

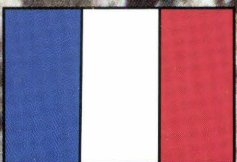
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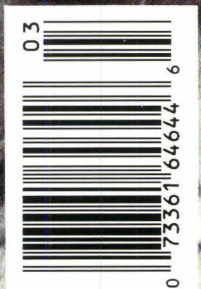
March 1993



BREAKTHROUGH! A New Transportation Era



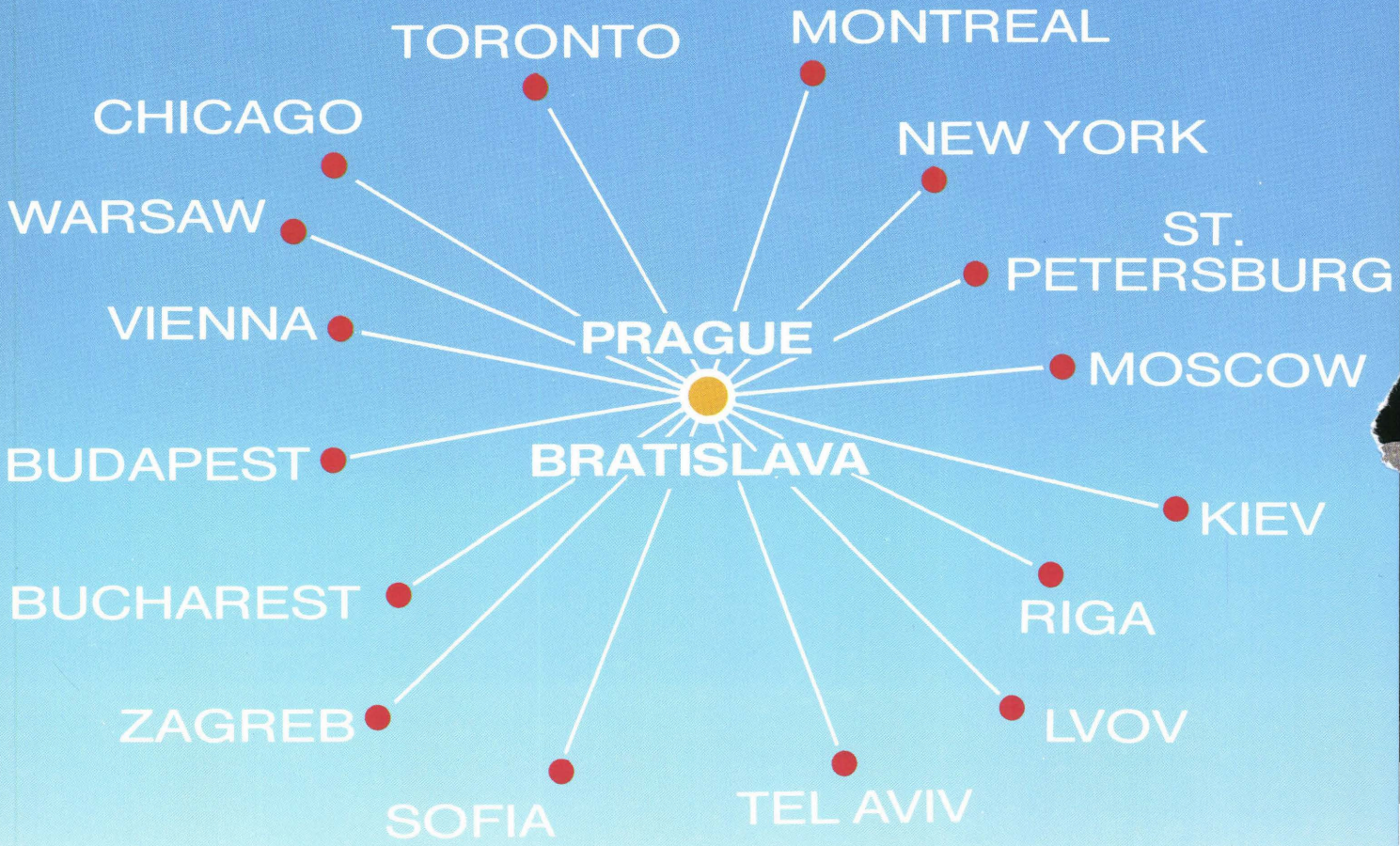
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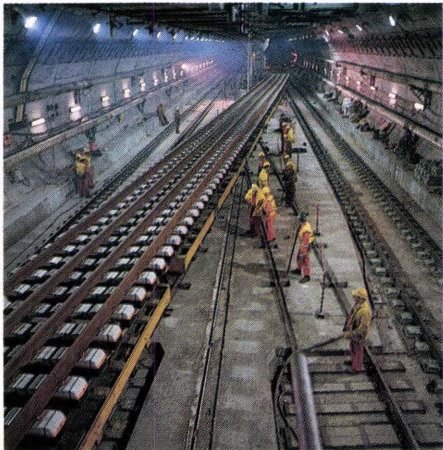
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EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY



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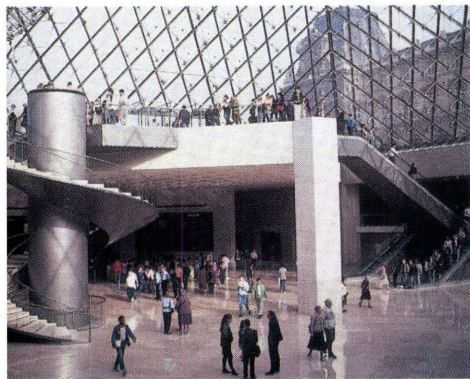
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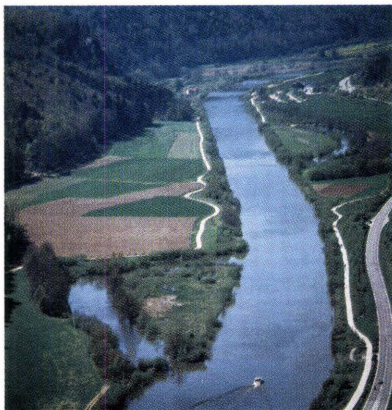
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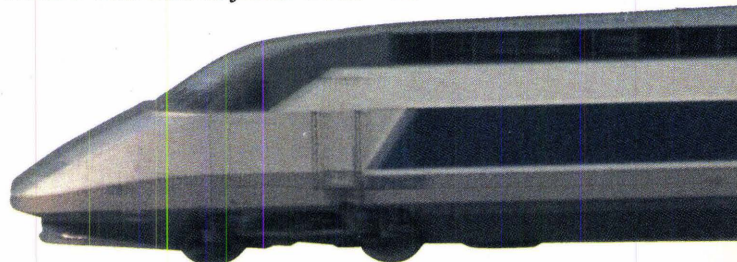
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Letter From the Editor

Our March issue could have been named after a recent American movie entitled *Planes, Trains, and Automobiles*. If you throw in canals, tunnels, and other innovations you have a picture of transportation in Europe in the 1990s.

Europe is definitely on the move. And as David Lennon writes, "Travel for millions of Europeans will never be the same again with the scheduled opening in December this year of the Channel Tunnel." The Chunnel will connect the United Kingdom with the continent of Europe. This historic event will allow travelers to cross the English Channel in approximately three hours from the UK to France. Don't look for automobile traffic in the Chunnel. All traffic will be aboard high speed trains.



Breakthrough: British and French workers meet beneath the English Channel enroute to completing the Chunnel.

Kenneth Danforth writes that the newly opened Rhine-Meuse-Danube Canal "is the greatest public-works project in history." As he points out, "At long last, huge barges would be able to go all the way from the North Sea to the Black Sea without ever encountering a wave." Ships going from the world's largest port in Rotterdam to one of the smaller ports in Sulina, Romania, on the Black Sea will see the landscape of Europe passing by on this 2,174-mile journey.

Jaguar Chairman and CEO Nicholas Scheele speaks out on the automobile industry in Europe under the single market.

Robert Lever, a Washington-based editor for *Agence France-Presse*, looks at the automobile industry in Europe and discovers some interesting surprises. Renault and PSA Peugeot are a couple of the more profitable car companies in Europe today.

French-built, high speed trains will soon be rumbling along American tracks in an unlikely place—Texas. We look at how the TGV will bring the major cities in Texas closer together and how it will impact the state's economy.

With the French elections taking place at the end of this month, Reginald Dale, the economics and finance editor of the *International Herald Tribune* in Paris, looks at the economic and political situation in France. Dale profiles some of the possible new movers and shakers in Paris after the French elections.

French-American relations are in a transition period and Reginald Dale analyzes where the Franco-American partnership is headed in the future.

Sir Leon Brittan, the new EC External Economics Affairs Commissioner, was in Washington last month to meet with his counterparts, US Trade Ambassador Mickey Kantor and Treasury Secretary Lloyd Bentsen. Sir Leon gives our readers his views on the GATT trade talks, the single market, Maastricht, and the mood in Europe today.

This month we start a new column entitled "Eye on the EC," which will present an inside peek at the European Commission. The column will alternate with another column on EC-US relations.

Next month, *EUROPE* shows how health care works in the EC countries, updates what's happening in Italian politics, and profiles the European Parliament.


Robert J. Guttman
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EUROPE

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Peter Doyle

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Robert J. Guttman

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EYE ON THE E.C.

The person with the toughest task in Brussels in the first half of 1993 is undoubtedly Gunnar Riberholdt, Denmark's permanent representative to the EC. No sooner had Denmark taken over the presidency of the Council of Ministers than its government fell.

Few of the 23 ministers who joined the new left-center coalition led by Poul Nyrup Rasmussen had much previous knowledge of EC affairs. Riberholdt has had to hold their hands as they come, one-by-one, to Brussels to preside over Council meetings.

Fortunately, the 59-year-old Riberholdt has vast experience. He first came to Brussels 30 years ago to help with the original, but abortive, Danish membership negotiations. Except for a seven-year interval when he was Denmark's ambassador in Paris, Riberholdt has been continuously engaged in EC business ever since, either in Brussels or Copenhagen. Nobody is better qualified to see the Danes through their present travails than Riberholdt, a jovial figure who seems to be standing up to the pressures pretty well.

He counts himself a fortunate man. If the Edinburgh summit had failed he would now have the nightmarish job of presiding over a Community from which Denmark was clearly on the way out. The issue is not yet finally settled, but there is growing optimism that the

second Danish referendum, expected in May, will produce a positive result.

E

Meanwhile, the new EC Commission, which took office for a two-year period (provided that the Maastricht Treaty is ratified) in early January, is probably marginally stronger than its predecessor. The seven new commissioners include two former foreign ministers, Hans van den Broek and João Deus de Pinheiro, each of whom is highly regarded. The two new Italian commissioners, Raniero Vanni d'Archirafi and Antonio Ruberti, both arrive with high reputations in their professional fields. Neither of them is a politician, which probably accounts for their appointment, Italian politicians being rather in the doghouse at the present time.

The Irish Commissioner for Agriculture has departed. Ray MacSharry's departure is a definite loss to the Commission. His Irish replacement, Pdraig Flynn, has been given the social affairs portfolio, which an Irish Commissioner has held twice before, in 1976 by Patrick Hillery (who went on to become the Irish president) and briefly in 1985 by Peter Sutherland. Flynn will have to work hard if he is to achieve anything like the standing that MacSharry, and his predecessor Peter Sutherland, both won for themselves in the Commission.

With almost 95 percent of the internal market measures adopted by the end of 1992, Martin Bangemann relinquishes his responsibility in this field, but he adds the important areas of information and telecommunications technology to his industrial affairs portfolio. Vanni d'Archirafi will be responsible for mopping up the remainder of the 1992 program, together with institutional questions, financial institutions, and small and medium-sized enterprises.

The most rounded individual among the new commissioners may be the Greek, Ioannis Paleokrasas, who lists painting, scuba diving, church choir singing, and carpentry as his hobbies. An alumnus of the London School of Economics, he has worked as an economic planner, banker, shipping manager, director of church property, and government minister, and has written books on virtually every subject except the environment, nuclear safety, and fisheries. It is these three subjects that he has been given to handle in the Commission.

By contrast, René Steichen seems to be a round peg firmly put into a round hole. After three years as Luxembourg's agriculture minister, he takes over the agricultural portfolio. Finally, the second Italian commissioner, Ruberti, a former university rector and Minister for Research in two previous governments, has appropriately landed the

portfolio of science, research, and development.

Of the existing commissioners, Sir Leon Brittan has moved from competition to external economic relations, leaving van den Broek to deal with the political half of former Commissioner Frans Andriessen's overblown empire. Brittan, as one of the most resourceful and clearest minded of Jacques Delors's colleagues, looks like the right choice to handle the final difficult stages of the Uruguay Round negotiations.

Competition policy goes to Karel Van Miert, the quietly effective Belgian Socialist who did an excellent job in liberalizing EC transport policy during the last Commission. Those who expect him to be less enthusiastic about enforcing competition than Sir Leon may be in for an unpleasant surprise. One intriguing question is whether Delors himself will be quite such a commanding figure as during his two previous four-year terms. My guess is that this new Commission will be more collegiate in tone, but that Delors will clearly be seen as the captain of the ship. He will want to leave on a high note, though I doubt whether he will be able to launch any new initiatives during his final term comparable to the 1992 program and EMU. If he can oversee the implementation of Maastricht and the successful conclusion of the new enlargement negotiations he may be well satisfied. **E**

—Dick Leonard

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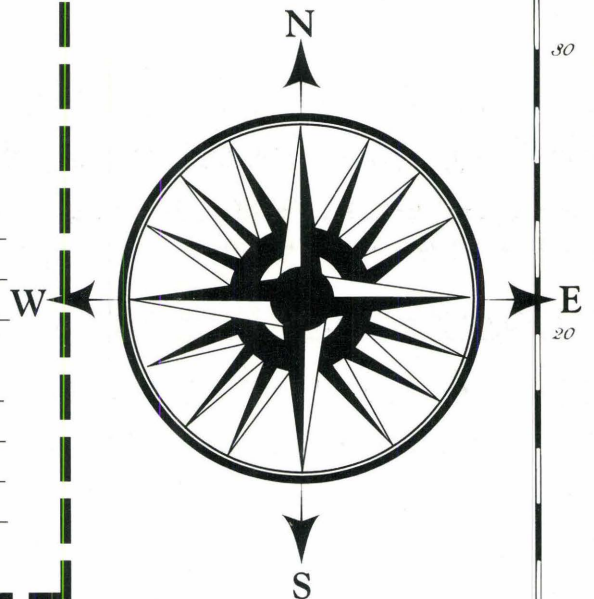
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GETTING THE EC IN GEAR

**DEVELOPING TRANSPORTATION NETWORKS TO
CREATE A CLOSER COMMUNITY.** By Rebecca Smithers

The new European Community internal market in transport should result in a new, more open transport market largely free from the bureaucratic red tape and restrictions that have hindered cross-border travel in the past, boosting transport activities by land, sea, and air. But with many transitional arrangements in place, the changes will take some time to filter through to the traveling public.

As far as rail is concerned, the EC's policy toward liberalizing train services in the Community has the eventual aim of linking the individual state networks into a pan-European, high-speed system.

The policy has two distinct elements: right of access to the track operated by the 12 member states for both existing and new operators as outlined in an EC directive that came into force on January 1 and a blueprint for the development of the "express" inner-city network.

Unlike the changes planned for the aviation and the road systems, the process of opening up the railways is, at this stage, largely symbolic.

Little will change following the implementation of the directive under which "groupings of railways" from at least two member states will be able to run international services, though technically speaking it does encourage private operators to come forward.

But since the cost of entry is so high and the requirements to run the ultra-safe operations so strict, this is likely to mean that the state-owned companies will continue to offer cross-border services for some time to come.

Given the different political approaches to the ownership, operation, and financing of railways, there is a remarkable degree of consensus about how a

high speed network should develop.

Parts of it are already in place of which the expansion of the French TGV system is probably the best example. But the most significant section is due to be unveiled later this year (likely in December) when the channel tunnel

opens, allowing uninterrupted travel between London, Paris, and Brussels.

It is envisaged that, by 2015, most major European cities will be linked by rail. The cost, estimated at 85 billion pounds at 1985 prices, will be large but the benefits will be equally great believe the plan's supporters.

And with renewed interest being shown in using a European investment fund to build new infrastructure links, including the high speed rail line between London and the channel tunnel, the prospects of the network coming together by the target date are more likely now than just a year or so ago.

Compare that, though, to the aim of opening up the existing network in its separate bits. The EC's plan for open access is a relatively hesitant step when set against the UK proposals to privatize the British Rail network which, if they come about, would allow any operator to run trains if they comply with a common safety standard.

The British Presidency had pushed to get its Community partners to agree to similar rights of access under the railways directive. But most of the other EC governments and their state-owned railway companies balked at such a proposal since unfettered competition is not deemed by them to be the best way forward. Whereas the British have taken a rather narrow view on the place of railways in a national transport policy—the UK does not, in fact, have such a "grand plan"—many of its partners have or are beginning to take a broader approach.

It has been argued that before there can be true competition on the rail network the "playing field" on calculating the true costs of the different models of transport—railways, air travel, and roads—will have to be leveled.

This argument is particularly relevant to the case of investment where, as yet, no EC-wide view exists on how the bill for the environmental, economic, and social impact of building rail lines,

motorways, and airports should be assessed. The argument is further complicated by the fact that the various national rail companies operate completely different charging regimes. As a result, it is difficult to make the simplest comparisons between the sys-

tage on April 1, 1997—the right of any airline to fly freely anywhere inside another EC country.

Air travelers should not expect a massive increase in new air routes from the New Year. What is more likely to happen is a steady expansion of what is already

tional 7,500 miles in new motorways across Europe by 2002.

The main thrust of the massive program is to bring Europe's peripheral areas "closer" to its center. So the furthest flung areas such as Greece, Portugal, and Spain, whose roads are used for shifting

It is envisaged that, by 2015, most major European cities will be linked by rail.

tems—for instance, the cost of a return ticket from two cities which lie roughly the same distance apart in two or more EC countries. And then there is the whole question of how much an operator is likely to be charged to use a specific length of track, pay toward its upkeep, and even contribute toward expansion. It is a question that will keep bureaucrats working for many years to come.

Air transport was liberalized on January 1, although in practice the impact of many of the changes will not be felt for sometime. The medium-term benefits include the evolution of a more competitive fares structure, and the ability of airlines based in EC countries to operate more freely on routes of their choice within the boundaries of the European Community. In essence, this means cheaper air fares from a wider choice of airlines—eventually.

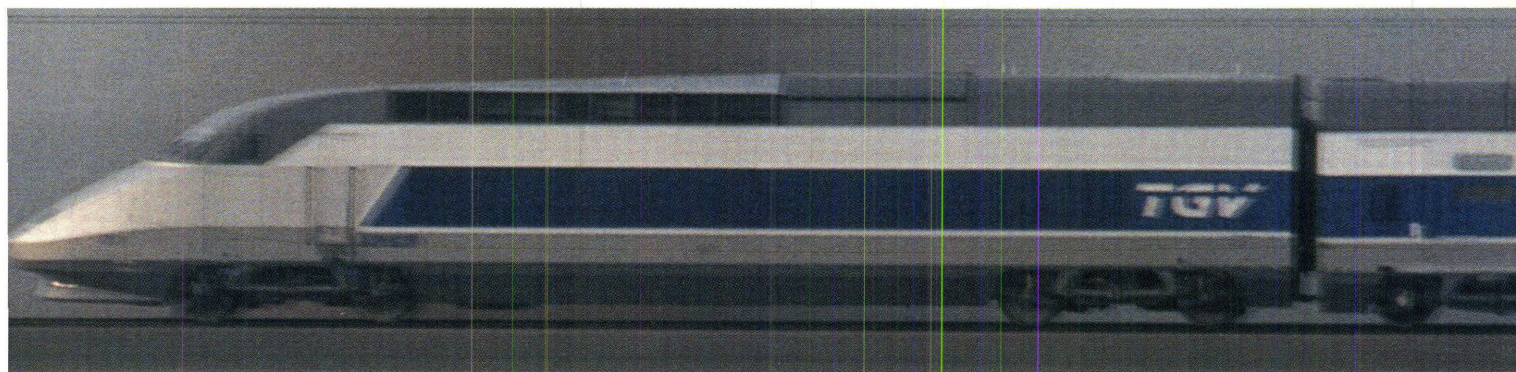
happening: large carriers creating regional subsidiaries. Greater freedom of entry to European routes may also, eventually, lead to the emergence of new airlines, although high start-up costs and the problems of winning new airport take-off slots at congested European airports mean that this may take time to develop.

