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MAGAZINE OF THE EUROPEAN UNION



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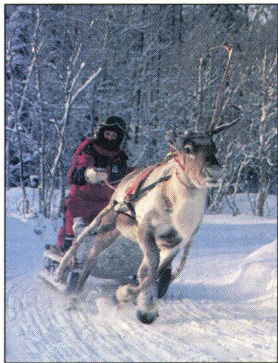
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Letter from the Editor

Europe is heading north. Europe is heading east. Europe is expanding.

Actually, Europe itself is not expanding, but the European Union will be expanding and may have four new members starting January 1, 1995.

Austria, with a population of nearly 8 million people, voted overwhelmingly to join the EU in a nationwide referendum held this summer. As Andreas Unterberger, our writer in Vienna, states in his article on Austria joining the EU, "In the end, the vote seemed to signal that nearly two-thirds of Austrians believe the country's interests are best served in the EU than outside it."



Northern Exposure: With the possible addition of the three Nordic countries, the European Union could soon stretch from the Mediterranean to the Arctic.

The European Union's new northern exposure begins with the referendum to be held in Finland on October 16. My visit to Finland convinces me that the Finns will soundly vote yes in favor of EU membership. As Finland's Speaker of the House Riitta Uosukainen told me, "Watch out Brussels, we are coming!"

"The debate over EU membership is running as hot as the Swedish summer weather," writes our Stockholm correspondent, Jonas Weiss. The Swedes will hold their referendum on EU membership on November 13, and as Mr. Weiss says, "There are certainly a few ups and

downs left on the road to the referendum." In an exclusive interview with *EUROPE*, the Prime Minister of Norway Gro Harlem Brundtland vigorously announces that EU membership is "going to be a hard fight. But, I am absolutely in a good fighting spirit, and I think we will do it."

The addition of the Nordic countries alone will increase the Union's total surface area by nearly 50 percent. The addition of Austria, Finland, Norway, and Sweden would also add 26 million new people to the European Union.

EUROPE takes a look at some of the leading Nordic businesses and finds that Nokia is fast becoming one of the world's leading telecommunications companies with a strong presence in the United States. Nokia's CEO Jorma Ollila, in an exclusive *EUROPE* interview, discusses Nokia's rapid growth around the world in the cellular phone market, the pros and cons of EU membership and the advantages of running a global operation from Finland.

Denmark, our member country report this month, is experiencing some good economic news. *EUROPE* talks with the CEO of the well-known Carlsberg Beer Group and the CEO of Novo Nordisk, a large Danish health care company, to find out how these two Copenhagen-based global corporations are doing in the world economy today.

EUROPE explores the beautiful Tivoli Gardens in Copenhagen and presents a letter from Helsinki for our travel section.

Jacques Santer, the prime minister of Luxembourg, who has been selected to replace Jacques Delors as president of the European Commission next January, is presented to our readers in a *EUROPE* profile.


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EUROPE

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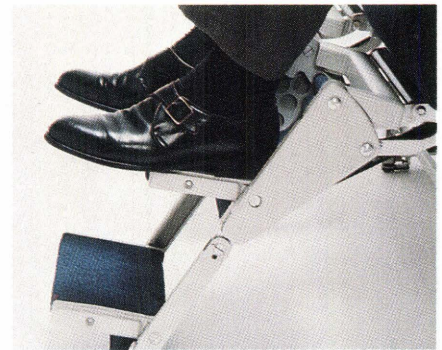
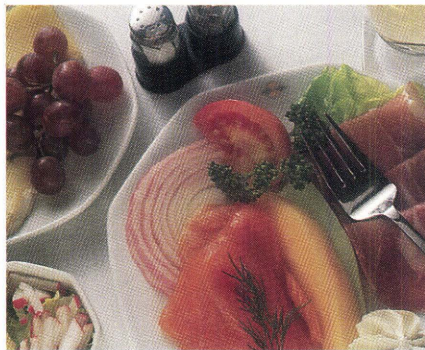
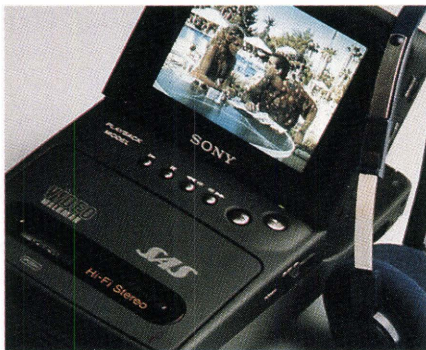
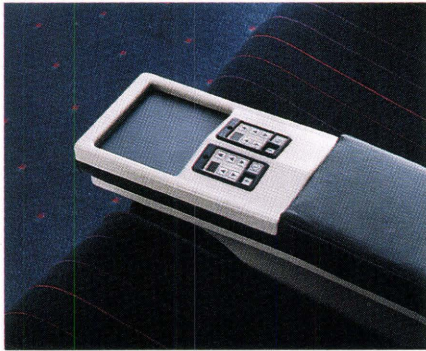
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Reuters has contributed to news reports in this issue of *EUROPE*.

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EYE ON THE EU

It was on the road leading out of Stettin to the West amid scenes of indescribable chaos that the 10 year old Dietrich Von Kyaw, fleeing from the Red Army on a horse-drawn cart, became a convinced European. Now, nearly 50 years later, he has the chance of playing a key role in the struggle for closer European integration: He is Germany's Permanent Representative to the EU during his country's presidency of the Council of Ministers.

A humorous, outgoing character, Von Kyaw's family were Junkers, with a large farm in what is now part of Poland. His father was killed as a soldier during the German invasion of Poland in 1939, and in 1945 his mother led the young Dietrich, his brother, and two sisters on the long trek to Schleswig-Holstein, which she calculated was likely to be occupied by the British. Von Kyaw says she thought that the British "would be the best behaved of the occupying powers. She was a smart woman, my mother."

