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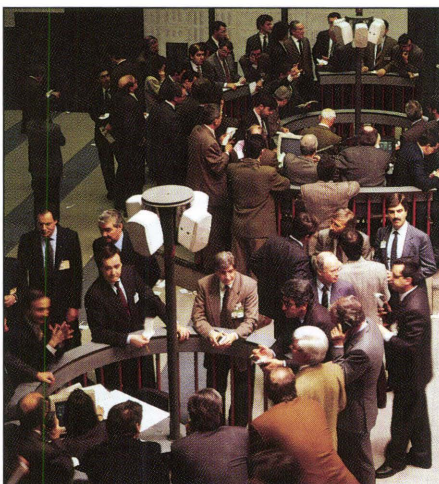
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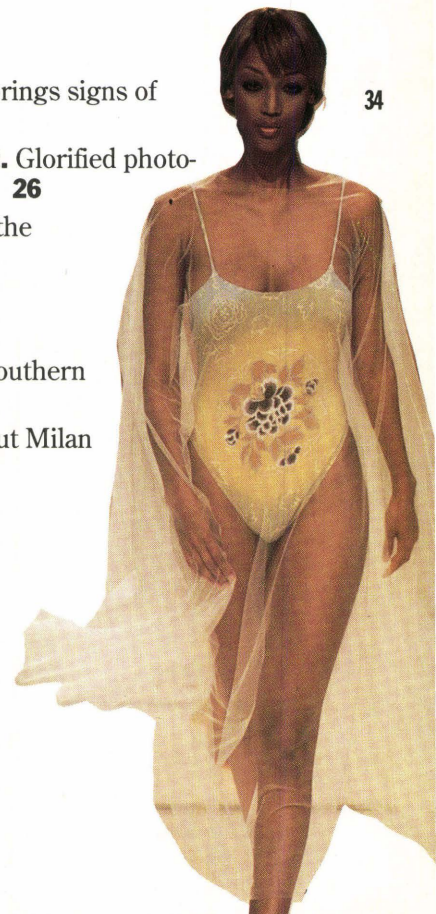
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Letter from the Editor

"The question on many Italian minds these days is what will be the country's political future with Silvio Berlusconi as the new Prime Minister of Italy," writes our Rome correspondent Niccoló d'Aquino.

Looking at Italy's political future, our Member Country Report focuses on Berlusconi and his right wing allies Gianfranco Fini of the National Alliance and Umberto Bossi of the Lombard League. We present profiles of these three coalition leaders as they begin a new era in Italian politics.

On the economic front, Michael Brush, reporting from Rome, says that "while the country's giants floundered, Italy's smaller firms were out conquering world markets, contributing to an export boom that brought a jump in foreign sales of over 20 percent in 1993."

Our economic profile on Italy shows that the smaller firms are boosting Italian exports and "lifting Italy's economy out of its worst recession since World War II."

James Spellman focuses on the Italy Fund in our series on European mutual funds that are traded on the New York, American, or NASDAQ stock exchanges.

On a lighter note, Niccoló d'Aquino happily reports that travelers to Italy this summer will find museums that have traditionally been closed at inappropriate hours are now "museum friendly" and are open longer and have more convenient hours for tourists.

Janet Bennett looks at Italy's financial and fashion capital in our travel guide to the best hotels, restaurants, and sightseeing spots in Milan.

Michael Brush focuses on Naples for his travel report and tells our readers who may be traveling to sunny southern Italy that "visitors who look beyond the chaos will discover an energetic city overflowing with an abundant love of life."

Naples will be hosting this year's economic summit on July 8-10, and Barry Wood, who has attended every economic summit since they began, looks at Europe's economy going into the G7 meetings. Reginald Dale presents the key issues that will be discussed in Naples and looks at Russia's role in these annual economic summits.

Will the war ever end in the former Yugoslavia? *EUROPE* probes behind the daily headlines and looks at the history of this troubled area. Gina Gianzero outlines Bosnia's complex history and the backdrop of this terrible war. Ejup Ganic, the Vice President of Bosnia, presents his views on the war in an exclusive *EUROPE* interview.



The world waits to see if billionaire businessman Silvio Berlusconi can govern Italy.

Robert J. Guttman

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EYE ON THE EU

A surprise caller at the Commission's headquarters in Brussels recently announced that he wanted to see all the mail which had arrived that day addressed to President Jacques Delors. The receptionists were unsure what to do. Eventually, they called up the Secretary General's office, who explained to the caller that the Commission had a new policy on access to documents and that he should submit a written request listing the documents he wanted to look at. The Secretary General would then consider the request and get back to him.

The caller asked how long this process would take and was told "in principle, one month." He then explained that he was a Scandinavian journalist and that he was testing the Commission's openness. He added that in his own country anyone could see a written register of each day's mail that had arrived for the Prime Minister and choose the items he wanted to view the next day. With very few exceptions, any citizen could view anything that came in the post for the Prime Minister.

The journalist's check-up on the Commission's open-

ness was not just a light-hearted jape. This is a serious issue in Scandinavia, and the opponents of EU membership in Finland, Sweden, and Norway can be relied upon to make a big fuss in the forthcoming referendum campaigns if decision-making in the European Union appears to be much less transparent than in their own countries.

The warning bell was struck during the first Danish referendum on the Maastricht Treaty, in June 1992, when the alleged remoteness of Brussels from the man in the European street was one of the reasons identified for

the initial rejection of the treaty by Danish voters. The lesson seemed to have been learned when a new code of practice on the right of access to information was adopted by the EU Council of Ministers earlier this year.

This specified that documents should be freely released unless this would have damaging effects on public security, monetary stability, industrial and commercial secrecy and personal privacy. Unfortunately, another, vaguer category was referred to—the right to refuse access "in order to protect the institution's interest in the confi-



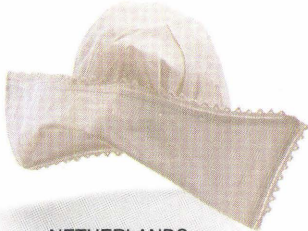
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deniality of its proceedings.”

The Commission, at least, did not seem to think that this would prove unduly restrictive. When Commissioner João de Deus Pinheiro introduced the code in February, he promised that 99 percent of documents would be made available. The first test of the new openness came when *The Guardian* newspaper asked for and obtained the documents relating to a meeting of the Social Affairs Council of last November, when the UK government obtained a controversial opt-out from a directive of the exploitation of child labor.

British ministers were highly embarrassed at the revelation of the tactics they had used to secure this opt-out, and when *The Guardian*

tried to obtain comparable documents concerning other ministerial meetings it met a blank refusal and was even told that the earlier documents had been made available only through an “administrative error.”

The refusal came not from the Commission, but from an official of the Council of Ministers, the mouthpiece of the governments of the member states. His decision was subsequently approved by representatives of 11 member states and was due to be endorsed by a meeting of the Foreign Ministers’ Council on April 19.

The “openness” of the Commission will likely be an important issue for voters in the upcoming referendums in Finland, Norway, and Sweden.

The justification was that disclosure of the documents would breach the confidentiality of Council proceedings by revealing the position taken by member states.

This action represented a substantial backtracking from the new policy of openness, which had been intended, at least in part, to counter the criticism that the Council was legislating in secret for the EU behind closed doors. Nevertheless, only the Netherlands’ representative entered a formal reservation, accusing the other member states of failing to give reasons why

the case for openness was outweighed by the need for confidentiality.

When the foreign ministers assembled, however, the Danish minister repudiated the position previously taken by his ambassador and strongly backed the Dutch stand. The whole question was referred back for fuller consideration and it may well end up on the agenda of the EU summit meeting at Corfu on June 24–25.

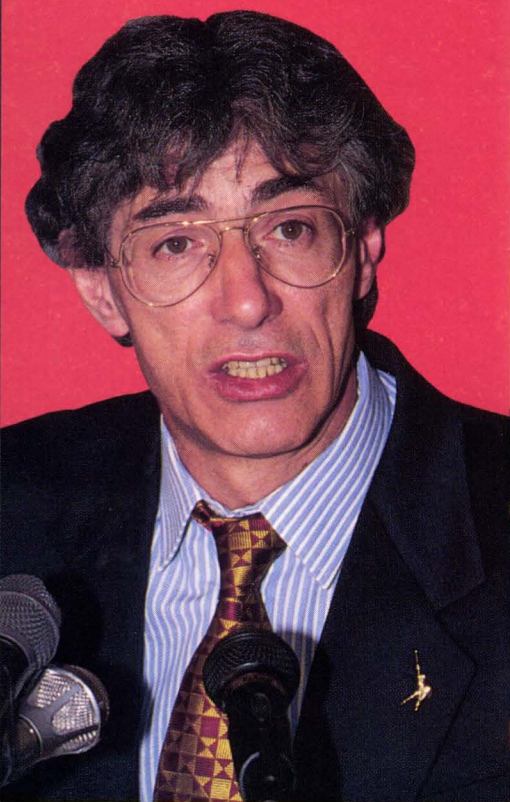
It will be a watershed decision for the European Union. On it will depend whether it will take its place among the traditional practitioners of open-government, such as Scandinavia and the United States, or if it is to be characterized by a more secretive approach.

—Dick Leonard

Italy's Political Future

By Niccolò d'Aquino

THE QUESTION ON MANY ITALIAN MINDS THESE DAYS regards the country's political future. The overwhelming victory by Silvio Berlusconi's right wing Forza Italia party and the resurgence of neo-fascism, which is guided by Gianfranco Fini (who doesn't repudiate the Mussolini Era) and by the Northern League headed by Senator Umberto Bossi (who proposes dividing the country into three parts), worry centrist and left wing Italians, who represent over half of the electorate—as the March elections showed. But, as usual, center and left were unable to find a common ground for governing, and so begins a new era in Italian politics, which appears—at least for the moment—to be tied to the fortunes of three men.



Silvio Berlusconi

If he had known that he would win the March elections by such a wide margin, attaining an absolute first place and winning a resounding 21 percent of the preferential vote, most likely Silvio Berlusconi, Italy's new Prime Minister, would not have entered into the electoral pact which tied him, rather inconveniently, to two right wing allies: the neo-fascist Gianfranco Fini, whose movement received 13 percent of the vote, and the separatist leader of the Northern League, Umberto Bossi, who won 8 percent. But perhaps even Berlusconi himself didn't expect his success at the polls, and therefore opted for political prudence.

As the first consequence of his passage into active politics, the king of Italian and European commercial television found himself with a new nickname. For over 10 years, his direct control of the three private Fininvest networks and his participation in pay television channels had earned him the tongue-in-cheek nickname *Sua Eminenza* (a play on the words "Sua Eminenza," or "Your Eminence"). Nowadays, newspapers have dubbed him "Ace-Takes-All" or "The Octopus" and have compared him to Ross Perot (America's own billionaire political adventurer). The monikers and comparisons are well deserved for the man who, along with the backing of his corporate organization and the creative minds of his publicity empire, created the country's number one political party in just 120 days. Housewives, who for years have watched his soap operas and variety shows, voted for him, as did middle class conservatives and entrepreneurs tired of fiscal inefficiency.

In substance, his Forza Italia movement inherited the reservoir of votes which for decades had maintained the Christian Democrats, the party with the relative majority, and their allies, the Socialists.

The electors showed themselves

Opposite page from left: Umberto Bossi, Silvio Berlusconi, Gianfranco Fini.

ready to forget, or at least to forgive, Berlusconi's previous ties to many of Italy's former politicians. It is no mystery that he was able to construct his empire thanks to the support given to him by those government parties which today have been buried by scandals and recent elections. Bettino Craxi, former Secretary of the scandal ridden Social-

ist Party and currently under scrutiny for alleged political misdeeds, was best man when Berlusconi married his second wife, the former actress Veronica Lario.

The 58 year old Berlusconi, who grew up in Milan the son of a bank employee, got his start in business with a small real estate loan and used to round out his income as a singer on cruise ships. His attention to detail along with his business savvy is legendary. It is impossible to try to disentangle the companies he owns. They are all interconnected in a complicated Chinese box system. Besides the three television networks of Fininvest and the publicity powerhouse Publitalia, his holdings include entire residential areas created and constructed at his direction (like Milano 2 and Milano 3), the glorious publishing house Mondadori, one newspaper, many magazines, a champion soccer team, and other teams in various other sports.

Berlusconi is also known to cast a discerning eye on fashion as well. It is well known that anchormen on his news programs must all be attractive and dress well. The "anchorman uniform," which has become the new power look for the Second Republic, isn't bad: dark blue or gray double breasted suit, only light blue shirts (white shirts glare on television), silk ties, preferably polka dotted. Absolutely no beards or mustaches.

Gianfranco Fini

He says he became a fascist the day that, as a young man, a picket line of left wing protesters kept him from entering a movie

house that was showing *The Green Berets*, the movie starring John Wayne about America's intervention in Vietnam.

Whether this anecdote is true or not, Gianfranco Fini, 42 years old, a journalist with a degree in psychology, has revived and given some credibility to the neo-fascist party, the former Italian Socialist Movement (MSI). And as the party's secretary he did it all in just a few months, earlier this year. He changed the MSI logo, which since World War II has been synonymous with an extreme right wing to be avoided. He gave life to a more ample movement, the National Alliance, in order to attract the "conventional" middle class and conservatives. The movement of Mussolini nostalgics erupted out of its corner from which, until last year, it had received barely 5 percent of Italian votes.

Fini has a great natural talent for communicating and became known to television audiences as he quietly navigated the broadsides shot at him on various talk shows. The result was that Fini ended up being "acceptable," whereas his predecessors as secretary of the neo-fascist party (Giorgio Almirante and, for one brief season, Pino Rauti) were not looked upon as serious political contenders. Fini today has become a surprise majority leader thanks to his "good boy" looks, a physique that is a far cry from the brutish, fist-fighting fascists (even though he admits he used to pick fights with communists in his youth), and an excellent political intuition, which led him to become Silvio Berlusconi's ally. Even the left wing, not without some embarrassment, takes note of his diversity.

He says things that sound odd coming from the leader of the extreme right. He is neither anti-American nor an environmentalist, two classic attributes of extreme fascism, and he has repudiated his anti-nuclear beliefs. "We were wrong," he says about the party's former nuclear position. He maintains that he has never been antisemitic, even though he can't help admitting that "others, at home, have been."

Fini's ability to concentrate the media coverage on himself, rather than on others in his party, many of whom personify the old fascist clichés, has allowed his new image campaign to succeed, such as it has (National Alliance received 13 percent of the vote in the March elections). However, there have

been slip-ups. One of his assistants carelessly included a series of political statements that were openly antisemitic in an official document.

Naturally, he also has to placate the traditionalists within his constituency—those that don't necessarily believe fascism needs a facelift. When he declared himself to be "post-fascist," Alessandra Mussolini, granddaughter of the "Duce" and one of the main exponents of the party, jumped up and indignantly warned him about "facile quips." On the other hand, he still displays his complete collection of Benito Mussolini's writings in his office and maintains that the former dictator "was one of the greatest European statesmen."

Umberto Bossi

Nobody would have bet on him, including his first wife, who as a young girl had always wanted to

marry a doctor and who for the entire first year of their marriage saw him leave the house each morning, convinced that he was going to work in a hospital. Finally, suspicious, she discovered that he had been lying to her. He wasn't going to any hospital, and he didn't even have a degree in medicine—yet. Many years later, in fact, Umberto Bossi finally got his medical degree, even though it wasn't really important to his second wife. In the meantime, he has become a successful politician who has done the unthinkable—helped to bring down the old party system, which, pivoting on the Christian Democrat party (DC), had uninterruptedly governed Italy since the end of World War II.

Toward the end of the 1980s, his political position seemed downright eccentric with a very minimal following. Before that Bossi had fought without much conviction in the ranks of the "Sixty-eighters" and after having tried various makeshift jobs (including a stint as a musician in a small orchestra), he discovered his passion for federalism. Lombardy and Northern Italy,



Silvio Berlusconi, Italy's newly elected, 58 year old Prime Minister (shown with his wife, former actress Veronica Lario) is known for his business savvy and attention to detail.

the richest regions of Italy, had to free themselves from exploitation by the bureaucracy in Rome and the weight of the less developed southern regions, which are traditionally poorer and more dependent on government support than the northern regions. Nobody seemed to listen to him, except for a group of voters in Lombardy, who, in 1987, sent him to the Senate and managed to get his party a seat in the House as well. The other members of Parliament made fun of him, but he has shown political toughness.

His career in Parliament began with a seemingly insurmountable series of handicaps, not the least of which was his rather humble background. Whereas the overwhelming majority of Italian parliamentarians are upper and middle-class, Bossi comes from a family of peasants. When the family moved to the city, his mother worked as a doorkeeper while his father was a factory worker. He is not particularly handsome, but he is fairly popular with women. He is rather unconcerned about his clothes (for his first appearance in the Senate his friends made

him buy a second-hand blue suit); he is rarely on time; and his smoking habit has made his voice hoarse and guttural especially noticeable when he goes into one of his familiar rants about the State and "thieving Rome." But even with his array of peccadilloes, Bossi has managed to find success in the North of Italy.

At Lombard League rallies, he receives wild applause when he talks about the division of Italy into three federal republics (North, Center, South). At these rallies the green, white, and red Italian flag is substituted by the white flag with the red cross of the Lombards, who fought against the Germanic empire in the Middle Ages.

He tried, without success, to "export" his League to the South. Right wingers in the South voted for Berlusconi or Fini but can't stand the idea of dividing the country. But Bossi isn't worried about not having "believers" outside his beloved North. With just 8 percent of the votes, almost all coming from around Milan, Turin

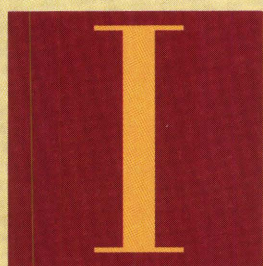
and Varose, his weight in the new government will be limited. ☹

Niccolò d'Aquino writes for Il Mondo and is EUROPE's regular Rome correspondent.

Some of the Members of the New Italian Government

Prime Minister	Silvio Berlusconi, Forza Italia
Deputy Prime Minister	Giuseppe Tatarella, National Alliance
Deputy Prime Minister	Roberto Maroni, Northern League
Foreign	Antonio Martino, Forza Italia
Defense	Cesare Previti, Forza Italia
Justice	Alfredo Biondi, Forza Italia
Finance	Giulio Tremonti, Independent
EU and Regional Affairs	Domenico Comino, Northern League

NEW ITALIAN HOURS



Italian stores and museums are almost always closed during the long afternoon pauses dedicated to lunch and Mediterranean naps.

Not anymore, thanks to a stubborn government minister. The torments inflicted on foreign tourists and art lovers who, once in Italy, invariably bumped against those discouraging "Closed" signs, are about to end. Thanks to one of the best laws ever produced during the course of the so-called First Republic (which has since been buried by the right wing victory), the museums and art galleries of Italy are starting to align themselves with the hours of the rest of the West. Therefore, no more locked doors at lunch time. There will be continuous admission from around nine in the morning until seven at night. In fact, the day of closure, usually Monday (which is a rule in many countries), will actually be abolished.

This was a hard battle for Alberto Ronchey, a journalist and twice Minister of Cultural Goods, a battle fought against unions and bureaucracy. But, in the end, he, Italy, and art lovers who visit Italy won out.

To the amazement of experts worldwide, Italy has always underestimated the economic and public relations potential of the masterpieces closed within its 3,000 public and private museums, 6,000 libraries, the millions of historical documents in the Italian archives, which are the oldest in Europe ever since the French Revolution destroyed the archives in Paris—not to mention the thousands of archeological sites and the 50,000 castles and historical dwellings.

Up until now Italy's priceless art "mine" had never been sufficiently exploited. Critics have long accused Italian museums of not being more tourist friendly, that is for not making a museum a place where tourists can view

great artwork and also a place they can have a meal or buy souvenirs. Currently, Italian museums rarely offer more than a bar where one can drink a cup of espresso standing up or a small souvenir stand selling postcards and perhaps an exhibition catalog. The result has been few visitors. One recent comparison ruined Ronchey's nights: in one year, three London museums (the Tate Gallery, the National Gallery, and the British Museum) totaled the same number of visitors as all the Italian institutions combined.



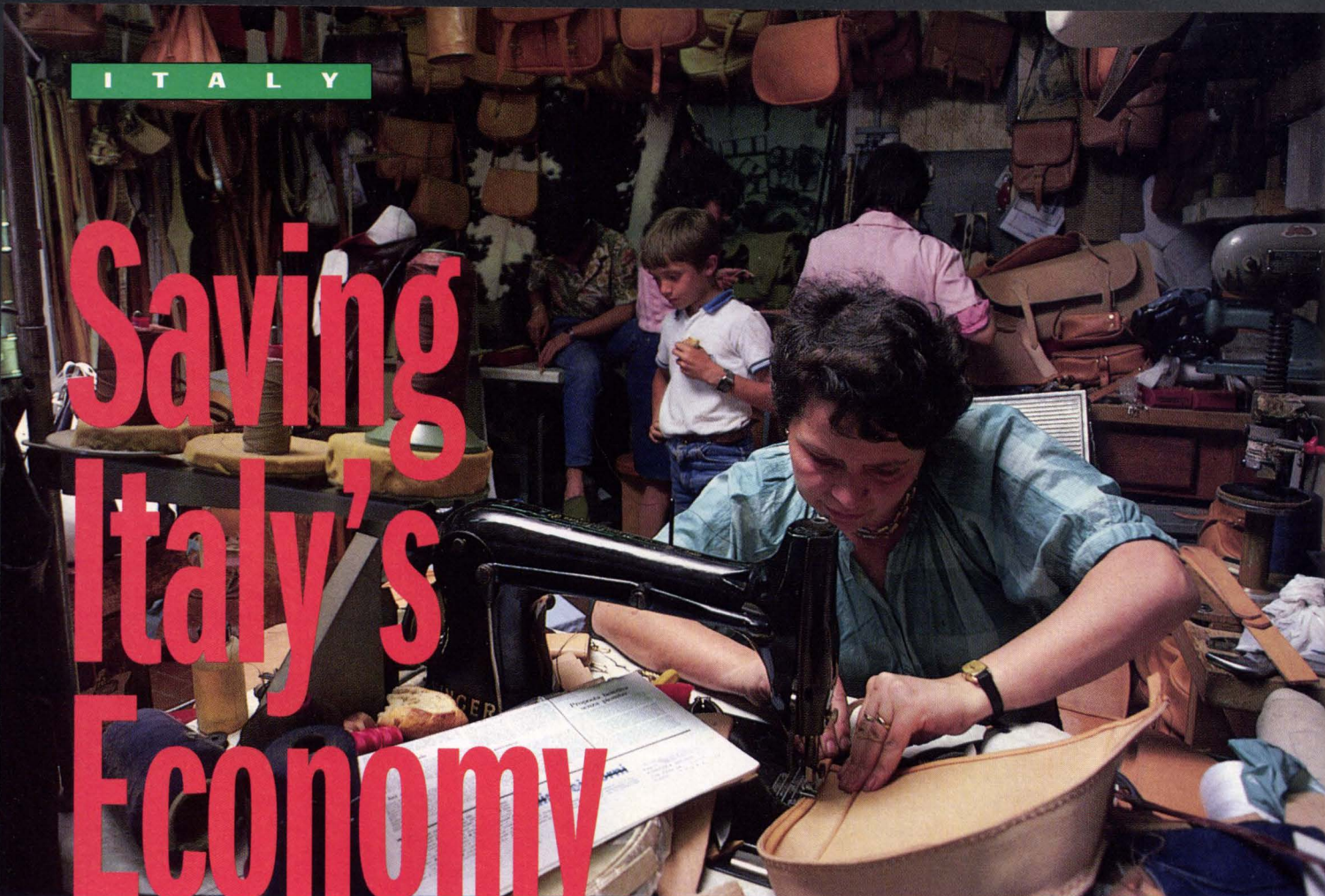
Italian museums (like the Uffizi, above), looking to imitate the success of British and American museums, will entertain bids from private companies.

