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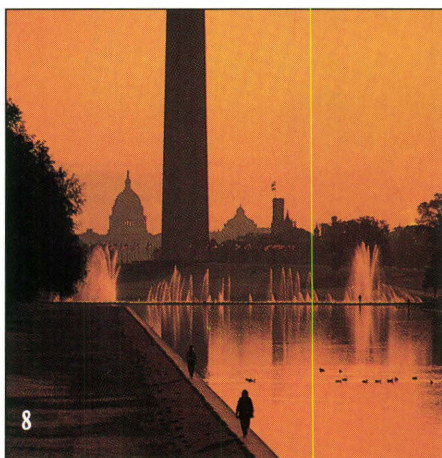


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EUROPE

MAGAZINE OF THE EUROPEAN UNION



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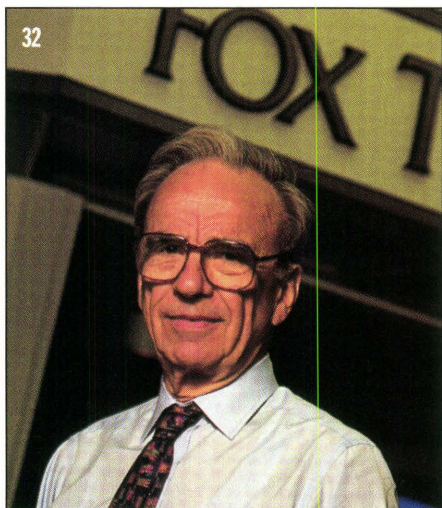
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Letter from the Editor

Does Europe still matter? This month we focus on the EU's relations with other countries and regions around the globe. We ask how Europe is keeping pace economically with the US, Asia, and other areas experiencing strong economic growth.

EUROPE also focuses on Europe's relations with its major trading partners and allies around the world. It appears that in some sectors Europe has a lot of catching up to do to compete effectively with competitors in China, Vietnam, and throughout Asia.

Lionel Barber, writing from Brussels, sees the key relationship between the United States and the EU as strong but going through a transition phase in the post cold war period. Economic and trade relations between the world's leading trading partners are growing, but a new study says the Atlantic Ocean "could either be a bridge or a moat" by the end of the decade.

Assistant Secretary of State for European Affairs Richard Holbrooke, in an exclusive *EUROPE* interview, speaks out on the terrible conflict in Bosnia and how it might be resolved. He also discusses NATO, CSCE, and EU-US relations.

Reginald Dale, a columnist for the *International Herald Tribune*, discusses the Common Foreign and Security Policy of the European Union, and says not too surprisingly that "the EU has advanced far further in developing common policies in economic and commercial fields than in political and security policy." However, Dale goes on to point out how closer cooperation is mandatory if the "EU is to become a political as well as economic player on the world stage."

Amy Kaslow, a correspondent for *The Christian Science Monitor*, interviews leading business and government leaders to ascertain what European firms need to do to promote themselves better in the Pacific Rim.

Lionel Barber profiles the new incoming European Commission made up of many new faces, including Edith Cresson, the former prime minister of France, and Neil Kinnock, the former UK Labor Leader.

Luxembourg is our EU country profile this month, and we feature an interview with Luxembourg's Foreign Minister Jacques Poos commenting on Maastricht, the single currency, and the role of smaller countries in the EU. Luxembourg is the 1995 Cultural Capital of Europe, and James Spellman writes about what is planned for this year of "Dialogue."

Bruce Barnard provides an up-to-date profile of Rupert Murdoch and his vast international news operations and his holding company, News Corporation.

EUROPE wishes all of our readers a happy and healthy new year.



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Editor-in-Chief

EUROPE

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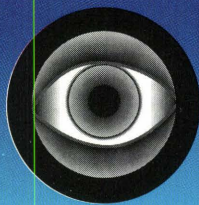
Reuters has contributed to news reports in this issue of *EUROPE*.



Does Europe Still Matter?

Cover photo: The 20 members of the new European Commission include commissioners from Austria, Finland, and Sweden. Thorvald Stoltenberg (pictured back row, fifth from right) would have represented Norway had their referendum passed.

EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

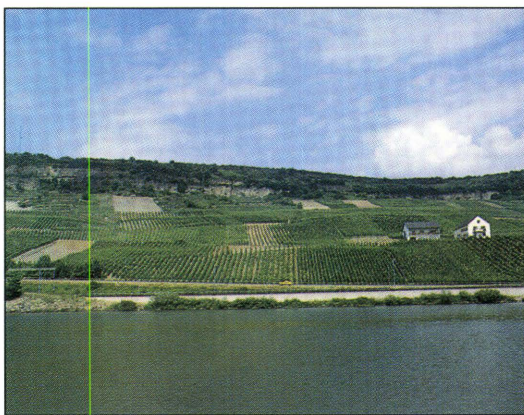
Schengen is an attractive wine-producing Luxembourg village on the Moselle River, situated at a point where the frontiers of three countries meet—France, Germany, and Luxembourg. Its situation is thus highly symbolic of the agreement signed there by five countries in June 1990, which removes all controls at frontiers between the signatory states.

These included France, Germany, and the three Benelux countries, but the agreement was later signed by Italy, Portugal, Greece, and Spain, leaving only three member states of the European Union outside—the United Kingdom, Denmark, and Ireland. It was because these

countries were resisting the EU commitment to open up all internal borders that the Schengen Agreement was necessary in the first place.

That commitment was part of the European Community's 1992 program to open up a single market between its member states. As far as the free circulation of goods was concerned, the commitment was respected by all the EU members, and customs controls at EU internal borders ceased on January 1, 1993. Yet systematic passport checks on individual travelers continued to be made at many border crossing points, particularly at sea and airports.

The justification of the British government, supported less strongly by the other two non-Schengen signatories, was that continued controls were necessary to check the movements of terrorists, illegal immigrants, and drug-traffickers. The other nine EU member states did not think that checks at internal borders were necessary for this purpose.



The Luxembourg village Schengen is situated at a point near the Moselle River where the borders of France, Germany, and Luxembourg meet.

Under the Schengen Agreement, passport checks will only be made at external EU borders. The signatory states will harmonize visa requirements and issue visas which will be valid for all Schengen countries. A common list is being drawn up of about 100 countries whose citizens will require entry visas. A joint list of suspect individuals is also being compiled and a watch kept out for them at external frontiers. Political asylum procedures will also be aligned.

Provision is made for close cooperation in cases involving irregularities in taxation, excise duties, and customs pay-

ments, while sentences delivered in courts in one member state may be served in the member country where the offender resides. Police forces will cooperate more closely and will have the right of hot pursuit over borders, although France will not allow actual arrests to be made on its territory by foreign police forces. The Schengen Information Service, established in Stras-

bourg, will collate files on people and goods sought by the police in each member state. Safeguards have been agreed concerning the confidentiality of these files. The Schengen countries are harmonizing their laws on the ownership and use of weapons and will cooperate closely to combat drug-trafficking.

The Schengen Agreement was intended to take effect in 1992 but has been delayed partly because of political obstacles but mainly through technical difficulties in setting up the computerized Schengen Information Service. It was eventually agreed in July 1994 that it would come into force by the end of 1994 for the five original members (France, Germany, Belgium, the Netherlands, and Luxembourg), and shortly afterwards for the others. Austria, Sweden, Finland, and Norway are expected to adhere to the agreement on their entry to the EU, and Denmark may well join at the same time.

Originally the Schengen Agreement could well set a

precedent for progress by member countries in areas where not all the countries are prepared to move forward. It is a reasonable assumption that as the Union's membership increases—most likely to 16 in 1994 and perhaps 20 or more by the end of the century—there will be increasing difficulty in getting all member states to agree on new initiatives.

It was this consideration which the German Chancellor Helmut Kohl stated none too subtly to the Bundestag on September 7 that "under no circumstances do we want the slowest ship to slow down the convoy of European development." He was commenting on the discussion paper produced by his own party, the Christian Democrats, which argued for an "inner core" of five member states (Germany, France, and the Benelux countries) which should pioneer policies that would only be adopted later by the other members.

On the very same day, speaking at Leyden, British Prime Minister John Major rejected the idea of such a "two-tier Europe...in which some would be more equal than others." Nevertheless, he argued the need for a "flexible" Europe, in which each member state would be free to choose the joint actions in which it intended to participate. These matters will be argued out at the intergovernmental conference due in 1996. By then it should be clear whether the Schengen Agreement has been a success or a failure.

—Dick Leonard

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The Santer Commission

B Y L I O N E L B A R B E R

AFTER A HARD DAY'S BARGAINING in a Luxembourg château, Mr. Jacques Santer has put together his team to run the next European Commission.

The new 21-member executive body will take office in January, pending approval from the European Parliament, and hold office for five years. As Mr. Santer noted, the new Commission is much more political than its predecessors, making it much harder for critics to justify criticism about anonymous bureaucrats in Brussels.



Europe's New Team: back row (l-r): Erkki Liikanen, Yves-Thibault de Silguy, Pdraig Flynn, Franz Fischler, Mario Monti, Manuel Marin, Thorvald Stoltenberg*, Christos Papoutsis, Sir Leon Brittan, Martin Bangemann, Hans van den Broek. front row (l-r): João de Deus Pinheiro, Marcelino Oreja, Ritt Bjerregaard, Edith Cresson, Jacques Santer, Monika Wulf-Mathies, Karel van Miert, Emma Bonino, Neil Kinnock, Anita Gradin.

*Editor's Note: Thorvald Stoltenberg would have represented Norway on the Commission had Norwegians voted in favor of EU membership.

Europe's New Political Team

Among its most striking features are five women, up from one in the outgoing Delors Commission, and a strong Social Democrat slant. Two of its members are former prime ministers: Madame Edith Cresson of France and Mr. Santer, who will shortly step down in Luxembourg. Another newcomer, Mr. Neil Kinnock, the former British Labor Party leader, almost became prime minister in the 1992 election.

Finding adequate jobs for all the commissioners was never going to be easy, and inevitably one or two were left feeling sore in the final share-out portfolios. Sir Leon Brittan, the senior UK commissioner, threatened briefly to resign after losing responsibility of relations with Eastern Europe; but he quickly agreed to stay on with the important trade dossier.

The spat between Sir Leon and Mr. Santer obscured potentially significant reforms in the organizations of the Commission, starting with the strengthening of the office of the president. In the new order, Mr. Santer will assume final authority over the Commission's role in the common foreign and security policy and preparations for the creation of a single European currency. He will also play the lead role in coordinating the Commission's position in the 1996 intergovernmental conference to review the Maastricht Treaty.

Mr. Santer's accumulation of power needs to be seen in light of the evolving role of the Commission which will expand from 17 to 20 members, with Austria, Finland, and Sweden having voted in favor of EU membership in their referendums. Without a greater degree of centralization and coordination the Commission risked becoming even more unwieldy than it already is.

Hence the second major reform introduced by Mr. Santer: the ending of the artificial barriers between the economic and political affairs in external relations. In the future, responsibilities will be defined on geographical lines, allowing a more integrated approach to policy-making and, hopefully, ending the turf battles which plagued the outgoing Delors Commission.

The big winner is Mr. Hans van den Broek, the former Dutch foreign minister. He takes control of Central and Eastern Europe, including Russia, while also steering the common foreign and security policy on a day-to-day basis. The Eastern Europe portfolio is widely seen as the plum job in the next Commission because of the need to prepare countries such as the Czech Republic, Hungary, and Poland for EU membership around the turn of the century.

Mr. Manuel Marin, the senior Spanish commissioner, will continue to handle relations with the Mediterranean and Latin America, but he has given up Africa, the



In the future, responsibilities will be defined on geographical lines, allowing a more integrated approach to policy-making.

Caribbean, and the Pacific developing countries to Mr. João de Deus Pinheiro, the former Portuguese foreign minister. Sir Leon, meanwhile, will handle relations with the OECD countries, the advanced Asian economies, and China.

Elsewhere, Mr. Santer—aided by his energetic new chief of staff Mr. Jim Cloos—has displayed some subtle touches. There is an unmistakable appeal to eco-conscious voters in Scandinavia who take women's equality seriously. Thus, Mrs. Ritt Bjerregard, the formidable Dane, takes over the environment. Mrs. Anita Gradin, the former Swedish foreign trade minister takes over the increasingly important judicial and immigration portfolio. Mrs. Monika Wulf-Mathies, a top German trade unionist, will handle regional policy, while Ms. Emma Bonino takes over the neglected consumer affairs dossier and humanitarian aid.

One of the big surprises is the selection of Mr. Franz Fischler, the Austrian commissioner, to run agriculture. Insiders say no one else was interested in taking on the dossier because of the likely need for further unpopular reforms in the Common Agricultural Policy, partly to prepare for future membership for the Central and Eastern Europeans.

The performance of Mr. Fischler, an old Christian Democrat friend of Mr. Santer's, will be worth watching; so too, Mr. Manuel Oreja, the junior Spanish commissioner who moves from transport to relations with the European Parliament and the task of selling Europe to the ordinary citizen. Mr. Mario Monti, the distinguished Italian economics professor, will handle the single market. Mr.

Kinnock takes over transport. Watch out, too, for Mr. Erkki Liikanen, the talented Finn who will handle the budget.

Mr. Santer was also careful to assuage French fears that the departure of Mr. Delors would mean a decline of French influence in Brussels. Mr. Yves-Thibault de Silguy, a technocrat, takes over the economics directorate, which controls the process of preparing for European monetary union, perhaps the most important French policy goal in Europe. Madame Cresson will take over the research and development budget as well as education and training.

Both jobs offer money to spend and a high profile, though Madame Cresson will have to share the limelight with Mr. Pdraig Flynn, the Irish commissioner who continues with social policy, and Mr. Martin Bangemann who retains industry as well as special interest in the new information society. These two holdovers, along with Mr. Karel van Miert, the Belgian who retains competition policy, will be highly influential in the next Commission. ☺

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

In January 1814, Thomas Jefferson set out a rationale for American engagement in Europe which still holds good today.

"Surely none of us wish to see (Napoleon) Bona-

parte conquer Russia, and lay thus at his feet the whole continent of Europe. This done, England would be but a breakfast.... No. It cannot be to our interest that Europe should be reduced to a single monarchy."

In a couple of lucid sentences, Jefferson captured how US foreign policy toward Europe will be driven ultimately by considerations of the balance of power. This was the case during the cold war when the US mobilized the Western half of the continent against Soviet expansionism; and it remains true today as the US weighs its bilateral relationship with the two dominant nations—Germany and Russia—and the still underdeveloped potential of the European Union.

Europe will always be a vital US interest, a fact underlined

by a near \$1 trillion a year in goods, services, and capital in bilateral trade and investment. But its importance *could* decline relatively as Americans search for new post-cold war strategies to guide their relations with the world, tilting away from Europe toward the fast-growing economies in Latin America and the Pacific. So how do Europe's leaders respond?



**EU Commission
President Jacques
Santer**

A recent Carnegie Institute study on the future of the transatlantic alliance argued that relations between America and Europe were at a watershed. The authors presented a stark choice. Either the two continents would clash increasingly as they pursued divergent foreign and economic policy interests, or their leaders would refashion the relationship. "They will decide—either by choice or inadvertence—whether the Atlantic Ocean will be seen in the next century more as a bridge or a moat."

In Europe, alternatives appear equally compelling: Either the continent reverts to its 19th century past fragmented by nationalism and ethnic rivalry, or it enters a new age in which the European Union acts both as the subordinate of the nation state and the strategic partner of the US, covering the full range of common economic, political, and security interests.

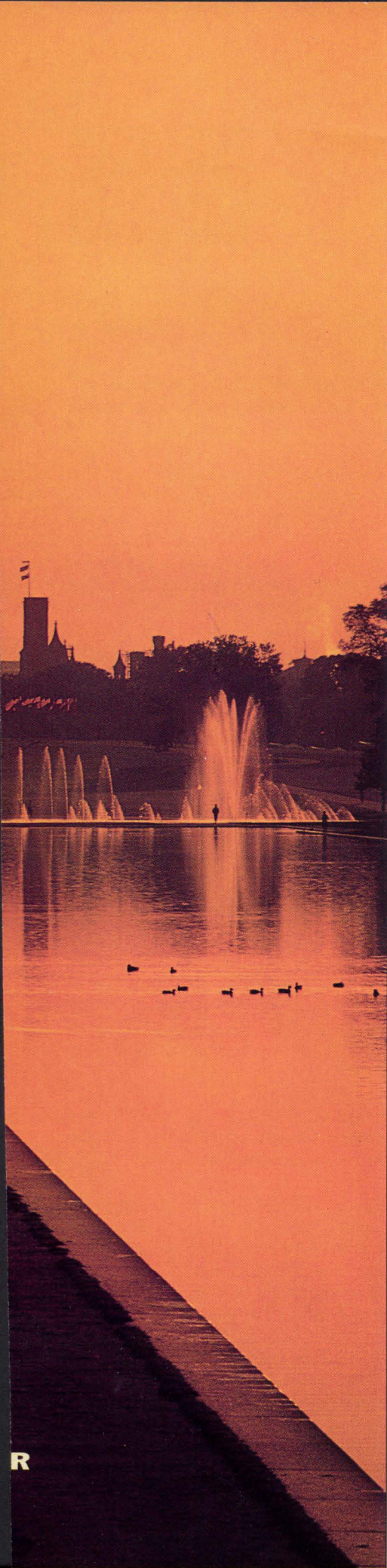
At first glance, much of the present debate risks being dismissed as scaremongering. Transatlantic relations are currently in good shape. The successful conclusion of the Uruguay Round agreement showed that the two partners could reach agreement even when politically sensitive commercial interests such as agriculture were at stake. The reform of the NATO Alliance is unfolding at a steady pace, with the prospect of future enlargement to Central Europe. US-European divisions over how to respond to the conflict in former



EU-US Relations

Why Europe Still Matters to America

BY LIONEL BARE



Yugoslavia are (just about) containable. The transatlantic dialogue is expanding on issues such as jobs, health care, and the environment.

At the biennial US-EU summit last July, a number of useful steps were taken to strengthen the operational aspects of the relationship, with working groups focusing on three areas of common interest: building democracy in Eastern Europe through combined US-EU actions; closer cooperation between the EU and US in international relations by dealing with "rogue states" such as Iran; and more effective cooperation in fighting organized crime and drug trafficking.

These steps followed Bill Clinton's maiden presidential trip to Europe last January in which he came out unequivocally in favor of greater European integration, with the European Union as the lead institution. In a significant policy shift, he also gave American blessing to the strengthening of the European pillar inside the NATO Alliance. The effect would be to allow the Western European Union—the defense arm of the EU—to borrow NATO assets for overseas actions such as peace-keeping in which the US itself decided not to participate.

Yet influential European commentators still worry about the long-term trends. Mr. William Wallace of St. Anthony's College, Oxford, sketched out four areas which would require a response during a recent conference at Netherlands Clingendael Institute of International Relations.

- NATO is still the guarantor of security in Europe, but Europeans cannot rely on the US to hold the security system together. NATO's role will have to be replaced with a European security system in which the US and Russia play a significant, but external, role.

- The end of the cold war means the end of the security link which held the transatlantic partnership together. There is a risk of economic competition filling the vacuum, spurred by an inward turn on both sides of the Atlantic.

- America's intellectual and political elite is no longer reflexively "Eurocentric." The economic center of the US is moving toward the South and the West, with a parallel rise in influence of the Hispanic and Asian peo-

ples, their cultures and interests.

- A similar shift is underway in Europe, with political, economic, and cultural ties increasingly with the Scandinavian countries, Central and Eastern Europe. The result is that the transatlantic relationship can no longer be regarded as exclusive.

What is to be done? In Europe, there seems to be a slow appreciation that the European Union is best prepared to shoulder the burden of leadership which the US appears to be offering, rather than flimsy alternatives such as the Conference on Security and Cooperation in Europe or the Council of Europe.

Supporters of rapid further integration argue that this will require a greater willingness to pool resources and sovereignty, starting with the 1996 intergovernmental conference to review the Maastricht Treaty. A new paper before the Transatlantic Policy Network—a new organization drawn from business, politics, academia, government—goes as far as to suggest negotiating a substantive political treaty between the EU and the US.

There are, however, risks in proceeding too fast. The arduous process of ratifying the Maastricht Treaty was a sobering lesson for the intergrationists.

Efforts to create a genuine common foreign and security policy are still plagued by different national perceptions and interests which will not be solved by forcing through majority voting or a similar streamlining of decision-making. Lastly, as Henry Kissinger discovered more than 20 years ago with his ill-fated "Year of Europe" initiative, some European countries may resist US-led efforts to force the pace.

The best way forward is to recognize that the US genuinely wishes Europe to become an adult partner and to take appropriate steps to meet the challenge. In the first instance, this means that the EU should fulfill the promises already made, such as completing the single market and preparing the Central and Eastern Europeans for full EU membership. That alone would be an effective contribution to the future stability and prosperity of the continent, the single most important goal of the transatlantic alliance. ☹

Richard Holbrooke

EUROPE
INTERVIEW

How do you convince our allies in Europe that we still have an effective foreign policy, now that both houses of Congress will be controlled by the Republicans?

Divided government is unfortunately a fact of life in the United States over much of the last 26 years. But the unique feature of this, which has not existed since 1947–48, is that it's divided with the Democratic president and a Republican Congress. Normally it's been the other way around. In the period when it was Democratic Congress/Republican president—Nixon, Ford, all of Bush, and most of Reagan—foreign policy worked pretty well. There was a general bipartisanship. When there was a serious issue like Vietnam, it cut across party lines. I believe that, in essence, you're not going to have a fundamental change in American foreign policy. The real changes will be in domestic policy.