Von Kyaw recounts how the family moved on to the Hannover area, where as a fatherless refugee he was educated at the state's expense at boarding schools, while his mother supported the family by giving violin lessons. As a boy, he brooded on how Germany could be reconstituted "in dignity and unity" and concluded that this could only be through European unification.

He went on to Bonn University, where he often

popped into debates in the Bundestag, where he was inspired by the European vision of Konrad Adenauer, the first West German Chancellor. He decided that he wanted to go into politics to achieve his aims—"with diplomacy as a fall-back position." Perhaps it is as well that this did not work out: Von Kyaw is not a natural party man and has switched his vote between the parties "according to the circumstances of the time."

When he was 19, he had what he called his "second big experience," winning a scholarship to the University of Chicago, where he began his long "love affair" with America, while retaining his European commitment. After a year he returned somewhat reluctantly to Bonn to complete his studies in law and history—"not economics. I was not interested at the time, though I should have been." He completed his doctorate, which was on the relationship between national and international law, at the University of Liege in Belgium. In the meantime, he spent three months working on a farm in France, the first German to be seen in the village since the war, which he describes as "hard work, but a wonderful experience." It was necessary, in any case, for him to learn French, having studied only English and Latin in school.

Entering the Foreign Ministry in 1964, he "was offered various posts, including Los Angeles, which I did not hesitate to choose." Appointed a Vice-Consul in charge of the legal section,

he led a schizophrenic life, taking down a large number of harrowing depositions from witnesses in legal proceedings against former concentration camp guards, while sharing in the glamorous social life of Hollywood, where he lived.

It was at a film party that he met his German wife, Elisabeth. "She was not a star or starlet, though she looked like one." After their Hollywood wedding, "we went to the other extreme, to the Congo and the Central African Republic. I became the favorite diplomat of Bokassa, the crazy guy who later became Emperor. He was a charming man, but he was also a murderer."

After the surreal worlds of Hollywood and Bokassa's court, it was perhaps appropriate that Von Kyaw's next job was to be in charge of outer space policies in the economic department of the Foreign Ministry in Bonn. "This was my first success story," he says, explaining how from a lowly position he was able eventually to turn around German policy from complete dependence on American-based projects to support for the creation of a European Space Agency under French leadership. His admiration of America was undiminished, but he realized that US negotiators were "tough cookies" and would have charged exorbitant amounts for the use of their satellites if they had established a monopoly.

The rest of Von Kyaw's career, since 1973, reads like a lengthy course of preparation for his present post,

which he took up in February last year. He has had postings at the UN and in Washington and has held progressively senior positions mainly concerned with economic issues in Bonn, culminating in heading the Directorate for EC affairs between 1989-93.

He is now facing probably the busiest six months in his entire career. While his own government is distracted by a seemingly endless series of elections culminating in the Bundestag poll in October, the EU has to be brought back onto a firm course following the controversy over the nomination of a new Commission President.

The legislative program of the Union is light in the foreseeable future. What is more weighty is the search for initiatives to help ease Western Europe out of the recession and a whole range of foreign policy issues, including the Middle East peace process, assistance to the new elected government in South Africa, opening up the Union to Eastern Europe, the peace process in Yugoslavia, and problems in the Mediterranean, including the worsening situation in Algeria.

On all these issues decisions need to be taken by the Council of Ministers, but the essential groundwork will be laid by the Committee of Permanent Representatives (Coreper), which Von Kyaw will chair. The success or failure of the German presidency rests very largely on his shoulders.

—Dick Leonard

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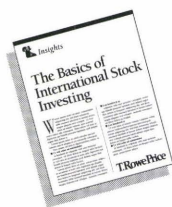
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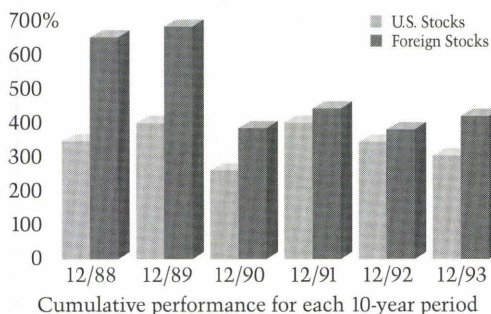


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New Asia Fund	24.2% 1 year	19.3% since inception 9/28/90	
Latin America Fund—our newest addition			

*Foreign returns are expressed in U.S. dollars. Sources: Foreign stocks—Morgan Stanley Capital International EAFE Index (Europe, Australia, Far East); U.S. stocks—Standard & Poor's 500 Stock Index. This chart is for illustrative purposes only and does not represent an investment in any T. Rowe Price fund. **Figures include changes in principal value, reinvested dividends, and capital gain distributions. Total returns represent past performance and cannot guarantee future results. Investment return and principal value will vary and shares may be worth more or less at redemption than at original purchase. Past and present expense limitations have increased the funds' total return. There is no guarantee that the funds will achieve their objectives. Request a prospectus with more complete information, including management fees and other charges and expenses. Read it carefully before you invest or send money. T. Rowe Price Investment Services, Inc., Distributor.

