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## Germany Ponders Its Future



Looking for the Road out of Recession



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# EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY

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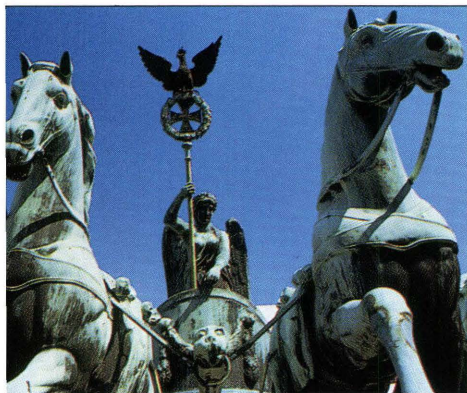
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# Letter from the Editor

Germany, the economic engine of Europe, has not been spared from the recession that has hit Europe. The all-German unemployment figure is nearly 3.5 million people.

Günter Rexrodt, Germany's economics minister, states that although Germany is "in a recession," the German "economy doesn't have real structural problems," and he foresees a modest growth in the German economy in 1994.

Wanda Menke-Glückert, writing from Berlin, talks about the German automobile industry and its continuing slump. She writes that "by the end of 1993, the German car industry will lay off at least 40,000 people." The restructuring of Volkswagen and Daimler-Benz is profiled in her article.

Carola Kaps of the *Frankfurter Allgemeine Zeitung* indicates that Germany is a country totally absorbed by its domestic economic problems. Kaps discusses Germany's economic problems, the violence against foreigners, and the search for new party leaders for the Social Democratic Party.

On a positive note, German President Richard von Weizsäcker states that German-American relations are "stable, amiable, and durable" in Kaps' story on German-US relations.

*EUROPE* presents a travel guide to the new Berlin, a city that is undergoing major construction projects. In fact,

Berlin is currently the European city with the most construction underway. For any of our readers traveling to the new German capital this year, we showcase upcoming events in Berlin for the summer and fall.

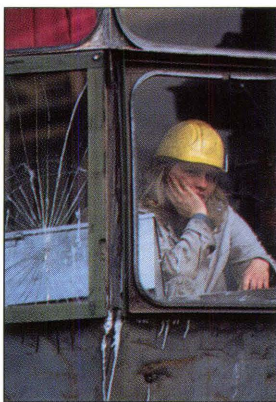
Have you ever considered that Hamburg might replace Milan or Paris as the fashion capital of Europe? Janet Bennett profiles German fashion designer Jil Sander, a "self-made success story who has risen to the top ranks of German business" and to the top ranks of the European fashion world.

Jim and Lynda Gardner write that although Oregon is a Pacific Rim state, it definitely does as much business with Europe as it does with Asia. Even French winemaking "has found a second home in Oregon."

Oregon Governor Barbara Roberts tells *EUROPE* that in the last few years Oregon has put "a new focus on the European market." Governor Roberts talks about the growing number of European enterprises in her state and Oregon companies that are expanding into Europe.

One such company is athletic wear and shoe manufacturer Nike, Oregon's largest corporation. Nike President Richard Donahue discusses his company's business in Europe, which accounts for 70 percent of Nike's overseas sales. He also talks about Nike's international approach to advertising.

In September, *EUROPE* discusses education in Europe, Hong Kong's future, the current situation in Northern Ireland, and the political and economic mood in the United Kingdom.



**Amid recession and high unemployment, unified Germany ponders its future.**

*Robert J. Guttman*  
**Robert J. Guttman**  
Editor-in-Chief

# EUROPE

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# EYE ON THE E.C.

## LOOKING FOR JOBS AND SECURITY AT THE COPENHAGEN EC SUMMIT

**J**obs and security, or rather the dearth of both, were the dominant themes at the June EC Copenhagen Summit. The United States economy has again, as in the eighties, become a role model for the EC, at least in terms of its ability to create jobs. EC economists speak with open admiration of the US job machine.

No similar role was awarded the US on the second issue. There was no success story similar to the economic one to emulate, when the EC leaders attempted to deal with the threat to EC security posed by the Bosnian conflict. Thus the EC was forced to carve out its own approach, still very much in the embryo stage.

Figures showing that 29 million jobs were created in the US between 1970 and 1990 were highlighted at the summit, a dire contrast to the mere nine million jobs created in the EC in the same period. Most of the jobs in the US were created in the private sector, while most jobs in the EC have been created in the public sector, a permanent addition to the tax burdens of the Europeans.

The bottom line is that unemployment in the EC is expected to be 12 percent or more of the labor force in 1994, almost twice as high as in the United States. Ameri-

cans may be dissatisfied with the sluggish pace of their recovery, but in the EC this year there is negative growth. And despite hopes for a better 1994, the EC Commission is forecasting a dramatic rise in unemployment from the present 17 million to more than 20 million.

This is not only the single major political challenge to all EC governments. Unemployment also threatens to derail EC economic and monetary union, already shaken by the past year's turbulence on the foreign exchange markets. Something obviously needs fixing.

The 12 member states readily accepted this fact at the summit. The search for solutions to this new attack of "Eurosclerosis," a term first used 10 years ago to describe the weak state of the EC economies relative to the US and Japan at the time, was more elusive. French President François Mitterrand stressed the need to protect the EC markets from unfair competition from the outside, while German Chancellor Helmut Kohl talked of the need to work harder and longer on markets that should remain open. The British opted for a complete hands-off, free market approach. The EC Commission now has the unenviable task of charting a compromise course between these three approaches to economic policy.

EC Commission President Jacques Delors outlined a plan to improve EC competitiveness, including a consolidation of the single market, a more focused educational system,

and a more flexible labor market. The Commission was asked by the EC leaders to present its proposals for a revival of the EC economies, with special emphasis on improved competitiveness and job creation, in time for the 12 member states to act on them at the Brussels Summit in December.

By that time, the EC Commission and the member country leaders hope that the multilateral trade negotiations in the Uruguay Round of GATT will be successfully concluded. As unemployment continues to grow, there is growing support on a wider scale in France for the notion of managed trade in many sectors, especially electronics and labor-intensive products from countries with low labor costs. This sounds like protectionism to the free traders of the northern EC countries, the UK and Germany.

As a short term measure, the EC summit leaders decided that small and medium-size businesses shall have access to soft loans, carrying subsidies of up to three percent, drawing on the US experience that these are the businesses that create new jobs. The loans will be extended by the European Investment Bank through a new \$3.4 billion facility, which will also provide funds for new roads and transport projects to improve infrastructure in the European Community.

At best, this will only make a small dent in EC unemployment figures. No one disputes this. A greater impact requires the political will to increase incentives on both the demand

and supply side on the labor market. The welfare state limits supply in many countries—in Denmark unemployment benefits of about \$20,000 are a formidable, often insuperable hurdle for new service industries trying to create low-paid jobs for unskilled labor. Denmark is only one of the member states that will refuse any serious tampering with the welfare state, whatever the negative consequences for employment. This severely limits the potential of structural changes that will narrow the differences between the EC and US labor markets.

The Copenhagen Summit made the strongest appeal to date to the central bankers to lower interest rates, the most potent short-term harbinger of a recovery. Interest rates are not set by governments, but by the financial markets with a little help from the banks. But governments promised to create the budgetary and economic conditions required for lower interest rates, and governments also want to strengthen the cooperation on exchange rates, to get the single currency back on track.

The door to the EC was held open to the four countries negotiating entry at this time—Austria, Finland, Sweden, and Norway—and the deadline of January 1, 1995 was reiterated. For the associated countries of Central and Eastern Europe there was encouragement, a promise of an open door when the political and economic conditions in these countries are ripe. But no date was mentioned. **E**

—Leif Beck Fallesen

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# The Road Out of Recession

**“To be ‘in’ in Germany you have to be stressed out, deeply bent, and lament from a high level.”**

**– Chancellor Helmut Kohl**

There is a lot of lamenting and soul-searching going on among the Germans over the unabated economic slump in western Germany and continuing problems with economic reorganization in eastern Germany. The weakening economy has caused unemployment to soar to more than three million. Moreover, economic predictions of negative growth (minus one and one-half percent) for 1993 have led many companies to cut production and to shed personnel.

“We have lived beyond our means,” Chancellor Kohl keeps telling Germans and warning them that “in 1993 we have nothing to share out. We have the shortest working hours, the longest vacations, and above all the machinery is not working to its full capacity because of short operating hours. We should stick to what we have or work one hour longer.” Entrepreneurs couldn’t agree more. According to a business opinion poll taken by the German Chamber of Commerce, 48 percent of West German entrepreneurs see the state of the economy worsening. The D-mark has appreciated on average by 10 percent and this has hurt the German export industry. Many German products have become too expensive and are no longer competitive on the world market. Another reason for the German export weakness is the continued recession in the other industrialized countries which are Germany’s main trading partners. More than four-fifths of German exports go to these countries.

**By Wanda Menke-Glückert**

**Germany’s car makers and its economy face tough times.**



A photograph of a steel mill. In the foreground, a worker wearing a dark jacket and a brown hat stands on a yellow crane or platform, looking towards the right. The crane is a tall, lattice-structured tower. To the right, a yellow container or piece of machinery is visible, featuring a white circular logo with the number '25 km' and the word 'Pota' below it. The background is filled with the complex, dark structures of the steel mill, with thick white steam or smoke rising from various points. The overall scene is industrial and somewhat somber due to the heavy machinery and smoke.

**The automobile industry, Germany's number one export earner, has recorded falling orders. The slump in car sales has affected other related businesses, especially the steel industry.**

The automobile industry, Germany's number one export earner, has recorded falling orders, and its immediate response has been to introduce a shorter work week and cuts in production and personnel. The Automobile Industry Association expects that by the end of 1993 the German car industry will lay off at least 40,000 people. The companies are faced with a host of pressing problems.

The lean production system, first pioneered by Japanese carmakers, is now commonplace in the auto industry. Eberhard von Kuenheim, chairman of the supervisory board of BMW, insists that the present crisis didn't take his company by surprise. "We thought about it earlier but given the enormous obstacles in Germany, the numerous protective laws, nobody would have accepted the argument in unprecedented booming years that we have grown too fat."

What is essential in his view is the sense of commitment and duty which is widespread in Japan. "The pillars of Japanese companies are highly motivated working teams, very small or larger ones," he emphasizes, adding "it is extremely important for everybody in the company to know what his duty is. But this is not only true for the enterprises but for the entire society and the political environment. We should talk about our tasks and duties and not only about our rights and what is due to us."

Von Kuenheim particularly deplors the "endless costs" which burden industry in Germany. "I'm not talking about wages," he says, "but about energy costs, which are the highest in Europe, and about affluent taxes and corporate taxes, which are also highest in Europe. But what is most deplorable are the excessive regulations which tie our hands.... I'm not talking about car production specifically but about the entire industry." If nothing changes in the German industrial landscape then von Kuenheim fears that Germany's location will hurt the car and high technology industries. BMW announced last summer it would build a \$350 million plant in South Carolina to manufacture some 90,000 vehicles a year by 1995, about half of them for export.

Edzard Reuter, chairman of Daimler-Benz, also says that his company had perceived the necessity of radical changes earlier. Strategy has changed because markets and the world have changed, he says. "Competition in our

traditional market segment has increased dramatically. We have to face worldwide competition from people working on different cost assumptions and in different situations." Mercedes has now abandoned its dogma that its cars must always be "Made in Germany." On a small scale, car assembly has started in Mexico. A joint venture with Ssangyong in South Korea will serve new markets, and following the BMW example, Mercedes announced plans to build a plant in the US which would produce some 60,000 four-wheel-drive sport utility vehicles a year.

Making cars in the US will give the two German companies valuable experi-

ence in battling the Japanese in the world's biggest car market before the Japanese move fully into the European luxury market. Daimler-Benz is also considering opening a bus assembly factory near Shanghai in China and setting up a local joint venture to make rolling stock for underground railway networks. Other German companies, like Siemens Corporation, show growing interest in expanding to the Far East and to China in particular. They do not want to leave the market to Japanese industry and see a good chance of developing new markets there.

"Lean production," Reuter explains, "is only a very rough description of what is going on—what we are aiming at is a change of behavior." And changes are being introduced. Japanese-style working teams now study the model carefully before assembling it, as was previously the practice. This reduces costly rectifications and faults, which are also bad for the company's prestige. And radical changes will not spare the management ranks either.

Ferdinand Piëch, chairman of Volkswagen, has also prepared his company's workforce for enormous changes in production processes and labor organizations. In the future, Volkswagen workers will be treated more as individuals in the hope that their sense of commitment and cooperation will be heightened. As in Japan, they would be expected to contribute as "part of the family." He also announced that job losses and spending cuts were unavoidable. Unfortunately, the development of its new works at Mosel in East Germany would be scaled back. He told the workforce that the car industry was in its steepest decline and the crisis would continue well into next year.

The problems in the car industry mirror the slump in other sectors of the economy. "The chemical industry, car manufacturing, and electronics will be hit hardest," predicts Norbert Walter, chief economist of Deutsche Bank.

Germany, however, has a number of positive factors as an investment location: a skilled workforce, efficient infrastructure, a central geographical position, political stability, and high productivity. But many entrepreneurs worry that Germany's high labor costs could cause some investors to move their production sites to other less expensive countries.

Till Necker, president of the Federa-

**Worldwide Manufacturing Labor Costs 1992**

(per hour in US dollars)

Country	total	direct wage	non-wage*
Germany (West)	26.84	14.39	12.45
Switzerland	25.15	16.68	8.47
Norway	24.94	16.44	8.50
Sweden	24.65	13.97	10.68
Belgium	21.96	11.80	10.16
Netherlands	21.64	11.87	9.77
Austria	21.25	10.46	10.79
Denmark	21.16	16.81	4.35
Italy	21.09	10.19	10.90
Luxembourg	19.92	13.32	6.60
Japan	19.23	14.63	4.60
Finland	18.64	11.00	7.64
France	17.79	9.34	8.45
Canada	17.65	12.84	4.81
US	15.89	11.45	4.44
Spain	14.70	9.02	5.68
UK	14.61	10.22	4.39
Ireland	14.29	9.96	4.33
Australia	12.32	8.47	3.85
Greece	7.08	4.29	2.79
Portugal	5.74	3.26	2.48
Turkey	5.05	1.92	3.13

\*Source: Institut der deutschen Wirtschaft (IDW). Table converted from unadjusted D-marks to US\$ at the average exchange rate for 1992 (Dm 1.56:\$1).

\*\*Non-wages comprise employee benefits, such as health insurance, social security contributions, and paid leave.

tion of German Industries, blames Germany's politicians for reacting too slowly to a new situation and thus prolonging the slump. He worries that Germany's successful industrial system—based on consensus between management and trade unions—might prove too weak to weather the strains of reunification. Despite the western German transfers to eastern Germany of \$112.3 billion a year, the economic reconstruction of the former East Germany remains a severe problem, not only for Germany but also

for its neighbors.

Germany enjoyed an unusually long spell of steady growth—about 10 years—and unification was an additional boost to the booming economy. Economists agree that the German economy faces a bumpy road ahead, but there is no agreement on when it will end. Some predict improvement in the fall; others are gloomier and expect a drop in growth of one and one-half percent and poor growth next year. All, however, see a silver lining on the hori-

zon for German exports—the budding recovery of the US economy. The *Frankfurter Allgemeine Zeitung* expects “good chances for the stabilization of the global economy this year.” But it fears that German exports in 1993 will fail to give sufficient support to the entire economic performance so that the upswing will probably not make an impact in Germany before 1994. ☹

*Wanda Menke-Glückert is EUROPE's correspondent in Berlin.*

“Mercedes is God here; it dominates everything,” one Sindelfinger says. In fact, Mercedes provides 48,000 jobs in Sindelfingen, a modern town with a car-building tradition. Last year, however, it was obliged to lay off 8,000 workers, and this year it will have to part with another 7,000.

In the boom year 1986, the city's income surged to \$165 million. For the 60,000 inhabitants, the city fathers built five pedestrian crossings paved with Carrara marble, five swimming pools (one of them a gigantic swimming park), four libraries, two art galleries, a huge luxurious citizens' hall (which seats 1,090 people), two fair halls, a glass Olympic-size sport palace, a museum, a stadium, a music school, a theater, and a highly modern clinic (the best in the region).

Numerous clubs and associations, which form the city's social nexus, also profited from this outpouring of money. The offspring of Sindelfingen have various facilities at their disposal, such as 32 kindergartens, three youth hostels well-equipped with discos, and hobby rooms, where they can try their skills in wood and metal works. Underground parking facilities in the center of the historic old town were once free of charge, of course.

Now the spoiled citizens will have to think again. The city's income has plummeted to \$29.6 million, while some 30,000 unsold Mercedes cars are lined up on the former US airfield and in nearby villages. The citizens are shocked not only to see their products unsold and their work cut back but also to have to pay more for garbage collection, water, and funerals, which are no longer subsidized. The subsidies for the associations and clubs have been halved or canceled altogether. Two pools have been closed. Parking now costs \$1.20 per hour.

Out of 1,200 employees in the city administration, 200

## SINDELFINGEN: Mercedes' Hometown



**Sindelfingen's income has plummeted to \$29.6 million as a result of the slowdown in the German car industry.**

other,” comments Reinhard Wolkenstein of the labor office in neighboring Böblingen, which is also responsible for Sindelfingen. “A few years ago we didn't have enough skilled workers, now we have too many,” he complains. It was his duty to recruit workers from distant provinces such as East Friesland, Westphalia, or the Saar. Now he is faced with the im-

possible task of finding jobs for these guest workers, and the prospects are not good. There are no jobs to be had in this region's industries, which include computers (IBM) in addition to car manufacturing.

When Daimler (Mercedes) sneezes, the entire country catches a cold, the locals say. In the last 12 months 50,000 jobs have been lost in the state of Baden-Württemberg, and in 1993 another 77,000 will lose their jobs. Daimler-Benz intends to cut 15,000 jobs in 1993 following the loss of

18,000 last year. Other sectors, such as suppliers, retailers, restaurants, and real estate will follow in the wake and part with some of their personnel too.

Sindelfingers find it hard to adjust to the new situation. They would rather not think about it and hope that the recession won't last too long. Mercedes supplier Wilhelm Thome was also obliged to reduce his workforce from 55 to 38, and on top of that he is now faced with competition from abroad as well as newly awakened entrepreneurs in eastern Germany. “In the old days Mercedes would only rely on German suppliers; now they have global sourcing,” Thome says. “We had a paradise in Sindelfingen,” but he fears that the glories of the past have gone forever.

—Wanda Menke-Glückert

## GERMAN ECONOMICS MINISTER

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# Dr. Günter Rexrodt

**German Economics Minister Dr. Günter Rexrodt was interviewed in Washington, DC, by EUROPE Editor-in-Chief Robert J. Guttman. Dr. Rexrodt speaks out on the German economy, Germany's aid to Russia, and the cost of German reunification.**

**How would you describe the condition of the German economy today? Is it in a recession? What are the chances of recovery?**

It's in a recession. It's a recession after 10 years of sustainable growth. We expect for 1993 a shrinking economy by one to two percent, and we could be able to stabilize the situation in the second half of the year and to reverse it in a modest growing economy in 1994.

Our economy doesn't have real structural problems. We have some areas with difficulties, and these difficulties surface in situations like the automotive industry, the steel industry, and the textile and clothing industry, but altogether we are still very competitive, and we can overcome the problems.

**What is the German government doing to help laid-off steel workers?**

We have a budget of (\$124.8 million) in order to support training programs and early retirement programs and to do something in the regions where the steel industry is a key employer. There is an EC budget for assistance such as this, and part of this money will flow to Germany in order to keep the social costs of unemployment as low as possible.

**The unification is costing more than Germany thought at the beginning. Can Germany continue to afford the cost of unification?**

There's no alternative. The Solidarity Pact is a very important step in order



to push the process forward. For the next few years we have to transfer approximately (\$62.4 billion) to the eastern states. What we need is a recovery of the economy. The recovery would mobilize private capital for the business community for investments in eastern Germany. It depends on the general recovery of the economy.

**Germany has been the biggest creditor to Russia. Chancellor Helmut Kohl has said Germany could afford to do no more, they're basically tapped out. What has Germany done for Russia, and what do you see happening in the future?**

We have provided Russia with more than \$50 billion altogether. For the time being we have done more than the United States. We have invested approximately (\$3.1 billion) in the housing programs, and we guarantee (\$2.5 billion) of production supplies for Russia. We did that last year, and we are doing that this year. We have spent money for education programs, for training programs, for setting up new activities in the medium-size sector, and we are rescheduling the debts in an international context.

More than 45 percent of all the money spent for Russia comes from Germany, and therefore, I think it's time that Germany asks other countries what they will do for Russia.

**Germany is paying to build housing for Russian soldiers who will leave eastern Germany to go back to Russia?**

That's correct.

**Is Russia on the road to a market economy? Is it going to be a long road?**

It's a long road, a very long road, and you can't achieve the goal in one clear step. There are many steps to take. First of all they have to settle the government, clear the governmental structure, elect a parliament, and they have to build an administration without corruption.

Then they can privatize the retailing sector. And step by step, they can come into the heavier industries, but it takes time. If they were to attempt all of that in the next months, the country would collapse.