New competition is supposed to mean lower fares. Airline liberalization has given complete pricing freedom to intra-Community cargo and charter air services. For scheduled international intra-EC passenger services (which effectively became "domestic EC" services in January) freedom of pricing is allowed, subject to governments retaining the power to block any fares regarded as either too high or too low. The European Commission will intervene where there is a dispute. So the fierce "price wars" that wreaked havoc in the US airline industry are unlikely. Price

proportionately much more freight than other EC countries, would benefit from the largest amount of investment.

The proportion of motorways to other types of road varies from country to country within the Community. For example, at the end of the 1980s, more than 10 percent of Belgium's roads were motorways, whereas Denmark's motorways comprised less than one percent of its 44,375 miles of roads, and Ireland had only five miles of motorways compared with almost 10,000 miles of main roads. Both France and Germany have good quality road networks. The German motorway system was first built in the 1930s, while the 4,375-mile network in France is due to be increased to 6,875 miles by 1997.

With motorway tolls already in force in some countries such as France, there are moves afoot to introduce road pricing, notably in Germany and the



Since January, airlines have been able to fly what is called "consecutive cabotage," which effectively means that any EC airline serving a foreign destination has the right to pick up traffic there and carry it on to a second destination in that country. But that "consecutive cabotage" traffic will be restricted to only 50 percent of the overall seasonal capacity of that sector, for just over four years, to provide a "transitional phase" during which airlines can prepare for the emergence of full cabo-

cuts are expected to be kept within EC guidelines and restricted to promotional-type rates. But business fares look more likely to come down further.

All the EC countries are under growing pressure to improve and extend their road networks because of increasing traffic, particularly of private vehicles. Road users could benefit from a planned 120 billion ecu road-building program, which, if it goes ahead, would boost the main European road network by 50 percent. It would add an addi-

United Kingdom. The German government has recognized the financial advantages of such a move having just announced plans to privatize its autobahns and impose an annual fee. The UK is also moving toward road pricing of some town centers and motorway tolls, with the various options to be explored in a Green Paper due for publication in April. ☐

Rebecca Smithers covers transportation issues for the Guardian in London.



The Chunnel

The Missing Link

Travel for millions of Europeans will never be the same again with the scheduled opening in December this year of the Channel Tunnel.

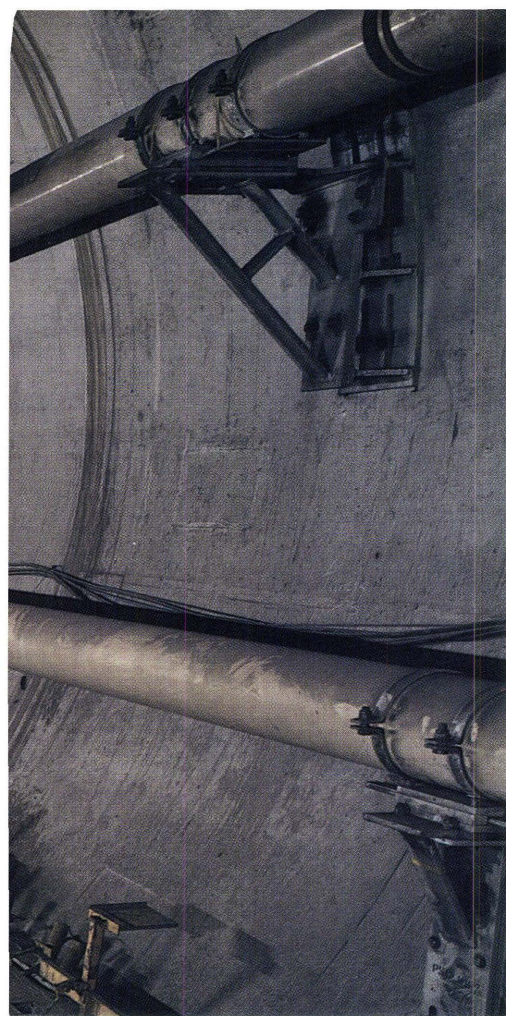
THE CHUNNEL, as it is known in the UK, is the first dry-land link between the UK and France since the ice age 12,000 years ago. It will run for 23 miles below the seaway called the English Channel by the British and *La Manche* (The Sleeve) by the French.

Fierce enemies for two-thirds of the last 1,000 years, the UK and France have put aside their lingering linguistic and cultural differences in order to build the link which had been missing in the European transport system.

The dream of a fixed-link between this island and mainland Europe goes back almost two centuries; yet, implementation of the project took less than a decade once the governments of the UK and France decided to invite businessmen to submit their proposals.

Now, thanks to one of the largest European engineering projects this century, the road and rail networks of the UK and continental Europe will soon be joined together. Before we know it, trains will be whizzing people, cars, and freight back and forth under the channel in ever increasing numbers.

By David Lennon



the traditional cross-channel ferries.

The first shuttle trains are due through the tunnel at the end of this year with regular passenger and freight trains being added by the middle of next year. There could be as many as 400 trains rushing daily in each direction.

The national railway companies of the UK (BR), France (SNCF), and Belgium (SNCR) will operate high-speed passenger services linking London with Paris in three hours, while Brussels will take just ten minutes longer. As the rail networks on both sides of the channel are improved travel times will be considerably reduced and the speed of the service between city centers will rival intercity flights.

The project comprises three parallel tunnels: two single-track rail tunnels running in one direction only and a central service tunnel. The tunnels are entered at specially constructed terminals at Folkestone in southern England and Calais in northern France.

Work on digging the tunnel began in December 1987 and was completed

three and a half years later, in June 1991. Since then one of the 11 huge, 1,000-ton Tunnel Boring Machines has been sitting near the motorway at Folkestone with a big sign proclaiming "For Sale—One Careful Owner."

The tunnels are 31 miles in total length with 24 miles running beneath the Channel sea bed at an average depth of 128 feet. The longest rail tunnel in the world, Japan's Seikan tunnel linking the islands of Hokkaido and Honshu, is nearly two and a half miles longer than the Channel Tunnel, but its undersea section is only 14.3 miles.

Considerable economic and employment benefits should be generated for the areas where the terminals are located, and many hope the new complementary transport links will attract industries wishing to take advantage of the creation of this rapid transport system between the UK and the continent.

North Kent in Southeast England has suffered from severe industrial decline and infrastructure problems in recent times. Its commercial and civic leaders welcome the building between London

The Chunnel will close one of the crucial gaps in the European transport network and by the end of the century will provide rapid access to and from the UK and various centers all over the continent. A single transport network will serve the newly unified single market of Europe.

The Channel Tunnel is a rail link, so you still cannot actually drive between southern England and northern Europe. But drivers, whether of private cars, buses, or trucks will drive their vehicles onto specially constructed trains called "Le Shuttle," which will zip through the tunnel in 35 minutes.

No more than an hour after leaving the motorway to enter the terminal at one end, the vehicle should be out on the road on the other side—remembering, we hope, to switch from driving on the left to driving on the right, or vice versa.

The shuttle will operate on a "turn up and go" basis, with no advance booking required, just like a toll motorway. The shuttles will operate 24-hours a day and every 15 minutes during peak periods. The cost of using the service is expected to be similar to the price of

From the outset, France and the UK agreed that the Chunnel should be funded by private enterprise. The final cost is expected to be more than \$13 billion.





Like most visionary projects, the Chunnel has vastly exceeded its original budget. Traffic forecasts for its first year of operation, however, predict that those who bought shares in Eurotunnel may be onto a winner.

and the Chunnel of the high-speed rail link, which they believe will offer enhanced development opportunities.


In France's depressed northern Pas-de-Calais industrial region the locals yearn for the operation of the Chunnel. Every town mayor in the region is hoping the new transport infrastructure will bring more investment and employment.

The governments of the UK and France decided from the outset that the Chunnel must be funded by private enterprise, not public funds. As a result, Sir Alastair Morton, Chief Executive of the joint Anglo-French concessionaire Eurotunnel, said he was introduced in New York as "the man who raised \$10 billion for a hole in the ground."

Like most visionary projects, this one too has suffered a massive overrun in costs. The current estimate for the tunnel and its system of trains and terminals is \$12.8 billion, almost double the original forecast. The final price tag is likely to be closer to \$13.6 billion.

But neither the price nor the six-month delay in opening the link can compare to the breathtaking vision of the project and the revolutionary impact its operation will have on European transport.

Despite the growth in costs, the latest forecasts for shuttle traffic in the first full year of operation—12.8 million passengers and 8.5 million tons of freight—indicate that those who bought shares in Eurotunnel may be onto a winner. And the current estimate is that traffic will double in the next 10-15 years.

So, when the first huge train emerges gleaming from beneath the sea at Folkestone, it will no longer be possible for a British newspaper to repeat the headline of earlier this century "Fog in the Channel, Europe cut off." 

David Lennon is the managing editor of the syndications department of the Financial Times in London and a correspondent for EUROPE.

CHANNEL TUNNEL—A Brief History

The idea of a tunnel under the Channel originally surfaced in 1802 and the first attempt to bore an undersea route to France was made in 1880.

A 2,000-meter trial bore was made at Folkestone and a similar tunnel was also started in France from a shaft sunk near Sangatte. But the project was personally vetoed by the Duke of Wellington, who feared it could be used as an invasion route by the French cavalry.

The route of the present tunnel dates back to the end of the 1950s when the company that had owned the Suez Canal was looking for a new role. Nothing came of this.

Then, in 1974, work began on a large tunnel similar in size and configuration to the one that has now been built. A 400-meter length of service tunnel was bored before work was aborted by a British government concerned by the costs.

The financial basis for the decision to go ahead with today's tunnel was provided by a 1982 banker's report that showed the project could be economically feasible.

This report led to the formation of a group of British and French companies and a decision by the governments of the two countries that a fixed link should be built across the Channel.

In April 1985 bids were invited for the financing, construction, and operation of a fixed link. The Eurotunnel plan was selected in January 1986 and construction of the Channel Tunnel began in December 1987.

—David Lennon





Jaguar Chairman and CEO

NICHOLAS SCHEELE



HAVE YOU DRIVEN A FORD, LATELY?

Natives of Essex county, just northeast of London, have unfairly borne the brunt of English humor for years now, even spawning entire books of “Essex Girls” and “Essex Men” jokes. Stereotypes suggest Essex women are known for their short skirts, stiletto heels, and voluminous hair, while Essex men are famous for their love of mild English beer and hooliganism at soccer matches.

But Nicholas Scheele, chairman and chief executive of Jaguar Cars Ltd. and a resident of Brentwood, Essex, is a reminder of how inaccurate stereotypes can be. Elegant and articulate, the squash-playing Scheele single-handedly shatters the myth of the Essex man.

By Laurie Laird

This Essex resident has plenty of links to the US as a long-term employee of Ford Motor Company, and his proper English accent carries hints of a Midwest twang. Scheele spent his early years at Ford of Britain, but moved to the Detroit area in 1978, and worked five years as a purchasing executive at Ford headquarters. The Englishman still maintains a house in the States and his children study at American universities.

Scheele headed up Ford's Mexican operation between 1988 and 1991, before returning to the UK following Ford's acquisition of the luxury automaker. Scheele served as Jaguar's vice chairman for the first three months of 1992, and CEO thereafter.

The veteran auto executive has his work cut out for him, as the entire luxury car market has retrenched while most of the industrialized economies remain in the doldrums. Jaguar shed 700 jobs late last summer, bringing the total employment loss since the Ford acquisition to nearly 5,000—from an initial work force of more than 12,000.

However, the US economy has shown some buoyancy in recent months, and some of the long-dormant economies of Europe have also begun to stir, giving hope that the auto market may stage a gentle recovery. Scheele is confident that with an economic pickup and a diversification of product lines, Jaguar can prosper.

There are some that would say that Ford perhaps paid too much for Jaguar. How would you respond to those sorts of assessments?

We paid two and a half billion dollars at the then-exchange rate. It is a hell of a deal. I don't think that the price is terribly relevant. Jaguar's one of a kind—it's very difficult to put a price tag on Jaguar. You can obviously put a price tag on the buildings and the plant and equipment. But what do you put on the name? It's very, very difficult. So I don't think the value can truly be assessed except by Ford in the context of its strategic view of where it wanted to go

in the luxury car market, and that's the judgment you have to make. And you can't really make that judgment until the strategy has been given time to mature. So it's very, very difficult to judge. History may judge.

How long would you hope that it would take for it to become clear?

Ford bought Jaguar because it saw a strategic need to either grow or acquire a brand in the premium luxury business on a worldwide basis. It had Lincoln, but Lincoln is unknown outside of the States. You don't see Lincolns run-

and then add a model or models, so that we have a greater spread. Right now we're at the very top end of the luxury business. We'd like to move down a bit, retain our position, in fact grow the position at the top end and move down into an area where we can offer a product where more people will want to investigate—not necessarily purchase, just investigate. It's fairly clear that we need to offer a broader product offering.

Any chance of it coming down to the \$30,000 luxury tax threshold in the United States?

It's very difficult to see how we could get under \$30,000. Particularly in the time frame that we're talking. I'd never say that anything is impossible, but I'd be pushed to see how you could do it. The luxury car tax doesn't help us of course.

With plans to introduce a lower-priced model, is there any chance of Jaguar losing its upscale image?

No, there really isn't. What we have to learn to do is capitalize on all that Ford offers in terms of leverage, in terms of scope, in terms of world-

wide coverage, in terms of component capability. We have to learn to capitalize on that without losing that uniqueness. And that's not too difficult if you think about it because Jaguar...the components that Jaguar uses today, most of them are supplied by outside companies. They're obviously made to Jaguar specs but some are proprietary components. Not difficult to utilize other components but hopefully at a more effective, more cost-effective price relationship.

How was the assimilation between Ford and Jaguar? Were there any cultural problems?

It is interesting to look at things from the Ford perspective. Ford is, I believe, the most international or multinational of all car companies. Far more

“Europe in auto industry terms has been treated as a totality for a considerable amount of time.”

ning around in many places outside North America. So it had to make a decision, and it viewed Jaguar as the best fit in that desire to move into the premium luxury brand on a worldwide basis. So the strategy is there. It's a long-term strategic intent.

Can you talk about those changes you mentioned?

Clearly Jaguar at the time of acquisition had a limited product range and a fairly mature product range, to be kind. Those models needed changing, and we're in the process of changing those models. And also it's clear that to meet strategic intent we need to grow the model range. So what we're embarked on is a process that will change the existing models, put new models in place of what we have today

than half of Ford's production is outside the US, or sales and production. It is a very, very multinational international company. I know that a lot of the management are non-US.

Ford has a huge history in international business. Henry Ford's fifth car was sold outside the US. It was sold in Windsor (in Canada) and he established himself outside the US in 1906 and started to grow. So Ford is a very, very multinational company, and it is a fairly multicultural company as well.

What is your sense of Ford's level of satisfaction with this deal?

I think it's a disappointment for everybody here at Jaguar. You know Jaguar has shed or will have shed close to 5,000 jobs. We were at 12,000 at the time of the acquisition. By the end of this year, we will have shed something like 5,000 jobs. That's been almost entirely the result of the drop in volume, which in large measure is attributable to the recession in all of our major markets including Japan. Japan is severely affected now—it wasn't until earlier this year. And that is a great disappointment for everybody here at Jaguar. It's obviously an understatement for the 5,000 who have unfortunately lost their jobs. Ford, as I say, bought this on a strategic basis, and Ford does take a long-term view of things. But I'd think anybody would be disappointed.

Will the implementation of the single market cause you to change strategy at all?

No. We're in all European territories. Open border to us is really kind of meaningless. The auto industry, the domestic European auto industry, has been in all the European markets. Europe in auto industry terms has been treated as a totality for a considerable amount of time.

What's happened to the British motor industry?

I don't know. I was born British. I started with Ford in Britain in 1966 and I left the United Kingdom in 1978, and I came back at the start of this year. When I joined Ford in 1966, Ford Motor Company—I couldn't give you the exact statistics—was maybe 20 percent of the British motor industry. GM was maybe half of that and Roots was maybe five percent. The balance was all what became British Leyland. So I can remember distinctly joining it—British Leyland, MG, Triumph, Morris,



Ford's 1990 acquisition of Jaguar has given the Detroit-based automaker a foothold in the ultra-luxury car market.

Austin—all the famous names that represented close to 70–75 percent of the British motor industry. And it's evaporated in 20 years. It's tragic, really.

I think you need size in today's international motor industry. You need to be of a size to invest in future programs. The investment is huge in model programs, and it's difficult for a company that essentially sells in only one market. One of the problems with the British motor industry was that it looked at its domestic market and concentrated on that. It never really sold on a worldwide basis. Sporadic forays into the States...but I mean it's never been a worldwide player. That's typical, and what we see is the reflection of that.

Will the prospect of monetary union change your strategy?

Monetary union...everybody gets very worked up about monetary union, probably because they see monetary union as giving up a mark or a franc or a pound or whatever it may be. If you think about it, monetary union says we are going to have one unit which is going to be valid for all of Europe. That is not too dramatically different than the European Exchange Rate Mechanism, which ties within very narrow bands the value of each currency to one another. It is symbolically different, but in practical terms the difference for somebody in business is kind of limited. It would be different if within the ERM you were able to say "well, today I pick this relationship and tomorrow I pick that relationship." But since all the European finance ministers have said "We forswear our capability to do that. We are here forever, and there shall be no changes," I'm pushed to see in a business sense what the difference is apart from emotional. So, I don't see this making any difference.

Frankly, in Jaguar's case, our problem is not so much with European exchange rates or ecus or monetary union. Our problem lies with the relationship of the pound to the dollar, which, at \$2 to the pound, is hugely problematic.

You see it on a personal level—it's pounds for dollars. My kids are at college in the States. We lived out there for a long time and we still have a house there. Anything you can buy in the UK for a pound, you can buy in the States for a dollar. That says it's very expensive to export products from the UK to the US, and we have to be competitive in the market place. So today in dollar terms, believe it or not a Jaguar represents an amazingly good buy for anybody in the States. It really does. ☹

Laurie Laird is a freelance writer based in London.

RHINE-MAIN-DANUBE CANAL

**Connecting
the Rivers
at Europe's
Heart**

**By Kenneth C.
Danforth**

A flotilla bearing thousands of European dignitaries progressed southward across an unlikely landscape—the Franconian Uplands of Bavaria.

The captains of the vessels cut back to dead slow as they approached the continental water divide between the villages of Hilpoltstein and Bachhausen. Roaring cascades shot out from the water cannons of a fire brigade and formed a curtain of water.

The date was September 25, 1992. A dream of a thousand years was about to be realized.

Standing in the lead ship, President Richard von Weizsäcker, Prime Minister Max Streibl of Bavaria, and Federal Minister of Transport Günter Krause, all together turned a steering wheel connected with the ship's siren. The fire brigade shut off its cascade. At that signal, ships waiting on both sides of the divide started blowing their sirens. Then the convoy of passenger ships started southward.

Not all of the activity was ceremonial. Also waiting their turn to go through the locks in both directions were 15 barges, most of them laden with freight. They came from almost every nation washed by the Danube and Rhine. All were decorated with banners.

"I am one-hundred trucks," boasted one barge.

"I am the most environmentally friendly mode of transportation," proclaimed another.

Twenty other working ships stood by, waiting for the traffic to clear so they could proceed with their cargo.

Thus did business begin on the mighty Rhine-Main-Danube Canal, bringing to a successful conclusion 71 years of beaverlike industry interrupted only by World War II. At long last, huge barges would be able to go all the way from the North Sea to the Black Sea—2,174 miles—without ever encountering a wave. The long and perilous circuit from Belgium and the Netherlands to Romania and the Crimea would no longer be necessary.

The effort to link the seas dates all the way back to the reign of Charlemagne. The emperor, who'd traveled widely across the continent, knew that the Danube was only a few miles from the Main, which flowed into the Rhine. His engineers advised him that if his army could dig a canal to join a tributary of the Danube with a tributary of the Main, his ships could move from one end of his realm to the other.

Digging started in earnest in A.D. 793. The plan was a good one, but it was thwarted by torrential rains. As fast as his thousands of workers could shovel, the mud poured back down on them. The ditch became a grave for many of them. Charlemagne soon gave up.

