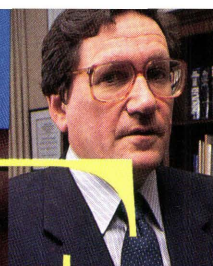




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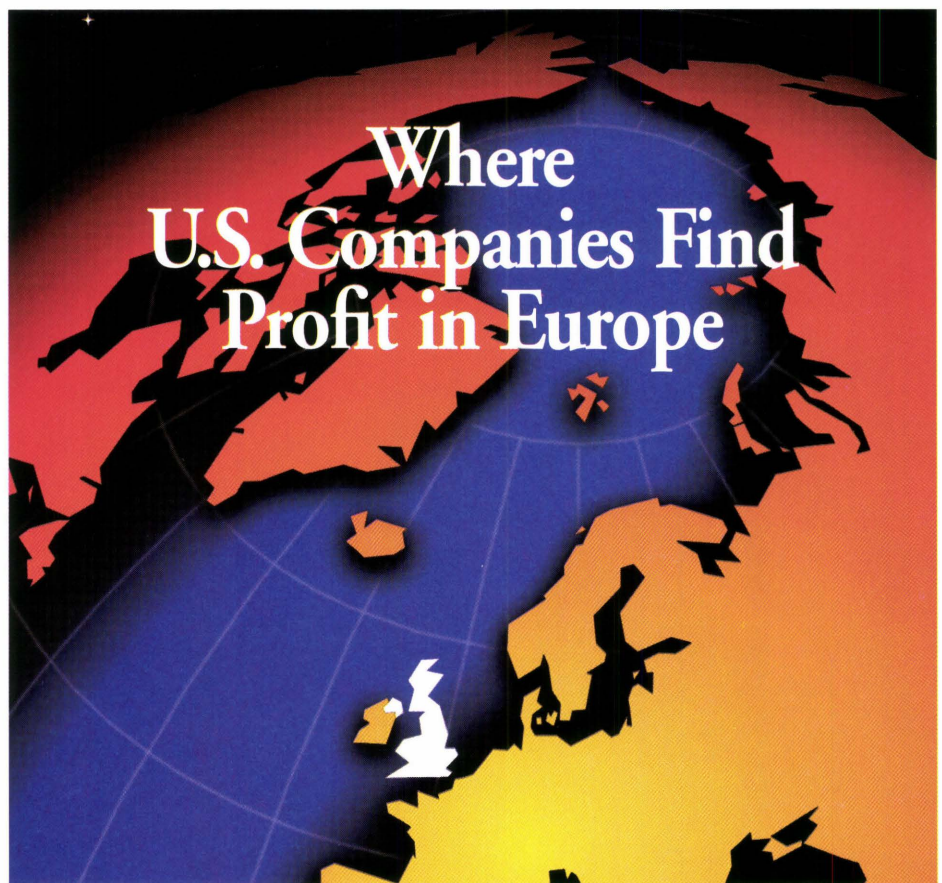
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EUROPE

MAGAZINE OF THE EUROPEAN UNION



UNITED KINGDOM

The Major Issue. How long can the Conservatives continue to govern?
David Lennon 6

Malcolm Rifkind. Steering UK foreign policy. *David Lennon 9*

Margaret Thatcher: European Visionary? A new take on the former prime minister. *Martin Walker 10*

BUSINESS

Glaxo Wellcome. Creating the world's biggest drug company. *Alan Osborn 18*

AIRLINES

Interview. Neil Kinnock, European commissioner for transport, speaks out on Europe's key transportation issues. **12**

British Airways. Ahead of the competition. *Alan Osborn 20*

European Airlines. Battling to survive in deregulated skies. *Bruce Barnard 22*

TRAVEL

Caviar at the Speed of Sound. Coming to a town near you.
Elisabeth Farrell 26

Gibraltar. 'Gib' is more than just a rock.
Susan J. Burdin 28

Claridge's. The discreet elegance of London's premiere hotel. *Robert J. Guttman 32*

DEPARTMENTS

2 Letter from the Editor

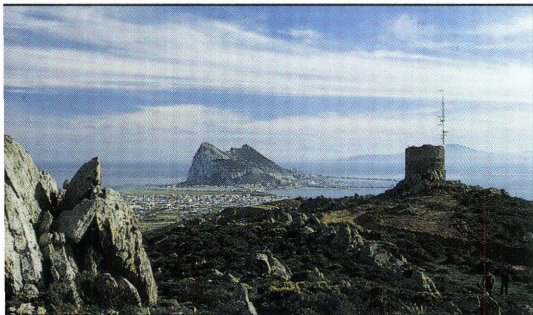
4 Eye on the EU

34 Letter from Amsterdam & Capitals

40 Newsmakers

45 Arts & Leisure

9



28



20

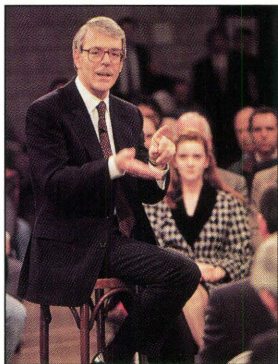


32

Letter from the Editor

European airlines are changing. New alliances and mergers are being announced, and former state-owned airlines are being privatized. American carriers are becoming key players in the European market.

EUROPE analyzes the new competitive marketplace now emerging in the European skies with a profile of the world's most profitable and most international airline, British Airways. Alan Osborn, writing from London, presents an in-depth look at how British Airways has, in their own words, become "the world's favorite airline."



The Major Issue

Bruce Barnard, writing from Brussels, discusses the winners and losers in the newly deregulated airline industry. He points out that the KLM-Northwest alliance is profitable but things don't look as rosy at Alitalia.

Neil Kinnock, the new European transportation commissioner, in an exclusive interview with *EUROPE*, speaks out on the open skies policy he is trying to get implemented with the United States, the future of the European airline industry, the trans-European network, building a new infrastructure for roads and railroads, and the overall role of the EU in transportation. We also profile Kinnock and his wife, a member of the European Parliament, as movers and shakers in the new Europe.

Was Mrs. Thatcher really pro-European? Martin Walker, Washington bureau chief of the *Guardian*, presents a different portrait of Thatcher, writing that "Mrs. Thatcher should get her due as a visionary European." His entertaining article should provoke some interesting discussion.

David Lennon, our correspondent in London, writes that "the campaign for the next general election has already begun" in the United Kingdom. He discusses the key issues in the UK today and says it would be foolish to count out the incumbent prime minister at this point.

EUROPE also looks at the major debate going on across the UK regarding its role in Europe. Are the British good Europeans or do they wish to play a smaller role in Brussels? Will the UK's new foreign secretary, Malcolm Rifkind, favor a more pro-European stance than his predecessor, Douglas Hurd?

London is the corporate headquarters of many global firms today. Alan Osborn looks at London's newest mega-conglomerate, Glaxo Wellcome, the world's largest pharmaceutical company.

On the travel front, *EUROPE* shows how you can fly the very elegant and very fast Concorde from your own hometown in the United States to Europe and the luxuries you will encounter on this well-known aircraft flying faster than the speed of sound.

EUROPE takes you to the famous island of Gibraltar, and we profile the "discreet and elegant" Claridge's Hotel in London.

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EUROPE

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



FINANCING EUROPEAN INTEGRATION

Europe – a continent on the move

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

The European Investment Bank, the European Union's long-term lending institution, raises its resources on capital markets to finance investment projects that promote European integration.

Establishing an integrated European market requires capital investment for balanced development between regions and countries, efficient trans-European networks in transport and telecommunications, protection of the environment, secure energy supplies and industrial competitiveness.

The EIB helps implement the European Union's external co-operation policy by financing projects within the framework of agreements and conventions that non-member countries have with the European Union.

Over the past five years, the EIB made loans totalling ECU 82 billion (1), making it the largest of the international financing institutions.

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

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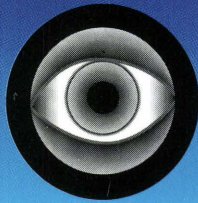
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EYE



ON THE EU

Profiling
Personalities and
Developments
Within the
European Union

If economic and monetary union involving a single currency is to be launched in 1999, at least for those member states who are able and willing to meet the necessary criteria, a number of important decisions will need to be taken at the next EU summit to be held in Madrid in December. These decisions include, notably, a name for the new currency, because without a name it will be impossible to go ahead with arrangements for printing and minting bank notes and coins.

The original thinking was that the currency would be called the "ecu." This would

be the natural successor to the European Currency Unit, a hypothetical amount based on a basket of national currencies and used for settling budgetary transactions between member states. Its present value is about \$1.25. An additional advantage was that the name had a familiar ring for French people as an old French coin was known as the *écu*.

The name ecu was, however, effectively blackballed by German Chancellor Helmut Kohl earlier this year



What to call the new Euro currency?

when he suggested that it would prove unacceptable to German public opinion, which was showing great hesitancy about replacing the D-mark. Whereas a single currency could, if necessary, be launched without the participation of the British, for example, it was inconceivable that it could go ahead without Germany.

This situation led to a frantic search for an alternative name, with the "franken" and the "euro" both being suggested but with little enthusiasm for either. For once



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it was not the British government which was being awkward. Chancellor of the Exchequer Kenneth Clarke told the EU's Council of Ministers last spring that he would be happy with either name, and went on to say that the "crown," the "shilling" or the "ducat" would be equally acceptable. For him and his more Euroskeptical cabinet colleagues it was not the name that was at issue but whether the United Kingdom should involve itself at all in the project.

If I myself might make a modest suggestion, it is that the word "Euro" be prefixed to the existing names of national currencies. A standard unit equal to the present ecu could be known as the Euro-mark in Germany, the Euro-franc in France and Belgium, the Euro-pound in Britain and Ireland, the Euro-drachma in Greece, and so on.

Whatever name is decided on, it had better be soon. The

banks whose job it will be to handle the new currency are getting impatient. Spurred by the economic recovery in Europe, which is blurring memories of the currency crises of 1992 and 1993, they now want

Whatever name is decided on, it had better be soon. The banks whose job it will be to handle the new currency are getting impatient.

to make an early start on preparations for EMU.

They have been encouraged by the recent green paper which the Commission has published on the practical arrangements for the introduction of a single currency. This contained a new proposal for the transition, namely the "critical mass scenario," under which an important number of financial market activities would start to be carried out in the single cur-

rency immediately after the irrevocable fixing of exchange rates, most likely sometime between the beginning of 1998 and the target date in 1999. This would include monetary policy inter-

ventions; payments on the interbank, foreign exchange, and capital markets; and the issuing of new public debt in ecu (or whatever the name of the new currency.)

This scenario should ensure that the process will be irreversible. The big bang, with the introduction of the new currency (complete with bank notes and coins for individual use), would then follow at the latest three years later and would

last only a few weeks. The Commission prefers this to a "delayed big bang," which would not include a critical mass and would therefore lack credibility, and the "immediate big bang" and "competing currencies" approaches, both of which it regards as unrealistic.

It will cost European banks a very large sum to make the necessary adaptations for a single currency. The EU Banking Federation has estimated it at between \$6.4-\$8 billion, though this may be a bit on the high side. They need the strongest assurances that EMU will actually go ahead before they start investing heavily in the project.

They are looking to the Madrid summit in December to give the go-ahead to the Commission proposals, and they also want an early decision (preferably before the end of 1997) on which countries will actually be taking part.

—Dick Leonard



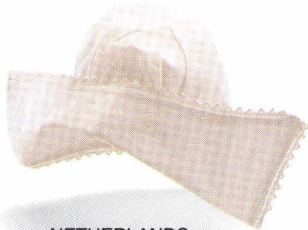
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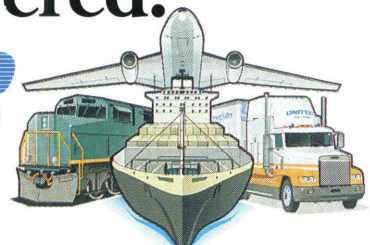
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UNITED KINGDOM The Major

CAN THE CONSERVATIVES CONTINUE TO GOVERN?

By David Lennon

The campaign for the next general election has already begun, even though there could still be 18 months until the ballot boxes open.

The nation has been ruled for the past 15 years by the Conservative Party whose recent performance is as flat as that of the economy. The opposition Labor Party is now deemed electable after years of ideological confusion. So everyone is impatient to learn if the nation really is ready for change.

The opinion polls show the Conservatives under Prime Minister John Major trailing badly behind Labor. On this evidence, the ruling party is set to lose power, but Major has confounded the polls and defeated his opponents so often that it would be a foolish person indeed who was to write him off prematurely.

Reinvigorated by defeating a leadership challenger in the summer, Major now has the opportunity to choose the time of the next election. He must go to the polls no later than April 1997, but if he felt the timing was right, he could call an election as soon as he likes.

Europe remains at the center of the concerns of the Conservatives. So, ideally, he might want to call elections before the EU intergovernmental conference due late next year takes decisions on economic and monetary union which

will inflame the Tory Euroskeptics.

On the other hand, he may prefer to hang on as long as possible to give time for the economy to improve. Europe is not a key issue for most voters. Economic well being is the focal point. Employment, security of tenure, the confidence to borrow, these are the leading issues. The quality of health care and education concern people more than either European Monetary Union or the proposed European single currency.

Despite the forecasts and claims of an improving economy, the nation remains unconvinced. It's a "jobless recovery," was how one commentator put it. The UK appears to be passing through a period of "sustained non-inflationary non-growth."

The economy did enjoy healthy growth and low inflation last year, and

the expectation was for a continuation of that trend through 1995. Instead the statistics showed a weakening of the economy in the first half of the year. However, most people had not been aware that there had been any kind of strengthening.

The public mood is still one of resigned depression about the state of the economy, and their own personal financial security. Unemployment was down from 9.6 percent early last year to 8.4 percent at mid-1995, but still few people feel safe about their jobs.

As a result, the increase in consumer spending, which the government had been expecting, has not materialized. High street sales continue sluggish and house prices, so important in this home-owning democracy, are actually in decline again.

All summer there was a long-running, if publicly good natured, battle between the Treasury and the Bank of England over interest rates.

Bank of England Governor Eddie George argued that interest rates should be raised, as a counter to inflationary pressures. Chancellor of the Exchequer Kenneth Clarke would have none of it, insisting that, as the economy is slowing down, inflationary pressures are easing.

As the Bank of England is not independent, the governor had to accept the chancellor's dictate, but he kept on

or Issue



warning all through the summer that the government will miss its long-range target of keeping inflation below 2.5 per cent.

This is actually less worrying for the government than the fact that the public does not appear to give it any credit for having brought about an economic recovery.

Chancellor Clarke admitted that what he called "the feel good factor," that mood of economic well-being which helps

Heseltine is a supremely confident politician who always plays to win. He has charisma in bagfuls and knows as much about presentation as anyone in the country.



to make governments popular, had not emerged and may not return for some years.

This is not good news for a government struggling against the lowest opinion poll ratings of recent history.

With a general election a maximum of 18 months away, the Conservatives are placing their hopes for a change of voter mood on tax cuts expected to be announced by Clarke in the November budget. They would be implemented in April, 1996 with

their effect being increasingly felt through the final 12 months to election time.

An early election cannot be ruled out. This summer's surprise challenge by Prime Minister Major to his anti-European critics in the Conservative Party demonstrated that he is well skilled in the art of catching his opponents unaware. He would certainly be keen to find some way to catch the resurgent Labor Party unprepared.

The summer leadership battle turned out to be a bit of a damp squib. Calling on his critics to "put up or shut up," he resigned the party leadership, though remained as prime minister. He easily defeated the challenge from a junior minister in his cabinet and effectively ensured that there will not now be a challenge from serious contenders in the autumn.

Major quickly reshuffled his cabinet, appointing the effective Defense Secretary Malcolm Rifkind to the position of foreign secretary. This post will be crucial as the UK tries to hammer out its policies on Europe.

The biggest winner was Michael Heseltine, the president of the Board of Trade. He was appointed to a newly created post of first secretary of state and deputy prime minister. In effect this means that Heseltine will be chief executive with Major as chairman.

His single task: to win the general election for the Conservatives. And there is no one in the party better equipped for this task. Heseltine is a supremely confident politician who always plays to win. He has charisma in bagfuls and knows as much about presentation as anyone in the country.

He will be concerned with making his cabinet colleagues focus on how to win the election. A great street-fighter of a politician, he will concentrate a considerable amount of his firepower on the opposition Labor Party and especially its leader Tony Blair.

Labor has been rejuvenated by the young leader who has swept

away the cobwebs of its socialist past to create a highly electable, bright and shiny "New Labor Party"—as it is now promoting itself.

This promises to be a great battle and the campaign begins in earnest in the fall.

Another area where the government will be looking for a vote-catching result will be the talks on Northern Ireland. The cease-fire has held for over a year, to the great relief of the province's 1.6 million inhabitants worn out by more than two decades of guerrilla warfare and terrorism.

The talks on a resolution of the conflict have been moving very slowly. The British government and the political representatives of the Irish Republican Army (IRA) publicly remain entrenched in their traditional positions. But under the surface it is clear that they are inching toward compromise.

The oft repeated public demands by the London government that the IRA lay down its arms have been matched by equally firm declarations by the IRA that they will only do so as part of an overall settlement. For them this means the withdrawal of British troops and a commitment to disarm the militia of the Ulster Protestants.

The fact that it is "jaw-jaw" and not "war-war" is welcome for both the Protestants, who constitute two-thirds of the population, and the minority Catholic community. They are enjoying the fruits of the cease-fire and should be prepared to make more compromises to prevent any return to violence.

Can Major filter some of the economic improvements through to the electorate, stay away from contentious European issues as long as possible, and bring lasting peace to Northern Ireland? It's a tall order.

But then Major is the man who introduced the National Lottery whose multi-million pound prizes have made it hugely popular, despite the odds of 14 million to one. His chances are a lot better, and unlike the people playing the lottery, he has the power to change the numbers. ☺

David Lennon is EUROPE's regular London correspondent and the Financial Times syndication managing editor.

Malcolm Rifkind was appointed foreign secretary in the summer cabinet reshuffle because he is believed to have the right skills to steer a course which doesn't reopen the Conservative Party rifts over Europe.

Rifkind's position on Europe lies somewhere in the middle of his party's battlefield, between the pro-Europeans and the Euroskeptics. He is an enthusiast for the concept of European unity, but at the same time is opposed to speeding up European integration. A perfect middle-of-the-road position for the foreign secretary of a divided party.

"The issue is not whether we should be in Europe, but what kind of Europe," he said recently. He is of the view that "an integrated European structure is both unnecessary and undesirable."

Described as "cool, cautious, and calculating," by the *Economist*, Rifkind is regarded by many as one of the most skillful political operators in the British Parliament.

"A flying Scotsman," the *Jewish Chronicle* called him in 1991. "Precociously clever, a Tory high flier and destined by intellect alone eventually to settle at the top echelons of government."

And so he has. As the *Financial Times* says, Rifkind is an agile and astute politician "who has arrived just where he intended."

The 49 year old Scottish lawyer was first elected to Parliament in 1974, at the age of 28. He quickly made his mark at Westminster and was appointed party spokesman on Scottish affairs.

Though he was later to become Scottish secretary in Margaret Thatcher's government, Rifkind is no stranger to the hallowed portals of the Foreign Office.

His connection with foreign affairs began just three years after entering Parliament when he became joint secretary of the party's Foreign and Commonwealth Affairs Committee and a member of the House of Commons Select Committee on Overseas Development.

His rise to ministerial office began in earnest in 1983 when he was promoted to minister of state at the Foreign Office, a position he held until being promoted to secretary of state for Scotland in 1986.

While at the Foreign Office he worked to bring down trade barriers in Europe, while also trying to avoid excessive concentration of powers in Brussels.

Appointed defense secretary in 1992, Rifkind pulled off a considerable coup. The cold war was over, and he had to make drastic cuts in the armed services. Somehow, he managed the daunting task of cutting the defense budget without

Malcolm Rifkind

Steering UK Foreign Policy



attracting negative publicity and, more importantly, without alienating the defense chiefs.

This feat was a classic demonstration of his political skills. However, at the same time, he doesn't suffer fools gladly and has been known to show flashes of temper when opposed. However, in private he is reputed to be urbane, amusing, and to possess the rare talent of being able to take a joke at his own expense.

The job at Defense brought him into frequent contact with the Foreign Office, especially over issues such as the conflict in the former Yugoslavia. On this issue he worked very closely with his predecessor, Douglas Hurd.

They are two very contrasting figures. Hurd, the tall patrician figure, the quintessential establishment diplomat, and Rifkind the short, razor-sharp lawyer, the cerebral, self-made urbanite.

Hurd believes that he and Rifkind see eye to eye on many issues. This is why he worked so hard to persuade Prime Minister John Major to make the appointment.