**You talked about the aid that the German government has given, what about German firms? Is there a lot of cooperation and joint ventures with Russia?**

From this \$50 billion I mentioned, \$35 billion comes from the government or is government guaranteed, and \$15 billion comes from the companies directly, at the risk of the companies.

**On another topic, do you think Germans will be willing, when it happens, to give up the deutsche mark for an ecu? Do you see that happening?**

Yes, I see that happening. In the United States, I get a sense that some people are not optimistic about this transformation process from local European currencies to the common cur-

**We need GATT as soon as possible. Otherwise, if the major industrial states fail [to reach an agreement], they could enter into a trade war. Nobody, including the Americans, wants such a development.**

rency, but there is hope. There will be setbacks in Europe, but the direction is clear. Nobody knows if we will achieve the goal in 1998 or 2002, but we will eventually. And a majority of Germans are able and willing to do that.

**Does Europe really need a new Eurofed?**

Yes. It has to be established and located in Frankfurt and has to follow the same rules the Bundesbank follows.

**The Eurofed has to be set up in Frankfurt?**

Yes.

**Would Bonn be acceptable?**

I don't think so. The financial center in continental Europe is Frankfurt, and [the Eurofed] belongs in this place.

**Are you optimistic about Maastricht coming into force?**

Yes. I'm very optimistic. I'm sure it is

not a question of "if"; it is only a question of "when," but it will come into force.

**What will happen to the world if we don't have a successful GATT?**

We need GATT as soon as possible. Otherwise, if the major industrial states fail [to reach an agreement], they could enter into a trade war. Nobody, including the Americans, wants such a development.

I am pleased to hear that the Americans are interested in closing this issue in 1993. Without their commitment, we wouldn't be able to accomplish that. As I mentioned, we would have in a mid-term period a trade war. We can't afford that with respect to the third world countries.

**What's your impression of the new Clinton administration economic team? Are you worried about protectionism or "managed trade" like Laura Tyson talks about?**

One of the reasons for my trip to Washington is to find out what's going on [with the new administration]. I'm convinced the Americans will play a strong role in defending their own interests, but they have recog-

nized that they can't afford a trade war and that they have to put more attention on GATT and have to finish that within the next few months.

**With Europe in recession, people aren't really looking toward helping the Eastern European struggling market economies. What is Germany doing to help the Czech Republic, Slovakia, Poland, and Hungary?**

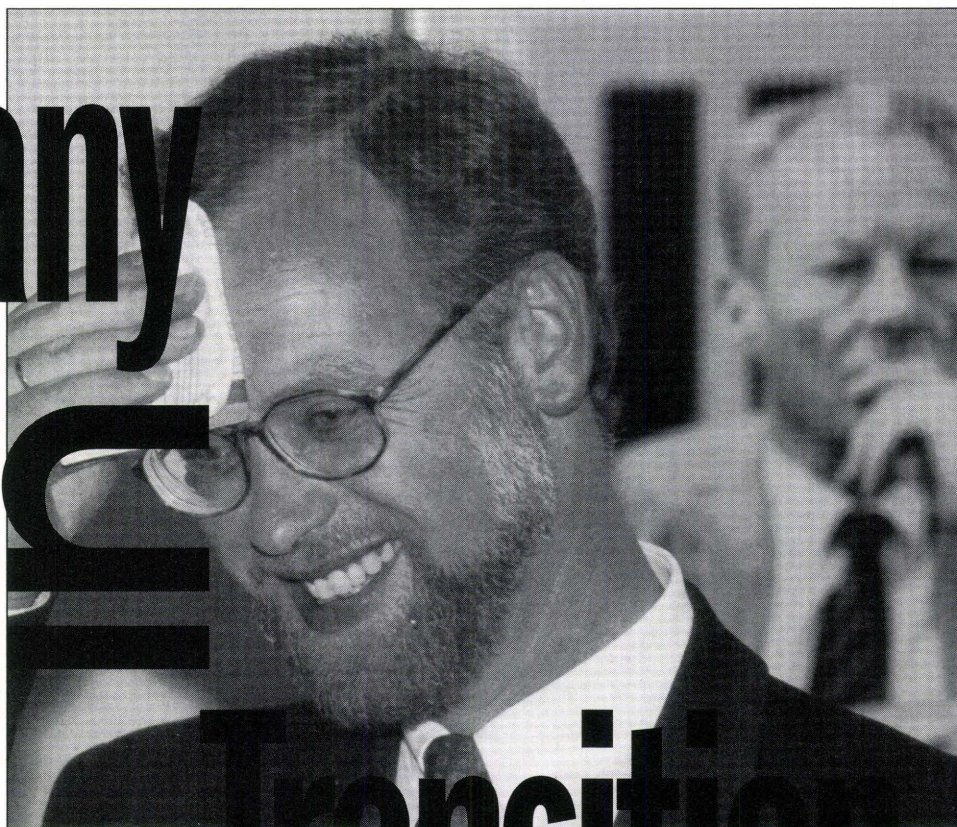
We have bilateral contracts, and we have, through the EC, the association treaty with Hungary, Czech Republic, and Poland. It opens market access to some extent, and it opens more market consciousness in these countries. Especially if you look at Hungary or the Czech Republic, Germans invest a lot, and there is a lot of cooperation. That is the best way. As I mentioned, the government cannot solve the problems; it can put in place the right framework, but private companies have to fulfill economic cooperation. And they do, especially in the Czech case and in the Hungarian case. ☺

# Germany

**A country  
absorbed  
by domestic  
problems**

**BY CAROLA KAPS**

**Germany's agenda in the summer of 1993 is neither determined by the status of US-German relations nor by any other foreign policy issue. It appears as if the country has no time to think about foreign friends or foreign affairs. The political and economic problems facing the country at home are so overwhelming that the rest of the world comes across as unimportant and distant. As Germany is entirely self-occupied, the result is that the country is portraying itself poorly.**



# Transition

Outraged by abhorrent violence against foreigners and turned off by the greed displayed by certain public figures, the German public sees the political, economic, and social fabric of the German society fraying, and a fundamental effort to turn it around is needed. The struggle to integrate the former communist eastern part of the country into the democratic and prosperous West every day proves more difficult. The flood of asylum seekers and refugees from the war-torn former Yugoslavia puts an additional burden on the German people, who still seem to be shell-shocked by the numerous and revolutionary changes affecting the country since the Berlin Wall came down in November 1989.

Moreover, the economic machine in the western part of Germany is quickly losing steam, partly as the price to pay for the huge transfers moving from the West to the East. Unemployment is on

the rise and will put further pressure on the democratic institutions. Thus far, the government has not distinguished itself as being very innovative and forceful in leading the country toward greener pastures. On the contrary, certain observers are of the view that the leadership in Bonn is not providing the leadership or the means to get the country's economy out of recession. Even government supporters are becoming increasingly testy. While discussing the government's plan for the national nursing insurance, which imposes additional burdens on the business sector, a leading commentator of the *Frankfurter Allgemeine Zeitung* noted the other day that there seemed to be a deliberate effort to destroy any remaining vital signs in the private sector.

After 10 years of Christian Democratic rule under Chancellor Helmut Kohl, the country looks ready for a

**New Party Chairman Rudolf Scharping faces a large task in uniting the factions within the Social Democratic Party.**

change. Like the American people, who grew tired and frustrated with the 12 years of Republican administrations and the gridlock in Congress, Germans appear ready to welcome a rejuvenation of their political leadership. New faces and fresh ideas are called for to counter the growing alienation with the political parties and the political process and reverse a trend toward voter apathy.

When looking for alternatives, the one opposition party which would be a natural choice to replace the current government after the November 1994 national elections, is itself in total disarray. Like a mirror image of the country, the Social Democratic Party (SPD) seems to have lost its way. During the 10 years in opposition, the SPD has not succeeded in uniting the various factions within the party nor in formulating convincing alternative policies. In fact, one could argue that the opposition vanished and did not fulfill its democratic duty in challenging the government.

Just recently, the party chairman and candidate for chancellor, Bjorn Engholm, was forced to resign from his party positions as well as his function as governor of the state of Schleswig Holstein because of having lied at a parliamentary investigation in his home state. The 52-year-old, pipe-smoking Engholm, a former federal minister of education, was by no means a dynamic or charismatic party leader, let alone a convincing candidate for federal chancellor. Rather reluctantly, he allowed himself to be drafted by his party following the decisive loss of Oskar Lafontaine, governor of the state of Saarland, during the December 1990 national elections. Even though he came across as a decent, honest, and somewhat intellectual politician, he captured neither the enthusiasm of the people nor of his party. Even prior to his resignation, there was talk about him being replaced as a candidate for chancellor.

With Engholm's resignation, the succession for new leadership in the SPD has been thrown wide open. Numerous contenders have come forward and have already disappeared. Several candidates are now presenting them-

selves, although it is not entirely clear who is running for which office. For example, Gerhard Schröder, governor of the state of Lower Saxony, wanted the party to make him both the party chairman and a candidate for the chancellorship. Rudolf Scharping, in turn, the governor of the state of Rhineland Palatine (Chancellor Helmut Kohl's home state) and the new party chairman, is reserving the right of the party chairman to also run for chancellor. Heide Wiczorek, the left wing party chairperson of the state of Hesse and the only woman in the pack, let it be known that she was only running for the party leadership. Oskar Lafontaine, following his resounding defeat in 1990, appears to be a longshot. Lafontaine, who is considered one of Germany's most capable politicians, nevertheless suffers from at least one major shortcoming. His strong opposition against rapid economic and political unification of the two Germanys has tainted his political fortunes, foremost in the East, but in the West as well.

The leadership decision is by no means an easy one for the party members. The quiet, honest, and hard-working Scharping is well liked within the party. He comes across, however, as plain and uninspiring and does not appear to present a true challenge to a savvy political fox such as Kohl. Schröder, on the other hand, has the aggressiveness, dynamism, and force to run a sharp campaign that could give Kohl a tough race. But Schröder, the former leader of the Young Socialists, has few friends in his own party. He is considered overly ambitious and aggressive and has the reputation of being opportunistic and reckless. Speculation has it that Scharping will remain as party chairman and Schröder will be the candidate for chancellor. With this separation of offices, the SPD would continue a tradition which began in the seventies when, under the party leadership of Willy Brandt, Helmut Schmidt became chancellor. Still under Willy Brandt, Jochen Vogel, the parliamentary floor leader, was appointed candidate for chancellor in the early eighties. Vogel himself led the party when Lafontaine ran unsuccessfully for office in 1990.

However, the return to tradition will neither guarantee peace and quiet within the SPD nor victory in 1994. Rather, the SPD is in for more infight-

ing as the baby boomers try to solidify their power. Not until one candidate succeeds in wearing both hats, will there be the necessary harmony within the party to formulate a convincing party platform and to run a successful campaign. Meanwhile, barring major change, Helmut Kohl will in all probability walk away with the 1994 elections. Thus, Germany will have to wait a while longer for a new political leadership to emerge. ☹

*Carola Kaps writes for the Frankfurter Allgemeine Zeitung from Washington, DC.*

## **US-German Relations**

During a recent visit to Washington, Richard von Weizsäcker, president of the Federal Republic of Germany, noted that German-US relations are "stable, amiable, and durable." This basic fact remains valid regardless of the departure from office of President George Bush, a close ally of Europe and Germany, in particular, and despite the various trade disputes which seem to have multiplied since the arrival of the Clinton administration.

Both governments see eye to eye regarding the necessity of reviving the GATT talks and bringing the Uruguay Round to a successful conclusion before the end of 1993. Clinton and Kohl are also determined to work together for global growth and, in particular, to assist Russia and the emerging democracies of Central and Eastern Europe.

As to Western Europe, there exists another large convergence of views; the new United States administration is keenly interested in closely working with Germany and remaining an active player on the European scene. At the same time, a permanent and visible US presence in Europe is of great interest to Germany as this will be seen as a stabilizing factor for relations among Bonn, Paris, and London. As an independent actor on the European stage, Washington will be able to allay the fears of the smaller European nations of a too powerful united Germany and reduce the necessity that they search for coalitions in order to balance Germany's political and economic power. A US presence in Europe is considered an essential guarantee against the revival of old national rivalries.—Carola Kaps

By Christina Barron and Liane Schalatek

# BERLIN

**Once one of  
Europe's  
jewel cities,  
Berlin  
reawakens.**

SPY NOVELS MAY HAVE IMMORTALIZED BERLIN as the center of cold war espionage and political intrigue, but a crumbled Berlin Wall has revealed a cultural center that now invites more tourists than spies.

Visitors to the unified Berlin will discover that urban renewal has enveloped the city. The Wall, a universal symbol of communist oppression, has been transformed into a tourist novelty. Checkpoint Charlie, once the gateway to East Berlin for foreign diplomats and military personnel, now features an eclectic museum filled with various contraptions that carried East Germans to freedom and testaments to those who died in the process. The 200-year-old Brandenburg Gate acts as a showpiece of Neoclassical architecture rather than a monument to oppression.

Perhaps more surprising are the jewels of the former East Berlin now polished to rival the city's western landmarks. The tree-lined Unter den Linden has surpassed its western counterpart, the Kurfuerstendamm, or Ku'damm, as Berlin's grandest boulevard. Designed after the Champs Elysées in Paris and nearly leveled in World War II, it sparkles with sidewalk cafes, the Baroque-style Humboldt University, museums, and cathedrals. Boutiques and the world-class Grand Hotel, replete with marble and beveled glass as well as modern health club facilities, lure Western visitors to nearby Friedrichstrasse. Even Galleries Lafayette, the doyen of French department stores, is priming for a Berlin opening.





**The 200-year-old Brandenburg Gate now acts as a showpiece of Neoclassical architecture rather than a monument to oppression.**

The city's museums, in disarray for decades, also have seen a rebirth. Prussian ruler Frederick William III envisioned the city as an artistic center and championed the creation of five museums on the river Spree, known as Museum Island. Situated in the eastern end of the city, along the Unter den Linden, the museum buildings were hollow monuments in post-World War II years. Many of the masterpieces that hung in the galleries before the war landed in Allied hands and have only recently returned to the public eye. Pergamon Museum, with its celebrated 2,000-year-old altar of the same name, and the Egyptian collection at the Bode Museum beckon the visitor inside their somewhat rough exteriors, which are slowly returning to the splendor of the last century.

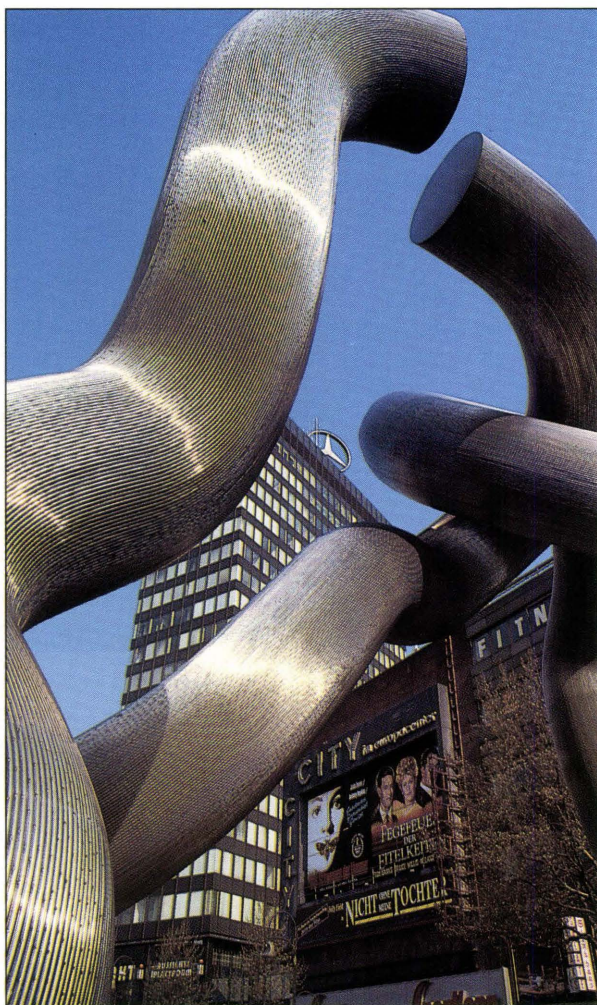
But West Berlin also paid homage to ancient civilizations with its Egyptian and Antiquities museums on the edge of the city in Charlottenburg. The bust of Nefertiti and a weighty collection of Roman silver draw some half-million visitors yearly.

The sprawling Schloss Charlottenburg, just opposite the two museums, reflects the artistry of a more recent era. Works of German Romantic painters, such as Johann Friedrich Overbeck and Caspar David Friedrich, hang within the Baroque palace.

Even with the help of the S-Bahn and U-Bahn, Berlin's train systems, art aficionados might tire before seeing all 50 or so of the city's museums.

Present-day Berlin also offers a wide variety of unusual architecture such as the Baroque and Neoclassical creations of renowned architects Andrea Schlüter and Karl Friedrich. Nearby Communist structures reflect pragmatism poured in concrete.

City planners who wrestle with the



**Visitors to the unified Berlin will discover that urban renewal has enveloped the city, but the real challenge—adapting the city to the needs of a growing commercial and culture center—remains.**

integration of the East and West, classical and modern, have honed in on the renovation of Potsdamer Platz, the former commercial center in the heart of Berlin that has become an urban wasteland. Hotly debated plans for the area include glass-enclosed shopping arcades and modern high-rises.

But the serious challenge lies in adapting the city to the needs of a growing commercial and cultural center. The eventual return of the seat of government from Bonn has forced the construction of massive office buildings. A push to host the 2000 Olympic Games also demands that cafes, shops, and hotels primp and polish to entice tourists worldwide.

But for the moment, Berlin is neither pristine nor dilapidated. It is a city of quirky charm that engages travelers, both willing and skeptical. ☹

—Christina Barron and Liane Schalatek

## A Guide to Upcoming Events in Berlin

### MUSIC

**Chopin Music Festival.** The 30th anniversary of this summer-long festival outside Berlin will feature the Chicago Chamber Orchestra, the Philharmonisches Rochester Frankfurt/Oderz, the Berlin Sinfoniker, and the European Community Youth Orchestra among others. Until August 28. Call 49 30 3737 1654 16.

**Brandenburg Summer Concerts Classics.** Ludwig Gütter, trumpet soloist from Dresden, will be one of the featured performers at this concert series outside Berlin. Until September 2. Call 49 30 817 33 64.

**Potsdam at 1,000.** The city of Potsdam, the former seat of Prussian royalty, celebrates its millennium with an array of summer concerts and exhibitions. The city is 15 miles southwest of Berlin and is accessible by car or bus. Call 49 30 331 2 11 00.

**Classic Open Air Music Festival.** The 2nd annual festival, July 15–18, will highlight centuries of classical music. At the Gendarmenmarkt. Call 49 30 449 97 08.

**Berlin Festival Weeks.** This year's festival will present music, theater, film, and literature on Europe's relations with Japan in various theaters in the city. The September festival will include the New Symphony Orchestra Tokyo and the Tokyo String Quartet. Call 49 30 2 54 89-0.

**Jazz-Fest Berlin.** Internationally acclaimed jazz musicians will perform blues, swing, be-bop, and any other variation of jazz. Concerts are held October and November at the Philharmonie. Call 49 30 30 254 8922.

### ART

**20th Century America.** American art in the 20th century as seen from a European perspective will be on exhibit in the Martin-Gropius-Bau until July 25. Call 49 30 324 50 78.

**Karl Schmidt-Rottluff—The Painter.** The once-illicit works of Expressionist and "Brücke" painter Karl Schmidt-Rottluff will be featured at the Brücke Museum until July 18. Many never-before-seen paintings from the artist's estate are included in the collection. Call 49 30 831 20 29.

### SPORTS

**German Trotter Derby.** One of Germany's main horse racing events will take place August 1 at Mariendorf. Call 49 30 740 12 28.

**Olympic Best.** The country's Olympic track and field contenders will compete against international rivals in this festival August 27 in the Olympic Stadium. Call 49 30 25 48 06 21.

**Prig Davidoff.** The thoroughbred racing event at the Hoppegarten Racetrack outside Berlin will feature the largest purse in German racing. October 3. Call 49 30 559 61 02.

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**B** U S I N E S S

# The New Fashion Guard?

**German and Belgian  
Designers Finding Favor in  
the Fashion World**

**BY JANET BENNETT**

WITH HOUSEHOLD NAMES LIKE Yves St. Laurent, Valentino, Chanel, and Armani, it would seem that the French and Italian designers have a virtual lock on the leadership of European fashion. Fashion, however, is fickle, and German and Belgian designers are making their pitch for the top as the Young Turks of fashion.

Among those currently basking in the limelight is German designer Jil Sander, a self-made success story who has risen to the top ranks of German business. Although hardly a newcomer, her scene-stealing spring collection, which won rave reviews from the fashion press, has made it clear that this Hamburg designer has finally arrived. Sander's elegant designs have graced the covers of *Vanity Fair*, *Mirabella*, *Vogue*, *Harper's Bazaar*, and *Marie Claire*, and her international clientele of glitterati includes the likes of Jacqueline Onassis, Brooke Astor,

Kim Basinger, Ellen Barkin, and Barbra Streisand.

