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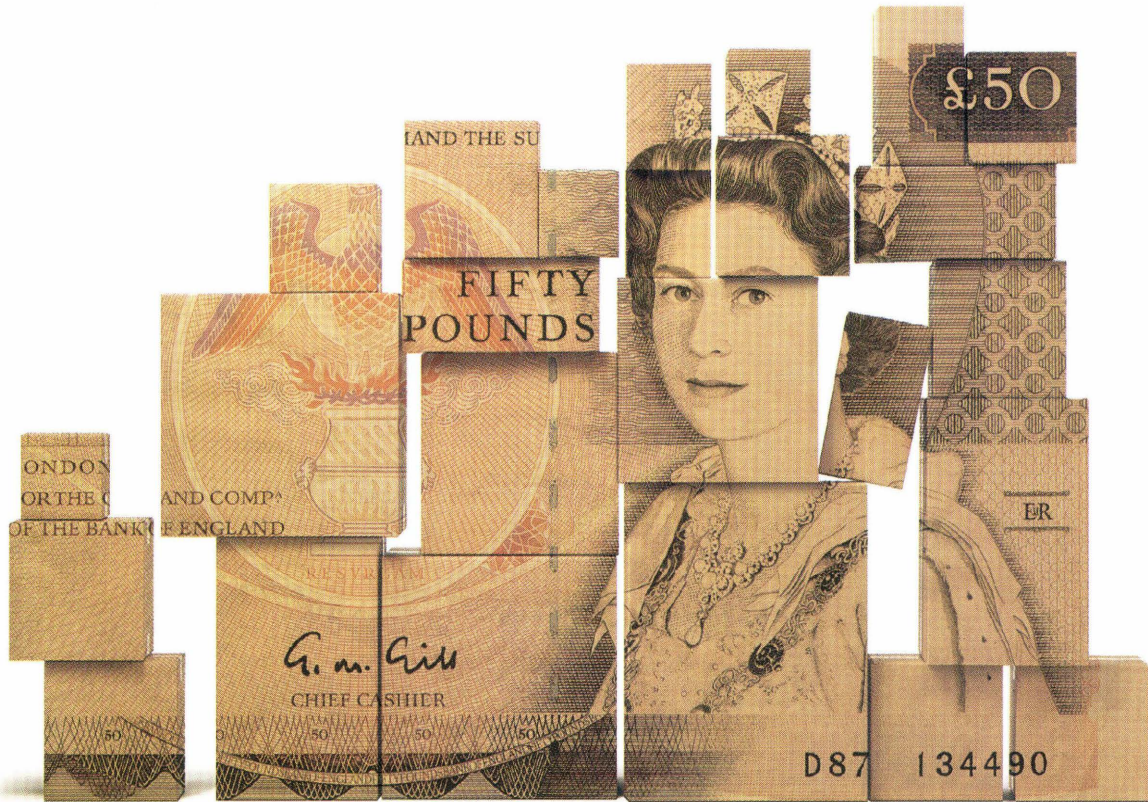
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EUROPE

MAGAZINE OF THE EUROPEAN UNION



TRANSATLANTIC RELATIONS

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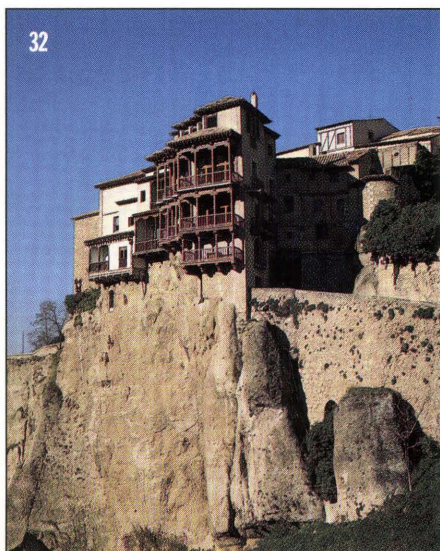
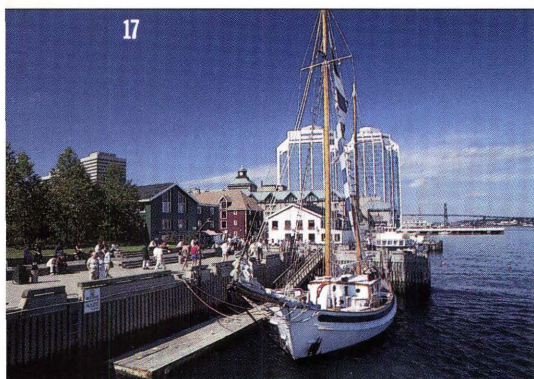
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Letter from the Editor

Does the United States need a new "Contract with Europe?" Do Europeans want to establish a new Transatlantic Free Trade Area to become known as TAFTA? Should there be a complete overhaul of US-EU relations now that the cold war era is over?

As Lionel Barber writes from Brussels, "On both sides of the Atlantic, a search is underway for new ideas to strengthen the relationship between the US and Europe." Barber illustrates five different scenarios for a possible new contract with America.

While policymakers from Washington to Brussels to Bonn to Madrid are discussing the new possibilities of some type of new contract between the US and the EU, outgoing EU Ambassador to the United States Andreas van Agt states that "a transatlantic treaty is neither a requisite nor a panacea."

The debate has just begun over the need for a new contract covering trade, economics, and possibly security arrangements between Europe and the US, and *EUROPE* presents the competing arguments for and against a new type of formal contract between these two economic powers. We will continue throughout the next few years to cover this issue in-depth in the magazine.

EUROPE presents an overall background of US-European relations, from the successful implementation of the Marshall Plan after World War II to the present day Maastricht Treaty.

Andreas van Agt, who has served as EU Ambassador to the US for the past five years, presents a very thoughtful analysis of life in America today from a European perspective. Our retiring ambassador proves that he is anything but retiring as he discusses his upcoming 1,600-mile bicycle journey across Europe.

Often when discussing North American-European relations, we tend to always focus on the United States. In this issue, *EUROPE* looks at Canadian-EU relations and shows that there is a lot more to the relationship than the highly publicized fishing dispute. Amy Kaslow, in addition to analyzing EU-Canadian relations, profiles the G7 economic summit, which this year is being held in Halifax, Nova Scotia on June 15-17.

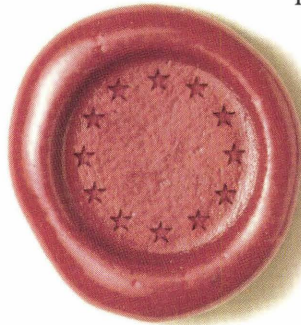
Spain takes over the presidency of the EU next month and our Madrid correspondent, Benjamin Jones, highlights Spain's agenda as head of the EU for the next six months. The Spanish presidency will focus "on establishing stability in its home region—the Mediterranean basin." The problem of violence in Algeria and Islamic fundamentalism will be key concerns to be addressed by the Spanish presidency.

Robert Lever looks at the fashion industry in France and details what is meant by *haute couture* and how it is different from *pret-à-porter* fashion. He also says that Americans are making significant inroads into Europe's fashion avenues.

Cuenca is unique! Benjamin Jones' article delights us with the many charms of this beautiful area located halfway between Madrid and Valencia.


Robert J. Guttman
Editor-in-Chief

**Does America
need a contract
with Europe?**



EUROPE

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Soren Sondergaard

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Robert J. Guttman

General Manager

Anne Depigny

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Peter Gwin

Editorial Assistant

Susan J. Burdin

Contributing Editors

Lionel Barber

Reginald Dale

Axel Krause

Editorial Intern

Tina Lund Andersen

Natasha Schlegel

Marketing Intern

Walter Hough

Design

The Magazine Group, Inc./Glenn Pierce

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

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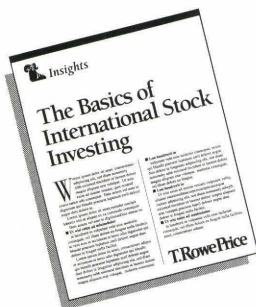
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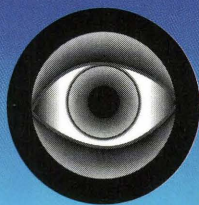
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EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

It was an excellent idea of the American Club of Brussels to invite Sir Leon Brittan to speak on the subject of EU-US relations. Brittan is one of the two vice-presidents of the Commission and his responsibilities include dealing with North America. He's already used to tough talking with members of the Clinton administration, notably his marathon sessions with US Trade Representative Mickey Kantor, which paved the way for the successful conclusion of the Uruguay Round of world trade negotiations.

Brittan gave himself the provocative title "The EU-US relationship: Will it last?" He approvingly quoted Newt Gingrich, who said recently "we are not going to stay together out of nostalgia," but then cited an avalanche of statistics illustrating the immense mutual benefit arising from the association.

The bilateral trade flow in 1993, for example, amounted to \$200 billion, while the EU is the major export market for the US, absorbing 20 percent of total US exports. The EU accounts for 53 percent of total foreign direct investment in the US, while 42 percent of foreign direct investment in the EU is from the US. About 3 million jobs on each side of the Atlantic are dependent on that investment.

"What is often forgotten," says Brittan, "when people speak of the dazzling opportunities and high growth rates of the Asian region is that both the EU and US offer each other such a huge base. Between us we have 590 mil-

lion consumers! As Under Secretary of Commerce Jeffrey Garten pointed out recently, the EU's expected growth rate of 3 percent in 1995 translates into a one-year market size increase of \$210 billion, the equivalent of finding a new market the size of Taiwan. Conversely, the US forecast growth rate of 2.5 percent for 1995 would translate into a new market roughly the size of Venezuela."

The conclusion was that, for both parties, the partnership between the US and the EU dwarfed, in economic terms, their relationship with any other part of the world and would continue to do so for many years ahead. Yet there was no doubt that there was a growing sense of dissatisfaction with the way that the relationship was working. Sir Leon said that there was a need to infuse it with a new sense of purpose and a new feeling of momentum, upgrading it to identify a broader new goal even if it took several years to bring everything to fruition. If not, a dangerous vacuum could develop.

Brittan suggested three types of action. First, "working from the bottom up."

What was needed was a progress-chasing mechanism between summits, to pursue

and monitor issues identified, above all, by the business community. "For example," he said, "we used to have meetings at cabinet level between US ministers and members of the European Commission. This practice has fallen

into disuse. Surely the time has come to revive it."

Secondly, "filling in the gaps." A new forum was needed in which representatives of the US Congress, EU national parliaments, and the European Parliament

could meet to discuss the transatlantic agenda. This forum would not replace existing links. It could adopt resolutions which would then be fed back into their respective national and European policy and law-making mechanisms. He also referred to a proposal which he and fellow Commissioner Martin Bangemann had already discussed with Secretary of Commerce Ron Brown to set up a Transatlantic Business Dialogue, in which the business communities on both sides of the Atlantic could consult with each other and feed their ideas directly into the decision-making process.

Finally, Brittan discussed the need for a new initiative, which could take the form of a transatlantic free trade area, an economic space, or a new transatlantic treaty. He said

he had an open mind about these questions, but the Commission would be studying them closely over the coming months.

The feasibility of an EU-US free trade area would be seriously considered, Brittan said. Both sides had just come through an ambitious tariff-cutting negotiation, which had led to average US customs being reduced from 6.8 percent to 4.1 percent. A free trade area would have to be compatible with the WTO, which requires them to cover "substantially all trade." Agriculture is sensitive to both sides and certain other sectors like textiles continue to enjoy high tariffs in the US. Any such agreement would need to provide for certain exceptions which would in turn need to be compatible with the WTO. "Would we want a free trade area with the US, or would an EU-NAFTA area be preferable?" asked Brittan.

Brittan went on to suggest that an EU-US economic space, which would go further than tariff elimination to include mutual recognition of standards and increased cooperation in competition policy, might prove a more attractive option. A later objective, which would have to wait until the 1996 IGC was out of the way and until NATO and the EU had worked out a new European security architecture, would be a comprehensive EU-US Treaty integrating all the various components of the relationship—security, political, and economic.

—Dick Leonard



Sir Leon Brittan



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DOES AMERICA NEED A CONTRACT WITH

EUROPE?

Wanted: A transatlantic vision for the 21st century. All suggestions to be sent to the White House (cc: Newt Gingrich), and to the foreign ministries of the 15 member states of the European Union.

BY LIONEL BARBER

A search is now underway for new ideas to strengthen the relationship between the US and Europe.

After much talk about a Pacific-tilt in US foreign policy, the Clinton administration, as well as influential voices in the Congress, is looking at a range of bold proposals to strengthen political and economic ties with the European Union.

In Europe, leaders in Bonn, Brussels, London, Paris, and Madrid have all called for a new initiative to revitalize the transatlantic ties which have preserved the peace on the continent for the past 50 years. Looking ahead, the goal is to create a political safety net for an economic relationship which is worth more than \$1.7 trillion in goods, services, and capital in bilateral trade and investment.

The surge of interest in future US-Eu-

rope relations is partly a delayed reaction to the end of the cold war. As both sides adjust to the disappearance of the common threat of Soviet communism, there are fears that the longtime allies may drift apart. "The glue which kept us together for so long has lost its strength," says Belgian Prime Minister Jean-Luc Dehaene.

There is also nervousness in Europe about the volatile combination of neo-isolationism and "America-First" unilateralism which appears to be gathering force in the US, particularly after the Republican victory in the November 1994 mid-term elections, which gave the party control of both the House of Representatives and the Senate for the first time in 40 years.

Yet there is also a sense that the post cold war era may offer opportunities as well as risks. Rather than focusing on "damage control," some believe that new circumstances are forcing both partners to think more ambitiously about their future relationship. "The truth is that we

need each other even more," says Mr. Ostrom Muller, the senior Danish diplomat responsible for European and US affairs.

So what are the prospects for a new European "Contract with America" and what exactly are the new ideas? At the latest count, the proposals fall into five broad categories.

A NEW TRANSATLANTIC TREATY. This would have to cover defense and security as well as political ties between the US and the EU to avoid being an empty shell. But such far-reaching moves raise tricky questions about the primacy of the NATO Alliance, still the guarantor of security in Europe. A defense treaty would alter the character of the EU, which remains a civil entity, and could pose ratification problems.

Tentative supporters: France and Germany who want to bind the US into European security, while creating an adult European partner. Opponents: many Americans who fear it is premature and too ambitious.

A NORTH ATLANTIC FREE TRADE AREA. On the surface, it looks like a natural complement to other nascent free-trade areas taking shape in North America, Latin America, and Asia, but negotiating a genuine barrier-free market between Europe and the US could be a nightmare if it embraced sensitive areas such as agriculture or textiles. Such arrangements could also violate the rules of the World Trade Organization. Tentative supporters: UK Prime Minister John Major and House Speaker Newt Gingrich.

A TRANSATLANTIC ECONOMIC SPACE. Critics say it sounds vacuous, but supporters count that such a concept is the best means of creating the "building blocks" necessary to strengthen US-Europe relations. A starting point would be a new drive to make the US and European regulatory framework more compatible in areas such as testing and certification of products.

Other ideas include extending "national treatment" to telecommunications, public procurement, and access to joint research and development

funds, as well as a fresh effort to accelerate the free flow of investment in Europe and the US. Tentative supporters: Sir Leon Brittan, chief EU trade negotiator, and big business on both sides of the Atlantic who think a free trade area is too big a step.

A NEW ATLANTIC COMMUNITY. The idea is to move beyond a political statement of common values to create a new institutional framework covering the legislative, business, and educational worlds. The model for such deep-seated cooperation is the NATO Alliance. One idea is to create a new Atlantic assembly to bring together, say, 300 senators, congressmen, and European parliamentarians on a regular basis, perhaps a week or more a year. Supporters: Malcolm Rifkind, UK defense secretary, and

US and EU could strike a deal even when politically sensitive commercial interests were at stake. Having reaffirmed their faith in the liberal world trade order, the test for both sides now is to demonstrate their commitment to the multilateral rules-based system and the new World Trade Organization.

Second, the effectiveness of the present network of institutional ties between the EU and the US should not be underestimated. The so-called sub-cabinet discussions between senior EU and US officials serve as an early warning system on sensitive trade matters, as well as a useful clearing house on issues ranging from intellectual property rights and Japanese deregulation, to narcotics and China policy.

Third, it may be wiser to look at joint tasks—rather than joint declara-

Skeptics about new visions and new instruments for the transatlantic alliance argue that the real test of relations will be in how effectively the two partners tackle these practical tasks; the packaging can come later.

most travel-conscious legislators on both sides of the Atlantic.

A NEW TRANSATLANTIC CHARTER. The underlying assumption about this last proposal is that there is nothing fundamentally wrong with US-Europe relations and that efforts to fix something which is not broken could do more harm than good. The idea is to put a new label on the existing relationship, but critics ask: Where's the beef? Supporters: all people who have a soft spot for the transatlantic relationship but who are reluctant to challenge the status quo.

Ultimately, the choice of new initiatives or instruments to strengthen US-EU ties will depend on whether—in the words of a senior European Commission official—the relationship really is heading for the rocks. At first glance, this is by no means obvious.

The successful conclusion of the GATT Uruguay Round showed that the

tions or treaties—as a means of strengthening the transatlantic alliance. Among the most pressing challenges are coordinating the planned expansion of NATO into Central and Eastern Europe with the planned enlargement of the EU eastwards, as well as the need to develop a coordinated policy toward Russia. This must fit with a new post cold war "security architecture" for Europe in which the US must continue to play a leading role.

Skeptics about new visions and new instruments for the transatlantic alliance argue that the real test of relations will be in how effectively the two partners tackle these practical tasks, the packaging can come later. But supporters remain convinced that a new contract with America is an idea whose time has come. ☺

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

EUROPE Editor-in-Chief Robert J. Guttman recently interviewed the European Union's head of delegation in Washington, Ambassador Andreas van Agt. In this second article of a two-part series, the ambassador, a former prime minister of the Netherlands, discusses his views on EU-US relations, a new transatlantic treaty, and his overall views on the United States. Ambassador van Agt retired last month after 5 years as EU Ambassador to the US.

**EUROPE
INTERVIEW**

EU Ambassador

Andreas van Agt

How would you assess EU-US relations at the present time? How much friction is there, and what does the future hold for EU-US relations? What do you see as the major problems in the near future in the relationship?

The relationship between the US and Europe is strong and seasoned. For all the occasional bickerings on foreign policy and security as well as on economic issues, to call our partnership deep-rooted and shockproof is no tall talk.

For sure, there are frictions once in a while, but they should be seen in the right perspective. Our economies have gotten inextricably intertwined with huge trade flows crossing the Atlantic in a balanced pattern while investments in each other's economies are at impressively high levels. Jointly, the US and Europe control more than two-thirds of all direct foreign investment worldwide. Their combined GDP represents well over half of the goods and services produced around the world. There are very good reasons indeed to argue that the US and Europe constitute the most important partnership in the global economy, most important and mutually very beneficial.

The transatlantic relationship is virtually fireproof to tensions in the economic realm. It is more vulnerable in the areas of foreign policy and security. NATO, the overarching structure that has kept us closely linked for decades, is still in existence, but it is like a rooster turned hoarse, one that cannot crow anymore, or a chicken that is molting.



Its first ever out of area undertaking, in former Yugoslavia, has been far from glamorous and has yielded a lot of frustrating dissent among its members.

Maintaining sanctions against Iraq is a bone of contention in the Atlantic alliance and so is the issue of dealing with Tehran. Commerce with Castro's Cuba has the potential of evolving into a nasty controversy.

On the other hand there are a number of crucial matters where we work shoulder to shoulder. This applies to reform in Russia, peace in the Middle East, integration of Central and Eastern Europe into the structures of the West. Let me refer in this context to what Kissinger writes in his latest book on the transatlantic partnership. He takes issue with the fashion of downgrading the importance of the transatlantic relationship. On nearly every key issue, he argues, there has been far more cooperation from Europe than from any other area. I hasten to add here that the US president is by no measure in the fashionable business of belittling Europe. In a landmark address Mr. Clinton delivered last year in Brussels he stated "that Europe remains central to the interests of the US. You remain our most valued partner," the president said, "not just in the cause of democracy and freedom but also in the economics of trade and investment." And Mr. Clinton unequivocally stated that "above all, the core of our (US) security remains with Europe."

Our relationship is by no measure in a state of crisis, as some analysts have it. There are, however, serious problems looming in the foreign policy and security domains. The transatlantic dialogue could turn sour for example if Europe's endeavors—the 1996 intergovernmental conference (IGC)—to build the European pillar of a restructured NATO were to founder or if we would fail to closely coordinate NATO and EU enlargement or if America were to dress down the UN in terms of refinancing its peacekeeping operations or contributing troops to such enterprises.

Strong and solid as the alliance may be, it should not be taken for granted. It needs to be tended lest it wither away.

Do you feel there is a need for a transatlantic treaty as some leaders in Europe have suggested?

A transatlantic treaty is neither a requisite nor a panacea. Our partnership can be sustained without it; whereas in the—as yet inconceivable—event of devastating damage being inflicted on our partnership a marriage contract would be unable to rescue it.

This is not to say that a treaty would be worthless. A treaty could be very instrumental in keeping the parties focused on their common destiny, in helping them to overcome occasional spats, in supplying them with tools for reconciliation. Wholesome effects on the relationship will be felt even in the preliminary stages when parties have professed their resolve to go for a treaty and are paving the way toward its realization.

There are, of course, serious obstacles on the road. The EU's fledgling common foreign and security policy is still in its infancy, much too weak yet for the Union to be an effective interlocutor on this plane. The key question: "Could the EU deliver?" cannot possibly be answered in the affirmative at this stage. The EU in its present stage of development is an economic giant but a political dwarf.

As for the economic dimension, there are other objections that could be advanced. Some argue that in this regard business is running so well already that there is no need for a treaty. Others claim that a transatlantic free trade arrangement would jeopardize the world trade system. Again, others try to make the point that a free trade arrangement across the Atlantic would be beyond our reach since some problems, such as policies on agriculture and audiovisual products, would be intractable.

None of these demurrings hold in my view. I consider it anomalous, not to say bizarre, for the EU to have concluded or to be negotiating or to have on the drawing board free trade arrangements with everyone and his grandmother in this world but not with the US.

What do you feel were the major accomplishments and major disappointments in your tenure as EU ambassador to the US?

Ambassadors don't put their mark on the course of history anymore. Bargaining with the authorities of the host countries is no longer their preserve. So let me rephrase your question somewhat

and highlight the major achievements posted for the EU-US relationship in the last five years. Ranking on top of the list is the successful completion of the Uruguay Round and the creation of the WTO. Another event of historical importance has been the adoption of the Transatlantic Declaration in November 1990, which introduced a variety of consultation mechanisms such as, most notably, the twice yearly summits between the US president and the leadership of the European Union.

High marks should be accorded furthermore to the launching of two private initiatives both aimed at putting Europe better on the map here: the European Institute and the Euro-American Chamber of Commerce. Both are highly successful and effective.

And I should not leave unmentioned in this resumé of accomplishments that the Delegation of the European Commission in Washington finally, after more than 20 years, crawled out of its hole and settled in a decent, presentable, and identifiable office, its flag proudly mounted on the facade.