More than 10 centuries passed before anyone tried again. This time the monarch in charge was King Ludwig I of Bavaria. He started his canal in 1837, and actually completed it in 1845. The Ludwig-Danube-Main Canal remained in use until late in World War II. But its peak year was 1850. In more than a century, it showed a profit for only 12 years. Eventually, its 101 small wooden lock-gates and its dependence on horses for towing made it a picturesque relic. But it was doomed from the beginning by the onrushing phenomenon of the railroad.

The gargantuan effort to build a modern canal began as a cooperative charter between Germany and the Free State of Bavaria in 1921. After years of constructing locks and barrages on the Main and the German portion of the Danube, the builders turned at last to the centerpiece, the canal itself.

The completed canal immediately becomes not only the crown jewel in the vast inland-waterway system of Europe, but at 1,340 feet above sea level it becomes the crown itself—the highest



of all the continent's navigable waterways.

It maybe the greatest public-works project in history.

The opening of the canal marks an achievement of epic geopolitical proportions. Perhaps just as notable, its cost of 6.5 billion deutschmarks (\$4.1 billion) has not cost the German taxpayers a single pfennig. Rhein-Main-Donau AG—the company that built the canal—pays off its interest-free government loans with money generated by hydroelectricity. It has already turned the canal over to the government. In 2050, when the last of the loan is paid off, the 55 power stations themselves will become government property.

From north to south, the canal runs from Bamberg on the Main, through Nuremberg, to Kelheim on the Danube. It is 107 miles long, more than twice the length of the Panama Canal.

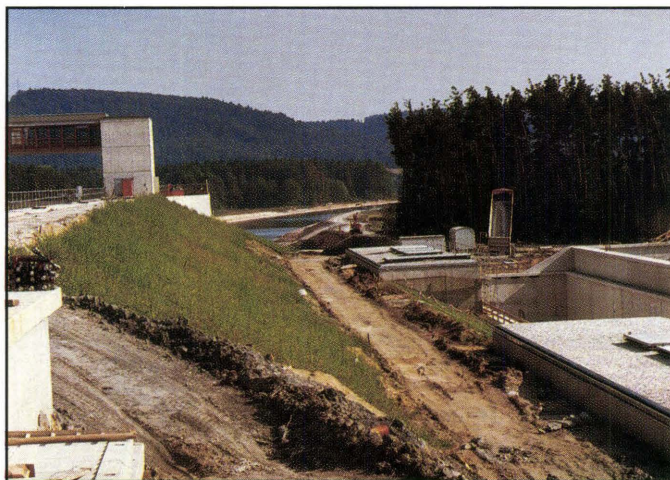
The official opening of the canal was performed in the middle of the *Scheitelhaltung*, the summit-level reach, a 10-mile gouge through the very backbone of the continental divide. In the surrounding farmland, raindrops that fall only inches apart might flow either to the Rhine basin (and on to the North Sea) or to the watershed of the Danube (and thus to the Black Sea).

With the rolling green hills of the Franconian Uplands all around them, punctuated by a church steeple in the village of Sulzkirchen, the waterborne guests and a crowd on the shore listened. Speakers praised the engineers and statesmen who'd made it all possible, and applause rippled from ship to ship to shore. Then the beribboned craft, packed from bow to stern with some 3,500 honored guests, churned forward toward Bachhausen.

There they descended through an enormous lock—40 feet wide, nearly 100 feet deep, and 625 feet long—to the pond that would lead them to Berching, a little town that had just become a port. Outside Berching's intact medieval walls stood a gigantic beer tent. There, beneath the glow of illuminated canvas and food fellowship, the builders and the backers of this epic undertaking re-

joiced at its completion. Nevertheless, the German press in general covered the inauguration of the canal as if it were an environmental catastrophe.

For several years, environmentalists and SPD ministers had almost killed the project. The company made enlightened compromises, and the last stretch of the canal to be built is a model for accommodating a major public project to ecological sensitivities. It spent \$40 mil-



In order to accommodate the massive barges that would travel the canal, the locks had to be dug 40 feet wide, 100 feet deep, and 625 feet long.

lion to protect the ecology, including preservation of backwaters and marshes. While many environmentalists demonstrated against the canal, others worked quietly to see that the project—which was too far along to be stopped—was carried out with maximum concern for the landscape and the plants and creatures that dwelt upon it.

Only a few years ago, Rhine shippers still feared that the canal was going to bring a predatory hoard of East Bloc price-cutters. Soviet, Romanian, and Bulgarian fleets were used to competing unfairly on the Danube. Communist finance ministers always went into a feeding frenzy whenever the whiff of hard currency was in the air. Red ink was a patriotic color to a manager who could sell his national-firm services for marks or francs at less than his free-market competitors could afford. The horrid word—which reverberated on the docks of Basel, Strasbourg, Mannheim, Frankfurt, Duisburg, Arnhem, Rotterdam, and Antwerp—was dumping.

Eastern boatmen were mainly military personnel, who were paid abysmal wages. A single ship did not need to show a profit; it was part of a larger eco-

nomie scheme. But now everybody in Europe has to make a profit—or perish.

The Germans (back when they were “West Germans”) warded off the threat by declaring the canal a “national waterway,” not subject to the freedoms of either the Danube or the Rhine, both internationalized by formal conventions. They vexed most of the East European transportation officials by holding to a policy of bilateral agreements instead of letting them negotiate as a more powerful bloc. It was a classic case of commercial divide-and-conquer.

The canal was seen as a way to help open up Eastern Europe to trade and, thus, to greater exchanges of all kinds. And then the Soviet empire fell, the satellite nations went their various paths toward free markets, Germany became one nation, and the Soviet Union became many. The mission of the canal switched from one of opening the East Bloc to facilitating its economic development.

One of the first ships to sail from the Danube to the Rhine was operated by Mahart of Hungary. It arrived in Duisburg in early October.

Millions of tons of bulk goods—the mainstay of inland shipping—can now start moving quietly, cheaply, and cleanly by water instead of over the Danube basin's already choked highway and railway system. Coal, ore, pig iron, sand, gravel, scrap metal, fertilizer, and grains will be among the most important cargoes. Huge electrical transformers and printing presses, which are extremely unwieldy to ship overland, are finished products that Eastern Europe sorely needs.

An entire freight train would be needed to transport all the cargo that can be carried on just one big barge.

Company officials estimate that more than five million tons of freight will move through the canal in each of the first two years. After eight years, they believe the figure will climb to 10 million tons annually. Without a doubt, the canal will carry a large percentage of a projected 90 percent increase in East-West freight traffic between now and 2010. **E**

Kenneth C. Danforth, based in Washington, DC has written extensively on Central and Eastern Europe since 1970.

➤ Two Distant Ports in Europe ◀

once visited ports at both ends of the great new Rhine-Main-Danube Waterway—2,174 miles from each other—in less time than it takes a barge to chug from Düsseldorf to Strasbourg.

One afternoon I was exploring primitive Sulina, Romania. Sulina languishes at the mouth of one of the Danube Delta's three navigable channels, the central and most direct shot to the Black Sea. The next evening, shocking even to me, I was in the Netherlands ready to visit Rotterdam, the largest and most modern seaport in the world.

Here are brief impressions of the two farthest terminals of the new waterway created by the opening of Germany's RMD Canal.

Sulina and The Black Sea

Mihai Macarencu's 135-horsepower open boat sped us down the Danube from Tulcea, past the taut anchor chains of a dozen ocean-going vessels.

Most of them were Romanian, many were rusty derelicts. They lay at anchor, bows against the current that had come all the way from the Black Forest.

Pairs of pelicans fluttered atop light poles, and formations flew overhead. Rows of planted poplars grew along stretches of the shore nearest isolated villages. Black-headed gulls skimmed the water.

Mihai, his face pinched scarlet by the sun, his voice loath to fight the wind, is a man of few words. In his longest communication in three days, he said, "The delta freezes over in winter and

we don't have any roads. Nothing can be brought in when there's ice, and that's two months some years, so we have to plan ahead. We store up as much grain and canned food and dried meat as we can or people will starve."

I'd hoped that when we reached Sulina we'd be able to speed right on out to the Black Sea. Permission had been sought and denied—military security. An icebreaker, dredgers, and six destroyers were docked along the left bank. On the right bank stood a few big wooden houses left from the time when this was a Greek fishing settlement.

On a Sunday morning, both commercial and religious activities proceed at a lethargic pace. In the old Orthodox church, the aging faithful come to stand in lonely and forlorn reverence. Nearby, men walk up to the window of an outdoor beer stand, count out sticky currency, then sit musing over tepid brew at rickety metal tables. At the quay, a ferry from Tulcea ties up and a few passengers step quietly to shore. One man grins, holding up a jar of gray pickles to show his family the prize he's brought down the Danube.

The whole city of Sulina has only one stretch of pavement, the riverside promenade. It has no automobiles. It does possess a tractor, which can be hooked to an iron cart and used to haul produce along the city's rutted dirt lanes, billowing thick dust into every house.

At the Black Sea beach, which the people reach by trudging five miles across a barren lowland where hogs wallow in ditches, there are no hotels,

cafés, or refreshment stands. An old woman in a little cart, switching a donkey's rump, brings two wooden kegs of water to sell to sand-encrusted vacationers who lie basting in their own sweat. They are among the elect; they have escaped Bucharest for a few days.

Rotterdam and The North Sea

The tall modern hotels of Scheveningen rose behind me. The cold North Sea taunted a thousand tentative swimmers. Twenty thousand more huddled behind glass-screened outdoor cafés, consuming genever, Heineken, and hering. Bikini-clad Dutch girls, mottled with goosebumps, toyed with the surf. Electronic amusements beyond number crowded the strand as far as I could see in either direction. Scheveningen is so close to Rotterdam that people pop up to the beach for the odd afternoon.

I got my best views and orientation of the teeming waterways of Rotterdam

from the decks of De Maze, a gleaming white 60-foot yacht that the mayor and port authority sometimes provide for journalists. The first mate served little shrimp sandwiches and highballs as the captain maneuvered and talked about the harbor.

The Port of Rotterdam passed New York in trade volume 30 years ago, and now it's twice as big. The port receives more than 32,000 ocean-going vessels and 180,000 inland-waterway barges every year and handles more than 250 million tons of freight. As many as one hundred ships a day

seek their places along 40,000 yards of quayside. The complexity of the traffic would rattle any safety engineer, but in Rotterdam it all goes smoothly.

Twenty-six radar stations monitor traffic around the clock. The radar screens identify each ship's profile and send it to a computer for confirmation of its name, registry, cargo, and assigned wharf.

The port stays in business in every kind of weather, including thick fog. Operators also know where every ship is every minute, not only in port but as far as 37 miles out to sea. The city requires every ship to take on one of Rotterdam's 360 pilots. A river pilot boards the ship out in the North Sea, brings it up the New Waterway, and hands it off to a harbor pilot for berthing.

Rotterdam had to start from worse than scratch after World War II, for the Luftwaffe had destroyed the city on May 14, 1940. Today, ironically, more imported goods reach Germany through Rotterdam than through all German ports combined.

No one can imagine Sulina ever catching up with Rotterdam. Yet in a way the two dramatically different ports are now sister cities—linked by the grand new transcontinental waterway. Contrasting them illuminates the tremendous potential for the growth of waterborne commerce in the Danubian lands of the former Soviet bloc. ☺

—Kenneth C. Danforth



The canal links the Danube and the Main rivers, allowing ships to travel from the North Sea (via the port at Rotterdam, Netherlands) to the Black Sea (via the port at Sulina, Romania).

The TGV Comes

From Avignon

to the Alamo



By Julian M. Weiss

18 EUROPE

At least one EC import is eagerly welcomed in the United States—high-speed rail, courtesy of TGV (*Train à Grande Vitesse*). It is certain to have a profound effect on the economy of the state of Texas. It will also lay the groundwork for future US-EC collaborative ventures in transport as well as in technology.

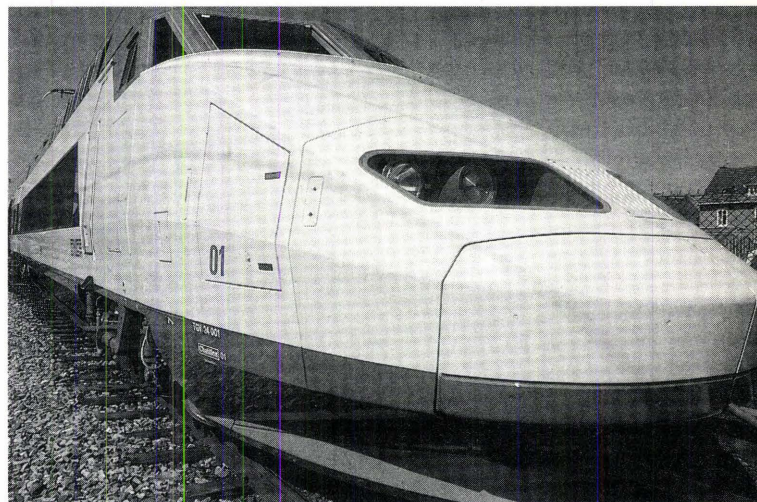
While Americans bemoan the demise of their once-

to TEXAS



great railroad system (a network spawned in part by 19th century European investors), they sense changes now signaling an end to the automobile's reign. More efficient, environmentally-sound transport has grown in appeal. The rail project comes as a long-depressed Texas economy—once heavily dependent on the fortunes of the sometimes unpredictable oil industry—received boosts from several recent technology-based ventures. For example, EC companies are now participating in Austin-based MCC, America's consortium of advanced computer and electronics firms.

The TGV venture represents not only a technological but a political coup as well. Coalescing the forces necessary to secure the first phase of implementation was a daunting task. Thorny environmental issues confronted high-speed rail advocates, and fears of European domination were sometimes raised. "Taiwan talked big about coming to help us out," recalls one local economic development specialist. "We were promised a lot then." European financiers and transportation groups assured Texans that investment promises would be kept and that no "invasion" of high-speed's resulting in commercial opportunities was intended.



High Speed Comes To Texas.

Recently, the private sector Texas High Speed Rail Corporation (THSRC) concluded negotiations on a 50-year franchise agreement with Texas State officials. This step, after lengthy negotiations with American as well as European partners, marked the beginnings of the project's preliminary stages.

The project carries a \$6.8 billion price tag and will be privately financed. Its route is a triangle covering key population centers where most Texans live. This corridor covers Houston (the major seaport, aerospace, and petrochemical center), Dallas-Ft. Worth (a commercial region), San Antonio (an up-and-coming metropolis), and Austin (the state capital and more recently a site for advanced technology firms).

THSRC's fleet is based on TGV design and technology, but project leaders say it offers a few modifications for the Lone Star State. Train speeds of 186 mph are foreseen as TGV cars careen along the legendary Texas prairies shown in countless movies. The longest span, Dallas to San Antonio, will take under two hours. Electric-powered trains will interconnect either a downtown, or comparable strategic location identified for each of the four cities.

By December 1998, when THSRC is fully operational, 34 round trips daily are scheduled. During peak periods, trains will leave every 15 minutes. Tickets will range from \$65 (coach

fare) to first class seats priced at \$85.

These prices make the system an alternative to airfare, which is in keeping with planners' goals. Crowded skies and over-polluted freeways dot the Lone Star landscape. Backers tout environmental gains from an electric, non-polluting system.

With 500 seats available per ride, THSRC hopes a high occupancy rate can propel self-sufficiency. Officials would not comment on anticipated occupancy rates for the medium-term, nor on payback timetables. "We've talked to the French about their experience," says one corporation board member, "but conditions here are not exactly identical." He adds, "We don't have what the French had, namely the benefit of subsidization."

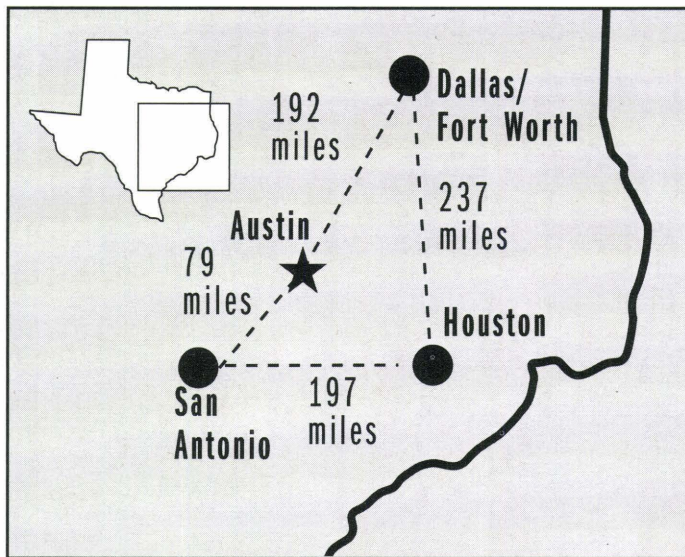
Part of the strategy to lure motorists and airline passengers alike comes through an amenities package. VCR's, fax machines, a nursery for small children, phones at all seats, and a comfortable ambiance are part of the design. A business class compartment will be featured as well, although rates are not yet determined for that section.

Can once motor-bound Texans be enticed? "We have to think in terms of not just today," Glenn Biggs, THSRC chairman, says. The economic base of this region is destined to diversify, and transport requirements require a dramatic shift for business travelers, tourists, and commuters. "We have to think of 10, or even 25 years from today. Our children and grandchildren will live in an environmentally-sensitive world." Furthermore, air service within the titan-sized state "may price itself out of existence," and "[road] congestion will reach a point of saturation." Most observers agree.

High-speed rail's time factor alone should generate strong interest in relying on high-speed rail as an alternative to traditional auto excursions. Tourism, which has always been strong in the region, will undoubtedly bring a core group of 21st century rail enthusiasts to undertake trips. To accommodate passengers, an automated auto rental counter on board will enable ticket-bearers to access autos once they arrive at their destination.

The Economic Dimension.

A few years ago, a private rail link would not have been deemed feasible. Yet, privatization has come into vogue across North America, Asia, the EC, and elsewhere. A few models for large private-funded energy and transport sector projects do exist within the US, yet THSRC dwarfs anything to date. A combination of private equity, as well as private tax-exempt bonds, will finance



By December 1998, French-built, high-speed trains are expected to link Texas' key economic centers—Houston, Dallas-Fort Worth, Austin, and San Antonio—with 34 roundtrips daily.

this mega-project. Rights-of-way land purchases, systems design, engineering, and land use studies are part of the \$170 million or so required to advance THSRC through 1994, at which time preliminary work on the train fleet itself begins.

A consortium of banks has been brought into the process. Credit Lyonnais and Banque Indosuez were asked to become partners. Both French financial institutions bring Eurotunnel expertise to the Texas venture. Officials say venture capital equity will play a role in the early phases, while evolution toward a publicly-held corporation is envisioned after high-speed rail operations commence. Merrill Lynch will use its background in issuing tax-exempt bonds for the project.

In order to organize this first-of-its-kind effort, Morrison Knudsen, the US-based engineering-construction firm, will undertake overall program management. Rail Transportation Systems, a subsidiary of France's National Railways, is to handle structures evaluation, maintenance, and marketing as-

pects of THSRC. Rail Transportation Systems has a growing office in Atlanta, Georgia. Many feel it is well positioned for future growth into North American transportation and urban rail systems.

Guidelines in force mean that most of the work will go to Texas companies—good news for the economically depressed state if not for the European companies involved. Actual manufacture of the train cars will take place there, and at the project's peak period, over 9,000 direct jobs in all functions are forecast. This is part of the reason Mr. Biggs insists "an economic success" lies in store years before passengers actually take their seats. Over \$560 million will be spent by the consortium by the year 2000, and over time, some \$5 billion worth of outside capital will be channeled into the state.

An intangible benefit lies in installation of a highly-sophisticated transport system. Salvaging the regional ecology is another gain. "The French system," notes THSRC Chairman Biggs, "proved to be an environmental as well as an economic success." Others agree that construction of the rail grid makes for a vastly improved economic climate, part of which comes through enhancement of quality of life conditions in the area. "Its main contribution," declares Frank Bushnell, a local official close to the operation, "will be to promote business and commerce in Texas."

Ironically, the Walt Disney organization, which opened its European theme park this year outside Paris, has for years attempted to sell US cities on monorails.

European high tech will benefit enormously as the rail venture is not only high-speed, but highly visible. Considerable transatlantic commerce will result from this "showcase" project. As distances across the Lone Star State shrink, so will the psychological (and commercial) distances separating Avignon from the Alamo. ☺

Julian M. Weiss writes on business and industry for many leading business magazines.