But Italians aren't looking at the British model, they are looking at the American one, beginning with the Metropolitan Museum in New York. Italian museums will entertain bids from private companies to open small but comfortable restaurants and shopping areas, offering high quality, artistic merchandise. All of which was once unthinkable in this sector.

Up until a short while ago, many Italians also thought it unthinkable that stores would open on Sundays. Rome and Milan have been the first cities to try changing this tradition with a small number of open-minded retailers declaring themselves willing to try. The Catholic Church, worried that the Biblical day of rest wouldn't be respected, got involved, but the secular mayors of Italy's two biggest cities have insisted. And, slowly, a few storefronts open even on holidays.

Unlike museums, however, most stores are family owned and operated. In Italy, out of 1.2 million commercial enterprises, almost 1 million are family-run, without even one outside helper. Staying open on Sundays means losing the only free day of the week for the families of small shopkeepers. Or it means hiring a Sunday employee, whose cost—in view of the high Social Security taxes required by law—doesn't seem justified. Perhaps as more tourists are drawn to Italy's museums on Sundays, shopkeepers will see the possibilities for their own Sunday success.

—Niccolò d'Aquino



Saving Italy's Economy

A 30 PERCENT CURRENCY DEVALUATION is an embarrassment normally reserved for less developed countries. However, when the lira took the plunge in 1992, Italy's entrepreneurs wasted no time crying. While the country's giants floundered, Italy's smaller firms were out conquering world markets, contributing to an export boom that brought a jump in foreign sales of over 20 percent in 1993.

By this spring, exports were slowly lifting Italy's economy out of its worst recession since World War II. Long the bedrock of Italy's economy, the smaller companies were selling the most in sectors like textiles and clothing, shoes, furniture, and machine tools.

But to think that these small firms, Italy's version of Germany's *Mittelstand*, have been selling well abroad just because of the devaluation would be wrong. They outperformed firms in the United Kingdom, Spain, and Sweden, the other European countries whose currencies were devalued.

This was partly because of their outstanding flexibility which lets them adapt quickly to

new market demands. They also kept customer relations warm when sales were relatively sluggish as the recession started to set in before the devaluation. They had already restructured during the tough pre-devaluation days, when the overpriced lira was putting severe pressure on their ability to compete. So, when the devaluation came, they were ready to move.

While the smaller companies were off and running, Italy's giants were still trying to avoid drowning in a sea of red ink. Having carried out massive restructuring, layoffs, and capital increases in the past two or three years, they now expect better results in 1994.

The economic crisis has been hardest on the auto industry. Sales, in a free fall since August 1992, began turning around in Europe (except in Germany) this spring. Fiat, which lost more than \$1 billion last year, by the second quarter of 1994 already had a year's worth of production booked for some of its five new models.

Olivetti, the computer and office equipment group which has laid off over 20,000 workers since 1989 and paid no dividends last year, now hopes to break even this year, after restructuring and extraordinary costs.

Small Firms Conquer World Markets

By Michael Brush

Following two years of bitter medicine in 1992 and 1993 when Pirelli cut 9,500 workers and closed 22 plants worldwide, the tire and cable giant also now sees signs of hope. Sales have continued to pick up this year, following last year's increase. Pirelli has outlined an aggressive \$1.4 billion investment plan that will include extensive investments in East Europe and the Far East during 1994-96.

Overall, the first half of 1994 brought clear signs the economy was starting to bounce back faster than elsewhere in Europe. Industrial production was rising, along with orders, new investment plans, and household confidence. Government economists are predicting a GDP growth of 1.3 percent for the year, following the 0.7 percent contraction in 1993.

The cheaper lira, though, cannot support growth forever. Once export gains linked to devaluation begin to level off, will there be anything to replace it? Economists predict the economy will get a new boost from growth in foreign economies (particularly the US) and the recent Uruguay Round reductions of tariffs on shoes and wool.

Far more important, though, is the overhaul of the Italian economic system linked to the past two years of political scandals. Since the old regime began to crumble after the April 1992 electoral disaster and the start of the *tangentopoli* (bribe city) investigations, Italy has begun a new era of responsible leadership. An impressive string of reforms—from massive privatizations to no-nonsense budgets—were pushed through by the governments of Giuliano Amato and Carlo Azeglio Ciampi.

Since mid-1993, Italy has sold off close to \$6 billion in state assets. (Another \$40 billion worth could be sold over the next two years.) The sales have been a boost for the modernized Milan stock exchange, where thousands of investors are putting their money for the first time. State sector borrowing is now down to under 10 percent of GDP, and the primary deficit (which excludes payments for interest on the state debt) is in the black.

A crucial victory for the Ciampi government was the elimination of automatic wage indexation, which in the past had guaranteed built-in inflation—all but pricing Italian products out of the market under the old fixed exchange rate regime. Price increases, at about 4.2 percent a year, are now at their lowest levels in 20 years. Since September 1992, the Bank of Italy has reduced the discount rate from 15 percent to 7.5 percent, the lowest level in 18 years. Even if all of it hasn't fed through to bank lending rates for companies, it still helps bring down the cost of Italy's huge state deficit.

The *mani pulite* (clean hands) investigation is also redefining the old relationship between the government and business. The demise of the cozy—and often corrupt—links between big business and politicians is exposing the econ-

omy to competition from foreign companies. Foreign investment is now rushing in. Closely guarded sectors like telecommunications and banking are being unlocked, as the huge state sector firms which have controlled these markets are being completely sold off.

Professional managers from the private sector are moving into state companies for the first time. Alitalia recently recruited top managers from Texas Instruments Europe and IBM Europe. Mario Sarcinelli, a political outsider, recently moved from the European Bank of Reconstruction and Development to head the troubled Banca Nazionale del Lavoro.

Apart from these revolutionary structural changes, the fact that this recovery is based on private sector demand means that it should be healthier than the recovery of the

1980s—which was driven by demand fed by the public deficit. The real turning point, though, will come only when internal demand increases match those of foreign demand.

Although the corruption scandals and reform appear promising for the economy in the long-term, in the short-term they have contributed to unprecedented declines in domestic demand. Spooked by political uncertainties and the recession and asked to foot the bill for more government services, Italians have cut back dramatically on spending. Domestic consumption was off by 2.1 percent in 1993, the first decline in the post war era. The construction sector has ground to a halt because public officials, wary of being investigated for kickbacks, have stopped approving public works.

What happens next, of course, depends a lot on the new government. The right wing alliance has raised the spirits of the business community by promising attractive tax breaks on investments and newly hired workers as well as more flexible labor laws. A stable government and clear signs of progress on important issues like public spending and employment would bring back consumer and investor confidence, and therefore domestic demand.

Progress is by no means certain. The governing alliance has deep divisions to work out. Promises of lower taxes may be hard to fulfill at a time when government spending must be cut. Italian labor unions are promising a fight if the new government tries to reform the welfare state and work rules too much.

What's more, it's not clear the old days of government-business links are over. Rarely has a political party faced so much potential conflict of interest as Silvio Berlusconi's Forza Italia. His huge Fininvest empire reaches deep into myriad business sectors—from private television to supermarkets to mutual funds—for which many upcoming government decisions on matters like regulation and privatization will be crucial. ☎

Long the bedrock of Italy's economy, the smaller companies' success was partly due to their outstanding flexibility, which lets them adapt quickly to new market demands.

Michael Brush is a journalist based in Rome.



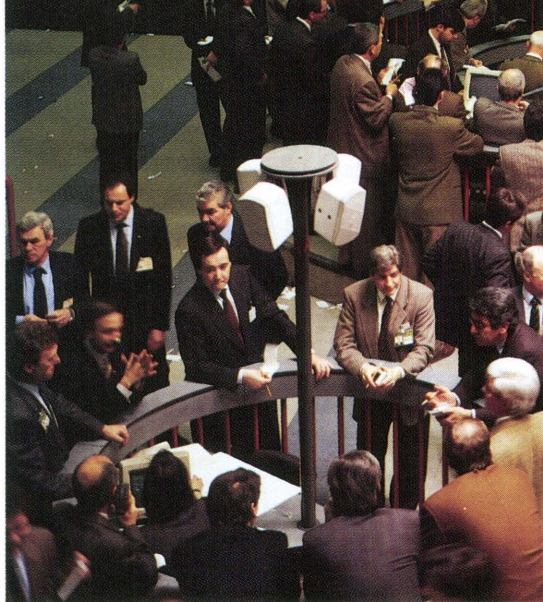
HE BULL RAGED fiercely in the Milan stock exchange this spring. One barometer of performance, the Banca Commerciale Italia index (BCI),

rose about 15 percent in the two weeks after the national election in March. Italy posted the strongest performance among Europe's markets this year. It rose 23 percent in local currency terms through mid-April, resisting the 4 percent fall in US markets and the 3 percent decline in Europe. In the 52 weeks through mid-April, Italy's gain is even more impressive, soaring 49.8 percent, which is more than double the average rise in Europe.

The short-term outlook for Italy rests largely on the success of newly elected Silvio Berlusconi in forming a solid majority coalition that can restore confidence in a government battered by scandals, instability, and interminably fragile political coalitions. The new government's first policy pronouncements will be evaluated closely for missteps, but the market seems confident that Rome will not make major changes in the privatization and debt-cutting programs already underway. The market's performance this year may also be governed by further cuts in interest rates, led by the German central bank. While many think that interest rates have already bottomed out and their benefits have already been factored into stock prices, some think that further cuts would spark a small rally. Another factor is a surge of foreign institutional funds into Italian stocks on top of the money that Italian investors have already been pouring into the market this year.

The long-term picture is defined by the inflation rate and the speed and strength of the economic recovery in Italy and Europe. Erich Stock, portfolio manager of the Italy Fund, a closed-end stock fund trading on the New York Stock Exchange (NYSE), maintains that Italy's fundamentals are "good." A wage agreement reached two years ago reduced automatic increases in salaries to compensate for inflation. That helped to bring down inflation from one of Europe's highest to one of its lowest. In 1992, inflation was at 6 percent; last year it fell to 4.2 percent. Spending cuts and tax increases resulted in a government budget surplus in 1992-93, the first time since World War II. Further, Italy was one of the few countries in Europe to increase exports strongly in 1993, when the regional recession peaked (see story p. 10).

Investing in Italy



The Milan bourse is dominated by activity in the 20 largest companies, which include Fiat and Benetton, among others.

ITA). About 93 percent of the fund's assets are invested in Italian equities and 2.5 percent in government bonds and convertibles with the remaining held in cash. Major holdings at the end of January were in the following sectors: 23 percent in telecommunications; 22 percent in insurance; 9 percent in financial; 9 percent in food and sugar; 9.7 percent in electro-mechanical engineering and autos; and 10.5 percent in banks. Tricia D. Rothchild, an analyst at Morningstar, which rates mutual funds, says the Italy Fund "holds promise for the long haul, but shareholders should be prepared to endure additional short-term volatility. Although Italy's economic house seems to be in order, political concerns continue to dominate the market." While the BCI index climbed 36 percent from January 1993 through January 1994, the fund increased 40.9 percent. In the first quarter this year, the fund's value rose 14.4 percent, placing it in the top two percentile for closed-end equity funds, according to Morningstar.

For information, contact: 1-800-223-2064. 

James D. Spellman is EUROPE's Luxembourg correspondent.



IT IS AFTER ALL HARDLY REASONABLE to suppose customers would be willing to lay out several hundred thousand dollars for an extremely fast car they can rarely accelerate much above 55 mph, which ordinarily seats just two, has no trunk space, and whose fuel consumption cannot be a selling point.

Lamborghini delivers an average 110 vehicles annually in the US, Ferrari around 800 last year. Maserati sends only a handful of cars to North America; most go to Japan and the Persian Gulf. Bugatti recently bought the British company Lotus, mostly to get access to Lotus' American dealer network, and will begin exporting to the US later this year.

It's fair to suppose most of the Italians in this business are there because they like building fast, beautiful cars. It's not an especially profitable trade. Ferrari alone stays fully in the black, sometimes with a little help from its owner, Fiat.

Maserati edged precariously toward bankruptcy until Fiat bought it a couple of years ago with an eye toward rebuilding the company. A new model, the Quattroporte, will be launched this summer.

Quattroporte simply means "four doors" in Italian. That's heresy in the sports car world. "We are oriented toward comfort," says a Maserati spokesman. "If you only want to drive fast, buy a Ferrari," he asserts.

Lamborghini has belonged to a lot of different people and has lost money for most of them. Until recently, it was a subsidiary of Chrysler. It was sold a few months ago to a consortium of investors led by Huotomo "Tommy" Suharto—son of Indonesian strong man General Suharto—and his partner, Indonesian financier/rock star Setiawan Djody.

In a curious press release announcing conclusion of the purchase, Djody commented that "we know that our world is now surrounded by 401 satellites and is a transparent and unbordered universe. This means not only that Lamborghini have the image power but also have the mystique power, besides the symbol of power and classical car."

They're still chewing that over at Lamborghini headquarters, but the appeal of these automobiles is, after all, not on the rational level.

Perhaps it is the same mad spirit which moves Bugatti to challenge the frightening economics of prestige cars. Beyond its recent purchase of Lotus, the company is introducing a major new model and intends to multiply its production four times over, to about 600 vehicles a year.

All this will take a great deal of money, more than Bugatti

has. Interested and romantically inclined investors are invited to contact the company's financial advisors, Credit Suisse—First Boston.

Still, the best investment in luxury cars is probably in the automobiles themselves. According to the *Guinness Book of Records*, the highest price ever paid for a "used" car was around \$10 million for a 1962 Ferrari 250 GTO auctioned at Sotheby's in 1990.

—James Hansen

Legendary carmaker Ferrari shows off its 456 GT at a show in Brussels.



Life in the Fast Lane

Italy's Carriage Trade Defies the Rational

BOSNIA IN THE BALANCE

The History Behind the Bloodshed

"...like a flame which has sought and finally found fuel, these long kept hatreds and hidden desires for destruction and violence take over the town, lapping, sputtering, and swallowing everything, until some force larger than themselves suppresses them, or until they burn themselves out and tire of their own rage."

—Ivo Andric, Nobel Laureate and native of Bosnia, as translated in *Broken Bonds, The Disintegration of Yugoslavia*, by Lenard J. Cohen.

ANDRIC'S TESTIMONIAL to the burning fury that enveloped Serbs, Croats, and Muslims in Sarajevo in 1914 would also capture the hostilities that consumed the region during World War II and then again in 1992. Yet, failing the successful intervention of the West this time, is it really possible that the wrath of those who have waged war for generations will ever truly extinguish itself?

Throughout its history, much of Bosnia's identity and ultimately its fate have been forged in relation to forces gathering at its periphery. Bordered by Catholicism and Christian Orthodoxy, wedged between the nations of Croatia and Serbia, and ruled successively by Ottomans, Austro-Hungarians, and Serb-dominated governments, Bosnia has frequently been the fulcrum for a troubled region's countervailing forces. Today, its viability is threatened as the pressures its leaders have sought to balance over the years push violently

By Gina Gianzero

toward its core and polarize its population. The recent formation of the Bosnian Croat-Muslim alliance, coupled with a more aggressive posture by the West, offers for some a glimmer of hope that the scales may soon be tipped toward Bosnian Muslims and away from the expansionist Bosnian Serbs and their accomplice, Serbia. For others, such moves promise only to mobilize Serbian counter-offensives. The question remains, if the scale ever settles at equilibrium again, what will have become of the Bosnia once at its center?

To those on its periphery and elsewhere who have at times either claimed Bosnia for their own or challenged its right to statehood, the overwhelming response from historians has been that, ever since the Middle Ages, Bosnia has belonged to the Bosnians. By the early 13th century, the Bosnian principality encompassed lands extending from the upper flows of the Bosnia River eastward to the mouth of

Above: A Turkish convoy attacked by insurgents in Bosnia-Herzegovina, shortly before Serbia and Montenegro declared war upon Turkey in 1876.

the Drina. Its early inhabitants were primarily of Slavic origin, descendent from Croat tribes (the basis for some Croat claims on Bosnia today), although the fluidity with which peoples intermingled and tribal kingdoms expanded and contracted make it difficult to ascertain precisely the composition of the medieval Bosnian population. In fact, 14th century Bosnian rulers incorporated parts of the neighboring kingdoms of Croatia and Serbia within its borders. Parts of Bosnia itself had been annexed earlier by Croats or subject to taxation by powerful Serbian kings. Bosnian kings were often able to preserve the continuity of Bosnian society by paying tribute to foreign kings in exchange for some autonomy over their own affairs. This limited acquiescence by Bosnian kings to Serbia has formed the basis for some Serbians' claims on Bosnia today.

What is perhaps most notable about early Bosnian society, however, is its distinct regional character in the face of powerful forces at its borders. Bosnians' adherence to Bogomilism placed them squarely at odds with Roman Catholic Croats to the west and Christian Orthodox Serbs to the east, whose religious affiliations corresponded, respectively, to the early Roman-Byzantine split in Christianity. In retrospect, the fact that most Bosnians chose neither of these two established religions may offer early insights into the Bosnian character and reveal a stubborn refusal to be defined by external forces and a certain innate adeptness at playing competing forces against each other.

The invasion of the region by the Ottomans in the late 1400s set the stage for the Croat, Muslim, and Serb rivalries of the next 100 years. Persecuted by their Catholic and Orthodox neighbors and promised economic and social privileges upon conversion to Islam, Bosnian Bogomils con-

verted en masse to the Muslim faith of their conquerors. By the late 17th century, Muslims constituted the majority of the Bosnian population. As Muslims, Bosnians were able to maintain the territorial integrity of Bosnia and enjoy considerable autonomy over their affairs.

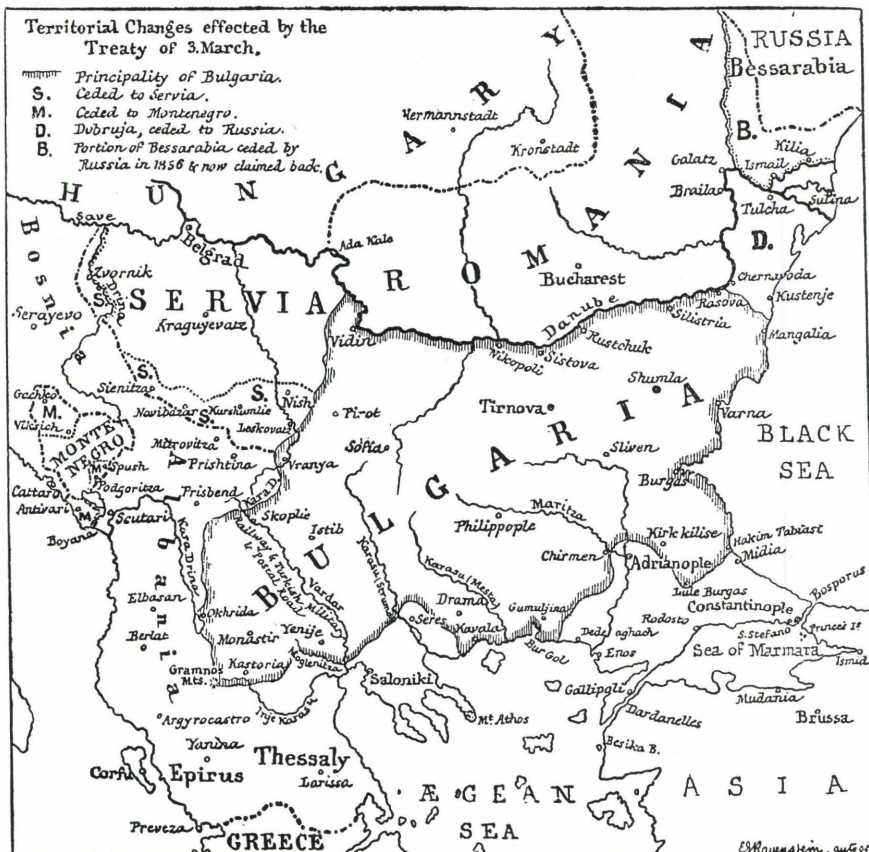
Life was far more difficult under the Ottomans for Serbians, who staunchly clung to their national faith of Christian Orthodoxy and were consequently denied their economic and political rights. Many Serbs fled to Bosnia, which remained unconquered by the Ottomans until many years after the occupation of Serbia. Following the Ottoman conquest of Bosnia, the Serbs then fled to parts of Croatia. Along with the Serbian refugees came the first major seeds of Christian Orthodoxy in Bosnia and Austro-Hungarian-controlled Croatia. Slowly, the common racial and anthropological roots of the southern Slavs were being shaped by distinct historical experiences. The multicultural caldron that became 20th century Bosnia was just beginning to simmer.

By the early 20th century, Bosnia had begun its long struggle to transcend the politics of nationalism. In a battle of national ideologies, waged primarily by elite extremists, neighboring Serbs and Croats often advanced complex historical arguments for their rights to claim Bosnia's Muslims as true Serbs or Croats. The Christian Orthodox Bosnians, whom Serbia increasingly considered to be Serbian, comprised over 40 percent of Bosnia's population, followed by the Muslims at 32 percent and the Croats at around 22 percent. While the most nationalist of Bosnia's Croats were concentrated geographically in western Hercegovina, Serbs were dispersed throughout the region.

Clearly, however, neither Serbia nor Croatia could realistically claim Bosnia as its own without first winning over Bosnia's many Muslims.

According to Ivo Banac, Yale University historian and Yugoslav scholar, the notion of Bosnian nationhood was only first conceived in the late 1800s as a defense against Croat-Serb claims. Banac writes in his seminal study of the "national question" in Yugoslavia that, despite a strong tradition of Bosnian statehood and autonomy, the notion of Bosnian nationhood was not popular with most Bosnians. "The Bosnian Muslim masses instinctively felt that the demands for nationalization split their community apart... To be a Muslim-Serb meant in fact to be anti-Croat and vice versa." Additionally, Bosnia's Muslims readily discovered that remaining uncommitted meant that they could exact support from both sides. In fact, Bosnian Muslims eagerly accepted the support of Serbians to forestall Bosnia's annexation by Austria-Hungary in 1908.

When the Serbs, Croats, Muslims, and others joined to form the first southern



The first published map showing the territorial changes affected by the treaty between Russia and Turkey signed at San Stefano in 1878.

Slavic kingdom at the end of World War I, Bosnia suddenly found itself at the geographic center of a country increasingly embroiled in incompatible national ideologies. Croat leaders, who had championed a Slavic union partly to escape Austro-Hungarian domination and partly to fulfill romantic notions of ethnic self-determination, had envisioned the new kingdom as an integrated union of Slavic peoples that would respect the independence of each of the South Slavic nations. Meanwhile, Serbian leaders, intent upon the unification of all Serbs into a single Great Serbian state, viewed southern Slavic union as a vehicle for assimilating truly "Serbian populations" like the Bosnians. Barry Brkic, a native of Bosnia and former Deputy Director of the Voice of America's Yugoslav Services, remarks that when the new country was named the Kingdom of Serbs, Croats, and Slovenes, "The problem was that what (the Serbs) considered Serbs at that time included Bosnians, Montenegrins, and Macedonians." Not until 1929 was the country renamed the Kingdom of Yugoslavia, although by then the Serbian agenda of running a Serb-dominated centralist state had dimmed the prospects for creating a federation of sovereign states.

For Bosnians, the idea of uniting the southern Slavic people as equals, later referred to as Yugoslavism, offered the

For Bosnians, the idea of uniting the southern Slavic people as equals, later referred to as Yugoslavism, offered the freedom not to choose officially between Serbian or Croatian nationalities but to defer instead to a supranationality.

freedom not to choose officially between Serbian or Croatian nationalities but to defer instead to a supranationality. To embrace Croatian nationalism, for example, implied a direct challenge to Serbia. The Yugoslav Muslim Organization (JMO), a powerful Muslim party originally formed to protect Muslim economic rights in Serb-biased agrarian reforms, rejected the notion of a separate Bosnian Muslim nationhood, citing repeatedly that its first loyalty was to Islam and fearing that allegiance to any national affiliation would ultimately lead to Bosnia's dismemberment. The JMO's refusal to ally with any one national interest also facilitated its emergence as a powerful broker in the new kingdom's Parliament, where it diligently, although not always successfully, engineered policies to protect Bosnia's territorial and social integrity. During this period, both Serbs and Croats

demonstrated a willingness to partition Bosnia in order to protect their own interests.