Disappointments? I don't recall any. Frustrations, yes. They flow from the complex structure of the European Union. (By the way, the nomenclature Union, Community, Communities is confusing even for genuinely interested and fairly sophisticated observers.) It all too often occurs that the EU fields two representatives in international meetings, including congresses and conferences, to present its views, one on behalf of the presidency, the other for the Commission. I found this awkward, embarrassing even, incomprehensible for the audiences concerned (the only political entity in the world calling itself a Union is at the same time the only one speaking with more than one voice), dysfunctional, and sometimes counterproductive.

Why is the war in Bosnia still going on? Why have the US, EU, UN, and European governments failed in their attempts to end this tragedy?

The war in Bosnia is a multidimensional disaster. First and foremost, of course, for the people living in the regions hit by the warfare. But there are other dimensions too. The war has harmed the authority of the United Nations and the credibility of NATO. It sowed occasional dissent within NATO

and had a negative impact on the construction of a common foreign and security policy within the EU (in the so-called "Contact Group" it is, on the European side, Britain, France, and Germany that call the shots). The European Union finds its prestige in the world dented by the Bosnia drama, and it has lost considerable credit with its own citizens. The criticisms leveled on the EU, from within and outside, are largely unjusti-

EUROPE INTERVIEW

have, furthermore, contributed thousands of troops for the UN peacekeeping forces (and suffered quite a number of casualties).

We have been unable to stop the war, though. That, by itself, does not mean that we have failed badly. This is actually a very intractable problem, inter alia, since it is an ugly mix of a civil war fueled by interventions from abroad. It is not a clear-cut case, like Kuwait was, of one country

undo the Serbian conquest and to silence their firepower. For all the feelings of indignation and shock in Western Europe aroused by the television images on Bosnia, none of our electorates would be prepared to envisage a grand scale military operation with all the attendant bloodshed. The same applies, a fortiori, for the US.

The best outcome attainable in the present conditions would be to contain the fighting preventing it from spreading to adjacent regions. Up to now that modest goal has been attained.

Is the world doing enough to clean up its polluted environment?

The very survival of the earth as a convenient habitat for humankind is at stake. Overpopulation, underdevelopment and poverty, deforestation and desertification, pollution of the rivers and oceans, depletion of the protective ozone layer, greenhouse and climate change, it is not disproportionate to raise the ultimate question: Are we not like lemmings rushing toward the edge of the abyss?

It becomes ever more apparent that damaging the environment engenders serious threats to peace and security. In the Middle East and Africa, wars could before long erupt not about oil but about water. Deprivation, yes actual or imminent starvation, rampant diseases, could trigger mass migrations. The struggle for a bunch of islands in an oil-rich area of the South China Sea exemplifies the potential impact on peace and security of anticipated shortages of mineral resources. And who would have ventured to predict that Atlantic neighbors and NATO allies like Canada and Spain would engage in a fistfight over fishing rights?

How would you describe the United States after being here for five years?

Dutchmen of my age—and many other Europeans too—have a pro-America bias. My first encounter with Americans dates back to September 1944 when troops belonging to the 101st Airborne Division marched into my village sweeping the areas from German occupation forces.

My bias is even two-dimensional since in the final analysis I owe my present job in a way to America. The post-

fied. They are prompted by a profound disenchantment brought about by unrealistic expectations about what the Union would be, legally and politically, capable of doing. All the same, many in and around are disillusioned.

Have we failed: UN, NATO, EU, European governments? We should neither engage in masochistic self-accusations nor wash our hands in innocence. We have not been idly standing by. The EU has deployed diplomatic initiatives even convening an international peace conference at an early stage of the conflict. The Union and its member states have been making huge efforts in terms of supplying humanitarian aid and continue to do so. European countries

being trampled by another.

In my view, the international community—UN, NATO, WEU—deserves blame for its indecision, lack of resolve, and dithering in the initial stages of the conflict. At that time, when the Serb leaders were putting their feelers out, testing the waters on how far they could go in mounting attacks, a vigorous response could have changed the course of events. It took us much too long before we reacted to the bombardment of Dubrovnik and the shelling of Sarajevo.

Subsequently, developments ran out of control. As things stand now, a military intervention with ground troops on a massive scale would be required to

Van Agt, a dedicated biking enthusiast, will embark this summer on a 1,600-mile ride.

war Marshall Plan not only helped Europe rise from its ruins but it furthermore boosted Europe's integration by making its huge financial assistance contingent upon the European recipients working together as closely as they possibly could. The US could well be called the godfather of the European Community. A faithful godfather indeed for America has kept endorsing our efforts at integration all along the decades.

What strikes me first and foremost about the US is its vitality. It is a young nation, brimming with initiative and energy, not straitjacketed by social conventions. Quite in contrast with Europe, people here are highly mobile. They readily move to other regions of this continent to pick up a new job or to start another business. There is no social stigma on entrepreneurs who don't make it, go broke, and start off again. This goes to explain, partly, why joblessness is less problematic here than in Europe. There is little in the way of social classes here, at least as compared to the societies in the Old World. Personal initiative and success counts much more than being of noble or low birth. The lifeblood of this nation is incessantly refreshed by the inflow of immigrants eager to capitalize on the opportunities within reach here.

Life in Washington is extra delightful. There are only a few cities in the world where one could come across so many fascinating and sophisticated people. A special feature of numerous interlocutors here, something that I have really been savoring, is the open-minded attitude, a readiness to listen to criticisms and to rethink established views, in brief a mindset quite different from the self-complacency often displayed by Europeans.

Would I want to live here for the rest of my life? In all honesty, I don't think I would. This society, for all the private charity here—and I don't underrate it—is in a number of ways too rough. Our European welfare states may have gone over the top but what about homeless people littering the streets like discarded furniture, a health care system leaving tens of millions of citizens uninsured, inadequate educational facilities for the underprivileged? Too rough. The ubiquity of firearms, in big numbers, is disturbing, and the inability to tackle this plague is stunning. According to FBI reports over 200 million

firearms are possessed by individuals. On average, about 14,000 people are being gunned down every year. This is cracking madness.

Talking about crime, I seriously wonder whether America's much-hailed trial-by-jury system is not failing badly in a number of cases, most notably those attracting nationwide publicity and hence constituting litmus tests to the sustained confidence of the nation in the administration of justice. As former minister of justice, I am riveted on these shows of the judiciary in action, riveted but not impressed. Let me put it in simple words: I am happy to see justice in criminal cases administered in my country by professional, lifetime appointed judges not susceptible to manipulation by psychological means. They are also guided by the fundamental principle that any defendant is assumed innocent until his guilt has been proved beyond reasonable doubt, and they perform their duty with the utmost seriousness and deal with any case before them within weeks.

The cultural gap with Europe is wider than many would think. For the sake of illustration, the tone of verbal exchanges is often a decibel higher here than in Europe. Think, for example, of the shouting matches called journalist forums on television. In the same vein television advertisements are markedly more noisy and aggressive in style than what I was accustomed to. In hotel receptions, shops, and bars one is sometimes addressed in a rather coarse and curt fashion, not really unfriendly but without finesse, the way a drill sergeant addresses his subordinates. In short, the ambiance is often like in a Western saloon.

Anyway, this is only about atmospherics. Far more important are questions regarding the functioning of key institutions of the nation. I talked already about the administration of justice. Let me add here a critical word on the competition for the presidency of the country and other top jobs in the political arena. Is it not worrisome that no one can run for President nowadays unless he has a war chest containing tens of millions of dollars? What does that mean both in terms of ensuing indebtedness to donors and of accessibility of these positions for potential leaders who don't possess a fortune themselves or are not adept enough at

fund-raising? America is proud of its democratic institutions and, on balance, rightly so. All the same, there are stains on the blazon.

America is an intercultural, multiethnic society par excellence. Keeping all the components together in a community governed by justice and fairness is a big challenge. The Los Angeles riots showed how immense and intense the concomitant problems are. The other day I read Arthur Schlesinger's book on *The Disuniting of America* and gained a deeper understanding of the hazards inherent in the never-ending process of nation building.

Europeans should watch America's struggle with racial and ethnic diversity in great modesty and respect. Respect for the great achievements made over the last century and most conspicuously the last 30 years. Modesty since we ourselves are only at the beginning of the process. Our confrontation with the problems of multiracialism and multiethnicity has just started. There is no reason for self-congratulation on the basis of the experiences on record in Europe thus far. We'd better realize that in this regard the American society has gotten more mature than ours and that we had better listen and learn.

Could you tell us about your bike trip across Europe?

On the last day of May I'll mount my bike for a 1,600-mile journey through the Netherlands, Belgium, and France, across the Pyrenées, and then all the way along the northern coast of Spain to Santiago de Compostela. Together with a friend I'll follow, as much as possible, the 1,000 year old pilgrim track to the cathedral city of Saint James in the far northwest of Spain. It's going to be a trek with a religious dimension, a tour in quest of culture and history and challenge to our physical and mental stamina. We plan to arrive at our final destination in the last week of June, just in time to mail some prayers to San Tiago on behalf of the Spanish presidency of the European Union in the second half of this year. Standing on the beach of western Spain my eyes will then wander across the Atlantic, the majestic ocean that links and separates the Old and the New World. Beyond lies America, land of wonders where I lived for a number of years and gained many friends. ☺

MARSHALL TO

US-European Relations Since World War II

By Reginald Dale

“There is a saying that the Americans are the best Europeans, and there is much truth to that,” Walter Hallstein, first president of the European Commission, stated after taking office in January 1958.

It is easy to see what Mr. Hallstein meant. After World War II the United States had helped rebuild a ravaged Western Europe with the Marshall Plan and had given unfailingly enthusiastic support to the embryonic move to European integration. Those idyllic days were not to last.

Since Hallstein’s day the transatlantic relationship has suffered more than its fair share of misunderstanding, bitterness, and crisis. US administrations have blown hot and cold on European unity. To Europeans at least, Washington has often seemed as if it privately preferred a Europe permanently under construction to one that might succeed in becoming a powerful rival.

But formal US support for the European venture has never wavered—and even now there is still an element of truth in Hallstein’s saying. When President Bill Clinton speaks about European integration today, he sounds more enthusiastic than many Europeans.

But the balmiest and most idealistic years were undoubtedly those between the end of the war and 1963, when relations first started to go awry. The postwar generation of American leaders clearly saw the historic scope of the drive for European unity, believing just as strongly as many Europeans that it was

the only way to end war on the continent.

As early as 1947, Secretary of State George C. Marshall, the author of the Marshall Plan, said that the “logic of history” dictated greater European unity, and in 1950 President Truman was among the first to welcome the Schuman Plan for pooling coal and steel between France, Germany, and other countries that wished to join them.

President Eisenhower’s support for European unity was forged in direct experience of European warfare. Like Marshall, he saw the move to integration as an “historic necessity,” not only for the peace and prosperity of Europe but for the rest of the world.

America’s enthusiasm did not just reflect national self-interest. Roy Jenkins, who became Commission president nearly 20 years after Hallstein, has written that the Americans were motivated not only by a desire to end war in Europe, but by an “inner faith” in union, federal institutions, and the mingling of peoples, customs, and ways of life. That faith, drawn from America’s own history, was, and still is, lacking in many Europeans.

When the European Economic Community and Euratom were set up alongside the European Coal and Steel Community in 1958, the United States was the first nation



Secretary of State George C. Marshall declared that the “logic of history” dictated greater European unity.

MAASTRICHT

to establish formal diplomatic links with new communities.

President John F. Kennedy was even more enthusiastic than his predecessors. In May 1961, after a visit to the United States in which he got strong support from Kennedy, Hallstein said that “understanding between Europe and America is at a new high tide.”

In a famous speech on July 4, 1962, Kennedy announced that America was ready for a Declaration of Interdependence with Europe as part of a “Grand Design” for Atlantic partnership. “We do not regard a strong and united Europe as a rival but a partner,” he said.

On the business front, the formation of the new communities sparked a burst of American investment, which more than quadrupled between 1958 and 1970—so much so that it eventually aroused fears in Europe of an American takeover, particularly in France.

And France was to be at the center of the first serious deterioration in America’s relations with the new Europe.

The political mood started turning sour in January 1963 when President Charles de Gaulle vetoed British EC entry, which Kennedy had supported. De Gaulle was to continue to be a thorn in the side of transatlantic relations throughout the 1960s, ejecting NATO from France and publicly chastising the United States over Vietnam.

The United States’ early commit-

ment to Europe was in any case slackening. The communist threat in Europe appeared to have waned following the Cuban missile crisis, nationalism was stirring again in both America and Europe and tensions caused by the Vietnam war weakened the close political bonds of the postwar years.

Economic relations deteriorated rapidly. Already the 1961–63 Chicken War had given a foretaste of the troubles to come as the Europeans developed their common agricultural policy.

As the 1960s progressed, the United States increasingly saw Europe as a protectionist bloc giving preferential arrangements to other countries and

discriminating against US agricultural and other interests.

By the end of the decade, it was commonly believed in the United States that “the Europeans were repaying American postwar assistance with the cynicisms of economic nationalism,” as one commentator put it.

A former White House trade official went so far as to say, “There is no longer any reason to pay a commercial price for nonexistent political unity in Europe.”

And in September 1970 Deputy Under Secretary for Economic Affairs Nathaniel Samuels bluntly stated, “There is no reason today why the



President Kennedy looking into East Berlin during a visit to West Berlin in June 1963.

United States should incur short-term economic costs for long-term political advantage.”

J. Robert Schaetzel, one of the most distinguished US ambassadors to the EC, saw broader forces at work. American disenchantment with Europe, he wrote, “became a product of our disillusioned rejection of all large conceptions, part of the general mood of pessimism. The promises of the postwar period were shown to be illusory.”

What’s more, the postwar generation of great American “Europeans”

shoulder far too big a share of the West’s economic and security burdens.

Many Europeans thought that once Britain entered the EC in January 1973, the “American problem” would right itself. And in November 1972, Secretary of State Henry Kissinger proclaimed 1973 the Year of Europe and called for a new Atlantic Charter.

But 1973 was marked by war in the Middle East and energy and financial crises, all of which put severe strains both on the EC’s internal cohesion and on transatlantic relations.

reached a compromise on energy policy in Martinique.

Ford expressed his support for European unity and in 1975, the West started holding annual economic summits to try to overcome its divisions. Fears of protectionism continued on both sides of the Atlantic, but the two sides began defusing their industrial disputes.

Nevertheless President Carter came to office saying that US-European relations had been overlooked and pledging to take Europe more seriously. By 1979 the perception on both sides of the

Atlantic was that the West faced such acute problems that there was no alternative to cooperation.

But by 1980, the relationship had once again rapidly deteriorated in recriminations over Iran and Afghanistan and tensions over energy policy. Europeans openly criticized Carter for indecision, incoherence, and lack of leadership.

Things didn’t get any better when Ronald Reagan replaced Carter in 1981. New threats of trade wars erupted, and relations reached a low point at the Versailles summit of 1982 over American attempts to stop the building of a gas pipeline from the Soviet Union to Western Europe.

The Europeans complained of high US interest rates and protectionism and said Washington failed to understand the

delicacy of their relations with Moscow. Washington complained about the Common Agricultural Policy and Europe’s feebleness in standing up to the Soviet Union.

While some said relations had reached a watershed, by 1983 they were beginning to improve with the ending of the recession. But trade tensions continued for most of the rest of the 1980s, particularly against the United States.

But the creation of the single market also caused Americans to treat the European venture with a new respect, and President Bush gave greater priority than Reagan to improving links with the EC. With the end of the cold war,



President Bill Clinton and UK Prime Minister John Major in Moscow for the fiftieth anniversary of VE-Day.

like George W. Ball and David Bruce was beginning to fade from the scene.

President Nixon thought it was time for America to take a little distance. The United States, he said, should stop intruding into internal European affairs and attempting to dictate the shape of Europe. He believed excessive American enthusiasm for European unity to be a mistake—especially when it was not matched by the Europeans in general and the French in particular.

When Nixon went to Brussels in 1969, he nearly did not meet the Commission at all for fear of offending De Gaulle. Back home, Americans increasingly complained that freeloading Europeans were obliging a gullible Uncle Sam to

Kissinger didn’t like the Europeans’ efforts to speak with one voice in foreign policy and start their own dialogue with the Arab world. Europeans thought Kissinger was trying to create an unequal partnership between Europe as a regional economic grouping and the United States as a global political power. They feared Washington was seeking economic concessions as the price for keeping Europe under the US security umbrella.

It was not until 1974 that the first signs of a truce began to appear—after Valéry Giscard d’Estaing became President of France, the Tokyo round of world trade talks got underway, and Giscard d’Estaing and President Ford

Bush returned to the historic themes of the postwar American leaders, calling for "a Europe whole and free," with East and West finally united.

In December 1989, Secretary of State James Baker called for a new set of institutional links between Washington and Brussels, an appeal that was followed in 1990 by a new Atlantic Declaration setting up mechanisms for close collaboration. But that collaboration remained low-key, and trade tensions grew worse. Bitter transatlantic disputes over key issues like farm subsidies and European audiovisual policy, both key interests to France, caused the Uruguay Round negotiations to stretch far past their deadline.

Americans also started criticizing the West Europeans for not opening up their markets fast enough to the former communist countries of Central and Eastern Europe—and not moving quickly enough to bring them into the Union.

The trials and tribulations of the Maastricht Treaty, signed in December 1991, caused Americans to worry once again that Europe was growing nationalist and turning inward.

Many of those concerns have now diminished. Fears of a Fortress Europe have receded, and there is at least a temporary truce on trade now that the Uruguay Round is over. Americans better understand the difficulties of bringing Central and Eastern Europe into the fold.

After neglecting Europe in his first year in office, President Bill Clinton has somewhat surprisingly become one of the EU's most ardent supporters—largely because he hopes it will help fill the security vacuum between Western Europe and Russia.

A year ago in Brussels, Mr. Clinton gave one of America's strongest commitments to European economic and political integration. His purpose, he said, was "to help lead the movement

to that integration and assure you that America will be a strong partner in it."

The biggest current threat to the relationship is that the United States will be distracted from that commitment as it turns its attention to Asia and Latin America—while Europe remains preoccupied with its internal problems and forging new links with its neighbors in Central Europe and the Mediterranean.

But the Clinton administration insists that this will not happen. Today American officials speak glowingly of a common currency and of a tightly-knit Europe with strong central institutions, speaking with one voice in the world. Many Europeans don't want to go that far. The renewed American dedication to the cause seems once again to prove the validity of Hallstein's dictum. ☹

Reginald Dale, based in Washington, DC, is a columnist for the International Herald Tribune.

CANADA-EU TIES

It may surprise the uninitiated, but there is far more to European-Canadian ties than fish. The dispute between Canada and Spain over Greenland halibut, or turbot, has cast a wide net over other pressing business.

"In the EU, the Spanish have made this a lot more than a fish dispute," confirms Ariel Delouyer, a spokesman for Canada's foreign affairs department. At the very least, he says, it has had a numbing impact on transatlantic relations: "It suspended, pending resolution of the dispute, a number of bilateral developments."

The spat, for instance, prompted the Spanish to threaten visa requirements from Canadians traveling to Spanish territory, and angry Spaniards have demonstrated in front of Canadian embassies. All of this has discouraged Canadians from carrying out or planning future trips to Spain. And the row has even held up the signing of a Canadian-EU scientific cooperation agreement.

Much of the relationship between Canada and the EU is economically driven, and the issues are impossible to separate from ecological concerns.

On an environmental basis, France, Britain, and Germany have been strongly opposed to the import of several Canadian products: fur from trapped animals; paper, pulp, and lumber products derived from forests; and the skins and oils from Canada's seal population. Cries of cruelty to

CASTING A WIDER NET

animals and dangerous deforestation have been heard, says Mr. Delouyer. "We've certainly tried to respond to a public desire—we've made some real progress on these environmental issues."

In addition to swapping visits between European and Canadian parliamentarians, EU and Canadian leaders carry on a regular, semiannual dialogue.

France, which is just ending its presidency of the EU, will participate in the June bilateral meeting with Canada's Foreign Minister Andre Ouellet. Among their topics for deliberation: the ongoing strife in Bosnia, Russia's progress toward democratization and market economics, the impending change of power in China, how to avert another catastrophe in Central Africa, the value of the dollar, prescriptions for enhancing the stability and predictability of international financial markets, and ways to reform the International Monetary Fund and the World Bank.

While the two parties seem to leave few stones unturned, they meet in "an informal and collegial atmosphere," says Delouyer.

Spain assumes the EU's helm after the French presidency expires this month. Mr. Ouellet will meet with Spain's foreign minister at the end of the Spanish presidency at the close of this year. "By then, either there won't be any fish left, or the issue will be permanently resolved," Delouyer says with a smile.

—Amy Kaslow

Richard Holbrooke

Assistant Secretary of State for European and Canadian Affairs Richard Holbrooke was the guest speaker at a recent *EUROPE* press breakfast held in Washington, DC. Following are excerpts from his speech.

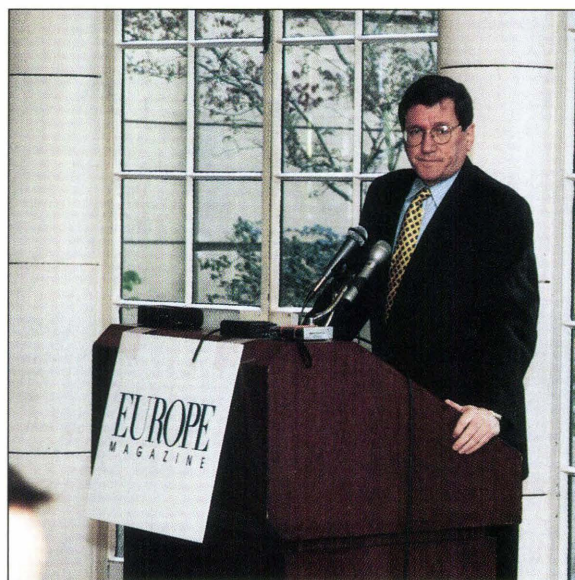
Assistant Secretary of State for European and Canadian Affairs

I find, in audiences that go outside the foreign policy community, there's an enormous confusion and misunderstanding about America's post cold war role in Europe and for that matter in the whole world. And this comes up time and time again.

I've heard senior Europeans visiting Washington say that we should be more engaged in Europe, and then, when you ask them what they mean, they propose additional meetings. I don't quite understand this because I think that the intensity of the dialogue is very high and the level of American engagement in Europe is self-evidently very high and rising again. The lesson that I hope the American public is gradually learning, and that is certainly evident to people in the executive branch, is that the European world is our world and that our involvement in it is essential and our leadership is essential. That's one of the many lessons of the Bosnian tragedy, where that leadership was not forthcoming. And we do not intend to make that mistake again.