Although there may be some difference in style between Rifkind and his predecessor, the substance of British policy will remain unchanged. "I do not believe that economic union leads inevitably to a United States of Europe," says Rifkind, echoing his predecessor.

The new foreign minister talks about a Europe of "variable geometry," a series of relations based on cooperation, rather than total integration. Indeed, his appointment guarantees a degree of stability in British policy on Europe—for better or for worse.

Rifkind has publicly spelled out four foreign policy issues of concern to him: He has attacked the idea of a federal Europe as "outdated;" urged caution over monetary union; referred to the need to improve European-US relations; and insisted, while still defense secretary, that any decision to use military force must lie with the individual governments.

On the strengthening of European-US ties, he talks about an "Atlantic community," which would foster common values by promoting links between bureaucrats, scholars, and citizens.

He will not have an easy ride as foreign secretary because whatever he does, he is bound to displease one or the other side in the Conservative Party's simmering civil war over the United Kingdom's role in Europe.

But if he can steer the troubled ship of foreign policy through the party's choppy waters for the next 18 months or so, then even if the Conservatives lose the next election, the very astute Malcolm Rifkind will be well poised for the most senior office when they return to power. ☺

—David Lennon

The qualified victory of the UK's John Major in his party's leadership election has averted an open rift between the Conservative government and the European Union. British policy remains skeptical of European monetary union. Conservative policy remains unwilling to integrate further and is firmly hostile to a federal Europe. The United Kingdom will remain, at least until the next general election, the reluctant European.

The good news for Europe is that the anti-European challenge has been beaten off, although the 89 votes secured by Major's challenger John Redwood suggests that the Euroskeptics can command about a third of the party. Redwood had demanded a firm pledge against ever submerging the pound into a simple Euro-currency. His defeat is all the more significant because it also signaled the party's rejection of Lady Thatcher's own attempt to make hostility to Europe the crucial political issue.

of the single European market, which came into force with such fanfare in 1992. The man who drafted the project and steered it through the Brussels bureaucracy was Lord Cockfield, who had been appointed to the EU Commission by Mrs. Thatcher. "It should be our aim to make Europe by the year 2000 a model of what free trade and open markets can achieve," she told the House of Commons in 1988. And whatever may be said today of Thatcher as a critic of Europe, the economic area of today's European Union owes a great deal to her free trade convictions.

From any but the narrowest Brussels perspective, the most important European development of the 1990s is the emergence of free and independent nations in Eastern and Central Europe, and the great challenge will be to absorb them into the stability and prosperity of the European Union. This too was a Thatcherite initiative, spelled out at her Bruges speech of 1988, when she insisted that "Prague and Budapest are ancient European cities," and any vision of Europe which failed to include

on its successful embrace of the long lost Europeans of the East than on Brussels horse-trading over majority voting.

Thatcher can also claim to have been right on the third great issue for modern Europe, the need to maintain the Atlantic alliance with new institutions that can perpetuate the military links of the NATO alliance into an era when NATO faces no unifying Soviet threat. Again from her 1988 Bruges speech: "Let us have a Europe that looks outward, and which preserves that Atlantic community—that Europe on both sides of the Atlantic—which is our noblest inheritance and greatest strength."

However she is demonized in Brussels legend, Thatcher has succeeded in this Atlanticist vision. Spanish Prime Minister Felipe Gonzales marked Spain's assumption of the EU chairmanship in July by pledging that a key goal would be to sign a new accord with the US, and an eventual Transatlantic Free Trade Area is now emerging as a serious prospect.

At some distant point in the future,

Margaret Thatcher: European Visionary?

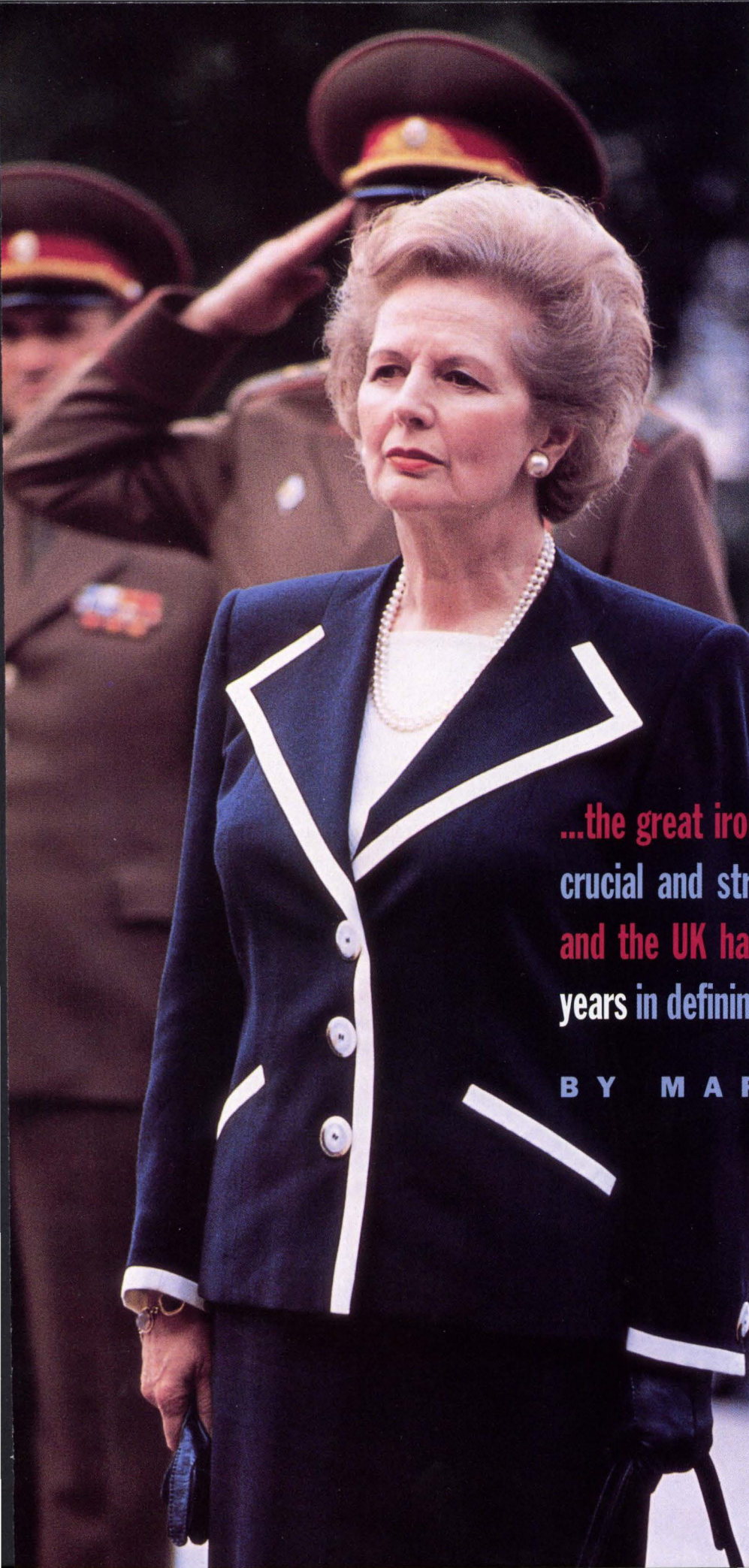
And yet the great irony of modern Europe is the crucial and strategic role which Thatcher and the UK have played over the past 15 years in defining Europe's new identity. Put to one side the questions about a single European currency or a single foreign and security policy, and the three main thrusts of the new Europe have Margaret Thatcher's Union Jack stamped all over them.

The most important development of the 1980s for Europe was the creation

them would be fundamentally flawed.

Of course, she pursued this theme of widening Europe in a deliberate effort to dilute the tendency to deepen Europe by strengthening the institutions of Brussels. For the Thatcher vision, Poles, Czechs, and Hungarians were natural allies against Brussels, because their admission would require further dismantling the Common Agricultural Policy which she despised. Nonetheless, Thatcher was right. The future of Europe will depend far more

when the bitterness of her attacks on Jacques Delors and the European Commission and her harsh attacks on the EU budget have faded from memory, Mrs. Thatcher should get her due as a visionary European. Just as Charles de Gaulle was once seen as the great threat to the European ideal by boycotting meetings with his "diplomacy of the empty chair," he is now belatedly recognized as a great European statesman who forged the crucial Paris-Bonn alliance. One day there will be



statues in Brussels to both de Gaulle and Thatcher, for her insistence on a Europe of nation states secure in their national sovereignties and national traditions is a direct echo of de Gaulle's "Europe de Patries."

It takes time to turn politicians into statesmen, just as it takes time to distinguish the great historical forces from the petty day-to-day disputes and political jostling. But with time, and by closing our ears to the stridency of Thatcher's latest assaults on the Brussels bureaucracy, it is slowly becoming clear that the Europe of the future will owe much to her vision.

Thatcher's war is far from won. The Maastricht Treaty is in place, and German Chancellor Helmut Kohl called openly at his Bertelsmann lecture for "a United States of Europe." But current German opinion polls demanding that the D-mark be maintained suggest that the single currency might not go according to plan. The arrival of Gaullist French President Jacques Chirac, already backing away from the scrapping of frontiers and immigration controls envisaged in the Schengen Agreement, suggests that we have not heard the last

...the great irony of modern Europe is the crucial and strategic role which Thatcher and the UK have played over the past 15 years in defining Europe's new identity.

BY MARTIN WALKER

of a "Europe des Patries" from Paris.

And if the three pillars of the new Europe are to be the single market, the embrace of the Eastern Europeans, and a revitalized Atlantic alliance, then that will be Thatcher's Europe. Far from being the reluctant European, the United Kingdom could then turn out to have been the visionary all along. ☺

Martin Walker is the Washington bureau chief of the Guardian and a regular contributor to EUROPE.

Neil Kinnock

EUROPEAN COMMISSIONER

“Pick yourself up, dust yourself off, and start all over again.” These lines from a popular musical of the 1920s could have been written for Neil Kinnock, Europe’s new transport commissioner.

The man who would have been the United Kingdom’s prime minister, who celebrated the victory before the votes were counted in the 1992 election, has emerged from self-imposed political purdah to become a rising star in the European firmament.

Behind him now are those heady days in the run up to the election three years ago, when US-style victory rallies were under way as the opinion polls showed the Labor Party as the sure victor over the ailing Conservatives.

Neil Kinnock could see and even taste the sweet scent of power. The door of Number 10 Downing Street was swinging open to welcome him as Prime Minister. But it was not to be. Tactical errors by his lieutenants and latent doubts about Labor among the electorate swung the golden chalice away from his grasp.

Shocked and distraught, Kinnock, the loquacious and bumptious Welsh-born politician who had fought eight hard and long years to make his party electable, stood down as party leader and withdrew from the political scene where for nine years he had worked to rebuild a party rent by extremist ideologies.

Those were the dark days when he had to learn to absorb the bitterness of defeat and how to handle public rejection. The 1992 electoral defeat was personally devastating and some say he aged 10 years overnight.

His gregarious, Celtic exuberance was suppressed. The man who likes to talk, likes to sing, who was dubbed “the Welsh windbag” by his opponents, was silenced. But not for too long.

Kinnock had hoped to become an EU commissioner in 1993. But this nomination was withheld by Prime Minister John Major who was persuaded that after the bitter election campaign in which the Conservatives branded Kinnock as unfit to govern, it would be im-

Europe's new power couple, MEP Glenys and Transportation Commissioner Neil Kinnock.



possible to then offer this man to Brussels as a European commissioner.

This was another bitter disappointment for Kinnock, but rather than attacking the prime minister, he kept a dignified silence, stayed out of domestic politics, and gradually won the respect of a growing audience, captivated by his warmth and humor during frequent appearances on television and radio.

Compared to the sniping which he has had to endure from former Prime Minister Lady Thatcher, John Major certainly appreciated the restraint shown by Neil Kinnock. So last year he had no hesitation in nominating Kinnock for a commissioner's post.

Though transport is not the most high profile or glamorous of the jobs in the Brussels hierarchy, there are opportunities. Transport means two great challenges: building the trans-European rail network and forcing competition of Europe's overprotected airlines.

For the Kinnocks, Brussels has become a new family home. Son Stephen arrived a couple of years ago to work as a researcher for a member of the European Parliament. Then Kinnock's wife Glenys was elected an MEP in June last year and moved to Brussels, and Neil arrived this year. The other member of the family, daughter Rachel is currently studying at college in the UK, but can her arrival be long delayed?

Neil, 53, and Glenys, 51, live in an unexceptional terrace house, five minutes' walk from the Commission and the Parliament buildings. Whether the house is exceptional or not, the Kinnocks are. A glamorous couple with that commodity rarely found in Brussels, charisma, they are well on their way to building a reputation as the first couple of European politicians.

There is, of course, a certain irony in the fact that the new golden couple of Brussels were once active opponents of British membership of Europe and voted "no" in the 1975 referendum on membership of the community.

Kinnock's attitude toward Europe started to change in the early 1980s, and the fact that he is now in Brussels to some extent reflects the changes that he wrought in the Labor Party during his leadership years. ☺

—David Lennon

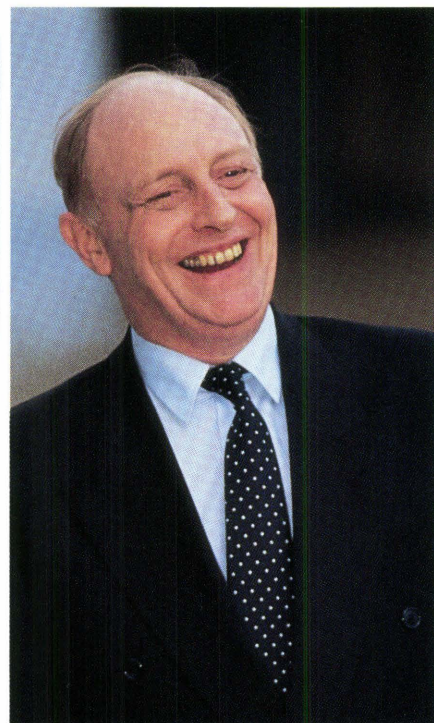
EUROPE INTERVIEW

Neil Kinnock, European commissioner for transport, spoke with *EUROPE* recently about the open skies agreement, the trans-European network, the future of the European airline industry, and other key transport issues.

What is the status of having the European Union be the sole negotiator of air transport agreements with the United States? What can the EU do about the countries that already have bilateral open skies agreements with the United States? Why do you feel the EU should be the sole negotiator on this issue?

The Commission has put forward to the Council draft directives for negotiations with the United States. In December this document will be discussed in some detail by the Council of Ministers, together with a report that is being prepared by the Commission on the effects of a Community agreement. The Commission, in its proposals, has made it clear that the member states of the European Union are in danger of being played off against each other and not getting a possible deal, unless they act together.

The problem with the bilateral open skies agreements recently concluded is not that they are liberal in character—the Commission also aims to create an open market situation with the US. The problem is that these agreements are not completed: They do not create the regulatory framework which is best for



Europe. For example, the agreements do not allow EU carriers to operate from any airport in the European Union to any airport in the US, but restrict the operations to the airports in the member state concerned. Also, there are no provisions to give EU carriers access to the US domestic market, no provisions on fair competition, and no workable conflict resolution clauses.

The Commission believes that recent developments in civil aviation, such as globalization, cross border mergers and cooperation agreements, and liberalization of trade in services, require a new approach to market regulation. Bilateral agreements can only affect two states and the airlines established in those states, but increasingly it becomes obvious that new trends in the market do not fit into this bilateral system and that only multilateral regulation will be able to ensure that there is fair competition and that dominant positions are not abused. Clearly, the European Union is much better able to develop such new rules than individual member states.

Lufthansa, once state-owned, has been privatized and is reporting a profit. Is the EU goal to see all state-owned airlines privatized in the near future? What do you see happening to money losing airlines like Alitalia? Does it really matter if a country has its own airline?

It is indeed a regrettable fact that state-owned airlines have had, in recent years, serious difficulties in adapting their cost, sales, and management structures to a liberalized environment and reacting with more flexibility to increased competition. The state-owned companies were ill prepared to face these new challenges. Therefore, the Commission has recently allowed several governments to finance comprehensive restructuring programs with public money in order to make their airline viable again. In many of these cases, the government concerned has realized that the present management and ownership structure will not suffice to guarantee long-term survival and has, therefore, declared its intention to privatize the company at the end of the restructuring process. The most obvious example is Sabena, which has now found a private industrial partner.

Article 222 of the EU Treaty requires the Commission to remain neutral with regard to property ownership. Therefore, the Commission cannot make privatization a condition for granting state aid. The Commission has, however, accepted government commitments to privatize airlines as additional guarantees of the viability of the restructuring program.

The Commission has made it clear that state-owned airlines have to become profitable if they want to survive. Continuous subsidization of unprofitable companies is not acceptable.

Moreover, some form of cooperation or concentration may be needed to give some of these airlines a sound position in the market. The structure of the industry is about to change, and the idea that each country needs its own "flag" carrier is certainly outdated even though not yet entirely dead everywhere.

Do US carriers enjoy the same rights in Europe as European airlines? Are US carriers given equal access to landing rights and facilities as European carriers?

US carriers enjoy equal treatment with European airlines in all matters of airport access, such as the allocation of slots at EU airports or access to ground handling facilities. Naturally, they are limited in the exercise of traffic rights within Europe, on the basis of the bilateral agreements presently in force.

Will existing European airports be able to handle the increasing number of travelers in the next decade? What is being proposed or planned to handle the large number of air travelers in the future? Do you foresee new airports being built?

The Commission has proposed guidelines for a trans-European airport network. These guidelines seek to ensure that airport capacity in the EU is able to meet current and future demand for air transport under the best safety and environmental conditions.

In order to achieve this objective, the Commission adopted a global approach to airport capacity in the EU. This global approach made it possible to identify the main functions of the airport network. These are to link the EU with the rest of the world; to provide links within the EU; and to provide access to the core of the network and links to remote areas.

This approach in turn made it possible to assess the role of individual airports and to identify development priorities for these airports.

In order to enable airports to accommodate future growth in air transport the main focus should be on investments which aim at better use of existing airport capacity, the development of new capacity, improving airports' environmental impact, and better interconnections with short and long distance rail services.

It is important to note that building new airports constitutes a medium to long-term solution to capacity shortages, and the promoters of such projects are invariably faced with numerous physical, technical, and environmental, as well as financial constraints.

It is probably symptomatic that as a follow up to the Commission white paper on growth, competitiveness, and employment, member states have brought forward two projects for the construction of new airports, one in Berlin and the other in Athens. Neither was sufficiently developed to be included in the first set of priority projects.

Do you foresee a European-wide air traffic control system? Are you in favor of this, and what is the EU doing to promote this idea?

The word "system" can mean a num-

ber of things, but I am certainly in favor of anything which will allow Europe to have enough capacity in its skies to accommodate the needs of all airspace uses and in particular to allow the development of an efficient air transport system based on the principle of free market access for the benefit of Europe's citizens.

If you take "system" to mean the implementation of a new concept using new technologies which would create enough capacity to satisfy everybody, unfortunately I don't see such a development in the near future. However, as you know, we are allocating a significant amount of money in the Fourth Framework Program for Research and Development to help make such a breakthrough possible.

If you take "system" to mean a single entity providing air traffic control services all over Europe, as seemed to be the objective for Eurocontrol at its start in the early 1960s, I doubt this is a realistic view today.

Instead we are working with Eurocontrol and with our member states toward the harmonization and integration of the various European systems. We aim to increase capacity and create a seamless unified system in which aircraft will be able to fly as if there were only one service provided—just as happens with telephone communications.

In this spirit we are also looking at institutional arrangements which would best support this process. The European Civil Aviation Conference (ECAC) has established a study group to deal with this important issue in which we participate actively. This group has already identified a number of topics which should be treated at European level, such as common objectives and standard fixing or restructuring and use of airspace.

This work is taking the same direction as the suggestion made by the airlines and the Comité des Sages that there is a need for a common regulator in the area of air traffic control in Europe. I will work toward the establishment of such a regulator and this is expected to be a significant element of the proposals to be included in the white paper under preparation in the Commission.

Are European airlines satisfied with their rights within the United States? Would

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they like to be able to fly to more locations in the US?

Generally European carriers do not require many additional traffic rights. The problems they face are of a different nature and involve such issues as ownership and control restrictions, antitrust immunity, and procedures for conflict resolution.

With regard to traffic rights, it is however important for certain European carriers to be able to operate on any route from the EU to the US, to operate cabotage services, and to have free access to routes beyond the US.

Could you explain the trans-European network (TEN)? What is the EU doing to build a better road system across Europe?

The TEN concept constitutes a new policy that should enable citizens, economic operators, and regional and local communities to derive full benefit from the setting up of an area without internal frontiers and should link the peripheral regions of Europe with the center.

The trans-European network aims at making traffic easier, safer, and more environmentally compatible, facilitating, and boosting trade and bringing member states closer to their eastern and southern neighbors.

