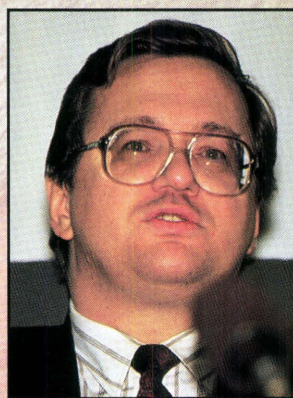
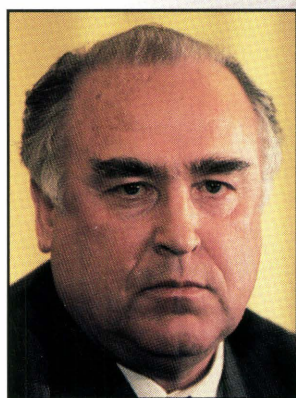


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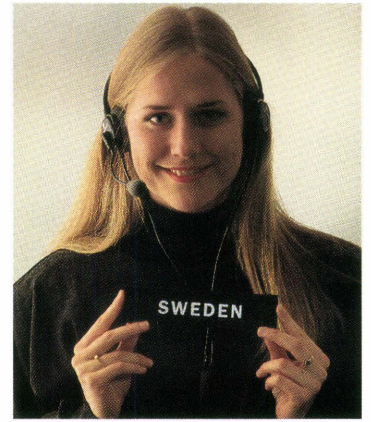
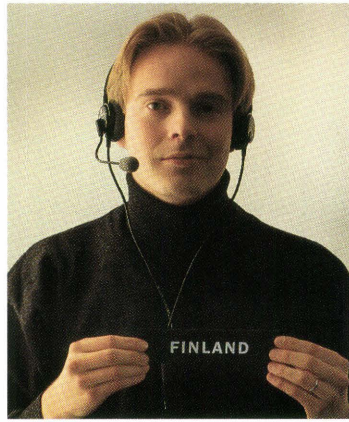
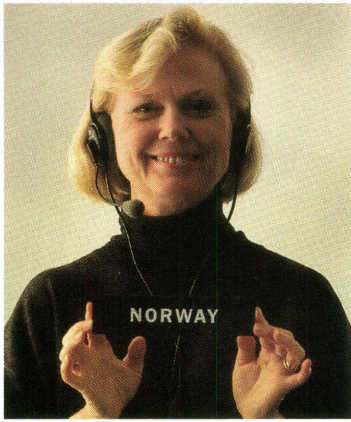


**After
Yeltsin,
Who?**

**The New
Silk Road**

Uzbekistan





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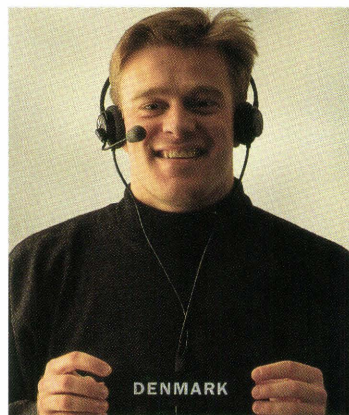
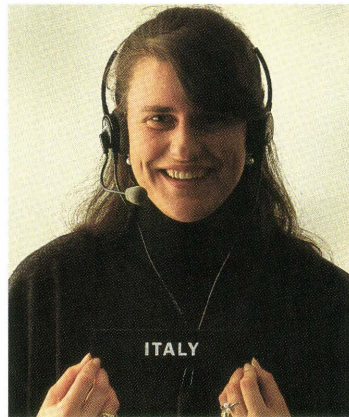
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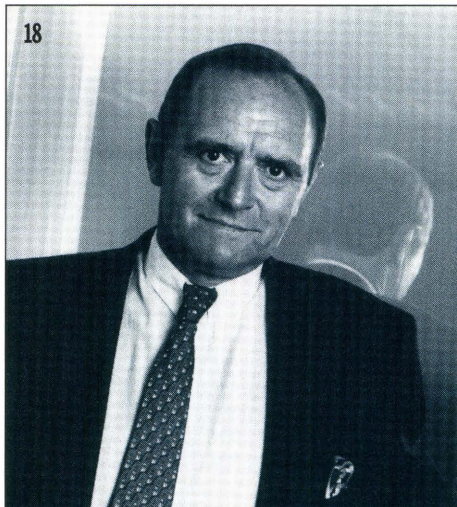
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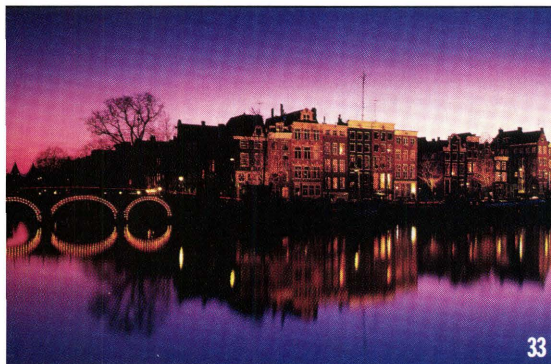
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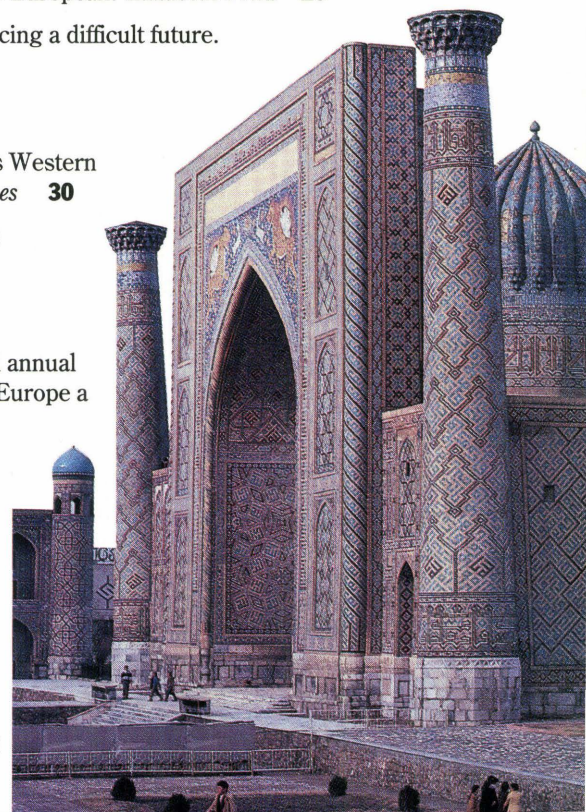
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Letter from the Editor

It would seem that almost everyone in the United States and Europe has heard of Russian President Boris Yeltsin, but very few people outside of Russia could probably mention any other leading political figure in Moscow. Martin Walker, former bureau chief of the *Guardian* in Moscow and author of several books on Russia, gives us a look at Russia's next political generation with profiles on Yegor Gaidar, Boris Fyodorov, Boris Nemtsov, and Alexander Rutskoi among others who might emerge as Russia's future president.

Walker also reports on the current state of EU-Russian relations and discusses the economic importance of Chechnya to the Russians. "Chechnya is the key intersection for the Russian oil and gas pipeline system, which explains why the head of the reformed Communist Party calls it 'our Kuwait'."

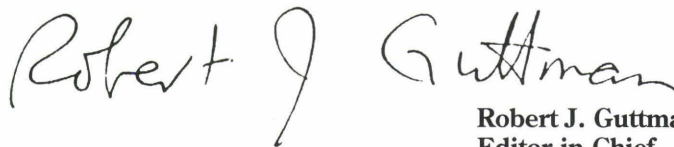
Benjamin Jones, our Madrid correspondent, has just returned from Uzbekistan and a trip along the old Silk Route. Jones reports that "with cautious steps toward the free market, there is evidence that Uzbekistan is moving in the right direction."

The Silk Road, which brought goods back and forth between Asia and Europe in the days of Genghis Khan, Tamerlane, and Marco Polo, is being promoted as a prime tourist route in Central Asia. While Jones points out that Uzbeki accommodations and restaurants are far below Western standards, he found visiting the fabled city of Samarkand to be a fascinating experience.

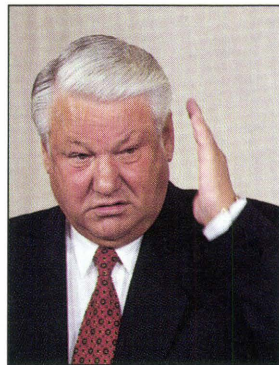
Elizabeth Pond, based in Bonn, has just returned from Ukraine and asks the question "Is Ukraine European?" The country which matches France in size and population is "executing real economic reforms for the first time and wants to keep open the option of joining European institutions someday."

Lionel Barber, writing from Brussels, discovers the key "people to watch" in the new Santer Commission in Brussels. And for the second year in a row, *EUROPE* presents our Europeans of the Year as seen by our writers in each of the EU countries. This year's European of the Year awards go to a diverse group ranging from Italy's Nanni Moretti, the director-actor of the popular movie *Caro Diario* to French businesswoman Nicole Bru to the British cross Channel shopper to Belgian Prime Minister Jean-Luc Dehaene.

EUROPE's EU country profile this month focuses on the Netherlands, a country that has seen its worst flooding in years with countless people forced from their homes. Roel Janssen, writing from Amsterdam, reports on the terrible floods that ravaged the Netherlands last month. Janssen also discusses the new "Purple Coalition" government in the Netherlands and writes about a Dutch business success story. "Only five years ago, Philips was on the brink of collapse." However, the well-known Philips Electronics NV has now made an "extraordinary turnaround" thanks in large part to the leadership of CEO Jan Timmer.



Robert J. Guttman
Editor-in-Chief



Who will follow Yeltsin? (on cover possible Russian presidential candidates from left) Viktor Chernomyrdin, Grigori Yavlinski, Yegor Gaidar, Boris Fyodorov.

EUROPE

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



FINANCING EUROPEAN INTEGRATION

Europe – a continent on the move

Europe continues to move towards economic, social and political integration. The European Union has recently welcomed new members, and is co-operating closely with the new democracies in Central and Eastern Europe.

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(1) On 20 February 1995, 1 ECU = US\$ 1.29

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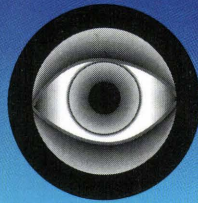
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EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

The European Commission lost out badly in the intergovernmental conference (IGC) that led to the Maastricht Treaty. It failed to make adequate preparations to present its case and eventually found that it was excluded in the final treaty not only from a significant role in the EU's common foreign and security policy, but also from police, judicial, and immigration issues which were reserved for intergovernmental decisions in the so-called third pillar of the treaty.

The new Commission president, Jacques Santer, is determined that the same mistake will not be made at the next IGC, which will convene in 1996 to assess the working of the Maastricht Treaty and prepare the way for expanding EU membership into Central and Eastern Europe. When the new Commission team met for the first time, Santer proposed that he and one commissioner should share the specific responsibility of preparing for the 1996 conference.

The man chosen for this role is Marcelino Oreja, 59, who joined the Commission last April, when Abel Matutes left to fight the Euro-elections. He is a Basque, the namesake of his father, a Basque MP who was assassinated in 1934, four months before the younger Marcelino was born, during the turmoil which led up to the Spanish Civil War.

His mother, now 93, raised him in San Sebastian and gave him an upbringing



EU Commissioner Marcelino Oreja

which well prepared him for his later European role. As a boy, he spent his summers in France and also visited family friends in England and Germany, becoming adept at foreign languages. He continued on this international course as a university student, following postgraduate courses in Bonn, London, and the Hague, after taking law degrees at Madrid and Salamanca universities.

In 1960 he entered Spain's diplomatic service as the top candidate in the entrance examination. He spent 10 years in the private office of the minister for Foreign Affairs, while doubling up with a part-time professorship in Madrid's diplomatic school. In 1970 he resigned from the foreign service to become undersecretary at the Ministry of Foreign Affairs. The death of Franco in 1975 propelled him into active political life, and he was appointed minis-

ter for Foreign Affairs in the first three democratic governments led by Adolfo Suarez. He held this post from 1976-80, when he was appointed as the government's representative in the Basque country, with the personal rank of minister.

In 1982 his party—the Union of the Democratic Center—was heavily defeated in a general election, though he was returned as MP for Alava. Two years later, his European career began in earnest when

he was elected for a five-year term as secretary general of the Council of Europe, based in Strasbourg. In 1989 he was asked to head the list of the right-wing Popular Alliance in the European elections and became a member of the European Parliament, where he was appointed chairman of the Committee on Institutional Affairs. In this capacity, he drafted a blueprint for a European constitution, though he resigned as an MEP in 1993 to stand once more for the Spanish Parliament, again being elected for Alava. As an MP he was elected chairman of the joint committee of both houses of Parliament on the European Communities. With this background, he told me, he could hardly refuse Santer's offer to be responsible for institutional affairs (along with culture, audio-visual policy, publications, and information) in the new Commission, though

he regretted ceding the responsibility for transport and energy, both of which he had held under Delors.

The first task awaiting him is to draft a paper on behalf of the Commission to be presented to the Reflection Group, which the member states will appoint next May, to consider the agenda for the 1996 conference. This will be, he believes, only one of a whole series of papers he will submit in the years ahead. Was he not afraid, I asked, of doing himself out of a job halfway through his five-year term, when the 1996 conference ended?

This he regarded as an unrealistic, even naive question, saying that the whole process, including ratification by the member states of whatever was agreed, was unlikely to be concluded before the end of the century. He did not demur from my suggestion that the 1996 conference was likely to adjourn while a general election would be held in the United Kingdom, the result of which would largely determine whether a fruitful negotiation would be possible.

In any event, Oreja is not awed by the prospect of setting out on a long road. His main hobby, "a silly one" he said, is walking along the pilgrim route to St. James of Compostela. "Last year I did 400 (296 miles) kilometers from Burgos to St. James," he recounted, "and every year I do part of the route. If my health holds out I would like to do the whole lot in 1999."

—Dick Leonard

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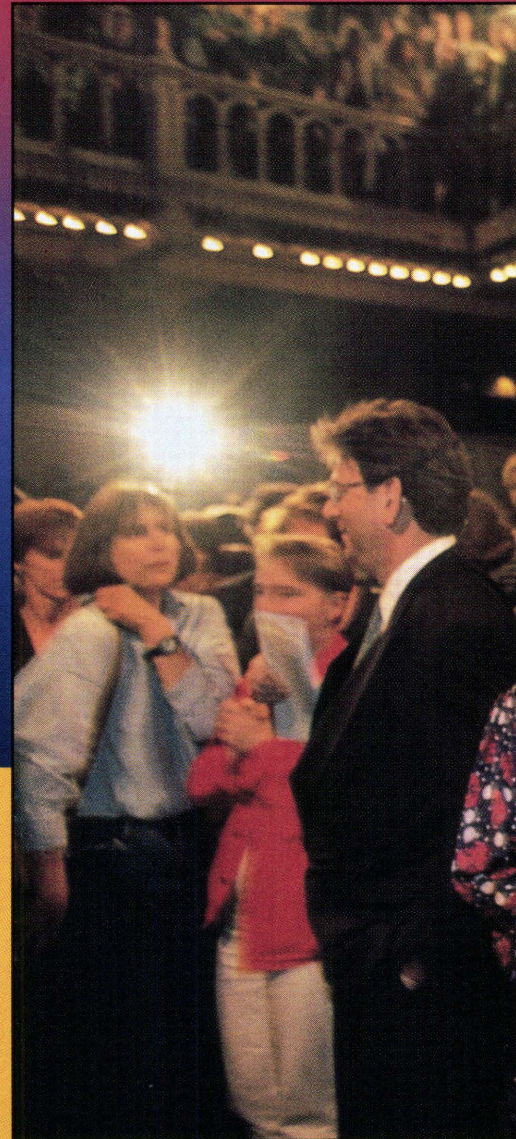
And while you're at it, ask them about tax facilities for investment, and Rotterdam's hospitable way of life. They speak your language in more ways than one.



ROTTERDAM: MAINPORT EUROPE

Last summer, an amazing political revolution took place in the Netherlands. A political party which had been a part of every Dutch government since before Communists came to power in the Soviet Union was sent into opposition. After more than 70 years, the Christian Democrats lost their iron grip on Dutch politics.

BY ROEL JANSSEN




The new coalition government, which took office in August, lacks, however, the Christian Democratic Party's (CDA) central presence. The new government is comprised of an unusual collection of parties, including the Social Democratic Labor Party and two liberal parties. VVD is a right-leaning, free market liberal party, and D66, founded in 1966 as a rebel party, is now a moderate liberal party and a favorite among upper middle class voters. This overall left-liberal government, dubbed the "Purple Coalition" because of the blend of party colors (socialist red and liberal blue), has begun a long overdue reappraisal of the Dutch political landscape and some of the country's social-economic issues—not unlike the Republican "revolution" taking place in Washington.

Although Prime Minister Wim Kok, a Social Democrat, has stressed that he is presiding over a coalition government like any other, the presence of three parties in power with obviously different views on a number of issues has meant that the political debate is livelier than it has been for years and that the indecisiveness once ascribed to Christian Democrats has been shoved aside.

The Purple Coalition, above all, represents the demise of the Christian Democratic Party. It is not only an ex-

THE COLOR PURPLE

A photograph of Social Democratic leader Wim Kok on election night in Amsterdam. He is in the foreground, wearing a dark pinstriped suit, looking towards the right. Behind him, a crowd of people, some in suits and some in casual wear, are visible. The scene is lit with warm, ambient lights, suggesting an indoor or evening outdoor setting.

Social Democratic leader Wim Kok watches his party roll to victory on election night in Amsterdam.

before the elections, a public row over the sensitive issue of the pension system—all spelled an unprecedented disaster at the polls for the Christain Democrats. Most glaring of CDA's problems was its insensitivity to its important political base—senior citizens. Elderly voters, who traditionally comprised one of CDA's main voting blocs, siezed on the pension issue and deserted the party in droves. Two new "pensioner's parties" formed as a result and ended up with six seats in Parliament—all formerly held by Christian Democrats. Overall, the party lost almost 40 percent of their votes and 20 seats in the 150-seat Parliament.

In the final tally, the Social Democrats took 37 seats, three more than CDA. After the results were in, Queen Beatrix made the historic announcement requesting Social Democratic leader Wim Kok to form a new government.

The election's repercussions did not end there for CDA. Within months, Brinkman was forced to resign the party leadership. And Lubbers, once a favorite to succeed Jacques Delors, lost out in the deliberations to decide the next European Commission president.

It took a few months for the Social Democrats to find partners for a majority. VVD and D66 had gained significantly in the elections, and both shared a dislike for the Christian Democrats, who after the election disaster were in total disarray and not prepared to join a Social Democratic-led coalition. And so, the Purple Coalition was formed under the leadership of Wim Kok.

Already, the ideological divisions among the coalition partners has been exposed during several controversial parliamentary votes. Against the wishes of VVD, for example, the government de-

pression of distrust in the Christian Democrats after so many years in office, but also the political manifestation of the continuing secularization of Dutch society. Church participation in the Netherlands is among the lowest in the world, yet many social institutions and norms are, to a large degree, still based on the historic religious pillars of Catholicism and Protestantism. The Christian Democratic Party has historic roots in both the Protestant and Catholic churches. Originally, it was formed from two Protestant parties and one Catholic party. As church influence has waned so too has the political power that CDA once enjoyed from its religious affiliations.

The Christian Democratic Party has also faced a major change in leadership. Ever since 1982, Ruud Lubbers was the undisputed Christian Demo-

cratic leader. For CDA, he won three elections and headed three governments, two with the conservatives and, from 1989, one with the Social Democrats. As prime minister, he reigned for more than 12 years, making him the longest serving Dutch prime minister of this century.

A few years ago, Lubbers announced he would leave politics. He personally designated Elco Brinkman, a secretary of culture and welfare in two Lubbers governments and the Christian Democratic leader in Parliament, as his successor. It seemed a foregone conclusion that Brinkman would be the future prime minister, and he acted accordingly.

The transition, however, was mishandled. Internal disputes, overconfidence bordering on arrogance, a poorly run election campaign, and just

cided to close a nuclear plant early. Also, despite strong opposition of the Social Democrats and D66, a further tightening of immigration laws was accepted. Other contentious issues include reforms of the social security system and the future priorities of foreign policy, defense, and foreign aid that will be debated in 1995. Those issues, all of them highly sensitive and deeply rooted in Dutch society—particularly social security and foreign aid—promise to be real tests of the government.

In other issues, however, the new

government has shown an unexpected toughness during its first 100 days. Agreements were hammered out that aim for severe cuts in public spending, lower taxes for social security, and lower public health care spending. Even though three Lubbers governments since 1982 had made progress in reducing the government deficit, it had become increasingly clear that the Netherlands could not comply by 1998 with all the requirements set down by the Maastricht Treaty, particularly regarding the total government debt

(currently 80 percent of GDP). So the new government has worked out a plan to accelerate the pace of adjusting to the treaty's requirements, and already many sectors are feeling the squeeze. But so far the budget cuts are politically unchallenged, and barring unexpected developments, it seems a safe bet that by 1998, Dutch public finances will be in healthy order.

At the same time, serious efforts are being undertaken in order to prune the social security system. Measures that were blocked under the previous gov-

Floods in the Netherlands

In a country that is mostly below sea level, winter floods hit hard.

For six days the Netherlands feared for the worst. Floods were threatening to inundate the central basin of the Rhine and Waal rivers, while further south the Meuse river was flooding its banks. Overnight, a quarter of a million people were evacuated from the areas threatened by the unpredictable forces of the rivers.

"We are living in an empty bathtub, and when the dikes break, the bathtub will be filled with water," one of the refugees said. The Dutch again are realizing why their country is called the Netherlands, the low lands. A large part of it is below sea or river level. If the Rhine and Waal dikes were to give way, cities, villages, houses, and farms would be covered by water. For the first time in a generation, such a scenario seemed imminent. A year ago there were serious floods, but the worst and best-known catastrophe was the flood in February 1953, when the dikes collapsed and large areas of the southwestern Netherlands were flooded by the sea, killing more than 1,800 people. It is an event that remains part of the collective national memory.

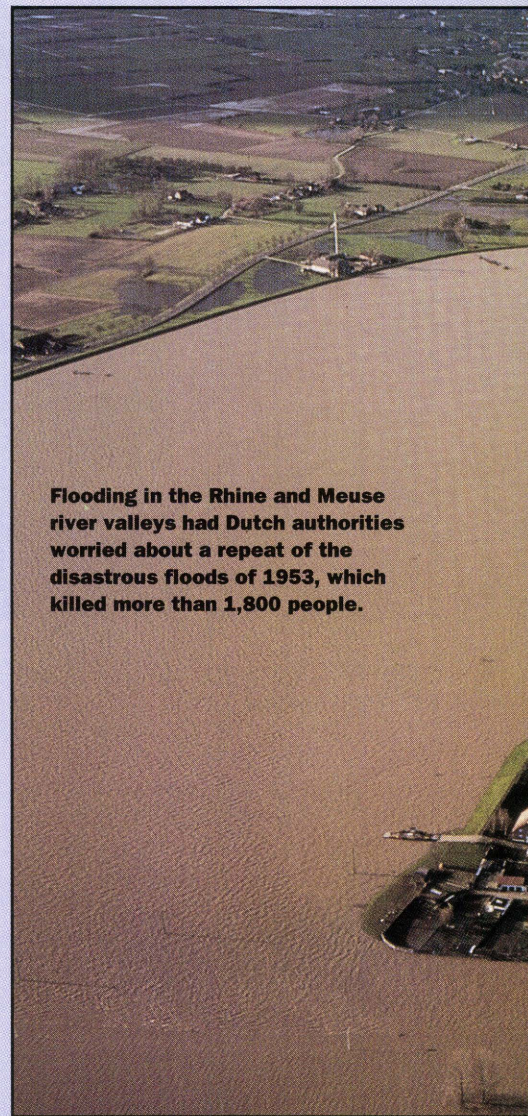
Since then, the sea dikes have been reinforced, but a lot less attention has been paid to the river dikes. The recent floods, however, have come from the rivers. Heavy rains combined with Western Europe's increased urbanization and deforestation along the river

borders contributed to the record floods this winter. Both the Rhine River (running from Switzerland through Germany toward its delta in the Netherlands) and the Meuse River (originating in France and Belgium) overflowed their banks upstream, before even reaching the Netherlands. The swollen rivers cross through the Netherlands before reaching the North Sea.