I would submit to you that southeastern Europe is now the most volatile and unstable part of the globe and one in which we have an important national strategic interest. Two NATO allies lie in that area: Greece and Turkey. And around those two countries, and particularly around Turkey, lie almost all the major issues of instability in that part of the globe: Iran, Iraq, Nagorno-Karabakh, Chechnya, Cyprus, the Former Yugoslav Republic of Macedonia, Bosnia, Ukraine, and the Crimean issue. All of these impact on and are affected by the situation in Turkey and the Turkish-Greek relationship. In short, we seek to return to a form a collaborative dialogue with our great Western European allies: the French, the British, the Germans, the Italians, the other nations of the EU, including now the Spanish, who have certainly joined the first tier of nations of Europe.

But now, to talk more and more about what we can do together to extend the institutions of Europe, to fill the Europe of the map. Why should NATO remain forever the 16, which



was formed as an accident of where the Red Army stopped in the summer of 1945?

The expansion of these institutions should not be viewed as a threat to Russia. It is true that one of those institutions, above all NATO and to a lesser extent the European Community in the original vision of Jean Monnet and others, was designed to strengthen democracies against an alien philosophy emanating from Moscow. But those days are gone forever. Our goal in Russia is to encourage democracy and reform.

As we talk about the expansion of these institutions, we recognize that there will be a period of intense dialogue and perhaps occasional misunderstandings over what our motives are and what the implications of this are. I want to stress that as we and our allies in NATO move toward a gradual, careful, and open process of expansion of NATO we do this without any threat to any other country. These institutions, as they expand, have a different purpose from their original intent when they were formed in the late 1940s. The new NATO is designed and will be designed to bring stability and security to Central Europe, an area of the world where the two worst wars in human history and the cold war all played themselves out in the lifetimes of our parents and grandparents.

Central Europe has been an area of great instability, and the reason that I began by listing the disputes of the region we are working on now is to stress that we're not just talking about the expansion of NATO and the European Union. We're talking about bringing stability to a region which is still trying to overcome the legacies of the Treaties of Versailles and Trianon, of Yalta, and Potsdam, and the end of the cold war. I stress to you what our vision is: an integrated and undivided Europe. It will take a while to achieve this. We're now in the middle of the fourth year since the red flag went down over the Kremlin on December 25, 1991. It's going to be a difficult road. But we are committed to a peaceful undivided Europe in which the security structures threaten no one but give security to the region. ☺

By Amy Kaslow

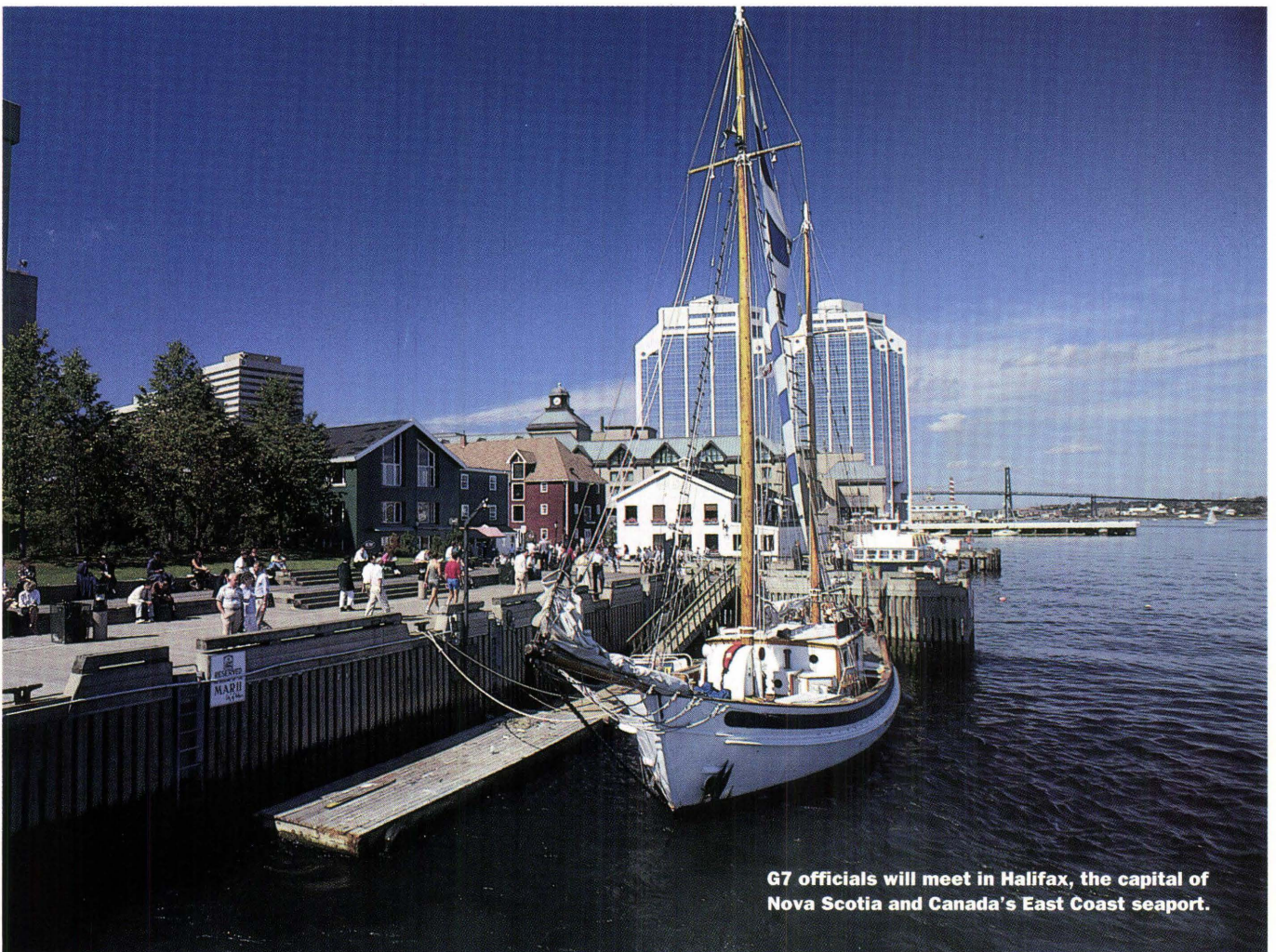
The timing is right, and the North American meeting place is perfect for this year's meeting of leaders from the Group of Seven industrialized nations.

When the American, British, Canadian, French, German, Italian, and Japanese heads of state convene in Halifax, Nova Scotia June 15-17, they will face their most vexing issue—how can the world's most powerful free-market economies establish strong trade, investment, and political links with the fastest growing and most volatile developing markets around the globe?

The springboard for their discussion is the Mexican peso crisis, which rocked the international financial markets, left sophisticated investors scratching their heads in self-doubt, and cast doubts on the new United States-Canada-Mexico North American Free Trade Agreement.

The G7's

Soul-Searching Summit



G7 officials will meet in Halifax, the capital of Nova Scotia and Canada's East Coast seaport.

The fallout—including the precipitous decline in the US dollar—has begged the obvious question: when and how should the world's leading industrialized nations work to avert, manage, or remedy such problems?

There's nothing like a souring experience to spur soul-searching, and that's precisely how senior government officials have prepared for Halifax. The focus, of course, will be on the Clinton administration, which holds the dubious distinction of having championed NAFTA, mobilized the international community to put together a \$20 billion stabilization package for the Mexican economy, and presided over the dollar's demise.

Treasury Secretary Robert Rubin has talked about the need for an international transparency standard—requiring countries to be honest about their finances and macroeconomic conditions—as well as ways to temper the flow of capital in and out of “hot,” or emerging, markets. He and his G7 counterparts have batted around the importance of enhancing the role of the International Monetary Fund and the World Bank by increasing their fund-

ing capacity, quickening their dispatch of assistance, or simply refining their monitoring abilities.

To many observers, there is a compelling reason for the richest countries to act. While there is unquestionable might in the G7, whose economies make up more than half of the global economy, its fortunes are inextricably

more than double the previous year's increase, and the fastest growth in volume since 1976—reflects economic recovery in Western Europe and robust growth in Asia, Latin America, and North America. But outgoing WTO Director-General Peter Sutherland warned that turmoil on world financial markets—caused in large part by Mex-

While the Mexico crisis may have jarred White House thinking about just how to counter external financial crises, it also sparked European and Japanese concern about the Clinton team's “laissez-faire” approach toward managing the dollar.

linked to all that is emerging and inherently unstable.

Without the emerging markets, the industrialized countries could not have managed a rebound from recession. According to the World Trade Organization, international exchange of goods and services climbed by 9 percent in 1994. The surge—which registered

ico's disruptions—could confound economists' expectations for a similar pace this year.

While the Mexico crisis may have jarred White House thinking about just how to counter external financial crises, it also sparked European and Japanese concern about the Clinton team's “laissez-faire” approach toward

HALIFAX SUMMIT

Canadians Call for No-nonsense Gathering

The Canadian hosts of this year's Group of Seven summit have done their best to eliminate the pomp, the ceremony, and even thousands of participants and journalists from the upcoming meeting in Halifax, Nova Scotia.

Delegations from the seven member countries as well as the EU observer group have been instructed to cut back their numbers by as much as 50 percent.

The city's very size—its harbor along Canada's Atlantic coast is the main attraction for its 115,000 residents—can hardly handle much more than the modest, no-nonsense gathering Canadian Prime Minister Jean Chretien promises.

But according to his advisors and summit organizers, Mr. Chretien won't pare down the substance. In fact, the Canadian leader plans a very full agenda.

At the top of his list is the reform of the mul-

tilateral institutions—the World Bank and the International Monetary Fund. Though the prime minister is responding to last year's call at the G7 summit in Naples, he feels a strong need to press ahead given the aftershock of the Mexican peso crisis.

“He's seen the way financial markets are so deep, so liquid, and move so quickly,” says a Canadian economic minister. “He has warned of spillover effects for other countries—what happened in Mexico had reverberations throughout the hemisphere and in other emerging markets.”

While Chretien recognizes that enhancing the financial base of the IMF and World Bank will not be popular among the G7, he will push for inexpensive reforms, such as boosting the amount and the quality of information developing countries make available, and improving the multilaterals' procedures for analyzing and distributing the data. “Spotty information leads to shocks and surprises,” the minister says.

The persistent problem of unemployment among the world's richest countries will also be a priority. Chronic joblessness was such a concern in 1994, it prompted President Clinton to host an international jobs conference in Detroit last March.

In 1994, Canada created 470,000 new jobs. In an economy one-tenth the size of the US. Like her other G7 partners, Canada has partly rebounded from a double-digit unemployment rate. Still in the upper 9 percent range, it fell from almost 11 percent last year. Unemployment has fallen by half a percent among the world's industrialized countries, but it remains a nagging concern.

There will be other discussion points, including the next steps in shoring up reforms in the former Soviet Union and the growing importance of collective security, or United Nations peacekeeping and how to best cope with regional strife.

Inevitably, the meeting will turn inward as

managing the dollar. To many, US reluctance to actively shore up the greenback—its tumble against the German mark and the Japanese yen was long and steep after the Peso crisis—has undermined international confidence in America's economic leadership.

The quandary is nothing new. In fact, trepidation over the drop in the dollar topped last year's G7 agenda when the group met in Naples. At the time, Treasury Undersecretary for International Affairs Lawrence Summers said that while the currency's value might have reflected the markets' uneasiness about US debt and overspending, G7 admonishments impacted US fiscal and monetary policy and was "one of the things that led to" the 1993 deficit reduction agreement between the Clinton White House and Congress.

This year, Mr. Summers boasts, the US has the lowest deficit, as a share of GDP, of any G7 country. Sidestepping the calls for US intervention in or G7 manipulation of the currency markets, he adds: "We have learned that there is no viable route to more effective cooperation on macroeconomic policies or to greater stability in financial mar-

kets except through the fundamentals—through the strong fiscal and monetary measures that are necessary, both to maintain low inflation and to sustain expansion, and to take the steps necessary in all countries to ensure sufficient adjustment of external imbalances."

This won't satisfy Washington's critics who have been particularly vocal in the months leading up to the Halifax summit. The Japanese have seen the value of the yen climb to uncomfortable levels and their export volume shrink. German Finance Minister Theo Waigel sounded his frustration that Washington failed to take a more activist role. They fault the Treasury Department for giving way to Secretary Ron Brown's Commerce Department, a development they say has meant the promotion of exports over stability of the dollar.

When G7 leaders cannot muster agreement on activism, and they rarely do, they turn to the other international fora in which they can push an agenda.

In the wake of the peso crisis, G7 leaders promise this to be the year for assessing the performance of the IMF and the World Bank. But the G7's reex-

amination of the international financial institutions may be just that, an exercise. With G7 governments trying to work through their own large deficits, it is unlikely that their leaders who are hard-pressed to finance domestic spending, will ante up additional funding for the IMF or other "foreign" ventures.

G7 leaders have come up with a number of low- or no-cost solutions. Summers, who served as the World Bank's chief economist before he joined the Clinton administration, suggests that the IMF monitor more closely developing countries' economic policies and play a preventative role with "early warning mechanisms that can encourage preemptive policy adjustments and avert broader crisis."

The markets are the most efficient surveillance systems, Summer• says. But unless countries like Mexico are required to produce reliable financial and economic data, the markets can misread. ☹

Amy Kaslow, a frequent EUROPE contributor, covers international economic issues for the Christian Science Monitor.



Canadian Prime Minister Jean Chretien

questions arise about the G7's relevance and on what basis the club's membership should be selected.

The Canadian hosts have a ready response: "Our being able to say we're in the G7 is fairly important for our international prestige," says a

Canadian official. The criteria for membership, he says, is not merely the size of a nation's economy, nor is it simply the use of currency as a store value in the medium of exchange. It's a country's contribution to development assistance, its receipt and sourcing of foreign direct investment and portfolio investment. All of that in addition to being an industrialized democracy, he says. "Canada just makes it in," he adds, "but we wouldn't make it if America didn't find us useful."

Takakazu Kuriyama, Japanese ambassador to the US, underscores his government's need to be part of the G7 community: "It is the only forum in which Japan can participate with the United States and Europe to discuss both political and economic issues of global importance. The US and Europe have many bilateral channels at the highest levels, and they can discuss anything they want. Japan and the United States have very close bilateral channels of communication, but there is only one forum where the US, Europe, and Japan can get together and talk about both political and economic issues of mutual concern. So for us, for Japan, the G7 continues to be a vital forum for policy coordination as a major industrial democracy."

What about the prospects for enlarging the G7 to include Russia, China, India, and other great powers?

Bill Whyman, international economic adviser on President Clinton's National Security Council, who recently left his post to join a private consulting firm, says some form of enlargement is inevitable. "If there is no way to address the question of integrating rising powers, there will be no way of keeping those rising powers on the track of [political and economic] liberalization, and on an institutional track—such as [becoming increasingly active in the] WTO and the IMF."

While participants gear up for their meeting, Haligonians, as Halifax natives are called, have been busy spiffing up their environs for the official visitors with their security personnel and media professionals in tow.

The summit's meeting center has been transformed in recent weeks from a nondescript office building to a hall that provides a 180-degree vista of the harbor, downtown architecture, and the maritime museum. There has been plenty of fresh paint applied to surfaces that haven't seen it in years and flowers planted in gardens that were long overgrown. No host, no matter how scaled down the event, can resist the primping that goes along with entertaining. Especially if it's for a guest list that is still well into the thousands.

—Amy Kaslow

In his annual state of the nation speech this year, Spanish Prime Minister Felipe González said that during its six-month presidency of the European Union, which begins this month, Spain would mostly address internal EU affairs, such as seeking structural reforms to increase EU competitiveness, preparing for a 1996 conference to review the Maastricht Treaty, and promoting moves aimed at creating a European defense force.

But one of Spain's main efforts will be on the diplomatic front and specifically targeted at establishing stability in its home region—the Mediterranean basin.

With just 10 miles separating Morocco and the southern region of Andalucia, the Spanish government has long cast nervous glances at the deep problems besieging North Africa, praying that the fallout from any social conflagration would never cross the Strait of Gibraltar to affect Europe.

Drug smuggling and illegal immigration from the countries of Maghreb have perplexed the Spanish for years, with boatloads of hashish or undocumented aliens turning up regularly along the Mediterranean coast.

But now the violent rise of Islamic fundamentalism

SPAIN LOOKS SOUTH

BY BENJAMIN JONES

EU PRESIDENCY TO PROMOTE

With just 10 miles separating Morocco and the Spanish province of Cadiz, Spain has long cast nervous glances at the problems besieging North Africa.



in Algeria—with its thousands of dead and no end in sight to the bloodshed—has sparked fears of terrorism and even more waves of immigrants headed for European shores.

There is also concern that changing demographics and worsening economic prospects in North Africa could alone spark upheavals. In terms of gross domestic product, the region is 10 times poorer than southern Europe, and birth rates are triple those of Europe, all making for a potential time bomb.

So when Spain takes over the rotating European presidency, Spanish officials will at long last be in a position to, as one EU diplomat in Madrid puts it, “ring the fire bell loud and clear for its European partners as to what’s going on along their southern border.”

For years, many northern Europeans thought of the Spanish as alarmists, dismissing Madrid’s nightmare visions of Maghrebi unrest as of little import to them.

They noted, for example, that Spain had reason to be concerned with the deteriorating situation in Algeria, as most of its natural gas comes from that oil-rich country. The Spanish were also justly worried over North Africa as the majority of the illegal aliens flocking to their big cities in search of work were Moroccans, Algerians, and Tunisians.

“But this didn’t really register with the rest of us,” says the diplomat. “These problems were a long way away for

most of the European Union members.”

That, however, is changing. Police in northern Europe have recently busted rings of armed Algerian Islamic fundamentalists with weapon caches, and countries like Belgium, Netherlands, and Germany, which along with France host large Maghrebi immigrant populations, are beginning to sit up and take notice.

A lasting peace in the Middle East, regional ethnic conflicts, economic prosperity for all the nations of the Mediterranean, and other issues are also coming to the forefront.

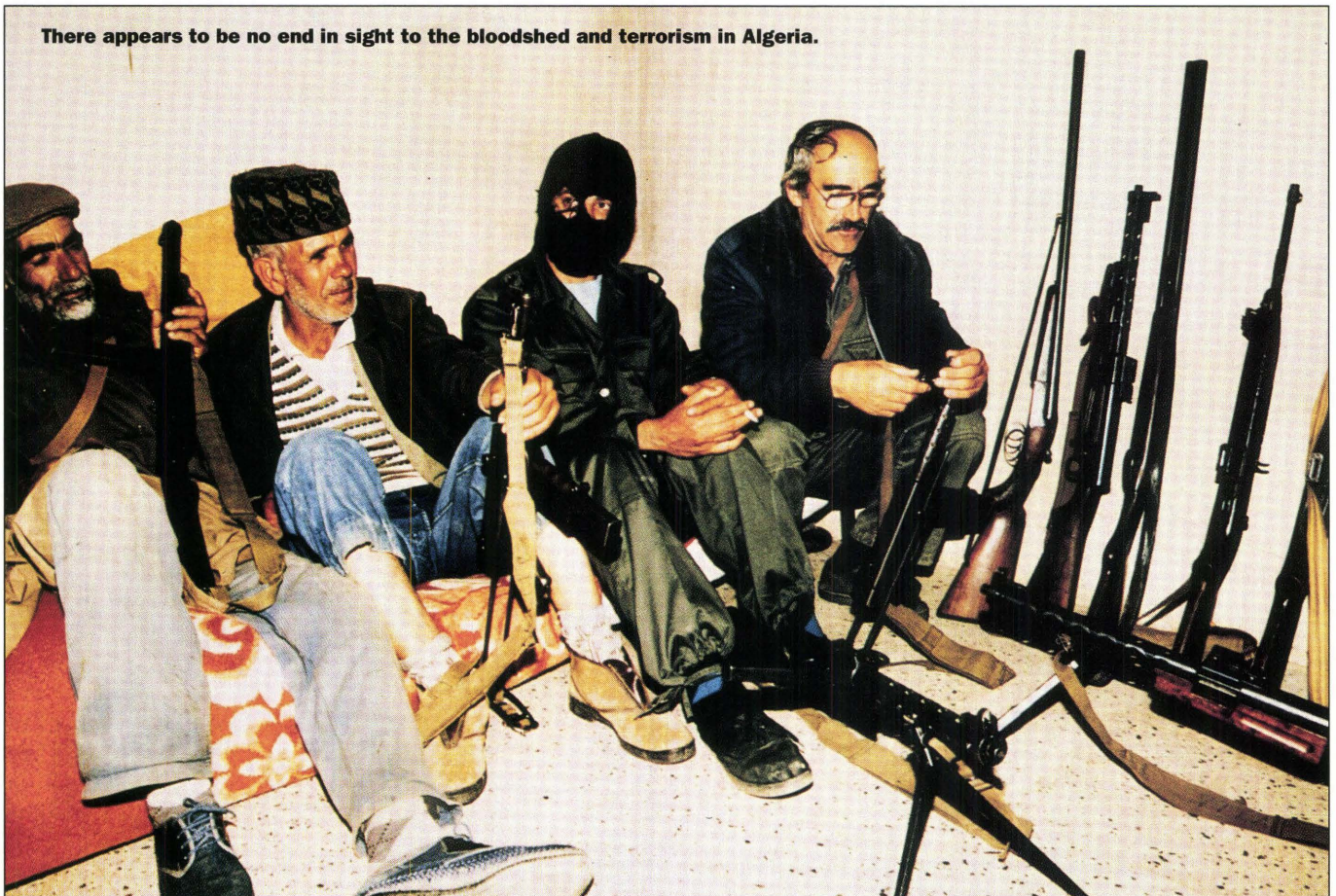
For the past five years, Spain has tried to bring together its European partners and the nations of the Mediterranean rim to talk out and find solutions for their many common concerns, but more important events such as the Gulf War and the revived Middle East peace process always got in the way.

Now the Spaniards will have their chance. On November 27 and 28, the EU and representatives from North African and Middle Eastern countries (Morocco, Algeria, Tunisia, Egypt, Israel, Jordan, Syria, Turkey, Lebanon, Cyprus, and Malta) will gather at a wide-ranging conference in Barcelona.

Besides promoting democracy and human rights in the region, the Europeans also want to see their neighbors to the south respect international borders and renounce war.

But the main topic on the agenda in Barcelona will be the

MEDITERRANEAN STABILITY



prospects for a regional free-trade zone with the ultimate aim of establishing a Euro-Mediterranean economic area within 15 years.

In March, the European Commission floated a plan to stabilize the southern Mediterranean zone which called for \$14 billion in aid with half of that coming from EU coffers and the remainder from the European Investment Bank.

"The Mediterranean is a strategically important area for the European Union. It is close, it is a security question, and it is a question of interdependence," says Manuel Marín, the Spaniard in charge of the EU's relations with Mediterranean, Middle Eastern, and Latin American nations.

According to Marín, the proposed free trade zone would involve industrial products and services and eventually cover agricultural goods.

The European Commission would also like to see an aid program for the Mediterranean countries similar to PHARE, which the EU operates for the former communist nations of Central and Eastern Europe as at present, says Marín, "we have 11 isolated financial protocols stretching from Morocco to Turkey."

