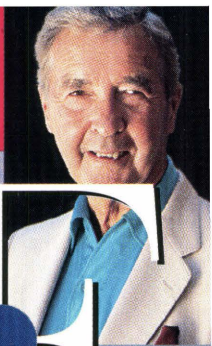


FINLAND A-Z • EXCLUSIVE INTERVIEW: DICK FRANCIS



SPECIAL REPORT: THE STATE OF THE UNION

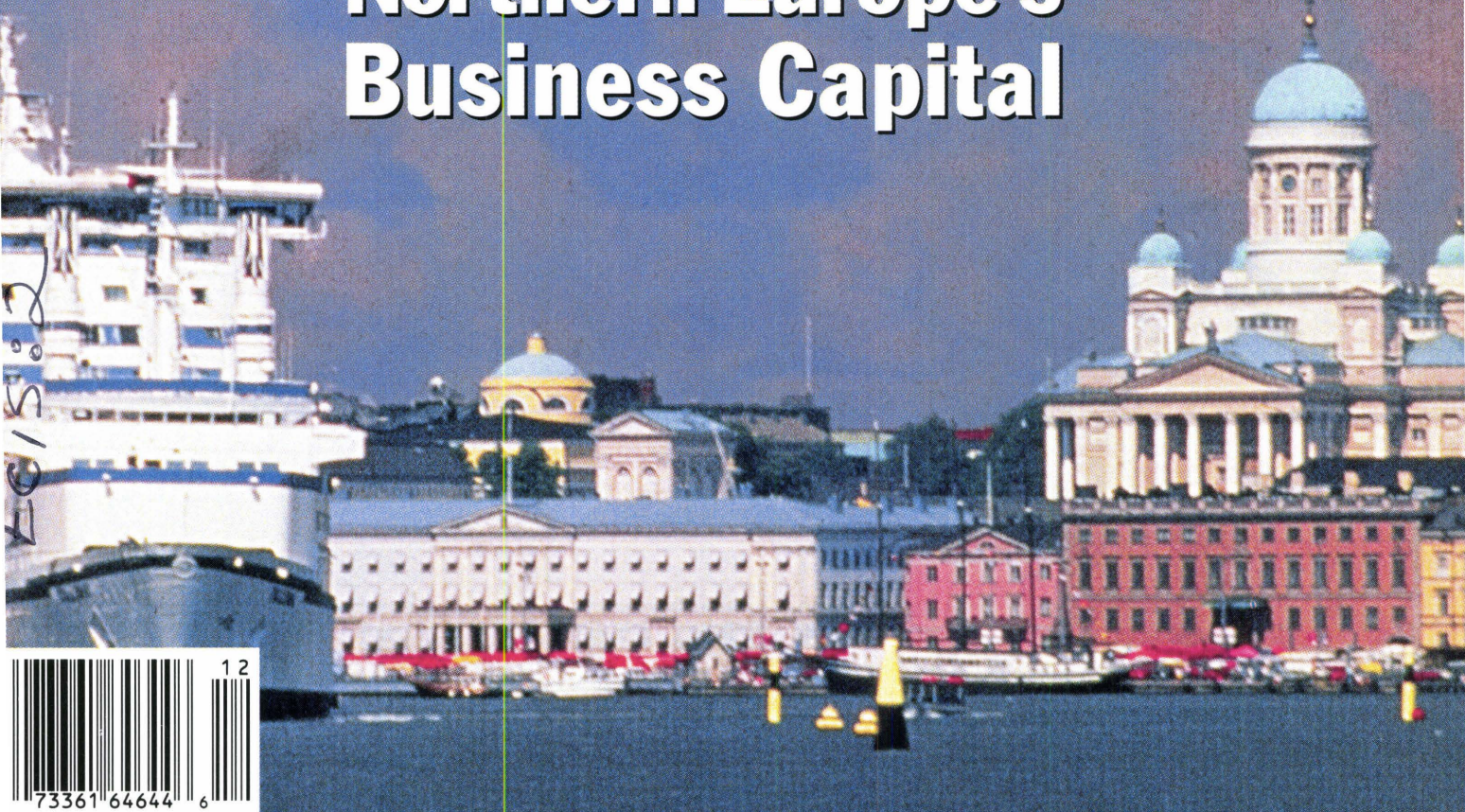
EUROPE

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Where West Meets East

Northern Europe's Business Capital



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HELSINKI

EUROPE'S NORTHERN POLE OF ATTRACTION

Located on the shores of the Baltic Sea, Finland's capital city of Helsinki is the center of the emerging marketplace known as the new northern Europe. This region, which includes all of Scandinavia, the Baltic states, and northwestern Russia, is one of the fastest growing markets in Europe, with a vast reservoir of natural resources that will guarantee its development far into the next century.

Helsinki, a spacious, safe, and clean city with an impressively high standard of living, has 1.1 million people living in its metropolitan area, out of a total Finnish population of 5.1 million. It is not just the Finnish capital, but also the nation's commercial and financial focal point. No fewer than 75 of Finland's 100 largest companies are based in the Helsinki area. The city is also a natural choice for international companies wishing to establish a Scandinavian or northern European headquarters.

At the same time, because of the historic ties forged during the 19th century when Finland was an autonomous duchy within the Russian Empire, Helsinki offers companies an excellent bridgehead to the East. The city has established close business contacts with Moscow and is in the process of building similar links to St. Petersburg. A variety of advisory and consultancy services are available to international companies interested in building a base in Helsinki from which to access the promising markets of Russia.

The Finnish capital lies at the hub of a highly developed road, rail, air, and sea transportation network. Helsinki International Airport has recently been renovated and expanded in response to constantly increasing traffic. Plans are also well underway for a major expansion of the port, which will result in increased capacity for both the busy passenger service and the unit goods harbor, which is Finland's largest, with nearly 50 direct international connections.

As for telecommunications, Helsinki benefits from Finland's pioneering role in developing new technology and allowing free competition in the field. As a result, its telecommunications systems are both among the most advanced in the world and the least costly in Europe.

While labor and living costs are similar to the rest of Europe, the corporate and capital taxes are quite simply the lowest within the EU. There is also a special income tax scheme for foreign expatriates. Investors have not been slow to notice: Helsinki represents a highly attractive and cost-competitive location within the heart of the new northern Europe.

Added to its commercial attractions is the great cultural richness of the city. The Helsinki Festival in August, with its outstanding classical music, dance, theater, and art productions, is a well-established annual highlight, but there are cultural events every day of the year. For music lovers, the city boasts an opera housed in a state-of-the-art opera house, two symphony orchestras, several jazz orchestras, numerous chamber music

ensembles, and a broad spectrum of popular music performances. There are 70 museums, 70 art galleries, 19 theaters, and more than 40 cinemas. Perhaps the best testimonial to Helsinki's cultural wealth is that it has been chosen as one of the Cultural Capitals of Europe for the year 2000.

Whether for business or for pleasure, Helsinki is a welcoming, relaxing place to live. Framed by the sea, with offshore islands dotting its shoreline, with plenty of green spaces and recreational facilities, it is very much a city of human dimensions, where the weather may turn cold, but the atmosphere is always warm.

For more information on all that Helsinki has to offer please contact: The Helsinki Industrialization Project; Project Manager Mr. Arto Juva; telephone 3589 169 2237; fax 358 169 3772



The Finnish capital lies at the hub of a highly developed road, rail, air, and sea transportation network.

EUROPE

MAGAZINE OF THE EUROPEAN UNION



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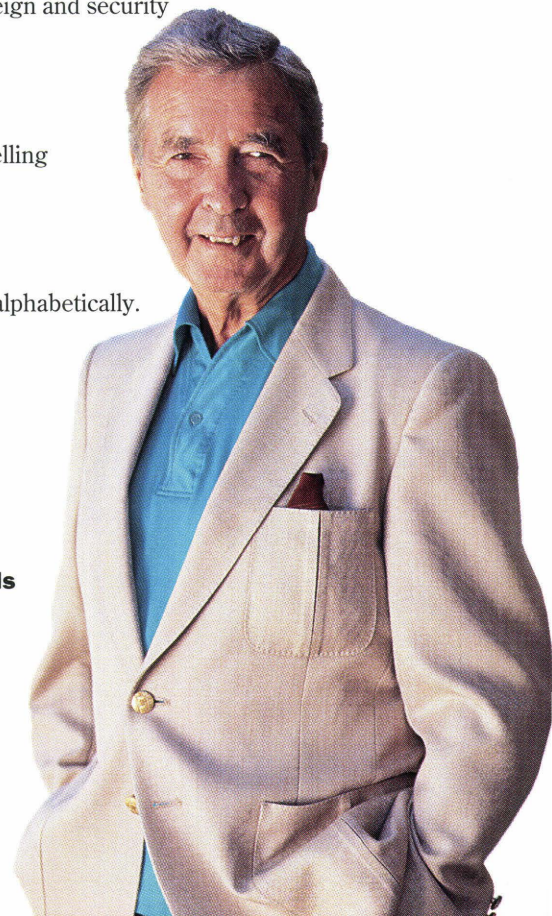
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Letter from the Editor

We are pleased to present our first EUROPE Special Report, entitled *The State of the Union*, looking at the key issues facing the European Union as it approaches the 21st century.

The State of the Union analyzes EU-US relations; key EU institutions; EU enlargement; the new single currency, the euro; and European security and NATO. Ambassador Hugo Paemen discusses EU-US relations today. *Inside Europe* will return next month.

EUROPE focuses on Finland, presenting an exclusive, far-reaching interview with Finnish Prime Minister Paavo Lipponen, who proclaims, "We have found our role in the Union" and "we should be among the first to join monetary union" when it is created. The prime minister also discusses what is happening in Russia today, Russian-Finnish economic and political relations, his country's special relationship with Estonia, NATO, peace-keeping in Bosnia, unemployment, and US-Finnish relations.

Finland, the only European Union member country to have a common border with Russia, is connecting people East and West, or as Finnish Minister of Trade Ole Norrback told *EUROPE*,

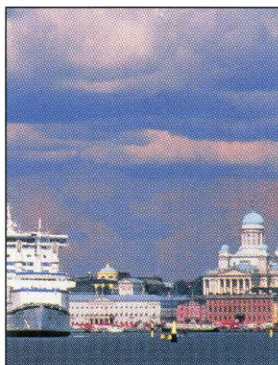
"Finland is today playing a bridge-builder role between the European Union and the East."

Nokia is probably the best-known Finnish firm doing business around the globe. It has become the largest cellular phone company in all of Europe and the second largest in the world, behind Motorola. *EUROPE* profiles some of the new products Nokia will soon be introducing in the United States.

Neste, Finland's oil company, is expanding rapidly into Russia and the Baltics. *EUROPE* talks with Neste officials and finds out that this company could be a key gas and oil provider to the EU in the next century.

Cruise ships in the cold of Finland? The answer is yes. Cruise ships that carry passengers in search of the Caribbean sun are often made in Finland at the Masa shipyards. *EUROPE* details how these massive ships make their way from Helsinki to Miami and how cruise ships and ice breakers are made.

Dick Francis, the best-selling British mystery writer, who has sold nearly 100 million books in his illustrious career, discusses his newest book *To the Hilt*. Francis, a former jockey, has *To the Hilt* on the hardback bestseller list and another novel, *Come to Grief*, on the paperback bestseller list. The author discusses his plots, upcoming books, his days as a jockey, how he comes up with his topics, and why his books appeal to an American audience as well as to readers worldwide.



Finland: Where West Meets East.

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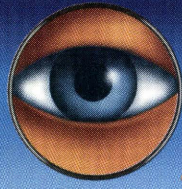
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Reuters has contributed to news reports in this issue of *EUROPE*.

EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

The intergovernmental conference, (IGC), which began in Turin last March, is now certain to be a longer drawn-out exercise than originally intended. The strong probability is that it will not finish until the closing months of 1997 and perhaps not even then.

One reason why the IGC is turning out to be a long-distance race rather than a short sprint is that its purpose has changed considerably since its conception at Maastricht in 1992. It was designed to be a review conference on how the Maastricht Treaty was working out in practice—a “5,000 mile service,” as a leading British official described it at the time.

Two significant developments have changed all that. First, the commitment to open up the European Union to a large number of candidate members to the east and south means that the present 15 members are likely to expand to 28 or even more over the next decade. This proposed enlargement has meant that the whole institutional framework of the Union needs to be re-examined to see how it can function with a much larger membership. Secondly, the largely unanticipated difficulties that arose over ratifying Maastricht in several member states, notably Denmark, France, and the United Kingdom, means that member governments are more wary this time round of entering into fresh commitments.

The conference has been meeting since March at

monthly intervals at the foreign minister level, while its steering committee has met weekly in Brussels. The EU heads of government have asked for an outline report to be available to present to the summit conference in Dublin on December 13–14. This report will be tabled, but it will contain so many issues on which agreement has not yet been reached that it will bear little resemblance to the final document.

One reason why the IGC is turning out to be a long-distance race rather than a short sprint is that its purpose has changed considerably since its conception at Maastricht in 1992.

Michiel Patijn, the Dutch state secretary, who will take over the chairmanship of the steering committee in January, recently gave a run-down of where the IGC stood, in a public lecture in Brussels. He listed a number of “easier issues” where early agreement seems likely. These included the establishment of a planning and analysis unit to strengthen the EU’s common foreign and security policy; a new treaty provision on employment; strengthened provisions on the environment, on the handling of human rights, and equal treatment issues.

He then mentioned the “difficult” issues on which no consensus had emerged.

These included the abandonment of unanimity on foreign policy and security questions, defense issues in relation to developments in NATO and the WEU, and the major question of institutional reform in relation to future enlargement. Two components of institutional reform concerned the composition of the Commission (i.e. whether every member state should be included), and the weighting of votes between large

within the EU institutions and on the weighting of votes. There are still wide differences of view, though a breakthrough could come at any time.

The second division is between the British government of John Major and the other 14 member states. The 14 have their internal differences, but all of them agree that institutional changes, and especially more majority voting, are essential if decision-making is to be effective in an enlarged EU.

Major insists that no changes can be contemplated, and he has boxed himself in so comprehensively that it seems impossible for him to climb down before the British general election that is due by the end of April 1997 at the latest.

That would give at most two months for a new government to reach agreement with its partners before the Amsterdam summit. If Major were unexpectedly reelected, he might then feel strong enough to strike a realistic bargain with the other 14 states, though probably not within a few weeks.

In the event of a victory for Tony Blair’s Labor Party, a compromise deal would be more probable. Yet newly elected ministers would need some time to work out their bargaining position, and several more months of negotiations would be required. That is why the Luxembourg summit, in December 1997, appears to be the earliest date at which a new EU treaty can be expected.

—Dick Leonard

and small states in the Council of Ministers. Another vital question concerned the proposed move from unanimity to qualified majority voting for all but exceptional decisions within the Council of Ministers.

Patijn emphasized that his government wanted to have everything sewn up by the end of June 1997, when a summit conference in Amsterdam would be invited to agree on a new EU treaty. This is a highly optimistic timetable.

Two types of compromises need to be struck before agreement is possible. The large states have to agree with the small ones on a revised basis of representation

EUROPE ONLINE

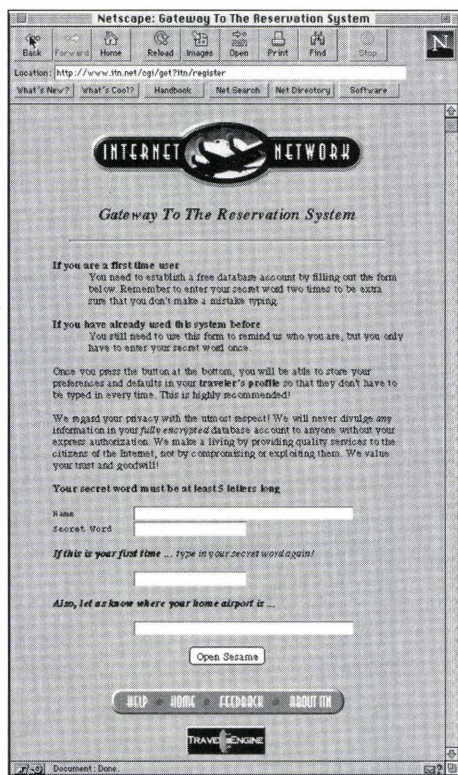
PASSENGER, BOOK THYSELF

The price of an airline ticket can be more difficult to pin down than that of a new car. Advertised fares often have hidden restrictions or severely limited availability. Waiting for an airline agent on the telephone can seem like hours, and travel agents may not get back to customers for days.

Many airlines are creating a self-serve environment for passengers on the World Wide Web. They are hoping to appeal to customers who like to shop around for tickets, and they save money on travel agent commissions.

Large European carriers often have Web sites, but many offer little help in making travel arrangements. But some smaller airlines have found the Web a way to trim their advertising costs and reach a worldwide audience. Regional European carriers, such as Easyjet, Flying Enterprise, Ryanair, and Jersey European Airlines, offer flight information, fare quotes, and are moving toward issuing tickets through their Web sites. The sites provide options for foreign travelers who may not have considered airlines as part of their Europe itinerary.

Easyjet is one airline that cannot be booked through travel agents. The company, run by Greek shipping magnate Stelios Haji Ioanneau,



Airlines are increasingly coming on-line to allow passengers to book their own flights.

serves London, Glasgow, and Edinburgh. Visitors to its web site (<http://205.164.229.4/easyjet>) can find flight times and days as well as prices, but to purchase a ticket one must call a number in the UK. The airline promises to provide booking through the Internet in the near future.

Full Internet service is also in the works for Flying Enterprise, a Swedish airline that flies between Stockholm, Visby, and Jonkoping in southern Sweden, and Copenhagen. The Web site (<http://www.flying.se>), which is available in English, gives schedules and price information. As with all the regional carriers, prices are in local

currency, so a recent currency conversion table is essential.

Several of the airlines are hoping to convince travelers to give up the traditional choice of train and ferry, assuring passengers the airlines are both safe and economical. Jersey European Airlines, which serves London, Dublin, the Channel Islands, and several smaller cities in Ireland and the UK, promotes specials on its Web page (<http://www.jea.co.uk/>). And Ireland's Ryanair (<http://www.iminet.com/SMS/Ryan/index.html>), which serves many of the same cities, says it flies only 737s, no small propeller planes, and offers a toll-free telephone number for US clients (800-365-5563).

To keep track of the European airlines and their growing number of Web sites, tap into <http://w1.itn.net/airlines/europe.html>. The large airlines may take a cue from their regional counterparts and begin offering more services via the Internet. American Airlines already has one of the best sites (http://www.americanair.com/aa_home.htm), with complete pricing information, a search engine for flights available on specific days, and deeply discounted fares only offered on the Web for last-minute flights. With ticket prices for overseas flights varying by hundreds of dollars, it pays to plug in.

SITE OF THE MONTH: FILMZONE

With US movies ringing up the most sales at the box office, more than a few quality foreign films go largely unnoticed by American audiences. The electronic magazine *Filmzone* (<http://www.filmzone.com/ForeignFilms/>) is trying to shore up interest in less mainstream movies and bring films from abroad, both old and new, to its readers' attention.

With monthly reviews, film clips, and a must-see non-English movie list, the site itself is a must-see for those who were captivated by *Il Postino* or *Wings of Desire* and hanker for more foreign films.

Reviewer Matt Langdon writes a succinct monthly column on a half dozen foreign films, such as France's *Ren-dezvous in Paris* or *Kaspar Hauser* from Germany. Don't expect in-depth plot summaries or character analyses, but Langdon gives enough detail to spark interest or aversion.

In addition to recent releases, *Filmzone* has lengthy articles, complete with movie clips of older films that had a big impact overseas. A top 49 list of non-English films rounds out the site with classics such as François Truffaut's *Day for Night* and Ingmar Bergman's *The Seventh Seal*. Because many of the films are not available for rent, *Filmzone's* creators are hoping to move into the merchandising arena and help foreign film fans stock their video libraries.

—Christina Barron

Connecting



“Finland is today playing a bridge-builder role between the European Union and the East. This adds a new positive dimension to the European Union,” proclaims Finnish Trade Minister Ole Norrback.

With its 800 mile border with Russia, Finland is indeed the connection between the European Union and Russia. Finland is having to adjust to two new major events since the end of the cold war: Russia is no longer the enemy and there is no longer a Soviet Union on their common border. Finns are reassessing their relations with the “new” Eastern neighbor on their doorstep, trying to determine whether the Russia of today is an ally, adversary, or just a normal trading partner.

The other major event for this country solidly attuned to and looking toward Western Europe is their membership in the European Union. Finland is a proud and enthusiastic player in Brussels these days. Being a member of the EU makes many Finns no longer feel isolated from their fellow democracies across Europe. The people appear anxious to be among the first EU countries to join economic and monetary union (EMU) in the first stage.

While Finns adjust to EU membership and a closer relationship with their 14 fellow EU members, they continue to cast a wary eye on what is happening in Russia. While almost everyone in Finland talks about how positive things are going in Russia, one can sense their anxiety about the state of economic and political affairs in their large Eastern neighbor. This concern seems perfectly normal for a country sharing a common border with a neighbor that is fairly unstable at the moment.

Finns are much more positive about their relationship with Estonia and the other Baltic nations. They mention their “special relationship” with Estonia and are working diligently to try and move the Baltic nations into a better status with NATO and the EU.

Mr. Norrback talks of Finland as being part of two worlds. “We are part of the European Union and its single market, and we have the closeness to the Eastern European market,” he says.

Finland’s Defense Minister Anneli Taina comments that today “Finland has good relations with Russia. So maybe it is better that we call Russia our friend. Good relations with our great neighbor is very important for us. Good relations with Russia is the best way to have stability here in the area. We must not ever divide Europe again.”

Ms. Taina says that she certainly hopes that Yeltsin gets his health back. “But,” she continues, “I’m not sure that their stability is relying only on one person today.” Furthermore, she says, “It is very important for other countries to support Russia in its aims to be a normal country.”

Trade Minister Norrback believes “the process in Russia is going in the right direction, toward democracy and an open market system. But the process is very unique. There is no country in the world going through such a process which Russia is going through. But the cooperation between the

By Robert J. Guttman

People West & East

Finland's favorite rock-n-rollers, the Leningrad Cowboys, team up with members of the Russian Alexandrov Red Army Choir and Ensemble to bridge cultural barriers with a performance in Helsinki.

Finnish government and the Russian government is excellent, and we are meeting regularly.”

Nearly everyone in Finland, whether they are in business or government, seems to mention that the West—the EU and the United States—needs to remain engaged with Russia. The Russians should not be ignored as that would be the most dangerous situation for a stable Europe.

As Derek Shearer, the US ambassador to Finland relates, “The biggest fear or problem for Russia is if they get ignored, if people turn their back on them because they don’t want to have anything to do with them. That’s really the threat, not that somebody is threatening them. The best thing Russia can do is develop as many economic, social, cultural, and governmental ties with Europe as possible and become part of Europe.”

Ms. Taina likens the demise of the Soviet Union to the end of a world war. “But there was no war. It all happened peacefully,” she says. “It is important that it did so, and we are optimistic that there is going to be peace in the future. And we must work together so that the future will be positive.”

Mr. Norrback believes EU membership is very important for Finland. “We are now sitting in the rooms where decisions are made in the EU,” he says. “And we can prepare the decisions together with the other countries in quite another way than we did before.”

The main difference for the person on the street in Finland by being a member of the EU, he says, “was when food prices—all kinds of food prices—dropped 11 percent. This has been the most concrete result of EU membership for all of us in Finland.”

Defense Minister Taina says that “being a member in the EU gives us more possibilities to influence security policy. Being in the EU gives to Finland more possibilities than before to have an affect on these matters. It gives us a place at the table, and we are all working together to make Europe a better place to live.”

She continues, saying that the EU “was created for keeping peace in Europe, and it has succeeded in that. It has been a success.”