Economic Front-Runner

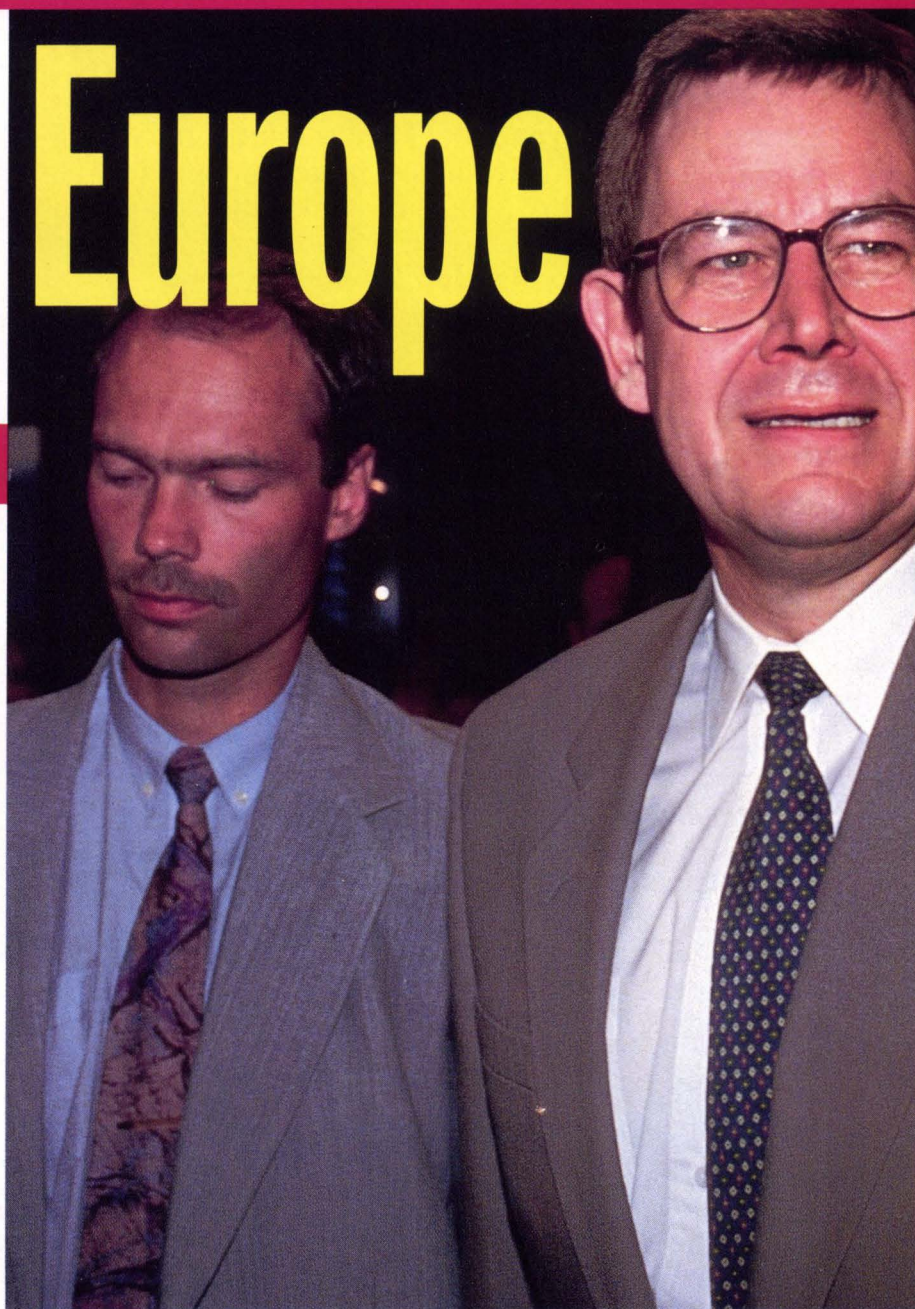
Taking Europe

BY LEIF BECK FALLESEN

Denmark can look forward to consolidating its position as the economic front-runner in the European Union in 1995, with a growth rate which may approach 4 percent. That will be a repeat of this year's achievement, which is more than double the West European average. No wonder Europeans in general, and especially the troubled Swedes, are enviously studying the Danish model.

At the beginning of the 1980s, mention of the Danish model became synonymous with economic malaise. During that period, Denmark faced a huge government deficit, a massive deficit on the balance of payments, a weak currency, high inflation and interest rates, high unemployment, and minority governments with no political clout. No more.

Unemployment is still high, more than 12 percent or double the US figure. But it has started to come down, and a major improvement is expected next year. The government promised to stem Denmark's rising unemployment when it assumed power last year. During the upcoming election campaign (constitutionally mandatory within the next four