EU sources say the ultimate purpose of all this attention focused on the region by the 15 and led by frontline states Spain, France, and Italy, will be economic stability in their backyard to support the economic transition of the region, improve the socioeconomic balance and better economic integration.

At the same time, Spain will not be ignoring other relationships it feels are important to the European Union and with which it has long played a leading role, particularly in Latin America.

While Spanish diplomats in Madrid say details are still being worked out, press reports indicate Spain will use its presidency to map out the framework for closer economic cooperation and more liberalized trade between the EU and with those Latin American countries—Brazil, Argentina, Uruguay, and Paraguay—which are members of the Mercosur free trade organization.

Spain is also eager to see possible economic accords reached this year between the EU and Mexico and Chile.

To offset criticism by some of its partners that Spain promotes EU ties with Latin America while ignoring the

rest of the world, the Spanish are also studying initiatives aimed at the Far East, reflecting that region's growing importance.

Madrid is particularly interested in the possibility of a summit between the European Union and the ASEAN nations of Singapore, Malaysia, Thailand, Brunei, Indonesia, and the Philippines, first proposed last year by Singapore

Prime Minister Go Chok Tong.

The Far East plays an increasingly important role in European trade and in 1994, Asia accounted for a fifth of EU exports—three times as much as in 1980—and 25 percent of goods imported into Europe came from Asia. ☞

Benjamin Jones is EUROPE's Madrid correspondent.

Spain's six months holding the European Union presidency will give Prime Minister Felipe González a chance to do what he likes best—strut a bit on the world stage and wrestle with weighty EU and international issues. At the same time, he can take a welcome respite from the domestic political scene which recently has been an almost continuous litany of scandals besetting his Socialist administration.

In fact, Spanish voters are expected almost certainly to deal a ballot box bruising to the party in nationwide municipal and regional elections in late May.

Sensing that the weakened Socialist Party was vulnerable to attack and scenting blood and victory, the main conservative opposition party, Partido Popular, had called for general elections on that same day. But González, rightly fearing a drubbing and an end to more than 12 years in office, had fended off the calls, saying there was no reason general elections should be held until scheduled in 1997.

"Some political parties have proposed early elections so as to reestablish political stability," González told the annual "State of the Nation" debate in February. But, he continued, "I think we can best serve democracy by keeping the (four-year) mandate we received in 1993."

The Socialists, in power since 1982, have been plagued by regular political and financial scandals over the past several years. But they reached a crescendo this past winter with allegations that the government was involved in a death squad which targeted Basque extremists in the 1980s.

Several former senior police officers have been accused of organizing, financing, and operating the so-called Anti-Terrorist Liberation Groups (known as its Spanish acronym GAL) which kidnapped or murdered at least 20 members of the armed Basque separatist organization ETA from 1983 to 1987.

Most of GAL's "dirty war" was carried out across the border in France and several innocent people were killed or kidnapped by the shadowy group. Two policemen convicted of involvement in the organization say higher-ups in the interior ministry paid them to keep quiet.

In January, González was forced to go on television to deny any government or personal role in GAL or the subsequent coverup.

While investigations continue, the Socialists are facing other problems. In late February, the government ballyhooed the arrest in Laos and subsequent extradition to Spain of the fugitive former civil guard chief Luis Roldan, who had disappeared 10 months earlier following charges of embezzlement and bribery.

But several days after Roldan's return, it emerged that the Laotian authorities knew nothing of his arrest or extradition and that the extradition papers not only appeared to be false but also limited the charges on which he could be persecuted.

Press reports hinted that Roldan was tired of being on the run and may have turned himself over to the Spanish authorities, promising to keep mum on GAL and other shenanigans in return for reducing the charges.

And the Socialists' troubles weren't over yet. In March, the government was forced to devalue the peseta by 7 percent following the plunge of the dollar and the dramatic rise in the German mark, sparking more calls for new elections.

After all of this, six months attending to the affairs of the European Union will seem like a vacation.

—Benjamin Jones

Socialists Plagued by Troubles

The Balkans Investment Summit

Astir Palace Hotel, Vouliagmeni, *near Athens*

JUNE 29-30, 1995

This prestigious meeting will offer participants the opportunity to assess the overall investment outlook in Albania, Bulgaria, Croatia, Greece, Romania, Slovenia and Turkey. Organized by the International Herald Tribune and the American-Hellenic Chamber of Commerce, the Summit's distinguished group of speakers will include:

- LAURENCE BILLET, *Director and Head of Infrastructure Finance, Salomon Brothers, London*
- PÉTER BOD, *Director, European Bank for Reconstruction and Development, London*
- JAMES DAWSON, *Chairman, Sir Alexander Gibb & Partners, UK*
- RICHARD HOLBROOKE, *U.S. Assistant Secretary of State for European and Canadian Affairs*
- JOZE JAKLIN, *Assistant Manager, Agency of Republic of Slovenia for Restructuring and Privatization*
- SOCRATES KOKKALIS, *Chairman, Intracom, Athens*
- MEHMET KUTMAN, *CEO, Global Securities Inc., Istanbul*
- THE RT HON THE LORD OWEN CH, *EU Co-Chairman of the International Conference on Former Yugoslavia*
- DIMITRIS KOPELOUZOS, *Chairman, Kopelouzos Group, Athens*
- DIMITAR KOSTOV, *Finance Minister, Bulgaria*
- ALEKSANDËR MEKSI, *Prime Minister, Albania*
- GORDON MUIR-CARBY, *Executive Director, Smith New Court, London*
- DAMIR OSTOVIĆ, *Head, PR, Croatian Privatization Fund, Zagreb*
- YANNOS PAPANTONIOU, *Minister of National Economy, Greece*
- KAROLOS PAPOULIAS, *Minister of Foreign Affairs, Greece*
- PANAYOTIS POULIS, *President, Commercial Bank of Greece*
- JULIA PRESCOT, *Director, Project Finance, Hill Samuel Bank Ltd., London*

The Summit will take place at the Astir Palace Hotel, Vouliagmeni, near Athens.
The hotel is situated on the coast and surrounded by 80 acres of private land,
yet is just 20 minutes by taxi from central Athens and 10 minutes from the airport.

For further information about the Summit, please send a fax to Fiona Cowan
at the International Herald Tribune in London: (44 171) 836 0717.

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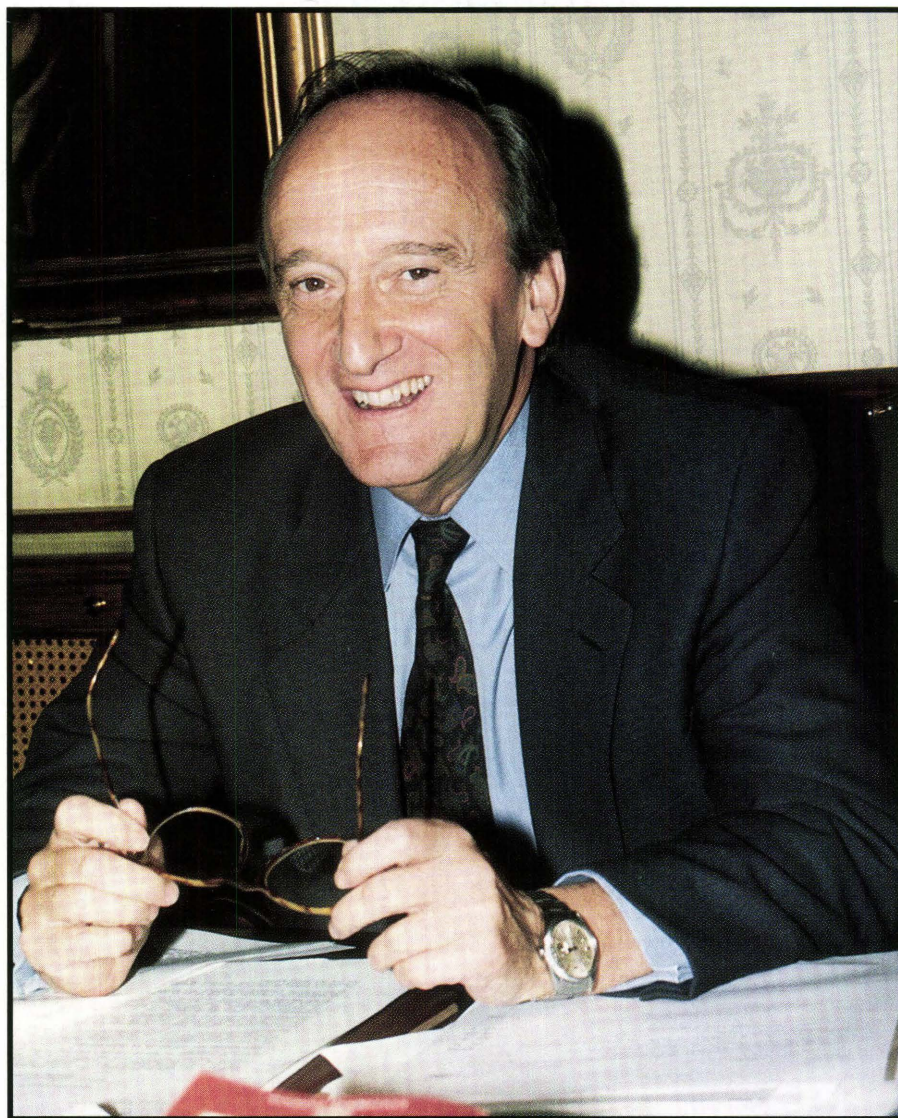
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Robert J. Guttman, editor-in-chief of *EUROPE*, talked to Spain's secretary for European affairs, Carlos Westendorp, about Spain's goals and objectives during its six-month presidency of the European Union which begins this month.

EUROPE INTERVIEW

Carlos Westendorp

Spanish Secretary for European Affairs



Do you have a theme for Spain's presidency of the EU?

We have several subjects. Every presidency has to continue the matters which have been prepared by the previous presidency; that is why we have been coordinating our presidency with the Germans and with the French. These topics and different items are numerous, but to simplify, the topics of the three presidents are as follows.

First, to consolidate the economic recovery of Europe and employment throughout the development of the white paper of the Commission, networks, communication networks, the different national measures to promote employment, and the liberalization of the market. This is the first big item.

Second, to expand the presence of the EU in international relations. The specific priorities are increasing relationships with the Americas in general and with the Mediterranean countries.

Starting with the latter, the French presidency is working on an important document that will be approved in the European Council in Cannes setting up the basis for a Europe-Mediterranean conference that will take place in Barcelona at the end of November. It's a new approach for relations between the European Union and the Mediterranean countries. It is an area which is very, very near the Union and in our neighborhood. We have to prepare specific treatments for these countries the same as the Union has already done with the Central and Eastern European countries. And this is a global approach which will comprehend political dialogue; stability issues; financial, economic, and commercial cooperation; and also cultural cooperation in the broader sense, that is to say to create mutual understanding between the Islamic world and the Western world, to create confidence building measures, and to avoid misunderstanding between the two civilizations. This is a global approach which will have a follow-up in the future, because the conference will start this kind of closer cooperation, and we attach a lot of importance to stability in the region.

The other aspect is the new approach with the Americas. Spain, traditionally,

Inside

EUROPE

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FRANCE'S NEW PRESIDENT

Days before Jacques Chirac, the feisty Gaullist mayor of Paris, won the French presidency on May 7, he warned that he would hold a new referendum on European integration, probably within two years. The surprising statement came in the final days of a bitter, bruising campaign in which Chirac was desperately trying to win a maximum of votes, particularly among anti-Europeans.

Once established in the Elysée Palace, however, and preparing to host the European Union summit meeting of fellow EU leaders in Cannes June 26–27, Chirac made it clear that he would not only continue France's traditional and active leadership role in strengthening European integration, but would also press for a tougher EU world trade stance.

That prospect risks irritating the Clinton administration, which is already suspicious of a resurgence of protectionism in France, even though Washington welcomed Chirac's election.

Anticipating future transatlantic tensions on the campaign trail, Chirac told *Time* magazine's Paris correspondent Tom Sancton that "Franco-American relations have been, and always will be, both conflictual and excellent."

Chirac has already told aides that, while he favors the emerging transatlantic free trade zone concept, he is determined that, in talks between Washington and Brussels, the highly sensitive issues of agriculture and television and film quotas will be kept off the table.

Half-jokingly, observers noted that while he may have washed dishes in a Howard Johnson's in Boston while studying at Harvard University summer school in 1953 and dating a South Carolina belle, that US sojourn—and his well-known admiration for America—won't change his mind.

Although the agenda for the Cannes summit was still vague in late May, it appeared that both Chirac and his key advisors were determined to have the French EU presidency, which ends on June 30, reflect the new French leader's pragmatic, tough stance on economic, social, and security issues that were stressed heavily during the campaign.

Former Foreign Minister Alain Juppé, recently named

Chirac's prime minister, has been saying since January that economic growth and job creation would be the first priority—for the new French government and for the EU summit. Specifically, this is expected to translate into the Chirac government's urging the adoption of a strong line for protecting European interests in trade negotiations, while moving ahead on large infrastructure projects and accelerating EU deregulation.

Secondly, the government is expected to urge its EU partners to boost efforts to develop a common foreign and security policy to deal specifically with the worsening war in former Yugoslavia and regional conflicts elsewhere.

Thirdly, Chirac will urge a strong commitment to moving forward on establishing a common European currency, while avoiding any endorsement of a date for startup of the new European Monetary System outlined in the Maastricht Treaty. Chirac may also sound out other EU leaders on the idea of establishing a permanent European Council President to replace the current rotating system, a job known to keenly interest former French President Valéry Giscard d'Estaing, who drew closer to Chirac in the closing days of the campaign.

Whether the new French government succeeds in winning support for its proposals among other EU heads of state and government remains to be seen. German Chancellor Helmut Kohl and his advisors turned cool and skeptical on Chirac's European commitments following his referendum proposal, which has since been retracted. Both Kohl and Chirac are consummate, conservative politicians who relish negotiations. And both leaders are strongly committed to a strong Paris-Bonn axis, launched in the postwar era by their predecessors, Konrad Adenauer and General Charles de Gaulle.

Aside from the heavy media coverage, the Cannes summit will also provide Chirac and his key ministers an opportunity to show how they plan to play their cards in next year's EU intergovernmental conference; most observers are already predicting it will be conflictual and difficult. The incoming French government, for example, has already made it clear it will oppose German-led plans to "federalize" EU institutions, meaning adoption of qualified majority voting in the European Council,

FRANCE'S NEW PRESIDENT (CONTINUED)

even when vital national interests are at stake.

On that issue and others, Chirac will be counting heavily on support from fellow conservative Britain's Prime Minister John Major, who provided the most spontaneous reaction of all EU leaders upon hearing the French leader had won with 52.6 percent of the vote. "Working with him will be fun. He is outgoing. He is warm. He is witty. He cares very much about what he does," Major declared.

The 62 year old president, with the two-round election behind him, also faced what many observers described as a "social third round," meaning the prospects of new strikes and

protest demonstrations by workers, students, and the disgruntled. An immediate issue for workers was a revival of privatization, notably of Air France, France Telecom, and Usinor-Sacilor, the state-owned steel group, which were expected to lay off more employees, thus worsening unemployment.

The bright spot was a moderate recovery of the Paris Bourse and a slight firming of the franc in world currency markets as investors gave the incoming president the benefit of the doubt.

—Axel Krause

EU NEWS

JUPPÉ NAMED PRIME MINISTER

Alain Juppé, former foreign minister of France, has been chosen to head the government of newly elected Jacques Chirac. The 49 year old takes over the legislative tiller from Edouard Balladur, himself a candidate in the presidential elections. Juppé has indicated that one of the first items on the new government's agenda will be a reconsideration of French participation in Bosnia. The prime minister will also face a daunting slate of domestic problems including unemployment and anti-immigrant tension.

EU DENOUNCES POSSIBLE TARIFFS ON JAPANESE

The European Union came out against the United States in its trade dispute with Japan, calling the move to impose 100 percent tariffs on popular luxury cars, such as Toyota's Lexus and Nissan's Infinity, a threat to the new world trading order.

EU Trade Commissioner Sir Leon Brittan said the unilateral action by the United States on Japan was a violation of the MFN (Most Favored Nation) obligation that requires WTO countries to offer all partners the lowest available tariffs on imports.

BOUTROS-GHALI RECONSIDERS UN TROOPS IN BOSNIA

UN Secretary-General Boutros Boutros-Ghali is considering reducing and regrouping the 22,000 UN peacekeepers in Bosnia due to the escalation of fighting. Sarajevo recently suffered the worst shelling in 15 months.

IRISH PRESIDENT URGES EU TO AID AFRICA

Irish President Mary Robinson asked the EU to do more to help poor African countries push through economic reforms. After recent visits to Somalia and Rwanda, Robinson criticized the EU for looking to the east rather than to the south and called for the EU to examine its trade and farm policies to ensure they don't have a negative effect on African countries trying to export their commodities to develop their economies.

In March, France proposed increasing aid to African countries from \$14.3 billion to \$17.5 billion. However, the UK, Germany, the Netherlands, and Italy blocked earlier proposals to increase aid.

SLOWING OF EU ECONOMY PREDICTED

The European Commission predicts that the current recovery of the EU economy will start slowing by the end of the year because of the strong and steady deutschmark.

Commission forecasts say the GDP of the bloc as a whole and each of the 15 member countries will grow by 3.1 percent this year, but slow to 2.9 percent in 1996.

EARTHQUAKE IN NORTHERN GREECE

An earthquake that registered 6.6 on the Richter scale wrecked hundreds of homes and injured 25 people in Kozani, a farming region in northern Greece. Officials say disaster was averted because the earthquake struck at noon when schools and churches were empty.

HUNGARY HOPES FOR FULL EU MEMBERSHIP

The Hungarian government is encouraging greater public sector price competition, bringing their policies closer in line with that of the EU.

The legislation will still favor Hungarian-registered companies, which will be allowed to win contracts even if their prices are 10 percent higher than the lowest non-Hungarian bid, on the condition that 50 percent of their goods, services, and employment are provided locally.

GROWING EU TOURISM SECTOR

The EU travel and tourism sector will be worth \$2.26 trillion (38 percent growth) by the year 2005, according to a report by the World Travel & Tourism Council.

The report also predicted that employment in the sector would be 21 million, up from the present work force of 19.4 million.

NOTEBOOK: TRANSATLANTIC TIES

In a world where crisis galvanizes nations to act, transforming the United States-European relationship from its rather sleepy state into a dynamic one may not seem urgent.

But taking that partnership for granted, or ignoring it to the point of decay, would risk undermining the most stable and reliable counter to the chaotic developments that have emerged in this post cold war era.

"The glue which has kept us together for so long has lost its strength," Belgian Prime Minister Jean-Luc Dehaene says ominously.

Jeffrey Garten, the US Commerce Department undersecretary, cautions that "without a vision of where we are headed, progress will be slower, and we will be more likely to find ourselves buried in the problems of the day."

Americans worry that Europe has lost its way as a union, that its protracted debate over the Maastricht Treaty contributed to the corrosion of the very cooperation it set out to establish. How can the EU play a vital role in external affairs, they ask, if it cannot manage internal harmony?

Europeans see a dangerous isolationism emerging in the US. They are troubled not only by the advent of an "America first" legislature, but a protective, if not retreating position from the Clinton administration. They are still smarting from one of the president's first international actions after he entered the White House in 1993, when he put Europe on notice that trade sanctions would ensue if the EU failed to open its government procurement and other markets. Some have regarded Washington's seeming shift to Asia and Latin America for commerce opportunities as a sign that the US is casting its most mature European relationships aside.

Recognizing the importance of strengthening their ties, American and European political and business leaders have united to form the Transatlantic Policy Network.

Based in Brussels and Washington, TPN has tackled a wide range of issues, including prescriptions to redress unemployment, ways to enhance the foreign direct investment which has already fueled so much US and European economic growth, and NATO's prospective enlargement. Its membership is drawn from the US Congress and the European Parliament, Europe's largest coalition of employers (UNICE), interest groups (such as the European Roundtable), and many of the globe's leading multinational firms.

Their role is a valuable one during a time when most national governments are focused on their own domestic concerns. "TPN provides an early warning of difficult problems," says John Yochelson, senior vice president, international business and economics at the Washington-based Center for Strategic and International Studies. "Its goal is to work toward consensus building and solutions," he says.

At a recent spring meeting in Paris, TPN hosted top American and European policy makers to chart a course for the 21st century. Mindful of impending political developments on both sides of the Atlantic—the 1996 presidential and congressional elections in the US and the intergovernmental conference in Europe—the group also prepared talking points for the year ahead. Among them: the need to respond to political strains in the alliance; the importance of warding off political friction based on trade, monetary, and other economic differences; the potentially bruising competition in the world's emerging markets. As Europe bolsters its union, the EU will carry more weight, and the US must accommodate

that eventuality.

James Elles, a British conservative member of the European Parliament and the inspiration behind TPN, calls the organization "an ideas machine." Elles says interest in the dialogue "cuts right across party lines," both in Europe and the United States.

A senior US State Department official minimizes the problems. "We are not headed for disaster with Europe. "There's no crisis in transatlantic relations," he says, and there is "no need for new mechanisms. Any problem we may have pales with the challenge we face to the east of Western Europe."

But it is precisely that challenge that calls for greater cooperation. The intergovernmental conference will be a time when many national leaders square their own pressing agendas at home with what they think is feasible to do as a member of the EU. "Step by step, the stronger or more coherent we can become in Europe, then the better partner we can be in the 21st century's transatlantic dimension," Mr. Elles says.

He noted a growing interest in a new formalized agreement between the US and Europe. EU President Jacques Santer called for a transatlantic treaty; British Defense Secretary Malcom Rifkind speaks of an "Atlantic Community;" German Foreign Minister Klaus Kinkel envisions a new transatlantic initiative; and Sir Leon Brittan, EU commissioner for North American relations, has already outlined the most pressing "bilateral" challenges.

Is a transatlantic free trade agreement down the road?

Andreas van Agt, who recently completed his posting as the European Commission's envoy to Washington, explains just how useful a TAFTA could prove to be. "We need a free trade agreement as a common goal," he says. A new accord could eliminate the most prickly of problems.

"There is not much of an economic need, but politically it would help bridge transatlantic differences," Van Agt says. "Agriculture will be our main problem, but we have to deal with it anyway because our budgets are being squeezed [and subsidies are increasingly unaffordable]; because our image is being damaged internationally; because Eastern Europe is pushing for access to European markets."

—Amy Kaslow

WHAT THEY SAID

"I feel quite good about this trip."

—President Bill Clinton on his recent trip to Russia

"Only political dialogue can bring Iran to behave responsibly."

—Günter Rexrodt, German economics minister, on the US effort to get other countries to join the trade embargo on Iran

"The time has come to put into effect a North Atlantic Free Trade Area for manufactured goods and services, with negotiations regarding agriculture to follow."

—Henry Kissinger, former secretary of state and president of the international consulting firm Kissinger Associates

BUSINESS BRIEFS

Eni, Italy's state-owned company, paid its first dividend in 23 years as it moved up in the world oil industry's profit league, marking a spectacular turnaround for a perennially loss-making company whose chairman committed suicide two years ago after being entangled in Italy's corruption scandals.

