on something as impressive as this?

There are still a certain number of barriers that allow no real market access, notwithstanding all the tariff reductions which we have negotiated in the Uruguay Round. The purpose of the transatlantic marketplace is to establish real market access in addition to the former liberalization measures which have been agreed upon in the Uruguay Round.

What areas are you talking about specifically?

It's mostly horizontal measures like regulations and standards and provisions for environmental protection that have been in place for a number of years. They are now the last barriers, taking into account what we have done in the Uruguay Round. That's why we have already started negotiations on what we call "Mutual Recognition Agreements," where we don't think the solution is complete harmonization of the legislation—but where we could recognize that the legislation which is good for the United States is probably also good for Europe and vice versa. For instance in the protection of health, when the Europeans have safeguards built in their legislation, those safeguards will also take into account the preoccupations that are in the American legislation, although formulated perhaps in a different way.

There's been talk about a transatlantic free trade area—TAFTA. Does this correspond to that or is that something different?

Yes, that would correspond [to that], although we don't want to use the expression "free trade zone" to cover this. Free trade in GATT terms is a zone where you don't have tariffs, but it does not take into account other elements that also can have an impact on trade, like for instance, investment regulation. That's why it's better not to use the technical term "free trade zone" but to apply a word which is more general like "marketplace," where you take into ac-

count not only specific trade barriers but also regulations in other areas that have an influence on the trade flows.

The New Transatlantic Agenda also states, "We will support and encourage the development of the transatlantic business relationship." How do you see this happening, and could you explain what happened at the Seville business conference? What are the follow-ups for the American and European CEOs?

The New Transatlantic Agenda has taken up the recommendations of the transatlantic business dialogue and has encouraged the business community to continue to deepen the work that was started in Seville. We encourage the business communities to talk first to each other before they go to the government. And when they have agreed on the measures, the governments can come in and draw the conclusions from what the business community has to say. It's a technique that we have already applied in the Uruguay Round. In certain sectors, like the pharmaceuticals or the chemical industry, we had a very active participation of the representatives of the industry. They came to us and said, "we have talked to our American counterparts and we suggest different ideas." And we have brought into the Uruguay Round what the business community had discussed and had negotiated between themselves.

What is your overall assessment of EU-US relations as you take up your new job?

They have never been as good as they are today. So I'm certainly not worried. What we can do is strengthen and consolidate the excellent relationship which exists today. And of course there will always be, from time to time, conflicts which we will try to solve as well as we can. But overall, we can't complain.

Do you see any upcoming trade problems in the next five or six months?

There are a certain number of things which we still have to do following the Uruguay Round—negotiations on

telecommunications, maritime transportation, and so on. There are some problems with meat hormones and bananas. But we have now established a relationship, and we have the procedures in place which should allow us to try to find an intelligent solution to all that.

And what about the World Trade Organization, the WTO, is that working as you envisioned?

One can be very satisfied about the first year of the WTO. It has now become the referee in international

EUROPE INTERVIEW

We have gone from a relationship based on consultation mainly in the context of NATO to a system of cooperation. Our relationship will now be broadened and deepened.

trade. A certain number of problems have been solved without going to litigation because of the WTO. It has encouraged countries who had problems between themselves to try to solve them. The new procedures of the WTO are much more constraining than the procedures of the GATT. So it has a positive effect already on the member states. Also, WTO is working on the preparation of the ministerial conference in Singapore in December of this year. We hope that the next step in the liberalization of international trade will proceed with as large a participation as possible.

The EU has finally come up with a name for their future currency—the "euro." Could you explain how the euro will actually happen, and do you think it is actually going to happen?

I'm pretty sure, based on the declarations of a certain number of our member states, that the Economic and Monetary Union will start on the first of the year 1999. The introduction of the single currency as legal tender will be the first of July, 2002. The transition period establishing more convergence between the economies will end on the first of January, 1999.

Is this an unrealistic project at a time when there's high unemployment and large debt?

No. The Economic and Monetary Union is there for the good times and for the bad times. The question now is: How can we create the best conditions to start the Economic and Monetary Union? It's an error to think that we have to create the ideal situation before we can start the Economic and Monetary Union. There are a certain number of criteria which have been established in the Maastricht Treaty. But Economic and Monetary Union has already had an effect on the way in which the governments behave now. It has already encouraged economic conver-

gence between the member states. It's for the member states in the beginning of 1998 to establish which countries will be able to participate, in light of the criteria in the Maastricht Treaty.

Are the European leaders forgetting the people of Europe? Is the average German, Belgian, Italian ready to turn in their lira and D-marks and francs?

That's what's good about the public discussion of the EMU. It's probably the first time in the history of the European Union that we have such a substantial, large debate on a new phase for the European integration. But that's an indication that it has become more important for the day to day lives of the people. It is also an indication that it's now part of the democratic decision-making process in Europe, with all the characteristics of public, democratic debate.

So even if the British and the Danes and some others don't want to get involved, do you think it will start on time?

The idea in the Maastricht Treaty—and it will not be changed—is that we start with the countries which are ready and which are able in the light of the criteria of the Maastricht Treaty to

come into the Economic and Monetary Union. But, like everything in the European integration process, this is a question of gradually coming together. If this or that country will not be on board on the first of January, 1999, they will be on board a bit later.

So it can start without everybody being on board?

Absolutely. That was foreseen in the Maastricht Treaty. Of course, one hopes that there will be as many as possible, but not all member states will be there from the first of January, 1999.

In March the EU begins the IGC—intergovernmental conference. Could you briefly tell our readers what the IGC is all about, and should Americans even care?

It's not without importance for Americans, but in the first instance, it is something which the Europeans need. We have now 15 member states and probably are going to have more than 15 member states in the future. The institutional framework was conceived when we started with six member states; so it's quite natural that it has to be ad-

room for improvement.

There's skepticism about the euro, but there's also as much skepticism about a common foreign and security policy. Do you see this actually occurring?

There was skepticism in the beginning of the European Union also, when we still were called European Community, whether we would ever be able to establish a common market. Certainly when the six became nine, and from nine to 12, there was a lot of skepticism whether you could ever bring in the same market countries like Greece or Spain together with Sweden and the Netherlands or Denmark. Now it's there. It's not going to be easy; there will be difficulties and problems, perhaps even crises.

We never have thought that European integration would stop after having established a common market. When the common market was finished, there were proposals to establish an economic and monetary union and try to come to a common foreign and security policy. So, it has from the beginning been conceived as a process which involved an ever-closer

The Economic and Monetary Union is there for the good times and for the bad times. The question now is: How can we create the best conditions to start the Economic and Monetary Union?

justed, and that's what the intergovernmental conference is about. There will probably be other ideas which will come up, for instance, a more effective external policy. But in the first instance, it's an updating of the way in which the European Union functions; the way in which decisions are made; the way in which decisions are implemented.

Would there be a common foreign and security policy?

That's the idea. It's already in the Maastricht Treaty, but there is a general feeling that the way in which it has functioned until now is probably not the most effective way. In any case, there's

union of the peoples of Europe, as the Treaty of Rome says.

Are you optimistic that the IFOR troops will actually bring lasting peace to Bosnia?

One has to be optimistic. There is simply no alternative. One has to do whatever one can to take the only chance to establish peace in that part of Europe. But as things stand now, everything seems to be in place. If there is the political will to implement the Dayton agreements and if there is cooperation for the restructuring of the countries concerned, as well as economic restructuring, yes, one can be optimistic.

What do you see is the EU's main role in Bosnia? Is it mainly humanitarian assistance?

No. The EU is mainly there working on the civil reconstruction of that part of Europe, which implies the economic development, the economic reconstruction, the institutional set-up, the decision-making process, and the establishment of the political as well as the judicial institutions. Always keeping in mind that the people who are finally responsible are the people of the regions concerned.

Richard Holbrooke has said Bosnia is a "black mark for Europe, and that Americans seem to worry more about Bosnia than the Europeans" did. Do you find that to be true?

I don't think so. The events in Bosnia have made a big impression in Europe, and the governments in Europe have worried very much about how to bring an end to the conflict. The difficulty was that we did not have the means, and we were not organized well enough to act in the name of Western Europe, with the same force and the same pressure as the Americans could do it. That's one of the reasons why a number of governments in Europe think that it's absolutely necessary that the intergovernmental conference makes some progress in the area of the establishment of a common foreign and security policy.

So Bosnia could, even though it's been a tragedy, actually be a spur to a common foreign and security policy?

If at least it could be that, it would be one positive element.

How would you define the European Union to an American audience in a couple of sentences?

It is an unprecedented formula for sovereign countries working together and sharing their sovereignty, at least a large part of it. And moreover, it's a process in evolution, the end of which nobody is capable of defining very clearly at this moment. But it clearly has gone in the direction of ever closer union of the peoples of Europe as in the Maastricht Treaty. ☺

TRAVEL

AIX marks

A scenic view of a rural landscape. In the foreground, a vast field of red poppies is in full bloom, interspersed with green grass and some taller, yellowish-brown stalks. In the middle ground, a large, rectangular stone building with a tiled roof stands prominently. The building has a weathered appearance, with some red brickwork visible on its upper portion. To the left of the main building, there is a smaller, similar structure. The background consists of a dense line of green trees under a clear sky. The overall atmosphere is peaceful and idyllic.



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France

It must be something in the water. Somewhere among the many fountains that murmur and splash in its public squares and private gardens and that have earned Aix-en-Provence the title of “the city of 100 fountains,” there must be the fountain of youth.

Nothing else can quite explain the exuberance that fills the air of Aix. You rather expect the perpetually tanned students who flock to its university to look lithe and lively—who doesn’t, at their age? But housewives here have a spring in their step and a swing to their hips, and there is a gleam in the eyes of grandfathers that cannot just be due to the abundant sunshine.

spot

By Ester Laushway

Yes, the architecture is beautiful, the climate practically perfect, the living easy, and life feels like a year-round holiday. But there is something extra, some rejuvenating influence that keeps Aix, for all its long, venerable history, uniquely young at heart.