The Commission is working to establish guidelines in order to foster the development of transport across Europe and identify projects of common interest. To this end, the Commission has presented plans for networks covering high speed and conventional rail, roads, inland waterways, combined transport, airports, and seaports—all from a multi-modal perspective. These should be adopted by the Council and the European Parliament early next year.

The Union also aims to encourage private investors to take a greater part in projects of European interest and thus reduce the financial or administrative risks involved.

Priority has been given to 14 projects of EU interest. Administrative and financial action plans are being drawn up for each project.

Created in the framework of the Maastricht Treaty, the trans-European road network (TERN) defined in a decision of 1993, is the road network required to meet the needs of the Euro-

pean Union. Consisting mainly of motorways, the network is made up of major international and other road corridors. It represents about 42,000 miles of roads of which 12,000 miles still need to be completed over the next 10 years. The total investment cost of this program is about \$141 million.

For European users, whether private individuals or businesses, it offers the guarantees of a mode of transport which is tailored to the needs of the 21st century, in the form of a series of national networks which are well interconnected, interoperable, safe, and reliable.

I would like to underline that the EU does not only promote the physical infrastructure itself. We go further and aim to promote, in particular, new advances in traffic management and traffic information. I believe that these issues will have a high profile at the European level during the next few years.

What role does the EU play in helping make cars safer and more environmentally sound? Are there any future plans to become more involved in this area?

The treaty obligations under Articles 100 and 130 give the EU clear powers in this area. The European Union makes directives that concern vehicle safety and environmental standards. The Commission, together with most member states, take part in international car standards formulation with a Geneva-based organization known as UNECE. The member states hold the majority of votes in UNECE and so can set the agenda for improving standards. Once they are endorsed as an ECE regulation, the EU can transfer these standards to Community law.

However, the Commission can also take the lead in drafting legislation where there is seen to be a need for faster or more stringent action on a particular topic—this is the case with vehicle emission standards and was also the case with the recently proposed car crash-worthiness standards for front and side impact.

The continuous improvement in vehicle and engine design over the past decade brought about through Community legislation is making significant improvements to our environment. New standards are being drafted for ac-

ceptance next year which will make new vehicles as clean as any in the world. We can also expect further significant improvements in safety.

What are your goals for providing better and more efficient rail transportation across Europe?

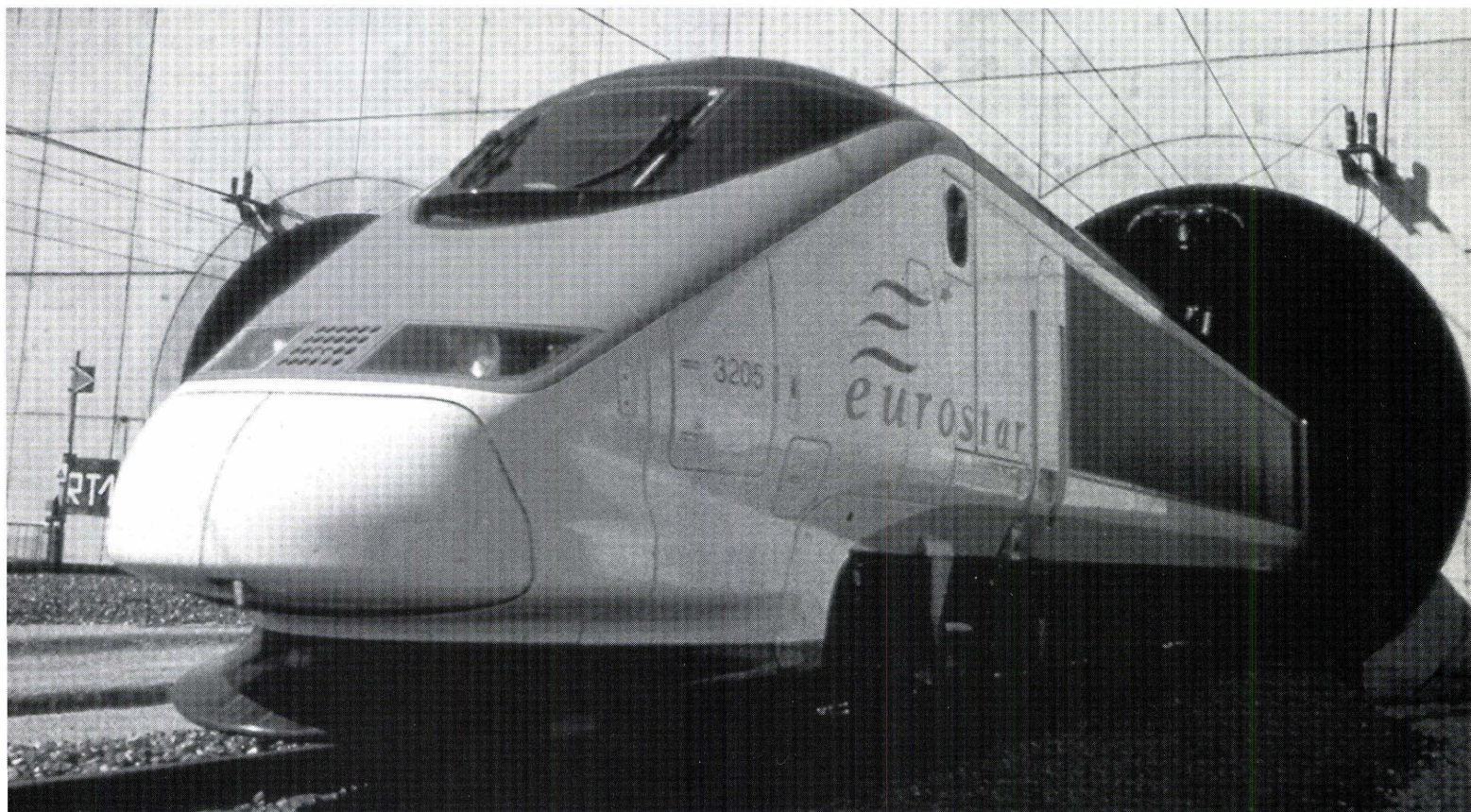
The Commission is convinced of the need to develop rail transport in order to reduce pollution and congestion—in other words to achieve our goal of sustainable mobility in the future. For this, it is crucial to raise the competitiveness of rail relative to other modes, and here the EU has a major contribution to make.

To begin with, it can create the right framework for relations between governments and railways. This should allow railway management freedom to manage, to offer customers the products they want at a price they can pay. It should give railways a sound financial structure and ensure that governments compensate them when they require them to act in a non-commercial way. We have also to move progressively to a more competitive market for rail transport, to attract the new capital and fresh ideas that the sector needs. To achieve these goals, the EU has built up a set of rules that will be reinforced in coming years.

Another dimension of our policy is infrastructure, as good transport networks are essential if people and businesses are fully to benefit from an area without frontiers. One of the main innovations of the Maastricht Treaty was the concept of trans-European networks for transport, energy, and telecommunications. The EU is taking important decisions on the scope of these transport networks and on financial support for developing them. Railway projects are to the fore. Indeed the majority of our priority projects involve investment in railways.

Clearly the value of the trans-European rail networks will be greater, if they are interoperable whenever this is economically justified, in other words if trains can pass frontiers without delay, excessive expenses, or complications. The EU is close to a final decision on the interoperability of high speed rail. In this way, we can reshape rail infrastructure conceived in the 19th century for the 21st. ☺

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By Alan Osborn

They've nicknamed it "the House that Zantac built" which is quite appropriate once you accept that "house" can mean a billion dollar science complex containing 249 chemistry and biology laboratories.

The institute in question is the new Glaxo Wellcome Medicines Research Center at Stevenage, about 30 miles north of London, and its construction ranks as the biggest civil engineering project in Britain after the Channel Tunnel. The 1,500 scientists and support staff who will work in it represent Britain's brightest hope for preserving and extending its world lead in the discovery and marketing of new pharmaceutical products.

And Zantac? Developed by Glaxo researchers and first marketed in 1981, the drug, which is used to treat gastric acid related conditions, has become the best-selling pharmaceutical in the world. Alone it provided some 40 percent of Glaxo's total sales of \$8.5 billion last year.

Glaxo began life more than a century ago as a producer of baby foods based on powdered milk. In 1923 it secured an American license to extract Vitamin D from fish liver oil, marking its entry into medical products. It became one of the first manufacturers of penicillin in 1943, and this developed into a broad range of antibiotic products. In 1958 Glaxo bought Allen and Hanburys, a leader in the manufacture of cod liver oil, infant foods, and insulin.

GLAXO

CREATING THE WO

In 1969, Glaxo scientists discovered salbutamol (sold under the name of Ventolin), which revolutionized the treatment of asthma and is regarded as one of the most important products ever to emerge from British laboratories. It laid the foundation for the company's leading position in the treatment of respiratory ailments.

Today, Glaxo is at the forefront of Britain's pharmaceuticals industry, which with foreign earnings of \$2.6 billion a year, represents the UK's proudest achievement in world markets.

That record speaks for itself. But earlier this year Glaxo raised eyebrows in London's financial circles with its most spectacular move to date: a \$14 billion takeover of its closest rival, Wellcome, to create the world's largest prescription drugs company.

Glaxo employs around 6,400 workers in the US, including scientists at its research facility in North Carolina.

The original Burroughs Wellcome company was established in London in 1880 by two American pharmacists, Silas Burroughs and Henry Wellcome, both of whom later became British subjects. They created an entity that has become today's world leader in antivirals. Its Zovirax, used in the treatment of genital herpes, chicken pox, and cold sores was the world's fourth largest selling drug in 1993.

Wellcome has also developed Retrovir, a leading therapy in the treatment of HIV disease, and Wellferon, used to combat chronic hepatitis-B infection.

Antiviral products account for 48 percent of the company's total sales of \$3.5 billion last year.

There is a further dimension to Wellcome. When Sir Henry Wellcome died in 1936 he left his shares in the corporation to a charitable trust for medical research. The Wellcome Trust has become, by a long way, Britain's biggest charity and the world's largest private medical research fund. Its annual donation to research of around \$300 million is not far short of that of the British government's own Medical Research Council.

While Glaxo and Wellcome overlap in the anti-cancer,

coming much more closely controlled by powerful health-care buying groups, sharply restricting the pricing flexibility of manufacturers. At the same time, the need to increase research in the costly fields of cellular and molecular biology has grown sharply.

Unlike some drug manufacturers, Glaxo has not responded to this challenge by diversifying into healthcare in general. The bid for Wellcome makes explicit its belief that its future lies in the discovery and marketing of new drugs.

Hence the huge investment in Stevenage. The enlarged group, with an R&D budget of more than \$1.5 billion, will be the UK's biggest research spender.

British scientists are said to have developed more than a quarter of the world's best-selling drugs, but with successful new products now costing an average of \$300 million each to develop and bring to the market, the struggle to maintain leadership could be ruinously expensive.

Moreover, given the imminent expiry of some major patents and the ever-shortening time available for exclusive production, industry analysts believe Glaxo Wellcome needs not just one but three or four winners a year to stay at the top. The particular challenges are Alzheimer's disease, cancer, diabetes, and rheumatoid arthritis.

Yet a public company like Glaxo Wellcome has a limited

The Wellcome Trust has become, by a long way, Britain's biggest charity and the world's largest private medical research fund.

WELLCOME


WORLD'S LARGEST DRUG COMPANY

anti-infective, and cardiovascular fields, in general it can be said that, while Wellcome specialized in branches like genetics and virology, Glaxo's main interests lie in the gastrointestinal and respiratory fields.

What both companies do have in common is their heavy dependence on the US market, which in both cases has been the main engine of growth in recent years. Glaxo currently has sales of more than \$3 billion and a payroll of 6,400 in the US and ranks as the second largest pharmaceutical company in the country. Wellcome draws 48 percent of its sales from North America.

The merged company, in short, is well placed to draw on its experience of the American health market which is rapidly setting the pattern worldwide. The key lesson is probably that patient access to prescription medicines is be-

come and already it has been forced to announce major job cuts: 1,500 from the closure of a British research facility and 1,000 from its Greenville, North Carolina plant. An estimated 10,000 jobs—15 percent of the worldwide work force are expected to go within two years.

Such cuts, with all that they imply for the country's leadership in pharmaceuticals, have caused unease in UK political circles. But there are compensations. The Wellcome Trust, for instance, has indicated it could create 1,000 new research jobs with the cash it has received from its sale of Wellcome shares to Glaxo. And it would take only one more discovery like Zantac to pay for the new Stevenage research center many times over. 

Alan Osborn is a journalist based in London.

AHEAD OF THE

It's easy to see why British Airways has such a keen following on Wall Street. It combines, to a rare degree for a European company, all the supposed American business virtues of innovation, ruthless attention to cost-cutting, and above all, a brilliant talent for marketing. When British Airways switches its huge advertising account, as it did this year, the entire profession feels the convulsions.

The BA of today is a relatively recent creation. It dates back to a five-point plan launched in 1981 to internationalize the company's image. Among other things, the plan coined the description of the company as "the World's Favorite Airline." The campaign worked and the tag stuck. But an even more important development was the decision to privatize the company and free it of the shackles of state ownership in the mid-1980s. In its entrepreneurial flair and aggressive business methods, BA is very much a corporate child of the Thatcher revolution in British business.

As the first of the flagship European airlines to be privatized in 1987, BA set about the competition with unbridled enthusiasm. It quickly took over its main rival British Caledonia, abandoned a number of unpromising routes, forged new traffic agreements, changed its livery, uniforms, and cabin decor, and brought in new aircraft.

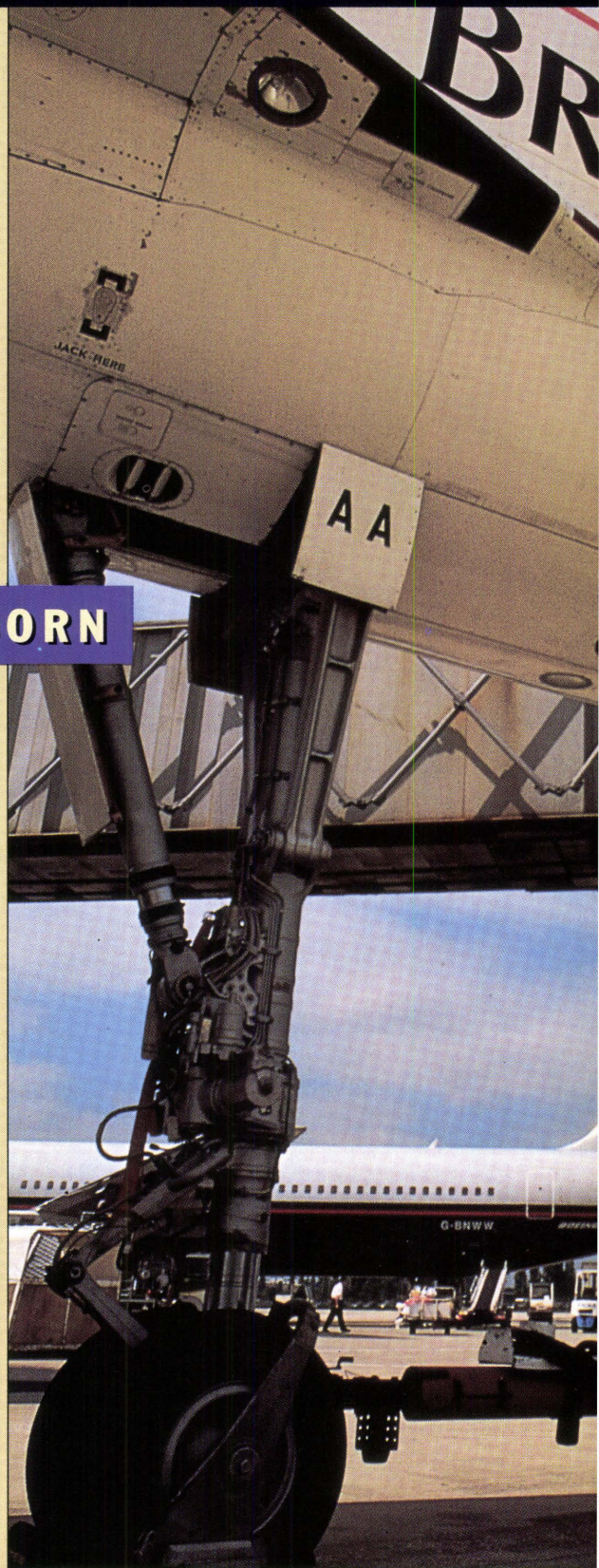
Its aggression caused problems. The independent airline operator Sir Freddie Laker sued and won compensation after claiming that BA and others had conspired to put his own airline out of business. Virgin Atlantic successfully accused BA of dirty tricks in the pursuit of other carriers' customers. There was anger in Brussels and elsewhere when BA chose to buy Boeing jets rather than European aircraft to expand its fleet.

Not all these grievances have yet been fully satisfied. But today BA has turned its guns on its state-owned rivals in Europe, in particular those still receiving huge government subsidies such as Air France and Iberia, which are claimed to lead to gross inefficiencies and market distortions. BA says it takes 241 Air France employees to keep each plane flying compared to its own 198. With all the fervor of the reformed addict, BA has accused such carriers of penalizing the honest players. The company warns that there can be no genuine liberalization of air traffic in Europe in 1997, as the European Commission plans, until these anomalies are swept away.

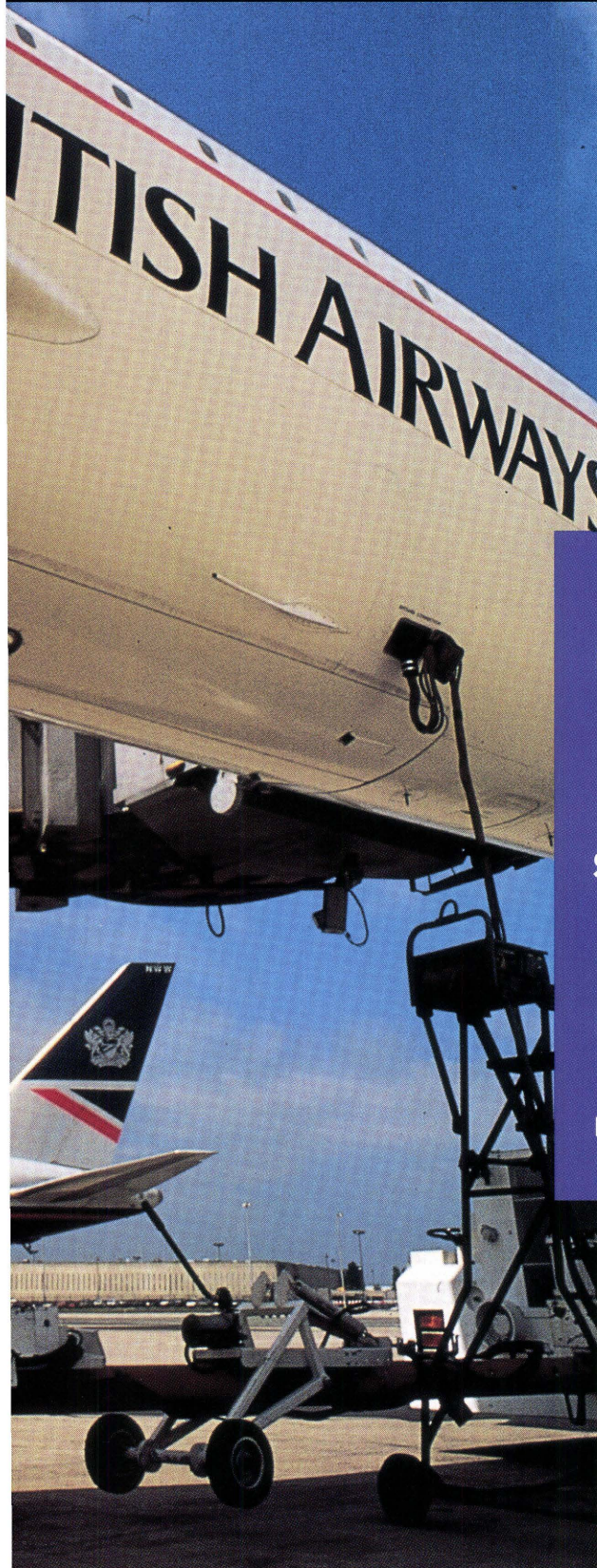
Meanwhile BA's own latest financial results, covering the quarter to end-June, show what an efficient airline can do without state money. Pre-tax profits at around \$200 million were 57 percent up on a year earlier. Using hard sell methods, such as its World Offers scheme, BA produced a 14 percent increase in long-haul traffic and a 5 percent increase in short-haul passengers, pushing the key passenger load factor up from 69.5 percent a year ago to a record 73.5 percent.