Eni paid the Italian treasury \$575 million after net profits surged to \$1.9 billion in 1994 from a \$250 million profit in 1993 and a \$489 million loss in 1992.

The architect of Eni's recovery, which stemmed from deep restructuring and sales of non-core assets, including a hotel chain, is Franco Bernabe, appointed chief executive in 1992 at the age of 43.

"We are now the fourth most profitable among the oil majors," Mr. Bernabe said referring to Eni's 15 percent return on capital compared with an average of 12 percent among the seven biggest international oil companies.

Mr. Bernabe began the restructuring program after Gabriele Cagilari, the Eni chairman, was arrested in March 1993 on corruption charges and subsequently committed suicide in prison.

•••

Volvo continues to reap dividends from its strategic decision to concentrate on its core auto and truck managing operations, with pre-tax profits for the first quarter of 1995 leaping to \$512 million from \$461 million in the year earlier period.

The real profit rise was even greater as last year's profit included a \$182 million gain from asset sales compared with similar gains of just \$35 million in the 1995 quarter.

Sales surged to \$6 billion from \$5.2 billion as truck sales rose by 21 percent in value and auto sales were 19 percent higher.

Volvo increased market share in the US although the overall market was off 7 percent, and chief executive Soren Gyll said Volvo could benefit if Washington slaps sanctions on Japanese cars against which it competes.

•••

Norway's traditional, staid business community was thrown into a fierce bidding battle as **Den Norske Bank**, the country's biggest bank, offered \$460 million for **Vital Forsikring**, the country's second largest life insurer, topping an agreed \$438.5 million bid from **Aegon**, a Dutch insurance company.

The bidding battle testifies to the turnaround in the banking and insurance sector, which had to be bailed out by the government in the early 1990s. The government has a 72 percent stake in Den Norske Bank acquired through a rescue plan. And it is finally getting a payoff as the bank's profits almost tripled to \$416.8 million in 1994.

•••

Mercedes Benz, the German luxury car manufacturer, and **Swatch**, the Swiss clock maker, are to build an assembly plant in the United States for a two-seater car called the **Swatch**. Mercedes won't name the probable US site, but Jurgen Hubbert, chairman of the company's passenger car division, said annual output will be between 60,000 and 100,000.

Originally the joint venture company, called **Micro Compact Car (MCC)**, planned only one plant, in northwest France, which will begin production in late 1997 with a maximum output of 200,000 cars a year. If Asian demand is sufficiently strong, MCC will build a plant in the region, probably in China.

•••

Peter Sutherland, the former director-general of the **World Trade Organization**, has become the first foreigner to be on the board of **Investor**, the Swedish holding company of the giant **Wallenberg** industrial empire.

Investor holds controlling stakes in several leading Swedish companies, including **Astra**, **Electrolux**, **Ericsson**, **Saab-Scania**, and **Stora**.

Mr. Sutherland, an Irishman, was head of the General Agreement on Tariffs and Trade (GATT) for two years and also served as European competition commissioner in Brussels.

•••

Europe's private venture capitalists raised and invested a record volume of capital in 1994, ending five years of decline as the continent powered out of recession.

The industry invested \$6.9 billion in Europe, up 32 percent from 1993 and raised \$8.45 billion, double the previous year's total, according to the **European Venture Capital Association**.

Nearly two-thirds of the investments made in 1994 were in companies with fewer than 100 workers.

•••

The Austrian government plans to raise around \$200 million from the sale

of half of its 36.5 percent stake in **Flughafen Wien**, the company that owns and operates Vienna's international airport.

The airport itself has established a strategic alliance with Amsterdam's Schiphol airport which will acquire 1 percent of the shares being sold.

Franz Kotrba, the chief executive of Flughafen Wien, said Vienna needs a strong partner because competition between European airports will intensify as the European Commission takes over responsibility to negotiate air agreements. "There are only going to be a few gateways," he said.

•••

The long tortuous courtships between European airlines in the run-up to deregulation produced two big alliances and more are in the pipeline.

Swissair paid \$230 million for a 49.5 percent stake in **Sabena**, the Belgian national airline, in a deal that is of vital importance for both carriers. Swissair will gain entry into the European Union market, and Sabena will get a much needed cash injection.

Within days, **Lufthansa** and **Scandinavian Airlines System (SAS)** agreed to coordinate routes, ticket sales, cargo, and airport services in the biggest linkup in Europe to date. But the carriers stressed they will remain separate companies and will not swap shares.

The focus has now shifted to **Iberia** of Spain, which is also talking to potential partners while it awaits European Commission approval for a \$1 billion government bailout.

—Bruce Barnard

INSIDE EUROPE Correspondents

Bruce Barnard
Amy Kaslow
Axel Krause

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

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WE SHOULD LIKE TO HAVE THE IMPROVEMENT OF THE TRANS-ATLANTIC RELATIONSHIP AS AN OBJECTIVE OF OUR PRESIDENCY.

has been an advocate of increasing relationships between the Union and the Latin American countries. We did it with the Central American countries in the Dialogue of San José, and now it is high time to improve the present agreements with Mexico and with Chile in view of creating free trade areas with Latin American countries. At the same time, we don't want to limit ourselves to relations with Latin American countries. We would like also to do it with the United States and Canada.

We have talked about another possibility which is a free trade area—a transatlantic free trade area—or transatlantic economic space similar to the one we have with the EFTA countries. It is premature to launch that idea as a possibility to be signed in the coming months or even the coming years, but we have agreed on the possibility of studying it as an objective for the future. That is the gist of this cooperation between the United States and the Union.

An initiative of Commerce Secretary Ron Brown would be a business council starting bottom-up with dialogue of businessmen on the two sides of the Atlantic. There are already some institutions, for instance, the Transatlantic Policy Network (TPN), in which there are congressmen on the side of the United States and Euro-parliamentarians on the side of Europe, and these institutions and others should work in a bottom-up approach in order to overcome possible reluctancies on both sides of the Atlantic. Because this idea of a transatlantic economic space is not yet specific, it is something that is worthwhile working on in the future. But there are many other fields in which we can cooperate—standards, mutual recognition of norms, competition policy, the telecommunication field, education, environment. There are many questions which just have to be explored on the economic field.

On the political field, we have seen that it is very important to have conversations and mutual information about the enlargement of NATO, about the enlargement of the European Union to the Eastern and Central European countries, and also in what we call in

Europe the “third pillar” issues, that is the trade cooperation in drug, international crime, and money laundering. There's a good amount of work to be done during the coming months.

If I were to talk to you at the end of the Spanish presidency, what are the things that you would like to have accomplished? Is there one main thing?

No, we are very pragmatic. We don't want to have, let's say, big declarations, big works. What we want is to work. We should like to have the improvement of the transatlantic relationship as an objective of our presidency, but we are not pursuing specific objectives or results. What we want is just to start and to work on that. Six months is not sufficient time to accomplish big endeavors.

Is there an overall foreign policy goal of the Spanish presidency?

As far as international relations is concerned, we are working on citizenship—to improve the feeling of the citizen that he has something to do with Europe, because otherwise we are going to create something against the feeling of the citizen. We would like to launch a debate about a charter of fundamental human rights in the European Union. We are just launching the debate because this will be discussed in the intergovernmental conference.

Speaking about citizenship, one very important issue is how to improve the third pillar questions, cooperation in fighting terrorism, drugs, and international crime which worry our citizens very much. And nowadays, a common policy of immigration, for instance, is something which is missing in the Union, and it would be very important to include.

Finally, one of the other big topics of our presidency is to launch a debate about the future of the European Union. We are going to preside over the reflection group, which was created to think about the future of Europe and to prepare for the upcoming intergovernmental conference.

The intergovernmental conference is kind

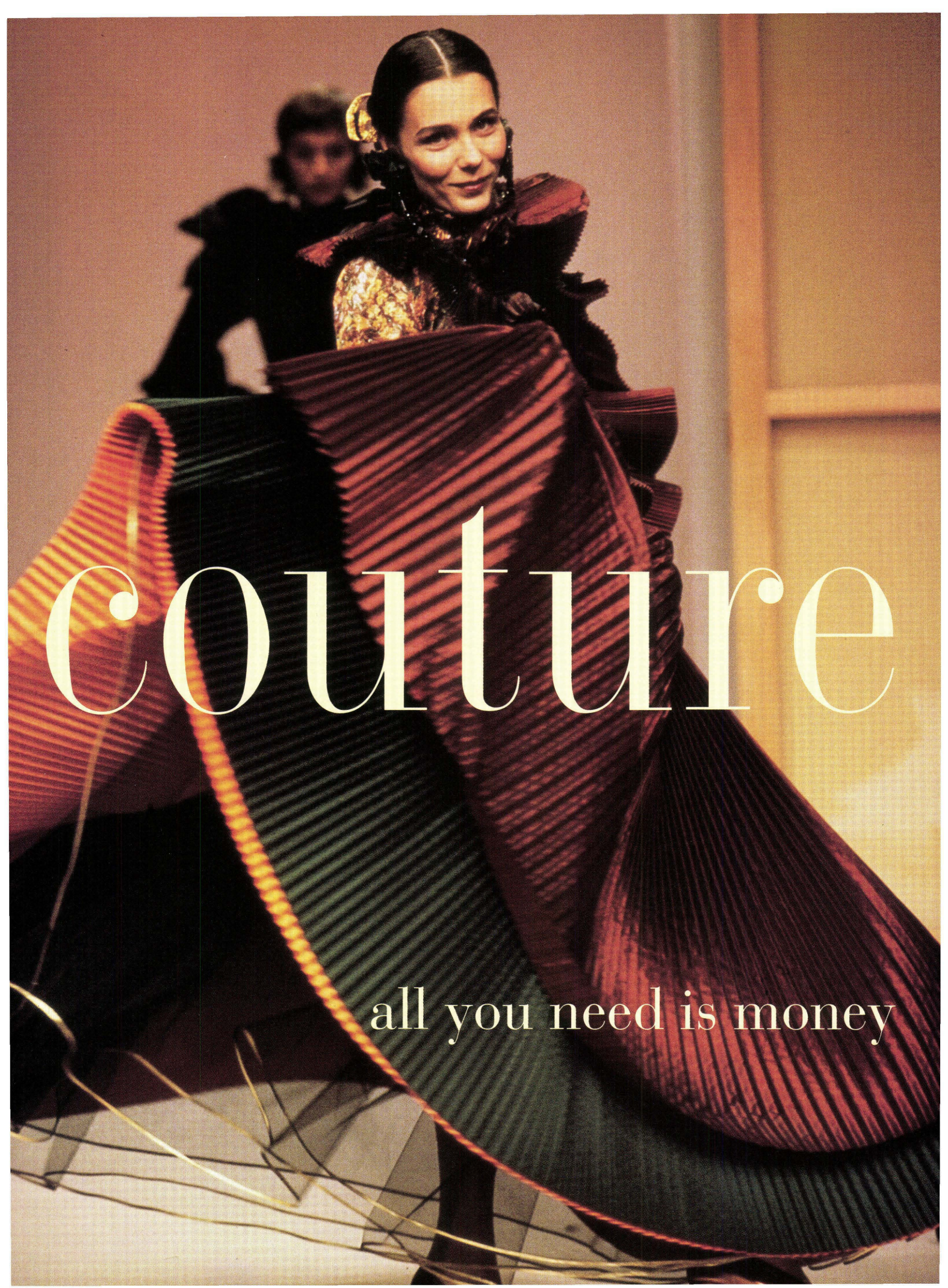
of a vague term to most Americans. How would you explain what it is?

In a simple way, European construction will be developed throughout the intergovernmental conference. Every now and then there is a conference to improve the construction and to adapt to the new European situation. What is the new situation? At this very moment, the new situation is that the present European Union cannot remain as it is. We have to enlarge the Union. We are now 15 countries, and we will be almost 30 countries in 20 years' time. So it is absolutely necessary to adapt the present institutions to the new situations. This is the main topic.

The second one is how will the European Union have a European defense identity in order to cope with specific problems that affect Europe without jeopardizing the main pillar of the Western defense, which is NATO. But a division of labor is needed between NATO and the European defense entity, and for that reason, in the intergovernmental conference we need to define how this defense entity would look in the future.

Are you worried about Islamic fundamentalism? Is that one of the key problems facing your country?

Fundamentalism is an important subject. The purpose of the Mediterranean conference is to study life in the region. To give these countries prosperity and stability, financial aid, trade, but also confidence-building measures because fundamentalism is a creation of frustration due to a bad application of the Western model in these countries. We have to create a new feeling that the Western model may work better for the benefit of these countries than going back 10 centuries. Fundamentalism is a very serious question. It is very important to keep Islam as a religion and not a weapon. It's their religion, and we have to create an understanding between the two sides of the Mediterranean. But this should not be a weapon. Ideology should not be used as a sort of weapon against other ideologies, and that is why dialogue is absolutely important. ☺



couture

all you need is money

Haute

For over a century, haute couture has represented the highest standard for fashion, a Parisian institution that is unparalleled in the world. This tradition has survived wars, depressions, currency turmoil, and numerous predictions of its demise. But what exactly is haute couture?

Haute couture is a label established by the French government for fashion houses that meet certain criteria established by the industry. They must employ at least 20 people in their workshops, present at least 50 original models at biannual shows, present designs to individual customers, and adapt their creations to individual custom-made measures in garments sewn entirely by hand.

This is what distinguishes couture from *pret-à-porter*, which is off the rack or ready-to-wear designs. Paris is the only city with haute couture fashion shows. Three Italian couture houses follow the criteria, but show their designs in Paris.



By Robert Lever

Haute couture designs like those by Valentino (above and left) can require hundreds of hours of specialized hand work and fittings, yet even with astronomical price tags many designs are not profitable.

“...the design is only part of the equation. Another major factor is the quality of the execution. And no one else can do it in the same way.”



A Valentino design modeled by Claudia Schiffer at the winter haute couture show in Paris.

In 1945, more than 100 Parisian fashion houses were on the haute couture list; today there are just 18. In the 1950s, thousands of seamstresses were employed in the ateliers sewing custom garments for an estimated 20,000 women around the world. Today a few hundred employees work for the elite fashion workshops, and the client list has dwindled to under 1,500, with some saying the regular clients number only a few hundred, the majority Americans.

Yet industry spokesman Jacques Mouclier says haute couture remains an important part of the fashion world, and maintains that it is simply changing with the times.

“People have been talking about the death of haute couture for 30 years. But couture is still here,” he said in an interview at the

Chambre Syndicale, or French Couture Federation, of which he is president.

Mouclier said haute couture is a victim of its own success; the fashion houses have branched out into what they call *pret-à-porter de luxe*, which allows them to create high-quality garments at a fraction of the haute couture price. (Haute couture prices start at around \$15,000, with the same houses *pret-à-porter* models priced from \$3,000.)

“In the past, women did not have a choice,” says Mouclier. “Pret-à-porter has developed and responded to demands that were previously met by haute couture.”

The origin of haute couture goes back to 1858 when Charles Frederic Worth created the first such workshop on Rue de la Paix, although the state rules governing the industry were adopted in 1945. The oldest fashion house in haute couture is Chanel, created in 1909, with other well-known names including Yves Saint Laurent, Pierre Cardin, and Givenchy. The newest name in the industry is Christian Lacroix, who started in 1987 with the backing of the luxury goods company LVMH.

On the surface, haute couture appears to be a money-losing proposition. With hundreds of hours of specialized hand work and fittings required for each garment, even a Chanel dress costing \$40,000 can fail to be profitable. The fashion shows at the Louvre cost the fashion houses millions of dollars each year. Lacroix has reportedly cost LVMH some \$50 million over seven years.

“It is a money loser if you look at the operating side,” says Mouclier. “There are very high costs. It is all hand work, and there are no duplicates of models to defray the creative costs. The operating costs are so high, it’s difficult to sell at a profit.”

Nonetheless, the fashion houses are able to make up some costs with perfumes, jewelry, and their ready-to-wear activities. Haute couture gives them an image that cannot be bought by advertising.

“Without these advantages, haute couture would have stopped a long time ago,” says Mouclier.

Others describe haute couture as “an engine” pulling rail carriages of other luxury goods, which helps promote the sale and export of other items made in France.

Haute couture sales represent about \$50 million in a \$1.2 billion textile industry. But its influence in terms of prestige and trends is far more important.

The number of haute couture houses continues to dwindle. But Mouclier says the concentration of the industry is not unique to fashion. “It’s something going on in every industry.”

Mouclier says roughly 60 percent of the haute couture clients are from the United States, with the rest scattered among Europe, Asia, and the Middle East.

Haute couture suffered a major blow with the Gulf War in 1991, which led to the loss of a large number of clients from the Arab world.

The weak dollar has also contributed to haute couture’s recent difficulties, making French fashions more costly for Americans.

“There was a time when large numbers of Americans would come over on the Concorde for fittings,” says Mouclier. “Now it’s mostly the other way around. The workshop goes to them.”

The advancing age of haute couture designers—most are in their 60s and 70s—is another worry for haute couture. But the couture federation is attempting to encourage young designers to enter the ring. It has eased the rules for entry for the first two years. And two promising designers are selected to showcase their fashions with the accredited couture houses at the Louvre fashion shows.

Mouclier has also helped arrange financing, state guarantees, and subsidies for some designers, who often find it difficult to get bank credit. Yet most designers eventually will need a major corporate backer to get in and remain in haute couture. LVMH backs three of the 18 haute couture designers—Dior, Givenchy, and Lacroix—while chemical maker Sanofi is behind Saint Laurent and Nina Ricci. Guy Laroche is backed by pen maker Bic.

Counterfeit fashions represent less of a problem for haute couture than other parts of the industry, but fake labels can hurt the companies’ other products and affect their bottom line. The couture federation is actively involved in prosecuting fake producers around the world.

In couture, says Mouclier, “the design is only part of the equation. Another major factor is the quality of the execution. And no one else can do it in the same way.” ☺

Robert Lever is an editor for Agence France Presse.

By Robert Lever

Designer

americans
make inroads
onto europe's
fashion
avenues

invasion

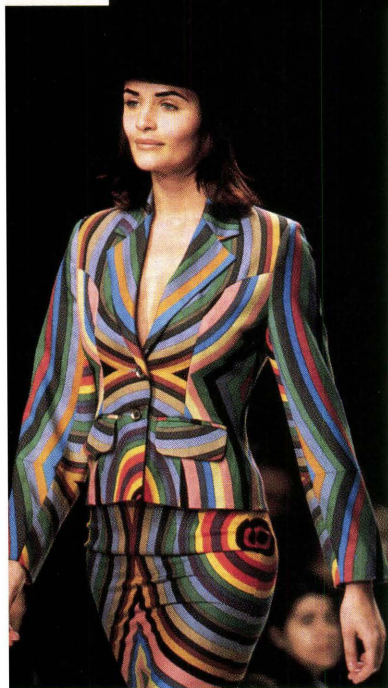


Donna Karan is among the top-selling American designers in Europe.

americans are well acquainted with Europe's top names in fashion—Chanel, Dior, Armani, and others. But Europeans are increasingly getting to know the major US fashion icons as American designers pursue an aggressive international strategy that makes the European market a priority.

The trend goes beyond the traditional American exports of Levi jeans and Nike sport shoes. Italians are well acquainted with Calvin Klein underwear, the French with Ralph Lauren polo shirts and Timberland shoes. And Donna Karan has a new "flagship" boutique in London that is a beachhead for her exports to Europe.

In the past, said Mallis, "it was always the European designers. The Americans were not heroes at home, but that's changing. It's only a matter of time."



Other US designers, like Todd Oldham, are slowly moving into the European market.

While some are looking at Asia, Europe is an important market because of its size and prestige.

"Borders don't exist anymore, and this is really a global industry," said Fern Mallis, executive director of the Council of Fashion Designers in America.

A big question is, can American fashion make a name for itself in Europe? Mallis says US fashion is grown up and ready to go global.

"For too many years, it was just the Europeans," she said. "The American design industry has finally reached that level of success, and for the first time is going overseas in a big way."

US designers are not necessarily trying to compete head-on with the Europeans, but are seeking to carve out a niche based on a uniquely American look.

"The image is very classic; it's what the Americans are known for. There's more sportswear, more for the moment. It's usually more minimal than decorative," says Mallis.

"Donna Karan is very sensuous...Ralph Lauren is very all-American."

Because of Europe's long standing fashion traditions, breaking the ice is sometimes difficult, says Mallis, "I don't think the European community will acknowledge the Americans. The French barely acknowledge the Italians in the design world, much less Americans."

A first step for some is to test the fragrance market, as a means of building name recognition and starting an advertising campaign. Both Donna Karan and Calvin Klein started that way.

Calvin Klein's "Escape" for men fragrance was launched

this spring in Europe, followed by "cK", a fragrance for both men and women, to be launched this fall.

Sales figures from the privately held firms are not published, but Calvin Klein officials have said they expect as much as 25 percent of revenues to come from Europe, and Donna Karan officials have said Europe represents 13 percent of volume.

Calvin Klein is known for his unusual lingerie advertising in Germany and Italy and is producing shoes for Europe through a licensing agreement with an Italian manufacturer. He has also opened a press office in Milan.

Ralph Lauren was the first US designer with a major European presence, opening a London store in 1981. That was followed by a Paris boutique in 1986, making him the first US designer with a store in the French capital. Lauren and his Polo label are now in several French locations, and shops in Germany, Belgium, Greece, Sweden, and Switzerland. In all, there are 14 Polo shops in Europe.

Donna Karan opened a freestanding London shop last year known for its more basic DKNY wear and has dedicated space in Harrod's department store for its upscale New York Collection. There are Donna Karan stores in Zurich and Geneva, and a small manufacturing facility in Italy.

"We're all over Europe," says Donna Karan spokeswoman Marina Luri, who noted that international sales made up 27 percent of the company's revenues in 1994. "We're looking to expand more, but we need to find the right partner."

Donna Karan's Bond Street store is an attempt to bring a New York feel to London with a coffee bar, American newspapers, and video displays.

"It's an inviting one-stop store where men and women can shop, stop at the coffee bar, and feel as if they've spent the afternoon in New York," Karan said at the London opening.

Until recently, the New York fashion shows attracted little attention in the European press. Since American fashion was not available in Europe, the media saw little need to cover it—leading to a chicken-and-egg syndrome.

But Mallis said she saw a lot of interest at the April shows in New York.

"I see a lot of European press here, and I don't think they would be here if they were not interested."

In the past, said Mallis, "it was always the European designers. The Americans were not heroes at home, but that's changing. It's only a matter of time."

Helping the image of Americans in Europe was the move of Oscar de la Renta—the Dominican-born designer long established on Seventh Avenue—to Paris, under the auspices of the Pierre Balmain fashion house. De la Renta became the first New York designer to stage shows under the auspices of the prestigious Chambre Syndicale in Paris.

If there was any question about European interest in American fashion, it should have been answered when the Gap opened its first store on the continent last year in Paris—drawing a crowd that waited for the doors to open. ☺

Robert Lever is an editor for Agence France Presse.