The experience of the first Yugoslavia did little to calm the passions of Serb and Croat nationalists and exposed Yugoslavism as a pretext for Serbian hegemony. The demise of Yugoslavism spawned such radical nationalist persuasions as the Croatian Ustashe and the Serbe Chetniks. Hitler's advances on Yugoslavia in 1941 uncovered cleavages so deep

During World War II, the Ustachis fought against both Tito's nationalists and the Germans.



in the country's national consciousness that killings of Yugoslavs by Yugoslavs far exceeded the number of casualties inflicted by the occupying fascist forces.

When Tito and his Communist Party of Yugoslavia finally constructed the new Yugoslav federation in 1945, he carefully replaced the Serbian concept of Yugoslavism with the notion of a federation of equal, sovereign republics. Secretly, he hoped that socialism and economic development would quell nationalist yearnings and engender a supranational culture of Yugoslav peoples. As part of an intricate strategy to balance the country's nationalities, Tito made Bosnia-Herzegovina a separate republic in the federation and recognized the Bosnian Muslims officially as a nation, temporarily curbing Serbian and Croatian designs on the region.

But the national question would plague Tito throughout his tenure in power, prompting extensive ideological re-evaluation and multiple strategies for balancing national interests within the context of a communist state. Tito's regime experimented with a variety of power structures, but as long as they all remained within the context of a single communist party system, the national question lacked the mechanisms necessary for its resolution. Moreover, socialism failed to produce the economic quality that Tito hoped would lead to unity. Ultimately, it was only Tito's strong hand that held together a patchwork of antagonistic republics.

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It is perhaps only in Bosnia where Tito's notion of multinational unity came closest to being achieved. By the 1990s, over a quarter of the marriages were of mixed nationality. Slowly, but surely, a truly multinational "Yugoslav" was replacing any artificial amalgamation politicians could produce. But all was not peaceful in Bosnia. Many national groups merely tolerated each other. Bosnia remained a powder keg ready to be set ablaze by ultranationalists once the opportunity presented itself. That opportunity had clearly arrived in the early 1990s, when communism's fall produced a wave of national parties and the ultimate disintegration of Yugoslavia. No republic had more to lose from such developments than Bosnia.

Bosnia's first multi-party election in 1990 yielded a shaky coalition of nationalist parties which was nevertheless united in its commitment to ending communism and to Bosnia's preservation as a multinational entity. The truly divisive issue concerned Bosnia's relationship to the other former republics of Yugoslavia. Serbia's unwillingness to tolerate an independent Bosnia was well known. According to Banac, "the Serbs would not accept the possibility of being less than sovereign in the constituent republics in which they constituted minorities." As Slovenia and Croatia made their secessionist intentions known, Bosnians became increasingly divided along nationalist lines over the republic's future. In February 1992, a referendum on Bosnian independence was



Negotiators Lord David Owen (left) and Thorvald Stoltenberg (right) meet French General Philippe Morillon (center) at the Sarajevo airport en route to talks with Bosnian Serb leaders.

held, with the Bosnian Serbs abstaining. Those who voted chose secession—a decision Serbs would not let stand. By April, Bosnian Serbs, bolstered by locally based national armed forces and Serbian-based ultranationalists, had begun hostilities. Suddenly, not unlike the wrath witnessed by Andric three-quarters of a century earlier, the rage of Serbs, Muslims, and Croats erupted into a blood bath. Fighting began in May 1993 between Bosnian Croat forces (which were

supported by the Croatian government and Croat ultranationalist groups) and Muslims for control of historically Croat-inhabited parts of Bosnia. The solution seemed inevitable: wait for the intervention of greater forces from the West.

Greater forces were slow in coming, and when they did arrive they often proffered quixotic remedies that overlooked the true nature of the national question. They prescribed precisely what Bosnia's forefathers had been so careful to avoid: give power to national interests organized territorially. Bosnia's leaders knew that once Bosnia's people were territorially divided by nationality, they became easy targets for Serbian or even Croatian claims. It was only when the nations were thoroughly dispersed throughout Bosnia's territory that outside claims were most untenable. Students of the region's problems are more optimistic that the most recent incarnation of a plan for post-Yugoslav Bosnia, which includes neutral areas and cantons that are *not* defined according to nationality, is a more realistic, if not entirely just, solution. In the meantime, radical Bosnian Serbs have not waited for the West's plans but have chosen instead to shift entire nations into territorial constructs themselves. By "cleansing" entire areas of Muslims, they have, in effect, created majority Serb territories within Bosnia—regions that they may now more easily incorporate into their designs for a Greater Serbia.

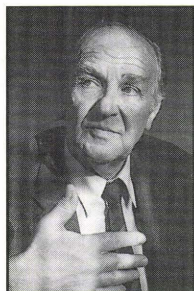
That the West has recently decided to back its diplomacy with force is a new variable in the Bosnia equation, as is the recent decision by Bosnia's Croats to coexist in a federation with Bosnia's Muslims. The equation, however, still has far too many unknowns to make it solvable. How much force the West is willing to use remains a key factor. Serbian-Croatian relations, another story altogether, are also relevant. But perhaps the most important variable of all is whether the local populations, especially the many refugees, can ever let their rage die. History has once again heaped new hatred upon old. Unless the separatist Bosnian Serbs are stopped and lands and homes are returned to their Muslim owners, it is likely that a great deal of time will elapse before the people of Bosnia either "burn themselves out or tire of their own rage." ☹

Gina Gianzero, based in Washington, DC, is a regular contributor to EUROPE.

Who's Who in the Bosnian Political Landscape

In the shadow of the bombed-out shell of the former Yugoslavia stand several critical players whose roles in Bosnia-Herzegovina will determine the future contours of the region and the prospects for a lasting peace.

Alija Izetbegovic: President of Bosnia since its first multi-party elections in 1990 and co-founder of the Party of Democratic Action. Since Bosnia's recognition by the UN in 1992 and the subsequent invasion by Serbian forces, Izetbegovic has been consumed by the business of war and negotiations for an acceptable peace settlement in post-Yugoslav Bosnia. A devout Muslim, Izetbegovic was imprisoned twice by the communist government of Yugoslavia in the 1940s and 1980s for his Islamic fundamentalist beliefs and anti-communist activities. He has long considered the reinforcement of the Muslim national consciousness as the best defense against Serb and Croat nationalist claims on Bosnia.



Haris Silajdzic: Bosnian Prime Minister since October 1993 and formerly its Foreign Minister. He has strongly objected to partition plans that would deny the new Croat-Muslim federation the land in which Muslims or Croats constituted a majority before the Bosnian war began in April 1992. If the Serbs refuse to concede more territory, Silajdzic has asserted that they will face more war. He is counting on the strength of the new Croat-Muslim military alliance, plus the weapons, expected to flow to his men through Croatia now that Croat-Muslim fighting has stopped, to enhance his position. Silajdzic staunchly rules out any deal that would allow the Bosnian Serbs to join Serbia proper.



Radovan Karadzic: Co-founder of the Serbian Democratic Party in 1990 and leader of the self-declared Serb Republic in Bosnia. Karadzic is determined that Bosnian Serbs not be cut off from Serbia. Although he has not rejected union with the new Croat-Muslim alliance in Bosnia, he is insistent that a Bosnian Serb republic be treated as a sovereign state. Known for violating ceasefires and renegeing on agreements, he has remained defiant in the face of international pressure and more recently in the wake of NATO airstrikes. A psychiatrist by training, Karadzic spent much of his pre-political career working in state hospitals specializing in neuroses and depression.

Kresimir Zubak: The third in a rapid succession of Bosnian Croat leaders, Zubak was elected President of the Presidential Council of the Croatian Republic of Herzeg-Bosnia and head of the Bosnian Croat delegation at Croat-Muslim peace talks. His predecessors in these positions, respectively, include Mate Boban and Mile Akmadzic, both of whom the Bosnian government considered to be too hard-line in their approach to the question of Bosnian Croatian self-determination. Zubak may also be next in line for the new federation's presidency, which Croats point out should have been turned over to a Croat in December 1992 when Izetbegovic's mandate expired. Zubak is the only high-level politician in Bosnia not affiliated with any political party.

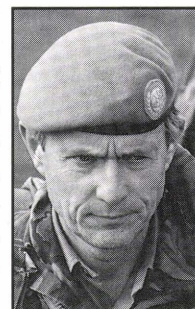


Slobodan Milosevic: President of Serbia since 1990, Milosevic is believed by many to be the instigator of the war in Bosnia as well as the key to any lasting peace plan. Serbia has been the primary arms supplier to separatist Bosnian Serbs. Elected to a second term as president in 1992, Milosevic's popularity has been greatly eroded within Serbia as international economic sanctions, retribution for his support of Bosnian Serbs, cripple the Serbian economy. Milosevic began his ascension to power as a nationalist spokesman in the late 1980s by stirring up ethnic hatred against the Albanians in Kosovo and later by asserting that the Serbs suffered in Tito's Yugoslavia.



Franjo Tudjman: President of Croatia since 1990. A leader of Croatian nationalist activities since the late 1960s, Tudjman has at times supported the division of Bosnia along ethnic lines in order to regain for Croatia Bosnian lands promised to Croatia by the Yugoslav government shortly before Hitler's invasion in 1941. Recently succumbing to intense international pressure, Tudjman abandoned plans to carve out a Croatian sphere of influence in Bosnia and encouraged proxies in Bosnia to agree to a federation between Bosnian Croats and Muslims.

Lieutenant-General Michael Rose: British commander of the United Nations Protection Force in Bosnia. Since assuming what has been described as a "brute of a job" in January 1994, Rose has succeeded in halting Serbian shelling of Sarajevo and ordering the first NATO airstrikes on the region.



Rose's predecessors in the UN role include a Belgian, a Frenchman, and a Canadian, all of whom have left the post frustrated by UN indecision about its mandate in the region. Oxford and Sorbonne-educated, Rose has completed tours in Oman, Malaysia, Germany, Northern Ireland, and the Falklands among others. His hard-nosed military manner is expected to serve him well in dealing with the complicated and often confused lines of command intrinsic to this assignment.

Charles E. Redman: The United States Special Envoy for the former Yugoslavia since August 1993, Redman is charged with the difficult task of engineering an acceptable partition of Bosnia between the new Muslim-Croat federation and the self-proclaimed Bosnian Serb republic. A career Foreign Service Officer, Redman has formerly held positions as US Ambassador to Sweden, Assistant Secretary of State for Public Affairs, and State Department spokesman.

Lord David Owen: European Union Special Envoy and former British Foreign Secretary who succeeded Lord Carrington as co-chairman of the EC-US International Conference on the Former Yugoslavia in August 1992. Together with UN negotiators Cyrus Vance and Thorvald Stoltenberg, successively, Lord Owen has authored several peace plans for the resolution of the conflict in Bosnia. The Vance-Owen and the Owen-Stoltenberg Plans both advanced strategies for administering Bosnia that relied to some extent on territorial division along ethnic lines.

—Gina Gianzero

When Russian soldiers entered the Bosnian town of Pale on their way to reinforce multinational peacekeepers in the then-besieged city of Sarajevo, Bosnian Serbs lined the streets cheering, presuming that their Russian cousins had, once again, ridden to their rescue.

After all, the once mighty Red Army had extracted Serbia from more than a few scrapes over the years. Russia sent nearly 1,000 volunteers to fight in the Serbian army during the brutal Ottoman domination of the Balkans in the mid-1870s and reluctantly declared war on Turkey in 1877, despite international opposition to Russian interference in the Balkans and economic instability at home. Russia successfully defended Serbian territory but not without incurring the wrath of much of Western and Central Europe.

Russia returned to the aid of Serbia in 1914, after Serbian dissidents assassinated the heir to the Hapsburg throne, Archduke Franz Ferdinand, sparking World War I. Rather than face a massive Slavic defeat in the Balkans, Russia grudgingly entered the conflict on the side of the Serbs.

The special relationship between Russia and Serbia stems from shared cultural links, as the two speak closely related Slavic languages and practice similar forms of Orthodox Christianity. Many Russian intellectuals, most prominently writer Fyodor Dostoyevsky and historian Nicholas Danilevsky, refer to the concept of commonality of the peoples of Russia and the Balkans as pan-Slavism.

Modern Russian politicians have been nearly as supportive of Serbia as their predecessors, with modern day legislators coming down heavily in favor of the Serbian position during the most recent strife in the former Yugoslavia. Russia has vehemently opposed punitive air strikes against Serbia proposed by many members of NATO and has threatened to veto any military action that the United Nations might consider in the Security Council.

Furthermore, the previously Communist-dominated Parliament—dismissed by Russian President Boris Yeltsin last September—had repeatedly accused Foreign Minister Andrei Kozyrev of bowing to the West and betraying Russia's Serbian brothers. In early March, the State Duma, or the lower house of the current legislature, passed by a vote of 280 to 2, a non-binding resolution to lift Russia's embargo on Serbia.

President Yeltsin believed that "the medicine (in Bosnia) should not be stronger than the disease," according to his press secretary, Anatoly Krasikov.

As the war in Bosnia and Western military powers heaped increasing condemnation upon the Serbs, Russia faced a dilemma. Should the country use its military might to support its cousin or bow to the



SHARED HISTORY

Serbia's Ties to Russia

Western club which Russia is so eager to join? Russia decided to sit on the fence, asking the Serbs to comply with a February 10 NATO ultimatum to remove or relinquish the heavy artillery surrounding Sarajevo or face air attacks. In return, the Russians promised to send 400 peacekeepers from its 1,000 strong battalion in eastern Croatia, with a promise of several hundred more troops at a later date.

dred more troops at a later date.

"Russia has...returned to the sources of its historical policy and role in the Balkans and defended the Serbs, who are close in faith, culture, and national spirit," said Vyacheslav Kostikov, another Yeltsin spokesman, following the eleventh hour announcement of the Russian initiative.

While Russian diplomacy may have gone a long way toward defusing tensions in Bosnia, a number of observers, including some Serbs, have begun to question whether the Russians intervened out of concern for internationally isolated Serbs or to raise the government's profile both at home and abroad.

A Western diplomat familiar with the peace process said recently that "the Russians do not really have the deep fraternal commitment to the Serbs that many believe they have," while Russian presidential spokesman Kostikov hinted at Russia's aim to rejoin the world's powers, claiming that the Russian initiative in Bosnia has allowed the former Soviet power to "firmly establish the parameters of its influence in Europe and the world."

Russian forces in the town of Ryazan, preparing to join their peacekeeping forces in and around Sarajevo, spoke briefly about their affection for Serbia but may have been more swayed to accept duty in the former Yugoslavia by the promise of a hefty paycheck, sources indicated. Soldiers on peacekeeping duty earn \$700 a month—about ten times the average Russian monthly wage.

But with Russia angling for acceptance from the world's largest industrial powers—most of whom regard the Serbs as the aggressors in the Yugoslav conflict—how far is Russia prepared to go to protect its Slavic neighbors? Sources indicate that Moscow's aggressive pursuit of pan-Slavism could jeopardize Russia's strong desire to join the Group of Seven, the club of the world's biggest economies. While Russia's struggling economy is hardly the world's eighth largest, President Boris Yeltsin—who is planning to attend the July G7 summit in Italy—is likely to haggle for some sort of associate membership, commensurate with Russia's political might.

With Russia attempting to gain international and economic credibility, pan-Slavism could be in its twilight.

—Laurie Laird

Above: Russian troops are deployed as peacekeepers in Croatia and in Bosnia.

For almost three years the world has borne witness to the continued ravages of fighting in the former Yugoslavia, particularly in Bosnia. The overwhelming bloodshed and flood of refugees has reached proportions not seen in Europe since World War II. Because of its proximity to the situation, the European Union and the nations of Western Europe have come under criticism for what has been described as a lack of resolve to face this problem unfolding in their backyard. Few will argue that political progress toward ending the fighting has been frustratingly slow; however, officials at the EU argue that it is unfair to discount EU efforts on the humanitarian front.

EU officials point out that the Union and its member states form the backbone of one of the largest humanitarian operations ever undertaken. Since 1991, the EU has contributed

685 million ecu (\$768 million) to aid those affected by the fighting, plus an additional 276 million ecu (\$309 million) from the individual

member states, bringing the total European assistance to almost one billion ecu (\$1.12 billion), or more than 65 percent of the total global assistance sent to the war torn region. "[The European Union's] aid to victims of the conflict in the former Yugoslavia constitutes an unprecedented effort of solidarity," EU Commissioner Manuel Marín said recently. "In spite of its political shortcomings the [EU] has proved itself equal to its responsibilities in humanitarian matters."

At the center of the EU's humanitarian aid program is the newly created European Community Humanitarian Office (ECHO). Established in 1992 and operating under the European Commission, ECHO coordinates humanitarian efforts by the European Union to third countries. Working in tandem with organizations such as the Red Cross and the United Nations, ECHO organizes the preparation, implementation, financing, follow-up, and evaluation of humanitarian aid decisions and activities. ECHO not only operates in the former Yugoslavia, but assists threatened populations across the globe regardless of race, creed, or political circumstances. Currently ECHO is working in Somalia, Burundi, the Caucasus, Peru, Cuba, and other areas.

This new organization has meant both a faster response and increased efficiency in responding to humanitarian needs. According to Santiago Gomez-Reino, ECHO director, this centralization means that "today requests go directly to the decision-maker, who makes a decision within hours. ECHO centralizes all the [Union's] humanitarian actions and ensures more efficient coordination with the member states. All this is done with a single goal of acting more rapidly and efficiently and avoiding duplication of work."



Manuel Marín is the EU Commissioner overseeing the ECHO program, which is providing aid to refugees in the former Yugoslavia.

ECHO OFFERS HOPE

This structure allows decisions to be made within hours of receiving a request and ECHO can have a team on the ground within four days.

Officials say the main focus of ECHO lies in the coordination and management of the several relief efforts. ECHO direct actions in the field are extremely limited, representing only 5 percent of the aid ECHO provides. ECHO only acts in very specific cases, filling in gaps left by other organizations. Contracted partnerships are established with humanitarian partners to establish a structured relationship between the EU and its humanitarian partners. These partnerships provide the basis for a long-term, stable structure for distributing humanitarian aid.

How to assist the refugees poses one of the biggest problems associated with the relief effort. ECHO has undertaken a number of measures in the former Yugoslavia to ease the problems

associated with dealing with a number of refugees that is equal to half the population of Belgium.

In addition to the fi-

ancial support, the EU, for the first time, is involving its personnel directly in the aid operations. With a coordination team in Zagreb as part of the European Community Task Force (ECTF), the relief effort goes beyond organization and footing the bill. Every day hundreds of men and women put their lives at risk to get food and supplies to those suffering through the war, a fact made all too clear last year when two drivers were killed in an ambush.

Current efforts include distributing parcels of yeast, oil, pasta, soap, sugar, powdered milk, and feta cheese to households in Serbia and Montenegro hosting refugee families. This allows families to continue to host those displaced by war and gives the refugees a feeling of being able to contribute to their hosts. These family parcels are organized through the ECHO team in Belgrade and are distributed through a well-oiled distribution system that brings the packages to the front doors of the houses with refugee families. Other ECHO actions include medical and psychological treatment for women who have been survivors of rape and sexual abuse by soldiers; an independent radio station set up on a ship and broadcasting along the Adriatic coastline; and support for freelance journalists and other members of the media to continue reporting the situation in the former Yugoslavia.

Although it is rather dim consolation, officials say that the lessons learned in operating such a massive relief effort will be put to use around the world in future situations requiring aid. And with a civil war raging in Rwanda and trouble brewing in many of the former Soviet republics, it unfortunately appears that ECHO's work will continue to be required.

—Michael Panetta

Vice President, **BOSNIA** Ejup Ganic

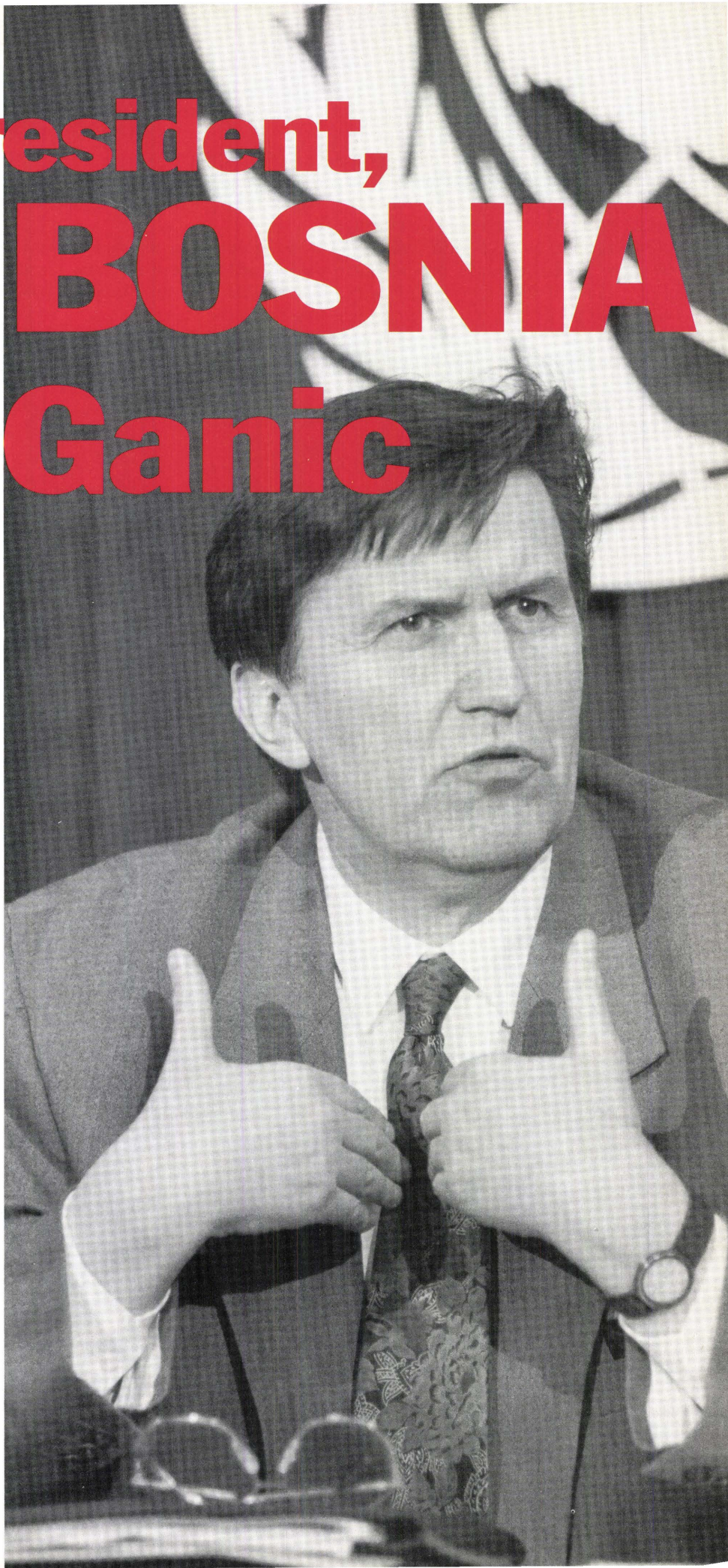
Bosnian Vice President Ejup Ganic was interviewed in late April 1994 by *EUROPE* Editor-in-Chief Robert J. Guttman in Washington, DC.

What's the primary cause of the war? Is it a civil war, or is it a war of aggression?

I think the Washington Agreement shows that this is a war of aggression. Because the policy that the Serbs have exercised for the last two years makes it a war of aggression. I know there is a plot to call this war a civil war, because once you have a civil war there is an excuse [for other nations] not to get involved. But clearly, the Serbs want to extend Serbia. There is not a fight for change, for a new government. This is not a war of socialism against capitalism or anything like that. These aggressions started in Serbia, nationalists there want to create a "Greater Serbia," but they should leave Bosnia alone. Basically, the war will be stopped on the day that the Belgrade regime decides to abandon this venture and leave Bosnia to Bosnians.