Ole Norrback sees economic success with the implementation of EMU. “We are certain that the single currency is coming,” he declares. “There is a lot of political prestige behind it, and as far as I can see, there is no way back. And for Finland a common currency and a common monetary policy will bring both positive things and problems. The main positive thing is the stability for the Finnish economy.”

“If you ask people in Finland what EU membership means, they would say that it gives us feelings of security,” Norrback says. “We now belong to a group which gives us these feelings.”

Taina believes that being in the EU means “we are working together to make Europe a better place to live, and



Where West officially meets East: the surveyor's posts marking the Finnish-Russian border.

that is very important for us.”

While the conversation in Finland focuses on the country’s membership in the European Union and its ties to the West, it is quite obvious that most of the Finnish people are keeping a wary eye on their chaotic neighbor to the East. They are hoping that Russia continues its unique drive toward democracy and an open market economy.

Finland is no longer a gateway to the East but a full functioning member of the EU, providing a bridge to the Baltics and Russia. ☺

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

Prime Minister of Finland Paavo Lipponen



Finnish Prime Minister Paavo Lipponen was interviewed in his office in Helsinki by EUROPE Editor-in-Chief Robert J. Guttman. The prime minister speaks out on the Finnish economy, unemployment, relations with Russia, preparing for EMU, being a member of the EU, NATO, and Finland's role as a new business center connecting people between East and West.

Finland has one of the fastest growing economies in the EU. Why is that?

Finland is still recovering from the most severe economic crisis that any Western European country has experienced since World War II. Having gotten the economy into balance, we now have increasing confidence among business and consumers. So the domestic market is now picking up very quickly. Competitiveness is historically on a very high level. Even exports are doing relatively well, although the paper and pulp exports are still in a slight recession. But, basically it's a new confidence, and we have a lot of potential for non-inflationary growth. We have a great need for investment, both in industry and infrastructure. We have great potential for growth in the service sector, which has been historically underdeveloped in Finland. Now that people are consuming more, I believe a lot of jobs will be created in the service sector. The government will be trying, in cooperation with the labor market parties and social partners, to improve the situation in the service sector.

**EUROPE
INTERVIEW**

You said at the beginning that one of the worst crises for Finland was when the Soviet Union collapsed and your trade with them collapsed.

It's the worst crisis that any Western economy has undergone since World War II, excluding the immediate post-war years. This has been the most severe mainly because of two factors: the loss of our trade with the Soviet Union and the loss of nearly 150,000 jobs.

150,000 jobs were lost?

Yes. And this coincided with a recession in Europe. Plus we had had a closed economy and a closed development and had lost competitiveness. We also had sort of a financial bubble; public expenditure had gone up faster than we could finance. So these are the main factors.

How is trade coming with Russia now?

It's picked up. Of course, it's on a much lower level, but there's a lot of potential. We are trying to make Finland a business center for this European sub-region.

For Northern Europe?

Northern Europe mainly. Of course, around the Bay of Finland there are the Baltic states and St. Petersburg. Scandinavia is our natural partner.

Is your goal to make Finland a business center for Northern Europe?

A business center—not just a gateway. Of course, we want to be a gateway, but we want—and we are creating—a stable atmosphere for business and foreign investment. We are also creating conditions for operating in the Russian market. Our ambition is to connect people, and we are doing it. We are taking some steps to [make] these connections. We are becoming a global business center for Asian and North American firms. Actually, the shortest flight times from Europe [to the Pacific] are from Helsinki to Beijing, Tokyo, Bangkok, the West Coast. Asian companies are now interested in our country, and some have established themselves in Finland. We have also the Siberian railroad that is in use.

It comes into Finland?

Exporting to Finland to re-export from Finland to Russia, because we have the skills, the knowledge of the Russian markets, and the stable environment that provides security from both the point of view of the customer and the producer.

What are you doing to make Finland the business center for Northern Europe? What are you doing to attract American business or European business or Asian business?

Basically we have an economy in balance and stable conditions as far as taxation is concerned. We now have a very stable labor relations environment. We now have the most moderate wage agreement in Western Europe. And then, of course, there is the know-how that we have accumulated about Russia and the security that the customer can get from the ability of Finns and Finnish companies to handle this traffic. Of course, we have know-how in financing.

You are the only EU country with a border with Russia. What does this mean for you?

The EU is now important because we have the EU systems in place; for example, we have the TACIS with Russia. We have created a lot of initiative in Finland, regionally and in our cities. Local governments are doing a lot to try to meet business needs. We are investing in infrastructure. We are developing this part of the Nordic triangle that is the Stockholm, St. Petersburg, Moscow connection. It means railroads and motorways. Helsinki is going to build a new harbor. And we are building an extension of the runway in Lappeenranta, which is the biggest city on the eastern border, next to St. Petersburg. We are creating all kinds of infrastructure.

You said a triangle. The triangle is Helsinki, St. Petersburg, Moscow?

The triangle actually includes Oslo, Stockholm, and then over to Finland to Turku, Helsinki, St. Petersburg, and of course Moscow is pretty close. It's only 1,000 kilometers (610 miles) away.

Are you saying people should invest in Fin-

land in order to do business in Russia because Finland is a better place to live and to bring up a family?

We are not going to raise our capital taxation level. It's on the level that I believe is tolerable. So in many ways, we're trying to make Finland a favorable business environment. That's our goal. We are also developing cultural services. We have one of the best operas in northern Europe in Helsinki. I would say it's the number one opera in northern Europe.

Is Russia today an ally or an adversary? What would you call your neighbor Russia?

During the postwar period, and the cold war period, Russia became the Soviet Union and then Russia became a close partner to Finland economically. Actually, becoming a member of the European Union wasn't "year zero" for us. We had the capital we had accumulated in good relations. We had no problems. We are different from the Eastern European countries in this respect. Being a member of the European Union, that settles it; our place in Europe is clear.

Is Russia on a road to democracy and a market economy?

I'm confident that they are. We've seen all the progress. We have to look at where they started from. They've made steady progress. There can be relative setbacks, but progress will be there. It also depends, to some extent, on what the EU and the United States are doing, both economically and politically, to invest in the future of democratic Russia. That means, basically, being integrated with Russia in every way. Now that they have given another proof of democratic development with the recent presidential elections, I think we should now invest in cooperation with Russia.

How is that going to be done? What should the EU be doing?

The EU of course has already done a lot. It's an evolutionary agreement that can and should be developed further. I hope that now we can get into business even more effectively with the Russians.

You say “get into business with Russia.” What does that mean?

That means thinking about Finland, solving some of the practical problems, and launching new projects.

Are you trying to get more Western companies to invest in Russia?

That of course is basic, and we should also expect Russia to do their share by stabilizing conditions and improving legislation. What is needed is direct investment.

Does this all depend on Yeltsin's health or has Russia gone far enough that it's not just dependent on one person?

I think it has. I'm sure that it has. Let's keep our fingers crossed that he will recover well from the coming operation. Although Russia doesn't depend on one person, it might take some time for things to settle if he couldn't continue as president.

Are you an admirer of Yeltsin? Do you think he's done a good job bringing Russia on the road to democracy and market reform?

He's initiated much of the progress that they've made if we check the historical perspective. Chancellor Kohl is one of the statesmen in the West who has a historical perspective. He keeps reminding the other EU leaders that “look, let's put [what they have achieved in Russia] in a historical perspective and it's remarkable.”

Do you think it's remarkable what they've done since the end of communism?

Yes. Actually even before that. Now that I've looked back into what was going on before the collapse of the Soviet Union, many things were already cooking, also between Finland and the Soviet Union. Some people argue that the collapse of the Soviet Union was a prerequisite for our joining the European Union, but I don't think that's really true. It can't be proven.

Would you have joined the EU anyway?

We had already really solved our problems with the Soviet Union. We had very good relations, and we had earlier experiences from situations where we could take care of our own interests.

What's the key benefit for Finland as a member of the EU?

I argued on the eve of the referendum that we need this to stabilize our position in the post cold war Europe. And membership has done it. Our place is clear. We didn't turn our backs to Russia, but we needed this for

stability. But we had to get out of the illusion that by remaining outside we could sort of take better care of our own economic interests. What has been one of the most positive results is all the initiative that we now see emerging from this country in different sectors and in different regions. So this thinking that we are in the periphery is gradually becoming past history.

Is Finland no longer on the periphery of Europe now that you are in the EU?

We are equal, and we can influence things. This is important. We have interests to defend, and we couldn't defend the interests of this part of Europe, including the Baltic states, if we're outside the EU. So for Finland it's maybe politically more important to be a member than for Sweden. We run a bigger risk of being isolated. We need this culturally, too. We've been too inward looking, and we still have to get rid of this thinking of “them” in Brussels and “us” in Finland. We should think “we” in Brussels and “we” in Finland. So that we are there taking part in the building up of the new Europe. We have also, in a way, found our role in the Union. There is now a Finnish member of the Commission who is just as good as anybody else there.

Being in the EU gives you equality in Europe. You are equal with all European countries. Is that true?

That's the point, and this is something that I want to see in the European

Union—that the European idea be held clear that member states are equal and that whether you come from Lapland or Scotland or the Greek Islands or the Basque country or from Transylvania, you're just as good a European as the others. This is not yet quite there because we have this tendency, particularly among the big member countries and even among some of the smaller ones, to think that they are the “real Europeans,” and this is why they should have more say. I think Europe has a future only by keeping this European idea clear, that all Europeans are just as good and are all equally good Europeans.

What do you see as the main function of the EU? Is it a peacekeeping organization or a trading organization? What is the EU in your view?

Originally, it's been an organization for peace and stability. It still is, but it's becoming more of an economic factor, and with the monetary union it will become even more integrated. We need a common financial policy. And in order to sustain enlargement, which is a priority, we need stronger institutions and we need a common foreign and security policy. But this of course has to be done pragmatically. The Americans obviously don't take the European Union all that seriously yet.

You don't think so?

I don't think so. And of course we have some ways to go in Europe to become more credible.

Are you on track to become a member of the economic and monetary union?

We are on track as far as the criteria are concerned. Actually, we have committed ourselves to the Maastricht Treaty. The previous government didn't make any reservations. If the monetary union is created, as I believe [it will be], we should be among the first to join.

You should be in the first group joining EMU?

Yes. If we meet the criteria, it would look odd if we didn't join.

Do you think EMU is going to happen on



time? Do you have any doubts that it won't happen?

There's a great determination, particularly among the big member countries, Germany and France, but also others to stick to the timetable.

But you think EMU is on track, and you think you'll be in the first group?

It takes a decision in the Parliament, but if there are enough countries that meet the criteria and we meet the criteria, we should be among the first.

You talked also about a common foreign and security policy. Is that actually going to happen? That's harder, don't you think?

We shouldn't expect to have it happen very soon, a real common foreign policy like that of the United States. But we should improve decision-making, make it more effective, have a more effective operative organization. Something is needed to improve coordination and the ability to act.

Would you like to see a new EU foreign policy apparatus and a new civil service?

We should rely on the Commission and the Council. There are different alternatives, now. One of them is the German proposal to have sort of a troika—the presidency and a commissioner and a general secretary of the Council would be responsible for security. That's an interesting idea.

What about NATO? Did you ever consider Finland joining NATO?

We have no need to review or assess our policy of non-alignment because we think it best serves our security needs and stability in this region. We want to keep our decisions in our own hands, of course, and naturally we are keenly following what's going on now in Europe, particularly between Russia and NATO, whether NATO enlargement will eventually bring about even bigger changes in the European security structure. We see NATO as a partner for stability in northern Europe. We are in the Partnership for Peace, and we are participating in the IFOR op-

eration in Bosnia.

How many troops do you have in IFOR?

We have some 400-500, sort of an engineering battalion. We want to make our contribution in the military sphere, but we'd like to limit it to peace-keeping operations. We are training special troops for that purpose now.

What do you think is the biggest threat to Europe today?

I believe it's internal, social instability due to high unemployment and social cleavages being created by permanent high unemployment.

We should think "we" in Brussels and "we" in Finland. So that we are there taking part in the building up of the new Europe.

Do you think the EU has any way of solving this?

We are working together now. We have made some progress in developing common thinking and an approach to solving problems, like improving competitiveness. But I hope that the monetary union will give a better basis for common economic policy to combat unemployment.

What is your foreign policy? Is it non-alignment?

It is independent defense. We have our own defense with our own doctrine based on territorial defense.

And the concept of neutrality, is that gone?

The policy of neutrality was developed for cold war circumstances, a divided Europe. It's not as relevant now, but the tradition and all that we achieved with that policy and with this military non-alignment remains. So we can see a sort of "great tradition" of Finnish foreign policy, that there's a continuity. The policy of neutrality was really geared to defend our interests and to give us progressively better opportunity to be integrated economically with the West.

Would a common foreign and security policy with the EU impinge upon your foreign policy?

We are part of it; we are committed to it.

You're committed to that?

Yes, we have a membership agreement. We are committed to it.

Is there such a thing as "Europe"? Do you think Europe exists?

Yes, there is a distinctive European identity. I was a student in the United States, and when I returned, I was working on a Norwegian freighter. When we were coming to San Sebastian, I saw the contours of the coast, I thought "this is Europe; it's great to be back." Not that I didn't like America, but still I felt a European connection.

Do you think the Portuguese and the Greeks and the Finns all have something in common?

Of course, naturally we have a lot in common with the Americans, Western civilization. So we need also cooperation with America; we need an American presence; we need the security and a structure where Americans are participating.

Do you want to see America stay involved in Europe through NATO?

NATO is there, and I can't see a replacement at the present. We can improve—and we should improve—security structures in Europe, mainly integrating Russia. But I don't see a replacement for the present basic set-up.

And how are Finnish-US relations? Are they good?

Very good. Yes, they were good during the cold war, and today we have very good contact. I appreciate that the United States government is taking care that we are kept up to date and consulted on the NATO enlargement project and the American government's intentions. ☺



Helsinki's harbor provides Western firms with a major transportation base for the Baltic region.

“Helsinki is a good place for business. We are an exceptionally good bridgehead between East and West. We provide good connections to Russia, all of Scandinavia, and to the Baltics,” says the new mayor of Helsinki, Eva-Riitta Siitonen.

Speaking in her office commanding a grand view of the Helsinki harbor, the mayor states that “Helsinki offers corporations a solid location as a gateway or bridgehead to the new markets of the East. And our membership in the European Union is a tremendous advantage for firms locating here.”

Mayor Siitonen stresses that the Finns “know how to do business with the Russians. We know the Russians and their problems. We also have wonderful connections with Estonia.” In fact, many Finnish firms have set up operations in Estonia in the last several years, taking advantage of these close connections.

Helsinki has an excellent infrastructure and has a telecommunications system that is among the best and the most advanced in the world. English is widely spoken throughout the country.

As the mayor and others point out, the Finnish railroads use the same gauge track as the Russian trains use. Therefore, transit shipments to Russia do not require any off-

loading or changes on the rail cars regardless of whether the consignment is headed for St. Petersburg or across to Vladivostok on the Pacific coast.

Ms. Siitonen lists the American, Asian, and European firms that are located in the Helsinki area and says these firms are “very satisfied with Finns as workers.” She points out that Finland is a great place for American firms, as her country is “one of the most pro-American of any EU country.” In fact, Finland has been named by US sociologists as the “most American country of Europe.”

In addition to Finland’s being a connection and a gateway, the mayor ticks off other advantages for doing business in Helsinki. “We are a very safe city with a low

By Robert J. Guttman

HELSINKI BRIDGE TO



crime rate. We are a hardworking people, and there are no obstacles for business as our taxes are among the lowest in all of Europe.”

Helsinki is a low stress city where there are practically no traffic jams. Most of the international firms that set up operations in Finland do so in Helsinki.

One American firm that is doing well with operations based in the Helsinki area is McCormick and Company, the well-known spice company with its main headquarters in Sparks, Maryland. Risto Heiskanen, managing director of McCormick and Company, Finland, explains why his American-based company chose Helsinki as the headquarters for their Northern European operations. “We chose Finland because it is a safe place to invest in order to do business in the East. The transport is very good in this country. And, Finland is the only EU country with a shared border with Russia. The work force is well educated, and people are willing to work hard.”

Heiskanen goes on to say that “We are using our acquisi-

tion of Tuko Oy’s spice business, now known as Oy McCormick, in Finland to expand into the Baltic states and Russia. We have 65 people employed in Finland and a growing sales force across not only Russia but the Baltics, the Ukraine, and Belarus.”

McCormick, the largest spice company in the world, is doing very well in Russia and the Baltics. “Russians like American products and American companies,” says Heiskanen. He points out that spices are now considered prestigious among the “yuppie types” in Russia as they usually had only salt and pepper in their homes when they lived under communism.

McCormick makes more than 600 spice products in Finland. Heiskanen, who proclaims that “food is fun,” says their best selling spices in Russia are chicken seasoning, piri-piri, and horseradish.

McCormick is certainly one American firm based in Finland that is spicing up the lives of the residents of Russia and the Baltics in a very profitable way. ☺



THE EAST

Finnish Firms

Masa: Building Ships for the World.

Why would a passenger taking a cruise vacation in the beautiful, warm, and enticing Caribbean with its gorgeous tropical surroundings think of Finland with its cold Arctic climate? Finland would probably be the farthest thing from a passenger's thoughts as he reclined and relaxed on the deck of a Carnival or Royal Caribbean cruise ship.

However, if the passenger was to look at where the ship he was vacationing on was made he would most likely see the name Kvaerner Masa-Yards, Helsinki, Finland.

It is quite a contrast to think of these gigantic, luxury ships being built in an Arctic climate only to be used in the warm, sunny Caribbean, but this is definitely the case. "During the last 10 years more than 25 percent of the

By Robert J. Guttman

world's large cruise liners and passenger ships have come from the Helsinki and Turku shipyards of our company, Kvaerner Masa-Yards," says Henrik Segercrantz, the manager of corporate communications for one of the world's largest shipbuilders, based in the Finnish towns of Helsinki and Turku.

Masa-Yards, which has been building passenger cruise ships since the 1960s, is "very much concentrated on production for America, and Miami in particular, at this time," relates Mr. Segercrantz, in his office overlooking the huge ships in the shipyards that dominate the skyline of downtown Helsinki.

"In the 1990s Carnival Cruise Lines has been our biggest customer. Masa-Yards is very focused on the market in

the United States because Americans take more cruises than anybody else in the world. More than 4 million people take a cruise each year. It is a very booming business," he says.

Donning a hard hat, I took a tour of a ship called *Grandeur of the Seas* under construction for Royal Caribbean Cruise Lines. The ship was gorgeous and gigantic. It is hard to believe everything that goes into these luxury liners. Casinos, stages, restaurants, shops, swimming pools, glass elevators, and all variety of stores make these ships luxury villages at sea.

Often, after these ships are built, an icebreaker has to be available to get them out into the open ocean for their delivery to Miami. The crews come up

A brand new cruise liner, fresh from the Masa shipyards, heads south for the warm Caribbean.



Go Global

from Miami and spend months at a time getting used to the ship before it is completed. In fact, the tradition is to have a ship launching party with all the crew and the workers who built the ship the night before its delivery.

While production of luxury cruise ships is focused on Miami, Kvaerner Masa Marine, Inc. (KMM), an independent consulting engineering company in the field of naval architecture and marine engineering, has offices in Annapolis, Maryland. According to Mr. Segercrantz, KMM has provided services for a variety of vessels in the United States, including "US Coast Guard buoy tenders and patrol boats; US Navy sea lift ships; and passenger and car ferry companies."

And he says, "[KMM is] currently working with US shipyards on several separate projects as part of the US initiative to revitalize the American commercial shipbuilding industry. Under these arrangements US yards gain direct access to the design, estimating, and production technologies of Kvaerner Masa-Yards in Finland."

Masa-Yards is the second largest employer in Helsinki with more than 1,900 people working on all its shipbuilding projects. Together with its other modern facility in the town of Turku, Masa-Yards employs nearly 5,000 people in Finland.

Kvaerner Masa-Yards has been part of the shipbuilding division of a large multi-sector Norwegian based conglomerate, the Kvaerner Group, since 1990. The group is the largest shipbuilder in Europe and one of the largest in the world.

While their luxury cruise liners are probably their most visible and popular product, Kvaerner Masa-Yards, which specializes in difficult ships with new inventions and designs, makes a host of other products for clients around the world.

The company has been building icebreakers and ice-going special vessels

for years. In the last 40 years, according to Mr. Segercrantz, "A total of 60 icebreakers and 50 special Arctic vessels, ranging from super-class, nuclear-powered icebreakers and Arctic multi-purpose cargo vessels of the highest ice class to small river and lake icebreakers, have been built."

They also operate Arctic research centers and test ships in the ice, and Kvaerner Masa-Yards works closely with many of the leading Western oil companies.

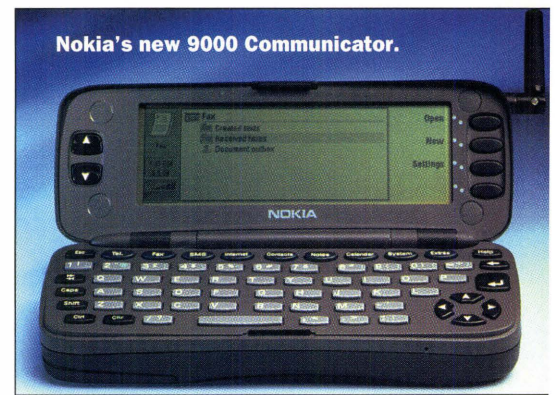
The company also is well known for having developed a new generation of liquefied natural gas carriers. Four huge LNG carriers have been ordered by the Abu Dhabi National Oil Company.

The company, in a joint venture with ABB, has built the world's most powerful azimuthing propulsion drive ever produced. They also make cable vessels, research ships, vessels for the offshore oil and gas industry, and many types of passenger ferries.

From the icebreakers in the Arctic region to the cruise ships in the Caribbean, Kvaerner Masa-Yards of Finland is a key player in the shipbuilding business throughout the world.

Neste: Providing Energy for the Baltic Rim. "Neste's goal is to become the number one energy company in the Baltic area. We see Finland as an energy gateway. Finland is the energy frontier. We are the only European Union country with a border with Russia, and we are close to Russia's oil reserves. Neste is working to bring Russia's reserves to the EU as there is a growing demand in the European Union for energy," says Matti Saarinen, vice president of corporate communications for Neste.

Neste, which in Finnish means liquid, is Finland's oil company. It is a state-owned company that began to issue stock on the Helsinki Stock Exchange at the end of 1995. Neste calls itself a "North European enterprise with



its roots firmly in Finnish soil, operating in the oil, energy, and chemicals industry." In terms of net sales, Neste is Finland's second largest enterprise.

Mr. Saarinen speaks enthusiastically of the potential of working with the Russians to bring their natural gas and oil reserves to the EU, and Neste is involved in several joint projects with the Russians.

"Russia has 40 percent of the world reserve of natural gas and only a minor part is now in commercial use. There is tremendous potential in Russia," says Saarinen.

Today a pipeline from Russia supplies natural gas to Finland. According to Saarinen, "Gasum, which is responsible for Neste's natural gas business, has started expansion of Finland's natural gas pipeline network. The work will be completed in 1997. A parallel pipeline from Imatra to Lapeenranta in eastern Finland will increase transmission capacity by a third from the present level." He goes on to say, "Neste's partner in Gasum is the world's largest natural gas producer, Gazprom of Russia, with a 20 percent holding in the company. Deliveries to Finland are guaranteed by 20 year supply agreements. Finland's gateway position between the EU and Russia's vast natural resources opens up new prospects for Neste."