WORLD TOURISM ORGANIZATION

ASSISTING EASTERN EUROPE'S FLEDGLING TOURISM INDUSTRY

When the newly capitalist countries in Eastern Europe saw the pressing need to overhaul their potentially rich tourism industries, they turned to the World Tourism Organization (WTO, not to be confused with the other WTO—World Trade Organization), which helps promote and develop a sector that is vital to the economies of many nations.

Grouping 125 countries and headquartered in Madrid, the WTO provides advice and assistance on tourism projects, as well as planning, education, training, and market research.

In short, just the folks to whip the old Soviet Bloc nations into shape concerning the infrastructure, service, and quality of their tourism industries, which had suffered severe neglect under the communists.

Since 1990, the WTO has been involved in a number of former Soviet Bloc countries, from Poland in the west to Uzbekistan in the east. It is advising on some 30 European Union financed schemes in the region, with some of these already producing positive results. But it is not always an easy task.

"Our biggest challenge has been instilling a sense of initiative," says Victor Giusti, the WTO regional representative for Europe, who cites as an example a recent training course he gave for travel agents in one Eastern European capital.

"I had shown them how to fill out an airline ticket, and when I was done, one of the students asked me what to do next," recalls Giusti.

He told them to give the ticket to the client, but then the students

wanted to know whose permission was necessary to do this. And once the ticket was paid for, they asked Giusti what they were supposed to do with the money.

"I told them that after setting aside expenses, the rest of the money was theirs, and they had a lot of trouble grasping that concept," he says.

Some of the other WTO activities in Eastern Europe include advising the Czech government on a proposal to turn stately old buildings into a chain of hotels patterned on the parador system in Spain. In Albania, the WTO is developing four yacht marinas along the Adriatic.

Giusti says all the effort is worth it as there is great tourism potential in Hungary, Poland, the Czech Republic, Slovakia, and the rest of the region.

According to the WTO, Europe will remain the world's biggest tourism destination with 372 million international arrivals by the year 2000, with Eastern and Central Europe providing much of the growth.

"Countries in those regions," says a recent WTO study, "are improving their image and infrastructure so that they soon will be ready to compete with other European nations for market share."

—Benjamin Jones

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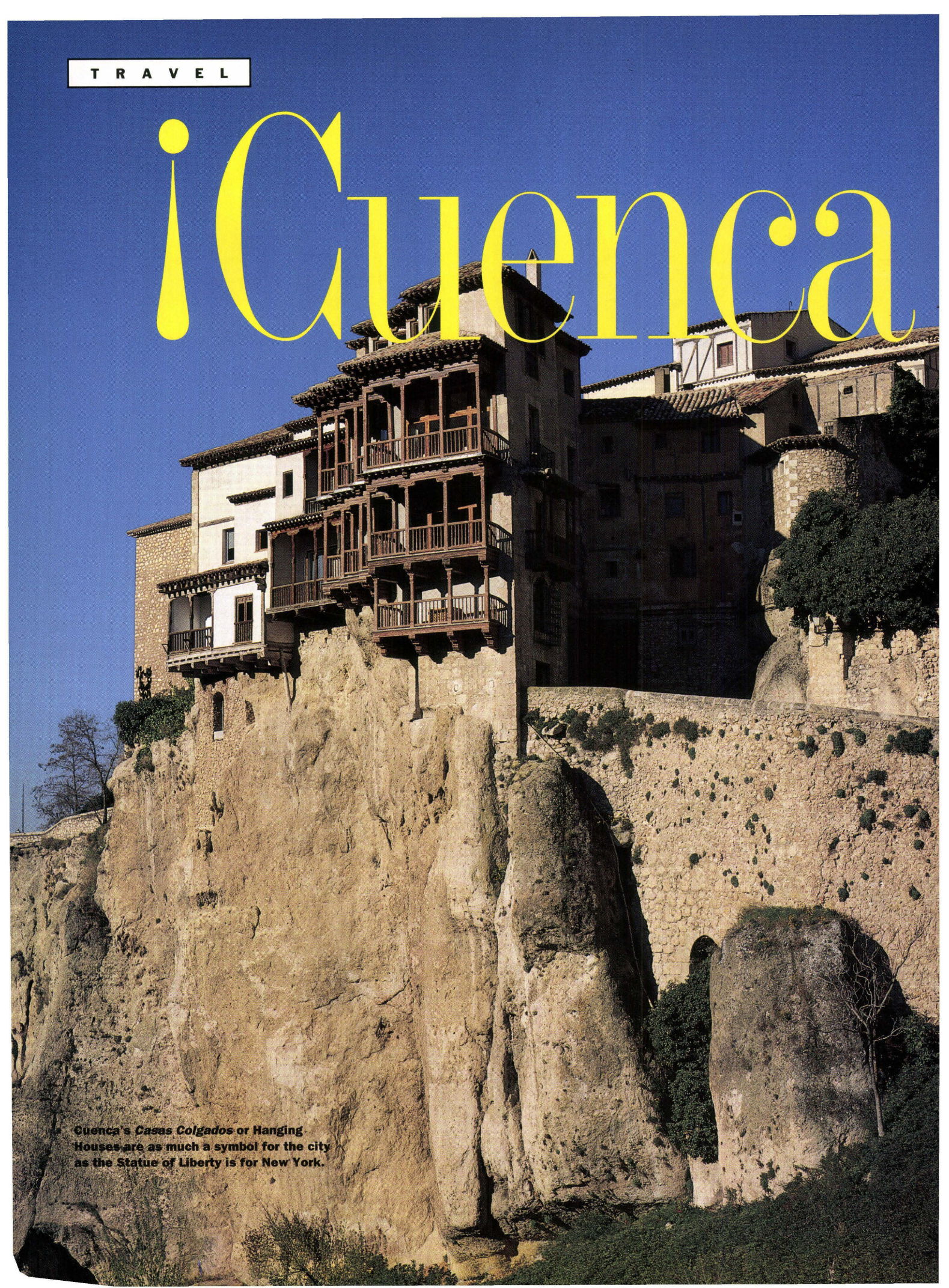
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T R A V E L

iCuenca



Cuenca's Casas Colgadas or Hanging Houses are as much a symbol for the city as the Statue of Liberty is for New York.

es Unica!

The bumper sticker and window decals you see on almost every automobile in the province say it best: *Cuenca es Unica!* or Cuenca is Unique, and it is a sentiment any visitor will come to share with the justly proud residents.

Located halfway between Madrid and Valencia, this blessed province has a lovely and atmospheric capital city, great museums, stunning wilderness areas, tasty food, and two of the absolute finest (and one of the newest) paradors in Spain. Reason enough to digress from the usual round of "must-see" cities near the Spanish capital such as Segovia, Toledo, and Avila, and spare a few days for this fascinating region of Castilla-La Mancha.

Most travelers will begin their visit to the province with a sojourn in the capital, also called Cuenca and about a two-hour drive from Madrid. The old part of the city, wedged between the rivers Jucar and Huecar, is one of the most dramatic and best preserved in Spain.

Ancient arched doorways, cobblestoned stairs, passages overhung with balconies, and tiny squares enclosed in a hodge-podge of buildings hundreds of years old all recall the Middle Ages when much of Cuenca was built.

But be warned, a walking tour of Cuenca is not for the lazy or feeble. The old section is built on a rising escarpment that makes for dramatic views but sore legs the day after.

The best approach to the old city is across the Rio Huecar, from where one can look up and see Cuenca's famous *Casas Colgadas* or Hanging Houses, as much a symbol for the city as the Statue of Liberty is for New York.

Delicate-looking wooden structures of several stories with cantilevered balconies, these houses literally hang over the precipice and are believed to have been built in the 15th century. Today they house one of Cuenca's better

restaurants, the Meson de Las Casas Colgadas, and the Museum of Abstract Art.

Even if you are not an abstract art buff, the museum is worth a look. The works, displayed in a light and airy setting, are all by Spaniards from the so-called "Abstract Generation" of the 1950s, which included Fernando Zobel who set up the museum's collection.

Just out the door and up the narrow street to the right are two other fine museums. One is the Museo Diocesano, or Diocesan Museum, with displays of priceless religious objects and other artifacts such as a 17th century Turkish carpet.

Loaded with surprises, this Spanish province lives up to its unique reputation

By Benjamin Jones



Paintings of biblical scenes, tapestries, and wooden statues round out the collection. One room built like a bank vault contains the real treasures—silver chalices and crosses along with two small paintings by El Greco.

Across the street is the Archaeological Museum, which presents almost the entire history of the province from way back when mastodons ruled the region. Several rooms are full of Roman artifacts culled from several important settlements in the province and which give the visitor a fascinating view of what life was like when Rome's writ ran here.

Uphill and around the corner is the impressive triple-naved cathedral fronting on the Plaza Mayor. Near here are several dependable restaurants which serve up the hearty local cuisine at reasonable prices.

Following a meal of *ajo arriero* (mashed salt cod and garlic), *morteruelo* (a kind of stew of liver, rabbit, partridge, chicken, and pork), *cordero al horno* (roast lamb), and *alaju* (a dessert of Moorish origin made of almonds, bread crumbs, honey, and orange water), you may want to wash it all down with the local hooch called *resoli* containing aquavit, vanilla, sugar, orange peel, and coffee.

For evening amusement, check out the schedule at the new auditorium just across the river from the *Casas Colgadas*. Recently, there were performances by international ballet and opera companies, local pop groups, orchestras, and even a folk group from the Sahara Desert!

Further afield, Cuenca province has its own attractions. One of the most visited is the famed *Ciudad Encantada* or Enchanted City. An easy 22 miles from the capital, this wonder of nature is a series of very weird rock formations carved out by the wind and water.

Another natural beauty spot, this one more traditional, is the source of the River Cuervo, about 43 miles from Cuenca city. Situated in a grotto among thick pine forests, the water cascades over moss-festooned rocks and a lovely rainbow forms in the last hours of the day.

If the displays from the Roman era in the Archaeological Museum sparked your interest, take the time to visit Segobriga, just off the Madrid-Valencia highway near the town of Saelices.

A once flourishing town of many thousands at about the

But be warned, a walking tour of Cuenca is not for the lazy or feeble. The old section is built on a rising escarpment that makes for dramatic views but sore legs the day after.



Cuenca city's skyline.

time of Christ, all that remains today are the impressive theater, the circus where gladiators once fought, and the Roman baths where one can still pick out the ancient water courses.

There is a small museum nearby and, if your Spanish is adequate, the old caretaker is a font of knowledge on everyday life in Roman times.

If you are continuing on south to Valencia, a good place to break the journey for the night is the ancient town of Alarcon. The castle here, which dates back to the Visigothic era and was rebuilt in the 14th century, is now a parador and considered one of the best due to its authentic medieval ambiance. ☺

Benjamin Jones is EUROPE's Madrid correspondent.

Traveler's Notebook

VITAL STATISTICS

Telephone: The international dialing code for Spain is 34.
Contacts: Spanish Tourist Office in New York, (212) 759-8822.
Population: Cuenca city, 33,980.

GETTING THERE

By Car: Take the N-111 motorway south from Madrid toward Valencia to Tarazon from where the N-400 goes directly to Cuenca.
By Train and Bus: There is a regular train and bus service from Madrid with several departures throughout the day.

HOTELS

The best place to stay in the capital is the newly opened parador located just across the old cast-iron footbridge from the *Casas Colgadas*. The former convent of San Pablo which was built in the 16th century, the parador was renovated over the past decade and now boasts 60 double rooms and two suites. Tel: (969) 232-320. Expensive.
 The *Cueva del Fraile* is located four miles outside Cuenca on the Bue-

nache road. This 54-room hotel is another 16th century structure with a nice ambiance and friendly staff. Tel: (969) 211-571. Expensive.
 A personal favorite, the **Posada San Jose** is a beautifully furnished, former convent that overlooks the Huecar River. It is also very popular with people for a romantic weekend getaway and therefore reservations are essential. Calle Julian Romero 4. Tel: (969) 211-300. Moderate.

RESTAURANTS

Figon de Pedro. One of Castilla-La Mancha's best restaurants and famed throughout Spain for its local dishes. Located in the new part of town. Cervantes 13. Tel: (969) 226-821.
Meson de Casas Colgadas. Located in the *Casas Colgadas* and managed by the same folks as the above restaurant. Lovely atmosphere and great views. Canonigos s/n. Tel: (969) 223-509.
San Nicholas. Just up the street from the Cathedral. Good local cuisine and international dishes. San Pedro 15. Tel: (969) 212-205.

CAPITALS

OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

Few other North American cities boast a longer or more special bond with Europe than does Halifax—Nova Scotia's capital and the Canadian East Coast seaport that will host the June economic summit of the world's leading industrialized countries.

Despite its modest size (114,000 inhabitants), Halifax was where the shipping merchant Samuel Cunard began the transatlantic steamship service in 1840. A century later, the city was the departure point for many of the convoys that supplied a beleaguered Britain in the early years of World War II. After the war, thousands of European immigrants docked at Halifax's Pier 21—the first stop of their new lives in Canada.

Presently, city officials are preparing a hearty welcome for the world leaders and the media to generate plenty of once-in-a-lifetime publicity.

The last time Halifax made "earth-shattering" international news was the great explosion of 1917 when two ships carrying explosives collided near the waterfront, killing 2,000 people and leveling 1,600 buildings.

Although it is the dominant city in Atlantic Canada and the second largest natural harbor in the world, Halifax is a relatively small community, accessible by foot or by bus.

To ease the strain of the official round of meetings, entertainment and culture activities have been planned throughout the downtown area. The Showcase Halifax, a four-day celebration of arts and cul-

Letter from Halifax

ture in which local artists, bands, and storytellers will perform, offers a choice of diversions.



The view of the Halifax port from Citadel Hill.

"We want to have a corridor developed between the sites to let people know what a great place it is to live, work, and visit," Metro Halifax Chamber of Commerce President Don Mills said recently. The G7 will meet in two places: Summit Place, located on the waterfront, and the adjacent Maritime Museum of the Atlantic, which features objects on display from the ill-fated Titanic. The international press center will be run from the nearby Halifax Metro Center.

A "media only" zone has been set up around the downtown Brewery Market. Hungry reporters can sample the fare at Old Keith's Brewery.

Although the influences of the past are primarily British, Halifax is decidedly multicultural, which is reflected in Nova

Scotia as a whole. More than 100 ethnic groups, including Acadians (descendants of 17th century French settlers), Scots, Irish, Portuguese, Greeks, Asians, and Africans, call it home.

Nova Scotia, a 350-mile-long penin-

sula where one is never more than 35 miles from the sea, was one of the four original provinces to join the Dominion of Canada in 1867.

In 1605, the French settled Acadie at Port Royal on Cape Breton Island. It then became part of Nova Scotia (New Scotland) when the French surrendered it to the British. In the 1700s, thousands of Scots, expelled by the Highland Clearances, eventually descended upon the region. The British sent Edward Cornwallis to Halifax in 1749 to protect their North Atlantic colonies. He named the site Halifax, after then-president of the English Board of

Trade Lord Halifax.

Today, Greater Halifax, which includes Dartmouth, has a population of 320,000. Besides the Citadel, the waterfront, and Historic Properties area, sites worth seeing include the Halifax Commons, Canada's oldest park; Province House, a Georgian building that's the country's oldest seat of government and of which Charles Dickens once said is "like looking at Westminster through the wrong end of the telescope;" and the city's elegant Victorian mansions.

In Dartmouth, a ferry ride across the harbor, the Black Cultural Center of Nova Scotia features a museum chronicling black history in the province.

Many Europeans visiting North America find it ironic that a New World

city such as Halifax chooses to promote its "vintage" attractions which, on the other side of the Atlantic, would be considered new.

The true attraction of Nova Scotia is its scenic beauty. Numerous excursions (by car or by tour bus) can be made from Halifax throughout Nova Scotia whose coast is dotted with lighthouses, beaches, wharves, and seaports.

One of the most scenic trips runs along the Nova Scotia's Lighthouse Route from Halifax to Yarmouth. Another beautiful drive is to Cape Breton Island on Nova Scotia's northern tip. The famous Cabot Trail, a 184-mile route which runs through a national park, is perfect for hiking, golfing, camping, and enjoying the salt and fresh water beaches.

Also on Cape Breton Island is one of North America's most ambitious historical reconstructions—the town of Louisbourg—a key French outpost in the first half of the 17th century. It was the capital of Ile Royale in 1720, and the town and its fortress were besieged and left in ruins by the British. It remained so for 200 years until the Canadian government decided to reconstruct it in 1961. Today, one-fifth of the fortress has been meticulously recreated. In July, the fortress will be the scene of a reenactment of the "Grand Encampment" to mark the 250th anniversary of the first British siege in 1745.

—John Fitzgerald

VIENNA

COFFEEHOUSE TRADITION

For the Viennese, the coffeehouse is not only a comfortable island of peace, relaxation, the unhurried perusal of the day's papers, and, of course, a taste of excellent coffee, it's also a long and honored tradition that goes back to 1683.

That was the year when the Turks besieged Vienna for the second time; the Emperor had fled to Linz; and the city seemed doomed. A Polish-born Viennese by the name of Georg Franz Kolschitzky, who spoke Turkish, ran a message through the Turkish lines. Before he returned, the Austrians attacked, the Turkish army broke, and the siege was ended. Kara Mustapha, the Turkish commander, fled, leaving behind him some 20,000 tents, many containing jewelry

and other valuables.

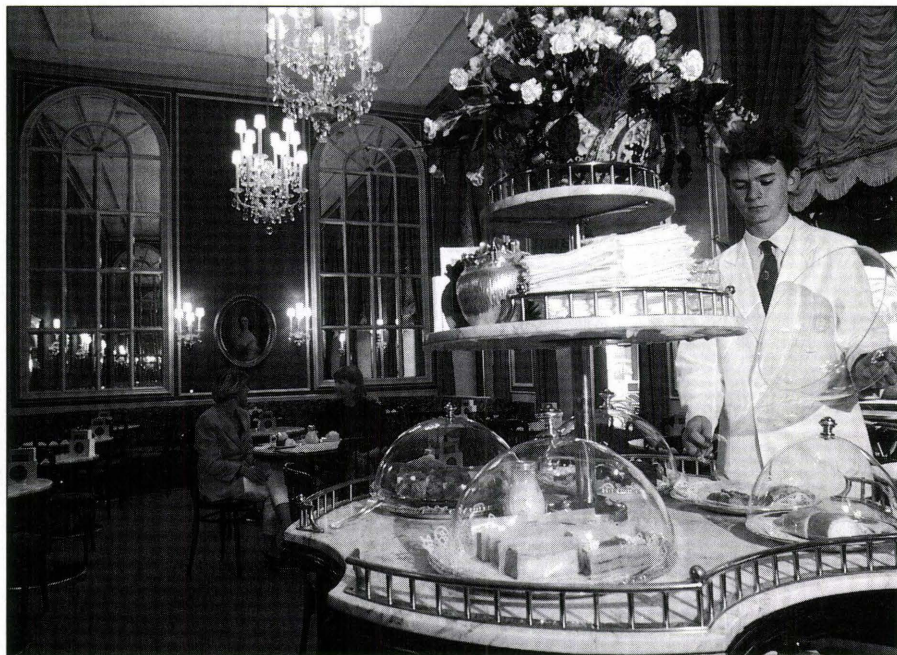
The Turks also abandoned 300 sacks of grey-green beans. When Kolschitzky saw them, he identified them as coffee beans and asked for them as a reward.

He was the only one to know what to do with the beans. He brewed them, added syrup and milk to make the coffee more palatable to the sweets-loving Viennese, and proceeded to sell his drinks in cups from a wooden tray in the streets.

Soon he rented a store in the Dom-

Forty years later, their number had risen to 1,200. By 1955 they numbered 934, and today there are about 1,000 in addition to restaurants, the *Konditorei* (pastry shops), and the espresso bars.

To this day, the coffeehouses operate on a kind of geographical division. Government officials tend to patronize the Café Central and the Café Hawelka, still run by an elderly couple, the Hawelkas, and still in its original spot in the Dorotheergasse. Nothing much has



The Sacher, an elegant Viennese coffeehouse.

gasse and opened Vienna's first coffeehouse where he waited on tables dressed in a colorful Turkish costume.

He even offered newspapers, and his customers—then as now—were never pressured to finish their coffee. They could stay, chat, play chess, and other games, and relax to their heart's content.

Today, the Vienna coffeehouses continue in that long tradition. It goes back to the 19th century, when the coffeehouse vogue was at its height, and *Das Kaffeehaus* became an important gathering place for specific groups of people—politicians, artists, musicians, actors, writers, and a variety of intellectuals who enjoyed one another's company and good conversation.

Imagine the shock of the Viennese when, in 1806, Napoleon ordered a blockade of the continent and coffee supplies ran out. There was dismay throughout the city. By 1813 Napoleon was beaten, and the coffeehouses flourished again. In 1873, Vienna had 200 of them.

changed here. The air is filled with cigar and cigarette smoke. Agitated voices reverberate through the small room as they always did.

The Central is an old cafe, but like a number of other coffeehouses, it has been renovated and brightened and is considered a "tourist attraction" by the locals.

The Café Landtmann is an old favorite of academics and also the meeting place of government officials and media people. Of course, during the last century, and particularly at the turn of the century, all Vienna could be found relaxing and socializing in the coffeehouses. Johannes Brahms, Gustav Mahler, Sigmund Freud, Arthur Schnitzler, Franz Werfel, and so many others made the coffeehouse their second home.

Then, as today, the Viennese lingered over their papers, met friends, generated rumors, and played games. Some coffeehouses feature music, again an old tradition.

Johann Strauss introduced his waltzes at the Dommayer Café, near the Imperial Palace of Schoenbrunn. In a coffeehouse in the Prater amusement park, Ludwig von Beethoven introduced his B-major piano trio, playing the pianoforte (his last public appearance.)

One of the most elegant cafes, the Sacher, is in the heart of Vienna, right behind the opera. During its Imperial days it brought together many aristocrats, and during World War II it was a favorite hangout for German officers.

The Viennese coffeehouses have been described as "part of the national soul." That was undoubtedly true at one time but is less true today partly because of the birth of espresso bars and the proliferation of the Konditorei, which serve great coffee and excellent pastries.

There is a kind of uniformity at the cafes. The headwaiter—he is called "Herr Ober"—seats you, takes your order, and calls everyone "Herr Doctor." The waiters are generally dressed in black tuxedos with white shirts. The atmosphere at the coffeehouses is what the Viennese call *Gemütlichkeit*, a sense of well-being, good company, pampered comfort, and being among one's own without any obligation to make social contact.

Coffee comes in various forms. For instance, you can order an *Einspanner*, which is a large cup topped with whipped cream. Or a *Pharisaer*, a strong, black coffee, again served with hot milk, or a *Kaisermelange*, which combines a black coffee with an egg yolk, and a shot of brandy.

A turn-of-the-century writer described the Vienna coffeehouses as "sometimes a living room, sometimes a tent for nomads, and sometimes a poor haven for the frozen." He might have added "a meeting place for the like-minded, the argumentative, the reclusive, and sometimes the lonely."