What about Bosnian Serbs, are they working together with other Serbs?

Let me tell you, less than 50 percent of Bosnian Serbs live on the territory that is controlled by [Serb military leader] Radovan Karadzic. Less than 50



percent. Bosnian Serbs are organized politically, they have a separate assembly opposed to Karadzic's assembly. But, Lord Owen sort of promoted those that had weapons, in reality. But I think, eventually peace must be negotiated, and must take into account Bosnian Serbs who are pro-Bosnia. There must at least be parallel talks with those Serbs.

What was the actual primary cause of this war?

[Slobodan] Milosevic wanted a "Greater Serbia."

Is it really as simple as that?

I would say it is very simple. [Milosevic] wanted this "Greater Serbia," and at the same time, he had signals from Europe that they were not strong enough to challenge him on that.

What were the signals that Europe wouldn't protect the rest of the former Yugoslavian states from Serb aggressions?

We asked for preventative measures. Because we Bosnians were in the middle, we said, "look, we have Croats, we have Serbs, we have Bosnian Muslims, all of these ethnic groups dominated by one group." We wanted a better balance, so we asked the UN and the EU to send troops before the aggressions, to secure the borders. But they didn't do it. Preventative medicine is the best medicine. But they did not exercise that preventative medicine. Now they want this "surgical operation."

Do you want to see the West use air power in Bosnia?

Air power can discipline and retaliate in force to stop actions. Of course it can weaken the Serbian position, by destroying supply lines....

Would you favor a Western attack on Belgrade?

That would be the fastest way to do the job. Because the problem is that Belgrade is isolated: television is government controlled and people don't hear all of the details of the war. If you hit munitions factories or something like that, then the message would be immediately understood. Then, something would be

done. Even Russia now appears to be cooperative in a sense, saying "Look, we are a superpower and we've been misled by these Serbian nationalists. They've lied!"

Are you surprised by the apparent lack of political will in the West, from the UN, from NATO, from the European Union, from the United States?

The United States has to lead. This is a moral issue....



"With the West, we can defend our country. They have to defend Bosnia; otherwise, there will be moral bankruptcy and more wars like this one everywhere else."

So you feel it's up to the United States to take the lead?

Yes, to make the first move. I then hope everyone else will follow. Let us see that this is a superpower, that these people value morality and legality as

important issues that have always played a role. That is how you tell the difference between, let's say, this kind of system [in the US] and another kind of system in Russia.

If nothing happens and the war continues, do you foresee Serbia attacking Kosovo and the Former Yugoslav Republic of Macedonia?

More or less, because the regime really keeps itself on the warpath. It keeps itself in a single position: war. Because they know that if they look backwards, the economy will be badly hurt. But they don't want a break in the war so that people realize they've lost their jobs and their futures, that the smart kids have fled abroad.

Has genocide been committed in the war in Bosnia?

Yes, there has been. But now the West knows about it and has to do something. The ethnic cleansing, the genocide has to be stopped. You see what they did in Gorazde. They squeezed the area; there were many [outlying] villages there; all of those people are now confined to the downtown.

Why do you think the West seems to be afraid of Serbia?

Let me say one thing. People forget. When you don't feel the pain directly, you have no inertia to act. Remember how people tolerated Hitler in the beginning. British diplomats believed that the Czechs weren't behaving well when Hitler took over Czechoslovakia. And of course, military people in the West create problems because they like to get paid their salary and not get involved in uncertainties. If they get involved in Bosnia, their pay won't necessarily go up, but they will be tested. The idea is: don't go if you don't have to; it's too complicated. Now I don't think the West is afraid of the Serbs, it's just inertia. By the way, they have to be hit hard.... If you hit him hard, it's another story entirely. If the West hits hard, you will see a change. For example, they could only survive for half a day.

So in your opinion if the West bombed Serbia, would the war come to an end?

I believe so, yes. But you can also discipline the Bosnian Serbs, by destroying bridges and supply lines, wiping out the major junctions so that they cannot move their tanks. Then of course they will come to the negotiating table....

I have read that approximately 70 percent of your country is controlled by Serbs. What would you get from a peace agreement? Would Bosnia get land back?

No. Private land must be returned to the citizens who own it. Or at least half of that land. When you talk about land, you are talking about the rights of people. We as a government do not have the right to bargain with this land. It's something that, even if their home is destroyed, the people still have.

So the key terms of any agreement must include the return of Bosnian lands to private individuals?

Yes, exactly. And the Serbs claim no respect of private land ownership.

What other terms would be necessary for a peace accord?

The country must be preserved. A federation should be established with freedom, but enough strength to defend itself and preserve the country.

You have spoken a lot about "fighting with one hand tied behind your back." Do you feel that Bosnia is fighting with one hand tied behind its back?

Not only with one, but with both sometimes.

Many have said that the West can't take sides in this war. But hasn't the West already taken sides by imposing an arms embargo on Bosnia but not preventing arms from getting through to the other side?

Yes, that is what I have said before. It is entirely correct to see it that way. When history is written, that will be the dark spot on the West.

In the press, comparisons have been made to the appeasement at Munich before World War II. Do you make this same analogy?

"The war will be stopped on the day that the Belgrade regime decides to abandon this venture and leave Bosnia to the Bosnians."

Yes, I have on many occasions.

Would you like to see more Western ground troops deployed?

That is a sensitive issue. We can do a lot without them, but troops would be more effective.

What's happening in Sarajevo now? Is it any more peaceful than before?

It's certainly more peaceful. With the West, we can defend our country. They have to defend Bosnia; otherwise, there

will be moral bankruptcy and more wars like this one everywhere else. You simply cannot accept that decline.

Is the West rewarding aggression?

So far, yes. But it's never too late.

Can the West still save Bosnia?

Yes.

Do you see any parallels between this conflict and the events before World War I?

Not World War I, but World War II. You see, if the UN [had been in existence and] had acted in 1939 as they are now, then everybody would be speaking German.

One last question—the Croat-Muslim Confederation, how does that work?

Our country, as an independent country, is ready to make bridges to those democratic states, and we have interests that can connect us to some extent with Croatia. Especially economics. ☺

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Europe's Economic



Recession

Finally, after three years of sub-par performance, with the beginning of summer comes unmistakable signs of economic recovery in continental Europe. Car sales were up smartly in the first four months of the year, signaling a rebound from the European auto industry's steepest post-World War II slump. Central banks, led by the Bundesbank, again reduced short-term interest rates, which by May were at their lowest level since 1989.

While shallow, Western Europe's recession has been prolonged and uneven, with no substantial growth since 1990. Recession came first to the

By Barry D. Wood

Recession still looms but summer brings signs of economic recovery

United Kingdom and Scandinavia where the biggest declines in gross domestic product occurred in 1991. The UK's turnaround began in late 1992 when it pulled sterling out of the EU's exchange rate mechanism and slashed interest rates. Despite higher interest rates, Germany and France actually saw modestly improved performance in 1992 with growth of 2.1 percent and 1.4 percent respectively. The continental recession really took hold last year with output declines not only in the biggest economies, Germany (-1.2 percent) and France (-0.7 percent), but in Italy (-0.7 percent), Spain (-1 percent), Portugal (-0.8 percent), Austria (-0.5 percent), and Switzerland (-0.7 percent).

EU HUMANITARIAN ASSISTANCE

European Union Commissioner for Cooperation and Development **Manuel Marín** recently spoke to *EUROPE* about ECHO (European Community Humanitarian Office) and its role in providing humanitarian assistance throughout the world.

In 1992, the European Commission set up ECHO. Why did you take this initiative in the first place?

Since 1970 the European Community has considered humanitarian aid to developing and other third countries as an important part of its responsibilities.

In recent years, the world has faced major crises in humanitarian terms (Kurdistan, Bangladesh, famine, and civil wars in Africa, Eastern Europe, including former Yugoslavia, and Albania) which highlighted a need to improve the response of the international community and, in particular, of the European Union to both natural and man-made disasters.

It has thus become evident that an effort to provide immediate, appropriate, and better coordinated help to countries and people who need it is an imperative. Hence the idea to create ECHO. My primary aim was to improve efficiency while giving the Community's humanitarian aid effort a higher profile.

What does ECHO actually do?

The mandate received by ECHO is to take full responsibility for a coherent administration of three main tasks (outside the borders of the Community) which had previously been carried out by several services within the Commission: humanitarian aid, emergency food aid, and prevention and disaster preparedness activities.

Apart from concentrating and reorganizing the Commission's internal resources, increased efficiency is to be achieved through better external coordination with the Commission's partners (Non-Governmental Organizations, UN agencies, and other international organizations), closer relations with member states, disaster preparedness, and readiness to engage in direct actions if other solutions were not available or were inadequate.

During recent years, funds made available to the European Commission for its humanitarian actions have increased in response to the many crises which have required assistance as a measure of solidarity from the Community.

Resources have gone up to more than \$700 million in 1993, the first year that ECHO was fully operational. Humanitarian aid as opposed to our development aid is disbursed without any conditionality or discrimination to more than 40 countries. The top recipients in 1993 were the former Yugoslavia, the Caucasus (Armenia, Azerbaijan, Georgia), Burundi, Rwanda, Iraq, Somalia, Sudan, Uganda, the Palestinian Occupied Territories, Liberia, Cuba, and Angola.

In practically all disaster areas, the European Union and its member states are now the first world donors.

How does ECHO operate?

More than 90 percent of ECHO administered actions in the field are implemented by Non-Governmental Organizations (NGO), United Nations Agencies or other international organizations.

Due to this close relationship between the Commission and its partners, we felt it necessary to structure and institutionalize our long-term relations with them. More than 80 NGOs and international organizations have now signed a new instrument, the Framework Partnership Agreement, which came into force in September 1993.

A similar Framework Partnership Agreement has been signed by the United Nations High Commission for Refugees (UNHCR), our most important UN partner within the field of humanitarian aid.

We also made a special effort last year to cooperate closely with UN agencies, including the Department of Humanitarian Affairs (DHA) in other than immediately operational areas.

In order to ensure better coordination of humanitarian aid, quarterly meetings have been instituted with the twelve European Union member states to provide a

EU ASSISTANCE (CONTINUED)

forum for exchange of information and views on essential humanitarian assistance throughout the world.

Moreover, ECHO has worked consistently on strengthening relations with its humanitarian aid counterparts within the US government. Initial contacts have been made with another potentially important actor on the international scene of disaster relief, the Russian government, which has at its disposal considerable manpower and resources, which are of particular interest in the trouble spots of the former Soviet Union.

Has the creation of ECHO affected relations between the European Commission and the US administration?

Ever since ECHO became fully operational at the beginning of 1993, it has been in the cards that the two biggest donors of international humanitarian aid, the European Union and the United States, could and should work more closely together.

The humanitarian services of both the Commission and of the US have made a great effort to work out effective ways on how to cooperate. Several US officials have paid visits to the Commission, and Commission officials have in turn been invited to Washington since the beginning of 1993. The most immediate result of this European Commission-US dialogue is that Commission and US officials are now in regular contact and share information at all levels about specific humanitarian actions, and that a joint disaster assessment has taken place in Tadzhikistan.

The Commission and the relevant parts of the US government are in the process of establishing a system of regular meetings to discuss not only concrete actions and future plans in given areas, but also general policy matters. This includes regular telephone conferences between the US humanitarian services, the European Commission (ECHO), and relevant UN agencies (e.g. WFP and UNHCR) on major areas of joint concern.

The Commission's relationship with the US government's humanitarian agencies is in many ways complementary to other efforts aimed at strengthening the international coordination in humanitarian aid. The US government and the Commission on several occasions initiated discussion forums involving all the relevant UN agencies and other major donors. Both the Commission and the US agencies are keen supporters of setting up a powerful disaster information network within the UN, the so-called IERRIS system. Until this

system is fully developed, the Commission and the Bureau for Humanitarian Response within the US government have decided, with effect from 1994, to mutually exchange all data on field operations in order to avoid overlapping and "black holes" (where no donor support is forthcoming).

I am quite confident that more progress will be made in the cooperation with the humanitarian services of the US government in the near future.

How does the European Union compare with other donors in the humanitarian field to former Yugoslavia?

Over 4 million refugees and displaced persons in all the former republics of Yugoslavia have been assisted during this year with a wide range of projects, which apart from immediate needs also include psychiatric treatment to victims of rape during the war, newsprint for independent media, and copy books for school children.

Since the start of the crisis the European Union has been the largest donor. The European Union plus the member states have contributed 68 percent of total world aid while the US accounted for 12.6 percent, and Japan for 2.4 percent.

We should also bear in mind that in addition to this material contribution, many of the NGOs working as our partners in the field have suffered casualties in the course of these operations.

What is your assessment on ECHO after its first full year of operation and what are the prospects for the future?

We really have come a long way since we first put forward the idea of setting up ECHO. I believe that throughout 1993 ECHO has shown that, with its comparatively small team of about 50 civil servants, it can significantly improve the efficiency and coordination of the European Union's humanitarian effort.

But a lot remains to be done. Unfortunately the crises in the field of humanitarian aid will not disappear. The Commission cannot, almost by definition, predict or program in any meaningful way future humanitarian actions. But our aim has been to achieve a maximum degree of readiness.

Improved management tools within ECHO, the Framework Partnership Agreements, and the network of coordinators on the spot in important disaster areas will put the Commission in a better position to cope with future humanitarian challenges.

BUSINESS BRIEFS

Electrolux finalized the \$430 million acquisition of **Hausgerate**, the household appliances unit of **AEG** of Germany.

The deal consolidates the Swedish firm's position as the world's leading maker of household appliances with yearly sales of almost \$9 billion. It will

give **Electrolux** a 25 percent European market share.

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Roche, the Swiss drugs group, made a \$5.3 billion agreed bid for **Syntex Corp.** of the US, catapulting it into fourth position in the world pharmaceuticals league.

The acquisition was part of the takeover revival in the \$200 billion a year industry after a lull following the merger mania of the late 1980s.

The Anglo-American **Smith-Kline Beecham** is buying the US drugs distributor **Diversified Pharmaceuticals**
(continued on back page)

NOTEBOOK: EUROPEAN PARLIAMENT ELECTIONS

For three days in June Europeans will go to the polls to elect 567 men and women to represent them at the European Parliament in Strasbourg, France. But Strasbourg is a long way from Sussex, Sicily, and Stuttgart. And just like electors in the other member states, voters in the United Kingdom, Italy, and Germany seem less concerned with issues affecting the EU as a whole than with their own local affairs. Candidates speak not of the direction their Europe is taking, but of local unemployment figures, national partisan rivalries, and local political scandals. Across the continent, the European elections of June 9–12 promise to be a peculiar affair—a political happening that will shape the face of the European Union, but one that seems to have almost nothing to do with official business in Brussels.

Members of the European Parliament have been directly elected by the citizens of each member state since 1979. As such, the EP is the most democratic of all European Union institutions.

Because the Parliament appears to have a backseat role in determining European policy, many in the media tout the European elections as a warm-up for other, more decisive national contests. In the UK, the election has been cast as a vote of confidence for John Major's Conservative Party. In Germany and Greece, high unemployment promises to turn the June 9-12 vote into a referendum on the economic policies of the ruling parties there. In Spain and in Belgium, scandal-racked administrations are hoping to reaffirm public support by maintaining their hold on seats they already control in the Parliament. In France, local issues so dominate the public's attention that groups expressly opposed to the European Union are campaigning to win seats in its Parliament.

While these local stories are important, the effect of the European elections will be felt not only at home, but in Brussels as well. Since the Maastricht Treaty came into effect, the EP has gained a stronger, more active role in EU affairs. Granted the power to veto certain legislative acts approved by the Council of Ministers and increased control over the make-up of the Commission, members of the Parliament have begun to flex their newfound political muscle. Once little more than a consultative body relegated to the political sidelines, the European Parliament now acts with its own agenda.

Last month, the EP nearly foiled the EU's latest enlargement plan by refusing for weeks to vote on the accession treaties of Norway, Finland, Sweden and Austria. And as part of an ongoing process of institutional evolution, the strengthening and expansion of parliamentary powers will almost certainly take another leap forward when, in 1996, the EU meets during the intergovernmental conference on institutions and rules. Some members already foresee the possible extension of new legislative initiatives to the Parliament in that year.

—Robert Murdock

WHAT THEY SAID...

"There are two messages coming from the Italians. One is to reassure people that the new government is not fascist or neo-fascist and the second is that there will be continuity in foreign policy."

—A European diplomat discussing concerns about Italy's new government.

"A successful combination of French élan and British pragmatism."

—Queen Elizabeth II quipped during a speech delivered at the official opening of the Channel Tunnel.

"...many people equate Europe with a giant machinery which unflinchingly churns out rules and regulations."

—German Economics Minister Günter Rexrodt describing the government's deregulation agenda and plans for Germany's turn at the European Union presidency during the second half of this year.

"Don't worry, your *topfenpalatschinken* (cream cheese pancake) will stay the same after Austria joins the EU."

—A Viennese government official told a pessimistic transport authority worker who remained undecided about his support for Austrian membership in the EU.

"It is a large warmhearted invitation to join us. It's up to them to decide."

—Greek European Affairs Minister Theodore Pangalos during a news conference celebrating the European Parliament's endorsement of the EU plan for enlargement.

"It is the second time in my life that I have been ashamed. I think I will carry the shame to the end of my career."

—European Commission President Jacques Delors lamenting the European Union's failure to stop the bloodshed in Bosnia-Herzegovina.

"I shall think of him as an opponent, not an enemy, and when I remember him I shall do so with respect and with affection."

—UK Prime Minister John Major during an address honoring the death of Labor Party leader and political rival John Smith.

"It's not very good but better than before and the best we can get."

—One EU diplomat's assessment of an accord reached between Sir Leon Brittan and the Russian government recognizing that country as "an economy in transition" and laying the foundation for its eventual membership in the GATT.

BUSINESS BRIEFS

Services Inc. for \$2.3 billion. **Eastman Kodak** has put its drug unit, **Sterling Winthrop**, up for sale, and **Bristol-Myers Squibb** has acquired a 25 percent stake in **Azupharma**, a German generic drugs manufacturer.

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Sandoz, another Swiss drugs group, also moved into the US, acquiring **Gerber Products Co.** for \$3.7 billion in cash.

The purchase of America's premier baby-food maker doubles the size of Sandoz's food products division, which contributed \$1.2 billion toward the Basel-based firm's \$10.2 billion sales in 1993.

•••

Asea Brown Boveri, the Swedish-Swiss engineering conglomerate, plans to invest at least \$500 million building power plants in China.

China needs to build 30 power plants a year to match Europe's per capita electricity consumption, according to Percy Barnevik, chairman of the Zurich-based firm.

ABB, which is already working on 11 projects in China, including four power plants, plans to start work on 10 new plants over the next two years.

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Suez, the French financial group, is under pressure to cut the \$2.7 billion asking price for **Victoire**, its insurance subsidiary.

Four insurance firms—**AIG** of the US, **Allianz** of Germany, **Commercial Union** of the UK, and **Generali** of Italy—are believed to have made bids. But none are thought to be close to Suez's asking price, described by industry observers as too high.

•••

Volvo is to invest \$200 million modernizing and expanding its heavy truck operations in the US following a \$855 million, seven year development program in Europe.

The Swedish group, the world's second largest producer of trucks over 16 tons, will build a new car assembly facility and paint shop close to its existing truck plant in Dublin, Virginia.

Volvo's heavy truck business, **Volvo GM Heavy Truck**, is 87 percent owned by Volvo and 13 percent by **General Motors**.

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While tycoon-turned—Prime Minister Silvio Berlusconi struggles to revamp the Italian economy, he has charged others with reviving his own \$7 billion a year media and financial services empire, **Fininvest**.

Francesco Toto, a former **Olivetti** executive, is the hatchet man responsible for trimming Fininvest's \$2.3 billion debt taken on during the firm's heady growth in the 1980s.

Industry analysts are divided over his chances of turning around Italy's second largest private firm after auto giant **Fiat**.

Mr. Toto has said all Fininvest's operating companies are trading profitably and lower interest rates are reducing the debt burden.

But Mr. Berlusconi's decision to forsake business for politics hasn't helped. "It was all easier when he was here than now he's not here," according to Mr. Toto.

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A lot is riding on the Punto, a small car that holds the key to reviving the fortunes of its maker, **Fiat**.

Fiat recently announced a net loss of \$1.05 billion in 1993, the biggest in its 95 year history, and didn't pay a dividend for the first time since 1947. Worse, Fiat's European market share has slumped from 16 percent in 1989 to 11 percent in 1993, putting it behind **Volkswagen**, GM-owned **Opel**, **Peugeot**, and **Ford**.

But the slide ended last November when Fiat launched the Punto to replace the popular Uno, which accounted for a third of Fiat's car sales. By the end of April more than 200,000 Puntos were sold, raising hopes it will restore Fiat's flagging fortunes.

"It's not a make it or break it model for us, but it is very important," said Paolo Cantarella, the chairman of Fiat Auto.

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Airbus clinched a \$1.4 billion order from **Air Canada**, partially compensating for the loss earlier this year of a \$6 billion Saudi Arabian contract to arch rivals **Boeing** and **McDonnell Douglas**.

The four nation consortium will supply up to 35 Airbus A319 narrow body jets to replace Air Canada's fleet of DC 9 aircraft.

Airbus beat off stiff challenges from

the Boeing 737, re-engineered DC 9s and the Fokker 100 built by **Fokker**, the Dutch aerospace firm, owned by **Deutsche Aerospace**.

•••

Hard on the heels of its \$1 billion acquisition of **American Brands Inc.**, the US cigarette manufacturer, the UK's **BAT Industries** announced a \$240 million investment in two former Soviet republics.

BAT is spending \$200 million to take control of and moderate the state tobacco-processing industry in the central Asian republic of Uzbekistan. Another \$40 million is being spent in Russia on a 75 percent stake in the **Saratov Tobacco Factory**, situated on the Volga River, about 240 miles southeast of Moscow.

•••

Nestle, the Swiss foods giant, is paying \$106 million for a 22 percent stake in **Dreyer's Grand Ice Cream** of Oakland, California.

•••

Lufthansa is on target for profits in 1994 after three years in the red, according to Jurgen Weber, chief executive of the soon to be privatized German airline.

Lufthansa reported a sharp fall in pre-tax losses to \$5 million from \$185.5 million in 1992. Costs were slashed by \$1.7 billion in 1992 and \$850 million in 1993, and the payroll was reduced from 48,000 to 40,000, boosting productivity by 15 percent.

The German government has approved plans for the progressive privatization of Lufthansa, pledging to initially cut its stake from 51.4 percent to 38 percent by not participating in a \$890 million share issue.

Mr. Weber says a privatized Lufthansa will achieve a turnaround as spectacular as that at **British Airways** which was sold to private investors in 1987 and is now one of the world's most profitable carriers. —Bruce Barnard

INSIDE EUROPE Correspondents

Bruce Barnard
Robert Murdock

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

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After an overall 0.3 percent decline in the 12 EU economies last year, growth is expected to rebound to 1.3 percent this year and rise to 2.5 percent in 1995. That's the good news. The bad is that despite a recovery in output, employment gains are almost certain to lag well behind.

In its latest *World Economic Outlook*, the International Monetary Fund excoriates Western Europe for the labor market rigidities it believes are the reason Europe's unemployment rate is twice as high as America's. The American jobless rate is about 6 percent, compared to a projected 11.9 percent in the EU this year. In Germany, with 4 million or 10 percent of the labor force unemployed, the jobless rate is not expected to decline until 1995. In the UK the jobless rate is stuck at 10 percent even though the economy is in its second year of recovery. There are 20 million unemployed in Western Europe. And while Europe continued to hemorrhage jobs in 1993 and early 1994, the United States created over 2.5 million jobs.

In surprisingly frank language, the IMF has called for basic reforms in over-generous unemployment insurance, minimum wages, regulations that distort and hamper job growth. At the IMF meeting in April, German Finance Minister Theo Waigel agreed that the report was on target. "Labor market reform," he said, "is needed to reduce the unacceptably high level of unemployment."