French Carmakers Moving Ahead



A big hit for Renault has been the Clio, a subcompact model that came out in 1988 and is now the best seller in its class in Europe.

Peugeot and Renault Make their Mark in Europe's Auto Industry

By Robert Lever

While most of the world's automakers have fallen on hard times, France's Renault is coming off its best year in a decade and its crosstown rival PSA Peugeot has maintained respectable profits despite a sluggish European economy.

Is it a fluke or another French paradox? With European markets in flux, it's hard to say whether the French manufacturers can keep up the pace. But in recent years these two French carmakers have been arguably the most dynamic in Europe.

The comeback has been particularly dramatic for Renault, the state-run firm that piled up annual losses as much as almost \$2 billion in the mid 1980s, due in part to its disastrous takeover of the now-defunct American Motors.

Since shedding AMC in 1987, Renault has concentrated on the European market and has upgraded its line with new models aimed at competing with the Japanese.

Renault posted an astonishing pre-tax profit of about \$1.5 billion in the first three quarters of 1992, making it among the world's most profitable automakers for the period.

Renault also sold 2 million cars and light trucks in 1992, its best since 1983 and increased its market share in France and the rest of the EC despite a decline in the

overall auto market.

"Renault is probably one of the biggest stories in Europe in manufacturing in recent years," says Nigel Griffiths, an analyst with DRI Europe. "They're doing the right things at the right moment. They seem to be in the new vogue segments two or three years ahead of everyone else."

The Renault nameplate increased its share of the European market to 10.6 percent in 1992 from 10 percent a year earlier. Combined with its new partner Volvo, it had a market share of 12.1 percent, which placed it in fourth place, ahead of Fiat in Europe's crowded auto market.

The alliance with the Swedish automaker, which Renault officials said was needed to avoid being swamped by bigger competitors, involved a stock swap between the two firms and required the National Assembly to change Renault's status from a *régie*, or state agency, to a state-controlled corporation. Some analysts say Renault, which was nationalized after World War II, could be ripe for privatization soon and possibly a merger with Volvo.

A big hit for Renault has been the Clio, a subcompact model that came out in 1988 and is now the best seller in its class in Europe.

Renault also was ahead of the pack with the Espace, a small family van that created a new market niche in the late 1980s.

In 1993, Renault brought out a new minicar dubbed Twingo that has been well received in the press. Most other competitors won't have a similar car for another two or three years, says Griffiths.

"Contrary to the image some people have, we have been profitable for the last six years," says Renault spokesman Patrick Bessy. "We had a near-fatal crisis in the mid-1980s, but we came back quickly."

Commenting on Renault's ability to thrive amid the current slump, Bessy said, "It was because of the serious problems we had earlier. We were forced to reduce our costs. Other companies were less pressured to make these changes."

Critics say the profitability of Renault and the privately held PSA are the result of a highly protected home market in France and that the situation will change with the inevitable opening to the Japanese. With industry analysts predicting a decline of four to six percent in the European auto market in

1993, the test for Renault and PSA could come soon.

But the French are taking the challenge seriously, upgrading their lines to compete on both style and price. Despite profits, both automakers announced layoffs for the current years as part of plans to boost productivity.

"Up until now, automakers have made profits in their home markets and used these to increase penetration in foreign markets," said Renault chief executive Louis Schweitzer. "This will not be possible in the future European market, because we will no longer be able to set different prices in different countries."

While France has been among the EC countries most closed to non-European automobiles, that is changing with Japanese "transplants" now being produced in the United Kingdom and an EC agreement to end quotas in France (which have been as low as three percent) by 1999.

Some forecasters predict Japanese carmakers, with some 12 percent of the current market, could increase their share to 18 percent before the end of the decade. EC auto executives, including PSA chief executive Jacques Calvet, have fought to keep the Japanese out. But they acknowledge it is only a matter of time before the markets will be open.

"We are confident of our ability to compete with the Japanese," says PSA spokeswoman Catherine de Chabannes. "It's true that France has been protected, but two-thirds of our production is exported, and we have done well in areas where there is more Japanese penetration. In the UK, for example, we have 12 percent of the market."

PSA, which includes the Peugeot and Citroën nameplates, has been jockeying with General Motors for second place among European manufacturers. PSA's revenues for the first half of 1992 (\$328 million in after-tax profits) were slightly ahead of 1991 figures, though well off its record 1989 pace of \$1.4 billion in after-tax profits.

Still, PSA ranks at or near the top in profitability (3.5 percent of revenues in 1991 among the world's automakers) following a string of losses from 1980 to 1984.

Like Renault, PSA has been bringing out new Peugeot and Citroën models at a rapid pace, with relatively good results. But it was hurt by a lukewarm response to its newest subcompact Peugeot 106, a competitor with the Clio. Says Griffiths, "Even though it has

been given good marks, the public hasn't taken to it with the same enthusiasm as the car it was meant to replace, the Peugeot 205, which was one of the great success stories of the 1980s."

Still, Griffiths says the French carmakers have carved out a niche in the small-car market that makes them more resistant to the Japanese makers, which are generally aiming at more upscale markets.

The French automakers' successes in Europe are in marked contrast to their experience in the North American market.

Peugeot stopped selling in the US in 1991 because of weak sales and a declining dollar. PSA still has a small group studying the US market and "we haven't ruled anything out for the future," says de Chabannes.

Renault left the US market when it sold AMC to Chrysler in 1987. But it continues to have a presence with Mack trucks and Volvo cars. Still, Bessy said Renault officials learned a lesson with the AMC experience and are determined not to repeat it.

"We didn't have the means to do what we wanted with AMC," he says. "But all the European carmakers have failed in the US."

The alliance with Volvo is of a different nature, "We complement each other. We're a mass-market producer, Volvo produces luxury cars. There's no overlap, so there's a strong logic to the alliance," says Bessy.

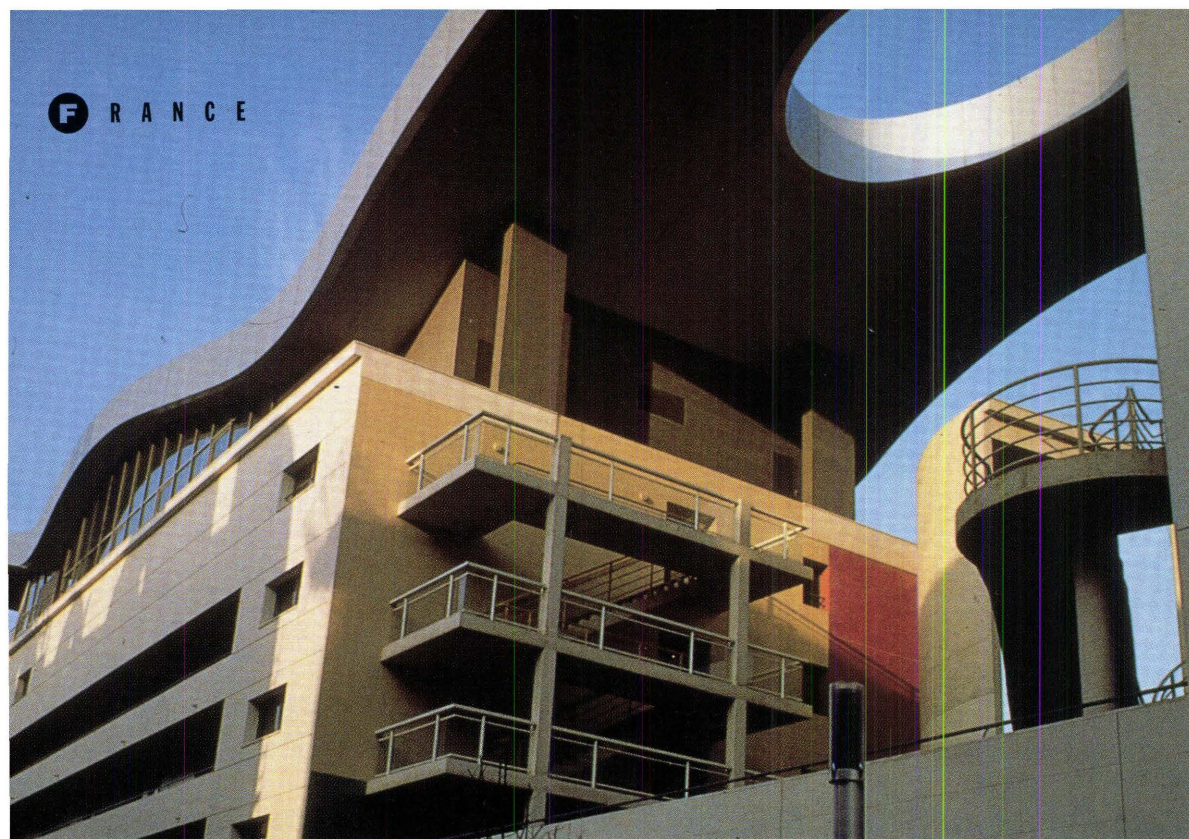
In the battle for Europe, the French and other European automakers still lag behind the Japanese, including the transplants, in productivity. One Japanese factory in the United Kingdom, for example, produces 55 Nissan Micras per employee per year, the best rate in Europe.

"We think the difference in productivity is less than some of the studies indicate," says PSA's de Chabannes. "Nonetheless, we have ambitious plans for productivity improvements. We hope to improve 12 percent a year."

Notes Renault's Bessy, "The transplants do have an advantage in productivity. But we can't lay off all our employees and start over in new factories.

"We are not for permanent quotas, but a transition period is necessary. We're using this period to modernize and improve. We will be prepared." ☐

Robert Lever is a Washington-based editor for Agence France-Presse.



A New
Look for
the 21st
Century

La Villete Cité de la Musique, a one-time cattleyard in Paris' northeast quarter, is now the site of, among other things, the Museum of Science and Industry and the glitzy City of Music.

Thoroughly Modern PARIS

ALTHOUGH PARIS IS FAMED FOR ITS HISTORIC NEIGHBORHOODS AND **By Robert Lever**

monuments to the past, the French capital in the last decade has been busy constructing a series of gleaming, modern monuments and buildings that may well define 21st century Paris.

The historic quarters of St. Germain and Le Marais are not, of course, being razed. And much money is being spent on preserving what officials call France's patrimony, the centuries old monuments and historic structures.

But since President François Mitterrand took office in 1981, Paris has seen its most ambitious building program since Baron Haussmann carved out the "grands boulevards" in remaking the capital more than a century ago.

The current transformation is largely the result of Mitterrand's sense of monumentality, although some would call it folly: at least \$3 billion has been spent so far on his "Grands Travaux," seen as an attempt by Mitterrand to define his own legacy as a visionary as well as maintain Paris as a world cultural capital.

One of the first, and not least controversial of Mitterrand's projects was the remaking of the Louvre museum, perhaps the strongest symbol of the old meeting the new. I.M. Pei's transformation rebuilt the



The suburb of La Défense features The Grand Arch, finished for the French bicentennial in 1989.

16th century palace (which was itself built upon the site of the 12th century fortress of Philip Augustus) from the inside out, with the courtyard's now-famous glass pyramid protruding as a stark contrast to the museum's classic architecture.

While the idea of the Louvre pyramid shocked many Parisians at first (and produced jokes about Mitterrand's Pharaonic ambitions), most accepted and even praised it after it was unveiled, and the project has given new life to one of the world's oldest and finest museums.

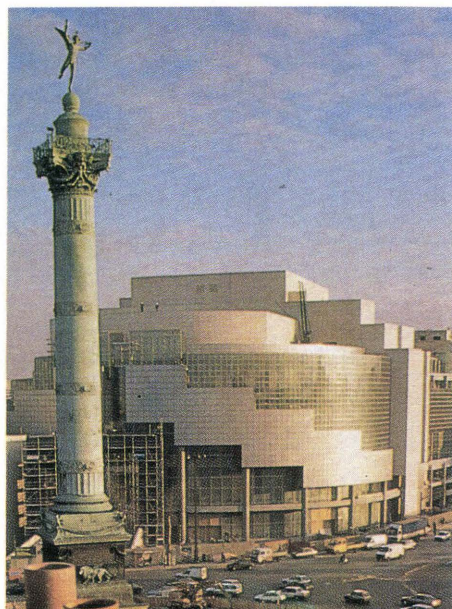
The most visible of the grand works of Paris is in fact just outside the capital in the suburb of La Défense. The Grand Arch, finished for the French bicentennial in 1989, is a larger, steel-and-glass version of Napoleon's Arc de Triomphe. It also lengthens the famous urban axis where much French history was made, from the Louvre to the Place de la Concorde to the Champs Élysées and Napoleon's arch.

Critics say the new arch—designed by Danish architect Otto von Spreckelsen and completed after his death by Frenchman Paul Andreu—is another symbol of Mitterrand's imperial presidency. The 360-foot tall Grand Arch does have a practical application as an office building, though it has had trouble luring tenants. Yet its observation tower provides one of the best views of Paris from atop the famed urban axis.

Other "Grands Travaux" have had their share of controversy as well. The \$500 million Bastille Opéra, opened in 1989 on the site of where the French Revolution began, failed to win over music lovers or the public, and its high cost kept it from becoming the "people's opera" Mitterrand had hoped. Some say a jury in a blind competition selected what they believed to be a submission from American architect Richard Meier, but instead picked a proposal from little-known Canadian Carlos Ott.

The Très Grande Bibliothèque

The \$500 million Bastille Opéra is built on the site where the French Revolution began.



has been praised for its architecture but widely criticized as ill-adapted to a major library. Dominique Perrault's design called for books to be stored in four sun-filled glass towers, with readers and researchers underground.

After years of debate, authorities made minor changes, although failed to satisfy critics. The "TGB," as it is called, is expected to open in 1995, bringing the first major monumental structure to what had been a dilapidated section of eastern Paris.

Paris' northeast quarter also has been given a glossy new look with the La Villette Park in what used to be a cattleyard. The techno-park includes the Museum of Science and Industry, modern sculpture, and a 116-foot steel sphere called Géode. Being built alongside is a City of Music including a concert hall and conservatory in a park spacious even by Parisian standards.

Mitterrand's legacy also includes the Arab World Insti-

tute, built with donations from Arab governments, and the mammoth new Ministry of Finance building, both reflect the new geometric architecture.

Rising meanwhile in the new Bercy urban renewal district in what had been a wine warehouse is the abstract American Center, being built by the US expatriate community.

These efforts are not entirely new. Georges Pompidou razed Les Halles, the central market place, replacing it with a garish subterranean mall, and built the Pompidou Center, an arts complex with its Lego-like array of tubes and pipes.

While each of these attempts to redefine Paris has generated some controversy, one must remember that the Eiffel Tower was roundly criticized when it hit the scene. It may well be that the new monuments will settle into the Parisian landscape to create a Mitterrand legacy and a high-tech identity for Paris in the next century. Only time will tell.

—Robert Lever

I.M. Pei's now famous glass pyramid protrudes as a stark contrast to the museum's classic architecture.





French Look Toward Elections

“Mitterrand would regard it as the crowning achievement of his career if he could see the Community through its present period of doubt and confusion and launch it decisively down the road to union.”

By Reginald Dale

Like most other West European nations, France is going through a difficult period. The country's immediate future is shrouded in economic and political uncertainty, and the national mood is frequently described as “morose.”

Even after the domestic political situation is clarified in parliamentary elections later this month, it's likely to be some time longer before the French figure out how to channel their still grandiose international ambitions into a realistic role in the post-cold war world.

In many ways, however, France is—for the time being at least—doing better than its main historic rivals.

In line with many of their neighbors, the French are suffering from slow growth, mounting unemployment, and high interest rates. So far, however, France has not been hit by the kind of debilitating recession that has sapped the national strength and self-confidence of the UK for the past two years.

The French have so far escaped the economic and social upheavals that are afflicting post-unification Germany. And France's problems look relatively minor when compared with the continuing political and financial crisis in Italy.

It was with some justification that President François Mitterrand recently claimed that, despite its many problems, the French economy was the healthiest in the European Community.

Since Mitterrand abruptly abandoned doctrinaire Socialist economics in the early 1980s, and embraced at least the principle of the free market, France's overriding national economic policy objective has been to catch up with, and, if possible, to overtake Germany.

Now, in many respects the French have achieved that goal. True, they have recently been helped to do so by Germany's misfortunes.

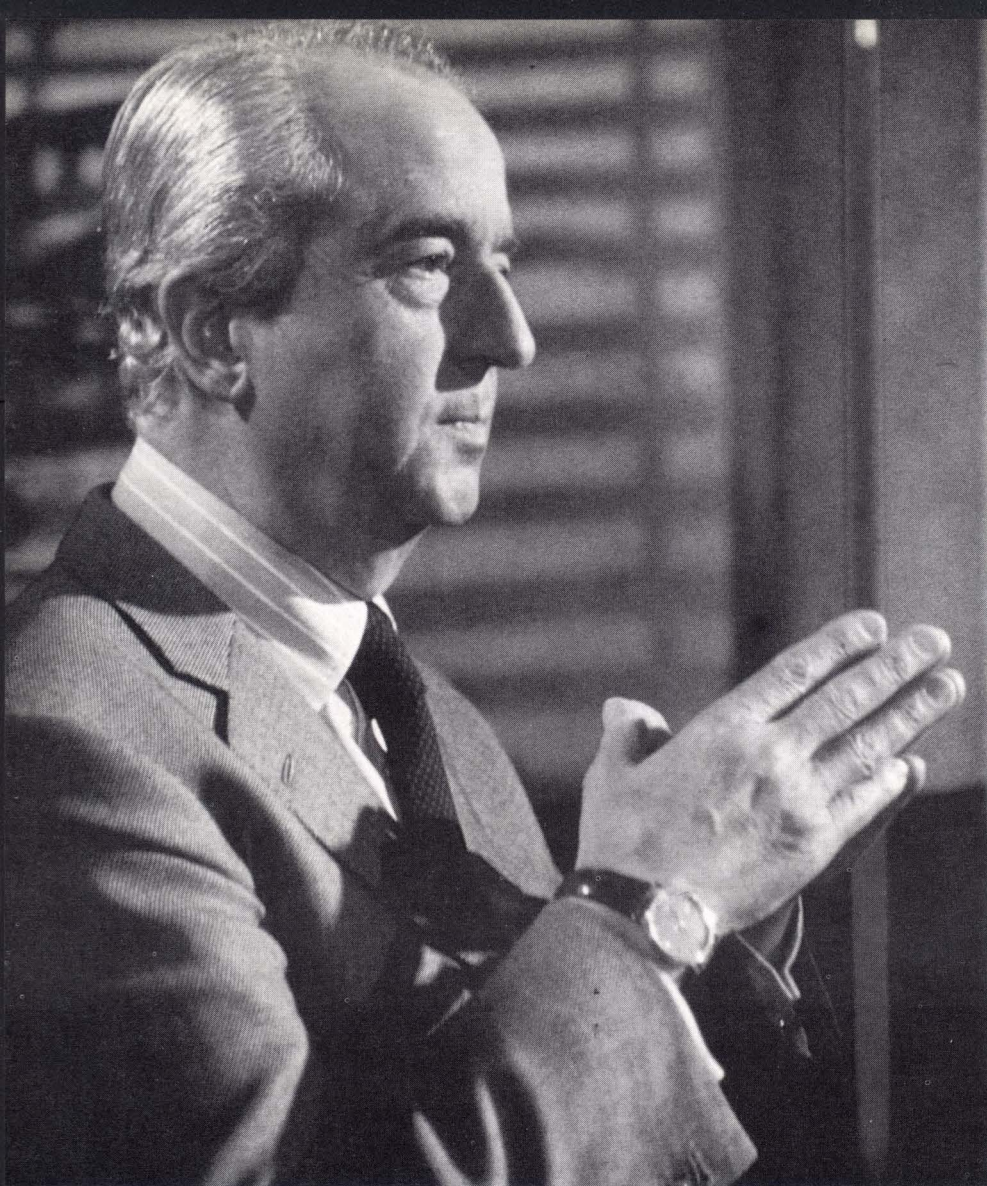
But that should not underrate France's achievements, the fruit of nearly ten years of self-discipline and fiscal stringency.

Last year's French inflation rate—the main yardstick of Franco-German economic rivalry—was the lowest in 36 years. Most significantly, at just two percent, it was little more than half the German rate.

France's economic growth rate, though forecast by the EC Commission at only a modest one percent for 1993, is running ahead of that of Germany and is above the EC average.