Neste has opened retail gas stations in Russia, mainly in the St. Petersburg area. In addition to the retail outlets in Russia, Neste is very active in the Baltic Rim area, with gas stations in Estonia, Lithuania, Latvia, and Belarus. Mr. Saarinen says there are now 80 Neste gas stations in the Baltic area and next year 60 more outlets will be built. As he emphasized during our conversation, Neste is working hard to reach their goal of "becoming the number one energy company in the Baltic area."

Neste, a worldwide energy company, also has operations in the United States, with its American headquarters based in Houston. Neste owns 30

chemical factories in the US, employing more than 800 people in 30 different sites across the country.

Jaakko Ihamuotila, the chief executive officer of Neste, points out that his company is very aware of the environment and sets higher standards than even the EU on environmental matters. As he states, "Care for the environment is one of Neste's competitive assets. We believe that excellence in ecological matters has become a permanent competitive asset along with product, price, and quality factors." Neste was the first oil company in Europe to launch an increasingly low-emission gasoline and extremely low-sulfur diesel fuels.

Neste is engaged in oil exploration and production in the Middle East and Norway. In Russia, they are starting joint ventures geared for eventual production start-up. The company, which has no oil production or exploration in Finland, also has a small stake in an offshore field in Tunisia.

Neste has its own sturdy fleet of ships that sail even in the ice-bound days of winter to get their products to their customers. The main operating areas for shipping are the Baltic and North seas, the Russian and Canadian Arctic regions, and the North Atlantic. Neste's vessels are for the first time the only Western vessels to use the North-East passage.

Neste has offices in Brussels. As Matti Saarinen explains, "Both Brussels and Russia are important to our company. If Neste succeeds with our projects, as we most certainly hope to do in Russia, this will be very helpful for EU-Russian relations. Our border with Russia—we are the only country in the EU to have this—has a great opportunity to create wealth for the EU."

Nokia: Connecting People for the 21st Century. "The Japanese sure know how to make good phones," said my cab driver as I was returning home after my recent trip to Helsinki. "What is the name of the cell phone you are using," I inquired of the driver. "It is called Nokia," he said.

I informed him that Nokia was one of the largest firms in Finland and definitely not a Japanese company. He seemed startled as do many other people when they realize that the second largest producer of cellular telephones in the world is based in Finland.

Nokia, with its world headquarters based in Helsinki, is Europe's largest and the world's second largest manufacturer of mobile phones with sales in 120 countries. It is also a world-leading supplier of GSM-DCS cellular networks. Nokia employs 34,000 people in 45 countries and had net sales in 1995 of approximately \$8.4 billion.

Not bad for a firm that started in 1865 in northern Finland as a lumber mill company. As Nokia CEO Norma Ollila told *EUROPE*, "Nokia was basically created from a local player in the areas of paper, rubber, and cables. Nokia is the name of a town where the company was born in 1865. Since the late 1980s, we have focused on becoming a telecom-oriented company and simultaneously built a global presence."

According to Marja Terttu Verho, Nokia's information manager, "We had the right product at the right time. We were one of the first companies to go digital." She goes on to state that Nokia "was present across the European Union before Finland joined the EU. Nokia became European in the 1980s and went global in the 1990s in telecommunications."

Nokia is becoming a major player in the US market with more than 2,300 employees based in offices in Dallas, Irving, and Ft. Worth, Texas, and Tampa and Melbourne, Florida, and San Diego and Sausalito, California. There are also R&D offices in Boston. Their headquarters for the United States are based in Dallas.

Nokia, which was listed on the New York Stock Exchange for the first time in July 1994, already has sold stock to more than 100,000 Americans. In an effort to further raise its US profile, Nokia has become the sponsor of the annual New Year's Day Sugar Bowl football game.

Joint ventures are important for Nokia's future growth. According to Mr. Ollila, "Nokia has R&D and related strategic alliances with major American, Asian, and European electronics companies."

"In the United States Nokia and Cisco Systems have announced that they will cooperate to develop ATM-based network products. Nokia and Texas Instruments have demonstrated a new television concept for home and business environments, and last year Nokia was awarded the first PCS con-

tract in the US for digital mobile phones," states Ms. Terttu Verho.

Besides producing smaller and smaller cellular phones for their customers around the world, Nokia has just introduced the Nokia 9000 Communicator, which the company is touting as "the world's first all-in-one wireless communications device." I tried out the new Nokia 9000 at the company's Helsinki offices and found it to be quite impressive. However, it won't be available in the US until next year and is expected to have a price tag of around \$2,000.

The Nokia 9000 is described as a "combined mobile phone and palm-top computer. It enables users to make and receive calls, send and receive faxes and e-mails, and have access to the Internet." The really interesting aspect of the Nokia 9000 is the ability to have access to the Internet wherever you are through this compact system. Nokia is stressing the personal mobility and convenience of their new product, which can also be used to download information into one's own personal computer.

There was also collaboration with American firms in the production of the Nokia 9000. "The operating system platform, called GEOs, was developed by Geoworks, who along with Intel collaborated on the 9000's development. Intel supplied the 24 MHz, 386 processor and flash memory used in the product," according to Ms. Terttu Verho.

Nokia, one of Finland's biggest employers, has more than 17,000 employees presently based in Finland. In a time of high unemployment in Finland, Nokia is a key provider of jobs in a growing industry. In fact, walking around downtown Finland one feels as if he is in an advertisement for Nokia, as every other person on the street seems to be talking into their Nokia cellular phone. Once, while I was waiting at a stoplight in Helsinki, a car went by with four passengers and a driver, and they were all talking into cellular phones.

Nokia is definitely putting Finland on the map as a leader in the telecommunications field. It won't be too far off in the future when most cab drivers in the US and elsewhere will know that Nokia is a Finnish firm making products for the 21st century. And with a dedicated group of employees, whose median age is only 33, this young company has plenty of room to grow. ☺

US Ambassador to Finland Derek Shearer

“‘McDonald’s expansion as well as NATO expansion’ is my phrase for this era of transition we are in after the end of the cold war,” says the energetic US ambassador to Finland, Derek Shearer.

“[This is] kind of a metaphor, but actually I have a lot of good things to say about McDonald’s [restaurants],” says Shearer. “They are models of clean, well-run, service-oriented enterprises. It has been important for people in the former Soviet-run countries to go into these stores and see that people smile and say hello and to have confidence in the product. They signal some of the best of America.”

With regard to NATO, the ambassador states, “Our position is that NATO is an open and transparent process and that we welcome any country that wants to apply. NATO and Russia have to have good relations so that the expansion process is not seen as a threat to Russia, and it’s not aimed at Russia. NATO is not Russia’s enemy. And the clearer that’s made, the more comfortable everybody is with the process.”

Ambassador Shearer is one of the original “Friends of Bill”—Bill Clinton, that is. His sister is married to Undersecretary of State Strobe Talbott. In the 1992 presidential campaign Shearer served as a senior policy advisor on economic issues and helped Clinton come up with the phrase “Putting People First.”

Shearer, who began his stint as US Ambassador to Finland in the middle of 1994, is on leave from Occidental College in Los Angeles where he has been a professor of public policy and director of the International and Public Affairs Center. After closely working with Clinton during the 1992 campaign, Shearer was appointed deputy undersecretary of Commerce for economic affairs in 1993.

Politics runs in the family as his wife, Ruth Goldway, served as mayor of the city of Santa Monica from 1979 to 1983. She also appeared in a cameo role as a cabinet member in the 1993 movie *Dave* about a fictional president and his wife.

Ambassador Shearer is a strong supporter of the European Union and Finland’s membership in that organization. “Finland’s EU membership has been a historic event during my time here. Finland’s membership in the EU, in a sense, says ‘we are part of the West, we always held these values, we now want to hold our head up and participate.’ Because of the cold war, they couldn’t be full players or participants in Europe. By joining the EU now, they can. Finland now sits at the table. They are participants; they are part of the game. And it is a net plus for the EU because there are many ad-

mirable things about Finland and Finns. They have something to give to the EU. They have been one of the few countries that has maintained its democratic institutions throughout the entire century.”

The ambassador is very enthusiastic about the economic potential of the Baltic region. As a student of Baltic history, he believes the region has a tradition of working together on economic matters. He points to the Hanseatic League as “kind of the first EU.”

“The integration of the area to include Russia and the Baltics,” he says, “really goes back to the Hanseatic League. As this century ends, we now have the opportunity to create this much wider, with a Baltic Sea region that includes the Baltic states, Poland, Germany, and northwest Russia. The potential is quite enormous. The trick is to realize this potential and that is both our policy and our strategy to make this happen. We are working on concrete projects on the ground to make it happen.”

As an example of some of these projects that are taking shape or are already in progress, Shearer mentions “AID (Agency for International Development) missions in the Baltics that have done everything from working with the local business schools to setting up business training programs to working with the central banks to create modern banking systems.”

Another effective program has been the creation of a joint project between the Overseas Private Investment Corporation (OPIC) and the Finnish guarantee board, the first joint project that OPIC has done with a foreign country. “Now,” the ambassador says, “Finnish and American firms can get joint Finnish-American financing from OPIC and the Finnish guarantee board for projects in northwest Russia and the Baltics.”

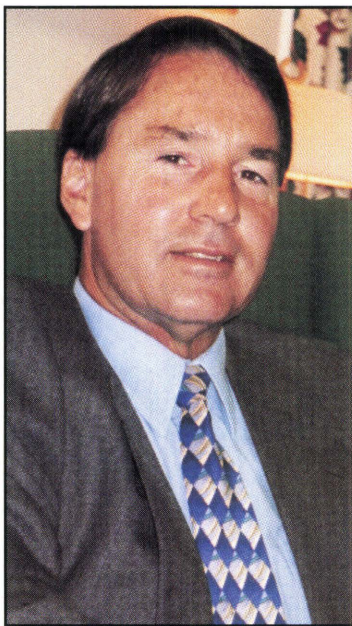
One of Ambassador Shearer’s pet projects is to try and get a high-speed train service in operation between St. Petersburg and Helsinki within the next 10 years.

Ambassador Shearer has become an outspoken supporter of bringing American business to the Baltic-Nordic region. He spends a good part of his time trying to convince US firms that the region is becoming “a vibrant economic area.”

Shearer told *EUROPE* that Finns consume more ice cream than almost any other people on the planet. His goal is to bring American ice cream to Finland. “I want to become known as the ambassador who brought Ben and Jerry’s to Finland.”

Knowing that the ambassador works tirelessly to complete all his various projects, I look forward to eating a Cherry Garcia ice cream cone on my next trip to Helsinki.

—Robert J. Guttman



Why do you think your novels are so popular? Do you have a universal theme?

I don't know, but I hope my translators can translate my words into foreign languages. I hope that my stories are easy to read and people want to keep turning over the pages. That's part of the success, if you'd like to call it success. It's similar to riding a race. When you're going into a fence, you try and get your horse going so well that you jump the fence better than the opposition, and maybe gain a length at every fence. There are 12 fences in a two-mile race, and you gain 12 lengths. When I get to the end of a chapter, I like to have it such that the people can't stop, they've got to go on to the next one. That's a good comparison between riding and writing.

Would you call yourself a storyteller?

I suppose I am, yes. My books are quite accurate. They all have something of the racing scene in them, and I bring in other things. I bring in painting; I bring in semiprecious stones; I bring in photography. And people in the racing world like to learn about these things, and people who are not in the racing world, they like to learn something about the racing world. I suppose I just tell a story which people enjoy reading.

Many well-known writers use the same character in all their books, but you seem to have a different character each time. Do you ever repeat your leading character?

Yes, I have repeated my characters four times. Sid Halley came into three books, *Odds Against*, *Whip Hand*, and *Come to Grief*, and Kit Fielding came into *Break In and Bolt*.



**EUROPE
INTERVIEW**

DICK FRANCIS

Internationally acclaimed British mystery writer Dick Francis spoke to EUROPE Editor-in-Chief Robert J. Guttman about his latest book *To the Hilt*. He also discusses his career as a writer and his previous profession as a jockey. Francis, who has sold nearly 100 million copies of his novels, says his best years are ahead of him.

Kit Fielding had been received very well in *Break In*, so I repeated him then. But Sid Halley, who appeared in *Odds Against*, I repeated him in *Whip Hand* because Yorkshire Television Company made a television series based on *Odds Against*. It was a good series broadcast all over the world, including America. It was called *The Racing Game*.

In the closing pages of *Odds Against*, Sid Halley loses the use of his arm. He's a jockey who turns investigator. In the opening pages of the repeat, *Whip Hand*, I sent Sid Halley to an artificial limb center in England, and my wife and I went there and did the research on this. And that's why I repeated him in that. It did very well. It got the Edgar Allan Poe Award over here. Then two years ago, I thought a jockey investigator would suit *Come to Grief* very well, about people getting hurt and horses getting hurt, too. He investigated this goings-on that went on, and it was received very well. But I don't really like repeating the characters too much because I find writing about the main characters' characteristics helps me to fill up the book, introducing someone else to the readers and to the public.

You mentioned that one of your books has been made into a television show. Have any movies been made of your books?

They made a movie of *Dead Cert*. Tony Richardson made it. He had some wonderful action scenes, but he ruined the story. The main evil character in the book, Uncle George, didn't appear in the film at all. He made the evil character a policeman. And they made two television series, one was *The Racing Game*, and then they made one in Canada. It was called *The Dick Francis Mystery Series*. But they only did three or four different stories of mine.

It seems as if your books would be perfect for film. Do you have anything coming up?

My son is also my manager and agent. He's working on the film people and the television people. I'm hoping something might develop. I've been hoping that for a lot of years. One of these days perhaps. Really film people don't like making films or television stories about horses because horses won't keep doing the same thing. Western horses, I suppose, on the range they're different, but thoroughbreds won't keep doing the same thing. When Tony Richardson made *Dead Cert*, he had some wonderful shots. He went to where they run the Grand National and got professional jockeys riding over the course. The great Beaches Brook is the sixth fence on the course, and he said, "Okay fellows, start off. The cameras will be on you all the time. After you jump Beaches Brook, pull up and come

back and speak to me." Well, he was there on his podium, and they all came back. "Very good, dear boys, now go back and do that again." Well, racehorses won't do that sort of thing.

What about your next novel? Have you started working on a new novel already?

I haven't done anything but fret about it. I've got an idea, and I think I've got a title, but I'm not telling anyone either just in case it doesn't develop.

How long do you do research?

This time of the year, from August until the end of the year I spend my time sort of thinking up new stories and doing research. Then I start to write in January, and I finish at the end of May. It's five months hard work, usually.

You have this book out in hardback, then you have another book *Come to Grief* out in paperback, right?

The one coming out in paperback is last year's story. They always do last year's story 12 months later, or 14 months later, I guess, from publication of the hardback.

In your book, obviously, *To the Hilt*, did you mean to have a double meaning in your title?

All my stories have a double meaning. They all have—every one. *Banker*. If you're having a cumulating bet with a number of horses, the main one you have is the "banker," and the rest of the story was about commercial bankers. *Reflex* was about photography, and you have a reflex when you're riding in a race; something happens and you reflex. They all have a double meaning. Sometimes they have a treble meaning.

So we can say that *To the Hilt* has a double meaning?

Oh, yes, it has.

How would you describe the overall theme of *To the Hilt*?

It's really about a painter, isn't he? He lives in a bothy up in the Scottish mountains, and he paints to live. His main source of income is painting golfing scenes, because he sells a lot to America, and the Americans love golf. He paints scenes of Pebble Beach and other famous American golf courses. He's a loner, really. He doesn't mix with people. He was married to a racehorse

trainer, but that didn't work so they parted, although they are not divorced. They have a night together. I think it fits the story.

Did you have a background in the brewery business for *To the Hilt*, or how did you do your research?

We know quite a few brewers in England, and the Whitbread—they are some of the biggest brewers in the world, in fact—have the big Whitbread Steeplechase every year. It's the first of the sponsored races which was ever run, in 1957 this was, and all sorts of brewery business are sponsoring races now, in different areas.

Do you try to have a message in your book? Does this book have a message about civilization?

I don't think it has a message. My main characters are always good guys. I couldn't write about an evil character as the main character. I'm afraid they're rather autobiographical. I don't ask them to do anything I wouldn't be prepared to do myself, and they haven't suffered any injuries or periods of pain which I haven't suffered myself. I've suffered a lot of those things. As a jockey, you get falls, and you get knocked about.

You were never beaten up by four thugs as was the main character in *To the Hilt*, were you?

I've never been beaten up, but I've had the same sort of injuries as some of them have.

You write in *To the Hilt* that when Jimmy Jenkins described one of Ken Lock's paintings, he says it about sums up a dumb jockey's life, endurance, courage, persistence, all those things. Does that describe a jockey's life?

And loyalty is another quality a jockey ought to have. He's got to be loyal to his owners and his trainers and the public who are betting on your horse. You've got to give the best performance for their sake. And I liked, when I was a jockey, to ride for stables who were loyal to me. A lot of stables, if you get beaten on one, "take him off, put someone else up." Well, that's not showing loyalty.

Do you still ever get on horses and ride?

I haven't for the last seven or eight

years, and there are no horses down on the Cayman Islands, really.

Do you own any horses?

Not now, no. I have owned two or three in the past. When my eldest son started training, for a few years we had one or perhaps two with him for a while to help fill up his stable. My son's given up training now, and he runs a horse transport business, which is about driving horses all over the country and Europe. It was the background of *Driving Force*, which was four books ago.

Your family is still in the horse business then?

My youngest son is my manager, and he's a great help. My eldest son is still in the horse world, and he keeps me up to date with anything unusual happening. My wife, of course, is my main editor. If I can get anything past her, I'm prepared to send it to the publishers or Fleet Street, as they used to do when I was a newspaperman.

She does research for you, too?

Yes, she does.

In the book you write that when Alexander was talking to his stepfather, he says, "I shifted in undeniable pain in that civilized room and acknowledged that for all their worldliness they had no true conception of the real voracious jungle of greed and cruelty roughly known as mankind." That sounds rather cynical or hard. Is that your thinking?

That was Alexander's thinking. I don't think I'm quite as cynical and hard as that. Although a lot of me comes out in the main characters that I write about. But I hope I'm not cynical or too hard.

So most of you comes out in the main character or other characters too?

No, in the main character. I couldn't write about a crook or an evil character as the main character, because I hope I'm not one myself.

What about the detective Chris, the young detective who dresses up in different disguises?

I have known fellows like that who can put on disguises and move around, and people don't know he's there, really. I've known characters like that, but he wasn't autobiographical.

He was humorous. He was different.

Well, I always try to have a bit of humor. One doesn't want just blasphemy and no humor, does one?

Where do you get your information about banking?

Well, that came into my book, *Banker*. I went to Cheltham races, and I was invited into a box with a friend who was a commercial banker, or they call them merchant bankers in England. Michael was our host, and he'd come up to me in the box and said, "When are you going to write a book about banking, Dick? I'll give you any help you'd like." And I said, "Oh, Michael, I'll think about it one day." And on the way to the car, I thought about it and I said to Mary, "That would be a very good idea if I could find out a bit more about banking and incorporate it into the blood stock business." Blood stock, of course, stallions, are worth millions of pounds on the market.

So Mary and Felix went to the car, and I went back. Michael and his other guests were still in the box. I said, "What would your bank say if I asked you to put up a million pounds for a stallion as an investment." "Oh, steady on," he said. "Wait a minute, I'll have to look into this before I give you an answer." "No," I said, "purely fictitious, for my book." "Oh, wonderful!" he said. "It's wonderful. Come up to the office in London next week, and we'll give you lots of ideas."

So Mary and I went up to the bank the next week in London, and he showed us all over, how they invest in horses or invest in properties and businesses. We learned so much about it that I incorporated a bank financing a stallion in *Banker*. In this most recent book, I brushed up on that with these banking people and brought it into saving the brewery, didn't they?

A couple more questions about the book *To the Hilt*. Who is Dr. Zoe Long? Who is she supposed to represent?

She represents a number of elderly women I know. I've combined characteristics into one particular character, and it's come out in Zoe. She was quite moved when she saw her painting, wasn't she?

Do you think she's a sympathetic character?

She was both. She is a business

woman, but seeing that painting of her, she became very sympathetic.

What about the character known as "Himself"? Is he a symbol of anything?

Yes, my sister-in-law has married into a well-known Scottish family, and one of the earls—I won't say which one it is—is very much like the Uncle Himself in the book, and I know him very well in Scotland. I brought him into the story, but I hope I've given him some characteristics which he won't recognize in the story.

Do you ever hear from people who say "that's me in the story."

I don't actually hear from them by saying "that's me," but I've heard from people saying "well, I know who so-and-so, that is so-and-so." In my early books, in *Dead Cert*, one of the characters, he was very like a jockey who I rode against and Mary would say to me, "You know, this fellow is very like Dave Dick who you used to ride against." And so in the latter part of the book, I had to give this jockey a few characteristics which Dave Dick didn't have.

A final thing about the book: What would you say to readers in the United States about *To the Hilt*?

I hope if they buy the book that it's because they enjoy reading my stories. I don't think I've painted a scene which they wouldn't recognize if they go to some of these big golf matches or such, Augusta and those sort of places. My wife and I watch golf on television a lot, because it's peaceful to watch, isn't it? I couldn't watch boxing. And racing, you know, the race is run and it's over so quickly. My part of racing, steeplechasing, it's not over so quickly. There are no races less than two miles, and the people who own the horses do it more for fun than business. Flat racing a lot of people do for business, really.

So you like steeplechasing?

Yes, I do. When I was a jockey, I was too big for flat racing. I was the ideal build for steeplechasing, though.

Who are your favorite writers?

The American writer Ed McBain. He tells a story sharp and to the point. He doesn't waste any words. English writers, I like P.D. James and Gavin Lyle. I used to read a lot of books by Michael

THE
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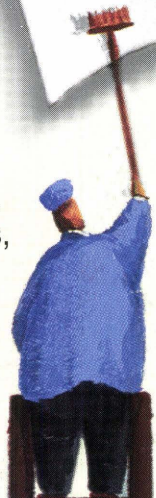
A EUROPE Special Report



NOKIA
CONNECTING PEOPLE

Nokia is an international telecommunications group with net sales in 1995 of 8.4 billion USD. Nokia is Europe's largest and the world's second largest manufacturer of mobile phones with sales in 120 countries. It is a world leading supplier of GSM/DCS cellular networks, and a significant supplier of access networks, multimedia equipment and of other telecom related products.

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Welcome to our first EUROPE Special Report, *The State of The Union*, which focuses on the key issues facing the European Union today and into the 21st century.

Lionel Barber, the bureau chief of the *Financial Times* in Brussels, profiles key agencies of the EU such as the European Investment Bank and the European Bank for Reconstruction and Development. Barber points out that “Measured in terms of trade, aid, investment, and lending capacity, the EU is a world leader alongside the US and Japan.”

The EU Ambassador to the US Hugo Paemen spells out how important EU-US investments and trade are for providing jobs in both Europe and the United States. Paemen also explains how the EU is moving ahead on economic and monetary union.

As Lionel Barber writes, “The EU is America’s largest trading partner and vice versa in a combined trade worth more than \$230 billion. Around 3 million US workers are employed by European-owned companies. Around 51 percent of foreign direct investment in the US comes from the EU.”

Barry Wood, writing from Prague, discusses EU expansion with the addition of new countries mainly in Central Europe by the turn of the century. Countries are lining up from the Baltics to Cyprus to join the EU.

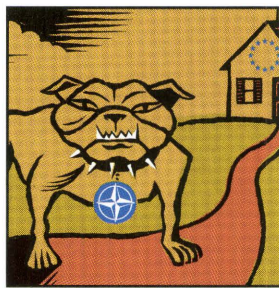
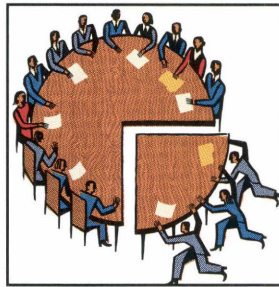
The launching of the single currency to be known as the “euro” is probably the biggest event that will take place in the EU during the next four years. Bruce Barnard, writing from Brussels, observes, “Europe is on target to launch its planned single currency, the euro, on January 1, 1999, as its leaders redouble their efforts to crown the continent’s most momentous achievement since the beginning of the European Community in the 1950s.”