Youth unemployment is an even bigger problem. Among those under age 25, EU unemployment is 20 percent. In Italy youth unemployment is 32 percent. In France this spring, fears of social unrest prompted Prime Minister Edouard Balladur to back away from plans to reduce the minimum wage in some entry level jobs.

Even with the cyclical downturn seemingly over, it is a wobbly, transitional Europe that approaches the July summit of the industrialized democracies in Naples. Andreas van Agt, the EU Ambassador to the US, worries about what he calls the "evaporation of (post-Maastricht) enthusiasm for European unity." He also identifies high levels of immigration from the East and North Africa as a troublesome problem. While not in crisis, says Ambassador van Agt, Europe is in a state of malaise.

The task of reviving the unity dream awaits new leadership likely to emerge over the next two years. There are parliamentary elections in Germany in October. The French presidential election is in May of next year. There will be a new EU Commission President in December. François Mitterrand, a dominant figure for over 10 years, is heading for his political exit. Jacques Delors, who in 10 years as President of the European Commission, relentlessly pushed the integration process forward, leaves office in December.

When it assumes the EU's rotating, six month presidency, Germany will push hard for liberalized EU trade policies toward the post-communist states of Central and Eastern Europe and the former Soviet Union. One proposal would ex-


pand the existing European Economic Area free trade zone to include Central and Eastern Europe. Bonn sees freer trade with the East as an important halfway house to full membership for the more advanced Eastern economies—Poland, the Czech Republic, Hungary, and Slovakia.

Despite their protests the Eastern four can't possibly gain entry until after the year 2000. With the current expansion to 16 members not yet complete (Austria, Finland, Norway, and Sweden are set to enter the EU at the end of this year pending the outcome of national referendums), negotiations with the Eastern applicants won't even begin until 1997, after an inter-government conference on streamlining EU decision-making.

To observers like Gary Hufbauer, co-author of the new book, *Reviving the European Dream*, the EU's trade performance with Eastern Europe is appalling. Despite taking 70 percent of the region's exports to the West and seeing trade increase by 400 percent over the past five years, Mr. Hufbauer says Western Europe has slammed the door on its low-wage neighbors to the East. "The East," he says, "has become a dumping ground for the EU farm surplus." Western Europeans, he says, are fearful that their comfortable lifestyles are threatened by the competitive challenge from the East. Vaclav Klaus, the Czech Prime Minister, says the West Europeans are more comfortable writing checks to their poor brethren than opening markets.

This argument is dismissed by EU Economics and Finance Commissioner Henning Christophersen. He says the EU is meeting its responsibilities. There will, he says, be free trade with the East in manufactured products by next year. Even steel and textiles imports, he says, will be liberalized. But Mr. Christophersen is quite aware that integrating the East poses a unique challenge. "It is inevitable," he says, "that there will be a new division of labor in Europe." West European citizens, he says, will accept the migration of certain industries once ending the flow of aid to the East.

In closing, a word of caution. Be gentle with Europe's currently torpid political and economic scene. Every few decades momentous events occur with such rapidity that the capacity to comprehend is overwhelmed. With all of Europe deep in transition, this period may be such a time. Consider all that has happened since 1989: The Iron Curtain was lifted; Germany reunified; communism collapsed; the Soviet Union withdrew from Eastern Europe; the USSR fragmented into 15 countries; savage civil war rages in the former Yugoslavia; democracy was restored to Eastern Europe; there was a political revolution in Italy.

With the comfortable certainties of 40 years of cold war shattered and a new architecture not yet in place, is it any surprise there is uncertainty and malaise in Europe? 

With the comfortable certainties of 40 years of cold war shattered and a new architecture not yet in place, is it any surprise there is uncertainty and malaise in Europe?

Barry D. Wood is the chief economic correspondent for the Voice of America.

A Second Look at the

By Reginald Dale

The world is going through a double revolution—the end of the cold war and the birth of the global economy. But Western leaders are still trying to run it in much the same old way. Former President George Bush's much vaunted "new world order" is nowhere in sight.

The international institutions are still those designed for the old world of East and West and North and South—where the boundaries were drawn between democrats and communists and between industrial and developing countries. Now those once clear-cut divisions are rapidly blurring.

And yet Western governments have given little thought to the way they will attempt to exercise leadership in this new era—or to whether and how the institutions should be brought up to date. They urgently need to do so.

The West now faces some of its biggest ever challenges: to integrate Russia and China into the world economic system—and adapt to the economic surge of developing countries—while maintaining the liberal Western values upon which the system is built.

The two principal workaday Western institutions, the OECD for economic cooperation and NATO for security cooperation, grew out of the aftermath of World War II. Both are groping uncertainly for a new role.

But it is the West's prime leadership vehicle—the Group of Seven (the European Union attends all G7 meetings so it could be considered the G8)—that is in the worst trouble. The G7 is coming under widespread and often justified criticism for being ineffective, pompous and unrepresentative.

Jacques Delors, President of the European Commission, has criticized the G7 for demonstrating a "total lack of world leadership." He says cooperation among the G7 countries, far from intensifying to meet the new challenges, has actually been declining.

The G7's annual summits, which started as cozy informal gatherings of leaders at the invitation of then French President Valéry Giscard d'Estaing in 1975, have grown into monstrous, over-hyped jamborees, full of pomp and circumstance but short on decisions.

The summits have become, in Delors' words, "a Barnum circus with 3,000 journalists." While the group should be setting an example to the world, "all it can offer is platitudes," he says.

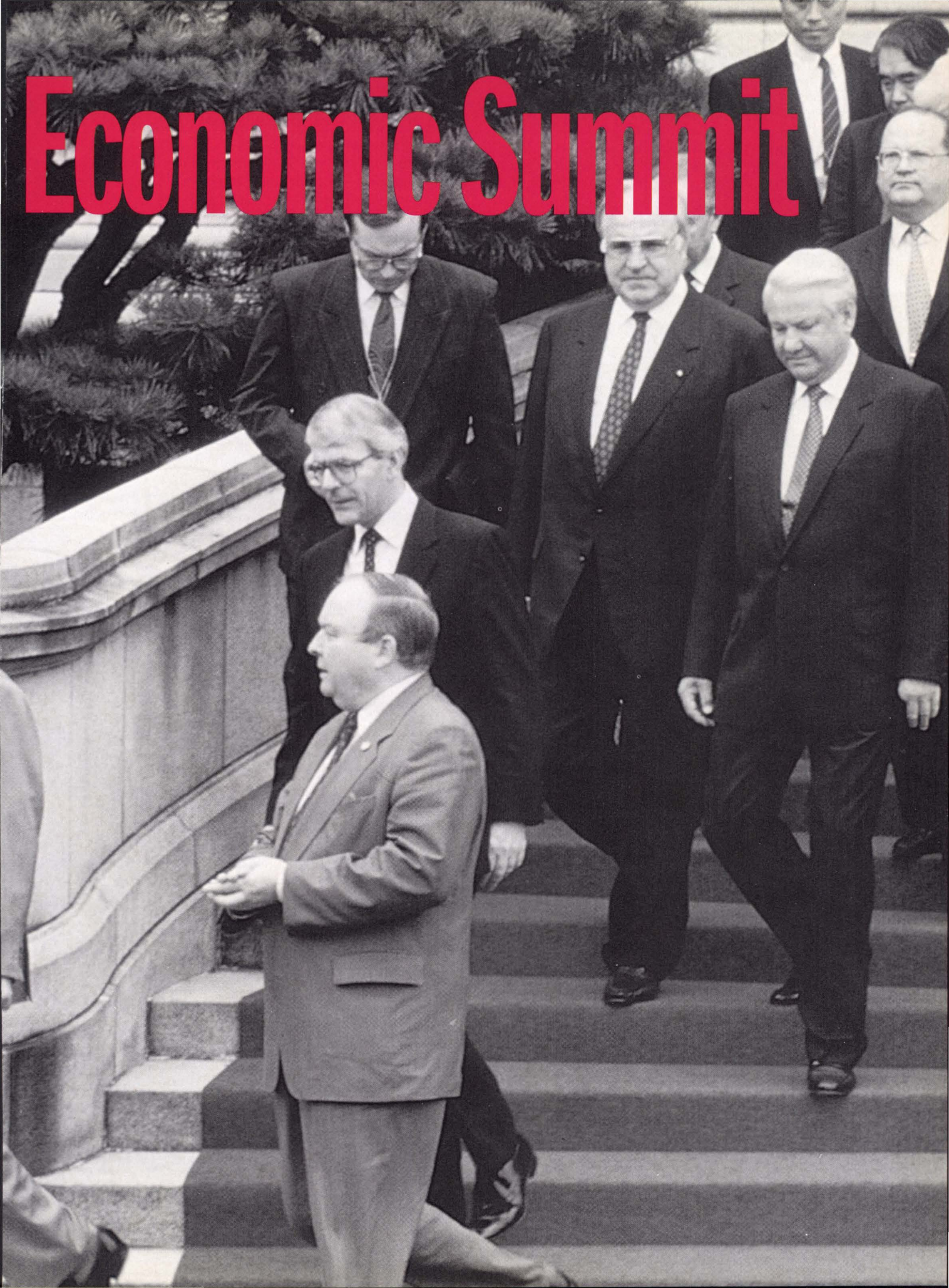
Many others have made much the same point. C. Fred Bergsten, head of the Institute for International Economics in Washington, has pronounced the G7 "dead."

In a recent article in *Foreign Affairs* magazine, G. John Ikenberry of the University of Pennsylvania, had this to say about



Leaders from the G7 countries and the European Union met at last year's economic summit in Tokyo.

Economic Summit



the annual summits: "Year after year the leaders of the United States, Germany, Japan, France, the United Kingdom, Canada, and Italy meet in a ritualized photo opportunity.

"A huge intergovernmental operation churns out bland official communiqués that paper over dysfunctions in the global economic system, or vague joint commitments to growth and prosperity that substitute for actual accord. Such shallow protocol is inadequate for dealing with real tensions arising from trade conflicts, global economic malaise, or alliance burden sharing."

Over the last four years the summits have seriously damaged their credibility by repeatedly promising to bring the Uruguay Round of world trade talks to a successful conclusion—the most important global economic priority—and then failing to do so. The final completion of the Round last December, three years late, was little credit to the G7's resolve.

And the summits are only the most glaring example of what is wrong. The more frequent meetings of G7 Finance Ministers and central bankers have had little influence in their avowed aims of steering the world economy and guiding exchange rates in recent years.

The G7 Finance Ministers' celebrated meetings at New York's Plaza Hotel and subsequently at the Louvre in Paris probably had some effect in bringing an overvalued dollar into line and then stabilizing the world's leading currencies in the latter part of the 1980s.

But experience suggests that the G7's successes with exchange rates come only when the group pushes them in the direction in which the currency markets are already heading. There is not much evidence that the G7 has been able to turn around a currency against market trends, or engineer a major change of direction in the world economy.

Former participants at G7 meetings complain that countries spend too much time boasting about their own economic performances—often without great regard for reality—and too little listening to what their partners have to say.

G7 governments have claimed some success in their efforts to try to help Russia head-off economic catastrophe and progress toward a market economy—the main focus of many of their recent meetings. But in the long run, the success or failure of Russia's economic and political reforms will have more to do with Russia's own efforts than with the limited aid available from the G7.

American officials also claim that recent moves to reduce the US budget deficit, lower European interest rates, and stimulate the Japanese economy show that the G7 process is working. But few people are fooled. It is pretty obvious that governments would have taken these steps anyway, even if the G7 did not exist.

Calls for a reorganization or strengthening of the G7 process have largely gone unheeded. A suggestion by Delors

for the creation of an economic security council, on UN lines, has sunk without a trace. And while the Clinton administration came to office promising to "reinvigorate" the G7, little has changed in practice.

It is obviously urgent to streamline and energize the summits. Proposals from outside government have also called for the establishment of a G7 secretariat, and/or a G7 Council of Ministers along the lines of the European Union. Some have argued that a G7 Council should be backed up by a permanent body modeled on the European Commission.

The parallel cannot be taken too far. The G7 is not a legislative body like the European Council. But a move in that direction would almost certainly increase the G7's effectiveness—it could hardly make matters worse. One problem is that France has always strongly opposed such proposals, for fear they will lead to the institutionalization of the group under US leadership.

But failure to make improvements is not just damaging the G7 decision making process. The Group's continuing ineffectiveness is also making it much more vulnerable to criticism that it is unrepresentative.

Together, the G7 countries still represent more than 60 percent of the world economy. But that figure is bound to decline as the balance of economic power continues to shift.

The most dramatic shift, of course, is toward Asia. China is heading fast toward becoming the world's largest economy. But in the next few years a much wider swath of what used to be known as the Third World will follow in Asia's footsteps. It is going to be less and less credible to keep seating countries like France, the United Kingdom, Italy, and Canada at the top table, and excluding bigger and faster growing economies.

The group is now edging toward bringing Russia into its political deliberations. If and when Russia succeeds in establishing a market economy, it would make sense to make it a full member. But nobody seems to know what to do about China.

Obviously, it will be even harder to make decisions if the group expands beyond its initial core of like-minded industrial democracies. But there are plenty of ways of consulting non-member countries that have not yet been tried.

The group could start by approaching the so-called Group of 15 developing nations led by India, which is struggling, with some difficulty, to form some kind of counterweight to the G7.

The world is not yet ready for UN-style economic management, let alone global government. But the G7 should decide whether it aspires to be a more representative body running the global economy or an increasingly less influential Western pressure group. **E**



The summits began as informal gatherings but in recent years have become flashy media events. The 1990 Houston Economic Summit (above) included a visit to a rodeo.

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

For three years now, the Group of Seven has actually been the Group of Seven and a Half—or perhaps Seven and a Quarter. Russia's leaders, first Mikhail Gorbachev and now Boris Yeltsin, have been invited to attend a special session at the end of the annual G7 summits.

Russian financial experts regularly appear at meetings of the G7 Finance Ministers to update their Western counterparts on their country's progress in tackling its horrendous economic problems and battling toward a market economy.

That's all the more necessary insofar as aid to Russia has become one of the dominant focuses of G7 meetings.

Inevitably, however, Moscow is not satisfied with this second class, almost supplicant status. As part of its campaign to uphold its position as a major power in the post-communist world, Moscow has asked for full membership in the G7—making it officially the G8.

Unfortunately, there are signs that the question of Russia's G7 membership is becoming a political football on the geopolitical playing field.

Thus, senior Moscow officials have tried to link Russia's G7 membership with NATO's offer of closer links with its former Warsaw Pact adversaries under the US-sponsored Partnership for Peace program.

The idea floated in Moscow this spring was that Russia might make full G7 membership a condition of its joining Partnership for Peace.

The United States, for its part, has offered closer participation in the G7's political deliberations as a diplomatic sop to Moscow. It is meant to be a peace offering for Washington's failing to consult Moscow before conducting bombing raids against the Bosnian Serbs in former Yugoslavia.

Both positions disregard the real pros and cons of admitting Russia to the G7. Before welcoming Moscow into its political deliberations, the West should be much more certain that that is what it really wants. But the long-term implications of the issue do not appear to have been seriously discussed among the Western allies.

And Moscow's position is unrealistic. While Russia is clearly edging closer to political membership of the G7, there can be little discussion of its full participation in the Group's economic decision-making until it has successfully turned itself into a market economy.

It is hard to see how Moscow, for example, could participate usefully in decisions on international exchange rates when its currency is not even fully convertible. And although Russia has been insisting for almost a year that the West treat it like a normal, free market democracy, it is still clearly a long way from reaching that status.

By inviting the Russian President at least to part of their meetings, the Western leaders have been hoping to bring that day closer. The idea has been at least partly to strengthen the domestic position of first Mr. Gorbachev and then Mr. Yeltsin by showing that they have the respect and support of the West.

But it has not been clear sailing. Critics both inside and outside Russia have castigated the G7 for holding out the prospect of large amounts of financial aid and then failing to deliver it.

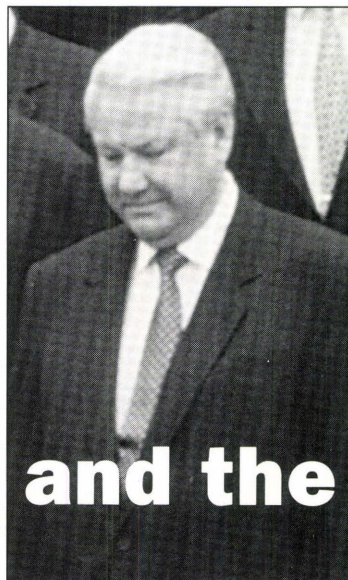
G7 governments have been criticized for letting down both Mr. Yeltsin and leading reformers like Yegor T. Gaidar and Boris G. Fyodorov and helping to swell the vote for right wing nationalist Vladimir V. Zhirinovskiy in last December's elections.

The International Monetary Fund, the G7's chosen instrument for aid to Russia, has found itself at the center of this argument. The IMF has been castigated for imposing too strict lending conditions and ignoring political realities

in Russia. It has been attacked not just by private economists but by senior figures in the Clinton administration.

Fortunately, by this spring the argument appeared to have been resolved largely in the IMF's favor—thanks not least to the common sense of Treasury Secretary Lloyd Bentsen, who insisted that

Western aid money would simply be wasted if Russia did not get its house in order.



Partly as a result of Western pressure, by late spring the Russian economy was beginning to look like less of a basket case than it had for a long time. Inflation appeared to be on the decline, and the Russians had given promises to reduce the budget deficit and curb the runaway expansion of credit by the monetary authorities.

There were encouraging signs that even without the West's favorite reformers in the cabinet, Prime Minister Victor S. Chernomyrdin was doing his best to continue along the path of reform. He even seemed to be succeeding in reigning in the previously profligate central bank director Victor V. Geraschenko.

Russia is not yet in the clear. Much still can and will go wrong. Although the economic course to a market economy is reasonably clear, it is still not sure whether it will be politically possible to follow it. Many experts doubt whether Russia will ever be a Western-style industrial democracy or whether it has really grasped the extent of the pain necessary to introduce a market economy.

But at least some people are looking on the bright side. In deciding to release a new \$1.5 billion Russian loan in April, the IMF has gambled that Moscow will be able to keep its promises of economic and financial discipline. One senior IMF official goes so far as to say that, while it is "too early to declare victory," the Russian economy has reached the point of no return in its transition to a market-based system.

—Reginald Dale

Italians, like Americans, love to romanticize about the Wild West. Unlike Americans, though, Italians still have a Wild West city in their own backyard. It is Naples. Aside from the beauty of the city and the incredibly affable nature of Neapolitans, visitors to the economic and cultural capital of southern Italy are most likely to remember its noise and chaos.

Red lights in Naples mean proceed with caution. Petty criminals openly charge small amounts of "protection money" for parking cars in public spaces. The ubiquitous contraband cigarette vendors still defiantly mock the strict state tobacco monopoly, despite tough laws recently passed to shut them down.

BETLIAN

Under the ever present shadow of Mt. Vesuvius, Naples was ruled by Romans, followed by dukes linked to the Byzantine Empire, and then incorporated into the Kingdom of Sicily under a Norman king. Eventually Giuseppe Garibaldi took control of the city in his battle on the southern flank which helped unify Italy.



By Michael Brush

NAPOLI!

On a more serious level, public administrations are notoriously corrupt, and a Mafia offshoot called the *Camorra* dominates entire sectors of the local economy. In a common ruse, politicians and organized crime have hijacked economic development grants from Rome for years, with no intention of ever completing projects. Unfinished highways to nowhere and half-built buildings (known as “cathedrals in the desert”) now stand as modern monuments to Italy’s golden age of corruption. Not surprisingly, some of the worst offenses in Italy’s ongoing *tangentopoli* (bribe city) scandal have occurred in Naples.

Concentrate on Naples’ darker sides, however, and you’ll miss out on the city’s unique charms and pleasures. The trick is to arrive with the right attitude. Naples thrives on the personal touch, openness, and contacts, which give the city its winning soul and spirit.

Visitors who look beyond the chaos will discover this rewarding spirit set in a vibrant, energetic city overflowing with an abundant love of life. The hard looks of locals often transform quickly into a warm smile and a friendly exchange once contact is made. Ask for directions or enter a shop, and you could soon find yourself in a conversation about the history of a nearby piazza or your family background.

Beginnings. The fierce pride, dislike of authority, and defiant nettle of the Neapolitans stem from the city’s long history of foreign domination. Original settlers from Rhodes and Cumae first established two small towns several centuries before the birth of Christ. The Romans took over in 326 BC but the towns, now united, maintained their Hellenic customs and kept Greek as an official language until the age of Constantine. After the fall of the Roman Empire, Naples was ruled by dukes linked to the Byzantine Empire, and then incorporated into the Kingdom of Sicily under a Norman king. Later, the city was ruled in turn by the French, Spanish, and Austrians. Bourbon rule ended in 1860 when Giuseppe Garibaldi took control of the city in his battle on the southern flank which helped unify Italy.

Sights and Sounds. Even before the city’s recent \$18 million facelift in

preparation for this year's G7 summit, the beauty of Naples made braving the noise and confusion well worthwhile. The city is set in one of the best locations anywhere. Views of Vesuvius and the bay from elevated quarters of Posillipo and Vomero are exceptional.

Naples contains several piazze and

nearby Via Chiaia and Via dei Mille.

To the west are the scenic Santa Lucia and Mergellina neighborhoods that run along the bay. Stroll through in the evening and watch the Villa Comunale fill up with Italians out for a walk. Don't be bashful. Watching people and being seen is an essential part



The coastal town of Amalfi has long been a playground of the world's rich and famous.

quarters, each with their own character. A walk through the historic center will take you down narrow streets that bring to mind Greek towns, not surprisingly, since the area was laid out by the original Hellenic settlers. Here you can find the Church of San Domenico Maggiore, an odd combination of Gothic and Neapolitan baroque architecture. Indeed, the architecture of Naples is as chaotic as its traffic. With each foreign domination came a new style.

Head down toward the water and you'll find the late Renaissance style of Palazzo Reale (Royal Palace) next to the Piazza del Plebiscito where the Church of San Francesco di Paola manages to cram together a scaled down version of the Pantheon and the St. Peter's piazza in Rome. Behind you will be the Galleria Umberto I (finished in 1890), a bold combination of glass, iron, and gaudy facades celebrating the Victorian marriage of technology and art. If all this proves overwhelming, take a break in the stylish Gambrinus cafe and do some shopping along

of Italian life. Via Sauro in Santa Lucia is a good place to take in a sunset. Nearby looms the 12th century Castel dell'Ovo (Egg Castle), a massive, austere Norman structure which divides the bay in two parts.

The calm of the residential Vomero section in the hills above offers a good retreat from the animated central district. The quarter, which has fewer tourists, offers memorable views of the city and bay below. Here you'll find some of the smartest shops in Naples, along Via Scarlatti and Via Luca Giordano, and two important historic sites: Villa Floridiana and the Monastery of Saint Martin.

Naples also has some dangerous quarters that are best avoided. Gratuitous violence is unusual, but the artful dodgers are among the best in the world. Street urchins, known as *scugnizzi*, zip along on motorbikes and rip off necklaces and handbags. Places to avoid include the Spanish quarter between Via Toledo and Corso Vittorio Emanuele, Piazza Garibaldi near the train station, and Via Pietro Colletta

Near Naples

Not far from Naples, the famous resort towns of Amalfi and Positano are set in a coastline offering some of the most spectacular scenery in Italy. A coastal road linking the towns offers dizzying panoramas of deep gorges, fantastically shaped rocks, lemon groves, grape vines, and olive trees. Long a playground of the world's rich and famous, Amalfi offers a charm and elegance all its own, characterized by its intimate piazza in front of a cathedral. Arcaded houses bunched together rise above a small harbor with a magnificent backdrop of cliffs.

The more chic Positano is a noted gathering place for the fast living crowd, including top designers, models, and actors. The town was also once a haunt of John Steinbeck. Set in the side of a hill, Positano's white houses and luxuriant gardens descend to the sea. Despite its stunning beauty, the Amalfi coast does not have good beaches and does not attract the bucket and shovel brigade. Buses for Amalfi leave from Piazza Municipio in Naples.