Analysts have detected in these figures an illustration of the truism that once an airline has passed a certain cost threshold, extra revenues translate almost automatically into higher profits. But even beyond that

BY ALAN OSBORN



COMPETITION



factor, BA is an impressive cost-cutter. It has reduced expenses by \$1.2 billion over the last four years and is planning further cuts of around \$232 million this year.

On its record alone, BA would rank high among the best companies of its kind anywhere in the world. That it hasn't quite managed this accolade reflects the doubts felt in both industrial and financial circles over its investments in other airlines. Most conspicuously, BA has been forced to write off almost half its \$390 million investment in USAir where doubts still hang over the American company's survival. It's said that USAir has added \$105 million to the bottom line in traffic within the US for BA—put another way, the link with USAir fills the equivalent of a Boeing 747 every day with extra passengers for the British company—but might not this have been done far more cheaply through other means?

Similarly, two years ago BA paid \$665 million for a 25 percent share in the Australian airline Qantas that was worth only \$500 million when Qantas shares were floated this summer. But in this case the invest-

ment is less important than the 10-year commercial agreement between BA and Qantas that formed part of the deal and will give the British company important benefits, not just the UK-Australia route but also in the Pacific.

It also seems necessary to look at BA's two European investments—in TAT, a French regional carrier, and Deutsche BA in Germany—in terms of their long-term business implications rather than their immediate impact on the balance sheet. So far the two companies have yielded accrued losses of \$135 million, though the figure is declining and both carriers are gaining ground in their own markets.

Meanwhile, this fall BA will launch a complete overhaul of its first and business class services. Among the ideas under discussion is the reintroduction of private sleeper cabins on long-haul journeys. Last seen before the jet age, when it could take four days to fly from London to Australia and only the very

rich flew at all, those "flying hotel rooms" could help BA increase its share of the highly profitable business travel market. BA may not be the only airline to be thinking along these lines at present, but it's an idea that would surely never have occurred to the old nationalized corporation of a dozen years ago. ☹

BA is an impressive cost-cutter. It has reduced expenses by \$1.2 billion over the last four years and is planning further cuts of \$232 million this year.

Alan Osborn is a journalist based in London.

Europe's airlines resemble players in a high stakes poker game as they prepare for deregulation of an industry that has only experienced government ownership, control, and protection since its birth.

Some are gambling their last chips before April 1997 when the European Union's airline market will be totally liberalized with carriers free to launch services wherever they want in the 15-nation bloc and to charge whatever they want.

Just five years ago, everything in Europe's air transport market, from capacity to fares were set by governments, allowing overstuffed, inefficient, state-owned carriers to charge the highest airfares in the world.

Airlines know nothing will be the same after the spring of 1997 when the EU industry will be exposed to the competitive conditions American carriers have faced since the US market was liberalized in 1978.

The carriers' ability to meet the looming challenge has been sapped by massive losses—\$7.5 billion for the 24 members of the Brussels-based Association of European Airlines (AEA) over the past four years. Technically bankrupt, many carriers have only been kept afloat by indulgent governments.

The conventional wisdom is that Europe will have at most six intercontinental carriers by the end of this century competing against a clutch of US mega-carriers and low-cost Asian airlines.

The first three places are already booked: British Airways, Lufthansa, and Air France. The battle is over the remaining three slots, with KLM Royal Dutch Airlines the only near certainty, while SAS is being tipped as a likely survivor

if it joins forces with another airline.

All other European carriers will be relegated to the second tier, feeding passengers into the systems of the Big Six.

BA is furthest down the road to becoming a global airline, spending over \$900 million on holdings in other carriers including 24.6 percent of USAir, 25 percent of Qantas of Australia, and 49 percent holdings in TAT European Airlines of France, and Deutsche BA of Germany.

Just after the industry had digested the survival scenario, it was forced to accept another unpalatable truth: Some of Europe's flag carriers, denied governments subsidies by tough new EU state aid rules, will be wiped out or swallowed by larger foreign rivals as liberalization sorts out the winners and the losers.

Such an outcome was unthinkable a few years ago, but cash-strapped governments finally are treating airlines like any other sector.

The European Commission has approved massive state subsidies to airlines in the past four years: \$1.6 billion for Greece's Olympic Airways, \$900 million to TAP Portugal, \$1 billion to Spain's Iberia, and nearly \$4 billion to Air France. Other carriers have received hundreds of millions of dollars of taxpayers' money to remain in business.

But now the EU has called a halt to the subsidy war, putting in place a "one time last time" policy on government handouts. That's put the Commission on the spot, because Iberia, floored by a disastrous expansion in Latin America, is seeking approval for a second \$1 billion subsidy.

Neil Kinnock, the EU's transport commissioner, was poised to scale down the subsidy as *EUROPE* went to press.

EUROPEAN AIRLINES

By Bruce Barnard





Europe's carriers are battling on three fronts: their domestic turf, European routes, and international services.

as part of a three-year restructuring program that is being closely tracked by the Commission, which approved a \$97 million subsidy for the airline. The industry's attempts to forge strategic alliances are only now bearing fruit after several big flops that began with the abortive merger between BA and KLM and climaxed in the collapse of a four carrier merger involving SAS, Swissair, KLM, and Austrian Airlines. But SAS which began the hunt for a partner back in the 1980s, finally made good last July with an alliance with Lufthansa.

Sabena, the ailing Belgian state airline whose survival has seemed doubtful, found a white knight in Swissair, which paid around \$250 million for a 49.5 percent stake, part of which came from Air France. Swissair was desperate for a foothold in the EU market after Swiss voters rejected membership of the European Economic Area.

Moves across the Atlantic were also problematic. BA wrote off almost half of its \$390 million investment in a 24.6 percent stake in USAir. KLM wrote off all of its \$20 million investment in a 20 percent stake in Northwest Airlines which spent time in chapter 11 bankruptcy.

The Europeans also are seeking partnerships with Asian carriers, but so far they have merely signed marketing agreements, apart from Swissair, which has a 5 percent cross shareholding with Singapore Airlines.

Despite the setbacks, carriers are pursuing alliances because they make sense. SAS expects its partnership with Lufthansa will improve its results by \$137 million by 1998 and a further \$69 million by 2000.

BA chairman Sir Colin Marshall says the carrier receives benefits of \$100 million a year from the alliance with USAir through sharing of facilities and passengers transferring between the two airlines.

And the search for fresh alliances is continuing. KLM chairman Piet Bouw, for example, has said he is seriously considering Iberia as a candidate for a European partnership and referred to Alitalia as an "optimal fit."

Meanwhile, airlines continue to cut costs, even the leanest, in an effort to match American and Asian levels. BA, for example, will trim \$232.5 million off its operating costs in 1995 on top of the \$1.2 billion savings achieved over the previous four years.

Air France faces the most daunting challenge, with operating costs well above those at BA, Lufthansa, and KLM, according to a study by a German consultancy. The gap is particularly high in staff, with an Air France flight attendant costing 1.4 times the amount of a counterpart at Lufthansa.

Alitalia says its operating costs are 30 percent above those of the most competitive European airlines.

These carriers must slash costs before leaner rivals move into their home turfs in 1997.

Meanwhile, the US links are paying off. KLM raised its stake in Northwest to the 25 percent legal maximum from 20 percent by buying a 5 percent stake for \$180 million from Fosters, the Australian brewing company, after the Minneapolis-based carrier made a record net profit of \$295.5 million last year, its first profit since 1989.

Long troubled USAir expects to show profits this year, its first since 1988, finally rewarding a patient BA. But BA had already benefited handsomely from the partnership: Of all the passengers transferring from US carriers to BA flights last year, 42 percent came from USAir, equivalent to one full Boeing 747 every day, according to BA's Colin Marshall. KLM estimates that between 1990 and 1993 the shared yearly operating benefits from its alliance with Northwest rose from \$5 million to \$60 million. "It's a classic example of where 2 and 2 equals more than 4," according to Finance Director Rob Abrahamsen.

Europe's carriers are battling on three fronts: their domestic turf, European routes, and international services. While it bids to become a truly global carrier, BA is also positioning itself to exploit liberalization in Europe after 1997. Its 49 percent stakes in TAT European Airlines and Deutsche BA lost \$140 million between them in 1994 but have established BA in the two biggest domestic air markets in Europe.

Others are following, with the UK, the most deregulated market in the EU, the favorite target. SAS controls 40 percent of British Midland, the second largest British scheduled airline, and KLM lifted its stake in Air UK, the third largest, from 4.9 percent to 45 percent last March. Lufthansa acquired a 38 percent stake in Business Air, a Scottish-based regional airline in which Crossair of Switzerland also has a 39 percent interest.

The biggest fear is that well-heeled US carriers and low-cost Asian airlines will reap the benefits of the EU's single air market after 1997. The US has signed "open skies" agreements with six EU countries that give its carriers total freedom in these markets, despite warnings from the Commission that US carriers will be the only winners. The battle over Europe's airspace is only just beginning. ☹

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

Inside EUROPE

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EU NEWS

EU OFFICIALS ATTEND MID-EAST PEACE SIGNING

Top European Union officials met in Washington last month for the signing of the Israel-Palestine Interim Agreement at the White House. The agreement expands Palestinian self-rule in much of the West Bank.

Spanish Prime Minister Felipe González and European Commission President Jacques Santer joined President Bill Clinton, Egyptian President Hosni Mubarak, Israeli Prime Minister Yitzhak Rabin, and PLO Chairman Yassar Arafat for the ceremony, which took place on the second anniversary of the Declaration of Principles.

EU LEADERS VOW TO PRESS FOR SINGLE CURRENCY

Emerging from two days of informal talks last month in Majorca, European Union leaders promised further stability in Europe by staying the course in their drive to a single currency. They also agreed to prepare for Eastern European countries' membership in the Union and to help fund the reconstruction of the former Yugoslavia.

The single currency issue is looming large on the member countries' political radar screens as 1999 (the Maastricht Treaty target date for European Monetary Union) rapidly approaches. EU leaders left the Spanish island vowing to adhere to the treaty's strict rules for taking part in the single currency. Much doubt remains as to which countries will actually meet the criteria for participating in a European currency.

FRENCH OFFER NUCLEAR UMBRELLA

French President Jacques Chirac has suggested

extending France's nuclear umbrella to the other members of the European Union. Chirac stated, "As it builds its defense, the European Union might wish the French deterrent to play a role in its security. When the time is right, France will take an initiative on this subject with its main partners."

EUROPEAN PARLIAMENT PRESIDENT CALLS FOR BALTIC SUMMIT

Last month European Parliament President Klaus Haensch proposed holding a Baltic Sea summit meeting next year involving all the countries in the region and the EU.

Haensch said, "The Baltic Sea is a European sea. Since the end of Soviet hegemony over Central and East Europe, the Baltic region is the center of a great historic transformation. The European Union must be part of it."

He said that the recent membership of Sweden, Finland, and Austria had shifted the EU's political and economic center of gravity northward, making the Baltic region and Eastern Europe as important now for the EU as areas to the south.

Two-thirds of all EU economic aid goes to Eastern European nations and the Baltic republics of Latvia, Lithuania, and Estonia—all potential EU members.

SANTER CALLS FOR REFORM BEFORE ENLARGING

European Commission President Jacques Santer said last month that the EU risked degenerating into a free trade area of 500 million people if it did not reform itself before enlarging eastwards. "We need to put our own house in order to be able to receive and digest six, nine, twelve new member states," said Santer.

EU NEWS (CONTINUED)

Nine Central and Eastern European countries have signed Europe agreements with the EU, which includes the promise of future membership talks.

Speaking to the EU's Committee on Regions, Santer remarked, "It is not whether, it is *how* we are going to enlarge."

COMMISSIONERS PROMOTE ASIAN TRADE

The European commissioner responsible for trade relations with developing nations, Manuel Marín, visited Vietnam last month to begin a series of talks to extend trade links to Hanoi. It is the first visit of a commissioner since Vietnam signed a trade and cooperation accord with the EU last summer. The trade accord between the EU and Vietnam covers trade and economic cooperation, investment promotion, market opening, human rights, and refugee clauses.

Last month, European Trade Commissioner Sir Leon Brittan also made a trip to Asia, with stops in Japan and Singapore as part of the EU's attempt to increase its

trade in the booming Asian market.

The main part of Brittan's trip to Singapore will be to focus on the upcoming Euro-Asia summit in Bangkok next March which will bring together the 15 EU countries and the leading trading nations of Asia.

Brittan said EU exporters were increasingly dependent on the markets of east, south, and southeast Asia and that in turn EU imports from those regions had doubled in the past decade.

EIB BACKS SOUTH AFRICA PROJECTS

European Investment Bank President Brian Unwin said last month that EIB backed projects worth about \$80 million could be concluded by the end of the year.

South Africa and the EIB signed an agreement in September formalizing the extension of a \$378 million two-year lending facility to the country. Unwin said that the facility was the largest lending program by the EIB to any African country.

BUSINESS BRIEFS

AT&T will launch a nationwide telephone service in the United Kingdom next year, establishing a beachhead for an assault on the European mainland.

The US telecommunications giant will offer services to business customers in January followed by a residential service in the second quarter.

AT&T is teaming up with **City of London Communications**, a US-owned company which provides services to large corporate customers in London's financial district and other cities using its own fiber network.

While the UK has opened up its telecoms sector, the rest of the European Union will not liberalize their markets until 1998.

...

The Swedish government expects to raise \$857 million from the sale of a 30 percent stake in **Nordbanken**, in the first stage of privatization of a bank that was rescued by the state after it collapsed in

1992 at the height of the Nordic banking crisis.

Nordbanken has returned to the black, reporting an operating profit of \$443 million in the first of the year, but rivals which didn't get state aid allege the bank has had an unfair competitive edge. Arne Mortensson, head of Svenska Handelsbanken, said Nordbanken's improved performance was due to "doping."

...

The UK's **National Westminster Bank** is mulling the sale of its US subsidiary, **NatWest Bancorp**, in a surprise retreat from a once-favored market that will raise around \$4 billion for 185 branches in New Jersey and 140 in New York.

While NatWest cools on the US, American financial institutions are getting bullish on Europe.

GE Capital, the financial services unit of **General Electric**, has put in a bid for the state-owned **Budapest Bank**, Hungary's fourth largest bank, and is sizing up

Creditanstalt Bankverein, which has been put on the block by the Austrian government.

Merrill Lynch also is looking for a European acquisition, with the UK and Switzerland the favored locations, as part of its drive to internationalize its investment banking operations. Last July, it acquired **Smith New Court**, the London investment bank, for \$831 million.

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The UK's utility market is gripped by a takeover frenzy with potential deals valued at \$12 billion in the pipeline, fueling antitrust fears among opposition politicians.

In the latest move, **PowerGen**, the former state-owned electricity generator, made an agreed \$3.08 billion bid for **Midlands Electricity**, an electricity distributor that was also once state-owned, prompting speculation that **National Power**, the UK's other generating company, will enter the bidding battle.

continued on back page

NOTEBOOK: BOSNIA BREAKTHROUGH

After four years of standing largely on the sidelines, the US has thrown its weight behind a solution to the conflict in Bosnia. Richard Holbrooke, assistant US secretary of state for European affairs, is leading the diplomatic drive for a settlement. However uncertain the prospects for peace the US initiative is viewed as the most serious effort to date to bring the warring parties to the negotiating table.

The US strategy is based on a combination of bombs, bluff, and bullying. The architect is Mr. Holbrooke, a hard-driving former Wall Street investment banker who served as assistant secretary of state for Pacific affairs in the Carter administration, latterly turning his mind to Europe as President Clinton's first ambassador to Germany, before returning to Washington last year.

Mr. Holbrooke quickly signaled he favored an activist policy toward Bosnia, which he once described as the biggest setback for collective security since the failure to stop Hitler in the mid-1930s. Like many Atlantacists, he was also worried that the NATO alliance risked turning into a tethered goat as a result of the agreement to subordinate its military command to the political direction of the United Nations.

The shift in US policy owes much to a combination of favorable circumstances which Mr. Holbrooke was quick to exploit. The most important was probably the threat of a Republican Congress unilaterally lifting the UN arms embargo against the Bosnian Muslim government, the effect of which would have to force a withdrawal of the UN peacekeeping force. US ground forces would almost certainly have been called up to assist, a prospect viewed with trepidation by the White House and the Pentagon. Newly elected President Jacques Chirac of France played up the threat of a foreign policy fiasco ahead of next year's US elections, and President Clinton took the initiative.

Internal circumstances in former Yugoslavia were also changing. Economic sanctions against Serbia, the original aggressor, were at last biting. EU policy to detach President Slobodan Milosevic from his Serb surrogates in Bosnia appeared to be making headway, even as the Bosnian Serb army was sweeping through the UN declared safe areas of Zepa and Srebrenica. In August, almost certainly with US encouragement, the Croatian army launched an offensive in the Krajina enclave which reconquered lost territory and led to mass cleansing of the Serbs.

Holbrooke is a high-octane, media-conscious performer with a penchant for deal making and double dealing, all qualities suited to the Balkans. Some profiles have compared him to Henry Kissinger, another *realpolitiker* par excellence. Certainly, he seems to possess the strategic view: His involvement in Bosnia has dovetailed with a successful role in brokering a resolution of the dispute between Greece and the former Yugoslav republic of Macedonia, and a close consultation

with other regional powers, notably Turkey. Europe has been pushed into a back seat role, even though the US-backed Geneva peace plan for the division of Bosnia is very similar to the earlier EU plan which the administration refused to endorse.

The difficulty for the US is how best to calibrate its intervention. Having used NATO bombers to tilt the battlefield toward the Bosnian government, Mr. Holbrooke may find it difficult to hold back Muslim forces eager to reconquer lost territory. This could in turn provoke President Milosevic, who still can count on the patronage of a Russia humiliated by the projection of NATO power in the Balkans, historically an area of strategic influence. Then there is the question of policing a settlement. But the agreement to recognize Bosnia as a constitutional state—reached at the time of writing at the Geneva peace talks—marks one more step in the right direction.

—Lionel Barber

WHAT THEY SAID

"The results of NATO's and the UN's actions will help us achieve a peaceful settlement in Bosnia. They show, once again, that firmness pays off."

—President Clinton on the UN approved NATO bombing campaign against Serb heavy weapons threatening Sarajevo and other UN "safe areas."

"We're hopeful we can move forward."

—Richard C. Holbrooke, US assistant secretary of state for Europe, discussing efforts he is leading to negotiate a peace agreement in Bosnia.

"A government is not a debating society where everyone can play (his) own tune. There is a score and there is a conductor."

—Alain Juppé, French prime minister, discussing the removal of Alain Madelin as finance minister after embarrassing rifts between the prime minister's office and the finance ministry. Jean Arthuis is the new finance minister.

"For a long while the Americans have not been there, but they are now. We are standing back to see if they can move the process forward."

—Carl Bildt, European Union mediator, speaking to reporters in Sarajevo about the Bosnia peace process.

"What I like about this place is that you can have a beer at any time, even in a Burger King. That's what's good about Europe."

—David Berkshire, a 21 year old Londoner vacationing in Majorca during the recent EU summit held there.

We view this 44th meeting between the European Parliament's delegation and the Congressional delegation as an important element in the overall bilateral relationship between the EU and the US."

—Alan J. Donnelly, chairman of the European Parliament delegation for relations with the US, last month in Washington for discussions with members of the US House of Representatives.

BUSINESS BRIEFS (CONTINUED)

Five of the country's 12 regional electricity companies are "in play" and so far the Conservative government which privatized the industry has stayed on the sidelines in spite of fears that the old state monopolies it dismantled a few years ago are about to reemerge as private monopolies.

•••

Amid renewed doubts over the EU's program for economic and monetary union (EMU) sparked by fresh turmoil on the money market, the world's leading investors gave a vote of confidence in a single currency.

A poll of 55 leading investors managing funds worth \$800 billion found that 85 percent believe EMU, involving a hard core of countries, will occur. But only a quarter expect it will take place, as planned, in 1999. Sixty-six percent expect EMU will happen between 2000 and 2005, according to the survey by **HSBC Markets**, a unit of the **Hong Kong and Shanghai Banking Corporation**.

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Motorola, the US electronics group, is to acquire a 17 percent stake in **Groupe Bull**, matching similar purchases by NEC of Japan and **France Telecom** as part of the partial privatization of the French computer manufacturer.

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Adidas will float up to half of its shares on the Frankfurt stock exchange by the end of the year netting up to \$1.07 billion for the investors who have transformed the fortunes of the German sport shoe company over the past two years.

Adidas was losing money when it was acquired from the flamboyant French businessmen turned politician Bernard Tapie in 1993 by an investment group led by Robert Louis-

Dreyfus, a former chairman of British-based advertising firm **Saatchi & Saatchi**. Now it is ranked third in the world sportswear market after **Nike** and **Reebok** with sales of \$2.3 billion in 1994.