Martin Walker, a journalist with the British newspaper the *Guardian*, asks the question: “Do We Need NATO Anymore?” In a thought provoking article he concludes that “NATO continues to exist mainly because it works, and because its members all still believe it is in their interests.”

Walker also looks at the other European security organizations including the WEU.

We look forward to receiving your comments on our special report.

—Robert J. Guttman



THE STATE OF THE UNION

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All illustrations by Timothy Cook

EU-US Relations

By Lionel Barber

The next US president faces a four-year term which could define relations with Europe for the next generation.

The challenges go beyond managing the high degree of interdependence measured by commerce and investment; they touch on strategic issues that will shape the new world trade order and security on the European continent in the 21st century.

Last year, a creative burst of energy infused relations between the US and EU. Business and political leaders came up with an action plan covering 150 points, ranging from faster trade liberalization to joint action to tackle organized crime and killer viruses. But there are signs of inertia setting in on both sides of the Atlantic.

The EU is America's largest trading partner and vice versa in a combined trade worth more than \$230 billion. Around 3 million US workers are employed by European-owned companies. Around 51 percent of foreign direct investment in the US comes from the EU, while more than 42 percent of foreign investment in the EU comes from the US.

The immediate task for the next White House incumbent is to defuse the row over laws passed by Congress in the run up to the November election that seek to punish foreign companies doing business in Cuba, Iran, and Libya, all of which Washington has branded outlaw states. The Europeans have condemned the legislation as unacceptable, extraterritorial in scope, and ministers have drawn up countermeasures.



Without a face-saving solution for both sides, there is a risk that the dispute over the Helms-Burton law banning "trafficking" in Cuban assets and the D'Amato act penalizing trade with Iran and Libya could escalate. The next key date is mid-January when the president must decide whether to renew his presidential

waiver of part of the Helms-Burton law allowing US citizens to file suit against foreign companies.

The broader challenge for the next president is to devise a coherent policy ahead of the meeting of the World Trade Organization ministers in December in Singapore. The summit will seek to wrap up unfinished

business of the Uruguay Round such as liberalization in telecommunications and financial services, as well as the thorny relationship between trade, the environment, labor standards, and underdeveloped countries.

If successful, the Singapore meeting could set the post-Uruguay agenda and give a fresh boost to the



Three million US workers are employed by European-owned firms.

multilateral world trade forum. It will show whether the US and EU are moving, crab-like, toward a mutual resolution of their differences, as they eventually did during the GATT Uruguay Round negotiations, or whether both sides intend to put sectional and regional interests ahead of a global approach.

So far, however, there is little sign of coordination between NATO's enlargement and the near-parallel eastward expansion of the EU, which should begin with accession negotiations with favored candidates in mid-1998. These negotiations should lead to membership, most probably only for a select few who can withstand the rigorous competition of the internal market, in 2002-2003.

The two processes of NATO and EU expansion are complementary. Both attempt to bolster the Central and Eastern Europeans' progress to-

ward democratic market economies, outside the orbit of Russia. Both attempt to fill the security vacuum between Germany and Russia that was partly responsible for launching two world wars this century. Both need to be handled carefully in order to prevent candidates rejected for NATO membership clamoring for an EU consolation prize or vice versa.

The third pending issue is the development of a European defense and security identity (ESDI) under the umbrella of the NATO alliance. The US dropped its long-standing reservations about ESDI when President Clinton made his inaugural trip to Europe in January 1994; but refining the concept of a European pillar inside NATO—through so-called Combined Joint Task Forces—has taken time.

The decisive step forward came in June at the NATO summit in Berlin. The US spelled out plans to create a new NATO command on the continent and promised to offer the Europeans a new post of deputy supreme commander allied forces and to develop the combined task forces. In return, France moved further toward membership of NATO's integrated military command rather than attempting to build

a separate structure through the EU's embryonic military arm, the Western European Union (WEU).

Meanwhile, the US and EU can point to the practical experience of military cooperation in postwar Bosnia as a measure of success. After a few initial hiccups, the NATO-led 50,000-troop IFOR

peace-keeping force has dovetailed well with the EU-led civilian reconstruction effort organized by Carl Bildt, the former Swedish prime minister. If, as seems likely, the US will allow a beefy contingent of US troops to stay on in Bosnia as the peace con-



Forty-two percent of US foreign investment goes to Europe.

solidation effort continues in 1997, it would be a big boost for burden-sharing in transatlantic relations.

The fourth test is the EU's plan to launch a single European currency—the euro—on January 1, 1999. This has become the EU's single most important political project—more important than the intergovernmental Maastricht Treaty review conference (IGC), which began last March and may not finish until autumn 1997. Economic and monetary union would mark a qualitative leap in European integration.

EMU would also give Europe a new weight in international economic policy making, assuming that most of the principal European economies—France, Germany, the Benelux countries, as well as one of either the United Kingdom, Italy, or Spain—joined in the first wave. This could in turn lead to the EU—and the future European Central Bank—demanding a high seat at the table of such international forums as the Group of Seven industrialized nations.

A formidable agenda lies ahead. Now is the time for political leaders on both sides of the Atlantic to give US-EU relations a new positive push. ☐

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



EU-US combined trade equals \$230 billion.

Ambassador Hugo Paemen

Ambassador Hugo Paemen, head of the European Commission Delegation in Washington, DC, recently spoke to a group of political and business leaders and members of the press about US-European relations at a conference in Denver sponsored by *EUROPE*. The following are excerpts from the ambassador's remarks.

Let me say a word about EU-US relations....

I will mention one figure which is often quoted: 3 million American jobs depend on European investment in the United States, while 3 million European jobs depend on American investment in Europe. There is no other relationship in the world where you have the degree of interdependence that you have between the United States and Europe.

That may also be the reason for a tendency on both sides of the Atlantic to take this relationship for granted. Therefore, it was very good that it was the businesspeople themselves who began thinking about the transatlantic relationship. There is no relationship which is as solid, as predictable, as the one between Europe and the US. One which we can always come back to. I wanted to say that now before going a little deeper into what is happening in Europe....

There are for the moment three dimensions on which we are working, and in fact they are dimensions which have always existed in the European integration process. One is further economic integration, which started with the creation of a free trade zone between the EU's six original member states. So a free



Ambassador Hugo Paemen addresses a *EUROPE* conference in Denver focusing on EU-US relations.

trade zone developed into a customs union, went further in an economic union, and now we are at the next logical step which is economic and monetary union.

as 1969, the heads of state and government of the European Community, as it was called at that time, decided they would create an economic and monetary union (EMU). The problem, as you know, was that in August 1971 the dollar started floating, followed by an energy crisis and a number of monetary upheavals. This was so disruptive that we had, at least for a while, to forget about economic and monetary union. But the dimension has been there from the beginning.

The second dimension, which has also been there from the start, is enlargement of the European Union. Altogether there have been three enlarge-

ments, and we are preparing for a fourth. In 1973, the six original member states were joined by the United Kingdom, Ireland, and Denmark. Spain, Portugal, and Greece joined in 1985, and finally, Sweden, Austria, and Finland in 1995. It has never been a closed process. On the contrary, under the Treaty of Rome we are obliged to admit any country on condition that it is a European democracy....

Economic and monetary union has been there from the beginning. It is not something which we have suddenly invented because we did not know what to do next after the single European market was achieved in 1992. In fact as far back

Now we have at our door 10–15 countries who would like to join the European Union. We are not going to say no. There is a certain process to be gone through, with which we are by now very familiar having done it a number of times. But we will let them in if they so wish and if they meet the conditions.

The third dimension is the updating of our institutions, which were shaped in a period when we were only six member states. With 15 we have outgrown them. Our decision-making procedures are no longer adapted for the efficient running of the European Union. This is discussed now in what is called the intergovernmental conference. Part of this exercise involves trying to develop our common foreign and security policy. There is clearly an absence of Europe taking on its responsibilities, and we must try to respond to that need. We only have to look at what has happened in the former Yugoslavia and in the Middle East to understand this.

In order to develop a common foreign policy, you need three things. First, you need someone or a group of persons specifically appointed to think out foreign policy in the name of the European Union. You cannot have a foreign policy which is the common denominator of 15 foreign policies. That is not going to work. Secondly, you need an effective decision-making process. If you base a foreign policy decision-making process on consensus, you are never going to have a foreign policy. Thirdly, you need a spokesperson. You have to agree on the fact that one person can speak in the name of the 15 countries, just as we already do in international trade relations. Of course, we have to agree beforehand on the position we will take. As long as we do not have these three elements in place, we probably will not have a real foreign policy.

Let me now say a little more about economic and monetary union because that is going to be the real test for further European integration....

There is no longer any question of whether or not we are going to do it.

In December 1995, there was a summit meeting where all the elements were decided upon. It is going to happen if only for the simple reason that we would need a unanimous decision in order to reverse our commitment. There is clearly no way in which you will find unanimity in the Council of Ministers against economic and monetary union. So it is going to happen. The final phase will start on January 1, 1999.

From January 1, 1999, the currency of all countries participating in economic and monetary union will be brought together with fixed parities. At that time, the European Central Bank will conduct monetary policy for all countries who are members of economic and monetary union. There will then be a three year transition phase, and on January 1, 2002 economic and monetary union is to be in place. It will be symbolized by the single European currency.

The “euro,” the actual single European currency, will not exist in legal tender before 2002, but financial operations will be conducted in the European currency from January 1, 1999. For six months from January 1, 2002, euros and existing national currencies can be used alongside one another, but from July 1, 2002 national currencies will be withdrawn....

In order to prepare ourselves, we have imposed a discipline, the so-called convergence criteria. These aim at having all member state economies as convergent as possible on January 1, 1999. Of course, complete convergence will never be possible, no more than it is between the states in the US. However, in order to be fully involved in EMU, member states must meet the following criteria:

First, budgetary discipline. National governments should not have budget deficits above 3 percent of GDP on January 1, 1999. We do not have to reach the 3 percent target now; we have to reach it in two years from now....

The second criterion is public debt. The idea is that national govern-

ments should have not more than 60 percent of GDP as public debt. The third criterion is inflation. Inflation should be not more than 1.5 percent above the average rate of inflation of the three best performing countries. The fourth is interest rates. The long-term interest rates are not to be more than two points higher than those of the three countries with the lowest inflation. The fifth criterion is membership in the ERM, the exchange rate mechanism....

At the moment there are only three countries living up to all these criteria. We already have 11 member states which are in conformity with the inflation criteria, which, up to a point, is the most important one and 11 member states which live up to the budgetary discipline criterion. Interest rate requirements are also met by 10 member states.

Most importantly, the political will for EMU to succeed is there. It is highly probable that in two years from now we will have the critical mass to achieve economic and monetary union. But it is clear that at least some of the major EU countries must be on board if EMU is to succeed.

In terms of what this means for the US, it is very likely that initially, as happened with the single European market, American companies will get the greatest benefit from the single European currency because they have had the difficulty of dealing with several different European currencies. So it is going to be cheaper to act in the European market because of the elimination of transaction and exchange rate costs. Secondly, the US will find it not only has a more powerful partner in international monetary relations, but also a more predictable and reliable partner.

We will use the three years between 1999 and 2002 to prepare for all this....

Whether all this happens depends to a great extent on the leadership of the people of Europe and the world. We will have to wait and see if that leadership will be there. Based on what we see today, I am pretty sure it is going to happen. ☺

The EU Institutions

By Lionel Barber

Europe is a strange superpower. Despite its economic strength, it often comes across as a political dwarf, failing to punch its weight on the world stage.

This at least is the conventional criticism of the European Union. It reflects a widely held view that the EU as an international actor is no more than the sum of its parts; but a closer look at the state of the Union reveals a rather different story.

Measured in terms of trade, aid, investment, and lending capacity, the EU is a world leader alongside the US and Japan. The recent decision by the World Bank to set up an office in Brussels to complement operations in London and Paris points to an increasing awareness in Washington that foreign policy clout cannot be calibrated in cruise missiles alone. The EU has something extra to offer.

There are several agencies in the EU that serve as a vehicle for promoting Europe's influence and bolstering its standing abroad. Among the most prominent are:



The European Investment Bank.

With loans totaling nearly 21.4 billion ecus (\$26.7 billion) in 1995, the EIB helped to fund more than 200 major infrastructure programs in the 15 member states. But the Luxembourg-based bank has also been involved in supporting EU foreign aid projects in more than 120 countries, to the tune of nearly \$11.24 billion between 1991 and 1995.

Within these sums, the EIB contributed \$3.6 billion to foster sustainable development on the southern and eastern shores of the Mediterranean: a further \$4.4 billion to support roads, rail, and communications projects in Central and Eastern Europe; and \$936 million of new lending to Asia and

Latin America. Loans covered energy production projects in China, India, and Pakistan; wastewater collection and treatment in Paraguay and Argentina; and a project to connect 400,000 telephone subscribers in Chile.

The European Bank for Reconstruction and Development.

This year, the London-based EBRD, known as the "BerD" by its French acronym, doubled its capital base to 20 billion ecus (\$25 billion). Originally a French-inspired rival to the World Bank, the EBRD has overcome a shaky start and played a lead role in encouraging the transition to open market economies in Central and Eastern Europe as well as the former Soviet Union.



The EBRD has 60 shareholders: 58 governments and two institutions, the European Union and the European Investment Bank. Bosnia-Herzegovina was admitted last

spring as the latest member. By the end of 1995, under President Jacques de Larosière, the EBRD approved more than 370 projects for a total of \$9.7 billion. More important, the bank has also started to achieve one of its basic aims: withdrawing from profitable investments and handing over management of projects to the private sector.

The European Community Humanitarian Office. A little known agency inside the European Commission, ECHO serves as the main funnel for delivering EU humanitarian aid to the

outside world.

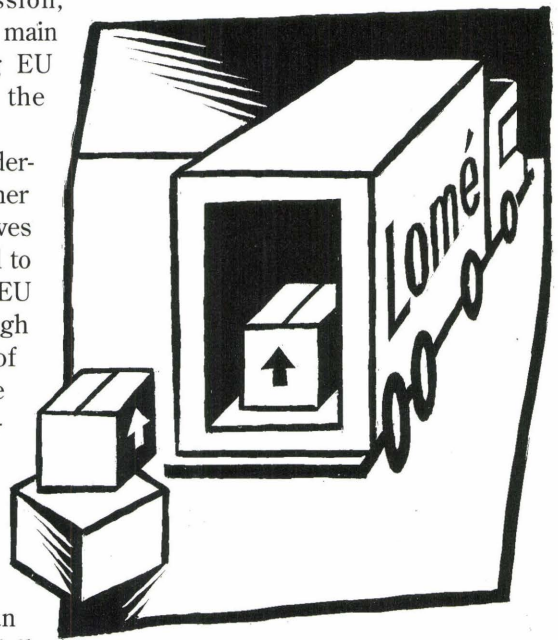
Under the vigorous leadership of Italian Commissioner Emma Bonino, ECHO serves increasingly as a tool to bolster the fledgling EU foreign policy, through the disbursement of aid through more than 150 non-governmental organizations. Projects include a medical program for Cuba as well as higher profile humanitarian efforts in African civil war zones in Burundi, Liberia, and Rwanda. In 1995, nearly 800 million ecus (\$999 million) of EU aid was channeled through 82 countries, largely at the discretion of Madame Bonino.

The Lomé Convention. This is one of the traditional arms of EU trade and development policy. It covers more than 70 of the poorest countries of the world in Africa, Asia, and the

former European colonies in the Caribbean and Pacific.

At present, Lomé is in the process of reform. The European Commission is seeking to introduce more "conditionality" into its dealings with third countries. The idea is to strike a balance between continued offers of preferential market access to the EU and commitments from aid beneficiaries to structural economic reform. But Brussels officials admit it is an uphill path to break decades of quasi-dependence.

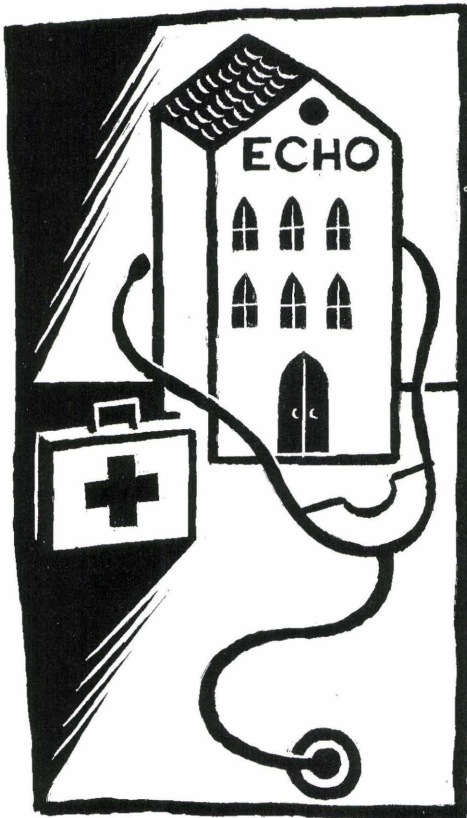
A French foreign policy expert in the Commission says it is time to realize that the EU's future external relations will depend increasingly on the effectiveness of agencies such as



the EIB, EBRD, and ECHO, as well as the leverage offered by access to its own internal market.

Though the EU will not have a serious military profile in the near future and will continue to depend on the NATO alliance, it can still use its economic and financial assets to punch its weight on the world stage. ☺

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



Enlargement

By Barry D. Wood

Imagine the following. It is November of next year. In May there was a NATO summit that declared that membership negotiations with Poland, Hungary, the Czech Republic, and Slovenia were beginning. At the June EU summit in Amsterdam, the Dutch announced that after months of apparent deadlock, there had been a breakthrough in the intergovernmental conference and that significant EU institutional reforms would be announced by year's end. Also before 1997 ends, said the Dutch, the Commission would issue its eagerly awaited opinion judging which of the 10 former communist country applicants are to join Malta and Cyprus in pre-accession negotiations.



Should this optimistic scenario come to pass, a group of the fastest reforming economies—Poland, Hungary, the Czech Republic, and possibly Slovenia, the same countries that are headed for NATO—are likely to be the ones designated for EU membership negotiations. Substantive work would begin in 1998 with entry possible by the year 2002.

Can all this happen? And what about the other Eastern applicants—Bulgaria, Romania, Slovakia, and the three Baltic states—who are unlikely to make the cut?

Make no mistake, the EU of 15 is headed for a union of as many as 27. It is clear that tiny Cyprus and Malta are halfway through the door. These southern flank applicants have been in the EU anteroom for a longer time than the post-communist applicants. Their economies are small, and they've been promised that their membership negotiations will begin within six months of the end of the intergovernmental conference (IGC). The two Mediterranean nations appear to pose neither financial nor strategic problems to the club.

Among the Eastern front-runners, Poland is at the head of the queue. Warsaw has been basking in the glow of rising prosperity and a blooming strategic partnership with the West. Its bid for first place recently got a significant boost when French President Jacques Chirac reversed the policy of his predecessor and endorsed Chancellor Helmut Kohl's call for Poland to be an EU member by the year 2000. To loud applause from both houses of the Polish parliament, the visiting President Chirac declared on September 12, "Poland will be France's natural partner, its sister in the East." He continued, "I hope that, by the year 2000, Poland will have joined our Union."

Poland benefits powerfully from Germany's strategic priority that its Eastern neighbor, and not itself, would comprise the EU's new Eastern border. This determination that Poland be solidly anchored to the West suits Polish politicians of every stripe, who remain haunted by their country's tragic geographic fate of being wedged between Germany and Russia.

The Czech Republic and Hungary are equally fast reformers with similarly impeccable credentials for coming quickly into the Union. As with Poland, the Czech Republic has a long border with Germany. It has fundamentally recast its trade from East to West. And, after years of German foot-dragging, an important bilateral declaration resolving one of the last festering sores from World War II, the Czech expulsion of some 2.5 million Sudeten Germans, is at hand. The Czech economic transformation, still directed by the firm hand of libertarian economist Prime Minister Vaclav Klaus, is the most comprehensive in the region, and the Czechs' 4 percent growth rate is only slightly below Poland's. Observes a senior West European diplomat in Prague, "The Czech Republic is much further along than other Eastern applicants in bringing its laws and regulations into conformity with EU norms."

Hungary, until recently the destination of 60 percent of all the foreign direct investment that has gone into the region, is likewise a top candi-

date. In recent weeks its pragmatic prime minister, Gyula Horn, has built on the accolades he won last year from making Hungary the principal NATO staging area for the Bosnian operation, by signing a friendship treaty with Romania. The pact, signed in the Romanian city of Timisoara on September 16, guarantees the rights of ethnic Hungarians in Romania and renounces Hungarian claims to the Romanian territory it lost after World War I. Ratification of the long delayed friendship treaty was made a condition for membership by both NATO and the EU. Diplomats say the reconciliation deal, unpopular with the political opposition in both Hungary and Romania, would never have been struck without the enticement of the EU and NATO carrot and stick.

Slovenia, the Alpine nation of 2 million that is the most Westernized and richest of the former Yugoslav republics, is a sleeper that only recently is being regarded as a possible first wave Eastern applicant. Economically there is a persuasive case for its inclusion. By most measures Slovenia is richer than Hungary or the Czech Republic, where per capita incomes are only 45 percent of the EU average. Per capita GDP in Slovenia, according to Vienna's Institute for Comparative Economics, is \$7,000. The institute argues that Slovenia has already overtaken Portugal and Greece in per capita GDP.

Slovenia's membership drive got a needed boost last April when a new left of center government came to power in Rome and reversed Italy's long standing opposition to Ljubljana signing its vital Europe Agreement with the EU.

For the other Eastern applicants, there are the whispered words of diplomats who insist they not be quoted, that "they will have to wait" for a likely second or even third round of EU expansion.

Should the first cut include only these four top reformers, howls of protest from those left out will be fast coming. Slovakia, the poorer half of the old Czechoslovakia, will

be particularly miffed. Initially regarded as a fourth fast-track candidate, Slovakia fell to the second tier after EU capitals became alarmed by the authoritarian, anti-democratic tendencies of Prime Minister Vladimir Meciar.

Romania and Bulgaria, who like the others turned in their several hundred page membership questionnaire on time earlier this year, are not realistically considered for early membership. Distant from Western Europe, reform lags in both countries, where incomes are at best half the level of what they are in the Czech Republic.

The Baltics pose a more ticklish problem. Estonia, like Slovenia, has the economic statistics to justify being at the front of the queue. Inflation is low; growth is steady and at the top end of the range; the money is solid; and its trade has shifted West, particularly to new EU members Finland and Sweden. But despite strong support from the Nordics, fear of upsetting Russia seems a more powerful consideration, one that is likely to deny Estonia, Latvia, and Lithuania quick membership in either NATO or the European Union.

Can the first new members be inside the Union by the year 2000? European Commissioner Hans Van den Broek, the man responsible for Eastern expansion, has said 2002 is the earliest possible date. So strong is this belief in Brussels that the Commission felt compelled to restate it after Mr. Chirac's endorsement of Poland being in by 2000. Observes a respected Dutch diplomat in a Central European capital, "First there was euphoria, but now come the practicalities. Don't underestimate how long it will take, both to negotiate entry and then to ratify it."

Austria's negotiations took a quick 13 months, but it took seven years for Spain and Portugal, with another two years before all member governments ratified the accession treaties. With Poland's large agricultural sector that accounts for more than 20 percent of employ-

ment compared to the EU average of 6 percent, can the process realistically be expected to go fast?