Two islands off the coast make a good day trip by hydrofoil. The mountainous island of Capri with its precipitous coast full of caves and grotesquely shaped rocks jutting down into azure waters is enough to inspire romanticism in even the most hardened souls. The sunny island is covered with near tropical vegetation. To catch the best view of its coastline, take Via Longano from the center to Villa Jovis.

Ischia, the largest of the islands in the Bay of Naples, is circled by volcanic slopes covered with subtropical vegetation. More affordable than the fashionable Capri, Ischia is often more crowded. Visitors can enjoy its hot mineral springs, beaches, scenic walks, and boating. Although parts of the island have been over-built by Camorra money, it remains one of the jewels of the bay.

Boats and hydrofoils (recommended) to Capri and Ischia leave the quay at Piazza Municipio (Molo Beverello) five or six times a day.

and Forcella off of Corso Umberto I, also near the train station.

Business and Industry. Despite all the comparisons with the Third World, Naples has an advanced industrial base, notably in shipbuilding, aerospace, automobiles, and telecommunications. There is also an important light industry sector, especially in food processing, dressmaking, gloves, and shoes. Naples remains the largest port in the South.

Because a good part of the local economy is dominated by the construction sector and state companies like Alenia (aerospace), Fiammeccania (engineering), and Ansaldo Trasporti (transport), the region has been hit hard by the kickback scandals and economic downturn. The greater work force flexibility in the huge underground economy, though, has made up for this. Small niche players turn out textiles, shoes, and leather products for big names like Stefanel, Versace, Benetton, Armani, and Gucci. Unemployment, officially at 20 percent, in reality is much lower because of the large black market economy. Major private sector companies include

Fiat Avio (aviation) and Alfa Romeo (aviation).

Pleasures of the Table. Central to Neapolitan cuisine are seafood and the city's world famous pizza. In general, the food is more spicy than elsewhere in Italy, and tomato sauces—always made out of fresh ingredients—are used more, especially with meat dishes. Fish is prepared in all manners, but fish soup is considered characteristic of the area. Don't forget to try the delicious take-away snacks like fried or grilled cheese sandwiches (*mozzarella in carrozza*), potato knish (*crocchè*), and a form of refried spaghetti called *frittatina*.

La Sacrestia is one of the most famous and highly regarded restaurants in Naples. The luxurious setting in the hills of Posillipo offers a spectacular panoramic view. In the summer you can eat in the garden. The restaurant serves excellent seafood and pasta. The Cantina del Trionfo, near the American consulate in the Mergellina section, is known for its excellent wines and traditional Neapolitan cuisine. It features an open kitchen so that guests can watch meals being prepared. A Canzuncella, which is owned and run by a famous Neapolitan opera

singer, offers all the traditional Neapolitan dishes plus a live show of opera, modern music, and Neapolitan folk songs. At I Capellani, you can find Naples' version of nouvelle cuisine in an intimate ambiance. The restaurant, which is set in the side of a cliff face near Piazza de Marte, has outstanding antipastos. Il Potzo off of Via Martucci serves traditional fare, and is known for its good souffles and eggplant dishes, as well as an open setting that lets the charm and character of a Naples neighborhood become part of your meal. If you are in a hurry, it is best to go elsewhere. Il Potzo is a proud member of Italy's "slow food society."

The best pizzerie are found in the less elegant quarters, especially off Corso Umberto and Via Roma. Don't forget to try *sfogliatella*, a pastry which is one of Naples' specialties, at the crowded Pasticceria Scaturchio in Piazza S. Domenico Maggiore in the historic center. Another pastry typical of Naples is *pastiera*. Be warned that the local wine takes its flavor from the sulfur rich soil. ☺

Michael Brush is a journalist based in Rome.

A TRAVELER'S GUIDE TO NAPLES

VITAL STATISTICS

LOCATION

Naples is well served with flights from the rest of Italy and Europe. There are frequent trains from and to Rome (two hours) but the service is not so good toward the South. Stazione Centrale at the east of the city is the main station. Underneath it is Stazione Piazza Garibaldi. Trains to the North sometimes depart only from the Stazione Napoli Mergellina in the west of the city. Rather than waste time at the train stations, it is better to get information, tickets, and reservations (highly recommended) from travel agents.

Population: 1.2 million

CONTACTS

(Note: The international dialing code for Italy is 39; the city code for Naples is 81.)

Tourist information centers in Piazza del Plebiscito tel. (39) 81 418744 and Piazza del Gesù tel. (39) 81 5523328 have helpful and friendly staff with lots of free brochures and information on free guided tours (in Italian). Pick up a free copy of *Qui Napoli* (Here's Naples) at the center for information on sights, water and rail transportation, and night

life. The centers are closed in the afternoons. For room reservations: tel. (39) 81 5525426.

RESTAURANTS

La Sacrestia tel. (39) 81 7611051

À Canzuncella tel. (39) 81 5519018/ 5529105

I Capellani tel. (39) 81 76744413

Cantina del Trionfo (Two seatings at 8 p.m. and 10 p.m., reservations mandatory) tel. (39) 81 668101

Il Potzo tel. (39) 81 668333.

HOTELS

Continental (Four-star hotel on the waterfront) tel. (39) 81 7644636 Via Partenope 44.

Royal (Four-star hotel on the waterfront) tel. (39) 81 764480 Via Partenope 38.

Hotel Executive (A pleasant three-star hotel with an excellent location for getting around in the center, as well as a roof garden and sauna) tel. (39) 81 5520611 Via del Cerriglio 10.

Hotel Canada (An attractive three-star hotel on the waterfront) tel. (39) 81 680952 Via Mergellina 43.

MUSEUMS

Museo Nazionale Archeologico (Archeological Museum)—Most of the best works of art unearthed in

Pompeii and Herculaneum are here in Europe's most important archeological museum. tel. (39) 81 440166.

Certosa e Museo di San Martino (San Martino National Museum)—This contains important paintings by the city's flourishing baroque school. The view from the terraced gardens offers a unique panorama of the city.

Museo di Capodimonte (The Capodimonte Museum)—Notable collections of late medieval, Renaissance, and 19th century art, including several major masterpieces. tel. (39) 81 7741307.

Stazione Zoologica (Zoological Institute)—Contains the oldest aquarium in Europe with 30 tanks and about 200 species of marine life from the Bay of Naples. Located at Villa Comunale, in Mergellina section. tel. (39) 81 5833111.

SHOPPING

The smartest shops are located around Piazza dei Martiri, and in the Vomero quarter's Via Scarlatti and Via Luca Giordano. Also good are Via Roma, Via Chiaia, and Via dei Mille. Bargain shops can be found off Via Roma and north of Piazza Garibaldi. Brand names at bargain prices in the street are fakes.

VIVA MILANO!

All roads may lead to Rome, but when it comes to business, Milan is no second city. It's the economic engine of Italy and an international financial and fashion center. Consequently, the pace is hectic, and you won't find Milanese lingering over their espressos like their southern sisters. Still they are as proud of their prosperous and elegant city as any Roman or Florentine. They're also glad they can easily escape when they wish—the city is convenient to the lake region, ski resorts to the north, and the Italian Riviera to the south.

By Janet Bennett

Beginnings. A strategic geographic location has made Milan a commercial crossroads throughout history. The Romans first realized its potential when they captured it in the 3rd century BC. Later, under Augustus, it became the second most important city in the Western Roman Empire. A more spiritual claim to fame was Constantine the Great's Edict of Milan giving Christianity its official nod. Following the fall of the Empire and a long series of invasions, the Lombards (a tribe from northwestern Germany) emerged victorious and ruled for two centuries giving their name to the region and leaving their mark on its art, architecture, and language.

Florence had its Medicis; Rome its Borgias. Milan, too, had its powerful local families like the Viscontis who virtually invented modern banking here in the Middle Ages when they started lending money to countries like Spain and England. More prosperity came during the Renaissance under the Sforza family and with the introduction of the silk industry. (Milan today has a silk market that rivals Lyon.) The most famous Sforza—Ludovico II Moro—brought Leonardo da Vinci, the sculptor Bramante, and other artists of the time to Milan in order to beautify and enhance the already powerful city.

Business and Industry. Milan's modern day success story began when Allied bomb damage required extensive rebuilding and, consequently, modernization of its factories. Industries producing rubber, steel, auto parts, and chemicals all prospered after World War II and spawned companies such as Pirelli, Falck, Alfa Romeo, and Montedison.

As in the Middle Ages, the city remains a magnet for money. The

Left: High fashion is big business in Milan. Many Italians argue the northern Italian city has unseated Paris as the world's fashion capital. Right: Milan's glass topped shopping arcade, Galleria Vittorio Emanuel, is well known for its exclusive boutiques and is often touted as the forerunner to the modern mall.





Italian Stock Exchange is located here, as are hundreds of banks—indeed, it often seems like there is one on every corner. To help continue the tradition, would-be financiers and economists attend the prestigious business school Luigi Bocconi. Milan is also one of Europe's most important media markets, a feat engineered by billionaire Silvio Berlusconi, Italy's new Prime Minister, who owns three television networks and a championship soccer team.

Last but certainly not least of its accomplishments, Milan is a trendsetter in design, whether it be industrial products, furniture, or fashion. It gives Paris

a run for its money as one of the largest exporters of high fashion clothing in the world. Its acclaimed furniture and luxurious spring and fall fashion shows attract hundreds of thousands of business people.

Sights and Sounds. For the best view of Milan, take the elevator to the roof of the Duomo (cathedral). On a clear day you can see the Alps that surround the city to the north. Milan has grown in concentric circles around this illustrious Gothic cathedral begun in 1386 but not finished until 1809. A grand confection of white marble, both enormous

and ethereal, late afternoon light does it most justice. 135 spires and more than 2,000 statues of saints, sinners, and knights decorate the exterior. Crowning it all is an 18th century gilded statue affectionately known as the "Little Madonna," the protectress of the city.

Heading north from the square (Piazza di Duomo) in which the cathedral is located toward Piazza della Scala, you pass the Galleria Vittorio Emanuel, Milan's glass-topped shopping arcade, the elegant forerunner to the modern mall. Known for its exclusive boutiques (Prada and Borsalino to name two) and cafes, it is ideal for a *passaggiata*, a peculiarly Italian walk with the express purpose of seeing and being seen.

The most famous opera house in the world, La Scala was built in 1776 on the site of the Church of Santa Maria della Scala. The acoustically perfect auditorium, where the operas of Verdi, Donizetti, and Rossini were first performed and where Toscanini conducted, can accommodate over 3,000 spectators. However, for any would-be patron to get tickets for the season, which begins December 7 and runs through May, is no easy matter. Deep pockets and a savvy concierge are the best hope. The 1994 season includes favorites like Puccini's *La Boheme* and Verdi's *Rigoletto*.

Another Milan must is the Church of Santa Maria della Grazie, not so much for the church although it does have some beautiful 15th century frescoes, as for the monastery refectory next-door where Leonardo da Vinci painted *The Last Supper*. It is constantly *in ristauro*, and thus barely visible for all the scaffolding surrounding it. Nonetheless, even a glimpse of the masterpiece is well worth the neck craning.

The city is synonymous with Italian fashion and the shops and showrooms here of internationally acclaimed designers (Armani, Versace, Valentino, Krizia, and others) are as much a part of the Milan scene as its museums and monuments. The three main shopping areas are the so-called golden triangle (Via Monte Napoleone, Via Della Spiga, and Via Sant'Andrea) the once-bohemian Brera quarter near La Scala and the Porta Ticinese are near the city's ancient, preserved canals (*navigli*).

Pleasures of the Table. Hectic pace notwithstanding, the Milanese like to take time to enjoy their northern Italian cuisine. Specialties of the region and particularly of Milan are *risotto Milanese* (a saffron-tinted rice dish made with butter and wine), *osso bucco* (braised veal shank), and *costoletta alla Milanese* (veal chop breaded and fried in butter). Desserts are often cheeses like the full-flavored gorgonzola and grana, a kind of parmesan.

Although stores do not close for as long as they do in southern Italy, they still honor the traditional midday break. Bagutta on the street of the same name—and steps away from the Via Monte Napoleone—is a favorite lunch stop between shops. The literary crowd prefers the garden for alfresco dining. The fried calamari here is as close to *perfetto* as possibile. On the same street, Paper Moon, a trendy pizzeria, serves up its famous four-cheese pizza and its finely shaved arti-

choke and grana salad to a high fashion and business crowd who stop by for lunch or for late night repasts.

For important dinners, Milan power brokers choose the legendary and formal Savini (Galleria Vittoria Emanuele), which has been catering to them for over a century with its classic cuisine from the Lombard region. Further afield but worth the trip is another classic, Antica Trattoria della Pesa, where the best offerings are creamy saffron risotto, perfectly simmered osso bucco, and veal cutlet Milanese.

Milanese and visitors alike precede art-filled Sunday afternoons with a leisurely brunch at Cafe Stendahl (in the Brera quarter), where all the European newspapers are available for catching up on world events.

Future Plans. Malpensa 2000, a grand plan to improve access and expand airport capacity, is underway. The project

will include a much needed fast train connection to downtown.

However, this project and others in the wings are stalled because Milan, like the rest of Europe, is suffering the effects of the recession. To make matters worse, one of the biggest scandals in Italian history has shaken the city, with hundreds of politicians under indictment for having taken payoffs on major public works projects during the last 10 years.

But despite the economic woes and a political system in transition, all bets are on Milan to come out on top. Throughout its long history and invasions by everyone from the Huns to the Hapsburgs, the Milanese with their indefatigable spirit of enterprise and dedicated work ethic have always risen above the current state of affairs not only to survive, but also to prosper. ☹

Janet Bennett is a writer based in Washington, DC.

A TRAVELER'S GUIDE TO MILAN

VITAL STATISTICS

Location: In the center of the Po River basin in northern Italy, bounded to the north by the southern flank of the Alps. 83 miles from Genoa; 150 miles from Venice; 309 miles from Rome.

Population: 1.5 million

CONTACTS

Telephone: Note the international dialing code for Italy is 39; the city code for Milan is 2.

Italian Trade Commission. In Milan: tel. (39) 2 480441; Fax: (39) 2 48005523. In New York: tel. (212) 980 1500; Fax: (212) 758 1050.

Ente Provinciale per Il Turismo (EPT) (general information on current exhibits, events in the city; located on the side of Piazza di Duomo), tel. (39) 2 809662.

ACCESS

By air: Linate Airport (five miles from downtown, for all domestic and some international flights); Malpensa (28 miles from center, handles all intercontinental flights; Alitalia, American, Delta, and TWA all offer nonstop direct flights to Milan). Note for the budget-minded traveler: a taxi from Malpensa to downtown is expensive—the best bet is to take the bus outside the terminal to the central train station.

Passenger information: for Linate tel. (39) 2 7485313; for Malpensa tel. (39) 2 74852200.

By rail: Stazione Centrale (departure point for trains to Turin, Pavia, Bergamo; also several high-speed trains to Rome). Passenger information: tel. (39) 2 67500.

By subway: Of the three lines, line number one connecting the Stazione Centrale to the Duomo is particularly useful for visitors.

By road: At the intersection of three major highways: the A4 to Venice; the A7 to Genoa; the A1 to Florence and Rome.

HOTELS

The Four Seasons (renovated 14th century monastery, only steps from haute couture), tel. (39) 2 77088.

Pierre Milano (luxurious 47 room hotel has kept its old facade but completely modernized its interior for its big business clientele), tel. (39) 2 8056221.

Grand Hotel et di Milan (recently renovated classic hotel with period furnishings where Verdi stayed when in Milan; close to La Scala, naturally), tel. (39) 2 723141.

Principe di Savoia (deluxe hotel which just got a facelift Versace style; conveniently located on Piazza della Repubblica), tel. (39) 2 6230.

Manin (simple hotel facing the public gardens caters to individual needs), tel. (39) 2 659511.

RESTAURANTS

Bagutta (journalist and media crowd stomping

grounds; alfresco dining), tel. (39) 2 76000902.

Paper Moon (upper crust pizzeria where show biz folks, fashion models, and business people converge; trendy but very good), tel. (39) 2 792257.

Savini (Milan grande dame serving specialties of the Lombard region; in Galleria V. Emanuele), tel. (39) 2 86461060.

Antica Trattoria della Pesa (refined bistro atmosphere for first rate Milanese fare), tel. (39) 2 6599099.

Cafe Stendahl (Brera location; turn-of-century decor ideal setting for Sunday brunch), tel. (39) 2 6555587.

MUSEUMS

Brera Palace and Art Gallery (17th century palace displaying famous works by Mantegna, Rafael, and Caravaggio), tel. (39) 2 80837.

La Scala Museum (costumes, photographs, and other opera memorabilia), tel. (39) 2 8053418.

Sforza Castle and Museum (highlight is the impressive and moving last work of Michelangelo, the *Rondanini Pietà*).

Poldi Pezzoli Museum (Renaissance to 17th century paintings and sculptures, including works by Botticelli and Bellini), tel. (39) 2 794889.

Leonardo da Vinci Museum of Science and Technology (main section devoted to models of machines based on da Vinci drawings; also displays of astronomical instruments, computers, cars, and trains), tel. (39) 2 480010040.

CAPITALS

AN OVERVIEW
OF CURRENT
AFFAIRS IN
EUROPE'S
CAPITALS

Andrei Tselikovski's apartment looks just like any other baseball-mad 25

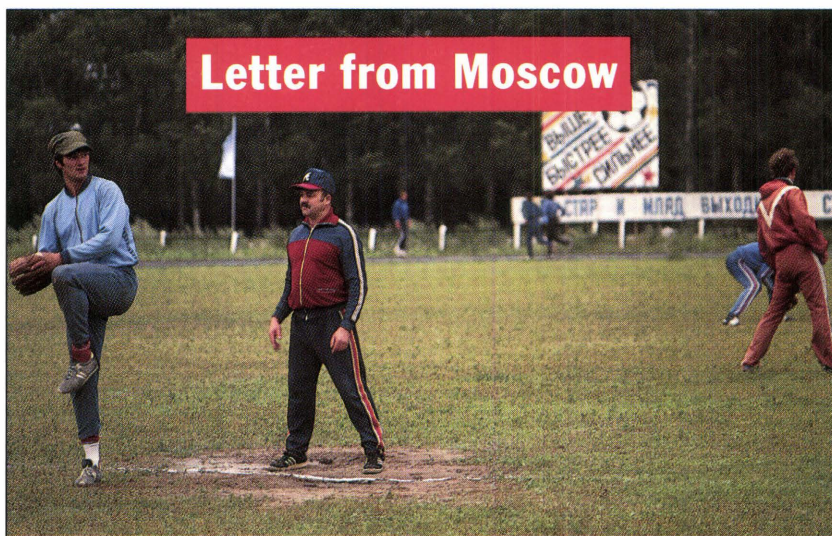
year old's place—sweat suits and cleats drape his furniture, while posters of baseball legends Mark McGwire, Steve Garvey, and Bob Welch cover the walls. However, he lives in a mammoth Soviet-era cinder block apartment building on the northern edge of Moscow. Tselikovski manages, markets, and plays for the Moscow Red Devils, one of eight semi-professional baseball teams in Russia.

Although an ethnic Russian, Tselikovski's upbringing was hardly typical—his father worked for the Russian trade mission, moving his family to various corners of the world, including Syria, Indonesia, and Canada. Young Andrei spent a portion of his youth in Montreal, living a short distance from Olympic Stadium, the home of the National League Expos.

On his eleventh birthday, Andrei begged his father, a former Olympic volleyball player, for an Expos ticket. His parents left after the first inning but the younger Tselikovski stayed for the entire game, the birth of his 14 year obsession with the game.

"I wouldn't be sitting here if I hadn't gotten to live abroad," he said. "Growing up with baseball, I had a better chance."

Upon returning to Russia



The former Soviet government began supporting baseball in the mid-1980s with an eye toward the 1992 Olympics.

in his early teens, Tselikovski rounded up stick ball games with some other young Russians—many of whom had parents in the diplomatic service and had learned baseball while living in Cuba.

Baseball was nearly unheard of in Russia before the mid-1980s when the Soviet government began supporting the sport financially with an eye toward competing in the 1992 Barcelona Olympics. Despite the squad's failure to qualify for the games, and the 1991 breakdown of the Soviet system that subsidized many of the nation's most promising athletes, the sport has actually expanded in Russia.

"Since baseball started in the Olympics, that began the awareness in Russia," Tselikovski said, noting that the earliest teams began practicing in the early spring of 1987. Obtaining practice space was difficult at first—the soccer stars would not

yield their pitch to the spike-wearing baseball players—but things became easier after a wealthy Japanese citizen donated funds to build a modern stadium at Moscow State University.

While no Russian squad has yet to compete in the Olympics, three Red Devils veterans gained a shot at baseball's biggest prize—a chance to compete in United States Major Leagues.

The California Angels drafted pitcher Rudy Razjigaev and infielders Yevgeny Puchov and Ilya Bogatyrev to join their Mesa, Arizona Rookie League Squad in 1992. While Puchov and Bogatyrev never progressed beyond the Rookie League—the first rung in the major leagues—Razjigaev progressed to the short season A division.

"That was exciting for him—two years ago he was throwing at Moscow State, now he's playing for the An-

gels," said Bob Protextor, the Angels scout who discovered the Russian athletes.

All three players were released by the Angels at the end of the 1993 season, as the franchise feared that the late-starting Russians would exceed their physical peak before fully developing their technical skills, Protextor said, deflecting criticism from other teams that the Angels signed the players in a bid to raise

the club's profile and increase ticket sales.

"A lot of people said that it was a publicity stunt, but people who said that didn't know what was going on," he claimed.

Protextor, who scouts for the Angels throughout the Midwest from his base in Sioux City, Iowa, finds the search for talented ballplayers more gratifying in Russia than in the States, where "you follow one kid all season and then some other team gets him."

The Angels are to send two scouts to a tryout camp in Moscow and have invited some 25 promising ballplayers from all over the Commonwealth of Independent States to attend. The US franchise also helps the Moscow Red Devils obtain equipment—the team plays in surplus Angels uniforms.

Nonetheless, the strapped Russian government does continue to subsidize its bud-

ding baseball stars, paying players on the nation's eight first division teams a stipend of \$200 a month—nearly three times the average Russian monthly salary of about \$70. The government also picks up the teams' travel fees, transporting the players around the nation in decrepit buses, reminiscent of the US minor leagues. "If it were something that were popular like soccer, money would be easier," said Tselikovski.

However, Tselikovski, who claims to hold a sports marketing degree from Tennessee's Carson Newman College, often thinks of getting out of baseball to pursue a more lucrative career.

"My girlfriend complains that I don't make enough money," he said sheepishly.

While Tselikovski and his teammates—some of whom are pushing 40 and have picked up baseball after achieving national prominence in other sports—are probably too old to attract the attention of the major league scouts, the Angels are convinced that some of the younger Russian players have got the stuff right.

But how long will it take for Russian players to infiltrate the big leagues? Angels officials look for a breakthrough within 10 years, "but you don't know how many days you have to go fishing before you get the big one," Protector said.

—Laurie Laird

LUXEMBOURG

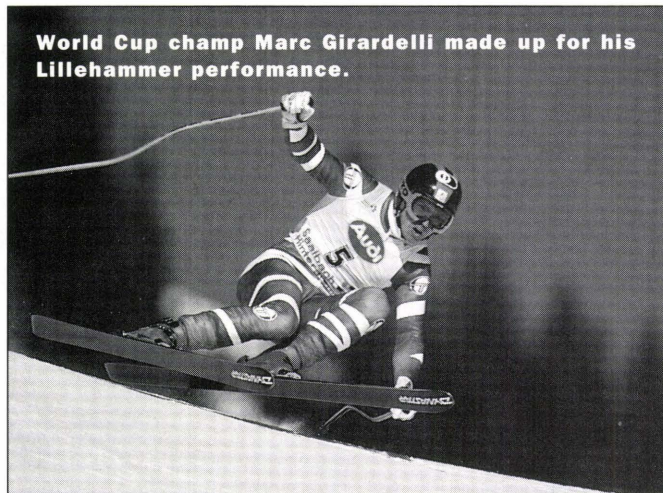
WORLD CUP CHAMPION

Downhill ski racer Marc Girardelli may have lost an Olympic medal at Lillehammer, Norway, but his performance in the 1993–94 World Cup season earned him the championship for the seventh time.

