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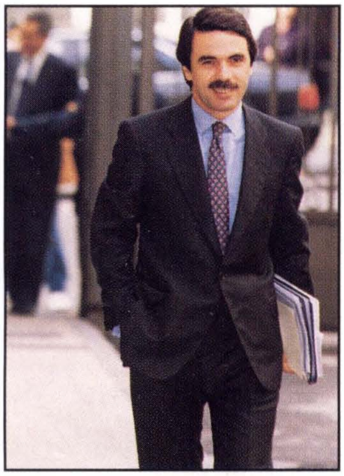

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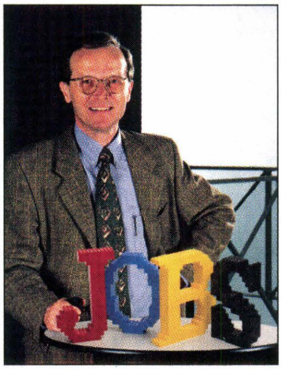
Letter from the Editor

Although they may not be household names like Bill Gates, Europe has its share of entrepreneurs who are successfully building companies and creating jobs not only in Europe but across the world.

Kjeld Kirk Kristiansen, chairman of Lego, Europe's biggest toymaker, is planning a chain of theme parks around the world, including the United States, which will provide many new jobs.

Richard Branson, the brash chairman of Virgin Air and Virgin Records, is expanding his business empire across the globe with new record stores in New York and with the expansion of Virgin Air to Washington, DC.



European entrepreneurs are creating jobs at home and abroad.

As Bruce Barnard writes in his article on Europe's emerging entrepreneurs, an astonishing success story is "how 42 year old Jorma Ollila turned around Nokia from a clumsy unprofitable maker of everything from steel cables to television sets into the world's second largest manufacturer of mobile phones."

From Bertelsmann to Body Shop to Benetton, Europe's entrepreneurs are creating jobs. However, as positive as these European entrepreneurs are in creating new jobs, the more negative news is the fact that Europe still has nearly 18 million jobless people. The EU has "named unemployment public enemy number one."

This month Capitals writers present articles on innovative ways Europeans are creating jobs in their respective countries. From the internet to pizza delivery to banking by phone, the ideas range from the industrious to the ingenious across the 15 EU countries.

Spain has one of the largest unemployment figures in the EU. Benjamin Jones, writing from Madrid, looks at what the new conservative government of Jose Maria Aznar is doing to provide more jobs for his fellow Spaniards. *EUROPE* presents profiles of Prime Minister Aznar and his foreign minister, Abel Matutes, a former European commissioner.

Many people consider former European Commission President Jacques Delors to be "Mr. Europe." Lionel Barber profiles Delors' many accomplishments during his 10 year tenure at the helm of the EC. Delors also presents his views on the future of Europe and discusses his role in shaping its destiny.

I am saddened to report that Fred Hift, a regular contributor to *EUROPE,* passed away this summer. Fred, who lived a long and full life, was always enthusiastic about his writing assignments and about life overall. A native of Austria, he was a true gentleman and a friend, who will be greatly missed.

Robert J Guttman

Robert J. Guttman
Editor-in-Chief

EUROPE

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

EYE ON THE EU

Profiling Personalities and Developments Within the European Union

For the past two years the presidency of the Council of Ministers of the European Union has been held by a succession of large member states—Germany, France, Spain, and Italy. In July one of the smaller states—Ireland—took over the helm, but nobody was at all concerned that the considerable burden involved would be beyond the skill and resources of a country whose population is fewer than 4 million.

This is Ireland's fifth presidency, and its track record is impressive. Backed by a public opinion which is one of the most positive in the Union and bolstered by a booming economy (6 percent growth rate this year), the Irish government is determined to pull out all the stops during its six months in charge. Leading the effort in Brussels is Dennis O'Leary, a soft-spoken but highly experienced permanent representative.

In July one of the smaller states—Ireland—took over the helm, but nobody was at all concerned that the considerable burden involved would be beyond the skill and resources of a country whose population is fewer than 4 million.

A 54 year old Cork man, O'Leary has spent more than half his 32 years as a diplomat working on European affairs. During his first foreign posting, in Stockholm in 1965, he met his wife Susanne Lagerlöf, a distant cousin of the Swedish novelist and Nobel prize winner Selma Lagerlöf. Their two sons are now working respectively as an architect in Dublin and for the EU's Eurydice (European Network in Education) program in Brussels, while their 15 year old daughter is at school in Ireland.

O'Leary is quick to emphasize that the presidency is very much a team effort led by Irish Prime Minister John Bruton, who will preside over two Dublin summits (in October and December), and by Foreign Minister Dick Spring, who will head the General Affairs Council. The staff of the Irish permanent representation has been increased from about 60 to nearly 100 to meet the increased workload, which will include having to chair no fewer than 250 committees.

O'Leary's main continuing task during the six months is to preside over COREPER, the influential committee of permanent representatives, whose task it is to pre-cook all the business on the agenda of perhaps 40 Council meetings during the six months. His role will be to wheedle and cajole 15 national representatives to accept compromises for the sake of the general interest.

O'Leary is relieved that his government has not asked him to double up as chairman of the working group steering the intergovernmental conference to amend the Maastricht Treaty. This role has been entrusted to Noel Dorr, who retired last year as secretary-general of the Irish foreign ministry. Nevertheless, the carrying forward of the IGC is one of the main features of the presidency, and the desire was expressed at the June summit in Florence that outline conclusions would be ready for consideration by December. Given the attitude of the British government, this is likely to prove a pious hope, as O'Leary hinted when he quoted Prime Minister Bruton as saying at the Florence summit in June that European leaders had handed Ireland "quite an impressive list of things they do not agree about."

O'Leary also thinks that Ireland has been handed "much of the heavy lifting" in preparation for the start of Economic and Monetary Union (EMU) in 1999. Three important issues need to be settled within the coming months. The first is the relationship between currencies which have entered the euro area and those which, temporarily at least, have remained outside. The second is the manner in which fiscal discipline should be maintained within EMU and the third is the legal status of the euro.

What are the other priorities of the Irish presidency? O'Leary spelled them out in a recent lecture. They include:

- unemployment—giving a second wind to the Essen employment strategy agreed on two years ago, which does not yet seem to have borne much fruit.
- drug trafficking and abuse—getting the Community Action Program on the Prevention of Drug Dependency up and running.
- enlargement, helping the candidate countries in Eastern and southern Europe to prepare for membership.
- single market, in particular informing citizens of their rights in the single market.
- external relations—a long and important list, including the Bosnian and Middle East peace processes; the EU-Russia Action Plan; preparations for the WTO ministerial conference in December; reaching new agreements with South Africa and Australia; following up the Euro-Mediterranean Process launched in Barcelona last November; and beginning a dialogue with the Organization for African Unity.

When I interviewed the Irish Permrep in July, I asked him what his hobbies were. "Jogging, gardening, and do-it-yourself," he replied. These suggested to me stamina, patience, and adaptability—not a bad formula for coping with the exigencies of an EU presidency.

—Dick Leonard

NEW JOB NET-WORKING

Double-digit unemployment in European countries means job-seekers need every tool they can find to aid their job search. The Internet is one tool that both seasoned professionals and recent graduates can use much the same way they could scan classified ads, pore over research materials, and even network with colleagues.

Job listings are among the most straightforward means of using the Net during an employment search. Several Web sites are specifically geared toward jobs in Europe and are broken down by country and profession.

One such site, Eurojobs (www.demon.co.uk/Eurojobs/), lists opportunities in finance, health care, management, sales, and information technology. Each entry provides slightly more background than a standard classified ad: brief history of the company, along with salaries and qualities sought in an applicant. Eurojobs claims to update the offerings daily and will allow a job-seeker to e-mail a resumé or CV directly to a company listed. Or one can send a CV to Eurojobs and the company will look for suitable job openings. The services are free to the applicants and the companies.

Similar sites worth checking out include Top Jobs on the Net (www.topjobs.co.uk/), European Business Center (www.imaginet.fr/~euromktg/eurobus.html), and, for French speakers, European Job Emporium (emporium.turnpike.net/~viredit/emploi).

These sites tend to comprise large companies and high-tech fields. When looking for smaller companies and less technical fields, the usefulness of the Internet is less predictable. For more offbeat listings, check trade or professional associations for Web sites that might include job announcements. Universities, especially those with graduate-level programs in the desired career, are also worth checking.

Lastly, try some virtual networking. Several on-line services, such as America OnLine and CompuServe, have set up discussion groups geared toward specific topics. Usenet, which is available through commercial services and on the Internet, also contains a discussion forum called newsgroups. Anyone can join a discussion by posting a message or responding to another user's message.

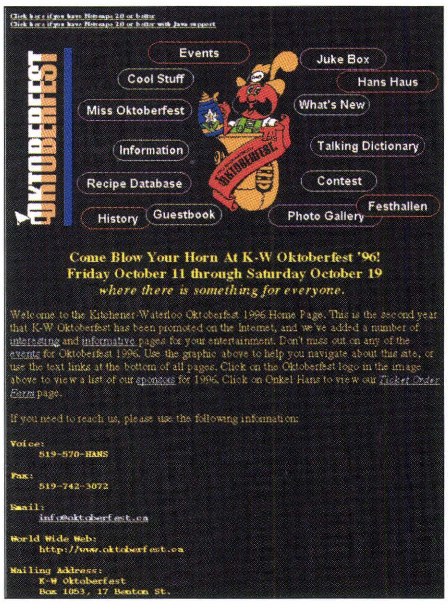
As a part of a job search, you can ask others to let you know about any openings and post your resumé along with your request. Or you can join a career-related discussion in which you might make valuable contacts. A political junkie might scan the messages in alt.politics or a journalist at alt.journalism.

Discussion groups do, however, have some drawbacks. Information obtained through a discussion group should be verified elsewhere. Many of those who participate want nothing more than the collegial exchange of ideas, but your newest virtual "colleague" could wind up being a creative 12 year old.

SITE OF THE MONTH: OKTOBERFEST

Beer and Bavarian hospitality will be flowing in Munich this month as the city celebrates its 163rd Oktoberfest with parades, music, and plenty of food and drink.

The Munich tourist office gives a sampling of the offerings at this year's festival, which will be held September 21 to October 6, through its site on the Web (www.munich-tourist.de/english/ o.html).



Come Blow Your Horn At K-W Oktoberfest '96!
Friday October 11 through Saturday October 19
where there is something for everyone.

Welcome to the Kitchener-Waterloo Oktoberfest 1996 Home Page. This is the second year that K-W Oktoberfest has been promoted on the Internet, and we've added a number of interesting and informative pages for your entertainment. Don't miss out on any of the events for Oktoberfest 1996. Use the graphic above to help you navigate about this site, or use the text links at the bottom of all pages. Click on the Oktoberfest logo in the image above to view a list of our sponsors for 1996. Click on Onkel Hans to view our *Ticket Order Form* page.

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http://www.oktoberfest.ca

Mailing Address:
K-W Oktoberfest
Box 1053, 17 Benton St.

Check out Oktoberfest celebrations both near (Cincinnati) and far (Munich) via the internet.

The site includes a bit of history on the event, which evolved out of the October 1810 wedding celebration of Crown Prince Ludwig and Princess Theresa Saxony-Hildburghausen.

If you can't make it to Germany this fall but want to soak up some Bavarian atmosphere, tap into the Web for two festivals closer to home. Oktoberfest-Zinzinnati is a smaller-scale re-creation held September 21–22 in Cincinnati, Ohio, (www.gccc.com/oktofest/okfest.htm). *Prost!*

HOME DELIVERY

Getting a favorite European newspaper delivered to your doorstep in the United States often means a sizable investment for days old news. But home delivery has become a lot more attractive thanks to the World Wide Web. Dozens of European papers have set up shop on the Web, and one magazine's home page has simplified the process of finding Web sites of daily newspapers from small towns to big cities.

Editor & Publisher, a weekly trade magazine for print media, has been keeping tabs on newspapers worldwide since April with a searchable database (www.mediainfo.com/ephone/npaper/nphtm/online.htm).

E&P Interactive has more than 1,300 links to newspapers worldwide on the Web, with about 16 percent of those from Europe. About 100 others are accessible via paid on-line services. The list has been growing so quickly that E&P has limited its foreign listings to daily papers, while featuring both daily and weekly US newspapers.

—*Christina Barron*

ADVERTISEMENT

SPAIN | BEYOND THE STEREOTYPES

A series of unique trade and cultural missions is showing Americans how much more Spain has to offer besides bullfighting and flamenco dancing. Before the end of 1996, they will bring such novelties to the US as a one-ton statue of Don Quixote, Manchego cheese and some of the world's finest slate.

The missions are organized by the Association of Enterprises and Industries of Spain (AEIS), the Washington DC office of the Confederacíon Española de Organizaciones Empresariales (CEOE) an institution representing more than one million independent Spanish employers.

"This is a unique effort in the North American market to show the diversity and richness of the different regions and provinces of Spain," stated the director of AEIS/CEOE, Jesús Pindado. "Our intent is to display contrasting images of Spain that do not conform to stereotypes, in order to foster bilateral trade and intensify business in Spain."

Two more missions are scheduled this year. The first, from the Spanish province of Ciudad Real, will take place September 23–27. As part of the visit, a statue of the region's literary hero Don Quixote will be erected in the new Iberoamerican Plaza in Philadelphia, and Americans will have the chance to sample the province's celebrated Manchego wine and cheese.

In late October, a delegation from the Galician province of Orense in northern Spain will follow, with representatives from the mining and agricultural sectors, as well as from the reputed Technological Park of Galicia.

The eight missions which preceded these two have already given numerous Spanish businesses the opportunity to explore the American market firsthand and make business contacts in the United States.

But the AEIS does not just work in one direction. It also assists American companies who wish to enter the Spanish market. "I firmly believe that Spain is an ideal gateway for American businesses to the European market," stated Pindado. "Consequently, the Association aims to increase access to the Spanish and European market for American companies."

THE ASSOCIATION OF ENTERPRISES AND INDUSTRIES OF SPAIN

ÆIS

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The Association of Enterprises and Industries of Spain (AEIS) promotes trade between the United States and Spain. Toward this end, we arrange meetings between business delegations from both countries. AEIS/CEOE strives to help American businesses enter and prosper in the Spanish market. Through seminars, meetings and expositions, the delegations investigate opportunities by establishing business contacts and exchanging vital information on bilateral marketing. Participants in AEIS trade shows are able to attend lectures by prominent speakers from government, business and universities.

September 23-28, 1996
Trade Mission

Doorway To The Industries, Culture and Arts of Spain's "Royal City" In The Region of Castilla-La Mancha

Ciudad Real

celebrating the land of Don Quixote with meals and tastings, art exhibitions, lectures, seminars, meetings and other networking events

Washington DC, Monday, Sept 23
Baltimore MD, Tuesday, Sept 24
Philadelphia PA, Wednesday, Sept 25
Bridgeport CT, Thurs & Fri, Sept 26 & 27
New York City, Saturday, Sept 28

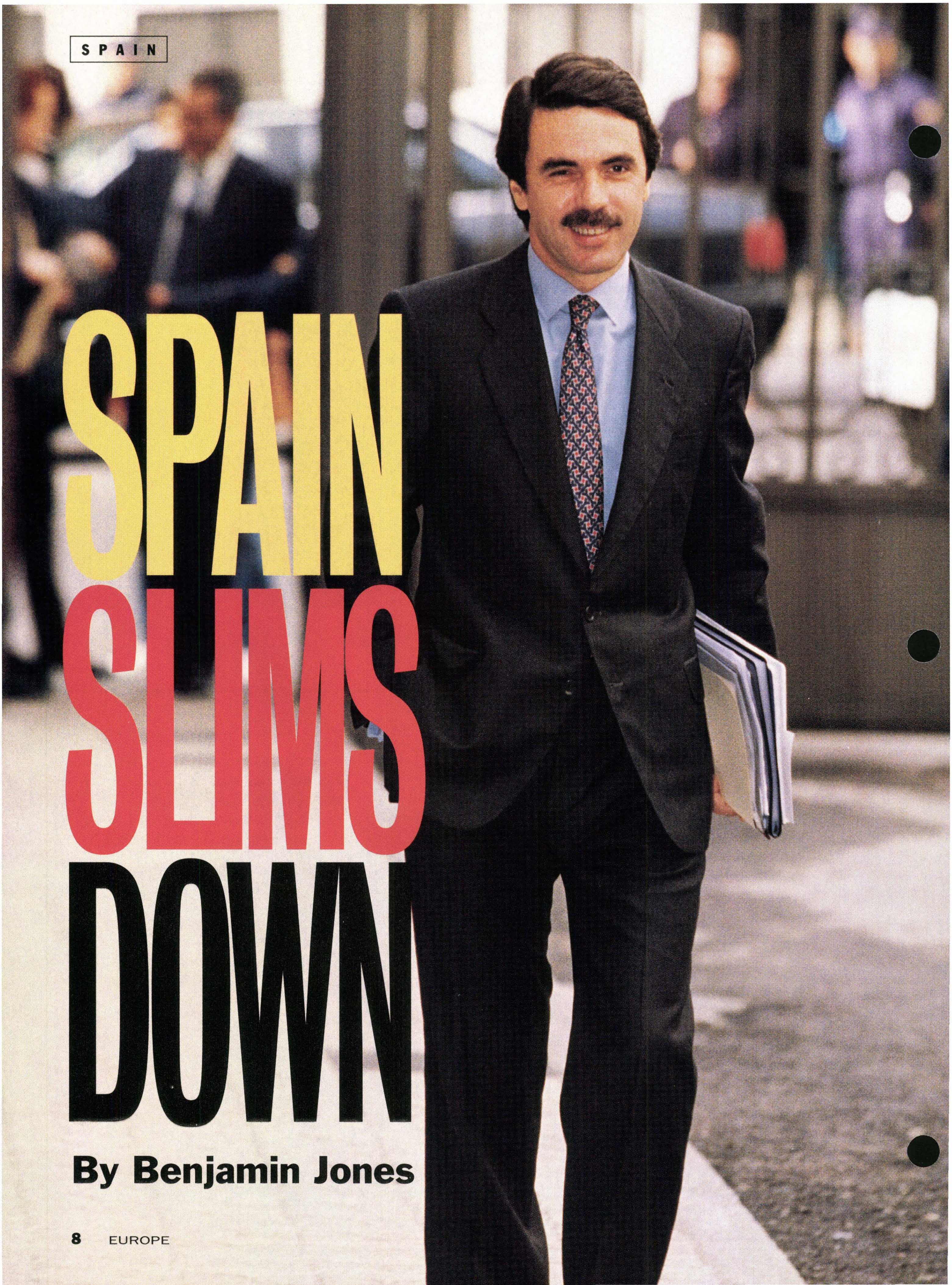
October 28-November 1, 1996
Trade Mission

BRIDGING THE COMMERCIAL & CULTURAL FUTURE OF

ORENSE

featuring gastronomical events, art exhibitions, lectures and meetings celebrating the province of Orense, Galicia, Spain

Richmond VA, Monday, October 28
Washington DC, Tuesday, October 29
Wilmington DE, Tuesday, October 29
New Orleans LA, Wed & Thurs, October 30 & 31
Newark NJ/NYC, Friday, Nov 1



SPAIN SLIMS DOWN

By Benjamin Jones

AZNAR PROMISES TO TRIM SPENDING

FOR A WHILE there it didn't look as if Jose Maria Aznar would get to become prime minister. Although his conservative Popular Party (PP) had won the March 3 elections to put an end to more than 13 years of Socialist rule in Spain, it only garnered 156 seats, not enough to form a working majority in the 350-seat Parliament.

So the horse trading began. A prime candidate for one of the PP's partners were the Catalan nationalists grouped in the Convergence and Unity (CiU) coalition, which had won 16 seats. Aznar's strategists reckoned they could get other regional parties to align with them to come up with the magic number of 20 seats which Aznar needed for a majority.

And the Catalans shared the pro-business, anti-tax philosophy of the PP, as well as a desire to remain firmly in Europe. One would think at first glance, the CiU was just the party to come in with the conservatives, but then there was the issue of nationalism.

CiU leader and Catalan regional president Jordi Pujol is a passionate defender of all things Catalan, whether it's the distinct language spoken in that corner of Spain, the unique culture, or Catalonia's ability to attract foreign investment.

Pujol, a small, round polyglot and wily politician, spent two years in jail for his nationalist activism in Franco's time, and some politicians on the right wing of the Popular Party, which advocates a firm central

Jose Maria Aznar's appointment as prime minister ended 13 years of Socialist rule in Spain. Now he is intent on delivering a slimmer more efficient government.

Prime Minister Jose Maria Aznar

When Jose Maria Aznar finally moved into Moncloa Palace, the residence of Spanish prime ministers located just outside the capital, it was something he had been preparing for almost all his life.

"When Jose was a little boy, he wanted to be a bullfighter," his mother, Elvira, recalls. "Then it was a soccer player. And a couple of years later, when asked what he wanted to be when he grew up, he would answer, the prime minister.

Aznar, 43, the son of a journalist and grandson of a diplomat, grew up in the wealthy and conservative Madrid neighborhood of Salamanca. He is married to Ana Botella and has three children.