The firm, owned 95 percent by Mr. Louis-Dreyfus's investment group, and 5 percent by **Ceba**, a Luxembourg company, made net profits of \$88 million in the first half of 1995, up 134 percent on the year earlier period.

Mr. Louis-Dreyfus has rebuilt Adidas's brand image and concentrated its marketing efforts on the US, the world's biggest sports market.

•••

Europe's truck makers are on a roll with sales and profits surging on the back of bumper demand in their domestic and foreign markets.

Mercedes Benz expects to build a record 300,000 trucks and vans this year, 200,000 in Europe, generating sales of \$22.7 billion of which nearly \$8.7 billion will be outside Europe. Its truck division, **Freightliner**, plans to raise output by 20 percent this year to 76,000 units.

Renault made operating profits of \$106 million in the first half of 1995 on sales—including **Mack Trucks** in the US—21.5 percent higher at \$3.56 billion.

Meanwhile, **DAF**, the Dutch truckmaker rescued from bankruptcy by the Dutch and Belgian governments in 1993, posted an 85 percent leap in net profits in the first six months of 1994 to \$45.7 million.

•••

Finland has a new world-class firm alongside **Nokia**, the mobile telephone manufacturer, following the merger of **Repola** and **Kymmene**, which has created Europe's biggest pulp and paper company with sales of nearly \$13 billion.

The new company, to be created next May, will produce 7.25 million tons of paper and board a year from

its more than 2 million acres of forest land. It will be the world's biggest manufacturer of magazine covers and the leading European maker of fine paper and newsprint.

The merger follows an alliance last July between **Enso-Gutzeit** and **Veitsiluoto** which briefly created Finland's biggest forestry products group with yearly sales of more than \$7 billion.

•••

Union Bank of Switzerland (UBS) and **Swiss Life**, struck a close alliance, continuing the wave of agreements between banks and insurers seeking to respond to the rapid changes in Europe's financial services markets.

UBS, Switzerland's biggest bank, is taking a 25 percent stake in Swiss Life, the country's biggest life insurer, for \$1.04 billion.

The companies will also establish a fifty-fifty joint venture—**UBS Swiss Life**—to specialize in combined banking and insurance services.

The alliance matches earlier partnerships between Swiss insurers and banks, including **Swiss Bank Corp**, **Zurich Insurance**, and **CS Holding**, parent of **Credit Swizz**, and **Swiss Reinsurance**.

—Bruce Barnard

INSIDE EUROPE

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

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The European Union's Cohesion Fund. *Europe on the Move, Commission, Brussels, 1995, 8 pages.*

Commission's Programme for 1995. *Bulletin of the European Union, Supplement 1/95, Commission, Brussels, 1995, 69 pages.* Policy framework for 1995 and related speeches by Commission President Jacques Santer. **Free**

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The Application of Competition Rules in the Telecommunication Sector: Strategic Alliances. *Competition Policy Newsletter, Vol. 1, No. 4, Commission, Brussels, 1995, 68 pages.*

The European Investment Bank: The European Union's

Financial Institution. *European Investment Bank, Luxembourg, 1995, 21 pages.* 1995 edition. Basic brochure on the EIB. **Free**

The European Investment Bank Annual Report 1995. *European Investment Bank, Luxembourg, 1995, 131 pages.* **Free**

Close on ECU 20 Billion Lent in 1994. *EIB Information No. 83, February 1995, 16 pages.* **Free**

Humanitarian Aid of the European Union: Annual Report 1994. *Commission, Brussels, 1995, 44 pages.* **Free**

Publications 1995. *Office for Official Publications, Luxembourg, 1995, 291 pages.* Cumulative catalogue of publications 1985-1994. **Free**

Agriculture Statistical Yearbook, 1995. *Statistical Office, Luxembourg, 1995, 238 pages.* Contains the most important statistical data dealing with the EU agriculture, forestry, and fisheries sectors for the most recent year. \$20.

Causes of International Migration: Proceedings of a Workshop, Luxembourg, 14-16 December, 1994. *Statistical Office, Luxembourg, 1995, 274 pages.* Considers the factors that influence the growth, continuation, composition, and direction of international migration to the countries that make up the European Union. \$25.

Demographic Situation in the European Union, 1994 Report. *Commission, Brussels, 1995, 86 pages.* Presents detailed demographic data on the European Union. Covers: age structures; households; population; migration; and much more. \$18.

Digest of Statistics on Social Protection in Europe, Volume 5: Sickness. *Statistical Office, Luxembourg, 1995.* Gives comparable statistics on sickness and brings together data on different types of benefits specific to each of the Member States. \$30.

Europe in Figures, Fourth Edition. *Statistical Office, Luxembourg, 1995, 255 pages.* Featuring lavish color diagrams and photographs, this work presents information on more than 30 subjects covering the entire socio-economic situation in the EU. With comparisons to the United States and Japan. \$20.

European Communities, Economic and Social Committee Annual Report, 1994. *Economic and Social Committee, Brussels, 1995, 117 pages.* Analyzes the work of the Economic and Social Committee in 1994. It looks in particular at the Committee's influence within the Community's decision-making process, the Committee's image in the media, and the role played by the groups on the Economic and

Social Committee. \$35.

Handbook on Equal Treatment for Men and Women in the European Community. *Commission, Brussels, 1995, 243 pages.* Examines equal treatment for men and women throughout the Union, and discusses relevant legislation, the jurisprudence of the Court of Justice and other references. \$75.

Information Exchanges Among Firms and Their Impact on Competition, June 1994. *Commission, Brussels, 1995, 119 pages.* Looks at the incentives for information exchange among firms and their consequences for welfare with a view toward the design of competition policy. \$30.

National Accounts ESA-Aggregates, 1970-1993. *Statistical Office, Luxembourg, 1995, 227 pages.* Highlights main aggregates of the national accounts for the EU, the United States, and Japan. Shows both current and constant prices. \$20.

Labor Force Survey Results, 1993. *Statistical Office, Luxembourg, 1995, 259 pages.* Presents the main results of the labor force survey. Covers: total population; unemployment; professional status, weekly working hours; and persons seeking employment. \$35.

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CAVIAR AT THE

by Elisabeth Farrell



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Since 1989, a St. Louis travel agency, Montclair Travel, has been bringing the Concorde to America's backyard. The 10-day Concorde trips depart from cities such as Dallas, Raleigh-Durham, Houston, Tucson, Orlando, Scranton, Omaha, and other large to medium-size markets. If the trip sells out, the Concorde leaves from local cities; otherwise, passengers are flown by domestic airline to New York,

where they pick up the Concorde to London.

Each trip begins with a supersonic flight on the Concorde traveling at twice the speed of sound. From three to five hours later (depending on the departure city in the US), the Concorde arrives in London, where participants spend five days at a hotel such as the Ritz or the Mayfair. Optional adventures include excursions on the Orient Express and the Chunnel. The trip home is on the Queen Elizabeth II, the Cunard Line's flagship carrier.

"It's the fastest way across the Atlantic and the slowest way back," said Stuart Hartzell, president of Montclair Travel, who works with British Airways and Cunard Line to organize the trips.

When selecting US cities for Concorde excursions, Hartzell meets with local airport directors to determine if their facilities can support the Concorde and its special landing and take-off requirements. "The Concorde is very small and looks like a toy next to a 747," says Hartzell, "but it's a tremendously powerful machine and a heavy aircraft, so it needs a thick runway with a minimum of 8,000 feet."

If the technical needs are met and if there are no local ordinances prohibiting the Concorde from landing, most airport directors are delighted to have

the legendary aircraft at their facility. In fact, the arrival of the Concorde is invariably cause for quite a stir. In St. Louis, for example, the plane arrived at 7 a.m. one Sunday morning to be met by 25,000 people jamming the highways surrounding Lambert International Airport. Even airport personnel came out in droves to watch.

Although the Concorde is prohibited from flying at supersonic speeds while over land, once it is over the Atlantic, it is no holds barred. Normal commercial airlines fly at an altitude of 30,000 to 35,000 feet and as fast as 650 miles an hour. The needle-nosed Concorde doubles those numbers. It flies at a cruising altitude of 50,000 to 60,000 feet, and at Mach 2—1,350 miles per hour, or twice the speed of sound. That is faster than the proverbial speeding bullet.

"On a regular plane you look out the window and feel like you're not moving because you're passing the clouds so slowly," said passenger Virginia Lucarino, who flew from Wilkes-Barre, Pennsylvania, earlier this year. "But on the Concorde you can really see the clouds go by. The pilot tells you when you're coming up to Mach 2, but there's so little movement that unless you were told, you wouldn't know it."

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smooth because the plane flies above the jet stream and turbulence. It is as close to being an astronaut or a fighter pilot as most people will get (except that astronauts and fighter pilots cannot enjoy in-flight champagne, caviar, and a five-course meal).

Caviar and ultimate travel experiences do not come cheap, and the price of going first class, is, well, first class. Passage on one of Montclair's trips starts at \$5,000 and can jump to \$13,000, depending on the departure city in the US and accommodations in London and aboard the QE2.

Pricey as the excursions are, however, they are a bargain compared with a one-way ticket on the Concorde from New York to London—\$4,400.

There are three trips left on the 1995 itinerary: Chicago/Rockford, departing October 21; Tucson, November 15; and Syracuse, December 11. The 1996 itinerary is still being finalized, but tentative cities from which the Concorde will leave include Kansas City, Houston, Buffalo, St. Louis, and Birmingham, Ala.

For more information, contact the Concorde Desk, Montclair Travel, 18 South Kingshighway, St. Louis, MO 63108; (800) 433-3500 telephone, (314) 367-0938 fax.

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aren't long enough, posh enough, or expensive enough for you, how about a 24-day, round-the-world charter for a mere \$50,800? You will fly an Air France Concorde to Hawaii, New Zealand, Australia, China, Hong Kong, India, Kenya, and England. Along the way, you will stay in the world's best hosteleries (including a tented camp in Kenya reminiscent of *Out of Africa*).

There is one trip remaining this year (departing October 3), and two in 1996 (September 3 and October 3); Egypt is substituted for China on the 1996 itinerary). For more information, contact INTRAV, 7711 Bonhomme Avenue, St. Louis, MO 63105; (800) 234-6900 telephone; (314) 727-9354 fax.

Bon voyage!

SUPERSONIC SOUND BITES

Concorde flights on Air France and British Airways average 60 percent of passenger capacity. Even with round trip tickets topping \$6,200, the airlines are lucky if they make a small profit each year on their Concorde venture—and there's almost no hope of recouping the \$2.25 billion research and development costs.

The original 14 Concorde planes—built in the 1970s—are still in flight, but no new aircraft are being built. When these are grounded, the Concorde pro-

gram will be just a memory. So raid your piggy bank and buy a ticket while you still can fly a bit of history.

Here are some supersonic sound bites to whet your appetite:

- It is possible to leave Paris on an Air France Concorde at 11 a.m., arrive in New York at 8:45 a.m. the same morning, close an important deal, then board the 1 p.m. eastbound flight, and be back in Paris at 10:45 p.m. the same day.
- On August 16 of this year, an Air France Concorde set a new round-the-world speed record of 31 hours 27 minutes 49 seconds, with refueling stops in Toulouse, Dubai, Bangkok, Guam, Honolulu, and Acapulco.
- The first bottles of 1984 Nouveau Beaujolais flew aboard a Concorde chartered to Seattle, Washington, by two restaurateurs.
- The Queen Mother celebrated her eighty-fifth birthday on August 6, 1985, with a flight on a British Airways Concorde.
- In 1973, the Concorde tracked the total eclipse of the sun across Africa, giving scientists their first sustained view of the sun's corona. ☺

Elisabeth Farrell writes frequently on travel for EUROPE.

Just at the southern tip of Spain and guarding the gateway from the Atlantic to the Mediterranean lies one of the remaining few crown colonies of Britain—a peninsula, made up of jurassic limestone, measuring only two and a half square miles, and rising 1,400 feet above the sea—the Rock of Gibraltar.

Amazingly enough, over the centuries this tiny rock has been the focus of a continuous power struggle as it is poised between the continents of Europe and Africa, with Spain within walking distance and Morocco just a short boat ride away. Early visitors to Gibraltar included Phoenicians and ancient Greeks, Carthaginians and Genoese.

During the 8th century when the Moors invaded and occupied Spain, Berber chief Tarik ibn Ziyad

sailed across the Straits of Gibraltar, landed on the rock, and named it “Gibel Tarik” (Tarik’s mountain), which through the course of time became “Gibraltar.” More sieges and skirmishes took place over the centuries and the rock changed hands several times until 1462 when it finally became Spanish.

However, in 1704 ownership changed again when a joint Anglo-Dutch force captured Gibraltar, and in 1713 under the Treaty of Utrecht it was formally assigned to Britain. The final military campaign, known as “The Great Siege” occurred in 1779 when combined forces of Spain and France besieged Gibraltar for more than four years, but they failed to succeed.

Gibraltar has been a British crown colony since 1834. Because of its rich and colorful past, “Gib,” as it is known by the locals, is a blend of different cultures and traditions. As you walk through the streets




you'll come across British Regency style houses, buildings with a decidedly Spanish influence, Moorish courtyards, modern hotels, and ancient walls, garrisons, and churches.

Despite its history and variety of architecture, you can hardly forget you're on British territory in Gib as the language is predominantly English, the currency is Gibraltar pounds (which is at par with British pounds), and the atmosphere on Main Street is decidedly one of an English seaside resort with pubs, teashops, fish and chip shops, and even a Marks & Spencer's department store. I found Gibraltar to be a great place to do some VAT-free shopping. You'll also bump into British bobbies wearing their traditional dark blue uniforms and helmets, not to mention the bright red British pillar boxes with Queen Elizabeth II's insignia—a right royal send-off for your postcards!

In addition to its 29,000 or so inhabitants, the rock is also populated by the famous Barbary apes. They have lived in Gibraltar for centuries, and these tail-less primates are the only apes to be found wild in Europe. Legend has it that once the apes leave, the rock will cease to be British. Consequently, the apes are well looked after by the Gibraltar government who feed and tend to them daily. To see the apes' den, take the cable car up the west slope of the rock. At the top, you will find a wonderful view of Gibraltar itself and the two continents.

Connected to Spain by a road, which is partially used as a runway, the Rock of Gibraltar, located at the southwestern tip of the European continent, is a tiny peninsula where British and Mediterranean cultures coexist.



GIBRALTAR

more than
just a rock

By Susan J. Burdin



(Above) With British bobbies patrolling the streets, one could easily mistake Gibraltar for an English seaside resort. (Below) The free ranging Barbary apes are well looked after by the local government.

Despite its limited size, there's plenty for visitors to see and do on the rock. My favorite attraction is St. Michael's Cave. Winding its way downward some 700 feet into the rock, it becomes a dramatic grotto filled with stalagmites and stalactites. Once the home of neolithic inhabitants, these days it is used as an auditorium for concerts of classical music and light shows.

In addition to many other natural cave systems, there are also 30 miles of tunnels which were excavated during World War II by the Royal Engineers. For a walk back in Gibraltar's military past, explore the Great Siege Tunnels with their life-size models of soldiers in period dress and cannons, and don't forget to visit the Military Heritage Center with its display of weapons, shells, and other military relics.

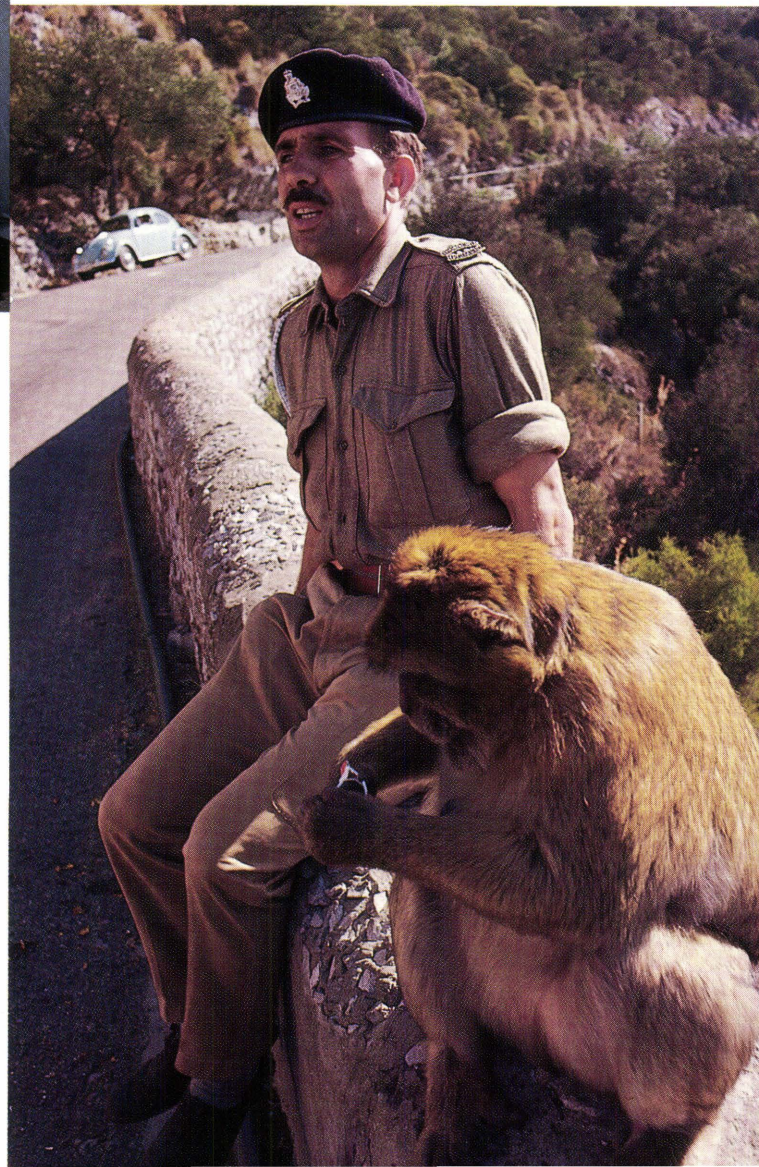
During my stay, I met a retired British submarine commander, who was revisiting Gibraltar after 20 years. Among the many elaborate stories he told me, including those of drunken British sailors being thrown in Spanish jails, drug smuggling from Morocco, and so on, he also recounted the

Despite its limited size, there's plenty for visitors to see and do on the rock. My favorite attraction is St. Michael's Cave. Winding its way downward some 700 feet into the rock, it becomes a dramatic grotto filled with stalagmites and stalactites.

legendary tale of Admiral Lord Nelson, who died at the Battle of Trafalgar. His body was reputedly preserved in a barrel of rum and brought to a principal residence at Rosia Bay in Gibraltar. The story goes that the housekeeper was horribly startled one night, when off flew the lid of the barrel due to a shift in air and up popped Nelson!

Speaking of air shifts, although the climate on Gib is subtropical and the temperature can be very hot, from time to time the *levanter*—a strong easterly wind that blows across the Mediterranean—brings an overcast sky and an increase in humidity. The locals have a habit of blaming any depressed or odd moods on the *levanter*.

If you're an avid birdwatcher, Gibraltar is of special interest. Each spring and autumn, hundreds of thousands of migrating birds make a stop on the rock as they fly to





Once a powerful British naval base, Gibraltar is now known for its thriving commercial harbor.

and from their breeding grounds in Europe and their winter homes in Africa—among them a vast number of birds of prey. Don't be surprised to see peregrine falcons, buzzards, kites, eagles, and griffin vultures.

As a change from exploring the rock, you can easily venture by foot or by car over the isthmus into the Andalusian towns of Spain. The land frontier was closed by Spanish dictator General Franco for several years and was only reopened in 1985 by the new government. These days, the only reason for closing the access road to Spain is to allow for the passage of planes on Gibraltar's only runway, which extends across the road! Several minutes before an aircraft is due to land, mechanical barriers block both sides of the roadway, and the traffic has to wait. It's not surprising to see a Gibraltar Airways Boeing 737 taxi along the road right before your eyes. Once the plane has passed by, the all clear is given and up go the barriers! For yet another cultural experience, take a 20-minute flight or a short ferry ride to Tangier, Morocco, where you can shop in a souk, eat couscous, and ride a camel. Whatever you decide, don't forget your passport! ☹

Susan J. Burdin is EUROPE's editorial assistant.

TRAVELER'S NOTEBOOK

VITAL STATISTICS

Telephone: When calling from the US, one must first dial 011 350 and then the telephone number.

Contacts: Gibraltar Information Bureau, Engineer Battery, 32B Rosia Road, Gibraltar. Tel: (350) 74950.

Currency: Gibraltar pounds. English currency also accepted.

Language: English and Spanish

GETTING THERE

By Air: Daily two and a half hour flights from London Heathrow, Gatwick, or Manchester airports on Gibraltar Airways.

By Car: Via Southern Spain. The border is open 24 hours a day. Driving in Gib is on the right.