Record river levels were set. Along the upper part of the Meuse the damage was limited to flooded banks and evacuated villages. The real threat was Meuse's lower region and even more so the Rhine (and its two branches in the Netherlands, the Waal and IJssel). The dikes along these rivers protect densely populated and economically important areas that are located below the river level of these areas. In case of a dike bursting, the *polders*, areas three to five meters below the river level, would flood in a matter of hours.

The local authorities ordered the immediate evacuation of the threatened areas. In three days, nearly a quarter of a million people left their homes. Some found refuge in large recreational facilities turned into shelters by the government; others went to stay with relatives in safer areas. Farmers removed almost an equal number of cows, temporarily moving them to higher farmland. Shopkeepers and businesses cleared their stores, offices, factories, and warehouses.

To the astonishment of all, the evacuations caused no more confusion than



Flooding in the Rhine and Meuse river valleys had Dutch authorities worried about a repeat of the disastrous floods of 1953, which killed more than 1,800 people.

a few traffic jams on the small dike roads on the first night. No panic, no disorder, and no complaints. Everybody was keenly aware of the danger; nobody protested; no looting took place

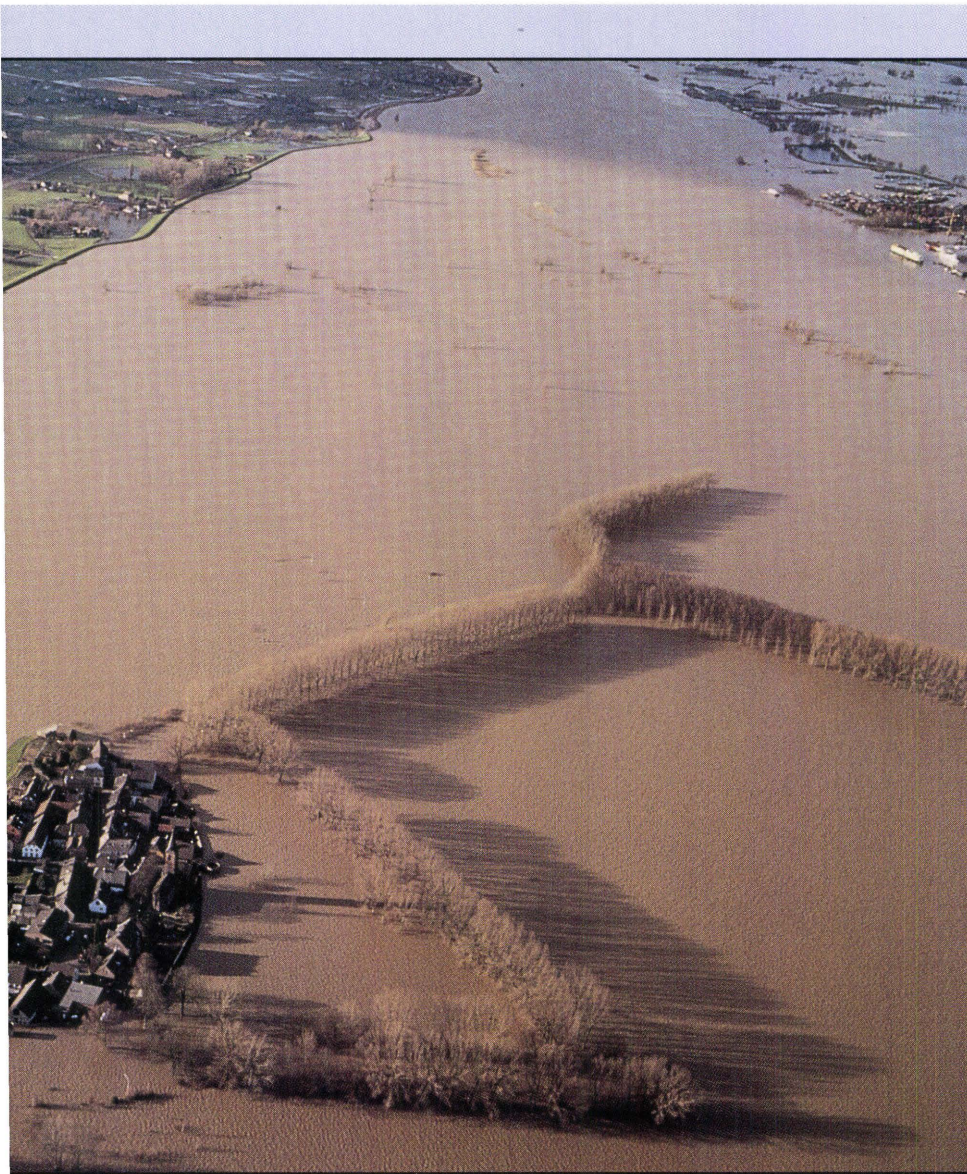
ernment have been accepted without much notice. Under the motto of "Work, Work, Work," the new government is working to limit access to one of the world's most generous welfare systems and to curb social security payments. These actions are expected to lead to a more flexible labor market, lower social security taxes, and improve the overall functioning of the economy. Additionally, it is hoped that these adjustments will eventually help ease the unemployment situation, the government's biggest challenge. Gov-

ernment estimates of 8 percent unemployment are said not to include several sections of the non-working population. If individuals collecting disability and early retirement are taken into account along with others not included in the government figure, Dutch unemployment is estimated to be around 25 percent of the total labor force.

The most practical effect of the left-liberal coalition may turn out to be the deregulation and liberalization of shopping hours. Next to Germany, the Netherlands have some of the most lim-

ited shopping hours of any industrialized country. Defying the opposition of the unions and churches, the government has decided to push for longer opening hours during weekdays and to allow local governments to decide on whether shops may open on Sunday. It's a small, but symbolic indication that something irreversible has happened. ☹

Roel Janssen, based in the Hague, is EUROPE's Amsterdam correspondent and a financial and economic correspondent for the NRC Handelsblad.



in the hurriedly left houses in the deserted towns. And except for one man who drowned when his tractor fell into the river, no casualties occurred.

The queen, the prime minister, cabi-

net members, and parliamentarians came to visit the threatened areas and refugees. The parliamentarians, in particular, were greeted with angry questions regarding why improvements in

the interior river dikes had been neglected. When raising the dikes had been brought up in the past, there was much argument about saving the scenic charm of the surrounding landscape; too much time was lost in complicated procedures; too little money was earmarked for dike improvements.

One night a weak spot in the dike near Ochten seemed about to collapse. The dikes, by now soaked with water like a sponge, were too fragile to bear heavy earth-moving equipment. So, with their bare hands local farmers, volunteers, soldiers (some from an elite unit that had just returned from UN duty in Bosnia), and the people from the *Waterschappen* (local organizations in charge of the dikes, their history dating back to the 12th century) piled up sandbags all night in order to prevent the break that would create a major disaster.

After five days, the worst was over. The dikes remained in place, and the rivers were finally receding toward their normal levels. The authorities permitted the evacuated to return to their homes; to bring back their cattle; and to return to their daily activities.

A week after the evacuation had started, the Netherlands was back to normal. Officials say that future floods like these may be prevented in part through better coordination of river bank policies with neighboring countries, including such measures as "giving back" some wetlands to the river. But the impact on the people of the disaster that was averted has been profound. If nothing else the Dutch have been starkly reminded of a seminal historical lesson: The threat of water is real.

—Roel Janssen

GATEWAY

THE NETHERLANDS is pulling out all the stops to safeguard its position as Europe's leading business gateway. The Dutch transport industry is confident but not complacent. The confidence springs from the fact that the Netherlands has used its superb geographical location on the doorstep of one of the world's biggest industrial regions to build the most sophisticated transport, logistics, and distribution infrastructure in continental Europe.

The two prime assets are Rotterdam, the world's biggest port which will handle over 300 million tons of cargo this year, and Amsterdam's Schiphol Airport, the third largest freight airport in Europe.

Both seaport and airport are heavily dependent on international traffic. Most of the 2.8 million containers handled in Rotterdam last year were on the dockside for less than three or four hours before being loaded on trucks and barges for onward transport to Germany's sprawling Ruhr industrial belt and further south. Schiphol too is hooked on foreign business with more than 70 percent of its air freight in transit to other locations in Europe.

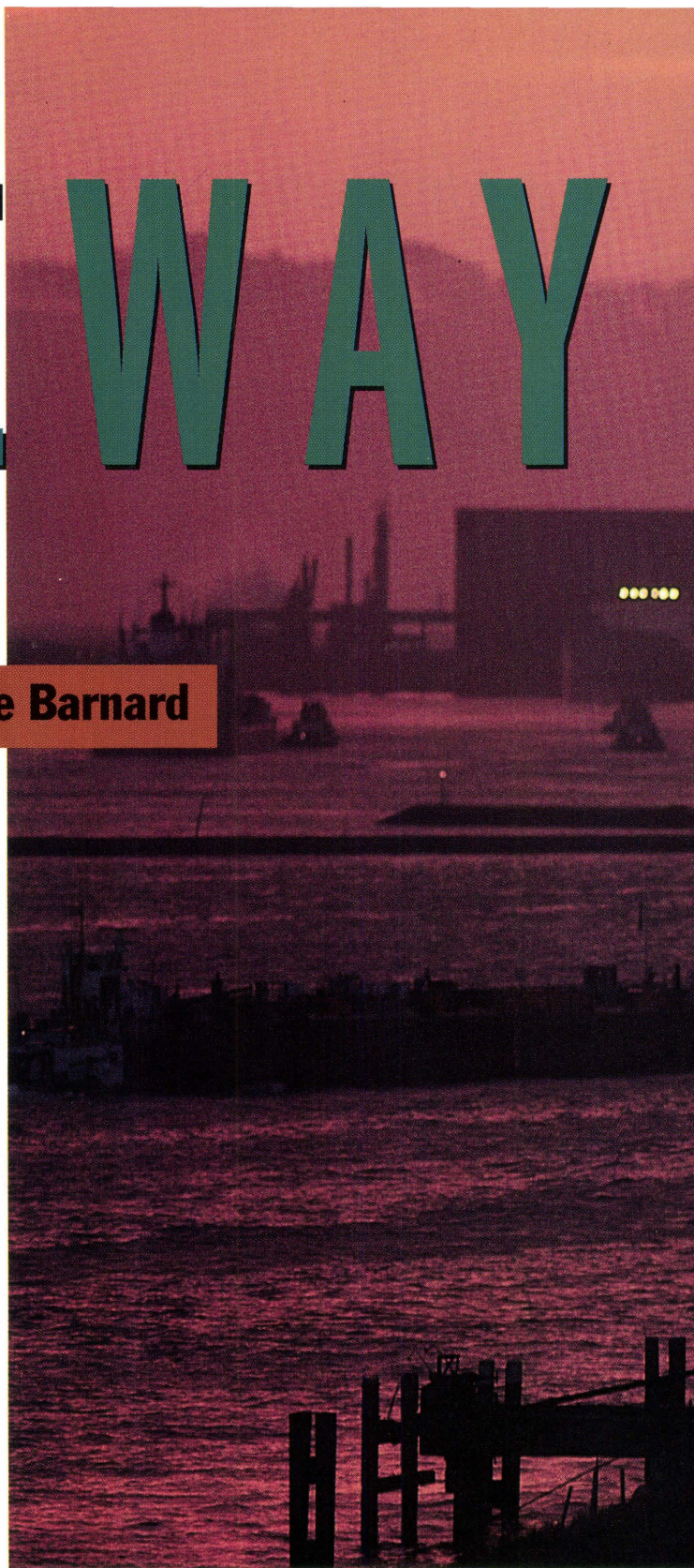
But the Dutch can't afford to be complacent. Rotterdam is being challenged by Hamburg, which gained a new lucrative hinterland after the unification of Germany and the opening up of Central and Eastern Europe.

"The market leader is under attack, it always will be," said

By Bruce Barnard

Willem Scholten, chief executive of the Port of Rotterdam Authority. The competition is fierce. The European Commission fined Deutsche Bahn, the German state railway, more than \$12 million last year for charging cut-rate rail tariffs to divert traffic from Rotterdam to Hamburg and Bremen.

Schiphol also is facing a renewed challenge from London, Paris, and Frankfurt airports, which are expanding their cargo facilities to take advantage of the current boom in air freight, especially on the Europe-Asia routes. With freight generating up





EUROPE

Rotterdam, the world's biggest port, will handle more than 300 million tons of cargo this year.

to 20-25 percent of revenues for some European carriers, cargo crates are no longer inferior to passengers.

Both Rotterdam and Schiphol grew at a slower pace than their rivals last year, triggering a bout of soul-searching in a country that prides itself on its transport prowess. All stops will be pulled out to reverse the trend because transport is so important to the national economy. The port of Rotterdam has created 380,000 direct and indirect jobs and injects nearly \$32 billion a year into the Dutch economy, according

to a recent report by the Netherlands' Economics Institute. The Dutch were hoping for a big payoff from the establishment of the European single market in 1992 as companies nationalized their manufacturing and distribution plants into few locations.

The Netherlands had a head start because it is the favored European distribution location for hundreds of American, Japanese, and more recently South Korean firms, lured by the worldwide reputation of Rotterdam and Schiphol, a

superb highway system, flexible customs, and the language skills of the Dutch work force.

Rotterdam and Schiphol executives no longer boast about the number of tons of cargo their facilities handle, but talk instead of adding value to the goods they handle through storage, light assembly, and distribution for companies in the electronics, computer, clothing, and pharmaceuticals sectors.

Some Dutch companies have built extremely close relationships with their customers. Frans Maas, the country's biggest trucker, for example, modifies voltages and keyboard layouts for Rank Xerox products before shipping them to various countries.

Almost every Dutch town is involved in transport logistics. The port of Amsterdam, for example, is the European gateway for Nissan cars and, central distribution center for its spare parts. The imposing Nissan office block near Schiphol airport is a major tool in the city's marketing campaigns. The port of Amsterdam is among Europe's top 10 ports, handling over 50 million tons a year despite the proximity of Rotterdam.

Amsterdam is also the headquarters of GD-Net, an express delivery company owned by TNT, the giant Australian transport firm, and the post offices of Canada and five European countries, including the Netherlands.

"Amsterdam will remain one of the most attractive locations for a foreign business to site its European operations," according to KPMG, an international consulting firm.

The Dutch have to invest and risk more than their bigger rivals, particularly France and Germany, both of which are finally getting serious about transport logistics. The Dutch also have to stay a step ahead of the competition. While France, Germany, and the United Kingdom have been involved in rows over air services with the US, KLM Royal Dutch Airlines has been enjoying the benefits of a pioneering "open skies" accord with Washington which gives it unlimited access to US airports.

KLM is constantly finding ways to survive with a domestic market of less than 15 million people. It was one of the first carriers to seek a foothold in the US, making an abortive bid several years ago for a stake in Flying Tigers, the all cargo airline eventually acquired by Federal Express. It has tried, without success, to buy into Cargolux, a Luxembourg freight carrier, and forge alliances with British Airways, Sabena, SAS, Swissair, and Austrian Airlines.

KLM finally struck gold with Northwest Airlines, its US partner. While British Airways and SAS were nursing big losses on their stakes in US Air and Continental Airlines respectively, KLM recently upped its Northwest holding by 5 percent to 25 percent which entitled it to a \$74 million share

of Northwest's record profit of \$295.5 million last year. Significantly, cargo has benefited most from the alliance.

Meanwhile, tens of billions of dollars are being spent to keep Dutch transport ahead of its rivals. Schiphol is in the middle of an expansion program to handle an expected 40 million passengers in 2010, compared with 21.3 million in 1993. The port of Rotterdam is spending \$2 billion on a giant eight terminal container complex alongside a \$500 billion automated facility used by Sea-Land, the US shipping line. Plans are being laid for high speed rail links between Amsterdam

Schiphol Airport is facing a renewed challenge as Europe's airfreight center from airports in London, Paris, and Frankfurt.



and Rotterdam, and Paris and Frankfurt. Trucking companies are investing in new fleets to maintain their 35 percent share of European cross-border road freight traffic.

The Dutch government also is stepping up its deregulation program. It has dismantled the postal monopoly and partially privatized KPN, the telecommunications and postal authority. PTT Post, the postal wing of KPN, recently vetoed an increase in the fees European post offices charge for the delivery of incoming mail to protect its position as a leading "re-mailer" of foreign mail for magazine publishers and other corporate customers. Nederlandse Spoorwegen, the national railway, is being pruned for privatization and its cargo division, NS Cargo, was spun off as an independent company on January 1. "We must stand on our own feet. There will be no more subsidies," said Ed Smulders, managing director of NS Cargo.

The Dutch government has also moved to remove the country's Achilles' heel—a relatively underdeveloped rail freight system—at a time when European countries are trying to force goods off the continent's clogged highways. A government-appointed commission recently approved construction of a \$4 billion, 75-mile long freight corridor from the port of Rotterdam to the German rail network.

What pleases Rotterdam executives most is that the Deutsche Bahn was just as keen as they were for the track to be built. "They know Rotterdam is Germany's biggest port," said Mr. Smulders. ☺

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

EUROPE INTERVIEW

Jan Dix

President of Océ USA

Jan Dix, president of Océ USA, a Dutch-based photocopier manufacturer, spoke with *EUROPE* about the photocopy business, the problems of being a small company competing against larger firms, and the operations of Océ in the United States.

How does a smaller company like Océ effectively compete against the bigger companies like Xerox, Canon, Kodak? What's your strategy? Are you the David versus the Goliaths in the photocopy industry?

Yes, the most critical thing for a smaller company is that you have to define the segments you want to work in.

Océ is focusing on certain segments where we can show our customers that we can do a better job than our competition. It is only possible if you limit yourself. So again, the engineering market is a small market, and there we are fully competitive. In the office copier markets, we are only limiting ourselves to the high demand and very high volume products. We are focusing on the organizations that really are looking to reliability, quality of the



copying and prints, and the interface with the user—productivity of the user. And if you look to the end result, in that segment, in the world, there are today only three companies capable of making products in the very high volume segment. Océ is the only other company besides Xerox and Kodak selling

100 copy per minute machines in the US. Océ is the only European company doing that.

How does your company compete against the US and Japanese firms?

Only by segments. And what we have done is limit ourself to the segments of the market where we can show quality, where we also can support ourself with quality products.

How many employees do you have?

Twelve thousand total worldwide.

And how many do you have here in the United States?

We have roughly 2,000 in the United States.

Are your heads of offices Americans or are they all Dutch, here in the US? Can Americans rise to top management positions?

Yes. It was by accident that I became president of the company. In general, we had Americans in the president position in the past. The president of the Office Systems Division is an American; my vice president of service is an American. Chicago is the head office for Océ USA, [which oversees] the US activities. Also out of

Chicago we oversee the activities in Canada and South America.

So do you make any of your equipment in the US? Or is it all made in Holland?

The equipment is mainly made in our European—Holland operation. In principle, what we do is we develop the products ourselves, so we have an unbelievably strong R&D department. We are one of the largest R&D facilities in Holland, after Philips, Shell, Unilever.

How do you account for the Dutch having such large investments in the US?

The relation between Holland and the US has been a great one. It is two-sided because the Dutch are making a lot of investments in the US. At the same time, if you see where US corporations are starting up their European head offices, it is very often in Holland. If you look at the trade balance, the trade balance with Holland is for the US very positive. It's a lot of activity. The Dutch are only 15 million people which means that we are not threatening. The Dutch economy is very open, so we are really getting products in and out. Ninety percent of Océ's activity is outside Holland.

Is there a work ethic of the Dutch—something that made it a business-oriented culture?

Yes, the Dutch historically have been explorers. We have had, of course, a lot of trade. Since the 16th century, we have been trading in the Far East, in Indonesia, in America.

What's your business plan for the US? Is this one of your growth markets?

Yes, it is a very dramatic growth market. It is also the ultimate test, because if you can do it here, as Frank Sinatra said, if you can do it in New York, you can do it everywhere. It is also for us really the challenge of the concepts, the products we are developing, our own technologies of course, competing in a very tough market which is also very sensitive to technology changes. It is a great way to compete and to learn.



Where is Océ's largest business?

It is today in the US. So we are very proud. We now have 19 percent of our activities in the US.

We had an issue entitled, "Can Europe Compete?" Is Europe falling behind the US and Japan because of high wages and benefits?

Corporations in the US address problems, adapt structures, and downsize organizations very aggressively. So that gives US corporations, at the moment, an advantage on the global market. In Europe, downsizing just started, and we have to change. We have to adapt to it. You can't avoid that. Of course, the social climate is difficult to make that kind of change.

Is your business pan-European or country by country?

Americans are looking at Europe more as one Europe than are the Europeans themselves. I worked in Denmark for four years and three years in Belgium. Going over the border you really leave one country and go to another country, and things are not automatically related.

Are American firms more pan-European in their objectives than their European counterparts?

Americans do have more pan-European approaches than the Europeans. Let's say, an American company introduces a new product. They introduce it in all the countries, and they will have one introduction manual for all European countries. I think most European companies make a product and say to the local management, in France, in Germany, in Britain, here is the product, this is a description of what it can do, find a way to sell it. Sometimes this can be a big advantage.

You are small compared to US photocopy giants. How do you compete?

Like I said earlier, being a medium-sized company with 12,000 employees and working on a global market. We have to define where we want to sell

and what we want to sell. For example, Volvo can't beat General Motors on everything; they can do a very good business by segmenting. So, the first thing that we did was segmenting in the engineering world and in the high demand copier world. Of course, that's valid for how we do our business in Europe and how we do the business here.

The next step is how to profile ourselves and to understand what are the weaknesses on the local markets. And there, we have found that American users are very interested in the reliability and durability of copiers. It has been a major problem in the copier industry. Copiers are unbelievably complex products, and so there are not many companies who can even make the products. To give you another example, Océ is the only one in the world who has their own process. Everybody else is using the old xerographic process.

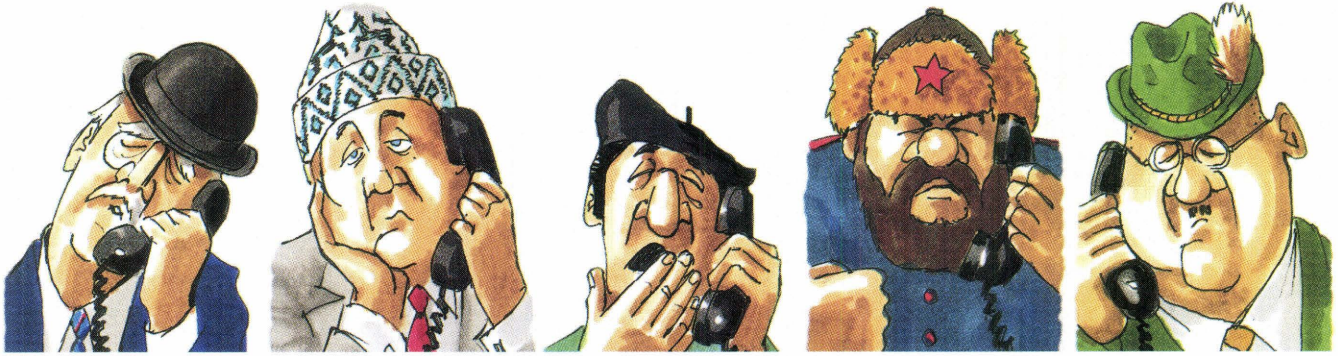
Will we see a United States of Europe? What are the main problems with achieving that?