After graduating from law school, he worked as a tax lawyer before entering politics, joining the conservative Popular Alliance (the forerunner of the Popular Party) in 1978.

Four years later, in the same election which brought Felipe Gonzalez to power, Aznar was elected a parliamentary deputy for the city of Avila.

After drubbings by voters who viewed the conservatives as throwbacks to the Franco era, party leaders drafted the young Aznar as a candidate in the 1989 general elections, hoping he would appeal to Spain's growing middle class.

But the Popular Party lost again to Gonzalez' Socialists and had to wait another four years, until 1993, to have another crack at the premiership.

Growing scandals and economic recession were weakening the Socialists, and the Popular Party smelled blood. But in his campaign, Gonzalez managed to once again raise the specter of Francoism, and the Socialists squeaked through to victory, although they failed to win a working parliamentary majority.

By the time this year's elections rolled around, Aznar had managed to soften the image of his party by promoting younger leaders and moving it to the center.

This strategy, along with even more scandals besieging the Socialists and a feeling among the electorate that 14 years of one party was long enough, finally put Aznar into Moncloa Palace.

—Benjamin Jones

government, detest him.

Indeed, on election night as the PP supporters gathered in the streets outside the party headquarters to swill hard cider and cheer their victory, a crude chant went up: *"Pujol, enano, habla Castillano."* ("Pujol, you dwarf, speak Spanish").

Not the most auspicious of beginnings for a political alliance, but days after the election negotiators from both parties sat down to hammer out an agreement and from the first, it proved difficult.

"The situation is very complicated," admitted a member of the Catalan team, which Pujol himself, now dubbed "the Kingmaker" by the Spanish press, told reporters that new elections in the summer "could not be entirely ruled out" if the talks collapsed.

But over the following two months of hard bargaining, as the financial markets nervously watched from the sidelines, the Catalans and the conservatives found some common ground, and the CiU managed to have many of its demands satisfied.

At the end of the talks, Catalonia and Spain's other regions had won greater control over taxation; policies governing ports, land use, and coastal administration; job training; and other administrative matters. They will also now have more of a role in determining how European Union funds are spent. On a national level, Aznar agreed to halt compulsory military service and create a professional army. Meanwhile, a Basque regional party controlling five seats had agreed to a deal with the PP as had a Canary Islands group with four parliamentary deputies, giving Aznar more than enough to form a government.

Adhering to his campaign promise to trim government, the new prime minister appointed a 14 member cabinet, the smallest in the last 20 years. "This is a government with a deep sense of reform," he said when presenting the new ministers, four of whom are women, the highest number ever in a Spanish cabinet.

Abel Matutes, a businessman and former member of the European Commission, was named foreign minister. Rodrigo Rato, a University of California graduate and the PP's point man in the negotiations with the Catalans, was given the economy and finance portfolio. For the defense post Aznar picked Eduardo Serra, a previous deputy defense minister and the head of a mobile telephone company.

Immediately they got down to work, with one of their main tasks to cut spending so that Spain could meet the convergence criteria for European Monetary Union. But in press interviews, Matutes warned Spain might not be able to meet those goals. "The ways things are going, we won't make it in time," Matutes said. "Extra effort will be needed, and even then it won't be easy."

The foreign minister went on to suggest "the EMU clock might have to be stopped" so Spain and other countries could have time to get their economic houses in order.

Aznar and Rato disagreed, saying that if the economic reforms and cuts they were planning worked, Spain could, in the words of the economy minister "have a good chance to be in a positive negotiating position" for EMU membership.

It won't be easy. The Aznar administration inherited $360 billion of government debt and a swollen public sector. The country also suffers from a 23 percent unemployment rate and in 1995 had a GDP deficit of 5.8 percent.

Government economists predict that will fall to 4.4 percent this year and forecast 3 percent in 1997, to be in line with the EMU requirement. With these figures in mind, the government immediately set out to slash government outlays and boost growth through a series of reforms.

Just 10 days after taking office, Rato announced $1.6 billion in spending cuts for the rest of this year, affecting all ministries, and the government put on the block hundreds of millions of dollars of outdated and unused military facilities and property.

A further set of reforms followed involving tax cuts, getting rid of price controls on fuel, promoting tax incentives, removing restrictions on building, privatization, and other measures aimed at helping businesses. In July, the government said more wide-ranging fiscal austerity schemes would be included in the tough 1997 budget and Pujol promised to back the plan. "It is going to be a restrictive budget...we'll have to support budget measures that aren't going to be easy," he said.

Benjamin Jones is EUROPE's *Madrid correspondent.*

Foreign Minister Abel Matutes

Just weeks after being appointed Spanish foreign minister, Abel Matutes was already involved in spats with two key allies. The new chief diplomat first riled the British by threatening to close the border with Gibraltar and then raised eyebrows in Washington by strongly criticizing the Helms-Burton law which hinders trade with Cuba.

Hopefully, time on the job will mellow Matutes, 54, a veteran conservative politician from the Mediterranean island of Ibiza, where he and his family have extensive interests in banking, tourism, aviation, and biotechnology.

Matutes was sent to Brussels by the previous Socialist government where he served the European Commission in various capacities, overseeing small and medium businesses, North-South relations, ties with Latin American and Asian countries, credit and investment, and others.

Several years ago, he was elected to the European Parliament on the Popular Party ticket and was the group's spokesman in Strasbourg.

On his appointment, Matutes said he was chosen by Aznar to head the foreign ministry because he "inspired confidence and thanks to my experience at the European Commission."

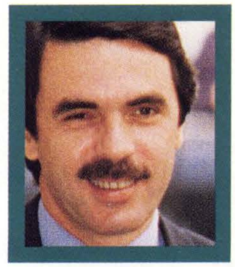
He also says there are no big changes in store concerning Spanish foreign policy, but Matutes does plan, as he put it, "to better defend Spain's economic interests within the European Union." ***—Benjamin Jones***

Spain Searches for Jobs

With unemployment in Spain at almost 23 percent of the working population, or twice the average in the rest of the EU, it was no surprise joblessness became the main issue in the campaign leading up to the March elections. And now that he's prime minister, Jose Maria Aznar has to make his promised solutions work.

BY BENJAMIN JONES

"AN AGREEMENT WITH EVERYONE ON EMPLOYMENT IS ABSOLUTELY ESSENTIAL... I'M GOING TO USE ALL THE TIME NECESSARY IN ORDER TO ACHIEVE IT."



Out on the hustings, Aznar pledged that economic reforms such as slashing government spending, freeing financial services, and cutting business taxes would trigger growth and create jobs. But at the same time, he reassured voters protective of the benefits brought by more than 13 years of Socialist rule that no one would touch their pensions or reduce other social programs.

Investors in the Madrid Bolsa, Spain's most active stock exchange, are anxiously waiting to see how the Aznar government's policies will affect the Spanish economy.

Now in office, the Aznar administration is moving forward on measures designed to boost the economy, as well as opening talks with business leaders and unions on drawing up some kind of German-style job pact, another campaign promise.

According to the administration, the accord between the government, business federations, and the unions would limit salary raises and create jobs.

"An agreement with everyone on employment is absolutely essential," Aznar said in a newspaper interview before beginning the negotiations in mid-May.

"I'm going to use all the time necessary in order to achieve it. Business is the engine of the economy (and) in Spain a culture of business must be established."

The talks, however, did not go well.

Jose Maria Cuevas, the head of the CEOE business organization, told Aznar that he wanted easier procedures regarding layoffs, less rigid labor contracts, and for the government to take another look at collective bargaining.

The unions oppose all these measures and when they met with Aznar, their leaders, already nervous over the government's announced privatization plans and spending cuts, urged him not to unilaterally reform the labor laws.

But Aznar is keen to carry out further labor reforms, the first of which were enacted by the former Socialist government despite howls of protest from its erstwhile allies on the left and in the labor union.

For years, Spanish legislation on the hiring and firing of workers was considered perhaps the most restrictive in Europe and made sacking employees prohibitively expensive.

As an example, workers who were fired or laid off were entitled to more than a month's salary for every year they had worked, to be paid by the former employer.

The Socialists, fearing that foreign multinationals would avoid investing in Spain if it cost so much to sack employees, reduced the compensation package.

At the same time, the reforms ditched such time-honored concepts as employment for life, opening up the market to newfangled ideas like temporary jobs.

One sign of this change is the brand-new office of the international temporary employment firm Manpower, which has just opened in central Madrid, right down the street from the national headquarters of Aznar's Popular Party. Ⓔ

telepizza delivers jobs

Experts say that providing entry level jobs for young people is a key step in any government's plan to tackle unemployment. In a country like Spain, which suffers nearly a 23 percent jobless rate, the European Union's highest, it can be a real challenge.

Telepizza and other fast-food restaurants are creating much needed jobs for Spain's young people.

One industry, though, is doing just that. The relatively new and rapidly growing fast-food sector is employing thousands of youths who are learning skills and acquiring solid work habits that will stand them in good stead later in life.

Multinationals like McDonald's, Burger King, and Pizza Hut all hire lots of young people, but it is the home-grown fast-food businesses that are providing most of the jobs.

On a street in north Madrid, a line of some 15 bright red motorbikes stand outside a Telepizza store. They await the delivery boys and girls who will be busy later in the evening whisking pizzas, beer, and ice cream to the apartment blocks of this upscale neighborhood.

Add to this number of young workers the five kids inside manning the pizza ovens or attending to the walk-in trade and multiply it by the hundreds of Telepizza shops around the country, and you've taken a significant bite out of the unemployment line.

Ten years ago, food home delivery in Spain was unheard of. Now, besides pizza, Chinese food, and other goodies familiar elsewhere, local delicacies like Valencian paella, Andalucian fried fish, and Gallegan meat pies can be brought to your door.

There is even an outfit that makes morning deliveries of hot chocolate and churros, those ropes of deep-fried dough so beloved by the Spanish. They'll bring your favorite morning paper, too.

All employ young people between 16 and 25 years old as delivery staff, order takers, and even cooks, and Telepizza is the company to thank, as they started the Spanish fast-food delivery fad in the late 1980s.

The company was started by Leopoldo Fernandez, a Cuban-American who was posted to Spain by Johnson and Johnson as their local marketing director.

He saw an opportunity and, pooling his savings, opened a pizza shop in Madrid, and the idea took off. Over the years, Telepizza has become the world's fastest-growing pizza chain.

It has spread to at least 10 countries, including Portugal, Mexico, Colombia, Belgium, Greece, Poland, and Chile, and has plans for further expansion.

Good news for unemployed and job-hungry youths everywhere.

—Benjamin Jones

JOBS, JOBS: EUROPE'S TOP PRIORITY

It's going to be a grim winter for Europe's 18 million jobless as their governments struggle against mounting odds to find the elusive formula to take them off lengthening dole queues.

What makes Europe's 11 percent unemployment rate harder to take is that its main rivals, the United States and Japan, are doing much better for their citizens. While Europe's jobless rate has been stuck at more than 10 percent for the past decade, the US rate has dropped to a six year low of 5.3 percent, and Japanese policy makers are wringing their hands over a rate of 3.5 percent, the highest since records began in 1953.

Persistent high unemployment—half of Europe's jobless have been without work for more than a year—risks fueling protectionism and stirring social conflict, a group of leading industrialists and labor leaders told EU leaders at their summer summit in Florence.

JOBS

By Bruce Barnard

EU leaders don't need reminding. They named unemployment public enemy number one at their Copenhagen summit in mid-1993 when the EC, then led by Jacques Delors, made a rash pledge to halve the unemployment rate by the end of the decade.

Instead, 4.5 million Europeans were thrown onto welfare during the deep 1992–93 recession. Job insecurity is growing as firms practice US-style "downsizing" to sharpen their competitive edge in the world market. And mergers and acquisition activity is set to beat last year's record $276 billion worth of deals, driven by increased competition and a focus on core businesses, according to a recent survey of the 500 top European companies by Price Waterhouse.

Economists at the OECD in Paris remain gloomy about Europe's prospects forecasting unemployment will start rising again this year and the jobless rate likely will stick at around 10 percent through the year 2000.

More worrying, the link between economic growth and decreased unemployment has snapped. Ireland is the EU's star performer, but even a 6 percent growth rate and a 15 percent share of all foreign inward investment into the 15-nation bloc hasn't reduced its unemployment rate to less than 13 percent, a figure that would be much higher but for emigration to Britain, the US, and continental Europe. Similarly, Finland's spectacular rebound, which came after a massive slump in output and the loss of the giant Soviet market, made little impact on its 17 percent jobless rate.

In a sense European governments have programmed in higher unemployment, at least for the next three years, as they strive to slash public

European Commission President Jacques Santer meets with workers at the ARBED steel and iron plant.

British Trade and Industry Secretary Ian Lang

little choice. In Germany social benefits and vacation pay add 80 percent to basic wages. Rules and rigidities hinder new jobs and new companies. Average wage costs at more than $29 per hour are the highest in the world, according to the German Enterprise Institute in Cologne.

Hans-Olaf Henkel, the president of the Federation of German Industry (BDI), has urged Helmut Kohl to learn from "Anglo Saxon" competitor nations like Britain, New Zealand, and the United States. The state has started to eat up entrepreneurs and is driving jobs out of the country, he said.

Germany has a poor job performance, creating proportionately fewer jobs in the past two decades than other big economies. In 1983, the year after Mr. Kohl became chancellor, unem-

Britain claims its flexible and competitive labor market is the main reason why it gets 40 percent of all inward investment into the EU. Foreign investment has created or safeguarded more than 285,000 jobs, according to Trade and Industry Secretary Ian Lang.

spending at a time of sluggish economic growth in order to meet the criteria for participating in a single currency.

Ironically, the biggest threat to their austerity programs is unemployment: The EU spends a staggering $240 billion a year on handouts to the jobless.

But there is no other option. Germany and France, Europe's two biggest economies, will miss out on monetary union in 1999 if they don't bring down their budget deficits within 3 percent of GDP, the key qualifying criterion in the Maastricht Treaty. And given the overriding political commitment of Chancellor Helmut Kohl and President Jacques Chirac to a single currency, they will probably tolerate high jobless rates for a few more years.

So what can be done? The widely varying experience of individual EU countries suggest policies can make a difference. The UK is cited as the success story, and Germany is cast as the failure, even by an increasing number of its own citizens who are questioning the country's famed social market economy underpinned by the equally envied consensus between employers, government, and unions.

The OECD says that recent structural reforms have transformed Britain into one of the most competitive and flexible economies in Europe, greatly helping its ability to cut unemployment. It also reckons Britain will be one of the fastest growing countries in Europe over the next two years.

German businessmen agree. Bernd Pischetsrieder, chairman of BMW, the luxury car maker, says Britain is Europe's best investment location. Britain was the biggest single recipient of German foreign direct investment last year taking a fifth of the record $2.4 billion that went abroad.

Economists, employers, and policy makers in continental Europe are coming to the conclusion that if economic growth cannot create jobs, governments must deregulate labor markets and trim welfare programs. Put simply, Europe must become more like the United States, recasting its cradle-to-grave welfare system for a more laissez faire system. The trick is to strike the right balance between the two.

That's politically risky, but there is ployment in Britain and America was higher than in Germany. Now Germany's jobless rate is 50 percent higher than the US, and while Britain's unemployment has fallen 20 percent from its peak in the 1980s, Germany's has risen 10 percent.

But Germany has had to deal with an enormous shock that no other European country could have handled: It has incorporated a former communist nation of 17 million people with a standard of living less than a quarter of that of the rest of the country and has spent more than $500 billion trying to bring its obsolete and inefficient command economy up to Western standards.

Britain claims its flexible and competitive labor market is the main reason why it gets 40 percent of all inward investment into the EU. Foreign investment has created or safeguarded more than 285,000 jobs, according to Trade and Industry Secretary Ian Lang.

But jobs with foreign companies don't come cheap. Britain offered grants of $300 million to tempt LG, the South Korean industrial conglomerate, to build a $2.6 billion electronic complex in Wales. The 6,100 jobs created by the largest inward investment in Europe will cost more than $45,000 each, twice the normal rate in Britain.

However the LG handout was not typical as most foreign companies don't get a subsidy to set up in Britain. Low labor costs and a deregulated employment market are much more important: A recent German study said the ratio of profit to labor costs for new projects in Britain is higher than in Germany and even two and a half times higher than in the United States.

At a G7 jobs summit in Lille, France, in the spring, Europeans rejected American claims that less rigid labor market rules would cure a large part of Europe's jobless problem.

But the bald statistics suggest the US has found the magic job formula. Between 1974 and 1994 the US added 31 million jobs to its private sector while the EU created only 800,000 additional net private jobs. All the growth in employment in Europe has been in the public sector, but cash-strapped governments can no longer afford to spend taxpayers' money on these jobs.

However, many Europeans aren't overly impressed by the US track record, claiming many of the new jobs are so badly paid they would not be accepted in Europe. And figures show that while the US has created millions of high-tech jobs, more than half pay below normal wages: McDonald's type jobs, according to European critics.

But change is on the way in Europe. Employers in many countries are wary of hiring workers because it is so expensive to lay them off. In Germany it costs the equivalent of $55,000 to lay off an employee. In Spain workers have a legal right to more than a month's severance for every year of employment.

The result is that many firms are hiring part-time workers to escape layoff costs. The statistics tell the story: Nearly three quarters of the 380,000 jobs created in Spain last year were part time; revenues at temporary job agency Manpower in Germany surged 35 percent to $115 million; 20 percent of French workers are on part-time contracts; short-term workers account for 15 percent of the 40,000 strong Dutch payroll at Philips, the electronics giant. Meanwhile, Europe's top two temporary job agencies, Ecco of France and Adia of Switzerland, merged this year creating a group with annual sales of $6 billion that will challenge Manpower for top world ranking.

But even part-time jobs are taboo in Europe. Spain and Germany only legalized private temporary employment agencies two years ago, and they are still illegal in Greece and Italy.

But deregulation pays dividends: In the Netherlands, which encourages temporary jobs, employment grew by 1.2 percent last year, while Germany suffered a 0.2 percent fall.

Jacques Santer, president of the European Commission, the EU's executive wing, has been preaching a supply-side revolution to boost employment: more liberalization and deregulation of monopolies, removal of remaining barriers in the single market, and the establishment of a European Company Statute (which would save European industry $30 billion a year). At this summer's European Council Summit in Florence, he pushed for financing of the trans-European networks (TENs). He also urged EU governments to transpose into national legislation by year-end directives on public procurement, investment services, insurance, and intellectual property.

EU governments are finally moving to reform their welfare systems and employment rules in the face of fierce political opposition. German Chancellor Helmut Kohl and French Prime Minister Alain Juppé aren't flinching from unpopular politics, and Italy's first postwar center-left government, capitalizing on the probability of a full term in office, is taking on vested interests. Spain's new center-right government has started with a clean sheet as it tackles the EU's highest jobless rate of nearly 23 percent.

Europeans also are beginning to price themselves back into jobs. The Commission reckons inflation-adjusted wage increases in the EU likely will grow by only 0.9 percent this year, following three years of near stagnation. In 1995, nominal wage growth (before inflation) grew by only 3.3 percent compared with the average annual increases of 7 percent in the early 1990s, according to HSBC James Capel, a London brokerage.

Employers in many countries are wary of hiring workers because it is so expensive to lay them off. In Germany it costs the equivalent of $55,000 to lay off an employee.

And Europeans slowly are beginning to question whether they should continue pushing for higher wages for those working at the cost of high unemployment or experiment with the Anglo-American model, which puts jobs above higher wages. The German Parliament recently voted to relax legal protection for workers in small firms, and German unions are accepting minuscule wage rises. But few are confident Chancellor Kohl will make good his promise to halve unemployment and create 2 million new jobs by the year 2000.

Meanwhile, the French are putting job security above earnings, and Belgium's private sector is into the third year of a government-imposed real pay freeze.

But with Germany and France facing general elections in 1998, changes in employment culture will be slow. But change *is* coming. And so, the reformers hope, are the jobs. Ⓔ

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

Europe hasn't got a Bill Gates. But it boasts names like Kjeld Kirk Kristiansen, owner of Denmark's Lego, Europe's biggest toymaker, who is planning a chain of theme parks around the world; Reinhard Mohn, the German media mogul who has built Bertelsmann into a global communications company to rival Time Warner; his arch rival, the Bavarian Leo Kirch, who has joined forces with Rupert Murdoch in the battle to control European television; Anita Roddick, who has built Body Shop into a worldwide brand with a flair for marketing and publicity that shames most American companies; and British restaurant tycoon Robert Earl, who recruited Arnold Schwarzenegger and Sylvester Stallone as partners in Planet Hollywood and is worth an estimated $900 million.

But these are the exceptions. Europe remains averse to risk, shuns contested takeovers, is suspicious of innovative financing, and mistrusts management bonuses and share option schemes. Nevertheless there is change in the wind, and it's blowing from across the Atlantic.

Under Margaret Thatcher's stewardship, Britain became a testing ground for American management techniques and a laboratory for deregulation and liberalization. Now it's Europe's turn to "Americanize." What Germany needs, according to its chancellor, Helmut Kohl, are "18 and 19 year olds who don't count on their pensions but follow their dreams, take risks, and go out into the world."