Put simply, without institutional reform—particularly in the Common Agricultural Policy (CAP)—Poland's admission to the European Union would break the budget. Under existing rules, the poorer areas of Poland and its inefficient farmers would be eligible for huge amounts of assistance from the CAP and structural funds that could boost the EU budget by as much as 60 percent. Poland's entry will likely be phased in over several years with special provisions that would limit the volume of EU subsidies. The Europe Agreements signed by the applicant countries are already moving them toward full compatibility with EU standards on environmental protection, the rule of law, democracy, and financial and economic policies.

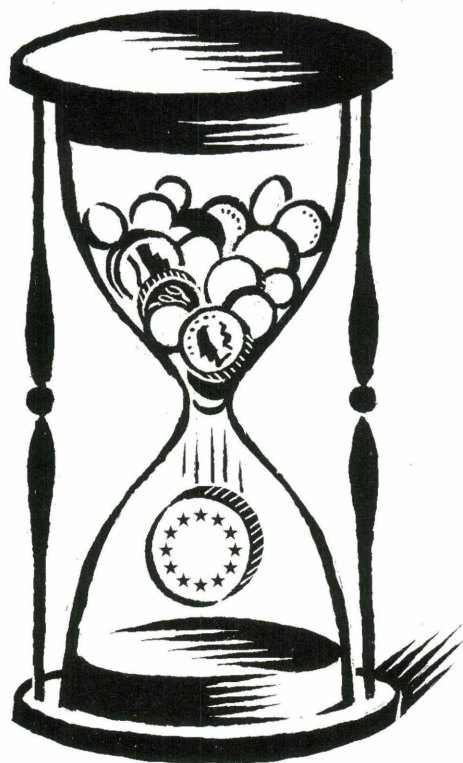
In fundamentally important ways, EU Eastern expansion depends on what comes out of the intergovernmental conference. As European Commission President Jacques Santer said in September, expansion "will come to nothing if the conference does not provide a solution to the institutional challenges posed by enlargement."

The EU is agreed that expansion should occur. But the challenges of adapting the rules to accommodate countries with such low living standards are enormous. These obstacles are certain to slow the process. Erik Fougner, who heads the Czech operations of the ABB engineering group, doesn't expect the first wave of Eastern applicants to come inside the Union for another five years. But Mr. Fougner is absolutely convinced that expansion should and will happen. "For the Czechs, and the others," he says, "it is much more than market access. EU membership for them is coming back into the Europe of which they historically have always been a part. ☺"

Barry D. Wood is EUROPE's Prague correspondent.

The Single Currency

By Bruce Barnard



Europe is on target to launch its planned single currency, the euro, on January 1, 1999, as its leaders redouble their efforts to crown the continent's most momentous achievement since the beginning of the European Community in the 1950s.

The coming 12 months will be the most critical phase of the project as the economic performance of the EU member states during 1997 will determine whether they qualify for monetary union. All eyes are on Germany and France. For if they fail, the single currency is doomed.

But all thoughts of failure have been banished from European capitals as the leaders of the 15 member states prepare to approve the final technical details of monetary union at their winter summit in Dublin in early December.

"I refuse to imagine the hypothesis in which monetary union will not take place," said French Finance Minister Jean Arthuis.

Even the doubters are getting bullish. Thus Kenneth Clarke, the British chancellor of the exchequer, whose government secured an opt out from monetary union, said, "I get the feeling more and more clearly that it is going ahead." Mr. Clarke, who put the odds on monetary union at 60:40 a year ago, now believes up to eight nations will be using the euro by the turn of the century.

Europe's leaders have invested too much of their time and reputations on the euro to let it fail. The costs of failure also are too high. "If the 1999 timetable slips, there would be grave consequences. Countries would relax their efforts on budgetary austerity, interest rates would go up, and the D-mark would soar," according to Yves-Thibault de Silguy, the EU commissioner for monetary affairs.

The politicians are putting their money where their mouths are, savagely cutting public spending and

courting public animosity, to achieve the most important and most elusive condition for joining monetary union: a budget deficit below 3 percent of gross domestic product.

German Chancellor Helmut Kohl faced down massive labor demonstrations and a hostile Parliament to push through a package of spending cuts equalling roughly 1 percent of GDP. French Finance Minister Arthuys combined creative accounting, a generous interpretation of the Maastricht criteria, and a one-off pension payment from state-owned France Telecom to bring public spending in 1997 below the 3 percent GDP ceiling.

The Franco-German train is pulling others in its path, even countries that don't have any chance of being in the first wave of entrants into monetary union.

Traditionally profligate Italy unveiled a dramatic budget package involving \$40 billion in spending cuts and tax hikes bolstered by a contribution from a special "Maastricht" tax.

Belgian Prime Minister Jean Luc Dehaene in effect "suspended" democracy, steamrolling through an austerity "budget of the century" by executive order. Spanish Prime Minister Jose Maria Aznar vowed to take whatever action is necessary, including savage spending cuts, to meet the Maastricht criteria. Madrid's commitment to monetary union is "absolutely irreversible," he said. Sweden was mulling joining the EU's Exchange Rate Mechanism (ERM), a two year membership of which is required under Maastricht. In Austria, Finland, and the Netherlands, membership of monetary union is considered as a given.

Euro fever has spread to non-EU countries. Switzerland, for example, is thinking aloud about pegging its franc to the euro as one of the range of options if monetary union starts in 1999.

Monetary union is only now capturing the attention of the European public, which is dimly aware that in a few years their national currencies

will be replaced by a new money.

But EMU has a long pedigree, first conceived in 1957 by the six original members of the European Community—Belgium, Germany, France, Italy, Luxembourg, and the Netherlands. It was revived again in the "Werner Report" but killed off by the oil crises that plunged the industrialized world into stagflation. But member states continued, however, to lay the groundwork, linking their currencies in a "snake" in 1972 to limit fluctuations and creating in 1979 the ERM, which locked the exchange rates in narrow bands.

The Single European Act of 1987, which created the single market, fixed the objective of monetary union in a treaty for time. The 1989 "Delors Report" laid down a three stage plan for monetary union, and

out, meet all four Maastricht criteria on inflation, interest rates, budget deficits, and public indebtedness.

According to the IMF, only two countries, Luxembourg and France, are on course to meet the criteria in 1997, the crunch year, although the figure likely will be bigger as it seems clear that governments will interpret flexibly the condition that public debt must not exceed 60 percent of GDP in 1997.

The tortuous process toward monetary union took a big step forward in late September at Dublin Castle and a key meeting of European finance ministers and central bankers. That meeting finally convinced skeptical international investors that the euro will be a serious rival to the dollar as a global currency in the early years of the 21st century.

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in 1991 EU heads agreed at the Maastricht summit to create a monetary union in 1997 or 1999.

In 1995, EU leaders accepted that the first date wasn't feasible following unprecedented currency turmoil and recession in 1992 and 1993, raising serious doubts about the projects. But last December in Madrid, they christened the planned currency the "euro" and confirmed January 1, 1999 as the launch date.

The project still faces formidable hurdles in the shape of a possible economic slowdown or another dollar crisis, which unleashed further speculative attacks against the French franc.

And it will be a very close call. At present only three countries, Luxembourg, Ireland, and Denmark, which like the United Kingdom has an opt

The Dublin meeting marked a turning point because it settled the outstanding, unspoken requirement of the single currency: that it must be as strong as the D-mark to win over the large majority of Germans who oppose abandoning their tried and tested currency.

The rock-hard D-mark has become a symbol of postwar pride for Germans as they have watched it climb against other European currencies. In the first 15 years of the ERM, the British pound lost two-fifths of its value against the D-mark, the French franc lost one-third, and the Italian lira three-fifths.

Germany's partners swallowed their pride and ceded to Bonn's demand for a "stability pact" that would punish future members of the monetary union that ran budget

deficits in excess of 3 percent of GDP after 1999.

Finance ministers were fleshing out the details of the sanctions against offenders in time for final approval by EU leaders at the December summit.

The ministers also backed the creation of a new Exchange Rate Mechanism to limit fluctuations between countries inside the monetary union and those on the outside. France fears its exports selling in hard euros would lose markets to countries free to devalue their currencies just as British and Italian firms benefited from the 20-25 percent depreciation of the pound sterling and the lira after they were pulled out of the old ERM in 1992.

The new ERM would be centered on the euro, and currencies would

The markets are also beginning to believe in the coming of the euro. A mid-September survey of 100 top companies by Swedbank, the Swedish bank, found that 79 percent believe the euro will be launched in 1999 with Austria, Belgium, Luxembourg, the Netherlands, France, Germany, and possibly Ireland.

be allowed to fluctuate 15 percent either way, although countries can seek narrower bands. On the UK's insistence, membership of the ERM would be voluntary.

The air of confidence was boosted by a very public display by Germany and France to squash fears that Bonn and Paris will soften the Maastricht criteria or delay the planned

Introducing the euro will be a mega project, fraught with risk as the new currency begins its journey from the world of high finance into the wallets of ordinary people.

The euro will be introduced in a phased program starting January 1, 1999 and culminating in July 2002.

First, the exchange rates of the countries participating in monetary union will be permanently fixed against each other and the euro. Then in 1999 Europe will have a single currency expressed in different units: the euro on one hand and the former national currencies on the others.

At this initial stage, no paper currency or coins will be issued in euros, and the only legal tender will continue to be national currencies.

But from 1999, the euro will be a banking currency. The European Central Bank (ECB) in Frankfurt will transact monetary operations with commercial banks in euros. The monetary and inter-banking market also will switch to the new currency, and the euro will trade on the foreign exchange markets replacing the national currencies in quotations against the dollar and the yen.

This is the easy part. It's going to be a lot tougher enthusing ordinary people to live with the euro. But the EU has a sufficiently long learning curve as paper

currencies and coins denominated in euros won't enter circulation until the beginning of 2002. National currencies will be gradually phased out and cease to be legal tender from July 2002.

The authorities are bracing for a military-style operation to manage the changeover to the euro. If the UK joins monetary union, it will have to replace 17.5 billion coins and 1.15 billion notes worth more than \$30 billion and replace 20,000 cash points as well as thousands of vending machines and telephone booths.

Bonn and Paris, the euro's most enthusiastic supporters, have already launched two-week trial runs with the new currency in the sister towns of Waldkirch in Germany's Black Forest and Selestat in Alsace, eastern France. The French claimed

their trial a success, while the German experiment sewed confusion.

The project has, however, built up an unstoppable momentum. Europe's central bankers spent the fall sifting through hundreds of sketches for euro bank notes created by a team of more than 50 designers and stamp draftsmen.

The successful designs for seven bank notes worth 5, 10, 20, 50, 100, 200, and 500 euros will be in Frankfurt in December, just before the Dublin summit.

The EURO

launch date.

"It is essential not to allow any backsliding on the criteria, or on the proposed timetable. We want the (Maastricht) treaty, all the treaty and nothing but the treaty," insisted Mr. Arthuis.

Chancellor Kohl was even more emphatic: "As a German, I will not question the criteria or the date. Whoever does these two things endangers the whole project."

The markets are also beginning to believe in the coming of the euro. A mid-September survey of 100 top companies by Swedbank, the Swedish bank, found that 79 percent believe the euro will be launched in 1999 with Austria, Belgium, Luxembourg, the Netherlands, France, Germany, and possibly Ireland. The German Chamber of Commerce in

Bonn is being besieged by small and medium-sized companies seeking advice on how to do business in the new money. ABN-Amro, the giant Dutch bank, is budgeting nearly \$100 million to prepare for EMU. The London International Financial Futures Exchange (LIFFE) is creating euro-denominated contracts.

Convincing the markets is one thing, winning over ordinary people is quite another. The biggest problem is that more than 60 percent of Germans have steadfastly rejected the idea of surrendering their cherished D-mark, one of the world's strongest currencies for the unknown euro.

The German government has been involved in a frantic public relations campaign to win over the man in the street. Vacationers head-

ing for the sun last summer found a 71 page illustrated booklet *The Euro: Strong as the Mark*, with contributions from Chancellor Kohl and Finance Minister Theo Waigel, alongside their in-flight magazines. Special euro buses visited 45 universities to spread the message, and more than a million information packs were distributed to high school students.

To most of Europe's 370 million people, the euro remains a faraway project. To convince them otherwise, and win their confidence, will prove to be the toughest challenge on the long road to a single currency. And the most important. ☹

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

The technical demands for the bank notes include standard security features to minimize counterfeiting and 15 percent of each note's space reserved for the national symbols of the participating EU member states.

Unlike the US dollar each note will be of a different size and with distinctive colors to make it more friendly to the blind or partially sighted.

One side of the notes will reflect Europe's cultural heritage with a key period of history, such as Classical, Romanesque, Gothic, Renaissance, Baroque and Rococo, the age of Iron and Glass, or 20th century architecture.

Notes will include the name of the currency, the initials of the European Central Bank, and the 12 stars of the EU.

After the winners are chosen, the European Monetary Institute, the forerunner of the ECB, will spend six months refining the designs and then start preparing the printing plates. Minting will start at the end of 1998 so that the equipment and materials can be adequately tested in time to print around 10 billion notes for circulation on January 1, 2002.

The EMI is already talking about redesigning the notes as early as 2007.

If monetary union proceeds on time there will be no escape from the euro even for countries that do not join.

Some commentators say it's likely in time that the euro will be used in these countries for domestic payments, circulating in, say the UK, as a parallel currency alongside sterling, just as the

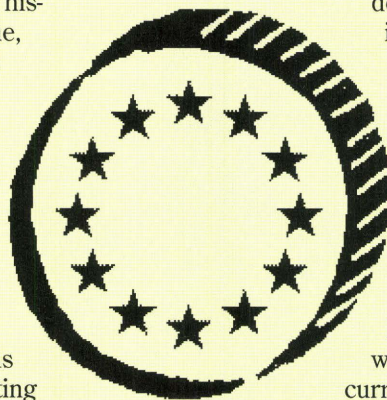
dollar is a defacto currency in Latin America and Russia.

"Eventually the euro could circulate in the UK and even come to displace sterling as the principal currency," according to Samuel Brittan, one of the UK's most respected economic commentators.

And in time the euro could topple the dollar as the most widely used currency. Yves-Thibault de Silguy, the EU's commissioner for monetary affairs, wants the euro to become a world-class currency with a name to match the "greenback." He would like it to have a strong blue color so it will be known as the "blueback" or *billet bleu*. ☹

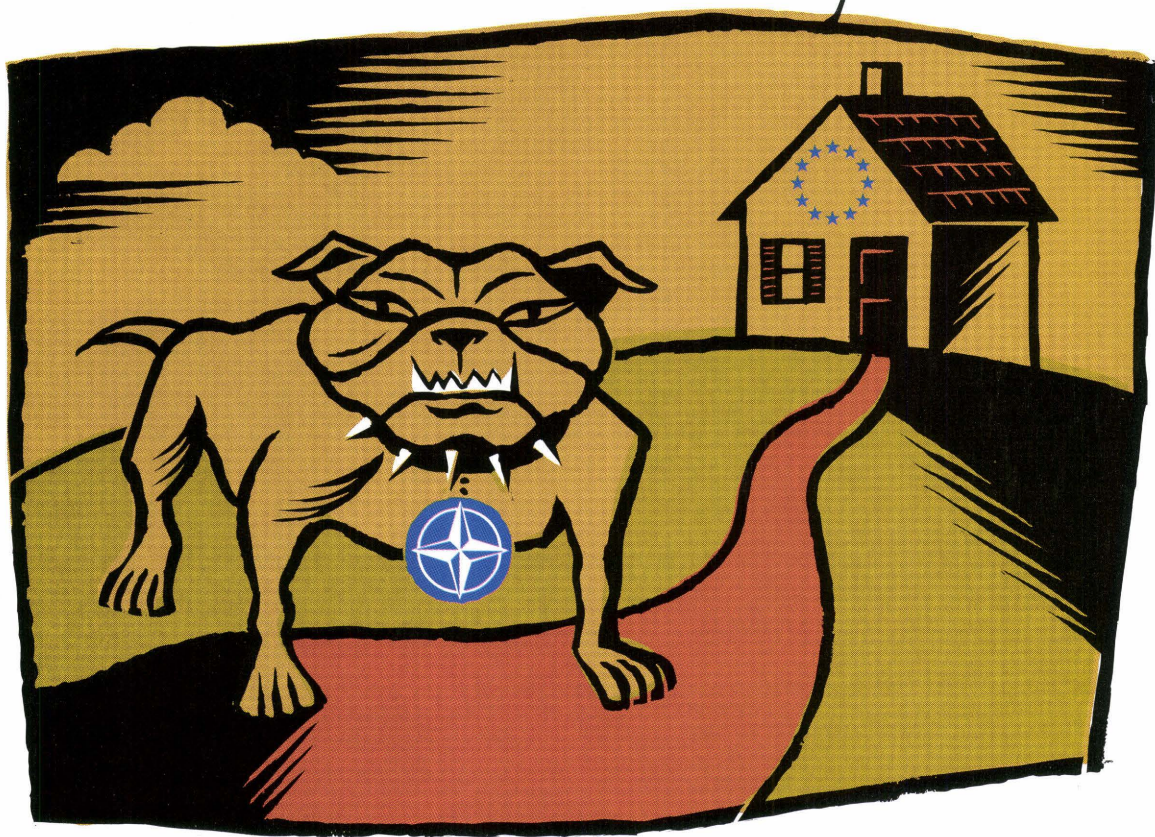
—Bruce Barnard

...in time the euro could topple the dollar as the most widely used currency.



European Security

By Martin Walker



The prime purpose of NATO was always mutual protection against the Soviet threat. Now that it has disappeared, at least for the foreseeable future, NATO's friends turn to its subtext, best articulated in the famous phrase of the UK's General Ironside, that the point of NATO was "to keep the Russians out, the Americans in, and the Germans down."

There is no realistic prospect that the Russians could force their way into Europe, even if they desired. It is equally clear that the reunited Germans, with Europe's dominant economy, are no longer down. And thanks in large part to the 50 year combined experiences of democracy and NATO and the comforting presence of American troops, the real transformation is that the Germans no longer appear to feel any compelling need to dominate Europe in the old, militaristic sense. Germany is a stable, prosperous, and essentially pacific democracy, committed to binding its fate into a federal Europe.

So the most urgent of the questions raised by General Ironside's subtext is about keeping the Americans in. All the Europeans want to do so. Even France, which formally left the military wing of the NATO alliance in 1966 and spent another 25 years flirting with ideas of a European security structure without American leadership, has now rejoined the Atlanticist system.

The Americans remain equally steadfast in maintaining their commitment to the only European forum in which, by tradition and of right,

grich's "Contract with America."

When the matter came up before the House International Relations Committee, the Democratic Congressman Robert Torricelli asked how many of the new Republican committee members understood exactly what NATO expansion meant. NATO was a formal military treaty, he explained, in which an attack on one was an attack on all members. Under that rule, the US had always said it was prepared to lose Boston and Peoria to a nuclear attack, in order to save Berlin and Paris. How

are misplaced, and the real question is the degree to which the Europeans will continue their tradition of "followership."

There is no doubt, however, that NATO has become the most stable and enduring structure of modern geopolitics. It has also guaranteed the US a permanent and privileged place in Europe and continues to knit together the two parts of the world most alike in their interests, values, and political structures.

But NATO is no longer the only game in town. There is, for the wider Europe that stretches beyond the Ural Mountains and into Asia, the Organization of Security and Cooperation in Europe (OSCE), which includes Russia and the Balkan and Baltic states. There is the European Union, which embodies not only the continent as an economic entity, but also includes traditionally neutral states like Sweden, Finland, and Austria, which are not NATO members. A third entity, or perhaps potential presence, is the Western European Union. Sweden and Finland are now observer members, and both the US and Europeans agree that the WEU should be considered as the basis for a distinctively European pillar of NATO.

The hope is that the WEU structure will permit the flexibility for the Europeans to engage in military operations, using NATO assets and NATO's command system without necessarily requiring the participation of US troops. The 1997 NATO summit is supposed to refine this project into practical form, as a way of maintaining the wider NATO alliance but permitting independent policy-making and independent action within it.

But these alternatives lack the real heart of NATO: its extraordinary and multinational military power, which has over five decades learned the habit of planning and acting together. The NATO command and communications system was at the

NATO continues to exist mainly because it works, and because it endures, and because its members all still believe it is in their interests.

they play the leading role. Indeed, the only argument between the two main political parties in the US is not whether NATO should exist at all, but how fast to expand it. The Republican presidential candidate Bob Dole told his party convention in San Diego that "NATO should be enlarged—now." The Clinton administration agrees, differing only in its insistence that the details be worked out at the next NATO summit early next year.

The verbal commitments are strong. But it is not clear whether the policy debate has really engaged, in the way that the arguments will sharpen during the ratification process in the US Senate, which any extension of the NATO treaty will require. It should be recalled that in November 1994, expansion of NATO by the start of 1996 was one of the core commitments of Newt Gin-

many of the new congressmen were prepared to go home and tell their voters that their cities were now at risk in order to save Budapest and Bratislava? The issue then dropped off the committee's agenda.

The debate of the foreign policy establishment on NATO expansion has been taking place in the usual academic journals and the Op-Ed pages. Some leading voices, like the veteran cold warrior Paul Nitze; the editor of *Foreign Policy*, Charles William Maynes; and the editor of *the National Interest*, Owen Harris, have all argued against expansion. Broadly they say that to widen NATO is to dilute it and to take on new commitments that the American public might not, in the event of a crisis, be prepared to honor. Mr. Maynes has acutely suggested that the US discussions about the continued need for "American leadership"

THE STATE OF THE UNION

heart of the Desert Storm military operation. It sustains the current IFOR peacekeeping mission in Bosnia, where it is also learning the habit of working alongside Russian troops. It is not a flawless alliance; the hesitation of France and Spain to support the September 1996 cruise missile strikes against Iraq illustrates the room to differ.

NATO continues to exist mainly

because it works and because it endures and because its members all still believe it is in their interests. It is the clearest expression of the American contention that they are also a European power and of the broad European agreement that the US and Canada should be so considered. The irony of NATO, on the eve of the fiftieth anniversary of its founding, is that it has outgrown its original pur-

pose of protecting Europe from the Russians. It is now the organization that allows Europeans and Americans alike to define themselves as something greater, and far more potent, than the sum of their parts. ☐

Martin Walker is a frequent contributor to EUROPE and the Washington bureau chief of the British newspaper, the Guardian.

The North Atlantic Treaty Organization was formed in response to the immediate threat of the Red Army's tank divisions rolling across Europe all the way to the Atlantic. Today, there is no more Red Army. Its enfeebled Russian heir has proved unable to win a modest guerrilla war in Chechnya, or even to hold onto the city of Grozny. The threat is over. So who needs NATO now?

Curiously, this obvious question is seldom posed in polite diplomatic circles. But a handful of American foreign policy analysts in the CATO institute, a libertarian think tank in Washington, are asking why NATO should continue now that the cold war is over, and they reckon they are making converts.

"The whole debate about whether or not to expand NATO is acting as a catalyst. If NATO is to include all of Central and Eastern Europe and is also to have a special relationship with Russia, then what is this military alliance defending? And against whom," asks CATO's Barbara Conry.

"The US taxpayers spend some \$90 billion a year on NATO, and it is not clear what real benefits that huge sum of money brings. What's more, for the privilege of spending all that dough, what the US really gets is the promise of even more costly and even more dangerous commitments," argues Ted Galen Carpenter, also based at the CATO Institute. "NATO made sense when the US and the Europeans faced a common threat, but they no longer necessarily do."

The examples which Carpenter cites are beginning to pile up. The arguments between the Clinton administration and their British and French allies over Bosnia were very serious, until they were resolved in the traditional way—American leadership and

the commitment of US troops. There has been another serious argument over the US policy to put economic sanctions on what the US labels rogue states like Iran or Iraq, while the Europeans object that these are useful markets. Ironically, the Europeans use the same argument of "constructive engagement," of trade opening the way to political reform, which the US deploys about China.