Jil Sander boutiques have opened around the world, with the most recent addition a 9,000 square-foot three-story shop and showroom (opened March 18) on Paris's first fashion street, Avenue Montaigne, at No. 52. In addition, she recently launched her own line of perfume in the United States and hopes to give cosmetic giants Estee Lauder and Lancôme a run for the money. Future plans include designing her first men's line. Today, her nearly \$200 million-a-year design empire, which went public in 1989, includes leather goods and eyewear, in addition to fashion, perfume, and cosmetics.

Nevertheless, the road to success has had some potholes for Sander. Heidemarie Jilne Sander was born in Wesselburen, a small town on the North Sea, where her family went to escape World War II bombing in Hamburg. After the war they moved back to Hamburg, to a postwar culture that introduced the concepts of glitz and kitsch, concepts which she considers her design to be a reaction against. After graduating from a design school in Dusseldorf, she audited classes at the University of California in Los Angeles during the 1960s. She worked as a fashion journalist for a brief period and then in 1968, with borrowed funds, opened a boutique in an affluent Hamburg suburb, where she sold young British, French, and Italian designers as well as some of her own designs. In 1973 she opened the first Jil Sander Collection. But for years she didn't get any attention on the French fashion circuit (her first show in Paris was a disaster), and for a long time the press hardly seemed to notice her minimalist creations.

All that has changed except for her hard and fast devotion to a pure, pared-down look, emphasizing first-quality fabrics (luxury fiber blends such as

linen-silk), a muted color palette (black, gray, navy, beige, camel, cream), few decorations, and simple cuts. "My message is quality," is her frequent refrain. Theatrical flourishes are definitely *not* part of her fashion vocabulary, which is partly why she flopped in Paris in the seventies. Sashes and bows do not equal sexy in her mind. Rather it's the mix of masculine (sharp cuts) with feminine (rich cashmeres and muted colors) that gives her clothes their sensuous quality.

And she is very clear about her customer—an informed woman who has a strong sense of self, whether she's a career woman or mother of six. The look is classy, expensive, and timeless. In short, Sander is a modern woman, whose designs appeal to modern women and play up their strengths.

But Jil Sander's version of quality does not come cheap. Prices for suits, for example, start at \$1,600 and go up to \$7,000. A single blouse might go for \$500, and a coat can cost as much as \$16,000. Despite the sluggish economy, her business strategy is uncompromising. She targets the upper crust who can afford her designs. Unlike most top designers who have created a less expensive line for mere mortal pocketbooks, Sander has refused to do so. She is proud of her exclusivity and her luxury product; buying her designs is more like making an investment. Indeed, she has been heard to say, "You don't throw away my clothing, you pass it on to the next generation."

Fashion has swung away from leggings and tight skirts and jackets, and the change has gone in Jil Sander's direction. Like the ads for her perfume, Jil Sander No.4, proclaim, her clothes are "for the woman who lives the spirit of the time." Recent notices on Sander's fall collection refer to her "handsome sanity" and her ability to adapt to the new layered look without losing perspective.

**Jil Sander is very clear about her customer—an informed woman who has a strong sense of self, whether she's a career woman or mother of six.**

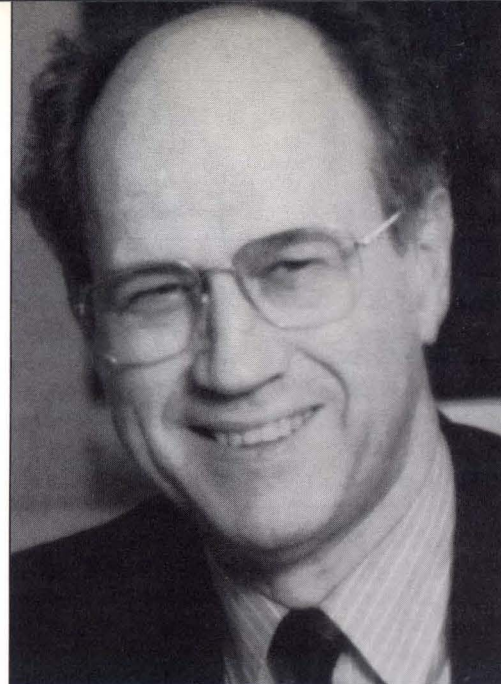
The change in fashion mood has also favored two Belgians, Martin Margiela and Ann Demeulemeester, who have grabbed the attention of the fashion world. Originally part of a group called the Antwerp Six (they were students at the Royal Academy of Arts in Antwerp), who took their collections to London in 1984, they were soon touted as the freshest talent to emerge in Europe in years. They took on the barriers of snobbery within the fashion industry, proving that exciting design was not the exclusive province of the French, Italian, and British. Until recently, there were few people outside Belgium who could remember, never mind pronounce, their names. But word has it that these two, along with Dries Van Noten and Dirk Bikkembergs, could well dominate the fashions of the nineties like the Japanese did in the eighties. In fact, the sculptural quality of these newcomers' clothes has been likened to designs of Rei Kawakubo for her Comme des Garçons line and Yohji Yamamoto's fashions.

*Mirabella* magazine called these designers part of a "New Wave" group, which subscribes to a whole new system of getting dressed. The emphasis is on flexibility—how different pieces of clothing can be put together. Outfits are out; mixing up old and new is in. Like Jil Sander, Demeulemeester and Margiela design for women who know what they want. Demeulemeester's collection, also like Sander's, combines the masculine and feminine; fitted lines contrast with fluid. Margiela, known for exposed seams, ragged armholes, and no name on his labels, takes inspiration from flea markets where he finds discarded garments like old evening gowns and recuts them into long vests. Day and evening clothes are not distinct; it's up to the woman to make the decision about the occasion. Margiela also says that he designs for a mentality, not for a body. Both these designers believe in traditional workmanship and shapes, and work with fabrics almost like architects building an image. That image speaks their message of a new self-assurance in dressing. ☺

*Janet Bennett's article "Europe in the Caribbean" appeared in EUROPE's May issue.*

The President and CEO of Siemens Corporation, Albert Hoser, spoke with *EUROPE* Editor-in-Chief Robert J. Guttman about Siemens' many diverse businesses in the US, telecommunications, light rail systems, and a host of other business issues. Siemens Corporation has its headquarters in New York City.

President and CEO of Siemens Corporation



# Albert Hoser

**Does Siemens view itself as primarily a German corporation, or is it a global company?**

We are a German and European originated company. But we are operating globally, and in order to be welcome in all those countries where we operate, we have to act and be corporate citizens of the countries in which we operate.

In the United States we do as the Americans do, regarding personnel policies and adhering to the local laws. That means we are really a company that has its roots in Germany and in Europe but, with its branches, observes and respects the laws and customs of the countries in which we are operating.

**Could you explain your Siemens North America operation?**

In the United States we have Siemens Corporation, which is the holding organization for the United States (market). We have about 40 factories in the United States. We employ approximately 45,000 people. We do have a combined turnover after the acquisition of Sylvania, which we acquired in January, of about \$6.5 billion.

We export about \$750 million out of the United States, that means we are contributing to the balance of payments of this country. We spend more than 10 percent of our sales in this country for research and development. The philosophy behind all this is to say we want to manufacture as close to the market as possible, and therefore, we have this large manufacturing base in the United States.

**Do you hire mainly Americans?**

Out of the 45,000 people, less than one percent are Germans. Most of the presidents of the operating companies are Americans. Up to 44,500 of our employees are Americans.

**Do you see any differences in the work ethic between Germans and Americans?**

We find that the work ethic of our people here is excellent. We are doing a lot to improve their educational skills. That means by vocational training we are transforming the vocational training system from Germany to this country. A trainee works maybe three days on the shop floor and goes to school two

days. We do that in conjunction with local colleges so that these people have both practical training and theoretical training.

**Is this similar to the apprenticeship program that is so well known in Germany?**

Yes, it is practically [the same] apprenticeship program which I am a product of. We have introduced the program in Kentucky and also in North Carolina. At the moment these are our pilot projects. We intend to extend them to other locations in the country, to the California factories, and to all the others.

**How does the apprenticeship program work?**

I underwent Siemens vocational training from 1954 to 1957. I started out in Berlin for three months in the rock shops and learned how to file and drill and bend and make plastic parts. Then I worked in all the commercial, financial, and accounting departments of a factory.

Then I was sent for one year to a sales office in Munich, where I was acquainted with all facets of marketing

and sales. At the end, I participated in a three-month theoretical course in strategic planning, personnel planning, and human resources. And during all three years, I went to school two days a week and the other three days were spent at Siemens. After those three years, I passed the final examinations at Siemens and an exam administered by the Chamber of Commerce and Industry.

**Do you think that this would be a good program to have in the United States?**

We feel in this country you have an excellent educational system. For theoretical education the universities are very, very excellent. But at the same time, we feel also that we can bring something to the party in terms of training manual capabilities or blue-collar training. It seems to me that manual labor is not valued as highly in this country as we feel it ought to be.

But there's been a lot of interest in our program from a number of American manufacturers and businesses, governmental people, and the like.

**Could you mention some of Siemens main products in the United States?**

Our largest business is in medical equipment, electro-medical equipment. We are the largest competitor in this country. We are doing roughly \$1.8 billion in that field. Ours is a very wide spectrum, much wider than any other competitor. What we perhaps lack is a little more focus in that field, but I don't consider this to be a weakness of our business.

The next largest business is in the energy industry, which means equipment—motors, switch gear breakers, and protective devices for houses like miniature circuit breakers. The third largest business would be in the field of telecommunications. Another large business is in power generation.

Siemens also manufactures fuel injection systems in the US for worldwide distribution. And the Big Three (auto-makers) are good customers of ours in this field.

We sell electronic components like memory chips and semi-conductors. In the lighting business, Siemens recently acquired the brand name Sylvania from GTE, which is a \$1.2 billion business.

**Would you like to see a health care system more like Germany's put in place in the United States?**

The German system has many weaknesses. It is definitely not ideal, but it is the best system that I know of. It was introduced by Bismarck in 1888 and has grown in Germany for 105 years. It was a gigantic step when it was introduced in Germany.

**And so you think that a similar system would be beneficial for the US, even with the weaknesses you mentioned?**

I definitely feel so. Today there is a great disparity between the medical care that is available for people who are working for a large company and those employed by a small company. Those working in big companies have insurance coverage. But in many cases those working for small enterprises or independently don't have coverage, and they have to be afraid of what happens if they fall sick. We do not have this fear in Germany.

**Do you see Germany coming out of its recession any time soon?**

I'm sure that Germany will come out of its recession, just like it has come out of recessions before. And every time there is a recession, we say "this is the most severe recession we have ever seen," and so on, and this time it's different. It's a structural change and so on. I am an optimist that Germany will get out of the recession soon.

**Are you also optimistic about the European single market. Does that affect your business here?**

The single European market may not affect us so much, but definitely the North American free trade area will affect us. Personally, I'm a very strong advocate for the single market. Everybody in Europe has benefited tremendously from the single market in Europe.

**Will you be establishing fast train systems in the US?**

We are bringing the Inter-City Express (ICE) train to the United States. Amtrak is doing tests on the Northeast

Corridor of a variety of high-speed train options. Siemens is bringing the ICE train to the US in July. It will go into a variety of test runs through the end of the summer and then from October through December, it will be in service from New York to north of Washington.

**Do you think Germans are willing to give up the D-mark for a single currency, the ecu?**

That's a highly emotional issue. No nation has burned its fingers regarding money as much as the Germans have. And it's really in the genes, almost, that Germans are afraid of inflation. It's really a psychological problem, but personally as a businessman, I feel the sooner the better for establishing a common currency.

Actually, we have had a common currency in the middle ages, the Thaler, the silver coin. The dollar is derived from this word. There was a huge silver find in Central Germany a few hundred years ago. Then they minted these so-called Thalers and that became the name that was used for the dollar. And this was the currency which was accepted all over Europe. So the ecu would actually be nothing new, really.

**What are the key successes of the EC?**

One of the big successes is the close friendship between France and Germany, between two nations that have been fighting wars over hundreds of years.

**How is Siemens trying to keep from becoming a dinosaur? Are you restructuring to keep up with the times?**

Becoming a dinosaur is what we have been afraid of, and that's why in 1989 we reorganized the company into 15 groups with their independent board of directors, so that we have now a very flat organization. We have delegated decision-making powers to those boards. Effectively, we have empowered the managers in the groups, and as a result, we hope that we have the best of both worlds—the flexibility and mobility to act fast and, at the same time, maintain the financial strength and the managerial strength of being under one common roof. ☺

# OREGON LOOKS TO EUROPE

WHEN WE ASK OUR EUROPEAN FRIENDS TO DESCRIBE THEIR FIRST impressions of Oregon, a predictable verbal picture emerges. Sparkling rivers brimming with Chinook salmon. Environmental activists battling lusty loggers over clear-cutting in America's last remaining ancient forests.

The unique geography of Oregon is invariably mentioned as well—the wildly beautiful, rain-drenched country immortalized by author Ken Kesey in *Sometimes a Great Notion*. The snow-capped Cascade mountain range—still young, still seething with volcanic ferment. The dramatic coast with its towering cliffs and miles of empty beach fronting the dark and turbulent North Pacific. The vast and majestic Columbia River gorge that so ravished Lewis and Clark on their expedition into the American wilderness nearly 200 years ago.

A few well-read Europeans—at least those who heed *The Economist's* praise for the state's political traditions—may also mention Oregon's long history of innovative social and environmental policies. Policies like the nation's first bottle deposit legislation, the first comprehensive, statewide land-use planning process, the first beach protection legislation and, most recently, the innovative Oregon Health Plan—a novel social experiment aimed at broadening the availability of basic care while rationing the most expensive medical treatments.

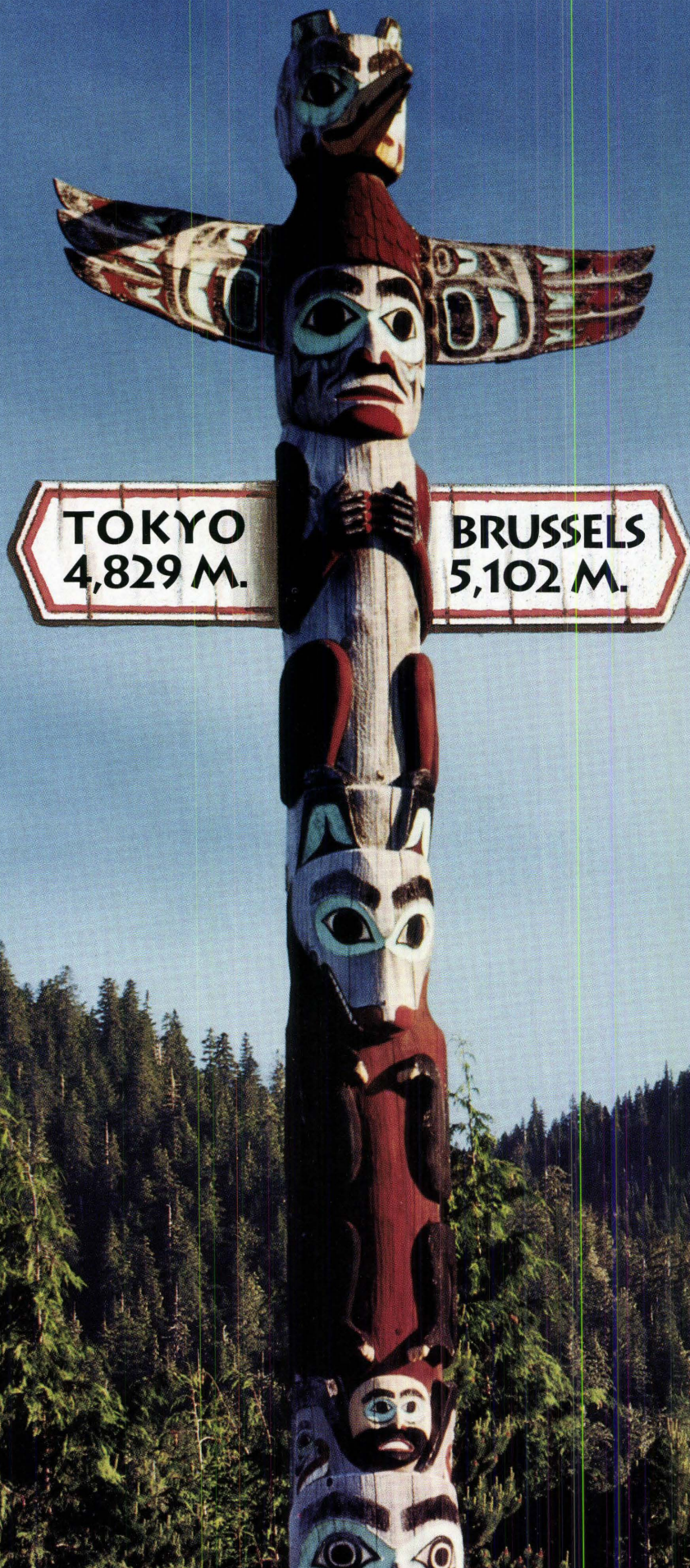
But it will be the rare European indeed who will mention Oregon's booming export trade with the European Community or the state's impressive record in attracting European investment.

But wait—isn't Oregon part of the dynamic Pacific Rim, the fastest

**BY JAMES AND LYNDA GARDNER**

LOOKS TO EUROPE





**TOKYO**  
**4,829 M.**

**BRUSSELS**  
**5,102 M.**



Oregon companies, the European Community has become a vitally important export market.

Take Mentor Graphics Corporation, for instance, an Oregon-based company that in the few short years since its founding in 1981 has become one of the world's leading producers of electronic design automation software. According to Judy Erdman, Mentor's European liaison, "Europe has consistently accounted for over 25 percent of Mentor's worldwide sales of \$400 million, and it looks like the proportion of our sales in Europe will continue to remain stable."

Like its older and larger corporate brethren, Mentor is evolving from a mere exporter of products to a genuine multinational company with a prominent European presence, including regional sales and distribution offices scattered throughout the European Community. More impressively, some of Mentor's most sophisticated research and development is now performed at three R&D facilities in Belgium, France, and the United Kingdom. The Belgian research facility, operated in partnership with European electronics giant Philips, has already yielded one of Mentor's most exciting new products—high-level "conceptual design" software which allows engineers to produce designs in a "top-down" fashion and thus avoid time-consuming attention to technical details.

Soaring export trade isn't the only connection between Oregon and Europe. An impressive number of European-owned businesses employ Oregon workers and contribute significantly to the state's prosperity.

Freightliner Corporation, an old-line Oregon firm acquired by Germany's Daimler-Benz AG in 1981, has annual revenues of \$2.7 billion, employs 3,073 Oregonians and contributes \$115 million in annual payroll to the Oregon economy. Freightliner builds heavy-duty trucks at its Oregon plant and sells them worldwide.

"Oregon has been a very favorable place to be located," says Freightliner CEO James Hebe. "We have access to a very capable and stable workforce. Because Oregon is such an attractive place to live, we don't have a problem with turnover in our management and corporate staff."

Another advantage that Oregon offers a German-owned company, according to Hebe, is that the state is "a lot

growing economic region in the world? Aren't the eyes of Oregon's exporters firmly fixed on Asian markets? What interest could European markets, so distant, possibly hold for Oregon businesses?

Consider this:

- An impressive 23 percent of Oregon's manufactured exports are destined for the European Community.

- The goods which Oregon exports to Europe tend to be job-generating, high-value-added products like computers and scientific instruments.

- Perhaps most surprising, Oregon's manufactured exports to Europe are growing almost twice as fast as its exports of manufactured products to East Asia.

"Europe represents an incredible opportunity for Oregon's producers of manufactured goods," according to Glenn Ford, director of the International Trade Division of Oregon's Economic Development Department.

Ford's enthusiastic comment is no exaggeration. For a growing number of

**Freightliner Corporation, an old-line Oregon firm acquired by Germany's Daimler-Benz AG in 1981, has annual revenues of \$2.7 billion, employs 3,073 Oregonians and contributes \$115 million in annual payroll to the Oregon economy.**

# Inside

# EUROPE

JULY-AUGUST 1993

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## GONZALEZ WINS IN SPANISH ELECTIONS

In the midst of the worst recession in more than 40 years and against all expectations, Spanish Prime Minister Felipe González squeaked through to victory in the June 6 elections to give him and his Socialist Party another four years in power.

With unemployment hovering around 22 percent, a series of currency devaluations, the economy in deep trouble, and other European Socialist parties being tossed out at the ballot box, opinion polls were predicting just one week before the vote that the center-right Popular Party, led by the former President of the Castilla Leon region, Mr. Jose Maria Aznar, was slightly ahead of the Socialists.

In campaign speeches, Aznar had repeatedly attacked the ruling party, which had been in power for more than ten years, not only on its economic record but also for several embarrassing scandals.

After a decade as Spain's premier politician, it looked like González may have finally met his match, especially after the first of two televised debates in which Aznar came across as a viable alternative.

But with days to go before the election, González managed to win the second debate, rally the party faithful, and instill in many voters the fear that should the Popular Party triumph, Spain would once again be at the mercy of the Francoists.

When the dust cleared early on the morning of June 7, it was evident that González had pulled it off but just by a whisker. The Socialists took 159 seats in the 350-seat lower house of Parliament, losing 16 deputies along with the parliamentary majority they had enjoyed since coming to power in 1982.

The Popular Party won 141 seats—a gain of 34—and, although he could still claim to be the most popular politician in the country, González clearly understood the results meant that Spaniards wanted a new direction in government.