Europe is paying a heavy price for its cautious, hidebound approach to business. It has fallen behind in high-tech sectors and the so-called "knowledge" industries such as multi-media. Only two of the top 20 computer software companies in the world are European. Europe runs a poor third behind the US and Japan in semiconductors, and its computer manufacturers are either retreating from the world market or being kept afloat with government handouts and sweetheart contracts.

The difficulties facing many budding entrepreneurs is underlined by the fact that many of Europe's success stories had to turn to America for seed capital because they were snubbed by nervous banks at home or faced with prohibitively expensive terms. Black Sun Interactive, a Munich software house, started with a $4 million injection from CMG@Ventures, a Boston-based group. General Atlantic partners of Greenwich, Connecticut, plowed $21 million into Baan, a Dutch software house, and got a $400 million return when the company made an initial public offering (IPO) in the US in 1995.

Last year 15 European firms raised $1.1 billion with IPOs on NASDAQ, up from just one IPO in 1991.

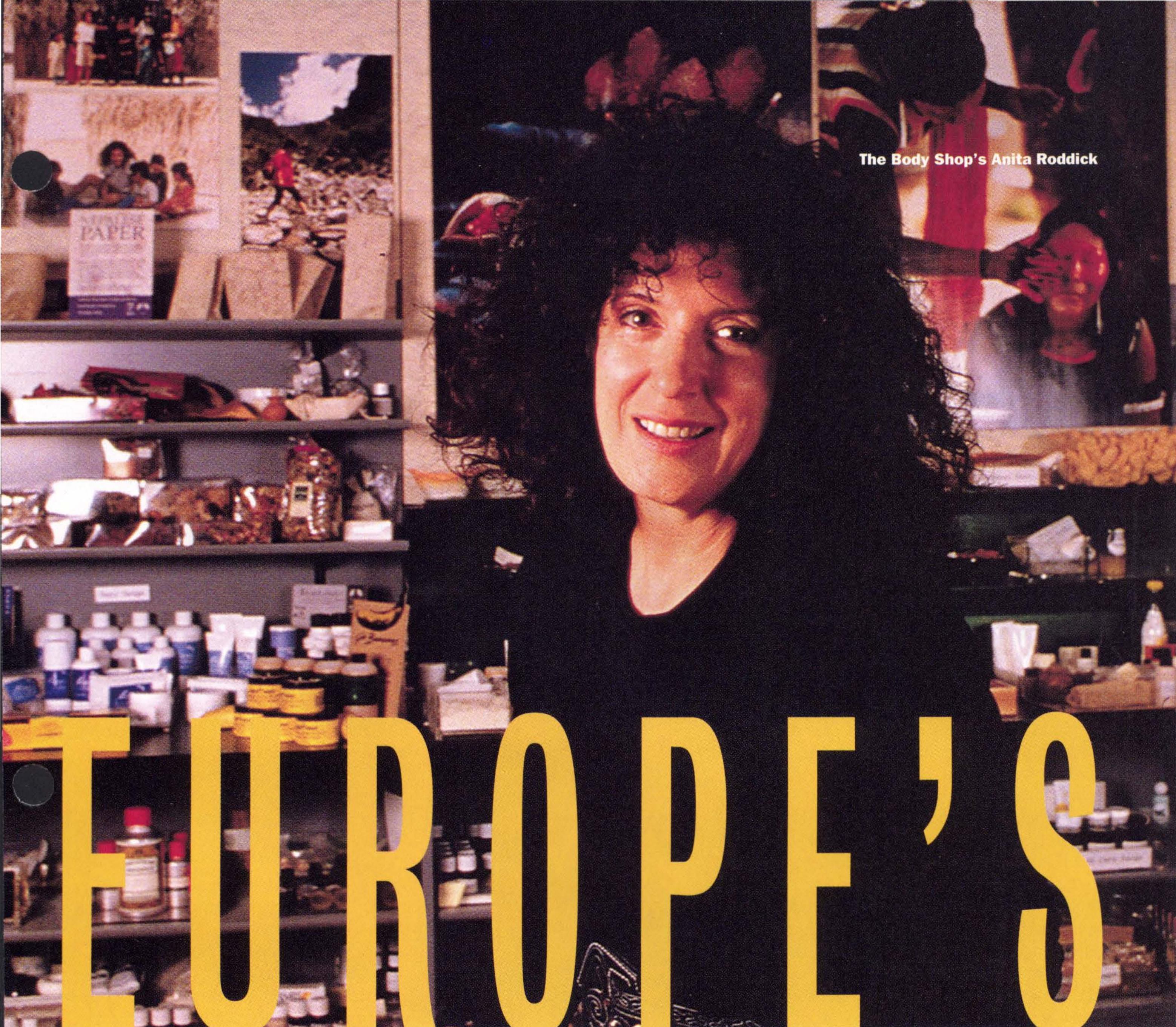
European investors, tantalized by the boom in small company stocks in the US, are boarding the bandwagon. The Alternative Investment Market (AIM) established by the London Stock Exchange a year ago boasts more than 160 companies with a capitalization of $5.3 billion. The Paris Exchange set up its Nouveau Marche specifically to help small high-tech start-ups to raise cash. The Frankfurt Bourse will open a Neueur Markt next year, and Brussels and possibly Milan will follow suit. The continental exchanges will be linked via Easdaq, a European version of NASDAQ.

The Americanization of European business

Lego's Kjeld Kirk Kristiansen

ENTRE

BY BRUCE BARNARD



The Body Shop's Anita Roddick

EUROPE'S PRENEURS

CREATING JOBS GLOBALLY

EUROPEAN BOARDROOMS HAVE BEEN INVADED by a new breed of youthful outward looking managers influenced by American business techniques.

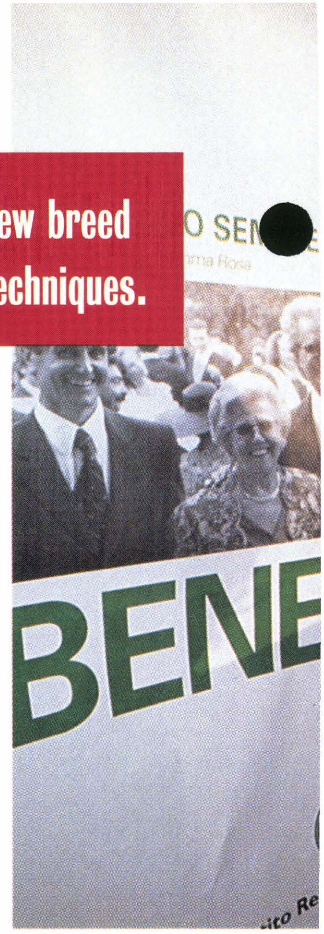
isn't restricted to the high-tech sector but is seeping into the boardrooms of the continent's blue-chip companies. Daimler-Benz, Europe's biggest industrial conglomerate and epitome of German industry with its tradition of employer-employee consensus, introduced management incentives, focused on shareholder value, and jettisoned loss makers like its Dutch aerospace subsidiary Fokker in a manner that would have been unthinkable five years ago.

There is a crying need for change. When Jürgen Schrempp became chairman last year, he asked 20 managers what they thought about the company's share price: only two had any idea.

The change of guard at some of Europe's biggest family dynasties like the Wallenbergs of Sweden and the Agnelli family, owner of Italy's Fiat car maker, is also ushering in a new management style. European boardrooms have been invaded by a new breed of youthful outward looking managers influenced by American business techniques.

The French business establishment was stunned two years ago when 39 year old Jean-Marie Messier was named heir apparent to 76 year old Guy Dejouany, chairman of Compagnie Generale des Eaux, a $32 billion-a-year water utility with a 220,000-worker payroll that is moving aggressively into a wide range of businesses across Europe.

Virgin's Richard Branson



The story of how 42 year old Jorma Ollila transformed Finland's Nokia from a clumsy unprofitable maker of everything from steel cable to television sets into the world's second largest manufacturer of mobile phones, engineering a 2,000 percent rise in its share price on the way, is more suited to Southern California than Helsinki.

The fate of Italy's troubled computer giant Olivetti is in the hands of Francesco Caio, a 39 year old former McKinsey and Co. consultant, who has already transformed Omnitel Pronto into one of Europe's most used cellular phone networks.

Britian's ancient universities, which once shunned business studies, are now advertising their MBAs. Cambridge set up its business school with money from a pet food tycoon and Oxford, enriched by a $31 million gift from a Saudi Arabian businessman, welcomes its first MBA students in October.

Things are changing too in risk averse Germany where the *Mittelstand*, the small family-owned business sector, is calling for the establishment of a stock exchange to lessen their dependence on the banks. The Mittelstand, which boasts a world-beating reputation in niche engineering and high-tech markets accounting for about half of the country's industrial output and two-thirds of its jobs, is breaking with lifetime habits and mulling acquisitions beyond Germany's borders.

Italy's small and medium-sized firms are also opening up to outsiders with IMA (packaging), Bulgari (jewelry), and De Rigo (optics) listing on the Milan stock exchange where their shares are outperforming old-timers like Fiat, Olivetti, and Pirelli.

Europe isn't afraid to take on the US in the fiercely competitive media business, boasting flamboyant tycoons to match Ted Turner.

After a brief stint as Italian prime minister, Silvio Berlusconi has turned his attention to his giant media empire, which controls 50 percent of the Italian television market. Leo Kirch, unknown outside his native Germany, has grabbed the television rights to the 2002 and 2006 soccer World Cups.

The Bertelsmann group has moved beyond Europe to the US where it owns household names like the publisher Bantam-Doubleday and a string of record labels including RCA.

European firms have commanding market shares in some typically American businesses.

SAP of Germany, the world's fourth largest computer software firm, and Baan together account for 70 percent of the $2.5 billion global market for company integration software; Polygram, a unit of Philips, the Dutch electronics giant, is the world's largest music group with 17 percent of sales, Britain's Thorn EMI is fourth with more than 14 percent and Bertelsmann's BMG subsidiary, fifth with more than 11 percent.

The world's best-selling computer games, Mortal Kombat and Donkey Kong Country, were invented in Britain where Bill Gates has acquired three small companies.

Benetton's Luciano Benetton

Nike and Reebok, symbols of America's global reach, are facing a fresh challenge from Adidas, rescued from crippling losses by Robert Louis-Dreyfus in one of the most spectacular revivals in German corporate history.

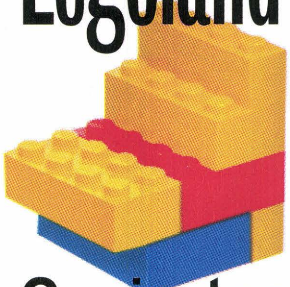
Europe's biotechnology sector is on a roll too, growing by 20 percent last year and starting to close the gap with the US industry. And companies are moving into enemy territory, spending nearly $4 billion on acquisitions and alliances in the United States in 1995.

Meanwhile, the breakup of monopolies in sectors like telecommunications and aviation is opening doors to entrepreneurs. Richard Branson, the maverick airline tycoon, is applying the Virgin Atlantic formula to Europe with Virgin Express, formerly named Euro Belgian Airlines which he acquired in the spring.

But it's a sign of changing times in Europe that Branson is now regarded as part of the airline "establishment." The new rebels are people like Stelios Haji-Ioannu, owner of EasyJet, a feisty British-based airline that lists its phone number on its planes, shuns travel agents, and doesn't even issue boarding tickets. All very un-European. Ⓔ

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

Legoland



Coming to a Country Near You

When Lego opens its first US theme park in Southern California in 1999, it will be the company's third park and its first intercontinental step in a strategy that calls for an investment of more than $1.5 billion in 15 theme parks by the middle of the next century. The first park outside Denmark, at Windsor in the United Kingdom, was opened a few months ago, featuring models made from Lego plastic bricks of famous European buildings and monuments, including London's own Big Ben.

The theme park strategy is one reason why some Europeans are starting to ask whether Lego is poised to become a counterpart to Disney. Lego is definitely not planning a replay of the teething problems of the EuroDisney theme park near Paris. Should problems arise, the public is not likely to be informed immediately, for Lego is a private company owned by Kjeld Kirk Kristiansen, 48, who took over from his father, the son of Lego founder, Godtfred Kirk Christiansen, who died last year.

The theme parks are intended to cement the very strong brand name and position of the Lego plastic bricks, of which 150 billion have been made since 1949, making Lego the biggest toymaker in Europe. The company employs 9,000 people, 2,000 of them in Billund, the headquarters and a company town in the true American sense of the word. The airport, Denmark's second largest, started as a private Lego airfield. The production facilities are almost completely robotized and seen by many as a model prescription for the survival of manufacturing in a high-cost country like Denmark, especially as Lego is embarking on a major program of developing new products.

There is no doubt that the Lego plastic bricks still have a long product life, and with annual sales of about $1.5 billion they will dominate turnover for the foreseeable future. The bricks have never been considered by Lego to be just a toy, but a learning instrument, often promoting close interaction between child and adult. This unique selling point has been accepted by parents around the world, and the concept is also the key to understanding the new products that Lego is planning to market. This fall, the company will sell interactive software allowing children to work with virtual reality plastic bricks, a product developed jointly with the California software developer Mindscape.

The confrontation with Disney may not be so much a question of a battle of theme parks as it will be a competition for children's play time. Television is a great time consumer, but with parents investing more and more in personal computer learning programs for children, there may be even less time to play with Lego bricks. Part of the answer to this challenge is obviously to join them, if you can't beat them, and Lego is hiring an entirely new group of specialists to develop its digital products. Ⓔ ***—Leif Beck Fallesen***

Padraig Flynn

European Commissioner for Social Affairs and Employment

Padraig Flynn was interviewed in Washington, DC this summer by *EUROPE* Editor-in-Chief Robert J. Guttman. Commissioner Flynn outlines what is being done to solve Europe's massive unemployment problem. He discusses what Europe can learn from the US about job creation and also what Europe and the US are doing together to tackle unemployment.

Europe now suffers from 11 percent unemployment, which is nearly double that of the United States. How can the concept of a united prosperous Europe work if the people of Europe are not working?

We certainly have a problem at the moment insofar as unemployment is concerned. It has been endemic in Europe for quite some time. The level of unemployment, and our greatest problem attached to that is, of course, that half the unemployed are out of work for more than a year. And we have about 5 million young people under 25 years of age who do not have a suitable qualification or a skill to get access to the labor market. This has prompted us to make a very special effort. In fact, it's at the top of the political agenda that we would deal with the question of employment and show that we can achieve better results than we have in the past. Our economic growth always does give us jobs, but it doesn't convert into as many jobs as we would like. We have identified that it's not a question just of economic growth of its own; it's a question of structural change. We have concentrated on this in getting our re-employment strategy into place, and it's going quite well. Unfortunately, economic growth is sluggish at this time.

Every member state is doing something. And these are difficult times, because of course two things have been happening. We have the reduction in consumer demand, and we also have a lack of confidence insofar as investment is concerned. It was these two elements that had prompted Mr. Santer to announce his confidence pact for employment. Because when you look at it at face value, economic indications are very strong: low inflation, lower than it's been for 30 years, with high levels of profit as far as business is concerned. We have interest rates at a lower level—not as low as we would like, but they are certainly going in the right direction. Yet still we cannot convert it into jobs. So we do regard this as highly desirable that we would do something to help on both fronts. That's the reason why the confidence pact focuses on macroeconomic development and structural reform. It also focuses on doing something insofar as our trans-European networks are concerned.

They are not big job creators in their own right, but they do send a very strong signal to business. So it's a vote of confidence in the future. Major infrastructure projects cannot start because of a lack of commitment and finance. We want to see member states commit themselves to this.

Then there's the question about greater involvement in research and development. We want more resources put in there because that's one of the things that's lacking in Europe, a lack of product and process. We particularly want to see small and medium-sized enterprises have a bigger share in the action. We have 17 million small businesses in Europe...Small business can be the success story for Europe, both in manufacturing and in the service sector...

All the elements are there. It's a matter now of converting that into real action before the end of this year. In the Dublin summit, the joint report of the ministers for finance and the ministers for labor and employment will be brought forward, together with the report on the advance of the confidence pact so that we would be able to determine what extra needs to be done.

How important is the Dublin summit in December?

It's a key rendezvous. The pact has to contribute to the overall strategy, and we have to make sure that it's going to match up to the requirement. The big problems we have are the globalization of world business and all that that means. Then we have new technology, the impact that that makes. Ten percent of all our jobs are destroyed every year, so we have to watch the mismatch between skills development and job requirement. It's a question of supply and demand here. The society changes as well. So we've identified the problems, and we've put in place a strategy that caters for both our sides, macro and structural reform. It's a question of making it work.

How are you going to get people like Bill Gates to create companies that employ a lot of people in Europe and help solve the unemployment problem?

If you simplify the documentation, if you simplify the regulation and make the work practices more flexible, and if you give the workers a feeling of security so that their conditions of work aren't being dismantled, and if you give them the feeling that as consumers they are secure, then you build up more consumer confidence. You have to understand that, of course, wage moderation is in place in Europe for some time, and consequently there isn't the same spending power. But if you can get more people back to work, then you generate more action insofar as spending is concerned. That's what's been happening in the United States. We like that. We don't have that at the moment in Europe, but it can be generated if we can get more people back to work. Our working rate is too low. It's about 58 percent, whereas it is 70 percent in the United States.

Can Europe compete in the global marketplace with the welfare state that's been built up and with Japan and the US firms becoming slimmer through downsizing?

Yes, sure. We certainly have to carry out some reforms as far as social security systems are concerned; it's costing too much. We have to get more active labor market policies. At the moment, we're spending about $210 billion every year on income maintenance support. We need to get more active action out of that money. And competitiveness, of course, depends on a lot of things. Unit of cost of production, wages are one element of it, but of course exchange rates are a big thing as well, and that's why we really look forward to EMU and the single currency.

A recent *New York Times* article said, "Many economists argue that what the European welfare state produces most efficiently is joblessness."

We don't want social security systems to in any way make dependency numbers permanent. And that's the reason we want much more proactive labor market and active labor market policies. No question in the world about that. And that can be done, and it's pursued now. The reforms are taking place in every single member state, and we encourage that.

Do you think there's too much of an obsession with meeting the Maastricht criteria, that people are forgetting about jobs and growth?

No, I think that the Maastricht criteria is good business management. A low deficit is something that is looked for not just in Europe but around the world and particularly here in the United States as well. They're preoccupied just as we are. It keeps things stable. Stability is the name of the game in the US. The debt ratio has to be brought into line. Keeping inflation down is good business practice insofar as the economies of Europe are concerned right around the world. So meeting the Maastricht convergence criteria is a hard demand—no question about that—but a necessary one if we are going to get the advantages of a single currency. A single market needs a single currency; it's as simple as that. Every country is making a huge effort now to meet the convergence criteria. So we're on target for that, and it's going to happen.

Is Europe experiencing an unemployment crisis at the present time?

It's an unemployment crisis, no question in the world about that. But it's a crisis with a strategy. We're not aimlessly throwing our hands in the air as if we can't do anything. We have a strategy which has been agreed by all the member states, which is being implemented. Now it's not going to be an overnight solution; we accept that. But [it's achievable] if we pursue relentlessly what we've said in macroeconomic development as far as deficits are concerned.

Can you convince people that you still need international free trade, that it's good for the worker? When a lot of people are unemployed, they tend toward protectionism.

There can be no protectionism insofar as European business is concerned. Trade is the lifeblood for the future of Europe. It was built on trade. We have 7 percent of the population of the world, but we have 30 percent of the wealth of the world. You can't maintain that world position unless you allow for a free and open trading situation, and that's what we do. Ⓔ

OECD Shines Some Light on Europe's Job Picture

By Axel Krause

The Group of Seven (G7) nations met in June in Lyon, France, and discussed how to stimulate global employment, among other issues. Shown left to right are: Japanese Prime Minister Ryutaro Hashimoto, Canadian Prime Minister Jean Chretien, President Bill Clinton, French President Jacques Chirac, German Chancellor Helmut Kohl, British Prime Minister John Major, Italian Prime Minister Romano Prodi, and European Commission President Jacques Santer.

When it comes to making gloomy assessments of Europe's painful jobs scene, the 27-nation Organization for Economic Cooperation and Development (OECD) in Paris is no exception.

But, surprisingly, the industrialized world's leading governmental think tank has now reported some encouraging news: a mild economic recovery that it predicts will take hold in the European Union next year, and the effects of strong, governmental "cushioning" policies that continue protecting some 21 million EU citizens out of work.

"The news in Europe is by no means universally bad," says Norman Bowers, head of OECD's employment division, who directed the agency's annual employment outlook report published in July. "We do see some positive elements," said Bowers, even though he quickly concedes that, during the next two years, there will be little improvement in the overall OECD jobless rate: 7.6 percent, or some 33.7 million people living in North America, Mexico, Europe, and the Pacific region.