Some people say that Europe is no longer the focus of US foreign policy.

I don't understand that argument. The president has made three trips to Europe this year. He will make a fourth, to the CSCE summit in Budapest. His trip to Jakarta and the Philippines is his only trip to Asia during the year. The United States is a global power, and it's self-evident that Europe is central to our American foreign policy. I want to give this heavy emphasis. Four trips by the president in one year to Europe! I don't think that's ever happened before.

You said "self-evident." Why is it self-evident? There are still some people who are skeptical that after the cold war we need to be as focused on Europe.

I've lived through this problem about American commitment to foreign policy in every region of the world. I was assistant secretary of state for East Asia and Pacific Affairs, and I spent the whole four years listening to statements that the US was going to retreat. It's a combination of regional insecurities, whether it be in Korea or Poland. It's a combination of journalism and legitimate concerns which can be dealt with. They were constant throughout the cold war, the famous Mansfield Amendment withdrawing troops from Europe. Fears that at the end of the cold war we'd pull out of NATO and bring our troops home. In fact, the president has



ASSISTANT SECRETARY OF STATE FOR EUROPEAN & CANADIAN AFFAIRS

Richard Holbrooke, assistant secretary of state for European and Canadian affairs, speaks out on US-European relations, NATO, CSCE, and the war in Bosnia. The former US Ambassador to Germany discusses Germany's new role in the world, Germany, and Central Europe and German-US relations. Ambassador Holbrooke spoke with *EUROPE* Editor-in-Chief Robert J. Guttman a few days after the mid-term elections. He focuses on the need for a bipartisan US foreign policy toward Europe.

set a base of 100,000 and we're actually going to hold at 109,000, 9 percent above that minimum. I'm just telling you that there is no political pressure to walk away from our commitment to Europe. That is a bipartisan issue.

Why does the US need any troops in Europe?

That's a very good question. That's the question one is asked all the time. The answer resides in the lessons that the history of this century throws up in regard to US and European relations. And the United States has national self-interests involved in the strategic stability of Europe. We are an important component of maintaining a stable balance of power. We came in in 1918 to help redress the balance, but unfortunately withdrew within a year and a half. We came in in 1941-44, and then stayed after a brief interlude in 1945-46, where we withdrew. We stayed on to help establish a stable equilibrium. That equilibrium has been upended by the end of the cold war. And we have two choices: Withdraw as we did in 1920, with the inevitable result that instabilities in Central Europe will create political problems which will affect our national security; or, alternatively, stick with the commitment and try to expand it carefully and gradually eastward. We will do the latter. And when I say "we," I mean on a bipartisan basis.

Do you think the Central European countries are ready to become members of the EU?

The United States is not going to tell Brussels and the member nations of the EU the pacing and details of its own eastward expansion. However, we are publicly and strongly supportive of European integration. It applies, for us, more directly to NATO and CSCE than it does to the European Union. But President Clinton is the most supportive president for European integration since John F. Kennedy. It's one of the hallmarks of this administration. And we have long since left behind the days when the United States played a triangular game with France and Germany. We do not believe, in this government, that Germany should be asked to choose between its friends in France

and its friends in the United States. We believe in a strong, integrated Europe, including the United Kingdom. But the details of expansion eastward have to be left to the European Union.

As a former US ambassador to Germany, how would you describe the situation in that country? Is the East being brought up to Western standards?

In East Germany the gap is narrowing. The growth rate in the Eastern l nder is in the same range as that of Thailand. It's the fastest growing region in Europe; one of the fastest growing regions in the world. This is being done with tremendous per capita transfer payments from the western Germans to the eastern Germans. In cities like Leipzig and even Potsdam, you see construction cranes. The building is staggering. As for the social integration and the psychological integration, the Germans will give you different opinions on this. Some of the eastern Germans think that Westerners are coming in—what we'd call "carpetbaggers" in the United States—to take over the best jobs in the East. The social dislocation issue will take another decade to iron out. But the economic gap between the two parts of Germany is visibly disappearing, particularly among younger people, but it's going to take a long time. And the older population of eastern Germany, people who were trained under the communist system, many of them will not be reintegratable into new jobs very easily. On the whole, however, I would say that the Germans have done a remarkable job.

How do you see the future of Berlin?

It depends on whether you have a mid-term or a long-term view. I have no doubt whatsoever that Berlin will be the capital, not only of Germany but of all of Central Europe within 10 to 20 years. But first Berlin has to make some fundamental decisions about itself. The urban planning in Berlin is chaotic, so much so that it's been difficult for us to plan our own embassy site. It's exciting to be part of the future of Berlin. It's very exciting because what's happening in Berlin is obviously of historic importance. The German capital is about to shift from the French border to the Polish border, and that

will increase the pressure for eastward expansion of both NATO and the European Union.

How relevant to the future integration of Europe, without getting into internal German politics, is Chancellor Helmut Kohl's reelection?

Chancellor Kohl is now the senior active leader—with a change coming up in France—in Europe. And he's been a dominant force for European integration. We have very high respect for him. Chancellor Kohl really brings with him a historic and sweeping vision of how to expand Europe. I do not think that Europe would be the same without his strong leadership.

Why do we need NATO today?

NATO was created as an anti-Soviet alliance, and now we're talking about expanding it. And yet we do not think that the Russians, at this point, pose a threat to the potential members of NATO. So why expand NATO? My answer is simple: NATO is the most successful security organization in history in peacetime, and it's in our interest as well as the Europeans that it remain in place and expand to deal with the new threat. The new threat is not Stalinism or Soviet expansionism, as it was from 1945. The new threat is instability. Old instability, old fears, unresolved historic legacies from Versailles, Yalta, Potsdam, and the collapse of the Soviet Empire. And we need security mechanisms that can deal with them. There are certain kinds of issues NATO can give security to, and there are others which CSCE can play a role in. We need a fabric of organizations, a tight security organization for the core as the core expands, a looser security organization for everyone, including the core.

Is the Partnership for Peace basically a holding action?

No. The Partnership for Peace was about three different things. First, it is an essential tool by which the countries of the former Soviet empire get familiar with, on a detailed operational basis, NATO. Remember that the Partnership for Peace is not an organization; it's 23 individual agreements between NATO and 23 members, ranging from non-

communist countries that never were communists, like Finland, to countries like Armenia, its most recent member. And each one will design its own program with NATO. So that's number one. Number two, for those countries that eventually join NATO, the Partnership for Peace will be an essential way station. That is, the stronger the Partnership for Peace program is, the more it will make the transition into NATO membership seamless for those countries that eventually join NATO. And third, for those countries that don't end up joining NATO, a strong Partnership for Peace will be the best way of integrating the relationship between them and NATO.

You talk about NATO being an effective organization. Hasn't NATO shown itself to be ineffective in Bosnia?

Yes.

Do you want to expand on that? Is Bosnia an unmitigated disaster?

Yes. Nothing mitigating about Bosnia's disaster. There's a dual key arrangement for the use of NATO force in Bosnia, where NATO can only use force if the UN agrees. This system has created an almost intolerable tension between NATO and the UN, jeopardizing both organizations. And it is one of the most serious dilemmas imaginable, and it must be dealt with.

Is there a coordinated plan to end this terrible war in Bosnia?

When I first went to Bosnia 26 months ago I was told the Bosnians wouldn't be able to survive the winter. They survived that winter, they survived the next winter, and now they're going to survive the third winter. And a lot of progress has in fact been made but at a vast enormous suffering. You asked whether we have a plan to end the war. No, we don't. There's been a failure of collective security leadership in the West, which I think everyone involved should look back on and say we should have done much better. The core cause of the war, however, is the desire of the combatants to continue it. The contact group, Britain, France, Germany, the United States, and Russia, put forward a proposal which was

accepted by everyone except one party, the Bosnian Serbs. All the other parties, including Milosevic and the Serbs in Belgrade agreed to this 51-49 division of Bosnia. It's a very imperfect plan, but it's the best they could come up with. And the refusal of one party to accept it has resulted in the continuation of the war.

Isn't Bosnia part of Europe, and isn't this the largest land war since World War II in Europe?

Yes to both questions. You never heard me say Bosnia isn't part of Europe. And the idea that people less than an hour away by plane in cities like Vienna and Frankfurt can ignore this event strikes me as extraordinary. But I hear more talk about Bosnia in Washington than I did in Bonn. It is quite extraordinary.

Why do you think that is?

A deeper sense of moral outrage here, perhaps, than in parts of Europe. I can't explain it. The tragedy, however, is that external forces seem unable to be able to stop this.

We all know what's going on over there, but it seems like we're all scared to use force. If we use force against the Serbs and we took the fight to Belgrade, maybe the war would end. Isn't Belgrade running this war?

Not anymore. Milosevic is going all out to bring the Bosnian Serbs leaders down and get them to accept. That doesn't make Milosevic a good guy. He is the original war instigator. He's the man who started the war. But right now, he is trying to get the Bosnian Serbs on board.

Isn't there a danger of this war spreading?

There is a very great danger.

What do we do? The war is not even covered on CNN anymore. It's almost like it's been replaced.

It's going to be back on CNN with a vengeance by the time your issue comes out. That's the next old news story on the front page. I guarantee it.

Do you think the US and Europe need any kind of treaty to better relations?

No. I don't think we need a new treaty. We need to redouble the efforts in the existing frameworks, including CSCE.

When Germany united, everyone was worried about Germany being too strong. Now several years later, people are worried that Germany may not live up to its potential and be too weak. It may not take part in world affairs. Which is right? Should we be worried about Germany one way or the other? Weakness or strength?

Germans are afflicted by this constant self-doubt, which is a product both of their culture and their history. They continually asked me, when I was ambassador to Germany, does the world trust the Germans, by which I understood them to be meaning, can we trust ourselves. For me and for our government, the answer is yes—we believe a strong, united, and democratic Germany is a central building block of stability in Europe.

So there is no worry on the part of any of the administration that a united Germany could once again be an aggressive power?

Germany is a fully democratic country, which is a major component to bring peace and stability to the troubled lands of Central Europe, lands which its own history has done so much to trouble.

The US is going to have 109,000 troops left in Europe. Is that because it's in our national interest or do we feel that if the US wasn't there, somehow, the Europeans would start arguing among themselves again? Are we a safety valve?

We keep our troops there because it's in our national interest to do so. But what you just said has some validity. All the Europeans want us to stay. All, including the French.

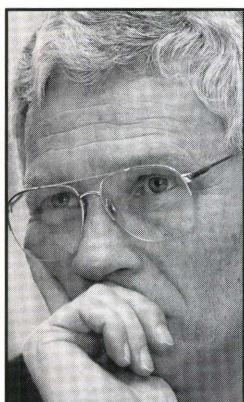
Is there such a thing as Europe? Is there an entity called Europe?

Yes, there is something called Europe. The question is, at the end of the cold war, what are its boundaries? There used to be Western Europe and Eastern Europe. Now that the line has disappeared, what is Europe? That is for the Europeans to decide. ☹

Uniting the two halves of Europe is by far the biggest challenge facing the European Union—a task of historic dimensions comparable to the foundation of the original European Communities in Western Europe in the 1950s.

In the aftermath of World War II, a group of visionaries started the drive to European unity in order to make future wars in Europe impossible. Now, a similar grand design must be sketched out for the whole continent.

But this time, as the EU's critics have been quick to point out, the vision has been slow in coming.



Hans van den Broek

Most countries of Western Europe have been preoccupied by their own economic, social, and political problems and have not wanted to look at the broader historic picture. On the contrary, to many, the prospect of opening the doors to Central and Eastern Europe—and particularly to its low-cost exports—looks more like a threat than an opportunity.

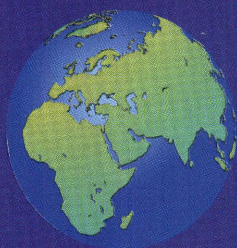
Much of the criticism has been exaggerated; some of it has been wrong. It has often failed to take adequate account of the political difficulties caused by recession and high unemployment in Western Europe. But there is little doubt that—at least in the years immediately following the collapse of the Iron Curtain—the EU could have been more help to its neighbors as they struggled toward Western-style market democracy.

Hopefully, that phase is now over. Over the past year or so, largely prodded by Germany, the European Union has begun to treat the political and economic integration of Central and Eastern Europe with broader vision and greater urgency. Something resembling a grand strategy is now finally emerging. The EU has signed an unprecedented trade and cooperation agreement with Russia, and it has promised full membership to at least six Central and East European countries—Poland, Hungary, the Czech Republic, Slovakia, Romania, and Bulgaria.

It has agreed to start extending its single market to the Central and East European countries, and it is knitting closer political bonds by bringing Central and East European governments more closely into its decision-making councils.

At the same time, flagging US interest in the construction of Europe has reawakened. Initially, President Bill Clinton seemed to regard Europe as a very low priority. Now, like George Bush before him, he sees the integration of Eastern and Western Europe as a prime US security interest—and the European Union as the chief instrument for bringing it about.

There are some big differences. The United States has consistently under-estimated the real difficulties of



EU-Central Europe Relations

admitting the Central and East European countries into the EU as full members.

Nevertheless, since the offer of membership to the six countries at last year's Copenhagen Summit, the EU is now committed to a major eastward expansion. The question is no longer whether, but how and when.

Poland and Hungary have already submitted formal entry applications. But before any of the ex-communist nations can join, a number of time-consuming and difficult conditions will have to be fulfilled—both on the Eastern and the Western side of the former Iron Curtain.

With the best of wills, there is no way the ex-communist countries can be admitted into the Union much before the turn of the century. The year 2000 has become a kind of informal target date—at least for the most advanced countries—although many EU governments would not want to be pinned down to it.

On the Eastern side, the first and fundamental requirements are that the former communist states become functioning market economies and acquire sufficient institutional stability to “guarantee democracy, the rule of law, human rights, and the protection of minorities,” in the EU's words.

These are basic conditions of EU membership which could not be fulfilled by a totalitarian country—or by dictatorships like those that kept Spain and Portugal out of the Union until 1986.

But there are severe practical difficulties too. The Central and East European countries are nowhere near being able to apply EU rules in fields like competition policy, state aids, and the environment, to name but a few, let alone economic and monetary policy. Nor are they yet ready to face the competitive pressures of full EU membership.

UNITING THE CONTINENT

Europe's Greatest Challenge

BY REGINALD DALE

But major changes will be necessary on the Western side too. First the EU will have to digest the entry of up to four new members in 1995—Austria, Finland, Sweden, and Norway—and then, in 1996, review its whole constitutional future.

The likely expansion of the Union from its current 12 to well over 20 members will make it impossible to continue with rules that were essentially designed for six founder members in the 1950s.

Almost certainly the answer will have to be a Europe that allows some countries to press ahead faster to integration than others—whether the metaphor is that of a “hard-core Europe,” one of “variable geometry” or “concentric circles,” or a combination of some or all of them. However much it may violate traditional Brussels orthodoxy, some provision will have to be made to ensure that the 20-plus nation convoy does not sail at the speed of the slowest ship.

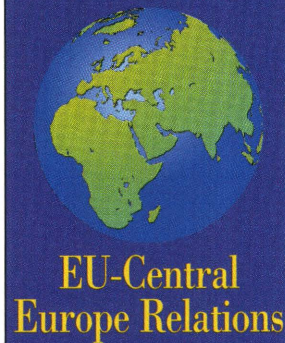
Perhaps of equal difficulty, the EU will have to radically reform its common agricultural policy (CAP) and its system of structural development funds for poorer regions to make way for the new Central and East European members.

As the *Financial Times* put it recently, extending the common agricultural policy's price support system to farmers in, say Poland “would almost certainly cause a production explosion, growth of unsaleable surpluses and consequent trade conflicts, and the collapse of the EU budget.

“On the other hand, excluding Poland and the other Central European countries from as central an EU policy as the CAP—either altogether or for a protracted transitional period—is unlikely to be politically feasible.”

Many Europeans, however, have not yet taken this on board—particularly the political consequences of tampering with support levels for their voracious farmers.

Put another way, Richard E. Baldwin, in an exhaustive report issued by the London-based Center for Economic Policy Research, warns that the four most advanced countries—Poland, Hungary, the Czech Republic,



and Slovakia, usually considered the most likely to join first—would need at least a 10-year transitional period after 2000 before benefiting from the Union's agricultural and structural funds.

Without such an arrangement, he says, the net cost to the Union of bringing in the four countries in 2000 could be a gigantic \$63.6 billion a year—exactly equivalent to budgetary spending for the entire 12-nation Union in 1992.

Taxpayers in Western Europe are not remotely prepared for this kind of impact—nor are governments of countries that would be major rivals of the newcomers for EU structural funds or those that would have to finance the new payments (and that includes just about everybody). Mr. Baldwin warns that if nothing is done to bridge these yawning financial gaps, the whole move to European integration will stall.

It would be tragic, of course, if the historic and geopolitical imperatives of uniting Europe were to be lost from sight in an inward-looking haggle over agricultural and budgetary reform.

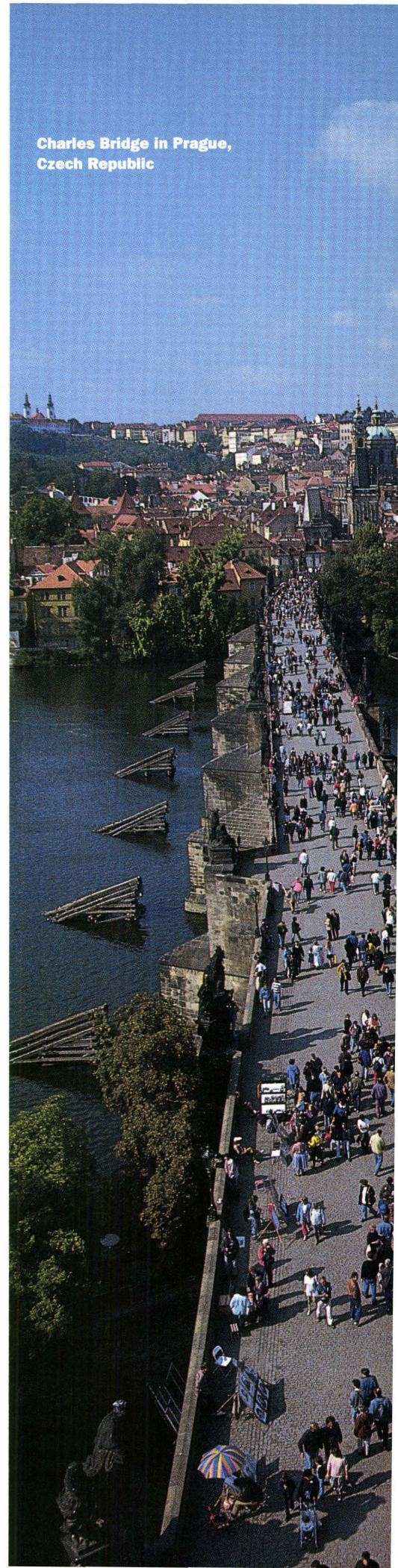
What is needed is some inspirational leadership—and for the time being, the only place that looks likely to provide it is the newly reelected German government.

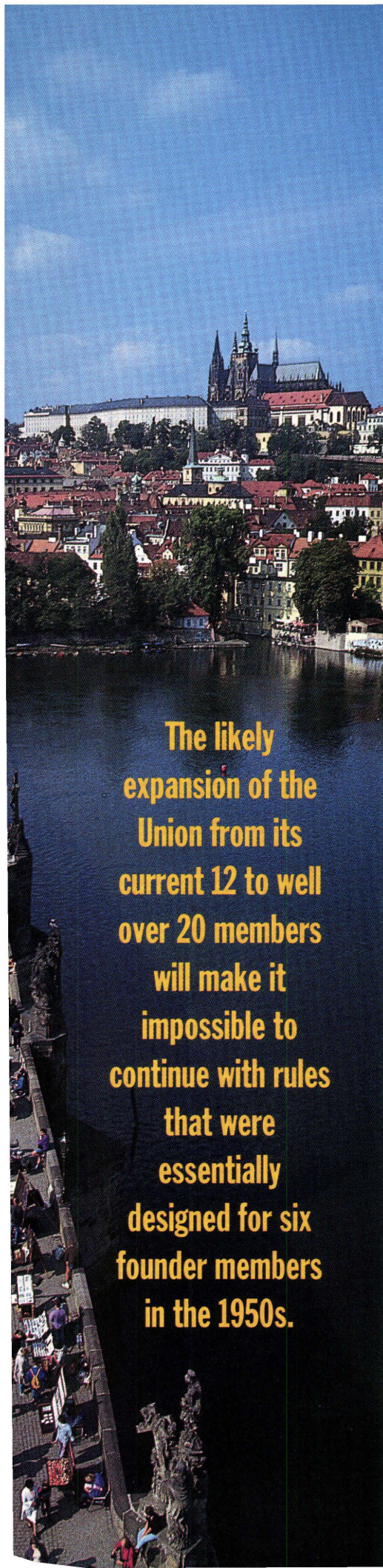
Germany, which holds the presidency of the Union for the second half of this year, has been working hard to persuade its more reluctant partners to devote more urgency to the cause. It is fortunate for Europe that, at this point in history, Germany's interest in bringing in the Central and East Europeans coincides with the broader European interest.

It was at the Germans' initiative that EU foreign ministers agreed in October to draw up a more detailed plan for bringing the prospective new members into the fold, including more regular participation by the Central Europeans in EU ministerial and summit meetings and step-by-step admission to the single market.