"I have understood the message of the people. They want change on top of change," he told thousands of cheering Socialists gathered outside the party's election

headquarters at Madrid's posh Palace Hotel as the final result was announced.

But now comes the hard part. On election day, the Madrid daily *El País* listed what it called "The Ten Points for Governing Spain." These included austerity in economic policies, fighting corruption, strengthening government institutions, reforms in the administration, environmental protection, more money for education, and a foreign policy concentrating on Europe and Latin America.

At the top of the list was the need for a government with a solid parliamentary majority. Yet, in the first days after the vote, González appeared to ignore this advice, indicating he favored ruling in the minority while making deals with other parties in the Parliament to pass legislation on a case-by-case basis.

However, after returning from a brief post-election holiday in his native Andalusia, González said he would meet with the leaders of minority parties in a bid to form a stable government.

With 18 seats, the United Left is the country's third political force, and at first glance, a natural candidate for power sharing. The left-wing of the Socialist Party, headed by Deputy Leader Alfonso Guerra, clearly favors bringing in the United Left both to strengthen the left in a future government and to attract the support of the country's main unions.

But González, who is deeply committed to the European Community and whose monetarist policies helped fuel Spain's economic boom in the late 1980s, says he sees problems in joining with the United Left, especially since that party has called for pulling out of the Maastricht Treaty.

"It would be difficult to reach an agreement with any party which does not believe in Maastricht," González has said.

This leaves two conservative, regional parties, the Convergence and Union of Catalonia (with 17 parliamentary seats and led by Jordi Pujol), and the Basque Nationalist Party (which holds five seats and is headed by Xabier Arzallus).

# GONZALEZ WINS IN SPANISH ELECTIONS CONTINUED

In return for joining the González government, both parties are expected to ask for, among other things, further autonomy for their regions (which are the most industrialized in Spain), interest rate cuts, and changes in the current labor laws which make it virtually impossible to lay off unwanted or unneeded workers.

In addition, the Catalans are demanding that the central

government turn over to Catalonia 15 percent of the income taxes collected in the region, and the Basques are seeking their own central bank.

González had a brief respite from the domestic political horse-trading when he flew off for the two-day EC summit in Copenhagen in June.

—Benjamin Jones

## E.C. NEWS

### EUROPEAN LEADERS BACK US BOMBING

The United States' air strike against the Iraqi intelligence agency in Baghdad received overwhelming support among European political leaders.

German, British, and Italian heads of state supported the American action as a proportionate response to Iraq's attempt to assassinate former President George Bush during a visit to Kuwait.

"The German government regards the American government's action as a justified reaction to this detestable terrorist attempt," said German Chancellor Helmut Kohl.

The Russian foreign ministry also labeled the attack as justified.

French Foreign Minister Alain Juppe expressed reserved support of the bombing, saying, "France understands completely the American reaction to terrorism. We condemn it and must fight it."

### KURDS STAGE TERRORIST ATTACKS IN EUROPE

The battle between Turkish nationals and Kurds moved to Europe last month as two hostage crises and violent protests marked a day of more than a dozen coordinated terrorist acts by Kurdish militants in Western Europe.

One protestor was shot and killed outside the Turkish consulate in Bern, Switzerland. Several dozen hostages in Turkish consulates in Munich and Marseille were released unharmed after hours of negotiation with police.

The Kurdistan Workers Party (PKK) claimed responsibility for the protests and attacks on several Turkish consulates, banks, and travel agencies in Europe. The group was demanding an end to military aid to Turkey, funds which the Kurds claim are used to quell their near decade-long fight for an independent Kurdish state.

The attacks came the week after German Chancellor Helmut Kohl pledged continued support of the Turkish government and denounced a spate of violence against the Turks living in Germany. Government officials are considering banning some 3,800 PKK affiliates in Germany in an effort to increase protection for its 1.8 million Turkish population.

### FUTURE OF EBRD IN QUESTION

Many Western leaders are challenging the mission of the European Bank for Reconstruction and Development (EBRD), after dogged allegations of financial mismanagement led recently to the resignation of the bank's first presi-

dent, Jacques Attali.

Attali blamed unflattering press reports for impeding his work at the bank. He was criticized harshly after reports this spring that the organization had spent more money on its London headquarters and operations than it had in loans to Eastern European nations.

The bank was created in 1989 to spur mainly private-sector development in Eastern Europe. Recently, critics have suggested that this agenda could be carried out by the World Bank or the European Investment Bank.

The EBRD's board of governors is scheduled to begin evaluating candidates for Attali's former position this month. Onno Ruding, the Dutch finance minister, Karl Otto Pöhl, the former head of the Bundesbank, and Henning Christophersen, EC commissioner for economic, monetary, and financial affairs, are said to be among the contenders.

### EC LEADERS PLEDGE UNITY, SUPPORT IN BOSNIA

European heads of state agreed to contribute additional financial support and troops to protect Moslems in "safe areas" of the former Yugoslavia after the United Nations' peace plan failed. The decision came as the leaders met in Copenhagen for their semiannual summit.

Danish Prime Minister Poul Nyrup Rasmussen said he thought the action characterized an increased integration among Community members. "I think...we have succeeded in taking the first important steps into an era which will be characterized by a more dynamic European cooperation," Rasmussen said.

The agreement did not endorse lifting the arms embargo against Bosnian Moslems, despite German and US support for the measure. It stated that the EC would preserve Bosnia's territorial integrity. However, several of the leaders said they would not commit more troops than currently are serving with the UN's peace-keeping forces.

### NEW METHODS SOUGHT TO INCREASE EMPLOYMENT

Relief for more than 17 million unemployed Europeans will mean a change from current economic and social policy, according to several EC ministers.

"We need now a structural approach. The Americans have been better than us at creating jobs," said Hans Van den Broek, EC commissioner for external relations.

Van den Broek and several heads of state advocated low-

ering interest rates as well as reevaluating such labor policies as high payroll taxes and minimum wages in some countries.

## TWELVE TO BECOME SIXTEEN IN 1995

European Community ministers set January 1, 1995 as the target date for bringing four nations into the Community.

Austria, Sweden, Norway, and Finland would join the EC in less than two years, pending ratification by their own parliaments.

Twelve other Eastern European nations also were promised eventual membership in the EC but were not given a timetable.

## RAIL MAKES FIRST CHUNNEL CROSSING

A French train logged the first English Channel crossing recently via the Channel tunnel, which is scheduled to open next year.

The French TGV (Train à Grande Vitesse) slowed to a halting 19 miles per hour on the maiden voyage but eventually will travel from Coquelles to Folkstone at 100 miles per hour. The rail will carry passengers from London to Paris or Brussels in about three hours, according to a Eurotunnel spokesman.

## BOBBIES LIKELY TO GET GUNS

Increasing violence has led the British police force to consider assigning guns to its traditionally unarmed "bobbies," according to London's police commissioner.

"There will be more and more specialist units and more and more officers on the streets who will have to be armed," said Paul Condon, head of the Metropolitan Police. "I don't think it is inevitable, but it is probable."

### WHAT THEY SAID....

**"We must not allow radicalization and violence to fester in our country. Germany is not, and must not become, an assembly point for terrorists and subversives."**

—German Chancellor Helmut Kohl, in a message to Parliament following the death of five Turks in Solingen, Germany.

**"Britain's place in Europe's counsels is at the center, not at the margins."**

—British Foreign Secretary Douglas Hurd, addressing British Conservative Party candidates for the European Parliament.

**"In South Africa they have a saying that you can use every bit of an ostrich apart from the squeak."**

—John Stallard, a British ostrich farmer in

France, on why the ostrich industry in Europe is taking off.

**"What can be more vital to America's national security interests than Europe's future?"**

—Senator Richard Lugar on the need for a US-European security plan.

**"You just win on heart rather than form sometimes. But you know they both seem to be working well now."**

—Martina Navratilova, after the 36-year-old tennis player handily defeated Natalia Zvereva, 22, in Wimbledon's quarterfinals.

**"The Uruguay Round continues to be posed precariously at the brink of a final success."**

—Arthur Dunkel, former director general of the GATT.

## BUSINESS BRIEFS

**Groupe Bull**, the long-troubled French computer manufacturer, has staged a comeback with major deals in the US and Japan.

Bull's US microcomputer unit, **Zenith Data Systems**, is forming an alliance with **Packard Bell**, an American personal computer maker, to design and manufacture desktop PCs. The deal erases doubts over Bull's commitment to the PC business following Zenith's loss of market share to industry leaders, **Apple** and **Compaq**.

Meanwhile, **Nippon Electrical** of Japan was expected to announce sizable increases in its existing 4.4 percent holding in Bull, which has been warned by the French government that it can no longer count on state support.

\*\*\*

**Volkswagen** plans to build "the cheapest car in the world" in Spain. The German auto giant is negotiating with a consortium of Spanish banks and industrial firms over the construction of a 200,000-cars-a-year factory near the northern city of Bilbao. **Jose Ignacio Lopez**, VW's production director, said the "dream plant" should be ready by 1995.

VW's decision to boost output in Spain has angered its German workforce, which faces 12,500 layoffs in the next 18 months. The plan also brought a threat of legal action by **General Motors**, which claims the VW plant is closely modeled on its own ultra low-cost factory designed by Mr. Lopez before he left the US car maker to join VW last March.

\*\*\*

Small airlines operating from Europe's geographical perimeter are struggling for survival in a rapidly liberalizing air transport market that is increasing the dominance of the big carriers.

**TAP-Air Portugal**, which hasn't made a profit since 1974, warned it will be forced to shut down by year-end without a state cash injection of between \$630-785 million. "Unless this injection comes, TAP is finished," said TAP President **Augusto Santos Martins**.

**Aer Lingus**, Ireland's state-owned national carrier, is preparing to lay off 1,000 of its 13,000 workers and close some loss-making routes in a restructuring plan aimed at securing \$170 million from the government.

**Finnair**, Finland's flag airline, is

## BUSINESS BRIEFS (CONTINUED)

bracing for another rough year after its loss for the year ended-March totaled \$75 million, more than double the previous year's loss.

\*\*\*

European governments will sell up to \$150 billion worth of state-owned companies, equivalent to ten percent of Europe's stock market capitalization, over the next five years.

France will head the sell-off table, putting \$30-40 billion of state assets on the block, according to **Morgan Stanley**, the US investment bank. The United Kingdom, which pioneered the current wave of privatizations in the 1980s under former Prime Minister **Margaret Thatcher**, is still selling off state firms with some \$20 billion still to come into government coffers. Italy ranks third with sales estimated at \$10-15 billion.

Telecommunications, energy, and gas and electric utilities account for half the value of planned privatizations.

\*\*\*

**Hans Tietmeyer** will become one of the most closely watched figure in the world's financial markets beginning in October when he becomes president of Germany's powerful **Bundesbank**. Tietmeyer, 61, will succeed **Helmut Schlesinger** at a time when the mighty deutsche mark's long reign as Europe's anchor currency appears to be waning, the victim of a ballooning budget deficit resulting from the astronomical cost of revamping the obsolete East German economy.

\*\*\*

**Quick**, the Belgian restaurant chain, is challenging **McDonalds** in the fierce battle to whet Europe's voracious appetite for American-style fast food. Quick, with 219 hamburger outlets in Belgium, France, and Luxembourg, plans to double its \$370 million annual sales by the year 2000 and notch up annual profit growth by more than 20 percent.

The company, which recently raised \$54 million by selling a 21 percent stake to private investors, is Europe's third largest fast food operator after **McDonalds** and **Burger King**. Quick figures Europe is ripe for expansion, with only one fast food outlet for every 155,000 residents compared with one for every 5,580 residents in the United States.

\*\*\*

**Statoil**, Norway's state-owned oil and gas group, and **Neste**, Finland's state oil and chemicals concern, are merging their petrochemicals businesses in one of the largest-ever Nordic alliances.

The new company will be Europe's largest plastics manufacturer with a payroll of 6,000 people and yearly sales of \$2.5 billion.

The company, with plants in ten countries and sales offices in Europe, the US, and Southeast Asia will have access to feedstock from Statoil's North Sea gas fields.

\*\*\*

The **Danish government** plans to cut its 94 percent stake in **Tele Danmark**, the state telephone monopoly, to 51 percent within the next year.

\*\*\*

**United Parcel Service** is rethinking its European strategy after a \$1 billion spending spree buying and revamping 16 delivery companies across the continent. Europe is responsible for a large slice of the Atlanta-based company's \$795 million losses on foreign operations in the past three years.

The overnight intra-European delivery market hasn't lived up to expectations, with daily deliveries running at under 200,000 packages compared with up to three million in the United States. Rather than concentrate all its efforts on cross-border business, UPS is going all out for profits at its domestic European operations.

**Federal Express** quit the intra-European market last year at a cost of 6,000 layoffs and a onetime charge-off of \$254 million. UPS, however, has pledged it won't walk away from Europe.

\*\*\*

**Volvo**, the Swedish car maker, and **Renault**, France's state-owned auto and truck maker, are negotiating to transform their three-year-old strategic alliance and cross shareholdings into a full merger.

The talks, spurred by the French government's decision to privatize Renault, are expected to last throughout the summer. **Gerard Longuet**, France's industry minister, said a rapid merger is "indispensable" for the privatization.

Renault currently holds eight percent of Volvo, and Volvo has 20 percent of Renault. Now the firms reportedly want to create a joint holding company, which would take a 55 percent stake in a publicly quoted Renault-Volvo manufacturing concern.

The talks finally squashed rumors that Renault planned to merge with **Fiat** of Italy.

\*\*\*

**Pepsi-Cola** is launching a marketing blitz to double its seven percent stake of France's cola market by 1996. Pepsi, which notched up sales of \$55 million in France last year, is outsold by **Coca-Cola** by an 11 to one margin.

France is a relatively undeveloped cola market, with soft drink consumption equal to half the European average and just one-sixth of the American intake.

\*\*\*

Denmark's leading businessman for a generation, **Maersk Mo-Kinney Moller**, head of the giant **A.P. Moller** shipping, oil, and manufacturing empire, retired on June 30, just two weeks before his 60th birthday.

His successor, 46-year-old **Jess Soderberg**, will be in charge of a company with a market value of \$6.5 billion. One of its most valuable and visible assets is **Maersk Line**, the world's biggest container shipping lines.

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**Sara Lee**, the acquisitive Chicago-based food and consumer products group, boosted its sizable European operations with the purchase of a majority stake in **Maglificio Ballia**, a \$130 million-a-year Italian knitwear company, for an undisclosed sum.

—Bruce Barnard

### INSIDE EUROPE

#### Correspondents

Bruce Barnard  
Benjamin Jones

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

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**N**o Oregon company has a greater stake in the European market than fast-growing Sequent Computer Systems, Inc. Sequent, which manufactures state-of-the-art mainframe and networked systems, gained nearly 40 percent of its \$307 million in revenue last year from European sales.

"Sequent is very young in Europe. We've been here just over five years," says John McAdam, Sequent's vice president for European operations. "But in those five years our European sales have been growing between 50 percent and 80 percent per year while our European workforce has grown from one person to 300. We have become the leader in our market segment—UNIX-based high-end computers—in the United Kingdom. We've already passed competitors like Hewlett-Packard."

How does Sequent account for its gravity-defying takeoff in the midst of a European recession? "The good news for Sequent is that the market for high-end UNIX based open systems is developing more quickly in Europe than anywhere else," observes McAdam. "That's what accounts for the tremendous growth in our European sales."

## SUPERCHARGED SEQUENT

Another factor may be Sequent's savvy determination to move aggressively to satisfy technical standards favored by European customers. "We're really geared up to meet European standards," says McAdam. "We attained ISO 9000 certification in the UK last month, and we're absolutely determined to do the same in rapid order in other European countries."

How about the market impediments posed by public procurement rules that supposedly favor European suppliers? No problem for supercharged Sequent.

"We've experienced no restrictive difficulties whatsoever in selling to governments in Europe," according to McAdam. "Central European governmental agencies are good customers for Sequent and local governments in Europe are a fantastic market."

McAdam goes on to cite example after example of Sequent's public procurement successes in Europe—major computer sales to the French National Health Service, deals with 20 local governments in the United Kingdom last year alone, and perhaps most impressive, the winning bid to provide an electronic mail system for the German Bundestag!

—James and Lynda Gardner

like Germany geographically, with skiing and many other outdoor amenities that Germans enjoy.”

Even that quintessentially French industry—winemaking—has found a second home in Oregon. In 1987 Robert Drouhin, a well-known French winemaker from Burgundy, began purchasing land for vineyards in Oregon. The first small bottling of Drouhin wine produced in Oregon took place in 1988. Last year Domaine Drouhin fermented 10,000 cases of premium Oregon pinot noir wine.

“Robert Drouhin was familiar with Oregon for a long time,” says Bill Hatcher, general manager of Domaine Drouhin. “He had been coming here many years for the land, the people, and the wine. He felt that Oregon’s Willamette Valley offered the opportunity to produce pinot noir wines unsurpassed anywhere in the world other than Burgundy.”

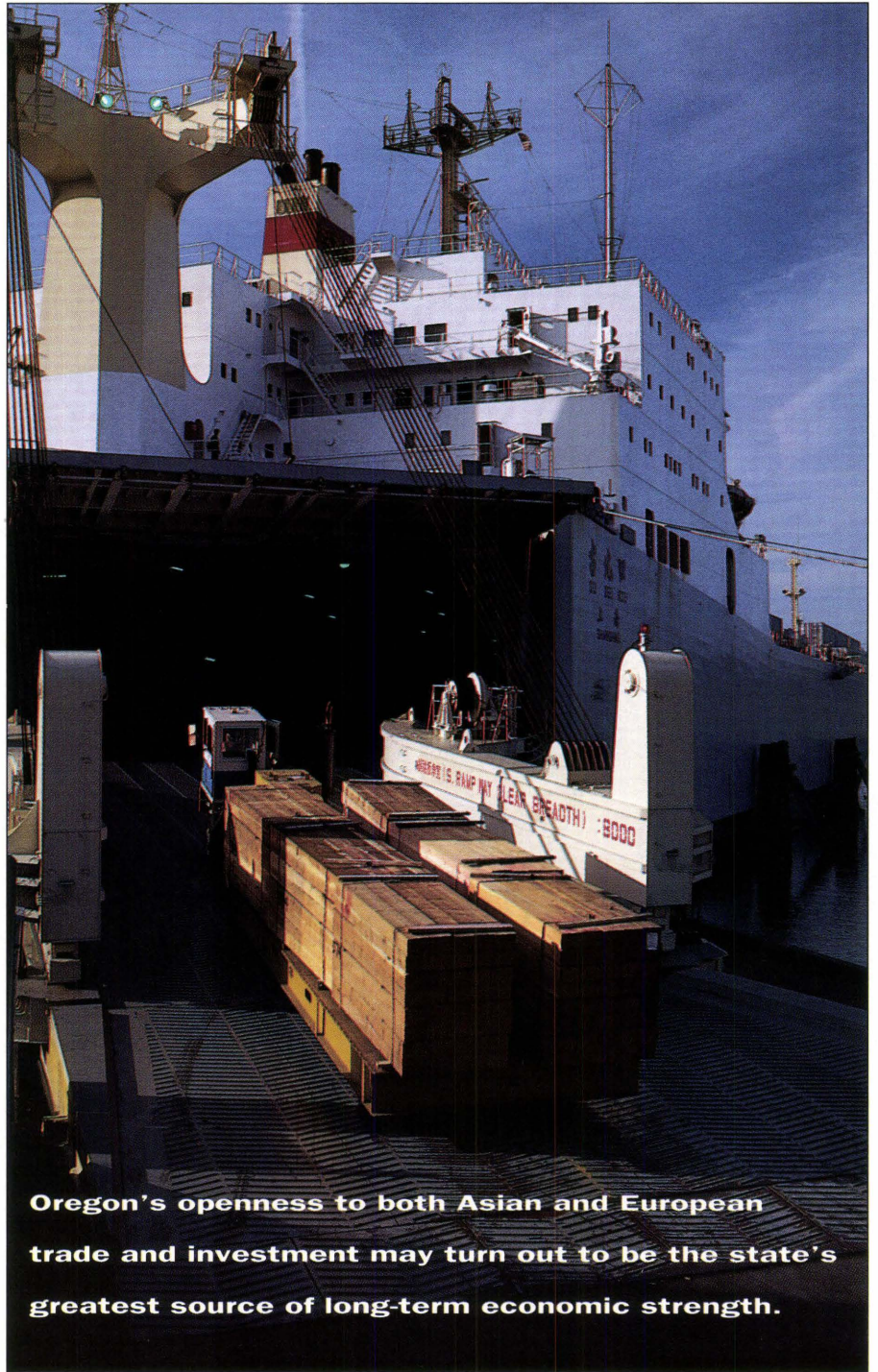
In 1992 Domaine Drouhin passed a significant milestone when it began producing its first estate bottling in which all of the grapes used to produce the wine were grown on Drouhin’s own land in Yamhill County, Oregon’s premier wine region.

Drouhin’s Oregon pinot noir, which retails for about \$30 a bottle, will be marketed throughout North America, Asia, and Europe—yes, even in France.