Although sharply criticized by labor unions for being too optimistic, the OECD forecasts that the EU unemployment rate will fall slightly next year to 10.4 percent, or 20.9 million people, from 10.5 percent, or 21 million this year. That is based on its recovery scenario—2.5 percent growth in the EU next year, OECD says, compared to 1.4 percent growth in 1996. That compares with only 2 percent growth projected for the United States next year and 2.4 percent for Japan.

However, even with accompanying declines in interest rates, low inflation, stable currencies, and possible revival in EU consumer and business confidence next year, neither Bowers nor his colleagues elsewhere are suggesting that Europe is about to start creating millions of new, permanent jobs. Last year, EU employment grew by a mere 0.6 percent, compared to 1 percent for the entire OECD area, mainly in the services sector, many of a temporary nature.

Nevertheless, this was Europe's first gain in employment since the early 1990s, led by Spain, Ireland, Finland, and Sweden. "Basically, these numbers reflected their coming out of recession, but we see other positive factors," said Bowers, citing the following:

Among EU teenagers and young adults—where jobless rates are almost universally high, double-digit—substantially more are now enrolled in education programs for longer periods of time. Cited by the OECD are recent, extensive, government-supported educational and training programs, aimed at keeping youth off the unemployment rosters in France, Britain, and Sweden. "This will have a potential payoff in the future if the additional education augments their competencies," and if economic growth picks up, the report says.

Inside

EUROPE

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EU NEWS

FIGHTING TERRORISM:
EU Protests US Sanctions

The European Union is in the firing line of US sanctions against "rogue" states like Cuba, Iran, and Libya, but the political impact of a brewing transatlantic trade war far outweighs the potential economic dislocation.

The EU's foreign ministers were due to approve a series of measures in September designed to counter US legislation aimed at punishing non-US companies doing business with Cuba. The key provision will make it illegal for European companies to cooperate with any lawsuits in the US brought under the so-called Helms-Burton Act.

The EU response, which also applied to US sanctions against Iran and Libya under the D'Amato act, involves the establishment of a "watch list" of US companies and individuals filing lawsuits against European firms. The EU is also considering visa and work restrictions on US businessmen and will probably challenge the US in the world trade organization (WTO).

The US action provoked a rare display of instantaneous unity among the 15 EU governments who bristle at suggestions they are "soft" on terrorism. They also resent the way the US is trying to "bully" its allies into submission. Sir Leon Brittan, the EU's trade commissioner, attacked the US legislation because it "establishes the unwelcome principle that one country can dictate the foreign policy of the others."

While preparing to strike back, the EU is also at pains to play down talk of a crisis in transatlantic relations, well aware that in the run up to the November election, President Clinton had little option to signing the Helms-Burton and D'Amato bills into law.

The EU's business community has reacted calmly to the US sanctions, not least because the three targeted countries are among the most inhospitable investment terrains in the world. Moreover, the legislation has yet to bite: by mid-August only one European firm, Stet, Italy's state telecommunications holding company, was on a US State Department "hit list" for allegedly profiting from assets confiscated by the Castro regime since the 1959 revolution, and the only Europeans affected were two prominent British businessmen barred from entering the United States because they are board members of Sheritt International, a Canadian mining company with extensive holdings in Cuba.

The Helms-Burton bill had an impact, however, even before President Clinton signed it into law, as companies weighed the risk of ignoring the US threat. Sol Melia, a leading Spanish tourism group with substantial hotel interests in Cuba, dropped plans to sell shares in the United States, concentrating on Europe to raise $275 million in new capital. Significantly, the shares were 20 times oversubscribed, breaking all records for an international stock offering by a Spanish company.

Companies with sizable US assets have been cowed by Helms-Burton. ING, the Dutch banking and insurance group, suddenly stopped financing the Cuban sugar industry. Its decision not to renew $30 million in loans to Cubazucar, Cuba's state sugar trading company, put the spotlight on other European financiers of Cuban sugar, such as Spanish bank Banco Bilbao Vizcaya.

The only other European company scared off Cuba by mid-August was Thomson Holidays, Britain's biggest tour group and a subsidiary of Canada's Thomson Corporation, which suspended vacations to the communist island, an increasingly popular destination for European tourists. But Spanish companies with extensive hotel interests in Cuba show no sign of pulling out.

The D'Amato bill, which requires the president to impose sanctions on foreign companies which invest $40 million or more within a year in the energy sectors of Iran and Libya, is potentially more destabilizing than Helms-Burton because the economic stakes are much higher. Iran and Libya supply 20 percent of Europe's crude oil consumption and are potential sources of natural gas for the next century.

Both countries have close economic ties with Europe. Libya, which once owned a sizable stake of Fiat, the Italian car maker, has a chain of gas stations in Italy. Germany is keen to stabilize relations with Iran to recoup $8 billion in unpaid bills.

US sanctions likely will have a muted impact initially as they apply to new investments. There is also considerable legal confusion over the difference between new investments and investments to maintain current facilities. Moreover, Libya and Iran, are much less attractive to Western oil companies than other regions, including the North Sea, the Gulf of Mexico, and Russia.

Japanese companies declined to participate in 10 oil and gas projects in Iran valued at $8 billion, but this reflected the poor economic prospects rather than US sanctions. Japan Gas Corp and BHP of Australia told Senator D'Amato they will not invest in Iran, but they never intended to, according to industry observers. Companies like Royal Dutch Shell, Germany's Ruhrgas, and Gaz de France are carrying out feasibility studies for gas export projects that aren't likely to leave the drawing board until the next century.

Libya is of limited interest to European oil companies with only Agip of Italy and Spain's Repsol likely to fall foul of US sanctions.

The one European company certain to be hit by sanctions is Total of France, which is going ahead with a $600 million project to develop an offshore oil field in Iran which it took over last year when President Clinton prevented Conoco, the US oil company, from signing an agreement with Teheran.

Total is an easy target as a fifth of its worldwide sales of petroleum products are in the United States.

—Bruce Barnard

EIZENSTAT NAMED SPECIAL ENVOY TO EU

Former US ambassador to the European Union Stuart Eizenstat has been named as a special envoy to the EU, Canada, and other countries whose firms may be affected by the Helms-Burton Act, which allows for sanctions against international firms that conduct business in Cuba.

Eizenstat will also continue in his current position as undersecretary for international trade at the US Department of Commerce.

EU SUPPORTS ATLANTA PARALYMPICS

The EU has given more than $440,000 to support the Paralympic Games which were held in Atlanta last month. More than a third of the 3,000 "para-athletes" from 120 different nations received support from the EU. Vice President Al Gore opened the games, and actor Christopher Reeve acted as the master of ceremonies for the event which attracted nearly 65,000 people to the opening events.

EU MEDAL COUNT

Out of 841 possible medals to be won at the Atlanta Olympics, the EU walked away with an impressive total of 229. Germany led the 15 EU member countries with 65 medals, including Ulrich Kirchhoff's gold medal in show jumping for the only two clear rounds of the two session final test. France followed with 37 medals, 2 of its 15 gold medals won by sprinter Marie-Jose Perec in the women's 200 and 400 meters in track and field. Italy came in a close third with 35 medals, capturing 4 of its 13 gold medals in cycling, featuring Andrea Collinelli, Silvio Martinello, Antonella Bellutti, and Paola Pezzo, who each took the gold in their respective events. Other EU gold medalists included Ireland's Michelle Smith, who landed three gold medals in the women's 200 and 400 individual medleys and the women's 400 freestyle in swimming, and the Netherlands men's volleyball team, which with one shot took the gold from Italy in only the second major tournament that the Italians have lost in a decade.

EU Medal Count

Country	gold	silver	bronze	total
Germany	20	18	27	65
France	15	7	15	37
Italy	13	10	12	35
Netherlands	4	5	10	19
Spain	5	6	6	17
UK	1	8	6	15
Greece	4	4	0	8
Sweden	2	4	2	8
Denmark	4	1	1	6
Belgium	2	2	2	6
Ireland	3	0	1	4
Finland	1	2	1	4
Austria	0	1	2	3
Portugal	1	0	1	2
Luxembourg	0	0	0	0
EU totals	75	68	86	229

WHAT THEY SAID ABOUT THE IRAN-LIBYA SANCTIONS ACT OF 1996

"Iran and Libya are two of the most dangerous supporters of terrorism in the world. The Iran and Libya sanctions bill I sign will help to deny those countries the money they need to finance international terrorism."
—President Bill Clinton

"Washington's action is unacceptable behavior. It represents a clear violation of the principle of extra–territoriality and constitutes a threat to the European economic system."
—Sir Leon Brittan, European Commission vice-president

"We should react but without hysteria. We in Italy have a long experience with terrorism. They are not sanctions which will defeat terrorists, but joint actions."
—Lamberto Dini, Italian foreign minister

"I am not convinced that everything will be served as hot as it's being cooked."
—Klaus Kinkel, German foreign minister

"The problem is that such legislation will scare the hell out of any investor thinking of doing business in these countries."
—Fakhry Abdelnour, president of the Africa Middle East Oil Corporation

"Now the nations of the world will know they can trade with them or trade with us. They have to choose."
—Senator Alfonse D'Amato

"We recognize the need to work together against violence and terrorism. However, this legislation will not contribute to achieving the desired results."
—Hugo Paemen, European Commission ambassador to the US

"The sanctions will not apply to us nor to our suppliers or our partners."
—Thomas Fell, spokesman for Total SA, a French oil company that has the largest outstanding contract with Iran of any company in the world

"This is not the way to combat terrorism."
—Michel Barnier, France's European affairs minister

"I just hope it does not bring an aftermath of negative reaction from the Europeans that begins to penalize us in a commercial way."
—Representative William Archer, chairman of the House Ways And Means Committee

BUSINESS BRIEFS

Europe has more wealthy people with more than $500,000 in financial assets than North America but soon it will be overtaken by Asia.

Europe, which overtook North America last year, has 1.7 million wealthy people controlling assets of $4.7 trillion compared with 1.6 billion rich North Americans worth a combined $4.5 trillion, according to a report by **Merrill Lynch** and **Gemini Consulting**.

But the study says wealth is being generated much faster in Asia, particularly in South Korea, Hong Kong, Singapore, and Thailand.

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Munich Reinsurance, the world's biggest reinsurance company, became even bigger with a $3.3 billion acquisition of **American Re** of the US aimed at boosting its position in the world's biggest insurance market.

The deal will give the German group 10 percent of the US market to add to its current 3-5 percent and push it from fifth to third place just behind **General Re** and **Employers Re**, the largest US reinsurers.

The acquisition took the industry by surprise as Munich Re had stood back from the takeover frenzy that has gripped the insurance business. Its last purchase was of **New Re** of Switzerland in 1988.

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Volvo, the Swedish auto group, vowed to continue with a $500 million investment program in its US truck manufacturing operation after it fired the group's top two executives in response to tumbling sales in North America.

Volvo's truck sales dropped by 31 percent in the first half of the year pushing the group into the red. Last year, Volvo sold 27,000 heavy trucks, or 11.5 percent of total sales in North America of 220,000. This year it expects to sell 22,000 trucks, or 9.5 percent of a market that is forecast to contract to 175,000 units.

Two other European companies, **Renault** of France and Germany's **Mercedes-Benz**, have also hit hard times across the Atlantic. Renault's subsidiary, **Mack Trucks**, has run up big losses and is only now making money, and Mercedes-Benz has yet to get a decent return from its freightliner unit.

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Companies Generale Maritime (CGM), France's state-owned national shipping line which flew the tri-color around the world, has been put on the block, attracting nine potential bidders.

The sale of the much slimmed down carrier appears to be brewing controversy as three of the suitors are foreign: **Wilhelmsen Lines** of Norway, **Deutsche Afrika Linien** of Germany, and the **British of Africa** line. The French government has used CGM as a tool of economic and social policy making it serve unprofitable routes to former colonies.

CGM has made profits in only two years since 1977 and has swal-

continued on next page

lowed $1.4 billion in state subsidies. But it is expected to break even this year thanks to a savage restructuring that involved pulling out of the Atlantic and the Europe-Asia routes and cutting its fleet to 31 ships and its payroll to just 2,000.

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Penguin Books, a British cultural icon, turned to Hollywood and Walt Disney, quintessential American cultural symbols, to find a new chairman and chief executive.

Penguin has hired Michael Lynton, the 36 year old head of Hollywood Pictures, a Walt Disney subsidiary, who was responsible for box office hits such as *The Rock* and *Dangerous Minds.*

Penguin is the most famous publishing house in Britain, its imprint in almost every household. Mr. Lynton too is "very conscious" of the company's heritage. "From the age of 8 to 18, I was in our local bookstore twice a week buying Penguin classics, so I grew up looking at them on my shelf."

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Autoliv, the Swedish auto components group, is aiming to boost its share of the world's booming car airbag market to 20 percent by 2000 from 12 percent this year.

That means the company, which made fewer than 5 million airbags last year, must lift output to 20 million by the turn of the century when it reckons sales will scale 100 million, an annual growth rate of nearly 40 percent.

Autoliv, which was spun off from **Electrolux**, the giant Swedish domestic appliances group in 1994, made profits of $93 million in the first half of 1996, an increase of 17 percent on the year earlier period.

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Europe's telecommunications business has been gripped by merger fever with companies striking 67 deals worth $6.4 billion in the first half of the year as they jockey for position in the countdown to liberalization in 1998.

Among the prominent deals were Swiss-based **Cablecom Holdings**' $514 million acquisition of **Rediffusion** of Switzerland from French parent **Alcatel,** and international **Cabletel's** $331 million purchase of NTL, the engineering and research unit of Britain's independent broadcasting authority, according to **Broadview Associates**, a business consultancy.

Deutsche Telekom, the German telecoms monopoly, tops the spending league, with deals worth more than $2.5 billion since 1992, mostly in Eastern Europe.

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Reed Elsevier, the Anglo-Dutch publishing giant, is preparing for a $3 billion spending spree with business and scientific information services in the United States top of its shopping list.

Reed wants to expand into electronic publishing which it believes will account for 40 percent of its revenues within 10 years.

Reed is eyeing a "couple of $500 million turnover businesses" in legal and business publishing, said Nigel Stapleton, co-chairman of the $5 billion-a-year group. Analysts have picked **Bloomberg**, the fast growing US business information service, and **Dun & Bradstreet**, the financial information group, as likely bid targets.

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Adidas, the German sporting goods manufacturer, continued its spectacular recovery from near-bankruptcy in the early 1990s with a 56 percent surge in the first half of 1996 pre-tax profits to $168 million thanks to strong sales growth in North America.

Robert Louis-Dreyfus, Adidas chairman, said the brand had gained momentum from its dominance in Euro '96, the European soccer championship in Britain, and the Atlanta Olympic games where 6,000 athletes, including 200 medallists, wore its outfits.

Adidas' marketing in the second half of the year will focus on pushing a new shoe design into new sports, including basketball.

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Kvaerner, the acquisitive Norwegian engineering and construction group, stood by its $1.4 billion purchase of Britain's **Trafalgar House** conglomerate, owner of **Cunard Line**, in April, despite a 56 percent slide in first half of 1996 net profits.

Kvaerner blamed poor performances at its pulp and oil and gas units for the dive in profits to $110 million from $250 million and insisted it could finance the takeover of Trafalgar House.

Kvaerner President Erik Tonseth was optimistic about the acquisition which is already yielding synergies. The aim? "Quite simply...to be the global leader in engineering and construction."

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Commercial Union, the leading British insurer, is mulling a move into Russia and the Czech Republic in a bid to reduce its exposure to the fiercely competitive British market.

The group's confidence in the former communist bloc, in contrast to the reluctance of its rivals to move east, reflects the success of its Polish life insurance operation, which was established in 1992.

Poland was the third largest generator of new annual premium business in the first half of the year after Britain and the Netherlands. "We have a lot of confidence that we can extend this (Polish) model elsewhere," said executive director Tony Wyand.

—Bruce Barnard

INSIDE EUROPE

Correspondent
Bruce Barnard

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

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Contrary to Marxist-like predictions of a decade ago, and with the notable exceptions of Britain and the United States, Europe has not experienced a "significant" rise in earnings inequality during the first half of the 1990s; Germany, Finland, and Canada, the OECD found, have actually experienced drops in wage inequality. Why no big, widening gaps? The report cites high rates of collective bargaining coverage, successful trade unionization, and relatively high minimum wages that are being maintained by EU member governments.

Temporary job schemes, now more than 10 percent of EU work forces, are still booming across Europe, primarily in service industries, comprising retail trades, hotels, restaurants, personal services, and such professions as journalism. Although harshly attacked by unions citing a "scourge of junk contracts," the growth of temporary, seasonal, and other limited-duration jobs, has been fastest in Spain, France, and the Netherlands; decreased in Belgium, Greece, Luxembourg, and Portugal; and remained steady in Germany, Italy, and Denmark.

The dilemma, notes the OECD: This flexible, less-costly form of employment rarely leads to full-time jobs.

For the OECD's influential employee watchdog—the Trade Union Advisory Committee—lots more needs to be done by member governments and by the OECD itself. "The study is good as far as it goes, and the surprising findings on wage inequality are significant," said John Evans, the Paris-based secretary-general of TUAC, representing unions in every member country. "But we need to take it all up a pitch."

Specifically, TUAC proposed a "bold" program of coordinated cuts in short-term interest rates; implementing the EU's stalled program for trans-border, road, and rail infrastructure projects; and a far more active "dialogue" between labor and business groups to plot a coordinated recovery strategy.

"We find the OECD's scenario for recovery not justified, particularly for European job creation," Evans said. He recalls that TUAC, in an official message to the Lyon G7 summit meeting held in June, warned that "active labor market policies will, however, be ineffective unless coupled with a stronger commitment to economic growth and employment." The results of that summit, TUAC declared, reflected "the current complacency of finance ministers."

New jobs initiatives would be a top-agenda item at the third in a series of G7 jobs summits Japan has proposed it host next year; if the leaders of the Group of Seven agree, the meeting would follow the summit organized by France in Lille this spring and the G7 Detroit jobs summit organized by the United States two years ago.

"We believe such a summit could move things along," said Evans, who recently accompanied TUAC's current president, Bob White, president of the Canadian Labor Congress, to talks with France's President Jacques Chirac at the Elysée Palace; the idea was floated there. Several EU governments, including Chirac's, and the European Commission are known to favor the summit, which would precede the traditional G7 gathering of heads of state and government the United States will host in Denver next summer.

Axel Krause, based in Paris, is a contributing editor for EUROPE *and a contributor to* Time *magazine.*

Economists Eye Employment Scenarios

There are a host of differences in the employment dilemmas that Europe and the United States face, but there is one common characteristic: fear.

Many European leaders are wary of political backlash from constituents if they tamper with the social welfare systems that often strangle job growth. Prodding from the European Commission to pare down government payments hasn't worked. Admonishments from the Paris-based Organization for Economic Cooperation and Development have gone unheeded.

Vincent Cable, chief economist of Shell International, highlights a number of measures to save, if not create jobs in Europe. He does not deny the risks.

"Some countries (often unintentionally) tax employment through onerous social security obligations on employers or payroll charges. This is perverse when there is unemployment. Conversely, job subsidies may be able to create employment by reducing the cost of labor. However, there may be a large fiscal cost to achieve a small incentive at the margin (and revenues have to be raised in other ways which may also cost jobs). Special, targeted schemes, on the other hand, run the risk that employers fire their established workers to take on new workers with a subsidized tax inducement."

Europe's experience has shown that "employers are deterred from employing new workers when there are onerous social obligations (legal difficulties in laying employees off); rigid (non-portable) pension arrangements; and restrictive trade union practices. There is also the opposite danger of leaving 'flexible' workers without any legal protection."

Job training should not be knee-jerk reactions, Cable says. It has "to be paid for by adding to labor costs" (often without commensurate benefit to the firm or industry).

Richard Layard of the London School of Economics' Centre for Economic Performance has proposed some changes for Europe's employment landscape that don't require a dramatic overhaul. Layard says European youth must be required to continue their education until they have reached an acceptable level of job preparedness. Unemployment should be strictly limited to one year. Without a finite allowance of unemployment benefits, he argues, the incentive to work plunges.

The Geneva-based International Labor Organization's senior economist, Eddy Lee, has some advice for policy makers in the US and Europe. Pushing for consensus between government, labor, and business, he says "tripartite dialogue" will give leaders the courage to forge ahead with tough decisions. It will "help focus scarce public resources on those most in need. It will increase the sustainability of reforms, thereby having a beneficial effect on investor confidence and capital markets."

That dialogue is continuing among Europeans and Americans. And transatlantic discussions about employment prospects, begun at the Detroit Jobs Summit in 1994 and revisited in Lille this past spring, have prompted government leaders to explore new strategies. Jacques Santer has mobilized the European Commission to take on the jobs challenge and has produced a number of initiatives. But in the end it will be businesspeople, not governments, who will create new jobs.