The clearest sign of the divergence between US and European security interests came with the collapse of the Mexican peso in early 1995, when President Clinton swiftly mounted a rescue with IMF funds, over the strenuous objections of his European allies. The US was looking at a vital security interest in its own hemisphere. At the same time, the Europeans were engrossed with the threat of Muslim fundamentalism in North Africa and devising the Maghreb fund as a way to defuse that threat with greater investment and prosperity.

In the long term, the most serious divergence between the US and European security interests could develop in Asia, where the US remains not just a great power, but the security linchpin for the whole Pacific region. Despite sentimental British ties to Australia, New Zealand, and Hong Kong, and France's ties to French Polynesia, the Asia-Pacific region is mainly an economic interest for Europeans. This is now a region that accounts for more than half of US foreign trade, and as China's strategic weight grows with its economic strength, then China is likely to dominate US strategic thinking in the next century much as Russia did for the past 50 years.

—Martin Walker

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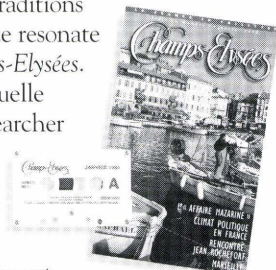
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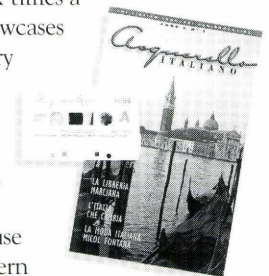
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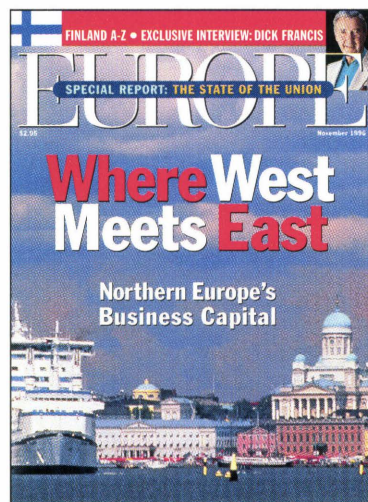


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Underwood. He was an attorney at the law courts in England, and his stories taught me a lot about the law, and I liked learning about that.

Why do you think British writers such as yourself are popular in the United States?

Well, I think Americans do like to learn a lot about the British scene. I hope I can describe the British scene, the country scene and racing. I think that's what the Americans like about my books, anyhow.

Do you think the British are eccentric?

I wouldn't say they were more eccentric than people in the US.

So you want people after they've read one of your books to have learned something, like learning about the British countryside?

Yes. And learn about the scene which characters are taking part in. One particular book I wrote, *Proof*, that was about the wine industry. My wife and I had been researching that for about 50 years, and it was received very well. And it's no different. The wine trade in Britain is no different to the wine trade in the US. It's not as big, I know, and they don't grow lovely grapes in England like they do in California. A company in California, they enjoyed the story so much, they wrote and told me, "would you like us to send you a crate of wine?" Had some lovely Pinot Noir, I think it was.

Do you get much response to your books? Do people write to you?

I get a lot of response and a lot of letters written to me. My son, Felix, deals with most of them now, but nearly every letter I receive I answer.

How many letters do you get?

Oh, it's run into thousands.

People just tell you they like the book?

They like the books and "where did you get the idea for this?" and "why didn't so-and-so do so-and-so in such a story?" It's a job to keep up with them all.

Are you friends with other mystery writers?

Oh, yes. I'm a member of the Mys-

tery Writers of America and also the Crime Writers Association in England. I have received awards from both of them, top awards really. Last April I received the Grand Master Award from the Mystery Writers of America. The same evening, I received the Edgar Allan Poe Award for *Come to Grief*. I have received three Edgars for my books.

There are other people who have won three Edgars, because they have different categories. I am the only one that's won more than once for best novel. In three different decades, too. I won three.



So what's your favorite book of all that you've written?

Of the ones I've written, the last one is always the favorite. It's more with you.

So that's your favorite, *To the Hilt*?

I suppose the character in *Forfeit* was very close to me because he was a Sunday newspaperman, and he also had a wife who had been struck by polio. My wife was struck with polio 45 years ago, when our first boy was on the way. She's made a wonderful recovery, but we do know the trials and tribulations from the disease.

Every one of your books has something autobiographical?

Yes, they are all semi-autobiographical. I'm not as tough or as clever as my main characters. Although I write about them, I suppose I must be.

How many books have you sold?

A couple of years ago they thought it was about 70 million, but it's probably a lot more than that now. They are published in 34 different languages.

You were a jockey. What all of a sudden made you become one of the world's best-known writers.

I achieved my greatest satisfaction from being a jockey. I loved riding, and I loved racing. And writing books, I get a lot of satisfaction from them after they are written, but it's very hard work, much harder work than riding or racing.

You think writing is harder?

Oh, much. It's mentally harder.

There was somebody, I think it was Dorothy Parker, in the 1920s or 1930s said "I hate writing, but I like having written." Do you feel that way?

Yes, that's a good way of putting it. When the story is finished and it's being well received, then you're satisfied. When I put the manuscript in and until it comes out and is well reviewed, that is a worrying time. "I wonder how is this going to be received?" But so far, they've all been all right.

Have you been surprised by your success?

Greatly surprised.

Is it hard to get used to? I guess you're used to it by now.

I've grown used to it. It didn't come immediately. Every book has improved, and sales have improved. But I'm not at the pinnacle yet or the peak. I hope I can perhaps get a little bit better.

Is racing hard on horses?

It is hard on horses, but they are trained for it. The steeplechasers are bred to jump and outjump their opponents if they can. Flat racing, the horses do get a little bit more fed up with it than racing, because they get their bottoms spanked a lot in the closing stages. But steeplechasing, the races are won out in the country; they are won at the jumps. You might gain a length at every fence. That's where the steeplechasers are won. The flat races, they are won in the straight.

Is your latest book, *To the Hilt*, a good read?

Yes, I hope people are going to enjoy it. I hope they'll learn a little bit about painting, acrylic painting, and learn a little about living in the rough, up in Scotland, where Al lives. He isn't bred in the rough; he's bred from a good family. But he's a loner, really, he likes being alone.

Is there always a murder in each of your books?

A lot of the books haven't got a murder in at all. I don't think it is necessary to have murders. I have had one or two deaths in there but not really terrible murders. ☹

FINLAND A-Z

BY ESTER LAUSHWAY

For the intrepid traveler who insists on an ordered and systematic approach to any trip, *EUROPE* offers the following alphabetical guide to Finland.

Architect Alvar Aalto designed a revolutionary rippled glass vase in 1936 that became a Finnish design classic. He is also responsible for Finlandia Hall, Helsinki's starkly beautiful concert and congress center, which is losing its marbles—the white Carrera plates in which it is clad—at an alarming rate.

Baltic herrings, raw, pickled, smoked, charred, grilled, and prepared any other way you can imagine, have been celebrated at an annual autumn herring market in Helsinki for the past 254 years. A stiff competition to find the “Best Herring of the Year” is judged by the mayor and a panel of local celebrities.

Cholesterol watchers rejoice. A miracle margarine called Benecol, launched last November by the Raisio Group, a Finnish food-processing concern, has been shown to lower blood cholesterol levels by 10 percent.

“Daughter of the Baltic” is the name given to the city of Helsinki, which was founded in 1550 by the Swedish King Gustav Vasa. In 1917, when Finland gained its independence after six centuries of Swedish rule and one as a Grand Duchy of the Russian Empire, Helsinki became the Finnish Republic's capital.

Eastern and Western Europe meet in Finland, along the 808-mile border that it shares with Russia, the longest of all the countries of the EU.

Forests, known as its “green gold,” cover 69 percent of Finland and the forestry industry accounts for about 40 percent of its exports.

Gold was found in Lapland at the turn of the century. The Finnish gold panning championships take place every summer in the town of Tankavaara. **Hiking** in one of the 30 national parks is one of the best ways to discover the great natural beauty of Finland. Most of the parks have special areas set aside for hikers and some even offer wilderness huts

Contestants in the annual Old Wife Carrying Championships.



Santa Claus en route to his home in northern Finland.

for overnight stays.

Island fortress Suomenlinna, the biggest sea fortress in Scandinavia, can usually be reached by boat from Helsinki year-round. But during particularly cold winters it is accessible by car, along an ice road from the mainland.

J.L. Runeberg, Finland's national poet and author of the Finnish national anthem, was born in the charming town of Porvoo, 30 miles east of Helsinki. With its winding alleyways, tiny shops, and bright red waterfront warehouses, it is now a thriving artistic community and popular tourist destination.

Koskenkorva-Viina is a 38 percent vodka distilled from wheat, and in the judgment of many connoisseurs the best of them all. The most appealing one visually is Finlandia Vodka in the



Come rain or shine Finland's annual three-day Tango marathon dances on.

trademark "iced" bottle.

Linnanmäki amusement park in Helsinki is Finland's most popular tourist attraction.

Martti Ahtisaari is Finland's president, elected in 1994 for a six-year term. He presides over a 200-member parliament elected by proportional representation every four years.

National composer Jean Sibelius (1865–1957) wrote the stirring tone-poem *Finlandia*, which became a musical emblem of Finnish national pride.

Opera is celebrated every summer at the Savonlinna Opera Festival, staged in the courtyard of a medieval lakeland castle in eastern Finland.

Palace Hotel's sauna is the only one in Helsinki to still be heated by a traditional wood-fired stove. When it was rebuilt this spring after the previous one burned down, there was talk of installing an electric stove, but the wishes of sauna devotees prevailed.

Quirky Finnish traditions that have lived on include the annual "Old Wife Carrying Championships" in the eastern lake district of Saimaa.

Rug beating apparently used to be a popular pastime for the people of Helsinki. The city's jetties are still lined with wooden rails on which carpets used to be hung and have the dust bashed out of them.

Santa Claus' true home is said to be in the fell of Korvatunturi in the middle of Lapland. The closest town, where his main office is located, is Rovaniemi, situated on the Arctic Circle at the confluence of two large rivers.

The Tango, in spite of its hot-blooded Latin image, was invented in Finland and introduced to Argentina by Finnish sailors. It is still a very popular way to while away and warm up those long cold winter nights.

Utsjoki, located at 69°52' latitude north, does not have a sunset for two months during its Arctic summer. And even in southern Finland, the midnight sun transforms the night into a long twilight lasting from evening until morning.

Voting rights were granted to Finnish women in 1906, ahead of any other country in Europe. Finland's Parliament today still has a higher proportion of female members than any other.

Water is one of the main features of Finland. Its 190,000 lakes and pools, 600 rivers, and more than 60 miles of seashore form a vast, unspoiled, and unique landscape.

Xmas/Yuletide, which is certain to be white in Finland, is the most festive season of the year. Preparations for it start as early as October and culminate on Christmas Eve, with a family sauna, the much-awaited visit from Santa, and a traditional feast including ham, herring, gingerbread cookies, and mulled wine.

Zoos in Finland are the most northerly in the world. The one on Karkeasaari island off Helsinki specializes in animals from cold and mountainous regions, including such rare species as the snow leopard, the Przewalski horse, and wild forest reindeer. ☹

Ester Laushway is EUROPE's Paris correspondent.



CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

As one stands at sunset on the heights of the Kalamegdan fortress overlooking the merging Sava and Danube rivers, watching young lovers and old pensioners stroll peacefully along its pathways, Belgrade is almost a beautiful city.

No, this is certainly not the scene a foreigner would expect in Belgrade. To the average American with no in-depth knowledge of the Balkans, the mention of Belgrade probably brings much more somber images of a city where the political intrigues spun in the late 1980s and early 1990s paved the way for the Yugoslav wars that followed.

Punished for its role in the wars by international sanctions in 1992, the Federal Republic of Yugoslavia (often referred to as “rump” Yugoslavia or Serbia-Montenegro) found itself an outcast, a position from which it is only recently starting to return to normalcy.

Belgrade could have been truly beautiful had it not been heavily bombed in both World War I and II. Thus much of the old, dusty cobblestone charm found in other cities in Central and Eastern Europe has been lost in Belgrade, and with the level of air pollution that exists today, it does not quite live up to its name, “White City.”

Still, this does not prevent a bustling cafe culture from overtaking the city as soon as the weather permits. It may not be as refined as those in Vienna or Paris, but it is certainly more charmingly earthy. In Belgrade, East and West truly meet, as they have for the past millennium. Always on the border between the Eastern, Byzantine-Turk-

Letter from Belgrade

ish sphere of influence and the Western, Hapsburg tradition, Belgrade displays an intriguing mixture paralleled in the Balkans only by Sarajevo and Skopje. (But whereas the two latter are small enough to feel provincial, Belgrade, with more than a million residents, has the pulse of a big city.)

In the summertime, for Belgraders

The calm of a summer day in Belgrade contrasts sharply with the images of neighboring Sarajevo.

who do not have the means to escape to the Adriatic resorts in Montenegro, this city offers Ada Ciganlija (Gipsy Island), located in

the middle of the Sava River, where the city's young turn up en masse to sunbathe, swim, sport, and flirt before moving on to evening activities, which include a lot of the latter.

For the historically and architecturally interested, a visit to one of several nearby monasteries provides a glimpse of what many Serbs regard as their golden age—the medieval Serbian kingdom finally subdued by the Ottomans in the late 14th century. Although most of

the monasteries were built after this time, the artwork inside them usually pays homage to its splendor. Just the sight of one fresco in the monastery of Gracanica was enough to inspire Rebecca West to write one of the most memorable chapters in the Balkan classic *Black Lamb and Grey Falcon*, a book written in the 1930s which became very much en vogue again during the last few years.

A Westerner in Belgrade is generally treated with great hospitality (one very pleasant Balkan tradition), especially if one is willing to listen sympathetically to explanations of how the Serb people have been unfairly treated by the international community during the war. While this is a view widely held in Belgrade, it very rarely translates into hostility toward foreigners. On the contrary, it could almost be said to increase the desire to prove to outsiders that Serbs are not bad people. A cautionary note for the first-time traveler: This friendly attitude is unfortunately not al-



ways prevalent among police and customs officers, who tend to take a rather more suspicious approach.

If one has traveled from any of the capitals of neighboring former Yugoslav states, most notably Zagreb or Sarajevo, one is sometimes faced with timid, uncertain questions about the state of things there, as many Belgraders have friends, family and/or some fond memories from these places. On occasion, such questions are asked with a hint of accusation or condescension toward Croats and Muslims, but most of the time melancholy dominates.

Nearly one year after the Dayton Agreements, which put an end, hopefully permanently, to the war in the former Yugoslavia, Belgrade is still struggling to emerge out of economic gloom and political isolation. Perhaps the most important event to raise spirits, significantly enough, had nothing to do with the Balkan political situation. It was the coming home from Atlanta of the heroes of the Yugoslav basketball team after winning the Olympic silver medal in a tournament crowned by a final game against the American "Dream Team."

—Jonas Weiss

ROME

SCRATCH AND WIN

There is one tax Italians pay without a fuss. In fact, they even seem to pay it with an almost ferocious joy. This phenomenon has reached such proportions that newspapers and experts in social behavior have begun to pay attention. This tax has an unusual name: "Scratch and Win." It's a lottery. For a modest price, 2,000 lira, (slightly more than \$1), one of these small tickets can be purchased. Then, with the help of a coin, key, or even a fingernail, the surface is scratched away in the hope of uncovering a winning combination of numbers or cards.

They are sold virtually everywhere, drugstores, newsstands, sidewalk booths, and these tickets have become a national mania. A recent law forbids the sale to minors, but it doesn't make much difference since many parents buy tickets for their children. The tickets are often used as change in stores when coins run out, and no one says a word.

Italians are the Europeans most overburdened by taxes. Umberto Bossi, the leader of the Northern League, is using this protest to propel his crusade in favor of northern Italy's secession from the center and the south and above all, from the government in Rome. Yet not even Bossi says anything against this new hidden tax, which is fattening up the state's coffers. Moreover, the public reacted indifferently when a rumor emerged that the gold-colored powder hiding the numbers was carcinogenic.

The passion and hope of winning big is too strong and is cunningly fed by a series of mini-wins. In fact, it is fairly common to scratch and produce a combination that wins back the same amount or a bit more. It has even happened to this reporter, I confess.

Some sociologists and economists have explained that this wild interest in lotteries is a symptom of a society's economic difficulties and the anxieties of families with increasingly risky budgets to balance. This is probably somewhat true. But Italians' love for Lotto and simi-

Italy's Lotto has become so popular that tickets are often given as change in shops.



lar contests, beginning with Totocalcio—the weekly search for the winning results of 13 championship soccer games—has been consistent for decades and doesn't seem connected to any particular economic situation.

So what is the government doing? It isn't dragging its feet. It has just announced that besides the traditional weekend national Lotto drawing, a new drawing will be held on Wednesdays. But for a noble purpose: proceeds (and they are expecting to rake in billions of lira) will go to the arts and culture, for restorations and various interventions.

—Niccolo' d'Aquino

PARIS

LAYING A GREAT GHOST TO REST

Some men have greatness thrust upon them; others deliberately seek it out. The French writer and politician André Malraux, who died on November 23, 1976, was one of the latter. He devoted his life to a number of prominent causes that brought him both celebrity and notoriety. He had an uncanny knack for being in the right place at the right time.

This month, on the 20th anniversary of his death, Malraux will receive the ultimate accolade that can be bestowed on a great man in France. His ashes will be transferred to the Pantheon in Paris, the lay temple where the remains of national heroes such as Hugo, Voltaire, Rousseau, and both Pierre and Marie Curie are interred.

Malraux will lie in the same part of the crypt as Jean Moulin, the famous Resistance leader who was tortured to death by the Gestapo in 1943. The two make fitting neighbors for eternity. When Moulin's ashes were transferred to the Pantheon in 1964, it was Malraux himself, as minister of culture, who presided over the ceremony and gave one of his most eloquent speeches.

This time, it is President Jacques Chirac's task to find the right words to pay tribute to Malraux, whose life offers more than enough material for a memorable speech. He was a man of many, often contradictory, parts: gifted writer, brilliant orator, "engaged" intellectual, fearless man of action, fervent Gaullist, but also an adventurer and opportunist, who tailored the truth to suit his purposes. He once admitted, "I may tell tales, but life is beginning to resemble my tales."

Nothing about his early years hinted at a great man in the making. Born in 1901 in Paris, Malraux did not even finish high school, and by the time he was 20, was dealing in "rare" books of dubious origins. In 1923, penniless, he went in Indochina, where he was arrested for stealing some ancient temple statues. Two years later he was back in Saigon, as editor of a newspaper denouncing the French colonial system. The paper was short-lived, and in 1926 Malraux returned to Paris. He worked in publishing, began to make his mark as a left-wing political activist, and went off on a self-publicizing flight to Yemen, looking for the lost capital of the Queen of Sheba.

With the 1933 publication of *La Con-*

dition Humaine (Man's Fate), a novel about the Chinese revolution, Malraux became an internationally acclaimed writer.

The book is generally acknowledged to be his greatest work, even though Malraux used some poetic license in describing himself as a participant in the events he was describing.

Throughout the 1930s he maintained a high profile as a communist supporter, participating in all the main anti-fascist rallies and conferences. When the Spanish Civil War broke out in 1936, Malraux commanded a fighter aircraft squadron, which fought six months against Franco's forces. Another book, *L'Espoir* (Man's Hope), about the Spanish Civil War, reinforced his reputation as a man who combined ideals with action.

Those ideals were to change radically over the next decade. By 1945, Malraux had turned his back on communism and moved to the right of the political spectrum to join forces with General Charles de Gaulle, to whom he remained fiercely loyal for the rest of his days. He had also fought briefly as an enlisted man in World War II, been wounded and captured, had escaped and become a Resistance leader.

The physical heroics ended with the war, and from then on Malraux concentrated his formidable talents on the political arena. He served as De Gaulle's minister of culture from 1959 until 1969 and changed the look of Paris forever by decreeing that its buildings should be washed regularly. He continued to write, mostly reflections on art, essays, and memoirs.

In this month of November, when national heroes everywhere are honored, Malraux will be remembered with an avalanche of multimedia tributes, of lectures, poster campaigns, and even a newly created annual André Malraux prize for the best creative work on the theme of political commitment. But the apotheosis of all the homages will be his entry into the Pantheon—the ultimate, perfectly timed example of Malraux's ability to end up in the right place.

—Ester Laushway

LONDON

THE PIGEON QUESTION

Pity the poor pigeons of Trafalgar Square. A great attraction to the mil-



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lions of visitors to London, they are now under threat from the government, having only just survived the raids of a pigeon poacher earlier in the year.

While tourists may see them as an attraction, others regard the pigeons as vermin whose droppings despoil statues and buildings around the capital.

The Department of National Heritage is now studying a proposal calling for a cull of pigeons because of fears that they could pose a health risk.

"If a contaminated bird lands on your hand while you are feeding it and you then eat a sandwich, you could contract an illness," says science professor Chris Feare. But, he admits, "It would be very difficult to prove where the illness came from."

Another reason for the department's interest in reducing the pigeon population is that it spends \$150,000 a year on daily cleaning and removing up to a ton of pigeon droppings annually.

But not all is doom and gloom for the pigeons. After an unemployed young man, Jason Lidbury, was arrested for stealing pigeons from the square this spring, the magistrate rejected his defense that the birds were vermin.

The thief put some food on the



The debate continues over Trafalgar Square's pigeons: vermin or tourist attraction?

ground and when the pigeons came over to eat, he grabbed them and put them in a large box. He claims he only took

about 25 each time, but witnesses say it could have been twice as many.

When arrested by the police, Lidbury



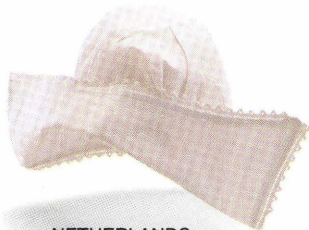
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said he was taking them to his uncle, who had racing pigeons, to see if any of them were suitable for breeding. He said that he sold them for 30 cents each.

In court the thief said that he thought the birds were vermin and that he wasn't doing anything wrong. Not so, said the judge.

"These are not any old pigeons, but are there to bring character to the area and for the entertainment and amusement of visitors," said Bow Street Magistrate Ronald Bartle when imposing a \$700 fine on the pigeon poacher.

Until now it would seem that the government shared this view, as there has been an officially licensed seller of pigeon food in the square for at least 50 years.

"We actively encourage feeding the pigeons because we believe they are a tourist attraction and provide enjoyment to visitors," said a Heritage Department spokesman.

However, he adds that "There has been some concern recently that the numbers were increasing and consultants investigated to see if some sort of control is needed."

Nobody really knows how many pigeons there are in Trafalgar Square or in London as a whole. Official estimates say 200,000, but pest control firm Rentokil says there are at least 1.5 million. Whatever the correct estimate, soon there may be less pigeons to feed in Trafalgar Square.

—David Lennon

THE HAGUE

THE SWAN

Some cities in the world are known for their bridges. The skylines of San Francisco, London, Paris, New York, and Rio de Janeiro, just to name a few, are famous because of the Golden Gate Bridge, the Tower Bridge, Pont Neuf, Brooklyn Bridge, and the Guanabara Bridge. Now, Rotterdam can be added to this list.

The main port of the Netherlands—and still the world's largest port—recently inaugurated the Erasmus Bridge. Because of its aesthetic, slightly bent shape, it is popularly called "the Swan."