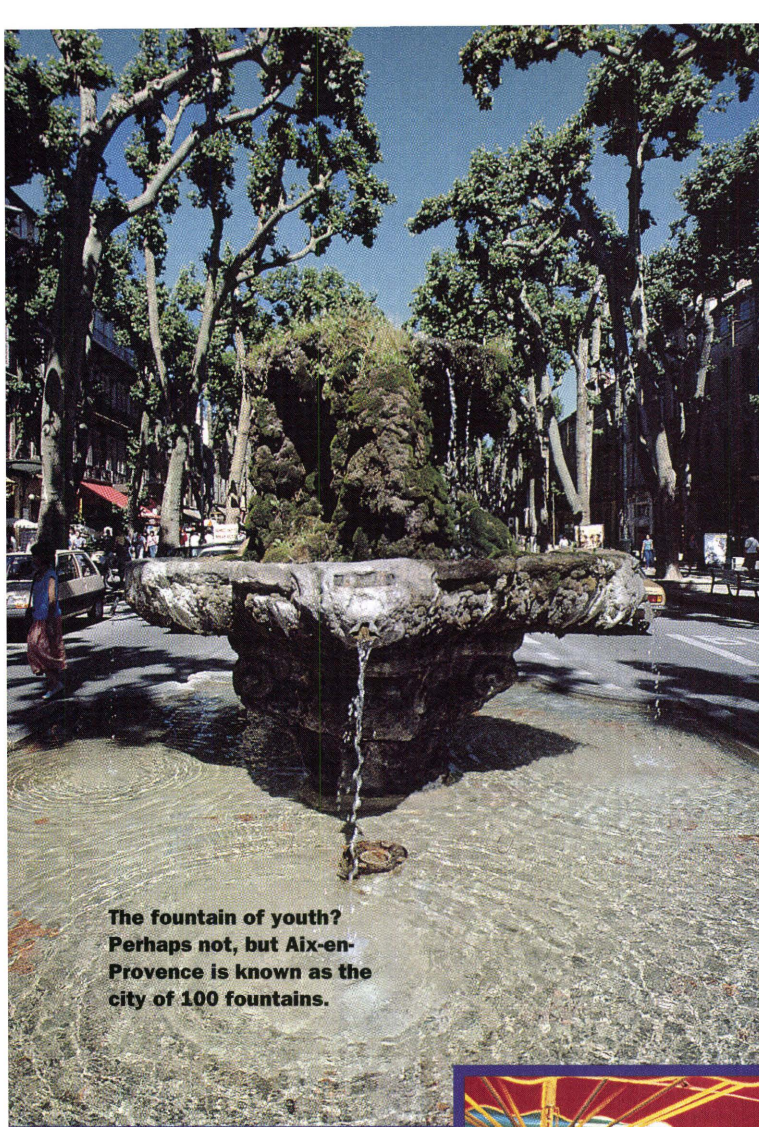
Water has always been the lifeblood of Aix. It owes its existence to the hot springs that first attracted the Romans in the 2nd century BC.

By the end of the 12th century Aix had grown from a Roman spa into a refined, literate city that had more to offer than just liquid assets. It developed into the cultural and political capital of Provence, a distinction it kept until the French Revolution.

From 1409–1480 it was ruled by the Roi René, a true Renaissance man if ever there was one. He painted, played music, wrote poetry, studied the sciences, and also found time to govern wisely. He is the local hero, who still stands, in statue form, on a fountain at the top of the broad, tree-lined Cours Mirabeau, the main avenue of Aix.

The Cours is a sight beautiful enough for any king. It was built between the old and new town, in the 17th century, when the medieval ramparts were knocked down and Aix started to take on the look it has today. It is bordered with aristocratic mansions and majestic plane trees, which form a tunnel of green shade in the summer. One of the two mossy fountains in its middle is fed by a thermal spring and has botanists all excited about the 13 kinds of greenery it produces.

At the foot of the Cours, the spectacular Rotonde fountain with its exuberant jets of water is the unforgettable first sight of Aix for anyone driving into town. It



The fountain of youth? Perhaps not, but Aix-en-Provence is known as the city of 100 fountains.

sparkles in the sun, sends out playful spray when there is a wind, and livens up even the occasional dull day with its constant motion.

The Cours has a split per-

TRAVELER'S NOTEBOOK

VITAL STATISTICS

Location: Near the coast in Southern France, just a 30-minute drive north of the Mediterranean and the city of Marseille. To the west lies the Camargue region, with its black bulls and white horses; to the east the French Riviera; to the north the French Alps—all only an hour away.

Telephone: The international dialing code for France is 33; the eight-digit numbers can then be dialed direct.

ACCESS

By air: Marseille-Provence International Airport, France's 3rd largest, halfway between Aix and Marseille, with 25 airlines providing regular flights to 16 European capitals (5 per day to London; 35 per day to Paris). Information: (33) 42 14 14 14.



Aix's markets provide shoppers with a cornucopia of fresh fruits, vegetables, and flowers.

By rail: SNCF station in downtown Aix, with trains running every hour to Marseille (35-minute ride). From Marseille, Paris is approximately 4 hours away by high-speed TGV, with 11 trains daily. By 1998, the time will be cut to 3 hours 15 minutes.

CONTACTS

Aix-en-Provence Tourist Office, tel: (33) 42 16 11 71, fax: (33) 42 16 11 62.

HOTELS

Villa Gallici **** (Relais & Châteaux) Beautiful 18th century Provençal villa in a

sonality. Its southern side is now mostly banks and offices, behind which lies the "new" Mazarin district, with the grand 17th and 18th century residences of the aristocracy; the northern side is an almost unbroken stretch of cafés where everyone tries to get a sidewalk table for people-watching—a spectator sport in which you can indulge almost all year because of the balmy weather.

The cafés border on the old town in which a maze of narrow, winding streets and several centuries of architecture coexist harmoniously. The clock tower of the baroque 17th century city hall, built from the honey-colored local stone typical of Aix, used to be one of the entrances in the fortifications. The Cathedral of Saint-Sauveur is an amazing amalgam of styles, dating from Roman times to the 17th century. Somehow, they all blend: the 5th century baptistery, with a stone basin once fed by yet another hot spring; the airy, delicate columns of its 12th century cloister; the famous 15th century triptych of the Burning Bush. Close by, the 17th century Archbishop's Palace houses an interesting tapestry museum, and every summer its vast courtyard is the setting for the world-acclaimed international Lyric Music Festival of Aix. It attracts a glittering audience of opera lovers, mostly from out of town, willing and able to afford its ticket prices.

Beautiful as the architecture of Aix is, what really sets it apart from other towns is its good-to-be-alive atmosphere. No one understands this better than the 35,000 students who come here every year. Aix has been a university town since 1409 and has an excellent academic reputation, so no doubt serious studying does take place. But not in a noticeable way. The students, who all appear to have been hand-picked for their looks, seem to major mostly in the art of decorative loitering. A lot of laughing and hair-tossing and air-kissing goes on over one tall drink made to last an entire afternoon.

Hotel des Augustins ***

Former 15th century convent in the very heart of Aix. The reception hall is the convent chapel, with a superb vaulted stone ceiling and stained glass windows. Some of the 29 rooms have a private terrace. tel: (33) 42 27 28 59, fax: (33) 42 26 74 87.

Hotel des Quatre Dauphins **

In the Mazarin district of Aix, where the stately mansions built in the 17th and 18th century combine the symmetry of French classical style with Italian baroque elements like inner courtyards. Near the Fountain of the 4 Dolphins after which it was named. tel: (33) 42 38 16 39, fax: (33) 42 38 60 19.

RESTAURANTS

Le Relais Sainte-Victoire

It is worth driving a few miles out of town to Beaurcueuil to sample the cooking and hospitality of René Bègès. His sun-inspired dishes,

Florentine garden. Nineteen rooms and suites, each decorated differently but all in exquisite taste. The atmosphere is that of a private home, with staff dedicated to pampering the guests. Not even the smallest detail has been overlooked. The carpets in the lounge are hand-dyed with lavender essence every morning, and the fragrance lingers all day. Breakfast on the terrace by the pool is one of those magical moments when you know that life is good. tel: (33) 42 23 29 23, fax: (33) 42 96 30 45.

Student life has had a major influence on Aix. The choice of boutiques selling blue jeans and Doc Martens is staggering, so is the number of book shops, cafés, and snack bars. There are 16 movie theaters in Aix, and more movie tickets are sold here in one day than anywhere else outside Paris. Free concerts in the squares and streets are a regular feature during the long months of warm weather, while indoor intellectual stimulation is not neglected either, with a multimedia complex called the Cité du Livre. It combines a research library with video and audio facilities and offers a busy program of exhibitions, films, and lectures.

For the rest of the 150,000 inhabitants of Aix, life is no less pleasant, if a little more expensive. There is an abundance of elegant boutiques, many of the kind that do not bother putting price tags in the window. Christian Lacroix and Yves St. Laurent are just two of the designer labels available in the old town. It is a warren of stylish little stores that sell anything from imported teas and soaps, to local pottery and wrought-iron furniture, to lacy lingerie, and exquisite bits of bric-a-brac for the house.

Aix even has designer markets. No mass-produced, mundane mounds of fruits and vegetables or banal bunches of flowers here. The glowing displays of nature's bounty are arranged with an artist's eye for color and shape. The flower market in front of the city hall dazzles your eyes and nose. On May 1, when it is customary to offer bunches of lily of the valley for good luck, the scent wafting from the market all through town is intoxicating.

This is where the locals come in the mornings to shop and chat, and where the chefs of Aix buy prime ingredients for the fragrant, flavorful cooking of Provence. Based on fresh vegetables with liberal lashings of olive oil, garlic, and herbs, it is good for keeping down cholesterol levels, if a bit taxing on an untrained stomach. It is best matched by one of the robust regional wines, which come in red, white, and all shades of rosé, and are both inexpensive and delicious.

Every year more than four times as many people as live in Aix come here on vacation. The first place any newcomer

should visit is the city's tourist office. It is a treasure trove of free maps and brochures in several languages and offers a year-round program of guided visits on a wide variety of themes, including a walking tour in the footsteps of the city's most famous son, the painter Paul Cézanne. (The 1,200 brass studs sunk in the sidewalk to guide visitors in his tracks are so beautiful that some of them have been pried up and taken home as souvenirs.)