Interestingly, three countries—France, Spain, and Belgium—expressed concern that inviting the Central and East European countries into

Charles Bridge in Prague, Czech Republic





The likely expansion of the Union from its current 12 to well over 20 members will make it impossible to continue with rules that were essentially designed for six founder members in the 1950s.

the EU's inner sanctum could make meetings unworkable and put outside pressure on the Union's decision-making process. Each of the three has profound reservations about hasty expansion to the East.

France is afraid that the admission of Central and East European members will create a powerful new sphere of German influence that will outweigh France's traditional pretensions to European leadership. It is also concerned by the threat to the CAP and by potential competition from cheap manufactured imports.

Belgium is afraid that the Union's central institutions, so important to smaller "pro-European" states like the Benelux countries, will be overwhelmed by the scale of the new Union. (The United Kingdom supports expansion for precisely the opposite reason—the hope that it will for once and ever put an end to a centralized European "super-state.")

Spain is afraid that the current poorer members will lose out on structural development funds as even more needy countries join the Union and that the Mediterranean countries' influence will be reduced.

Nevertheless, all three countries wound up backing the plan. Germany is confident their initiative will now be adopted as the EU's official "pre-accession strategy" at the German-hosted EU summit in Essen in December.

But the commercial and economic integration of the East is already further along than many critics seem to realize. Under the so-called Europe Agreements already in force, all industrial exports from Central and Eastern Europe will have free access to the EU market from the end of 1995, with two exceptions for sensitive products. Steel will follow in 1996 and textiles in 1997.

It is true that many East European exporters have run into problems with protectionist practices in the EU, such as anti-dumping measures and so-called "voluntary export restraints."

In October, the European Bank for Reconstruction and Development reported that "the main threat to Eastern European exports and investment comes from actual, threatened, and 'latent trade' remedy action employed for purposes of managing trade to support industrial policy objectives in the EU."

But such criticisms tend not to take account of the political difficulty of opening borders to cheap imports in times of recession or of the fact that East Europeans could do a lot more to help themselves.

In many formerly centrally planned sectors, such as steel, food, and textiles, Central and East European countries are still stuck with a legacy of producing items that Western economies find hard to absorb.

The Central and East Europeans can do much more to develop the right products for Western markets—including the United States—and make themselves more attractive to international investment, for which they face cut-throat competition around the world.

In the words of Salvatore Zecchini, assistant secretary general of the Organization for Economic Cooperation and Development, it's not just trade barriers that are keeping Eastern exports out of Western markets. There is also a supply-side explanation: limited export capacity in the East and growing demand inside the Central and East European countries for their own goods.

An important step urged by Mr. Baldwin and others would be for the current bilateral association agreements to be transformed into a multilateral free trade area. That would increase both trade between the EU and the Central and East Europeans and their trade with each other.

So far the reduction in barriers to trade across the former Iron Curtain has hugely benefited the West. Protectionist forces in Western Europe may ease as economic recovery gets under way, but with unemployment likely to remain high for the foreseeable future, they are not going to disappear.

That's why political leadership is all the more important. It's not just a sense of history that is in short supply. Not enough has been done to explain to West Europeans that it is in their economic interest to forge closer links with Central and Eastern Europe—just as the United States and Canada are doing with Latin American, and Japan is doing with much of the rest of Asia. ☹

Reginald Dale, based in Washington, DC, is a contributing editor for EUROPE and a columnist for the International Herald Tribune.

Despite the European Union's long-standing efforts to "speak with one voice" in world affairs, it is still largely an economic rather than a political power. The Union wields enormous clout in trade negotiations in Geneva but very little in debates on political crises at the United Nations in New York.

It can inflict heavy economic damage on other countries through its common agricultural policy. But no soldiers follow its flag into battle, nor do its diplomats negotiate arms control treaties.

That kind of responsibility is still firmly in the hands of the individual member states. Europe's two nuclear powers—France and the United Kingdom—keep their partners' fingers well away from the trigger. Both jealously guard their separate status as permanent members of the UN Security Council.

To a large extent the imbalance is due to the deliberate policies of the Union's founding fathers, who believed that the first priority was to integrate Western Europe's economies. Political integration would surely follow.

But political integration has been slow in coming—much slower than the founding fathers probably expected. As a result, the Union has advanced far further in developing common policies in economic and commercial fields than in political and security policy. Defense cooperation has hardly been scratched.

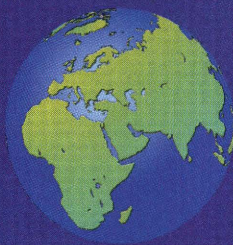
There are good reasons why that should now change. In the rapidly changing post-cold war world, it is more obvious than ever that Europe will only exert its full influence if its member countries stick together. And the move to a closer internal union should logically find an external counterpart in a more united foreign policy.

Moreover, with the Iron Curtain gone, there are now numerous political and security issues vitally affecting Europe's future that the Union did not have to deal with before—the future of NATO, the diminishing US military presence in Europe, and the entire future relationship with Russia.

Although the Union had not yet fully thought through the consequences of this new world, the Maastricht Treaty of December 1991 was meant to develop its capacity to conduct a common foreign and security policy (CFSP). The treaty set new rules and procedures for bringing foreign and security decision-making closer under the wing of the central institutions.

The aim of the CFSP, according to the treaty, is "strengthening the security of the Union and its member states in all ways," in order to ensure "that their combined influence is exerted as effectively as possible by means of concerted and convergent action."

But so far at least, few people outside the Union have noticed much change in the way Europe goes about its business. EU officials admit they are still grappling, rather ineffectively, with the new procedures. There is no doubt that efforts to introduce a common EU foreign policy still have a serious credibility problem.



EU-Foreign & Security Policy

Skeptics, particularly in the United States, often doubt that the Union will ever have a common foreign policy—most obviously because of the EU's failure to deal with the war in the former Yugoslavia. If the EU can't unite to counter a threat on its very doorstep, they argue, it will never be able to.

What's more, the skeptics say, the member states' national interests still conflict too fundamentally for them to pool their sovereignty over foreign policy—still less over their armed forces.

FOREIGN POLICY

Europe's New Voice

BY REGINALD DALE

It is true that deep issues of national sovereignty are involved—far more than, for example, in creating a customs union. And it is strange in a way that the United Kingdom, which resists so many other of the EU's common political ambitions, strongly supports common foreign and security policies.

That, however, is because the UK believes that the CFSP should be conducted on the basis of intergovernmental cooperation, leaving governments considerable independence. France tends toward the British viewpoint. But others want foreign policy to be formulated by the central institutions, in much the way decisions are made on issues like the common commercial and agricultural policies.

The result of these differing views is that the Maastricht Treaty contains an uneasy compromise. Common foreign policy has been brought under the aegis of the Union but not according to traditional decision-making procedures in economic fields.

Thus national veto rights are preserved on "major matters," but there is also a complicated procedure under which

governments can designate specific areas as suitable for qualified majority voting when they get down to putting a jointly agreed policy into practice.

Most importantly for the future perhaps, the Commission has for the first time been given a shared right of initiative in foreign and security matters. So far, however, the member states have been reluctant to test the parameters of the new procedures and decisions have mostly been taken on the basis of consensus.

This is one area that many think needs to be clarified when the Union renegotiates its constitutional and institu-

think is most urgent.”

Nevertheless, such modest efforts could progressively build up a kind of pragmatic case law that encourages a habit of EU governments working together. In the same way, EU ambassadors have come to collaborate closely in foreign capitals on the nitty-gritty of day-to-day diplomacy.

In Washington, for instance, the ambassadors and their deputies hold regular meetings at least once a month, together with Commission representatives, to discuss the latest wrinkles of issues like Bosnia, the Middle East, North Korea, Haiti, and Cuba. They make diplomatic demarches either through the country

currently presiding over the European Union or through the so-called troika—representatives of the last, current, and next presiding country.

But there is clearly much room for improvement. Hans van den Broek, commissioner responsible for external political relations (the closest the EU comes to a foreign minister), describes the results of the CFSP so far as “clearly insufficient.” He says the Commission’s role should be strengthened as it is best placed to see things from a genuinely European viewpoint and to take into account the common interest of all the member states.

In the long term, there are powerful factors pushing the Union to develop the embryonic policy cooperation structures it now has at its command. New entrants in Northern and particularly Central Europe are likely to be interested in developing the Union’s foreign policy and security identity.

The Central Europeans want to be part of a closely integrated political and security block from which it would be hard for them to be dis-

lodged. As the United States disengages from Europe militarily, the need for a distinctive European role in NATO will grow.

The Franco-German-led Eurocorps is expanding to include Spain, Belgium, and Luxembourg and the long moribund Western European Union (WEU) has been resuscitated to provide the Union’s security arm.

So far these developments represent little more than the bare bones of future cooperation. It will not be as easy to clothe them in flesh—particularly with Gaullism on the rise in France and with Germany still reluctant to assume a forceful posture in international military policy. We are still a long way from a European army.

But the EU won’t be able to dodge these issues forever if it is to become a political as well as an economic player on the world stage. ☹

Reginald Dale is a contributing editor for EUROPE and a columnist for the International Herald Tribune.



Outgoing Commission President Jacques Delors (left) leaves his successor, Jacques Santer, with several foreign policy challenges.

tional framework in 1996. Some, particularly in the European Parliament, would like foreign and security policy to be integrated entirely into the Union’s decision-making procedures—right down to endowing the European Commission with a directorate-general for defense.

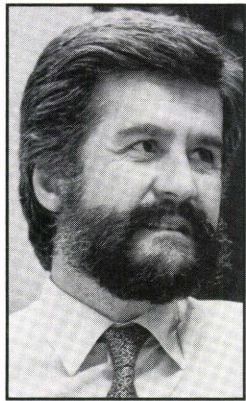
That, however, is unlikely to occur in the foreseeable future. There is no sign that European public opinion is ready for a quantum leap in that direction, and member governments will probably continue to feel their way with considerable caution.

Governments have used the new procedures to adopt so-called “joint actions” in a number of foreign policy areas, ranging from humanitarian aid to Bosnia and EU administration of the city of Mostar to aiding and monitoring this year’s elections in South Africa.

The areas chosen are not sensational, nor do they represent the most difficult issues. In the words of one official, “they do not necessarily reflect what many people

On October 19, the European Commission proposed a broad economic and security plan for the North-Africa-Middle East region. If approved, it would create a 40-country free-trade area of some 800 million people by around the year 2000, far larger than the North American Free Trade Area of the United States, Canada, and Mexico.

That proposal represents a highly-visible, landmark initiative by the European Union—led by France, Italy, and Spain—to build economic, trade, and political ties with the region. It was partly aimed at offsetting Washington's long-standing involvement in the area and, in the most recent step, blunting the dynamic, German-led push for building EU ties with Eastern and Central Europe.



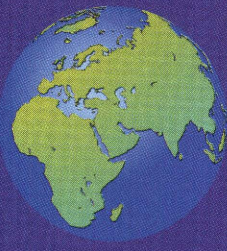
Manuel Marín

"The [Union] has a key role to play in lending support to Middle East regional integration," said Manuel Marín, the EU's Spanish Commissioner for Cooperation and Development who announced the most recent plan in October, noting that the targeted countries include Morocco, Tunisia, Algeria, Libya, Egypt, Jordan, Syria, Lebanon, and Israel.

Mr. Marín's proposal will be submitted to EU leaders at their summit meeting in Essen, Germany, in December, with a view to organizing a conference of all participants during Spain's EU presidency during the second half of 1995. And the Spanish commissioner expects to be leading the conference since Madrid has already approved his reappointment in the new Commission that takes office in January.

Over several decades, these and other European initiatives in the region have been overshadowed by powerful, volatile forces, and obstacles—violence triggered by extremist groups; strained, divided political forces notably within Israel and Palestine; deep skepticism among Western bankers about the region's capacity to absorb public and private investments, compared to brighter prospects in Eastern and Central Europe, Latin America, and Asia; and finally, the predominant role played in the region by the United States, highlighted by President Bill Clinton's high-profile visit to the region in late October.

Summing up Western Europe's annoyed frustrations with the highly publicized Clinton visit, the Paris daily *Le Figaro* noted "the singular absence of Europe" in politically shaping the peace process, recalling France and Britain had been the major powers in the area since 1918. "Europe is called on only to pay...and then there is the weakness of Europe's diplomatic image," contrasted with "America's fantastic talent for taking center-stage in the media world," the newspaper concluded.



EU-North Africa & Middle East Relations

Western European and US diplomats and observers concede Brussels' continuing difficulties in developing—and publicizing—a common EU foreign policy. But they also quickly recall that the Union has fully supported the peace process in the Middle East, while promoting trade, investments, and providing financial aid and other forms of cooperation in such areas as energy, environment, and fighting drug trafficking. "The United States may be getting a lot of media play from Clinton's visit but lacks the billions of dollars in funds to pay for development," a seasoned US Middle East expert commented. "Washington is counting on others."

Indeed, with respect to helping finance development in the countries cited in Brussels' latest proposal, "We are the main act in town," said Eberhard Rhein, the European Commission's director for the Mediterranean and the Middle East.

Addressing a conference in Athens in October, Rhein said the total amount of financial aid from the European Union in the form of grants and soft loans now totals nearly \$2 billion annually, mainly to Palestine, Jordan, and Egypt, "so as to help them catch up with Israel and Europe." Rhein told the gathering, which attracted business and political leaders from the United States, Europe, and the region, that "prospects for economic development in the eastern Mediterranean have never been brighter."

Meantime, the Luxembourg-based European Investment Bank (EIB) is ready to provide more than 250 million ecu (\$303 million) in loans for projects in and around Palestine, notably Gaza and the West Bank. Despite the "fragility of the new Palestinian economy," Sir Brian Unwin, EIB chairman, told the conference that the EIB's involvement will depend largely on the ability of leaders in the region to overcome "political constraints."

LOOKING SOUTH

Europe proposes a new initiative for Africa and the Middle East

BY AXEL KRAUSE

This, observers said, would prove particularly difficult, considering the simmering tensions following the subsequent October suicide bombing in downtown Tel Aviv claimed by the military wing of Hamas, the Islamic Resistance Movement, which has vowed to continue fighting peace efforts by Palestine, Israel, Jordan, and others.

Nevertheless, great potential for financing exists with wealthy Palestinians who have invested billions of dollars of their own fortunes outside the area, mainly in Western Europe and the United States. Repatriated and fresh funds could lead to the development of "dynamic financial and stock markets in the region," Unwin added.

Blueprints for economic development are plentiful. The most recent was unveiled by Palestinian leader Yasser Arafat during his visit to Washington last year, highlighted by the signing of a new, groundbreaking peace agreement with Israel in the presence of President Clinton. The economic plan, covering 1994–2000, calls for building everything from airports, canals, and highways to establishing a modern banking and telecommunications system, linking Palestine with a vast region stretching from Egypt to Turkey.

Arafat and his advisors have repeatedly told World Bank officials that more than \$14 billion is needed. But, uncertainty continues to cloud the horizon when it comes to action and for good reasons.

European Commission President Jacques Delors, who attended the signing ceremonies with former Belgian foreign minister Willy Claes, who was chairing the rotating EU presidency, warned potential Western donors about making promises that they could not keep and about the region's capacity to absorb the huge amounts of aid being proposed. Delors compared the region's problems to those of Russia. Following visits by Palestinian leaders to many EU capitals, including Brussels, and follow-up discussions with the Western banking community, the Commission president's warning looms prophetic.

"Most of the pledges (for government and World Bank funding) were not fulfilled and most commitments were not translated into disbursements," the Arafat government said in Athens through Abdullah Abdullah, Palestine's ambassador to Greece. In private conversations, the region's political and business leaders painfully insisted that patience and a long-range view was needed and that they fully understood the West's reluctance to provide funding, and to expand trade in goods, services, and technology.

Nevertheless, some major multinational European com-

The total amount of financial aid from the European Union in the form of grants and soft loans now totals nearly \$2 billion annually, mainly to Palestine, Jordan, and Egypt.



Amman, Jordan

panies were showing intense interest in pursuing the two latter items of trade. Germany's Daimler-Benz is studying the future of transport systems for the area, led by its former chairman, Edzard Reuter; Arafat recently singled out the group for playing an "important" role in Palestine's infrastructure development. France's Alcatel, one of the world's largest communications companies, is investing or actively assessing involvement in high-technology projects in Cyprus, Jordan, Lebanon, and Egypt. Similarly, other French, German, Italian, and British companies have also expressed interest in expansion there.

Mr. Rhein believes that small and medium-sized firms also have great opportunities, notably in such fields as tourism, housing, and joint manufacturing, combining European and regional know-how and labor, a view echoed by Jacob Frenkel, governor of the Bank of Israel, who emphasizes the role of private companies, as opposed to governments and subsidized aid.

Politics will continue driving events in the area, which will complicate Europe's role, particularly in France where immigration from Moslem countries is an explosive issue. Commenting on the outlook for peace and prosperity, Leila Shahid, the Palestine representative in Paris, put it succinctly: "I'm not sure everyone is ready for it, but France and Europe as a whole has a role to play. I believe we are on the right track." ☺

Axel Krause is a contributing editor for EUROPE and the corporate editor for the International Herald Tribune.



FINANCING EUROPEAN INTEGRATION

Europe – a continent on the move

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

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

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

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

Over the past five years, the EIB made loans totalling ECU 78 billion (1), making it the largest of the international financing institutions.

(1) On 7 September 1994, 1 ECU = US\$ 1.23

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When Europe colonized parts of Asia, it cast its commercial net with great success: the French in Vietnam, the Dutch in Indonesia, the British in Hong Kong.

Though the historical ties are strong, European exporters, contractors, and financial firms now find that Asian markets, the fastest growing in the world, are also the most challenging.

"There is a sudden current of concern that Europe may be missing the boat on Asia," says business consultant Peter

Linton of Robinson Linton Associates, in Brussels. He cites a number of recent international fora—a *Financial Times* conference in London, a corporate meeting in Singapore—at which European public and private sector leaders have lamented their sluggishness in exploring the region's riches. There is now a sense of urgency, Mr. Linton says, "they know they have to step on the gas."

European marketers face a number of hurdles, according to Etienne Reuter, the European Union's representative in Hong Kong and a keen observer of European-Asian business trends.

"Europe's longtime interests in Asia" are both a help and a hindrance, he says.

"In Vietnam, you find there is still a lot of interest in French culture"—a preference for familiar language and customs that often carries over to business deals. Even the German connection (from eastern Germany's former communist days) remains largely intact, he says. But in Indonesia, Malaysia, and elsewhere, Mr. Reuter adds, locals are "not so keen on Europeans." Aside from aversion to a colonial past, "a lot of Asians feel that Europe has not made an effort on cultural curiosity," he says.

And Asians "are increasingly aware that they are winners," Reuter says. With the world's most rapid economic growth and hundreds of billions of dollars in import and infrastructure needs over the medium term, China assumes a sense of economic superiority. Other Asians have a similar attitude, Reuter says. "They see Europe as economically depressed, under-performing, and protectionist."

As Linton points out, so far, the whole European strategy has been designed to grapple with Asian imports. "Europe has looked upon Asia as the *demandeur*—how they want to get their products in here. And few strategists have been thinking about the day when we want to get our products in *there*."

But beyond the perception of a Europe in decline and the poor positioning by European firms, is a different reality borne out by the data; Europe's portion of Asian trade is growing.

The European Commission is determined to see those numbers rise. Its work on developing an Asian strategy will help European industries and financial houses refine their focus on emerging markets, but the EU can only go so far.



EU-Asian Relations

National governments, which have their own trade promotion policies and export credit arrangements, currently provide direction for their home firms. But those directions often diverge.

"There's a real risk for Europe," insists Linton. "Unless they turn the screws as a Union, they're going to get shut out of crucial markets." Not long ago the European Commission made the mistake of splitting the Asia portfolio, he says, with China, the

Koreas, Japan, Hong Kong, and Taiwan on one side and the rest of the Pacific countries on the other. This "Far East structure with two masters," Linton says, "should complicate the ability of the Commission to concentrate."

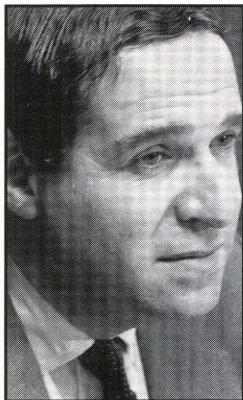
With or without an EU policy, "European businesses are very alert" about the trade and financial prospects in Asia, asserts Keith Richardson, secretary general of the Brussels-based European Roundtable (ERT). There is a recognition that "the whole economic situation has changed there," and European business is poised to take advantage of import and investment needs of the rapidly growing economies and their increasingly liberalized investment and trade policies, Mr. Richardson says.

Malaysia, for example, which recently issued five new licenses to independent power producers, plans to award many more to meet power demand, which is expected to soar by 40 percent over the next years. Many European firms boasting the most sophisticated energy technologies have already struck lucrative deals in such burgeoning markets; others should be ready to pounce.

But at a briefing several days before the November Asia Pacific Economic Cooperation (APEC) meeting in Jakarta, Indonesia's Ambassador to Washington Arifin Siregar seemed to set out another possible stumbling block. He indicated that his and other Asian governments racking up dy-

Pacific Rim Beckons European Business

BY AMY KASLOW



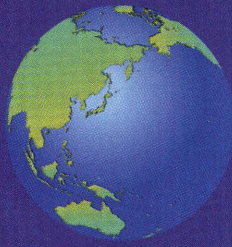
Sir Leon Brittan

dynamic economic growth rates and feeding enormous infrastructure development needs over the coming decades would be more disposed toward awarding contracts to APEC countries, such as the United States, rather than those outside the group.

"I think that we could assume that they would like to have it," said the ambassador and former Indonesian trade minister of the world's fourth most populous country. "Probably let's say special consideration will be given to the member countries, but at the same time it should be GATT consistent." The ambassador also predicted that intra-Asia Pacific trade will increase faster than Europe-Asia trade.