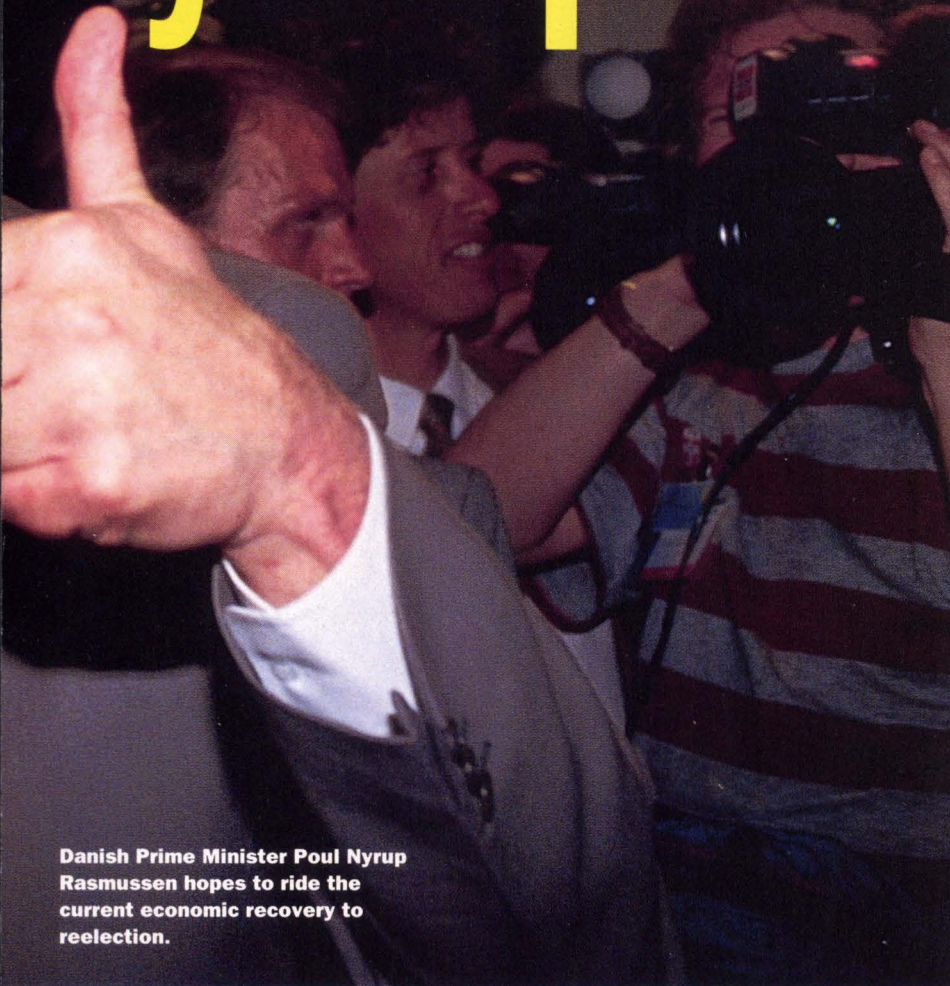


months), the government is sure to emphasize Denmark's improving employment situation.

Critics, including most independent economists and, less surprisingly, the opposition parties, claim that the reduction in the number of unemployed Danes is an illusion. More than 50,000 Danes have taken leave, the majority of which is parental leave of up to one year. For this the government pays parents about \$1,600 per month, equivalent to the state's maximum unemployment benefits.

Nonetheless, opinion polls predict at least an equal chance for the current government to win the fall elections. If in fact economic recoveries (or at least the appearance of a

By Surprise



Danish Prime Minister Poul Nyrup Rasmussen hopes to ride the current economic recovery to reelection.

recovery) tend to favor the political incumbents, it may augur the reelection of not only the Danish Social Democratic Prime Minister, Mr. Poul Nyrup Rasmussen, but also another success for German Chancellor Helmut Kohl.

The first phase of the Danish recovery started late last year, but did not attain visible momentum until this spring. It has been fueled almost solely by a strong increase in private consumption, expected to grow almost 6 percent this year. Cars and foreign travel have been major beneficiaries of this consumption boost. But Danes have also benefited in the real estate market, where rising prices eliminated the negative liquidity that tied many owners to their property.

Exports are leading the second phase of the recovery, a consequence of the more moderate, belated upturns in the other European economies. Denmark's major trading partner is Germany, so the pace of the German recovery will be a powerful indicator of what happens in Denmark. With inflation and labor costs lower in Denmark than in Germany, Danish industry is well positioned to cash in on German expansion.

The crucial difference between this recovery and earlier recoveries is that Denmark can afford it. The balance of payments constraint, which forced Denmark to choke any major surge of demand, because it sucked in expensive imports, is no longer there. Denmark has an impressive surplus on its trade balance, and exports have picked up simultaneously with imports, indicating that Danish industry is quite competitive.

The catch for anyone wishing to emulate the Danes is that the recipe involves a long and hard effort, and a lot of patience. It took 10 years to turn the Danish economy around, and despite immediate appearances, serious issues like the reform of the welfare state still have to be faced if any long-term lasting impact on unemployment is to be achieved. Danes, and not just the well-off, would also emphasize that there is the small matter of the world's highest income taxes, hardly conducive to above average, long-term economic growth rates.

Few expect that a change of government will unleash any major economic policy changes. Until the summer, Liberal Party leader Uffe Ellemann-Jensen (see interview page 8) was the only opposition candidate running for prime minister (if there were to be a change). But the fortunes of the Conservative Party have revived, and the Conservative leader, Hans Engell, now stands a

chance as a compromise candidate.

Little chance exists that Denmark will look to become a front-runner on the European political track. Both the strongly pro-union Liberal Party and the Euroskeptic Social Democratic parties had disappointing results in the European Parliament elections in June this year. None of the party leaders are keen on any kind of referendum on European integration any time soon. ☹

Leif Beck Fallesen is EUROPE's Copenhagen correspondent and the editor-in-chief of the Borsen.

UFFE ELLEMANN-JENSEN, Denmark's former Foreign Affairs minister (1982–1993), is currently serving as national chairman of the opposition Liberal Party. At his offices in the Parliament, Mr. Ellemann-Jensen talked about his chances for becoming Denmark's next prime minister with *EUROPE* Editor-in-Chief Robert J. Guttman and *EUROPE* Copenhagen correspondent Leif Beck Fallesen. Mr. Ellemann-Jensen also discusses the future enlargement of the EU, NATO, WEU, Russia, and Danish politics.

EUROPE
INTERVIEW



Uffe Ellemann- Jensen

Do you think there is an entity called Europe?

I just have to look at my own kids who belong to the Eurail generation. They move around in Europe and they regard borders as something boring. Borders are boring. Any borders. And they don't know if they are in Frankfurt, Paris, or Lisbon. They relate to all of it as Europe. This has certainly changed attitudes. There's an entity called Europe, but at the same time people are very much aware of their own identity as Danes. I certainly like to regard myself as a Dane first of all, but as a European too.

Member of the Danish Parliament &
National Chairman of the Liberal Party

Do you envision being the new Danish Prime Minister?

Yes, we are going to have elections sometime in the autumn.

Do you think your platform, or your views, are in the majority in Denmark?

Yes. Like always in Denmark, it's a very tight balance, but more than half of the polls taken in the last six months indicate that we may have such a majority with, well, perhaps only one vote. But a one-vote majority is still a majority.

What are your views on EU enlargement with the addition of Austria and possibly the three Nordic countries?