As Finance Minister Michel Sapin likes to point out, last year marked the first time in 20 years that French growth was the highest of all the Group of Seven leading Western industrial countries.

France, in fact, was by the beginning of this year the most successful of all the major EC countries in fulfilling the criteria for closer European economic and monetary union—including low levels of inflation, budget deficits,



and government indebtedness—laid down in the Community's Maastricht Treaty.

Many French people accordingly have resented bitterly the frequent speculative attacks on the French franc in recent months, which they find at best ironic and at worst positively shocking.

In a sense the French brought their exchange rate problems upon themselves. The franc crisis that began last fall was sparked by France's near-rejection of the Maastricht Treaty in September's national referendum, in which only 51.05 percent voted Yes to closer European union.

And the high interest rates needed to keep the franc in line with the deutschmark in the EC's Exchange Rate Mechanism, which are at the root of most of France's economic difficulties, raised questions whether Paris would raise them even higher to defend the franc in the run-up to the elections.

Moreover, not everyone in France

Former Finance Minister Edouard Balladur, widely tipped as Prime Minister of a new center-right government after the elections, says that France is already suffering from the worst economic conditions since the end of World War II.

believes the country is in such good shape as the official government line would have it.

With the approach of the parliamentary elections, former President Valéry Giscard d'Estaing, leader of the main centrist opposition grouping, has been warning French voters that the country is in "deep crisis." Many economists say slow French growth could become recession if there is no relaxation in German interest rates.

And Former Finance Minister

Edouard Balladur, widely tipped as Prime Minister of a new center-right government after the elections, says that France is already suffering from the worst economic conditions since the end of World War II.

François Perigot, head of the influential national employers' organization, the Patronat, warns that three years of slow economic growth have created a "crisis of confidence," which has plunged French business into "anxiety and confusion."

He cites declining investment, which even the government admits is a cause for concern, rising numbers of bankruptcies, and unemployment climbing inexorably to the three million mark.

While some of these dire warnings are undoubtedly colored by the imminence of the elections, few would dispute that unemployment has been one of the major contributing factors to the country's recent social and political tensions.

The high jobless rate of more than 10 percent has fueled resentment against immigrants, mainly those from Northern Africa, and helped the extreme-right National Front to a consistent level of support of between 10 and 15 percent of the population.

The increase in unemployment in recent months has added to the national "morosity" that helped to swell the No vote in the Maastricht referendum, and is probably the Socialist government's biggest single electoral liability.

The center-right opposition is making a big issue of the loss of a record 600,000 industrial jobs in 1992, with many of the most prestigious names in French industry forced to lay off workers.

Among those cutting their workforces have been the aerospace group, Aerospatiale, the country's two automotive leaders Renault and Peugeot, Bull and IBM France in computers, and the steel group Usinor Sacilor.

With Mr. Balladur warning that "hundreds of thousands" more people will lose their jobs in the first half of this year, even Laurent Fabius, the Socialist Party's first secretary and leader of its re-election effort, concedes that unemployment is the government's "major weakness."

But the government has also suffered from a host of other problems, including scandals over campaign contri-

butions and, most recently, the provision of AIDS-contaminated blood to hemophiliacs when Mr. Fabius was prime minister in the mid-1980s.

The scandals, the weak economy, a growing distrust of politicians, and weariness with Mitterrand after 12 years in office have combined to erode support for the minority Socialist government to such an extent that it would probably take a miracle to preserve it from severe defeat in the coming elections.

By January, those giving Mitterrand a favorable rating in the opinion polls had dropped to 30 percent or less, against around 60 percent unfavorable, with only marginally better ratings for Prime Minister Pierre Bérégovoy.

More than three quarters of those questioned in a recent poll said they were unhappy with the way France was being governed, and only 20 percent said they would vote to keep the Socialists in power.

Another factor undermining the Socialists has been the growing feeling that the 76 year-old Mitterrand has lost his legendary political touch. His appointment as Prime Minister of the unpopular Edith Cresson in May, 1991, was widely seen as a serious mistake; many also thought he badly misjudged the national mood when he decided to call the referendum on the Maastricht Treaty, apparently believing it would be approved easily.

Many French voters would like to see Mitterrand resign before the end of his second seven-year term in 1995. And opposition leaders are likely to make a major effort to push him out of office if they win the March elections as convincingly as they hope.

One easy way out for Mitterrand would be to reduce the much-criticized seven-year presidential term to five years, and then apply the new limit to himself—an idea he has hinted he may consider. He is, in any case, not in the best of health following an operation for prostate cancer last year. But Mitterrand is not known as a quitter, and there's no evidence that he believes he has completed the tasks for which he wants history to remember him.

First he wants to try to ensure that he is succeeded by another Socialist. But by far the biggest task he has set himself is to advance the drive for closer European economic and political union, currently embodied in the Maas-



Often billed as the great hope of the French Left is Minister of Health and Humanitarian Action Bernard Kouchner, known as the "French Doctor" abroad. (See page 1 of insert, Inside Europe)

tricht Treaty. Mitterrand would regard it as the crowning achievement of his career if he could see the Community through its present period of doubt and confusion and launch it decisively down the road to union.

Even if he is obliged to accept a center-right government, Mitterrand could remain, as President, the chief architect of his country's foreign and European policies.

And it is not just a question of rescuing the Maastricht Treaty. Mitterrand

has not yet concluded the shaping of a broader new world role for France in the years ahead. The end of the cold war has destroyed France's ability to pursue two of its main traditional foreign policy goals—harnessing German economic power to French political leadership and maintaining an independent French world role by playing one superpower off against the other.

Now French policy may have to be further adapted to take account of the change of administration in the United States. If he wants history to judge that he left France a strong, self-confident nation with a clear global role, Mitterrand may well be most reluctant to sacrifice his last two years in the Elysée Palace. ☐

Reginald Dale is a contributing editor to EUROPE and the economics and financial editor of the International Herald Tribune. His "European Politics: Country by Country" appeared in EUROPE's December/January issue.

Scattered through the French countryside in recent months have been hand-painted roadside signs carrying the blunt message: “*Non aux Américains*” (“No to the Americans”).

At the end of last year French farmers burned an American flag outside the US Embassy and angry demonstrators targeted MacDonalds restaurants and the EuroDisney theme park outside Paris as symbols of the United States.

It's not that a wave of violent anti-Americanism has overcome the French—far from it. Many French people individually are probably less anti-American today than they have been for many years.

The protests were the work of a relatively small group of French farmers attacking American demands for European farm policy reform—and what they saw as “blackmailing” American negotiating tactics—in the Uruguay Round of world trade talks.

Nevertheless, the farmers managed to place new strains on official relations between the French and American governments, at a time when Paris and Washington were already at odds on issues ranging from the future of NATO to transatlantic air routes.

It has not been uncommon in recent months to hear commentators (usually American) describing relations between the two governments as being at one of their lowest ever levels.

During the closing months of the Bush administration, then Secretary of State James Baker and French Foreign Minister Roland Dumas were reported by the *New York Times* to “have trouble concealing their dislike for each other.”

And Paris may not have got off on a much better foot with the Clinton administration.

Despite his difficult relations with Mr. Baker, Mr. Dumas went on the public record with the hope that former President George Bush would win reelection.

Some French observers said that was one reason why it took Mr. Clinton a good week after his election to talk by telephone to President François Mitterrand, putting the French leader last in line of Washington's major allies.

But those are only diplomatic ripples on the surface of a deep and complex relationship. After all John Major's Con-

REDEFINING US-FRENCH RELATIONS

BY REGINALD DALE

servative government in the UK made no secret of its support for Mr. Bush and most of German Chancellor Helmut Kohl's Christian Democrats probably felt much the same way.

Of much more importance are the powerful undercurrents that have so often dragged the Franco-American relationship onto the rocks in the past and now risk doing so again.

The French, with their conceptual, Latin thought processes, and the pragmatic, Anglo-Saxon Americans have always had difficulty understanding, let alone trusting, each other. Americans have tended to believe the French are conspiring to thwart American interests. The French believe the Americans are trying to boss them around.

Now, the realignment of geopolitical forces in the post-cold war world is adding to those apprehensions.

More than any other of Washington's major allies, the French are troubled by the idea of a world with only one superpower. To the French, American reminders that this is now the case seem like arrogance.

“Now that you're the only superpower, you think you can dictate policy to your allies and make them obey,” a senior aide to Mr. Mitterrand told an American reporter recently. The Americans, he added, “should realize that a true friend should be able to say No.”

The new world power structure is particularly galling to the French, who had long sought to give France a role disproportionate to its global weight by playing off Washington against Moscow and courting the Third World as the only major Western power independent of the superpowers.

French intellectual and political leaders have often seen anti-Americanism as

a way of establishing France's national independence, unifying public opinion at home, and staking France's claim to European leadership. It has been a strong strand of French thinking that Europe must somehow be united in opposition to the United States—a view with which few Britons or Germans would agree.

Against that background, disputes over what might otherwise be relatively manageable problems can easily escalate into great cleavages of principle that affect the entire future of Atlantic relations.

The most recent example has been the tension over France's efforts to establish a separate European military unit, the so-called Eurocorps, initially to be composed of 35,000 French and German troops, as the nucleus of a future European defense force.

Given that the United States has long argued that Europeans should do more for their own defense, one might think that such a move would be welcomed in Washington. Quite the contrary, American leaders see the French move as a deliberate attempt to undermine NATO—and thus US leadership—and hasten the day when American forces leave Europe altogether.

France sees it the other way around. As the United States is inevitably going to scale down its military presence in Europe, the French argue, the Europeans must start preparing for that day now.

The French have recently eased some of Washington's immediate fears by conceding that the Franco-German corps can operate under NATO command in war and for international peace-keeping. But that does not signify the end of France's long-standing drive to resist what it sees as continuing US efforts to “dominate” Europe.



The French population has been gradually growing much more relaxed about American products. American television, movies, clothes, music, and fast food are accepted in a way that would have been unthinkable a generation ago.

Exactly the same French anxieties underlie the dispute with Washington over farm policy. At one level, the dispute is due to the French Socialist government's unwillingness to upset its farmers in the run-up to parliamentary elections at the end of March, in which the Socialists are in any case likely to be defeated. Their defeat could be even more catastrophic if discontent on the farm flares into a nationally disruptive peasants' revolt.

On another level, French leaders see the dispute as another example of Washington trying to tell Europe how to run its own affairs, this time in the economic field. They insist that Europeans must sometimes say "No to the Americans" if the European Community is to retain its independence from US hegemony.

But one common thread among all these disputes is that they involve only relatively narrow segments of the French population—government officials, television talk show intellectuals, and special interest groups like the farmers, who represent about six percent of the country's inhabitants.

For the last 10 years or so, the French population at large has been gradually growing much more relaxed

about, and less hostile to Americans. American television, movies, clothes, music, and fast food are accepted in a way that would have been unthinkable a generation ago.

English is much more widely spoken. And after the flag-burning incident, many ordinary French people called the US Embassy to express their shame and regret.

One reason for this trend has been growing French confidence that America is not quite as superior as the French once feared. With the United States facing what to most French people seem horrendous social problems, there is less reason for the French to feel inferior and resentful.

Many ordinary French people also seem genuinely pleased that the United States took the lead in generational change by choosing the 46 year-old Mr. Clinton as President last November. With their own President 30 years older than Mr. Clinton, many French people say they wish France would follow suit.

Many of the traditional undercurrents that have embittered US-French relations will not of course disappear just because there is a new President in Washington and, probably, a new gov-

ernment in Paris in the near future.

But there are grounds for believing the two countries could fashion a more cooperative relationship if they can somehow overcome their penchant for mutual suspicion and misunderstanding.

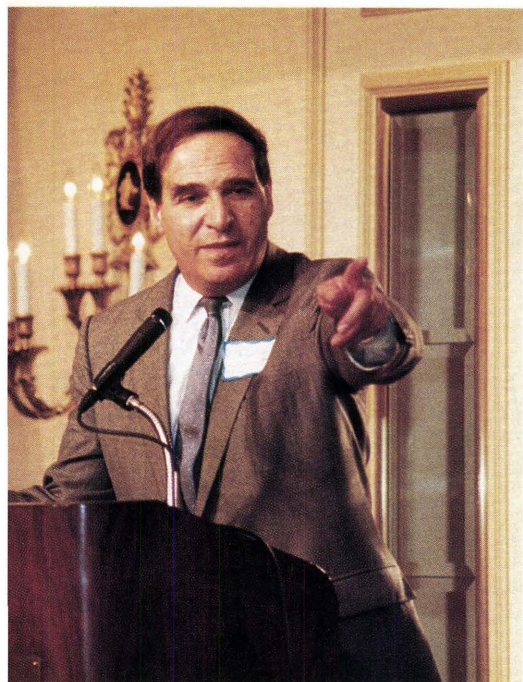
In many ways the two countries have matching interests. As Western policy toward Somalia, Iraq, and the former Yugoslavia has shown, the United States feels it needs partners to exercise world leadership. It will often suit the French to join the United States as a partner so as to show that France is still among the handful of world powers that can influence the course of global events, both militarily and politically.

But France will always be touchy about being seen too obviously to be following the US lead. France will seek to distance itself from Washington from time to time, as it did over Western intervention in Bosnia and the air attacks on Iraq.

If Washington wants to keep France as a partner, it will have to show sensitivity to France's need not to be seen as too junior a partner. France, for its part, will have to be less paranoid about American "hegemony." ☹

—Reginald Dale

Sir Leon Brittan



Sir Leon Brittan, who was recently in Washington, DC to meet with Clinton officials including Treasury Secretary Lloyd Bentsen and Trade Representative Mickey Kantor, spoke with *EUROPE's* editor-in-chief Robert J. Guttman about GATT, US-EC trade relations, the European Monetary System, and Maastricht.

Sir Leon, who was responsible until recently for Competition Policy, is now the Commissioner in charge of external economic affairs for the European Community. Before joining the Commission in 1989 Sir Leon was a Conservative Member of Parliament in the UK and was formerly Secretary of State for Trade and Industry in the United Kingdom.

What would happen to trade in the industrialized world if the GATT talks were to break down and fail?

It would be a very serious situation because if the GATT talks broke down the risk of trade war, the risk of negative reactions would be quite considerable as well as, of course, the missed opportunities. I focus much more on the opportunities than on the negative side.

What are the EC and the US going to do to try to get Japan to open their markets?

We've all got to exert influence on Japan, and I've certainly done that. We had a meeting in Brussels (which I co-chaired) between the Commission and a team of five Japanese ministers, and we gave the message loud and clear. In addition to that, I have had further contact with the Japanese government immediately before coming to Washington.

What is your impression of the new Clinton economic and trade team now that you have met with Lloyd Bentsen and Mickey Kantor.

Inevitably, they are in the early stages of formulating policy, but Mr. Bentsen, of course, is very experienced, and Mr. Kantor will be a friendly, but astute and firm negotiator.

Some people in the Clinton administration talk about managed trade, including the head of the Council of Economic Advisors, Laura Tyson. What is your view of managed trade?

I had a meeting with Laura Tyson, and she didn't talk to me about managed trade. So let's hope she's put that on the back burner because I don't think it is a very good route forward. I believe in having fixed rules and a good system of the enforcement of the application of those rules. That is the way

The EC's Commissioner For External Economic Affairs Speaks Out On Trade, GATT, NAFTA, and US-EC Relations.

forward. Then I think that the free enterprise system which we all believe in should be allowed to play internationally as well as nationally. Once you've removed the obstacles, and removed the roadblocks, and removed the distortions, there is no justification for saying, "Our trade with X is going to be so much and not something else."

The Clinton administration talks about free trade and a level playing field. What is your view of those concepts?

We're all for both of them, aren't we? It's giving reality to them that is the difficult thing.

How do we give reality to them?

We get a GATT agreement. The GATT agreement both opens up markets and lays down the rules for trade to be conducted fairly and will provide a greatly enhanced mechanism for ensuring that those rules are observed. That is why it is so important to reach a GATT agreement.

You have said, "The poorest EC countries have the most to gain

from increased EC trade with Eastern Europe." Why is this?

Because they are the people likely to supply the needs of Eastern Europe. It is not the richer countries with more sophisticated products that are likely to provide those needs which, to start with at least, are going to be, if you like, below or under the scale.

Do you worry about EC countries individually trying to impose beggar thy neighbor policies?

If you talk about the EC countries individually, the essence of the Community is an arrangement which increases trade and prevents people beggaring their neighbor. And the success of the Community is evidence that that principle and that practice works well. And we've got a queue of people lining up to join us; they must think it does.

People worry about the future of the European Monetary System. Your country, the UK, opted out. Do you see it as still viable?

My country didn't opt out, it was forced out. It tried to stay in but had no option because the pressures were very great. Since then we've seen that other countries have had similar pressures, and we've seen the results as far as a number of currencies are concerned. But the fact is, that almost everybody in the Community thinks that the ERM [Exchange Rate Mechanism] is a valuable system. It provides a discipline which has led countries to switch from high inflation to low inflation economies while at the same time having good growth rates, and that is why it is a treasure and people ought to preserve it. We've got to look very carefully at the way it works. We kidded ourselves into thinking that it was a fixed rate system when you need to have a European Economic and Monetary Union before you get to a fixed rate system. It is a system which brings about greater stability but not total stability. And so a readiness to intervene at an earlier stage, the readiness to accept that from time to time there do have to be realignments until we get to a single currency,

these are measures which I believe could strengthen the ERM and ensure its survival after a very rough patch.

You talk about Europe goes through Europessimism, Eurooptimism. Which stage are we in now?

We're in Euroskepticism.

How would you define that?

Well, people are not optimistic, they're not pessimistic. They are not sure. They are asking a lot of questions.



Some of them about fundamentals. We've got to provide answers to those questions.

Is the EC doing a good job at providing those answers?

As always, patchy. Some things we do well, some things we do badly. We've got to do better.

What do you think about the North American Free Trade Association? Does it seem that the world is breaking into different blocs?

There is nothing wrong with regional groupings, so long as they are open toward the outside world. And that's why the European Community must be open toward the outside world. And if NAFTA is too, it can strengthen the world economy and not weaken it.

You only have to worry about regional blocs if they close in on themselves and become protectionist.

During the campaign Clinton talked about taxing foreign corporations. What will that mean for EC companies doing business in the United States?

You'll find that the drift of that now has rather turned in the direction of law enforcement rather than changing the law. And I don't think anyone has any right to complain if the law is enforced fairly and on a non-discriminatory basis. What we would have very serious concern about is if there was new legislation targeted specifically at European or any other foreign companies.

Everyone talks about the single market being open, but the automobile industry seems to be a different issue. Are we going to have an open market in automobiles?

We are going to have an open market because the amazing thing about our agreement with Japan is that it provides for a formal period of transition, which will ultimately lead to Japan being able to export freely to the European Community. When you take into account that we have countries in the Community at the beginning of this process—a three percent quota with Japan—you can see that that is a massive movement in the direction of liberalization even if we take a few years to get there.

"Interdependence" seems to be a key term to describe EC-US relations. Do the EC and US provide jobs for one another's economies?

It is clearly the case, because European investment in the United States provides jobs for millions of Americans, and the same is true the other way around. We put those jobs at risk if we follow beggar thy neighbor policies. I hope that the decision of the Clinton administration to take steps to bring the Uruguay Round to a successful conclusion demonstrates a decision not to follow these beggar thy neighbor policies. ☺



A WINTER IN PROVENCE

What happens in the south of France when the summer tourists no longer crowd the beaches of the Riviera or walk the streets of Nice and Avignon? Not much, which is precisely what makes Provence an ideal place to spend a quiet week or two during the winter holidays. BY JONAS WEISS

Since Charles De Gaulle's reorganization of France into larger "regions" and smaller "départements," what is commonly referred to as Provence is actually a shorter version of the official Provence-Alpes-Côte d'Azur. As the more complete name implies, the region offers a change of scenery at every turn. Within just a few hours by car from Nice, one can rub elbows with the jet-set crowd in Cannes or St. Tropez, admire the medieval Papal Palace in Avignon, or find oneself deep in the heart of the Alps.

Starting from Nice, in the eastern part of the region, the traveler fortunate enough to have a car can choose to work his or her way into the heart of Provence either by the large autoroute heading west toward Aix-en-Provence, Avignon, and eventually Lyon, or by first heading north, making stops in worthwhile places such as Grasse and Saint-Paul-de-Vence, and then continuing west by smaller roads.