The language and history. There is more history in fighting between the countries. Luckily, we haven't seen (much of it) in the last 45 years. It's a different mentality; the languages are different; economic situations are different. If you go from Denmark to Germany, Holland to Spain, Italy, Greece, things are very different.

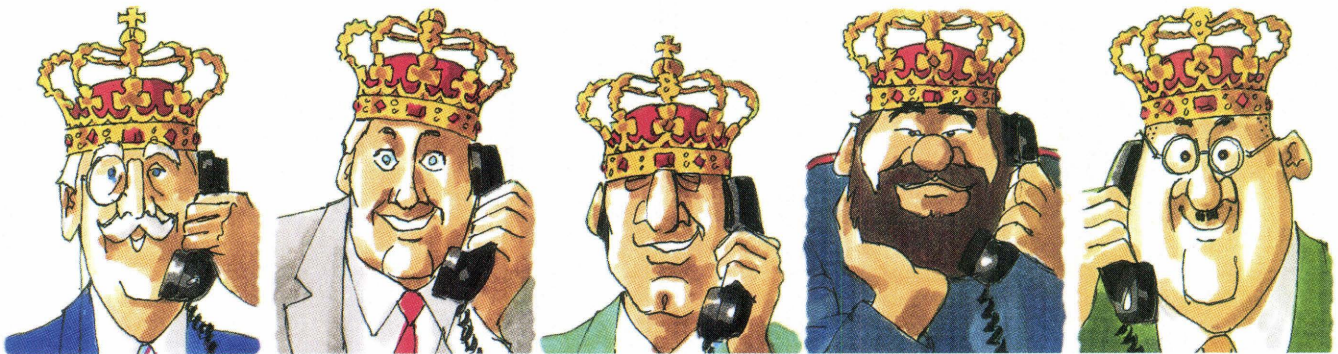
What are the major differences between selling in the US and selling in Europe?

Some of the sales activities in US and Holland are rather similar. In the US organizations are very open. It's great, as a European company coming in with a good product to encounter people willing and open to talk about your product and look at the product. It is even easier than sometimes going from one country to another country in Europe.

The requirements on quality are the same. There are differences more on the user side for our products. I think people are expecting faster technology. Willingness to move to new technologies is greater in the US than in Europe. Europe usually takes another one or two years. And so the excitement with new products you can create is bigger in the US. ☺



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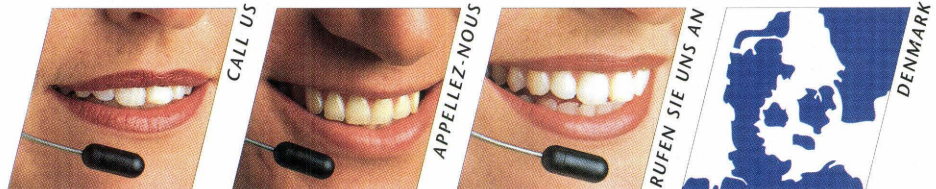
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Philips Sees the Light

Jan Timmer's Operation Centurion secured Philips' future and his reputation as a top flight manager.



By Roel Janssen

The "White Lady" is having a face lift. Philips Electronics NV, the Dutch firm, is transforming its former industrial complex into a center of art and culture, modern living, technology and commerce. The firm plans to add a museum and a design center, a library, and some luxury apartments to what was once the company's light bulb factory.

The whitewashed, six-floor building is a symbol of the early industrial expansion of Philips. Built in the 1920s across from the original factory where the brothers Anton and Garard Philips started their business a little more than a century ago, its design reflects the personality of its founders—solid, modern, and prudish. The building originally had separate stairs for male and female workers. And now, with the support of, among others, the European Union and the Dutch government, the White Lady will become a museum of the future in the center of Eindhoven, the Dutch city near the Belgian border where Philips has its world headquarters.

Only five years ago, Philips was on the brink of collapse. The company seemed too complacent, bureaucratic, and ineffective to compete with the more aggressive Japanese electronics firms. Although Philips had made some remarkable technological innovations—the video recorder and the compact disk were first developed by Philips—it failed to market them successfully. Philips seemed destined to become the next victim of the expansionist Japanese electronics industry. Light bulbs were still the key money maker for Philips. Year after year, overall profits

fell, and the company's share price sank to new lows. Had it not been for the fierce protection of its share ownership, controlled by a foundation of the Philips family, the company might have been an easy victim of an unfriendly takeover.

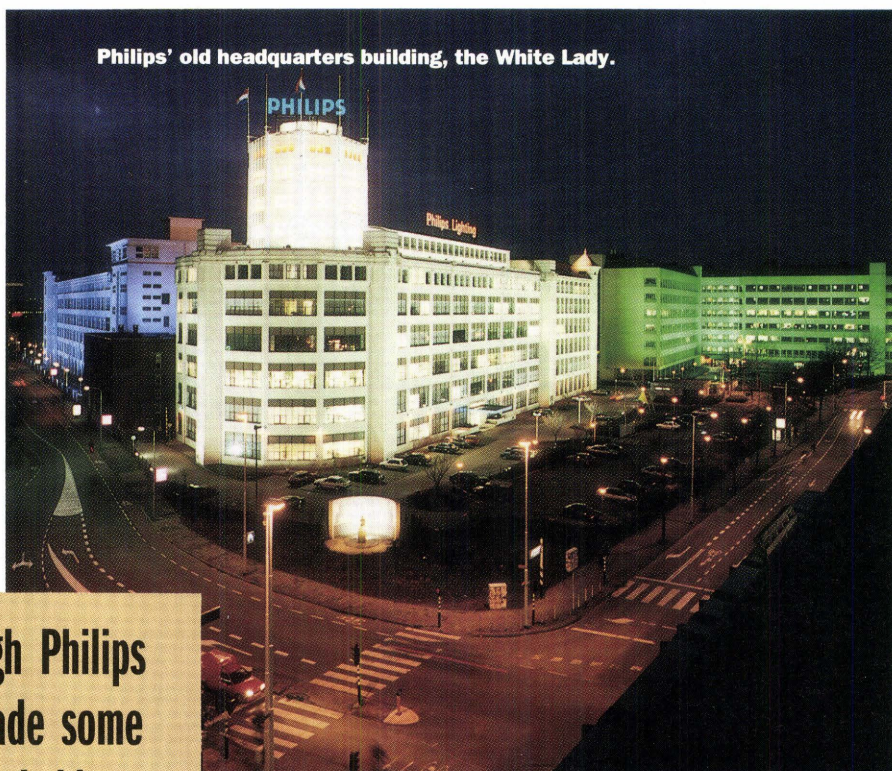
Two successive presidents of Philips, Wisse Dekker and Cor van der Klugt, tried but failed to turn the tide. Then, in near desperation in 1990, the executive board appointed Jan Timmer chairman. This robust, yet soft-spoken, manager had gained a reputation for persistence and persuasion in restructuring ailing divisions within the company. The board gave him the Herculean task of turning the entire company around.

Five years later, it is clear that Timmer was the correct choice to lead Philips. He began with a large scale restructuring plan, which he dubbed "Operation Centurion."

Timmer and a close group of confidants began by shaking up all of Philips' divisions. New leadership was brought in, both at the corporate level and in the operational divisions. In the Netherlands, "Centurion" got the discreet but active support of the government. The unions cooperated, knowing that a failure of the operation might mean mass unemployment.

Inevitably, jobs were cut in the restructuring. Worldwide, Philips has shed 59,000 jobs since 1990, leaving a work force of 238,000 at the end of 1994. Factories producing electrical appliances as well as brand new plants, including a newly built computer chip factory in the Netherlands, were closed. Timmer also began generating cash as Philips sold off divisions of the company. The washing machines and refrigerators division went to Whirlpool, and the company sold out its interest in a joint venture with Matsushita. As a result of the sell-offs other factories were liquidated. It even sold the pricey real estate of the Philips headquarters in Paris. With the revenues of these sales, Philips retired some debt and, after a huge write-off for restructuring costs (which caused a net loss in 1992), showed

Although Philips had made some remarkable technological innovations—the video recorder and the compact disk were first developed by Philips—it failed to market them successfully.



Philips' old headquarters building, the White Lady.

a profit again in 1994 of almost \$1.2 billion.

Timmer continued to preach cost-cutting and increasing productivity. With lower prices, the volume of sales increased. At a meeting in early 1994 presenting the 1993 year-end results, Timmer stated that the objectives of Operation Centurion had been met or, in some cases, surpassed. Of the five product sectors three were profitable—Light, Other Consumer Products (among them the highly profitable music label Polygram), and Components & Semiconductors. The two product sectors still losing money—Consumer Electronics and Professional Products—attribute their losses to problems stemming from the German Grundig subsidiary and from Philips Communications Industries.

Overall, the electronics landscape appears much different than it did when Timmer took over. The Japanese competitors are now facing their own serious problems. Philips has regained profitability. Last year, for the first time in four years the company paid a small dividend to Philips shareholders, and the share price has risen from a low of 16.90 guilders in 1992 to a high of almost 60 guilders (approximately \$35) in 1994.

Undoubtedly, Timmer deserves much of the credit for the extraordinary turnaround of Philips—from an ailing industrial dinosaur into a corporation with renewed flexibility and confidence in its future. After more than 40 years at the company, breaking with traditions that had long outlived themselves, he said last year that Centurion "will never finish." His ultimate goal, he confessed, was "to run the company from a beach in Hawaii, sending a fax every now and then saying, "Well done, boys, go on like that." ☺

Roel Janssen, based in the Hague, is EUROPE's Amsterdam correspondent and covers finance and economics for the NRC Handelsblad.

Yves-Thibault de Silguy

Yves-Thibault de Silguy, former counselor for European affairs and trade in the office of French Prime Minister Edouard Balladur is the new EU commissioner for economic and financial affairs, monetary matters, and credits and investments in Brussels. Mr. de Silguy, in an exclusive interview in Paris, spoke with *EUROPE* Editor-in-Chief Robert J. Guttman about the role of the Commission, the enlargement of the EU, and the key economic issues facing Europe today.



What do you hope to accomplish as a new commissioner in Brussels?

When you are a commissioner, you belong to a team, and my ambition is to work with the other members of the Commission to achieve the aim of the treaty. It's very important to respect the responsibilities of the Commission. Arbitration is important. There is no common market without rules, or enforceable rules without arbitration. The role of the Commission is essential. For the role of the Commission, for me, is the role of management.

What are your views of Jacques Santer?

Each president has his own personality and own character. And I'm sure Mr. Santer now is the right man at the right

to 1998. We will have the problem of the freedom of people. The free movement of money has to be realized in the Union.

Are there any other key issues?

There are two other key issues. One is the problem of relations between the EU and Russia. And next is the addition of Eastern European countries, which are not now in the Union. We have to set the framework for the political, commercial, and economic terms. We have to preserve the stability of Europe. Another serious problem is economic growth and unemployment. And this is a permanent problem. We have to deal with the problem of competition and unemployment. We have a very large agenda.

the Union, and to maintain or to improve the representativity of the system. Because it's necessary to diminish the gap between the institutions and the people. Europe is too far from its citizens. It's necessary to bring us closer, to bring closer together the institutions and the mechanism of decision-making to the citizens. It's difficult for the citizens to see the utility of the European system. It's necessary for the Commission to have an effective communication policy that proves that decisions at the European level are useful and good not only for Europe, but also for all the citizens in Europe.

How is that going to be accomplished? How would you say the mood of the average French citizen is toward the European Union? Do they understand it, and do they feel it is helpful to their everyday lives?

In France especially, the citizens do not realize the positive effects of the European system. There is a problem of communication. We, especially in the Commission, have to explain that what we do in Brussels is good and necessary for Europe and for the citizens in Europe. In saying that, we have similar problems and concerns in Brussels and throughout Europe. We have to give more visibility to European policies, and we have to communicate these policies better.

What are the goals of the French presidency?

The key goals are growth in employment and security. But, first, growth in employment. Second, security, in domestic and external terms. External means Bosnia, as part of Europe's stability. Also, the problem of cultures, the identity of European cultures. The fourth, the institutional reform of the EU, to become more effective. It is necessary to begin institutional reform.

You mentioned the enlargement of the EU to include Eastern European countries. Their economies are not like Sweden's or Austria's. They're not up to speed economically. What kinds of problems is this going to cause, and do you see them becoming members before the year 2000?

The political pressure to begin the negotiations will be very strong. It's clear, this enlargement will create

“We have to give more visibility to European policies, and we have to communicate these policies better.”

place, because he knows European affairs very well. He is deeply convinced of the necessity of European integration. He is a very skillful and clever politician. And I am sure he is convinced of the necessity to give more importance to the collegiality principle inside the Commission. I am convinced his presidency will be a very successful one. I want to help him and to give to him the best of my abilities, my capability to achieve good work during the next five years. As you know the next years will have a lot of very important and very complex problems to deal with.

What are these complex problems the EU will deal with in the next few years?

First, there is the intergovernmental conference in 1996, and second, the enlargement of the Central European countries. Third, you have the realization of the single currency, which is unique. Discussion of the framework in financial terms of the Union will go up

How do you feel about the addition of Finland, Sweden, and Austria to the EU?

It was a necessity because these countries are European countries. There is no difference between their economies and the economies of the other member states of the Union. And better, these three countries are richer than the average (member) of the present Union. It's an economic plus. There is no problem of enlargement. It is a good thing for Europe because we enlarge the market. These countries are European and democratic. So, it was politically necessary to welcome them into the Union.

It will be, however, more difficult to have efficiency with 15 member states, because the EU was established to function with six member states. The aim of the next intergovernmental conference in 1996 is to find the means to preserve or to improve both the efficiency of institutions and efficiency of mechanism of decision-making inside

some problems for the current member states. In budgetary terms, for instance. The Central European countries will have to absorb the rules of the Union. It means a fantastic harmonization of legislation with rules about standards, and about competitive rulings. There are a lot of problems for the possible new member states, to be able to absorb

this legislation. It will be necessary to have some time to achieve this new enlargement. But, before waiting for the end of the process of negotiation, it's necessary to find some procedures to help these countries in the process of getting up to speed.

Some people have talked about a two-speed Europe. Do you favor France and Germany moving ahead of the other countries?

No, I don't think it's a good thing to say France and Germany are to move ahead together alone. European construction is a common process. It's necessary for all the member states to have the same rights and the same obligations. But, with the enlargement process, if some countries want to go ahead faster, I feel it's not possible for some countries to block the move.

How would you define the European Union? Is it more than a trading bloc? Is it a government?

The EU is not a bloc, and it is more than a common market. It's not only a common market. It is an organization of the European continent, part of this world, with two aims: peace and prosperity. Don't forget, when Europe is

not organized with a stable system, with an open trade system—it is the lesson of history—the consequences were bad for peace and for prosperity. The main justification of the European Union is to give to the world the evidence and the attitude that in this part of the world we will have peace and prosperity.

Do you think the European Parliament needs to be strengthened, or do you think it's okay the way it is?

It's a very difficult subject because we have in Europe two approaches. We have the German approach, where they want to give more powers to the European Parliament in order to deal with the lack of democratic control in Europe. But, in other countries in Europe, Great Britain, France, Denmark, and perhaps in Spain, the means to remedy the lack of democratic control is not to strengthen the progress of European government, but to strengthen the control of the national parliaments. And we have the relationship between the European Parliament and the Commission. This will be a main subject for the inter-governmental conference next year.

How would you describe French Prime Minister Balladur?

He is a statesman. He thinks before acting. And he's a man who is able to reflect, to decide, and to act. But his decisions are always taken in the common interest of the French. He is deeply European, and he knows that the interests of the French are to be European. He has the experience of the public first, and the qualities which are needed to do that. Obviously the French people appreciate the qualities in Mr. Balladur.

What are the main issues in the French election campaign going to be?

Probably and surely the problem of employment. Unemployment is a very big problem in France today. This second problem, the consequences of the first, is a form of exclusion. We have a market society, and a lot of people are excluded in this society. They are excluded access. I don't know today, but some European questions will most likely be important during the presidential campaign. ☹

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For the first time, the European Union now shares a common land border with Russia. The accession of Finland and Sweden to the EU not only brings a new Scandinavian and Baltic dimension to what had been an essentially Western European formation, it also transforms Russia into a direct neighbor. And Austria's accession brings Hungary to the EU's border. In a Europe where geography has long defined history, the EU's enlargement confronts it directly with its new challenges to the east.

Europe's

New

And very new they are. In Uzbekistan, the old posters and state icons of Lenin have been replaced by a new and almost as ubiquitous cult of Babur, founder of the Mogul dynasty. Equally prominent are images of the great conqueror Tamerlane, the last man to succeed in welding together a Central Asian state that embraced Persians and the Turkic peoples. His image graces the foyer of the new Central Asian Bank in Almaty, whose charter pledges it to "the preservation and development of economic relations between Kazakhstan, Kyrgyzstan, and Uzbekistan," Tamerlane's old stomping grounds.

In Kazakhstan and Kyrgyzstan, European businessmen find themselves staying in hotels run by Indians and managed from Hong Kong. They are

competing with Singapore and Korean trading houses, and Arab and Indian merchants. The commercial centers of the ancient Great Silk Road from China to Europe that Marco Polo took nearly eight centuries ago are coming slowly into their own again.

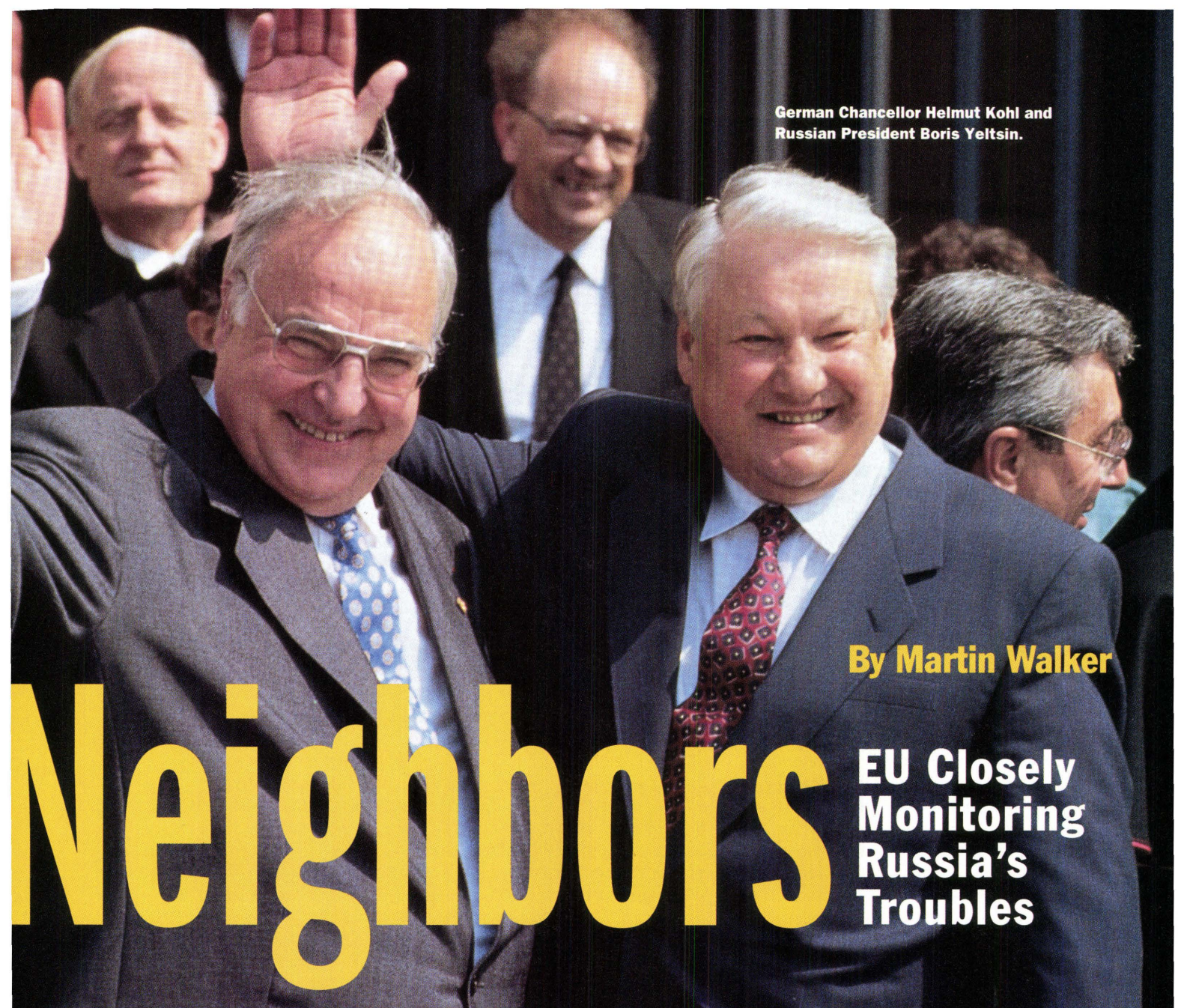
It is a bumpy process. The first Mercedes trucks have been assembled at Horesm, in Uzbekistan, and British Gas and Italy's Agip are developing the 1,300-billion cubic meter Karachaganak natural gas field. But the new Kazakh currency, the tenge, launched in November 1993 at 4.7 tenge to the dollar, was trading in January 1995 at just over 50 to the dollar. Russia's blunt use of pipeline diplomacy has already jolted the multi-billion dollar Chevron project to develop the Tengiz oil field,

as Russia insists on compensation for Soviet-era explorations.

As of 1995, the West entered a third phase of its relations with the post-Soviet economic space. The first stage, which lasted from the end of the 1980s to 1991, was very largely based on bilateral deals between governments, marked by official aid and credits.

Between 1989 and 1993, the USSR and its successor, the Commonwealth of Independent States (CIS), received a grand total of \$94 billion in aid from the West. Almost two-thirds of this—\$60.5 billion was provided by EU nations. And more than two-thirds of that came from Germany, much of it under a special arrangement linked to the withdrawal of Soviet and later Russian troops from their soil.





German Chancellor Helmut Kohl and Russian President Boris Yeltsin.

By Martin Walker

Neighbors

EU Closely Monitoring Russia's Troubles

By 1991, this bilateral strategy had become, at least in theory, a multilateral process in which aid and credits were pledged at international gatherings, like the G7 and Euro-summits, and directed through the World Bank and IMF and the European Bank for Reconstruction and Development (EBRD). Again the Europeans played the leading role.

But from 1989, when the European Community reached its first trade agreement with the Eastern European nations, the promotion of private trade and investment has been the parallel strategy. The process of freeing the trade took place against a depressing background of declining trade figures. Russian exports collapsed from \$81 billion in 1990 to \$56 billion in 1991 and fell even further, to just more than \$40

billion, in 1992. Russian imports also slumped from \$83 billion to \$44.7 billion in the same period.