By the end of the year Aix will have one more attraction to offer visitors. Its thermal baths, after having been closed for renovations since 1991, will reopen with luxurious new facilities that include a hotel and fitness center. People will once again be able to come and "take the waters"—the same waters in which Roman centurions used to soak so many centuries ago. The hot springs of Aix are known for the beneficial effects they have on the circulation. No mention has ever been made of any anti-aging properties. But you just have to take a look around you in Aix to know—there *has* to be something in the water. ☺

Ester Laushway is EUROPE's Paris correspondent.



Art imitates life. Paul Cézanne's canvas, *Montagne Ste-Victoire*, 1897, and the real thing.

A Drink on the Cours Mirabeau

There is no better way to soak up the special atmosphere of Aix. Choose a café, sit down, relax, and watch the world go by. The Café du Cours is a favorite with students and serves a great *citron pressé*—freshly squeezed lemon juice with a carafe of water and sugar on the side.

The Mount Saint-Victoire (3,285 feet)

No wonder Cézanne was obsessed by it. It is simply spectacular and changes in every light. You can—and should—climb to the top. You have a choice of several routes. The abrupt south side is best avoided unless you enjoy clinging on the rock face like a human fly (I didn't). The north side is less thrilling but safer and offers a number of marked paths of varying degrees of difficulty.

—Ester Laushway



enhanced with Mediterranean spices, are lighter than traditional Provençal cuisine and have won him one Michelin star. Other local chefs claim that the only reason he does not have two stars is that his restaurant is too unpretentious. Meals here are topped off by a spectacular view of Mont Sainte-Victoire. tel: (33) 42 66 94 98.

L'Amphitryon

Next to the Cours Mirabeau, but sheltered from its bustle, with a tranquil interior garden. Its chef, Bruno Ungaro, is one of the brightest young talents of the region. He is only 37, but since he started his career at 19, he is already an old pro. His cooking draws on the riche palette of colors and flavors of the Mediterranean. Every dish is beautifully presented, and the daily market menu at lunch time is an excellent value. tel: (33) 42 26 54 10. (Bruno Ungaro has a second restaurant, Le Bistrot Latin, which serves the same style of food in

a simpler setting at even more appetizing prices. tel: (33) 42 38 22 88.

Le Petit Verdot

A scoop: this wine bistro is reopening on March 1 with a new formula. Simple Provençal dishes will be served with a matching wine of the region. The sommelier is one of the best in the area, so this is a definite must-try—and remember you heard it here first! tel: (33) 42 27 30 12.

Things not to miss

The Markets. The local produce market is held every morning in Richelme Square, but the main markets—food, flowers, antiques, clothes, and textiles—are throughout the town center on Tuesday, Thursday, and Saturday morning. They are the perfect place to buy presents to take home, braids of garlic, dried herbs, bright Provençal tablecloths, or a piece of glazed pottery if you have blind faith in bag-gage handlers.

CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

EUROPEANS of the year 1995

For the third year in a row, *EUROPE* asked each of our Capitals correspondents to select someone from his or her country who, through private or public efforts, promoted the cause of a more prosperous and peaceful Europe.

Previous *EUROPE* Europeans of the Year include German Chancellor Helmut Kohl, Spanish bicyclist Miguel Indurain, Irish activist Adi Roche, Danish filmmaker Bille August, Eurotunnel chief Sir Alastair Morton, Northern Ireland MEP John Hume, and French businesswoman Nicole Bru.

Politicians, because of their direct role in the process of building European unity, have dominated the list every year with a total of 24 nominees in three years. Nominees from the business world rank second with six nominations. The lists have been rounded out with artists, activists-humanitarians, one athlete, and a creative nod last year to the Cross-Channel shopper.

As in the past two years, our correspondents have compiled a diverse list, including a British architect, a Spanish movie star, the Luxembourgier who became president of the European Commission, a Finnish businessman, an Italian computer whiz, a Swedish peace negotiator, and a Belgian nun, among others. Some of their contributions to Europe are perhaps less obvious than others, but each, it can be argued, has helped to create a better and more unified Europe. Here follows the 1995 selections.

LUXEMBOURG

JACQUES SANTER

You can't be in Luxembourg long without sensing the hold that Jacques Santer has on people's affections. That's as true today as it was a little more than a year ago when Mr. Santer stepped down as Luxembourg prime minister to become the president of the European Commission.

Mr. Santer looks and acts like a president. He has the kind of features you see on postage stamps or coins. If Luxembourg were a republic he'd be a shoo-in for head of state one day. His qualities are those of the supreme conciliator: an instinctive grasp of where compromise lies, an aversion to revolutionary fervor, and a benign, genial manner.

In his 10 years as Luxembourg prime minister, Mr. Santer was often to be seen with his wife in local cafes taking coffee



Former Luxembourg prime minister Jacques Santer now has a broader European role as president of the Commission.

and chatting to citizens, sometimes about politics, often about a production at the local theater. Foreign visitors were astonished at the lack of security and formality, both at the office in the city center or at the Santers' modest home, indistinguishable from a thousand other immaculately tended chalet-style suburban houses.

You could argue that this is all very well for a mini-state with a total land area about the size of Rhode Island and a population little more than Providence's, but how would it play in the more savage cut and thrust of top-level European politics?

Mr. Santer began with the disadvantage of being a compromise candidate to succeed the visionary Jacques Delors as Commission president, after British Prime Minister John Major vetoed the first choice of everybody else, the Belgian Jean-Luc Dehaene.

Mr. Major may have judged that Mr. Santer would prove less zealous in the pursuit of a federal Europe than De-

haene. He was wrong. Mr. Santer soon dismayed London by making clear his determination to push forward Economic and Monetary Union (EMU) with maximum speed, regardless of whose toes were trodden on in the process.

Mr. Santer duly came in for some heavy shelling from the British press for which his Luxembourg years would seem to have ill prepared him. In English newspapers, even serious ones, Mr. Santer doesn't speak, he "squawks." He delivers "tirades" rather than arguments. His EMU plans are "a silly joke."

"Ah, the British press," sighs Mr. Gaston Gengler, head of the Luxembourg government's press and information service, "let's not forget that!" At times, he says, "Luxembourg wondered if the third world war had started!"

The judgment of his fellow countrymen, however, is that Mr. Santer has survived his first year in Brussels much better than his critics expected and in particular has used his own personal qualities to give the Commission a more human face. The Luxembourg magazine *Telecran* reported after a year-end interview that "his calmness and geniality remain."

"He speaks quicker, answers questions more precisely, and is more polished than people remember him to have been," wrote *Telecran*. But that ability to charm people is "unchanged."

Mr. Santer puts his main achievement in 1995 as the progress made toward EMU, followed by the preparations for the EU's 1996 intergovernmental conference at which important institutional reform will be considered.

Internally, he has proved well up to the job of slapping down other commissioners when necessary. He dealt briskly with Denmark's Ritt Bjerregaard over publication of her unauthorized memoirs. (They included the revelation that Mr. Chirac pointedly ignored Mr. Santer throughout a lunch.) He cut back the responsibilities of ambitious British commissioner Sir Leon Brittan, and he introduced an "anti-sleaze" policy to force disclosure of commissioners' outside incomes.

In much of this Mr. Santer was solidly assisted by his chef de cabinet (chief of staff) Mr. Jim Cloos, a fellow Luxembourg who has become a prominent political operator in Brussels in his own right over the past year.

Will Mr. Santer return to a life in Luxembourg politics when his Brussels term expires in four years' time. Mr. Gengler thinks it improbable. A more likely job is

as consultant to or head of some international bank, he thinks.

Something presidential, of course.

—Alan Osborn

BERLIN

THEO WAIGEL

The 1995 award for German European of the year goes without any hesitation to Theo Waigel. Together with Chancellor Helmut Kohl, he has been inspired by the vision of a European Union of the founding fathers—Schuman, Monnet, de Gasperi, and Adenauer. After Fritz Schaefer, the first finance minister in the Federal Republic, Waigel is the longest-



German Finance Minister Theo Waigel is the longest serving incumbent of the G7 finance ministers.

serving incumbent and the doyen of the Group of Seven finance ministers. When Franz Josef Strauss died in 1988, Waigel also became leader of the Christian Social Union (CSU), the Bavarian sister party of Chancellor Kohl's Christian Democratic Union (CDU).

While Chancellor Kohl enjoys the role of elder statesman and visionary pushing Europe toward greater political union, Waigel's task is less rewarding. He has to carry out policy, be an enforcer, and has to stand up to criticism that he's selling out to other European governments. "Europe's only chance to stand its ground against other continents is if it joins forces," he is convinced. In his opinion, the Economic and Monetary

Union (EMU) "is not a risky policy." It's in Germany's interest. In an interview with *Welt am Sonntag* he refused to discuss a postponement of EMU. "A discussion would lead to currency turbulences. A failure would lead to a strong reevaluation of the D-mark with terrible results for German exports," he said firmly.

The outspoken and sanguine finance minister, who's always ready to crack a joke, is now mincing his words after a bad experience with the media last September. In a private hearing in the German Parliament, the minister only stated the obvious when he said that because of Italy's excessive debt it did not yet meet the criteria for joining EMU in 1999. A parliamentary aide passed the word to the media, and before Waigel knew about it, he found himself the bad guy of the neighborhood. The Italian lira plummeted, bringing down the French franc and the British pound, and rekindled a new debate among Germans on the possible loss of their beloved D-mark. Public opinion polls found that since 1991 about two-thirds of Germans have become increasingly hostile to the single currency.

Since his casual remark, Waigel has been at pains to dispel German fears that the single European currency—to be called the "euro" at Waigel's suggestion—could be weaker than the D-mark. He insists that members of the planned currency union who failed to meet fiscal targets could be ousted. Governments planning to join the single currency would have to set their deficit targets not at 3 percent of GDP, as called for in the Maastricht Treaty, but at 1 percent. His "European Stability Pact," would impose disciplinary measures on countries that exceeded the 3 percent deficit level. They would have to deposit 0.25 percent of their GDP in the European Central Bank and not get it back until they had trimmed their deficit back to 3 percent.

"The European currency," Waigel assures Germans, "will be as strong as the D-mark. Nobody in Germany needs to worry about their pensions or their savings. An economic union with a stable single currency will boost economic growth and bring advantages for the consumer."