The autoroute takes you past a landscape which, to the American traveler, could recall the southwestern United States. With rocky, barren, mountain ridges that in the sunset turn a dark red. Aix-en-Provence is the first major city

along this route, a mid-sized, low-key university town where one can still occasionally hear the old *provençal* language spoken among the older generation. It is well worthwhile to spend an afternoon sitting in the cafes along the busy Cours Mirabeau engaging in a favorite French pastime—people watching. A long, slow walk in the city's old quarter is also a nice exercise.

As the autoroute turns northward, it eventually leads into the Vaucluse, where the Rhône river marks the western frontier of Provence. In the departement of Vaucluse, Avignon is the undisputable center. A beautiful medieval city located on the eastern bank of the Rhône, Avignon reached its historical zenith when the popes fled the regional warfare around Rome to set up their temporary high seat in the city in 1309. When they returned to the Vatican six popes later, they left behind a magnificent legacy—the Palais des Papes, a white stone fortress that is one of the architectural must-sees for any visitor to the region. Avignon is also well known for its summer arts and theater festivals, which the winter traveler would miss, but in return, a December or January visit per-

mits the visitor to really enjoy the city's sights in peace, without the immense crowds, which Avignon attracts in the summer.

Slightly to the east of Avignon are the Lubéron mountains, at the foot of which can be found the countryside of recent fame in Peter Mayle's books about Provence. In addition to Mayle's own village, Ménerbes (he has since left it because of all the attention it attracted because of him), the beautiful, if now slightly chic, village of Bonnieux stands out as one of the jewels of the Luberon. For the wine enthusiast, a short drive north from Avignon leads to Chateauneuf-du-Pape, arguably the best little wine district of southern France. (If one counts Bordeaux as a western, not a southern province). Situated a little bit further to the northeast is the lesser-known but still fine wine district of Gigondas.

But whereas the places mentioned have much to offer for any visitor, there are few secrets left here. To find some of the true undiscovered pearls of Provence, the best bet is in the département known as Le Var, covering most of the stretch between Nice and Aix. Although not actually in the Var itself, Aix is a good starting point coming from the west. From Nice, one can take the scenic route by way of Grasse, the Mecca of perfumes, to Draguignan, the center of the upper Var. Though relatively bland in itself, Draguignan serves as the gateway to the surrounding, smaller communities that embody the true spirit of Provence.

This area between Aix and Draguignan is characterized by its quiet village life, its rolling hills covered with olive trees, and by the vineyards in its valleys. Some of the villages date back to the Roman age, and many of the locals are still traditional farmers or craftsmen. Here, a Parisian is regarded as much of a foreigner as a Northern European or American, and life is still relatively unaffected by the tourism industry. In fall and winter, the forests fill up with local hunting teams in sporty camouflage outfits, stalking the wild boar that roam the countryside. A successful hunt will often result in a lengthy storytelling session at the local bar over several rounds of pastis, and sometimes even a proud display of the catch, before it is hauled off to a butcher who prepares the meat and often saves some for himself as payment. Much of

the meat eventually ends up on the special game menus of the local restaurants. Roasted wild boar in the middle of December is an experience not to be missed. Les Pins in Sillans-la-Cascade, for example, is an unpretentious restaurant run by Madame Frida, a sturdy Swiss woman gone native, who offers an excellent game menu during this time of the year at very moderate prices.

But if the hunters are the more visible forest stalkers during this time of the year, a much more secretive lot also haunting the woods is the fortune hunters searching for the black gold of Europe—truffles. As this exclusive mushroom does not grow on the ground, but rather a few inches into it, truffle-picking is an art that requires a great deal of skill, (and a certain amount of luck), to achieve success. But when achieved, success can be sweet; a kilo of truffles can bring several thousand francs at any of the truffle markets around the area. Consequently, any tree root that yields truffles after a little digging can become a true gold mine and is guarded stubbornly as a precious secret by its finder.

Thursdays are truffle market days in Aups, about 18 miles from Draguignan. Because none of the transactions that take place at these markets ever ends up on any tax return forms, the participants have been very reluctant in the past to let outsiders attend. This seems to have changed, however, as the truffle merchants start to accept tourists as a necessary evil of their trade. At this market, the professional merchants come to buy from the local pickers, who bring their catch in everything from tiny plastic bags to large baskets. As buyers and sellers gather in the room, there is no doubt that the buyers are in complete control. As they walk around the tables where the sellers have lined up their goods, they inspect the truffles of each, and play a silent game of haggling based more on facial expressions than words. The hopeful seller is slipped a small piece of paper with a price scribbled on it. If he is satisfied with it, he leaves the room, only to meet the buyer later outside by the trunks of the merchants' cars, where the truffles are carefully weighed and the transaction is made—no checks or credit cards accepted. No money ever changes hands inside, and any attempt to do so in the showroom is at best met

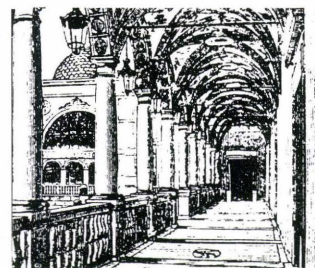
with a cold stare. Those who are the last to leave the room are often disgruntled sellers holding out for a higher price, but in the end, both parties generally leave satisfied, the buyers to go off to another market site, the sellers with a little extra cash for the family savings. Most of the truffles eventually make their way to exclusive restaurants around the world at three or four times the original price, but some stay in the area where they can be found in fancy omelets or in plain scrambled eggs.

Eating, of course, is one of the foremost French pastimes and no more so than on New Year's Eve, or "Le Saint-Sylvestre," as it is called. Where a New Year's Eve party in many other places may include a three or four course meal followed by other spectacles, the dinner is the central activity of the evening here, whether at a restaurant or at home. At Le Vieux Soufflet in Salernes, not far from Draguignan, the New Year's Eve menu this year consisted of seven courses, each carefully and exquisitely balanced to provide a long, pleasurable dining experience without overstepping the boundary to shameless gourmandise. Le Vieux Soufflet is arguably one of the best little restaurants in that particular area, and while the menu is more reminiscent of Parisian nouvelle cuisine than of traditional Provençal cooking, the prices are not. For fine cuisine which blends regional specialties with a standard continental fare, visit the Auberge du Vieux Fox, on top of a hill in Fox-Amphoux, one of the region's smallest and most attractive villages. Left over from an old Roman stronghold, Fox's location gives it a complete overview of the surrounding countryside, as far as the Alps' first outposts to the northeast and brilliant sunsets to the west.

Heading in the direction of the Alps, the man-made St. Croix lake makes a perfect day trip, even in the winter. Drive up to the Aiguines and watch the scenery from an elevated point and then continue into the Gorges du Verdon, a magnificent smaller cousin of the Grand Canyon. Continue all the way through it, then past Castellane up to Digne, and you are suddenly high among the snow-capped peaks of the Alps—and yet, you are still in Provence. ☉

Jonas Weiss, a writer based in Stockholm and Washington, DC, regularly spends Christmas in the South of France.

CAPITALS



LONDON

A FOGGY DAY IN LONDON TOWN

"A foggy day, in London town, had me low, had me down," crooned Frank Sinatra some years ago. Today it's not fog, but traffic fumes that have many people here feeling low.

The pollution level may not yet be as bad as Athens or Mexico City, but increasingly car fumes trapped at low levels are causing many people to avoid taking a deep breath.

Unlike fog, or smog, these fumes are not visible to the naked eye, and it is only when you walk into the street that you are suddenly hit by the nasty smell.

"All the evidence suggests that pollution is getting worse. Unless we come to terms with the motor car soon, the effect on health could be catastrophic," warns Dr. Malcolm Green, Chairman of the British Lung Foundation.

Nitrogen dioxide levels in London are now regularly exceeding EC recommended safety levels, and every Londoner can tell you that the situation is getting worse as more and more cars clog the roads of the capital.

The hope is that these levels will decline over the next few years as catalytic converters are fitted to more cars, but an increase in traffic is likely to outweigh the benefit of cleaner vehicles.

It's not only cars that are causing the problem. Sulfur

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dioxide, carbon monoxide, unburned hydrocarbons, and benzene are all contributing to a deadly cocktail that is choking the city.

It is very common now to see bicycle riders wearing face masks to try to filter out the deadly fumes. One wonders how much longer before pedestrians begin taking the same precautions.

The government's Environment Department admits to

some breaches of the EC levels but denies that this poses serious threat to residents' health. But it is coming under increasing pressure to set stricter emission limits on new factories and incinerators.

Sinatra continued: "How long I wonder will this thing last?" Only a Sinatra standard, or a new anthem for environmentalists fighting for a cleaner London?

—David Lennon



Londoners complain that nitrogen dioxide levels regularly exceed EC recommended safety levels.

AMSTERDAM

DEFENSE CUTS TO COME

The Dutch will abolish conscription for its armed forces and cut the number of military personnel in the army in half. In the largest review of its defense policies since World War II, the Netherlands has recently decided to trim its military forces and to concentrate on professional troops that can be used in rapid deployment actions. The review, presented by Secretary of Defense Relus Ter Beek in January, aims at creating a more flexible defense structure and takes into account the changes in the international security situation after the collapse of the Soviet empire.

The defense budget will be stabilized in real terms for the next six years at about \$7.5 billion, meaning annual cuts of about \$550 million compared to original budget outlays for defense.

On average, the armed forces will decrease their personnel by 44 percent. The obligation of military service for men 18 years and older, will be scrapped in 1998. By that year, the armed forces will be recruited completely on a voluntary base. If a serious military threat arises, more people could be called to arms.

The largest cuts will be made in the army. From this year onward, army bases will be closed, and the one remaining army corps will be united with a German corps under alternate Dutch and

German command. A new "air mobile brigade" will be formed. The army, at present directed at the defense of the northern German plains against an East European enemy within the defense strategy of NATO, will be reorganized into a rapid deployment force, available for peace-keeping missions abroad. Right now, under UN-command, Dutch soldiers are active in the former Yugoslavia and Cambodia, but the versatility of Dutch armed forces in order to be effective for these roles has to be improved. Both the Royal Navy and Air Force will also be trimmed, but to a lesser extent. Part of their equipment will not be renewed, but they will maintain most of their present tasks within NATO, like the submarine-unit and the Naval air force, while the Air force will maintain a strength of 122 F-16 fighters.

High-ranking army officers have aired their skepticism about the reductions and have questioned the future strength of the Dutch military forces. Nevertheless, the main political parties in parliament support the restructuring plans of the defense secretary. It means that conscription, introduced in 1814, will soon be a thing of the past in the Netherlands.

—Roel Janssen

BERLIN

IMMIGRATION AND UNEMPLOYMENT

The western part of the Federal Republic of Germany has been swept by a huge immigration wave in the last five years. According to a study by the Institute for the German Economy in Cologne, the economic research arm of the Federation of the German Industry, 3.2 million people immigrated to West Germany between 1988 and 1991. Almost two million



Unabated immigration to western Germany has increased the employable population by 1.7 million to 32.2 million. In contrast, eastern Germany's population has dropped by almost one million.

of the immigrants were Germans of whom 1.2 million were ethnic Germans from Eastern Europe and 600,000 were Germans from the former East Germany. Almost one and a half million were foreigners, mostly from non-EC countries. These figures do not include 670,000 asylum seekers from 1988 to 1991.

The immigration to West Germany, which continued unabated throughout 1992, has increased the employable population by 1.7 million to 32.2 million. In contrast, in East Germany, both the population and the employment figures have dropped. The population has decreased from 16.7 million (in 1988) to 15.8 million, and the number of employed people fell by half a million to nine million. Bernd Hof of the Cologne Institute expects for 1993 an increase of the unemployment rate in

West Germany from 5.8 percent to 6.3 percent and in East Germany to 17 percent.

In addition to the problems of unemployment, housing shortages have become acute. The growth of the population does not keep pace with the number of newly constructed apartments. Many immigrants are cramped in garages, gymnasiums, and boarding houses.

Economists predict that for the German economy 1993 will be the most difficult year since 1982, and Otto Count Lambsdorff, chairman of the Liberal Party and ex-minister of Economics, speaks of a "difficult year for Germany." More than half the leading sectors of trade and industry expect a drop in exports, production, and investment. Twenty-nine out of 41 sectors expect to reduce their labor forces, and ascribe the malaise to high wages, the

reevaluation of the deutsche mark, which has worsened export chances, and the dispute about tax increases. A silver lining on the horizon is that for the Cologne Institute, the East does not show any signs of a recession. Most of the five new German states expect the same (or greater) investments in their areas as last year.

The mood in the united Germany has also deteriorated. As of last September the number of optimists had dropped drastically from 44 percent to 36 percent. Strangely enough, eastern Germans are less pessimistic. Forty-seven percent are hopeful compared with 23 percent who worry about the future. Only 34 percent of western Germans are hopeful, but 33 percent are worried.

—Wanda Menke-Glückert

DUBLIN

EARLY RETURNS ON THE SINGLE MARKET

About 500 customs and excise officers have been deployed to other duties following the entry into force of the EC single market at the beginning of the year. None of them have lost their jobs as they had once feared.

But motorists who had been hoping to buy cheaper cars as a result of the abolition of excise duty on imports of new cars have been disappointed. And many of the customs officers, formerly checking imports at the border with Northern Ireland and the ports and airports, are now operating the new tax that has replaced the excise duty on cars.

The new vehicle registration tax, which will be as high as 31 percent on large cars, means that it is not worthwhile to buy cars at cheaper prices in other EC countries and then bring them into Ireland as the new tax and other

expenses would cancel out the price difference. Ireland has the second-highest car prices in the EC after Denmark.

The good news is that Irish travelers will be able to import much larger quantities of cheap cigarettes, beer, wine, and consumer goods as long as the local taxes have been paid in the EC country where they were bought. There will be some customs officers at points of entry just to make the occasional check that the goods imported are for "personal use" and not for commercial resale. The amounts are fairly generous such as 10 gallons of beer, nine gallons of wine, and two gallons of spirits.

Legally, there is no definition of "personal use," and the above amounts are described as "guidelines." If one is stopped, however, with bigger quantities of such goods, the onus is on the traveler to convince the customs official that he or she really can consume it all. This should allow scope for some interesting arguments over travelers' alcoholic capacity.

The strict Irish quarantine rules on imports of pets (which includes a three-month quarantine period) will remain in force for the time being in spite of the single market because of the country's rabies-free status and longterm freedom from foot-and-mouth disease.

The much smaller allowances for goods bought in duty-free shops in airports and on ships will continue, but because of the absence of controls on the returning travelers, the shops themselves will have to ensure that the allowances are not breached. Under the new "vendor control" system, the staff in the duty-free shops will check all purchases and so do the jobs that the customs officers used to do.

Small teams of customs officers are being trained to be part of a new national drugs

team concentrating on intelligence gathering and prevention of drug smuggling. Other officers will still be assigned to prevent cattle and pig smuggling across the border with Northern Ireland. So it is not quite a full single market yet.

—Joe Carroll

ROME

THE NUCLEAR QUESTION

Italy is virtually the only EC member country that doesn't have nuclear power plants. The lack of nuclear power, however, is not due to a lack of technology but the result of a political decision based on the desire of the majority of Italians. In past years, two working reactors and one in the process of being finished have been shut down after a tough publicity campaign conducted by ecologists and anti-nuclear movements. Starting in 1987 and for a five-year period, a state law has made illegal all activity regarding the atom. Italian public opinion has always been leery of atomic energy, more so than in other countries. After the nuclear reactor accident at Chernobyl, Italy was the only European country to ban vegetables temporarily as a precautionary measure against possible contamination by the Soviet reactor.

The 1987 moratorium is about to end now, and the Italian government is asking itself what to do. Renew the ban? Or, now that reactors seem to possess every type of security mechanism, should Italy develop a less costly system of producing electrical energy? Those in favor of lifting the ban point out that Italy is surrounded by countries that are full of atomic power plants, including France, the former Yugoslavia, and Switzerland. In the unlucky event of an accident, such as the Chernobyl incident, Italy would be affected

regardless of a ban. And since these other countries are reaping the benefits of cheap electricity, why shouldn't Italy?

Both the Confindustria, the association composed of all the private entrepreneurs in Italy, and IRI, the powerful consortium of public companies, are in favor. Ironically, Ansaldo, the national company that has the most experience in the sector, is the one calling for caution. Its director, Bruno Musso, hasn't forgotten that his company is part of the public group, IRI. But he says, "Nuclear energy needs a climate of trust. And, when it was outlawed, our institutions were not sufficiently credible."

The situation can change, though. Musso offered a note of optimism, saying "I hope that, for the common good, the institutions regain credibility." He also made it clear that he has already thought of a possible strategy for the future. "A reasonable hypothesis," he told reporters, "would be to begin with an American partner and work together on a prototypical power plant of a new generation." But the government and parliament must say the word go, and for now they are silent.

—Niccolò d'Aquino

LUXEMBOURG

NEW AGRICULTURE COMMISSIONER

Luxembourg's former Agriculture Minister will play a key role in shaping the agricultural policy reforms for the EC now that he has assumed the post of European Commissioner for Agriculture and Rural Development.

René Steichen was part of the new line-up of 16 commissioners appointed in December by the EC Council of Ministers. Commissioners are traditionally appointed for

four-year terms, as outlined in the Treaty of Rome. But the terms this time are conditional upon the entry into force of the Maastricht Treaty, which outlines a plan for tighter political and economic union among the Twelve. Jacques Delors will continue to head the executive panel, which he has done since 1985.

Steichen succeeds Ray MacSharry of Ireland, who held the position since 1988. Marie-José Jacobs will replace Steichen in Luxembourg.

In a speech before the EC farmers' organization (the Committee of Agricultural Organizations, COPA) in early January, Steichen is quoted as saying that he supports the EC-US agricultural trade accord reached in November. The EC agreed to cut deeply farm export subsidies and reduce production of oil seeds. That removed a major stumbling block toward a successful conclusion of the Uruguay Round of GATT trade negotiations. Some, however, view the deal as a sell-out of Europe's farmers.

Completion of a GATT agreement will be high on Steichen's agenda. In his remarks to COPA, he underscored the importance of finishing these talks and the resulting benefits for Europe's farmers. The final accord will likely demand more reforms in the Common Agricultural Policy. The EC took some steps toward doing so in May last year. Implementing these changes will also be high on Steichen's agenda.

By choosing to meet with COPA as one of his first official actions, Steichen sent a signal to Europe's farmers that he will be working more closely with them than his predecessor. Farm groups throughout MacSharry's tenure complained that he was "stand-offish." Steichen assured COPA officials that his aim is "to reinforce contacts between your experts

NEW ISSUE

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and mine so as to have a constructive, efficient, and reasoned discussion."

Other goals that he outlined include proposing new legislation that would reform the sugar and wine sectors and becoming more active in reforming the EC structural funds program to address rural development issues.

Steichen, a lawyer, first entered Luxembourg's government as a Minister of State for Agriculture and Viticulture in 1984. His political career traces back to 1969, when he joined the council of Diekirch, his native city. From 1974 to 1984,

Santiago was the third most important pilgrimage destination for Christians after Jerusalem and Rome. Every year, thousands of the faithful would trek from all over the continent by foot, oxcart, or horse to the city where Saint James was reportedly buried.

This year, the feast day of Saint James (or Santiago as he is known in Spanish), July 25, falls on a Sunday, the day on which the locals will kick-off a year-long celebration.

Santiago is worth a visit at any time, with its glorious cathedral, ancient cobblestoned streets, Medieval quarter, and fine restaurants.

ing the old pilgrims' route, which wound its way from France and along which, still today, the devout from countries all over Europe can be seen walking to Santiago with stout staffs in their hands and scallops—the symbol of St. James—around their necks. Much of the money has gone into building resthouses where the pilgrims can spend the night free of charge.

Religion aside, it is hoped the infusion of big money and attention that will be lavished on Galicia this year will bring it a bit of the fame and fortune that Seville and Barcelona enjoyed last year.

—Benjamin Jones

BRUSSELS

HOUSING THE COMMISSION

The Berlaymont building, proudly opened as a purpose-built headquarters for the EC Commission in 1969, now presents a sorry sight to the passer-by. It was precipitately evacuated in January 1992 because of the risk that it's 3,300 inhabitants would be contaminated by the large amounts of asbestos in its structures. Since then it has been abandoned to the pigeons, and its appearance has grown more and more forlorn.