There has since been a modest and fitful recovery, although marked by trading conditions which stun Western investors. The 4 year old Hermes oil trading group, which now owns seven Russian banks and has a foreign exchange turnover of \$100 million a year, began by buying oil at just above the state price of 10 roubles a barrel, and selling it for 150—quite legally. The new banks, like Most and Inkombank, exploded in 1993, when they could legally borrow money from the state central bank at 130 percent interest—less than the inflation rate—and immediately lend it again at 250 percent.

This took place in a climate of cor-

ruption and rising crime that saw the Russian murder rate in 1992 shoot ahead to double the murder rate in the US, and more than four times the level in Germany. High risk meant high opportunity. In the last two years, car ownership in Russia has risen by nearly 50 percent and average monthly wages rose, in dollar terms, from \$8 in January 1992 to \$113 in September of last year.

What trade Russia enjoyed with the West (and the bulk of Russian trade is still with other former Soviet republics) has been dominated by the European Union. EU exports to Russia in 1994 were five times higher than those of the US, and the EU imported 20 times more from Russia than the US did. And what new growth Russian trade has begun to enjoy has been with Europe.

Between 1991 and 1994 the EU provided a total of \$44.5 billion in export credits and loan guarantees to the CIS, or 66 percent of the total for the G7 countries. The US, by contrast, provided \$6.8 billion, or around 10 percent of the G7 total.

These three different trends of private commerce, bilateral, and multilateral trade and credits have depended on good political relations and the confidence that this developed in the private sector. Thus in late 1994, a growing mood of political nationalism in Russia, refusing to sign the Partnership for Peace agreement with NATO followed by President Yeltsin's warning of "a cold peace," induced some caution. The crisis in Chechnya then persuaded the EU to postpone signing a new trade agreement in January 1995.

If normal relations are resumed, the agreement calls for the EU to support Russia's application to join the world trade system and for an eventual EU-CIS free trade area. The new Russian Parliament, under the businesslike Speaker Ivan Rybkin, has enacted a structure of commercial law and contract that offers Western investors adequate legal stability—and enormous opportunities.

There are, no doubt, more bumps on the road from Russia's own tumultuous politics and from the edgy relations with its CIS neighbors who have seen Russian troops in action in Tadjikistan, Moldova, and Georgia as well as in Chechnya. But the formerly almost warlike tensions with Ukraine have been transformed. In 1994, under prodding from Bill Clinton and Helmut Kohl, President Yeltsin defrayed \$1 billion in energy debts to make up the IMF rescue package for Ukraine.

And in January this year, test flights began of the new joint Russian-Ukrainian military and civil cargo aircraft, the An-70. Designed to be an improvement on the US workhorse the Hercules, the An-70 is a co-production employing 50,000 workers in Samara, Russia and 27,000 in Kiev, Ukraine. The deal was brokered with help from the EBRD. If the politics calm down, Europe's very close new neighbors are still a golden opportunity. ☺

Martin Walker, formerly the Moscow bureau chief of The Guardian, is the author of several books on Russia, including The Cold War: A History.

Critics say it was not until late in the Russian offensive to take the Chechen capital Grozny that well-equipped and highly trained Russian soldiers were sent to the area.



The Importance of Chechnya. Western support for President Boris Yeltsin, becoming steadily more equivocal as he threatened "a cold peace" over plans to enlarge NATO, was severely strained by the crisis in Chechnya. German Chancellor Helmut Kohl called it "madness," Republican senators in the US threatened to block any future economic assistance, and the European Commission in Brussels postponed signing a key trade cooperation agreement.

"We have serious concerns, verging on indignation, at the way this political problem is being attacked by military means," said EU commissioner Hans van den Broek.

While European leaders agreed with President Clinton that Russia was technically using its legal right to reimpose its authority on a rebellious part of its own territory, the dismay was widespread and genuine. Russian free press and television joined in a chorus of denunciation for the shelling of Grozny, a notable sign that Russian democracy has sunk deep roots.

"Russians have become hostages, not only in Chechnya, but also in other states of the Commonwealth. Russia is fast losing its moral right to intercede on behalf of its fellow countrymen," mourned Republican Party leader Vladimir Lyenko in the Duma (the Russian Parliament). "Russian imperialists are in mourning as all their plans for peaceful reintegration of neighboring states have collapsed. Democrats and centrists in Ukraine and Belarus are not alone in expressing dismay. Even their old communists announce their opposition to reviving the old Soviet Union, when their new partner would be a new imperial Russia."

Ironically, the direct and indirect financial costs of the Chechen operation are threatening the process of economic reform that was a key justification of the decision to attack it. Chechnya, still an important oil production area, is the key intersection for the Russian oil and gas pipeline system, which explains why the head of the reformed Communist Party Gennadi Zyuganov calls it "our Kuwait."

The main pipeline from the Caspian Sea oil wells comes inland from Makhachkala at the coast to the outskirts of Grozny. It then forks, with one pipeline going west to the Black Sea and the Russian naval base at Novorossisk, and the other heading north into Russia.

The two east-west railroad lines from Mozdok to Makhachkala, strategically vital to any Russian military presence in the Caucasus, run through Chechnya. And so do the main roads. Without control of the territory, Russia could no longer sustain its forces or its trade in its least stable border region.

Russia could probably defend its strategic interests by holding Grozny and northern Chechnya, where the pipelines and railroads are located, and avoid the prospect of fighting a guerrilla war with Chechen nationalists in the Caucasus mountains to the south of Grozny. But the continued vulnerability of the pipelines to guerrilla action strengthens the need for a political settlement with the Chechen people, which Russia's shocked friends in Europe and the US are now urging.

—Martin Walker

Inside

EUROPE

MARCH 1995

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EUROPEAN HEADLINES

BARINGS BANKRUPT

Barings PLC, Britain's oldest merchant bank, saw \$863 million sink into the quicksand of a maverick derivatives deal out of its Singapore office.

The Bank of England's two-day hectic scrambling for capital to keep the bank afloat proved fruitless and deep concerns about how the Tokyo market would react kept potential bail-posters wary. The Bank of England, which refused to put up public money to keep Barings alive, has pointed to the Baring bust as an illustration of the need for improving controls and regulation in the derivatives market.

Founded in 1762, Barings built its financial power base in international trade. Notably, it helped raise funds to cover the expenses of the British armies in America and went on to finance the Louisiana Purchase in 1803. In recent years, the bank had posted respectable profits, ranking second last year among UK banks in handling European acquisitions. Barings had also been involved with the British concern Wellcome, advising the pharmaceutical company during a recent hostile takeover attempt.

The crisis is thought to be the work of one young Barings trader based in Singapore whose whereabouts as of press time were unknown.

BREAKTHROUGH IN NEGOTIATIONS OVER NORTHERN IRELAND

There has been a major breakthrough in peace talks between Britain and Ireland. Both governments have approved a framework for peace negotiations and so far none of the factions involved has broken away from the discussions.

Ireland pledges to amend its constitutional claim to Northern Ireland as part of the plan. Some Protestants in Northern Ireland, however, are already denouncing the plan as a betrayal. Nevertheless, the two Protestant majority groups headed by Ian Paisley and James Molyneaux have stayed in the negotiations.

New in the framework is a proposal to create "cross-border" institutions to handle a wide range of problems affecting both sides. These institutions would report to another innovation called for by the plan, namely an elected assembly representing Northern Ireland.

The EU welcomed the news, and European Commission President Jacques Santer noted the framework's po-

tential to "strengthen democratic foundations" because of its emphasis on consulting all the parties involved. The Commission's efforts on behalf of peace initiatives in Northern Ireland include the Community Initiative, which went into effect in February. It makes available 300 million ecu (\$375.3 million) for Northern Ireland and the border counties to support reconciliation.

FRENCH ELECTIONS TIGHTENING

A recent Gallup poll showed the Socialist candidate, Lionel Jospin, one point ahead of Edouard Balladur in the race for the French presidency. Balladur also faces challenges from other right-wing candidates, including Paris Mayor Jacques Chirac and possibly former prime minister Raymond Barre. The election will take place in several rounds, the first one to be held on April 23.

PORTUGUESE POLITICS

Prime Minister Cavaco Silva, leader of the governing Social Democratic Party, is not going to be a candidate for reelection in October. The Social Democratic Party has selected Defense Minister Fernando Nogueira to be their candidate in the fall elections. Recent polls show the opposition Socialists would win the elections if they were held today.

SOCIAL SUMMIT HELD IN COPENHAGEN

Copenhagen will host this year's United Nations World Summit for Social Development on March 6-12. It is expected to draw 120 heads of state or government as well as other top officials, including Boris Yeltsin, Helmut Kohl, and Al Gore. Many non-governmental organizations are also expected to attend the series of talks, which will focus on issues of poverty and unemployment.

The Danish capital expects more than 20,000 participants to attend the summit. With only 10,000 Copenhagen hotel rooms, organizers have booked attendees in hotels all over the island of Zealand as well as across the Oresund channel in Malmo, Sweden.

WORLD'S OLDEST PERSON

Arles, France, gives ancient history a whole new meaning. It is where the oldest living human being turned 120

EUROPEAN HEADLINES (CONTINUED)

years old on February 21. Born in 1875, Jeanne Calment met that other famous resident of Arles, Van Gogh, when he came into her in-laws' art supply shop (she had a very bad impression of him). She was in her sixties during World War II and in her

nineties during the sixties. This spirited woman only recently abandoned her favored mode of transportation, a bicycle, at the age of 100, which might explain why the weekly pound of chocolate she used to consume did not do the usual damage.

NOTEBOOK: FOREIGN BANKS IN RUSSIA

A handful of large Western banks have plunged ahead with opening full service branches in Moscow. Among these are US-based Citibank T/O (a wholly owned subsidiary of Citicorp which is, in turn, the parent of Citibank) which opened the doors to its brand new Wall Street-style office early in 1994 at a ceremony attended by a cavalcade of stars. Former Treasury Secretary Lloyd Bentsen took time out to visit the new Citibank branch, as did Russian Central Bank Chairman Viktor Garashchenko and Citibank Vice Chairman William Rhodes.

Unlike many other Western firms launching operations in Moscow, Western banks have had to consider not only the consequences of a slowing of Russia's economic reform process, but also uncertainty regarding their own status in Russia, as the often feuding Central Bank and the government continue to debate the status of foreign banks in Russia.

Russia's Central Bank granted full license to eight foreign banks in 1993, ostensibly allowing Citibank, Chase Manhattan, Credit Suisse, ING Bank, ABN-AMRO, Société Générale, Bank of China, and Yapi Ve Kredi to compete with Dresdner BNP and Credit Lyonnais, who were already licensed for business in St. Petersburg. A twelfth foreign institution, Bank Austria, is permitted to operate in Russia on an offshore basis.

But, bowing to the intense pressure of the Russian bank lobby, Yeltsin issued a decree that restricted many of the newly licensed banks from dealing with Russian clients—essentially relegating the foreign institutions to offshore status.

Undaunted, Citibank T/O carried through with plans to open its Moscow branch—its president, Miljenko Horvat, had already leased office space and hired staff at the time that Yeltsin issued his decree—and has gingerly proceeded into the antiquated Soviet era banking system. Taking advantage of the cryptically worded decree Citibank has accepted some Russian clients, albeit with the approval of the Russian Central Bank.

"We are reluctant to ignore any rule," Horvat said, stressing that Citibank intends to "play everything 100 percent by the book."

"The text of the decree was deliberately vague," he added. "For interpretations we turn to the Central Bank."

However, Citibank and its competitors are likely to gain full access to the vast Russian market in the not too distant future, as key legislators have admitted that the newly elected Parliament is likely to restore full privileges to the banks licensed last October.

Prime Minister Viktor Chernomyrdin said last year that Russia was likely to review the November curbs on foreign banks, while Gerashchenko told Citibank's Rhodes at the opening of the bank's Moscow office that Yeltsin's decree was likely designed to quell Russian bankers ahead of the December parliamentary elections.

"I feel that [the ban] will be lifted soon," said Maarten Pronk, general manager of the Netherlands-based ING Bank, whose operations were also effected by the bank.

Other foreign bankers agree, and a number, including Credit Suisse, the Dutch ABN-AMRO, and America's Chase Manhattan, have announced plans to unveil full service branches in the not-too-distant future. None, however, would provide exact dates of their grand openings, claiming that the completion of facilities hinged on the none-too-dependable Russian construction industry.

"We've had delays in construction, but that's quite usual in Moscow," said Leonid Anikeev, a member of the executive board of CS Moscow, the Russian subsidiary of Credit Suisse.

Building delays were just one of the headaches faced by bankers trying to duplicate their Western operations here, with most reporting difficulties in obtaining visas and housing for employees and their families and importing equipment under Russia's constantly-changing tariff code. The nation's lack of significant financial legislation—Russia boasts neither a mortgage nor a coherent bankruptcy code—has also hindered foreign bank's early operations.

"The degree of difficulty in getting anything done is higher here than anywhere else the bank has been," said Citibank's Horvat, who has also served in the institution's Nairobi office. ING's Maarten, who has led his bank's operations in none-too-stable Brazil, agreed that the degree of "conflicting...government laws and regulations" is worse than anywhere else he's worked.

Another peculiarly Russian problem, a lack of financial information regarding potential customers, has kept most of the foreign banks away from the potentially lucrative world of retail banking, since few are able to evaluate the creditworthiness of potential clients.

"Rule number one in banking is know your customer...in the case of individuals that's a lot more difficult," said Citibank's Horvat.

Instead, foreign banks are content to focus on providing routine account management and offering trade and project financing.

"It's hugely important to people and to companies that they know where their money is at all times," Horvat added, noting that a large portion of his staff's daily work involves providing simple cash management and general account information.

But despite bureaucratic hassles and the ongoing uncertainty surrounding Russia's economic and political future, Moscow's foreign bankers stress they are committed to maintaining their Russian operations, come what may.

"We've made long-term plans related to the potential of the country," said ING's Pronk. "We're not slaves to our three-month profits."

—Laurie Laird

EU DELEGATION TO MIDDLE EAST

French Foreign Minister Alain Juppé led an EU delegation to countries in the Middle East. The ministers met with Syrian President Hafez al-Assad, Yasser Arafat, and Yitzhak Rabin, Israeli prime minister, among others, in an effort to aid in the peace process.

G7 LOOKS AT INFO HIGHWAY

The recent G7 meeting on information services held last month in Brussels decided to seek input from a wide variety of groups from family associations to television producers on how Europe should best pave the way for the information superhighway.

The European Commission, which hosted the meeting, said it would create two independent bodies to provide it with policy advice. The Commission will also set up a high level group of experts to prepare reports on the social ramifications of the information superhighway.

SAFETY PLAN FOR FERRIES

The European Commission agreed to a plan to improve the safety of roll-on, roll-off ferries operating in the EU. The plan comes in the wake of September's Estonia disaster and

would require member countries to sign the International Safety Management Code, which targets the training of crew to prevent and deal with such disasters.

EU-KYRGYZSTAN

The EU signed a deal with Kyrgyzstan that would open up trade and cooperation between the two countries on matters ranging from exports to intellectual property rights.

BALTICS WANT IN

Estonia, Latvia, and Lithuania are urging the EU and NATO to speed up their consideration of Baltic membership. Leaders from all three countries expressed a conviction that membership would lead to regional stability, especially vis-à-vis Russia, and underscored the experience they would bring to the EU in dealing with Russia.

EU STATISTICS...

The unemployment rate in the EU went down from 10.9 percent to 10.8 percent in December.

The EU deficit with the US fell from \$15.6 billion in 1992 to \$2.6 billion in 1993, mostly due to rising exports from Germany and the United Kingdom.

WHAT THEY SAID

"The philosophy of a triumphant shopkeeper, wildly exultant after having won a victory against his competitor, has prevailed."

—Edouard Shevardnadze, Georgian Head of State and former Soviet Foreign Minister, speaking at London's Royal Institute of International Affairs about the West's failures upon the end of the Cold War.

"It was like pictures I've seen of the bombing of Dresden."

—Audrey Glover, member of European delegation to Chechnya

"By letting democracy take firm root in our country and committing ourselves to the cause of European integration, we have drawn the right consequences from our history."

—Roman Herzog, president of Germany, at the ceremonies commemorating the 50th anniversary of the bombardment of Dresden

"If any harm should come to UNPROFOR forces, we should take out every major target that allows the Serbs to continue to wage war. The response should be disproportionate to the transgression, and no area of Serbia ruled out of our bombsights."

—William Cohen, US Senator (R-Maine)

"Malta is ready for Europe and I believe that Europe should be ready for Malta. Malta meets the European average for its standard of living and the way it runs its economy. Maybe we wouldn't be one of Europe's high fliers but we're certainly better than some countries which are already in the EU."

—Ugo Mifsud Bonnici, president of Malta, speaking to reporters in Rome

"We always tend to paint the bleakest possible picture about Bosnia but progress has been made"

—Alain Juppe, French foreign minister

"Edouard Balladur will have to learn what an election campaign is in a democratic country."

—Lionel Jospin, Socialist candidate for the French presidency

"It is generally accepted that the EU's eastern enlargement is necessary to extend stability and security into central Europe and the Baltic States. But there is a considerable risk that the enormous economic benefits will be neglected in a debate increasingly dominated by fears of change."

—Carl Bildt, former Swedish prime minister

BUSINESS BRIEFS

General Motors and **Ford** are finally getting a payoff from the European luxury car manufacturers they acquired in the late 1980s.

Saab Automobiles of Sweden re-

ported a pre-tax profit of \$95 million in 1994, its first since GM paid \$600 million for a 50 percent stake and management control of the company in 1989.

Jaguar Cars, the British manufac-

turer, moved into profit in the final quarter of 1994 for the first time since it was bought by Ford for \$2.4 billion in 1989.

But GM trounced Ford in Europe last year, reporting net profits more than

BUSINESS BRIEFS (CONTINUED)

doubled at \$1.33 billion while Ford's European operations, excluding Jaguar, made a net profit of \$388 million, ending a three year run of losses totaling over \$1.5 billion.

•••

Magna International, the Canadian automotive parts manufacturer, is to invest \$105 million in a plant in Berlin that will employ 1,000 workers making doors and windows for **Volkswagen**, **Ford**, and **Mercedes-Benz** cars.

•••

Finland's two biggest banks, **Union Bank of Finland (UBF)** and **Kansallis-Osake-Pankki (KOP)** are to merge, creating a new bank with assets of \$65 billion in the biggest restructuring in the Scandinavian banking sector for many years.

The merger was driven by the Scandinavian banking crisis which almost bankrupted the region's major financial institutions. Swedish and Norwegian banks have returned to profit, but Finnish banks, including DOP and UBF, are still losing money.

•••

Europe's airline industry is in a state of turmoil as carriers strengthen their defenses in the two year countdown to total liberalization.

While some carriers are making money others are close to collapse. **British Airways** continues to outperform its rivals, a 57 percent surge in third quarter 1994 profits to \$158 million putting it on course for a full year profit of \$728 million, up 50 percent from 1993.

SAS swung to a pre tax profit of \$201 million from a loss of \$66 million in 1993, its first profit in five years. **KLM's** profits for the first nine months of the 1994/95 financial year surged to \$329 million from \$153 million guilders in the year earlier period.

Other carriers, though, face an uncertain future. **Iberia's** hopes of getting a life saving \$1 billion state-aid package receded after the European transport commissioner Neil Kinnock said he would strictly vet the handout. **Alitalia**, Italy's national airline, has been hit by strikes as unions protest its restructuring plans and a decision to hire Australian planes and crews on certain US routes, to end a six-year run of losses totaling \$635 million.

Belgium's **Sabena** is involved in desperate attempts to survive, including an abortive plan to relocate its 480 pilots to

neighboring Luxembourg, where social security costs' are one third those of Belgium. But the key to Sabena's survival hinges on a plan by **Swissair** to take a 49 percent stake after **Air France** has been coaxed to sell its 25 percent holding in the company.

•••

The United Kingdom confirmed its status as the most attractive European location for Asian investors with **Toyota**, the Japanese car maker, poised to announce plans to double output at its \$1.2 billion plant in the English Midlands to 200,000 units.

South Korean firms are now following in the wake of their Japanese rivals with **Samsung**, the industrial conglomerate, opting for the UK to build a \$1 billion microchip plant to serve the European market.

•••

AXA, the acquisitive French insurance giant, is moving deeper into the southern hemisphere, paying \$840 million for a 51 percent stake in National Mutual, Australia's second largest life insurance company.

AXA, which pulled in premiums of \$26 billion in 1994, says it has targeted the Asia-Pacific region as the "third pillar" of its expansion program after a string of acquisitions in Europe and its takeover of **Equitable**, the US insurer, in 1991.

•••

Sweden's blue chip corporations are on a roll, reporting bumper profits in a buoyant start to their membership of the European Union.

Electrolux, the world's biggest household appliance maker, reported record profits of \$885 million for 1994, double the previous year's earnings.

Ericsson, benefiting from a worldwide surge in demand for mobile telephones, came in with an 81 percent leap in pre-tax profits to \$753 million from \$417 million in 1993. Telecommunications sales surged 73 percent to account for nearly half of total sales of \$11.3 billion). More impressively, **SKF** the world's biggest maker of roller bearings, ended a three-year run of losses with a profit of \$243 million for 1994.

•••

Fiat provided a badly needed tonic to the Italian business community by swinging to a spectacular pre-tax profit of \$1.18 billion in 1994 from a loss of \$933 million lira in the previous year.

Giovanni Agnelli, chairman of Italy's

largest private company, hailed the turnaround as vindication of a high-risk strategy adopted in 1993 when the Turin-based firm didn't pay a dividend to its shareholders for the first time since 1947.

Fiat decided to stick with an ambitious investment program, including the biggest share issue in Italy and the launch of a new model, the Punto.

The Punto has been a runaway success, enabling Fiat to cash in on the long-delayed rebound in the European market and the weakness of the lira which helped the company to boost its exports and increase its share of the Italian market to 60 percent. Fiat is now concentrating its sales efforts on emerging markets in Latin America, Asia, and Eastern Europe.

•••

Usinor-Sacilor, France's state-controlled steel company, is urging the government to sell its to private investors while the European steel industry is on a roll.

Chairman Francis Mer estimates the company, Europe's biggest steelmaker, is worth up to \$3.8 billion.

Usinor-Sacilor is on a hit list of 21 state companies to be privatized, but its sale was delayed until it returns to profitability after a savage recession in the European steel business.

•••

The UK's biggest takeover battle for many years escalated as European and US companies emerged as possible bidders for **Wellcome**, the British pharmaceuticals firm which was fighting a \$14.6 billion bid from its British rival **Glaxo**.

Sandoz of Switzerland was the only company that acknowledged that it had been approached by Wellcome, best known for Retrovir, the AIDS drug, to counter the Glaxo offer. The other Swiss drug giants, **Roche** and **Ciba-Geigy**, as well as **Bayer** and **Hoechst** of Germany and **Merck** of the US, the world's biggest drug firm, were also viewed as likely bidders.

—Bruce Barnard

INSIDE EUROPE Correspondents

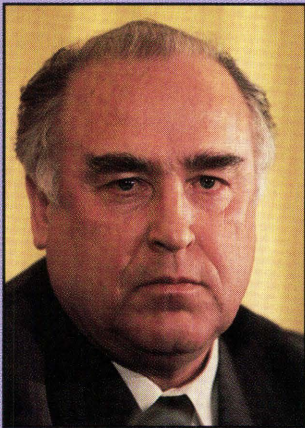
Bruce Barnard, Laurie Laird

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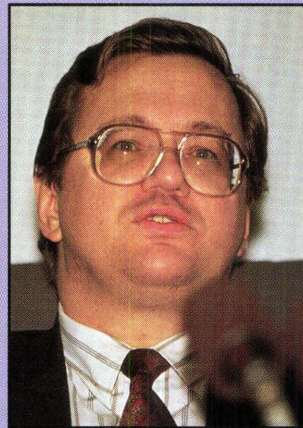
Who Will Follow Yeltsin?