HOTELS

The Rock Hotel is an old Colonial hotel with British comforts in a Mediterranean setting. It is perched above the city among its

own nine acres of gardens with wonderful views of the Bay of Gibraltar. At Europa Road, tel: 73000, fax: 73513.

White's Hotel is a city center hotel with large beds and individually controlled air conditioning. The English buffet breakfast is excellent. At Governor's Parade, tel: 70500, fax 70243.

Caleta Palace Hotel is situated in the picturesque fishing village of Catalan Bay, overlooking a sandy beach. Each room has a balcony. Only a short walk to the shops and pubs in the village. At Catalan Bay, tel: 76501, fax: 42143 or 71050.

RESTAURANTS

Gibraltar has a wide range of restaurants, pubs, bistros, and cafes serving dishes from all over the world. For light fare try some English pub grub or Spanish *boquerones* (small fish) or *calamares* (squid).

Claridge's, certainly one of the best known and grandest hotels in the world, lives up to its well-deserved reputation in all respects. The words "discreet" and "elegant" do not accurately define this London masterpiece, located in the Mayfair area of the city. I can add that this beautiful hotel known as "the resort of kings and princes" and "the annex to Buckingham Palace" is also comfortable, gorgeous, romantic, traditional, gracious, and the service is impeccable.

Every room in the hotel has call buttons to instantly conjure up a waiter, a maid, or a valet. There are service kitchens on every floor to give quick and personalized service to each guest. I pressed the button early one morning—at 5 a.m.—for some tea

THE DISCREET ELEGANCE OF LONDON'S PREMIERE HOTEL

by Robert J. Guttman



In fact, I ended up having a long discussion with a Claridge's employee named James, who after 25 years seemed to know every interesting story about the place. James is just one example of how this grand hotel makes each and every guest feel special.

A Hungarian Quartet plays music during the week in the lobby area. However, on Sundays the foursome is reduced to a Hungarian Duo because of an antiquated law which forbids the gathering of any more than two musicians in the City of Westminster on Sunday.

Claridge's truly does serve the extended Royal family. The hotel manager showed me two big lights in his office. A green light lets him know that a guest is checking in, and an orange light means that a member of the Royal

CLARIDGE'S

and was happily rewarded within five minutes by a smiling waiter in tails with a very hot cup of tea and some biscuits. It is a very impressive service.

Claridge's has 132 individually designed rooms and 60 suites. The suites have their own foyers that lead into a wide living room complete with a fireplace. The bedrooms, with beds specially made for the hotel by its own manufacturer, are quite large with more than ample closet space.

Another added touch of luxury—Claridge's is widely noted for its luxury and attention to details—is the fact the bathtubs all fill from the bottom up so that you aren't disturbed by the noise of running water. A small downside to this is that a lot of bathtubs end up overflowing. The hotel has notices on every tub telling its guests that since you can't hear the noise could you please watch to make sure the water stays in the bathtub.

Many of the rooms are decorated in a tasteful art deco style. However, there are some rooms done completely in various tartans, which obviously appeal only to certain guests.

Claridge's guests tend to be regulars. People ask for the same rooms or suites year after year. Most of the repeat guests come back to enjoy the hotel's many traditions.

Another noticeable aspect of Claridge's is its collection of antique furniture and art which adorns the rooms and hallways and includes the grand piano on which Sir Arthur Sullivan (of Gilbert and Sullivan fame) composed his Savoy operas.

Because the hotel antique clock collection is particularly extensive, Claridge's used to have a full-time clock-winder whose sole job was to make certain all the clocks were correctly wound every day. Today, the task is done by the housekeepers, but the clocks are still wound by hand daily.

When I went down to the reading room on a Sunday afternoon for tea, I was informed I would need a jacket to be served. Since it is not my usual custom to wear more than jeans and a t-shirt on weekends I ended up having my tea in the foyer. It was, like everything at Claridge's, done very tastefully.

family has arrived, allowing him to hurriedly go out and personally greet them.

If you decide to visit Claridge's over the Christmas holidays be sure to ask about their four-night "Christmas break," which is accompanied by a Christmas gift for each guest. If you go, make certain that you have at least one meal in the hotel's beautiful dining room simply called "The Restaurant." The food and service are excellent.

From the beautiful staircase, which is the first thing you notice when entering the hotel, to the impeccable service and friendliness of the staff, to the beautifully designed rooms, to the hotel's modern conveniences, such as faxes and computer hook-ups for business travelers, Claridge's certainly deserves its reputation as one of the grand hotels of the world.

For more information contact Claridge's, Brook Street, Mayfair, London W1A 2JQ, tel: (44) 171 629-8860, fax: (44) 171 499-2210.

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

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Once every five years, the world's largest sailing ships, the so-called "tall ships," gather at the Amsterdam harbor for Sail Amsterdam, providing nautical buffs and landlubbers alike with an impressive show of maritime skill and naval craftsmanship. Schooners, brigs, frigates, windjammers from all over the world, in total about 70 ships, sailed this summer in a parade across the canal that links the North Sea with Amsterdam and anchored along the Amsterdam waterfront.

Most of the largest ships are nowadays maintained by the navy of the ship's country of origin and used for the training of young naval officers. Among the tall ships present in Amsterdam were the training ships of the Portuguese, Dutch, Italian, German, British, Brazilian, Argentinean, and Russian navies. And scores of other ships with three, four, and five masts. Also *Batavia*, a 17th century Dutch merchant ship which had been rebuilt according to historic drawings, made its maiden voyage at Sail.

All in all, about 4.5 million visitors enjoyed the reminiscences of great naval traditions, the prowess of the sailors, and the sight of ships that sailed the world before the invention of engines. Thousands of small motorboats joined the parade of ships and caused "traffic jams" on the water. Highlight of the maritime spectacle was the inspection by Crown Prince Willem Alexander in his capacity as admiral of the Dutch navy and in the presence of Queen Beatrix on the royal yacht *De Groene Draeck* (The Green Dragon).

The tradition of Sail started 20 years ago, in 1975, when Amsterdam cele-

Letter from Amsterdam

brated its seven hundred fiftieth anniversary as a city. It was such a success, that the city government decided to repeat the event every five years. Each time, Sail Amsterdam has grown bigger and has attracted more interest, by both tourists and ships wanting to participate. The tall ships have to reserve a place

the five-day event.

The next gathering will be in the year 2000, which promises to be an even more spectacular event than the twentieth anniversary Sail Amsterdam.

—Roel Janssen

LISBON

FIRE AND WATER

Every summer, two issues give the Portuguese cause for great concern: water shortages and forest fires.

Tens, if not hundreds, of thousands of acres of valuable forest and bushland are lost each year as uncontrollable fires rage all over Portugal. This year, the areas particularly hit have been the center and the north of the country. At one stage, the flames actually reached the outskirts of the university town of Coimbra. Whole villages had to be evacuated, and roads were temporarily cut by fires. On many occasions, army personnel were called in to support firefighters.

Controversy regularly surrounds the question of how fires start and what could be done to prevent them. The most obvious causes are scorching heat and several years of drought. But the authorities say that often arson is the cause. Many fires are apparently started to obtain insurance money or reforestation compensation, or to destroy protected nature areas with the aim of developing them for tourism. This year, discussion has focused particularly on how to stop fires from starting in the first

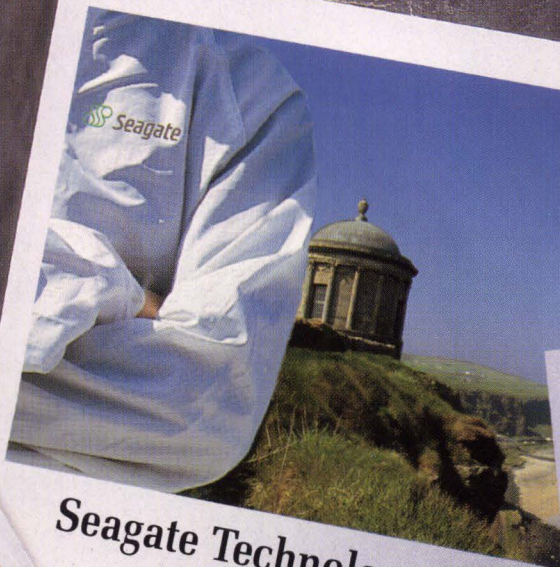
place. Foresters have complained that government money is spent on combating fires rather than on preventing them. They say 900 foresters are not enough to oversee more than 7 million acres of forest and that many of their



Both nautical buffs and landlubbers came out to Sail Amsterdam to see the tall ships.

well in advance and pay the entry fee. This year's budget for Sail was more than \$5 million. With sponsorships and entry fees, it is expected to break even. The cost was worth it to the Amsterdam tourist industry, which thrived during

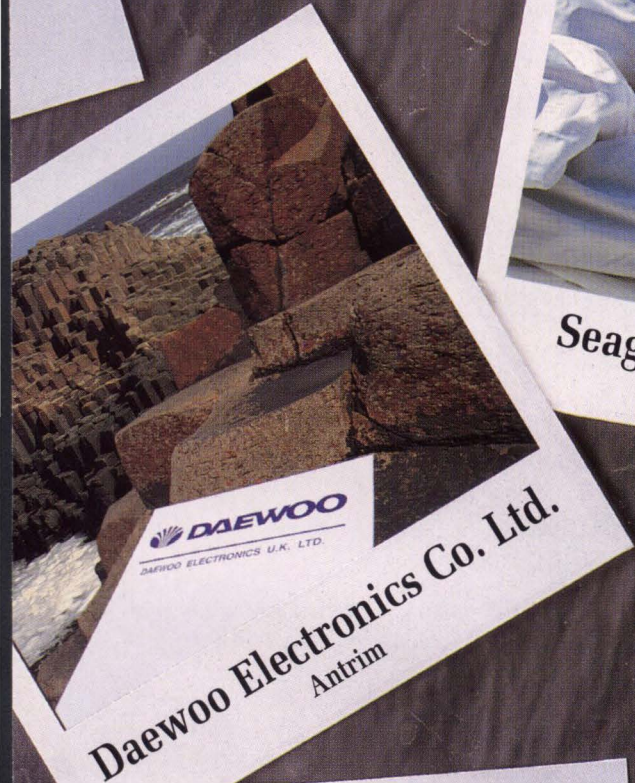
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colleagues do not even have a phone to alert firefighters in time.

Water to put out fires has also been scarce, as it has been for all kinds of purposes. That is why the Portuguese are particularly concerned over Spanish plans to divert water from their rivers southward to supply their own drought-ridden areas. However, Portugal's three main rivers all rise in Spain, and anything the Spanish do to these rivers directly affects their Portuguese neighbors. Such plans could not only cut supplies for agriculture and other consumption in Portugal, but also reduce electricity production at Portuguese hydroelectric power plants. After Madrid initially went ahead with studies, apparently without consulting Lisbon, the two governments are now discussing the impact of Spanish diversion plans on an all-Iberian level. However, when Spain diverted some water from the Tajo southward in an emergency move this summer, many Portuguese immediately began suspecting that promises were being broken and their neighbors were going ahead with their plans regardless of the effects on others.

According to a popular saying, the Portuguese will kill for two things only—women and water. It has not come to blows or a serious diplomatic incident yet. But the Iberian tussle shows on a small scale what the United Nations fears for the future—that some major international conflicts will be over water.

—Peter Miles

DUBLIN

NEWSPAPER WARS

The sudden closure of three national newspapers associated with the de Valera family and the powerful Fianna Fail party has highlighted the threat facing other newspapers from increasing competition from British rivals now selling at less than half the price of the Irish papers.

While the demise last June of the three papers in the Irish Press group—a morning, an evening, and a Sunday—came suddenly, the threat of closure had been there for more than a year, and the group had been in financial difficulties for much longer. Five years ago, it seemed that a solution was possible as the US-based Ingersoll publishing corporation took a 50 percent share in the titles and provided the group with badly

needed investment.

Unfortunately, the attempt to modernize the papers and go down-market to compete with some of the British tabloids caused tensions between the partners, and the result has been a rancorous break-up after a prolonged and costly court action. Some would say that the writing was on the wall for the Irish Press group long before these unhappy events and that while the original link with Fianna Fail contributed greatly to the early successes, it had become an obstacle to expansion in modern times.

The flagship newspaper, the *Irish Press* had been founded by Eamon de



Irish papers like the *Irish Independent* face tough times in the declining newspaper marketplace.

Valera in 1931 to combat the hostility to his party, Fianna Fail, from the rest of the national press, which blamed him for the civil war 10 years earlier. Much of the funds to launch the new paper were collected in the United States from republican sympathizers and an American eagle was displayed on the masthead in recognition of this.

The new paper with its strongly Fianna Fail editorial policy, talented feature writers, good sports coverage, and bright headlines quickly built up a big circulation. In 1949, a Sunday paper was launched and became the biggest in the country. In 1954 an evening paper debuted outselling its rivals. But by the 1970s the group, although still a power in the land, needed new investment and a different marketing approach to attract the higher spending categories. The de Valera family kept tight financial and editorial control, however, and the papers' circulation and advertising steadily declined.

Efforts are now being made to relaunch some of the titles with a reduced staff and more modern printing methods. Fianna Fail, now in opposition, has worked behind the scenes to encourage new investment from the United States and from Irish business interests sympathetic to the party.

Meanwhile, the rival Irish Independent group and the *Irish Times* with high cost structures and the burden of a value-added tax have to face the challenge from British papers engaged in a price war and anxious to expand in Ireland through Irish editions and extensive sports coverage. With an Irish popula-

tion of slightly more than 3 million and a high unemployment rate, the market for daily newspaper readers is limited. An increasing number of people now get their news only from radio and television and don't bother to buy a newspaper anymore.

—Joe Carroll

ATHENS

NEW ATHENS AIRPORT

The site for a new international airport for Athens was laid out more

than 15 years ago among the vineyards of Spata, a village 20 miles east of the capital. But it was only this summer that the Greek government signed a contract with Hochtief AG of Germany to build what should become a main hub for air transport in southeast Europe from the year 2000.

Environmentalists' objections to building an airport in the heart of Attica's traditional wine-growing area faded as Athens spread eastward in the 1980s and the vineyards were swallowed up by residential developments and small factories. As the present airport at Helenikon, squeezed between a mountain and the sea, grew more congested, public opinion swung behind the Spata project.

But just as the contract with Hochtief was due to be signed in 1993, the conservative government fell. The incoming socialist government objected to the terms of the deal, in which Hochtief, rather than the

FATHERLAND DEBATE

Italy's political shift to the right, brought on initially by the nationwide campaign against political corruption and furthered by the rise of popular businessman turned politician Silvio Berlusconi and the neo-fascists headed by Gianfranco Fini, has brought back a word into intellectual discussions: Fatherland.

The last two generations of mainstream Italian intellectuals had set aside this word, and only the most inflamed conservatives used it. Now Italian intellectuals from all sides are debating the propriety of using the word.

Patriotism, according to a series of books published recently by Italian authors of progressive and liberal faiths, is a virtue even democrats can boast about. This concept may seem obvious to an American reader. But in Italy, where the concept of national pride was

Greek government, was to control the company set up to build and operate the airport.

The go-ahead for the project came from the European Commission, which rejected complaints by Dumez GTM of France, the losing bidder, that Greece flouted the European Union's rules on fair competition by changing the contract terms without inviting fresh tenders.

With construction at Spata set to start by year-end, Athens will have a new international airport by the year 2000. Hochtief and its German and Greek consortium partners will now have a 45 percent stake in the Athens Airport Company and will operate the airport for 30 years.

The airport will initially cater to 15 million passengers yearly, a 50 percent increase in the numbers currently using Hellenikon. It will be able to handle almost 400,000 flights yearly. In the second phase of construction, a second runway will be added, together with terminal facilities for handling up to 50 million passengers yearly.

The airport at Hellenikon will be shut down once Spata airport opens, and the site will be turned over to local authorities, who plan to transform the site into parkland.

Financing for the \$2.5 billion airport, one of the biggest infrastructure projects in Europe, is a novel mixture of private and public funding, with the Greek government contributing only its equity stake in the Athens Airport Company set at around \$247 million. This amount has been raised through *Spatosimo*, a departure tax paid by passengers using Greek airports.

Almost half the cost of constructing the airport will be covered by low-interest loans from the European Investment Bank, while the European Union is expected to provide about \$450 million in grants. The rest will be covered by Hochtief through its \$200 million equity stake in the airport company and a commercial loan package.

The launch of Spata airport will give a boost to several other big infrastructure projects in the pipeline and will also trigger private development as contractors start work on hotels and a business park planned for sites near the new airport. By the end of this year, too, construction should be starting on a 45-mile toll highway linking Spata with Eleusis, west of Athens, which will become the first part of a beltway planned for the Greek capital.

—Kerin Hope

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buried for decades by left-wing intellectuals who dominated the cultural and political scene of the postwar era, it is a novelty born of recent changes.

Besides appearing in books, the argument is being heatedly debated at numerous conventions. History books are being dusted off to trace the course of nationalist sentiment during the past century that saw Italy transform itself from many small states into a single country.

The obligatory starting point for many discussions is the famous phrase printed in every Italian textbook that was disdainfully pronounced halfway through the last century by Prince Klemens von Metternich, chancellor of the Austrian empire: "Italy is only a geographic expression."

Is this still true? Many authoritative scholars who are not accused of being revolutionaries are putting the brakes on the rediscovery of patriotic love. Norberto Bobbio, elderly historian and esteemed essayist, holds that "Italy has never been a nation because there are many 'Italys' and each one has the right to be taken into consideration."

In fact, the difference in Italy between North and South, and even between one region and its next-door neighbor is a fact that continues to strike many foreigners. Places separated by only a few miles maintain different habits and traditions and even a language pronounced with such a different accent that it could be considered an idiom in itself. What do Florentines, the heirs of Dante and Machiavelli, have in common with the impetuous Neapolitans or the industrious Milanese? This might explain, for example, the separatist inclinations of Umberto Bossi, the leader of the Northern League and one of the new political stars.

It is hard to give an opinion on the true identity of a people who, to quote Winston Churchill, "are capable of losing wars as though they were soccer games, and soccer games as though they were wars." But perhaps it should at least be noted that whenever people engage in self-examination, in the end, they are enriched by the experience.

—Niccolò d'Aquino

PARIS

GIVENCHY TO GALLIANO

One dressed Audrey Hepburn; the other counts Madonna among his

devoted clients. It is difficult to imagine two fashion designers with less in common than the elegant, aristocratic Hubert de Givenchy, 68, and the flamboyant, flighty John Galliano, 35. Yet Galliano, who is presenting his spring-summer 1996 collection in Paris this month, has been signed up to take over from Givenchy, who has retired after 43 years in the fashion business.

Hiring Galliano to become the House of Givenchy's new designer is like bringing Quentin Tarantino in to direct future Merchant-Ivory productions. There is no denying Galliano's genius, but his daring designs break completely with the understated classics produced so reliably for so long by Monsieur Givenchy. His clients always knew what to expect of him, whereas no one can predict what Galliano will do next. The two come from, and inhabit, totally different worlds.

Hubert James Taffin de Givenchy was born into an artistic, upper-class family in northern France. His dream was to work for the Spanish couturier Balenciaga, but he was turned away at the *atelier* door. After having learned his craft from other designers such as Jacques Fath and Elsa Schiaparelli, he was finally admitted into Balenciaga's inner sanctum and initiated into the secrets of haute couture.

From him, Givenchy learned how to create impeccably cut, timeless clothes which attracted a loyal clientele of well-bred, well-heeled ladies who did not need to wear anything startling to impress their entourage. Jackie Kennedy was one of his faithful clients; Audrey Hepburn became his lifelong friend and personal muse. Givenchy opened his own fashion house in 1952 and became a rich man.

Galliano, on the other hand, has been flirting with financial disaster ever since the start of his brilliant, but erratic, fashion career. Born as Juan Carlos in Gibralt-

ar, he grew up as John in a working-class suburb of London. He studied design at St. Martin's School of Art and produced such a dazzling collection for his graduation in 1984 that it was snapped up in its entirety by the owner of Browns, one of London's most fashionable boutiques. He launched his own label and in 1991 showed his first collection in Paris, where he has been based ever since.

But while everyone recognized him as a major talent and the press gushed over his inspired designs, very few backers were prepared to put up with his quixotic personality for too long. Sporting dreadlocks and outrageous outfits



John Galliano brings his outrageous and controversial style to the House of Givenchy.

which usually bared some part of his hairy torso, he would party all night and not always deliver the goods on time. For several years in a row, he could not drum up enough money to even buy the material for a collection, much less afford a place to show it.

All those lean years are now behind him. He has landed the big one—a contract with the vast luxury goods conglomerate LVMH Moët Hennessy Louis Vuitton, which bought the House of Givenchy in 1988. One might wonder why Bernard Arnault, who controls LVMH, decided to bank the house's future on someone so radically different from the distinguished, restrained Monsieur Givenchy.