The 3,300 Commission employees have been relocated, at the expense of the Belgian government, in a dozen rented office buildings in various parts of Brussels. The favored few, along with the Commissioners and their immediate staff, have been transferred only a few hundred yards to the Breydel building. The accommodation there is reasonably adequate, even if the press room, where the daily briefings for journalists are held, is rather cramped.

It was originally estimated that the renovation of the Berlaymont would take about five years, but after over one

year's delay nothing has been done, and nothing has yet been agreed on what should be done. The EC Commissioner formerly responsible, Antonio Cardoso e Cunha, wanted the building to be pulled down and a larger one erected that would have enabled most, if not all, of the Commission's 12,000 employees to be accommodated under one roof.

The Belgian government insisted that the Berlaymont should be restored rather than rebuilt. Cardoso replied, on behalf of the Commission, that it could give no guarantee that it would continue to rent the building unless all its specific requirements, on safety and other matters, were met.

There the matter rested until January, when the new Commission took over, and the Belgian Commissioner, Karel Van Miert, was given responsibility for personnel matters, which include the buildings in which the Commission staff work. He lost no time in getting together with Belgian Vice-Premier Guy Coëme to see if the show could quickly be got back on the road.

No firm agreements have yet been reached, but the outline of a more realistic timetable has now emerged. The Belgians hope to get started on the decontamination by March or April and estimate that this will take at least two years. Only then can the work of restructuring begin, and the most optimistic date for completion is 1998. Guy Coëme reckons the total cost at between \$330-450 million.

The Belgian government has a strong incentive to get the work done rapidly. The rent it receives from the Commission is less than \$170 million, and it is costing it about \$500 million to rent the temporary offices. A deal should now come about fairly soon, though it may be near the end of the millennium before the



On July 25, locals will kick off a year-long celebration of the Year of Santiago.

he served as the city's mayor. In 1979, he was elected Deputy of the Christian Socialist Party.

—James D. Spellman

MADRID

SANTIAGO

In Spain's wet and rugged northwest, the city of Santiago de Compostela is the focal point this year for Xacobeo '93, a religious, cultural, historical, and artistic extravaganza that the local and central governments hope will help pull the isolated region of Galicia into the 21st century.

During the Middle Ages,

But this year, in honor of the Ano Xacobeo, or Year of Santiago, as it is called, the authorities are sponsoring cultural events which will feature everyone from Yehudi Menuhin and the Royal Philharmonic Orchestra to U2 and Sting.

Hundreds of millions of dollars are being spent to beautify the city and restore its more neglected architectural glories, and much more is being splashed out on upgrading infrastructure all over Galicia, a region which has long suffered a reputation as one of the least developed in Spain.

Another \$90 million has been earmarked for upgrad-

Inside

EUROPE

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FOCUS ON FRENCH ELECTIONS

The man most likely to be France's next Prime Minister after the predicted defeat of the Left in this month's parliamentary elections, is former Finance Minister **Edouard Balladur** (63). Balladur, Paris deputy of the right-wing RPR (Rally for the Republic) Party, is quietly confident that President **François Mitterrand** (76), who has been heard to praise him as a "courteous and estimable" man, will choose him to succeed outgoing PM **Pierre Bérégovoy**.

As an experienced politician, who has already lived through the previous 1986-1988 cohabitation period, Balladur has been calmly building up his network of useful contacts and preparing his strategy for the future. He has given himself "three months to revive hope in France," with a program of economic measures that include reforming the Bank of France, reducing a certain number of social charges, and cutting budget spending by three to four billion dollars.

His majestic air and regal manner have brought him in for some teasing by the French press, who call him "Monseigneur"—His Lordship. Once, when Balladur was holding a press conference in the Plaza Athénée Hotel, where a 17th century sedan chair is on display in the lobby, journalists coming in apparently took one look at it and exclaimed: "Ah! Balladur has already arrived!"

•••

For political veterans like the mayor of Paris, **Jacques Chirac** (60), and former French president **Valéry Giscard d'Estaing** (66), this month's elections are just a preliminary bout, limbering them up for the main prize fight—the 1995 presidential elections. Both Chirac, who heads the neo-Gaullist RPR, and Giscard d'Estaing, who presides over France's other moderate right-wing movement, the UDF (Union for Democracy), are nurturing long-standing ambitions to take the title when President Mitterrand finally steps out of the political arena.

But both will have to face a new generation of younger contenders who have appeared on the scene and are flexing their political muscles to great popular

acclaim. The victory of the Clinton-Gore team in the United States could be followed in France by the rise of a similar bunch of bright, attractive, and youthful, if not actually young, politicians.

•••

Topping all the popularity polls, and billed as the great hope of the French Left, is its present Minister of Health and Humanitarian Action, **Bernard Kouchner** (53). Known abroad as the "French Doctor", he has been flying to the aid of the sick and starving of the world ever since he set off on his first mission to Biafra as a medical student in 1968.

A charismatic, single-minded man, he has never been one to shun the limelight. He uses the media unashamedly to denounce injustice and suffering wherever he sees them, to what some of his critics feel is an embarrassing, self-glorifying extent.

Since Kouchner is essentially a loner, it is not certain how successful he would ever be as a presidential candidate, but he is certainly the most publicized of the new breed of golden boys in France. And whatever his detractors may say against his show-biz style of humanitarianism, no one can deny that Kouchner has been courageous enough, as the grateful mayor of Dubrovnik pointed out, to be "the one who came when all the others were leaving."

•••

On the green end of the political spectrum are two up-and-coming ecologists who have formed an electoral alliance: **Antoine Waechter** (43), president of Les Verts (the Greens), and **Brice Lalonde** (47), president of the GE (the Ecological Generation).

Waechter is the less politically-minded, more intransigent of the two; he believes that the ecological movement must stand on its own and cannot be married to either the Right or the Left.

Lalonde has a more flexible approach. As the former Socialist Environment Minister, he has kept in touch with old friends like Bernard Kouchner and past Prime Minis-

FOCUS ON FRENCH ELECTIONS CONTINUED

ter and future presidential candidate **Michel Rocard**. Pragmatic enough to believe in a market economy and support nuclear power, Lalonde is not filled with idealistic horror by the possibility of a mutually advantageous relationship with either the Left or Right.

The Waechter-Lalonde alliance should help get a strong field of green candidates through these parliamentary elections. But after that, with the 1995 presidential contest in sight, it will be every man for himself, and in that race, Lalonde will not let any grass grow under his feet.

•••

Just back from a six-month, self-imposed exile, is the maverick of French right-wing politics, **François Léotard** (50). Last July, within hours of being charged on several counts of bribery and corruption, he resigned with a flourish from public office on the grounds that he could not continue to represent French voters until his name had been cleared. With the charges against him likely to be dropped and the elections just ahead, he has now stepped forward and rejoined the fray, making the most of his role as an honest man unjustly accused. His ultimate goal appears to be nothing less than the presidency of France.

Léotard preceded **Jack Lang** as Minister of Culture during the two-year cohabitation of the Left and the Right. He

is a member of the PR (Republican Party), one of the branches of the UDF, but he prides himself on being an independent who stands outside party politics. He says that he admires American politicians for being able to rise above partisan concerns and cites the example of **George Bush** congratulating **Bill Clinton** on his victory: "The day that the French will see political competition in that way, things will go better for everyone."

—*Ester Lausbuway*

E.C. NEWS

EC STUDIES PROGRAM

The Center for European Economic and Public Affairs in the University College of Dublin offers both a Masters and Executive Program in European Affairs. The Executive Education Program is designed for senior executives who need to understand the regulatory environment of the European Community and the political and economic factors which determine the European business environment. The program lasts four weeks, and the 1993 program will take place in mid-September.

DAVOS NOTEBOOK

What a difference a year makes. In February 1992, six weeks after the implosion of the USSR, exhilaration and hope greeted the challenge of integrating 15 more nations into the architecture of a new Europe. Several leaders of the former Soviet republics, some on their first journey to the West, came to the World Economic Forum in Davos, Switzerland, to commune with the rich and mighty. Recognizing a strategic shift of great historical significance, Henry Kissinger envisaged a new era of cooperation, a revitalized NATO, and a vital role for Turkey in Central Asia.

This year the bloom was off the rose. Preoccupied by recession, trade problems, currency turmoil, and most of all the disturbing developments in the former Yugoslavia and Russia, the 1500 or so business/government leaders at Davos were sobered by a frightening set of problems.

The conference again attracted the big names from post-communist Europe. Viktor Chernomyrdin, the burly industrialist who in December was named Russian prime minister, pleaded for investment and assured business leaders the market based reforms begun by his predecessor would go forward. "Hurry. Don't wait (to invest)," he said, "or the chance will be lost." Mr. Chernomyrdin's deputies worked the crowd, extolling Russia's bold privatization and the need for debt relief. Meanwhile, skeptical bankers sounded notes of caution. "Don't forget," warned Deutsche Bank's Hilmar Kopper, "that a sound legal structure and a functioning banking system are vital to development."

Jacques Attali, of the European Bank for Reconstruction and Development, echoed the call for Western businesses to invest in Russia and the other former Soviet republics. The West, complained Attali, lacks a vision for dealing with the former East Bloc. "Expanding trade between East and West Europe," he said, "must

be the top priority."

Calling for a lifting of the arms embargo in Bosnia, German Defense Minister Volker Ruhe castigated Serbia and said Europe's soul is "being destroyed" by the unchecked warfare in the former Yugoslavia. Lamenting the failure of Community efforts to resolve the conflict, Ruhe and others warned that unless halted the fighting will inevitably spread. Albania's president Sali Berisha promised Albanians will fight if attacked. Warning Turkey to stay out of the conflict, he pointedly praised Greece for helping Albania.

The theme of this year's forum was "rallying all the forces for global recovery." Top officials of the new Clinton administration could not attend. But MIT business school dean Lester Thurow provided no comfort to participants already skeptical about the new president's trade policies. His presentation given prominent place, Mr. Thurow chilled his listeners by suggesting that to assure annual four percent growth necessary for re-election, Mr. Clinton would have to limit imports and gradually decouple the United States from dependence on Japanese products. Meeting chairman Karl Otto Pöhl drew relieved applause from the audience when he exclaimed to the erstwhile Democratic Party adviser, "thank God, you're not running US economic policy."

The sense of danger and a world adrift were palpable at Davos. A savvy Hungarian journalist summed up the changed mood by recounting his recent experience at the Hungarian-Austrian border. "There are still one and a half hour waits," he said, "just as there were in the summer of 1989. Then it was the Hungarians trying to keep people in. Now it is the Austrians trying to keep people out." It was a poignant reminder of how the euphoria that followed the collapse of the Berlin Wall has vanished.

—*Barry D. Wood*

A major feature of these programs is the exposure to both senior academic staff as well as sustained interaction with decision makers directly involved with the formulation and implementation of Community policies.

The Executive Education Program involves two and a half weeks in Dublin, meeting with senior business leaders, officials, and politicians. Ten days are spent in Brussels at intensive meetings and seminars.

The Masters Program is a year long program, designed for individuals with an executive background or orientation who need a thorough understanding of the European Community and for those intending to pursue further study in Community Affairs or International Relations. It covers four disciplines: Business Studies, Economics, Law, and Politics. It leads to an MA or MEconSc.

Further information from CEEPA tel: 353 1 269 3244, fax: 353 1 269 4409.

CLINTON AND YELTSIN TO MEET

President Clinton and Russian President Boris Yeltsin plan to hold their first summit meeting April 4. President Clinton is expected to emphasize his support for President Yeltsin's efforts to convert Russia's planned economy to a market economy and explore ways the US can help Russia achieve this goal.

DENMARK VOTES ON MAASTRICHT

On May 18, Denmark will hold its second referendum on the Maastricht Treaty and get a new chance to vote in favor of closer union with the European Community.

Seven of the eight parliamentary parties which support the revised Treaty with special "opt-out clauses" for Denmark agreed on the date in May and rejected an opposition proposal to hold the vote earlier in April. "It gives us more time to properly inform the electorate about the content of Denmark's Maastricht deal," Ole Fich, Social Democrat EC spokesman said.

Last June, 50.7 percent of Danish voters were against the treaty for European political, economic, and monetary union.

ENLARGEMENT TALKS BEGIN

The European Community formally opened negotiations to admit Austria, Finland, and Sweden as the EC's first new members since 1986. The talks, which began on February 1, will cover 29 different areas from EC law to the plans for European union.

In a televised ceremony, the foreign ministers of the three neutral countries stressed that although their nations want to maintain the policy of non-alliance they could join future EC security structures.

If the intergovernmental conferences succeed the three EFTA countries could hold referendums in 1994 and join the Community by 1995.

WHAT THEY SAID....

"Danger! For your safety, let humanitarian aid land before approaching."

—*Leaflet dropped over Bosnian towns in advance of US airdrop of food and medical supplies.*

"The partnership is not a luxury for the US; it's not a luxury for Europe...It's essential for both. It has to be based on a maximum of open trade and not on constant fusillades. That way lies impoverishment."

—*Mickey Kantor, US Trade Representative, talking about the importance of US-EC relations.*

"It is time we acknowledged we should fight again for Europe if we do not want to accept that Europe falls into the petty spirit of the past."

—*Edzard Reuter, chairman of Daimler-Benz AG, in a call for stronger EC leadership.*

"It is crucial that Denmark remains an active and committed member of the European Community."

—*Poul Nyrup Rasmussen, new Danish Prime Minister, in his first speech before parliament.*

NEW SINGLE MARKET WHITE PAPER

The EC Commission decided to issue a new White Paper on how to manage the single market after its official start on January 1.

The document, which is a clear reference to the 1985 Cockfield timetable for completion of the internal market, will be based on the recommendation of the Sutherland report presented last December.

Among the actions suggested by Peter Sutherland, the former internal market commissioner, were the publication of annual reports on the progress of the internal market and community-wide training programs for judges, lawyers, and national civil servants.

DELORS SEEKS WORLD SUMMIT ON UNEMPLOYMENT

EC Commission President Jacques Delors called for an emergency G7 summit in April to address growing concerns over world unemployment levels. Delors said he was worried that burgeoning unemployment could have dramatic consequences in Europe, including the threat of "social exclusion, poverty, violence, and racism." He suggested a coordinated plan— assembled from President Clinton's job-creation program, a new growth package in Europe, and fresh measures in Japan along with other proposals—was indispensable.

"It is not a miracle solution. It is a psychological and political necessity. It is not possible to live with three million unemployed in each major country," he said.

BUSINESS BRIEFS

Tarom of Romania is the latest East European airline to be put on the block as governments in the region attempt to bring inefficient state-owned carriers up to Western standards.

Malev of Hungary recently sold a 35 percent stake to **Alitalia** for \$77 million, **Air France** paid \$60 million for a 40 percent holding in **CSA** of the Czech and Slovak republics and **Balkan Bulgarian Airlines** is being sold to private investors.

Poland's **LOT**, still state-owned, is pursuing links with US and European carriers, and **Aeroflot** has teamed up with **British Airways** to create Moscow-based **Air Russia**.

...

Bernard Tapie, the maverick French businessman and politician, sold his controlling stake in **Adidas**, the German sporting goods company, to a group of investors for \$370 million.

The buyers include Robert Louis Dreyfus, chief executive of **Saatchi & Saatchi**, the British advertising firm, and several French financial institutions.

...

CABLE & Wireless, the British telecommunications group, took a 40 percent stake in **Belcel**, the joint venture awarded a contract to install and operate a cellular telephone network in Belarus, formerly part of the Soviet Union.

Connstruct International of the Netherlands has a 10 percent holding, with the remainder held by the Belarus ministry of telecommunications.

...

Rhône-Poulenc, the French chemicals group, which is 43 percent state-owned, reckons it will become a private company soon after the general elections this month when the ruling Socialist government faces what appears to be almost certain defeat.

Finance Director **Jean-Pierre Tirouflet** said that if the new government sold its entire stake, the sale would raise between \$2.2-2.7 billion.

Pechiney, the state-controlled aluminum group is also positioning itself for privatization. Its chairman, **Jean Gandois**, favors private ownership but said the firms should not be sold until its financial performance had improved and the price of aluminum rises.

The opposition conservatives have

vowed to sell most of France's huge state holdings in industry.

...

The German government approved a reform package to transform the state-owned railroads into a joint stock company operated on commercial lines by 1994 paving the way for privatization after the year 2002.

...

Europeans will be able to buy **Huggies** next year following the decision of Dallas-based **Kimberly-Clark Corp.** to enter the \$4 billion a year European market for disposable diapers.

Kimberly-Clark will be competing head on with its arch rival **Procter & Gamble** whose **Pampers** brand is Europe's market leader.

Kimberly-Clark is building a \$250 million diaper plant in northeast England due to open later this year.

...

DASA, the German aerospace group finally took control of **Fokker**, the Dutch aircraft maker, after securing better terms from the Dutch government.

DASA had threatened to call off the deal unless the government, which holds 31.8 percent of Fokker, sweetened the offer. DASA insisted its purchase of a 51 percent stake should be renegotiated to reflect the deteriorating conditions in the world airline market.

The takeover will transform DASA, a unit of **Daimler-Benz**, into Europe's biggest civil aircraft firm with a 90,000 payroll and annual revenues of more than \$12 billion.

The deal was clinched just after DASA agreed on a joint feasibility study of an 800-seat super jumbo jet with **Boeing**.

...

In an unusual and politically charged transaction, **Elf** the French oil company took over **Yves Saint-Laurent**, the famous fashion house. It was announced that **Elf-Sanofi**, Elf's pharmaceuticals unit, paid \$640 million for YSL.

...

Germany's corporate giants pledged to double their purchases of goods from the former East Germany by 1995 in a bid to revive the East's bankrupt economy.

Carl Hahn, chairman of Volkswagen, announced the "purchasing offensive," which is being backed by more than 30 top companies ranging from auto makers

to department stores and mail order firms.

At present, purchases from the East total only \$14.8 billion a year compared with Eastern purchases from the West of \$107 billion.

...

Mazda, the Japanese auto firm, may export cars from its plant at Flat Rock, Michigan, as an alternative to following its rivals **Nissan**, **Honda**, and **Toyota** which opted to build factories in the United Kingdom.

...

DHL International, the Brussels-based air express delivery group, plans to invest \$1.25 billion over the next four years to double its capacity in Europe and Asia.

DHL said that despite the economic downturn in Europe and Asia it expects business to grow as companies switch to more efficient inventory management techniques that require express services.

DHL forecasts a 20 percent growth in the express market in 1993 boosted by increased shipments of high-tech high-value products and auto parts.

DHL's position in the fiercely competitive global express market was strengthened after it sold a 57 percent stake to **Lufthansa**, **Japan Airlines**, and **Nissho Iwai Corp.**, a Japanese trading house.

...

Honda of Japan boosted its position in the European motorbike market by forging an alliance with **Piaggio**, the Italian manufacturer that builds the well-known **Vespa** scooter.

Honda, which has a 40 percent world market share selling 3.5 million bikes a year will work with Piaggio, Europe's leading manufacturer, to develop small and medium-sized bikes tailored to European tastes.

Honda already has a wide-ranging technical collaboration with **Peugeot** of France.

—Bruce Barnard

INSIDE EUROPE

Correspondents

Bruce Barnard
Ester Laushway
Barry D. Wood

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Commission moves back to its old home. In the meantime, the physical center of the EC will remain one gigantic building site.

—Dick Leonard

LISBON

INFLATION AND UNEMPLOYMENT TARGETED

Portuguese Finance Minister Jorge Braga de Macedo recently predicted that Portugal's economic growth in 1993 will be negatively affected by the sluggish trend of Europe as a whole. Braga de Macedo slashed the 1993 growth estimate from 3 to 1.75 percent. He also predicted an increase in unemployment from the current 4.5 percent but declined to give a new estimate.

The top priorities for Portugal in 1993 will be the consolidation of the 1992 economic reforms. These reforms include the entry of the escudo in the European Exchange Rate Mechanism (ERM) last April, the complete liberalization of capital movements in December, and the reform of the civil service. The finance minister said that, under the terms of the new civil service law, civil servants could be transferred between departments or laid off altogether. The government's objective is to reduce their overall number, transferring them to the private sector.

The Portuguese government has warned that unemployment will continue to rise during 1993. The reduced number of civil servants, the 3.7 percent reduction of direct foreign investment in 1992, the sluggish growth of European economies, and the restructuring of Portugal's inefficient agriculture and labor-intensive textile industry are the main causes for the rise in unemployment. Nevertheless, the current level of unemploy-

ment, at 4.5 percent, is far below EC standards.