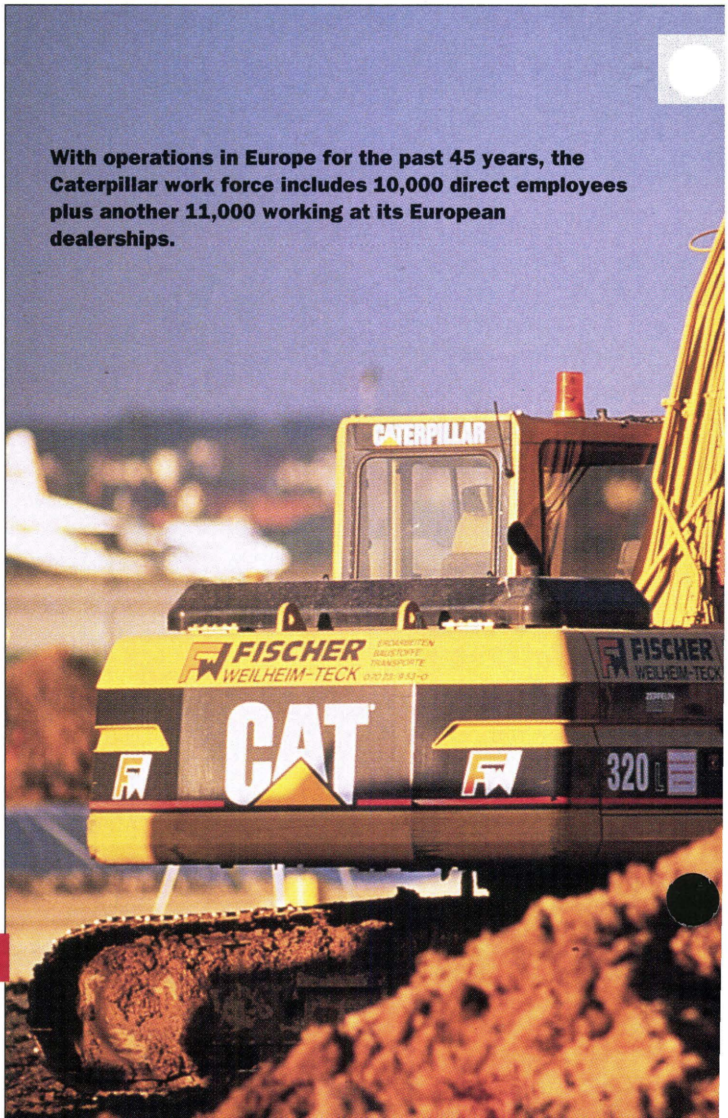
—*Amy Kaslow*

US Firms Create JOBS in Europe

By Larry Reynolds

DESPITE A SLUGGISH EU ECONOMY, a number of European affiliates of US-based firms are enjoying strong sales and creating new jobs in a variety of industries across Europe.

"Europe is definitely a hot market right now for many American companies," says Will Berry of the European Chamber of Commerce. "For some firms, Europe already represents a substantial part of their global business network; for others, particularly service firms, it's a new, potentially high growth market."



With operations in Europe for the past 45 years, the Caterpillar work force includes 10,000 direct employees plus another 11,000 working at its European dealerships.

In 1993, the EU affiliates of American-based corporations directly employed some 2.4 million people, estimates the US Department of Commerce. Of these, the bulk—1.5 million—work in some form of manufacturing.

All total, European companies of American parentage have $247 billion invested in Europe and, counting both direct and indirect jobs, provide employment for more than 3 million Europeans, reports the American European Industrial Council, a newly organized group of CEOs from the major European affiliates of US companies.

"Now is the time to be in Europe," argues John Russell, EU affairs manager, at the American Chamber of Commerce in Belgium.

Russell acknowledges the reality of recent low growth rates, however, he believes they will be offset by high growth in high-tech and certain other sectors.

"This doesn't mean the European economy will not have to go through a restructuring with many companies downsizing similar to what's happened in the States," says Russell. "But, once on the other side, I think you'll see much healthier levels of new job creation and retention as the economy becomes stronger and more competitive."

Dan Stringer, senior managing partner of the Washington, DC office of Foster Partners, an international executive search firm affiliated with consultants Peat Marwick, helps European companies locate and hire many of their top senior executives.

"I've noticed a lot of aggressive growth in the packaged goods industry, for instance, along with a formidable number of new jobs in the European offices of US information technology and consulting firms," notes Stringer. The transportation and financial service sectors also look strong while "telecommunications is on the edge of being the next big wave of new job and economic activity," Stringer predicts.

Han Tjan, vice president of public relations at Chrysler Europe may be the quintessential model of today's international business executive. Born in Amsterdam to a Chinese father and English-German mother, he grew up in Asia and the Netherlands and now lives in Brussels where he works for the American automobile company.

Chrysler only opened its current European office in 1987. "If you want to be a global company you have to be in Europe," stresses Tjan. Counting its headquarter staff, joint venture, and contract arrangements with Steyr-Daimler in Austria, Chrysler Europe already employs nearly 3,000 workers, plus several thousand more at its 1,300 locally owned European dealerships.

With sales exploding at a 26 percent annual rate and strong consumer interest in its line of sport utility vehicles like the Jeep Cherokee, Tjan feels Europe "presents us with an enormous growth opportunity."

Already employing 7,000 workers, Time-Warner Europe just opened a new theme park in Germany creating another 1,000 direct jobs. "We're very optimistic about Europe. Europe plays a vital role in all aspects of our global business," says Ivan Hodac, senior European vice-president of the giant communications and entertainment firm.

In 1995, the European affiliate of Caterpillar, the heavy equipment manufacturer, recorded sales of $2.68 billion—29 percent higher than the year before. Operating manufacturing plants in Europe for the past 45 years, the Caterpillar work force includes 10,000 direct employees plus another 11,000 working at its 27 independent European dealerships.

"Europe represents our largest investment and employment base outside of the US," says Caterpillar Group Services NV vice-president William Beddow.

A decade ago, many thought this Peoria, Illinois-based heavy equipment maker was on its deathbed. But after a massive restructuring the company has managed to double its worldwide sales. Part of the process involved "redesigning just about every square foot of manufacturing space we had in the world," recalls Beddow. Around $340 million of this money was invested in Europe.

Additionally, the firm reorganized it's business units, decentralizing its US corporate authority and giving local European managers more control over—and accountability for—their business.

"Europe has always been and will remain very important to us," emphasizes Beddow. "That's one reason why we moved our local managers even closer to their customers—we want to keep them happy and keep them our customers."

Larry Reynolds is a journalist based in Washington, DC.

Mr. Europe's LEGACY

BY LIONEL BARBER

Jacques Delors will always be remembered as Mr. Europe. A thinker and actor on a grand scale, he was a driving force behind closer integration during a dizzying 10-year spell as president of the European Commission between 1985 and 1995.

The single market, the European Economic Area—the halfway house linking the European Union to aspiring members—and the timetable for economic and monetary union all bear Delors' indelible mark. His contribution to the cause of a united Europe rivals those of Jean Monnet, Walter Hallstein, and Robert Schumann, the founding fathers of the European Community.

Yet the Delors decade coincided with a polarization of public opinion over Europe. Some lay the blame on dislocation after the end of the cold war; others point to the character of the man himself, a combination of intellectual rigor, moral discipline, populist polemic, and volatile temperament. Even in his native France, Delors is still more respected than loved, a technocrat at heart who does not fit easily into political categories.

Delors is a socialist trade unionist who worked for a Gaullist prime minister (Jacques Chaban-Delamas). He is a Roman Catholic, devoted to his family and to his talented daughter, Martine Aubry, the former Socialist labor minister who is deputy mayor of Lille. Yet he has always been a workaholic. One of the secrets behind his power was that he was invariably better prepared than any other EU leader with the exception of Mrs. Thatcher, then British prime minister and his arch ideological rival.

Mr. Delors arrived in Brussels in 1985, a little-known former French finance minister with vague ideas about a common European defense

"Jacques Delors will always be remembered as Mr. Europe. A thinker and actor on a grand scale, he was a driving force behind closer integration during a dizzying 10-year spell as president of the European Commission between 1985 and 1995."

and a single European currency. In his first four year term, he proceeded slowly, confining himself largely to the project to create a barrier-free internal market by 1992.

The idea of a single market was hardly new; it first appeared in the 1957 Treaty of Rome. Nor was Mr. Delors the sole architect. He received indispensable help from Lord Cockfield, one of the two UK European commissioners. Both understood that the freedom of movement of goods, capital, services, and people was not just a liberating antidote to Europe's slow growth and its failure to create jobs; it was also a political enterprise requiring greater pooling of national sovereignty.

The 1992 project captured the imagination of the ordinary citizen. Economic recovery—coupled with a crucial agreement in 1988 on a new EU budget package ("Delors I")—inspired the political classes. When the Berlin Wall fell in 1989, everything seemed possible. Delors, an early supporter of German unification within an EU and NATO alliance framework, was at the height of his powers.

The late 1980s were a turbulent but creative period. Thanks to Delors, work on economic and monetary union accelerated. As chairman of a committee of central bank governors on EMU, he overrode their objections and those of Mrs. Thatcher. One banker complained of "intellectual terrorism," but Delors won support for a timetable to launch the single currency by the end of the century.

Delors argued that the single market could not survive without a single currency. But he also saw EMU as a political tool to break the hegemony of the Bundesbank. He had not forgotten his experience in the early 1980s when a run on the franc forced President François Mitterrand to abandon socialism in one country in 1983. But Germany was always going to demand a price for giving up the D-mark. Delors grasped only too late the strength of German demands for a "political union" in Europe to balance the planned monetary union.

Like many European leaders, Mr. Delors was also slow to grasp how the collapse of communism and the implosion of the Soviet Union made it necessary to rethink the political organization of Europe. He believed that allowing the Czech Republic, Poland, Hungary, and the rest of Eastern Europe into the EC was premature and dangerous. The subtext was that Germany, too, had to be "anchored" inside a reinforced EC. The alternative—a looser political entity encompassing the emerging democracies in the East—looked like a recipe for German dominance.

After much hard bargaining, the Maastricht Treaty emerged in December 1991. Despite its promise of "European Union," the treaty was a compromise which went to the heart of the ambiguities of postwar European history. In the end it was Britain and France which scuppered German dreams of a federal Europe, a testimony to the power of the nation state and the resistance of the public to faster political integration.

Mr. Delors saw Maastricht as an opportunity missed. In his words, "better a crisis than a bad compromise." The irony was that he came to be associated with a treaty which in many ways he despised and which he could hardly bring himself to defend during the French referendum in the summer of 1992, following the unexpected Danish "No" vote three months earlier.

The French *petit oui* to Maastricht—accompanied by a severe recession and a succession of currency crises which led to the virtual collapse of the European exchange rate mechanism in August 1993—threatened to drive a stake through Mr. Delors' ambitions. And for a time it did look as though he had gone into a funk, hiding from the television cameras and confining public appearances to long, cerebral articles in *Le Monde* or obscure academic journals.

It was only in 1993 that Delors began to stage a recovery. His white paper on employment and growth remains a blueprint for Europe to remain competitive with the US and Asia. Though occasionally prone to old-style interventionism or suspicion of markets, it was an intellectually respectable document that underlined how Mr. Delors—and the rest of Europe—was still grappling with the slow growth-high unemployment conundrum that had inspired the single European market a decade before.

It is tempting to see Mr. Delors' exit from Brussels in 1995 as the end of a political era, especially once he decided, after much agonizing, against entering the race for the French presidency. By steering clear of an election campaign, Mr. Delors ducked the chance to put the case for a strategic bargain between France and Germany on political and economic union in Europe.

Delors' legacy will depend on whether the member states of the European Union realize the ambitions that he helped to sketch out during his 10 years in Brussels. The first test will be whether they can meet the timetable for EMU in 1999; the second will be to make it work without driving the Union apart if only a limited number of countries meet the criteria.

Yet the wider challenge is how to organize a more flexible Union of between 25 and 30 members embracing Central and Eastern Europe, while ensuring enough political cohesion to allow the EU to live up to its responsibilities as an international actor on the world stage. Delors, in the end, was Mr. Western Europe. In the 21st century, the Commission president will have to embrace both halves of the continent to earn the title of Mr. Europe. Ⓔ

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

"A single currency is the culmination of our effort to have a single market. A single currency is a symbol of political Europe."

Discussion with Delors

"A single currency is the culmination of our effort to have a single market. A single currency is a symbol of political Europe," comments former European Commission president Jacques Delors. Mr. Delors was in the United States this past summer to receive an honorary degree from Georgetown University and spoke with *EUROPE* about the future of Europe.

Delors, who helped create the single market and helped make the European Union a significant economic player on the world stage, believes that the new single currency, to be called the euro, "will be for the Americans an opportunity." He goes on to state that "it is necessary that a single European currency represents at least one-third of the reserve of the central banks in the world."

As the European Union is a somewhat vague concept to many Americans, *EUROPE* asked Mr. Delors to relate to an audience in the United States his definition of the EU. "In the first 20 years of the European Community, many Americans tried to make an analogy between the creation of the United States of America on one side and the attempt to create a federal Europe on the other side. I always have explained that it is impossible to have a European country take the same road as did the fathers of the American union because we live in countries with strong traditions, with much diversity, with much pride and perhaps in part of our histories our shame. Therefore, when I arrived at the Commission, I explained to the federalist militants that I was in favor of the united states of Europe. I worked pragmatically. I proposed innovation but in a specific way. To illustrate my approach I used a new formula, the federation of nation states."

The European Union that the former Commission president envisions would be a combination of two or three levels of power. "At the European level, our countries share a part of their sovereignty and act in common because it is more efficient. At the national level, many competencies remain, for example education, health, and social security. And, in many states, the regional level becomes more and more important."

Does Delors see himself as a European or a Frenchman? "I am both," he replies. "I am French because this is my country, but I am also European because I share the heritage. I share the legacy of a continent which has offered to the world fundamental values as freedom, democracy, Judeo-Christianity, and many other notable values and concepts."

It seemed curious that Delors, a socialist, helped create the world's largest capitalist business market. When asked if this is a contradiction, he replies, "There is no contradiction between the role of the market in the economy and my global conception of what is the best model. The best model in social and economic terms for me remains a compromise between the growing role of the market on the one side and on the other side the role of the state as a main responsibility of macro-economic policy to the central bank and the necessity to maintain a good industrial relation system. There needs to be a good social relation system which embarks to produce the enterprise and the worker in a phase of negotiation, consultation, and bilateral information. This is a good value, and it does explain the past economic success and social progress of the European countries."

When *EUROPE* inquired if Mr. Delors was satisfied with his decision not to run for president of France he responded, "It is not possible to live with regrets. My duty is to find the means to remain a little useful for my European ideals and also for the international causes. I just finished a report for UNESCO about education in the next century."

—Robert J. Guttman

"My duty is to find the means to remain a little useful for my European ideals and also for the international causes."

TRAVEL

Sitting in the gentle Mediterranean sunshine along a picturesque cove with off-duty fishing boats upturned on the sand; nibbling tiny, butterfly-shaped clams served in a parsley and garlic sauce; and sipping one of the fine, local wines is my choice for whiling away an afternoon.

Girona

This Catalonian city offers a fascinating escape.

By Benjamin Jones

Left: The Onyar River separates the Old Quarter of Girona from the modern city. Right: The Call, the ancient Jewish quarter was restored thanks in part to EU funds; Below: a favorite Catalan snack, *pa amb tomat.*

It is also a perfect counterpoint to a busy morning spent exploring the streets of one of Europe's best-preserved medieval quarters and poking around antique villages sprinkled between that city and the coast.

This marvelous day started in Girona, a Catalonian city an hour north of Barcelona and just a stone's throw from the French border, which makes for a fascinating visit and is an excellent base for exploring the surrounding region.

Girona, or *Gerona* as it is spelled in Castillian Spanish, is one of those Iberian cities that has seen many conquerors, all of whom left some legacy. And here these treasures can be found in the Old Quarter, separated from the modern city by the river Onyar.

Cross one of the several bridges such as the Pont Sant Agusti and you're in another world. It is a compact neighborhood of cobbled streets, narrow passageways barely wide enough for two people to pass, stone buildings with iron-grilled windows, and surprisingly, no garish souvenir shops.

Walk in a block or so to Carrer de la Forca and turn left to locate the Call, Girona's medieval Jewish quarter said to be one of the best restored on the continent, mostly thanks to European Union funds which have rebuilt this ancient neighborhood where Jews thrived for hundreds of years until they were expelled from Spain in 1492.

Up the steep Carrer de Sant Llorenc is the Centre Bonastruc Ca Porta, where the synagogue, Jewish baths, and butcher shop were located long ago. Permanent and temporary exhibitions of Jewish life in Girona are on display here.

Further along Forca going uphill toward the Cathedral is the Museu d'Historia de la Ciutat, or City History Museum, worth an hour of your time. Displays include a Roman mosaic and other relics, while another is devoted to the evolution of the sardana, the Catalonian national dance. There are also works by the Catalan artists such as Miro, Tapies, and Dali.

Just around the corner and up a flight of broad steps is the Girona Cathedral, an impressive Gothic structure built over several centuries and featuring the largest single-naved vault in the world. Next-door is the Museu d'Art, which contains religious art as well as more modern pieces.

The cathedral was built on the site of a mosque and nearby are the Banys Arabs, or Arab Baths, actually constructed after the Moors had left Girona and based on earlier Roman baths.

For lunch or an afternoon tapa snack, there are several notable eateries in the Old Quarter. One personal favorite is Via Augusta located back down Forca and which offers outside tables when the weather cooperates.

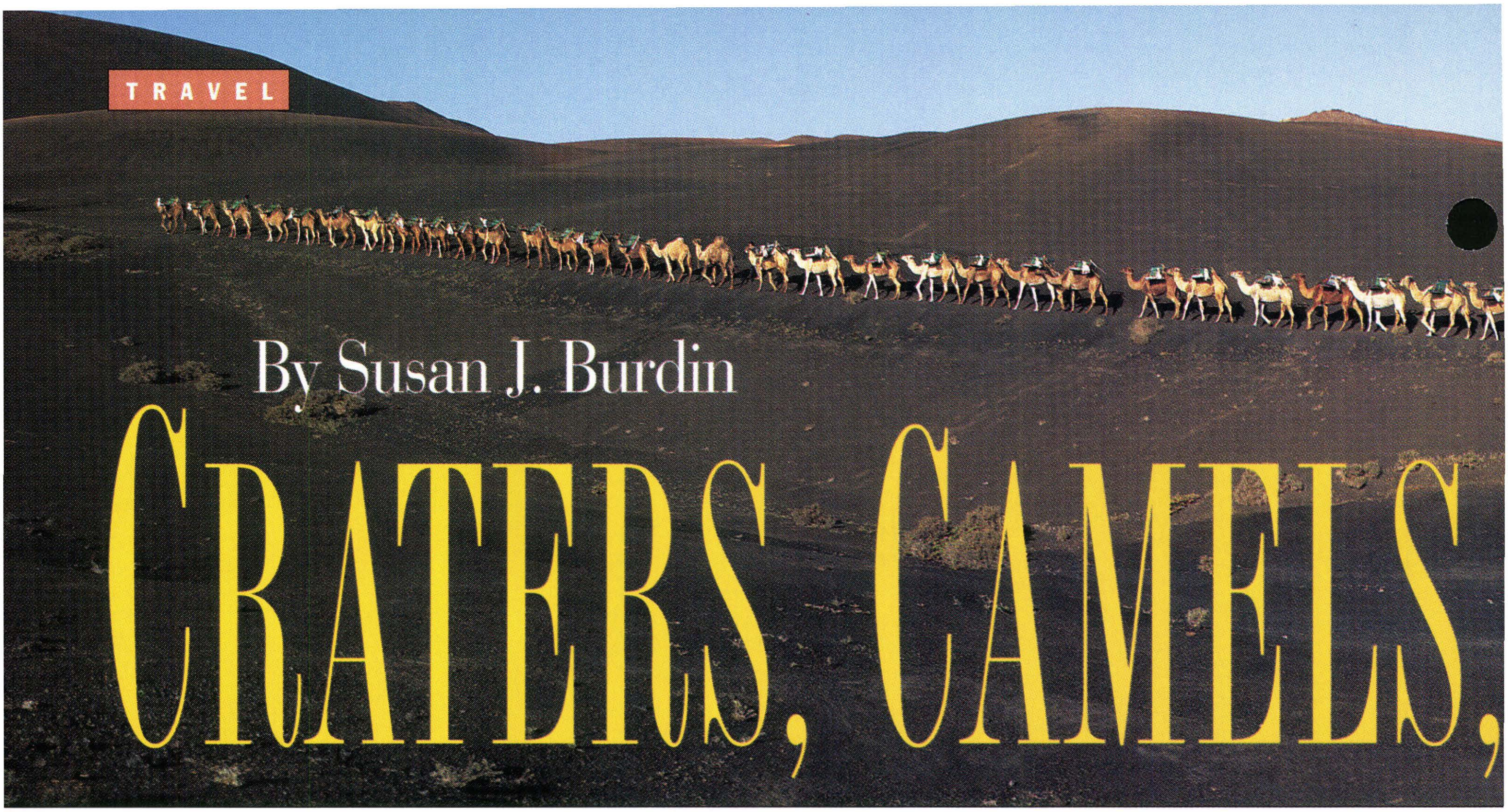
The friendly staff here serves up Catalan delicacies such as *bunyoles* (fried fish puffs), *pa mab tomat* (country bread smeared with garlic and tomatoes), and *butifarra* (a big, yummy, well-seasoned sausage). Salads and heavier fare are also available.