The construction of the bridge, which was designed by architect Ben van Berkel, started in 1991. At a cost of about \$215 million, the 2,600 foot long



Due to its unique shape, Rotterdam's new bridge is popularly known as the "Swan."

bridge with a 456 foot high single cone and a 919 foot span across the river Nieuwe Maas connects the northern and southern parts of Rotterdam. In fact, the Swan is part of a large-scale urban renewal project to invigorate the south bank of the river. Until a couple of decades ago, this south bank was the

The main port of the Netherlands—and still the world's largest port—recently inaugurated the Erasmus Bridge. Because of its aesthetic, slightly bent shape, it is popularly called "the Swan."

thriving part of the Rotterdam harbor, with passenger terminals, docks for freighters, repair wharves, and shipbuilding docks. But with the advance of the container and bulk carriers, the port has moved westward toward the North

Sea, while the shipbuilding industry has largely vanished. As a result, the old harbor area fell into serious economic decay, and its surrounding neighborhoods suffered social problems of all kinds.

In the late 1980s, the Rotterdam city council approved an ambitious plan for the south bank. Where once ocean ships moored and warehouses stored goods from all over the world, houses, apartment buildings, office space, and small business plants were to be built. Recently, the keys of the first houses have been handed over to their owners, and the once barren section is gradually turning into a lively urban area. The project is scheduled for completion in the year 2005.

Old buildings have been refurbished and gained new tenants. For example, the former head office of the Holland America Line now houses the popular hotel and trendy restaurant called New York. From the city center, it can be reached by motorboat across the river.

In Rotterdam, the northern and southern parts of the larger metropolitan area are linked by numerous bridges and two tunnels. But in order to improve the integration between the city and the urban renewal project on the south bank, it was decided that a new bridge was needed. Plans were made, and although the estimated costs were far higher than the city council originally had in mind, the design of Ben van Berkel was chosen. It

combined modern technology with the aesthetic concept of the bent cone.

The Swan is a metaphor for the resurrection of the "new" Rotterdam, a symbol of its urban renewal. After Queen Beatrix opened the Swan this summer, tens of thousands of people participated in the celebration and walked across.

—Roel Janssen

LUXEMBOURG

EUROPEAN INVESTMENT BANK

A mini-Manhattan is being built on the hills above the city of Luxembourg. You might more accurately call it a mini-Wall Street though, because these new offices all belong to international banks. Luxembourg may be by far the tiniest country in the European Union, but in banking it's up there among the mightiest.

Nothing underlines that claim more powerfully than the presence within Luxembourg's borders of the European Investment Bank (EIB). No, the EIB is emphatically not the sort of bank where you get a toaster for opening an account or ask for a loan to buy a cabin cruiser. The EIB is more used to dealing with continents than individuals. It is, in effect, the financial limb of the European Union. Its shareholders are the 15 EU member governments.

But yes, the EIB is a genuine bank if you accept one definition of banking as the receiving of deposits and the lending of them to others. Last year the EIB lent almost \$28 billion and borrowed \$16 billion. Its total loan commitments to date amount to some \$155 billion. Sovereign nations apart, the EIB is, quite simply, the world's largest borrower and lender.

It has become so in fulfillment of a remit laid down in 1958 "to finance capital investment projects that promote the balanced development of the (European) Union." By any measure the EIB today is a significant player in the EU economy and the world's capital markets, yet its administration in Luxembourg is wholly independent of the European Commission, and it draws no funds from the EU budget.

Until recently the EIB's operations were fairly straightforward. It used the safeguards provided by the EU governments to win a triple-A rating as a borrower, securing funds on privileged terms and re-lending to clients at lower

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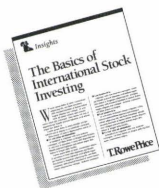
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rates than they could have hoped to have achieved alone. These clients were generally public and local authorities in the poorer countries and regions within the EU and often outside of it.

The stirrings of major changes in the bank's purpose and operations have now become too insistent to ignore. At the annual meeting in June, the chairman, Sir Brian Unwin suggested that "given the high degree of market penetration achieved, the bank's lending within the Union may be reaching a plateau." He went on to note the growing complexity of operations given the shift away from the public to the private sector: 10 years ago loans to, or guaranteed by, public bodies accounted for about 80 percent of all EIB lending. That level is now down to 40 percent.

By any measure the EIB today is a significant player in the EU economy and the world's capital markets, yet its administration in Luxembourg is wholly independent of the European Commission, and it draws no funds from the EU budget.

A private company seeking cash for expansion can have sophisticated requirements. It may want fixed interest rates for perhaps five years, then flexible ones. It might want pesetas here, French francs there, sterling somewhere else. Its collateral might vary—from bank guarantees to an actual share of the business.

A dollar lent to a private borrower needs, in short, a lot more investment of staff-hours than one lent to a public body. But that's only one challenge. What effect will a single European currency have on the bank? What of the EU's expansion into Central and Eastern Europe? Will there be a special role for EIB money in the reconstruction of former Yugoslavia as there is in Northern Ireland?

Sir Brian speaks of the need for more staff at the EIB (where the payroll is already nearing 1,000) in the light of these potential new responsibilities. Evidently anticipating opposition from budget-conscious EU governments, he sweetens his call with the claim that EIB staff costs are far lower per loan and per project than those of comparable institutions.

The call for more staff is, however, being widely read as an invitation to EU leaders to consider the entire role and capabilities of the EIB at a time when the bank is reaching what one staffer calls "critical mass." While the debate has been sotto voce until now, there is a growing feeling that it may soon have to come out into the open if decisions are to be taken in 1998, when an increase in the EIB's capital is likely to be needed.

There seems little doubt that the EIB's central function will remain the economic development of the EU's less developed regions. But will a single European currency make the EIB more, or less, necessary? What scope will there be for operations outside the EU, which represented more than 13 percent of loan activity last year? How much further can the EIB go in assuming "direct project risks" in its lending? More than any other EU member country, Luxembourg has a clear self-interest in decisions affecting the EIB's future.

—Alan Osborn

BERLIN

EASTERN EFFICIENCY

A recent report for the federal economy ministry by three leading economic institutes came to the conclusion that much of eastern German industry is still uncompetitive in the world's markets. They attribute the situation to poor productivity, lack of marketing know-how, and financial problems. On average, unit labor costs are one-third higher than in western Germany, although take-home pay is considerably lower in eastern Germany.

Against that background one is surprised to learn about the phenomenon of the General Motors-Opel car plant at Eisenach in the former East Germany. According to a survey by the respected *Economist Intelligence Unit* (EIU), it is the most productive auto factory in all of Europe, outperforming Japanese plants in the UK and Spain as well as Fiat's new

facility at Melfi. The Opel-Eisenach plant last year produced 71.9 cars per employee, a sharp rise on 59.3 cars the year before and well ahead of second place, the Fiat-Melfi plant with 64.3 cars.

The EIU ranks Nissan's facility in Sunderland, UK, third with 56.7 cars per employee and Honda's UK plant at Swindon fourth with 55.9. Europe's worst-performing plants include Rover's at Longbridge in the UK with 27.8 cars, Peugeot's Sochaux and Poissy facilities with 22.2 and 21.2 respectively, and Volkswagen's plant in Wolfsburg with just 17.6.

Opel opened its Eisenach plant in 1992 to build exclusively its successful Corsa model. It is still building up production and has yet to reach its full potential. Eric Steven, president of Opel Eisenach, says he is confident that productivity will continue to rise and its successful system of lean production will serve as a model for new facilities to be opened in Argentina, Poland, Thailand, and China. In 1995, Opel Eisenach reported for the first time a profit of \$22 million. And while in most companies in eastern Germany wages and non-wage labor costs are below western German levels, Opel Eisenach has since March paid 100 percent of wage tariffs agreed to in the neighboring Hesse region in western Germany.

Efforts are being made to instill corporate pride at the Opel plant. In order to reduce absenteeism to a minimum, a worker in Eisenach who calls in sick receives a visit by a co-worker. When the worker reports back he is welcomed back by the big boss personally. The system seems to work. Absenteeism in Eisenach is lowest in Germany.

Germany's other big car makers have not been caught napping either. Volkswagen ranks not far behind General Motors and Toyota in the global chart of car makers. Audi, the Volkswagen subsidiary, announced a 57.6 percent rise in first-half pre-tax profits to \$266 million. Sales rose by 13 percent to \$6.1 billion. Mercedes-Benz, which has been challenged in Germany by BMW and increasingly by Volkswagen's Audi, is also happy with its operating profit of \$918 million (a 3 percent increase). Thanks to its successful E-class the sales rose by 6 percent to \$24.8 billion. Erika Emmerich, president of the Association of Automobile Industry, reports that optimism among car makers in Germany is growing: "The German car manufacturers

have reacted with an unprecedented investment and production offensive to the challenge of competition." But plants in Germany still have a long way to go to catch up with productivity in Japan. The best performing Japanese plant, Mitsubishi's Mizushima facility, achieved 117 cars per employee.

—Wanda Menke-Glückert

ATHENS

NEW GOVERNMENT FORMED

Greece's new Socialist government does not look much different from the old one. Most faces are the same, although a few ministers have switched cabinet posts. But the task they will undertake over the next four years—preparing Greece to join the single European currency—is more challenging than anything they have tackled to date.

The September 22 general election gave the Panhellenic Socialist Movement (PASOK) 162 seats, a comfortable majority in the 300 member Parliament. Prime Minister Costas Simitis kept ministers in place but shifted his two former rivals for the premier's job. Akis Tsochatzopoulos moved to the defense ministry, while Gerassimos Arsenis took a low-profile post as education minister.

The economic team was reorganized under Yiannos Papantoniou, the economy minister, who also took over the finance portfolio. Papantoniou claims the credit for a slow but steady decline in inflation and the public deficit over the past three years.

His task is now much tougher. Instead of relying on fiscal measures to increase revenues—including an overhaul of the income tax system and the establishment of a special financial police force—the 1997 budget, due to be unveiled this month, will call for cuts in government spending.

Greece is still a long way from the Maastricht targets for participating in the single currency. The deficit this year is projected at 7.6 percent of gross domestic product, against the target of 3 percent. Inflation is at 8.5 percent, still more than double the EU average.

The government has accepted that Greece cannot meet the targets before 1999 at the earliest. That would make it possible to join monetary union in 2001 in what is expected to be a second wave of members. But some analysts continue

to doubt whether Greece, which despite its recent progress still has the weakest economy in the EU, would be able to withstand the full force of European competition.

Mr. Papantoniou has little time for the pessimists. He argues that sustained growth and structural reform will bring the Greek economy up to speed. Growth already exceeds the EU average; it is projected to reach 2.6 percent of GDP this year and surpass 3 percent in 1997. The first of several big infrastructure projects funded through a mix of EU grants, private financing, and the government's investment budget is now underway: a new \$2.74 billion airport for Athens, under construction by a consortium led by Hochtief of Germany.

Structural reforms are on the way, Mr. Papantoniou says. Next year will see a 12 month freeze on hiring for the public sector. Jobs are to be cut in local government under a plan to eliminate positions as employees retire.

Mr. Alex Papadopoulos, who as finance minister implemented the tax reforms, is now in charge of the public ad-

ministration ministry. He will be under pressure to save as many jobs as possible. Greece's public sector has traditionally been a receptacle for patronage appointments, and it will be hard to change that mentality, especially at a time when employment in manufacturing is still shrinking.

—Kerin Hope

VIENNA

SAINTLY CELEBRATION

Legend has it that Patrick drove the snakes from Ireland, propelling himself to become the nation's patron saint. Closer to the truth is that the priest won over most of Ireland as converts to Catholicism, which probably was tougher than battling snakes. But ask residents of Austria what they know about St. Leopold, their own patron saint, and you probably won't hear about deadly combat or conversion but an annual slide down a giant wine cask to which Leopold posthumously lends his name.

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The history books are a bit sketchy about the saint's background and accomplishments. Leopold grew up in the late 11th century in what later became Lower Austria. He married well, receiving vast estates as dowry from his wife Agnes, who was related to two imperial families.

A nobleman, Babenberg Musgrave Leopold III could have been king of the region once a part of the Holy Roman Empire, but he refused the post, suggesting his many sons would fight for succession. Instead he founded three communities in the area and opened monasteries in each. He died in a hunting accident November 15, 1136, was canonized some two centuries later, and in 1663 became patron saint of Austria.

One of the towns Leopold founded, Klosterneuberg, became a bustling center of trade and government. In the monastery, Augustinian monks created manuscripts but also produced wine.

When Leopold became a saint, the abbey, which is just outside of Vienna, became a shrine and drew pilgrims from the surrounding areas. They came to venerate the saint and drink a glass of Leopoldsberg, a wine the monks named in his honor.

Around 1810 some pilgrims visiting the abbey had the idea of sliding down an old 15 foot tall, 15,000 gallon wine cask, a feat that was supposed to bring good luck. The Austrian Tourist Board says no one is sure why the sliding started, but the tradition stuck. St. Leopold's Day festival, held every November 15 in Klosterneuberg, draws crowds of visitors from all over Austria—not for the saint, or even the wine, but a chance to slide down the cask. Though Leopold's name is not forgotten in his native land, one might say his saintly life is slipping from memory.

—Christina Barron

STOCKHOLM

TO CATCH A KILLER

In a courtroom far, far away from chilly Stockholm, a man once feared as the foremost killer of his country made a revelation that, if true, could be the key to solving the crime of the century in Sweden.

The crime: the murder of then Swedish prime minister Olof Palme in Stockholm on February 28, 1986.

The man: Colonel Eugene De Kock, formerly a key officer in the secret service of the South African apartheid regime.

The revelation: that the South African secret service, through one of its top agents, had "played a part" in the assassination of Palme, through an operation named "Longreach."

NEWSMAKERS

Bernard Tapie, 53, may be bankrupt and banned from holding public office for the next five years, but he isn't down and out for the count. Just like a rubber ball, the resilient French entrepreneur and aspiring politician keeps bouncing back into the public eye in yet another attention-grabbing disguise. From would-be pop star to brilliant businessman who owned a string of companies, to chairman of the champion soccer team Olympique de Marseille and charismatic television personality, to Mitterrand's minister for urban affairs and Member of the European Parliament, Tapie has played a series of starring roles over the past 20 years in his own private soap opera. Now that he has been stripped of his assets and charged with corruption, tax evasion, rigging games, and intimidating witnesses, he has decided to come clean and show himself for what he really is: a born actor.

Tapie is starring in the new film by French director **Claude Lelouch**, who has made some 30 movies since his 1966 classic *Un homme et une femme* (*A Man and a Woman*). Lelouch's latest, *Hommes, femmes: mode d'emploi* (*Men, Women: Instructions for Use*), features Tapie as a shady but charming lawyer called Benoît Blanc. He is so good in the part that there is talk of him being offered two roles in the US.

Meanwhile, the French are pouring into movie theaters to watch Tapie in his latest star turn, and he, instead of being paid up front for the film, has opted for a percentage of the box office receipts. After the first 35,000 entries, he will earn 55 cents on each ticket sold, and if the movie does as well as he hopes, he will not be bankrupt any longer.

•••

George Paunescu, Romania's richest and most powerful businessman, has spent \$425 million to set up his own airline. Called DAC-Air, with a fleet of 24 planes from the Bombardier company of Canada, it will challenge state-run Tarom on regional and domestic routes.

On the ground, Paunescu already controls much of Romania's economy. Within the past five years, he has built up a massive empire that is said to employ 76,000 people and have a turnover in excess of \$900 million. There are rumors that he plays a prominent role in the mafia, which he denies, and talk of him being as omnipotent as any dictator, which he finds rather flattering. "It is true," he admits, "that in Romania, apart from shoemaking, textiles, and the cement business, my companies control most of the business opportunities, and we have no competitors."

Paunescu built up a network of valuable contacts in the late 1980s when he was director general of export-import countertrade and currency at the Roma-

nian ministry of foreign trade. After the Ceaucescu government fell, he set up his own company, General Consulting and Procurement (GNCP), which furnished companies with supplies they could not get anywhere else.

GNCP is now a holding company, of which Paunescu controls 96 percent. Below it is a further holding company, the Romanian Institute, which controls shares in 53 different companies. Paunescu plans to go public within the next year or so, because he claims, "only public companies can be solid." But in the meantime, his appetite for new ventures shows no signs of diminishing. Now that his airline project has taken wing, he is planning to set up a national television network and increase his activities in telecommunications, energy, and transportation.

•••

After almost 25 years as the CEO of the Danish beer giant Carlsberg, **Poul Svanholm**, 63, will be stepping down at the end of the year. He is credited with transforming the brewery from a domestic brand into one of the world's few truly international beer makers.

Carlsberg, which ranks eighth in terms of global beer output, markets its beer in about 150 countries and brews it at 68 international plants in 38 countries. At home, the Danes annually drink more than 120 liters per person of the 10 different domestic brands that Carlsberg produces.

De Kock's revelation came amidst an extended trial in which he has been indicted of some 89 different crimes, including six murders, in the service of the South African government during the 1980s. The Palme assassination, which is not otherwise connected to the indictments, was brought up in a testimony by De Kock before the South African supreme court with which he is trying to get his sentence reduced. In other words, De Kock is trying to show his goodwill while bargaining with the prosecutor.

According to the testimony, the South African secret service had infiltrated the Geneva-based organization through which the Swedish support for the then outlawed ANC was channeled. When the infiltration agent was about to be exposed, the service attempted to threaten the leader of the organization into silence. According to some reports, these

threats also included Palme himself.

Olof Palme was well known as one of the most vocal opponents of the apartheid regime on the international scene, and his government provided extensive support to the ANC, at the time labeled as a terrorist organization by the South African government. Palme also advocated extending the international sanctions against South Africa further than most. Just one week before the assassination, Palme had delivered a blistering anti-apartheid speech in Stockholm at a conference attended by ANC representatives among others.

Exactly what role South Africa played in the assassination was not revealed by De Kock. At the time of Palme's murder, he was head of a special branch assigned the task of "neutralizing" enemies of the apartheid regime.

The team of Swedish investigators working on the Palme case are skeptical.

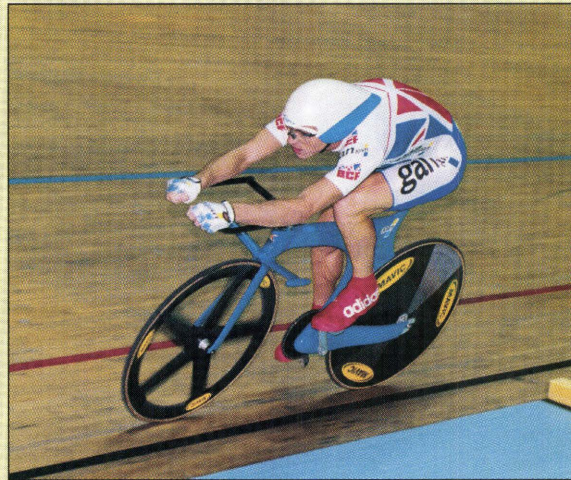
The South Africa trail was one of many considered early on in the investigation. It was mainly based on the theory that Palme's vehement anti-apartheid stance was a sufficient political motive for the murder. This trail was discarded, however, because nothing from the crime scene could be linked to South Africa. Furthermore, the circumstances of De Kock's revelation are seen to be too opportunistic for him to be fully credible. Nevertheless, the investigating team is now going over its South African files again and is planning to visit South Africa in due time to conduct its own questioning of De Kock.

Meanwhile, the Palme group is once again turning its attention to Christer Pettersson, the only man so far to be tried for the murder. Pettersson was first found guilty in the lower courts but acquitted at a higher level in 1989. Additional evidence collected during the past

Svanholm's successor has already been chosen. He is **Flemming Lindelov**, 47, an executive who has a background working with brands and in distribution, but no experience—at least professionally—with beer. Svanholm intends to interfere as little as possible and let the new man run the company his way. One piece of advice he is willing to give is to remember that quality is the key. The reason for Carlsberg's worldwide success, he thinks, is that its beer is genuinely good. "All the advertising campaigns in the world won't sell bad beer for any length of time. We make wonderful beers," he maintains. "I've been fortunate enough to spend my business life maintaining and building them."

Austria's ultra right-wing Freedom Party won almost 28 percent of the vote in the country's October elections for the European Parliament, placing it less than two percentage points behind Chancellor Franz Vranitzky's ruling Social Democrats. Analysts attribute the Freedom Party's popularity to increased voter dissatisfaction over the government's economic austerity measures, which are designed to prepare the country to take part in the EU's economic and monetary union (EMU), as well as dissatisfaction with domestic politics.

Finland also held European Parliament elections last month. Finland's three major parties, the Social Demo-



World's fastest cyclist Chris Boardman

crats, the Center Party, and the National Coalition Party, each won four seats in the EP. The remaining seats went to the Leftist Alliance (2), the Swedish People's Party (1), and the Green League (1).

Finland also officially linked its currency to the European exchange rate mechanism (ERM), fulfilling one of the requirements to join EMU and the single European currency. The ERM now in-

cludes 11 of the 15 EU members' currencies and limits their fluctuations to 15 percent above or below the value of the D-mark. The currencies of Sweden, the UK, Italy, and Greece remain outside the ERM.

In a surprise announcement to Norway's Parliament, Prime Minister **Gro Harlem Brundtland**, 57, announced her resignation after 16 years in office. She is succeeded by **Thorbjørn Jagland**, leader of the Labor Party.

A new world record in oxygen-unassisted lake diving has been set by **Roland Specker** in Lake Neuchatel in western Switzerland. The Frenchman broke the previous record of 167 feet by plunging to a depth of 197 feet with no breathing apparatus, just a weight to help his descent.

On dry land, British cyclist **Chris Boardman** set a new world speed record of 35.03 mph, which beat the previous record by more than half a mile. Technology is partly responsible for his triumph. He used a new, forward-reaching handlebar design invented by the Italian Olympic team for the Atlanta Games that allowed him to crouch closer to his cycle, reducing wind resistance to a minimum.

—*Ester Laushway*

year may be enough for the team to decide on a new preliminary investigation against Pettersson.

—Jonas Weiss

DUBLIN

DERAILING THE LIGHT RAIL

It has already been hailed as the start of “a new era for public transport in the nation’s capital the biggest and boldest public transport project since the foundation of the (Irish) state.”

That was the rather flowery language used by Michael Lowry, the Irish Republic’s minister for transport, energy, and communications, last December when he launched the consultation program for LUAS (that’s “Speed” in the Irish language), Dublin’s planned Light Rail Transit (LRT) system.

Thousands of weary Dublin motorists, inching their way forward through traffic-jammed city streets designed for a more leisurely era of hansom cabs and other horse-drawn vehicles, heaved a collective sigh of relief. After years of complaint, something—at last—was being done to counter the daily congestion.

Minister Lowry admitted the situation had been getting steadily worse, hence his government’s commitment of \$350 million (with generous European Union support) to the first phase of a twin-pronged program.

That program is designed to take automobiles off the roads and transfer their occupants to a modern, speedy, reliable, quiet, clean, electricity-run, eco-friendly, more attractive public transport system. If it is up and running by the year 2000, as planned, it should carry more than 15 million passengers each year and divert almost 3,000 car users alone to public transport during the morning peak.

The minister hailed the LRT as state of the art in urban transport, already proven in cities across Europe and the United States. “There are 350 LRT systems in operation worldwide, with many more in planning,” he said.

The Dublin Bay area is already served by a successful rapid transport electrified rail service (DART), and there is a satisfactory commuter train system (ARROW) serving the greater Dublin conurbation.

So despite some carping, the LRT plans generally appeared to enjoy sup-

port in extending faster public transport to a wider area.

That is until former prime minister Dr. Garret FitzGerald entered the fray with, at first, a series of articles in the *Irish Times* damning the LRT plan on the grounds that its introduction would cause traffic chaos rather than the commuter dream world being touted by the experts. Later, he expanded his opposition in radio and television interviews and in other fora.

No one doubted the former prime minister’s credentials. After all, he had started his working life as a transport economist (with Aer Lingus, the national airline) and, during some 30 years in politics and academia, never hesitated to offer his sometimes trenchant views on transport matters.