Are European companies concerned about an emerging Pacific pact that excludes Europe?

As China's largest port, Shanghai is an important center for China's growing trade.



EU-Asian Relations

Richardson dismisses concern, noting that he has not detected any defensiveness among ERT members and other European firms. "APEC is not a negative trading bloc; the important thing is that the area become open for worldwide trade and investment, and that's the way its moving." He points to a surge in European exports to Asia, especially from Germans. Indeed, for Daimler-Benz, which produces everything from Mer-

No matter how APEC evolves, US industry, with a seemingly tireless Clinton administration as its booster, is a fierce competitor for the Asian markets.

cedes Benz cars and trucks to aerospace technology and commuter and long distance rail, sales are growing to the south and southeast Asian markets.

At the same time, says a somewhat troubled executive for a Washington-based German multinational, "by definition APEC leaves Europe out of the picture."

No matter how APEC evolves, US industry, with a seemingly tireless Clinton administration as its booster, is a fierce competitor for the Asian markets. "Some Europeans and others felt that they had the ballgame to themselves with their aggressive approach to utilizing tied aid and other inducements to help their firms win contracts," says US Commerce Deputy Undersecretary David Rothkopf.

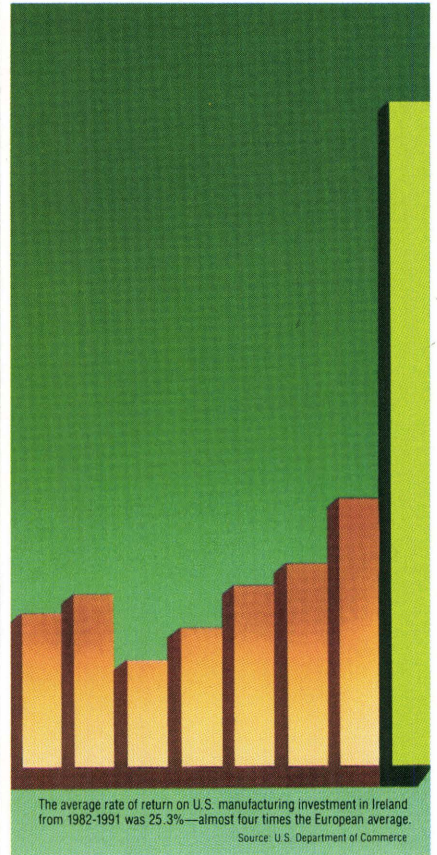
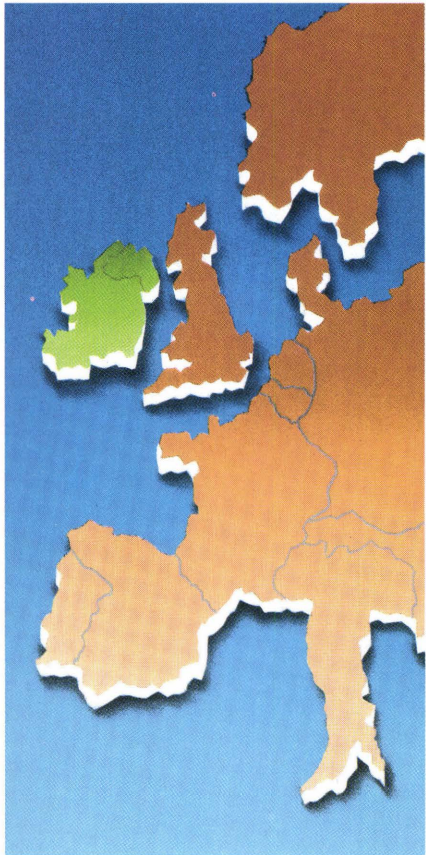
"We are part of the growth story of this dynamic region. Europeans don't have the geographic connection," says Mr. Rothkopf, who focuses on emerging markets and extols the virtues of a very proactive government. "Within a 12-month period, (Commerce Secretary Ron) Brown will have gone to most of Asia's major markets." On the money end, US Export-Import Bank Chairman Kenneth Brody just returned from China and Hong Kong to survey import, infrastructure, and financing needs and to inform their officials about the pool of funds the bank has made available to finance US exports to Asia.

"We're launching an all-out offensive," says Rothkopf. "We hear squeals of pain from some of our competitors, but as Secretary Brown himself has said, the only major mistake we've made is starting so late." ☎

Amy Kaslow covers international issues for the Christian Science Monitor.



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Inside

EUROPE

DECEMBER/JANUARY 1994-95

VOLUME III/NUMBER 1

SWEDES VOTE YES

A cold and wet Monday morning greeted the people of Stockholm as they rose to contemplate the result of the previous day's historic referendum. With a margin of 52.2 percent to 46.9 percent, Sweden voted on November 13 to join the European Union effective January 1, 1995.

On the wall of one of the no side's closed campaign booths, someone had painted a replica of Edward Munch's *The Shriek*, expressing the despair and disappointment of those who believed Sweden's path lay elsewhere.

Nevertheless, it was here in Stockholm and Sweden's other large cities that the vote was decided. The referendum divided the nation roughly into an urban south looking at the potential economic gains and contribution to European peace and security that membership could bring and a rural north defending traditional Swedish neutrality (already formally abandoned by Parliament) and its national sovereignty. In Jämtland, one of Sweden's northern provinces where more than 70 percent voted against membership, there were even some mutterings about secession.

Voter turnout was high for a referendum, 82 percent of eligible voters participated, many of them apparently making their choice in the last few days before the vote. One man interviewed on television while entering a voting booth claimed he didn't know how he would vote. When he reemerged, he explained that he still hadn't made up his mind and had to go home and think some more.

Indeed, during the weeks before the referendum, opinion polls had the two sides neck-and-neck with a sizable number of undecideds. The election night coverage on television was expected to be a thriller. But the first exit poll results, reported shortly after voting closed at 8 p.m., killed the suspense, giving the yes side a comfortable 16 point lead. The gap did narrow to about 5 points in the end, but the result was never really in doubt.

Prime Minister Ingvar Carlsson, appearing for a press conference at the Social Democratic Party headquarters,

was characteristically reserved yet visibly pleased. In some ways, he had staked his own political reputation, though never explicitly, on the referendum. Conventional wisdom was that after returning to power in September this year Carlsson, as prime minister, would convince the Social Democratic grass roots of the benefits to membership. Most Social Democratic voters, making up some 45 percent of the total electorate, had been against Sweden joining the EU throughout much of the campaign. In the end, Carlsson did prevail, appealing to voters' trust in their leaders. Indeed, at the final televised debate before the referendum he found himself making this very case together with Moderate (Conservative) Party leader and former Prime Minister Carl Bildt, his political arch rival.

"This victory depends, above all, on three issues," he said as the results came in: "employment, peace and democracy, and the environment." But these issues were all used by both sides as campaign tools, and the debate in Sweden over solutions to unemployment and preserving peace, democracy, and the environment is far from over.

Most politicians and analysts agreed, however, that the most pressing task at hand was reconciliation with the large minority, mostly from Sweden's rural north, who had voted no. Despite Carlsson's efforts, this split was particularly visible within the Social Democratic Party. To show his respect for the differences in opinion within his party, Carlsson had appointed two "Euroskeptics" to his cabinet when he took office. After the referendum one of them, Agriculture Minister Margaretha Winberg, echoed her boss' call for healing. "Now, the Social Democrats are no longer split into a yes side and a no side. We are once more one party," she said.

Other no-sayers were not so inclined. Hans Lindqvist, leader of the no campaign and member of the Centre Party, raised the possibility of forming a joint Nordic anti-EU party which would run for seats in the European Parliament and thus continue its struggle "from within" the EU system. Such a configuration

SWEDES VOTE YES (CONTINUED)

would be likely to attract a number of Left (former communist) and Green party members, the two national parties most firmly against the EU.

So what happens now? In the fall of 1996, at the latest, Swedish voters will be asked to go to the polls for the first time to vote for their candidates to the European Parliament. Already in December, however, 22 of the current members of the Swedish Riksdag will be appointed to serve in the interim. These 22 could include such diverse political personalities as Green Party MP Per Gahrton, one of the Union's most vehement critics, and former Foreign Minister Mar-

gartha af Ugglas of the Moderate Party. Then, starting on January 1 with Sweden's formal accession, the continent will be overrun by Swedes competing for approximately 1,000 jobs within the EU system expected to be open to them. Leading the way will be Anita Gradin, a former minister of trade and the current ambassador to Austria, taking her seat as Sweden's first commissioner.

Whether they like it or not, the Swedes are gearing up for life in Brussels, Strasbourg, and Luxembourg.

Jonas Weiss is EUROPE's Stockholm correspondent.

NOTEBOOK: EUROPE'S RECOVERY

Europe's recovery from the deepest recession for a generation is gathering pace on the back of an export bonanza.

From the bustling North Sea ports of Rotterdam and Hamburg to the Mediterranean ports of Genoa and Marseilles, giant container ships are sailing full to the Far East, North America, and the Persian Gulf. "They are leaving cargoes on the dockside," said Henrik Baasch, chairman of the European Shippers Council in Brussels.

The export boom—involving everything from Jaguar cars and printing presses to fashion shoes and coffee machines—is the most visible sign of the long-awaited rebound from a savage recession that has left Europe with 20 million jobless.

Unemployment remains unacceptably high, but there are hopeful pointers. France recently recorded its first fall in unemployment since 1990; Germany's jobless rate is stabilizing, the UK's is falling. Finland's 20 percent jobless rate is falling back following a sharp improvement in the country's international competitiveness that has unleashed a flood of exports.

The other headline statistics are looking good. The International Monetary Fund forecasts 1.6 percent economic growth in the European Union this year following a similar fall in 1993. The EU's annual inflation rate tumbled to 3 percent in September, the lowest level since 1987.

Critics say the surge in exports simply reflects surging demand in the more dynamic economies of the US, Japan, and the East Asian "Tigers."

But there are clear signs the recovery is more than a cyclical blip. The supply-side revolution launched by former British Prime Minister Margaret Thatcher in the 1980s is the new orthodoxy in Europe where privatization and deregulation is as common in the liberal northern states as in the more protectionist Mediterranean belt.

But, the critics retort, while Europe may be running faster, it still isn't running as fast as its rivals.

Nevertheless, after a recession-induced bout of introspective soul-searching over its laggardly economic performance, failure to create new jobs, inferior R&D efforts, and attachment to traditional sunset industries, Europe is regaining its confidence.

The European Commission, the EU's executive agency,

has singled out pharmaceuticals, telecommunications, computer and office equipment, and plastics processing, as the most promising growth sectors.

One of the EU's success stories has been in pharmaceuticals, where its output has risen by 44 percent since 1987 while the US and Japan increased their output by just 8 percent and 17 percent respectively.

The Commission has forecast growth of 6 percent a year for telecommunications, boosted by new technologies, the liberalization of data services, and mobile telecoms. The total information services market in the EU could be worth as much as \$310 billion by 1997, with telecoms accounting for \$173 billion.

Europe, for so long an also-ran in the high-tech sector, is narrowing the gap with the US and Japan. Its three semiconductor manufacturers, Philips (Netherlands), SGS-Thomson (France-Italy), and Siemens (Germany) are making money again after years of heavy losses, layoffs, and abandoned projects and are investing in new facilities to keep in touch with their larger American and Japanese rivals. Philips is mulling a \$750 million plant; Siemens is making the most advanced chips at its new \$1.8 billion plant in Dresden; and SGS-Thomson plans to build a \$300 million factory in Phoenix, Arizona, to make a new microprocessor.

The economic recovery hasn't lulled European executives into complacency. Without rigorous cost cutting; improved labor productivity and flexibility; lower social costs; and higher and better directed R&D spending, Europe can't hope to keep pace with its rivals.

The recession has induced a new sense of reality. Olivetti, the Italian computer and office equipment giant, will be "out of business" if it does not successfully move into the telecoms and multimedia sectors, admitted its deputy chairman, Eleserino Piol.

The turnaround at Philips is a symbol for a fitter, leaner Europe. In 1990, the company was in dire financial straits, fueling rumors of a government bailout. Philips lost \$2.3 billion that year, and its market capitalization shrunk to \$3.3 billion. Today, Philips is worth almost \$12 billion and is heading for a 1994 profit of \$848 million, benefiting from a 20 percent cut

in its bloated payroll to 235,000 and a near halving of its debt to \$4.86 billion.

Europe can boast some unlikely world-class, high-tech firms which prove that Japan and the US can be outsmarted. Nokia of Finland has transformed itself from an obscure company making paper and cable coil to the world's second largest mobile telephone manufacturer after Motorola. Sweden's L.M. Ericsson has overcome the disadvantage of a tiny domestic market to become the world's largest manufacturer of digital exchanges for mobile phones. Other companies seeking similar metamorphoses include Italy's Olivetti, which moved out of typewriters and into computers in the late 1970s and now wants to jump into the telecoms and multimedia businesses.

Another sure sign of Europe's recovery is the surge in international mergers and acquisitions activity. KPMG Peat Marwick, the international accounting firm, tracked 638 cross-border acquisitions worth \$28 billion by European firms in the first half of 1994, compared with deals worth \$35 billion in the whole of 1993.

There has been a clutch of big-ticket transatlantic deals in 1994 in the drugs sector. Swiss drug giant Hoffmann La Roche paid \$5.3 billion for Syntex. Sandoz (Switzerland) shelled out \$3.7 billion for Gerber Products. Smith Kline Beecham (United Kingdom) bought Diversified Pharmaceuticals for \$2.3 billion, and Elf Sanofi (France) spent \$1.8 billion for Sterling Winthrop. Germany's Bayer paid \$1 billion to buy back its American assets, which were confiscated by the US government as "enemy property" in 1918.

European firms are also paying top dollar for pole position in fast-growing high-tech sector. Anglo-Dutch Reed Elsevier splashed out \$1.5 billion to buy Mead Data Control, a distributor of on-line legal and business information, from US paper and forest products group Mead Corporation. France Telecom and Deutsche Telekom handed over \$4.2 billion for a 20 percent stake in Sprint, the US long distance telephone company.

An almost daily roster of smaller transactions highlights European industry's determination to tap into new markets. Among recent deals: French auto components manufacturer Valeo paid \$80 million for Lake Center industries, a Minnesota-based supplier to Ford, GM, and Chrysler. Kone, the Finnish elevator manufacturer, paid \$280 million for Montgomery Elevator, the fourth largest US manufacturer. Britain's Smith Industries bought Deltec, a US medical equipment manufacturer, for \$150 million.

European firms aren't just buying companies off the peg, they are also building their own facilities across the Atlantic. British Steel is building a \$155 million mill in Tuscaloosa, Alabama, where Mercedes Benz will open a \$300 million plant in 1996 that will eventually build 60,000 cars a year. Fiat is mulling assembly in Mexico. Volvo is expanding its US truck manufacturing operations, and BMW cars started rolling off the assembly lines at a plant in Spartanburg, South Carolina, last September.

—Bruce Barnard

WHAT THEY SAID

"You win some, and you lose some. But, above all, throughout my life I have been delighted to have been a risk-taker."

—Albert Reynolds, prime minister of Ireland, announcing his resignation.

"Madam Speaker, I accept the vote."

—Helmut Kohl, chancellor of Germany, accepting the decision of Parliament who reelected him to office with a one vote majority.

"There are of course great problems ahead, but Europe is alive and kicking."

—Jacques Delors, outgoing president of the European Commission, optimistic that economic growth has returned to the European economies.

"We intend to be an active partner in the implementation of [Jean] Monnet's vision."

—Martti Ahtisaari, president of Finland, speaking of Finland's intentions to promote a unified Europe now that they are members of the European Union.

"In the name of the very great majority of Socialists, I say to you, Jacques, that it is your duty."

—Henri Emmanuelli, first secretary of the French Socialist Party, imploring the outgoing president of the European Commission to run for the presidency of France.

EU NEWS

NORWAY VOTES NO

Unlike its Nordic neighbors--Finland and Sweden--Norway, Western Europe's largest oil exporter with a population of 4.3 million, rejected membership in the European Union in a very close vote held in late November.

Eighty-eight percent of Norway's voting population decided to remain outside the expanding EU by a margin of 52.8 percent to 47.2 percent.

Leading opponents included fishermen, farmers, and voters in northern rural areas.

This is the second time in 22 years that Norway's voters have rejected membership in the European Union.

BUSINESS BRIEFS

Jurgen Schrempp will become Europe's top industrialist on January 1 when he succeeds Edzard Reuter as chairman of Germany's **Daimler-Benz**, Europe's biggest industrial conglomerate.

Schrempp, credited with turning around Daimler-Benz's aerospace subsidiary, **DASA**, will be running a company whose sales are expected in 1994 to top \$67 billion for the first time.

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For the first time in many years winners outnumber losers in Europe's airline business.

British Airways, which bucked the trend by staying in the black during the recession, cashed in on the recovery, with a 47 percent jump in second quarter pre-tax profits to a record \$407 million. BA's big problem is a 24.6 percent stake in loss-making **USAir** acquired two years ago for \$400 million.

For **KLM Royal Dutch Airlines**, the American connection is paying dividends, with its deepening partnership with **NorthWest Airlines**, in which it has a 25 percent holding, cited as a key factor behind a 73.5 percent surge in second quarter profits to \$208 million.

The recovery at **Scandinavian Airlines System** (SAS) continued with pre-tax profits of \$170 million for the first nine months of 1994 against a \$145 million loss in the 1993 period.

Lufthansa, the part-privatized German flag carrier, also powered ahead lifting pre-tax profits in the third quarter to \$144 million.

Iberia of Spain tops the losers league with Chairman Javier Salas warning the airline will be legally bankrupt in early 1995 unless its workers support cost-cutting programs involving 2,200 job losses from its 24,000 strong payroll. The state-owned airline also wants a government-backed \$1 billion refinancing.

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Norway is poised to overtake Iran as the world's second largest oil exporter behind Saudi Arabia as new fields come on stream in the North Sea.

Norway's oil production is expected to rise from 2.66 million barrels per day in 1994 to 2.97 mbd in 1995 before peaking at 3.22 mbd in 1996.

With domestic consumption of only 180,000 barrels per day, Norway will be

exporting around 2.8 mbd in 1996, compared with Iran's current overseas sales of between 2.4 mbd and 2.7 mbd.

The United Kingdom also is enjoying an oil boom with North Sea output in 1994 running at 2.5 mbd, or 30 percent higher than production in 1993. And it is poised to reap a second oil bonanza as **Shell** and **British Petroleum** start to develop the Foinaven field in the deep waters of the Atlantic Ocean west of the Shetland Islands that could hold as much as 4 billion barrels of crude oil.

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The United Kingdom ousted Japan as the largest foreign investor in the US, spending \$2 billion in the first half of 1994 to increase the value of its American portfolio to \$97.4 billion.

Recession-struck Japanese companies spent a mere \$50.6 million, taking their total US investments to \$96.2 billion, according to Chicago-based accounting and consulting firm **Arthur Andersen**.

The UK pulled further ahead in the second half of the year with several mega deals, including **SmithKline**, **Beecham's** \$2.9 billion acquisition of **Sterling Health** and **Reckitt & Colman's** \$1.6 billion purchase of **Kodak's L&F Products**.

By contrast, Sony announced in November it was writing more than \$2.6 billion off the value of its Hollywood movie unit **Sony Pictures Entertainment**, formed from the \$3.4 billion purchase of **Colombia Pictures** and **Tristar Pictures** in 1989.

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Europe has also been on an American shopping spree, investing \$32.5 billion in the first nine months of 1994, up 125 percent on the 1993 period, according to accounting firm **KPMG Peat Marwick**.

The big deals have been concentrated in relatively few sectors, notably pharmaceuticals, chemicals, and food and drink.

While European firms are now more active in the US than at any time in the 1990s, cross-border mergers and acquisitions in Europe are at their lowest level for several years.

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Astra, the Swedish pharmaceuticals group, paid \$820 million for a 50 per-

cent stake in a joint venture with **Merck**, the biggest US drug company.

The joint venture, named **Astra Merck**, will market Astra's anti-ulcer drug Priloseo, one of the leading prescription drugs in the US with sales of \$684 million in the first nine months of 1994. It will also develop and market other drugs from Astra and other companies.

•••

McDonalds plans to spend \$650 million building a network of 500 restaurants in East and Central Europe by the year 2000. Andreas Hacker, managing director McDonalds Eastern Europe, said the company is still relatively unknown in the region and is facing difficulty finding franchise partners because "we are looking for a type of entrepreneur that is basically non-existent in these countries." McDonalds has already invested \$100 million in Eastern Europe where it has 60 outlets. Most of the new restaurants will be located in Central Europe with about a fifth in the former Soviet republics.

•••

Rolls Royce acquired **Allison Engine Co.**, a US helicopter and turbo prop engine manufacturer, for \$525 million in a major expansion into the American market that will sharpen the British company's ability to compete with its larger American rivals **General Electric Co.** and **Pratt & Whitney**. "This acquisition will give us significant manufacturing presence in the United States, the most important center of aerospace activity," said Rolls Royce Chairman Sir Ralph Robins. Rolls Royce which made a pre-tax profit of \$62 million sales of \$2.3 billion in the first half of 1994, makes jet engines for Airbus and Boeing aircraft.

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

INSIDE EUROPE Correspondents

Bruce Barnard, Jonas Weiss

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

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The contents of this newsletter do not necessarily reflect the views of the European Union institutions or the member states.



If you don't know where Luxembourg is, this is one place you'll find us.

We may be smaller than most countries, but don't let our size fool you.