Even though the legendary skier did not place

first in any of the World Cup races, his combined times were the best among his competitors. He earned a total of 556 points, while the Austrian Hannes Trinkl placed second with 536 points.

That, however, may be small consolation after leaving the 17th Winter Olympics without a medal. Although he placed ninth in the combined alpine event, which includes the slalom, downhill, and split downhill races, a few seconds separated him from the gold. Sportswriters were quick to attribute his failure to an "Olympics jinx."



World Cup champ Marc Girardelli made up for his Lillehammer performance.

Girardelli was Luxembourg's greatest hope at the Winter Games. Having placed solidly in world championships before the games in February and having garnered two silver medals in the 1992 Olympics, a gold medal seemed likely. But Norway's alpine team, led by Lasse Kjus, captured all three medals for the combined alpine races. Kjetil Andre Aamodt placed second, and Harald Strand Nilsen won the bronze. The sweep was Norway's first since 1956.

Girardelli's story is well known to Luxembourgers. His father Helmut moved his son to the Grand Duchy after refusing to relinquish control over Marc's training to the Austrian Ski Federation.

Holding an Austrian passport but training in Switzerland, Marc's citizenship raised questions by Olympic officials, who ruled in 1984 that he could not compete on behalf of Luxembourg. They eventually changed their minds and allowed him to represent the Grand Duchy.

The "man without a country" suffered severe injuries in his indefatigable quest for the gold. His worst accident in 1983 tore ligaments in his leg to the point where doctors said he would be "lucky if he could ever climb up stairs again," according to Gi-

rardelli. Innovative reconstructive surgery and physical therapy helped to bring him back to the slopes.

At 30, Girardelli's ambitions may seem to be limited by age but he shows no signs of relenting yet.

—James D. Spellman

BERLIN

SCHINDLER'S LIST

Steven Spielberg's *Schindler's List*, which won seven Oscars at the recent Academy Awards, is one of the few films that has made an overwhelming impact in Germany. Based on the book of the same title by Thomas Keneally, it depicts the tale of a German industrialist who

saved the lives of 1,200 Polish Jews. It has drawn glowing reviews from the media and large audiences worldwide. As the *Süddeutsche Zeitung* predicts, it will be "the film of 1994." In the first four days of its opening in Germany, more than 100,000 people saw it. The film leaves Germans speechless. Even President Richard von Weizsäcker was overwhelmed after the German premiere in Frankfurt, where Schindler spent the last years of his life. Von Weizsäcker appealed to the Germans "to open your eyes and your hearts in the future."

Ignatz Bubis, Chairman of the Jewish Council in Germany, feared that those who should see the film would not see it. He referred to the young neo-Nazis and the skinheads who have badly damaged the name of Germany in the world by attacking refugees living in German cities, defacing Jewish cemeteries, and dismissing the gas chambers of Auschwitz as a lie. In Bubis's view, anti-semitism in Germany has not grown, but it has come to the fore. Many expect *Schindler's List* to have an educational effect, and they are calling for free showings at schools.

Today, the same questions are being asked as 15 years ago, when NBC's television series *Holocaust* stirred German viewers and sparked an emotional debate about Germany's dark past. Why do German filmmakers shrink from the theme of Auschwitz? "This film could only be made by someone like Spielberg," said Herbert Achternbusch, one of Germany's leading film directors. "Spielberg is a Jew, and he produces the greatest blockbusters, at least commercially. It is better to make money on truth than on rubbish." According to Joseph Vilmaier (who directed *Stalingrad*), the project was in the right hands.

"Had a German portrayed a good German like Schindler, the media would not have accepted it." Hark Bohm (director of *Yasnin*) disagrees. "The film ought to have been made by a German, but American filmmakers have a more developed feeling for such themes." Dieter Koslick, head of a film promotion agency, thinks that "in Germany, endless discussions would have ensued on whether Schindler was a suitable hero." And he says, "The name of the director was also important where financing was concerned. Now we have a Hollywood movie. But what counts after all is that we have it."

It is not quite fair to say that German filmmakers have not dared to touch the Holocaust subject following Theodor W. Adorno's verdict that no poetry was possible after Auschwitz. Many documentaries and films have been made, but none has made such an enormous impact. The sadistic SS Commandant Amon Göth in *Schindler's List* was already portrayed in the German film *From a German Life*. But it remained unnoticed "probably because it lacked a positive figure like Schindler to counteract the evil," says film critic Peter W. Jansen. Many Germans also ask why they have not heard about Oskar Schindler before. Articles were published about him in the German press. He received the Commander's Cross of the Order of Merit. The book *Schindler's Ark* was published long before Keeneally's book. Yet "the uncelebrated hero of Frankfurt" was unknown in Germany until now.

German philosopher André Clucksmann says that although people "swarm" to see *Schindler's List*, they aren't necessarily paying attention to its theme's relevance to the current situation

in Bosnia. "Their eyes well with tears, but we have done nothing against the crimes of ethnic cleansing, which recall the murderous ideas of Hitler." For many Germans, the message of *Schindler's List* is that an individual can save lives, but they ask "what are we doing for Bosnia?"

—Wanda Menke Glückert

LISBON

CELEBRATING THE PEACEFUL REVOLUTION

At 25 minutes past midnight on April 25, 1974, Portuguese radio played "Grandola, Vila Morena," a banned song by the protest singer José Afonso. This was the sign for the armed forces to take up positions to bring down the country's right wing regime. When the Portuguese woke up that morning, this peaceful military coup, led by a group of left wing officers, had already ended 48 years of dictatorship. The overjoyed people joined the soldiers, sticking red carnations in their rifles, instantly naming the coup the "Revolution of the Carnations." Leading opposition politicians returned from exile, including the leader of the Socialist Party (PS) and current President, Mário Soares, and the Secretary General of the Communist Party (PCP), Alvaro Cunhal. The Communists survived the dictatorship underground as the only organized force against the regime, which was first headed by António Oliveira Salazar, and during the last six years by Marcello Caetano. Other political parties appeared, and trade unions began pressing for workers' rights.

During 1974 and 1975, a power struggle raged within the military leadership, which was mainly dominated by forces close to the PCP.

Two right wing coup attempts failed, but in November 1975 center-right forces gained the upper hand, dispelling fears among Portugal's NATO allies of a Communist takeover. Mário Soares's PS won the poll for a constituent assembly within a year of the revolution and in 1976 came out on top in the country's first free parliamentary elections since the dictatorship. Portugal then experienced a series of short-lived governments, until 1985, when the current Prime Minister, Aníbal Cavaco Silva of the center-right Social Democratic Party, won his first election.

During this period of political stability, many changes introduced after the revolution, including widespread nationalization of banks and industries as well as a land reform program, have been reversed. In 1986 Portugal joined the European Community, a move widely seen as crucial to safeguarding Portugal's young democracy.

One of the main reasons for the revolution was widespread discontent within the armed forces over the regime's futile fight against independence movements in the African colonies. As a consequence, a top priority after the fall of the dictatorship was to grant these countries independence. However, this turn away from Africa left Portugal in a state of uncertainty over its future role in the world.

Although the move into Europe has provided a new purpose, the search for identity in a country which is aware of its weak political and economic impact continues. More recently, Portugal has begun rediscovering another of its traditional roles: that of a bridge between Europe and the Americas.

—Peter Miles

AMSTERDAM

POLICE SCANDAL IN THE NETHERLANDS

Scandals are not usually regular news items in the Netherlands. But the sudden disbandment late last year of the Interregional Team (IRT), an undercover police team specializing in fighting drug crimes, has brought about a well publicized crisis in law enforcement. As the story has unfolded, it appears that the law enforcement bodies working together on the project were guilty of more infighting than crime fighting. Furthermore, allegations of corruption continue to swirl around IRT along with charges of numerous bureaucratic conflicts of interest, abuses of union power, petty competition among police chiefs, and managerial incompetence.

The conflict began with the Netherlands' long-time tolerance of both hard and soft drug use. Hence, the country has become a major distribution place for drugs in Europe with Amsterdam serving as its trading and financial center. In turn, drug related crime has risen substantially. It is widely held that major organizations run by Dutch are responsible for a large part of the drug trade in the Netherlands. These organizations and their money, it is believed, have gradually infiltrated the "formal" economy through lawyers, real estate developers, and financial institutions.

Confronted with the apparent inability of local police forces to deal with the bigshots of Dutch crime organizations, in 1989 the Interregional Team was set up to fight drug crimes in the greater Amsterdam metropolitan area. It took two years of haggling with police unions

before the team started. From the beginning, the Amsterdam police force, the biggest participant, was unwilling to share power with the other forces, and as a result, conflicts arose continuously.

By the end of 1993, the Attorney General in Amsterdam, the Amsterdam Police Chief, and the Amsterdam Mayor announced that IRT and its activities would be suspended. The action allegedly stemmed from questions about the legality of an IRT undercover operation aimed at what is believed to be the main Dutch criminal

ing the mayor of Amsterdam and the Ministers of Justice and of the Interior. (Just before the investigation into the IRT was started, the mayor of Amsterdam was appointed Minister of the Interior.)

The fallout continues as the political parties have begun to exploit the issue in an already difficult election year. The fact that the Minister of Justice is a prominent Christian Democrat and the Minister of the Interior and former Mayor of Amsterdam is a well known Social Democrat, does not bode well for the ruling Christian Demo-

arousing passions on both sides. Many people were angry at the appearance of billboards showing two children whispering "Psst...slapping is wrong, pass it on," seeing it as an encouragement to inform on parents. The campaign is the work of the Irish Society for the Prevention of Cruelty to Children (ISPCC), which has also produced alarming figures about the complaints it is receiving on its Childline phone-in service.

A Catholic bishop received both support and criticism for his advocacy of occasional light corporal punishment by parents as a way of disciplining unruly children and for saying it was "daft" to criminalize such acts. The principal Catholic newspaper has been publishing letters from readers saying that they are now going to stop supporting the ISPCC, which depends largely on public subscriptions. But other newspapers printed letters professing shock that a bishop would stand over any physical punishment of children.

The controversy has been given a political dimension by a recent report of the influential Law Reform Commission, which was set up to advise governments on changes in existing laws. The commission has recommended the removal of a parent's right to a reasonable chastisement of their children but only after a process of "re-education" of parents. While this has given a boost to the ISPCC campaign, it has also resulted in widespread cries of undue government interference with the rights of parents in the home. As a columnist in the *Irish Times* put it: "To say to such parents that their choice to slap their child as a reprimand is violent, abusive behavior is to imply that they are really dysfunctional and deviant."

The Chief Executive of the ISPCC, Mr. Cian O'Tighearnaigh, strongly defends the anti-slapping campaign while

admitting that it has aroused unprecedented anger against the society which is being accused of being judgmental and anti-family. He points out that beating children is illegal in Sweden, Norway, Denmark, Finland, and Austria and has not resulted in anarchy in those countries. "People ring me up and say 'I have 14 children and beat the lard out of all of them, and it didn't do them any harm' and I say, 'Let me talk to the children.'"

Mr. O'Tighearnaigh points to a poll commissioned by the ISPCC which shows that 86 percent of all adults experienced some form of physical discipline, either at home or in school, that the majority of these felt that it humiliated them, degraded them, and diminished their relationships with their parents. Noting that many parents are reluctant to say publicly that these beatings are wrong, he attributes this to their fear of being seen to criticize their own, perhaps, elderly parents.

When Justice Minister Maura Geoghegan-Quinn was asked recently in Parliament if the government would be implementing the Law Reform Commission recommendation, she was non-committal. She admitted that she had grown up under a system where beating children at home and in school was accepted and that she used to give her own children "the odd smack."

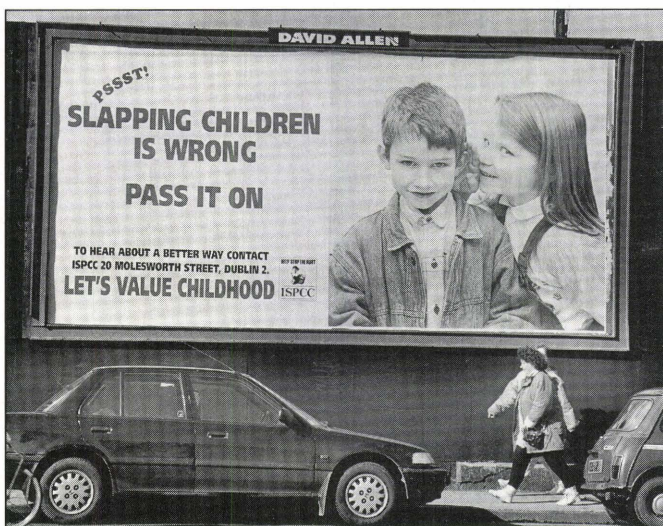
—Joe Carroll

MADRID

POLITICAL SCANDAL

One year after squeaking to a narrow victory in general elections, Prime Minister Felipe González's ruling Socialist Party finds it is still in the political doldrums following a decisive party congress.

A week after the almost 900 delegates to the conven-



To spank or not to spank. Billboards like these have set off a nationwide controversy in Ireland

organization and involving the import of almost 5,000 pounds of cocaine.

Many believed that police corruption was at the root of IRT's dismantlement. Several newspapers published stories accusing the top echelons of the Amsterdam police force with leaking information about investigations to drug bosses.

A government commission was established and charged with sorting out the IRT mess. Its report, published in March, has had far-reaching effects, particularly for Amsterdam's police force and prosecutor's office, as well as for those who were politically responsible includ-

ing the mayor of Amsterdam and the Ministers of Justice and of the Interior. (Just before the investigation into the IRT was started, the mayor of Amsterdam was appointed Minister of the Interior.)

The fallout continues as the political parties have begun to exploit the issue in an already difficult election year. The fact that the Minister of Justice is a prominent Christian Democrat and the Minister of the Interior and former Mayor of Amsterdam is a well known Social Democrat, does not bode well for the ruling Christian Demo-

crat-Social Democrat coalition, which appears certain to suffer its worst defeat in the upcoming ballot. The opposition parties are demanding a parliamentary inquiry, the most serious investigative action the Dutch Parliament can take.

Meanwhile, precious time, public money, and energy has been wasted in the fight against serious crime.

—Roel Janssen

DUBLIN

CORPORAL QUESTION

A campaign to make it a legal offense for parents to smack their children is

tion elected a new executive committee, a poll carried out by the leading daily *El País* found that the Socialists were severely out of favor with the voters.

According to the country-wide survey, if elections were held today, the Socialists would garner only 17 percent of the vote, or five percentage points behind the main opposition party, the conservative Popular Party.

Even more alarming for González, who has been Prime Minister for almost 12 years, the same poll showed his personal rating among voters at its lowest point ever and that 63 percent of those questioned felt that the political situation in Spain (meaning how well the Socialists were ruling things) was "bad or very bad."

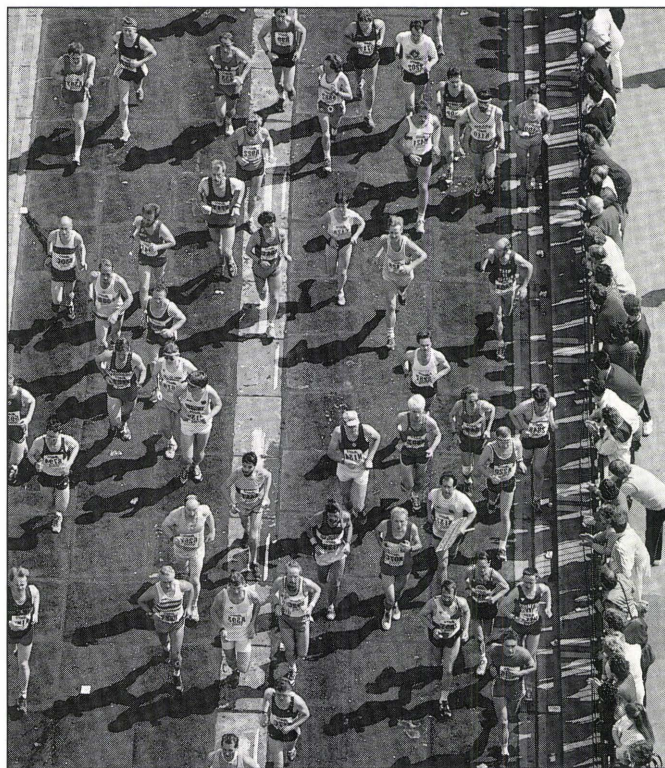
The congress held in March was aimed at healing rifts in the party, which has been divided between the liberal "renewal" wing headed by González and the more doctrinaire, hard left faction headed by deputy leader Alfonso Guerra.

In the end, the delegates chose a new executive committee firmly controlled by the *renovadores* or "renewers," although two members of Guerra's group managed to hold on to key posts.

At the close of the three day event, González said the Socialists would have to "heal the wounds" of the rift and one thing the Prime Minister does not need is more trouble in a party which is ruling in the minority.

And while Spain is seeing the first signs of emerging from a punishing recession, voter support will almost certainly be further eroded by daily headlines charging alleged corruption in the higher levels of government.

According to reports in the opposition newspaper *El Mundo*, former Bank of Spain Governor Mariano Rubio



At the 1908 London Olympics, the Princess of Wales asked officials to add a mile to the marathon so that her children could see the race from the castle.

cheated the taxman by stashing investment proceeds in a secret account while heading the central bank.

Meanwhile, a parliamentary panel is probing charges that the former Director General of the Guardia Civil, Luis Roldan, helped himself to interior ministry funds and received kickbacks from contractors working for the government.

—Benjamin Jones

LONDON

MARATHON ATTRACTION

Tennis at Wimbledon, Cricket at Lords, Rugby at Twickenham, these have traditionally been regarded as the highlights of London's sporting culture, along with the FA Soccer Cup Final at Wembley and even the Oxford and Cambridge Boat Race.

But in more recent years, it is the London Marathon with its sheer human

courage, eccentric costumes, and worthy causes which has gradually captured the imagination and attention of the capital city.

The runners come in all shapes and sizes and vie for the most imaginative costumes. This year they ran dressed as bears, ducks, a tin of beans, telephones, various cartoon characters, and even a squad of Roman centurions each wearing 55 pounds of armor, helmets, and iron shields. No wonder they call it the race of the great British eccentrics.

Oddball or not, they raised \$10 million for thousands of charities and worthy causes from friends and colleagues who were persuaded to donate so much per mile completed in one of the most colorful sporting events of the capital's life.

Starting southeast of the Thames, the 36,500 marathon participants run by some of the greatest London landmarks.

They cross Tower Bridge

near the halfway point before making a circuitous tour through Docklands. As the runners hit the infamous "wall" at the 22 mile point when their legs turn to lead, London offers them the encouragement of some of its finest sights as they struggle past St. Paul's Cathedral, the Houses of Parliament, and Buckingham Palace to finish in the Mall.

It was London, which actually gave the modern marathon its curious distance: 26 miles, 385 yards. The first modern marathon was due to be run 25 miles from Eton to the White City stadium at the 1908 London Olympics.

An extra 385 yards was added so the race would finish in front of the royal box in the stadium. The start was put back another mile when the then-Princess of Wales asked if it could be moved to nearby Windsor so her children could have a good view of the runners from the castle windows.

Revived in 1981 with less than 10,000 participants, the race has grown in popularity over the years. So too has the prize money which attracts the big name runners from all over the world.

The winners of both the men's and women's races picked up \$55,000 each. Men's winner Mexico's Dioncio Ceron is said to have received the same again in appearance money.

But the real winners of the race are the ill, deprived, and handicapped who benefit from the donations raised by the ordinary runners who say they do it for fun!

—David Lennon

COPENHAGEN

DANISH AIDS DILEMMA

The Danes are by international standards notoriously permissive in terms of sexual standards, although

there is now less overt sex on offer in Copenhagen than in many European capitals. A new ruling by the Danish Supreme Court is now testing this permissiveness on the moral level and has created a legal AIDS dilemma.

The Supreme Court found a 36 year old Haitian not guilty of having unprotected sex with 23 women, despite the fact that he knew he had AIDS. The court thus quashed a conviction on those counts by two lower courts, merely upholding the lower courts' convictions of the Haitian for having sex with minors. It is now perfectly legal for Danes who have AIDS to have sexual relations with partners without informing them of the risk. Understandably, this has sparked a heated debate.

Perhaps surprisingly, the medical authorities have welcomed the verdict of the Supreme Court. The top medical officials in the Danish De-

partment of Health and the head of the unit responsible for AIDS agree that a criminalization of sexual relations will simply drive AIDS patients underground and increase the number of hapless victims.

But from a moral point of view, it is deemed absolutely unacceptable by most of those partaking in the debate, and it is likely that a political majority will soon initiate new legislation to force AIDS patients to protect themselves and thus their partners, and perhaps also make it a legal obligation to inform potential partners of the facts of the matter. Spokespersons for AIDS patients acknowledge the need for legal clarification but stress the mutual responsibility of persons with and without AIDS for their behavior as consenting adults.

The lower courts had convicted the Haitian on the basis of a general law stipulat-

ing that it is illegal by gross negligence to cause danger to another person's life or well-being. But since 1988 there has been no specific legislation regulating sexually transmittable diseases, and this was probably crucial to the Supreme Court. Confusingly, however, the risk of AIDS was mentioned as an exacerbating circumstance, which was upheld by the court, in the conviction for sex with minors.

Whatever the details of future legislation, the case of the Haitian and a similar case involving a Danish woman and one man are likely to have a strong impact on AIDS prevention programs, especially in schools and among the young, as well-documented examples of the risks of promiscuity. But there has been no immediate impact on general public attitudes toward AIDS patients, which continue to be tolerant.

—Leif Beck Fallesen

BRUSSELS

OUT OF AFRICA

The plane which crashed in the Rwandan capital of Kigali on April 6, killing the presidents of both Rwanda and the neighboring state of Burundi, may also have killed off Belgium's nearly 80 year connection with the two countries. This tie dates back to 1916, during World War I, when Belgian troops from the Congo invaded the two ex-German colonies and Belgium was subsequently awarded a League of Nations mandate over both territories.

Even after independence in 1962, Belgium retained close links, commercial as well as through the provision of development aid, and Belgians remained by far the largest group of foreigners living in the two countries. Now these links have been shattered, perhaps forever.

Compared to the suffering

NEWSMAKERS

After five years of reigning at the top of the *Sunday Times* annual list of the richest people in the United Kingdom, **Queen Elizabeth** has been deposed by a pair of foreigners. Two Swedish brothers, **Gad**, 71, and **Hans**, 68, **Rausing**, who came to the UK in the early 1980s to escape the punitive tax regime back home, have captured the number one slot. They have amassed \$5.2 billion with their Tetra Pak food packaging business. Virtually everyone who drinks milk or fruit juice has encountered the plastic and aluminum laminated container that made their fortune—the Treta Brik. (And just about everyone has probably cursed quietly while trying to pry the fiendish invention open.)

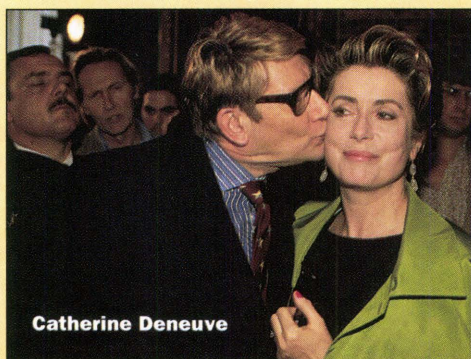
Trailing the Rausings by \$200 million is Her Majesty, who has had a tough year, what with fire and the taxman

calling. But thanks to the inspired idea of opening Buckingham Palace and Windsor castle to the public, the royal purse has not suffered much. It still contains the same \$5 billion as last year, which is a very modest appraisal considering the thousands of paintings, pieces of furniture, sculpture, porcelain, textiles, and jewelry that make up the royal collections, not to mention a palace or two.