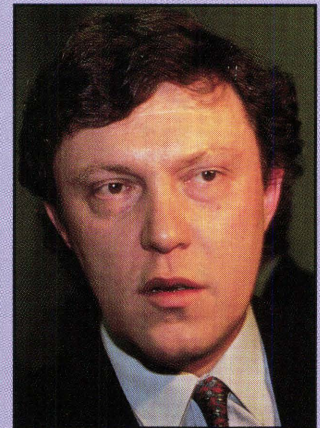
Viktor Chernomyrdin



Yegor Gaidar



Boris Fyodorov



Grigori Yavlinski

Moscow's political crisis over the bloody fighting in Chechnya, with the next presidential elections now little more than a year away, has focused attention on the political generation waiting in the wings to follow the Yeltsin era. Whether Yeltsin decides to run again, or judges that the political situation requires their postponement, the preliminary jockeying for the eventual succession has already begun.

The good news is that the political leaders of the future are falling broadly into two different camps, free market democrats and state capitalism nationalists, in which one can discern the prospects of an eventual two-party system. The bad news is that the members of the various factions squabble among each other and may be paving the way for a different kind of politics altogether—one described in the latest Moscow best-seller *Diktator*.

Written by former Soviet legislator Mikhail Bocharov, this slim black paperback has Yeltsin replaced by a benevolent dictator, who scraps all taxes, freezes prices, restores law and order without resorting to firing squads, and restores democracy with a free election after three years. It is an exercise in wish fulfillment that echoes the speeches of the popular general Alexander Lebed about the example of Chile, where a period of autocratic military rule took place.

NATIONALISTS

The best known is Vladimir Zhiri-

novsky, leader of the oddly-named Liberal Democrats which became the largest single party in the Duma in the 1993 elections, the only one to give President Yeltsin full support in the crushing of the Chechen bid for independence. Zhirinovsky's call for the re-creation of the borders and power of the old Soviet Union has some appeal, but opinion polls suggest his clownish antics are undermining his credibility.

Gennadi Zyuganov runs the modified old Communist Party, and hopes that he can emulate the recent electoral success of the reformed Communists in Poland and Hungary. Benefiting from the social costs and inflationary dislocation of the economic reforms, he faces opposition from non-reformed Communists.

Alexander Rutskoi, Yeltsin's old vice-president who was arrested after the military assault on the parliamentary building in 1992, retains considerable support in the military, but he has yet to find an agenda beyond his strident attacks on corruption and crime.

DEMOCRATS

Grigori Yavlinski, one of the free market reformers, currently tops the (dubious) opinion polls as the most popular politician. His Yabloko Party calls for Yeltsin's resignation, inveighs against corruption, and calls for "intelligent reform." Close to Moscow Mayor Yuri Luzhkov, Yavlinski also benefits from his friendship with Russia's richest man, Vladimir Gusinsky, a

former cab driver who now runs the Most bank and a media empire which includes the NTV independent television network, Ekko Moskvyy radio, and the popular new daily paper *Sevodnya*.

Yegor Gaidar, former reformist prime minister, now runs the party, Russia's Democratic Choice, with the young banking tycoon Vladimir Boiko, 34, whose commitment to free-market reforms has them dubbed the yuppie party. "Freedom, Property, Legality" is their motto.

Boris Fyodorov, former finance minister, now runs the small Union of December 12 party, which first supported Yeltsin on Chechnya, then opposed him, citing military incompetence and costs that threatened to capsize the economy.

Boris Nemtsov, bright and reforming governor of the privatization showcase of Nizhni-Novgorod. Until a nasty local political row with his former allies, he was most foreign observers' bet to be next president. Still one to watch.

CENTRISTS

Viktor Chernomyrdin, the prime minister, a moderate reformer who has positioned himself to be everybody's favorite compromise candidate. He lacks a party base but has moved steadily closer to Ivan Rybkin, the powerful speaker of the Duma, who cooperated to pass the budget last year. These two men will determine the Chechen-battered budget's fate this year too.

—Martin Walker

By Elizabeth Pond

If architecture is any indication of East or West, the spires of the Caves monastery in Kiev appear to resemble closely those in St. Petersburg and Moscow.

IS UKRAINE

Is Ukraine part of Europe?

Do Ukrainians see themselves as Westerners?

Yes, says Semyen Appatov, director of the Center for International Relations at Odessa University. "Ukraine is a European country, with European ancestry, background, and history." The opposite, Slavic notion of "Eurasia" he brands "a slogan of Russia. It corresponds to Russian national interest. Ukrainians want to join in European integration. Maybe not now. But in some years."

No, implied Ukrainian President Leonid Kuchma last summer during his election campaign, when he claimed a "Eurasian space" linking Russia and Ukraine. This concept

won initial applause from Russians, all of whom regard Kiev as the cradle of Russian civilization, and many of whom deem it an aberration that Ukraine is suddenly an independent country after three centuries under Russian rule.

"You have to divide the question," cautions Olga Alexandrova of the German Federal Institute for Eastern Studies in Cologne. "Undoubtedly (Ukrainians) perceive themselves as European. That means they do not have this Eurasian identity or ambition, as Russians have." She points out that Kuchma made only a geographical, and not a broader, cultural reference in speaking of Eurasian space rather than identity. And the popular reaction to even that much of a nod to pan-Slavism was so negative that Kuchma won among the Russian-speaking Ukrainians of the country's eastern rust belt in last July's run-off—but it also accounted for his 90 percent plus negative vote in the western heartland of Ukrainian nationalism.

"Of course they understand themselves as *Europeans*," as the ones "who brought the Enlightenment to Russia in the 17th century," continues Alexandrova. "But if you ask 'Do

you perceive yourselves as *Westerners*? first we have to ask ourselves what is it to be Western? What are the components? It's much more complicated." The Ukrainians "think of themselves as being 'western' in relation to Russia—but not 'Western' in the Western European [cultural or political] sense. Of course, now there are attempts to see the Cossack movement as the 17th century proto-democracy—but it doesn't work."

"It depends who you ask," adds Professor Alexander Motyl of the Harriman Institute at Columbia University. In Galicia in western Ukraine, the area that was historically part of the Austro-Hungarian Empire, people "absolutely" consider themselves European. "In the east probably less. But I think the percentage would be more in Ukraine than in Russia or in Belarus," Ukraine's two Slav sisters. "My impression is that this would certainly be true as far east as Kiev."

Without the same 19th century history of tormented feuds between Slavophiles and Westernizers that the Russians experienced, Ukrainians tend to approach the issue pragmatically rather than existentially. "If you ask what would your druthers be—other things being equal and nothing getting in the way—everyone except in the east would want (to be part of Europe)," observes Motyl.



Ukrainian President Leonid Kuchma says Ukraine and Russia are linked by a "Eurasian space."

lion Ukrainian and 11 million ethnic Russian inhabitants voted for independence in 1991 on the assumption that if Ukraine went its separate way its agricultural and industrial riches would quickly make it more prosperous than Russia.

In practice, however, just the opposite happened, as the first post-Soviet government in Kiev introduced no real economic reform and sought to legitimize itself instead by anti-Russian nationalist appeals. Ukraine's economy plummeted even faster than Russia's, producing hyperinflation and widespread suspension of wage payments. In reaction, many disappointed Russians and Russian-speaking Ukrainians felt a strong pull back toward the relatively more successful Russia.

Now Kuchma's policy is the reverse of his predecessor's. He is conciliatory toward the Russians—but his economic model is Western. He is executing real economic reform, for the first time. He wants to keep open the option of joining European institutions someday. He is being given the benefit of the doubt so far by citizens who calculate that nothing could be worse than the disastrous non-reform they have endured over the past three years. His popularity is growing in the Ukrainian west without sinking proportionally in the east.

This shift means that acquaintance with the West and Western systems

EUROPEAN?

"It's just that at the same time everybody understands they are not in the position to say that. The West won't give them anything (for such identification) anyway, and they would create enormous trouble with Russia."

The Harriman Institute's Dominique Arel, an indefatigable polltaker in Ukraine, concurs. He decodes the east-west split on the issue, "If you simply ask Ukrainians in the east and south 'are you part of Europe?' nobody will disagree. But 'Eurasia' and 'Europe' are code words. 'Europe' is interpreted by the east as [anti-Russian] self-isolation," he explains. Easterners think it's "counterproductive of national-minded Ukrainians to stress that they are Europeans as a way of showing they are not Russian and have a history of colonization [by the Russians]. What you have instead [in the east] is counter-nationalism" against the fervid nationalism in the west.

In this context, much of last summer's desire for closer association with Russia in southern and eastern Ukraine should be seen not as some pan-Slav yearning, but rather as a groping for something better than the economic catastrophe of the past three years. A majority of the almost 40 mil-

lion Ukrainians will grow in the near future, especially among the agenda-setting elite. Kuchma himself has already had a successful summit with President Bill Clinton, even as differences with Moscow over final recognition of the Russian-Ukrainian border have postponed any summit with Russian President Boris Yeltsin.

Moreover, the magnetic attraction of the wealthy and free-spirited western Ukraine is being enhanced by the plethora of émigrés and their offspring from the US and Canada—most of whom originally came from western Galicia—who have returned to help build their ancestral land.

With every passing year, then, Ukrainians who viewed themselves as a province of Russia for 300 years will get more accustomed to the idea of a separate identity that increasingly includes Western elements. And with every passing year even the incredulous Russians should get more used to a separate, Western-influenced identity for a neighbor matching France in size and population. ☺

Elizabeth Pond lives in Cologne, Germany, and is the author of Beyond the Wall: Germany's Road to Unification.

FLANKING EACH SIDE of the two lane blacktop running through Uzbekistan's Zeravshan Valley, the snowy cotton fields of the collective farms stretch for miles. Men, women, and children, dragging huge sacks in the warm sun, bend to the task as they pick at the balls of what the Uzbeks call "White Gold."

It's a scene which has not changed at all since Soviet times, even though this Central Asian nation has been independent for more than three years. But what one would not have seen when Moscow's writ ran here are masons busily putting up small, square buildings along the roadside, each with a shady terrace.

"Those are to be *chai khunas* or traditional tea houses for truck drivers and other travelers," says an official guide. "They will be privately run and are part of the government's plans to bring back Uzbek customs which the Soviets snuffed out."

One of those customs was capitalism, and the traders from these parts during the heyday of the old Silk Road were known far and wide for their masterly skills as merchants.

And so this brand-new nation of 22 million people, the most populous and

UZBEKISTAN

Rich in
Resources
and Facing
a Difficult
Future

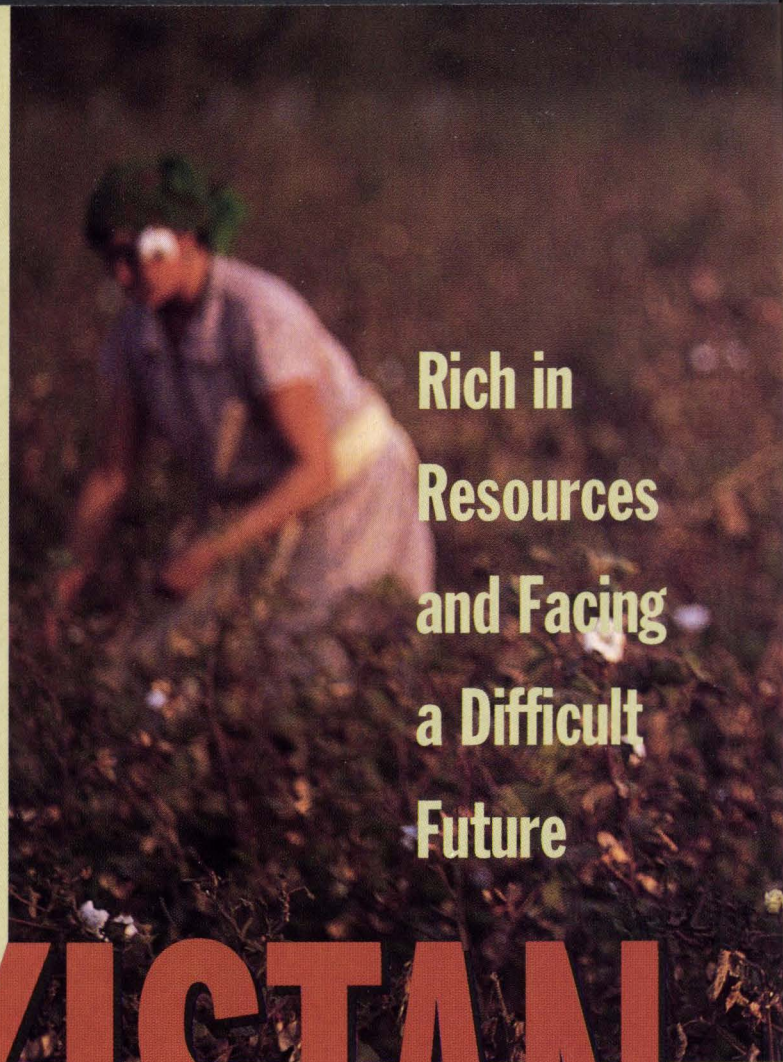
BY BENJAMIN JONES

probably most important in former Soviet Central Asia, is moving, albeit sometimes slowly, toward what foreign investors and international lending institutions hope will someday be a booming, free market economy.

The potential is certainly there. The collective farms produce 20 percent of the world's cotton. There are 2 trillion cubic meters of natural gas reserves and some 300 million tons of oil reserves.

"There's also a heck of a lot of gold, some 4,000 tons of the stuff, which is maybe why almost everyone in this country has at least one gold tooth," notes a British consultant working for the Uzbekistan government.

Long repressed under Soviet rule, Muslims have formed nearly 5,000 mosques in Uzbekistan since the break-up of the Soviet Union.





Amid talk of the riches of oil, natural gas, and gold, cotton remains a tangible crop for the people on the collective farms in Uzbekistan's Zeravshan Valley.

As in all ex-communist states, there is a growing home market for consumer goods and also the chance for Uzbekistan to provide goods and services, not only to other former Soviet republics, but to such regional neighbors as Iran, Pakistan, and Turkey.

Multinationals are taking note. Newmont Mining Corp. of the United States and British-based Lonrho Plc are involved in joint ventures in the gold sector, while the British firm BAT has bought out the state tobacco industry. Mercedes-Benz is here too.

Yet as the continuing presence of collective farms and other remnants of the old command economy show, the government is reluctant to plunge too quickly into the uncertainties of a free market economy and many ordinary Uzbeks agree.

"It is not good to move too fast," says a university professor over vodka at a Tashkent hotel bar. "I myself detest the collective farms because each fall my students are ordered out of class by the government and forced to pick cotton."

"But such massive enterprises cannot be privatized all at once. Changing seven decades of communist rule and a Marxist economy must be done slowly."

President Islam Karimov, like many leaders in this part of the world, is an autocratic former Communist who now is making some concessions toward capitalism. Al-

though free market reforms were slow in coming, things now are speeding up.

More than a year ago, the government announced a package of economic measures which included sell-offs of state-owned enterprises and services, tax holidays for joint ventures with 50 percent foreign participation, a phasing out of reform duties, and foreign investment guarantees.

Reforms of this kind have led to talks with the International Monetary Fund and the World Bank which will probably come up with a financing package sometime this year.

Karimov is moving gradually not only on market matters but also in the political arena so as to avoid sparking any economic, social, or political disruption among Uzbekistan's ethnically-diverse population.

An estimated 71 percent of the population are Uzbeks, a Turkic people. But there are also substantial Russian, Tadjik, Kazakh, and Kyrgyz minorities as well as the usual hodgepodge of Ukrainians, Germans, Tartars, Armenians, and even Koreans one finds in the ex-Soviet states.

Uzbekistan also borders troubled Afghanistan, where many Uzbeks and Tadjiks live, and not far away is Iran, which is competing with Turkey in trying to make diplomatic commercial and cultural inroads into Central Asia.

Islam is definitely on the rise in the country. Some 200 mosques served the faithful two years ago, while now there are an estimated 5,000. Enrollment at Moslem seminaries is booming and more and more young women are seen wearing the Islamic head scarf.

Still, most Uzbeks are aware of the problems theocracies have brought Iran and Afghanistan and are in no hurry to see mullahs meddling in politics in their country.

"Islam is becoming more important in Uzbekistan, but after 70 years of Soviet-imposed atheism, it is a moderate form," says the British consultant.

"However, Karimov is concerned that any serious religious unrest could eventually usher in the kind of Islamic fundamentalism which has torn neighboring Tadjikistan apart and the authorities keep a sharp eye out for any radicals."

There were certainly no radicals of any stripe taking part in parliamentary elections in January, the first since the end of the Soviet era and an effort by Karimov to give a democratic sheen to the country.

In remarks to reporters as he cast his ballot, Karimov described Uzbekistan as "a society that is changing into a democracy" and said "those who are going to be elected will play a vital role in carrying out our transition to a market economy."

Candidates from the long-persecuted nationalist opposition parties Birluk (Unity) and Erk (Freedom) were banned from taking part, and as expected, there were few surprises when the votes were counted.

Karimov's former communists in the People's Democratic Party and their independent allies won the lion's share of the 250 seats in the new Parliament, with a few going to the "official" opposition pro-business group Fatherland Progress Party.

Not quite full multi-party democracy, but a big improvement on Soviet elections and, as with the cautious steps toward the free market, evidence that Uzbekistan is moving in the right direction. ☺

Benjamin Jones is EUROPE's Madrid correspondent.

By Benjamin Jones

The Silk Road

It was while enjoying the shade of a huge mulberry tree and sipping a glass of sweet tea, just beside a pond reflecting the turquoise and buff facade of an old mosque, that I knew I would someday return.

In fact, I could easily see myself coming back to spend weeks at this very same spot here in old Bokhara, squatting at the low wooden table covered with a crimson rug at the outdoor cafe in Lyabi Hauz Park, munching on lamb kebabs and gabbing with the robed and turbaned graybeards who spend all their lives there.

Last century, the grandfathers of these same fellows would have slit the throat of any Westerner. And until Uzbekistan gained its independence from the Soviet Union in 1991, some meddlesome Intourist guide would certainly have scotched any attempt at a chat with the locals.

Now Uzbekistan, as well as other countries along what was once the fabled Silk Road, is opening up to foreign visitors eager to retrace the steps of historic figures like Alexander the Great, Genghis Khan, Tamerlane, and Marco Polo and travel the route which first brought Europe and Asia together.

For some 1,500 years, from the time of Christ until Western sailors established sea routes to the Far East in the 16th century, the Silk Road was the most important trade artery in the world.

Stretching more than 8,000 miles from Shanghai on the Yellow Sea in China, to the Spanish Atlantic port city of Cadiz, caravans on the route carried not just silks, but porcelain,

“For the lust of knowing what should not be known, We make the Golden Journey...to divine Bokhara and happy Samarkand!”

—James Elroy Flecker,
British diplomat and poet

An Uzbeki nomad follows the ancient route through the Kyzyl desert.



gems, spices, furs, and other exotic goods from China, India, and Siberia. Going in the opposite direction were perfume, ivory, cosmetics, amber, silver, and gold from Europe, Arabia, and Africa.

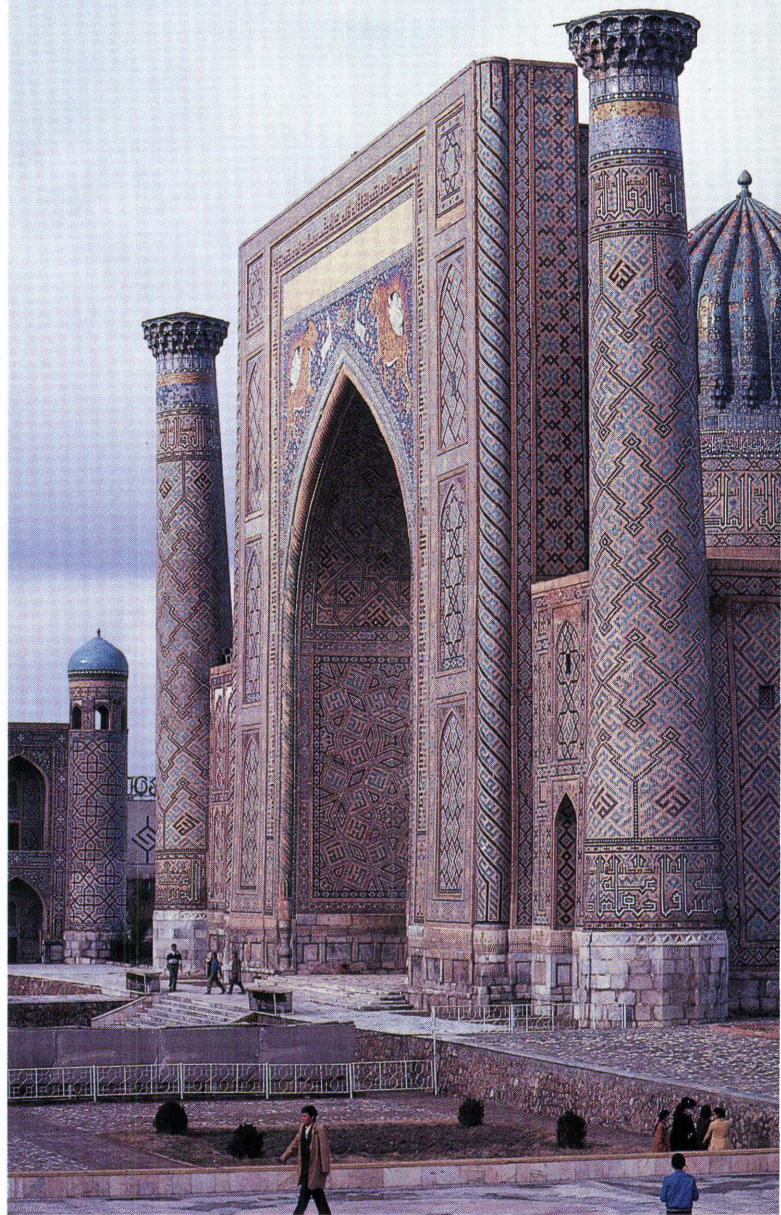
Scholars say that such Chinese inventions as paper and gunpowder were first introduced to the West after traveling along the Silk Road, while in return the Chinese coveted Western glassware.

But travelers also spread ideas and even religions. Christianity, Zoroastrianism, Buddhism, Manichaeism, Confucianism, and Islam all had their proselytizers from one end of the route to the other.

The Silk Road's importance to the history and culture of mankind is now being recognized by the United Nations, UNESCO, and the World Tourism Organization (WTO) which are helping to promote tourism to the region.

Last year, countries along the route signed the WTO-sponsored "Samarkand Declaration" in that Uzbek city, pledging to ease visa regulations, upgrade tourism infrastructure, and coordinate campaigns promoting the Silk Road as a travel destination.

It was fitting that Uzbekistan hosted the event as two of the ancient trade artery's most famous cities—Bokhara and Samarkand—are located there.