Of the twenty nations in the world operating in space, we are one of them. Which might explain why our broadcasting and satellite communications are some of the most advanced in the world.

We've also left our mark here on earth. Our steel industry is one of the world's technological leaders. Plus, we're one of the world's most efficient

producers of mechanical and electrical equipment, plastic and rubber products, and chemicals.

And when you consider that our multilingual workforce is among the best educated in Europe, it's no wonder so many international companies come to Luxembourg.

Luxembourg. You'll find us between Belgium, Germany and France.

Among other places.

New York
Tel: (212) 888-6664
Fax: (212) 888-6116

Washington
Tel: (202) 265-4171
Fax: (202) 328-8270

San Francisco
Tel: (415) 788-0816
Fax: (415) 788-0985

LUXEMBOURG

We May Be Small, But We Don't Think That Way.

LUXEMBOURG
FOREIGN
MINISTER

EUROPE
INTERVIEW

Jacques Poos



Jacques F. Poos, Luxembourg's foreign minister, is among the country's most visible statesman along with Jacques Santer, who is set to become president of the European Commission in January. Poos has been very active in negotiations leading up to the Maastricht Treaty and in the efforts afterward for a European monetary system and a common foreign policy. His speeches have been enthusiastic for enlarging membership in the European Union, citing the benefits that this will yield in strengthening the EU. In an interview with *EUROPE*, he shares his views on the future of the EU and Luxembourg's role. Poos discusses the EU's upcoming intergovernmental conference in 1996.

In your view, what are the greatest challenges facing Luxembourg as the EU expands and attempts to broaden its role?

It is a commonly admitted error of judgment that the enlargement of the EU will confront the smallest of its member states with particular challenges. Luxembourg's economy adapted quite well to the enlargement of the market from the original six to the current 12. It will undoubtedly do so in a market of 16.

The existing institutional framework of the Union provides an adequate representation of the smaller member states. As President Mitterrand said, "The rights of each country are the same. We work at equal dignity." During the intergovernmental conference (IGC) of 1996, the Luxembourg delegation will fight to preserve this "equal dignity." Alongside with others.

What are the three greatest challenges confronting the EU in the decade ahead?

A decade—up the end of the year 2004—is quite a long term to make speculations. Seen in the fall of 1994, the following three challenges may confront the EU:

First, the launching of the European Monetary Union (EMU) by the end of this century. Despite some results in economic convergence, the criteria of the Maastricht Treaty are far from being fulfilled by a majority of member states, among them the biggest in size. A constant effort has to be made and a strong political will has to prevail over the coming years in order to reach the most important goal of the Union—a common currency.

Second, the shaping and streamlining of a common foreign and security policy. The objectives set out in Chapter V of the Maastricht Treaty are not obsolete. But the ways and means are insufficient. In this respect the IGC might draw the necessary conclusions from the first “common actions” launched by the Union. The future role of the WEU, as the European defense arm, also falls into the frame of this second challenge.

Third, the EU’s response to the immigration challenge. This problem will arise from the East and from the South. Economic setbacks and political unrest will set in motion millions of people in search of a better future in the western part of our continent. Could massive emigration even be used as a “weapon” as it was by Fidel Castro’s Cuba against the United States? In this respect, the strengthening of the collaboration among member states is a high priority.

I must end with a fourth major challenge: the continued fight against unemployment, the plague of this decade. The prescriptions of the white paper on growth, competitiveness, and employment must be implemented by the Union and by every single member state.

How important is a single monetary and foreign policy for the region? And why—generally for Europe—specifically for Luxembourg?

A single monetary policy and a common foreign policy are preconditions to

the Union’s recognition as a political entity, equal footed with the US, Japan, and the Federation of Russia. To Luxembourg—the most foreign trade-dependent member state—both political and monetary union will bring a welcome increase in security.

What factors are necessary to achieve a single monetary system for the region? And, a unified foreign policy?

As I said before, I believe that the political will of the government and the support of the national parliaments of the Union is the most important factor for the achievement of the commonly accepted goals.

As the EU plans to expand membership to Eastern and Central European countries, that will place new demands on Brussels and change its agenda in new directions. How do you see the future in this regard?

The expansion of membership to Eastern and Central European countries can be considered by now as a necessary fulfillment of the “larger Europe” already foreseen in the Treaties of Paris and Rome. But this process must be placed on the time scale. It is thus impossible to put a precise date for new enlargements. Possibly we will witness several dates according to the economic performance record of the applicant countries. Any such enlargement will confront the Union with new demands and financial claims. But the overwhelming majority of the present member states would object to a fundamental change of the nature of the Union or to changes in its agenda. A “more profound” Union is as important as an enlarged one.

“Enlarge and dilute” is the dilemma which must be avoided. These questions need close consideration by the General Affairs Council. They started under the German presidency and will occupy the top of the ministerial agenda in the years ahead.

With the collapse of the Soviet Union and the Warsaw Pact, economic issues seem to have assumed greater importance than geostrategic ones. Is that your sense? What is the meaning of this? And the consequences?

The collapse of the cold war order triggered, indeed, a comeback of the economic issues, the real questions, as I would say. The consequence was, in the first place, an economic crisis of adjustment in the East, but also in the West. In the West, we are slowly moving out of economic recession in this second half of 1994. In the East, economic indicators are not quite as clear, but it seems that in some countries the worst is over. In order to support the economic adjustment of the new democracies of Central Europe, the Union should put weight on the implementation of the new democracies of Central Europe, the Union should put weight on the implementation of the European Agreements signed with these countries, especially as regards the opening of our markets.

Environmental issues, too, have become more prominent. What should the goals of Europe be in this regard?

As the ozone problem made obvious, the environmental problems of today need cross-border, international treatment. There again, the Maastricht Treaty, in its provisions (130R and 130T) sets the right objectives. But, unfortunately, most of the measures to be taken in order to preserve “a high level of protection” require unanimous decisions—another matter to be reviewed in the 1996 IGC.

For Luxembourg, what will be the advantage of having Jacques Santer as the President of the Commission?

I am convinced that the presidency of Jacques Santer will be beneficial to the Union as a whole. To those who cast doubts on the ability of a citizen of a small member state to take the lead of the Commission, Jacques Santer’s term will prove that a Luxembourg presidency will be attentive to the interests of every single member state while preserving the political cohesion of all. He will make Europe more attractive for her people. ☺

To those who cast doubts on the ability of a citizen of a small member state to take the lead of the Commission, Jacques Santer’s term will prove that a Luxembourg presidency will be attentive to the interests of every single member state while preserving the political cohesion of all.

BIG YEAR FOR

LUXEMBOURG WILL OPEN 1995 with a broad array of exhibitions, concerts, debates, conferences, and other cultural events to demonstrate not only the Grand Duchy's relatively new contributions to the arts but also those from the rest of Europe and elsewhere.

The schedule will include concerts by José Carreras, Anne-Sophie Mutter, Jessye Norman, Barbara Hendricks, and the London Philharmonic, as well as performances by Merce Cunningham and Marcel Marceau. Luxembourg's own artists, too, will share the international spotlight, with soloists, sculptors, painters, composers, actors, dancers, among others performing throughout the year.

Featuring both Luxembourgish artists as well as those from other countries explains in part why the country chose the theme "dialogue" to express the year-long program. Organizers hope the events will unite not only the people from the diverse regions of Luxembourg but also help Europeans to explore culture and recognize its enduring importance in society. The theme also echoes the tiny country's day-to-day reality in dealing with diverse residents, about 30 percent of whom are non-Luxembourgish in origin.

Further, the program states that it aims to enhance "the dialogue between the social groups and the generations, between the Europe of the rich and the Europe of the poor."

In some events, "time will dialogue with space, the beginning of our century—a time of innovation, productivity, and hopes dashed in the horrors of two world wars—will dialogue with the end of the century—five years before a new millennium, a time of great uncertainty, fear, and of renewed ethnic conflicts and wars."

Even the logo illustrates the philosophical underpinnings of the year-long endeavor. The logo features a square, signifying a "cultural entity, free of dogmas, liberated, and moving." The symbol also uses: "L" in cuneiform for Luxembourg; a "C" and a field of blue for culture; "95" for the year

Grand Dialogue for the Grand Duchy BY JAMES D. SPELLMAN



In preparation for its year as Cultural Capital, the historical heart of Luxembourg has undergone interior and exterior restoration.

in which the events are held; a star for Europe and destiny; and incorporates four colors (blue, black, yellow, red), representing the colors of Europe and Luxembourg and "testify[ing] to the unity and variety of European culture and creation."

The Capitals of Culture program was initiated more than a decade ago by Melina Mercouri, the late actress and former Greek minister of culture. Lisbon was the 1994 host, offering a broad variety of events and exhibitions to highlight its links to Europe and the world and to stress the city's cultural resources. Copenhagen will close the European Union program's first round in 1996.

As part of its preparation, the Grand Duchy has completed several major restoration projects. The historical heart of the city around the fish market and the palace

have undergone interior and exterior renovations. Towers and fortifications around the Wenceslas Wall have been rebuilt and with new pedestrian walks to provide tourists with better vantage points of the city and medieval life. The music academy has been transformed into a museum of urban history. Visitors can use a computer to design their own tour throughout the four-building complex.

Luxembourg's contribution to the arts will be demonstrated in many different concerts, lectures, exhibitions, and performances, including: a concert looking at music from Luxembourg and Portugal (January); *Luxe, Calde et Volupté. Masterpieces of French Post-impressionism*. (January–March). *Joseph Kutter*, an exhibition honoring the one-hundredth year of the birth of Luxembourg's most influential expressionist painter (January); *Luxembourg Furniture-Making During the Golden Age* (February); *Confrontation*, 111 Belgian and Luxembourgish contemporary painters (March); *Small Time*, a contemporary opera written and composed by Luxemburger Gast Waltzing (April); *Treasures of Art From Private Collections in Luxembourg* (April); *Prints by Luxem-*



Luxembourg

bourg Artists (May); *Evolution of Sports in the Grand Duchy* (May); *European Theater Convention*, 20 international performances in 10 days (May); *The Living Book in the Country's History* (June); *Rock Made in Luxembourg* (August); *Three Operas on the Myths of Melusine*, written by Luxembourgish composers (December); and *Luxembourg Artisans* (December).

Other highlights include:

From Cezanne to Bonnard. A collection of important works by Cezanne, Van Gogh, Matisse, Bonnard, and other

Impressionist and Post-impressionist painters. (January–March)

Commemorative Exhibition of Anne Frank. (April to May)

Edward Steichen: "The Bitter Years." An exhibition of the photographer's work. (July to September)

Major Works from the Collection of the Prince of Liechtenstein. A large selection of major works by Jan Breughel the Elder, Lucas Cranach the Elder, Anthony van Dyck, Peter Paul Rubens, and others. (July)

Celebration of Choreographer Merce

Cunningham. In residence at Luxembourg, the American innovator will be involved in producing a series of dance performances of his works. (July)

Marcel Marceau. The great master of pantomime will be in residence for a series of performances. (September)

European Piano Competition. (November)

Commemoration of 100 Years of the Invention of Film. (December) ⑤

James D. Spellman is EUROPE's Luxembourg correspondent.

TRAVELER'S NOTEBOOK

VITAL STATISTICS

Currency: \$1 = approximately 31 Luxembourg Francs.

Weather: Daily average high and low in degrees Fahrenheit. December through February: 38/30; March through May 57/39; June through August 72/54; and September through November 55/43.

Telephone/Fax: the country code for Luxembourg is 352.

CONTACTS

Luxembourg National Tourist Office, 17 Beekman Place, New York, NY 10022; tel. 212-935-8888, fax 212-935-5896. The Luxembourg tourism office publishes a complete guide to Luxembourg's hotels, which is available free upon request in writing at the address above.

Luxembourg '95 (for info on Cultural Capital events), 23, rue Aldringen, L-1118, Luxembourg, tel. (352) 22 1995, fax (352) 22 2000.

GETTING THERE

Unbelievable as it may seem, there are 654 different fare categories to fly to Luxembourg from the US, ranging from \$358 round trip (Icelandair)

to \$5,426 round trip (first class, Air France). All international flights arrive at Findel Airport, which is four miles northeast from the city.

HOTELS

Hotel Inter-Continental Luxembourg, 12, rue Jean Engling, tel. (352) 43781, fax (352) 436095. Double with bath about \$210 to \$280. Located outside the center of the city but close to business locations.

Le Royal Hotel, 12, boulevard Royal, tel. (352) 41616, fax (352) 225948. Double with bath \$290 to \$390. In the heart of the financial district. Five stars.

Alfa Hotel, 16, Place de la Gare, tel. (352) 4900111, fax (352) 490009. Double with bath \$85. Near the train station.

Auberge du Coin, 2 boulevard de la Petrusse, tel. (352) 402101. Moderately priced, from \$85 to \$110.

Italia, 15-17 rue d'Anvers, tel. (352) 486626. Moderately priced.

Bristol, 11 rue de Strasbourg, tel. (352) 48530. Inexpensive, \$60 to \$80.

Auberge de Jeunesse Mansfeld, 2 rue de Fort Olisy, tel. 26889. Youth hostel.

RESTAURANTS

Saint Michel, 32, rue Eau, tel. (352) 23215, fax (352) 462593. Two stars from the *Michelin Guide*. Specialties include baked turbot with curry and leg of lamb in parsley.

Patin d'Or, 40, rue Bettembourg, tel. (352) 26499, fax (352) 404011. Two stars. Specialties include salmon tartar with caviar, baked turbot in a compote of rhubarb, and rabbit baked in a cabbage wrap.

Hostellerie du Grunewald, 10, route d'Echternach, tel. (352) 431882, fax (352) 420646. One star. Specialties include lobster sautéed in pinot blanc wine and a mousse made from truffles juice.

Mousel's Cantine, 45 montée de Clausen, tel. (352) 470198. Next to the brewery, the restaurant features local dishes that include salted pork with fava beans and smoked ham with pickled onions.

Ancre d'Or, 23 rue du Fossé, tel. (352) 472973. Serves traditional specialties, including breaded tripe and sausages with red cabbage and onion sauce.

TO SEE

State Museum, Marché aux Poissons. Exhibitions on the evolution of mankind from the Stone Age to modern times, including a collection of 16th to 19th century art from such masters as Breughel and Rembrandt.

Trois Tours (Three Towers). This is the oldest gate of the fortress wall.

Place d'Armes. Heart of city life where a summer-long series of concerts and other cultural events are held.

Promenade de la Corniche. Provides a spectacular view of the fortification towers dating back to the 14th century and the steep cliffs plummeting to the Alzette River.

Casemates. Place de la Constitution. Subterranean tunnel system under the city, a remainder of Luxembourg's mighty fortress. The tunnels are about 15-miles long and were used for storage and emergency lodgings when the city was under attack.

Sources: *Michelin Guide*, *Fodor's Affordable Europe*, and *Fielding's Guide to Belgium/Luxembourg*.



NEWSPAPER WARS

By Bruce Barnard

Newspapers are making news all over Europe. In Britain, media tycoon Rupert Murdoch unleashed a savage circulation war that threatens to drive some famous titles from the newsstands.

In France, the industry seems in a state of terminal decline. The press baron Robert Hersant is being harried by his bankers to sell some of his papers, including *Le Figaro*, France's biggest selling daily, to reduce debts of \$740 million. *Le Quotidien*, the Paris daily, suspended publication in July.

The German press industry was rocked by a boardroom coup at Axel Springer Verlag, the country's biggest newspaper group and publisher of the mass circulation *Bild*, Europe's biggest-selling paper. The supervisory board summarily sacked the heir apparent to the chairman, Gunter Prinz, and two other members of the seven man management board.

Italy provided the most sensational example of newspapers making news when the billionaire media mogul Silvio Berlusconi swept to an improbable victory in an historic election in March to become prime minister.

But it is in Britain where the newspapers are hitting the headlines in an old-style circulation war that could almost

come out of the pages of *Scoop*, Evelyn Waugh's classic novel of the newspaper industry. In the novel, Lord Cooper, the meglomaniacal owner of the Megalopolitan Newspaper Corporation, will go to any lengths to boost the circulation of his flagship newspaper, the *Daily Beast* and humiliate his arch rival Lord Zinc, proprietor of the *Brute*.

The present struggle pits Rupert Murdoch, head of News Corporation, a global media empire, against Conrad Black, the Canadian owner of the *Daily Telegraph*. The battle drew in other newspapers who are constantly mulling price cuts to retain fickle readers, setting the stage for a long drawn out war of attrition that threatens to undermine the prosperity the industry has enjoyed since it—or rather Rupert Murdoch—smashed the all-powerful print unions in the mid-1980s.

The newspaper war is nationwide. Britain has a truly national press, boasting 20 newspapers in all—11 dailies and 9 Sundays. These range from the mass circulation *News of the World*, a Murdoch Sunday newspaper with sales of nearly 5

million, to the *Financial Times*, the pink-colored business daily that sells a third of its 300,000 circulation abroad, mostly in Europe but also in the United States.

After a period of relative calm, Britain's newspaper wars erupted in spectacular fashion in October, when Mr. Murdoch halved the price of his flagship *Sunday Times* to coincide with the serialization of a biography of Prince Charles that made headlines around the world. The old cover price was quickly restored, but not before Murdoch had made clear he is ready to intensify the sales war.

Australian-born Murdoch launched the war in September 1993, unexpectedly slashing the price of the *Sun*, Britain's best-selling daily from 25 pence (42 cents) to 20 pence (33 cents), in a bid to lengthen its lead over its closest rival, the *Daily Mirror*. It was a straightforward price-cutting ploy that delivered the desired result: the *Sun's* sales soared 20 percent to 4.17 million while the *Daily Mirror*, price unchanged, trailed at 2.5 million.

But it's what Murdoch did next that really convulsed the industry. He cut the price of the *Times*, once the most prestigious British paper, from 45 pence to 30 pence. It was an audacious gamble that challenged the conventional wisdom that price-cutting will work with the tabloids whose blue collar readers are not that loyal but not in the upmarket quality press whose better-educated and wealthier readers stick with their chosen paper, often for life.

But Murdoch's gamble paid off in spectacular fashion with the circulation of the *Times* soaring from less than 360,000 in September 1993 to around 515,000 in June 1994. The maverick publisher had proved that newspapers, after all, are just another consumer product that can be marketed like soaps.

Together, the price cuts at the *Sun* and the *Times* are estimated to be costing Murdoch between \$62 million and \$77.5 million a year in foregone revenue. The *Times* has been losing money every year since Murdoch acquired it in 1981, but no one knows how much because its figures are buried deep in the accounts of his company, News Corp.

Murdoch's price cuts had a minimal impact on the market because rival papers didn't suffer significant drops in circulation. In fact, Murdoch expanded the market, suggesting some people were buying two papers.

Then war broke out. In what looks increasingly like a monumental blunder, Conrad Black cut the price of the *Daily Telegraph*, Britain's best-selling quality paper, from 48 pence to 30 pence. This wasn't directly aimed at the cheaper *Times* which had poached relatively few *Daily Telegraph* readers—circulation was down only 2 percent.

What alarmed Black was that sales had fallen below the psychologically important 1 million mark.

The price cut proved to be a costly move. The day the cheaper *Daily Telegraph* hit the streets, Murdoch, ignoring the protests of his alarmed British executives, ordered yet another 10 pence cut in the price of the *Times*—to 20 pence, the same as its downmarket stablemate the *Sun*. It was nothing short of a revolution. The *Times* circulation has now surged to just over 600,000, a level that would have been unthinkable

18 months ago—and there is speculation that Murdoch wants to take it to 800,000 where it will move into profit, or even as high as 1 million to topple the *Daily Telegraph* from its perch.

The *Daily Telegraph's* price cut yielded relatively few additional readers, but it did rebound above the critical 1 million mark to 1.07 million in August.

To make matters worse, Conrad Black had sold 12.5 million *Daily Telegraph* shares a month before the price cut was announced for \$9.92 each, netting Hollinger Inc., his Canadian master company, a profit of \$112.5 million. The shares crashed to \$5.66 the day the paper's price was cut, leaving the institution who bought the shares from Black nursing a loss of around \$50.7 million.

All newspaper shares collapsed, wiping hundreds of millions of dollars off the value of the main groups. The *Daily Telegraph's* shares had crashed over a third in a day slashing



Although newspaper stocks have collapsed, industry analysts say that the price war has, at least temporarily, expanded the newspaper market.

its value by \$253.5 million. In all, more than \$1.5 billion was written off the value of the newspaper companies, even those not directly involved in the circulation wars.

Hardest hit was the *Independent*, a quality daily launched in the mid-1980s after Murdoch had smashed the print unions. Now, Murdoch was acting the role of executioner, his cheaper *Times* responsible for a crash in the *Independent's* sales from 360,000 to just 240,000. The ailing paper, saved from collapse by Mirror Group Newspapers, finally cut its price from 50 pence to 30 pence, but sales rose to only 280,000, just above the level before its rivals cut their prices.

Other papers have held up relatively well, but with signs that Murdoch was poised to increase the ante, all were bracing to cut their cover prices. Even the *Guardian* (sales 400,000) which has benefited as a left of center paper after 15 years of Conservative rule, appeared vulnerable.

So far, hostilities have been restricted to the daily market. But nervous newspaper owners were asking whether Conrad Black and Rupert Murdoch would dare to start a war on Sunday too. The unpredictable Mr. Murdoch, it seems, is ready to wage war no matter what day of the week. ☹

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

MURDOCH'S

The newspaper war in Britain is just another local skirmish for Rupert Murdoch whose business interests long ago spread from the printed press to embrace a US television network, a Hollywood movie studio, satellite television in Europe and Asia, and book publishing.