Perhaps the most persuasive evidence of Oregon’s close ties with Europe lies in the field of education. Since 1979 Oregon has been home to the only French-American bilingual school in the entire Pacific Northwest region of the United States that is officially accredited by the French Ministry of Education. The private French-American School in Portland instructs 160 students from preschool through fifth grade in a curriculum based on the rigorous French educational model. Students, who come predominantly from English-speaking Oregon families, are taught most of their subjects entirely in French by native French teachers.

“At first I found it surprising that there was such a strong interest in the French language and culture in Oregon,” says Beatrice de Elespp, the director of the school. “But now I find it entirely natural.”

Initially surprising but entirely natural upon reflection—it’s a good way of summing up Oregon’s intensifying focus on Europe. While the state’s



**Oregon’s openness to both Asian and European trade and investment may turn out to be the state’s greatest source of long-term economic strength.**

strategic location on the Pacific Rim offers an undeniable advantage in attracting Asian trade and investment, its economic links with Europe are vitally important and growing rapidly. Indeed, Oregon’s openness to both Asian and European trade and investment may turn out to be the state’s greatest source of long-term economic strength.

Through a fortuitous quirk of geography, Oregon is almost precisely equidistant from Brussels and Tokyo. It’s one of the few places on earth

where you can do business over the phone on the same business day with both Europe and Asia. In the borderless economy of the 21st century, this may turn out to be a source of significant competitive advantage. ☺

*James Gardner is author of Effective Lobbying in the European Community. Lynda Gardner is co-author of Europe Beckons: 1992, the Pacific Northwest and British Columbia.*



GOVERNOR OF OREGON

# Barbara Roberts

The Governor of Oregon, Barbara Roberts, was interviewed at the Oregon State Capitol in Salem by *EUROPE* Editor-in-Chief Robert J. Guttman. Governor Roberts speaks out on health care reform, European investment in Oregon, and her views on NAFTA and GATT.



**Oregon is considered a Pacific Rim state. Do you look exclusively toward Asia, or do you look also toward Europe for trade and investment?**

As a state with a Pacific Ocean border, it's very easy to get focused on the role we have and the opportunity we have in Asian markets. And we have a very strong Asian market international relationship in Oregon.

But we serve another unique role in that Oregon, if you look at the European markets and look at the Asian markets and look at the Canadian markets, Oregon is central to all of those. I believe that as the European-Asian exchanges become stronger economically, Oregon will be in an ideal place to work with both of those markets.

In addition to that, we have put a new focus in the last three or four years on the European market in Oregon and are working now to improve that economic base with Europe. It's the greatest opportunity we've had for a new market base, since we started marketing in Asia. And now we feel that same opportunity exists in the European markets. There is a wonderful match between the European markets and Oregon.

Many of the things that have been priorities for this state for a very long time, in a sense, are like grandchildren,

almost, of Europe. The belief in land use and the secondary wood products markets that we're dealing with now—Europe was there before we were there. Germany was certainly there before we were there, as were other countries in Europe. Our focus on education reform and workforce reform are like many of the programs that you have seen in Europe over the years. The apprenticeship programs, the emphasis on how children come out of the educational system, the link between the educational system and the work world—have always been very strong in Europe. And we believe that the changes we've made in Oregon over the last two years are a perfect match for that environment.

And more than any other places in the world, Oregon and Europe have a respect for community that is very strong. Both understand that a community is more than just houses and buildings; it is a transportation system, the ability to move products, and a cultural system. All of those things are very much part of what Oregon is focused on right now. What we described when I became governor two and a half years ago is a livable community's agenda. And we have been focused on those kinds of communities, and one of the reasons we're attracting such growth in our population and such growth in new business in Oregon is because this is a great place to live, and people know it.

**One of your big companies here is Freightliner, which is owned by Daimler-Benz. How many jobs does Freightliner provide for the state?**

It is providing about 3,000 jobs. And it's expanding right now. They have not only expanded with their Portland operation, which is very large, in fact in their Freightliner truck operation now, they're the number one producer of large trucks in the country. But also, they have moved one of their operations from the southern part of the United States to Portland. They clearly have found it a good place to do business. Oregon is a good state to do business in, and Freightliner and the Daimler-Benz Company have truly formed a very strong relationship in terms of the economic health of the company and their feeling an economic stability in Oregon, and that is emphasized by the growth that they're experiencing.

**Is Germany one of the main European states that you deal with?**

It is the largest country in terms of both our imports from and exports to Europe. The UK and the Netherlands are other EC countries we export to.

**Do you have any other European companies here the size of Freightliner?**

That is the largest one. The next closest one is Wacker Silitronic in Portland, and it has about 1,000 employees here. And they've been in the state for 10 years. They started out with about 200 or 300 employees. We do have a number of Oregon firms who now have European operations for their firms, like Nike.

**What are you doing to try to attract European firms to Oregon?**

It has been a market that we have just really started working on with real emphasis in the last two years. It's my expectation, if everything works out, that I will be going to Europe this fall with a small economic delegation from Oregon, and that I will lead that delegation over with the hopes of visiting at least three countries to place an emphasis on what we have to offer, not so much to "show our wares" but rather to just tell our story in Europe.

Oregon is very well known in the Asian markets. We're not as well known in the European markets, and we intend to correct that.

**Do you see Oregon a middle ground between Asia and Europe?**

That's certainly one of our roles. If the North American trade alliance goes into place, obviously our connection to Canada—literally a five-hour drive—has got to be another one of the pieces that will add to that chain of connections.

This is where the action is, quite frankly, in the United States right now.

And I know as an Easterner, that's hard to believe, but the truth is the western part of the United States is the fastest growing part of the country—economically and in terms of population. It's becoming much more internationalized than it has ever been before, and a great deal of the trade for this country will be developed right now on the West Coast of this country.

So if the United States really wants to be healthy, it has to understand the role the West Coast is playing, much as the East Coast did 150 or 200 years ago. That's what it was like. That was where the action was. Now much of that action is occurring on the West Coast of the United States. The healthier we can make the West Coast of the United States economically, the healthier the United States will be. We play that role.

So we see ourselves as having very strong links, not only to Asia, but just as clearly to Europe. And we fully intend that the kind of quality product coming out of this state will be the kind of product that will be desirable wherever companies are considering purchasing.

We also know by watching Wacker and the Freightliner operation that this is a place that European countries can invest. It's stable, good for business, has a very, very educated and trained workforce. We're the kind of place where a company can expand its operation to another continent and know that they've made a wise choice. And there's never any question about that from the international companies that have located here. I don't believe an international company has located in Oregon and then left. I don't think that has happened. Almost every Japanese company of any size or importance has some kind of an operation here in Oregon. That's now beginning to be true of Korean companies and Taiwanese operations, and now you see it with Germany and the Netherlands and France beginning to look at Oregon as another potential site.

**Do you get any tourists from Europe?**

Yes. We're getting a lot of visitors. Oregon has a lot of tourists who go from Oregon to Europe. But it's coming much the other way now, particularly from Germany. A lot of German tourists are coming back to Oregon. The tourism business has grown very fast in Oregon.

The other thing that's happening here involves the film industry. There are many films being made in Oregon now. We always say you can't see a car commercial on American television that wasn't filmed in Oregon. That's also true on European television, and it's also true now on Japanese televi-

sion. A lot of car commercials for international car and automobile dealers are done in this state. As a result not only do we do a lot of major films now, but we are also becoming the place that companies are choosing to film all kinds of commercials.

**Are you in favor of the North American Free Trade Agreement?**

Yes, I am. It's always surprising when Democrats say "yes" so bluntly. I really believe the time has come on this planet that we can no longer draw some of the lines that we draw about international trade. I have very strong concerns about the environmental impacts and the labor impacts, particularly across the Mexican border.

**And more than any other place in the world, Oregon and Europe have a respect for community that is very strong. Both understand that a community is more than just houses and buildings; it is a transportation system, the ability to move products, and a cultural system.**

It's absolutely critical when the final compact is drawn up that it includes the kinds of mechanisms that protect the environmental requirements we make of our industry and of our employers in this country, as well as the employee protections. And I believe that what happens when you do that is within a very few years, and I mean very few, you find equality on both sides of that border.

A healthier economy in Mexico will eventually mean a healthier economy here. People won't be leaving Mexico to look for work, both legally and illegally in this country, and that will upgrade the working conditions and the environment of Mexico. The United States wins when that happens.

**What are your views on the other accord everyone wants to see finished, GATT?**

GATT, the perpetual accord. Obvi-

ously the message is the same, that international treaties must begin to reflect an international marketplace and that some of the past restrictions that have made trade impossible, or made trade unfair or imbalanced need to be dealt with in the GATT accord, just as they do with NAFTA. Those are obviously the sticking points whenever you do a treaty of this kind.

But it is becoming almost impossible to look at borders, which have very great importance politically, but quite frankly, to the consumers of the world, have less and less credibility. And the consumers of this world are demanding quality products, and they don't care where they come from. More and more that will be the consumer attitude in this world.

**Is it harder for a woman to be successful in politics?**

I don't think there's any question that most of us who've run for major office know it's harder for a woman generally to raise large amounts of money and be a major candidate for a major office. It is much easier for women to run for city council or school board or the Oregon Legislature, all of which I've done. But we have shown in the United States in the last two to four years that that has changed dramatically.

The public wants politicians they can trust. They want people who get things done, and they want people who don't play political games on all the issues. They want people who are not afraid to act. And in many cases, in various parts of the United States, those are turning out to be women. And where they are, those women are doing very well... And as long as those women politicians

remain that kind of politician, then I think they will continue to be elected to office.

**Could you explain what the Oregon Health Plan encompasses?**

The Oregon Health Plan started out to be Oregon's attempt to bring "logic"—a word that's not often associated with the term "medicine"—to the health care system in our state. What we tried to do is design a system that brings every person who lives under the poverty line into our state health care coverage. And then we have expanded that so that by 1995 all businesses in Oregon will be obligated to provide health care coverage for their employees. At the time that happens, between those two portions of the population we will cover about 400,000–450,000 additional Oregonians who are not covered with health care now.

**Is the overall purpose to have universal or state-wide health care for everyone?**

Yes. The purpose is to make sure that every Oregonian has adequate health care, and we think the best way to do that is not by providing the care, but rather by providing the coverage, which seems to be a much more logical way to do it. And what Oregon has done—some would call "rationing," and we call "logic"—is create a system that basically expands care to everyone. Within that framework, however, and we will prioritize the procedures that are part of health care with a very strong emphasis on children, on prevention, on long-term health. The program de-emphasizes, somewhat, those [procedures] that are incredibly costly and basically don't change the life outcome for the patients who receive them.

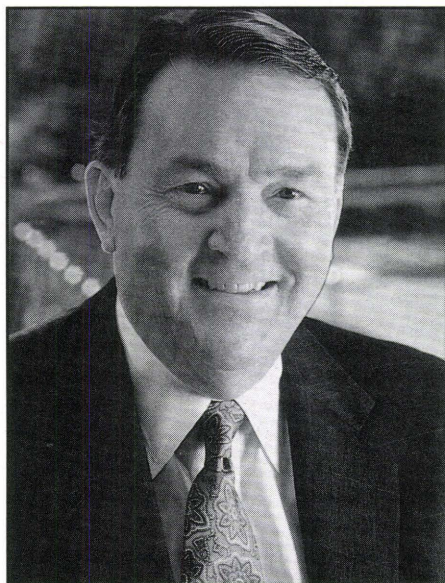
**Do you think the Oregon Plan could be a model for the United States?**

It's a model that could easily be followed not only by the country, but certainly by a number of other states. The state of Tennessee is looking at it; the state of Florida is looking at it. They believe we have done what no one else has been willing to do or able to do in the country, and I think there are many provisions of the Oregon Health Plan that could transfer to a national base. ☺

Richard Donahue, president of Nike Inc., was interviewed by *EUROPE* Editor-in-Chief Robert J. Guttman at Nike's headquarters outside of Portland in Beaverton, Oregon. Mr. Donahue speaks about Nike's success in Europe, Nike's unique advertising campaign, and his views on the GATT negotiations, NAFTA, and the single market.

# Richard Donahue

P R E S I D E N T O F N I K E I N C .



**What is Nike's position in Europe today?**

We're probably 19 percent of the market share in Europe, but it varies from country to country. We're probably in the order of 29 percent in France, and we're about 20-21 percent in Germany. We're probably number two in Italy. We are number two in the UK—number one if you combine both footwear and apparel. We're number one in the Netherlands, but the difficult thing is, people ask about footwear products, and we compete in 24 or 25 different categories.

We're not number one in any one of the countries in soccer, but we are number one almost universally in running, and we're number one in basketball, and we're pretty much number

one in cross-training, which is a category we developed. You really have to compare product for product.

**What percentage of your overseas sales come from Europe?**

Seventy percent.

**Is Europe one of your growing markets?**

Yes, it's going to grow, but the rest of the world is going to grow. I don't think that we can expect that Europe will contribute 70 percent forever, but it will contribute to a greater amount as we get bigger worldwide.

**How do you account for 70 percent of your overseas sales being in Europe?**

That really is a reflection of the maturity that we've had in the European market, and we will continue to expand there. It's the dollar volume that will grow, but our product volume across the world will start to really increase dramatically.

**How do you run your European operation? Is it Pan-European or is it country by country?**

It used to be country by country, and we made it Pan-European beginning a year ago. It'll be two years coming this September that we put a European

headquarters in Hilversum outside of Amsterdam. That was a choice that we made which was a reflection of the 1992 single market, a reflection of our need to present a more common image and to introduce some of the things that we can do well in all of Europe.

**Do you have Michael Jordan commercials showing in Europe?**

Yes.

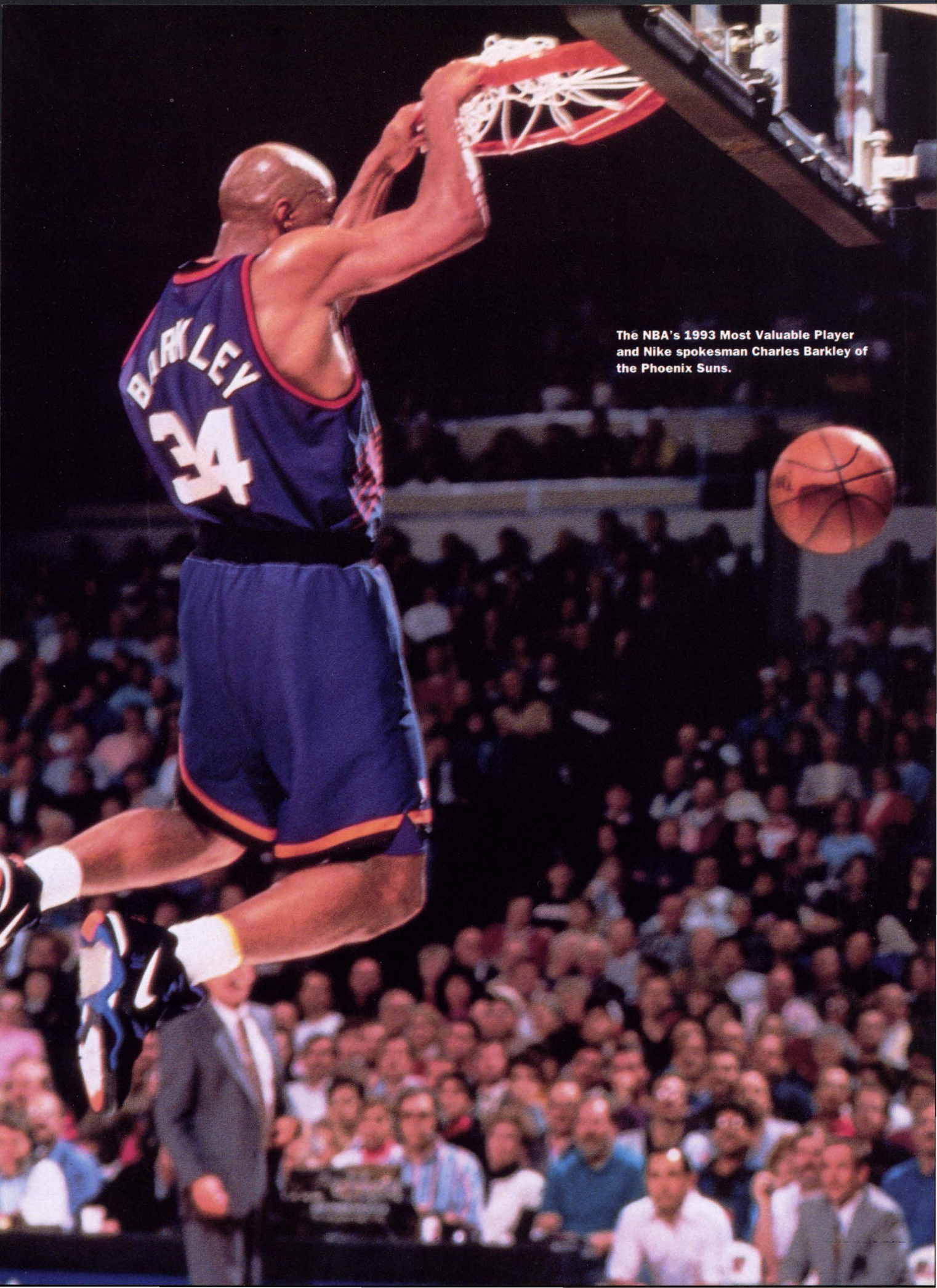
**Does that work in Europe showing American basketball stars?**

It's interesting, we use the medium of television for our communication, and that's one area in which we have been able to sort of leapfrog the competition. We're very big on the sports channel, things of that nature.

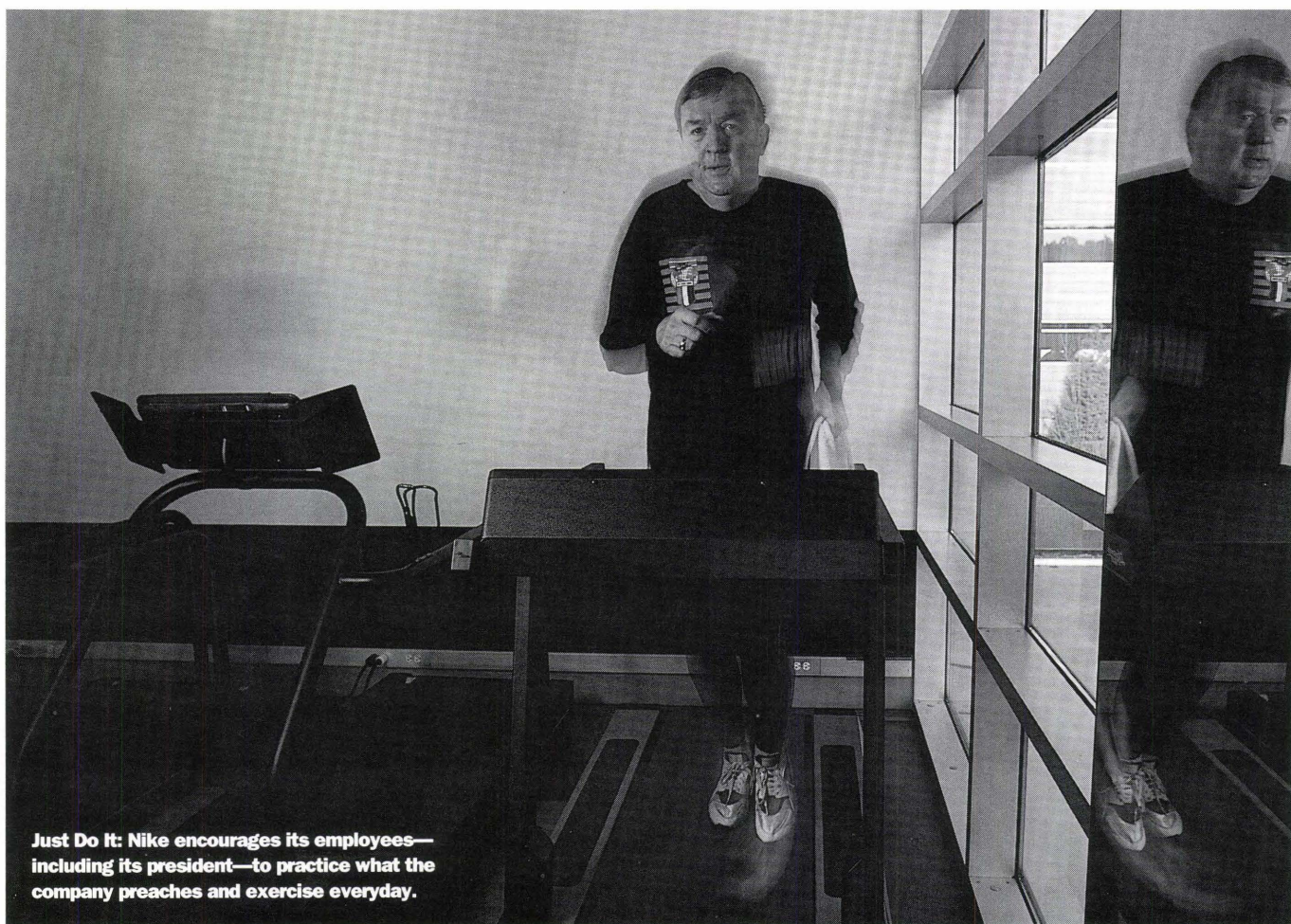
Our commercials are several things—they're color, they're music, and they're athletic, and frankly what people learn and know is that we are an American company. We're selling products that are authentic athletic, and Michael Jordan is one image that represents that. He is probably the best-recognized, best-known American athlete throughout the world.