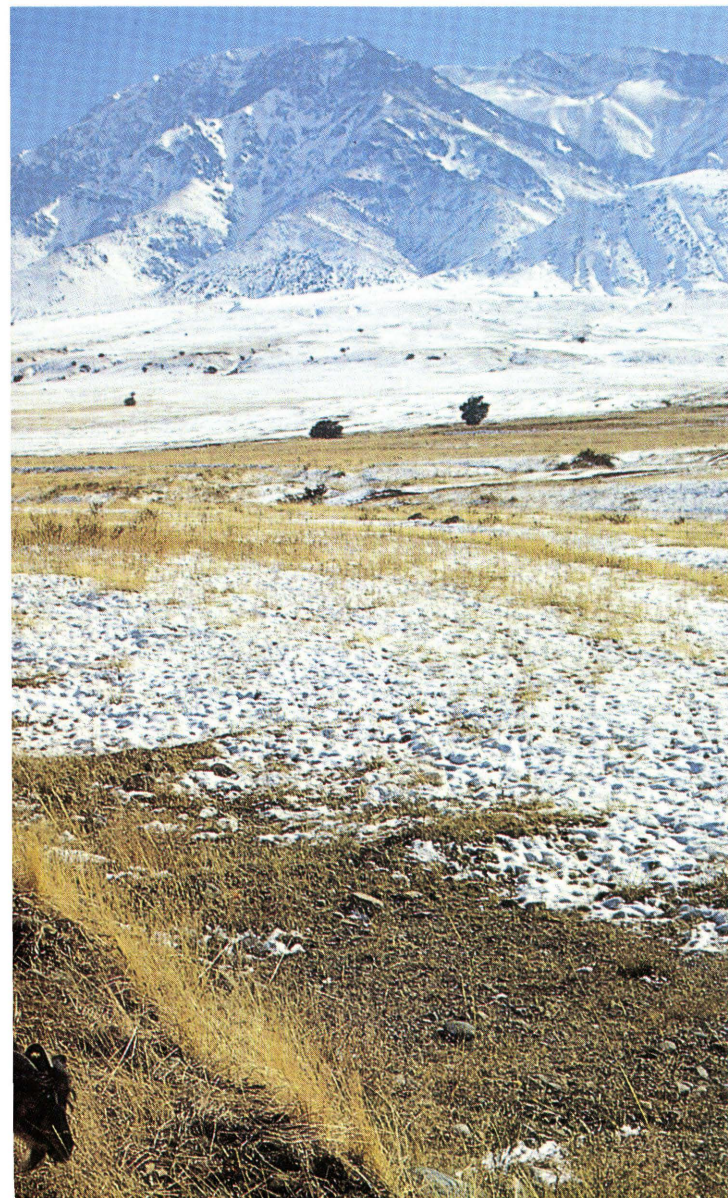
The 14th century Mongol leader Tamerlane sent the finest artisans from throughout the lands he'd conquered to rebuild the city of Samarkand. (above: Registan Square)

According to historians, 11 separate caravan trails converged on Bokhara. Not far from the aforementioned Lyabi Hauz Park, a visitor can today retrace the original Silk Road through a renovated bazaar where, just as in ages past, carpets, caftans, ceramics, and tribal jewelry can be purchased.

The bazaar and several nearby mosques and Moslem seminaries, or *madrases*, are being rebuilt, their sand-colored brickwork restored, and their intricate turquoise and sky-blue tiles replaced.

Centuries ago the city was known as "Divine Bokhara," famed for the piety of its citizens and learned Islamic scholars as well as its 360 mosques and 80 *madrases*. Today, students in Moslem skullcaps still gather in the courtyard of the Amir-i-Arab *madrseh* to study their Korans and debate theological points.

Through the *madrseh*'s arched doorway is Bokhara's most famous landmark, the 45-meter tall Kalyan Tower. Built originally as a minaret, it also served as a platform from which criminals were thrown to their deaths, earning it another name—The Tower of Death.

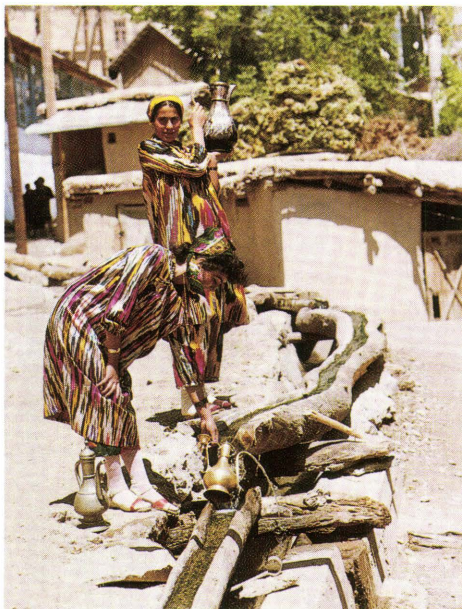


Other bloody chapters in Bokhara's history include the destruction of the city by Genghis Khan's Mongol hordes in the 13th century as they swept out of the East on their way to Europe.

More recently, two British Army officers met an unpleasant fate after being imprisoned by the emir while playing the so-called "Great Game," that secret war in the 19th century which pitted the British against the Russians in their imperial schemes to control Central Asia. Following months of appalling captivity, they were beheaded and their bodies buried in front of the royal citadel known as the Ark. In this century, it was from here that the last emir fled Bokhara with his beloved dancing boys in tow as Bolshevik troops captured the city after the Russian Revolution.

At the opposite end of the Zeravshan Valley lies Samarkand, for ages a name synonymous with the far away and the exotic. The city was called Marcanda and already ancient when Alexander the Great passed through in the 4th century BC.

Samarkand was destroyed by Genghis Khan in 1220 and later visited by Marco Polo who described it as "very large and splendid." Ironically, it was another Central Asian cut-throat, Tamerlane, who made Samarkand the city beloved by



In many Uzbeki villages, water is shared from a community source.

poets and travelers.

As his horsemen pillaged and murdered their way across Asia and the Middle East, their chief had the finest artisans from the captured lands sent back to his capital. Masons from Turkey, sculptors from India, tile makers from Persia, and ceramists from Syria all worked on such stunning monuments as the Bibi Khanom mosque, named for Tamerlane's wife, and the Shah-i-Zindi royal mausoleum complex.

Don de Clavijo, the Spanish ambassador to the court of Tamerlane, said of Samarkand, "The richness and abundance of this great capital are a wonder to behold."

Before dying in 1405 on his way to conquer China, Tamerlane also built his own mausoleum known as the Guri-Amir, where he was laid to rest under a massive slab of green jade, said to be the largest such stone in the world.

Tamerlane was gone, but his descendants carried on his legacy to create Samarkand's, and indeed, Central Asia's most magnificent landmark—Registan Square. Flanked on three sides by domed and tiled madrasehs, the square is an architectural gem representing the finest in Islamic art and, for the visitor, the fitting end of a journey to a most fascinating country. ☺

Benjamin Jones is EUROPE's Madrid correspondent.

A TRAVELER'S GUIDE TO UZBEKISTAN

Vital Statistics

LOCATION: In what used to be called "the Soviet Union's back of beyond," and before that "Russian Turkestan." On the map, it's located between Kazakhstan to the north and Afghanistan to the south. The capital is Tashkent, which has little to offer the visitor but everyone has to pass through, coming and going.

ACCESS: By Air: Uzbekistan Airways flies to Tashkent from London, Frankfurt, Moscow, Istanbul, Tel Aviv, and most major Asian cities. Lufthansa has flights from Frankfurt. Turkish Airlines, Aeroflot, Iran Air, and PIA also serve Tashkent. By Rail: There is regular train service from Moscow, but it must be very uncomfortable, if not downright dangerous. By Road: The Silk Road of course, although for the foreseeable future expect visa problems at any of the borders.

SIZE: 172,741 square miles.

POPULATION: 22 million.

Contacts

For business: The Embassy of Uzbekistan in any major Western capital.

For pleasure: Uzbektourism at 47, Korem Street, Tashkent, 740047, Republic of Uzbekistan. Tel: (3712) 338-432. Fax: (3712) 327-948. Some upscale tour operators in the United States, Britain, and other countries offer package tours of Uzbekistan.

Hotels

Hotel Uzbekistan. In the center of Tashkent and, despite a gloomy lobby, cockroaches, and unappetizing food, it's supposed to be the best in the country. Avoid the mafia-run Chinese restaurant on the top floor where a bottle of vodka with a street price of one buck will set you back \$30 and the thuggish staff will rough you up if you dare squawk. Tel: (3712) 332-773.

Hotel Samarkand. Better than the above in my opinion, with no hoods hanging around the public rooms like at so many

other ex-Soviet hotels. Located just a short walk from Tamerlane's tomb and Registan Square. Okay food, friendly staff. Tel: (3712) 358-812.

Hotel Bokhara. Conveniently situated near all the sights of Bokhara. Okay rooms, nice and attentive staff, great views from the open-air, roof-top nightclub and the food is better than most. Tel: (3712) 30124.

Restaurants

Ask the hotel concierge for new restaurants in any of the three cities, as privately-run eateries are always popping up then closing down.

The food at the state-run hotels is passable at best, usually consisting of Russian and Uzbek cuisine. The latter includes the rice pilaf dish known as plov, kebabs called shashlyk, and excellent bread.

Museums

There's not much else to do in Tashkent except go to the museums while waiting to get out of town. Don't miss the Mu-

seum of Antique and Jeweller's Art located in an ornate house which once belonged to a relative of the last czar and contains lots of decadent gold and jewelry dating from the 1st to the 19th century.

The Aybek Museum of the History of the Peoples of Uzbekistan is the oldest museum in Central Asia and has an extensive collection of archaeological treasures such as a priceless alabaster Buddha and an 8th century Koran.

Another fabulous czar-era mansion houses the Museum of Decorative and Applied Art. The shop here has a good selection of reasonably priced handmade Turkoman rugs on sale, but wait until Samarkand or Bokhara to buy antique jewelry.

In Samarkand, the Afrasiab Museum features a stunning 6th century Sogdian frieze showing Korean, Chinese, and Turkish tribute bearers. There are also a 2nd century Zoroastrian altar and coins from the days of Alexander the Great.




TRAVEL

By Bruce Barnard

Amsterdam is one of those rare cities where the clichés come alive. It really is the “Venice of the North,” built like the Italian city, on wooden piles driven into marshy ground. The famous Brown Cafes really are stained brown by hundreds of years of tobacco smoke. There really is a Marijuana Museum and a flower market, stray cat homes, and pottery that floats on water.

Amsterdam



Views like this of Amsterdam's Magere Brug make it easy to understand why travelers often call the city "the Venice of the North."

While Amsterdam is no longer the world's counterculture capital, the 1960s inheritance lingers in an easy freewheeling way of life that has made it the San Francisco of Europe.

Amsterdam's famed laid-back atmosphere is partly a self-preservation mechanism—with over 800,000 people packed into a small area that ranks with Hong Kong as one of the most densely populated spots on earth, people have to be tolerant of each other.

For a capital city, Amsterdam is unique in having no parliament, government ministries, or embassies—they are a 40-minute drive away in the Hague, the administrative capital. It also has a welcome lack of high-rise buildings, partly due to the city's intense architectural pride—more than 7,000 buildings are classified as protected monuments—but also because the marshy soil can't support tall structures. Indeed, large parts of central Amsterdam look like the city depicted on the 17th century prints that clutter hotel lobbies and tourist shops.

But what makes Amsterdam different from other cities is its canals, all 40 miles of them, forming a horse shoe around the inner city and split down the middle by the Damrak-Rokin-Vijzelstraat, the main city thoroughfare.

Amsterdam is so compact that an enterprising and energetic visitor can "do" the whole city in a day, without the need for a map or tourist guidebook. Just stroll past any canal, and you'll see the best of Amsterdam—row

upon row of gabled houses leaning against each other and hundreds of brightly and at times eccentrically painted houseboats.

An added bonus is that you can't get lost—in time you'll end up where you started. To make it even easier for American visitors, everyone in the city speaks English.

An alternative way to "do" Amsterdam is to take an hour-long canal boat tour, with a multilingual guide, which even locals are known to take to escape from the busy streets. The boats leave from the Central Station or in front of the Heineken Brewery and in spring and summer, the main canals and humpback bridges are floodlit after dusk.

Yet another option is to "go Dutch" and rent a bike for a "Grand Tour" of the canals. Don't worry about the traffic—in Amsterdam as in the rest of the Netherlands, the cyclist is king. There is also a superb tram system that crisscrosses the city and a single subway line that doesn't go anywhere very interesting.

Amsterdam boasts the rare combination of a downtown that is both touristy and residential. Many of the old 17th century merchants' houses and warehouses have been transformed into apartments. Expensive real estate occupied by yuppies is often located next to low-cost accommodations provided by City Hall.

Most tourist life converges around three squares, Dam Square, Rem-

brandtsplein, and Leidseplein, all with their distinctive features.

Dam Square, huge by Dutch standards, is populated, in equal measure, by young backpacking tourists and pigeons, with a smattering of buskers, jugglers, and Italian ice cream vendors. It faces an imposing Amsterdam landmark, the Royal Palace, which opened as a Town Hall in 1655 and was later converted by Louis Bonaparte, Napoleon's brother, into a palace when he was King of the Netherlands, 1806–10.

Rembrandtsplein is a scaled down version of Times Square, with garish neon advertising signs, strip joints, bars, cafes, and cinemas, improbably surrounding a grassy square with benches for the weary traveler.

Leidseplein is where Amsterdam swings. It is a small, open, and noisy square packed with restaurants, bars, fast-food joints, nightclubs, and cinemas that seem jammed all year round. Nearby is a treat for the hungry and-or thirsty traveler: the Cafe Jugendstil in the American Hotel, a vaulted Art Deco restaurant and reading room that is an oasis of calm before Amsterdam's incrowd descends on it from late afternoon onward.

A boon for culture vultures, Amsterdam boasts 42 museums from the Rijksmuseum, home of one of the world's greatest art collections to the maritime museum with its panoramic views of the harbor. Other "museums" that don't make it into the more conven-



A TRAVELER'S GUIDE TO AMSTERDAM

Vital Statistics

Telephone: When dialing a number in the Netherlands from the US, the country code is 31. The city code for Amsterdam is 20 and for the Hague, 70.

Population: 751,156.

Netherlands Tourist Office: 312-819-0300.

Hotels

The Amstel, Prof. Tulplein 1, tel. 31-20-622-6060, fax 31-20-622-5808 recently refurbished grand, Old World hotel overlooking the river Amstel. Prices range from \$425 for a single room to \$485 for a double. One star Michelin-rated La Rive restaurant.

Hotel Pulitzer, Prinsengracht 315-331, tel. 31-20-523-5235, fax 31-20-627-6753. Twenty-four canal-side houses dating from the 17th and 18th century make up this hotel in the center of town, from \$230 single to \$310 double per night.

American Hotel, Leidsekade 97, tel. 31-20-523-5235, fax 31-20-627-6753. Art deco establishment in the heart of Amsterdam's busiest night district, from \$175 single to \$310 double per night.

Canal House, Keizersgracht 26, tel. 31-20-622-5182, fax 31-20-624-1317. A 17th century gabled canal house with steep staircases that have the feel of a private house, from \$125 to \$148.

Restaurants

Christophe, 46 Leliegracht, tel. 31-20-625-0807. Classical French dishes with spices from around the world, à la carte (dinner only) \$60.

Dynasty, Reguliedersdwarsstraat 30, tel. 31-20-626-8400, fine Asian cuisine in a burgundy and saffron colored restaurant, à la carte \$40–\$50.

Bogeda De Keyzer, van Baerlestraat 96, tel. 31-20-671-1441. Decorated like an Amsterdam "Brown" cafe, reasonable prices, good fish dishes, near the Amsterdam Concertbegouw, à la carte (lunch and dinner) \$30.

Raden Mas, Stadhouderskade 6, tel. 31-20-685-4041. Exotic decor and equally exotic Indonesian cuisine.

tional guides are the Heineken Brewery Museum and oddities such as the Museum of Sex and the Torture Museum.

A visit to the Rijksmuseum is a must, if only to see its most famous painting—Rembrandt's *Night Watch*, painted in 1642 when the artist was 37. With its 250 plus rooms, the museum is overwhelming, so the casual visitor must draw up a short list of what he wants to see.

The Stedelijk Modern Art Museum, which houses works by Picasso, Monet, Matisse, Cezanne, and Degas, is also well worth a visit.

Go early to avoid the queues for the Vincent van Gogh Museum which displays over 200 paintings and 400 drawings by the most famous Dutch artist, as well as works by his contemporaries including Toulouse Lautrec and his friend Paul Gauguin.

A darker side of Amsterdam's history is glimpsed in the Anne Frank house (Prinsengracht 263), a 1635 building which every year attracts half a million visitors drawn by the extraordinary story of the young Jewish teenager who kept a diary while she hid from the Nazis (1942–45) behind a secret bookcase door only to be betrayed by a nameless collaborator nine months before the end of the war.

Amsterdam is a fun city for all ages. It's also a place that can shock the visitor who is unprepared for the famous red-light district where scantily clad women sit in shop windows, the tacky

establishments offer sex shows, and tobacco and newspaper kiosks sell extremely risqué postcards.

Amsterdam's coffee shops aren't like the coffee shops back home. They do sell the excellent Dutch coffee, but the menus also list types of hashish and marijuana from around the world. Soft drugs aren't legal, but they are tolerated in small amounts for personal use.

There are over 1,500 bars to slake your thirst with Dutch beer, which is second to none, or young or old gin, which has no equivalent anywhere else. Most are small, squashed, noisy, and very friendly.

The Netherlands isn't a gastronomic paradise, although Amsterdam is more cosmopolitan than other Dutch cities. If you want to "go Dutch" order raw herring and onions at one of the fish bars that dot the city, or for dinner experiment with Indonesian *rijstafel* (rice table)—boiled rice and/or noodles accompanied by as many as 20 spicy side dishes.

Amsterdam isn't one of Europe's great shopping cities either, and the main shopping street, Kalverstraat, is best avoided because it is incredibly crowded. Up-market shoppers should visit PC Hooftstraat, near the Rijksmuseum. Again if you want to "go Dutch" visit the flea market in Waterlooplein, the Albert Cuyp market near the Heineken brewery, or Westerstraat market in the Jordaan, an old working-class neighborhood that has been colonized by modern day bohemians.

Anytime is a good time to visit Amsterdam—even in winter when the canals are cloaked in rain or mist. The Flower Parade is in September, carnival in February, and there's a huge street festival on the queen's birthday, April 30. But book early because there is still a shortage of hotel beds despite a recent surge in construction. ☺

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

CAPITALS

EUROPEANS OF THE YEAR 1994

As has become an annual tradition, *EUROPE* asked our Capitals correspondents to select from their countries an individual who through personal and public efforts has promoted the concept of a united, peaceful Europe during 1994. Here follow their choices.

LONDON

CROSS CHANNEL SHOPPER

It was hard to find a suitable candidate for 1994's UK European of the Year. As usual, the nation was officially very ambivalent in its attitude toward Europe, and there was no obvious contender in the world of politics, business, or culture.

The appointment of former Labor Party leader Neil Kinnock as EU commissioner for transport in Brussels seemed promising, especially as his wife Glenys had been elected as an MEP during last year.

"Transport is something tangible," says Kinnock, "it can have an application literally at street level." Ordinary European citizens can relate more readily to good trans-frontier travel than to the often opaque debate about the future of Europe.

There are two tough challenges in his in-tray. The first is the development of the trans-European networks (TENS), the multi-billion ecu road, rail, and other transport projects designed to link Eu-



rope's single market. The second is state aid cases, particularly among some of Europe's cosseted airlines.

Mr. Kinnock is clearly delighted to be able to team up with his wife Glenys, who preceded him into Europe and is already establishing a prominent voice as a

newly elected member of the European Parliament.

European Couple of the Year? Well, maybe, but unfortunately they haven't been in their positions long enough to earn the title this time.

In UK domestic politics the people most concerned and active about Europe were the "anti-Europeans" of the ruling Conservative Party whose ultimate goal is for the United Kingdom to pull out of the European Union. They refused to back their own government and handed it a parliamentary defeat at year-end, all because of their objections to close ties with Europe.

This certainly kept "Europe" as a key issue in politics here. Their leader Bill Cash would have made a colorful candidate. But being against Europe, the arch skeptic, or "Euro-realist" as Cash calls himself, hardly qualifies him for the title of the UK's European of the Year.

In the world of business, Rocco Forte of the Forte hotel and catering group seemed a strong possibility. He has increased the group's previously minimal presence in continental Europe with a number of acquisitions. The most dra-

matic of which was the end of year purchase of Meridien, the international hotel chain owned by Air France. Earlier purchases include France's Relais network of 40 motorway restaurants, a network of 100 motorway motels-cum-restaurants in Spain, and the 18 hotel Agip chain in Italy.

"We hope to have a much bigger roadside catering [operation] and hotel chains in continental Europe within five years," says Rocco Forte, indicating that he is becoming more European by the year. He was awarded a knighthood by the queen at Christmas and is now Sir Rocco.

But in fact he actually held back from investment in Europe for a few years, while others forged ahead. They subsequently faltered, and he was proved commercially correct in his hesitation. But if his heart is not in it, can he qualify?

Then there is Howard Davies of the Confederation of British Industry (CBI), the employers' organization. Under his direction the CBI has been developing a Euro-wide business agenda to unite European business leaders in resisting what they see as intrusive EU social legislation. He believes it is time for the business community to act in its common interest. In December, the CBI called on Brussels to withdraw two proposed European-wide employment laws and sharply criticized the way they are being introduced.

Davies speaks fluent French and has criticized the UK government's stance on the European Union, arguing that "the business community cannot afford to be excluded from Europe." But I'm not sure that a man describing policies in Brussels as "ill conceived," "disappointing," and "risible" is quite what we are looking for.

The world of culture was no help at all. Even the opening of the Channel Tunnel failed to inspire British artists to produce a single piece of music to match Verdi's *Aida* which celebrated the opening of the Suez Canal. No poet penned an "Ode to the Chunnel," as would have happened in days of yore when poems were written to glorify great events.

In these circumstances, I'm afraid that we will have to pick the UK's European of the Year from one of these millions of Britons who dash across the Channel on day-trips to shop for wine and beer in northern France. They are the real believers in a united Europe. They love the fact that being in the EU

means that they can fill their cans and vans with virtually unlimited amounts of cheap French booze. So, I nominate the British Cross Channel shopper as the true UK European of the Year.

"Cheers, mon ami."

—David Lennon

AMSTERDAM

ANDRÉ MIDDLEHOEK

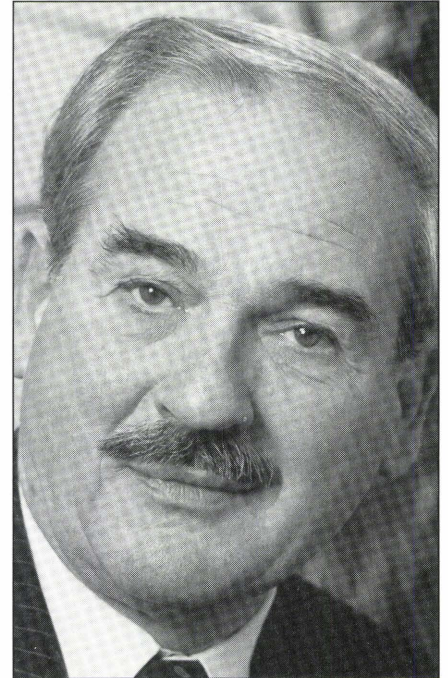
His job will never make him the most popular man in the European Union, but André Middelhoek definitely deserves high esteem for his perseverance to question irregular spending. As president of the European Audit Office, he warns consistently against the fraud taking place with the money of European taxpayers. The annual report of the audit office is a revealing document, pointing at the Union's unaccounted for or unclarified expenditures. Middelhoek likes to speak out. He thinks the European Commission should get more power to supervise spending. He firmly believes in simpler directives from Brussels in order to avoid abuse, and he favors punishing offending countries in cases where fraud has been proved by cutting off financial support and imposing big fines. "The money flow ought to be stopped until real improvement has been made," he said last November when he presented the annual report to the European Parliament.