The Bavarian politician with bushy black eyebrows, which delight political cartoonists, is a trained lawyer. He joined the youth organization of the CSU when he was 18 and climbed his way up the political ladder in Bavaria. In 1972 he became a member of the German Federal

Parliament. In 1989, Chancellor Kohl appointed him finance minister. Waigel is proud of his own achievements since becoming finance minister. "I have helped bring about some things in the six and a half years. We had to deal with German unity, the withdrawal of the Russian troops from East Germany, European integration, consolidation, and overcoming the financial problems of German unity. This was the biggest challenge of the past decade, and the D-mark didn't wobble for a second." And what are his three main wishes for 1996? "More employment, that Germany and Europe will continue to bring their public budgets in order, and that my baby son Konstantin can say mama and papa."

—Wanda Menke-Glückert

L I S B O N

VASCO GRACA MOURA

Controversial poet and political commentator Vasco Graca Moura would be the last person to indulge in a eulogy to Brussels, but in his own way he has done much to promote Europe in Portugal and Portugal in Europe.

The aggressive intellectual who trained as a lawyer but has turned his hand to just about everything was the commissioner for Portugal at Seville's World Exhibition in 1992 before going on to head the Discoveries Foundation, which promotes Portuguese culture nationally and internationally.

He has also been involved with Portugal's own world exhibition, Expo '98, which organizers hope will attract millions of visitors to Lisbon in two years' time.

Graca Moura's most recent direct involvement in politics was in January when he helped run the presidential campaign of former prime minister Anibal Cavaco Silva, the man who guided Portugal into the European Union in 1986. Cavaco Silva lost the election, but his defeat was much narrower than had been expected.

Graca Moura, who has been labeled a "radical conservative" but insists he is a moderate, tends to enliven political talk shows with inflammatory comments on anything from the death penalty to trade unions.

But many Portuguese forgive him his "political incorrectness" and focus instead on his considerable literary output. It is perhaps in this field that he has

done most to promote cross-cultural understanding in Europe.

His recent translation into Portuguese of Dante's *Divine Comedy* won hearty praise from critics, and he was awarded the prestigious Pessoa literary prize shortly after its publication. He also translates from French, German, and English and has made Shakespeare's sonnets and the work of German poet Rainer Maria Rilke accessible to Portuguese readers. These translations are in addition to publishing his own highly acclaimed poetry, novels, and essays.

But Graca Moura will not be satisfied until Portugal, a small country at the edge of Europe which often finds itself marginalized, has found a stronger voice in Europe and the rest of the world. Cultural foundations and exhibitions are one way of achieving this, but Graca Moura has more ambitious ideas. "I would like a Portuguese writer to win the Nobel Prize for Literature. With the problems we have making our culture known abroad, a Nobel for Portugal would be extremely important."

—Samantha McArthur

B R U S S E L S

SISTER LÉONTINE

Each year the Brussels daily newspaper *La Libre Belgique* carries out a poll of its readers to choose a personality of the year. The poll is in two sections: one to pick an international figure, the other a Belgian.

The selection for international personality for 1995 was not seriously in doubt. The poll took place only a few weeks after the assassination of Yitzhak Rabin, and he was the overwhelming choice of the readers.

The Belgian selection was a more closely contested affair, but the winner was a 73 year old nun, Sister Léontine. Born in Antwerp in 1923, the youngest of eight children, Jozefa de Buysscher, started work at 17 on the early death of her parents. She entered the Augustinian order at 26 and trained as a nurse, later qualifying as a doctor.

By normal standards, her life's work was completed in 1988, when she retired after 24 years as director of the busy Saint-Jean clinic in the center of Brussels. Yet it was not for this that she was chosen by the *La Libre Belgique* readers. No sooner had Sister Léontine retired than she set up a new organization, Soins

Palliatifs Saint-Jean, to provide loving care for the terminally ill.

The hospice movement had already made impressive progress in several countries but was unknown in Belgium, and Sister Léontine learned about it by chance while attending a medical conference in the United States. On her return she convened a meeting with a large number of other Belgian doctors, and her association was born.

A small, round-faced smiling woman, she now presides over a clinic in which each year some 175 incurable patients spend their last days. "We observe the patients; we listen to them; we touch them," she says. "This costs us nothing, but it helps the patient to feel that somebody is concerned about his or her illness, and therefore his life."

The givers at the clinic concentrate on relieving pain and providing the maximum of physical comfort for their patients. Sister Léontine's motivation is clearly based on her family experiences, her father having suffered a painful death from stomach cancer when she was young. She says, "It's difficult for families to take care of the very ill. I see this with my own brothers and sisters who are in their eighties. They are not looked after by their children, as happened in former days. The great events of life—birth, old age, death—are today institutionalized. There is a lot of suffering because the approach is more professional, but depersonalized."

The work that Sister Léontine has embarked upon in her own old age directly affects relatively few people. But her example has had a profound effect in Belgium and many other medical centers are now striving to follow her example.

—Dick Leonard

M A D R I D

ANTONIO BANDERAS

Forget Felipe González, new NATO chief Javier Solana, or EU Commissioner Manuel Marín, the Spaniard who has captured the imagination of Europeans over the past year was Antonio Banderas.

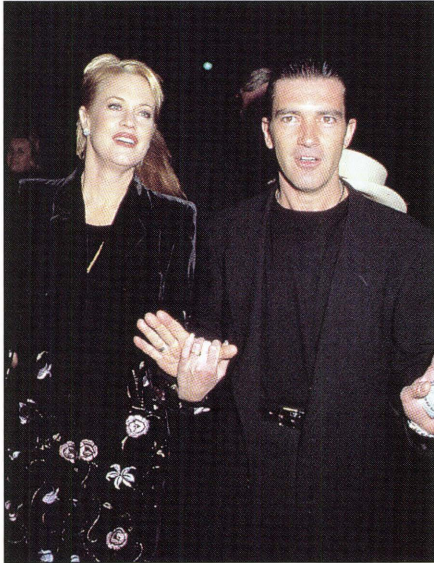
The dark-eyed, sultry and hunky actor seems to be in almost every film released these days, from *Two Much* with Melanie Griffith to *Assassins* with Sylvester Stallone. And he's now "lensing," as they say in Hollywood, *Evita* with Madonna.

So what's all this got to do with European unity?

Not a whole lot, but it's nice to know that a European, and one from a middle-class family in the poor region of Andalusia, can conquer Hollywood.

Bitten by the acting bug as a teenager in Malaga, Banderas arrived in Madrid in the early 1980s and was spotted by avant-garde filmmaker Pedro Almodovar.

The flamboyant director was then riding the wave of Madrid's *La Movida* cul-



Hollywood and—reportedly—actress Melanie Griffith are smitten with Spanish actor Antonio Banderas.

tural renaissance and used Antonio in a string of his films like *Matador*, *Labyrinths of Passion*, and the internationally acclaimed *Women on the Edge of a Nervous Breakdown*.

Then Hollywood called. Director Arne Glimcher asked him to audition for his film *The Mambo Kings*, based on Oscar Hijuelos' Pulitzer Prize-winning novel.

Banderas won the part, even though he could barely speak English, and before filming began he rushed through language, diction, and Cuban accent lessons.

Audiences loved him in the film, especially the women. He was exotic and, unlike some screen heartthrobs out there, could really act.

Big parts in films like the Academy Award-winning *Philadelphia*, alongside Tom Hanks, and *Interview with the Vampire* with Tom Cruise and Brad Pitt followed, and as they say, "a star was born."

Sharon Stone, who some consider the sexiest woman in Hollywood, called him

"the sexiest man in Hollywood," and the press, or studio publicity mills more likely, began dubbing Banderas "the hottest Latin lover on the silver screen since Rudolph Valentino."

Through all this, Banderas described himself in press interviews as a simple Spanish lad, albeit wowed by the attention and the bright lights of Hollywood.

Then, while on the set of the Spanish Oscar-winning director Fernando Trueba's first American feature, *Two Much*, Banderas was photographed splashing around in the ocean with co-star Melanie Griffith.

Whoa! Tabloid heaven! They soon began dating and now dodge questions about when they'll set a date.

But Banderas will be too busy in the immediate future. Besides traveling between London and Buenos Aires to film *Evita*, he's also scheduled to make *Zorro*, and several other projects are reportedly in the works.

—Benjamin

Jones

LONDON

SIR RICHARD ROGERS

What have the European Court of Human Rights in Strasbourg, the Reichstag in Berlin, and the European Union's Maison Europa in Geneva in common? Answer, the architects are all from the UK.

It has long been argued that the European ideal has yet to find an architecture to match its ambitions. Perhaps this is true, but architecture is

certainly one area in Europe where the British are really trying to make a positive contribution.

One of the best known of the UK architects active in Europe is Sir Richard Rogers, who first grabbed the headlines back in the 1970s for the Pompidou Center in Paris which he designed together with the great Italian architect Renzo Piano.

This controversial building is the most visited in Paris. It is a people's palace whose popular success astonished the critics of its revolutionary approach of putting the mechanical guts of the building on the outside.

In Europe, Rogers' most recently completed work is the European Court

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of Human Rights at Strasbourg. Czech Republic President Vaclav Havel officially opened the court in June.

Many of Rogers' buildings, such as the landmark Lloyds' insurance building in the City of London, look like machines, which is the source of much criticism.

This time he is accused of turning the European Court into a giant automaton which crushes the individual between the great steel drums on either side of the glass entrance. Rogers says his building shows the power of modern technology to make life free and open.

Curving along the left bank of the river Ill, the structure provides wonderful views from the inside. It is environmentally friendly and has that rarest of rare facilities in modern buildings, windows that actually open.

Rogers is not just a designer of buildings, he is also an active proponent of improving our living environment. At a recent talk in London he threw his hands up in despair at the way this great European city has been left without an architectural master plan.

He is not alone in escaping from time to time to the more receptive climate on the continent.

If Berlin is the heart of Europe, then what greater triumph for British architecture than to win the international competition to restore the Reichstag, Germany's pre-war and future parliament building.

This opportunity has gone to "the hero of high-tech," Sir Norman Foster, best known worldwide for the headquarters of the Hong Kong and Shanghai Bank. His design team who beat off German, Dutch, and Spanish rivals for the commission are referring to the Reichstag, in an only slightly exaggerated way, as "probably the most important building in Europe."