—Fred Hift

PARIS

TULIP TACKLES TRAFFIC

If there is anything more frustrating than driving around a busy French city like Paris or Lyon in rush hour, it is trying to find a place to park. Any government attempts to reduce the maelstrom of traffic to a more orderly flow, such as allowing cars with only even or odd li-

cense plates into the downtown area on specific days, have always been rejected by the freedom-loving French. They see it as one of their inalienable human rights to sit cursing their fellow men in a traffic jam.

Now, at last, there may be a solution at hand—a method of public, yet private, transport, smartly tailored to the wants and needs of French city dwellers. In April, the French car manufacturer Peugeot-Citröen unveiled the Tulip: a bright red, two-seater electric mini-car, only 6 feet long—small enough to be parked with its nose to the curb. It has been designed to function like a chauffeurless

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In April, the French car manufacturer Peugeot-Citröen unveiled the Tulip: a bright red, two-seater electric mini-car, only 6 feet long—small enough to be parked with its nose to the curb.

...

taxi, owned by the municipality and available to the public on a subscription basis.

Picture the following scenario. A fleet of eye-catching Tulips—*très* "design"—stands waiting at various points throughout the city, keeping their batteries charged from the city's power supply through special magnetic contacts embedded in the concrete. A subscriber who wants to do some shopping goes to the nearest pick-up point, aims his remote control handset at the green roof light of a parked Tulip, keys in a personal ID number, and pushes the button marked "departure." Its doors unlock, the subscriber gets in, inserts the remote control into a slot on the dashboard, and the mini-car is instantly activated and ready to go. Once the shopping trip is finished, the Tulip can be dropped off at any of its recharging stations. The subscriber gets out, pushes the "arrival" button on the remote control, the car doors lock, and the Tulip begins to recharge itself.

The entire trip is monitored by a central computer linked to the remote control. It checks that the ID number is valid, that the mini-car is functioning as it should, and it charges the cost, a combination of time driven and electricity used, to the subscriber's account.

It sounds ideal. Not only would the Tulip cater to the French desire to stay in the driver's seat (for 75 percent of the population the car remains their favorite method of transport), but it would also eliminate the nightmare of parallel parking. Anyone who has ever witnessed a Parisian enlarging a space two inches smaller than his car with his car will bless the Tulip's head-on approach to the sidewalk.

While it is also sure to appeal to the French love of high-tech gadgetry, it is beautifully simple to design. Instead of the 200-odd pieces which make up the body of conventional cars, the bubble-shaped Tulip is built of just 5 moldings in a special plastic more shock-resistant than steel. It weighs only 900 pounds and will cost (battery excluded) around \$6,000 to produce. Peugeot-Citröen research director Jean-Yves Helmer reckons that any city with a population of

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more than 50,000 could benefit from a Tulip service. "It provides a level of service and comfort not available with other public transport systems," he says, "but it will be less costly to operate than a bus system." For Paris, where 22 million trips by car are made every day, Helmer believes it would need a fleet of between 50,000 and 100,000 Tulips spread over 5,000 stations to convince Parisians to give the service a try.

Tests of the necessary infrastructure for the electric mini-car will start next year, with more than 100 French local authorities interested in the project. If all goes well, several French cities could be abloom with Tulips by the year 2000.

—Ester Laushway

ROME

ITALY'S RICHEST MAN

After years of scant coverage in the national media, the "eyeglass king" Leonardo Del Vecchio has made it to the front pages of Italian newspapers. The story that brought Italy's richest man to the forefront of Italian consciousness began when Del Vecchio's company Luxottica purchased the American retailer US Shoe (whose holdings included retail chains Lens Crafters and Nine West) for \$1.4 billion. The move was seen by Italians as "the conquest of America."

Del Vecchio's story began 30 years ago when the reserved, polite entrepreneur founded a small factory for eyeglass frames in a solitary northeastern Italian town. His diligence led Luxottica to become the world leader in its sector; one of the few Italian companies to be mentioned on Wall Street.

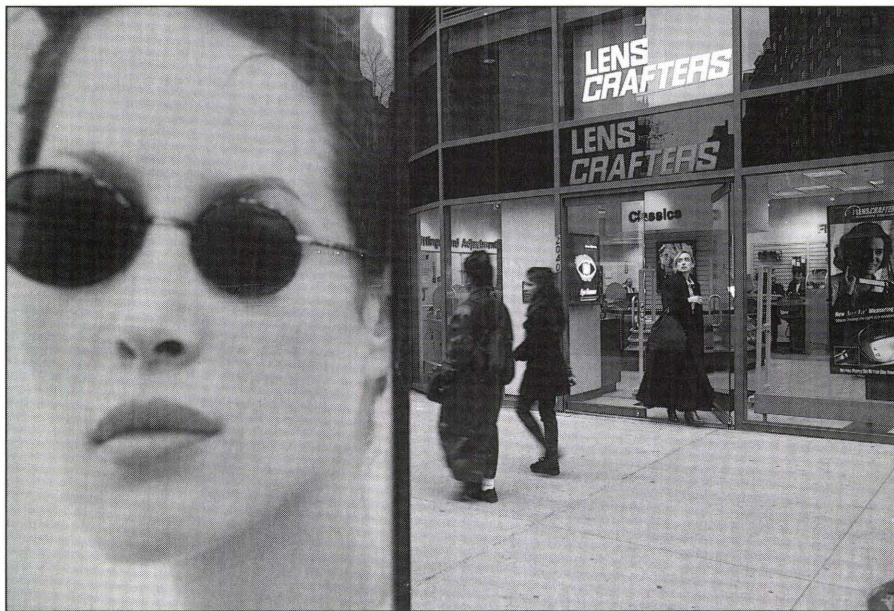
Del Vecchio's early successes were, however, of no great interest to his fellow countrymen. In fact, the only media attention he received was once a year, at tax time, when his tax receipts showed him to be the richest man in Italy—richer than Fiat head Giovanni Agnelli; media king and former prime minister Silvio Berlusconi; and Olivetti leader Carlo de Benedetti.

However, business reporters have always followed Del Vecchio closely. He continued to enlarge his empire, concentrating on the eyeglass wear exports, while maintaining a dominant position in the domestic market. With the textile industrialist Benetton, he bought two prominent supermarket chains GS and

Euromercato. Additionally, he has become a minority shareholder in Credito Italiano—one of the biggest banks in Italy.

Del Vecchio, however, comes from humble origins. As a boy, he was a student at a well-known school in Milan for poor children where he was dependent on public assistance.

But with the purchase of US Shoe, Del Vecchio is now in the Italian spotlight. The media have found that Del Vecchio's case is not an isolated one.



Italy's richest man recently bought the US eyeglass chain Lenscrafters.

News reports show there are many entrepreneurs (both in the industrial North and in the traditionally agricultural South) who are more involved in the world market than in the domestic one. Some regions export more than two-thirds of their products.

Until now, the media have largely ignored this facet of the country's economy despite its contribution to rebalancing the disastrous Italian budget. "It is a piece of Italy we didn't know about," the authoritative daily newspaper *Repubblica* admitted, "this Italy that keeps quiet, produces, and exports, exports, exports."

—Niccolò d'Aquino

BRUSSELS

VAN DYCK RETURNS

The sharp fall of the dollar in the currency markets has had one unexpected consequence. The city of

Antwerp has been able to buy back a famous Rubens portrait painted in the city 380 years ago.

The portrait is of the 16 year old Anthony Van Dyck, who was Ruben's most talented pupil and who was to succeed him as the leading Flemish painter of the 17th century, most famous for the portraits he painted at the court of the English king, Charles I. The picture shows a fresh-faced youth wearing a lace collar and sporting a fashionable black hat. It measures only 14 inches by 10 inches

and had been in the Kimball Art Museum in Fort Worth, Texas for 40 years. In January, the museum sold it at auction at Sotheby's in New York to help raise funds to buy a more expensive picture by Matisse.

The house where Rubens lived and worked in Antwerp is now a museum, and its trustees were represented at the New York auction. Yet they did not have enough money to outbid a dealer who secured the portrait for \$880,000. The buyer, however, took fright as the dollar began to slide, and offered the picture for sale at a London art gallery in February for \$1 million.

The Antwerp city council offered to put up a third of the price, and with the help of Kredietbank (Belgium's second largest), the King Baudouin Foundation, the Flemish Community, and the National Lottery, the Rubens House was able to snap up the picture. Since May 23 it has been on permanent exhibition at the Rubens House, and it will serve as a

centerpiece for two upcoming anniversary celebrations. In 1996 the Rubens House will celebrate its 50th anniversary as a museum, and in 1999 Antwerp will pay homage to Van Dyck, who was born in the city 400 years earlier.

For Belgians, the return of the picture after so many years is seen as something of a consolation prize after the export to the United States of several masterpieces, notably the Merode Altarpiece of the Master of Flemalle (Robert Campin), now in the Cloisters in New York, and James Ensor's *The Entry of Christ into Brussels*, bought by the Getty Museum in 1987. The portrait of Van Dyck has returned to its home and is unlikely to go traveling again.

—Dick Leonard

LONDON

CRIME REPORT

If you want to commit a crime in England or Wales, there is now a handy new guide to tell you where you are more, or less, likely to get away with it.

You would be advised not to try violent crime in rural West Wales because the police there have a 95 percent success rate. Humberside, an economically depressed area in northeast England, would be a better bet—the police there only solved 15 percent of violent offenses last year.

These are just some of the fascinating findings of the first ever government study comparing the performance of police forces throughout the two countries. It reveals that some police officers are twice as efficient at crime solving as others.

This is certainly the case in Nottingham where things have changed dramatically since the bad old days when the sheriff consistently failed to capture outlaw Robin Hood. Police officers in Nottingham clear up an average of 14 cases each per year, while officers in London could only manage seven each last year.

As for value for money, people in the English Midlands pay about \$208 a year for policing, while in London the cost per head is \$592. London is also at the bottom of the league table for crime solving. One has more than a 50 percent chance of getting away with a crime in the capital.

As these tables were released it was announced that recorded crime fell by 5

percent last year. While this was good news for a government trying to regain the initiative on law and order, the bad news was that the reduction in burglary, theft, and other offenses against property, was offset by a dramatic increase in violent crimes.

...

People in the English Midlands pay about \$208 a year for policing, while in London the cost per head is \$592.

...

Britain is becoming a more violent place to live in with murder, rape, robbery, and mugging up 6 percent last

year. The number of killings was actually up by 9 percent.

Government minister David Maclean said violence was on the increase because the recession was over and “young people have money to spend drinking at pubs and nightclubs.” This he saw as the main cause of growing hooliganism.

Harry Fletcher of the National Association of Probation Officers said, “Maclean is talking through his hat.” Like others in the welfare services, he ascribed the trend of rising violence to high unemployment, persistent poverty, and the ensuing social problems.

As a footnote: When I read in the report that car crimes fell by almost 10 percent last year, the phrase “lies, damn lies, and statistics” sprang to mind. My car was broken into three times in the first six months of 1994!

—David Lennon

DUBLIN

STREET TRAVELERS

This summer tourists will be taking photographs of Ireland's own “travel-

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ers" where they camp and live in caravans on the side of the road with swarms of children and dogs and unsightly litter. Should they be there at all or should they be living in neat public housing with running water, toilets, and electricity?

This is a recurrent debate in Irish life and flared up recently when a government minister and a journalist appeared to attack the notion that the traveling community represent a separate "culture" which is part of the Irish heritage and should be protected. When the minister and the journalist said on a popular television program that there were objectionable aspects to this so-called culture, such as wife-beating, alcoholism, and neglect of children, who are sometimes sent out to beg in Dublin streets, there were protests of "bigotry and racism" from liberal quarters and from the more articulate among the travelers themselves.

But the overall feeling was "here we go again." There are an estimated 23,000 travelers, and their numbers are increasing because of their custom of marrying young and having large families of up to a dozen children. Local authorities in each county are responsible for providing housing for those who want to settle

down or serviced, permanent "halting sites" for the families who wish to keep on the move. But when the officials try to house traveling families and build halting sites, all hell often breaks loose from the neighboring community.

•••

There are an estimated 23,000 travelers, and their numbers are increasing because of their custom of marrying young and having large families of up to a dozen children.

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There have been ugly incidents of travelers being forcibly evicted from

houses and sites by mobs and even armed men. Some farmers are also hostile to having travelers camp near their land and accuse them of damage to their fields and animals.

The travelers are caught in a vicious circle as they are often deprived by this hostility of the facilities which would make them less of a nuisance to householders and farmers. There have been some success stories, such as the laundry business which traveling women have set up in a Dublin suburb and which President Robinson formally opened to show solidarity with the most disadvantaged part of the population.

Public opinion polls show a confused attitude toward the travelers who used to be known as gypsies, itinerants, and tinkers until these terms became politically incorrect. Thus about 60 percent of people overall said they would not accept a halting site within a quarter of a mile of their home, but the figure rises to 74 percent for farmers. At the same time over 70 percent say that the itinerant lifestyle should be respected while 64 percent would accept special housing for the travelers but separated from the settled community. It is a typical "not in my backyard" attitude.

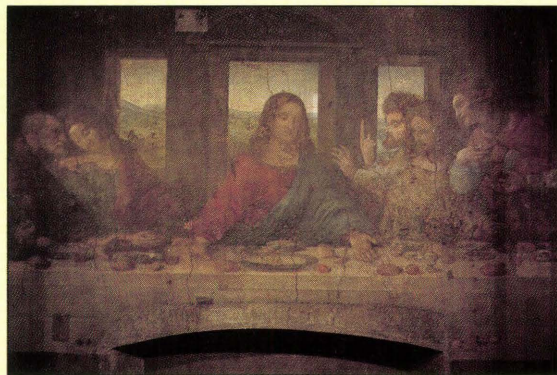
NEWSMAKERS

So far it is only a dream, but within a few years Europe could have its own version of Mount Rushmore. Millionaire German entrepreneur **Reinhard Schneider**, 59, first had the idea three years ago when he was flying in his private helicopter over the sandstone cliffs on the banks of the river Elbe, south of the city of Dresden. He was surveying an old quarry which he planned to reopen, but then it struck him that the area had far greater potential. "It seemed to me the perfect place for a monument to the positive changes in Europe—peace and unification," he said.

The river Elbe is a symbolic link between the two adversaries, Germany and the Czech Republic. Schneider thinks its rocky banks would be the ideal spot for massive carvings of the faces of such prominent European statesmen as **Charles de Gaulle**, **Mikhail Gorbachev**, **Vaclav Havel**, and **Willy Brandt**. His "Rock of Unity" idea has the wholehearted backing of the local mayor, who would only

be too delighted to see his sleepy little community of Reinhardtsdorf-Schoene turned into one of Germany's biggest tourist attractions.

Schneider estimates that the work, which he would like to see completely financed through donations, would cost between \$3.5 million and \$7 million. Unlike the Mount Rushmore carvings,



Leonardo da Vinci's Last Supper.

which took the sculptor **Gutzon Borglum** 14 years to finish, the Elbe sculptures would make use of the latest technology and require only about a year's work.

And at 130 feet high, the European politicians would have no problem looking down their stony noses at the only 60 feet high American presidents.

•••

Since Easter, visitors to Milan have been flocking to see Leonardo da Vinci's *Last Supper* at the convent of Santa Maria delle Grazie. The Renaissance masterpiece looks different than it did in the past. Art expert **Pinin Brambilla Barcilon** has spent the past 16 years stripping it of five centuries of repaintings, gums, laquers, waxes, and fixatives.

Hers has been a Herculean task. Hunched over an enormous magnifying glass, she has had to decipher a painting which time and bomb damage from World War II had reduced to a veritable ruin. On good days she was able to clean an area the size of a coin; often she would have to clean the same spot seven or eight times. "Compared with this, restoring the Sistine Chapel was a simple window wash," she claims. "You're never finished. It's almost enough to make you shoot yourself."

Prejudice against travelers is often compared to what used to be the treatment of "colored" people in South Africa and African Americans before the Civil Rights Movement. They are usually barred from pubs and restaurants. Hotels for their wedding celebrations are hard to find. Schools segregate children into separate classes because they need special tuition, but this lessens the likelihood of integration. The high infant mortality among travelers is a reproach to the settled community, but most of us prefer to turn a blind eye.

—Joe Carroll

ATHENS

REVIVED GAMES

The Greeks have shrugged off their disappointment that Atlanta, not Athens, will host the centennial modern Olympic Games next summer. But an interesting consolation prize is in the offing: the ancient Nemean games are to be revived in June 1996 as a one-day athletic festival open to participants of all ages and nationalities.

Nemea is best known nowadays for

its vineyards. The local Agiogeorgitiko grape produces a robust red wine that carries off prizes at international wine fairs. But in antiquity, the games staged there rivaled those of ancient Olympia and many of the same athletes would have competed. The running, jumping, and boxing events were similar and the same political rules applied—wars were suspended for the duration of the games under a sacred truce. Instead of garlands of parsley—the ancient Olympian equivalent of a gold medal—winners at the Nemean games received a crown made of wild celery.

Nemea is also one of two important Greek athletic sites to be excavated by US archeologists (the other is at Isthmia on the Gulf of Corinth). Since the mid-1970s, excavators led by Professor Stephen Miller of the University of California at Berkeley have unearthed the stadium where the games were held as well as ancient buildings used by athletes and visitors. The archaeologists have also started a partial restoration of the temple overlooking the site, using stone from the quarries that supplied the ancient contractors.

There will be no medals at next year's festival, being organized by the

Society for the Revival of the Nemean Games, and the events will be limited to footraces on the stadium's 195-yard track. The aim is to encourage ordinary people to take part in an athletic festival. As Professor Miller put it, "Families picnicking on the slopes of the stadium will be participating just as much as the runners."

But there will be no shortage of atmosphere as the organizers are keen to recreate the ritual of the ancient games, known from historical accounts. The runners will wait to enter the stadium inside a 2,300 year old stone tunnel excavated by the California archaeologists. On its walls are graffiti scratched by ancient athletes while waiting their turn to compete. When the modern herald calls the runners' names, they will line up at a stone starting line to race barefoot on a surface of packed earth.

Still, the revived games at Nemea will differ from their ancient predecessor in two ways. Instead of competing naked, except for a layer of oil, the runners will wear tunics based on the classical Greek chiton. And, more importantly, women—who were not permitted to compete in or even to watch the ancient Olympics—will be allowed to take part.

Brambilla has persisted, however, and 80 percent of the mural is now restored. It is in such a fragile condition that no more than 20 people at a time are allowed to see it, after having passed through a kind of wind tunnel where dirt and bacteria are blown off their clothes. Brambilla hopes to finish the restoration completely by 1997, 500 years after Leonardo painted the *Last Supper*.

•••

French artist **Klaus Guingand**, 33, has spent more than eight years headhunting celebrities. Once he has tracked them down he immortalizes their profiles with full-length, black-and-white silhouette paintings that look like scissor cuts. His gallery includes the outlines of **Catherine Deneuve**, **Johnny Depp**, **Steven Spielberg** and a host of other prominent personalities.

"A photo can be far from the truth—there's the makeup, the lighting, the development," says Guingand. "But you can't cheat with a shadow." Among those who have let him reveal their true selves are Formula One champion **Alain Prost**, **Liza Minelli**, **Robert Altman**, **Sylvester Stallone**, and even former

French Prime Minister **Edouard Balladur**.

He has had some problems from sitters who did not like the way their chins or stomachs protruded, but the sleek sisterhood of supermodels have been very willing to let him capture their willowy contours on canvas. He has painted **Kate Moss**, **Carla Bruni**, **Linda Evangelista**, and **Claudia Schiffer**. This month Schiffer hosts an auction of his works for the French AIDS charity *Solidarité SIDA*.

•••

At 87, **Lord Roll**, co-president of the British merchant bank Warburg, has been a passionate supporter of European unity for a very long time. Notwithstanding the gloomy title of his latest book *Where Did We Go Wrong?* in which he analyzes 70 years of European economic history, he still exudes a sprightly confidence in the future.

He believes that the European Union is working, even though he describes its creation as often having been "a kind of contraceptive process. By getting together in Brussels you don't necessarily agree to do exactly the same thing, but

you become more aware of what you shouldn't do in order to avoid harming your partners."

Lord Roll knows his subject well. He was a negotiator with the European Economic Community from 1961 to 1963, then an undersecretary of state at the department of economic affairs and a director at the Bank of England.

He concedes that the collapse of the Exchange Rate Mechanism in 1992 has been a stumbling block toward greater monetary and economic cohesion but remains convinced that 1999 is a realistic date for the start of European monetary union.

He also refuses to share the fears of Euroskeptics that Germany might become the bully of Europe. He sees it as a country that is very committed to the progress of the EU. "It is absolutely crucial and central to Germany's conception of her role in the world, of what she wants to achieve and how she wants to achieve it," he says. "I think Germany will be a very faithful member of the community in working toward European union."

—Ester Laushway

The revived Nemean Games will be held on June 1, 1996. Prospective participants should send their name, address, gender, and age to the Society for the Revival of the Nemean Games, Nemea, GR-205 00, Greece, tel. 30-746-22239.

—Kerin Hope

BERLIN

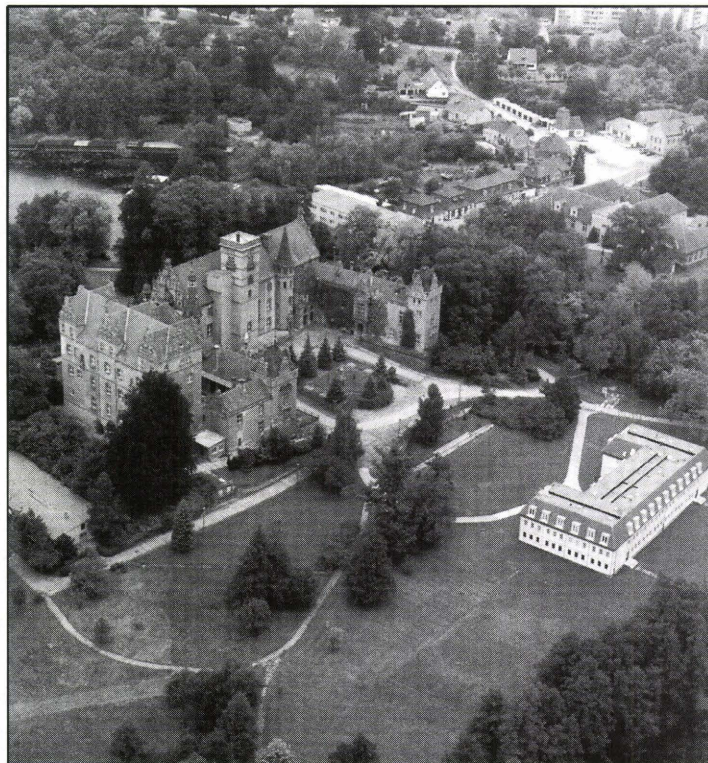
FAIRY TALE SALE

When the Berlin Wall fell in 1989 West German visitors to East Germany were astounded to find in the other half of their country such an abundance of historic buildings worthy of preservation. These cultural assets were hitherto inaccessible to many of them. During more than 40 years of Communist rule, only old edifices were cared for which served as museums or had administrative function. Numerous aristocratic palaces and country castles were pulled down. Others served various functions such as training centers, clinics, and recreation centers for the East German soldiers, the Stasi secret police, or the Communist youth organization. Lack of cultural awareness for the property, its disuse, and lack of funds have caused severe damage to the original exterior and interior of the historic monuments.