André Middelhoek, 63, is a former budget director of the Dutch ministry of finance. Years ago, he moved to Luxembourg, where the audit office is located, and has headed the office since early 1993. Along with about 400 public servants, he has the all but impossible task of scrutinizing the spending of agricultural subsidies, regional and structural funds, development aid, and support for Eastern Europe. Altogether, the European Union's budget is more than 70 billion ecu (\$88 billion).

Some politicians estimate that about 10 percent is spent fraudulently—for purposes other than for which it was approved. Middelhoek has never given an exact number but says that the amounts are large. "The problem is that nobody feels responsible for what happens in Brussels," he says.

The difficulty is that 80 percent of the Union's budget is spent by the member states themselves. "The individual mem-

ber states have a very large responsibility," Middelhoek insists. The agricultural support is entirely in the hands of national governments that distribute the money from Brussels. So it's extremely hard to investigate and to prove cases of fraud. But the audit report gives examples, like the subsidy for clearing old vineyards in order to limit the overproduction of wine. While more than one billion ecu (\$1.25 billion) have been spent on cutting vines since 1989, the wine pro-



duction has nevertheless increased 21 percent during the same time.

The structural funds and aid programs for former communist countries are also questioned by the audit office. As spending targets have to be met, the lack of viable, worthwhile projects increases the likelihood of doubtful projects being supported.

Last year, Middelhoek warned the finance ministers: "Ever since Keynes wrote his 'General Theory,' we know that the transfer of money to countries or regions will increase their gross national product. This does not say anything about the quality of the structural changes that have taken place."

He also insists that simply-looking at GNP-growth is not a good indicator of the results of the financial support provided by Brussels. "Of course, growth increases when outside money is poured into the construction of roads. It would be terrible if it did not. But the question is whether economic growth will be sustained once the infrastructure is finished."

For the European taxpayers, it is reassuring that at least somebody is constantly questioning the Brussels money-go-round. And that Middlehoek comes back, year after year, to denounce what the audit office has found in irregular or unaccounted spending. By doing so, he plays a valuable role in fighting Euroskepticism among the Europeans.

—Roel Janssen

BERLIN

KARL LAMERS

Karl Lamers, 59, has been acclaimed Europe's 1994 European Man in Germany. The foreign policy spokesman of the ruling CDU/CSU in Germany's Bundestag has co-authored a controversial policy paper on the political and economic future of the fledgling European Union that has drawn fire from many sides. He has bravely laid the key questions on the table in good time for the 1996 intergovernmental conference which will review the Maastricht Treaty. Lamers says success of the revision is of "central importance." His call for a "hard core" of states—Germany, France, and the Benelux countries—to move ahead of the others with political and monetary integration has brought against him accusations of wanting to bring about a two-class Europe.

The controversy which the "discussion paper" sparked surprised Lamers because, according to him, "it contained nothing that was new." There was agreement that not all members of the EU would be able to take part in European Monetary Union (EMU) in 1997, or even after 1999, because they would not meet the EMU convergence criteria set down in the Maastricht Treaty. Lamers is convinced of the absolute necessity of a monetary union. "If efforts to establish monetary union were to fail, the process of political integration would also come to a halt," he declared. "It would result in disastrous consequences—not only for Germany but equally for all other EU states." In his view, "those who cling to national sovereignty are seeking solace in an empty shell."

Lamers does not like to travel, but since last November he has been on the road touring European capitals defending and explaining his controversial ideas. "Those critics who opposed my

ideas loudest did not bother to read my paper," he charged.

A convinced federalist, Lamers explains that a federal concept of Europe had many advantages over centralism. In Germany, everybody is in favor of federalism now, but when it was introduced in



1949 the German people were up in arms. "It is the irony of history that federalism, intended to weaken Germany, was pushed by the occupation powers, especially France," he says. "The opponents of a federal concept are against a Europe with a state-like character, but eventually the development will lead to a Europe with characteristics of a state rather than a confederation of states," he reasons.

The Rhinelander Lamers, 59, studied law and politics. His political career took off in 1968. He has been a member of Parliament since 1980 and foreign policy spokesman of the ruling CDU/CSU since Germany's unification in 1990. Lamers, who looks as though he has just stepped out of a Holbein painting, is not overbearing. He is a ponderer, reserved but at the same time persevering. What shaped his European ideas? His father, who died when Karl was only nine, had awakened in him a strong interest in history. His Jesuit schooling made another deep impression. For nine years Lamers went to Aloisiuskolleg, a school in Bonn run by Jesuits. The Jesuit fathers were very European-minded and taught him pragmatic thinking. "I was lucky enough to be influenced only by people who felt no enmity," Lamers said.

Like Chancellor Helmut Kohl, he strongly believes that German unification and European unity are two sides of the same coin. He doesn't want anybody to be afraid of Germany anymore. He is not a dreamer. Lamers is aware of Euroskepticism and Euro-pessimism in France and in Germany, but he says "people know how important the European idea is. Only they are not satisfied with the way it runs, and they are right."

"There is no alternative to building Europe," he says, "but it will not be without toil and tears."

—Wanda Menke-Glückert

LISBON

VITOR CONSTANCIO

In a year in which Portugal's political role within Europe was a quiet one—two years after its presidency of the European Union and the year before presiding over the Western European Union defense organization—it was left to culture to take center stage. In 1994, Lisbon took its turn as European Capital of Culture, an event that may have little influenced the rest of Europe, but certainly took much unseen art from Europe to Portugal. My choice for Portugal's European of the Year is the head of the body set up to organize Lisbon '94, Vitor Constâncio.

Constâncio, 51, is a Socialist and one of the country's leading economists. He was born in Lisbon and is married with two children. He is a genial, stocky pipe smoker and an old political hand. He was finance minister in 1978, in one of the



first constitutional governments that came after the many short-lived provisional administrations which followed the overthrow of the dictatorship in 1974.

After various Socialist Party jobs, including member of Parliament, he was appointed governor of the Bank of Portugal, the country's central bank in 1985. However, he did not remain in this key position for long. In 1986 he became only the second secretary-general of the Socialist Party, as party founder Mario Soares was elected Portuguese president. Two years later he lost that job to Jorge Sampaio, currently mayor of Lisbon.

Since then, he has stayed out of the political limelight, working—among other things—as an advisor at the Bank of Portugal. However, he seemed just the man for the job, when a respected and reliable leader was sought for the difficult task of pulling off the cultural year on a tight budget.

Constância is satisfied by what Lisbon '94 achieved. At 1.5 million, the number of visitors exceeded all expectations. Despite this turnout, however, receipts failed to reach the expected mark of \$3.15 million. In terms of popularity, museums topped the list, followed by pop concerts, classical concerts, and theater performances. The total budget was \$51 million, including \$13 million for renovating façades and cultural venues.

Although he has sometimes indicated he has withdrawn from politics definitely, he has stirred again recently, and he could well be in line for the post as finance minister once again, should the Socialists beat the ruling Social Democrats in this October's upcoming general election.

—Peter Miles

DUBLIN

JOHN HUME

John Hume will always be associated with his heroic efforts to bring peace to Northern Ireland. Although he was born and lives there, he is above all an Irishman with an inspiring vision for a new "agreed Ireland." This vision foresees a peaceful withering away of the 75-year-old border on a small island which would become fully integrated into a Europe where national borders will also lose their old divisiveness. It is sometimes forgotten how much Hume has himself been inspired by the vision of a

European union of the founding fathers—Schuman, Monnet, De Gasperi, and Adenauer. Hume has always been fascinated by the way France and Germany became allies in a pioneering move toward a united Europe after fighting three wars against each other in the space of 70 years.

Surely here was a model for an Ireland which in the 20th century seemed to be obsessed with the age-old enmity between Saxon and Gael, planter and native, Protestant and Catholic. But while Hume dreamed of a new Ireland where the borders between North and South and between the unionist and nationalist communities in Northern Ireland would



lose their relevance in the greater European venture, he also threw himself fully into the campaign by becoming a member of the first directly elected European Parliament in 1979.

Using his fluent French, Hume worked tirelessly in the Parliament whether in Strasbourg or Brussels to seek European funds for Northern Ireland and often found himself allied in this cause with the unionist MEPs, who would be his political foes at home, including the formidable Reverend Ian Paisley. Hume was wise enough not to use the Parliament and the impressive array of contacts he built up merely to plug a nationalist line. He was canny enough to ensure that his native city of Derry received generous slices of EU funding.

As leader of the nationalist Social Democratic and Labor Party (SDLP), Hume had to fight electoral battles in Northern Ireland on two fronts—against Sinn Fein, the political front of the IRA,

and against the unionist parties. But he never allowed these local struggles to distract him from his commitment to the European ideal and how it could serve to solve the ancient Irish divisions.

When eventually, the political parties in Northern Ireland came together to try and negotiate a settlement to allow normal life to return there, the SDLP blueprint was closely modeled on the triple institutions of the EU—Commission, Council, and Parliament—as a way of bringing North and South peacefully together with the active encouragement of Ireland and Britain's European allies.

So far, Hume's plan has made little headway with the suspicious unionists, and its time has clearly not yet come. But in his all-important peace negotiations with Gerry Adams, the leader of Sinn Fein, which led to the IRA cease-fire last August, Hume also held out the hope of a new, agreed Ireland as part of a greater European union. This was his way to "change the context," to use one of his favorite expressions, so that Sinn Fein would see their goal of Irish unity in a less purely nationalist way.

He has also encouraged unionists to see the future of Ireland as part of a European shift toward greater integration, economically and politically. The unionists are eager to grasp the economic opportunities while much more reserved about moves toward political union, but Hume is convinced that the process is irreversible and that one day it will help transform the ancient Irish quarrels into his new Ireland.

—Joe Carroll

BRUSSELS

JEAN-LUC DEHAENE

A representative cross section of Belgians asked to make this choice in early June 1994 would almost certainly have come up with a wide variety of names. If questioned at the end of the month, there is little doubt that a large majority would have replied: Jean-Luc Dehaene.

In the meantime, the Belgian prime minister received the support of 11 out of the 12 EU governments to succeed Jacques Delors as president of the European Commission. He was then blackballed by British Prime Minister John Major at the Corfu Summit.

The effect on Belgian public opinion

was dramatic. Hitherto, he had not been particularly popular, and his left-center government was trailing miserably in the opinion polls. Almost immediately afterward, Dehaene's personal rating vastly improved, and the government began a steady climb in the polls and is well placed to win the next general election, due before the end of 1995.

Previously, a prophet not without honor save in his own country, Dehaene was instantly reassessed in the flattering light of the confidence which international leaders such as François Mitterrand and Helmut Kohl had shown in him. In fact, he had already amply demonstrated, within the Belgian political system, unusual qualities of energy and decisiveness.

He also happened to be just about as close to the center of gravity of Belgian politics as it is possible to be. A member of the Dutch-speaking majority, a Catholic but not an overly pious one, and just a little bit to the left of center—Dehaene could have been a photo-fit Belgian premier.

Aged 54, with an American-born wife, Celia, and four grown children, Dehaene is a man with many nicknames, mostly unfriendly. He has been called a bulldozer, a tank, a cart horse, and most frequently, "The Cock," the literal translation of his name, with its connotation of loud assertiveness.

The impression long persisted that he was a rough sort of fellow, barely house-trained. This was reinforced by his appallingly rasping French accent, almost certainly deliberately cultivated by Dehaene, a highly educated man, who may have felt the need to reassure his Flemish supporters that he had not been seduced by the French-speaking Belgian elite.

Yet reducing the tension between the country's two largest language groups has been Dehaene's greatest achievement. He succeeded in rejigging the Belgian constitution to enable each linguistic community to run its own affairs under a federal structure. It was this feat which provoked the suspicion of John Major, who perversely interpreted federalism as a centralizing movement, whereas Dehaene had introduced the greatest measure of decentralization in Belgian history.

Judging by his record when he presided over the Belgian presidency of the Council of Ministers in 1993, Dehaene would have proved an adept and constructive president of the Commis-



sion. Instead his talents will remain at the disposal of his own country, the majority of whose citizens now clearly subscribe to the view that Europe's loss is Belgium's gain.

—Dick Leonard

MADRID

MANUEL MARÍN

Now entering his tenth year of service on the European Commission, Manuel Marín is a shining example of that generation of young, bright Spaniards that emerged after four decades of Francoism to bring their country into the European and international fold.

Almost during his entire political career, Marín has been involved somehow in European affairs. Born in the central city of Ciudad Real in 1948, Marín received a law degree from the University of Madrid before continuing his studies in France and then went on to earn a degree in European studies at Brugge, Belgium.

On entering politics, he won a seat for the Socialists in the Spanish Parliament in the first elections following the return to democracy where he was a member of the defense and foreign affairs committees and where he also caught the eye of future prime minister Felipe González.

In 1982 on González' election, Marín was appointed secretary of state for European Community relations in the Foreign Ministry where he worked tirelessly on Spain's negotiations for entry to the EC and, at the same time, helped prepare Spanish institutions for membership.

Once Spain joined in 1986, it was natural that Marín would go to Brussels and

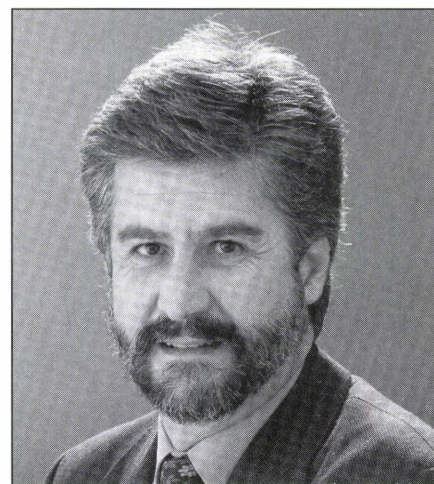
be on the European Commission where he has served ever since, holding such portfolios as social affairs, fisheries, development, employment, and education.

Although his colleagues take umbrage at his headstrong behavior, authoritarian ways and sometimes difficult manner, Marín is also known as unusually perceptive and is given high marks for spotting nasty situations on the horizon before they happen.

One such potential disaster is North Africa where unrest could unleash a tidal wave of desperate and unwanted immigrants toward European shores.

In an appearance before the European Parliament in January when incoming members of Jacques Santer's team were vetted, Marín, now in charge of foreign relations with Mediterranean, Middle Eastern, and Latin American countries, made some dire warnings.

European security is at grave risk, he said, from three major problems affect-



ing North Africa: the population explosion, slow economic growth, and the rise in Islamic fundamentalism.

Critical of some EU member countries for applauding the Algerian government's cancellation of elections in 1992 which the fundamentalist Islamic Salvation Front was about to win, Marín instead urged dialogue with the more moderate sectors within the Islamic movements.

—Benjamin Jones

LUXEMBOURG

JEAN-CLAUDE JUNCKER

Jean-Claude Juncker, Luxembourg's new prime minister, has long been a Euro-enthusiast.

In European Union meetings during the last few years, he has been a very visible diplomat, helping to negotiate, for example, agreements that led to the landmark Maastricht Treaty calling for greater economic and monetary unity among member countries.

While he often cites this as one of the Grand Duchy's contributions to the EU, he notes another as equally significant. Juncker, in an interview with *EUROPE* magazine, said, "I still believe that the achievement of a breakthrough in indirect taxation under the Luxembourg presidency has not only turned around a very long standstill at the European level in this area, but also shown the disproportionate effort I had to ask for my own country in order to lead the way toward a renewed European consensus which was achievable only by an addition of sacrifices by all countries."

Juncker has been working to have the EU abandon its efforts to harmonize the members' withholding taxes on interest incomes. Unlike some of its neighbors, Luxembourg does not automatically levy such withholding taxes but relies on foreign account holders to declare their tax liabilities. Luxembourg has argued that, if the EU requires automatic withholding taxes for all members, capital would quickly flee from the EU to the Channel Islands, the Dutch Antilles, and other financial capitals that do not have such procedures.

The only way that tax harmonization would work, Juncker has maintained on behalf of Luxembourg, is if it were international in scope, embracing all of the major industrial economies and safe harbors, such as the Bahamas.

Despite this point of disagreement, Juncker, like his predecessor Jacques Santer, who assumed the presidency of the European Commission in January, is strongly committed to the future of the EU. "The first priority of the incoming government is to make sure of our country's place in the EU," Juncker said as he became the youngest prime minister ever for the Grand Duchy. "We have to explain to our partners in the EU that we are firmly committed to the EU and that we won't accept any dilution of it.

"Ties among members should be increased continuously and in respect of the official calendars and conferences; the deepening of integration among Europeans is an everyday goal and process," he said.

Looking ahead, he said, "the next five

years should be of consolidation, enlargement, and reaffirmation of the objectives of solidarity and nondiscrimination which are at the base of the project of European integration as well as reorientation and deepening of the process of integration."

His one area of disappointment, he says, has been his failure to help the EU "bring the level of social integration in Europe on par with the level of economic integration."

Efforts to develop a new common foreign policy, he said, will prove taxing. "As to what concerns foreign policy unity," Juncker said, "it might appear easy to point out the failure of such unity



compared to federal governments, but I would like to ask what would have been the success of 15 separate foreign policies compared to the attempt of a single foreign policy. This is an evolutionary enterprise which has to take into account sometimes very long traditional and historical ties which were not in the sense of European unity."

—James D. Spellman

ATHENS

YANNOS KRANIDIOTIS

Yannos Kranidiotis, Greece's undersecretary for European affairs, was catapulted last summer into one of the most awkward jobs the Socialist government could offer. He took over the European affairs portfolio from Theodoros

Pangalos at a time when Greek policy on Balkan issues was moving farther away from the rest of the European Union, as bilateral disputes with its neighbors sharpened.

Kranidiotis, from a Cypriot diplomatic family, was chosen after leading Greece's legal defense of its decision in February 1994 to impose a trade blockade against its northern neighbor, the former Yugoslav republic of Macedonia. The European Court in June refused the Commission's request to make Greece lift the embargo, vindicating the Greek argument that a political not a legal solution was needed in the dispute between Athens and Skopje over the republic's name and flag.

However, with both sides unwilling to make concessions, UN-sponsored talks on the Macedonian issue failed to make progress and Greece now faces a full-scale European Court case brought by the Commission, which claims the embargo has damaged the European Union through blocking its trade with the ex-Yugoslav republic.

The contrast in style between the soft-spoken Kranidiotis and the ebullient Pangalos could scarcely be greater. Although foreign policy is part of daily politics in Greece, Kranidiotis has made a point of keeping a low profile, putting the emphasis on diplomatic bridge-building rather than political confrontation.

As one of a younger group of Western-trained Greek Socialists, Kranidiotis wants the Pan Hellenic Socialist Movement (PASOK) to grow into a social



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democratic party in the northern European mold. In foreign policy, that would require Greece to develop close relations with its Balkan neighbors—though this will take time to achieve, given the current atmosphere of suspicion.

A senior Western diplomat said “Kranidiotis brings a welcome note of moderation into debates where Greek feeling runs high. It’s a helpful approach on potentially explosive issues.”

The Athens-Skopje dispute was quickly overshadowed by a crisis in relations with Albania, where five members of the ethnic Greek minority in Albania were convicted in September of spying for Greece. The Athens government vetoed 35 million ecu (\$44 million) in EU economic aid to Albania for three months until a compromise was reached, with part of the funds being released and disbursement of the remainder made conditional on Albania’s human rights record.

Kranidiotis and his team are also keen to find a way of lifting an eight-year Greek veto on 600 million ecu (\$750 million) in EU aid to Turkey as part of a negotiating process linking Greek approval of a customs union with Turkey with progress on Cyprus’s application to join the European Union. Greece wants the Commission to set a definite date for starting Cyprus accession talks so that it would be able to join the EU by the end of the century.

Kranidiotis, a former advisor to the Cyprus government on EU affairs, is keen to seal his term in office by securing the timetable for the island’s membership. He has long advocated that joining the EU would serve as a catalyst for reuniting the divided island’s Greek and Turkish Cypriot communities.

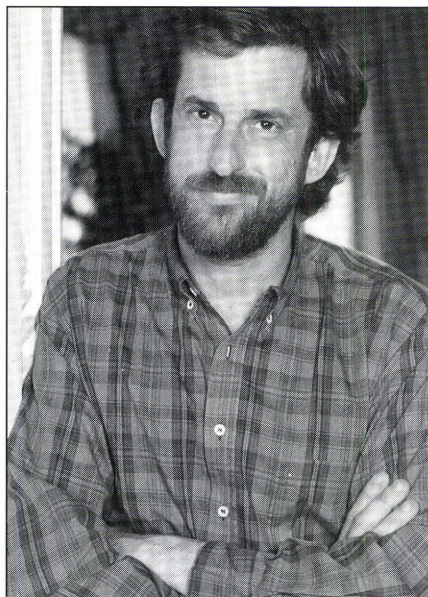
At the time of writing, it was still uncertain how long Kranidiotis would remain in his present job. He is also eligible to become a European Parliament member for PASOK, taking over the seat vacated by Christos Papoutsis, now Greece’s EU commissioner, but it is clear that Prime Minister Andreas Papandreou is having trouble in finding a suitable replacement.

—Kerin Hope

ROME

NANNI MORETTI

In a difficult year both politically and economically for Rome and Milan, he is certainly the Italian who was most noted in the film world. Even *Le Monde* waxed



enthusiastic about Nanni Moretti, the irritable and taciturn director-actor of *Caro Diario* (Dear Diary). The austere and diffident French daily newspaper described Moretti as a “political sentinel” and recognized in him “a style that belongs only to him: his works are strange, pessimistic, yet coherent.”

Moretti has been well known for years in Italy, where he affirmed himself as a leader among young directors and where he is almost a cult figure. Yet, he was virtually unknown in America until last year. It took the showing of *Caro Diario*, his latest work, in a few small cinemas in New York and other US cities to finally gain him the notice he’d already received in Europe. The *New York Times* glowed with enthusiasm. His participation at the Toronto Film Festival was a highlight of the event.

Moretti rose from the ranks of the young progressive directors of the 1960s and 1970s, starting with low budget and short movies that he financed himself. But right from the beginning there was a fundamental difference between him and the rest of the pack of protesting directors and intellectuals—his movies filled the theaters. People his age basically liked his work, and adults, too, found food for discussion.

With the passing of the years it became even clearer that he couldn’t be labeled as “Your-usual, socially-involved-European-director.” His criticisms of the system, always very ironic but low-key, were coldly aimed at his own “people.”

Even the Vatican took notice. A few years ago it paid attention to a movie of

his in which, besides being the director, he played the role of a likable but firm young priest. Even *Famiglia Cristiana* (Christian Family), the most widely read Italian weekly magazine published by a Catholic editorial company, applauded the movie. *Caro Diario*, the magazine states, “sheds light on the seditious minority which first produced 10 years of terrorism and then another 10 years of mummified politics, always managing to stay afloat.”

In fact, the last and most appreciable proof of Moretti’s skill for criticism and self-criticism is in *Caro Diario*, which is divided in three openly autobiographical stories.