The motif, simply enough, is money. While there were more than 200 haute couture houses in Paris 50

years ago, there are now only 18 left, fighting tooth and nail over the 2,000 clients willing to pay from \$12,000 to \$120,000 for an ensemble. The houses earn prestige with their couture collections but make their real profits from perfume sales.

You need publicity to keep those sales up, and Galliano will provide plenty of that. Already French fashion circles are buzzing with speculation on whether a free spirit like Galliano can submit to working for someone else—and how the genteel Givenchy clientele will survive the shock of seeing his first collection for them coming down the catwalk in January.

—*Ester Laushway*

BERLIN

EAST LOOKS FOR PROSPERITY

Five years after German reunification (which officially occurred October 3, 1990), no matter from which direction you drive into the former East Germany's main cities, signs of rejuvenation are evident. The improved quality of roads, water networks, and telecommunications are striking. During a recent visit to the now booming city of Leipzig, I was impressed by the number of construction cranes dotting the cityscape. One cannot miss the extraordinary expansion of shopping centers, built on green-field sites, all over eastern Germany. "Nowhere in the world, not even in the US, have I seen a shopping and entertainment center as big as the Saale Park outside Leipzig," enthuses Peter-Emil Rupp of Wiesbaden.

Within the city limits, entire streets between the main train station and the marketplace have been carefully restored. The inner city bustles with abundant diversity. Also throughout the former East Germany hundreds of family-based workshops, medium-sized craft enterprises, and trade businesses have grown up quickly in the last five years. Economic liberalization created a demand for and a supply of small-scale businesses. More than 870,000 such enterprises have been established since reunification. Many have since gone bankrupt, but those which have survived stand a good chance of emerging as winners of reunification.

There is no doubt Dresden, Leipzig, Erfurt, Jena, Potsdam, and East Berlin look much better in 1995 than in 1990. The shops are full; the people are better dressed; and the hotels and restaurants have grown like mushrooms. Gradually a prosperous middle class is emerging, but the vast majority of former East Germans have not moved up into this nascent middle class. Often, the newfound prosperity stems from inherited real estate (private ownership of land was not recognized by the East German government), which after reunification in many cases turned average socialist citizens into capitalist millionaires overnight.

"East Germans cannot catch up within a few years," says Klaus-Dieter Schmidt of the Economic Institute in Kiel, "it took West Germans more than 40 years." The fundamental weaknesses of the former East German economy—low productivity, low exports, and high levels of unemployment—continue to be problems, and the problems combined with the heavy reunification costs to be met by the German taxpayer (some 150 billion D-marks annually or around \$106 billion) have caused resentment in both West and East. But there are signs that the dependence on the West may be diminishing. The eastern German economy is predicted to grow by 8 percent both this year and next. Experts advise, however, that the former East Germany will remain dependent on financial support, albeit reduced, until around 2010.

Pensioners are the new undisputed winners of reunification. Irma Tübbicke, 77, of Velten in eastern Germany, speaks for many when she says: "I now feel really free and have regained the courage to face life." Before reunification her pension was 360 East marks, now she cashes in DM1,850 (\$1,313).

For Germans who have not yet reached retirement age, unemployment continues to plague the work force. For East Germans this is a new experience, and they blame West German capitalists. According to a recent study by the Federal Labor Office, about 33 percent of workers in former East Germany have lost their jobs in the five years since German reunification. Hardest hit were the oldest and youngest workers and women—who played a much bigger role in the former communist economy.

—*Wanda Menke-Glückert*

MADRID

CENTURY'S WORST DROUGHT

Cracked and dry fields, empty reservoirs, and ruined farmers are the sad results of Spain's worst drought this century, and if it doesn't bucket down with rain this autumn, the country could be headed for a real disaster.

For four years, there has been scant rainfall across most of the southern reaches of the country as time and time again the seasonal storms of spring and fall fail to materialize.

In some towns and cities in the southern region of Andalucia, the worst hit area, severe water restrictions have been in place for the past three years, with some local governments opening the taps just eight hours a day.

Authorities are desperately drilling wells, taking other emergency measures, and looking into desalination projects, but it could all be too little and too late.

The scarcity of water in Andalucia, known as one of Europe's prime holiday destinations, has attracted press attention in northern Europe where most tourists visiting the region come from. But so far, hotel owners have refused to go along with the water cuts and many resorts have their own water supply systems.

Farmers have been especially hard hit. Millions of acres of farmland have been lost to the drought and monetary losses are approaching \$100 million. The central government has promised loans and soft credits to see them through the emergency.

The Balearic Islands in the Mediterranean have also been struck by the drought. Authorities on one of the islands chartered a tanker to bring drinking water from Catalonia, but the ship had been previously used to transport chemicals, and the water arrived contaminated.

Meanwhile, reservoirs in central Spain, where the drought has also drastically affected water supplies, are being emptied to provide irrigation for farmers in Murcia and Castellon, sparking rows between the regions and the government in Madrid.

A recent government report by the ministry of public works says that unless the situation drastically improves, the drinking water supplies for some 8.5 million people in the south will be almost exhausted by the autumn. It also

forecasts that even with water restrictions, supplies will run out by the end of the year.

—Benjamin Jones

BRUSSELS

JUST LIPS

A month or so ago only a handful of Brussels residents had heard of Justus Lipsius. Now many thousands of them, and every single person working for the European Union institutions, knows his name, and a fair number of them could tell you that he was a 16th century philosopher from Brabant, the province surrounding Brussels.

The reason for his sudden leap to

fame, after centuries of obscurity, is that the new Council of Ministers' building has been named after him. In order to make way for this massive structure, erected on a 10 acre site, a whole street had to be abolished. It so happened that this was the rue de Justus Lipsius, and the Belgian government, which paid for the construction of the building, decided to perpetuate the name of a local celebrity by christening it after him.

It may not be quite the biggest building in Brussels—that honor belongs to the Palace of Justice, which was in fact the largest structure erected anywhere in Europe in the 19th century—but it has strong claims to be the ugliest. Built of pink granite in a rigid rectangular style, it is more reminiscent of official architec-

ture in Nazi Germany and Soviet Russia than of late 20th century design.

Jacques Delors, who hated the project and saw it as a symbol of the desire of the member state governments to dominate the Commission, whose own more modest Berlaymont building (now evacuated and being renovated because of asbestos contamination) is just across the road, dubbed it "Ceausescu's Palace." Even less flattering epithets have since been suggested: the Lubyanka, the Temple of Doom, and the Albert Speer Memorial Center. The chances are, however, that it will most commonly be known as "Just Lips."

The EU foreign ministers, who attended the opening ceremony, presented the Belgian government with one sym-

NEWSMAKERS

Science fiction may soon become reality. A paper written by British astronomer **Ian Crawford** predicts that one day mankind will be able to travel faster than the speed of light. His report, entitled "Some Thoughts on the Implications of Faster-Than-Light Travel," will delight Trekkies everywhere with its description of space "wormholes" and starships powered by "warp drive" propulsion systems, allowing them to boldly go where no man has gone before. Fanstastic as it sounds, it has been validated by the reputable and normally conservative Royal Astronomical Society.

In direct contradiction to Albert Einstein's theory, which states that because bodies have infinite mass at the speed of light, no amount of energy can make them go faster, Crawford presents two possible ways of breaking through the light barrier.

The first is to pass through "wormholes," which are rifts in space caused by powerful gravitational fields like the ones found around black holes. Crawford believes that travelers may be able to enter such a wormhole at one point in space and emerge from it at another, thousands of light years away.

The second method which Crawford proposes for reaching the stars is based on a paper published recently by **Miguel Alcubierre**, of the University of Wales, in the *Journal Classical and Quantum Gravity*. It describes the possibility of bending space by compressing it in front of a spaceship and expanding it behind, thus creating a form of "warp drive" similar to

the one which Scotty spends so much time repairing on the *Starship Enterprise*.

While our first likely encounter with Klingons is still a good many light years away, the scientific community has greeted Crawford's report with enthusiasm. Coinciding with its publication, British and American scientists have formed the Interstellar Propulsion Society (IPS), with the express aim of finding a way of taking astronauts to the stars.

•••

Other voyages of discovery, this time in the depths of the ocean, or "inner space" as it is sometimes called, are being planned by another Englishman, **Graham Hawkes**, 47, originally from London and now living in California, has designed the world's first underwater flying machine.

If its maiden "flight," scheduled for next month, is a success, Deep Flight I could revolutionize exploration of the deep ocean.

With a top speed of 15 knots, capable of going straight up or down without the need for ballast tanks, it could provide scientists with a cheap and fast means of getting to the bottom of the sea, a place we know less about than the surface of the moon.

Until now, submersibles have been large, unwieldy, and expensive. Hawkes' invention uses high thrust and short wings to cut through the water unimpeded, like an airplane flying through the sky, and it will cost as little as \$5 million, just a fraction of previous marine ex-

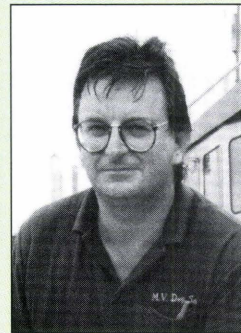
ploration vehicles.

Once Deep Flight I has earned its water wings, Hawkes intends to start work on a second craft which will be capable of descending to the deepest point on the planet, seven miles straight down to the Mariana Trench in the Pacific. For Deep Flight II he will make use of ceramic technology developed by the US Navy during the cold war to build a hull capable of withstanding the tremendous pressure that exists at the deepest levels of the ocean.

•••

West of Portugal, off the island of Terceira in the Azores, a fleet of 500 ships laden with treasure from the New World has been lying on the ocean bed for more than three centuries. A controversial new Portuguese law will now permit excavation of some of the ships and allow salvagers to keep up to 70 percent of the bounty they find.

The man most delighted by the Portuguese government's decision is the American underwater explorer **Robert Marx**, 61, who heads the Florida-based Phoenician Exploration Company. He has waited 35 years for access rights to the marine treasure trove. "This is my childhood dream come true," he said. He has put up a \$1.4 million security bond as insurance against theft and is busy organizing a salvage mission which will concentrate on seven ships. Among the riches they could contain are gold and silver bars from the Americas, emeralds



Graham Hawkes

bolic ecu in exchange for the key, an extraordinary bargain, as it cost about \$465 million to build. Even so, it is not large enough for its purpose and cannot—despite its 215,000 square meters and miles of corridors—house all the Council's 2,300 employees. Designed for an EU of 12 members, it is already overflowing with 15 and will be quite inadequate when the membership increases to two dozen or more over the next decade.

It is to be hoped that future extensions will be built on a less massive and more human scale and that open competitions will be held in which the cream of the Union's, and the world's, architects would be invited to enter. Justus Lipsius may well be the scene of enlightened decision making, but in itself it is an unworthy rep-

resentation of the values of the EU. It compares most unfavorably with the light and airy building recently completed in Brussels for the European Parliament.

—Dick Leonard

STOCKHOLM

EXIT CARLSSON

On August 18, the day when Sweden's governing Social Democratic Party was slated to present its platform for the upcoming EU parliamentary elections, party leader and Prime Minister Ingvar Carlsson dropped his bombshell, announcing that he would not stay on as party leader and prime minister until the next general election—indeed, he said

he would step down as early as next March, when the Social Democrats hold their next party congress.

But in the ensuing comments over his decision, most agreed that while the timing may have been surprising, the decision itself was not. Some claim that Carlsson was already planning to leave politics at the time when he was called to replace murdered prime minister Olof Palme in 1986. His self-professed sense of duty and loyalty to his party is what kept him in politics for the last nine years. At the same time, Carlsson had, over the last few years, made clear that he would not stay on to contest the next election, to be held in 1998. Given this, next spring will perhaps be an appropriate time for him to retire, leaving ample

from Colombia, and pearls from Venezuela.

Marine archeologists, for their part, are shocked that the Portuguese authorities have decided to allow these profit-driven excavations and condemn them for having sacrificed knowledge for money.

Rui Gomes da Silva, the Portuguese deputy who drew up the draft law, defends it by saying it will bring great benefits to his country: "The new law will transform Portugal into the world's leading deep sea center."

It also ties in very nicely with Expo '98, which Portugal will host and which will have the sea as its theme to coincide with the international Year of the Ocean. Planners are hoping to unveil a spectacular marine cemetery at the fair, with giant tanks containing the ships that Marx will salvage, among them a Portuguese caravel and a Spanish galleon.

•••

A lot of people soak the labels off wine bottles, then stick them in a book and forget about them. But Italian sommelier, **Valentino Monticello**, 60, who works at Harry's Bar in London, uses the thousands of wine labels he collects to illustrate another of his great passions—opera.

He creates finely detailed, richly colored collages of drinking scenes from operas, using only labels from wines produced in the region where the opera was set or first performed. To depict the famous drinking chorus from Verdi's *La Traviata* where everyone is quaffing champagne, he used only champagne labels; for Strauss's *Der Rosenkavalier* he

stuck to Perrier Jouet labels, which have roses on them.

Monticello plans to portray 65 operatic scenes and then publish them in a book, accompanied by information about each opera and the wines made in that region. "Many books have been written about opera and love, politics or tragedy," he said, "but no one has examined the relationship between opera and wine."

His project is arousing growing interest from wine and opera lovers alike. As a result of a scene he depicted from *L'Europa Riconosciuta* by Mozart's arch rival Antonio Salieri, an opera which has been performed only once, in 1778, there are now plans to revive the work at La Scala in Milan. And wine amateurs all over the world are raiding their cellars and raising their glasses high just so they can send him special wine labels for his collages.

Anyone out there who has heard of any opera based in Sardinia should contact Monticello because he would like to be able to use his collection of Sardinian wine labels. He would also be grateful for details of any wines made in Scotland, which would give him the chance to illustrate a scene from one of his favorite operas, Donizetti's *Lucia de Lammermoor*, set in the Scottish highlands.

•••

For Italian tenor, **Fabio Armiliato**, opera has lately become more a source of pain than pleasure. On the opening night of Puccini's *Tosca*, in the town of Macerata in southern Italy, he was wounded in the left foot during the scene where he is supposed to be executed by

a firing squad. One of the rifles firing blanks apparently was charged with too much powder.

Five days later he gamely returned to the stage, playing his part with the help of a crutch. At the beginning of the second act an awkward movement sent him crashing to the ground with a fractured shin.

Another tenor has now stepped into his shoes.

•••

This month a huge auction is taking place in the fashionable Black Forest resort of Baden-Baden in Germany. The **Margrave of Baden**, the head of one of Germany's oldest families, is selling off a vast collection of European works of art, furniture, porcelain, glass, silver, tapestries, and textiles. It is expected to bring in more than \$32 million.

The Margrave has fallen on hard times because of a decline in the engineering and forestry industries in which he is involved and because of some unfortunate speculation on the American property market.

He had hoped to sell the whole collection to the state of Baden-Württemberg for around \$55 million. The idea was not approved and instead a compromise solution was worked out under which the region agreed to buy some works considered of particular importance.

Among these are five panels from an altarpiece by German artist Bernhard Strigel, court painter to Emperor Maximilian. Their estimated value is around \$10 million, and they are on Germany's list of non-exportable national treasures.

—Ester Laushway

VARKAUS

Varkaus, a small town in the Savo region, is located near Finland's central water system that includes Lakes Saimaa, Päijänne, Vanajavesi, and Näsijärvi. Varkaus, which itself is one-third covered by water, is best described as a town of waterways and large-scale industry.

During the 18th century, Varkaus developed around the vast forests, which became a significant source of income for the town. The first sawmill was founded in the 19th century, and huge paper and pulp factories arrived in the beginning of the 20th century. Today Varkaus is the site of ultra-mod-



Finland's lake district offers outdoor lovers glassy lakes and endless forests to explore.

ern mills and is a major center of Finland's highly developed paper industry. It is the home of Enso-Gutzeit, which along with Repola, Kymmene, and Metsä-Serla forms the most influential forest group in Finland.

For outdoor lovers the area around Varkaus offers seemingly endless forests and glassy fresh water lakes. Since it is located so far north, the summer daylight stretches almost 24 hours a day, luring people out to sail and swim at almost any time of the day.

Another popular diversion in Varkaus is fishing. One can catch pike, perch, trout, and salmon among the lakes and streams in the area. Fishing permits are available from the local post office. Biking is another excellent way to discover the area. Bicyclists can pedal along quiet forest trails, and the lakeside offers good

mountain biking. Also, Finnish law allows for almost nearly unrestricted picnicking, berry-picking, and camping in the region.

One can also enjoy the scenery of the Finnish lake region by taking a steamship cruise. The *Paul Wahl* and *Sinikko* steamships offer weekly cruises during the summer from Varkaus harbor. Travelers can also catch other steamships sailing between the cities of Savonlinna and Kuopio with Varkaus as a midpoint stop.

The best museum in Varkaus is the Museum of Mechanical Music. The museum features more than 200 mechanical instruments such as jukeboxes, gramophones, and street organs. There is also the world's largest orchestron, a giant music box that weighs more than 8,000 pounds and sounds like a symphony orchestra.

The museum is located next to Restaurant Zepelin, the best restaurant in Varkaus. Fascinated by the story of the now extinct airships, the owners decided to decorate their restaurant with photos and paintings of the original airship designed by German General Ferdinand von Zeppelin. The decor may be turn-of-the-century German aviation, but the food is authentic Finnish cuisine.

For visitors who are interested in the latest in high-tech paper making developments, the Enso-

Gutzeit factory offers tours and demonstrations that span the entire paper making process. The printing house of the *Helsingin Sanomat*, the most widely read Finnish newspaper, is situated next to the Enso-Gutzeit factory. A glass tunnel connects the factory and the printing house. Freshly made paper rolls travel daily through the tunnel to the printing house en route to the newsstands and coffee houses across Finland.

—Hanna Tukiainen-de Carvalho

LUXEMBOURG

JUNCKER VISITS WHITE HOUSE

Luxembourg's prime minister made his first visit to the White House in early August to meet with President Bill Clinton to discuss a broad range of eco-

time for his successor to strengthen the troubled party for its reelection bid.

In the aftermath of the announcement, discussion inevitably turned to the question of who would succeed him, overshadowing for a moment the election campaign for the European Parliament. At the top of the list of candidates for the premiership, two names stand out: Mona Sahlin, the current deputy prime minister and one of a new generation of outspoken party leaders. If chosen, 38 year old Sahlin would become Sweden's first female prime minister.

She enjoys a reasonable degree of popularity among party ranks for her down-to-earth style and also has the backing of the party's women's association. The united labor unions' association (LO) is skeptical, however, as is the "market," which has warned of higher interest rates should Sahlin be chosen. Their favorite, in turn, is another of the party's younger generation, Coordination Minister Jan Nygren, a relative political obscurity until his appointment to Carlsson's cabinet last fall. Though both avoid commenting directly on their ambitions, both would accept, it is believed, if offered the post. In fact, there has even been talk of a joint leadership with one holding the party chairmanship and the other the government premiership (as is the case in Norway).

Two other candidates who have said they are not interested in the party leadership are Finance Minister Göran Persson and forceful Euroskeptic Agriculture Minister Margareta Winberg. Persson told a newspaper, when asked about his ambitions, "I do not want to succeed (Carlsson). I'm too lazy."

Speculations will certainly continue well into spring when the Social Democrats make their choice. In any case, it is unusual for the party to have such a long time to find its new leader. Of the previous four leadership changes in the last century, three were made hastily after the death of the sitting leader. (Most notably, of course, after the Palme murder.)

—Jonas Weiss



Luxembourg Prime Minister Jean-Claude Juncker visited both the White House and Arkansas on his recent trip to the US.

nomic and foreign policy issues.

Jean-Claude Juncker, who assumed the Grand Duchy's highest ranking office in January, told the press afterward that the two discussed the Atlantic alliance's approach to the conflicts in former Yugoslavia, the integration and enlargement of the European Union, and a bilateral issue concerning a US military depot in Luxembourg.

At the Oval Office, Juncker also discussed the US request to members of NATO to pay more for US military facilities in Europe.

"We are giving consideration to the request," the prime minister said. "We do not view this as a financial problem. To us the important issue is political, namely the continuing military presence of the US in Luxembourg."

Luxembourg's ties to Clinton trace back to his days as governor of Arkansas when a Luxembourg steel company, Trefil Arbed, opened a steel wire plant in the state of Arkansas. The investment is the largest made by any Luxembourg company in the US.

The state of efforts to continue the integration and expansion of the EU was also discussed, issues that Luxembourg's former prime minister, Jacques Santer, is grappling with as president of the European Commission.

Luxembourg's Juncker will assume the rotating chair of the European Council in July 1997. The US is Luxembourg's most important trade partner outside Europe. But other ties, particularly sentimental ones, bind the two countries. Luxembourg remembers well the libera-

tion of the Grand Duchy in both World War I and II by US troops, Luxembourg's ambassador to the US, Alphonse Berns, notes. In recognition of US soldier losses in Luxembourg, Juncker paid tribute at Arlington Cemetery by laying a wreath in their honor.