I believe that Finland will probably join. I believe the Swedes will join because increasingly you see in the Swedish debate that it is concentrating not on economic issues but on what it's really all about: security policy, peace, participation in the larger structure. Then you have Norway.

The Norwegians have a nature of strong, fierce, nationalistic, independence. But, again, I believe that the fact that Norway has a border with Russia and that they are, of course, getting nervous like all other neighbors of Russia because of the new things you hear in Russian diplomacy. I believe this will also lead the Norwegians in the end to decide [to join the EU] on the basis of a larger context which has to do with security policy. I believe that Norway is not lost. But it will be a tough uphill battle. Also, I hope to see them in from a Dane's point of view because we have this tradition of Nordic cooperation. I believe that this cooperation has a future within the EU.

Do you agree with the objective of bringing in the Eastern and Central European countries into the EU sooner than later?

This is the number one item on the European agenda today. If we hesitate too much, we run the risk of undermining the reform process in these countries. If that happens, we will have dropped a chance given to us by history, and the verdict of history will be razor sharp.

You talked about Central European countries coming in, the Nordic countries coming in, what about Russia and the former Soviet Republics—do you ever see them as EU members?

No, I believe that the border between the EU and the East lies between the former so-called satellite states and what used to be the Soviet Union. The one exception that I would make is the three Baltic countries, but since we never recognized them formally as part of the Soviet Union, they fit in well in this picture. That's where I see the border. And then some people say "well, won't that create a risk of a new Iron Curtain; are you not just moving some

"Openness is the key to success for Europe today."

kind of border toward the East; are you not threatening the democratic processes in Russia today?" My answer is no. I believe the worst thing we could do would be to show weakness to the nationalistic forces there. If we send a clear signal that the new democracies of Eastern and Central Europe shall be allowed to be part of Europe on their own merits, then this could be the best support to the democratic forces in Russia.

As for Russian membership, well that could be an elephant in the cradle. Taking in a country that also commands the larger geographical part of Asia would be absurd. With Russia, we can build very close agreements of trade, economic cooperation, as close as possible, and a free trade agreement but membership, no. That would totally change the whole meaning and the whole working of the EU.

Recent polls show that British and Danish citizens are probably the two most skeptical countries in the EU toward the EU. What are you doing and what can be done to increase awareness of the EU and to make people have more of a European focus?

Let me just add one important facet to that picture of us. Skeptical, yes. But we live up to our agreements. To give you just one measure of that, every year, the Commission makes a list of countries which have actually lived up to the decisions taken in the Council. And that was particularly important in the years when the single market program had to be transferred to national legislation. We have topped that list every year. So we may be skeptical. We may sometimes be what is called "foot-dragging," when we are dealing with our partners in trying to hammer down agreements. But once agreements have been made, we top the list of those who honor the agreements. And I think that aspect should be brought into the picture as well. Difficult, yes. But living up to all the agreements....

Is NATO necessary in the post-cold war era?

The hot spots are everywhere on the map. Do we need NATO for that? You certainly do, because you certainly need an American presence in Europe in order to put some weight behind the resolution, to fight against those breaches of basic principles of how our world should be run. You need a combination of NATO and a European defense identity. The present Norwegian Defense Minister has said that he regarded a strong Western European Union within NATO as one of the conditions that was needed to be fulfilled in order to keep an American presence in Europe and in NATO. I agree with that.... NATO will continue to be necessary as the basis for it all, because NATO ensures continued transatlantic ties.

Do you think the WEU should be the security part of the EU in the future?

I am sure it will be the defense arm of the Union. I believe this will be one of the outcomes of the next intergovernmental conference in 1996, where the major headline will be enlargement toward the East, and where this will call for decisions on foreign and security policy, defense policy where the WEU will be incorporated, and what will probably be the most difficult part, institutional reform. ☹

Danish Business Goes Global



Carlsberg

**A Wonderful
Taste of
Denmark
Around the
World**

By Robert J. Guttman

“Each day of the year, 15 million people around the world enjoy a Carlsberg product. Carlsberg beer is firmly anchored in 140 markets and brewed in 40 countries with about 80 percent of sales achieved outside of Denmark,” according to Carlsberg President and CEO Poul J. Svanholm.

In an interview at his offices in Denmark at the Carlsberg headquarters, Mr. Svanholm says it has actually been advantageous to be based in a small country like Denmark.

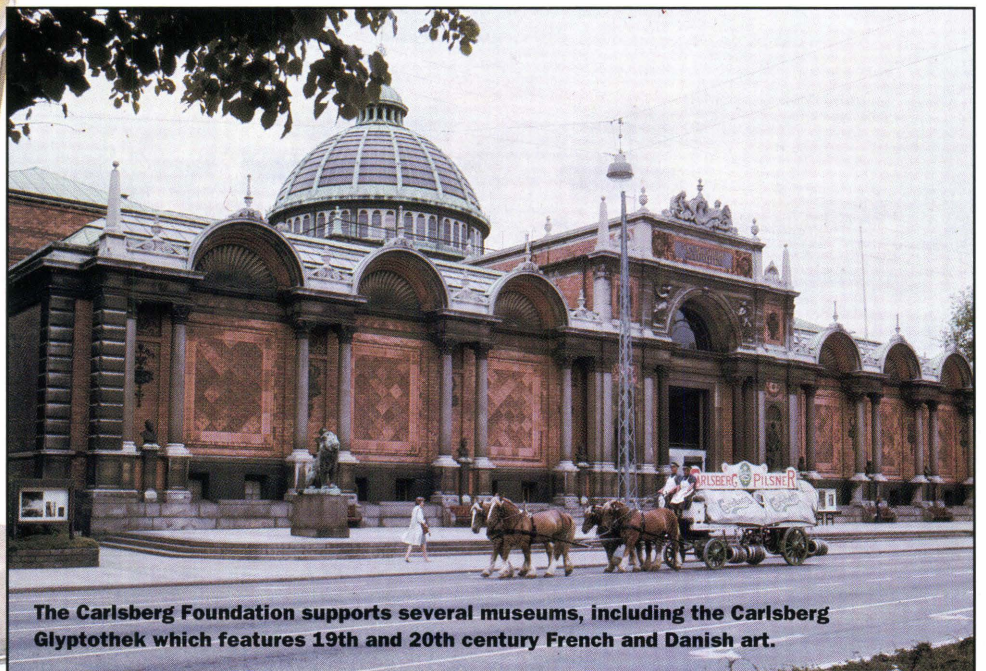
“We satisfied the thirst in our small country at a very early stage, and therefore if we wanted to grow, we were more or less forced to go outside the Danish border. We were forced into the international scene.