Carrer de l'Argentaria, which runs parallel to the river, is the district's main shopping street and is lined with outdoor cafes, ice cream stands, and pastry shops. At the end of the street on the right is the city tourist office, bursting with information and staffed by multi-lingual young ladies.

When you have exhausted Girona, hop in a car and head for the Costa Brava (the rugged coast), one of the most beautiful stretches of the Mediterranean. On your way, pass through the old market town of la Bisbal d'Emporda, known for its ceramics and antique shops.

Just to the north are small hamlets, like Peratellada which boasts its very own moat, a castle from the 11th century, an arched main square, and several restaurants that would do Barcelona or Madrid proud.

Next stop should be one of the trio of charming fishing villages now given over mainly to tasteful tourism such as Tamariu, Llafranc, or Calella de Palafrugel where clams, a chilled bottle of white Torres Vina Sol, and a sea view are waiting. ⓔ

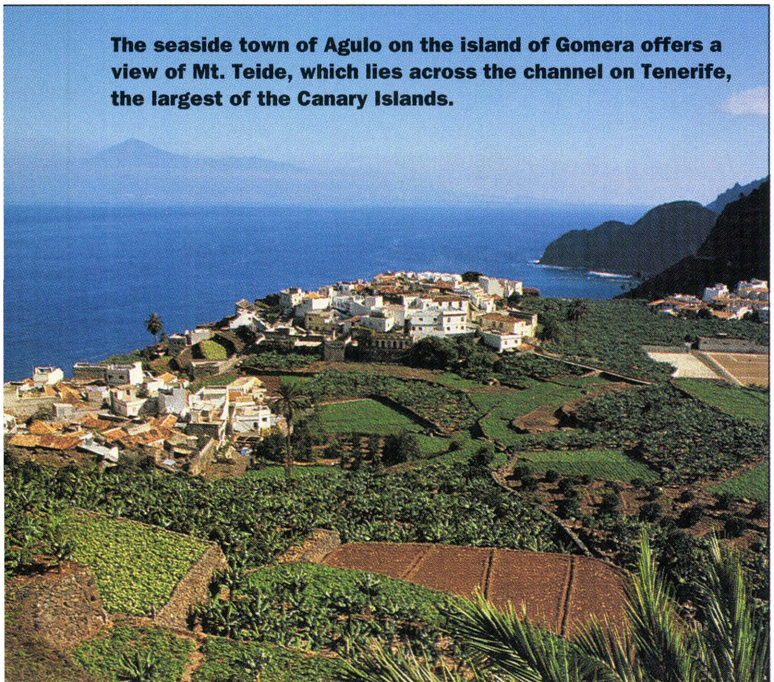


By Susan J. Burdin

CRATERS, CAMELS,

If a vacation that combines riding a camel across moon-like craters and valleys, discovering ancient castles and cultures, and lazing on palm-lined beaches of black sand strikes your fancy, then the Canary Islands are for you.

An archipelago of seven large and several smaller islands lying off the northwest coast of Africa, the subtropical Canaries emerged from the bottom of the sea in a series of volcanic eruptions and each possesses a unique character with mountains and valleys, sandy deserts and lush forests, craters and waterfalls. The Canary Islands are Spain's tropical paradise and a winter getaway for Europeans who enjoy the islands' eternal spring climate. I recently had the opportunity to visit three of these delightful islands in the sun.

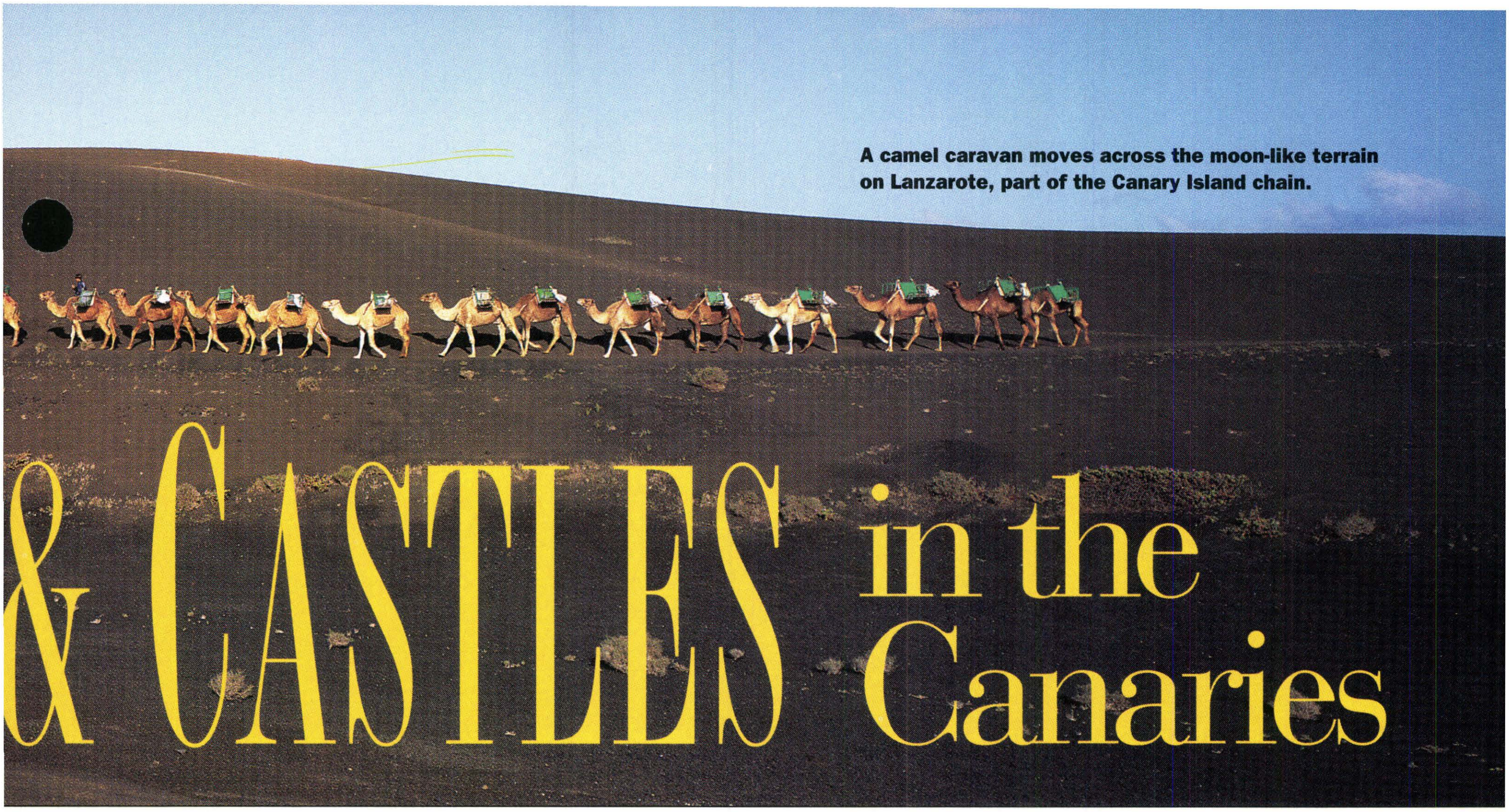


The seaside town of Agulo on the island of Gomera offers a view of Mt. Teide, which lies across the channel on Tenerife, the largest of the Canary Islands.

On the island of Lanzarote, my first port of call, I stayed in (the seaside capital of) Arrecife. In contrast to the black volcanic terrain of Lanzarote's Timanfaya National Park, Arrecife features golden beaches and is dotted with pretty white and green houses. The town has a thriving fishing harbor, fancy shops, and a couple of ancient castles—San Gabriel and San José. If you stop by the latter, you'll find some contemporary artwork by artists Miro, Tapies, and local artist César Manrique, who's influence can be seen in architecture and gardens not only in Lanzarote, but also in the other islands.

Just north of Arrecife, in Guatiza, there's an unusual cactus garden designed by Manrique which contains more than 1,000 cacti of different species. Continuing along the northern road I visited the Jameos del Agua complex of underground caverns and grottoes which were formed when molten lava from La Corona hissed its way along several miles of volcanic tubes into the sea. A focal point of the cavernous complex is the subterranean lagoon containing rare species of albino crab. Other areas have been turned into a concert hall, a museum of vulcanology, and restaurants—designed by Manrique of course.

From Lanzarote, I took a short flight to Tenerife, the largest of the Canary Islands and a popular vacation destination. The island stetches over some 794 square miles with the highest point being Mt. Teide at 12,195 feet. Known as the "island with two faces," the landscape of Tenerife is clearly divided in two. The north is fertile and moist with exotic plants and flowers growing year-round, and the south is arid and desert-like.



A camel caravan moves across the moon-like terrain on Lanzarote, part of the Canary Island chain.

& CASTLES in the Canaries

Santa Cruz, the capital of Tenerife, is a bustling, friendly port with a cosmopolitan feel. There are a number of interesting places to explore here, including a 17th century palace, museums, gardens, ancient monuments, and churches. To gain a better understanding of the history of the islands, I stopped by the Archeological Museum where I mused over the remains of the islands' first inhabitants—the *Guanches*—a tall, fair-skinned, blond-haired race who lived in caves and cliff-dwellings. Although the Stone Age Guanches lived as simple shepherds and farmers, they had some sophisticated ideas about life or, should I say, death, ranging from polyandry—having more than one husband—to mummifying their dead, and euthanasia.

For a taste of what the natives munched on, try a piece of *gofio* (a bit like cornbread), which is still eaten today in the Canaries. Dining out in the islands is a tasty experience, and there are some exceptional Canary dishes worth trying. I especially enjoyed the fresh local grouper with spicy *mojo* sauce served with *papas arrugadas* ("wrinkled" potatoes—cooked in their skins with lots of salt), and a very hearty, meat stew called *puchero*. For dessert, try *frangollo* made of maize, milk, and honey—it's delicious!

After a couple of days sightseeing and shopping in Santa Cruz, I was ready for some relaxation and travelled south to Playa de las Americas. The palm-lined beaches of black, volcanic sand were teeming with European visitors in scanty beach attire, so if you forget your swimwear it will hardly matter. The town is chock-a-block with hotels and tourists, and the night life sizzles. Apart from that there's little in the way of cultural interest. There are hundreds of excellent accommodations to choose from in Tenerife, but I particularly liked the idea of spending the night in the gigantic extinct crater at Mt. Teide, which I was eager to explore. So I made my way to the Cañadas del Teide national park and checked into the *parador,* (a state-run hotel). As far as paradors go, this is not one of the most extraordinary I've stayed in, but the location and impressive views made up for any lack of architectural or historial features, plus the hotel is only two miles from the peak of Mt. Teide. The parador was about to undergo some major renovation work shortly after I left, but if all goes according to plan it will be open again for business in November.

I was bronzed and relaxed as I boarded the Trásmediterranea hydrofoil for the 80-minute ride from Santa Cruz to Las Palmas in Gran Canaria, the third largest island in the archipelago. The size of this modern, Spanish city and its port area is impressive.

During a walking tour of the old quarter of Vegueta, with its narrow cobblestone streets, colonial architecture and sheltered squares, I soon stumbled across Casa de Colón (Columbus House). Christopher Columbus reportedly visited the islands before his landmark voyage to the New World. This historic building houses a museum with lots of nautical paraphernalia, including scale models of Columbus' ships; replicas of ancient maps; and an old portrait of the great navigator himself among other treasures.

The city of Las Palmas is a hive of activity with about 374,000 inhabitants where there is always something interesting taking place, from religious celebrations to traditional dancing and singing in brightly-colored costumes. It's worth checking the local calendar for these events, which capture the essence of these islands.

After a tour of the city's highlights, I headed inland through the central highlands of Gran Canaria. The rural route takes you by the 18th century Nuestra Señora del Pino Basilica in the peaceful village of Teror with its typical Canary architecture, carved doors and balconies, and cobbled streets. The road to Cruz de Tejeda, in the center of the island, offers some wonderful panoramic views of tremendous summits and monoliths.

Don't leave Tejeda without trying some of the tasty marzipan figures which are famous all over the island. And don't leave home without your credit card—the islands are taxfree, so you can shop to your heart's content. Ⓔ

Susan J. Burdin is EUROPE's *editorial assistant and an avid traveler.*

CAPITALS

AN OVERVIEW OF CURRENT AFFAIRS IN EUROPE'S CAPITALS

EUROPE'S JOB CREATORS. **Although there is much attention paid to Europe's high unemployment rate, it is easy to forget that all the EU economies do produce new jobs every year. What are these jobs and where do they come from? We asked each of our Capitals correspondents to write about some aspects of job creation in his or her country. Here's what they found.**

Letter from Dublin

"In Ireland we are investing the highest share of any European country of structural funds in educational training. And that has been a very deliberate policy choice on our part. We see our future as not being in competition with the low added value economies, but we see our economic niche being based on the quality of our human resources and our investment in education and training and our ability to change with the ever changing markets," states Eithne Fitzgerald, the Irish minister of state responsible for employment law and social affairs.

The minister of state, a firm believer in providing funding for educational training, believes that there is "plenty of innovation and development in Europe. But we need to continue to invest in research and development, as well as turning university ideas into marketable propositions. We need to move from abstract science into applied science. But we need to continue to invest in our people in order to have a highly educated, highly skilled, and adaptable work force."

Ms. Fitzgerald believes in "the need for a single unified Europe in order to combat unemployment" and "strongly favors a single currency and the stability it would bring."

Irish Minister of State Eithne Fitzgerald

Ms. Fitzgerald, an economist and the daughter-in-law of former prime minister Garrett Fitzgerald, has been active in trying to tackle the unemployment problem not only in her native Ireland but across Europe. She will be focusing on finding solutions to long-term unemployment during the six months of the Irish presidency.

Discussing the new initiatives the Irish government is pursuing to tackle long-term unemployment and create jobs, Ms. Fitzgerald comments on a new initiative whereby the government "will provide a $127 a week subsidy to employers who take somebody from the very long-term unemployed register."

The new jobs scheme will focus on people who have been out of work for a year or more. The jobs will be those that contribute to "work of a social value, but not of a particular market value, such as running advice centers, running day care programs for the elderly, and running local history projects. This is putting unemployed people to work on a part-time basis with some training."

The minister of state believes this type of work "is very much seen as a transition into mainstream work. The focus is on getting people through work experience back into the world of marketable work. The second element of the program will be to reserve at least a quarter of the places for the very long-term unemployed, "people who have been out of work for three years or more."

Ms. Fitzgerald says long-term unemployment is "a problem all over Europe." She discusses the differences between the EU and the US on long-term unemployment. "If you compare the European employment experience with the Americans, there are much fewer job losses, but when they lose work, they are much slower to get back in. When people do lose their jobs in Europe they are much slower to get back into employment."

Commenting on other employment issues, Ms. Fitzgerald believes in "the need for a single unified Europe in order to combat unemployment" and "strongly favors a single currency and the stability it would bring."

Minister of State Eithne Fitzgerald will be in the news quite a bit during the six months of the Irish presidency of the EU as she continues to focus on ways to erase her country's "unemployment black spots" and find permanent jobs for the long-term unemployed.

—Robert J. Guttman

THE HAGUE

THE DUTCH JOB MACHINE

Looking for a job? Well, try the Netherlands. Last year Dutch job creation was quite spectacular. Both service industries and large manufacturing companies expanded their labor forces. Philips, for example, the Dutch electronics giant, increased its employment not only in low-wage countries, but also in its high-pay home market. An even more surprising example of job growth was DAF, the Dutch truck manufacturer that went into receivership in 1994 and has subsequently regained profitability. Another major industrial company, the manufacturer of photocopiers OCE Van der Grinten, also increased its employment.

Strong job growth is taking place in the service sector and in small enterprises. The media and the information superhighway offer opportunities for new entrepreneurs, some of them coming literally out of the basement. The Internet service XS4All is a case in point. This company originated from a handful of anarchist computer hackers, and it expects to employ 60 people by the end of the year.

As the Netherlands is preparing for more public investments in high-speed rail, expansion of airports, harbors, and other large-scale infrastructure projects, more jobs will be created. For example, at the recently expanded Schiphol Airport, about 40,000 people now have found jobs.

"Jobs, jobs, jobs," is the slogan of the present Dutch government, a three party coalition of social democrats, liberals, and conservatives that took office in 1994. While many European countries are struggling with stubbornly high unemployment, the Dutch jobs machine is creating work. Last year, the net growth of jobs in the Netherlands exceeded 100,000. The official unemployment rate in May was 6.7 percent, a slight decrease compared with 7.1 percent a year ago.

Of course, there are some tricks to this apparent reduction of unemployment. The government itself has started major job schemes for low-skilled workers and long-time unemployed who are given subsidized jobs in public services. Although the purpose is to facilitate the transfer of these re-employed persons into the marketplace, this is hardly happening. Also, many unemployed are not counted in the official statistics because they are "hidden" in social security schemes or early retirement. According to the OECD, the total number of unemployed in the Netherlands is actually close to a quarter of the working age population.

Nevertheless, the job growth is remarkable, taking into account the growth of the labor supply in the Netherlands. Tightening the rules of social security has forced people out of welfare and into the labor market. Dutch women are increasingly joining the work force and are catching up fast with their counterparts in other European nations. Also, the postwar population growth has continued longer in the Netherlands than in surrounding countries, while the huge inflow of migrants and refugees has also increased the pressure on the labor market.

Although the Dutch labor market certainly lacks the flexibility of the United States, policy changes have improved its ability to attract workers to low skilled jobs. For years, social security payments have been cut, thus increasing the gap between income from welfare and from work. At the lowest level of the labor market, fiscal incentives have been introduced in order to make low-skilled labor more attractive. Taxes on labor and social security payments, although still high, have been cut as the demand for social security has flattened out and the government has slowed spending. Continuous wage restraint has made the Dutch economy more competitive, particularly compared to its largest export market, Germany. Also, the rules for flexible work, hiring, and firing have been eased.

By and large, the unions have cooperated with this increased flexibility and voluntary restraints on the wage demands. As a result, the increase in temporary and flexible jobs in the Netherlands has been impressive. Not surprisingly, Dutch temporary employment agencies, like giant Randstad, are among the largest in the world and have penetrated other European markets. And, coincidentally, that also creates lots of work.

—Roel Janssen

LONDON

TELE-BANKING

The search for examples of individuals or companies creating new jobs in the UK proved surprisingly difficult. Most tales are about factory closures, corporate downsizing, and the transfer of back office operations to low-cost locations such as India.

The conventional wisdom here is that it is the smaller enterprises that will be the prime source of new jobs. But research shows that they employ relatively limited numbers, while the stability of the employment is not great due to the high failure rate among start-up small enterprises.

An inquiry among my colleagues at the *Financial Times* brought a number of suggestions: Supermarkets are hiring as they seek to improve service and cut back on check-out time. But clearly the biggest area of job growth is teleworking.

Thousands of new telephone-based jobs are being created in places like Glasgow in Scotland, as well as in Wales and northern England. These are areas that were hardest hit by the collapse of traditional industries, and there is a ready supply of staff in these low-cost areas.

One of the most dramatic and successful examples of the creation of new jobs is First Direct, a telephone-based bank that was created in 1989 and today has 2,300 employees. It is Britain's fastest-growing bank with more than half a million customers who never have to go to their bank branch—because it doesn't have any. All transactions are done over the telephone.

The concept behind the bank was simple. Abolish branches and you can slash costs. But it wasn't easy to persuade people to move from their traditional branch-based banking.

"Our average customer needs to have it explained how he or she can make withdrawals if we have no branches," explains CEO Kevin Newman. "They were astonished when we launched a mortgage (home loan) service by phone."

But once people buy into the telephone banking concept they are delighted that they no longer have to spend time traveling to their bank and then wait in the inevitable queue. The fact that the bank is open for business 24 hours a day is another big bonus. Customers use the phone to check the balance of their account, pay bills, or even negotiate a home loan, anytime, day or night.

It is also very unusual in having a chief executive who reached that position from the computing side rather than the traditional banking side. Newman certainly needs this background to ensure the smooth working of a bank totally dependent on computers and telephones. Computers are the key, and operations would cease if First Direct's three systems were to crash all at once.

Management in conventional banks with thousands of branches spend enormous amounts of time traveling between them. But First Direct has all the staff concentrated in one massive building on the outskirts of Leeds, in northern England. Having all employees together means another huge saving in management time.

First Direct was the leader in the banking field in the use of technology. By revolutionizing banking it also created many new jobs and helped revitalize areas blighted by the collapse of traditional industries.

PC-based home-banking is beginning to enter the market and threatens to do to telephone banking what telephone banking did to conventional branch banking.

First Direct may launch such a service next year, but it is being less fervent in its revolutionary ardor than it was when it launched telephone banking six years ago. "Pioneers get arrows in their backs," says Newman. "It's better to be an early settler."

Whether its First Direct, or some other start-up operation, it seems certain that plenty of new jobs will be created as the banking revolution continues.

—David Lennon

LUXEMBOURG

CARGOLUX CREATES JOBS

The huge new blue and white striped cargo-handling complex at Luxembourg airport is not the most romantic of sights but who's complaining?