Former property owners cannot reclaim their land because the German unification treaty states that “expropriations on the basis of occupation law are irreversible.” Between 1945 and 1949 the Soviet occupation authorities ordered about 14,000 families farming 130,000 square miles to leave their property within 48 hours. Their land was broken up and divided among German settlers expelled from Poland, Czechoslovakia, and the Soviet Union. Some owners were imprisoned, but most fled to West Germany. People who lost property that was confiscated by the Nazis between 1935 and 1945 and by the Communist German Democratic Republic between 1949 and 1990 can expect restitution or some compensation.

To save the cultural heritage before it is too late, hundreds of castles, stately mansions, and manor houses are being marketed by Eastern German state and local authorities. No other federal state is as rich in castles, parks, and manor homes as the coastal state of Mecklenburg-Vorpommern. According to a provisional survey, there are more than 1,700 of them. In Saxony, some 1,000 stone monuments of the past await new owners and new concepts for their use.

In a marketing campaign called “Fairy Tales for Sale” the federal property agency, Liegenschaftsgesellschaft



For sale: Boitzenburg Castle in Brandenburg.

der Treuhand (TLG) in Berlin, is offering 20 properties for sale from manor houses to castles replete with turrets and battlements. Some 8,000 copies of the glossy full-colored catalog in German and English have been distributed worldwide. They drew 276 offers—16 from the United States—of which 120 were considered to be serious. “The most important thing for these castles,” says Sabine Pentrop, spokeswoman for the TLG, “is not the price offered. The investor must have a concept that suits the community and the historic preservation requirements. We are looking for responsible investors who are aware of the great cultural value of these castles.”

The first marketing round cost the

TLG more than \$340,000—perhaps too much because aside from the castles the agency has some 62,000 other properties to dispose of. The TLG expects to complete the sale of the 20 castles in two years and meanwhile is preparing another list of 20 castles to be put on the market later this year.

The condition of the “fairy tales” offered for sale are not fairy tale-like in all cases. The castle of Wilkow near the Polish border dating back to 1697 is such an example. It was a massive stone structure with seven wings, but because of rebuilding, damages, and dilapidation, it is

in poor condition. Yet it drew the most bidders, 45, who were presumably tempted by the token price of only one German mark or about 70 cents. One investor promised to invest \$7 million and convert the castle into a hotel.

By far the grandest offering is the vast, beautiful Schloss Boitzenburg with a 25-acre park, 50 miles north of Berlin. Set amid woodlands and lakes, it was first mentioned in 1276. From 1528 to 1945 it was the ancestral home of the Von Armin family. The catalog says that the utilization of the castle as a recreation center for East German soldiers resulted in “serious interference” with the original ground plan and that bad restoration of the facade plaster in 1970 has distorted the appearance of the Renaissance building to

a great extent. Thirty-one investors offered bids, but only six are considered “serious.” The highest price offered was \$7.85 million. “The ideal investor,” says the prestigious *Frankfurter Allgemeine*, “must also have a sense of being a patron of the arts.”

—Wanda Menke-Gluckert

LISBON

DEPRESSED REGION

The Alentejo, which lies between the capital Lisbon and the southern Algarve region, boasts a sad record. Its suicide rate is five times the Portuguese na-

tional average and even slightly higher than that of Hungary, which has one of the world's worst figures. Out of every 100,000 inhabitants, 46 take their own lives each year.

Once Portugal's granary, the Alentejo is now one of the European Union's poorest regions. Its most striking features are dry, rolling, yellow plains, covered with olive and cork oak trees, and the whitewashed houses in its well-kept villages. Until the fall of the dictatorship in 1974, farms in the Alentejo were

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He has found evidence of a kind of death cult in what he says is a part of Roman Catholic Portugal where religious awareness has always been weaker than in the rest of the country.

...

owned by a handful of often absentee landowners. Then, farmworkers occupied the properties and set up cooperatives, later legalized by a Communist-dominated government. Subsequent governments reversed this land reform, and recent changes carried out as part of EU policy have led to a dramatic fall in production. Over the last decades, tens of thousands of people have left the Alentejo for a better life, emigrating to the Algarve tourist region, Lisbon's industrial belt, and abroad.

Psychiatrist Fernando Areal, who is based in the Alentejo's main town, Beja, has carried out a detailed study of the region's suicides. He says that most of those who kill themselves are older than 50. Men account for about two-thirds of the suicides. Hanging is particularly common among them, while women tend to choose drowning or poisoning. "When old people weaken or get sick without any social backup or anybody to talk to, they feel completely lonely," says Dr. Areal, "they fall to pieces, become

obsessed with the idea of killing themselves, and they do it." The psychiatrist says that throughout history, people in the Alentejo have been persecuted politically, oppressed, and exploited in their work.

What is surprising is how lightly people in the Alentejo view the possibility of committing suicide. Old men in the region speak freely about their loneliness, the misery of living off meager pensions, and of suicide as a solution. Dr. Areal says that although the Alentejo's suicide rate is increasing and has only been talked about recently, taking one's own life does in fact have a tradition in the region. He has found evidence of a kind of death cult in what he says is a part of Roman Catholic Portugal where religious awareness has always been weaker than in the rest of the country.

Although there is now growing concern in Portugal over the Alentejo's gradual desertification, there is as yet no clearly-defined policy as to what new purpose to offer the people of one of the country's most beautiful regions.

—Peter Miles

AMSTERDAM

REINSTATING CONTROLS

Passport control for European passengers at the gateway to the Netherlands—Schiphol airport—is back. This comes as a painful reversal of policies for the so-called Schengen countries of the European Union—Germany, France, Netherlands, Belgium, Luxembourg, Spain, and Portugal—who enjoyed the abolition of passport control at Schiphol for a little more than a month. The government hastily decided to reintroduce the border controls on May 1 after "Schengen" and "non-Schengen" passengers alike traveled through Schiphol without showing their passports. The controls will last until the airport completes the necessary construction that would separate the passengers which could be as late as 1997.

The saga began in 1985 in the little Luxembourg village of Schengen where the agreement was made to lift the border controls between EU countries. In March of 1995, airport controls between seven EU members were abolished which made carrying a passport obsolete for some Europeans, for example, from Paris to Amsterdam. It also meant

that entering Europe in Schiphol was not only entering the Netherlands but also the territory of all seven Schengen countries.

However, Schiphol was not ready for this. Unlike other airports, walls to separate people traveling to and from Schengen countries weren't in place, but the Dutch government was anxious to go

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The fiasco was highly embarrassing for the Dutch government, which asserted the temporary solution would be foolproof.

...

ahead and let Schiphol participate in the border-free movement anyway. Until December 1995 (the estimated completion date of the separation barriers), airport officials offered a temporary solution where all passengers traveling to and from Schengen destinations would receive a small green magnetic card that would enable them to pass through a separate turnstile without showing their passports.

This proved to be a disaster. The green cards were being passed on in the arrival and departure halls, facilitating the illegal entry of passengers who were not traveling between Schengen destinations. Unused cards were dropped in waste baskets and could be picked up by anybody. In other words, Schiphol was a wide open hole in the external borders of the Schengen zone.

The fiasco was highly embarrassing for the Dutch government, which asserted the temporary solution would be foolproof. The newspapers exposed the flaws in the system, and a representative in Parliament showed a whole stack of green cards he had personally collected at the airport. Within weeks of the negative scrutiny, the government recognized its mistake and decided to reinstall passport controls at Schiphol airports until possibly 1997.

—Roel Janssen

STOCKHOLM

PRO-EU FARMER

From a campaign that included much heated debate over Sweden's membership in the European Union, some voices will be remembered for their stridency and uncompromising language. Others, however, will hopefully be remembered much longer for their reason and moderation. One of the latter voices belonged to Marit Paulsen, one of the people whose involvement in the debate had the most impact on the outcome of Sweden's fateful referendum last November.

Paulsen, a plain-spoken farmer, writer, and all-around opinion shaper, was one of the most active and least pretentious campaigners for the pro-membership side. "I myself will vote yes because I believe in compromise as a working method and because the little nation can have significance," she wrote in a book she published on the subject, titled *A Little Book on a Very Big Question*, which was one of the most worthwhile reads of the campaign.

As someone outside of the political and financial establishments with whom people in general could identify, Paulsen brought a sometimes incomprehensible debate back to the basics and helped shatter one or two myths about the European Union. Two of them were the fear that Sweden, upon joining, would be invaded by salmonella-infested food imports and that rich Germans would buy every available country house in Sweden. Sometimes appearing in bib-and-brace overalls, rubber boots, and a farmer's cap, her style lent her some credibility and inspired confidence among the real people, something which the suit-and-tie politicians also campaigning for a yes struggled with. Indeed, the final television debate two days before the referendum saw a former conservative prime minister, Carl Bildt, and the present Social Democratic prime minister, Ingvar Carlsson, flanking Paulsen on the "yes" panel—a truly unique combination.

As a defender of the Union's basic ideas, she also eased the fears of many women that Brussels was a bastion of male dominance. Once during a debate when confronted with the observation that the EU elites in Brussels consisted largely of old men, Paulsen replied, "I don't care if they're all old men as long

as they behave like women!" Above all, she best described the essence of the EU issue. The referendum, she said, did not require every Swedish citizen to learn every single paragraph in the Treaties of Rome, Maastricht, etc., any more than voting in a national parliamentary election required full mastery of all political and economic issues. "Neither you, nor I, nor anyone else knows all of the rules and regulations of the European Union...you and I must vote in the referendum for the *idea* of Sweden and Europe that we believe in."

It remains to be seen whether Paulsen, ever the outsider, will take the step into the establishment to work for the idea which she promoted so successfully.

—Jonas Weiss

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The government is hoping that the economic recovery will reduce unemployment significantly and lighten the heavy burden on government finances.

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COPENHAGEN

WELFARE CHANGES

According to the latest figure from the Danish ministry of finance, only about 80,000 Danes do not receive any kind of government transfer payment. In 1960 the figure was more than 400,000. The change illuminates the total pervasiveness of the welfare state. One of the jokes circulating among the opposition parties in the Danish Parliament, the Folketing, is that the government is planning to introduce a bill making it illegal for a Dane not to receive any government money.

A full 1 million adult Danes, out of a population of 5 million, depend almost entirely on government money. It is no joke that the opposition parties would dearly love to reduce that number so that Denmark's record tax level can be lowered significantly. But with virtually every Dane at the receiving end, it is a difficult platform to use to gather votes. The government, led by Social Democrat Prime Minister Poul Nyrup Rasmussen, would also like to see some reforms of the welfare state, though nowhere near as radical as in neighboring Sweden, where the Social Democratic government is reducing unemployment and sick leave benefits.

Danish Minister of Finance Mogens Lykketoft claims that the Danish welfare state is affordable. He cites the strong recovery of the Danish economy and relatively healthy government finances—a stark contrast to Sweden. He also notes that the labor participation rate in Denmark is extremely high, 84.4 percent in 1993 by the OECD measure, compared to 76.8 percent in the United States. The difference is greater when the figure is broken down by sex, as about 80 percent of all Danish women are part of the workforce, more than 10 percent higher than in the United States, and also higher than every other European country except Sweden. The emancipation of the Danish women has been closely linked to economic independence.

The government is hoping that the economic recovery will reduce unemployment significantly and lighten the heavy burden on government finances. At present exchange rates, the maximum unemployment benefit in Denmark is about \$24,000 a year and can be drawn for up to seven years. Though the figure is bloated by the undervalued dollar, it is still a large sum. It is higher than the normal pay of a supermarket cashier, which explains the "help wanted" signs in many Danish shops today. Despite the high unemployment rate, the relatively low-paying service sector finds it difficult to recruit staff. Cab drivers are very often non-Danes.

Though youth unemployment has responded more positively to the economic recovery than unemployment among the middle-aged, there is a broad consensus that they can travel to Greece, Italy, and Spain in the summer for a period of several months to look for work, waiting on the beaches for offers to show up. Intended to promote mobility of Danish

labor within the European Union, it is difficult to stop this innovative use of the rules. Many would, however, like to see this kind of creativity channeled into more entrepreneurial activities. But the majority will not accept major structural changes in the welfare state to make this happen.

—Leif Beck Fallesen

LUXEMBOURG

EUROPE ON-LINE

Luxembourg is playing a key role in Internet, the global telecommunications network, with the establishment here of the headquarters of Europe On-line, a service linking computers throughout Europe to access information and communicate worldwide with each other.

Europe Online has substantial financial backing, with the German publishing giant Burda, AT&T Corporation's Interchange Online Holding, Matra-Hachette of France, and the Pearson Group (owner of the *Financial Times* and Penguin books) of the UK.

Aiming to sign up 60,000 subscribers this summer when it opens for business, the service will offer a broad spectrum of services, from on-line access to newspapers to home shopping to electronic mail services. By participating directly in a network service, the media conglomerates are bypassing the "middlemen" who have been controlling computer access by the public to information resources.

"Europe Online gives its content providers an economically attractive environment in which to directly offer multimedia services to a European public," said Juergen Ziessnitz, the managing director. Romain Bausch, Europe Online's supervisory board chief, said the company's goal is to become the "premier independent multimedia service in the language and culture of Europeans."

Competition among network suppliers has intensified in Europe over the last few months for what analysts say will be a \$3 billion market in just five years. Germany's Bertelsmann, the second-largest media and publishing group in the world, announced that it bought a 5 percent stake in America Online, a Reston, Virginia company. The two are launching a \$100 million project that they hope will attract more than 1 million subscribers and generate about \$700 mil-

lion in business by the year 2000.

There has been a rush of announcements from other competitors too. The biggest expectations are centered on Microsoft's planned announcement this fall of its new operating system called "Windows 95." Installed in about 80 percent of the world's computers, Windows allows computer users to run several software programs simultaneously and

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services.**

...

display the information like file folders on a computer screen. The new software will build on that foundation and include the ability to immediately access the Microsoft network.

Meanwhile, CompuServe has mounted a campaign to gain subscribers in Europe, expanding its current base of 206,000 subscribers to 600,000 by the end of next year. Apple Computer launched eWorld in the UK in October 1994 and is also planning to expand its use, which stands at 80,000 participants worldwide.

The success of Europe Online and others will depend on the speed at which European households buy personal computers with modems. While about 37 percent of US homes have computers, the percentage is much lower in Western Europe, ranging from a high of 30 percent in Denmark to a low of 13 percent in France. "We are at least four years behind the US," said Ziessnitz. Another problem is the cost of telecommunications services in Europe.

Where Europe does lead, however, is in the installation of ISDN (integrated services digital network) lines, which allows

giant collections of data used to create video and sophisticated graphics to be transmitted 10 times faster and more cleanly than the analog telephone lines do.

—James D. Spellman

HELSINKI

TIMO SARPANEVA

Timo Sarpaneva, born in 1926, is part of the pioneer group of Finnish designers and artists that made Finland a center for modern design after World War II.

A year-long, 50-year retrospective of his work in glass, silver, wood, fiber, metal, and porcelain just finished in Washington, DC after appearing in such major cities as New York, Los Angeles, and Chicago.

Sarpaneva's simple elegance has been a major influence in Finnish art and design over the past four decades. Natural elements are evident in his work such as the Glass Kayak (1953)—a long, curved piece of glass with a single steam bubble as the cockpit.

Trained as a graphic artist and a painter in Helsinki, Sarpaneva turned his attention and talents toward Finland's glass making tradition at the Iittala Glassworks in 1950 where he demonstrated mastery over the glass medium and a unique ability to bring forth forms that seem to lie concealed within raw materials.

His signature works include *Orkidea*, a hand-shaped, steam-blown sculpture, named the most beautiful object of the year by *House Beautiful* magazine in 1954; the blocky glassware that won the Grand Prize at the Triennale exhibition in Milan in 1957, and the *Marcel* glassware he designed in 1992 to complement the architecture of Finland's first presidential residence.

Sarpaneva comes from a long line of artists and craftsmen. His grandfather was a blacksmith, and his mother was a textile artist. His work reflects the purity and natural quality of the Finnish landscape of ice and forests.

When working with such a delicate medium as glass, the artist often relies on serendipity. "When there is something wrong, mistakes," he said in a recent interview with New York critic and curator Karen S. Chambers, "then it's human. It's alive."

—Natasha Schlegel

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FILM

The Englishman Who Went up a Hill but Came Down a Mountain

(Miramax)

The *Englishman Who Went up a Hill but Came Down a Mountain* is a charming fairy tale about a small Welsh village in 1917 that probably couldn't have been filmed this well, and this honestly, anywhere but in England or more specifically, in the mid-Wales village of Llanrhaedr-ym-Mochnant in the Tanat Valley.

Written and directed by Christopher Monger and starring Hugh Grant at the head of a first-rate cast, it is one of those "little" films that sparkles like a jewel be-



British actor Hugh Grant stars in Christopher Monger's *The Englishman Who Went up a Hill but Came Down a Mountain*.

cause it is so real, so full of good humor, and ultimately, so passionately human.

Grant, in an expert and underplayed performance, is part of a two-man surveying team who come to Wales to measure heights and distances. This particular village has behind it a grassy hill which the villagers prefer to think of as their "mountain."

The trouble is that, by survey definitions, a mountain must be 1,000 feet

high, and this particular one measures to no more than 980 feet. The villagers, led by the local innkeeper and clergyman (played by Colm Meaney and Kenneth Griffith) decide to add the necessary qualifying height and, by hook or crook, to delay the survey team's departure so the mountain can be remeasured and included on the region's maps.

The delight of *The Englishman* is not only in the well-developed, believable, and very Welsh relationship in the village but also in the film's warmth, pride, and communal determination.

The characters all have Welsh identifying names, like Morgan the Goat, Johnny Shellshocked, Thomas Twp one and two, Davies the School, Williams the Petroleum, Evans the End of the World, and Thomas the Trains.

The single important woman in the movie, Betty of Cardiff, is played by the appealing Tara Fitzgerald whose scenes with Grant radiate affection and attraction.

Finally, there is the Mountain, which looms so large in the story, whether bathed in glorious sunlight or soaked in the pouring rain. The final evening shot, with the villagers, carrying torches, laboring up the mountain to add just a few more feet of needed height, is both moving and beautifully photographed, an almost classic scene.

The Englishman represents a perfect mesh of writing, direction, and performances. It also proves how splendidly a little, unsophisticated film can convey so much and how possible it is to capture real emotion, real personalities, and telling humor within the framework of a small production.

—Fred Hift

BOOKS

Eamon de Valera: The Man Who Was Ireland

By Tim Pat Coogan; Harper Collins; 772 pages; \$30.

Ireland is a country unhappily fertile over the centuries with the martyred failure of her political leaders, except for Eamon de Valera, who dominated Irish politics with controversial success for almost half a century.

This new biography by Mr. Coogan, a well-known Irish journalist, often lacks the detachment of the historian, but it is richly researched and informed and always stimulating to read.

Coogan is sometimes ambivalent in assessing De Valera's long career and his influence in shaping modern Ireland. Certainly, he was an unlikely prophet among his people. Ascetic and austere, an admirer of Machiavelli who dabbled in Thomistic theology, he seemed like a misfit amid the Celtic buoyancy of his countrymen, but he was acutely sensitive of their psyche. "When I wish to know what the Irish want," he once stated, "I look into my own heart."

He was born in New York in 1882 (the same year as James Joyce was born in Dublin). His father was a Spanish artist, his mother an Irish immigrant. When his father died, De Valera at the age of two was sent to live with his grandparents in Limerick on a small farmstead in a community that was impoverished, pious, and deeply nationalist. A gangling, bespectacled teacher of mathematics in Dublin at the age of 33, he was active in promoting the Gaelic language and the revolutionary politics of the period. During the 1916 Easter Rebellion, he commanded a battalion and was the last to surrender to the British forces after a week-long struggle of insurrection.

The leaders of the revolution were summarily executed by the British militia. De Valera escaped the firing squad because of his American ancestry and in-

stead was sent into servitude at a British prison. Amnestied in 1917, the only battalion leader to survive the Rising, he returned to a hero's welcome in Ireland and the leadership of a new political party, Sinn Fein (Gaelic for "Ourselves Alone") whose policy was to destroy the rule of Britain. The 1920-21 guerrilla war against Britain's "Black and Tan" occupying army ended in a treaty between the two countries which partitioned Ireland into Ulster and the Irish Free State. Rejecting the agreement, De Valera joined with the irreconcilable Irish Republican Army against the supporters of the treaty, precipitating a bitter civil war which has scarred the political face of Ireland to this day.

Weary of endless bloodshed, the combatants agreed a cease-fire in 1923, and De Valera founded a new political party Fianna Fail ("Soldiers and Destiny") and returned to the constitutional politics of parliamentary government. Within six years, Fianna Fail won an overwhelming victory in the 1932 elections to the Irish

Parliament, and De Valera became head of government—a position he would hold with little interruption until 1959 when, a blind and aged patriarch, he became Ireland's ceremonial president.

Once in power, De Valera pursued a deliberate policy of dismantling the last vestiges of British rule in Ireland which resulted throughout the 1930s in an economic war between the two countries. Amid the ruination of the Irish economy, he extolled the virtues of self-sufficiency, urged the Irish to cease drinking tea, and to burn everything British except coal. But he broke with those erstwhile colleagues and supporters who demanded more extreme action against Britain and banned the IRA as an illegal organization.

Severing the last links with Britain, the free state in 1937 declared itself a wholly independent country called "Eire," with Gaelic as the official language. De Valera himself wrote the new nation's constitution, which claimed the whole territory of Ireland, including Ul-

ster, and enshrined the Catholic Church as the state religion. As Coogan points out, these issues are still contentious and bedevil the peace process between Ireland, Britain, and the northern people of Ulster.

He was elected president of the League of Nations in 1932 and gained world stature when he denounced the Italian invasion of Abyssinia and, in a world increasingly in thrall to the dictators, espoused the independence of small nations against international banditry. But as World War II began, De Valera resolved on Ireland's strict neutrality, defying both Churchill and Roosevelt and daring the unpredictability of Hitler.

While Ireland avoided the devastation of Europe, after the war the economy was in dire condition, plagued with chronic poverty, massive unemployment, and the hemorrhage of emigration greater than that of the great famine a century before. De Valera, bereft of practical solutions, became more and more anachronistic to a hapless population on the decline and socially and culturally deprived and finally retired as Taoiseach (prime minister) to assume the ceremonial post of president, where he presided for 14 years. When he died at age 93 in 1975, the party he had founded, Fianna Fail, was still the dominant party in Irish politics, though now in the hands of more pragmatic men, and his indomitable career seemed to reflect the march of a nation whose time had come.

—Connolly Cole

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