You could say that being from a smaller country has helped us in our global development. We are definitely a Danish company with global activities.”

With its distinctive green, white, and red label, Carlsberg is easily recognized almost anywhere in the world, although the United States is not one of the larger markets for the brewers of both Carlsberg and Tuborg beers.

Mr. Svanholm believes Americans have different tastes in beer drinking than beer drinkers in other parts of the world. The Carlsberg CEO says, “American beer is different from European beer. It’s not as strong in taste, flavor, and aroma as beer brewed after the European tradition.”

Carlsberg is imported into the United States by Anheuser Busch and into Canada by Labatt’s Beer. Anheuser Busch imports Carlsberg, Carlsberg Lite, and Elephant Malt Liquor into the American market.



The Carlsberg Foundation supports several museums, including the Carlsberg Glyptothek which features 19th and 20th century French and Danish art.

While Carlsberg may not be as widely tasted in the United States as in Europe, Carlsberg is doing very well in Asia with new breweries in Thailand, Vietnam, and China.

The Carlsberg Group, which employs approximately 18,000 people worldwide, also owns Royal Copenhagen, which also includes the well-known Georg Jensen Silver-Smiths Company. Mr. Svanholm points out that Carlsberg is also the Coca-Cola bottler for all of Denmark and sells its own brand of mineral water.

Mr. Svanholm emphasizes that "We have our roots in Denmark, and we have a special [ownership] structure with our major shareholder being the Carlsberg Foundation, which was set up by our founder J.C. Jacobsen in the last century. There is a provision in their statute that they have to own at least 51 percent of the shares in our company." Because of this arrangement, Mr. Svanholm—unlike most CEOs—has the luxury of not having to worry about his company being taken over by another firm.

The name Carlsberg and art, architecture, and philanthropy are practically synonymous in Denmark. As Mr. Svanholm mentions, "The Carlsberg Foundation supports science and art. Wherever you go in Denmark you will see donations from Carlsberg, including the well-known Little Mermaid statue." The company supports several museums, among them the beautiful Carlsberg Glyptothek, which features 19th and 20th century French and Danish art, and Paul Gauguin's Tahitian woman entitled *Vahine no te tiare*.

On questions regarding Europe's future, Mr. Svanholm says that a single currency in the long run "would mean a lot for all people involved in business in Europe. We all are affected in our accounts by these drastic changes which we have been seeing over the last several years."

The Carlsberg CEO says that "maybe we'll see a single currency, the ecu, by the end of the decade" but points out that "We will never have a union as you have in the states because we are too different in Europe, and we have historic traditions for having a number of independent countries but a closer cooperation."

Svanholm, also Chairman of the Supervisory Committee of Den Danske Bank, Royal Copenhagen, and the Tuborg Foundation, states that "Danes are certainly European minded, but we have a certain fear of the Brussels bureaucracy."

In addition to the well-known Carlsberg elephants (four elephants carved in granite) which guard the entrance to the Carlsberg/Tuborg breweries, visitors touring the Carlsberg grounds should see the world's largest collection of beer bottles—12,000 bottles from every country brewing beer—in the basement.

A tour of the beautiful grounds and the breweries (which I would strongly recommend) is concluded with, what else, a taste of your favorite beer...as long as it is a Tuborg or Carlsberg brand. ☺

While not as well known around the world as fellow Danish company Carlsberg, Novo Nordisk is a global force in health care. The company is a major producer of insulin and diabetes treatments and is the world's largest producer of industrial enzymes.

Mads Ovlisen, president and CEO of Novo Nordisk, explained to me that "We are a Danish company, and there are certain traits in the company that reflect our Scandinavian background, but our operating arena is the world. Only about 3 to 4 percent of our business is done in Denmark."

Ovlisen, who has a law degree and earned an MBA at Stanford University, says, "Novo Nordisk's major products are insulins which are used for the treatment of diabetes. This is followed by human growth hormones. Our third area is working with blood coagulation problems, the problems that hemophiliacs have."

Other areas the health care company specializes in are treating menopausal and central nervous system disorders. In their bioindustrial business Novo Nordisk makes enzymes. As Ovlisen points out, "It is a biodegradable product. It is much safer processing from the environmental point of view."

On environmental issues, the Novo Nordisk CEO emphasizes, "We are basically the first Danish company, and one of the very few European companies, to issue an envi-

ronmental report [regarding the company's activities]."

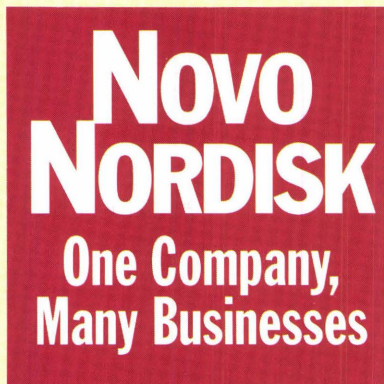
Novo Nordisk is very active in the United States. According to Ovlisen, the company employs about 1,000 people in the United States. "It's a US operation, and it's a US-run operation. There may be five or six Danes, but the rest of our employees are Americans. We derive about 12 to 15 percent of our global revenue from the United States."