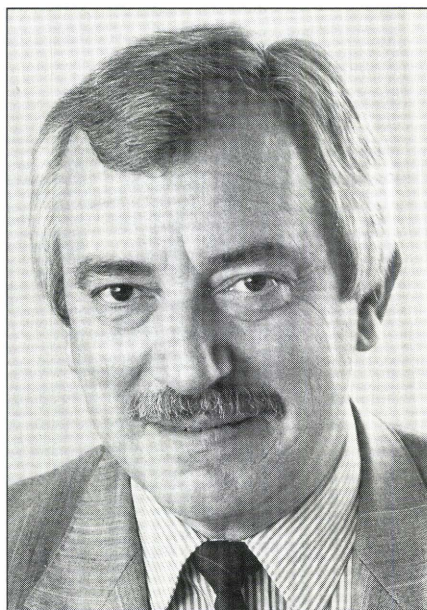
A group of aging intellectuals, who are emblematic of the protest movements from the 1960s and 1970s, indulge themselves in complaints and self-comiseration over the end of their political and ideological dreams. In fact, they have all settled into comfortable compromises. Moretti, playing himself, says a line that has already entered into the Valhalla of Italian conversation “You all shouted horrible things during the protest marches, and you ended up like this. I said things that were right, and today I am a splendid 40 year old man.”

—Niccolo d’Aquino

COPENHAGEN

UFFE ELLEMANN-JENSEN

Denmark is not famous for its abundance of supporters of European in-



tegration. There is in fact only one obvious Danish candidate for European of the Year. Former foreign minister and leader of the Danish Liberal Party, Uffe Ellemann-Jensen, 53. If the traditional European stereotypes are applied, one could say that he is the ultimate European—as hard working as a German, as eloquent as a Frenchman, with the temperament of a Greek, and—almost—as European as a Dutchman.

Stereotypes aside, he has a strong, charismatic personality, tempered by an easy wit. When he lost a job as a newspaper editor almost 20 years ago, he was asked by reporters if he was going to lick his wounds. I can't, he answered, they are in my back. It was the only low point in a career that started in the media and continued in politics as leader of the Danish party that has consistently been the strongest supporter of a closer alliance between the members of the European Union.

As foreign minister, Ellemann-Jensen was forced to ask the European partners to accept Danish reservations on parts of the Maastricht Treaty, notably the third phase of Economic and Monetary Union and membership in the West European Union, the future defense pillar of the union. Some concessions were required to convince the Danes, who rejected the treaty in a 1992 referendum, that they were voting for something else when they were asked to ratify the treaty a year later—which they did.

Ellemann-Jensen has since been a persistent advocate of a new referendum that would dismantle the Danish reservations, though opinion polls indicate that a majority of the voters might refuse to do so. To qualify as a candidate for European of the Year, battling on the home front may be a necessary, but certainly not a wholly sufficient prerequisite. Three specific areas of activity project Mr. Uffe Ellemann-Jensen onto the European scene.

The first is his untiring efforts to integrate the three Baltic states of Estonia, Latvia, and Lithuania into the Nordic and European political and economic orbits. At the behest of Mr. Uffe Ellemann-Jensen, Denmark was among the very first to recognize the three Baltic countries, and he has since worked unceasingly for their membership in the European Union. (Hopefully, at the same time as the hard core of Eastern Europe, i.e. Poland, the Czech Republic, Slovakia, and Hungary at the turn of the

century.) The issue of national security is even more critical to the Baltic States than to the Central Europeans because two of them have very large Russian minorities.

The second area of activity in which he has made, and is making, an important contribution is the debate on European foreign policy and defense. He pinpoints the blatant shortcomings of European policies in both fields and does not hesitate to criticize other EU member states, much to the chagrin of the Greeks on the Macedonian question.

The third area needs all the activists it can attract—Atlantic cooperation—or more specifically US-European relations. Ellemann-Jensen was a serious candidate to become the secretary general of NATO last year, but unfortunately the Danes have not been more famous for their commitment to NATO than to Europe, at least until recently. He is, however, an excellent spokesman for those Europeans who believe that the United States and Europe should maintain very close ties, whatever happens in Europe or elsewhere, for that matter.

—Leif Beck Fallesen

PARIS

NICOLE BRU

The 1994 award for French European of the Year goes to Nicole Bru, 56, an elegant woman who is known for her speed and determination, both in rising to the top of the business world and in hurtling down ski slopes in her rare spare time. She recently sold the family pharmaceutical business, Upsa, to US drugs giant Bristol-Meyers Squibb and is using the profits to launch her own pharmaceutical company and to create anti-pain centers around the world.

Bru's career path differs from that of most achievers. She quit school before the all important *baccalaureate*—the French university entrance diploma—and became a physiotherapist. A skiing accident slowed her down enough to study medicine and in record time she was a qualified cardiologist who used her free evenings to collect other degrees, notably in clinical pharmacology, marketing, and accountancy.

In 1972 she joined Upsa, known for its effervescent aspirins and anti-arthritis creams and in short order rose to become head of strategy and then the

boss's wife. After her husband's death from cancer in 1989, Bru was determined to expand Upsa and to develop international cooperation on anti-pain research.

She spent more than \$360 million modernizing Upsa's plants in southwestern France, making production so efficient that her brand of effervescent tablets, for example, sold at just half the price of rival products like Alka Seltzer. The low cost gave Bru openings into such new markets as Eastern Europe and the former Soviet Union, as well as China and Vietnam. Within four years of Bru taking over from her husband, Upsa's worldwide sales figures had doubled, but ultimately she was forced to sell the thriving company in order to pay the crippling 40 percent French inheritance taxes.

She turned down several prospective buyers before agreeing to sell to Bristol-



Meyers Squibb, a company which had the reputation of treating family firms with some respect. They have promised her that Upsa's work force is to be maintained at 2,000 for the next three years at least and that its research centers will be preserved. Bru so impressed the Americans that they have also appointed her to head Upsa's supervisory board and are helping to finance the nine anti-pain institutes she plans to establish within the next couple of years. The first of them is now open in Hanoi.

Bru's new company, Halison, is meanwhile pursuing research into anti-cancer and AIDS drugs, and she has taken up helicopter flying, just to keep her busy.

—Ester Laushway

People to Watch in Brussels in 1995

Catherine Day, deputy chef de cabinet, Sir Leon Brittan.

One of the smartest and toughest bureaucrats in Brussels, Day, 40, has just taken over responsibility for political and economic relations with the US in the Brittan cabinet. This Dubliner has built up a reputation as a tough negotiator. She is one of the few people to be able to stand her ground with Pascal Lamy, the chef du cabinet of former Commission President Jacques Delors. In her recent career, Day handled state aid questions, specializing in monitoring the Treuhand agency's privatization program in the former East Germany. Between 1992 and 1994, she was a driving force behind the policy of liberalizing trade with the former communist countries of Central and Eastern Europe.

•••

Carlo Trojan, deputy secretary general at the European Commission.

Unobtrusive and unassuming, Trojan, 53, is one of the hidden powers inside the European Commission. A native Dutchman with an Italian family background, this multilingual, multicultural diplomat was the man chosen by Jacques Delors to handle some of his trickiest dossiers, including German unification, the 1992 EU budget agreement, and the ensuing, vexatious share-out of regional aid among member states. A chef du cabinet of Frans Andriessen, a former vice president of the Commission, Trojan became deputy secretary general of the Commission in October 1987. His power resides not just in his poker-faced, patient ability to forge compromises among the member states of the Union but also

in his presence in the weekly session of the 15 EU ambassadors called Coreper. These meetings prepare all ministerial meetings in Brussels and European summits. Trojan's experience is likely to be called upon regularly by Jacques Santer, the new president of the Commission.

•••

Jean-Claude Piris, head of legal services at the European Council secretariat.

This well-traveled French civil servant occupies a central role in ensuring the smooth running of the European Union's machinery of government. His job is to warn ambassadors, ministers, and sometimes heads of government when they are straying outside the so-called *acquis communautaire*, the corpus of EU law which has developed since the 1957 Treaty of Rome. But Piris, 51, is also a fixer par excellence, as shown by the ingenious text which he submitted as a solution to the political crisis caused by Denmark's rejection of the Maastricht Treaty in June 1992. His draft avoided a renegotiation of the treaty, while laying the basis for a second, successful May 1994 referendum that paved the way for final ratification of Maastricht by all member states. Formerly a legal counselor at the French UN delegation and the director of legal affairs at the OECD in Paris, Piris became director general of the legal service at the Council in Brussels in 1988.

•••

Jürgen Trumpf, secretary general of the European Council.

A former German ambassador in Brussels, a classical Greek scholar, and a passionate believer in European integration, Trumpf, 63, has just

moved back from Bonn to Brussels to take over one of the most powerful jobs in the EU bureaucracy. His task is to ensure the smooth preparation of the twice-yearly summits between the heads of EU governments which set the political direction of the Union. He is the guardian of continuity, the institutional memory which can keep the rotating presidency of the Union—on track. His long-serving predecessor—Niels Erbsboll, a shrewd Dane—understood how to maximize the influence of the secretary general. It is, therefore, no accident that Chancellor Helmut Kohl of Germany sought out the post for Trumpf. The German chancellor grasped that sometimes there is more power to wield behind the scenes than in the more public posts such as president of the European Commission.

•••

François Lamoureux, chef de cabinet, Edith Cresson.

One of the best conceptual thinkers in Brussels, Lamoureux is known as an inside operator who exerted considerable influence during the latter half of Jacques Delors tenure in Brussels, particularly during the Maastricht Treaty negotiations. Never afraid of controversy, Lamoureux made a few enemies during this period because of his independent, occasionally secretive streak. He left shortly afterward to become assistant cabinet director to Edith Cresson, who was then prime minister of France. Lamoureux later returned to Brussels to serve in the legal and industry services, only to rejoin Cresson as cabinet director when she was chosen as one of France's two commissioners. Cresson will be responsible

for the cash-rich research budget, as well as education and training, though Lamoureux has let it be known that Cresson intends to be a powerful political voice, too. His intellectual presence—and Cresson's legendary charm—will make for an interesting combination.

•••

Jim Cloos, chef de cabinet, Jacques Santer, president of the Commission.

A native Luxembourgier, Cloos, 39, speaks fluent German, French, and English, thanks to a spell at Reading University. Despite his relative youthfulness, he is already a seasoned Brussels operator. In 1991, he was one of the handful of trusted diplomats who helped to draft the conceptual framework of the Maastricht Treaty. He was later hired by Mr. Rene Steichen, the EU's agricultural commissioner, as chef du cabinet and played a key role during the GATT negotiations with the US. His elevation as chef du cabinet to Jacques Santer, the new Commission president, was a suitable reward, and he has already begun to make his mark. He was the person who stitched together last year's complex deal dividing up portfolios among the 20 European commissioners. He also threw his weight, successfully, behind a reorganization of external relations inside the Commission, even though this led to some blood being spilled. Like his new boss, Cloos is a consolidator by temperament, wary of the big new idea and insistent on making things work. But he is also a shrewd tactician who will be a force to be reckoned with over the next five years.

—Lionel Barber

ARTS & LEISURE

ART

THE GLORY OF VENICE: ART IN THE 18TH CENTURY

National Gallery of Art, Washington DC through April 23.

Trying to write a short review of a show as large as the National Gallery of Art's sprawling "The Glory of Venice: Art in the 18th Century," is a bit like trying to describe what an ice cream cone tastes like to someone who has never eaten one. There is entirely too much to say, and mere words can hardly convey the depth or complexity of such varied (and delightful) subject matter.

Altogether, this exhibition boasts more than 200 paintings, altarpieces, drawings, watercolors, prints, illustrated books, and sculpture from the hands of such Venetian masters as Canaletto, Tiepolo, Piranesi, and Guardi. Seeing their work in this venue reinforces the idea that in many ways, theirs was a far more civilized, coherent social structure than the world we inhabit today. Everywhere there is a sense of order, rank, a vivid awareness of the present as indebted to the past for both inspiration and emotional coherence. Yet even for the uninitiated, "The Glory of Venice" is a veritable feast for the eyes, with so many different aspects of Venetian life in its splendor as well as its florescent decadence—represented with vitality and breadth.

If, for example, you appreciate architecture and want to



Regatta on the Grand Canal (1773-34), Antonio Canaletto, oil on canvas.

see how 18th century Italian artists interpreted the Renaissance discovery of visual perspective you will find Marco Ricci's impassioned ruins and landscapes rewarding, not only for their exuberance, but for their stately balance as well. And there is so much more here—Giovanni Battista Piranesi's pen and ink drawings of porticos, halls, interiors, and monuments; Francesco Guardi's haunting rendering of classical ruins; and of course Antonio Canaletto's unforgettable views, breathtaking for their range, their fidelity to real objects, their unparalleled nuances of apparent movement through and beyond the limitations of oil on canvas or pen and ink on paper.

For book lovers, some of the finest illustrated books printed in 18th century Europe are gathered here with rich examples of the work of the engraver, Francesco Bartolozzi, whose work appeared in many formats—frontispieces, chapter headings, and decorative devices—in mid 18th century Venice.

But above all, "The Glory of Venice" reminds us what this city of 160,000 inhabitants had been in its prime—a mecca for travelers who sought to see and taste splendor in all its forms, from art and antiquities to the renowned beauty of its canals, piazzas, and palaces to its theater and seven full-time opera houses. The home of an earlier generation of incompara-

ble masters—Bellini, Titian, Tintoretto, and Veronese come to mind at once. Venice witnessed a rebirth of artistic distinction in the 18th century as the Venetian Republic sagged toward extinction.

Venice's artistic growth was nurtured by its special relation with the British, whose own history was intertwined with its reliance on other maritime powers for its survival. British patrons sought out the talents of the most gifted Venetian artists and artisans for special commissions that found their way into the great country houses of England. Early in the 18th century, as Venetian artists became masters of the rococo, a style characterized by wit, lightness, exuberance,

complexity, grace, and intimacy, they became in great demand not only at home and in Great Britain, but throughout much of Europe, France, Germany, Austria, and Spain.

Not surprisingly, given the sweep and grandeur of its own past, Venice was home to masters of history painting as well as genre, landscape, and view painting. And in a sense because of this fact, the Republic of Venice, which fell at the hands of Napoleon just before the end of the 18th century, also attracted connoisseurs who discovered in its lifeblood the very essence of the good life.

If you missed "The Glory of Venice" last year when it was in London at the Royal Academy of Arts, you can see it in Washington until April 23, which just happens to be the birthday of a British playwright who set one of his greatest dramas—*The Tragedy of Othello*—in Venice. That man, William Shakespeare, would have embraced the many delights of this show. And he would have found a way to buy the elegant catalog for his library, if not for the splendid essays which provide a helpful context for the exhibition, then surely for the magnificent full-color reproductions that accompany the text.

—Douglas McCreary
Greenwood

FILM

RED

This film is the final link in Krzysztof Kieslowski's *Blue*, *White*, and *Red* trilogy, and it's the best of the lot. In any case, it's the one on which Kieslowski has announced that he will retire from the movies, which is a shame because he rates without a doubt as one of the outstanding filmmakers in the world today.

The trilogy is supposed to

be a reflection of the human condition, and the three colors represent the banner slogans of the French *tricolore*—liberty, equality, and fraternity.

Not that any of the films are that obvious. Certainly not *Red*, which is a remarkably obscure picture that moves on a level very different from most movies.

This is a new kind of film—



Polish filmmaker Krzysztof Kieslowski's *Red* stars Irene Jacob.

making, which demands a lot of the audience; in fact it requires the viewer to bring to it his or her own interpretation of what is happening on the screen, a kind of opaque mystery in which what is seen is not necessarily what is, and time telescopes much as it does in real life.

The best comparison is with an abstract painting, which demands intense study of its implied meaning but which at the same time is executed with superb brush strokes that appeal to the eye and to the emotions, simply for their shapes, their color, and the atmosphere they evoke.

Kieslowski is a master of the mood and the atmosphere, and the film's camerawork is simply superb. He is also helped by the casting of Irene Jacob in the lead role, a wonderfully sensitive and incredibly beautiful actress capable of myriad expressions that somehow per-

fectly reflect the difficult situations in which she finds herself.

Like its predecessor films—*White* and *Blue*—*Red* intelligently creates situations and relationships which occur in life, and which certainly don't follow any logic or natural, expected rhythm. At the same time, the picture radiates a depth and a conviction

that leaves one with the impression of having seen something important and real.

Irene Jacob plays Valentin, a young model who runs over a German shepherd and brings him to his owner, a retired judge, very well played by veteran French actor Jean Louis Trintignant. To her shock and surprise, he announces he is not interested in his dog and that she should take the animal away with her.

The judge, Valentin learns, also has the nasty habit of tapping his neighbors' telephones. He urges her to denounce him to them and to the police. Eventually, developing an affection for the much older and deeply disillusioned man, she learns his tragic story, which involves a wife and a deadly accident.

Meanwhile, Valentin, who lives in Geneva, has her own phone troubles with her lover, who is in London. Parallel to all this is the story of a young man

abandoned by his mistress.

In the end, Valentin—and the jilted lover who lives next to her but whom she has never met—is on a ferry to London when it capsizes. Irene and the boy are among a handful of survivors and seem destined for one another. Or maybe not...

Not much of a story in cold print, but fascinating, moving, and provocative on the screen, as told by Kieslowski down to what in an ordinary movie would be a very unsatisfactory ending.

Red is described as "a tragedy for lovers," but it is also a saga of longing and loneliness that overlay the audience's innate wish for romance and hope for a happy ending.

Apart from the superb camerawork and the excellent acting, *Red* also benefits from crisp and often surprising dialogue. When a photographer wants to kiss the reluctant Irene and asks "What are you thinking of?" she replies with a cutting "Certainly not you."

And when the judge tells the young woman of his telephonic spying, she reacts with a very honest "But that's disgusting." The lines all fit perfectly and make the viewer wish or think that is what he or she might have said in a similar situation.

Red is, in its own way, a masterpiece of the screen. One can only hope that Kieslowski will change his mind and apply his great talent to more films in a similar, challenging vein.

—Fred Hift

BOOK

Between East and West: Across the Borderlands of Europe

By Anne Applebaum; Pantheon; 314 pages; \$24.

Between East and West by Anne Applebaum is really

two books read as one. First it is a mini history of the lands between Poland and Russia, stretching from Russian controlled Kaliningrad on the Baltic Sea to the Ukrainian port of Odessa, on the Black Sea. The "second book" comprises the author's impressions during her travels through what had been the eastern frontier of Europe and more recently the western border of the Soviet Union. These "borderlands" as she refers to them have been invaded and conquered seemingly by every great army from Europe and Asia. As Applebaum writes, "For a thousand years the peoples of the borderlands spoke their dialects and worshipped their gods, while the waves of invaders washed over them, mingled, receded, and washed over them again".

The relatively open, flat plains between the Baltic and Black seas have served as a crossroads at which languages, cultures, and armies have clashed for centuries. From pagan Baltic tribes to the Teutonic Knights to the Polish armies to the Khans' Golden Horde to Hitler's Nazis to Stalin's armies and purgers, all left their marks on the region. But Applebaum writes, "Instead of uniformity, the waves of invasion created odd hybrids..." What remains is a mosaic of religions, ideologies, customs, architecture—and confusion.

Applebaum, an American and the deputy editor for the British magazine *Spectator* as well as a foreign affairs columnist for the British *Daily Telegraph*, writes that her initial interest in the region was stirred by hearing family stories about the town her grandfather came from. She was told he was from Poland, but on a map his town appeared inside a country called Belarus. In her book, "who am I?" and "where am I?" appear as

major recurring themes. Centuries of conquest have left this region with a plethora of vexing questions of nationality. In the borderlands, she writes, "A traveler can meet a man born in Poland, brought up in the Soviet Union, who now lives in Belarus—and he has never left his village."

Between East and West is divided into four parts (Germans; Poles and Lithuanians; Russians, Belarusians, and Ukrainians; and Island Cities), and each part begins with an historical synopsis of the area followed by the author's account of her travels through that area. She begins her journey boarding a ferry in Gdansk bound for Kaliningrad, the Baltic port ceded to Stalin by the allies after World War II. In the historical synopsis she describes the horror of the Red Army's advance into the city the German's had called Königsberg. She then describes her own travel to Kaliningrad where she finds a German woman said to have survived Stalin's "ethnic cleansing."

The book's treasure lies in the accounts of these women and men Applebaum finds along the way who tell her the history of their towns and villages firsthand, such as Ona Baubliene who is still awaiting the return of her husband, a Lithuanian partisan who was known as for his exploits escaping first from the Soviets, then the Nazis, and the Soviets again; Pan Michal, the self-appointed keeper of the memory of the Polish poet Adam Mickiewicz; Levon Enokyan, an underground entrepreneur during Soviet rule who has emerged as a Ukrainian business tycoon; and a dozen others.

Taken individually these encounters often read like well-crafted short stories, but as a whole they add up to the beginnings of an oral history of the region. Applebaum displays a novelist's ear for dia-

logue and a journalist's eye for pertinent detail. The reader slips easily under the spell of her descriptions, like the one that opens her epilogue.

"Weeping, sobbing, pleading, the woman in the customs line begged for forgiveness. Just beyond the barrier lay the ship; she could see it; she could practically touch it, but the border guard would not let her through....He had discovered dollar bills sewed into one of her bags. The woman wailed again, opening her mouth wide; she had but a single tooth. Her possessions lay around her in little piles, the washed-up flotsam and jetsam of a Soviet life."

Even though it is full of engaging characters and lots of detail, the book feels as though it is too short. The author ends most of the chapters leaving the reader want-

ing more information. But the lack of satisfying endings to her vignettes seems to re-emphasize the uncertainties surrounding the future of these newly independent republics.

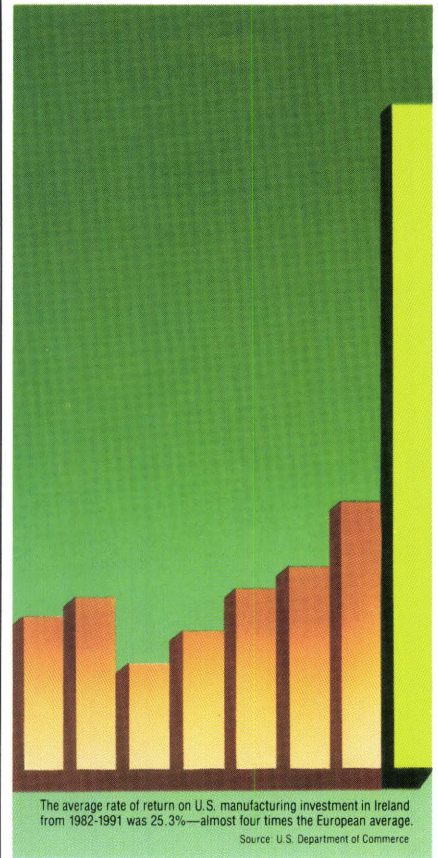
Applebaum's book reminds us that history is much more than a dusty collection of facts and dates illustrated by obsolete maps. Her book resonates with the stories of the people of the borderlands—at their purest and most romantic moments as well as at their basest and most wicked. This is not to imply that her work purports to be the last word on this region, but rather the author has given us a series of windows onto these places and peoples. If anything, Applebaum's book only whets the appetite for more information about the borderlands.

—Peter Gwin

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IRELAND



The Place.

The People.

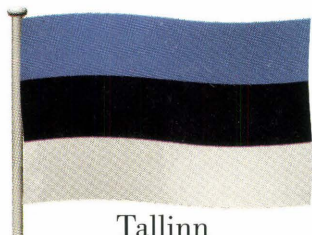
The Profits.

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21 times/week



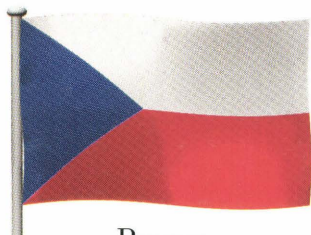
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Moscow, Kaliningrad
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