**Who comes up with your creative television ads?**

You know, our ad agency is right



The NBA's 1993 Most Valuable Player and Nike spokesman Charles Barkley of the Phoenix Suns.



**Just Do It: Nike encourages its employees—including its president—to practice what the company preaches and exercise everyday.**

here in Portland, Widen & Kennedy. They work downtown, and our people work here. And it's very difficult to distinguish between what is in-house created and what they do. We really spend a lot of time together. When they get through their creative work, I don't think that one of them will hold up their hand and say "Hey, I did it all on my own." It's very much a collaborative work, and it goes on constantly.

Indeed, when we asked—they wanted to do worldwide stuff, and they wanted to do it out of Portland, and we said "no, if you want to do it worldwide, open an office in Amsterdam," because we want you close to our people there, who are closer to the markets. So they have maybe 40 people or more in the Netherlands now.

**So they're open in Amsterdam?**

Now they are open in Amsterdam, and they do our European-wide advertising. They always pay attention to the European market. The closer you are to

the market, the more you understand exactly what's going on. They have their understanding of Nike's culture and Nike's history, and they're a pretty good interpreter.

**Nike says they are "a global leader with an actual personality." How would you describe that?**

The truth of it is we carry our personality wherever we go. We're authentic athletic, that's what our heritage is, and that's what we look to. We believe that the international language of the world is sport. The excitement of sport transcends all boundaries and all cultures and all countries. Now the sport may not be the same, but people can identify as strongly with sport wherever you go. It might be a local road race; it could be a field hockey game; it could be a soccer match; it could be a basketball game, or anything like that. Wherever you go, you find that certain excitement associated with sports. Maybe it's an escape for some, maybe it's an in-

volvement, but whatever it is, people understand the excitement.

**Are people in Europe as crazy over sports as in the US?**

It's a different attitude. It's a great deal of participation in sport, but the interest in sport is the same. The people's identification with their local football club is as intense in Europe as it is here with our NFL or Major League Baseball.

**Are you going to be involved at all with the World Cup when it comes to the US next year?**

Yes. You will see us advance much more strongly in the field of soccer. We are putting in place lots of those support mechanisms, we really start with authentic athletes, with prestige icon athletes, and we drive down from that pinnacle of the pyramid, that's our basic [strategy]—to get the best and then the rest will follow. So we have to make a product that the best athletes will wear

with pride, that will enhance their performance, and drive down from there.

**Do athletes who endorse your products try them out before they are sold?**

Of course. We do lots of research, but eventually the athletes are the testers, the ultimate determiners of which product works, and which doesn't. When you see a pair of Air Jordan shoes, you know that Michael Jordan has spent time designing and developing those shoes, and he is very critical. When he (endorses a product), it is a product that he thinks is going to enhance his performance.

**Do you also make golf shoes?**

We've been in the golf business for

**We believe that the international language of the world is sport. The excitement of sport transcends all boundaries and all cultures and all countries...our basic [strategy] is to get the best and then the rest will follow.**

some time. We're probably the second or third largest golf shoe manufacturer. But we haven't been as prominent. We haven't received the recognition from the fact that we've been in golf that long. We believe that golf is a participatory sport; it's authentic; it's global.

We now sponsor the Nike Tour. It's the tour underneath the big tour. This is for the young pros coming along. It has 30 events around the country, and the top 10 money winners at the end of the year automatically gain exemption into the PGA tour for the next year.

**If Europe ever gets a single currency will that help or hurt your business?**

We think that anything that reduces a trade barrier and reduces disparate economies is a help. The problem in Europe today is one of attitude not one of actuality.

**Do you have a position on the GATT?**

Yes, we want to see it resolved. The freer trade, the better. As a global company, barriers affect our ability to do

business, and we feel that they're counter-productive. It's a one-world economy, and it's necessary that we maximize the advantages of it.

**What about NAFTA, are you in favor of that, too?**

Absolutely.

**Are you doing business in Eastern Europe and the former Soviet Union?**

We've done some distribution there but not very much. We are not as dominant in the Eastern European market as we would like to be. We have followed some of our customers, our German customers who were born in what used to be Eastern Germany. Now we're going into the Czech Republic, Slo-

vakia, and Poland and servicing them, but we're allowing them to take a leadership position. We have done business in Hungary.

**What are the advantages and disadvantages of running a global corporation out of Oregon?**

The advantage is that you are not influenced by other companies that tell you how you should do business. You're free to do it whatever way you want. It's a more relaxed society. Although we have a very intense workforce, they are very oriented toward our business, and they are genuine athletic enthusiasts, very gregarious, very curious, very free and willing to move around the world and to bring back whatever experiences they have and make contributions. But you're not then prescribed by what everybody else in the business is doing. You're free to do whatever you think is the right thing to do.

I don't believe this company could have grown up in Massachusetts, which is a historic shoe state. For in-

stance, the traditional shoe business does not reinvest in itself; the traditional shoe business declares everything a dividend at the end of the year, start out the next season and see if we can make it back again. Nike has been a company that's continued to invest in itself and in its design development and experimentation and innovation.

**Is the Nike corporate philosophy the same as the ad line: "Just do it"? Or is there more to it than that?**

There's a lot more than "just do it." The real Nike philosophy is the other line: "There is no finish line."

We do not believe we've ever got it right. We don't ever believe we've come to the end. We've always believed that we could do better. And that's really why we can introduce a thousand new products a year. That's how we can continue to change and innovate, upgrade and continue to stimulate the market, stimulate demand and introduce improvements.

**Do you have European sports stars endorse your products?**

Yes, Sergei Bubka is absolutely the most recognizable European track and field athlete. And Sergei really does go all over Europe competing, as do a lot of our American athletes, too. But we have affiliations with a lot of the great athletes over there.

**Do you see United States companies downsizing, restructuring and becoming leaders again such as Nike here?**

The truth of it is that we do lead. Nike is the ideal company for the future of the United States. High wage jobs are in the United States; low wage jobs are in Southeast Asia. We do all the design and development; we do all the computer work; we do all the lawyering and marketing; trades are all done here. Then, with the miracle of communication we can build a product and have it shipped to the Far East or wherever it has to go around the world. And that means that we can keep our product at a reasonably competitive price, and it means that we can continue to innovate and upgrade our product and still deliver it. ☺

# Man, Machine, and the Open Road



BY C.R. ELLIS

Dave and Ron, two stockbrokers from Colorado, had just returned from a two-week motorcycling tour of Europe and had the look of frontiersmen about them. We were sitting in the dining room of a London bed-and-breakfast, and my newfound friends couldn't help but regale me with tales of their Honda Gold Wing touring bikes and the winding roads of the Swiss Alps. Over a traditional English breakfast, the cares of the corporate world seemed to melt away.

As we stood to shake hands all around, I mentioned that my own motorcycling tour would begin that day and continue for a month. They laughed and said in unison, "Do we look envious?"

They did. And they had every right to be. Ten thousand miles later, I too looked enviously upon anyone embarking on their own biking adventure.



Motorcycling through Europe demands stamina, patience, and perseverance, yet thousands do it every summer. The simplest explanation for this lies in the exhilaration of motorcycling itself, and the knowledge that a biker will see sights no other tourist ever will. I began my own tour at a London rental agency called Scootabout. They stock a wide range of bikes (all of which are very recent models) and are willing to help with tour planning and can outline a route with enough diversity to satisfy the tastes of any adventurer.

From London, you can drive to Dover, with a stop in Canterbury, and take the Channel ferry from Dover to Calais. Chances are you'll meet other motorcyclists on board. Recreational bikers tend to be a rather reserved lot, their hubris chastened by the rigors of the road. It would be easy to mistake that which is essentially laconic for unsociability. Strike up a conversation: learn from those who have gone before you. And don't forget the traditional two-fingers down the highway greeting. It's an acknowledgement of kindred spirits.

The ride from Calais to Paris is about two hours. However, by starting your journey in London, you'll have already learned the first rule of biking in Europe: Never drive in the major cities. City driving anywhere is a dangerous predicament for bikers; the European megalopolis is a nightmare. At first you'll be amazed by the number of motorcycles you see on the streets of London, Paris, and Rome. But a closer look identifies these vehicles as mopeds, or small-sized motorcycle versions of their larger Japanese or North American cousins. By planning ahead, you'll be able to find small but fascinating towns on the periphery of the major cities. These you can explore at less danger to both yourself and your pocketbook. For example, Versailles and its famous palace are just a half-hour train ride outside of Paris; Arnhem and its delightful openlucht Flemish museum are a similar distance from Amsterdam.

If the weather is at all unpleasant, head south. My own tour took me from Versailles through the Pyrenees (with a stop in the medieval town of Carcassonne) to Barcelona, along the Côte D'Azur to St. Tropez, through Italy, including Pisa, Florence, and Rome. Then begins the journey north.

First through the Alps to Switzerland or Austria. Then to Germany, with its famous autobahn and excellent camping facilities, the Netherlands, and Belgium. By the time you get to Belgium, you'll have logged at least ten thousand miles, so take the ferry back to Dover from the seaside town of Oosteinde.

Europe has charms too numerous to mention, and I hope that you'll indulge yourself. As a motorcyclist, you'll become acutely aware of the charms to be found in getting from one tour site to the next—the charm of being on the road.

When driving on the highways of France, Spain, and Italy, you'll have to pay tolls. Europeans tend to use regional inter-city roads, leaving the highways to tourists and commercial traffic, with the result being that highway travel

is both fast and relatively safe. The touring motorcyclist should get a visceral thrill, suddenly recognizing that you're riding on a well-groomed roadway at twelve noon with not a car or truck in sight. Only the autobahn can beat this, for the Germans, with their penchant for craftsmanship, have created a highway that is like riding on black velvet.

And yet, once your adventure has ended, you may best remember the times when the hardships of the highway took their toll. Then you might cast your mind back to when you pulled your machine off the road and into a farmer's field in the south of France, and laid out a picnic lunch beneath the warm afternoon sun. Nor would it be unusual to remember a cool sunrise in the north of Italy, on a deserted highway stretched across the last plateau before the Swiss Alps. Before you, the mountains loom, majestic and formidable, touching the sky, and thinking you're alone, you call out a greeting to the morning, only to be startled by the echo of your voice, and the sudden beating of a thousand rising wings.

Such memories do, after all, capture the essence of adventure: the challenge of the unexpected, and its savored respite. ☺

**DETAILS.** There are three ways to acquire a motorcycle for European touring. First, you can transport your own motorcycle as sea or air freight. While the former is less expensive than the latter, both options are prohibitive for most tourists; shipment alone may account for a substantial portion of your travel budget. A second method is to dismantle your motorcycle, box and ship it, then reassemble it at a European port. This will save you some money: freight charges are measured by space, not weight. However, for all but the most fanatic of bike owners, these methods are impractical. While you may not be able to ride your cherished Harley through Paris, most riders neglect to account for the wear and tear a 10,000 mile journey will have on their bike.

The third and most practical method is to rent a motorcycle in Europe. The time you save by simply picking up your bike the day you arrive can be spent as it should: touring. If you prefer to deal with tour planning in English, London is a good starting point. Scootabout (59 Albert Embankment, SE1 7TP; Tel: 01 582 0055) is just a walk across the Vauxhall Bridge from the London bed-and-breakfast district of Belgrave. At the time of this tour, Scootabout was the only London company which allowed its motorcycles to be taken to the continent.

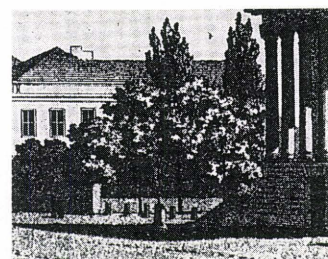
Scootabout has an extensive stock, from street and sport bikes to large touring models. They also supply gear: all-weather suits, gloves, and helmets. If you feel the need to tinker, they'll even supply you with a tool kit. Be sure to pre-order a windscreen and lock-box for your bike, the former for the mountains, and the latter for gear, and be sure to read the essential motorcyclist's guide to the spirit of the open road, *Zen and the Art of Motorcycle Maintenance*. As for insurance, mandatory coverage by AA 5-Star Service is provided by Scootabout. Should your motorcycle be stolen or break down, 5-Star will provide for a replacement or repairs.

Regrettably, theft can be an unfortunate fact of the European experience. Lock-boxes can be vandalized and wallets can be stolen. What may seem an accidental bump or stumble may be the workings of a pickpocket. Double lock your bike and distribute any valuables evenly about your person. Consider precautions part of the adventure.

—C.R. Ellis

*C.R. Ellis is a freelance writer based in Toronto.*

# CAPITALS



## Letter from Paris

### THE GREATEST SHOW ON WHEELS

Last year our little town in the suburbs of Paris was in a frenzy of excitement over the news that the biggest traveling circus in the world would be passing through. The Tour de France, the longest, richest, most grueling bicycle race on earth, was scheduled to whiz past our houses en route to its glorious finish on the Champs Elysées.

On the great day every man, woman, and child who was not watching it on television took up strategic positions along the road and waited with beating hearts for the arrival of the *peloton*—the pack of sinewy riders hunched over their mechanical steeds. Nothing happened for a very long time. Then cars and motorcycles started hurtling past, loudly cheered by the crowd each time. Loudspeakers blared out unintelligible information. Vans stopped and sold tour souvenirs. Finally, in the distance, there was a glint of silver spokes in the sun. They were coming!

There was a brief whirring noise, a flash of bright colors, and before we could even swivel our heads, they

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were gone. For an anti-climax, it was hard to beat. Had Peggy Lee been there, no doubt she would have asked, "Is that all there is?"

Of course not. It is just that the Tour de France, which is celebrating its 80th

anniversary this month (although actually created 90 years ago, the tour is only 80-years-old because it was not run during the two World Wars), is one of those sports epics that is best seen in its total grandeur, through the



The Tour de France is celebrating its 80th anniversary this month, although the race was actually created 90 years ago.

omnipresent eyes of the media. Television cameras can zoom in on smooth-shaven calf muscles or soar high above a mountain road dotted with racers. Reporters can reveal what the riders are wearing, eating, and thinking; can predict defeats and victories; and add spice to both.

The Tour de France is a media creation. It was founded in 1903 by Henri Desgrange, editor of the sports daily *L'Auto*. Once a keen bike racer himself, he saw it as a unique opportunity to promote both the sport and his newspaper.

For that first tour—a three-week, six-stage, 1,500-mile race—some 60 riders showed up on July 1 at the café Le Réveil-Matin in Montgeron, 10 miles southeast of

Paris. A lot of them were pretty shady characters—*butcher's boys*, miners, some genuine crazies—yet 21 of them battled through to the finish. The winner, a pro cyclist by the name of Maurice Garin, led the others by almost three hours; the last rider to make it crossed the finish line almost three days after the rest!

Over the following years the tour lost its innocence and became a bigger, brasher, and dirtier race. Riders took the train when they thought no one

was looking, rigged up ingenious wire-and-cord contraptions by which they were towed along, dropped nails in front of their rivals, and once even resorted to poison. Spectators joined in the fun by using clubs and chains to knock out the hometown boy's competition, constructing barricades in fine revolutionary style and also scattering nails at opportune moments—in 1905 there was only one rider out of 60 who did not have a flat tire.

In addition to the tour's entourage of trainers, mechanics, medics, and journalists, a publicity caravan soon took shape, which preceded the race by an hour and matched the furious pedaling of the riders with some equally intense peddling by the sponsors. The procession of cars and vans advertised everything from insecticides to bottled water and television sets, sold tour souvenirs, and transported entertainers who needed as much stamina as the cyclists to last the distance.

One tireless tour veteran was France's queen of the accordion, Yvette Horner. For 11 consecutive years her day-glo orange curls shone like a beacon from the back of a convertible, where she would stand, her 30-pound accordion and false eyelashes strapped on, and play all day every day for three weeks.

To keep the adrenalin (and sponsorship money) flowing for that length of time, the tour has instituted a whole series of races within the main race—sprints, time trials, bonus points laps—that pit the different national teams and individual riders against each other. Each of the tour's 20 to 25 stages carries a separate cash prize for the fastest rider. The overall leader, the one who has covered the total distance in the shortest time, is awarded the coveted Yellow Jersey.

A holy triumvirate of racers has made cycling history

by winning the *maillot jaune* five times each: two Frenchmen, Jacques Anquetil and Bernard Hinault, and the legendary Belgian, Eddie Merckx. An American, Greg LeMond, distinguished himself in the late 1980s with three tour victories. For the last two years the Yellow Jersey has been worn by Spain's Miguel Indurain.

The best sprinter is awarded the Green Jersey, and the best climber is crowned King of the Mountain with a flashy white-with-red-polka-dots jersey. The tour tackled its first summit, the 3,865-foot Ballon d'Alsace, in 1905. Only one rider out of the 60-man field made it to the top. Since then the tour has scaled ever loftier and more difficult heights, stringing them together with sadistic regularity.

This year's 20-stage race, which gets underway on July 3 in the Vendée region on France's western coast, includes five mountain runs. Among the 21 peaks along the way is the highest one ever climbed by the tour: the 9,192-foot Restefonds in the Alps. Twenty-two teams of nine riders are participating, flanked by the supporting cast of thousands who make the tour the unique show it is. After rolling through the French countryside for some 2,360 miles, the tour will finish on July 25 with a final sprint down the Champs Elysées—the traditional setting for some of France's greatest spectacles.

—Ester Laushway is EUROPE's correspondent in Paris.

## AMSTERDAM

### TIME TO TRIM ENTITLEMENTS

For years, the Netherlands was internationally known for the abundance of its wel-

fare state. But recently, the government has started trimming its generous entitlement systems. Most surprisingly, there has been little opposition to cuts in social security.

The present coalition government of Christian Democrats and Social Democrats under the leadership of Prime Minister Ruud Lubbers has started to try to get social expenditures under control. The need is pressing, as the collective burden of taxes and social security contributions is among the highest in the European Community. Soaring costs are caused by the high level of unemployment in the Netherlands and stimulated by the easy access to the social security system. Recently, various studies showed that the generous rules, put in place by the government and parliament in order to safeguard a maximum of social justice, were creating ever more loopholes for fraud.

Meanwhile, the government is strapped for funds and under pressure to diminish the budget deficit. The economic recession makes this task all the more difficult, and entitlements that have been left untouched or were expanded in the 1980s are now under scrutiny. From 1982 to 1989, the Netherlands was governed by a center-right coalition, also under Mr. Lubber's leadership. That coalition never dared to attack social expenditure in the way the present center-left government does.

Some of the proposed measures include cutting entirely social security benefits for those unemployed under 21 years of age and halving the benefits for those without jobs who are under 27. Students, who had the privilege of free public transportation included in their full government grants, will have to start paying for that benefit at least in part. The grants will partly

be made means-tested. Handicapped individuals will have to contribute to the acquisition of special facilities that are now fully financed by the government.

Most controversial were proposals to cut entitlements in case of illness and disability. After a heated parliamentary debate and fierce opposition by both employers and labor unions, a compromise was worked out to limit the flow of new people into the system and to place caps on the benefits received when a person is declared unfit to work. According to a recent study of the Organization for Economic Cooperation and Development (OECD), the revised disability scheme still needs further trimming. The Netherlands spends (as a percentage of GDP) three times as much on disability as other European countries. From a total population of 15.5 million, it counts a staggering 900,000 people of working age as physically unable to work.

—Roel Janssen

## ATHENS

### REDISCOVERING ATHENS' SOUL

The great orator Pericles once eulogized countrymen fallen in battle by declaring them "worthy of Athens." Indeed, he believed that the greatest homage one could pay a man was to associate him not only with the great city of Athens itself, but also with the Athenian way of life. Together, they embodied the Greek ideals of beauty and balance. From the architectural symmetry of the Parthenon to the Aristotelian principle of moderation, ancient Athens was a glorious celebration of the orderliness and beauty of the universe.

To be deemed "worthy of Athens" today, however,

might not evoke the same sense of pride it once did; Athens in 1993 retains precious little of the orderliness that once characterized the ancient city-state. In fact, the words moderation, balance, and order are seldom used to describe a city overwhelmed by tumultuous growth, seething gridlock, noxious smog, and deteriorating infrastructure. Yet, in an inspiring quest to recapture their city's historic soul, Athenians are laboring to transform the center of Athens into an archaeological park, complete with a 2.5 mile pedestrian walkway linking the treasures of classical antiquity.

The brainchild of the late mayor Antonis Tritsis, the half-million-dollar, monument-strewn promenade, funded in part by the EC, promises to take tourists on a leisurely odyssey through Classic, Roman, and Byzantine Greece. The completed pathway will stretch from the Academy of Plato, meander through the once-boisterous Roman market, pass the imposing Acropolis, and end at the Temple of Zeus—with nary a car in sight! In all, the project, christened “Athens: The Streets of History and Culture” by Minister of Culture Dora Bakoyanni, will cover 2.4 square miles. Roads will be closed and cars and buses will be diverted into underground tunnels. The anticipated completion date for Athen's new look is 1998 or 1999.

Not since Pericles rebuilt the temples of the Acropolis following their destruction by the Persians in 480 BC has Athens seen such a significant renewal program. Past efforts to improve the city's quality of life have included laws that force half of the city's cars to stay off the streets based on registration number, but most major plans have suffered from a notable lack of funding. In the meantime, Athens has suc-

cumbed to decades of unbridled growth and is now home to four million of the country's ten million residents.