Other Foster projects in continental Europe include design of the metro system in Bilbao, Spain, a communications tower in Barcelona, and the Mediatheque arts center in Nimes, France.

The Berlin Stock Exchange and Communications Center, which is due to open this year, is the work of another Briton, Nicholas Grimshaw. He has already won European hearts for his brilliantly successful international terminal at Waterloo Station for the cross channel Eurostar trains.

The most avant-garde of the UK ar-

chitects, Will Alsop, is probably better known on the continent than in the UK. His often startling designs have won him many successes among the continental Europeans.

He is responsible for the dramatic French government headquarters in Marseilles, often called "The Big Blue" because of its color. He followed that project up by winning the commission to build Maison Europa in Geneva, a new base for the EU in its dealings with other international bodies.

British architects have been gaining an enviable reputation in Europe for their imagination and creativity. When we talk of European architecture, the British are not just coming, they have arrived.

—David Lennon

PARIS

ALAIN MADELIN

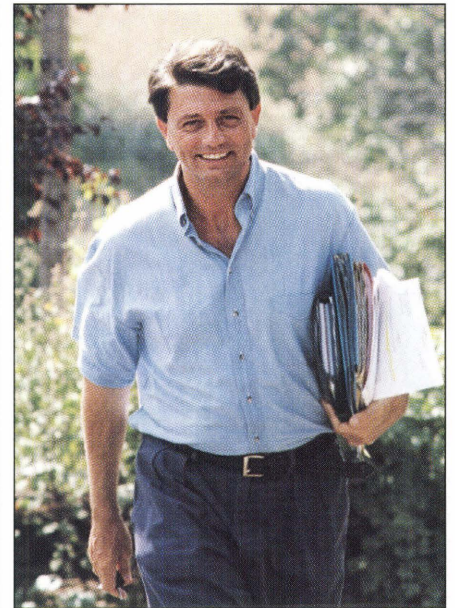
Finding a French European of the Year has been a tough assignment.

Last year will not go down in French history as a banner year for international relations. Starting with the election of a new government, followed by a wave of terrorist bomb attacks, the general outrage abroad over France's resumption of nuclear testing, and ending in three weeks of strikes that crippled the country, did not leave the French with much time or energy to devote to the ideal of a united Europe.

And yet there were those who looked beyond France's borders and its immediate problems and remembered that its future is linked to that of Europe.

The first man to do so in 1995 was the late François Mitterrand. Hailed by the press since his death two months ago as the last great European, he began last year with a New Year's message to the French nation. It was his fourteenth since taking office as president and his last. In it, he warned, "Never separate France's grandeur from the building of Europe. That is our dimension and our ambition for the century to come."

Mitterrand went on to caution the French that social reforms were necessary to build a new European market economy—dramatic reforms to reduce France's steadily swelling budget deficit and bring it in line with targets set by the Maastricht Treaty. He did not try to explain just how such a Herculean task was to be accomplished; wily to the end, he



Former French finance minister Alain Madelin was given a "Mission Impossible" in trying to sell a plan of government cutbacks to his fellow countrymen and women.

left that particular problem for his successor Jacques Chirac to solve.

On taking office last May, Chirac saw to it that Alain Madelin, an outspoken supporter of free market policies, was appointed minister of finance. Madelin was the first and only leading figure in the Republican Party to have given Chirac his unconditional support from the very start of the 1995 presidential campaign. The appointment to the powerful finance ministry was meant as a reward for his loyalty, but it soon turned out to be a suicidal "Mission Impossible."

Madelin was expected both to bring down French unemployment, which is the highest in Western Europe, and to cut France's budget deficit, which had climbed to more than 5 percent of GDP in 1994—in other words, to come up with an economic plan which would let him both spend and save billions of francs.

If anyone could have done it, Madelin might have been the man. The son of an auto worker and a secretary, he trained as a lawyer and climbed up the political ladder strictly on his own merits. Brilliant, impetuous, and fearless, he has never hesitated to fight what he calls "the aristocracy of the state."

His reputation as a political firebrand dates back to 1986, when he became trade and industry minister during the first cohabitation between Mitterrand and Chirac. Barely arrived in the job, he announced bluntly that the department

was in a perfect position to achieve its own redundancy and started by reducing its operating budget. As a minister under Balladur, he resigned during the monetary crisis of 1993 because he felt that none of his ideas were being given a fair hearing.

As finance minister, he was willing, and perhaps even capable, of pruning France's top-heavy civil service and deflating its bloated social security system. But Madelin made the mistake of not playing the game of politics by its rules. On August 25, he went on French television and, with typical candor, spelled out some of the reforms he thought necessary to help France emerge from "the tyranny of the status quo." He pushed for tax cuts, the abolition of civil servants' pension privileges, and he criticized high welfare payments. He stepped on everyone's toes, particularly those of Prime Minister Alain Juppé.

He was promptly asked to resign, which he did with admirable good grace. Less than three months later, on November 15, Alain Juppé announced social reform measures as sweeping as any Madelin had wanted to make, and France's unions reacted by plunging the country into chaos.

The French are now faced with what Madelin (and Mitterrand before him) knew all along: In order to build a stable Europe of the future, some sacrifices have to be made today. For having the courage of his convictions, Madelin gets my vote as France's European of the year.

In November he published a book entitled *Quand Les Autruches Relèveront la tête* (When the Ostriches Lift Up Their Heads). That moment seems to have arrived as Madelin is the leading candidate to succeed Valéry Giscard d'Estaing as president of the rightist UDF in the March 31 party elections. Still only 49 years old, with ideas and energy to burn, Madelin appears ready and raring to go.

—Ester Laushway

DUBLIN

GARRET FITZGERALD

At 70, Garret FitzGerald is as enthusiastic about Europe and Ireland's role in its development as when he began a virtually single-handed campaign for membership in the European Economic Community back in 1957, "when I got around to noticing it," as he puts it self-

deprecatingly in his autobiography.

Although now retired from active politics, Garret, as he is universally known, writes a widely read weekly column on current affairs for *The Irish Times* and in which his dedication to the European ideal shines through. As a 21 year old clerk in the Irish airline company and a prolific freelance journalist, Garret had, before any politicians, seized the significance for Irish membership in the EU. While its customs union aspect would be a huge challenge for the weak industrial sector, the Common Agricultural Policy (CAP) offered the important farming sector a great opportunity to escape from dependence on the cheap British food market and so to promote the development of the economy as a whole.

As a strong francophile, Garret was also attracted by Ireland reviving ancient links with continental Europe and escaping from the dominant Anglo-Saxon political and cultural influences which prevailed in the Ireland of the 1950s and 1960s. His artistic parents had spent the early years of their marriage in Brittany before returning to Ireland and getting

involved in the Easter Rebellion. His wife, Joan, spent childhood years in Geneva and has been a powerful support for Garret in his untiring efforts to deepen Ireland's involvement in Europe at all levels.

As chairman of the Irish Council of the European movement, Garret was meeting senior EU figures like Walter Hallstein and Sicco Mansholt and making regular visits to Brussels for years before Ireland eventually joined in 1973. It was fitting that soon afterwards his Fine Gael party came to power and he was appointed foreign affairs minister and thus assumed the main responsibility for relations with the Community. He was to make the most of that opportunity to put into practice his strongly held views on how the EU should develop.

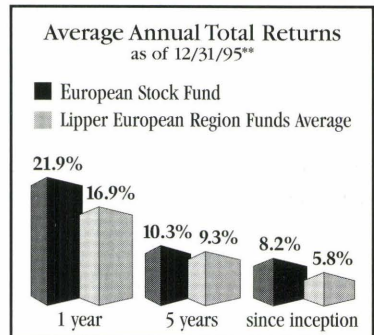
The officials in his department still recall the excitement and inspiration of his leadership and how they were carried along by his enthusiasm. Ireland's first presidency of the EU came just two years later, and there was apprehension, not just in Ireland but among the larger members, as to how such a small coun-

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try could handle the task. Largely thanks to Garret it was a great success, and he had by then established himself as a European statesman, respected and liked by his peers.

Later as Taoiseach or prime minister, he was to negotiate with Mitterrand, Schmidt, Kohl, Thatcher, and other leaders, always defending Irish interests but winning respect by his awareness of the wider European interests. Today in Ireland, Garret is still widely revered as one who dedicated himself from an early age to work for a European ideal and to show the Irish people how they could be an important part of it. He is still doing that work.

—Joe Carroll

ROME

NICHI GRAUSO

“Not even Bill Gates has shown Nichi Grauso’s vigor in pursuing the idea of putting the world on-line.” Since this judgment comes from *Wired*, the authoritative magazine of multimedia and Internet, then it is a sure thing that Nicola Grauso, the 46 year old Sardinian editor also known as “Nichi,” has made a quantum leap in just a few years. One fact is certain, his product, Video-On-Line, is not one of the “normal” servers of the network, if in the world of virtual reality something normal even exists. His “small” budget alone is unusual. He collected \$30 million from various investors to create an on-line network to compete against the likes of CompuServe, America Online, and even the omnipotent Microsoft. In any case, he declares himself ready to spend \$50 million of his own, and he has already spent \$10 million just on promotion.

Even on a small budget, Grauso is turning out to be one of Europe’s entrepreneurs with the biggest vision, a vision pleasing to the Americans and Europeans who go visit him at his headquarters-laboratory in Cagliari, the capital of Sardinia. Emissaries from Time Warner, Sprint, and the television tycoon-cum-politician Silvio Berlusconi have already come calling, and Nicholas Negroponte, the inventor and director of the MIT Media Lab, even sent his son Dimitri to Grauso as an “observer.” Thanks to Grauso, this Mediterranean island famous for its splendid, dark blue sea and white beaches could transform itself into one of the centers of the Euro-

pean virtual world.

Nothing seems to stop this volcanic Italian, who has been dubbed “the Christopher Columbus of the Internet.” But then he entered the world workplace with methods that were unusual for the times. In 1975, when he was just 26, he founded a small radio station in Cagliari. That may not seem like much, but those were the years when the Rai monopoly, which controlled the Italian public radio and television agency, was unchallenged. Only a year later would private transmitters be allowed access to the airways. Since then Grauso has come a long way. He has also become an editor having purchased *Unione Sarda*, the best-selling daily newspaper on the island. Not surprisingly, his paper scooped the big national papers, like *Corriere della Sera* and *Repubblica*, by becoming the first Italian newspaper to be available on the Internet.