Locations in the United States include a "pharmaceutical company located in Princeton, New Jersey, which sells our insulins in the US. We have a huge enzyme manufacturing facility in North Carolina which is now the largest and most modern enzyme facility in the Americas. We have some important research groups working in the US. The largest is a company called ZymoGenetics based in Seattle, and we have two research groups

working in Davis, California. One is called Entotech, which is engaged in developing biological pesticides, and another one is developing biotechnological techniques. We have a corporate branch office in New York."

Novo Nordisk also has developed a drug called Paxil, marketed in the US by Smith Kline, which competes with Prozac. When I asked Ovlisen the difference between Paxil and Prozac he stated, "Prozac is better known because it was on the market first. Our drug is better."

—RJG



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EU Enlargement

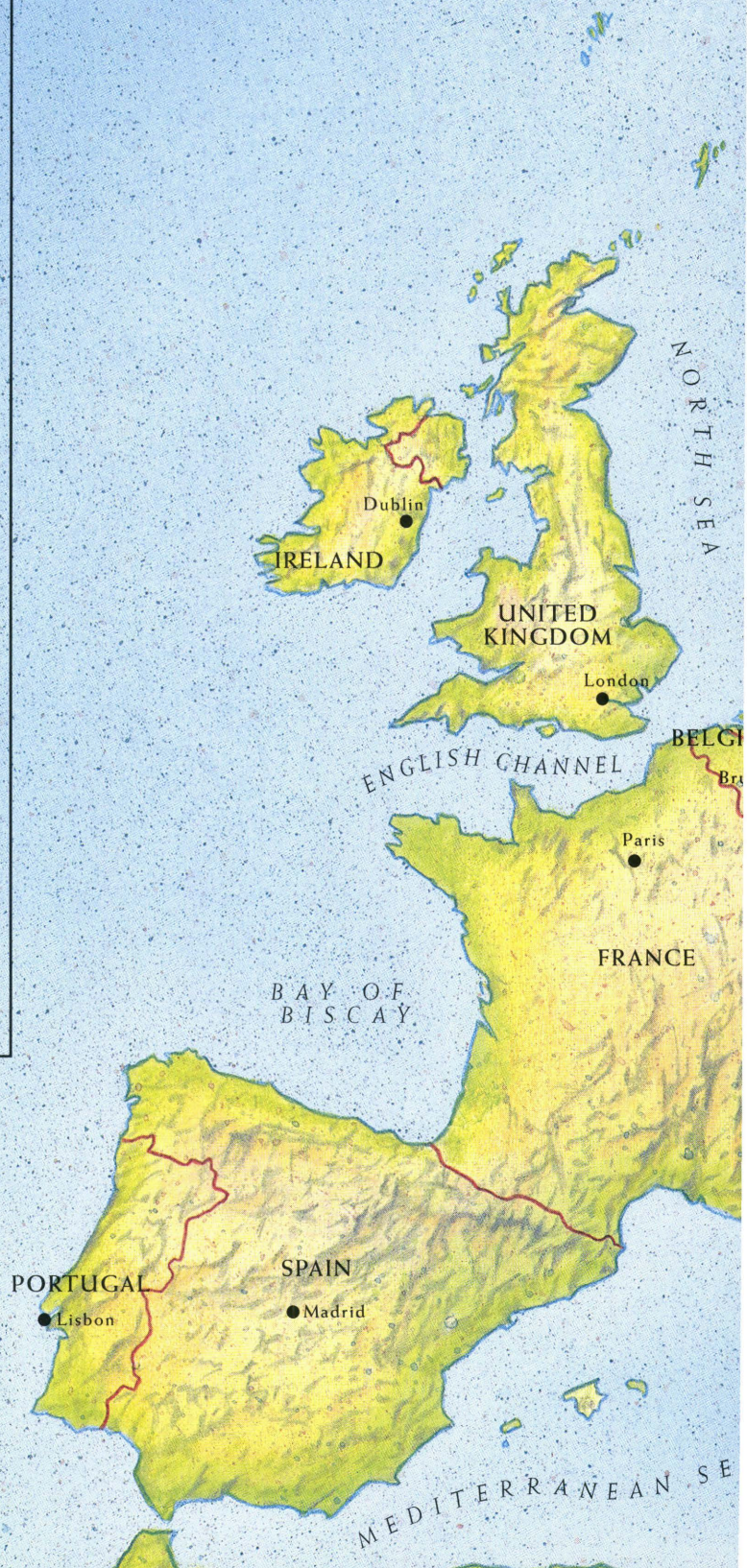
If all goes as planned, the European Union will welcome four wealthy new members into the fold on January 1, 1995. Austria, Sweden, Finland, and Norway will comprise the first enlargement of the EU since Spain and Portugal joined in 1986.

Having completed the application process and received the European Parliament's assent, the three Nordic nations await the final verdict from their voters. Each country will hold a national referendum on whether or not to join the Union.

Austria has already voted to join. On June 12, the Austrian people overwhelmingly said "yes" to Europe, doing much to buoy the pro-EU campaigns in the other states. Votes in the other countries will take place later this year, Finland's on October 16, Sweden's on November 13, and Norway's on November 28. If the three Nordic countries follow suit, the EU will greatly expand its borders, its population, and its economic power. From beyond the frozen reaches of the Arctic Circle to the sands of the Mediterranean, the new EU will cover more than 1.3 million square miles of land, an increase of more than 50 percent. The EU's population will increase by 26 million to 372 million people. And with standards of living well above the EU average, the new members will raise the EU's total GDP to over \$6.3 trillion.

Finland and Norway are both neighbors of Russia, and if their respective referendums pass, the European Union—for the first time in its history—would share a border with Russia. And though passage of the membership referendums in the three Nordic countries is by no means considered a "done deal," one thing is almost certain: The EU is moving north.