So when FitzGerald joined the debate, Dubliners—and the Irish public outside the capital—sat up and took notice.

Introducing an LRT on-street service, he argued, would not be justifiable. The project simply wouldn’t do what it was supposed to. It would require major traffic-disrupting engineering along the already narrow city streets during the construction phase and cause permanent congestion and could halve traffic flow when in operation.

Some city-center businesses complained that the “temporary disruption” during construction would cause permanent, rather than temporary, loss of business.

There was further disquiet when it became known that the LRT would, at the start, only serve the city south of the river Liffey, would not initially be extended to the large working-class north Dublin suburb of Ballymun or Dublin Airport, and would not be capable of joining and running on the DART commuter rail system.

A number of politicians have now proposed that, in the city-center area between the Royal and Grand canals, the LRT should become a subway system, going underground where it would otherwise cause traffic disruption.

Project supporters have responded forcefully, arguing that the promoters are too polite to hammer home the point that the express intention of the LRT system is to take as much automobile traffic as possible off the roads. The promoters’ reticence, supporters claim, is because they are afraid of being labeled anti-motorist.

Minister Lowry then weighed in again, saying a subway system would be less accessible, and more crime prone, especially at night, than an on-street light rail system. He also argued that the tunneling would involve disruption of a massive scale.

More consultation has been promised before the final decision is taken, although time is running out if the project is to be completed within the time frame laid down for attracting maximum EU financial support.

Minister Lowry says he and the government remain committed to the LRT, work on which is due to start next March (although there may be some slippage on that timetable). Opponents, however, say they plan to continue their protest.

Meanwhile, the only people who appear happy with the ongoing controversy and delays are the city’s legions of traffic wardens, who see much of their work—and their jobs—vanishing in a better regulated, calmer and less-congested city-center traffic system.

—Mike Burns

MADRID

AMERICAN RESTAURANTS

As if the Hard Rock Cafe and Tony Roma’s weren’t enough to satisfy Madrilenos’ appetites for those stars of American cuisine—hamburgers, chicken wings, and ribs—next year three more US theme restaurants will be opening their doors in the Spanish capital.

Agents for the trio of newcomers, Planet Hollywood, Dive, and the Fashion Cafe, are all searching for appropriate sites on Madrid’s main north-south artery, the Paseo de Castellana, or around the Plaza Colon, where Hard Rock Cafe and Tony Roma’s are already located.

Observers of the local cultural scene say that if all these new, upscale eateries cluster together, the plaza will become even more crowded with the homesick American college kids and trendy, young Spaniards who now congregate there.

Indeed, on a weekend night the line of people waiting for tables at Hard Rock snakes down the block, and the restaurant’s souvenir shop does a roaring trade seven days a week.

Almost next-door there is another

America-type restaurant called Chicago's and with the opening several years ago of a TGI Friday's and the expansion of a local chain called Hollywood, one would think the market for overpriced club sandwiches, insipid and phony Tex-Mex grub, and rear end-widening desserts would be saturated.

But Madrilenos can't seem to get enough.

Planet Hollywood, whose owners include Arnold Schwarzenegger, Sylvester Stallone, and Bruce Willis, has had a branch in Barcelona for more than a year; Dive (owned by director Steven Spielberg) is also already established in the Catalan capital; and the Fashion Cafe (whose principals include Claudia Schiffer, Naomi Campbell, et al) is scheduled to open there soon.

A Spanish friend who runs a tiny (three tables) and very good Mexican restaurant with his Mexican wife bemoans the fact that his compatriots, especially the young, are more interested in hype than haute cuisine when they go out to eat.

"They want glitz, John Lennon's jacket or Marilyn Monroe's dress on the wall, and eardrum-busting music. The food is secondary," he says.

The trend is spreading further afield. Planet Hollywood is also looking at property in Palma de Mallorca, Marbella, and at an amusement park in Tarragona.

—Benjamin Jones

LISBON

THE LUSOPHONIC COMMONWEALTH

Founding a commonwealth seemed rather a grand ambition for a small country at the edge of Europe. But seven years of debate and diplomacy have finally created the community of Portuguese-speaking nations, which spans three continents and represents 200 million people. Its members have already introduced a new word into the international vocabulary—"lusophonia." It means Portuguese language and culture, and it was a first strike for the new commonwealth against the worldwide dominance of the English language.

"My language is my country," wrote

Portugal's greatest avant-garde poet Fernando Pessoa earlier this century. The idea may seem strange given that Portuguese is spoken in Europe, America, and Africa, but the dream of strengthening "lusophonic" links is dear to many Portuguese hearts.

Much of the impetus behind the new commonwealth came from Lisbon where there has been concern over Mozambique's recent decision to join the British Commonwealth—viewed by some Portuguese as an act of treason. To get to the recent signing ceremony in Lisbon took a concerted diplomatic effort as many old colonial tensions had to be smoothed. Also, Portugal had to reassure its European neighbors that it was not setting up a new trading bloc and that visa requirements for Africans entering Portugal would remain in place.

The group, which also brings together Brazil's 150 million inhabitants and the 130,000 people of the African island state Sao Tome and Principe, revels in its diversity. Brazil has one of the world's top 10 economies in terms of GDP, while Mozambique remains

among the poorest nations. They are joined by Angola—feeling its way toward peace after two decades of civil war—Cape Verde and Guinea Bissau.

The seven members have pledged to work together to give their language and culture a higher international profile and to promote their political interests as a group, starting with Brazil's bid for a permanent seat on the United Nations Security Council.

Although Brazil announced an initial donation of \$4 million to the commonwealth, the economic benefits are likely to be limited, and political commentators warn that some of the African countries may have raised expectations too high. Angolan President Jose Eduardo dos Santos said the commonwealth's first challenge would be to move away from "sentimental rhetoric" to a show of real solidarity.

Literature, theater, and cinema should benefit most from the new commonwealth. Portugal's RTP state television aims to set up a special African channel by the end of the year, and cultural exchanges are flourishing. Up till

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now Portuguese-language culture has been dominated by the ubiquitous Brazilian soap opera while many fine writers have not received the international recognition they deserve. The new commonwealth hopes to stir up a "lusomania" that will change all that.

—*Samantha McArthur*

BRUSSELS

SHOCK, OUTRAGE, AND DISGUST

The entire Belgian population has been in a state of extended shock, horror, and disgust since mid-August, when the first revelations were made of the kidnapping and murder of children in apparent connection with an international pedophile network. By late September, five bodies had been dug up at properties belonging to the chief suspect, Marc Dutroux, and 10 people, including a police inspector, had been arrested.

Public indignation knew no bounds, particularly when it was revealed that Dutroux had already been convicted of the rape of five young girls in 1989, but was subsequently released for "good behavior" after serving only three years of a 13 year sentence. It was further learned that two of his victims, both eight year old girls, were left to starve to death while he served another three month sentence for car theft. The police had actually searched his house while the two girls were secluded in the cellar. It then transpired that the gendarmerie in Charleroi had prepared a report implicating Dutroux in the kidnapping of the girls, which should have been sent to the investigating magistrate in Liege. The report was never received.

Then in early September, in a separate case, six arrests were made of men suspected of plotting the murder of André Cools, who was shot in Liege in July 1991. Cools was a major political figure, a former vice-premier and leader of the Socialist Party and the local party boss in Socialist-dominated Liege. Among the suspects arrested was Alain Van der Biest, a former Socialist minister, while another former minister, Guy Mathot, has been publicly accused of being the mastermind behind the murder.

What made the five year delay in making the arrest all the more astonishing was the news that the police had received a tip-off implicating Van der Biest

and his colleagues within a week or two of the murder. No serious inquiries were made by the judicial police in Liege, and when a magistrate from another town tried to follow up the case in 1994, arresting several of Van der Biest's associates, the Belgian supreme court ruled that he had no jurisdiction over the matter and that only the investigating magistrate in Liege should be permitted to pursue the case. The suspects were promptly released.

What is certain is that the law and order system in Belgium is much too complicated and divided to be effective. In a population of only 10 million, there are no fewer than 586 different police forces.

Most people in Belgium now believe that both Dutroux and the suspects in the Cools murder received "protection" from the police and/or the judicial authorities.

Even King Albert joined in the demand for a comprehensive inquiry as to whether there had been a coverup, and a badly shaken government has now set one up. It is taken for granted that heads will roll. Taken in conjunction with the corruption scandals involving military procurement, which have already led to four ministerial resignations, as well as that of NATO Secretary-General Willy Claes, even before they come to trial, there is a growing suspicion that the entire Belgian body politic may be shown to be tainted, as happened to their Italian colleagues some years ago.

What is certain is that the law and order system in Belgium is much too complicated and divided to be effective. In a population of only 10 million, there are no fewer than 586 different police forces. There is one for each of 584 communes, the basic local government area,

and two national forces, the gendarmerie and the judicial police, each jealous of its own prerogatives.

There appears to be an overwhelming case for combining the two national forces, and for re-organizing the communal forces on a provincial basis. The great majority of the 584 communes have only a tiny population, and therefore lack the resources to provide an effective force. Even the city of Brussels, which has a population of about a million, has 19 different police forces.

There are now 10 different provinces in Belgium, plus the capital city, and if each of these had its own police force it would provide an average catchment population of approaching a million, a reasonable basis for efficient policing. Up until now the force of inertia has been sufficient to block a sensible reform along these lines, but now public indignation is so great that radical change seems inevitable.

—*Dick Leonard*

COPENHAGEN

VIRTUAL EMU REALITY

The Danes will most likely not join economic and monetary union (EMU) in 1999. All polls show that a majority of Danes still reject the prospect of a single currency. Both major opposition parties now support the government view that the required referendum should not be held prematurely. Doubts that Sweden will join in 1999 will, especially if supported by the fact, almost certainly further postpone Danish entry.

But "virtual reality" membership in EMU is a distinct possibility, with the inherent risk that it may defuse business demand for the real thing. The EU ministers of finance have promised the Danes a special link to the single currency, the euro, and the Danish government and central bank are now working on the assumption that this will mean an almost fixed currency exchange rate between the Danish krone and the euro. A maximum variation, or band width, of as little as 1 percent is not excluded, though 2 percent, almost the same as formerly in the European Monetary System, is considered to be more likely.

The advantage for business is obvious. The financial markets will likely treat the Danish krone and Danish securities as virtual alternatives to the euro,

at least as long as all is well in the Kingdom of Denmark. This eliminates currency risk in transactions between Den-

The bottom line is that the Danes will have to endure tighter fiscal policy, and by implication, higher taxes being out of the euro.

mark and the EU, and it should also narrow the interest rate premium paid by Danes vis-à-vis the D-mark, down to almost zero. This will give businesses and consumers alike cheaper access to money.

But it is not an advantage that comes without a price tag. Within EMU a stability pact will be signed to ensure a minimum of fiscal discipline, dispelling German fears that lax policies in other

countries will boomerang on Germany. A broad majority in the Folketing, the Danish parliament, accepts that Denmark will not only have to adhere to the stipulations of the coming stability pact but will have to go one better.

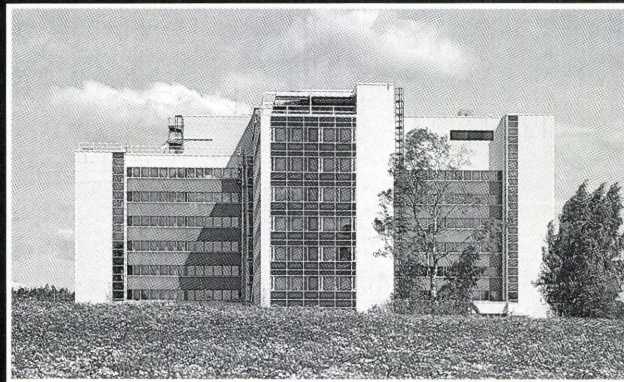
The Danish central government budget for 1997 envisages a mild tightening of fiscal policies, equivalent to one half of one percent of GDP, the same as this year. But Danish Finance Minister Mogens Lykketoft has been designated European finance minister of the year by the magazine *Euromoney*, evidence that Denmark has for a long time been on a conservative fiscal trend and alleviating pressure on Denmark at this time to meet EMU requirements.

The bottom line is that the Danes will have to endure tighter fiscal policy, and by implication, higher taxes being out of the euro. Denmark is paying the club dues without reaping the benefits of membership status, including a vote on the European Central Bank board. It does not seem very rational, perhaps. But then Danish EU opinions are not shaped by rationality at this point in time.

—Leif Beck Fallesen

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ARTS & LEISURE

FILMS

Venice International Film Festival

The police in Venice had it out for Nicole Kidman and Tom Cruise, or at least for the driver of their boat taxi. Much to their surprise, police stopped the launch for speeding and demanded that they hand over their identification. Though the episode ended calmly, the press went wild, and what began as a photographers' field day ended up setting the tone for a festival marked by films that touched on society's relationship to a variety of forces of law and order.

From revolutionaries to the mob and from Nicaragua to the 'hood, the films premiered at the fifty-third Venice International Film Festival promise an exciting new season for moviegoers.

Neil Jordan's eagerly anticipated *Michael Collins* walked away with the Golden Lion, as well as the award for best actor, which went to Irishman Liam Neeson for the lead role. The film, which is about the life of the Irish revolutionary who was killed in Ireland's civil war in 1922, won rave reviews for its visual impact, its fast pace, and its expert cast, including Julia Roberts who plays Collins' true love Kitty.

The Wachowski brothers (Andy and Larry) have a brush with the mob in their latest film *Bound*. Violet (Jennifer Tilly), the knockout mistress of Caesar (Joe Pantoliano), a money launderer for the mob, lives in a swank apartment complex in Chicago. Her life seems to be going along smoothly until she meets Corky (Gina Gershon), a convicted thief out on parole, who is hired as a maintenance person in Violet's building. A strong friendship grows out of the relationship, and Violet decides that she's

had it with the mob. The two women are bound together in a mutual search for a new life.

Carla's Song, a Scottish production by

of four altar boys in Hell's Kitchen in the 1960s. The four friends seem to be on the right track under the guidance of Father Bobby (Robert DeNiro), when a

street prank goes dangerously awry, and the boys are sentenced to 18 months at a reform school in upstate New York. The crime and corruption they saw in Hell's Kitchen didn't begin to prepare them for the horrors of the Wilkinson School for Boys. Tortured and abused by a sadistic guard (Kevin Bacon), the boys were betrayed by a system that offered them no protection. Scarred for life, they meet again after 15 years to discover who has managed to make it and who hasn't.

—Saskia Reilly



Liam Neeson stars in Neil Jordan's new film, *Michael Collins*.

English director Ken Loach, begins with the chance meeting of a Glasgow bus driver, George (Robert Carlyle) and a Nicaraguan woman Carla (Oyanka Cabezas), who is in shock after fleeing her war-torn country to come to Britain. George, who has fallen in love with Carla, goes to Nicaragua to search for her past, leading the audience through stomach-churning atrocities that were stepping stones in the Central American country's devastating war. Excellently acted and powerful in its realism, the film was honored with the Gold Medal of the President of the Senate for its portrayal of civil progress and human solidarity.

With a glamorous cast that includes Robert DeNiro, Kevin Bacon, Brad Pitt, and Dustin Hoffman, Barry Levinson's latest film, *Sleepers*, takes viewers from Hell's Kitchen to reform school and back again. Based on an autobiography by Lorenzo Carcatena, *Sleepers* tells the tale

European Union Film Showcase 96

Foreign film buffs in the US will be in foreign movie heaven this fall with a superb offering of 28 European films in the European Union Film Showcase 96. The film series has been organized by the American Film Institute in cooperation with the European Commission and the EU embassies' cultural representatives in Washington.

The event opened at the tenth International Film Festival in Los Angeles in October and continues in Washington November 1-17 at the American Film Institute, located in the Kennedy Center.

The festival will open with the 1996 Cannes Film Festival's Grand Jury Prize winner, *Breaking the Waves*, directed by Danish Director Lars von Trier. This Danish-French movie is about a tough Scandinavian oil-rigger who marries a naive Scottish village girl. After a period of marital bliss, he is paralyzed after an

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Migration Statistics: 1995. *January 1996, 136 pages, ISBN 92-827-5351-4.* Contains the latest statistical

figures on immigrant resident population and the flows of migrants, asylum-seekers and refugees, including acquisitions of citizenship in the Member States. Categories for population by citizenship; age group and sex; and population by citizenship and region are included. \$19

Balance of Payments of the Community Institutions: 1994. *April 1996, 111 pp, ISBN 92-5539-8.* Provides a periodic assessment of the balance of payments for Member States of the EU. Figures are aggregated using accounting documents and financial statements. The geographical breakdown of each current account has been calculated using the information provided by the institutions along with additional EUROSTAT estimates. With tables and figures. \$18

Carriage of Goods: Railways: 1992. *February 1996, ISBN 92-827-5744-7.* Covers statistics on the carriage of goods on the European

Union's mail railway networks. Details data on national and international traffic by link and month; by container and road or rail; and by group of goods. Information on transit, national, and regional traffic is also given. Types of goods studied in this report include chemicals, engines, metal, live animals, wood, animal fodder, and more. \$35

EU External Trade Indices: 1994. *March 1996, ISBN 92-827-5823-0.* This publication presents external trade unit value and volume indices for the Economic Community as a whole, calculated by EUROSTAT from the Harmonized Nimese data. Tables include indices for intra- and extra- EC trade in many groups, covering the following classification: SITC for total trade, section and divisions; BEC for consumption goods, capital goods, intermediate goods; NACE CLIOR 44 branches giving indices by groups of industries; Nimese chapters; and much more. \$65

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accident at work, and their lives slowly fall apart.

The showcase is an outstanding selection of films from major European festivals, presenting moviegoers with the difficult task of choosing which films to see. Some of those to consider include: *Party* directed by Manoel de Oliveira (Portugal), *La Cérémonie* directed by Claude Chabrol (France), and *Drifting Clouds* directed by Aki Kaurismaki (Finland). Tickets are \$6.50 and are available at the AFI box-office at the Kennedy Center—for more information call (202) 828-4093. Bon viewing!

—Susan J. Burdin

BOOKS

To the Hilt

By Dick Francis; G.P. Putnam's Sons; 322 pages; \$25.

“You wouldn't be so bad, Alexander, if you would come down off your mountain and rejoin the human race.”

The man speaking is Alexander Kin-

loch's stepfather, who as *To the Hilt* opens, is dying and calls upon his reclusive stepson to come and take over his brewery business, which is teetering on bankruptcy.

Kinloch, the main character in Dick Francis's latest offering, appears to be a recluse who lives in his little cabin in the Scottish mountains minding his own business painting scenes of golf courses for his mainly American clientele. However, after a serious mugging outside his remote cabin, Alexander's life changes full circle, and he is thrown into a series of strange episodes centering around a racehorse, a racing cup, his stepsister, her husband, his mother, and a very strange detective.

Everything is not as it seems. This becomes clear throughout the book. Alexander is not the recluse we originally think. He is not a poor painter but a successful man earning a good living in his profession. And he is not alone. He is separated from his wife, but he is on good terms with her, and he is friendly with his mother and a relative called “Himself” plus his many friends and acquaintances in the painting and racing fields.

He is not the naive man as he is portrayed at the beginning of the novel. He may not live in the center of day to day society that most of us would call civilization, but he turns out to be the most civilized person in the entire story.

While the crooks and other “bad” people perform their uncivilized and dastardly deeds, Alexander triumphs in the end using his common sense, ingenuity, and overall “civilized” values.

The cast of characters is amusing, including the bizarre detective, Chris; “Himself”, the old-fashion Scottish earl, and the shadowy Dr. Zoe Lang.

Alexander Kinloch is a courageous and warm-hearted person who does indeed “go to the hilt” to help his family in this upbeat mystery caper about painting, banking, the brewery business, family values, and civilization.

To The Hilt is a good read with fresh insights into interesting topics, including acrylic painting, banking, the Scottish highlands and, of course, the world of horse racing.

—Robert J. Guttman

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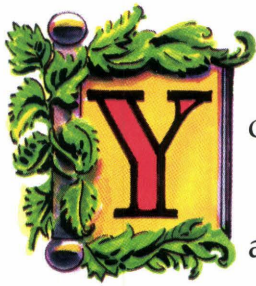
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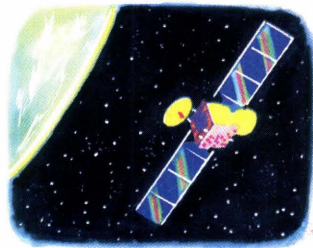
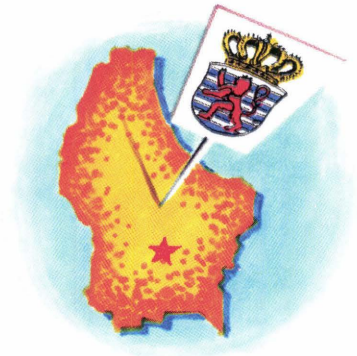


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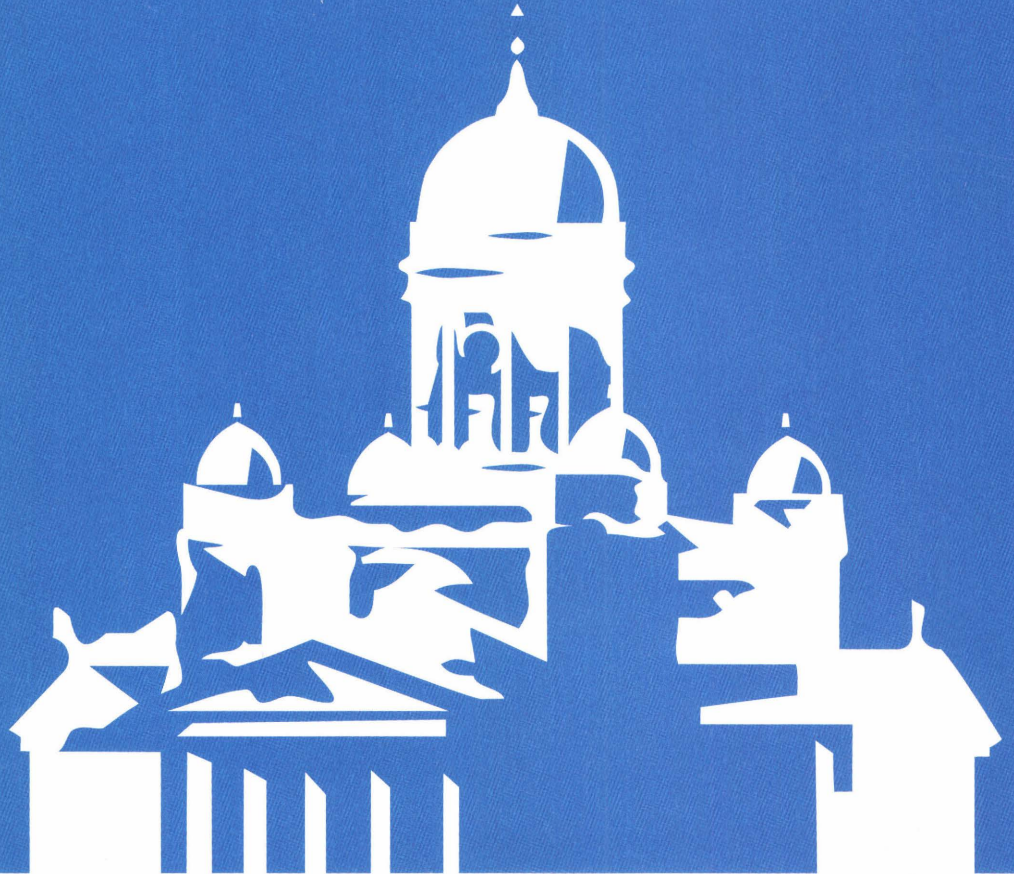
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