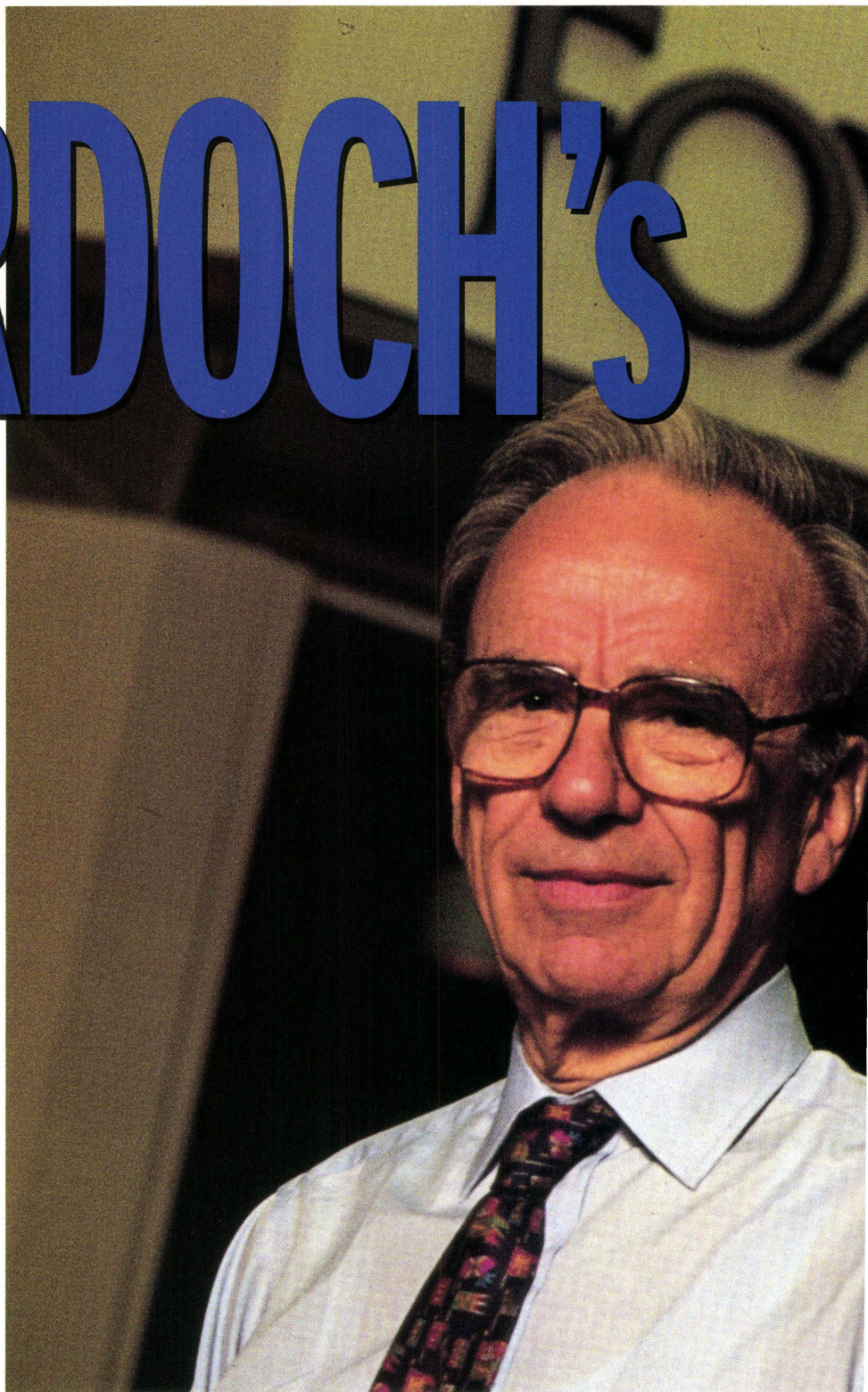
And from the New York base of his News Corporation, Murdoch continues to hatch plans to create a multimedia mass communications and entertainment empire spanning the globe.

Murdoch's global reach, and the unpredictability that is his trademark, were underlined at the height of the British newspaper war, when he took the battle to his native Australia, buying a small stake in John Fairfax, a leading publishing group.

Industry analysts couldn't figure whether the 2 percent stock purchase was simply a shrewd investment, a whim, or a ruse to unnerve Conrad Black, the proprietor of Britain's *Daily Telegraph*, who holds almost 25 percent of John Fairfax, and also unsettle Kerry Packer, an old Murdoch foe and Australia's richest individual, who holds nearly 15 percent.

It was all par for the course for a man who has parlayed an inheritance of a modest Australian newspaper in the early 1950s into one of the world's biggest media groups, which almost collapsed under a mountain of debt in the 1980s only to emerge even bigger in the 1990s.

Rupert Murdoch was born in Melbourne, Australia, in 1931. Educated at



Oxford University, he worked for two years on the *Daily Express*, returning to Australia in 1952 where he inherited *The News* in Adelaide upon his father's death.

Murdoch expanded his business buying other newspapers and launching a national daily, *The Australian*, in the 1960s.

But Australia was too small for the ambitious Murdoch, and in 1969 he

made his first, and most decisive, deal overseas, moving into Fleet Street, the home of Britain's newspaper industry. He bought the *News of the World*, a salacious Sunday tabloid and Britain's biggest selling newspaper, and the *Sun*, an ailing daily tabloid.

He took the two newspapers even more down-market, put a topless girl on page three of the *Sun*, adopted a populist editorial stance—and never looked

EMPIRE

Building a communications corporation that spans the globe

By Bruce Barnard

back. The two papers delivered the profits and cash flow that financed the early stages of Murdoch's empire building.

In 1981, Murdoch moved into the up-market end of Fleet Street, buying the prestigious, but loss-plagued *Times* and its Sunday stablemate, the *Sunday Times*. The *Times* is still flowing in red ink, but the Sunday paper, Britain's bulkiest, is highly profitable.

Murdoch made his name in

Britain—a hero to some, a demon to others—by smashing the all-powerful print unions. His dramatic overnight escape from heavily unionized Fleet Street and its 1930s machinery to a modern non-union plant in London's East End changed the face of the British newspaper industry.

Britain conquered and profitable, Murdoch moved to beef up his inter-

ests in the US where he had acquired the *San Antonio Press* from the Hearst Corporation in 1973.

Murdoch's acquisition of the *New York Post* raised his profile in the US. But this was small beans compared to his acquisition of Twentieth Century Fox in 1985, the year he became a naturalized US citizen.

A year later six Fox television stations were acquired, laying the foundation of the Fox Network, a fourth US network that critics said was doomed. But not only has Fox stayed the course, it has challenged the big three US networks, NBC, ABC, and CBS. Last winter Fox invested \$1.6 billion in National Football League television rights, outbidding CBS and underlining Murdoch's determination to compete with the big three.

Another Murdoch venture that was lambasted, the launch in 1989 of satellite television in Britain, is also paying handsome dividends. British Sky Broadcasting, in which News Corp. has a 50 percent stake reported a big surge in subscribers—from 2.35 million to 3.45 million—and profits more than tripling from \$84.4 million to \$275.8 million in the year to June 30, 1994.

With Britain's skyline increasingly dotted with satellite dishes, Murdoch last year turned to the biggest market of all, Asia, paying \$525 million for control of Hong Kong-based Star-TV, the biggest satellite broadcaster in the region, beaming programs into China, India, Taiwan, Indonesia, and the Philippines.

And still Murdoch is seeking more action. In one of his latest deals, he displayed his characteristic flair by picking up 49.9 percent of the Vox Satellite TV channel in Germany—for nothing.

And profits are flowing into News Corp., with post-tax earnings up 24 percent to \$904.8 million in the 12 months to June 1994.

But that doesn't satisfy Mr. Murdoch. He is planning to raise up to \$1 billion by floating British Sky Broadcasting bonds in December. He also announced plans to ensure his four children—two sons and two daughters—will control the group. Asked which child he would like to succeed him, Mr. Murdoch said he would not have to make that decision for about 20 years—when he will be 83. ☉

The Flavors of

COOKING BY THE BOOK

What is Christmas without food? Every European country has its culinary traditions, which can be particularly sumptuous at Christmas. In Denmark, for example, there is a special day—aptly called Baking Day—set aside solely to mix the dough for brunekage, a paper-thin cookie whose dough must be made two or three weeks before baking so the flavors have time to meld.

Many Christmas culinary customs that are part of a Merry Christmas in the United States actually began in merrie olde England. Mince pie, for example, supposedly dates to a long-ago royal English hunting party lost in a blizzard the day before Christmas. All their meager provisions were dumped into a bag and cooked—meat, flour, apples, eggs, ale, brandy, and sugar. The result was so intriguing that the recipe was passed around and became a national dish. Whoever ate a mince pie on each of the 12 days of Christmas was guaranteed 12 happy months the following year (obviously pies were smaller back then).

Other European Christmas treats date back as well. In Germany, for example, the famous lebkuchen, stollen, and pfefferkuchen were baked as early as the 16th century.

Of course, you don't have to wait until Christmas to fill your kitchen with the flavors of Europe. You can do so all year long simply by stocking your shelves with cookbooks featuring the cuisines of the continent (many of which include recipes for dishes customarily served at Christmas and New Year's).

Normandy Gastronomie by Jane Sigal, for example, is part cookbook and part travel guide and will help you discover the French culinary traditions of Normandy's five regions. The first category includes recipes for legendary dishes—such as poulet vallee d'auge, a luscious fusion of chicken, cream, apples, and Calvados, the heady apple brandy that forms the basis of so much Norman cooking. The book also features a guide to the region's restaurants, farms, museums, cheesemakers, markets, distilleries, and festivals—all illustrated by sparkling photographs of the area. (Abbeville, \$28)

Roger Vergé, proprietor of the respected Moulin de Mougins restaurant in the south of France near Cannes, has written *Roger Vergé's Vegetables in the French Style*. This homage to the flavors and aromas of Provence includes 150 recipes for sauces, soups, salads, gratins, terrines, and even desserts. Vergé operates a cooking school at Mougins and developed the menus for the restaurants at the French pavilion at Disney World's EPCOT Center in Florida. (Artisan, \$35)

There is no lack of literary material on Italian cooking—from sweeping treatises on the glories of regional dishes to charming little gift books focusing on nothing more than one particular style of cookie. *The Heart of Sicily* contains so many glorious photographs and such evocative prose that one may feel the need for a passport just to look through it. The book, written by Anna Tasca Lanza, eldest daughter of a Sicilian count and countess, shares heady recipes and charming memories of the bounties of country life. (Clarkson Potter, \$40)

Pour yourself a cup of cappuccino or a glass of wine and get ready to enjoy *Biscotti* by Lou Seibert Pappas, reportedly the first cookbook dedicated to the crunchy, twice-baked Italian cookie. This little charmer offers everything from biscotti al cioccolato (with chocolate and hazelnuts) to the traditional biscotti with anise. (Chronicle, \$7)

Not all cookbooks filling the shelves of book shops focus on the more well-known of European cuisines. When, for example, was the last time you saw a book featuring Dutch cuisine? *A Little Dutch Cookbook*, by Karen Sluifers, features a handful of classic recipes, many of which have been passed from mother to daughter for generations, including krentenbollen (currant buns), hete bliksem (hot thunderbolt), and that Indonesian delight that has been adopted by the Netherlands, nasi goreng. (Chronicle, \$7)

The best-selling *Little Cookbook* series also features cuisines of other EU nations, including *A Little Scottish Cookbook*, by Paul Harris, which includes recipes for cock-a-leekie soup, shortbread, and Scotland's national dish, haggis; *A Little Irish Cookbook*, by John Murphy, which lists everything you'll need for a farmhouse breakfast; and *A Little Book of English Teas*, by Rosa Mashiter, which will help you prepare everything from a country tea to a high-society affair; and *A Little Provençal Cookbook*, which includes tarte au potiron, a pastry made with almonds and pumpkin that is part of the 13 sweets of Christmas. Other titles in the series feature the cooking of France, Germany, Greece, Italy, Scandinavia, Spain, and Wales. (Chronicle, \$7)

If you enjoy giving gifts of food for Christmas, you will find exquisite offerings in the *Great Holiday Baking Book*, by Beatrice Ojakangas (Clarkson Potter, \$25), which includes helpful information on using modern appliances such as microwaves and bread machines to achieve Old World flavors. Also consult *Martha Stewart's Christmas* (Crown, \$25), which likewise contains gift suggestions; like all Stewart's books, this one will turn your kitchen (and the rest of your home, for that matter) into a decorator showcase for the holidays.

Christmas

By Elisabeth Farrell

For a comprehensive look at the glories of Greece, try *Sofi's Aegean Kitchen* (Clarkson Potter, \$25). Author Sofi Lazarides Konstantinides, proprietor of Sofi Restaurant in Los Angeles, has translated traditional recipes into lighter, healthier versions using less oil, butter, and sugar. Among the book's 145 recipes are traditional holiday dishes such as tourta kastano (chestnut pie) and vasilopita (St. Basil's pie, eaten on New Year's Day, the saint's name day). (Clarkson Potter, \$25)

For some reason, the array of new cookbooks this Christmas leans decidedly toward the Mediterranean. One of the most spectacular books, *Mediterranean The Beautiful Cookbook*, is part of the *Beautiful Cookbook* series. This particular title offers 200 recipes—each one stunningly illustrated with a glowing photograph that will make you want to grab your apron and begin cooking. Author Joyce Goldstein, chef-owner of Square One Restaurant in San Francisco, has chosen dishes from not only Spain, Italy, France, and Greece, but also the Balkans, Turkey, the Middle East, and North Africa. (Collins, \$45)

Maybe you don't want to shell out \$45 for a cookbook on the Mediterranean. A much smaller book, also illustrated with tempting photographs, is *A Mediterranean Table*. Part of the *Creative Cook* collection, Lewis Esson's book features easy-to-follow recipes centered around fresh ingredients—for example, Provençal vegetables with goat cheese, roast lamb in garlic cumin crust, and baked figs stuffed with walnuts. (Cole Group, \$17)

For some people, it is impossible to get past the tantalizing first courses of Mediterranean cuisines—tapas from Spain, hors d'oeuvres from France, Italy's antipasti and primi piatti, and Greece's mezethes. If you are one of these people, immediately purchase a copy of *From Tapas to Meze*, by Joanne Weir, which features nothing but first courses from the Mediterranean shores. Chances are there will be some delights you have yet to discover—Grilled Tuna with Green Olive Relish from Spain or Spicy Grilled Eggplant from Greece, for example. (Clarkson Potter, \$28)

The just-published *Mediterranean Pantry* focuses on creating and using condiments and seasonings. Author Aglaia Kremezi chose 70 recipes that can be prepared weeks or months in advance and then enjoyed at will. This is as much a reference book as it is a cookbook and is divided not into the usual appetizers, entrees, and desserts, but rather bottles, boxes, and jars. The section on "bottles," for example, includes detailed information on preparing flavored olive oils, vinegars, syrups, and liqueurs. (Artisan, \$25)

Many is the Christmas reveler who vows on January 2



never to eat another unhealthy morsel again. But holiday fare need not be unhealthy, particularly if it is based on the traditional Mediterranean diet, which was recently deemed one of the healthiest in the world by Harvard University's School of Public Health. *The Mediterranean Diet Cookbook*, by Nancy Harmon Jenkins, focuses on the healthy food of this region of Europe. (Bantam, \$28)

If there are very special gourmets on your gift list, why not give them the mère-of-all-cookbooks. *The World's Finest Food* is hardly a book to prop up on the kitchen counter next to the whirling food processor. Yes, there are recipes—180 of them—but the sheer size of this book would preclude it from being used as a handy reference guide. This tome is to be lovingly read while curled up in your favorite armchair, a glass of Saint-Emilion within reach. Four EU countries are featured among the world's finest cuisines: France, Greece, Italy, and Spain. Glorious photographs by Phil Wymant complement the text by Elisabeth King and recipes by Ann Creber. (Stewart, Tabori & Chang, \$45)

Whether you treat yourself or treat your friends to books featuring the cuisines of Europe, you are sure to enjoy a delicious holiday. Merry Christmas. ☺

Elisabeth Farrell wrote "What's Cooking?" a guide to cooking schools for EUROPE's July/August issue.

CAPITALS

AN OVERVIEW
OF CURRENT
AFFAIRS IN
EUROPE'S
CAPITALS

For Spaniards and foreigners alike, the mention of Valencia, Spain's third city, brings to mind sun-splashed beaches, groves of sweet orange trees, and the world-famous seafood and rice casserole paella, which is native to the area and has almost become the national dish.

Situated halfway along the Mediterranean coast, Valencia is a delightful mixture of neighboring Catalonia to the north and Moorish-influenced Andalucia to the south and may perhaps be the most "Spanish" city in Spain.

The history of Valencia, like many other Mediterranean cities, is a rich tale of kings and conquerors, wars, and defeats. It is believed the Phoenicians were the first in a long line of seafarers who traded in the region and Romans, Goths, Moors, and Catalans have all left their marks.

After almost 500 years of Moorish occupation, the Moslem invaders were briefly pushed out of the city by the famous Christian warrior chief El Cid, whose minstrel, in his epic poem of the hero, called the city "light, cloudless Valencia."

But the Moors came back, and it was not until 1258 that the city was returned to Christian rule, becoming a major trade and military post under the Aragonese kings.

It was then that the beautiful city center, still here for marveling tourists to visit, began to take shape on the right bank of the Turia River which winds its way down to

Letter from Valencia



Valencia might best be known for originating paella, the rice casserole which has become—many would argue—Spain's national dish.

the sea several miles beyond the outskirts of town.

A tour of the city should begin with the cathedral, on which construction began in the 14th century and today remains unfinished. Entering through either its separate Romanesque, Gothic, or Baroque doors, the visitor finds the same hodge-podge of architectural styles within.

Also inside are various altars, a museum, and several masterpieces by the painters

Goya and Jacomart, the Italian Renaissance goldsmith Cellini, and sculptures by Poggibonzi. As in other churches all over the Mediterranean world, there is a chalice on display said to be the Holy Grail from Christ's last supper.

The 15th century belfry, called the Miguelete, is a great vantage point from which to view the city, as well as the sea and the surrounding rice fields on which Va-

lencia has relied for its livelihood over the centuries.

Across the Plaza de la Reina where the cathedral stands, and past the 17th century Church of Santa Catalina with its fine six-sided tower, the visitor comes to the Church of Saint Martin. A right turn down the street of the same name brings one to the Palace of the Marques de Dos Aguas, noted for its weird rococo facade and now housing over 5,000 examples of local handicraft work.

Contemporary art buffs will want to visit the Valencian Institute of Modern Art, a museum which in the five years of its existence has already become an important player on the international art scene due to its permanent collection and the traveling exhibits which pass through its galleries.

Valencia has also spawned a now-famous genre of modern folk art. A week of riotous fiesta revolves around *Ninots*, large wood and papier-mache sculptures that mock politicians, celebrities, and topics in the news. Each neighborhood devotes tens of thousands of pesetas and months of preparation in building its own ninot for the fiesta which begins March 12. From that date, the figures (each several stories tall) are displayed in plazas throughout the city and judged by local dignitaries on the basis of their originality and the amount of work that went into them.

For a week, the usual Spanish fiesta madness is in full swing with parades, bullfights, all night partying, and

GUILLOTINE REMAINS

It is a considerable embarrassment to Belgian judicial authorities that theirs is the only country in the European Union that has retained on its statute books the death penalty for murder. On more than one occasion recently they have failed to secure the extradition of suspected murderers from other EU countries unwilling to submit them to the risk of "a cruel or unusual punishment."

Despite the contrary 1976 ruling of the US Supreme Court, this anti-death penalty position is the prevailing view of European jurists. It is backed by most of the member states of the Council of Europe, including Belgium, which have signed a protocol opposed to the death penalty.

In Belgium, however, the penalty, though often still imposed by the courts, is only a theoretical deterrent. Nobody since 1918 has been executed for murder; the sentence has invariably been commuted to life imprisonment. The only executions which have been carried out were for treason and collaboration after both world wars, in 1918 and 1945. In all those cases, firing squads were used. For murder, the guillotine is the prescribed instrument.

In fact, the murderer executed on March 26, 1918 was the only one not to have his sentence commuted since 1863. In that year, two Flemish men were condemned to death by a French-speaking court (whose proceedings they did not understand), only to be found posthumously innocent when another man confessed to the crime.

The 1918 execution was carried out because King Albert I refused to spare the life of an accused murderer when

fireworks displays. It all comes to an end March 19, Saint Joseph's Day, when all the figures are set ablaze and the bonfires—or *fallas* in the local Catalan dialect—light the sky for miles around.

Other fiestas of note take place at Christmas and on July 25, Saint James' Day, when there are major bullfights and outdoor revelry until the wee hours.

Benjamin Jones is EUROPE's Madrid correspondent.

LONDON

THATCHER'S FOLLY

In the United Kingdom people can still be outraged by suggestions of abuse of position in high places.

This outrage was witnessed recently in response to reports alleging that Margaret Thatcher's deeply unpopular son Mark had pocketed \$18 million for his middleman role in the 1985 "Sale of the Century" UK-Saudi Arabia arms deal.

The \$30 billion deal involved 120 Tornado jets, 120 Hawk trainer aircraft, 88 military helicopters, naval minehunters, ammunition, construction of air and naval bases, and training of Saudi personnel. The UK won the contract against strong French competition after the US had refused to sell jet fighters to the Saudis.

Mark Thatcher has denied in an interview with the *Financial Times* at the end of October that he received a commission on the deal. He is a friend of Wafic Said, the Saudi businessman who acted as a go-between, but adds "Merely because I know this man does not mean to say that he is going to pay me £12 million (\$18 million) because I am a nice guy."