Juncker's Washington trip also included separate visits with First Lady Hillary Rodham Clinton, Senator Edward Kennedy, Treasury Secretary Robert Rubin, and Commerce Secretary Ron Brown.

The Washington embassy arranged a dinner with the heads of US-based companies with operations in Luxembourg and Luxembourg-based businesses with investments in the US.

Before returning home, Juncker visited Pine Bluff, Arkansas to see the Trefil Arbed factory, a \$75 million investment employing 350 employees.

—James D. Spellman

VIENNA

PRACTICING MEDICINE

Against the idyllic backdrop of medieval Leopoldskron Castle in Salzburg, Austria, the future medical leadership of Eastern Europe is being exposed to the latest and the best in Western medicine, taught by outstanding American and Austrian specialists in their fields.

It is all part of an innovative experiment undertaken by the American-Austrian Foundation, collaborating with the Cornell University Medical College of New York, the Soros Foundation, and the Children's Hospital of Philadelphia.

The aim quite simply is for American and Austrian physicians to upgrade the skills and knowledge of doctors in Eastern Europe, where health care standards are still low, modern instruments are scarce, and the latest operating and diagnostic techniques are not yet applied.

These Salzburg-Cornell seminars, begun in 1993 and each lasting a week, bring together around 50 promising young physicians, few of them over the age of 40. One of the conditions of admission is that they must speak English.

The faculty involved in these intense medical educational programs is drawn mostly from professors from Cornell and from Austria, all of whom donate their services for free.

For pediatrics, the seminars depend heavily on the faculty of the Philadelphia

Children's Hospital, which also provides the program.

The sparkplugs of the project, which has been greeted enthusiastically by doctors in Eastern Europe, are Dr. Wolfgang Aulitzky of Salzburg, once a visiting professor at New York Hospital, and Dr. David Mininberg, a pediatric urology specialist at the same hospital.

The 150 East European physicians chosen to come to Salzburg—from 1,600 who applied in 1994—spend the morning at Leopoldskron Castle listening to lectures and their afternoon in hands-on training at Salzburg hospitals and laboratories.

Why Salzburg? "American hospitals require extensive credentialing which mostly prevents foreign physicians from hands-on practice," explains Dr. Aulitzky. "They are not allowed to touch a patient in New York. In Austria, we can—and do—allow cameras to observe an operation and the surgeon can explain what he is doing to the students who can watch every detail. They also get to participate in the routines."

The seminars have their social aspects, and even leisure time has its useful purposes. "We very much encourage our students to mix, to exchange experi-

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ences, and to make social contact," says Dr. Mininberg. "We want them eventually to come to the point which we have here, where a doctor can just lift the phone and call another doctor in another country to get advice on a particular case. It is something we certainly have instituted here at Cornell. In Europe, the communications technology is there. All it needs is some funding."

Both Dr. Aulitzky and Dr. Mininberg say that their contact with the Eastern Europeans is invaluable in gaining a better understanding of current health care in the former communist countries. "They learn from us, but we also learn from them," says Dr. Aulitzky. "They have not had access to recent technology. They are hungry for it. And they are world champions in terms of improvisation. In Albania we were told they still operate without gloves. And in Latvia they use the kind of gloves they'd put on at a gas station."

While the faculty members can bring a companion, the Eastern Europeans come alone. "They are so intense; we try to lighten them up a little," he observes. "We'll have a cocktail party and some chamber music. We want them to become friends, and their interplay is often very interesting."

Participants at the Salzburg seminars learn about them from advertisements placed in their countries by the Soros Foundation, which Dr. Aulitzky calls "a mainstay" of the medical program in Eastern Europe. He admits that, at times, there are problems.

"We did once have the daughter of a prominent East European physician participating, and later we found that we also had his deputy, but it simply convinced us that it's better to know less of the details and just go by the facts and their qualifications."

The whole project is due for expansion. "Our big problem is that a number of our Eastern European participants don't want to go back home where conditions are often so primitive," acknowledges Dr. Aulitzky, "so we have decided, in the future, to guarantee them that they can return. Next year we hope to offer internships, and we are working on a plan with manufacturers to lease sorely missed medical equipment to individuals. We don't want to give it to institutions because then the young doctors will never get to use it."

"This is a program where physicians help physicians. It is completely apoliti-

cal. That's the basis for all of this," says Aulitzky. "It's a typically American way of reaching out—people to people rather than institution to institution."

—Fred Hift

COPENHAGEN

BREAKING IN

Six out of the thirteen who escaped from the supposedly high security prison of Vridloeselle just outside of Copenhagen were caught within the week. But it was only a mild compensation for the humiliation suffered by the Danish prison authorities when an earth-mover weighing 26 tons literally broke into the prison, demolishing the main wall and providing some of the inmates with an unexpected window of opportunity. Even though the escapees were hardened criminals, there was an element of Bonnie and Clyde in the popular reaction to the event.

Escapes are commonplace in Danish prisons, but this was by far the largest in prison history. Furthermore, the escape was videotaped by a small Copenhagen television station, TV-stop, earning the station instant national and international fame and a tidy sum of money for footage screened worldwide. The police were skeptical of the claim by the station that it had acted on an anonymous call, but Danish law does not require citizens to turn in fugitives, unless they are committing very serious new crimes.

It was obvious that some of the escaped prisoners were expecting spectacular help from the outside. The organizational and financial capacity required to breach the prison walls initially prompted speculation that drug dealers had come to the assistance of imprisoned colleagues, while others noted that the PKK, a strongly left-wing Kurdish organization, has a tradition of helping its members out of prison. Proof of either theory was not immediately available, but the plight of the prison authorities started a nationwide debate on the security of prisons and sanctions against those who escape and are caught again.

Politicians were not prepared to invest large sums of new money in strengthening the physical security of prisons, much less allow the recruitment of a large number of new prison wardens. Some warned that such an investment would be counterproductive, as it may merely escalate the amount of vio-

lence employed in helping people out of prison. Others noted that it is a key element of rehabilitation in the Danish penal system that prisons should not be completely closed off from society. In fact, a fairly large number of prisoners—including murderers—stay in open prisons, without any kind of enclosure, for the final part of their sentences. This practice is seen as a means to facilitate the transition from prison life to a normal way of life. But even prisoners in traditional prisons are allowed weekend leave and other temporary absences, from the jail fairly early in their period of incarceration. This latter group finds it easy to escape, as they are usually accompanied only by a single prison warden.

Sanctions against recaptured prisoners are virtually nonexistent. This situation may soon change, as politicians are considering lengthening sentences, delaying parole, and withdrawing privileges of prisoners who attempt to escape. But by international standards Danish prisons are likely to remain humane, critics say very soft, institutions. And they are likely to remain fairly easy places to leave.

—Leif Beck Fallesen

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 p 22: F. de Malglaive/Gamma Liaison
 p 23: Gabe Palmer/The Stock Market
 p 24: Sipa
 p 26–27: David Lawrence/The Stock
 Market
 p 28–29: Robert Harding Picture
 Library
 p 30 top: Hussain Stephane/Gamma
 Liaison
 p 30 bottom: Adam Woolfitt/Robert
 Harding Picture Library
 p 31: Jeanelta Baker/Leo de Wys, Inc.
 p 32: Claridge's
 p 34: Netherlands Board of Tourism
 p 36: J. Pavlovsky/Syigma
 p 38: Jean Marc Mansoor
 p 40: AP/Wide World Photos
 p 42: Finnish Board of Tourism
 p 43: Universal Pictorial Press/
 Photoreporters
 p 45: Syigma

ARTS & LEISURE

LEISURE

The British Are Coming!

The British are coming! The British are coming! And they're bringing with them the Cat in the Hat, Popeye, and the incredible Hulk.

The British invasion is all part of a multi-billion dollar theme park and resort complex being built in Orlando, Florida by Britain's Rank Organization and Seagram's MCA Inc. The two companies already own equal shares of Universal Studios, Florida, a popular movie studio and theme park in Orlando. The new complex, called Universal City Florida, will be built on adjoining land.

The Rank Organization, based in London, operates leisure and entertainment facilities in the UK and elsewhere, including the US, and also supplies products and services to the world's film and television industries. Seagram's, a Canadian company with headquarters in New York, recently purchased 80 percent of MCA, a US company and wholly owned subsidiary of Matsushita Electric and Industrial Co.

So, what do such financial types want with roller coasters and thrill rides? Hey, there's a little kid in all of us. The only difference is, when these kids play, they *really* play. Here's what they've got planned for Universal City, Florida:

- A second theme park (to be built next to Universal Studios, Florida) called Universal's Islands of Adventure, featuring five individually themed

islands with creative input supplied by producer-director Steven Spielberg. The islands will include Jurassic Park; Seuss Landing, based on Dr. Seuss characters; Marvel Comics superheroes, including Spiderman and the X-men; and Popeye and his fellow "Sweethaven" cartoon residents, Olive Oyl, Brutus, and Wimpy. Many of these characters are popular in Europe; Popeye, for example, has his own successful apparel and gift ware line, and stars in television commercials.

- A 12-acre nighttime entertainment and retail shopping complex with live music, dance, and comedy, theme shops, cafes, and restaurants.

- State-of-the-art convention and meeting facilities totaling more than 300,000 square feet.

- Five individually themed hotels with more than 4,300 guest rooms.

- An 18-hole PGA golf course set amid a 300-unit golf villa community.

- A championship tennis facility featuring a center

court stadium with tournament seating.

- Additional motion picture and television production sound stages and post-production facilities.

The cost for all this fun? A mere \$2 billion. Admission tickets should be a lot more reasonable, however, so start saving those pennies. Universal City Florida will open in the summer of 1999.

—*Elisabeth Farrell*

BOOKS

The Path to Power

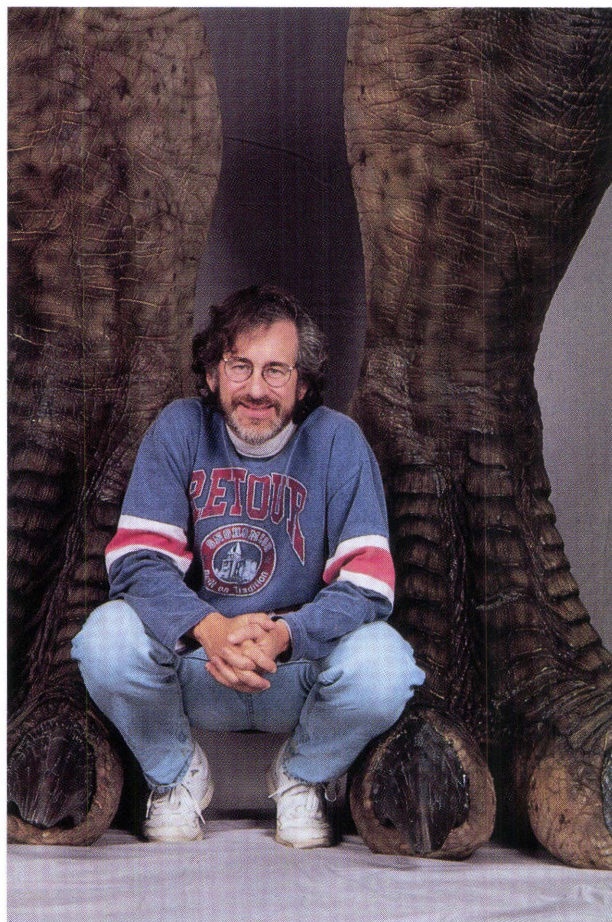
By Margaret Thatcher; Harper Collins; 656 pages; \$30

The cover photograph, in nostalgic sepia, of Margaret Thatcher as a young matron demurely clad in lace and pearls, suggests that this is a gentle book of memoirs, washed in childhood memories. And so it is, a bid to flesh out her constant claims in office that a childhood in a grocery shop is a sound training in how to run an advanced industrial economy.

But the life story of Thatcher, the girl, the Oxford student, the young wife and mother, the Conservative member of Parliament, and then the junior minister, is a little thin even for her most devoted fans. The book concludes with four thundering chapters which define her uncompleted project.

There is Thatcher as de Gaulle, planning her new *Europe des Patries*. There is Thatcher as Pat Buchanan with her new cultural war to defend the family by destroying the welfare state. There is

Steven Spielberg has collaborated with the British Rank Organization to create Universal's Islands of Adventure.



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Thatcher as Newt Gingrich, with an economic policy that dismantles government and frees the animal spirits of the entrepreneurs. And there is Thatcher as Kissinger, defining a conservative foreign policy to challenge the new world disorder.

But all that makes up too modest an agenda for the Iron Lady. Never one to let an opportunity pass for the exercise of her will to power, Margaret Thatcher uses this second volume of her memoirs as a bludgeon to belabor the successor she sees as an unworthy heir to her legacy. The simmering revolt against John Major on the Conservative back benches was made to boil over by this book, and the interviews Lady Thatcher gave to launch it in Britain.

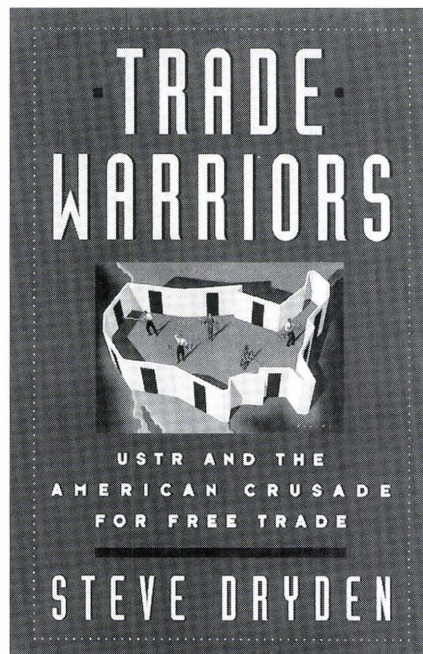
Provoking John Major into a battle of survival, this remains Thatcher's war, taking place on her chosen ground of Europe and launched to her timing as an act of revenge against the man she promoted and brought on as her chosen successor in 1990.

"I was turned out because I said to Europe, No, No, No. That No-No-No was turned into Yes-Yes," she announced, deliberately inflaming the anti-Europe Tories. Then she widened her critique: "John Major fought the last election on policies I agreed with—low taxation and more incentives for those who work hard and look after their families. That hasn't been quite how it turned out.... The special relationship with the United States has been allowed to cool to near freezing point."

A far better, more readable and more revealing book than her first volume of Downing Street memoirs, this will be remembered mainly as her work of revenge against her successor. And one historical footnote which the lady fails to provide. She recalls her first visit

to the US in 1967 on the State Department's leadership program, but omits that the charming young congressman who invited her home to dinner to meet the family was George Bush. How odd that she fails to mention it.

—Martin Walker



Trade Warriors: USTR and the American Crusade for Free Trade

By Steve Dryden; Oxford University Press; 452 pages; \$30

Like the fine French wines that over the years Washington threatened with retaliatory quotas or tariffs, US trade policy takes a long time to reach maturity. This is true in two ways. Ideas first floated in the early 1970s—on the need for antitrust laws to be woven into the global trade regime, for example—are just now becoming officially enshrined as the basis for a post-Uruguay Round agenda of negotiations. But also, it has taken the US the better part of the 33-year lifetime of the Office of the United States Trade Representative (USTR) to arrive at a balanced, consistent, and reasonably predictable set of

trade policy principles.

That some patience has been needed to construct a viable US trade policy is an important message of Steve Dryden's *Trade Warriors: USTR and the American Crusade for Free Trade*. Dryden, a former correspondent for the

International Herald Tribune and *Business Week*, has plumbed presidential archives and interviewed all the major players to write this definitive account of USTR's birth and subsequent development. Although Dryden affects a breezy, insider's style, the book repays careful reading through the insights it provides into America's curious love-hate relationship with free trade.

Part of the reason a sound trade policy has been so hard to construct is

that while free trade is accepted by most Americans as a long-term ideal, in the short term being part of a globalized economy can cause pain. The workings of comparative advantage, whereby richer countries make computers and poorer ones shoes, means that some American shoe workers will end up without a job. Moreover, sometimes foreign countries (but also the US) do things that break the rules of free trade—subsidies, cartels, et al.—provoking calls for equally harmful retaliatory actions by US trade enforcers.

As Dryden points out, all US presidents have come into office as strong free traders but have ended up being "tough" on foreign competitors. The influence of Congress has been key. While USTR started out as an elite preserve of the presi-

dent, it has become more and more responsive to the concerns of Congress, whose members are pressured by factory workers or owners facing "unfair" competition from abroad. USTR has evolved from a preacher of the free trade gospel to a broker balancing the interests of different constituencies—business, labor, consumers, and others.

Trade policy is hardly a partisan political issue, though. President Kennedy, a Democrat, created the trade representative post and initiated the path breaking Kennedy Round of trade talks, but another Democrat, President Clinton, not long ago threatened Tokyo with sanctions on their luxury car exports. (Of course it was the same Clinton who presided over the passage of NAFTA and the GATT Uruguay Round agreement). Dryden reminds us that President Reagan, elected on a platform of free markets and free trade, left office with a quarter of US imports affected by restrictions, double the number when he was inaugurated.

What about US-European trade relations? Dryden cites Clayton Yeutter, President Reagan's trade representative, who summed up the Europeans this way: "They're friends, we hope...they're NATO allies, and they're great countries, and we love them, and we've got a lot of trade between them. So we're always going to have a lot of conflicts and controversies." This has been and most likely always will be the case, unless the US and European Union decide to embark on the ambitious path of a Transatlantic Free Trade Agreement (TAFTA). In which case, USTR would return to its founding mission—to negotiate reductions in trade barriers with the then newly created Common Market.

—Peter Rashish

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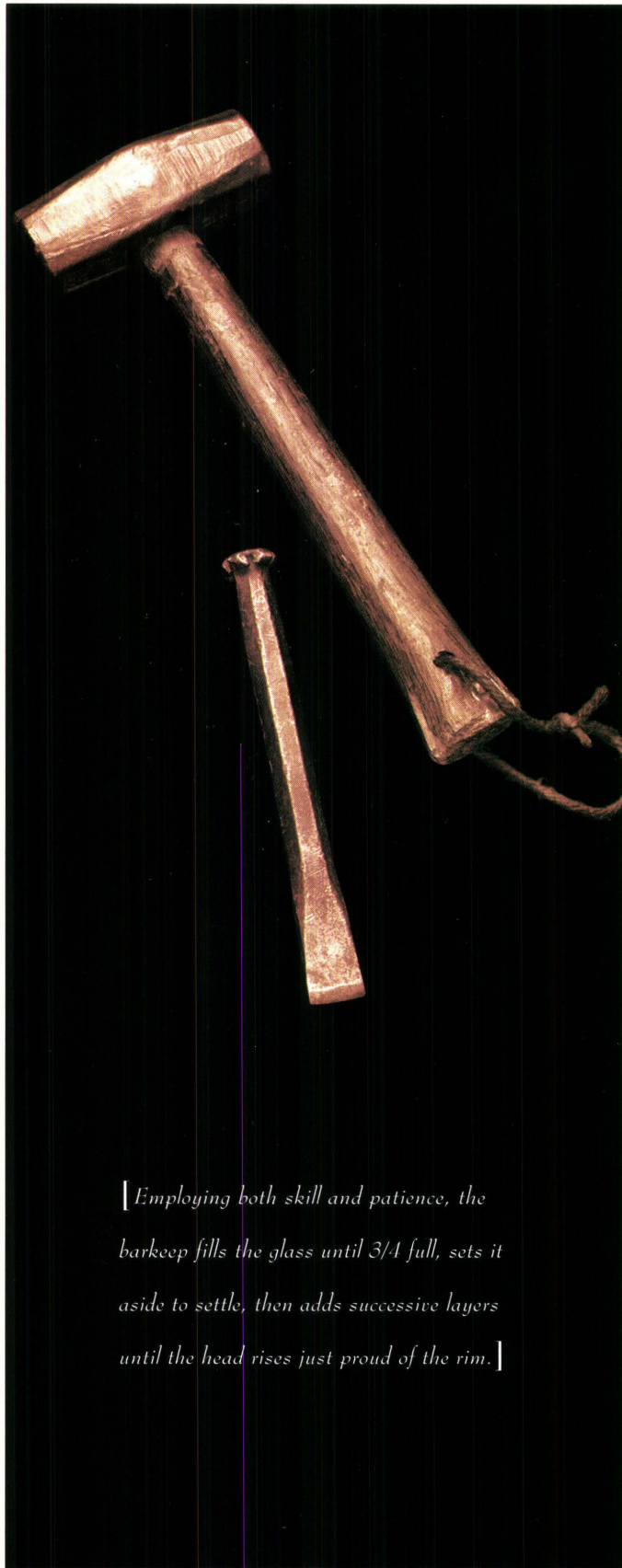
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