Luxembourg has created many jobs in the shipping industry by virtue of its geographical position.

Certainly not the jobless. The facility, which was formally opened in April this year, offers striking evidence of Luxembourg's ability to exploit its size and its unique location to create new businesses and more jobs.

Study a map of the European trucking network and you'll find that Luxembourg is about as central as it's possible to get. At the midpoint of a giant rectangle formed between Milan, Helsinki, London, and Madrid, Luxembourg is the focus of a network of highways and turnpikes linking all the major European cities.

Just as important where freight is

concerned, Luxembourg airport stands more or less at the center of the "golden triangle" of German, French, Belgian, and Dutch industrial concentrations.

The appeal of this to a business air-freighting goods to Europe for distribution throughout the EU is obvious, and the Luxembourgers have not been afraid to use the hard sell in recent years. With just 0.1 percent of the total population of the European Union, the Grand Duchy already has the seventh largest air cargo business. The new Cargocenter is expected to move it even higher up the ranking.

Mrs. Nicole Meyer, director of public relations at Cargolux, the air freight subsidiary of the national airline Luxair, explains how the latest airport technology has been enlisted to maximize Luxembourg's natural geographical advantages. You can unload a Boeing 747 and have its freight rolling on the trucking network within 90 minutes of landing, she says.

Position on the map is crucial, then. But why should the size of a country matter? It's a question of air congestion. Luxembourg is unique among European countries in not insisting on controlling its own upper airspace. That may be inevitable, given the tiny amount of it, but when linked to the low level purely domestic air traffic, it does mean that Luxembourg airport is remarkably uncluttered.

Mr. Roger Sietzen, president and CEO of Luxair, says that because of the uncongested traffic flow, "we can offer a fast and efficient service to both passenger aircraft and freighters."

It shows. Luxembourg airport has recorded the fastest expansion in Europe for air freight in the past 10 years and is currently forecasting an annual growth rate of 5 to 8 percent for some years to come. If you wonder why Cargolux wanted to invest $300 million in its new Cargocenter, these projections really say it all.

The new facility will raise capacity from 300,000 to 500,000 tons, provide special facilities for handling live animals, perishables, dangerous goods, and valuables, and allow four Boeing 747s to be loaded or unloaded at the same time.

Cargolux serves 30 destinations in the US, Mexico, South America, Africa, the Near and Middle East, Asia, and the Pacific Zone. It operates seven Boeing 747s and ranks as the biggest all-cargo airline in Europe.

You might nevertheless argue that even if employment at Luxembourg airport rises in step with traffic forecasts, the job gains aren't going to be spectacular: Cargolux's total work force at present is only 500. But keep in mind the size of the country.

In better times they used to joke that you could get all of Luxembourg's unemployed into a single room at the same time. That may not be quite so easy with today's total of around 7,000.

Yet that figure still represents less than 3 percent of the total work force—the lowest jobless rate in the EU. Luxembourg has a knack for turning new business tricks when you think its hand is exhausted. The new Cargocenter is the latest example.

—Alan Osborn

BRUSSELS

THINKING GLOBALLY

Creating new products is the best formula for creating new jobs, and Plant Genetic Systems (PGS), based in the Flemish city of Ghent, is a prize example. Now a world-class biotech company, PGS was founded in 1982 to exploit the pioneering work carried out at the University of Ghent in the field of genetic manipulation.

Jan Leemans, the company's director of research and development, developed the first system for transforming plants genetically. It is now the most widely used transformation technique in agricultural biotechnology in the world. The main effect of PGS products is to provide built-in protection for plants against insects and increase their yield, while avoiding the use of environmentally damaging herbicides. The two crops in which it has specialized are corn and rapeseed oil.

PGS has created new jobs for 140 staff at its Ghent headquarters and has also established branches in other European countries, in North America, and India. Plant Genetic Systems (Canada), Inc. is a wholly dedicated hybrid rapeseed oil company in Saskatoon, Saskatchewan. In the middle of the Iowa corn belt Plant Genetic Systems (America) Inc. works in partnership with local corn producers under license contracts. PGS and its associate companies are continuing to develop new products and are currently seeking to apply their genetic engineering techniques to tomatoes. It is engaged in a major expansion in its capacity, which will result in further new jobs being provided in Ghent and elsewhere.

The company has raised more than $100 million in equity financing on Wall Street, and its CEO Walter de Logi is convinced that its international dimension is essential if the company is to remain competitive. He said in a recent interview with a Flemish magazine: "PGS owes its success to its internationally oriented company culture, which is something we make a point of stimulating. That is the only way to create a world leader in Flanders. PGS is a local company, but it thinks globally."

—Dick Leonard

ROME

CARLO TOTO

How does one become a millionaire working in commercial aviation? Easy, by starting out as a billionaire. So goes the old joke, but now Carlo Toto has just shown it to be wrong. As the months pass the man who dared to defy Alitalia is proving himself to be a winner. It has been almost a year now that the small fleet of Boeing 737 has been competing with the Italian national airline, which until now monopolized the domestic routes.

The first battle was engaged over the Rome-Milan route. With about 2.5 million passengers traveling it per year, it is the fifth most lucrative route in Europe, after London-Paris, Nice-Paris, Dublin-London, and Marseille-Paris.

Carlo Toto is undoubtedly a success story. In truth, he has been for years before entering the airline business. He comes from Chieti, a small city in the central region of Abruzzo, and began by managing the family construction company with his two brothers. They are a retiring family. They don't show up much in society chronicles, and Carlo's only known passion is his Ferrari, which he reportedly drives very prudently. But even if the Totos stay clear of publicity, the company's portfolio contains several of the most lucrative construction contracts signed over the past few years in Italy and in other European countries. One of the family company's specialties is the construction of large bridges and overpasses.

Despite his low-key approach, Toto "makes the news," because he is one of the few entrepreneurs in this era of crises who is able to create new jobs, even in the commercial aviation sector, which is undergoing difficulty.

Carlo Toto's Air One is giving Italian travelers a long awaited choice of flights between Rome and Milan.

Of course, the small Air One does not have many employees. They don't even number 100. Pilots and flight attendants account for about 60 percent. The paperwork is pushed by the absolute minimum number of employees.

But in any case there are about 100 jobs that did not exist before. And one must consider the induced employment—the airplane maintenance, which is external; the ticket offices; passenger ground transportation. In all, the activity created by this quiet 52 year old businessman is remarkable. And it appears destined to increase.

It seems as though Toto has begun an Italian airline revolution as there is now another airline, even smaller than Toto's Air One, on the Rome-Milan route. The winners are the passengers, who, for the first time, can choose between different airlines and—above all—are offered various discount fares, unthinkable until just a short time ago.

—Niccolò d'Aquino

BERLIN

DREAM CAMERA

There are only a few companies in Germany that buck the trend of cutting their payroll costs. The manufacturing sector's moderate investment growth of 7 percent in the last six months will hardly improve the jobless rate in Germany. It currently stands at almost 10 percent. Bernhard Jagoda, president of the federal labor office, says that "the weak labor market will not improve in the near future." About 39 percent of German companies polled by IFO, the economic institute, said that they planned to invest mainly in rationalization measures aimed at cutting staff levels and wage costs. Only a third of the companies said they were investing to expand.

Chancellor Helmut Kohl remains optimistic and still hopes that his program "for more growth and jobs" will halve Germany's 4 million jobless by the end of this decade. Critics say that the government's controversial program of spending cuts and welfare restructuring will not create jobs. "What is needed," demands the tabloid *Bildzeitung*, "are sophisticated products which save companies, conquer markets, and create jobs." In its view, it is high time for ingenious ideas: "We've had enough of the employers' ideas to slim and streamline and lay off workers."

One of the few companies to have steadily increased its staff is Leica Camera, the paragon of all 35 millimeter system cameras. With the invention of a precursor to the original Leica rangefinder camera in 1913, it revolutionized photography. Since its debut at the Leipzig trade fair in 1925, its name has become a hallmark worldwide.

Cameras account for more than 50 percent of sales, which include its two top product ranges, the R and M series of cameras and lenses. Leica also manufactures projectors, enlargers, scopes, and binoculars.

Leica's profitable camera business employs 1,657 people worldwide. The difficult times of the 1970s, when it suffered large losses, are over. In 1988 Leica became independent and moved to Solms near Frankfurt. Order books are now full. At its main factory in Solms, Leica employs 639 people. That is 36 percent more than in 1988. In the first six months of this year Leica hired 24 additional people. Turnover in its latest 1995–96 financial report has doubled from $78.6 million in 1988 to $154.6 million (in 1994–95 the sales rose by 5 percent). Operating profits are 10 percent.

Hans-Günther von Zydowitz, Leica's spokesman, points out that "Leica has never been a mass production camera. High-precision quality cannot be achieved in mass production." In Germany, where 92 percent of all households own a camera, high growth rates are no longer possible. Leica models are particularly esteemed by professional and experienced photographers who demand a better quality camera. For the Japanese market, which is even more saturated than the market in Germany, the Leica is a "dream camera," especially the M6 model. The Leica company is particularly proud that its exports to Japan are "disproportionately high." Exports to the US are also rising, the company says. In total, exports account for 65 percent of Leica's sales.

In September 1996 Leica Camera will go public. The new shares will be listed on the Frankfurt stock exchange. The flotation is expected to value Leica Camera at $98 million to $165 million. After the flotation, about 80 percent of the company will be held by the public, and about 20 percent by Leica. The proceeds will be used to develop new technologies and its existing product range.

—Wanda Menke-Glückert

HELSINKI

ELCOTEQ NETWORK

One of the successful companies in the electronics industry, which has managed to prosper despite the difficult economic times in Finland, is Elcoteq Network Oy.

Elcoteq is a Finnish company specializing in contract manufacturing services. The company's electronic products include mobile phones, digital telephone switchboards, computers and their peripherals, and consumer electronic products. Elcoteq's clients represent various fields, the most common ones being data communications, computers, manufacturing industry, and consumer electronics. This dynamic company has grown rapidly, creating new jobs both in Finland and nearby Estonia. The growth in its exports and profits are a reflection of a true European success story.

Elcoteq consists of five contract manufacturing factories and a printed circuit board (PCB) factory. The company's headquarters are located in Lohja, a small town in southern Finland. In addition to being a home for the Elcoteq's main office, Lohja is also home for two of the company's manufacturing factories. The company's other manufacturing sites are located in Helsinki and Kirkkonummi and the PCB factory operates in the town of Salo. Due to the recent expansion into the Baltic region, Elcoteq's largest contract manufacturing factory is located in Tallinn, Estonia.

The history of Elcoteq dates back to 1991 when it was purchased by the management representing Oy Lohja Ab. At the time, Elcoteq was a small company employing 170 people with an annual turnover of about $16 million. Today Elcoteq is one of the fastest growing companies in Finland. In 1994 it ranked 188 (compared to 335 in 1993) in the top 500 companies in Finland, a company ranking list compiled by the respected Finnish economic publication *Talouselämä*. In 1994, Elcoteq's turnover was $96 million. Furthermore, the company's revenues for the 10 month accounting period ending December 31, 1995 totaled $158 million, earning a profit of $12 million. This expansion has enabled Elcoteq to cut down manufacturing costs, while opening operations in Tallinn, Estonia. In June, Elcoteq started the expansion of its Tallinn factory. The $40 million project will triple the company's electronics contract manufacturing capacity and provide a capability to manufacture more value-added products in Tallinn. Also, the number of employees will increase dramatically from the present 880 to approximately 2,000. The cooperation with Estonia was recognized last December by the Estonia Investment Agency. Elcoteq Baltic was announced as the largest exporter and the number one company in creating new jobs in Estonia in 1995. Elcoteq's cooperation with Estonia has been recognized in Europe as well because, in addition to Finland, many of Elcoteq Baltic's products are exported to Sweden, Denmark, and France.

—Hanna Tukiainen-de Carvalho

ATHENS

FIMISCO REVIVED

Greece's privatization program, designed to find new buyers for more than 40 loss-making companies taken over by the state a decade ago, has produced mixed results. Although a dozen companies were acquired by new buyers—often competitors in the same sector—most have continued to struggle, burdened with outdated machinery and working practices and several have shut down.

One exception to this gloomy picture is Fimisco, a Greek producer of magnesite and refractory bricks used for lining industrial furnaces. The company has been unexpectedly revived by its liquidators, Alpha Finance—the investment banking arm of Greece's biggest private bank.

Fimisco, once the world's largest producer of dead burnt magnesite, ran into trouble during the recession of the early 1980s. Burdened with ever-increasing loans and labor problems, it was taken over by its creditors—the state banks. Government subsidies failed to make up for weak management, and the company shut down five years ago with the loss of 3,000 jobs.

Instead of selling off Fimisco's assets—a magnesite mine in a remote valley on the island of Evia, some dilapidated buildings and machinery, and a stockpile of raw material for making fire bricks—Alpha Finance saw a chance to revive the company and turned to Alpha Ventures, the group's venture capital company.

Mr. Panagis Vourloumis of Alpha Finance says: "Because of the exceptional quality of the product, customers in Western Europe were still trying to order new firebricks—several years after operations ceased. We saw potential for a restructuring that could revive it."

Alpha Ventures restarted production on a small scale to meet specific orders, using the stockpiles of raw materials lying around the processing site. It rehired 50 workers to operate machinery for pressing bricks into shape and baking them in furnaces at temperatures up to 1,800 centigrade.

Meanwhile Alpha looked around for an investor. Last year it found Violignit, a northern Greek producer of lignite, a soft coal used as fuel by Greece's state-owned electricity utility. With Greece due to start receiving Russian natural gas to fuel new power plants, Violignit was keen to diversify.

Now Viomagn, a joint venture between Violignit and Alpha Ventures, has acquired Fimisco. It plans to invest $7 million over the next five years to improve mining operations, overhaul machinery, and protect the environment from the ravages of 50 years of open-face mining in the district. More workers are gradually being hired. Eventually about 500-700 jobs will be recreated—and those who were laid off will probably be the first to come back.

There are few jobs outside farming on Evia, an island which has never attracted many tourists. Young people are forced to move to Athens to find work. Reviving the magnesite mining operations will benefit a dozen villages in a 30-mile radius.

One former worker who hopes to get his job back says: "Strikes and a generally bad relationship with management helped run the company into the ground. We thought our jobs were safe because the government was paying the bills, but that wasn't the case. This time, things will be different."

—Kerin Hope

STOCKHOLM

BLUEPRINT FOR EMPLOYMENT

"Halving open unemployment by 2000." Such is the not-so-catchy name of the program presented by the Swedish government, in cooperation with the opposition Center Party, this summer. The program is, however, an ambitious proposal for reducing the high level of unemployment that has been haunting Sweden since the beginning of the decade.

The proposal consists of four basic pillars: measures in employment policy, education, business, plus a regional Baltic Sea initiative, with a special emphasis on small businesses and the environment.

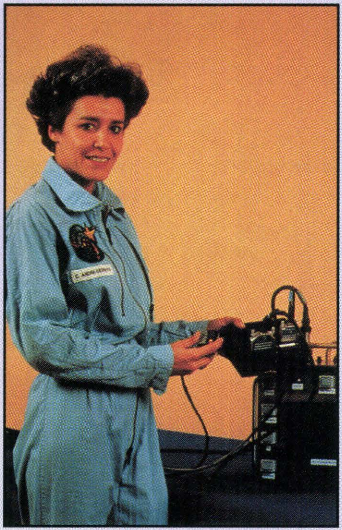
The new program includes some reductions in employment benefits that is causing a predictable howl among labor unions. One particularly controversial example is a proposed three-year limit to unemployment benefits, designed to encourage a more active search for jobs among the unemployed.

In the field of education, 30,000 more student places in regional universities

NEWSMAKERS

There has been one delay to her space mission already, but **Claudie André-Deshays**, 39, has learned to be patient. Since 1985, when the French National Space Agency (CNES) advertised for trainee astronauts and she was the only woman chosen from more than 1,000 applications, she has repeatedly been left waiting in the wings while her male colleagues blasted off into space.

In September 1993 it was finally her turn. She was selected for the Cassiopée mission, a 16-day joint project between France and Russia on board the Russian space station Mir. The mission was scheduled for lift-off this year on July 14, Bastille Day, but was postponed by a month.



Claudie André-Deshays is the first French woman to go into space.

André-Deshays has been filling the time with flight training and the only slightly less grueling media attention of which she has become the focus. Not only is she France's first female astronaut with impressive academic qualifications—she is a medical doctor specializing in rheumatology and aeronautical medicine—but she also happens to be unmarried and decidedly glamorous. At press conferences, where she tries to stress the scientific importance of the Cassiopée mission, she often finds herself fielding questions about her love life and favorite perfume instead.

Once onboard Mir she will work an 18-hour day, conducting more than a dozen experiments. They will range from the usual measurements of the physiological problems caused by space travel to more unusual tests such as charting the effects of zero gravity on the fertility of salamanders.

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In June, Slovenian Prime Minister **Janez Drnovsek**, 46, moved his small alpine nation one step closer to full EU membership when he obtained approval of an association pact setting up lucrative trade and economic incentives. As soon as the agreement was signed by EU foreign ministers, Drnovsek applied to join the Union, a move supported by 80 percent of Slovenes.

Since winning its independence five years ago, Slovenia has proven to be the most economically successful and Westernized of the former Yugoslav republics. Drnovsek, who has been prime minister since 1992, has made a determined effort to ready his country for European membership. A calm, quietly effective man, he holds a PhD in economics and is fluent in English, French, and Spanish. Under his guidance, Slovenia has joined the UN, the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, and the Council of Europe. Its economy has grown; inflation has been reduced; and the Slovene tolar has become a stable, convertible currency.

With the association accord approved, Drnovsek is now in a much-strengthened position to fight the general election coming up this fall and to hopefully steer Slovenia into the EU in the future.

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Franco Tatò, 64, is such a proven master at downsizing companies that he is known as Franco Scissorhands. He has spent the last 16 months restructuring Italy's biggest publisher Mondadori, in which media magnate **Silvio Berlusconi** holds a major stake. So formidable are Tatò's pruning skills that Berlusconi once said: "When he looks at me, I feel will be created to prepare tomorrow's labor force to be more competitive. In addition, the locally run adult education institutions will receive funds to increase their places by 100,000, providing unemployed adults with the opportunity to improve their qualifications.

The boost to the regional colleges, incidentally, is one of the marks left on the proposal by the Center Party, led by Olof Johansson. The party, which has a rural voter base, is a staunch advocate for the environment, agriculture, and decentralization.

Formerly a member of Carl Bildt's center-right coalition government of 1991–1994, the party has now entered into a deep policy cooperation agreement with the ruling Social Democrats. In fact, along with this employment program followed a public statement by Johannson and Prime Minister Göran Persson announcing yet further cooperation between the two parties, causing many analysts to ask themselves why the Center Party does not enter into a formal coalition government. As things stand today, the party is a coalition partner in practice, but without any cabinet seats.

So will the plan work? Is this what is needed to create more jobs? Predictably, the proposal has been attacked from both left and right. As already mentioned, the association of labor unions has already cried foul about the employment benefit reforms. On the right, Carl Bildt's Moderate Party has accused the government of not understanding the plight of business owners. But the proposal does include some tax relief for small and medium-size businesses.

But Persson himself admits that the program will not be enough. In it, he commits the government to submit a progress report to Parliament every six months, so that possible further measures can be discussed. But even in the event that the government succeeds in its intention, halving open unemployment by the turn of the century, there will still remain the problem of a large number of people on various government employment programs.

—Jonas Weiss

VIENNA

GOLDEN ARCHES

At 3.9 percent, Austria claims one of the lowest unemployment rates in the European Union. And in comparison with most of the other EU member states, the future appears bright for Austria. Companies like General Motors-Opel, Philips, BMW, and Hoffman-La Roche praise Austria for its "work force, its political stability, its physical and 'mental' proximity to Eastern Europe, its various incentive programs, and the responsiveness of its development officials."

like a cost to be cut myself."

Tatò has now been headhunted by the mammoth state-owned electricity company Enel, which is soon to be privatized. As its managing director he will have the daunting task of bringing to market one of Italy's biggest sell-offs.

It is a surprising move for a man whose international track record has been an unbroken stream of successes. After taking a philosophy degree in Italy and then going on to Harvard, Tatò began his career in Germany with Olivetti. As managing director, he was responsible for all of Olivetti's international business. Other appointments later took him to Austria, Britain, the US, France, and South America. Working outside Italy, he says, "has made me independent because being confronted by different environments means learning new rules of survival."

He is a sharp decision maker and a born manager, who dispenses his time and energy with the same efficiency he brings to trimming down overweight companies. Everything about him is economic, from his lean build to his telegraphic way of speaking.

At Enel, his legendary cost-cutting skills will be tested to the limit. The electricity company is one of the world's largest, with profits dropping by 5.5 percent last year while its debt soared to astronomic heights.

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Eleven years after the Hard Rock Cafe group split up, the 58 rock memorabilia hamburger restaurants have been reunified. The Rank Organization, the UK leisure and entertainment group, has paid $410 million in cash to **Peter Morton** for Hard Rock America, the 17 restaurants that the group did not previously own.