Influence peddling is known to exist in "foreign" countries, but the people of

this island still like to believe that they do set certain standards which the world should emulate. Indeed, the thinking here goes, if the world did copy these virtuous standards, then it would be a better place.

The opposition Labor Party has seized upon the Saudi arms commission story as a way to attack the ruling Conservative Party.

This is not the first time the 41-year-old Mark Thatcher has been involved in controversy. He does start off with an advantage which

...
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 ...

becomes a distinct handicap when things go wrong—he is the only son of one of the most powerful and also most divisive prime ministers the United Kingdom has ever had.

Mark left the famous Harrow school at 18 and after a couple of false starts with finance companies, he joined a London accountancy firm but left four years later after failing to qualify. He got involved in professional motor racing but then got lost in the Sahara during one rally, and his mother called for a massive

air search by the Moroccan air force to find him. He also worked for a time in Hong Kong and South Africa.

Involved in various businesses as he struggled to make a name and a fortune, he blatantly exploited his mother's name and position. At one point the prime minister had to answer questions in Parliament over having lobbied the Sultan of Oman on behalf of a company which Mark had joined.

In 1984, he moved to Dallas, Texas, declaring that he was "not appreciated" in Britain. He formed the Grantham Company, whose staff are forbidden from saying what the company does. However, the Thatcher name has come up many times in connection with arms deals. His US activities, according to the *Financial Times* "have been colored by two corporate collapses, litigation, and boardroom rows." Currently, he faces a private court action under anti-racketeering laws for his part in the takeover of the Houston, Texas, fuel company Ameristar Fuel Corp.

He is married to Texas millionairess Diane Burgdorf, and they have two children.

When Margaret Thatcher retired, Mark was reported to have mishandled the negotiations for the publication of the former prime minister's memoirs to the point that his involvement cost his mother \$10 million. He also headed the Thatcher Foundation and his methods of asking for donations—"it's time to pay for Mumsie," he was reported to have told potential donors in Hong Kong—led to many doors being slammed.

Is he rich? Some say he could be worth up to \$50 million, but he denies it. "It would be significantly wrong to conclude that I am worth more than £5 million (\$7.5 million)," he told the *Financial Times*.

—David Lennon

so many Belgians were being killed defending their country against occupation. It was a deeply embarrassing episode. The only guillotine in Belgium did not work, and a French executioner was imported from Paris to do the job.

There have been repeated attempts since then to get the Belgian Parliament to abolish the death penalty, the latest by Melchior Wathelet, the present minister of justice. Yet each time the attempt runs into the sand because public opinion in Belgium strongly supports the retention of the guillotine, even though most lawyers, criminologists, and senior politicians do not.

So it is kept in theory, but never used. One example, it is suggested, of the Belgian genius for compromise. Or, less flatteringly, just plain hypocrisy.

—Dick Leonard

AMSTERDAM

BUYING TIME

Don't try to go shopping in the Netherlands after six p.m., after five on Saturday, or anytime on Sunday. Dutch shops are all closed during these hours except for the weekly "buying evening," which offers shoppers extended shopping until nine p.m.

Dutch shopping hours are among the shortest in the world. Only Germany has tighter shopping hours. The tough Dutch *Winkelsluitingswet*, a law passed in 1930, allows shops to open for a maximum of 55 hours a week. After eight years of debate, it was finally reviewed last year. Closing time for shops was stretched from six to six-thirty in the evening. Few shops, however, have taken advantage of the extra time, and most Dutch men and women continue in their

habit to rush to the store before six, which is the traditional Dutch dinner time.

Two main groups oppose the extended shopping hours. The Christian Democratic Party cites concerns for family values, respect for rest on Sunday, and protection of the small shopkeepers. Unions also oppose the longer hours, saying that it is unfair to the personnel working in large supermarkets. Moreover, the Unions argue that consumers don't necessarily want more shopping hours and won't be willing to pay more for goods in order to keep the shops open later.

These arguments are at odds with the facts of Dutch daily life. The Netherlands has become less religious, with very few people respecting Sunday's rest. Modern lifestyles have changed considerably with more and more single parents, dual career families, and single person households. Such a variety makes coordinating working hours and the opening of shops all the more complicated.

Also, it would seem that longer shopping hours, which would require some stores to add clerks, might prove to be a minor aid in alleviating the Netherlands' unemployment problems. In addition, more time for shopping could ease some of the evening traffic jams as people rush from work to do last minute shopping.

While one should be careful not to read too much into the shopping hours debate, it does reflect the state of change that Dutch society is undergoing. Since taking office during the summer, the new left-liberal cabinet has proposed lengthening shopping hours and letting local government decide whether or not to lift the ban on Sunday hours. Support for unions also appears to have diminished. Meanwhile, the Chris-

tian Democrats are out of the government for the first time since 1917, and the Social Democrats have changed their philosophy. As one Social Democratic member of Parliament recently said: "We are working in a different way.... In a modern society, we need a more liberal law for shopping hours." It may take a while, but the 24-hour supermarket may yet make its way to the Netherlands.

—Roel Janssen

DUBLIN

FAMINE REMEMBERED

Plans are already well advanced to commemorate the 150th anniversary of what has been called the "Irish Holocaust," the potato famine of 1845–48 which killed over 1 million people and forced the emigration to the United States, Canada, and Britain of another million. The dreadful suffering caused by the famine has left, it is often argued, a deep wound in the Irish psyche. More controversially, it is sometimes claimed that the repression of this racial trauma is responsible for some of the ills in today's Irish society such as alcoholism, family breakdown, mental illness, and inferiority complex.

The famine certainly induced among the survivors a great hatred of England, whose government at the time was perceived to have done virtually nothing to alleviate the distress and to have even made the situation worse by allowing badly needed food to be exported from the worst affected areas along the southern and Western coast.

Modern historians have attracted criticism for their "revisionist" approach to the famine by pointing out that the United States and Canada were also hit by the potato blight during that period.

The singer Sinead O'Connor has again got into the news, this time by her song "Famine" on a new album which gave some listeners the impression she was saying there never really was a famine. She has since explained in a letter issued through her record company that it is "misleading" to say there was a famine "since it suggests that there was no food in the country at the time." She goes on, "God didn't send a famine to Ireland, he sent the English."

The government's approach to this sensitive issue will be less outspoken. An official committee has been set up to coordinate the different commemorative activities around the country as well as drawing up a government program. It recommends "a dignified and non-commercial approach" with emphasis on commemoration and not interpretation.

Four noted historians have formed the Irish Famine Network, which has already organized several conferences. Some 68 events are already planned in Ireland, the US, Canada, and Britain including a conference on hunger in Ireland House at New York University next May. It is pointed out that there are perhaps 70 million people of Irish descent around the world for whom Ireland's great famine has a deep meaning.

Several Irish aid charities see the commemoration as a way of focusing on the needs of developing countries suffering periodic famines. The playwright, Tom Murphy, who wrote a powerful play on the famine 30 years ago and which has recently been revived, says that the coming commemoration should be seen as "an opportunity to demonstrate humanity to others, particularly to those who are starving in Third World countries. We know what it is

like to starve. We know what is needed, and we know what it feels like when adequate help is not given."

—Joe Carroll

LISBON

CALORIE CONVERGENCE

The Portuguese will be eating better than ever this Christmas. A study of nutritional habits in Portugal covering the period between 1980 and 1992 shows that calorie consumption in the country has risen dramatically to equal that of other industrialized countries.

Until the fall of the extreme right-wing dictatorship two decades ago, many considered Portugal to be a developing country. It had hardly been industrialized, and most Portuguese were poor. As a result, the average Portuguese diet was quite limited. As Portugal turned to Europe after the left-wing 1974 revolution, it gradually opened itself up to more diversified trading and, as a result, to a more varied diet. Nutrition experts say diets already had improved considerably before the period covered by this study, which was conducted by the state-run National Statistics Institute, INE. But the survey reveals that between 1980 and 1992, the average calorie consumption in Portugal rose by an incredible 463 calories per day to 3,443. According to Professor Manuel Soares Costa, a former agriculture minister and currently the president of Portugal's National Food and Agriculture Organization (FAO) Commission, this means the Portuguese have virtually reached the average of the European Union and the world's more developed countries, whose daily average is around 3,500 calories.

Among the positive aspects of this development, INE's study picks out an in-

crease in the consumption of milk and related products, vegetables, fruit, and fish, and a considerable reduction in sugar intake, which—says the survey—"exploded" in the 1960s and 1970s. On the downside, however, it highlights an "excessive" increase in the consumption of oil, fat, and meat—especially beef and pork—leading to a greater risk of heart diseases. This is partly due to the arrival of the fast-food culture.

So Portugal may still be battling to reach European Union economic standards and comply with the convergence criteria for Economic and Monetary Union. But in terms of calories, convergence has been achieved and the country is up there with the top consumers.

—Peter Miles

ROME

THE DORFLES PRINCIPLE

When an industrialized nation undergoes a difficult period, women's skirts get shorter. So holds Gillo Dorfles, an Italian professor and self-declared guardian of aesthetics who, at 84 years of age, is still one of Europe's most listened-to critics of social behavior. One may disagree with his theory, but the latest fashion shows in Milan seem to bear him out.

In the wake of a year that saw Italy fraught with political and economic upheaval, Italian designers appear to have borne out the Dorfles Principle on the runways of Milan's important fall fashion shows previewing next summer's designs. In fact, the designers seem to have over-

whelmed the principle, going well-past short skirts to what many consider the breaking point of common decency. Next summer, the major Italian designers are selling bare legs, chests, and derrières. Underwear seems to have been abolished. The watchword is "nothing"—as in under the dress.

Not all intimate wear has been condemned, though. Panties appear to have replaced last year's already very short shorts. Also in vogue this year are baby-doll pajamas, slips, and corsets supporting erotic garter belts.



Italian fashion houses like Missoni are emphasizing a bare minimum look for next year's spring wear.

Fashionable women may wear bras but seemingly only when they are visible to public view.

In short, rather than dressing themselves, elegant women should undress themselves (according to Italian designers, at least for this summer).

A few, however, have tried to protest this triumph of bad taste. "I disassociate myself

from this philosophy," says Laura Biagiotti, one of Italy's most famous fashion designers. "But I think it is useless to be surprised because fashion has always mirrored the period in which it is produced."

Even Valentino, perhaps the most acclaimed master of international elegance, sighs as he acknowledges the phenomenon but offers no explanation.

Some designers do propose some limits. Giorgio Armani says that "undressed fashion" is all right for vacation time. And then he adds, "A bra visible under a flow-

ing jacket seems nice to me." And another fashion giant, Gianfranco Ferré, says "At the seaside one can feel comfortable even in undressed clothing."

Designers Stefano Gabbana and Domenico Dolce, two main proponents of the undressing frenzy, counterattack what they perceive to be a prudish furor by blaming celebrities for their musings. "A dress is never vulgar. It all depends on who wears it. As far as we are concerned, we were inspired by Greta Garbo and Sophia Loren."

Perhaps, but the venerable Dorfles insists, "In the face of a general crisis situation, such as the one

Italy and other countries are now undergoing, fashions will find an outlet with frivolous and caustic clothing. This is not a new reaction. But this year it has experienced a strong revival."

So how much of an effect will the daring creations have, once they hit the market? Since the fashion show runway is a long way from the world of normal people,

these fashions are probably destined for few closets. In other words, the fashion world has sent its "political" signal, but just because people get the message doesn't mean necessarily that they will follow it.

—Niccolò d'Aquino

PARIS

THE TYCOON'S MISTRESS

Robert Hersant, 74, France's leading press baron, has been closely involved with a glamorous Madame for the past 14 years. They make an unlikely couple. He is powerful, secretive, and appears to have absolutely no sense of humor; she is charming, fashionable, and frivolous. He has been throwing his considerable weight around in the French press for the past 40 years; she first appeared on the scene in 1980 and is as lightweight as they come.

Their alliance becomes less puzzling once you realize that the lady in question is made of the stuff Hersant just cannot get enough of—paper. She is *Madame Figaro*, the glossy women's weekly which is published as a Saturday supplement to Hersant's flagship newspaper *Le Figaro*.

This year *Madame Figaro* is celebrating her tenth anniversary as a weekly, which happened within four years of her first appearance as a monthly. She has also made a name for herself abroad, with the first international edition published in Portugal in 1988, followed by additions in Japan, Britain, and Korea. On October 31, Greece became the latest foreign country to bring out its own version of *Madame Figaro*.

Hersant has every reason to be pleased with her popularity. The rest of his paper empire, which consists of

more than 30 publications, giving him control of 40 percent of the French newspaper market, is not doing so well. While it is difficult to come up with exact figures, because no one really knows just how much he owns, it is alleged that the Hersant group has debts of around \$170 million.

Although this does spell trouble for Hersant, it is unlikely that he will let it turn into failure. He has advanced through life poker-faced and undeterrable, gobbling up newspapers so relentlessly that he is known as "*le papi-vore*" (the paper eater).

He began to build his empire in the post-war years, using his publications as a platform for his own arch conservative leanings. When he acquired *Le Figaro* in 1975, its journalists were urged to support the political right and attack the left. Currently, Hersant is shedding foreign newspapers in Poland, Hungary, and the Czech Republic in order to strengthen himself at home for the upcoming presidential battle, for which he is openly championing the mayor of Paris, Jacques Chirac.

The giddy, girlish *Madame Figaro*, with her features on fashion and beauty, her shopping tips and recipes, hardly suits the somber image of her lord and master. But there is no denying that she has proven herself to be more than just a pretty face. She is paying her own way and flourishing and lately even showing some intellectual aspirations.

Whereas in the free-spending 1980s she positively wallowed in the luxuries of life, she has become more sensible, if no less glamorous, in the 1990s. Alongside the designer wear, the interviews with the stars, the latest diets, and the trendiest places to shop, *Madame Figaro* now runs thought-provoking articles about the

changing role of women in France and around the world.

Hersant is not the kind of man to be impressed by this new dimension to his leading lady. He views those around him with legendary scorn, once remarking in an article that "publishers would be perfectly happy were it not for journalists and printers." But as long as *Madame Figaro* keeps on making money, he will stand behind her—unsmiling as always, yet knowing that their partnership has made both of them prosper.

—Ester Laushway

BERLIN

TREUHAND CLOSES

The Treuhand, the agency charged with privatizing East German industry after reunification in 1990, will wind up its activities on December 30, 1994. Of all the institutions set up in the former East Germany, the Treuhand is not only one of the most well-known. It is also one of the most hated. Restructuring in eastern Germany has reduced company work forces by up to 75 percent. As a result, the Treuhand is widely known there as the job killer.

Of the 4 million workers in the 13,785 companies placed under Treuhand, only 1.5 million now have jobs. The Treuhand has sifted enterprises into three groups: profitable and saleable; unprofitable but salvageable; and hopeless cases. Of the last category, 3,000 have been closed down. There are still 147 companies on the Treuhand's books. It is expected that by the end of this year there will be still 100 unsold companies.

East Germany was once rated by Western experts as the strongest economy in the communist bloc and supposedly held tenth place in

the industrialized world. But after the fall of the Berlin Wall, economists were horrified at what they discovered.

The difficulties began, as the finance ministry pointed out, with the decisions on which enterprises should be restructured and how; who should take responsibility for old debts; and who should clean up the mess left behind after decades of

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"West German investors are more prepared to cope with uncertainties and think more in the long-term where profits are concerned," explains Hero Brahms, former vice president of the Treuhand.

• • •

failed or non-existent environmental policies. Treuhand's monumental task was rendered even more difficult by the collapse of the Soviet and East European markets on which the East German economy depended. The Soviet Union, for example, was absorbing about 70 percent of East German exports. In 1990, exports to these markets still amounted to \$19.9 billion, but when the D-mark became the official currency for former East Germany on July 1, 1990, these markets disappeared overnight, and

today trade is down to virtually zero.

The cost of privatizing former East German industry has been higher than expected. Some 80 percent of Treuhand's expenditure went to restructuring and modernizing. Despite the loss of the traditional Eastern markets, the Treuhand managed to find buyers for thousands of East German companies, and proceeds from the sales will amount to about \$46.4 billion. However, Treuhand's total debt will exceed \$179.9 billion.

The Treuhand tried hard to attract foreign investors as a means of creating more competition. But by June 30, 1994, only 839 companies had been bought by foreigners for a total of \$3.6 billion. France headed the list, having bought 88 enterprises for \$978.6 million guaranteeing work for 25,422 people and an investment commitment of \$3.6 billion. British investors have acquired 124 companies for \$652 million guaranteeing 16,666 jobs and investment funding of \$1.5 billion. Swiss investors have bought 138 enterprises for \$302.1 million guaranteeing 19,464 jobs and have committed themselves to invest \$795.1 million. American investors have bought only 74 companies for \$442.6 million guaranteeing 13,133 jobs and an investment commitment of \$1.6 billion. "West German investors are more prepared to cope with uncertainties and think more in the long term where profits are concerned," explains Hero Brahm, former vice president of the Treuhand.

When the unrewarding and unpopular mission of the Treuhand ends, a half-dozen successor authorities

will complete the still outstanding business. The beleaguered Treuhand name will disappear. Many former critics now say the Treuhand has done a fairly good job in a short space of time especially when one considers the monumental task with which it was faced.

—Wanda Menke-Glückert

MADRID

SAVE THE BULLS

At first glance, you believe your eyes are playing tricks as the outline of a huge, black bull appears on the far horizon beside the highway. With tremendous horns and a very proportion-



Cultural icon or gaudy three dimensional billboard? Spain debates the future of the Osborne bulls.

ally correct anatomy, the apparition certainly looks authentic except that it's nearly 40 feet high, and so you try to reassure yourself that bulls certainly cannot be that big, can they?

As attention grabbers, the dozens of bulls strategically located on hills overlooking highways around Spain do their job. Which is the point of the advertising campaign by the Jerez-based sherry and brandy producer Osborne whose company logo is the bull.

And ever since the first of

the four-ton, sheet-metal bovines were erected years ago, Spaniards have come to adore them as cultural icons, which are distinctly Spanish in contrast to all the billboards for such foreign products as Pepsi, Sony, and Burger King blighting the city landscape today.

But now the government could order every last one of the bulls to be torn down, leaving the Spanish landscape devoid of one of its most distinctive features.

The trouble comes from the 1989 Highways Law, which forbids any type of advertising alongside motorways in rural areas. Since the law was passed, no one bothered to apply it to the bulls, but now

Spain) have appealed to Culture Minister Carmen Alborch to save the Osborne bulls, citing the bull's central role as a symbol in Spanish art such as in the poetry of Garcia Llorca and in the paintings of Goya and Picasso.

Meanwhile, the opposition party Partido Popular has mounted a campaign which calls for the Socialist government to, in effect, "pardon" the bulls, arguing they "have become an integral part of our landscape with undeniable cultural connotations."

Whatever happens, the bulls are safe for the next several years at least as it is believed it will take that long for the Supreme Court to hand

down a decision.

—Benjamin Jones

COPENHAGEN

UNWANTED EXTREMISTS

Right-wing extremism is on the wane in Germany, but it is spilling over into Denmark in a manner that has provoked a very strong counter reaction. Danes are refusing to let Denmark become the base for the dissemination of neo-Nazi and other extreme right-wing ideas

that cannot legally be put in print in Germany. And a political initiative to stop this activity in Denmark is expected shortly.

Inhabitants of the small Danish village of Kvaers, a 30-minute drive from the German border, were surprised when a house sold to a stranger was suddenly barricaded and cars with German license plates arrived with what was believed to be printing machines. The new owner was identified as a Dane with very strong right-wing views, and locals were

the government has moved to have them taken down.

However, fans of the bulls are taking steps to ensure that they remain untouched. First of all, the Osborne company has filed an appeal with the Spanish Supreme Court to halt any move against the bulls and has garnered public support.

"It's been incredible," says Osborne spokesperson Claire Filhol. "We've received pledges of support from everywhere."

A group of cultural nabobs called *España Abierta* (Open

NEW DEMOCRACY WINS

The outcome of local government elections in Greece depends as much on personalities as on party affiliations. The latest poll proved no exception but with one major surprise. Theodoros Pangalos, the former European affairs minister running for mayor of Athens on the governing Socialists' ticket, suffered a crushing defeat by Dimitris Avramopoulos, the New Democracy candidate.

Mr. Pangalos was expected to carry the Athenians with him. As a heavyweight candidate—he was seen as a strong contender to succeed Prime Minister Andreas Pa-

certain that the major activity in the house was printing neo-Nazi material for distribution in Germany. When the locals took to the streets to mount what effectively became a blockade of the building, they were joined by politicians and demonstrators from Copenhagen, and the unwanted Germans became a national political issue with intense television coverage.

The Germans and their machines moved to another small village even closer to the German border, Kollund, where their new host, a well-known German neo-Nazi Thies Christophersen, denied all allegations. He is unable to return to Germany, facing an arrest order for neo-Nazi activity. (Demon-

strating the present limits of EU legal and police cooperation which is restricted to criminal offenses.)

No one has accused the visiting Germans of targeting Denmark with their recent surge of activity in the country, but the tiny group of Danish neo-Nazis enjoyed unexpected publicity as a byproduct, especially when their leader bought a house in a suburb of Copenhagen. Protests ensued in front of the house, where the demonstrators consisted of an unusual alliance of forces, including the liberal local mayor, members of Parliament, and the so-called "autonomous groups," the same left-wing anarchists who achieved notoriety by battling police the night in May 1993

when Danes voted to endorse the Maastricht Treaty.