Braga de Macedo added that one compensation for the slow growth in 1993 would be the progress in the fight against inflation, as well as a reduction in interest rates. The government aims at cutting average annual inflation to between five and seven percent from 8.9 percent in 1992. Interest rates will fall at least by the same percentage as inflation, as long as the stability of the escudo is not compromised.

—David Samsó-Aparici

ATHENS

EUROPEAN DIMENSIONS

With the beginning of the single market, the Greek Ministry of Industry, Research, and Technology has organized, with EC support, an exhibit on the technical and economic harmonization of Europe.

The purpose of the exhibit is to educate Greeks on the achievements of science and technology, their contribution to humanity, and the way they serve and contribute to the idea of European integration and harmonization.

Research centers, standardization bodies, public companies that provide services such as electricity, private businesses, and banks will have the opportunity to explain to the public the adjustments they underwent in order to prepare for European integration.

For instance, under the theme "Building European Networks," institutions such as OTE, the Greek National Telecommunications Organization, explain their efforts to adjust to European standards and what the benefits will be once everyone in the industry is in sync. The exhibit also alludes to the dangers of complete uniformity, especially at the cultural level, emphasized with scenes from Franz

Lang's film *Metropolis*, which are shown as extreme examples of the complete loss of individuality.

The organizing committee wants to give Greeks the opportunity to think about the positive and negative aspects of European integration as well as demonstrate the contributions of science and technology to the standard of living.

The exhibit, titled "European Dimensions," will be held in Athens in the Eugenides Foundation and will run March 15 to June 15.

—Vlassia Vassikeri

COPENHAGEN

SECOND MAASTRICHT VOTE

This winter Danes are campaigning for the Maastricht Treaty for the second time. The EC Edinburgh Summit gave Denmark a special deal that will give the Danish voters a second chance in May to ratify the Maastricht Treaty. If they reject it again, like in June 1992, Denmark will almost certainly have to give up full EC membership, and the other 11 EC countries will have to make a fresh legal start on Maastricht.

Polls indicate that this time the Danes will vote Yes, probably with a majority of 60-40. The polls have been wrong before, but since the first referendum a new government has been formed, led by the Social Democratic Poul Nyrup Rasmussen, and includes three small center parties. A majority of Social Democratic voters rejected the Maastricht Treaty last year, but with their own party in power, far fewer are expected to do so this time. And the main left-wing party, the Socialist People's Party has swung from a No to a Yes. Continued membership in the EC is the main plank in

the platform of the seven parties in Parliament advocating a Yes to Maastricht, politically watered down by summit decisions to release Denmark from obligations in the key areas of Economic and Monetary Union, especially the single currency, EC citizenship, and defense.

The mainstay of the opposition to the Maastricht Treaty is the right-wing Progressive Party and the 2nd June Movement, a bipartisan organization named after the last referendum date, with relatively substantial support from dissatisfied voters from the Social Democratic and Socialist People's Parties. The 2nd June Movement hopes that another Danish No will abort European Union entirely, at least in its Maastricht configuration.

Economics was the main incentive for the Danes when they voted for EC membership in 1972, and with unemployment rising sharply, the motive may be the same this year. The first Danish No caused a major negative shift in business confidence, and with a drop of almost 25 percent in the Danish stock market in 1992, only Argentina's stock market provided a poorer performance.

The so-called national compromise between the seven parties supporting the Yes to Maastricht means that there will be no change in Danish EC policies in the foreseeable future. The change of government, at the beginning of the Danish EC presidency, gave a Belgian minister the Danish chair at an EC Council meeting for a day. And the new Danish Prime Minister hopes to meet President Bill Clinton in May. The Social Democratic Poul Nyrup Rasmussen is a self-declared admirer of Clinton's economic policies. The Danes are still waiting for a clarification.

—Leif Beck Fallesen

ARTS & LEISURE

BOOKS

Kissinger. A Biography. By Walter Isaacson. Simon & Schuster. 893 pages. \$30.00.

Henry Kissinger has been a public personality for so long—a “world figure,” to use his own assessment—that it is difficult for any new book on the subject to elicit new facts about his career as National Security Adviser and subsequently Secretary of State under Nixon and Ford.

The achievements, some glorious, others less so, are all here: the shuttle diplomacy, the crafting of the detente policy, the SALT agreement, the opening to China, the Vietnam War, and the Cambodian invasion. But it is hard to find anything that is really new.

The real interest of this book, however, is its attempt to dissect the enigma that was, and is, Kissinger. On the one hand, there is Kissinger the intellectual colossus who dominated the world diplomatic scene, as well as the smartest cocktail parties, for the best part of two decades. On the other, there is the insecure loner, subject to the deepest of black moods, paranoid, duplicitous, and inordinately secretive. And then there is the statesman as sex symbol. It is difficult to reconcile the Kissinger of the grand design, who saw the world through the historical prism of Metternich and who was able to mesmerize world leaders with his balance of power strategies, with the Kissinger who worried in-

creasingly about his seat on Air Force One or his place in the motorcade, who could descend to extreme pettiness in dealing with colleagues and subordinates and even stoop to tapping their phones.

Reactions to Kissinger were as varied as his own personality traits and shifts.

Even at Harvard, where he first exhibited the formidable combination of lust and purpose that carried him to the top, he excited, according to Isaacson, a mixture of admiration and resentment that he was to engender throughout his career.

He developed early a facility for playing both sides of a rivalry, without always taking the trouble to cover his traces. An element of the courtier in him enabled him to ingratiate himself with high-level contacts of varying political hues.

His ruthlessness in dumping Rockefeller, an early patron, for Nixon led to a refrain in the Rockefeller camp: “I wonder who’s Kissinger now.” His duplicity caused former Defense Secretary James Schlesinger to remark: “Henry enjoys the complexity of deviousness. Other people, when they lie, look ashamed. Henry does it with style, as if it were an arabesque.” One of

his staff, Sven Kramer, thought Kissinger’s problem was that he was not “metaphysically anchored.”

His intellectual power was certainly the most formidable weapon in his extensive artillery. At Harvard, his senior thesis, on no less ambitious a topic than “the meaning of history,” is apparently still regarded with awe. Toward the other end of his career, we

find him dazzling the heavyweight Chou-en-Lai, hardly the easiest of interlocutors for an emissary of capitalism. Nor did he conserve the exercise of his powers for such lofty company. For all his arrogance and

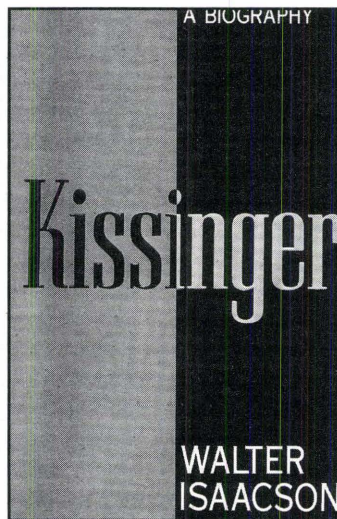
his carelessness with the feelings of underlings, Kissinger’s staff quarters in Washington during his headiest days were one of the few political offices where genuine intellectual interchange was encouraged.

Yet, in the final analysis, Kissinger, by virtue of his character flaws or predilections, did his intellect a disservice. A long-time friend and American Jewish leader, Nahum Goldmann, has said of him: “If he were ten percent less brilliant and ten percent more honest, he would be a great man.”

Kissinger’s tendency to

ward double-dealing and his penchant for secrecy could undermine his most imaginative and courageous diplomatic initiatives. He had a preference for a semantic formulation to finesse differences in a dispute rather than to pursue a lasting settlement. He rarely kept all sides fully in the picture. For example, the only way the South Vietnamese leadership found out that he was secretly negotiating a ceasefire with the North was when a document relating to its implementation was captured from an obscure Viet Cong command post. The invasion of Cambodia has, of course, entered the history books as a black mark against Kissinger. According to Anthony Lake, the new National Security Adviser who resigned from Kissinger’s staff over this issue: “Some secrecy is necessary in government, but Henry crossed the line from secrecy to deceit.”

Kissinger’s love of secrecy continued to trip him up and often makes for amusing reading. On one occasion he arranged a midnight street corner rendezvous in Washington with Soviet Ambassador Dobrynin on the way to talks in Moscow. The CIA detail who had not been informed, thought Dobrynin had been kidnapped, especially as Kissinger’s car, en route to Andrews Air Force base lost their tail. It took them days to trace Dobrynin to Moscow. Kissinger’s weakness for secrecy and under-the-counter activities did not, however, trap him into a direct role in Watergate, al-



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though it is Isaacson's belief that he had "acquiesced in—even contributed to—the mindset that had bred the scandal."

Part of this had to do with the way Kissinger pandered to Nixon as the price that had to be paid for entering and remaining in his inner circle, while at the same time dismissing him to his Georgetown cocktail party friends as a "drunken lunatic" and a "basket case." The picture of the President that emerges from these pages is, indeed, at times frightening.

Nixon became addicted to repeated screenings after dinner of the movie *Patton*. He took to smoking a pipe like MacArthur as he discussed the war in Vietnam. In the run-up to the Cambodian invasion, he spent a lot of the time at Camp David drinking with his buddy Bebe Rebozo and firing off posturing telegrams. During both the 1972 Christmas bombing of Hanoi and the nuclear alert following the Middle East war the following year, he was out of touch. He encouraged the Vietnamese and other adversaries to swallow what he called his "madman theory," that he was mad enough to press the nuclear button.

Fortunately, the book also has its lighter moments, many of them supplied by Kissinger himself. Once, when he was working as a speechwriter for Rockefeller, he was so outraged that his text had been altered by staffers, that he complained: "When Nelson buys a Picasso, he doesn't hire four housepainters to improve it." On another occasion, when he was discovered by a group of American journalists in a nightclub in Teheran on his way back from arms control talks in Moscow, he explained that the hostess on his knee was called Nadia, that they were discussing foreign policy in which she had expressed a profound inter-

est, and that his interest in her was equally legitimate since his Moscow mission was "to make the world safe for Nadias."

The notion of Kissinger as a swinger is an improbable factor in the whole enigmatic equation. As Isaacson points out, with thick glasses and an even thicker accent, he looked more like a Brooklyn deli owner than an international sex symbol. His preference for junk food and disdain for exercise led the masseur at San Clemente to observe "he did not have a muscle in his body." One of his dates said that his idea of being romantic was to slow down his car when he dropped her off after a date.

Yet he managed to appear in public with one celebrity beauty after another. Isaacson believes he may have been the "most celibate lecher" in Washington. Another former date opines that he simply didn't have time for sex. Perhaps Kissinger's own celebrated remark, "Power is the ultimate aphrodisiac," is probably the closest we will get to the truth.

Fortunately for him, his beloved history books are unlikely to judge him on his credentials as a latter-day Lothario. On the whole, Isaacson's judgment is very favorable. He places him on a par with the great Secretaries of State like Stimson, Marshall, and Acheson, "the foremost American negotiator of this century." But he believes Kissinger never had an instinctive feel for American values and mores, nor did he subscribe to open and democratic decision-making.

Perhaps his greatest contribution to lasting peace was his policy of detente, which kept both the United States and the Soviet Union engaged and which eventually paved the way for the triumph of democratic capitalism over communism.

—Peter Doyle

De Gaulle The Ruler 1945–1970. By Jean Lacouture. Norton. 640 pages. \$29.95.

It is a measure of how far Charles de Gaulle has receded into history—and out of the controversy that marked his years in office—that the American PBS television network recently ran a three-hour documentary on the most epic Frenchman of this century. The second volume of Jean Lacouture's massive biography (which was published in three volumes in the original French version) makes

fresh again the awesome nature of de Gaulle's accomplishments as well as the dimension of his errors. And both were surrounded in drama and dispute in his own country and beyond, especially in the United States.

This volume begins with an appropriately dramatic prologue, de Gaulle's return to Paris after the liberation of August 1944 and the service in Notre-Dame that was interrupted by gunfire. The book ends at the same venue, a memorial mass in the cathedral in November 1970, an event imbued with much Gaullist irony. De Gaulle had decreed his funeral and burial would be totally private at Colombey-les-Deux-Eglises, but the government went ahead with a second service partly because so many foreign leaders including President Nixon insisted on coming to Paris to pay homage to a man a year and a half out of office.

The first volume of Lacou-

ture's biography was titled *The Rebel*, and the theme continues early into the second volume. Though de Gaulle had become the ruler of France in the closing months of World War II, there was as much rebel as ruler in his decision to resign in January 1946 rather than put up with the demands of Fourth Re-

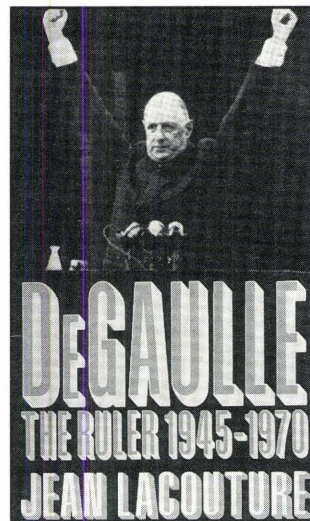
public politics. He assumed the French would call him back quickly.

De Gaulle miscalculated by 12 years, and France was on the edge of civil war over the Algerian question in 1958 before he was summoned anew. Lacouture's version of

this story is as compelling as both the events and de Gaulle's brilliance in extricating France from Algeria with a minimum of bloodshed and some honor. Every de Gaulle biographer must deal with this story, but none have done it so well.

Around de Gaulle's other actions and policies there is more room for debate and for fresh reportage and analysis. Here the gifts of Lacouture, a veteran French journalist, author, and biographer, are on full display. Even the smallest revelations are often surprising. We learn that de Gaulle was an assiduous reader of French and foreign newspapers and took a cruel delight in correcting the grammar in *Le Monde*. He was an equally avid viewer of American television shows and films, particularly westerns, especially those starring Steve McQueen.

Lacouture brings out all the subtlety and dexterity behind many of de Gaulle's poli-



cies. But he shows how those gifts ossified in the later years, and the miscalculations and erratic behavior grew more pronounced. By the late 1960s, the General had lost touch not only with his own country but many currents in Europe and the world.

For an American audience, Lacouture's recounting of de Gaulle's ambiguous and often contentious relationship with the United States is interesting and provides some new details and interpretation. But this is ground pretty well plowed in the half dozen or so major de Gaulle books previously published in English.

Even more rewarding are the author's insights into de Gaulle's German and European policies, which will resonate long after the cold war. For instance, Lacouture reports that Jean Monnet, hardly a champion of de Gaulle's conception of Europe, advised West German Chancellor Konrad Adenauer to pursue the General's offers for a Franco-German entente. From that dramatic rapprochement, the author draws an interesting conclusion:

"By reducing the settlement of German, European, and Western problems to an epic duo, de Gaulle and Ade-

nauer had taken risks that were aggravated by their age and took too little account of the complex structure of the problems treated, of the political societies of which they were only the delegates, if the leading ones."

Lacouture writes that de Gaulle's final diplomatic instruction to his foreign minister, three days before the referendum that drove him from office in April 1969, was that there could be no French policy that was not "based on the irreversibility of Franco-German reconciliation."

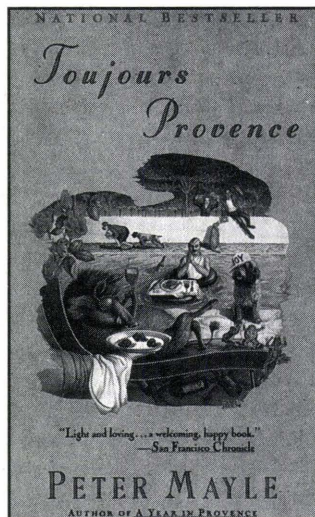
So far that advice and policy have endured even as so much has changed in Europe in ways that de Gaulle did not or could not have foreseen. Even more enduring is a strong French government, a modern economy, a cohesive society, and a country capable of playing a creative, if sometimes annoying, role in world diplomacy.

Much of this is de Gaulle's

legacy to his country and the rest of the world, even if his final years in office were marked by misjudgements and misstatements in both foreign and domestic matters and even though the end of his political career was hastened by the embarrassment

of the student uprisings in 1968. As is now happening in the United States, that same student generation eventually will take power in France to do what it will with that legacy.

—Michael D. Mosettig



Toujours Provence. By Peter Mayle. Paperback. Vintage. 241 pages. \$10.00.

Toujours Provence continues Peter Mayle's humorous and amusing adventures in southern France. His book of anecdotes points out the enormous importance that the French place on food—growing it, preparing it, and finally, eating it.

After reading *Toujours*

Provence one can better understand French farmers and their anger about the recent trade negotiations on agriculture.

This may be stretching the point and reading more into a book of anecdotes than the author meant, but this reviewer feels the book gives remarkable insight into the French and their passion for food.

Toujours Provence, in a lighter vein, takes note of the possibility that Pavarotti takes "a light dinner between arias;" looks at the reasons why the French eat better than the British (because French babies are "treated as human beings with taste buds" while British babies eat only "bland mush);" and gives us a look at a man composing a national anthem for the single market to be sung by toads.

—Robert J. Guttman

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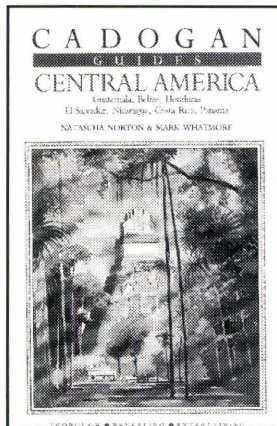
Watch Out For The Pitfalls Of Provence!

Since Peter Mayle's enormously successful two books (A Year in Provence and Toujours Provence) detailed the good life in the south of France, many Americans and Europeans have decided to investigate Provence and the surrounding environs for themselves. For those so inclined, Mr. Mayle has felt compelled to offer a guide to some of the hidden dangers of traveling to the region that perhaps go unnoticed by the first-time visitor. The following is an excerpt from Mr. Mayle's upcoming article "The Pitfalls of Provence," which will appear exclusively in EUROPE's annual travel issue, available in May:

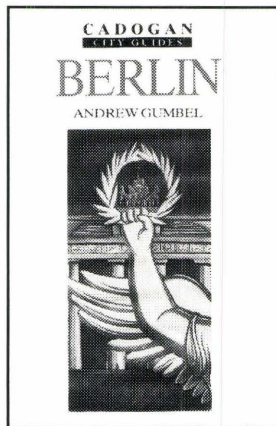
"Walking in Provence, becoming part of the scenery instead of looking at it, is a delight...But there is a price to pay. It seems illogical and curious, but I'm convinced that there are more steep upward hills than downward slopes—a peculiarity that leaves you with legs of jelly and lungs which cry out for a fire extinguisher. With a cunning born of desperation, you take to the bicycle, hoping for mechanical assistance. It's worse. Provence is rich in hills, and they all go up."

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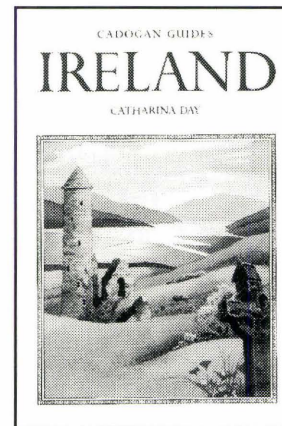
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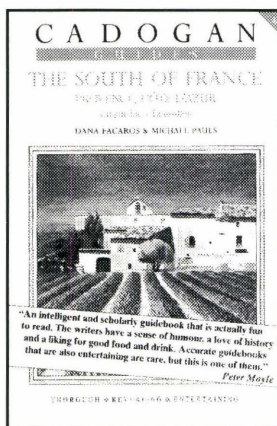
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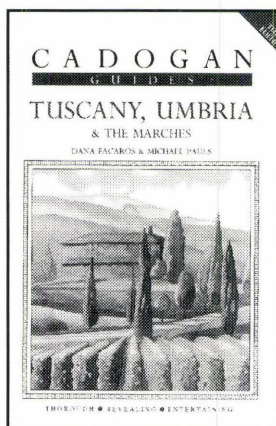
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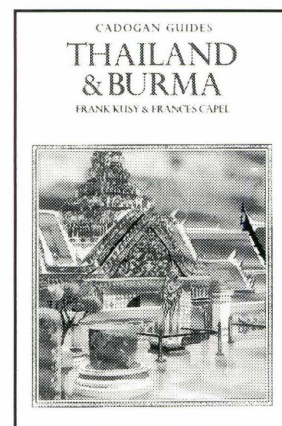
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