James G. Berk, 36, the hyperactive fast-talking president of Hard Rock International, is now free to exploit the Hard Rock name around the world, not just in restaurants but also in Hard Rock hotels, casinos, entertainment amphitheaters, a record label, and a television show.

Berk has a novel strategy for choosing where to locate the up to 150 new Hard Rock restaurants he plans to open within the next 10 years. He believes that they should be "slightly off the beaten track," like the original Hard Rock Cafe, which was built 25 years ago in London's Old Park Lane—not exactly a quiet backwater, but somewhat away from the prime tourist hangouts like Leicester Square, where the rival Planet Hollywood was established.

"People don't want to go if it is easy to get to," he asserts confidently and goes on to maintain that within a decade the Hard Rock Cafes will constitute around 50 percent of the business. Ten new restaurants will have opened by the end of the year in 10 new cities, including ones in Cairo, Istanbul, and Beijing. "But there will only ever be one per city, no matter how big the city," confirms Berk.

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The annual $60,000 Ford Conservation Award sponsored by the Ford Motor Group has been awarded to an Italian biologist who spent the last 10 years swimming with the bottlenose dolphins in the Adriatic. **Giovanni Bearzi**, 33, of the Tethys Institute in Milan, conceived the project, which was based on the Croatian islands of Losinj, with the aim of developing new research techniques for monitoring the marine environment.

Bearzi and his team, which included more than 60 volunteers from all over Europe, came up with monitoring procedures that made it possible to collect data on the dolphins' group size and formation, speed and duration of dive, patterns of behavior, and respiration.

"We hope that this will help to set down rules for the conservation of the bottlenose dolphins," said Bearzi, "and increase public awareness of the importance of protecting mammals and the environment."

Some positive action has already resulted from the project. The Croatian government has tightened up its laws on the protection of marine life in the territory.

—Ester Laushway

Although the overall economic conditions in Austria point toward a re-acceleration of economic growth, many companies—particularly those in the construction and food-stuff industries—are now struggling to keep their heads above water.

Economists predict that as a result of weak exports, competitive pressure, and personnel cuts, close to 30,000 people will lose their jobs by the end of 1996. This would cause Austria's relatively low unemployment rate to rise as high as 4.2 percent in the next year. But despite the currently troubling unemployment statistics, one company in Austria is growing by leaps and bounds.

In the late 1970s, the famed golden arches of McDonald's stretched across the Atlantic to Austria. Some 20 years later, the home of Ronald McDonald continues to create jobs for Austria's unemployed.

With 45 to 50 employees working at each of the 74 McDonald's restaurants across the country, McDonald's has created close to 3,700 jobs in Austria. And with roughly 15 new restaurants opening every year, the number of positions available to Austria's jobless is increasing.

Supportive of independent business, 80 percent of all McDonald's restaurants in Austria are managed by franchisees. In 1995, these savvy entrepreneurs made a total turnover of $209 million. Gerhard Boder, a franchisee in Vienna, states, "Today I ask myself why I didn't approach McDonald's much earlier."

Faithful to its motto, "Austrian products for Austrian restaurants," McDonald's also provides business for its suppliers. By purchasing all of its ingredients from Austrian businesses like the Der Mann bakery and the Voralberg company Rupp, McDonald's puts money back into the Austrian economy, to the tune of $60 million a year, to be exact.

In addition, Austria and McDonald's share a common goal regarding the environment. Catering to approximately 37 million customers, McDonald's currently boasts an astonishing recycling rate of 95 percent which they hope to increase to 97 percent by the end of 1996.

Austria's accession to the EU in 1995 only increased the amount of foreign investment in the Alpine nation. One company, however, already knows the value of investing in Austria and has come out golden.

—Elisabeth Dick

PARIS

A SMART MOVE

For Christmas 1994, the depressed coal-mining region of Lorraine in northern France was given the best present it has had in a long time. The area, which has lost 30,000 jobs over the past 15 years, was chosen as the manufacturing site for the Smart car, a micro-compact two-seater being launched by German carmaker Mercedes-Benz in partnership with the Swiss watch group SMH headed by Nicolas Hayek.

Hayek designed the car along the same bright, sassy lines he bestowed on his other famous brainchild, the Swiss watch. He originally planned to team up with Volkswagen, but it bowed out because it doubted that the low-cost "Swatchmobile," as it was nicknamed, could ever be economically viable. Hyak had better luck with Mercedes-Benz. The prestigious company, which has always stood for understated luxury on four wheels, decided to take a gamble, let its hair down a little, and join him in a bold joint venture.

By the time the Smart cars start rolling off the production line in 1998, the project will have created 2,000 direct new jobs.

By the time the first Smart cars start rolling off the production line in 1998, the project will have created 2,000 new jobs directly in the Sarreguemines district of Lorraine, where the plant is being built, and another 6,000–8,000 jobs indirectly.

The $550 million mega-deal is the kind of success story that proves just how well the French can woo potential investors when they set their minds to it. It is also an inspiring example of how an area, faced with the inexorable decline of its main industry—coal mining—refused to roll over and play dead.

Instead, Sarreguemines, with the help of national and regional development agencies, set about creating an industrial zone tailor-made for the needs of investors looking for a greenfield site. Knowing how frustrating it is to have to hassle with local landowners and zoning officers to obtain a suitably sized plot of land, local authorities bought up a 300 acre site and spent a total of $12.5 million preparing it. Water, gas, electricity, and telecommunications lines were put into place and included in the sale price.

For Mercedes, the French site offered an unbeatable combination of economic and geographical advantages. In spite of protests from German politicians and trade unions, who lobbied to have the factory built on home ground, the car maker decided that "made by Mercedes" was ultimately a more important label than "made in Germany."

Decisive factors in choosing the French location included significantly lower operating and labor costs and much greater flexibility in production. The work week is four hours longer in France; there are fewer holidays; and the unions are more cooperative. Energy prices are around 30 percent lower, commercial property costs a fraction of German prices, and corporate taxes are also cheaper. All of which means that the Smart car can be made for about $364 less per unit in France than in Germany.

The Sarreguemines site has the added advantage of being conveniently situated halfway between Mr. Hayek's Swiss headquarters and those of Mercedes in Germany. Sitting as it does on the German border, it provides ideal road and rail links to the countries which have been targeted as the Smart car's initial markets: Germany, France, Italy, Spain, Switzerland, Austria, Belgium, and the Netherlands.

Construction of the main assembly plant is now well underway, as is the building of the satellite factories around it where the different modular components will be manufactured. The first recruitment phase has also begun, with 100 positions being filled this summer from the 6,000 job applications that have arrived since it was announced that the Smart car was coming to Sarreguemines. The rest of the 2,000-strong French work force will be hired over the next two years, in time for the Smart's launch in March 1998. On a European scale, the colorful city runabout will provide employment for around 11,000 people.

Its first models, which will sell for less than $12,000, will be gasoline powered, but by the year 2000 the Smart will be available in diesel and electric versions. Exchangeable interior and exterior elements will make it possible to alter its color, transform it from a hardtop to a convertible, and update its look in a variety of other ways.

It is a clever concept, and for the district of Sarreguemines, the arrival of the versatile little car is more than just a smart move. It symbolizes its own transformation from a no-hope mining area to a thriving industrial zone with great plans for the future.

—Ester Laushway

LISBON

AUTOEUROPA

When it comes to unemployment the Portuguese appear to be doing rather well. The jobless rate has hovered at around 7 percent in recent months, far beneath that of neighboring Spain and relatively low by EU standards in general.

But the official statistics are hiding a bleaker picture. Economists believe the true unemployment rate is closer to 11 percent and they say that the work force still has much adjusting to do as uncompetitive manufacturing companies go out of business and the state cuts back its overstaffed and inefficient bureaucracies.

Against this uncertain economic backdrop, the country's Socialist government is eager to open the door to foreign companies. Foreign investment is on the rise again after falling in the early 1990s and is crucial to job creation in Portugal.

Ford-Volkswagen's "Autoeuropa" plant at Setubal, just south of Lisbon, is Portugal's showcase foreign investment project and its largest. The plant, which produces Ford Galaxies and Volkwagen Sharans, directly employs 5,500 people and provides work indirectly for a further 2,000 to 3,000—in a country of 10 million. Not only that, Autoeuropa officials say the projects will represent around 2.2 percent of Portugal's gross domestic product (GDP) in 1996 and nearly 12 percent of total exports. Understandably, this is one investment the government is very keen to hang on to.

The project has helped the Setubal Penninsula enormously. The area, which still relies heavily on its fishing fleet, has suffered from the decline of the European fish industry, and three years ago national newspapers carried the headlines: "Starvation in Setubal." The population was going hungry. Last year Autoeuropa, which was formally inaugurated in April 1995, paid out $11.4 billion in wages.

Portugal is what Autoeuropa calls a "greenfield"—or virgin—site. According to executive-director Ralph Rosignolo, the advantage of this is that the work force has few preconceived ideas and is more willing to adapt to achieve the required results. "The work force was eager and willing to be trained, and they learned very quickly how to handle these new technologies and concepts."

Mr. Rosignolo believes the project's influence will spread far beyond the Setubal Penninsula: "Autoeuropa brings to Portugal [Europe] a new philosophy and methods of manufacturing and production which will eventually have positive effects on other companies and sectors.... It provides economic stability and future growth in the European community."

—Samantha McArthur

COPENHAGEN

LIGHT IN THE DARK

The Martin Group of companies propelled itself into European prominence, when it provided the 150 mile long laser beam on the West Coast of Denmark to celebrate the fiftieth anniversary of Denmark's liberation from German occupation on May 4 last year. Though the demonstration was not flawless, the Martin group itself has shown an exceptional ability to innovate and grow.

The group has more than doubled its employment in the period 1992 to 1994, reflecting annual growth rates in turnover of 38 to 66 percent. Though the employment level of about 200 does not put it in the league of big companies by any standard, it underlines the fact that new jobs in Europe today are almost without exception created in small companies.

The Martin Group resembles what some economists call a global micro company. Its main products are special lighting and special effects, including smoke emission machinery for the global entertainment market. Customers are not numerous, but they include all the big names of the international entertainment industry. They have few financial constraints when they get the high-tech equipment they want, so this particular global niche is very profitable.

Until last year the group was entirely privately owned. It is still part of the Danish entrepreneurial mentality that discourages sharing the fruits of one's labor with outside investors and also the idea of cashing out of a venture. Perhaps as an industrial outcrop of Danish rural roots, Danish business owners are expected to cultivate a lifelong relationship with their companies and then pass them on to the next generation in good order and good shape.

The founder of the Martin Group, Peter Johansen, does not fit this stereotype. He is a self-made person and in many ways much closer to the US entrepreneurial model. He has no time for well-meaning civil servants with bags of money, and he has developed his growth strategy by muddling through, by learning from his mistakes and listening to the market, even when these sounds are unpleasant.

Close to 7 percent of all Danish exports to the Chinese market flow from the Martin Group, and company pricing policy is aggressive to the hilt. Asian prices are matched so that the Martin Group is competitive in terms of both price and quality. Virtually no European companies dare to challenge the Asian competition on price, but though Danish labor costs would entail a 9 percent higher price, this disadvantage is eliminated by savings on production logistics, including limiting the number of components in the 40 different types of products to an absolute minimum.

Peter Johansen compares his growth and survival strategy to that of winning a sailing race, something of a Danish specialty. You learn by doing, and you learn more from your failures than from your successes. You are your own worst competitor, because success generates complacency. If this sounds like politics, it may explain why the former conservative prime minister of Denmark, Mr. Poul Schlüter, is an active board member.

—Leif Beck Fallesen

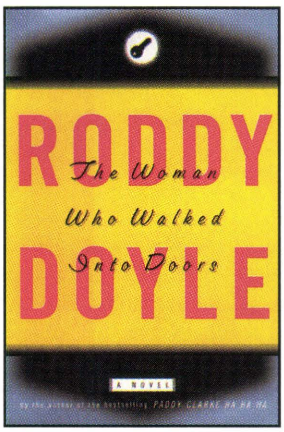
ARTS & LEISURE

BOOKS

The Woman Who Walked Into Doors

By Roddy Doyle; Viking ; 226 pages; $23

The follow up to a Booker prize winning novel (*Paddy Clarke Ha Ha Ha*) is always eagerly awaited but seldom satisfies. Yet Roddy Doyle appears to have triumphed with his new novel *The Woman Who Walked Into Doors*. It should be stressed, however, that this is not a novel for the faint-hearted. The balance has shifted from the predominantly touching observations of 10 year old Paddy Clarke to an altogether more painful realism with fewer laughs.



Doyle gives voice to a Paula Spencer, a 39 year old mother of four, recently widowed from Charles Spencer, known to all as Charlo. Charlo is the father of her children, the center of her world and the man who beat and abused her for 17 years. The reader is drawn into a retrospective of her life: The details of her happiest memories—a family holiday, her wedding day, and the blurred images of her marriage. "I missed the eighties," she says. This novel deals with the struggle of a woman trying to come to terms with her husband's death (He was shot by the Guard, during a failed armed hold-up), and the guilt and bewilderment caused by 17 years of suffering. What would have happened if she had made that cup of tea that day, and Charlo hadn't hit her for the first time? Would her life have been different? Would she have been able to save her unborn child, "born by a fist"? Why did he strike the woman he was holding hostage? He wasn't married to her. These are questions that torment Paula in her uphill struggle to regain her dignity; a battle that is made all the more difficult by her worsening problem with alcohol.

Despite the dark nature of this book (the catalogue of injuries sustained during 17 years of abuse is truly harrowing), hope and light can be drawn from the strength and humor of Paula. As with all his books, Doyle offers the reader an Ireland whose troubles feature in every society but which are largely ignored by an outside eye. No one ever asks Paula if she really walked into a door or fell down the stairs, although she is dying to tell. The frank prose and dialogue invite the reader to continue into the poignant, but not pitiful, world of Paula Spencer and ultimately reward with a feeling of hope. *The Woman Who Walked Into Doors* confirms Doyle's status as one of the most popular writers in Ireland and Britain, and I would recommend any one of his books as a down to earth insight into the other side of Dublin, or indeed any, society.

—*Claire Bose*

Jacques Delors and European Integration

By George Ross; Oxford University Press; 336 pages; $15

Delors: Inside The House That Jacques Built

By Charles Grant; Nicholas Brealey Publishing; 312 pages; $20

European Integration Revisited: Progress, Prospects, and U.S. Interests

By Michael Calingaert; Westview Press; 240 pages, $19

An Imperfect Union: The Maastricht Treaty and the New Politics of European Integration

By Michael J. Baun; Westview Press; 208 pages; $19

For many people, Jacques Delors personifies the European Community's remarkable revival in the late 1980s. His reign as Commission president coincided with some of the most important developments in the EC's history: the white paper on completing the internal market (1985); the Single European Act (1986), which broadened the Community's policy scope and introduced badly needed decision making reform; the Delors I (1987) and Delors II (1992) budget packages, which included massive financial transfers to the poorer member states; and the Maastricht Treaty (1992) with its provisions for economic and monetary union (EMU) and a common foreign and security policy.

Of course, the end of Delors' presidency coincided with the Maastricht Treaty ratification crisis; a crisis that has as much to do with the treaty itself as with growing public hostility toward the EC's seeming intrusiveness and democratic unaccountability. For many people, therefore, Delors also personified the fledgling European Union's unpopularity.

Scholars of contemporary European integration are now attempting to assess Delors' contribution to the EC-EU's vicissitudes during the last 12 years. George Ross's *Jacques Delors and European Integration* is such an attempt, and a lot more as well. Ross had a unique opportunity in 1991 to be a participant observer in Delors' *cabinet*, or private office. For much of that fateful year—the year of the Maastricht intergovernmental conferences (IGC)—Ross traveled with Delors, attended high-level Commission meetings, and interviewed hundreds of senior officials.

Ross prefaces his account with an analysis of what he calls Delors' "Russian doll" strategy. As one of Delors' top assistants described it, "you take the first doll apart, and then, inside it is another one, which leads you to another, and so on until it is too late to turn back." In other words, the white paper made it necessary to negotiate the SEA, which in turn provided the justification for EMU, an essential element of Euro-fed-

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City ____________________ State ______ Zip ______ eralism. As Ross shows, Delors brilliantly exploited favorable economic and political circumstances in the late 1980s to press for his cherished goal of European Union.

But Ross also shows that by 1991 the combined consequences of Delors' earlier achievements, which had generated a strong anti-Brussels backlash, and a radically changing international environment, which threw Europe's future into considerable doubt, forced the Commission onto the defensive. In the end, Delors was a victim of both his initial success and of unforeseen developments.

Most of Ross's book consists of a fascinating analysis of Delors' and the Commission's role in the hectic events of 1991: the IGC; important competition and industrial policy cases; reform of the Common Agricultural Policy; economic assistance for Central and Eastern Europe; and efforts to conclude the dragged-out Uruguay Round of the GATT.

Ross's verdict is clear and compelling: Delors is an extraordinary individual whose skill, acumen, and ambition were decisive for the Community's progress at a critical juncture in Europe's history. Delors' success owed much to his effectiveness at meetings of the European Council, the EU's highest-level coordinating body. There, Delors' mastery of detail, unswerving commitment to deeper integration, and friendship with Germany's Chancellor Kohl were invaluable assets.

The greatest value of Ross's book is what it tells us about the inner workings of Delors' cabinet. In that regard, the book is as much about Pascal Lamy, head of the cabinet, as about Delors himself. Lamy was Delors' alter ego; the Commission president's private face. While Delors could be charming and inspirational, Lamy was abrupt and arrogant.

Indeed, life inside the cabinet was far from pleasant. There was rampant workaholism; Lamy jealously guarding Delors' door; and little sociability. The picture of the Commission itself is equally jarring. Delors and Lamy succeeded partly because they shook the bureaucracy to its core and circumvented entrenched positions. The political reward was great, but the internal price, sagging morale, and poor management was high.

In *Delors: Inside The House That Jacques Built*, Charles Grant tells a similar story, although less comprehensively and rigorously. Grant was *The Economist*'s correspondent in Brussels in the early 1990s. That gave him a chance to observe Delors closely, but without Ross's privileged access.

Grant devotes more space than Ross to Delors' background and career before coming to Brussels. Considering that his origins are solidly working class, and that his education ended at the secondary level, it is remarkable that Delors reached the highest echelons of the haughty French civil service. Apart from a powerful intellect, Grant emphasizes Delors' devout Catholicism and deep social consciousness. As both Ross and Grant explain, Delors is profoundly concerned about society: its meaning, structure, and well-being. Indeed, as Commission president, Delors advocated an inclusive social democracy: a combination of capitalism and statism.

The bulk of Grant's book is a lively account of Delors' years in Brussels, from the heights of the SEA to the depths of the Maastricht debacle. Grant paints a sympathetic portrait of a pragmatic idealist who invigorated European integration, but whose last years in office were overshadowed by international turmoil and political upheaval.

The Ross and Grant books are essential reading for anyone interested in a full understanding of Delors' contribution to Europe's transformation since the mid-1980s. For those who wish to choose one or the other: Ross's monograph is detailed and scholarly; Grant's biography is light and journalistic.

Two newer books on contemporary European integration deal with broader topics and themes and help to put Delors' role in perspective. Michael Calingaert's *European Integration Revisited* is a welcome sequel to his 1988 classic *The 1992 Challenge From Europe*. In *Integration Revisited*, Calingaert assesses the changes that have taken place since he wrote his first book at the height of the single market euphoria. Calingaert also offers an extremely useful appraisal of US interests and responses.

Delors is by no means central to Calingaert's analysis, although Calingaert stresses Delors' contribution to the Commission president's three pet projects: EMU; social policy; and cohesion. Much has changed since the high point of European integration in the late 1980s, Calingaert points out, not least Delors' replacement by a less assertive and more collegial Commission president.

Michael J. Baun's *An Imperfect Union* chronicles the Maastricht Treaty negotiations and ratification crisis, focusing especially on the high politics of Franco-German relations. Close Franco-German relations have always been a prerequisite for progress in European integration. What distinguished Franco-German relations in the late 1980s, however, was not only the close personal relationship between French President Mitterrand and German Chancellor Kohl, but also the close triangular relationship between Mitterrand, Kohl, and Delors. One of the many problems of European integration today is the end of the pivotal France-Germany-Commission dynamic, and the uncertainty of the Franco-German relationship itself.

—Desmond Dinan

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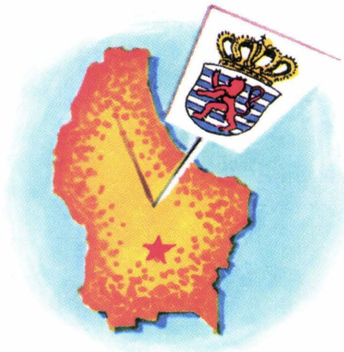

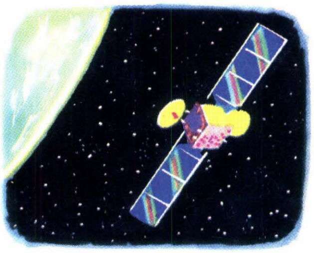

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