With Greece's admission into the EC in 1981, an event marked by an inflow of matching funds from Community coffers, renewal plans have been taken more seriously. Several of the projects planned with EC funding for the 1990s are geared toward Athens. In November 1991, work began on a \$2.8 billion project to expand the city's underground transportation system. The completed project will extend 47 miles and is expected to reduce considerably automobile traffic and pollution in the center of Athens. Also in the works are plans to build Europe's largest and most modern airport to be located in Spata, 12 miles southeast of Athens.

In some instances, private sector contributions have augmented EC and government funding. Citizen groups in Athens were responsible in part for the construction of the extravagant Megaron, an impressive acoustically state-of-the-art concert hall in Athens.

More projects of this nature, coupled with the completion of the archeological park, may find tourists lingering a bit longer in Athens before dashing off to the secluded beaches and placid white-washed villages of the Greek islands. Such undertakings will at least improve daily life for all Athenians and restore the currency of Peri-



**Deposed EBRD head Jacques Attali is a former aide to French President François Mitterrand.**

cles' encomium about what it means to be “worthy of Athens.”

—Gina Gianzero

## LONDON

### EUROPEAN BANK OF STYLE

Jacques Attali, the embattled founder and president of the European Bank for Reconstruction and Development (EBRD), has been forced to resign amid allegations that his bank has spent twice as much on its premises, staff, and travel as it has allocated for its avowed purpose of rebuilding Eastern Europe.

Since its launch two years ago, the bank has spent over \$300 million on furnishing and decorating its London headquarters. This is double the sum it has handed out in loans and investments to the struggling countries of Eastern Europe and the former Soviet Union.

The bank was the brainchild of Attali, a 49-year-old former aide to French President François Mitterrand. It was set up the year after the Berlin Wall came down with the goal of channeling West-

ern funds into the devastated economies of the East.

It was Attali who persuaded Western governments, which had shunned the idea of a second Marshall Plan, that this new bank would provide them with a way of assisting reconstruction without getting too involved directly.

London was chosen as the location for the EBRD, and it was set up in April 1991 in temporary offices before moving to permanent offices last December. The luxurious headquarters reflect the grandiose and opulent style favored by the bank president.

Attali ordered the marble in the lobby and public areas of the brand new building at Broadgate torn out and replaced by Carrara marble, at a cost to the taxpayers of \$1.25 million. He also insists on traveling by private jet, at a cost last year of more than one million dollars. The staff Christmas party cost over \$75,000.

When accused of extravagance, Attali first denied that the expenditure was excessive. Only after fierce attacks in the media and blunt criticism from some of the contributing governments did he say “With the benefit of hind-

sight, it is clear that we should have done some things differently."

The US is the largest of the 56 shareholders in the EBRD, and it may well have been the message from the US Congress that it might refuse further money to the bank which wrung this limited expression of regret from Attali.

Patrick Leahy, the chairman of the Senate committee that controls foreign aid spending, was blunt. "I want to know why we should entrust another dime of the public's money to Mr. Attali," he said, adding that the budget allocation would be reduced to zero unless very substantial changes were made in the bank's management.

—David Lennon

## BRUSSELS

### ON THE TRACK OF BEETHOVEN

There are not many Belgians who are world famous. Georges Simenon, the detective writer, perhaps, Jacques Brel the singer and songwriter, and Hergé, creator of the cartoon character Tintin, all now dead, and that's about it.

Stretching a point, one could add Antoine-Joseph Sax, who invented the saxophone, and King Leopold II, who created a private empire out of the Belgian Congo—not something of which most modern Belgians are proud.

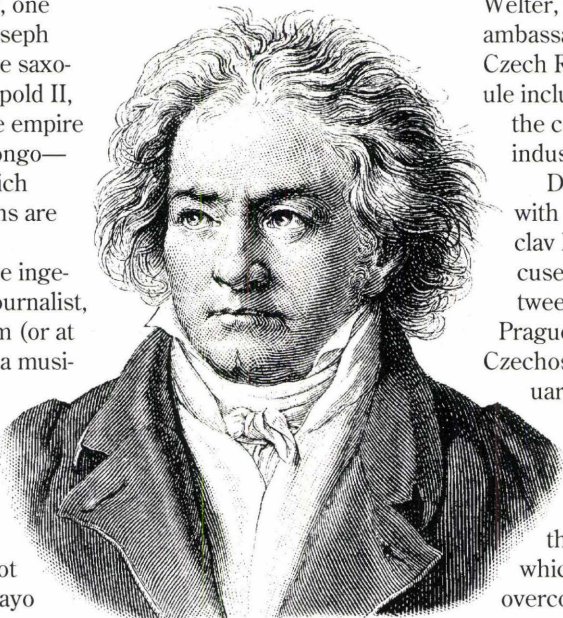
Now, thanks to the ingenuity of a Japanese journalist, Belgium can lay claim (or at least a part claim) to a musician more distinguished than either Brel or Sax—Ludwig Van Beethoven. Struck by the fact that his name was Van and not Von Beethoven, Nagayo

Tanigushi, Brussels correspondent of the Mainichi newspapers, embarked on a trail of detection.

His first resource was the Brussels telephone directory, which included two Van Beethovens. One of these told Tanigushi that he could not be a direct descendent because Beethoven had never married, but his mother had told him that the family originally came from Mechelen, a Flemish town north of Brussels better known by its French name of Malines.

Tanigushi hotfooted it down to Mechelen, where the telephone directory drew a blank, but he did find a Van Beethoven Street and, more fruitfully, baptismal records going back several hundred years in the town hall. There he found an entry for Ludovico Van Beethoven, born on January 5, 1712. This was Beethoven's grandfather, who moved to Bonn in 1733.

Digging further back, he found records of an Aert Van Beethoven, whose wife was burned as a witch in 1595. Eventually, Tanigushi met up with present-day descendants of the family living not in Mechelen, but in the nearby village of Heist-op-den-Berg. Here he met about 10 Van Beethovens meeting for a family reunion—all the men



bearing a striking resemblance to the bust of Beethoven reproduced on the cover of many of his LP records.

These Beethoven look-alikes were photographed for the Brussels English language weekly, *The Bulletin*. They have now become local celebrities, and Tanigushi is the most popular foreign journalist in Belgium for adding to the national patrimony.

—Dick Leonard

## LUXEMBOURG

### CROWN PRINCE VISITS CZECH, SLOVAK REPUBLICS

Noting the kindred spirit that Luxembourg shares with small countries, Crown Prince Henri embarked in May on his country's first-ever trade mission to Central and Eastern Europe with a two-day visit to the Czech Republic and Slovakia.

Accompanying him was a 15-member business delegation from Luxembourg companies and banks as well as Jean Welter, the designated ambassador to the Czech Republic. The schedule included meetings with the countries' political and industrial leaders.

During his discussions with Czech President Václav Havel, the Prince focused on the relations between the two capitals, Prague and Bratislava, since Czechoslovakia split in January this year.

Havel stressed the overriding strength of the interdependence between the two new states, which he believes will overcome tensions result-

ing from everything from the division of the communist government's property to border concerns, according to Havel's spokesman.

Prince Henri emphasized the importance of developing regional cooperation in Central Europe. Noting the experience and success of the monetary and economic accord between Belgium and Luxembourg, he suggested the development of a similar organization in which the Visegrad Four—the Czech Republic, Slovakia, Poland, and Hungary—would strengthen and broaden their ties.

Havel opined, according to



Luxembourg's Crown Prince Henri

press reports, that such mini-regional cooperation must be done within the context of integrating all of Europe.

In his meetings with government and business leaders, Prince Henri said he welcomed the Czech Republic's membership in the European Community.

The Czech Republic was chosen as the first visit by the Grand Duchy's business community because of its potential for economic growth and partnerships with Luxembourg companies.

In Bratislava, the Prince told journalists that Slovakia

ROME

has an economic advantage in being situated in the heart of Europe. This strategic advantage is a foundation from which the country can rebuild its industries. The country could benefit from Luxembourg's experience in modernizing the steel industry.

Slovak President Michal Kovac, Foreign Minister Jozef Moravcik, Finance Minister Julius Toth, and Economics Minister Jaroslav Kubecka were among those who met with the Prince.

—James D. Spellman

## ITALIANS CONFOUND STEREOTYPES

What work does the typical Italian emigrant do? And what about second or third generation descendants who have permanently integrated themselves in the Americas or in Northern Europe? If you think they are primarily pizza-makers or somehow involved in the restaurant business, you're

wrong. Two sociologists from the University of Rome, Emilio Pozzi and Consuelo Corradi, are soon to publish their extensive research based on a worldwide network of 23,000 companies that are either Italian or involve Italian interests.

The study is the first ever attempted in the international business community that has grown from the Italian diaspora. It focuses on the existence of an Italo-international business network, which has nothing to do with traditional

Italian stereotypes.

In the course of his travels, Piero Bassetti, president of the powerful Milanese Chamber of Commerce and for years president of the Association of the Italian Chambers of Commerce, discovered that Italo-local Chambers of Commerce had been created in every country where Italians had immigrated. He found these chambers to be local institutions that wielded local power, but they were unknown in Italy. His idea was to organize

## NEWSMAKERS

While some critics dismiss opera as an art form of the past, Spanish super-tenor **Placido Domingo** is doing his best to give it a future. He has created an annual competition for discovering Europe's best new opera singers.

The final auditions for this year's inaugural edition of the Concours International de Voix d'Opera, for which more than 700 young hopefuls applied, were held in Paris.

Four joint winners—from Sweden, France, Albania, and Spain—each took home a check for \$10,000, an evening outfit designed by Givenchy, and the chance to sing in concert with Domingo himself next year. Of the four, the voice that stole the show belonged to a 29-year-old Spanish soprano, **Ainhoa Arteta**, who has been singing since she was 12. She now lives in the US where, she says, "The fast way of teaching suits my temperament." But she has kept some down-home habits; when she gets a sore throat, she sprays it with Spanish olive oil.

•••

His colleagues look on it indulgently as just part of his artistic temperament; **Paco Rabanne**, the 1960s designer of such fashion oddities as the "unwearable" dress,

whose scent "Calandre" is currently the best-selling French perfume in the world, believes in reincarnation. He claims that he first arrived on earth 70,000 years ago from another planet: "I was sent to create man, to carry out mutations on an earth creature, a sort of winged serpent which resembled the modern-day duck-billed platypus." Two of Rabanne's other former lives include that of the biblical prophet Daniel and the Egyptian high-priest who murdered Tutankhamen.

Rich in experience as his past may have been, Rabanne has nothing but dire warnings about the future. He is convinced that all human life will be wiped out within 30 years unless man can adopt a cleaner and more loving way of life.

•••

Once Spain's most flamboyant bullfighter, **Manuel Benitez**, (56)—known as "El Cordobes"—has emerged from retirement to show that he can still take the bull by the horns. He is suing **Manuel Diaz** (23), a newly-qualified matador who claims to be his illegitimate son and to have the right to call himself El Cordobes, too.

Benitez saw red when Diaz used the name El Cordobes for his "graduation" bullfight as a professional

matador in Seville. Lawyers were called in and Benitez announced that he would take a blood test to disprove the paternity claims.

The senior El Cordobes retired in 1981 after a spectator who had climbed into the ring was killed by the bull he was fighting. If he wins this battle over his name, the young pretender Diaz could go to jail for up to six months and face a fine of \$8,000.

•••

Italian film director **Giuseppe Ferrara** is currently shooting *Falcone*, a film about the mafia murders of judges **Giovanni Falcone** and **Paolo Borsellino**,

on location in Sicily. Judge Falcone was killed in a car bomb explosion that blew away part of the Palermo highway last May; his friend and colleague, the anti-mafia magistrate Borsellino, was assassinated two months later outside his mother's house.

Ferrara's film spans a 12-year period and several continents. It includes Falcone's investigations of the mafia drug trade and the "maxi"

trial of 1986–87, on which the two judges worked together to bring charges against more than 300 suspected mafioso.

**Robert de Niro** was first choice for the part of Falcone, but when he proved too expensive, the role went to **Michele Placido**, star of a popular anti-mafia series on Italian television. Judge

Borsellino is being played by **Giancarlo Giannini**.

•••

After top-seeded world tennis champion **Monica Seles** (19) was stabbed in the back during a tournament in Hamburg, European security firms have

been swamped with frantic calls for personal protection. Bodyguards are no longer exclusive to royalty and film stars; they now shadow designers like **Yves St. Laurent** and **Paloma Picasso**, and dog the footsteps of just plain rich folk like **Marie-Hélène Rothschild**.

Sometimes celebrities try to dispense with their services for the sake of privacy and live to regret it. Pop star



"El Cordobes"

these chambers of commerce into a network of 47 chambers located in all five continents. Pozzi and Corradi conducted their survey using this network.

What then did the research reveal as the typical job of Italians abroad or of second or third generation Italians? In general, they work in small or medium-size businesses, employing between three and 99 workers, with an annual turnover of one to six million dollars but which can also earn \$15-30

million annually. Which are the preferred sectors? The overwhelming majority is employed in the services sector, with a strong preference (30 percent of the total) for the so-called "advanced tertiary sector," which includes marketing and consultation. And the "pizza-makers"? Only two to five percent of the total are occupied in the more traditional jobs of the stereotypical Italian (clothing, footwear, leather goods, food, restaurants). So much for clichés.

—*Niccolò d'Aquino*

## LISBOA '94 LAUNCHED

Silvery notes fluttered off his delicate fingers into the starry night, lulling the audience into a trance.

Portuguese maestro Carlos Paredes, with his 12-string Portuguese guitar, hopes to help entice visitors to Lisboa '94, the event which aims to herald Lisbon, Antwerp's successor as European Culture Capital.

The planned program for Lisbon as European cultural capital was unveiled in May in the shell of the Carmo convent, a landmark after it was reduced to rubble in a devastating earthquake that rocked Lisbon in 1755.

The event's organizers wish to promote such local stars as the veteran guitarist together with other contemporary artists, writers, singers, and musicians to show Portugal is in a cultural league of its own.

Big name international

**Phil Collins** was stalked by a French female fan to his home in the southern UK. When she kept skulking in the shrubbery and knocking at his door, Collins finally had to call in the police. Former James Bond girl **Ursula Andress** ended up installing a karate expert in her apartment in Rome to protect her from a tenacious admirer who never let her out of his sight. Police found his binoculars under her balcony.

They are high-society's odd couple of the year. In January, party-girl **Francesca Thyssen**, the fabulously rich granddaughter of the German steel tycoon, married **Karl Habsburg**, the grandson of the last emperor of Austria.

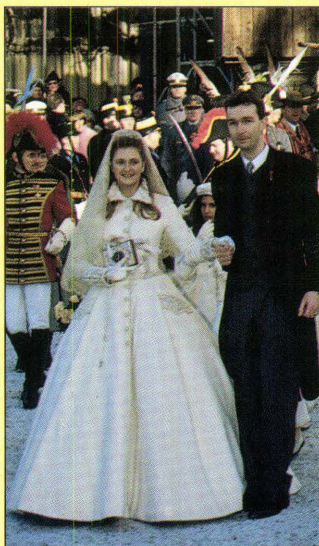
Francesca's father, **Baron Thyssen**, who has walked down the aisle himself five times, turned up for the ceremony dressed in what he described as "a 100-year-old hussar's uniform." The groom's father was so outraged by such vulgarity that he refused to stand near his new relative for the traditional wedding photo.

Six months on, the happy couple has hardly spent any time together. Francesca, who in her wilder days hung out with the **Dalai Lama** and lived with the likes of pop star **Steve Strange**, is now working

in her father's art gallery in Lugano. Karl, a bit of a late-bloomer, has promised to finally finish his law studies at Salzburg University. There is talk of setting up house together and having children.

Charles and Diana may be past redemption, but at least someone in the British royal family still believes in love and marriage. Princess Margaret's son, **Viscount Linley** (31), and **Serena Stanhope** (23) have announced their plans to get married in the fall.

Serena is a petite blonde with just the right pedigree for a royal bride. Her father,



**Francesca Thyssen and Karl Habsburg**

**Viscount Petersham**, owns a big chunk of London, and her mother is a retired Irish show-jumper. Serena has led a scandal-free life, so that even the gossip columnist **Nigel Dempster** is forced to admit that she is "just a thoroughly nice girl." By all accounts, she and Linley, who dated a whole gaggle of giggly heiresses before Serena came along, are madly in love and should be blissfully happy.

In the year that has passed since the death of **Earl Spencer**, Princess Diana's stepmother, **Raine Spencer** (63), has not let widowhood put a stop to her busy social life. After dating the cornflake king, **Francis Kellogg**, an English lord, and an Italian count, she is getting married in July to a rich titled Frenchman, **Comte Jean-François de Chambrun** (57). The two met at a dinner party in Monaco and say that they fell in love at first sight. "She is my fairy queen. I was entranced by her," gushed the infatuated count, who will be whisking his bride off to the ancestral Chateau Garibaldi on the French riviera.

The whirlwind courtship could have come straight from one of the romantic novels that Raine Spencer's mother, **Barbara Cartland**,

churns out with such stunning frequency. Love has conquered all—even those nasty stories about the countless dictatorial ways with servants, which led them to call her "Acid Raine," no longer matter. And **Princess Diana**, who along with her brother Charles used to chant "Raine, Raine, go away," to annoy their stepmother, sent her an enormous bouquet of flowers when she first heard of the engagement.

While the Cannes Film Festival remains the most hyped show-biz event in Europe, the World Music Awards in Monte Carlo also attract a glittering crowd of stars. Now in their fifth year, the awards are presented to musicians from around the world who have sold the most records in their country or have made an outstanding contribution to contemporary music.

Winners this year included **Mylene Farmer** (best selling artist, France), **Zucchero** (best selling artist, Italy), **Michael Jackson** (best selling artist of the era), **Rod Stewart** (lifelong contribution to rock n'roll), and **Luciano Pavarotti** (lifelong contribution to classical music).

—*Ester Laushway*



As the 1994 Culture Capital, Lisbon is set to welcome Lisboa '94.

pop groups and artists will be drawn to the capital, as well as other groups such as the New York City ballet corps, and the Georgian State dancers.

The omnipresent symbol of the year-long event is—a chair. Sit down, relax, and culture will come to you in every shape and form.

The festival has a preliminary budget of \$63.3 million plus at least another billion escudos to be gleaned from private funding, such as from the Calouste Gulbenkian Foundation.

"We want to promote Lisbon as a cultural city in a European context...and introduce new audiences to different acts," explains Vitor Constancio, president of Lisboa '94 and a high-flying economist to boot. "We want to position Portuguese cultural activities in an international network."

*Fado*, Lisbon's traditional song, which rose out of the bohemian streets of the Alfama and the Bairro Alto districts, will be presented in a tribute to the best-known fado singer of all, Amalia Rodrigues. The work of Portuguese artists Paula Rego and Julio Pomar will be featured, and director Wim Wenders is planning to make

a film on Lisbon.

The event gives Lisbon, a once-splendid center of learning and culture, a chance to get a facelift. The city, which in glorious dilapidation tumbles down the seven hills on the banks of the river Tagus, is under constant construction and road work as the capital of one of Europe's least affluent members scrambles to become modern and completely European while hanging on to its rich diversities.

The whole city would probably resemble an enormous building site if it weren't for the attempt to maintain its historical beauty—many buildings are nothing more than the original facades erected around rubble and dust, as workers labor to completely revamp the interiors to fit modern standards.

But next year Lisbon will not try to compete with other culturally-rich European cities, Constancio says, "Lisbon wants to find its niche and show other nations the special Portuguese sense of culture. (The city) wants to show off its melange of peoples and cultures while reinstating its position as a pivot between Europe and America."

—Sarah Provan

## DUBLIN

## GOODBYE TO GUINNESS BOATS

There was much nostalgia and mourning as two familiar sights disappeared forever from the river Liffey in the heart of Dublin—the two Guinness boats, the *Miranda* and the *Lady Patricia*, named after wives in the Guinness family brewing dynasty. The world-famous brewery had been shipping its product across the Irish Sea to the UK since 1810, but now modern technology has dictated

The cook on the *Miranda*, Tony McDonald, told reporters, "We felt as if we were ambassadors for the Irish nation, going down the Liffey and bringing our international product with us."

As the ship set off on her last run to Liverpool, she sounded five short blasts and one long one, the signal for abandoning ship. On her way down the Liffey to the open sea, car horns sounded, people waved, other ships hooted, and the local yacht club fired its cannon. It was the end of the era which also saw Guinness barges ferry the famous black beverage



The two Guinness boats, the *Miranda* and the *Lady Patricia*, were named after wives in the family brewing dynasty.

that the two little ships in their distinctive blue and cream livery have outlived their usefulness.

The last voyages were the occasion for an outpouring of indignation and anecdotes from Dubliners who have grown attached to the ships which docked almost beside O'Connell Bridge in the center of Dublin opposite a church and a pub. The final days of the ships had been marred by a sit-in by the crews seeking better severance pay from the brewery, and passers-by stopped to read their placards and to offer sympathy.

from the brewery down the Liffey to where the ships were docked. As the barges lowered their funnels to pass under the city bridges, urchins used to shout at the crew, "Hey mister, bring us back a parrot."