—Niccolo d’Aquino

VIENNA

FRANZ VRANITZKY

Last year was an eventful, even a tumultuous year for Austria. It joined the European Union, of course, but its economy, while still among the healthiest in Europe, had begun to flatten out. The war in Bosnia and the surge of refugees fleeing the fighting in the former Yugoslavia had a profound impact on the country and, finally, on December 17, Austrians went to the polls in an attempt to solve an angrily deadlocked domestic political situation that centered on the scope of budget reductions.

If there was one figure that stood out solidly and impressively above the political, economic—and even social—turmoil, it was Austria’s outspoken and politically experienced Federal Chancellor, Dr. Franz Vranitzky, the 59 year old chairman of the Social Democratic Party and certainly among the youngest statesman—if not *the* youngest—in Europe today.

A tall and elegant figure with an appealing smile, an aggressive enthusiasm for a unified Europe, and a good deal of satisfaction over having led Austria into the European Union, Vranitzky’s personal dynamism and open personality are generally credited for the pronounced and somewhat unexpected victory margin of his Socialist’s in the December elections.

The Social Democrats (SPO) received

an impressive 38.01 percent of the vote (they got 34.9 percent in 1994). The Christian Democrats (OVP) with whom Vranitzky had ruled in a “grand coalition” government since 1987, reached 28.23 percent (27.6 percent in 1994), and the far right Freedom Party (FPÖ) under its populist leader, Joerge Haider, accumulated only 21.9 percent, an unexpected drop from 22.50 percent in 1994.

Vranitzky’s background is basically that of an economist and a banker, a background that has served him well as the head of the Austrian government. In 1984, after a meteoric career in banking, he became minister of finance, a post he held until 1986 when he became the federal chancellor. Two years later, he was elected chairman of his party.



In 1995 Austrian Prime Minister Franz Vranitzky was awarded the Fulbright Prize for International Understanding.

His efforts on behalf of a united Europe and of an active Austrian role in it along with his humanitarian policies aimed at helping Soviet Jews during their exodus from the Soviet Union in the 1980s and refugees from the Balkan conflict have been recognized in many quarters.

Last year, he received not only the Karlspreis Award from the city of Aachen, he was also awarded the important 1995 J. William Fulbright Prize for International Understanding at a State Department ceremony in Washington.

In his acceptance speech, Vranitzky

repeated his call for European integration, which he called "a very complex and at times contradictory process," and he welcomed the Central and Eastern European states' determination to join that integration as soon as possible.

"In all our efforts to strengthen the ties with the post-communist countries, our most important objective is to prevent the creation of new dividing lines in Europe," the chancellor stressed.

Vranitzky, unconcerned about reaction back home, in 1993 became the first Austrian head of government to visit Israel. And he delivered a blisteringly honest and politically courageous speech at the Hebrew University in Jerusalem, discussing the Austrians' role in the Anschluss and the ensuing Holocaust.

"There were Austrians trying to help Jews and risked their lives doing so," Vranitzky stated, "but many more joined the Nazi machinery, and some rose through its ranks to be among the most brutal, hideous perpetrators."

Austrians, he told his Israel audience, don't believe in "collective guilt but we do acknowledge collective responsibility." From an Austrian chancellor this was a refreshingly honest assessment of history and one not often heard at home, particularly not from a political leader.

It was also a striking example of the chancellor's admirable independence of mind and action, the kind of determined attitude that led him to open the border between Austria and Hungary in 1989, incurring the wrath of the East German government, but allowing thousands of East German refugees to make their way to the West and to freedom.

Dr. Vranitzky, father of two, is currently working to reestablish the coalition which broke apart last year and brought about the December elections. If he stays on as chancellor until 1999, he will have fulfilled a personal ambition: To outdo the late Bruno Kreisky and become the longest-serving chancellor in Austrian history.

—Fred Hift

ATHENS

YANNOS PAPANTONIOU

Yannos Papantoniou has the daunting task of wresting Greece's economy back into shape. As economy minister, he holds responsibility for the country's convergence program, intended to reduce Greece's inflation rate and deficit to

the European Union average by the end of the decade. That would qualify the Greeks to participate in monetary union and the single currency.

Papantoniou, 46, belongs to the governing Socialists' small but increasingly influential band of modernizers. They are now in the ascendant, following the resignation in January of Andreas Papandreou as prime minister because of ill health. The new prime minister, Costas Simitis, heads the party's pro-European faction.

Unlike most Greek socialists, Papantoniou started his political career in the European Parliament, rather than in a trade union or a grassroots party organization. Equipped with a PhD in economics from Cambridge University, he took the fast track to office, becoming an undersecretary while still in his early thirties. Critics say he seems more at home in Brussels than in a Greek village taverna; to many he is Greece's prime example of a "champagne socialist."

But few Greek politicians covet the economy minister's job. Four economic stabilization programs were launched in

the past decade. Three collapsed, either because of mismanagement or in a burst of pre-election spending. Nine ministers came and left. But Mr. Papantoniou's convergence program is still on track. "We can't afford another failure," he says.

In contrast to most of his predecessors, Papantoniou has delivered on his promises. Greece's inflation rate declined to single digits in 1995 for the first time in more than 20 years. The deficit shrank faster than expected, thanks to higher-than-forecast revenues for pension funds. The public debt appears to be stable.

Skepticism in Brussels over Greece's economic prospects has given way to cautious praise for last year's achievements. Papantoniou recognizes that pressure from the European Commission makes his job easier. Echoing a conservative predecessor, he says, "If the convergence program didn't exist we'd have to invent it." What he means is that without the discipline of having to meet strict economic targets, Greece would be much more vulnerable to the boom-and-

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bust cycles of the past.

The trade-off for five years of wage restraints and tight fiscal policies is access to large amounts in EU grants to upgrade roads, railways, and ports, and provide incentives for modernizing industry.

Growth last year was higher than forecast, thanks to the EU inflows and a boom in private investment. Papantoniou has won the confidence of Greek businessmen, traditionally suspicious of left-of-center governments.

Papantoniou's blackest moment came two years ago when his scheme for partial privatization of OTE, the state telecoms monopoly collapsed. The overseas institutions who were expected to buy 70 percent of shares on offer, showed little interest in investing, partly because of political opposition to the flotation by public sector trade unions.

This spring, however, the flotation should finally go ahead in a reduced form with 8 percent of OTE's equity being offered for sale through the Athens stock exchange. It will be a landmark in Papantoniou's campaign to boost Greece's capital markets, opening the way for other utilities to join the bourse.

Papantoniou, who is adept at keeping out of political infighting among Pasok's different factions, distanced himself from the battle to succeed Papandreou as prime minister, though he gave judicious support to Simitis. But if he succeeds in making Greece a candidate for monetary union, he will have a strong claim to becoming prime minister early next century.

—Kerin Hope

HELSINKI

JORMA OLLILA

Consumers shopping for cellular phones are increasingly smitten these days by the new lightweight, stylish phones available from Nokia. You know Nokia, the big Japanese firm producing top quality consumer electronics. But wait, Nokia isn't from Japan. The world's hottest cellular phone manufacturer is from Finland. Finland? A country better known to most Americans as tough competitors in Winter Olympic events rather than in manufacturing. Yes Finland, land of world-class ski jumpers and cellular telephone makers.

The man who led Nokia to its current world beater position, Jorma Ollila, presi-



Jorma Ollila has transformed Nokia Corp., once a stolid industrial company, into a sleek, telecom juggernaut.

dent and CEO, is *EUROPE's* choice as European of 1995 from Finland. Educated at the University of Helsinki and the London School of Economics, he began his career in London as a corporate banker with Citicorp in 1978. Seven years later, he moved to Nokia as vice president of international operations.

Ollila, 45, took over as president and CEO in 1992. He inherited a youthful company. Its 32,000 employees average 30 years old, and its management only 40.

Although its employees are young, Nokia has been around for 130 years. The company's name comes from a groundwood mill founded in 1865 on the banks of the Nokia River, which runs through southwestern Finland. One hundred years later, the mill merged with Finnish Rubber Works and Finnish Cable Works, forming Nokia Corporation. During the 1960s, the company began activities in the electronics sector and during the 1980s strengthened this business through several acquisitions.

By the 1990s, Nokia was manufacturing everything from computers and power generators to tires and toilet paper, but the company wasn't making money, reporting losses of \$213 million for 1991 and 1992. Enter Ollila, who took over in 1992 and set about the task of narrowing Nokia's focus.

Described as a manager who favors practical implementation over high-brow philosophizing, Ollila summed up

Nokia's basic mission statement—concentrate on telecommunications and compete globally—and set his company to the task.

Ollila has built upon Nokia's successes during the 1980s. The company had been among the leaders in developing cellular technology as Scandinavia's mobile phone markets began to take shape. The company latched on early to the GSM digital standard, which was eventually adopted as the standard in Europe and some Asian countries.

Ollila has overseen Nokia's expansion into 40 countries and has emphasized flexible, low-cost manufacturing and constant technological upgrading. As a result, Nokia has combined R&D facilities with its five manufacturing plants to allow for quick upgrading of designs. Also, with a product that has a relatively short life cycle (approximately a year and a half), delivering new technology to the marketplace is vital to remaining competitive. Nokia was first to sell digital phones that feature the ability to send and receive e-mail and faxes via a small screen on the face of the phone.

Two major events in 1994 had major implications for the Nokia's future. In July 1994, Ollila led the company into the US financial markets. Nokia became the first Finnish company to be listed on the New York Stock Exchange, and its price hit a high of \$78 per share last year before recently tumbling to the low thirties after reports that the company's 1995 final quarter earnings would be lower than those from last year. Even with such turbulence, many Wall Street analysts believe there is still plenty of growth potential for the American cellular market and continue to rate Nokia as a buy.

In October 1994, Finland voted in a national referendum to join the European Union. For a company with more than two-thirds of its sales in Europe, its country's full membership in the European single market loomed large. Finland's entry is especially well timed for Nokia. Large member states, such as the UK, Germany, and France, are in the process of liberalizing their telecommunication sectors, and the Finnish firm would much prefer to compete for business in those countries as a fellow EU member, rather than as an outsider.