The Danish constitution guarantees the freedom of expression to all Danes, and anyone staying in Denmark. And under present law the German extremists have done nothing illegal in Denmark by attempting to print, or actually printing, material that is illegal in other countries.

Nevertheless there is likely to be an overwhelming majority in the Danish Parliament for an amendment of the criminal code, so that Denmark does not become a haven for neo-Nazi publications and Germans on the run from the German police. The limits of Danish tolerance have been surpassed.

—Leif Beck Fallesen

NEWSMAKERS

Ecstatic shrieking and lacy underwear flying through the air are sights and sounds not usually associated with the macho world of the bullring. But in October, 8,500 frenzied women packed an arena near Madrid for Spain's first bullfight for ladies only.

The man they had come to swoon over was **Jesulin de**

Ubrique, the handsome 21-year-old matador whose 140 triumphant *corridas* this year have beaten the record set in 1970 by the

famed *toreador* **El Cordobes**. With admirable gallantry, Jesulin decided to celebrate by giving a free demonstration of his prowess to an audience of female admirers selected by a television lottery.

When the tumult and the shouting died and the dust had settled, Jesulin had had

his masterful way with seven bulls, and an assortment of intimate apparel had been tossed at his feet.

•••

For the first time in its 15-year history, the grueling Paris-Dakar motor rally will not leave, as its name would suggest, from the capital of France. Instead, its traditional New Year's Day departure has been transferred to the Spanish city of Granada.

The move caused near apoplexy in the French sporting media but did not lead to a full-scale revolt because

it was the decision of the much-admired champion driver **Hubert Auriol**, 42. Auriol has competed in every rally since the Paris-Dakar was launched in 1979 and has won it three times, once in a Mitsubishi, twice on a motorbike. He was called in by former Olympic skiing

champion **Jean-Claude Killy**, whose business empire runs the Paris-Dakar, to rescue the world's toughest rally from mismanagement and misdirection.

Besides changing its starting point, Auriol has also chopped an entire week off the three-week race and offered a discount to competitors who signed up six months in advance. His new strategy seems to be paying off: on January 1, 50 percent more bikers and drivers than in recent years will be revving up their engines for the Spanish start.

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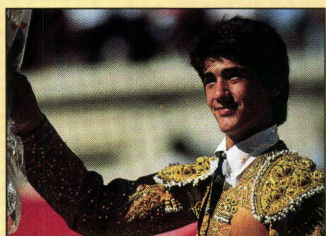
Prêt-à-Porter, Robert Altman's long awaited film on the fashion industry, is due to open in the United States this month. But no one has to wait to see the movie to find out how these slinky, glamorous, grossly overpaid people behave when they are not strutting in front of the public.

Just take a look at the recent headlines coming out of Italy. At the time when the country's top designers were

showing their spring/summer 1995 collections in Milan, judge Antonio di Pietro, the wildly popular magistrate charged with the *Mani Pulite* (Clean Hands) anti-corruption operation, was reeling in some of the biggest names in Italian *haute couture* for tax evasion and bribery.

Among the fashion luminaries to come under investigation were **Gianfranco Ferré**, **Giorgio Armani**, **Santo Versace**, brother of **Gianni**, and **Mariuccia Mandelli**, founder of the house of Krizia. They admitted to having paid a total of \$630,000 in bribes to tax authorities, but insisted that the money had changed hands only under duress. Italy's business system is so corrupt, claimed **Giancarlo Giannetti**, Valentino's business partner, that "the fashion community like many others has been forced into paying kickbacks."

Whether Di Pietro, the darling of the Italian public, believes this version of events is not certain. What is definite is that he has his eye on



Jesulin de Ubrique

pandreou as leader of the Panhellenic Socialist Movement (PASOK)—he proposed a program intended to do much more than free the streets of garbage.

From expanding green spaces by extending pedestrian zones into the city center to setting up neighborhood information centers, the program was designed to cater as much for the 1 million residents of Athens as for the 1.2 million people who come to the city center daily. Mr. Pangalos also backed construction of a light railway circling the Acropolis, as well as a series of walkways through districts with historic monuments and new bus routes to reduce traffic and environmental pollution in the city center.

However, Mr. Pangalos' outspoken comments about his opponent appeared to antagonize some voters, while left-wing Athenians whose support he counted on in the run-off poll preferred to abstain or cast blank ballots. Despite the personal backing of Mr. Papandreou, who pledged an extra \$170 million for the city budget on the eve of the run-off poll, Mr. Pangalos captured only 45.6 percent of the vote.

The unexpected election victory marked a sudden turnaround in Mr. Avramopoulos' political fortunes. A former foreign ministry official who served as diplomatic advisor to the conservative prime minister, Constantine Mitsotakis, he entered politics last year, running on the

New Democracy ticket in Athens. But he lost his parliamentary seat a few months later on a legal technicality.

Mr. Avramopoulos promises a management overhaul at city hall and will probably back several of the projects included in the Pangalos program. His victory also means that New Democracy will control Greece's two biggest cities for the next four years, as Constantine Kosmopoulos was comfortably reelected as mayor of Thessaloniki in northern Greece—thanks to a solid record on improving amenities like parks and sports installations and an innovative program providing neighborhood child-care facilities for working mothers.

However, PASOK-backed

candidates dominated the local elections in smaller towns and villages. Overall, the Socialists maintained a lead of five percentage points over New Democracy, one year after returning to power.

PASOK candidates also won control of 35 out of Greece's 50 provinces in elections for provincial governors under a new law aimed at decentralizing decision-making and promoting regional development. In the past, provincial governors were appointed by the central government. Now their extended powers include disbursement of more European Union funding and greater autonomy in launching infrastructure and other investment projects.

—*Kerin Hope*

other designers and could swoop down on them and their tax returns at any moment.

•••

Rudolf Nureyev, who died last year, is known as one of the greatest dancers of all time. It turns out that he was also quite a collector of works of art, furniture—and houses. He bought them in picturesque, secluded settings as places to unwind from his grueling schedule and enjoy the privacy he craved.

His secret hideaways, now being revealed to the public, have been put up for sale by the Ballet Promotion Foundation, which Nureyev established to support dance and dancers worldwide.

In Italy he used to retreat to the Galli archipelago, three small islands just off the Amalfi coast, with panoramic views over the neighboring island of Capri. On the largest outcrop, Gallo Lungo, he restored the principal residence and turned it into what one friend describes as "an Ali Baba's cave with his kilims,

his Anatolian bronzes, and Andalusian and Turkish mosaics adorning the walls." The island also features a lighthouse, a small heliport, and a four-story Saracen tower which has been converted into nine rooms, including a ballet studio. The foundation is hoping to raise more than \$3 million from its sale.

Other Nureyev addresses which have either already been or soon will be sold are his Caribbean villa on St. Barts, his farming estate in Loudon County, Virginia, his home in Monte Carlo, his apartment in New York's Dakota building, and his Paris residence on the Quai Voltaire.

•••

A Dutch faith healer has become so famous that she has been officially recognized by the national railway as a tourist attraction. **Johanna Wilhelmina Petronella Damman**, 46, thankfully just known as **Jomanda**, has up to 20,000 people at a time attending her healing sessions. To accommodate the massive influx of

miracle seekers, Dutch Railways has introduced Jomanda Healing Excursion Tickets, offering a 25 percent discount on normal fares from anywhere in the Netherlands to Jomanda's healing base in Tiel, near Arnheim.

For \$5.75 each, believers can seek cures from diseases and infirmities running the gamut from varicose veins to tumors. For more complicated cases, Jomanda often enlists the help of deceased doctors whom she calls over from the "other side" to perform "spiritual operations." She claims to heal by transmitting positive energy and even does it over the airwaves on a weekly radio show.

Before discovering her lucrative healing powers, Jomanda worked as a food demonstrator and dancer. A biography of her has just been published, in which she is described as "the Lady of Light" and "a link between heaven and earth."

•••

A prominent French nuclear physicist, **Professor**

Gabriel Simonoff of Bordeaux University, does not promise to cure all ills, but he does claim that the secret of near-eternal youth lies within our grasp. According to the professor, the human body is genetically engineered to last for 120 years, and the only reason we are dying younger is the lack of a sensible diet.

"Man's big problem is that he eats too much," says Simonoff. "But we are at the beginning of a revolutionary era, when the possibility of living for 120 years in good health is becoming more concrete."

Simonoff, who is a mere stripling of 64, has been researching the anti-aging properties of selenium, a rare element found mainly in plankton but available to us by eating fish. If he is right about its life-extending qualities, a time may soon come when birthday cakes will have to be served with a fire extinguisher to deal with all the candles they will have to hold.

—*Ester Laushway*

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ARTS & LEISURE

BOOKS

The Diplomats 1937–1979

Edited by Gordon A. Craig
and Francis L. Loewenheim;
Princeton University Press;
747 pages; \$35.

This weighty and comprehensive volume is further evidence that the early and middle years of the cold war are far enough in the past to

be treated by historians with some professional detachment. No longer must so much cold war history be viewed through the politicized perspectives of revisionists and counter-revisionists arguing over

whether the Soviet bloc or the West bore most of the responsibility for the chilly peace that divided Europe for 40 years.

Ostensibly, this collection of long essays by some leading diplomatic historians from the United States and elsewhere picks up where the original volume left off, at the beginning of World War II. (That work, *The Diplomats 1919–1939*, is being simultaneously reissued.) The bulk of it, however, is devoted to the cold war that followed. The emphasis is on the role of traditional diplomacy during decades when it was

being undermined by summit meetings and modern media. Like the professional diplomats they chronicle, the principal editors deplore such trends as the downgrading of ambassadors and assert that traditional diplomacy managed some real accomplishments over these decades. Among them, they cite the ending of the Berlin blockade and the Schuman Plan.

What makes this work most interesting and original, especially for those who

closely follow European affairs, is the selection of themes, often built around major personalities. The three most rewarding are Gordon Craig's study of Konrad Adenauer, Stanley Hoffmann's analy-

sis of the foreign policy of Charles de Gaulle and a warm but insightful look at Jean Monnet by Walt W. Rostow, the economist who went on to become President Johnson's National Security Advisor.

Putting Adenauer, De Gaulle and Monnet back-to-back, and also after two well written chapters on French and British diplomacy through the 1956 Suez crisis, gives texture and context to their overlapping eras. This is particularly helpful in defining Adenauer and De Gaulle, who simultaneously played on both a European and a wider stage.

In Craig's study, Adenauer comes across as a leader of immense strategic vision whose tactical accomplishments were sometimes limited by his distrust of and inability to develop a professional diplomatic cadre, a growing suspicion of American motives, and eventually advancing age. His final years also were marked by an erring skepticism about Ostpolitik combined with the ultimately correct conviction that the Soviet Union someday would realize that the division of Europe and Germany was no longer in its interests.

Clearly, such an outcome of the German issue was beyond the strategic imagination of De Gaulle. Hoffmann admires De Gaulle, defends him from such critics as Raymond Aron and Pierre Hausner, and cites his accomplishments in restoring France economically and politically. In Hoffmann's view, De Gaulle prevented the French from accommodating themselves quite comfortably to mediocrity. Even so, the combination of Gaullism without De Gaulle and the end of the cold war "has created a new world in which the French position is anything but comfortable."

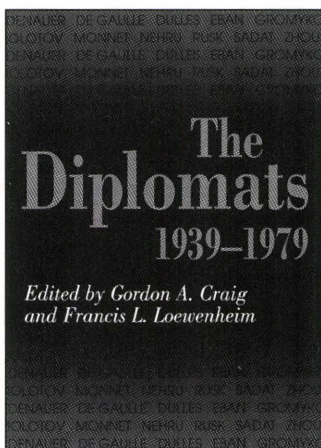
In his essay, Rostow discusses how Monnet fixed on a truth that eluded De Gaulle's grasp: that for Europe to be independent it needed more unity. At the same time, he had hoped to avoid a complete bureaucratization of the unification process. His hope was best expressed in the anecdote first told by Richard Mayne. In

1973, Monnet was visiting the Berlaymont and was asked if he found it odd that all those rows of offices and functionaries sprung from one piece of paper on his desk decades before. "Yes, it's extraordinary," he replied. And after a pause and a smile, he added, "It's appalling."

But Rostow is such an unabashed Monnet admirer that, unlike the other essayists, he does not search as hard for potential flaws. If De Gaulle's European vision was flawed, as Hoffmann acknowledges, perhaps a more astringent look from Rostow at Europe's post-Maastricht dilemmas, both political and psychological, would have provided a bit more useful balance in an otherwise skillful presentation.

The range of the collection, and its strengths and weaknesses, is summed up in a concluding chapter on the relationship between modern media and diplomacy by historian Ernest L. May. The period covered in this book spans not only the development of television but also of communications satellites and the displays of global media manipulation by a range of world figures from Henry Kissinger to Anwar Sadat and the acolytes of the Ayatollah Khomeini, who seized the US Embassy in Teheran in 1979. It was venturesome of the editors to include such a chapter. Alas, this contribution is not clearly focused and seems to have an insufficient command of the writings on the subject.

—Michael D. Mosettig



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Nixon: A Life

By Jonathan Aitken; Regenery Publishing, Inc.; 633 pages; \$28.

Winston Churchill observed that formidable politicians make their own weather. This is singularly true of Richard Nixon, whose whole life was one of grueling servitude to politics, marked by such extreme vicissitudes of fortune that one is tempted to paraphrase Toynbee—politics is something unpleasant that happens to other people. Certainly, many unpleasant things happened to Nixon, culminating in the hurricane of Watergate and the shipwreck of his career.

A force and a factor in American politics for almost half a century, his rise to eminence was meteoric: congressman and senator from 1946–1952; vice president from 1953–1960; president from 1969–1974—spanning, in fact, the years from Yalta to Yeltsin. This book is a timely account of his life. It is readable, well-researched, more than sympathetic but always perceptive.

Mr. Aitken, a Conservative member of the British Parliament since 1974, is a former minister for defense and now chief secretary to the Treasury in Prime Minister Major's cabinet. He helped to arrange Nixon's first post-Watergate visits to Britain in 1978 and was encouraged, with unique access to private papers and documentation, to write this biography of the former president. It is a worthwhile account of an American president written from a European perspective.

Few reputations are immune from the cold iron of history, and Mr. Aitken's book is not the definitive life of someone so deeply controversial as Nixon. But it is a valuable study of a public man through his public life and its public impact.

From humble origins, Nixon emerged from the floridities of California politics in 1946, winning a surprise victory as the Republican candidate against a five-term Democratic incumbent thought to be unbeatable. He conducted a raw adversarial campaign that first demonstrated his belief in confrontational politics, tempered by some questionable practices on the hustings, which came to be a feature of all his political campaigns. To the natural incoherence of politics, he brought a partisan pugnacity that may have sharpened public debate but scarcely sweetened public life.

Mr. Aitken, who is an unabashed admirer, speculates on this "dark" side of Nixon's personality and its effects on his checkered career but on the whole perceives him in the most positive light as the "most innovative and successful foreign policy president of the 20th century."

A master of realpolitik, Nixon had a brilliant grasp of geopolitics. With relentless negotiating stamina, he ended the Vietnam War and, with stunning tergiversation, recognized Communist China, breaking the sterile impasse between the two countries. At the same time, he initiated détente with the then Soviet Union, together with nuclear arms control agreements—effectively dismantling the cold war barriers that had polarized and imperiled the world since the close of World War II.

However sullied by Watergate, which Mr. Aitken considers more a comedy of errors than a catalogue of crimes, Nixon's reputation will be judged historically by these achievements. His domestic policies, too, are less lackluster than they appear. He foresaw that the political rivalry of the cold war would eventually give way to eco-

nomical rivalry between the United States, Japan, Western Europe, China, and Russia and sought to establish a structure of peace involving a new international economic order, based on currency alignments and managed trade.

Watergate was his nemesis. Mr. Aitken fully chronicles this egregious blunder, which he blames squarely on John Dean, and contends that neither the break in nor the cover up should have merited Nixon's resignation. According to Mr. Aitken, a more benign Congress and a less antagonistic national press would have avoided that catastrophe. But an atmosphere of torpidity was allowed to pervade the White House, for which Nixon was responsible. A man of more forthright rectitude would have cleansed his administration of base practices. Instead, dark impulses prevailed. Ruination was the result.

Nixon claimed he played by the rules of politics as he found them. A marvel of political dexterity, he was always apparently sincere, but somehow never quite honest. He was a man of ethical insensitivity and, though the ends to which he aspired were often valiant, too often the means lacked virtue.

In retirement, with admirable resolve and resilience, he was more than active in a variety of vindictory exercises aimed at eventual rehabilitation. He wrote 10 books of vulpine and sage comment on world affairs, traveled widely among world leaders, addressed learned societies, established his Presidential library and was accorded the esteem due to an elder statesman of avuncular resonance. In the end, he weathered Watergate and on his death, despite the lacerating obloquy of the past, was dignified.

In the dreary trop of politics, Nixon was not the first to ride a shattered horse. The tragedy of his public life was not that he fell off, but was forced to dismount.

—Connolly Cole

Genet: A Biography

By Edmund White; Alfred A. Knopf; 728 pages; \$35.

This is a distinguished biography of a thoroughly disreputable man. Mr. White has mastered his material with intelligence and insight, but he is not writing for those of timid morality.

Jean Genet, an illegitimate gamin from the Paris gutters, was born in 1911 and raised in several foster homes and, because of arrant truancies, reformatory schools. At 19, he enlisted in the French army and later deserted to wander aimlessly about the world: a prostitute, a beggar, and a thief.

A petty pilferer and persistent pederast, he spent considerable periods of time in prison—later, as a celebrity, he was rescued from penal servitude for life only by the intercession of eminent and influential friends. In 1943, during a long prison term, he wrote his first book, *Our Lady of the Flowers*, and was taken up, with unctuous extravagance, by Cocteau and his coterie of catamites. Hailed as a genius, he acquired a growing fame with a number of astonishing plays—*The Maids*, *The Balcony*, *The Blacks*, and *The Screens*.

His books sold widely and his plays were performed worldwide. He enjoyed an international reputation, evoking such archetypal names of infamy in French literature as Villon, Sade, and Rimbaud.

Hugo said of Baudelaire that he had given a new dimension to horror, and with equal hyperbole, Céline observed that Genet was rotten

with genius. His American translator compared him to Kafka as the most radical imaginative writer of his time. Camus, another gifted urchin of the streets, evinced disdain, but Sartre, in a mood of sardonic consecration, dubbed him St. Genet, because in the subculture of his brutal world, Genet beatified the pleasures of evil and the evils of pleasures, as though one touch of Satan made the whole world kin.

After 1966, he abruptly ceased to write in favor of a furious embroilment with the Palestine Liberation Organization, the Black Panther Party, and other extreme political causes. Cancer-ridden, he died in a Paris hotel room in 1986.

Mr. White has written an audacious and adulatory book, espousing Genet's ability to put the world in his person, so that, to a significant extent, almost everything he wrote is a sort of serial autobiography, creating an extraordinary esthetic from his

own perversity. Genetically, all human relationships are power relationships, involving crime and punishment, injury, hate, and revenge. Kenneth Tynan, the British theater critic, who himself cultivated a morbid relish for debauched literature, described Genet as a dramatist *maudit*, whose plays are masterpieces more in description than in performance—a comment from which Mr. White would recoil.

Genet's notoriety springs from the sensational facts of his life and the scandalous subject matter of his books. In a supple and nervous and yet complex and elaborate prose, Genet has created a new kind of fiction. Mr. White makes large claims for Genet's stature as a Proust-like innovative and influential writer. But in perspective it is more likely that he will survive less as a voice in French literature than as a vogue in the litany of decadence.

—Connolly Cole

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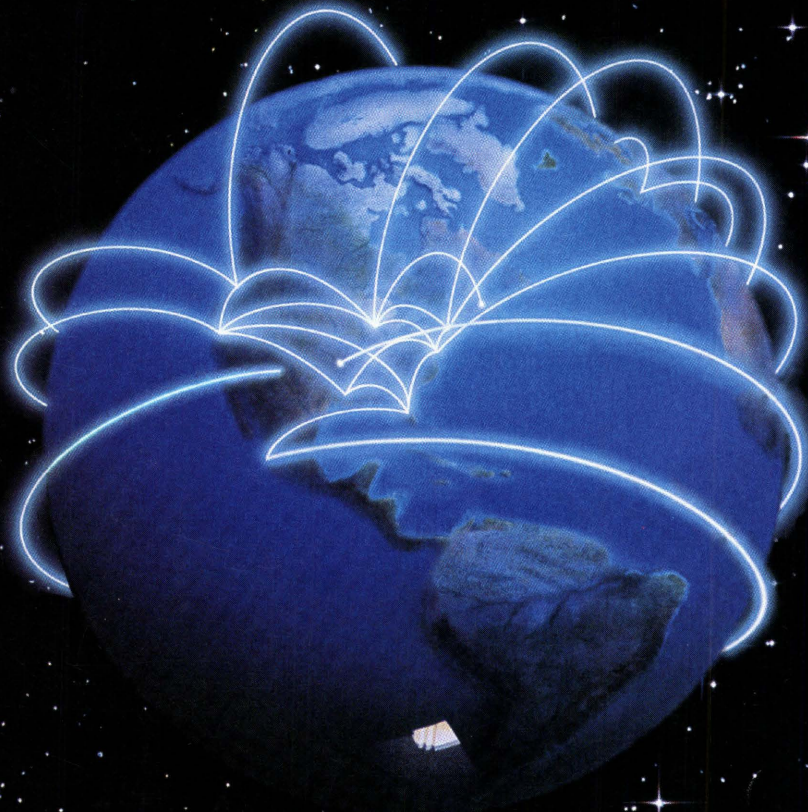
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