The barges were replaced by lorries but the ships continued to do their twice weekly run to Liverpool with 6,500 barrels of Guinness, the equivalent of almost two million pints. They were a part of everyday life at City Quay where they docked. The locals were used to being awakened by the sounds of the empty barrels being unloaded



after the return trip.

In the old days, locals who used to find some Guinness at the bottom of the hogsheads and tip it onto the top of other barrels and drink it up, were known as "hoggers." A local resident recalled how her cat, Batty, had once stowed away on one of the ships and did the five-day return voyage cared for by the crew.

The exported Guinness will now be pumped into tanker containers which will be loaded onto ordinary container ships. This will eliminate the "unnecessary handling of the product" according to a Guinness spokesman.

The Lady Patricia has gone to the breaker's yard, but the Miranda which is younger has been given the job by new owners of fetching olive oil and wine around the shores of the Mediterranean. Not the same thing at all as carrying "the black stuff."

—Joe Carroll

## COPENHAGEN

### MOTORISTS FOOT THE BILL

Denmark is not about to become a member of OPEC, although Denmark now fulfills the group's fundamental requirement, a net export of oil. Twenty years ago, when the oil-producing Arab nations quadrupled the prices of crude and initiated the first oil crisis, Denmark imported all its oil, and the Danish economy was the one that suffered most within the European Community.

The path, not only to self-sufficiency but to a surplus, was created by a tenfold increase in oil production in the Danish part of the North Sea during the eighties. The economic impact was so great that it accounts for one-half of the dramatic improvement of

the Danish balance of payments in this period. In 1982 the net import of oil and relatively small amounts of coal was about \$4 billion, which equals the surplus on the Danish balance of payments this year. Without oil, Denmark would barely have moved from a large deficit on its balance of payments to a zero.

Production is expected to decrease slightly in 1995 and 1996 but will still roughly balance consumption.

This fact obviously explains why the Danes are so touchy about allowing other EC countries access to the Danish part of the North Sea. During the campaign prior to the Danish referendum on the Maastricht Treaty, the winning Yes-side stressed time and again that no incursions would be allowed as part of an EC energy policy. These views were unsurprisingly echoed by Norway, which is a major oil producer and thus has far more at stake.

The savings on the production side are not being passed on to the Danish consumer. Motorists have long been asked to foot the bill not only for roads and bridges, but also for a sizable chunk of the Danish welfare state. With retail prices of \$3.30–3.50 per gallon, gasoline provides a solid tax income for the Danish government, of about \$2.50 per gallon. This year Danish gas prices are actually lower than just a few years ago, as taxes were cut to make the incentive to cross the border to Germany smaller. Since then, German taxes have gone up and are expected to increase further to shoulder the costs of unification.

The Danish government has already warned the Danes that future Danish energy taxes will be pegged to the German taxes. The money is needed to finance the reductions in income tax,

which are expected to be implemented in 1994. Marginal tax rates will come down from the present maximum of 68 percent to 62.25 percent in 1998, which will still be among the world's highest. And no cuts in automobile taxes are planned, so cars imported into Denmark still face a total tax of 200 percent. As a result, about two thirds of the sticker price is collected by the government.

—Leif Beck Fallesen

## MADRID

### HOME DELIVERY IS A HIT

One sees them all over the place these days: a small motorscooter with a large isothermic box on the back, darting through traffic, and at the controls, a young man in a hurry. Home food delivery has come to Spain in a big way, thanks to sharp businessmen and changing social habits.

Once upon a time, if one wanted to enjoy a restaurant-made pizza or a Chinese meal at home, the only recourse in Spain was take-out. But over the past five years, the home delivery business has mushroomed. At least four pizza delivery outfits now battle for market share in Madrid. And the US-based Pizza Hut chain, which has long operated in the larger Spanish cities, is converting some of its regular restaurants into delivery and take-out only establishments.

Not only pizza is available. An outfit called Tele-Burger now offers a variety of hamburgers whisked hot and juicy to the homes of the hungry in Madrid, and many Chinese eateries are expanding into home delivery with names like Tele-China and Tele-Hong Kong. Following the marketing methods of their compatriots in New York, they are also flooding

apartment house mail boxes with printed menus.

When the pioneers in the delivery business first came on the scene offering a service that had long been successful elsewhere, many observers believed it wouldn't work in Spain. Spaniards, they noted, are a sociable people who like to eat out with friends and family, spending long, idle hours over a meal or an animated evening hopping from tapa bar to tapa bar.

But changing economic and social conditions, such as more families in which both spouses have jobs and therefore less time to prepare meals, and the rising cost of eating out during recessionary times, made Spain ripe for such an experiment. And as many banks, financial service companies, and other firms do away with the traditional two hour lunch, their employees order out and eat at their desks. Another factor was the increase in the number of national television channels from two to six in most parts of the country, which has made the prospect of an evening at home more attractive.

Following the boom in the pizza, Chinese food, and burger delivery businesses, canny entrepreneurs began offering more traditional local fare. One company delivers torillas, the thick potato and onion omelette which is the staple snack in every Spanish bar. Another ships out a full range of Andalusian seafood tapas, salads, and even bottles of chilled sherry.

And just recently in Madrid, one enterprising restaurant owner launched "Tele-Paella," delivering Spain's most famous dish of saffron-flavored rice, shellfish, and chicken to homes and offices. Demand is so great he is already talking of opening another branch.

—Benjamin Jones

# ARTS & LEISURE

## WRITER'S CORNER

### Günter Gräss

It is always an intriguing, and sometimes unsettling, moment when a reader encounters the physical incarnation of a favorite writer.

Perhaps the author has written a ghastly tale of decadence and debauchery, and you are taken aback by how utterly normal he seems. Or maybe the story filled you with romance and passion and in walks a nerd in a plaid leisure suit.

Sometimes, however, the writer does mesh with his literary persona. Witness the man's man presence projected by Ernest Hemingway, or F. Scott Fitzgerald as the embodiment of the 1920s Left Bank expatriot.

Judging from Günter Gräss's recent appearance at a Washington bookstore, it is clear that the German writer, who is best known in the US for his book (and the film) *The Tin Drum*, fits more the Hemingway/Fitzgerald model, i.e. what you see in the flesh is compatible with what you read on the page.

After he introduced an allegory for German-Polish relations in a reading from his new novel, *The Call of the Toad*, and then punctuated it with an extemporaneous dressing down of the German government, you looked at this man with his pipe protruding from his thick mustache, his tweed sport coat, his bifocals positioned three-quarters of the way down his nose, and you thought: "Now here is someone who would be the perfect poster-image

for Leftist European Intellectuals Anonymous," if there was such a thing.

There are some who think that Gräss is a prime candidate to join, if not lead, a movement of this sort. While they might concede that Gräss used to be the quintessential leftist political

tale of post-cold war German economic expansionism in Eastern Europe. Its main characters are an elderly Polish woman and a retired German professor who meet in Gdansk (formerly the German city and Gräss's hometown, Danzig) and cultivate a romance based on a shared

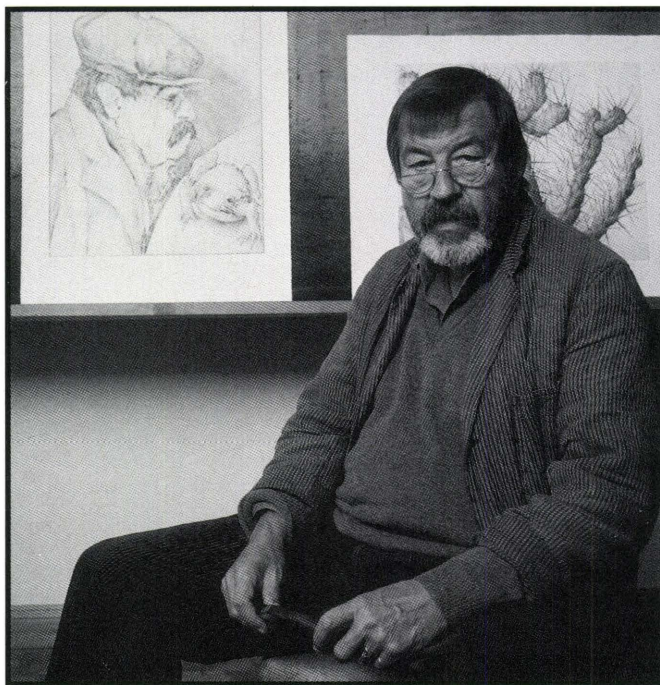
tended as a parallel for the potential harmony and discord that could emerge in the post-cold war relationship between these two countries, one complicated by a past in which Germany dominated Poland militarily and a present in which the dominance is mainly economic.

Discussing Gräss last fall in the *New Yorker*, writer Ian Buruma professed an exhaustion with Gräss as Germany's consummate leftist intellectual "with his mustache, his permanently hangdog expression, and his ghastly pipe." He noted that two of Germany's most popular critics, Marcel Reich-Ranicki and Frank Schirrmacher, "savaged" Gräss's latest work and "made merciless sport" of his new book's meditation on German-Polish relations.

Buruma recounts how Schirrmacher, in particular, "found the book an embarrassing concoction of clichéd ideas and lifeless stereotypes."

However, John Bayley, an English professor at Oxford, seemed much less concerned with Gräss-as-political-fashion-plate-of-the-moment, and maybe that's why he had an almost opposite impression of *Toad*. In his review of the book for *The New York Times*, Bayley asserted that Gräss's "amazing gift for combining deadpan humor with fantasy that is tender as well as intricately domestic and down-to-earth makes him the only magic realist today whose world still swarms with vitality and lively contemporary speculation."

Such varying reactions to his work should not ruffle



**Günter Gräss rose to fame in 1959 with the publication of *The Tin Drum*.**

writer, they now, mainly due to the author's outspoken criticism of German reunification, see him as merely a cliché.

And perhaps it is because Gräss's public persona is so hard to separate from his writings that, upon the publication last fall of *The Call of the Toad*, he took some particularly personal beatings from the critics.

The book is a cautionary

sentiment for the sanctity of cemeteries. They come up with the idea of starting the German-Polish Cemetery Association, something that will allow Germans to visit relatives buried in the former German city and for refugees forced from their homes after the war to secure a grave site on native soil.

The ensuing problems and excesses that eventually plague the operation seem in-

Gräss—though he was reportedly taken aback by the vehemence of Schirmmacher and Reich-Ranicki—given the unorthodox manner in which he achieved his status as a leader of German letters and the bold manner in which he makes use of that position.

Gräss, as mentioned earlier, grew up in Danzig, where he attended school and, during World War II, enlisted in the German Air Force. He was wounded during the war and taken captive by American forces. But after the war, he began drifting, sometimes quite literally, toward his current occupation.

Upon his release from captivity, Gräss began working his way down the Rhine River, picking up a job in a chalk mine and, later, apprenticing himself to a stonemason. He eventually attended art school (Gräss still dabbles in graphic arts, including illustrations for his books) and, in the mid-1950s, began writing poetry.

His work—which includes novels, plays, and essays—has always been concerned with an examination of the German consciousness, an examination that is constantly skeptical of whether Germany has completely exorcised the demons that gave rise to the Third Reich. And the literary endeavors have always paralleled his political ones, with Gräss channeling the ideas expressed into everything—political pamphlets, lectures, and into campaigns for such Social Democratic candidates as the late Willy Brandt.

Gräss's defining moment occurred with the German publication of *The Tin Drum*, in 1959, followed by its American publication in 1962. The book is a bizarre and absorbing story of a dwarf, named Oskar, who, in a 30-year-long trek that spans pre- and post-World War II Germany, comes to embody Germany and its Nazi experience.

The work was alternately

praised as brilliant and bold and damned as blasphemous and obscene. It was awarded the Bremen Book prize in 1960, but the prize was withdrawn due to the public controversy it inspired.

Both the book, which in 1979 was made into a movie that won the Academy Award for Best Foreign Film, and its reception defined Gräss's position in contemporary German culture: incredibly popular, extremely controversial, always entertaining.

It also established him as one of America's most popular European writers. It was evident at the reading in Washington that his problems with his critics have not quelled his following on this side of the Atlantic. The room was packed an hour before Gräss arrived and many were turned away at the door.

Alan Cheuse, who teaches writing at George Mason University and is a book critic for National Public Radio, notes that the American appetite for foreign literature has shifted in the last 20 years to a focus on Latin America; yet, Gräss has maintained his popularity.

"The American interest grows out of his artistic ability and subject matter," Cheuse said. "We have a fascination with Germany for good historical reasons.... I think people look to Gräss to sort of take the temperature of Germany and Europe the way Europeans read (American writer) John Updike to find out what is going on in America."

Judging from the reception Gräss received from his Washington audience, his American fans like not only his prose, but his persona as well. The "ghastly pipe," the mustache, the perennially skeptical view of a reinvigorated Germany—all those things that seem to be driving his detractors to rage seem to delight his readers in the United States.

Said one man waiting for

Gräss to sign a book: "I don't really care about all the politics," he said, "I just think he's a great read."

Bailey, in his favorable review of Gräss in *The New York Times*, observes that it is precisely because Gräss is sensitive to his audience, to their need for a good read, that he is successful as a political novelist.

"Mr. Gräss profoundly understands how unpolitical we are, in our routines and small preoccupations," he wrote, "but he knows too how much these daily hopes and fears are themselves the stuff of politics, for better or for worse."

—Christine Bednarz

## ART

### From Friedrich to Hodler

Treasures from the Foundation Oskar Reinhart Winterthur will be on display until September 12, 1993 at the Alte Nationalgalerie in Berlin's Museumsinsel, Bodestrasse 1-3.

The Foundation Reinhart Winterthur, Switzerland, is the most significant private collection of German, Austrian, and Swiss art of the 19th century. It is the first time these treasures have been exhibited outside Winterthur. Until now, these works have never been lent out because of strict museum rules.

But now that the museum of Winterthur is being rebuilt, the collection has been sent on a world tour. The first stop is Berlin followed by Los Angeles, New York, London, and Geneva. The collection comprises 180 paintings, among them such master works as Caspar David Friedrich's *Kreidefelsen auf Rügen* (Chalk rocks on the Island of Rügen) and Wilhelm Leibl's *Dorf Politiker* (The Village Politician). With the exhibition in the Alte Nationalgalerie, the Foundation Oskar Reinhart returns to its origins. It was here in the Nationalgalerie that Oskar Reinhart became art collector

after a visit to the legendary *Jahrhundertausstellung* (The Exhibition of the Century) in 1906.

—Wanda Menke-Glückert

## BOOKS

### At the Highest Levels: The Inside Story of the End of the Cold War.

By Michael Beschloss and Strobe Talbot. Little Brown and Co. 474 pages.

Strobe Talbot, formerly with *Time* Magazine and now the US ambassador at large for Russian affairs, and historian Michael Beschloss have written an excellent, entertaining, and informative book that reads like a novel.

Subtitled "The Inside Story of the End of the Cold War," the book provides behind the scenes glimpses of the movers and shakers in the foreign policy establishment in the United States and the former Soviet Union and some brief glances at European leaders involved in bringing about the end of the cold war.

Although the book could go deeper into the role of European leaders, such as German Chancellor Helmut Kohl, and their contributions to the end of the superpower confrontation, it is quite interesting to see how the American and Soviet leaders discuss Europe and its future without significant discussions with these European leaders.

When did the cold war actually end? According to the authors: "If there was a single point at which the cold war ended, it was probably this, the moment when Gorbachev acceded to German unification within NATO."

Several factors are fascinating about this insiders' book. First of all it seems apparent that Secretary of State James Baker and Soviet Foreign Minister Eduard Shevardnadze were probably the primary sources for the au-

thors as they come out looking and sounding much more intelligent than their respective bosses.

Secondly, the book makes quite clear that former President Bush was a very cautious leader who was really uncertain and hesitant about all the rapid events that led to the end of the cold war. The authors point out that Bush was not particularly comfortable in all these rapid changes in the superpower relationship.

Gorbachev, who helped start these changes with his *perestroika*, also comes out as a person who moves from one side to another on many key issues. As the book points out: "Gorbachev's instinct, as usual, was to tack in one direction one minute and in the other the next—to play both good cop and bad cop almost simultaneously." It appears that he also was unaware and caught off guard by the changes his policies brought about.

Gorbachev and Bush both forgot two key tenets of politics: protect your base and listen to your constituents. They appeared to be so busy working with one another that they did not hear or did not listen to their own constituents.

When Bush raised the subject of Boris Yeltsin with Gorbachev, the Soviet leader "emotionally replied that Yeltsin was 'not a serious person'." Although the book focuses mainly on Bush and Gorbachev, it is fascinating to see Yeltsin's emerging role in the background.

*At the Highest Levels* is an inside look at history in the making. I would recommend the book not only to students but to anyone with an interest in current affairs and politics. If more history books were written in such a captivating and engaging style, interest in history and politics would increase tremendously.

—Robert J. Guttman

### ALSO NOTED...

**The Martin-Gropius-Bau Museum** in Berlin will host "American Art in the 20th Century" through July 25. This exhibit consists of 250 paintings and sculptures by modern American artists, who tried to break from European artistic traditions.

During World War II, many European artists fled to the US, where their ideas influenced American artists such as Georgia O'Keefe, Mark Rothko, Jackson Pol-

lock, and Barnett Newman. However, these and other mid-20th century artists added an "American" twist to their European-influenced works.

Most of the works represented at the exhibit are since 1943. Included are Pollock's *Mural*, a painting more than six-yards-long, which is on loan from the University of Iowa Museum of Art; and several well-known Andy Warhol paintings, such as *Twenty-five Colored Marilyns* and *210 Coca Cola Bottles*.

After Berlin this exhibit will move to the **Royal Academy in London** in September.

In St. Petersburg, Russia, the most extensive exhibit of Faberge eggs, jewelry, and art objects ever assembled will open on June 18 at the **State Hermitage Museum**. This exhibit has been organized by the Faberge Arts Foundation and the State Hermitage Museum, and includes more than 350 works of art loaned from collections all over the world.

The theme of the show is Faberge's "imperial patronage" of the Russian czars. In addition to the six imperial eggs on display, and hun-

dreds of other priceless pieces of decorative art, a history of Carl Faberge's work for the czars is explored through recently discovered designs, photographs, and in-voices.

For more information call the Faberge Arts Foundation at 202-637-9119.

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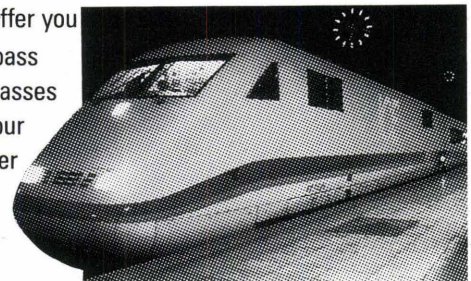
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**The New European Community Political Map: Member States, Regions, Administrative Units.** *Commission, Brussels, 1993, 1p.* This full color political map of the EC has been updated to include the former Soviet Republics that now make up the Commonwealth of Independent States, as well as a divided Yugoslavia. Measuring 79.5 x 105 cm (scale 1:4 000 000), the map features general statistics about Member States, plus the United States and Japan. Plastic map: \$50.00 Folded map: \$10.00 Flap map: \$10.00

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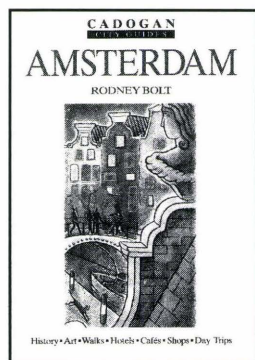
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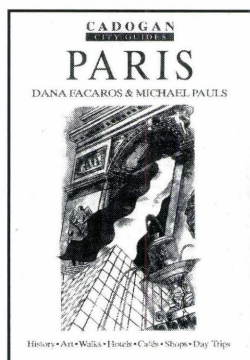
Although the Renaissance art of the Uffizi Gallery and the grandeur of the duomo Santa Maria del Fiore may draw millions of visitors to Florence annually, some tourists and residents enjoy more relaxed pursuits.

Paddlers, pictured beneath the Ponte Vecchio, escape the noise and the hustle of the streets on the tranquil Arno River.

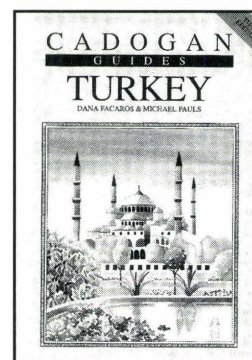
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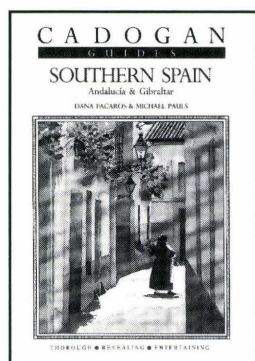
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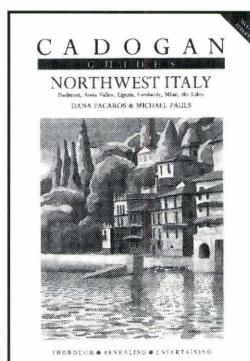
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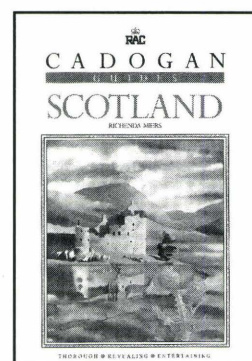
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