Even though Ollila must worry about increasing competition from Motorola, Ericsson, and the Japanese electronic giants and finding ways to improve its

products and cut its prices, Nokia's future remains bright. Or as Jorma Ollila is fond of saying, "We are masters of our own destiny."

—Peter Gwin

COPENHAGEN

HANS HAEKKERUP

Hans Haekkerup, 50, Social Democrat defense minister of Denmark, is an Atlantic European. He believes that a strong NATO is fully compatible with the European Union, though his public support in Denmark for the latter is constrained by the official minimalist views of the Danish government that is fearful of losing a referendum next year on the outcome of the IGC, the intergovernmental conference on the Maastricht Treaty.

The Danish defense minister may be genetically predisposed to bridge any gap between US and European viewpoints. His father, Per Haekkerup, was a staunch anti-communist, an early proponent of both NATO and Danish membership of what was then the European Economic Community. And like his father, Hans Haekkerup for a long time sup-

ported the US in Vietnam, a highly controversial political position in the late 1960s in Europe. Lately, he has given full backing to the US Bosnian policy, and his son has served in the UN peacekeeping force that preceded the present NATO IFOR force.

Trained as a Russian-speaking reserve officer, Haekkerup graduated as an economist from the University of Copenhagen and started working for the Danish labor ministry and other governmental departments. But he quickly focused on a political career and became a member of Parliament in 1979 and minister of defense in 1993. As a NATO parliamentarian, he developed a strong network of transatlantic contacts, including US Defense Secretary William Perry. He unsuccessfully championed the Liberal Party leader and former Danish foreign minister Uffe Ellemann-Jensen as NATO secretary-general. They share a commitment to help the Baltic states preserve their sovereignty through closer links to NATO and the European Union, and in December 1995 he engineered a multi-party deal on Danish defense appropriations.

Haekkerup is a formidable opponent

in any political negotiation with his strong grasp of essential elements and his mastery of detail. His father was a great speaker and when called a populist considered that to be a compliment. Hans Haekkerup's political style is completely different, very low key and matter of fact, but nonetheless persuasive and efficient.

These qualities have been very much in demand in the relationship between Denmark and the Baltic states. Haekkerup has carefully nurtured bilateral relationships with all three states, and given them as much support as he can in their ambition to guard their national sovereignty with more than token armed forces. Like many Danes, he is acutely aware of the escalating risk to full Baltic independence flowing from the strong political lurch to nationalism in Russia.

But he is also active in developing bilateral military ties with Poland and appears to have a full understanding of the security impact of enlargement of the European Union with the countries of Central and Eastern Europe.

Haekkerup is widely believed to want Denmark's foreign ministry portfolio next, if it becomes available. That would certainly allow him to mount a broader

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offensive to strengthen Baltic ties with the European Union and NATO.

—*Leif Beck Fallesen*

AMSTERDAM

FRITS BOLKESTEIN

Ironically the Dutch person who was most outspoken on Europe in 1995, was a clear “euroskeptic.” It probably reflects the mood of public opinion that Frits Bolkestein, political leader of the conservative party VVD, set the Dutch debate about Europe last year. The VVD takes part in the “purple” government coalition of Conservatives, Liberals, and Social Democrats, but Bolkestein himself declined a cabinet post and has remained in Parliament, giving him the opportunity to remain outspoken.

Frits Bolkestein, 62, a former director of Shell, entered Dutch politics more than a decade ago with the aim of changing a political culture, which in his view was stifled by socialism, and of introducing a market-oriented liberalism in the economy. That is largely the policy of the current government, and in this sense he has seen his goals achieved.

With his eagerness for intellectual debates and his willingness to question sensitive issues, Bolkestein has contributed substantially to the national political debate, and at the same time he has gained a considerable electoral success for his party. He was among the first respectable politicians to raise questions about foreign aid, permissiveness of drugs policy, the perspective of unlimited immigration of refugees, the problems of a multicultural society, and about the benefits of European integration.

In the Netherlands, the political support for a unified Europe has traditionally been embraced by all major parties. Bolkestein questioned these established views, to the despair of his own party's European parliamentarians. And in 1995 a serious debate started in the Netherlands on the net contributions to Brussels, on the advantages and disadvantages of monetary union, the preferences of enlargement, the common foreign and security policies, the harmonization of social policies, and on the future structure of the European Union.

Clearly, Bolkestein's critical views have contributed to this debate, while at the same time he has aired concerns that are broadly shared among the Dutch population. With the intergovernmental

conference that is to review the Maastricht Treaty about to begin, Bolkestein appears to have moved the Dutch policy makers toward a more self-conscious position, which would also seem to be an excellent way to rein in unrealistic expectations about European integration. To be sure, the Netherlands will not lose its European dedication, but it may become more realistic in its considerations. So Frits Bolkestein, the euroskeptic, is the Dutch European of 1995.

—*Roel Janssen*

STOCKHOLM

CARL BILD

Despite the fact that his task is far from complete and despite the fact that there has already been some controversy surrounding his performance, it would be hard to overlook Carl Bildt for the nomination of Sweden's outstanding European during 1995.

Already during his tenure as Sweden's prime minister (1991-94), Bildt was criticized for paying too much attention to foreign policy, while neglecting domestic issues. Less than a year after leaving office, Bildt accepted the kind of international challenge to match his interests. As the EU peace negotiator for the former Yugoslavia, he worked alongside Assistant Secretary of State Richard Holbrooke, combining American and European clout to bring the warring parties in the former Yugoslavia back to the negotiating table and onto the military base in Dayton, Ohio. Bildt subsequently earned the job of so-called “High Representative,” responsible for the overall civilian peace complementation in the former Yugoslavia.

His task is daunting, and he may yet fail miserably—several deadlines spelled out in the Dayton peace accords have already been missed, and the long-term prospects for peace and stability in the Balkans are unclear, at best. But for now, Bildt, hardly the camera-shy type, is basking in the blaze of media attention around the world. (He has certainly broken the Swedish record for CNN air time in one year, although there are no official statistics to back this up.) At a recent conference on Bosnian elections held in Stockholm, Bildt managed to steal all media attention by bringing his young and playful son Nils to the opening plenary. Nils Bildt's adventures between

benches, delegates, microphones, and reporters became top photo material for the television evening news as well as the morning papers.

Bildt did receive some criticism recently in the American press for not moving fast enough in setting up his peace implementation team in Sarajevo. (The White House, however, distanced itself from that criticism.) Bildt countered by telling tales of power shortages, corruption (having to bribe one's way to a working phone line out of the Sarajevo office), and lack of money. Bildt pointedly mentioned that so far, only the Europeans had paid his organization any of the money promised to him at the outset, while the burden was supposed to be shared by the EU, the US, and a number of other nations.

Since then, Bildt's team appears to have got on track with the business at hand. In Europe, however, there is frequent speculation that the US will make Bildt the fall guy if the Dayton peace agreement is not implemented according to plan—that is, just in time for the presidential election in November.

American politics notwithstanding, should lasting peace reach the troubled states of the former Yugoslavia and should history judge Bildt's role in bringing about this peace favorably, he will certainly have earned himself a place among a select few European leaders who have successfully dedicated themselves to bringing unity to this violent continent.

—*Jonas Weiss*

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ARTS & LEISURE

ART

Russian Avant-Garde 1910–30: The George Costakis Collection

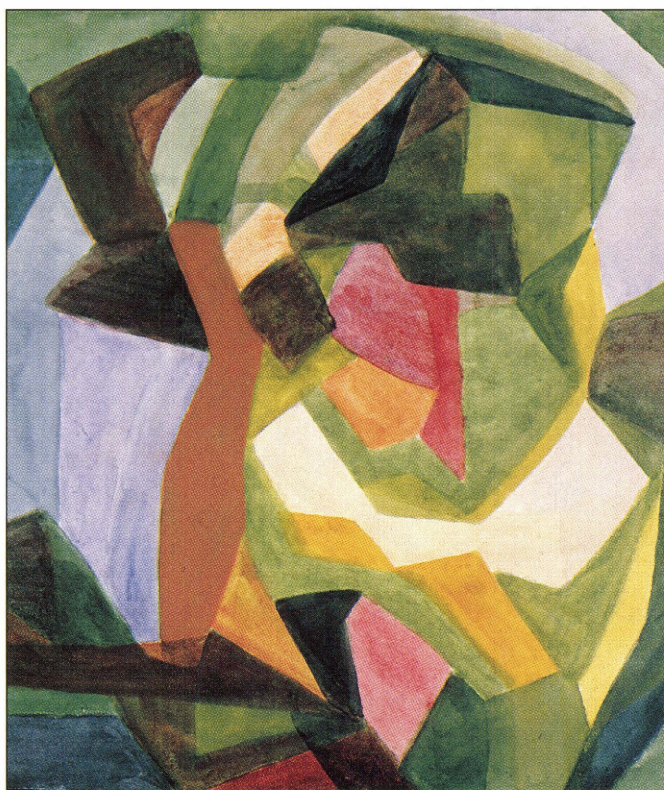
Through April 8; National
Gallery of Art; Athens, Greece

George Costakis, a Russian-born Greek who worked at the Canadian embassy in Moscow, devoted much of his spare time to hunting down and acquiring works of art produced in the feverish days before and after the 1917 Bolshevik Revolution. A self-taught collector, he fell in love with Russian avant-garde art in the 1940s.

Inspired at first by French cubists and Italian futurists, the Russian avant-garde took off in a new direction after Moscow and St. Petersburg-based artists threw themselves into politics and enjoyed a brief but heavy period as revolutionary heroes. As well as introducing abstract painting to Russia, they designed posters and ceramics and staged theatrical performances.

But the Stalinist clamp-down brought disgrace to abstract artists, who were forced to hide their work from the 1930s or switch to producing naturalistic paintings and sculptures in the approved style of socialist realism.

By the time Costakis retired to Greece in 1977, his collection amounted to more than 5,000 paintings, drawings, and sculptures. In return for donating most of it to the Tretyakov museum in Moscow, he was allowed to take about 1,000 pieces with him.



From the George Costakis Collection in Athens, an untitled watercolor on paper by Kslvia Ender.

Now the collection has been partially reunited for the first time. Before her death in 1994, Greece's culture minister, Melina Mercouri, persuaded Tretyakov officials to let works from the Costakis collection travel abroad. The result is an exhibit of extraordinary range and depth at the Athens National Gallery.