•••

The man who gave the world the Sex Pistols, punk impresario **Malcolm McLaren**, has gone all conventional and romantic in middle age. He has brought together some of the biggest female stars in France to record a dewy-eyed homage to his favorite city, Paris.

Not everyone he ap-



of French cinema, **Catherine Deneuve**, to take part, but she insisted on having her own lyricist rewrite her song, which she considered "too vulgar" in its original version. Singer **Françoise Hardy**, who has been a pop star since the 1960s, made McLaren wait outside the studio

proached for the album reacted with delight. **Juliette Gréco**, the muse of the Latin Quarter's jazz scene in the 1950s, turned him down flat when he asked her to sing about the passionate relationship she once had with **Miles Davis**.

Jeanne Moreau, one of France's most respected actresses, agreed to meet him but also declined to be part of the recording.

McLaren did manage to persuade the glamour queen

while she recorded the erotic ballad he had written for her about committing suicide by inhaling roses. He was treated little better by the French-Tunisian chanteuse, **Amina**, who apparently bossed him around mercilessly, and even fashion designer **Sonia Rykiel** threw a tantrum when she found out that Deneuve's voice had been used on the album but not hers.

McLaren could be forgiven for naming the album *French Harridans I Have Known*, but

of the Rwandan people, 200,000 of whom were estimated by the Red Cross to have been slaughtered in Rwanda in the weeks following the air crash, this may appear of little importance. Yet for Belgium—a small nation, divided like both Rwanda and Burundi into two “tribes” which find it difficult to cohabit (in this case between French-speaking Walloons and Dutch-speaking Flemings)—it has been a traumatic experience.

The cruelest blow was the cold-blooded murder of 10 Belgian soldiers attached to the small UN force which had been in Rwanda since last year helping to implement a peace settlement to the Rwandan civil war. This was probably a consequence of the wave of anti-Belgian sentiment which swept the country following radio broadcasts (actually made by a Belgian citizen) which falsely accused the Belgians of having shot

down the presidential plane.

This also led to the emergency evacuation of virtually all the 1,500 Belgians living in Rwanda, of whom only a handful, mostly missionaries and aid workers, chose to stay. Few are likely to return. There has been no mass evacuation from Burundi, where the bloodshed was much less, but if the situation deteriorates, what has been a trickle of Belgians leaving the country could easily become a flood.

For Belgians it has been an occasion for stock-taking. The government was panicked into a precipitate withdrawal of the Belgian contingent from the UN force, without even consulting the Security Council in advance. This was not in fact in accord with public opinion, a large majority in a subsequent opinion poll actually supported the reinforcement of the UN presence.

Yet the attitude of virtually all Belgians seems set to

change. For an older generation, which was still nostalgic for the earlier colonial relationship and which retained a paternalistic attitude to the two emerging nations, it was a shock to discover that there is no residue of gratitude toward Belgium in her former colonies.

For younger generations, who were ashamed of the colonial record and the precipitate Belgian pull-out, both from Zaire in 1960 and from Rwanda and Burundi in 1962, the idea that Belgium could somehow make up for this by establishing a special relationship and providing more generous aid than other Western countries has taken a hard knock.

Belgians of all ages seem now to have reached the painful conclusion that there can be no such relationship, that any assistance the rest of the world may be able to extend will be on a multilateral basis, and that the specifically Belgian role in Africa is a matter

for the history books rather than current reality.

—Dick Leonard

PARIS

STUDENTS PROTEST

It seemed like an excellent idea at the time. The right wing government of French Prime Minister Edouard Balladur thought it had found a sensible and practical means of controlling the disturbing rise in unemployment among the country's young people. It would set up a kind of apprenticeship plan, whereby employers could hire students when they graduate from college and pay them 60 percent of the legal minimum wage of \$980 a month while training them.

But when the decree was published in February, it was greeted with loud grumblings instead of gratitude, not just from students but from the French public in general. Var-

he has simply called it *Paris*.

•••

Artists can find inspiration in the most unlikely places. Take the stock market crash of 1987—not an obvious well-spring of creativity for most people. But French painter **Dominique Obadia**, 50, was so stimulated by the wild fluctuations of the share market indexes that he has created some 50 canvases on the theme of the crash.

They have catchy titles like *Descent Into Hell* and price tags ranging from \$1,000 to \$6,000. After a month-long exhibition in Paris, they are currently touring the world's major art—and finance—centers: New York, Hong Kong, Frankfurt, London, and Tokyo.

•••

In Italy the latest craze among the rich and famous is to have one's portrait painted by “artist to the stars” **Rinaldo Geleng**.

His work is particularly popular in the movie world: a photograph of his portrait of **Federico Fellini** adorns the tomb of the great film director.

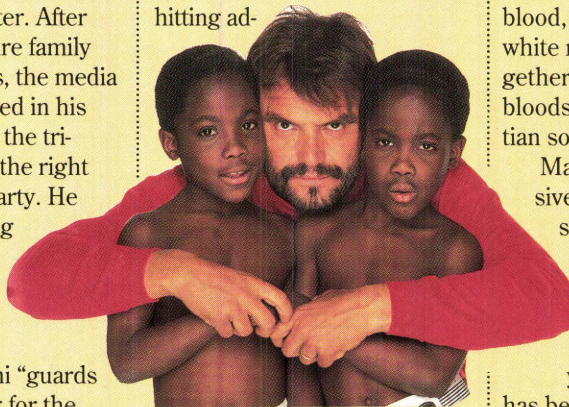
Geleng is also **Silvio Berlusconi's** favorite painter. After having had his entire family captured on canvas, the media tycoon himself posed in his new incarnation as the triumphant leader of the right wing Forza Italia party. He has also had Geleng paint a picture of the **Pope** for him. In a newspaper interview the artist said that Berlusconi “guards it jealously, waiting for the right occasion to offer it to the Holy Father as a present.”

•••

Hardly a week passes when the name **Benetton** is not in the news. If it is not the controversial knitwear king himself, then other members of his company are hitting the

headlines.

The latest free publicity was generated by the resignation of the publicity director, **Oliviero Toscani**, the man responsible for Benetton's hard-hitting ad-



Oliviero Toscani

vertising campaigns. He has fallen out with the company's new managing director, **Aldo Palmeri**, whom he accuses of having a “rigid and old-fashioned style of management.”

Toscani could certainly never be accused of being old-

fashioned. His posters have featured some of the most striking and shocking imagery splashed across a billboard. They have included a newborn baby covered in blood, a black man and a white man handcuffed together and—the latest—the bloodstained t-shirt of a Croatian soldier killed in Bosnia.

Many people find it offensive that such suffering should be used to advertise rainbow hued knits. One person has now taken Benetton to court. **Erick David**, a young Frenchman who has been diagnosed as carrying the AIDS virus, is asking for \$17,000 in compensation. That is the price he has put on the moral damage inflicted on him by Benetton posters featuring nude male torsos and buttocks tattooed with the words “HIV positive.”

—Ester Laushway

ious opinion polls put the number of those opposed to the measure at anywhere from 55 to 64 percent.

The CIP (*le contrat d'insertion professionnelle*—the Professional Insertion Contract) produced exactly the opposite effect of what was intended. Offered in good faith as a way of drawing young people into the job market, it was interpreted as an official mark of Cain, tangible proof of the government's incomprehension and exclusion of today's youth.

The grumbles soon swelled into a full throated roar of protest. From March 3–25, some 300 demonstrations, in which a total of 700,000 to 1 million young people participated, took place in 130 French towns. They created a temporary alliance between the students directly concerned by the CIP, who are generally law-abiding and peaceful, and the hordes of disillusioned, jobless youngsters who roam the grim suburban ghettos of France, always ready to lash out at society's injustices.

Fearful of a repeat of the student riots of May 1968, and with a watchful eye on next year's presidential elections, Prime Minister Balladur performed a maneuver that is becoming something of a habit with him—he beat a gracious retreat. Having previously surrendered to striking Air France workers and angry fishermen, he also gave in to the students and withdrew the CIP. But his conciliatory stance failed to earn him any Brownie points. His popularity rating slipped 12 points in public opinion polls, putting him behind President Mitterrand for the first time since he took office a year ago.

For France's young people, the defeat of the CIP has been a Pyrrhic victory. While it has rid them of a government plan they did not want, they are not sure what they

would like to see in its place. They are a generation described by various sociologists as having no ideologies, no role models, no beliefs to unite them. Unlike the student protesters of May 1968, they do not want to change the world and create a bright new future. They are simply afraid there may be no future for them. Whereas 15 years ago, 7 out of 10 students found work after finishing their studies, now only 3 out of 10 manage to land a job.

The French government has now come up with a new scheme to combat those disturbing statistics. Labor Minister Michel Giraud has announced a youth employment subsidy which will give companies \$170 a month for nine months for every first-time job-seeker they hire for at least 18 months. Up to 250,000 jobs will be created for a student population of 2 million. So far the new measure has not given rise to either rioting or dancing in the streets.

—Ester Laushway

ATHENS

ARTS RENEWAL

Greece's tourism ministry is trying to put the country's two international arts festivals back on the map, after several lean years. With attendance declining sharply both in Athens and at the ancient theater at Epidaurus, this summer's offerings are designed to appeal to the most demanding culture seeker.

The open air Herod Atticus amphitheater, where the Athens festival is staged, is being revamped to make it more attractive to top class orchestras and theater companies. Built in the 2nd century AD, more than 5,000 spectators can be crammed into its steep marble tiers, built into the southern slope of the Acropolis hill.

"The trouble is that first

rate international orchestras are worried about playing there in case rain damages their valuable instruments. The same goes for theater companies and their sets and costumes," says Tourism Minister Dimitris Livanos.

The solution, he says, is to reconstruct a wooden canopy that covered the stage when the theater was used in Roman times. Based on evidence from archaeological investigations, historians say the cedar canopy was reinforced with copper. A replica will be in place by June when this season's performances start. It will offer the added advantage of improving the theater's acoustics, distributing sound more evenly around the tiers.

As a result, this year's festival program includes performances by the Stuttgart and Berlin symphony orchestras and the Vienna Philharmonic.

Performances at Epidaurus in southern Greece, held on weekends between June and September, are to be confined in future to ancient drama, but many more international theater companies will be invited to play there.

"Epidaurus is a unique theater and its festival should be a showcase for ancient Greek drama as it's played and interpreted around the world by the best directors and companies," Mr. Livanos says.

The 4th century BC amphitheater set among the ruins of a sanctuary to Asclepius, ancient Greek god of health, seats more than 12,000 spectators. Yet the acoustics are so good that actors can project their lines normally.

This year, the London-based director Peter Hall will bring an acclaimed production of Aristophanes' anti-war comedy, *Lysistrata*, to Epidaurus. Another renowned director, Peter Stein, will bring his production of Aeschylus' *Oresteia*—a trilogy of tragedies, using Russian actors.

However, with demand rising for performances by local groups, increased state funding for regional theaters, and growing interest in experimental interpretations of the ancient Greek classics, another ancient theater will be opened to actors.

The Roman theater at Argos, 12 miles from Epidaurus, will become the venue for production of ancient plays by experimental and youth theater groups, both Greek and foreign.

Italian, German, and Greek groups will inaugurate the Argos festival season this summer, which will include two versions of Euripedes' tragedy *Medea*.

—Kerin Hope

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ARTS & LEISURE

FILM

***Germinal* (French)**

From the Emile Zola novel and directed by Claude Berri, *Germinal* is France's \$30 million shot at creating a truly epic film. Add the impressive cast, headed by Gerard Depardieu, Renaud and Miou-Miou and you have a two and a half hour picture that does full justice to Zola's impassioned cry for social justice.

Parts of *Germinal* can compete with the best and the most effective Hollywood can produce.

Berri, after all, is one of the world's great directors, and here he has obviously been given the means to create both a beautiful and a most powerful image of 19th century life—with all its miseries, dangers, and greed—in the northern mine region of France, where in fact the movie was shot.

The story deals with issues that concerned Zola—the brutality of the working conditions in the mines and the hard-hearted injustice of a system that pitted the mine operators against the workers.

But in *Germinal* it's the final sequences of the mine explosion, deliberately caused by a cynical anarchist, which provide the greatest impact. They are unrivaled in their crushing realism. By contrast, though the acting is

first rate, Berri hasn't done as well with the development of the characters.

In that area, the film is strangely cold, though Berri certainly doesn't spare the horses when it comes to the depiction of pain and suffering by the miners who are badly underpaid and virtually



***Germinal*, starring Gerard Depardieu, is based on the Emile Zola novel about 19th century life in a French mining town.**

starving.

Depardieu is his usual powerful self as a leader of the miners. His scenes stand out strongly as do the ones of Miou-Miou who plays an angry and long-suffering mother whose sons are killed in the mine.

Germinal is the most expensive film ever made in France, and it shows. The photography is nothing short of superb. Unfortunately, photography alone doesn't make a movie, and *Germinal*, with its unrelenting misery, may strike Americans—despite its pictorial splendor

and its periodic action—as somewhat remote and repetitive.

***Fiorile* (Italian)**

The Taviani brothers, Paolo and Vittori, have given us some of Italy's best films, including *Padre, Padrone* and *Night of The Shooting Stars*. Now they have produced *Fiorile*, and once again, they have produced and directed a captivating and thoroughly enjoyable film, which ranges from the present back to the days when Napoleon's army invaded Italy.

It's the story of the Benedetti family and the curse involving a wagon-load of stolen gold. Michael Vartan playing Jean, a young French lieutenant, falls hard for Elisabetta Benedetti (Galatea Ranzi), which leads to the theft of the gold by her father and brother. Jean dies for this by firing squad. She dies in childbirth soon after.

A century later, the Benedettis have built an empire from the stolen wealth, but the curse persists.

The Taviani brothers are

particularly at home with this kind of very Italian subject, and the direction of the Tavianis is perfect for this folk tale. Somehow, though, there are times when the picture lags. *Fiorile* (it's a nickname for Jean's love of long ago) convincingly reflects the depth of the Benedetti family's inherent greed as a characteristic that is passed down through the centuries. Undoubtedly, the Tavianis are drawing apt parallels with Italy's current reassessment of morals and this gives the film a surprising strength and conviction.

***Belle Epoque* (Spanish)**

A Fernando Trueba film and winner of this year's Oscar for Best Foreign Film and nine, well-deserved Spanish academy awards, *Belle Epoque* is a very amusing and sexy comedy set in the Spain of 1931, when Spanish society began to gradually revolt against the strict moral standards imposed by the Church.

The movie is quite delightful in its unabashed portrayal of relationships and its honest argument that women will



***Belle Epoque* won this year's Oscar for best foreign film.**

go after the men they find attractive, jealousies and competition notwithstanding. It's a provocative picture, but done in the best of taste and with a wonderful sense of humor that is both

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subtle and very appealing.

Fernando (Jorge Sanz), an army deserter, drops by the country house of an elderly painter (Fernando Fernan Gomez) whose four young daughters are just returning home. One by one, each in her own way, they succeed in seducing Fernando. In the end, he falls in love with Luz (Penelope Cruz) who is young, innocent, and eager and who wants permanence and marriage. Fernando has lived his *belle époque* or "beautiful time."

The fun in all this lies in the very different characters of the sisters, though they all pursue their aim of seducing Fernando with single-minded determination. One of the girls is a lesbian and her cross-dressing sequence with Sanz is a howl.

According to Trueba, the theme of *Belle Époque* is simply freedom in art, love, sex, and friendship—all the things that make life interesting. The film conveys all of this and provides great entertainment and lots of fun in the doing.

—Fred Hift

ART

Farewell to Bosnia: New Photographs by Gilles Peress

Institute of Contemporary Art, PS1 Museum, New York; until June 12, 1994; Museum of Contemporary Photography, Chicago; June 18 to July 23, 1994; New Langton Arts, San Francisco; July 28 to September 10.

The presentation of *Farewell to Bosnia: New Photographs* (Gilles Peress) powerfully bridges the gap between art and journalism. The exhibit premiered earlier this year at the Corcoran Gallery of Art, in Washington, DC, and began its US tour in May. Peress' work poignantly documents the lives and conditions of Bosnians during the war in the former Yugoslavia, while simultaneously confronting common notions of aesthetics and quality in photography.

In 1993, Peress spent three and a half months in Bosnia and Croatia, primarily in the areas of Tuzla, central Bosnia, Mostar, and Sarajevo. The resulting photographs display the lives of a people under siege: refugees, children in hospitals, prisoners of war.

According to Peress his photographs "show a nation divided, a na-

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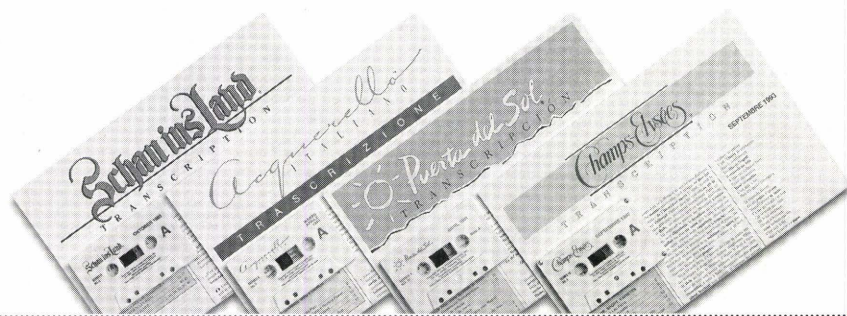
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tion at war. Refugees are on the road, drifting through the rain, moving through camps and hospitals, an endless cavalry of images flashing by in a blur: exhaustion, too many images, too much horror. The witnesses become indifferent." He adds, in explanation, that his "point is that we, in the comfort of our lives, must question our role in the history of Bosnia, which is also our history."

Peress sets out to invade our comfort through vivid images of pain, not only in horrific pictures of those injured in fighting, but even in seemingly pastoral scenes of the countryside—the only difference being the men in the fields have guns and the quaint would-be ancient ruins are actually the destroyed homes of distressed citizens.

The exhibit itself is designed as a journey through the devastated land of Bosnia. The photographs are displayed in groups, each focusing on a theme or place. The journey begins with two groups of photos, *Road* and *Road II*, depicting the lives of citizens through subtle yet symbolic combinations of both the beautiful countryside and the harsh realities of war. In one scene, all seems peaceful as the foreground captures the beauty of a budding flower. However, another glance reveals the hill in the background, strewn with bags of dead bodies. The size (30 x 40 inches) of these gelatin silver prints adds to the emotion. They seem very close, making it difficult to distance oneself from the turmoil.

As the journey continues, the exhibit moves on to *The Other Siege* and *Home*. These scenes continue to document the devastation through every day scenarios. Peress captures a charming photograph of children playing in the streets, drawing chalk outlines around each other's shadows. Yet this enchanting

portrait of children becomes an eerie foreshadow of death, as the chalk outline of the child bears a haunting resemblance to police outlines of a dead body. Another picture, titled *Hotel Room, Sarajevo*, views the ravaged city from a hotel window. The mordant scene, intensified by the broken window pane through which the city's destruction is seen, creates a stirring allusion to the former Yugoslavia's shattered society.

The final segment of the exhibit is the most brutal on the senses. *Dismemberment* is primarily scenes of wounded soldiers, citizens, and children from various hospitals in Bosnia. While most of the exhibit emphasizes the common peoples of Bosnia and not military aspects, Peress abandons his reserve and in this portion displays the atrocities.

Although Peress desires to bring attention to the tragedies of the war in the former Yugoslavia, there is also a larger goal at work. In the past, Peress' photographs have likewise focused on intolerance and the evil it fosters. In fact, *Farewell to Bosnia* is the second part of a project Peress titles *Hate Thy Brother*, a cycle of documentary stories that depict the re-emergence of nationalism in post-war Europe. The first part of this series, *Power in the Blood*, stems from Peress' travels in Northern Ireland, chronicling the Irish civil rights struggle. The fruit of that labor will be published in book form in 1995.

Peress, born in 1946 in Neuilly, France, began his career as a photographer in 1970. His first project consisted of a portrayal of life in a French coal mining village as it emerged from the ashes of a debilitating labor dispute. In 1972, he joined the photography agency, Magnum Photos, and soon began his long years of work in Northern Ireland.

In 1979 he traveled to Iran where he photographed the Iranian revolution. He described, through photography, the tenuous relationship between American and Iranian cultures during the hostage crisis, culminating in the publication of his highly regarded book, *Telex Iran: In the Name of Revolution*.

His other major projects include a photographic study of the lives of Turkish immigrant workers in Germany and a recent examination of the contemporary legacy of Latin American liberator Simón Bolívar. In addition, the *Farewell to Bosnia* exhibit is accompanied by a new book of Peress' photographs from the former Yugoslavia.

—Leah Seppanen

BOOKS

Zlata's Diary: A Child's Life in Sarajevo

By Zlata Filipovic; Viking Press; 1994; 200 pages; \$17.

In the first few pages of her diary 11 year old Zlata Filipovic writes that her parents and most adults "talk mostly politics with their friends. What is politics? I haven't got a clue," she writes to "Mimmy," the name she has given her diary.

At the end of her diary Zlata writes "Politics is making my life miserable!" and "I'm really fed up with politics!"

Without knowing what politics is Zlata becomes one of the countless victims of political decisions that shatter her happy childhood in Sarajevo.

Zlata is a bright, carefree child more concerned about her pets and rock music and Madonna than she is about something called politics. Yet, because of politics, which she has no control over, her life changes forever. She says "These lunatics haven't just stolen from us our childhood, they've stolen from my grandparents and other people a

peaceful old age."

Through Zlata's insightful thoughts written down every day in her diary we see the rapid destruction of civilized life in Sarajevo.

We see war not as a glorious event, but, as she writes, "A STUPID MESS." As she tells her diary, "War has crossed out the day and replaced it with horror and now horrors are unfolding instead of days."

Zlata wants only to be a normal child living her life in a peaceful city in a country at peace. She asks, "Will I ever be a schoolgirl again, will I ever enjoy my childhood again? I once heard that childhood is the most wonderful time of your life. And it is. I loved it and now an ugly war is taking it all from me. Why? I feel sad. I feel like crying. I am crying."

Zlata's short diary tells a reader more about the war in the former Yugoslavia than any larger more detailed book on the subject. Zlata is one of thousands of innocent victims of politics gone mad. As she says, she is helpless to change the situation.

Zlata calls politicians "the kids" which I find appropriate and calls the snipers on the hill "the boys." She keeps a sense of humor and a perspective on a terrible situation.

Zlata's Diary is an excellent book which describes war as it really is for a child who has to live through this terrible experience. Hopefully, "the kids" around the world will read this moving book and find a formula for peace so other children in the former Yugoslavia can begin to live a normal childhood.

Or as Zlata so correctly writes, "Why on earth don't those 'kids' come to some agreement? They really are playing games. And it's us they're playing with."

—Robert J. Guttman

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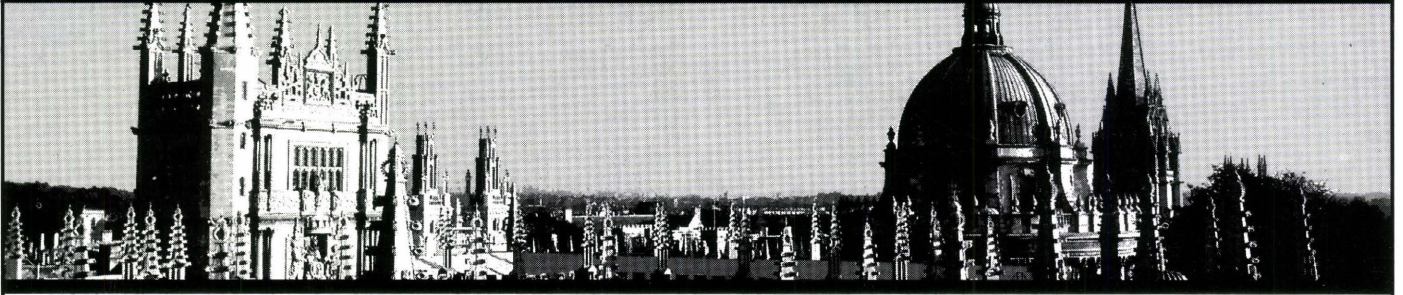
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