Costakis' salary, paid in hard currency, left him a little more than \$100 a month to spend on his collection. Given the lack of interest in avant-garde art, it was more than enough. As Costakis said before his death in 1990, "I was like a fisherman in a lake full of fish, while everyone else was searching for meat. There was no competition."

More difficult was winning the confidence of artists and their families at a time when it was forbidden even to discuss avant-garde art. Costakis made friends with artists like Aleksandr Rodchenko, formerly a prominent member of the Constructivist movement, and rediscovered the work of the Ender family, who experimented with collages.

By the early 1970s, however, the atmosphere had changed and foreign residents in Moscow would go to Costakis' apartment to view his collection, though its existence was still ignored by Soviet culture apparatchiks. It focused not on the best-known names like Wassily Kandinsky, Kazimir Male-

vich, and Marc Chagall—though they are well represented—but on their lesser-known contemporaries, including a number of women artists.

The 600 pieces on display in Athens include almost all known works by Liubov Popova, from oil paintings to sketches, textile, and dress designs, and lino cuts. She was scarcely known in the West, with only one show in Berlin before her death in 1924. But her series of *Painterly Architectonics* is as forceful as any Constructivist work by El Lissitzky or Vladimir Tatlin, among the movement's leaders.

Costakis also documented the Suprematist movement described by Malevich, its founder, as "the supremacy of feeling in creative art," expressed through geometric shapes, by collecting the work of painters like Ivan Kliun and Nadezhda Udaltsova which has rarely been seen outside Russia. Costakis' passion for collecting extended beyond paintings to designs for stage sets, several of which have been reconstructed for display. And he also acquired a collection of futurist books, written and drawn on coarse-grained paper for printing as lithographs rather than being typeset.

Sadly, the Costakis collection lacks a home. Much of it is stored in Germany. The family hopes that after being shown for the first time in Greece, the collection will be offered an exhibition space in Athens on a permanent basis.

—Kerin Hope

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Johannes Vermeer

*Royal Cabinet of Paintings
Mauritshuis, the Hague
March 1–June 2*

First there was the government shutdown, then came the blizzard. For 20 days this winter, the capriciousness of politics and nature closed down much of Washington, including its renowned museums. When the doors opened again, art lovers defied Arctic cold and lined up as early as 5 a.m. in front of the National Gallery of Art in competition for the 2,500 highly coveted free tickets given away to the public daily.

More than 300,000 people came to pay their tribute to what Earl Powell, the gallery's director, calls a "once-in-a-lifetime-event."

Johannes Vermeer is the first exhibition ever devoted to the 17th century Dutch master. It was organized by the National Gallery of Art and the Royal Cabinet of Paintings Mauritshuis, the Hague, where it will be displayed at its only European venue March 1 through June 2.

After working on their ambitious goal for more than seven years, Arthur K. Wheelock Jr. and Frederik Duparc, the exhibition's curators, were able to assemble 21 of Vermeer's 35 existing works, including loans from Berlin, Paris, London, Amsterdam, and New York. Even Queen Elizabeth II contributed to this exhibit with *The Music Lesson*.

The unique retrospective brings together works from all stages of Vermeer's career. Like most of his contemporaries, he started out with grand biblical and mythological scenes—so-called "history paintings"—then creating some cityscapes, among them the famous *View of Delft*. This great panorama of the artist's hometown is one of eight paintings that were

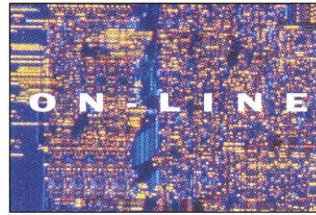
restored for the exhibition, and was seen for the first time outside of Europe.

Vermeer's masterpieces, however, are the intimate genre scenes. His portraits of women, lost in thought or absorbed in household activities, writing a letter, or playing an instrument, speak of tranquillity and purity. Vermeer depicts the commonplace but manages to give those simple scenes, as the curators say, "a sense of gravity and timelessness." Vermeer makes everyday life look precious and extraordinary. It seems as if he had captured these images in a moment when the world held its breath.

Art critics also praise Vermeer's superb technique. His paintings are rich in light and shadow, and he mixed his own colors, sometimes even adding ingredients like grains of sand to achieve certain effects. Also fascinated with perspective, Vermeer experimented with the vanishing point and the camera obscura.

Although very little is known about Vermeer, his works provide an insight into the Dutch painter. Born in Delft in 1632 as the son of an innkeeper and art dealer, he lived there his entire life. He was a member of the local painters' guild and recognized as an important artist who lacked financial success. To support his wife and 11 children, he was forced to sell other artists' works. Nevertheless, he was broke when he died at the age of 43. Though Vermeer's talent was never misjudged in the way of his fellow countryman Van Gogh, it was not until the 19th century, when French critic Thore-Burger praised his work, that he was rediscovered. Only then was Vermeer, next to Rembrandt, recognized as one of the masters of 17th century Dutch art.

—Claudia Hellmann

**Skiing on the Net**

Downhill, cross country, and even snowboard enthusiasts can download a mountain of information on European skiing through the Internet.

Worldski (<http://www.demon.co.uk/worldski.intro.html>) is a good starting point for those who don't have a specific region in mind. The site promotes a group of ski resorts across Europe. A recent inquiry found the Swiss town of Klosters as the featured resort. Information included the length of the ski season, the quality and quantity of snow, the number of lifts open—all updated daily. The site also lists the top 20 resorts and ski areas worldwide, broken down by ability level, and provides links to learn more about each.

SkiIN, the Global Ski Guide, has a home page on the World Wide Web (<http://www.idnet.fr/ski>) and is helpful for skiers who have picked France for their next sojourn to the slopes but aren't firm on the details.

The site, available in English, French, or German, allows a keyword search for a particular resort or town. If the area near Mont Blanc, Europe's highest peak, is the desired destination, you could select the Haute Savoie region. A list of ski areas would appear, and perhaps the town of Chamonix might look appealing. Further search would reveal the number of lifts and trails as well as a list of hotel, restaurant, an entertainment options. The site also includes suggestions for skiing with children.

Cyber St. Paddy

For the love of Ireland or the merriment of St. Patrick's Day, check out The Green Pages (<http://www.paddynet.ie.pages/>), a site covering a wide range of Irish interests.

It provides links to pages chronicling the life of the fifth-century saint (<http://www.irish.com/irish/stpatinfo.html>), his connection to shamrocks and snakes, and gives a toast one might invoke while celebrating on March 17.

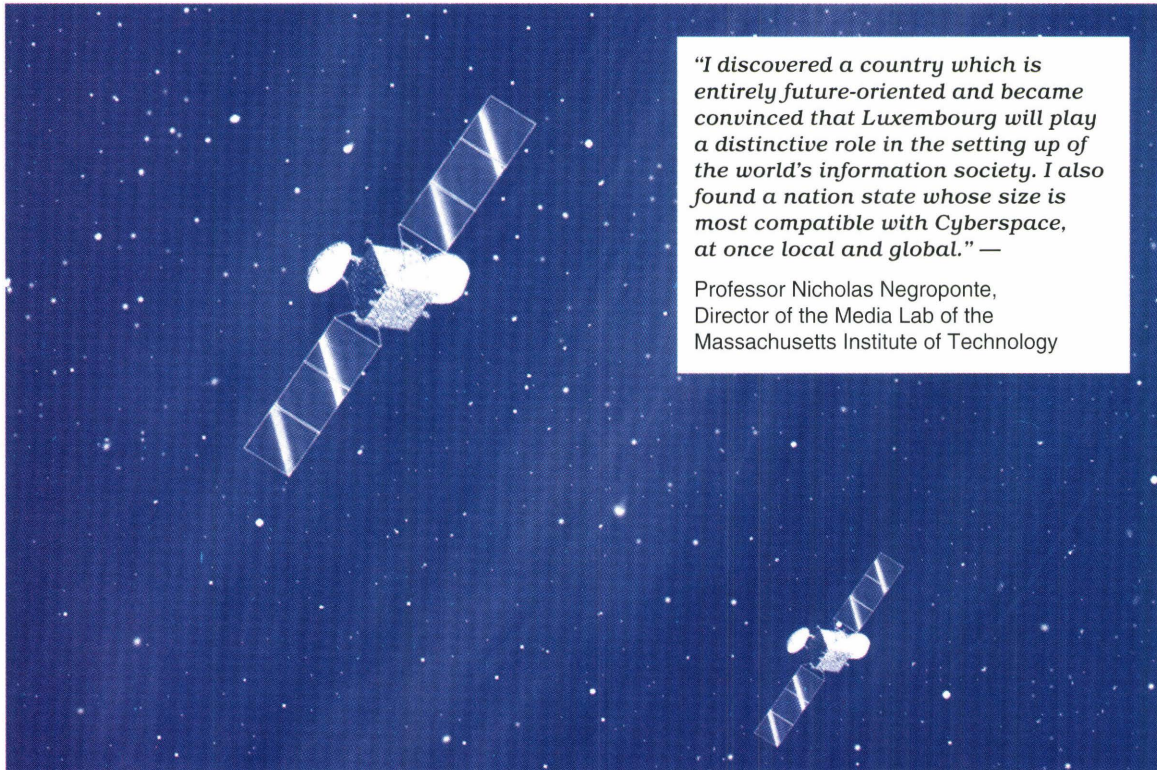
Another link (<http://www.irish.com/irish/stpatrick.html>) details the parade in Dublin, which draws some 100,000 spectators, and other celebrations in Ireland.

French Tourism Gets on Le Web

If you're planning a trip to France or just want to take a transatlantic whirl on the World Wide Web, the French government will soon offer a web site that should satiate even the most devoted francophile. The government's tourist organization, Maison de la France, is in the process of developing an extensive site that will provide an encyclopedia of virtually everything a visitor might want to see and do in France. From tours in the wine country to ski vacations in the Alps to premieres at the Cannes Film Festival to menus at some of the country's finest restaurants, the information will be readily available at the organization's as yet unnamed site. In the meantime, check out <http://www.paris.org/> for information on the City of Lights' more than 70,000 hotel rooms.

—Christina Rogers

Look for EUROPE's new department, *EU On-line*, beginning in April.



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