—Jerry Fortunato



Map art by Sue Carlson





Gro Harlem Brundtland

PRIME MINISTER OF NORWAY

EUROPE INTERVIEW

Norwegian Prime Minister Gro Harlem Brundtland, in an exclusive interview with EUROPE Editor-in-Chief Robert J. Guttman, speaks out on Norway's upcoming referendum on joining the EU and the tough campaign to sell EU membership to the Norwegian people. Prime Minister Brundtland, a medical doctor by training and an internationally recognized environmentalist, also discusses the major environmental issues facing Europe today.

What did the Olympics do for Norway?

It made us more known all over the world. Maybe for some people the Olympics served as a reminder because they may have heard of Norway sometime in the past and the Games revitalized their knowledge about us. And many, who never heard about us, now have a picture, which is important for a small country.

Why does Norway want to join the European Union?

Norway, of course, is a European country. And we have a long tradition of being internationally oriented, having focused strongly on international solidarity, on peace building, and on the United Nations. It was only Soviet aggressivity after World War II that led Norway to join as a founding member of NATO. So we have been part of the Western European part of the Atlantic Alliance ever since 1949. Even so, we did not join the European Community 20 years ago because the people voted against it in a referendum. We are the only country that has applied, negotiated, and carried through a referendum ending in a no vote.

Why do we try again more than 20 years later? Because all the arguments to join with other Western European countries are even stronger now than they were 20 years ago. Now we are facing a Europe after the cold war.... Don't we belong together with our European allies and friends and our close neighbors in trying to shape the future? This is really a simple answer to that.

What are the economic and political benefits for Norway to join the EU?

First of all, it is contributing to the shaping of the future of our own country and our own region. We will be a safer place to invest. In people's minds there is competition for investment and for jobs. And staying outside of the European Union gives us a negative factor when we try to compete for investments because of the stability of being part of a greater European structure. This is why, of course, we worked hard, and I worked hard personally, to create the European Economic Area, combining EFTA and the EU, or EC at that time, to avoid the negative impacts of being left out of the Union of Nations. I'm very happy that we did succeed in creating

the European Economic Area, which has been in place since the first of January this year.

There would be certain changes if Norway joins the EU. We would have greater political influence on political developments and on defining the policies and the rules of the internal market. Even as a small nation, we would gain a greater amount of direct influence.

What does the European Union gain by having Norway as a member?

First of all, the European Union is the motor of European cooperation now with 12 countries, but it is lacking the Northern European experience and our cultural background. Europe is not whole if you don't have the top of Europe in it. Otherwise I would say that Norway has democratic traditions. We have solidarity. We are the highest contributing nation to global concerns, to the Third World, to the United Nations, and to refugee work. In all of these aspects, Norway contributes with political traditions which are valuable to the European voice and European culture in the world.

How will you be campaigning before the November referendum to convince your constituents to vote for EU membership?

I will say I'm glad that we have created the European Economic Area. I'm glad that it is in place and that this time when the Norwegian people vote in the referendum we don't have as big a difference between the situation, becoming a member or not. The difference between the two [choices] is not so dramatic as it was 20 years ago because we have made the decision [to join the EEA] and have harmonized our rules and our laws with the European internal market. The question is: do we want to participate in the decision-making and in the democratic debate within that region together with the other Nordic countries?

Foreign policy and security issues are important issues for Norway. We do not have sufficient access to decision-making by only being NATO members. We need to be there as full members when the European Union is having its discussions within the European pillar. We will not only be associate members of the WEU but would also become full members of that organization.

Do you know what date you're going to hold your referendum?

It will probably be the 28th of November.

Will it matter how the people have previously voted in referendums in Finland and Sweden?

At that time all the others will have voted. All the others, of course, applied before us. When we know the result in Sweden, it will be an additional important, strong argument. Do we want to stay outside of the European cooperation or European integration along with Iceland and Liechtenstein? Do we feel this is a natural choice? Do we think the Nordic region should be represented only by Denmark? Months from now if Finland and Sweden have said "yes," I will say [to Norwegians], "Do you think the Nordic region should only be represented by Denmark, Sweden, and Finland, and not by Norway?" Why shouldn't our voice be heard in the European family?

According to polls, you seem to have an uphill battle. How do the polls look today?

There is a majority on the no side, but if you look at polls over the last eight months, there is a small increase. I would say it differently. There is a small decrease in the numbers saying they will certainly vote no or probably vote no. It's an issue which is not something that you can take for granted. It's going to be a hard fight.... I am absolutely in a good fighting spirit, and I think we will do it.

You have stated that fishing is a vital issue, one which caused Norway to remain outside European cooperation in 1972 and could do so again. Is fishing going to be the main reason why you might not join the EU this time?

[Fishing] was the decisive question

in the Norwegian people saying no in 1972. They felt uncertain about the future. They felt that we could not control our natural resources. There was a loyalty toward our coastal communities and our fisherman and that issue, so even city voters, due to this insecurity on the fish negotiations, had an important impact.

Now this time we have in the accession treaty what I will call the "ownership" to the fish resources in our waters defined in percentage terms. This



was not so 20 years ago. We now have a good agreement on fish which gives a solid background of safety with regard to the future for our fishing resources and for our own people living on the long Norwegian coast, which is, by the way, as long as halfway around the globe.

Norway is Europe's largest oil producer. Are you afraid of having to give up some kind of control over state oil if you join the EU?

The result of the negotiations is sat-

isfactory to us. We feel that it has been clarified that we decide the size of the state participation in Norwegian waters. This is also in the treaty itself.

What other groups besides the fishermen will be against EU membership?

You have the agriculture population. We have built Norwegian agriculture on a very strong subsidy of a structure of small farms even in the mountain regions, even in the far north with very big state support. In any case, after the Uruguay Round, Norwegian agricultural policy will have to change. Even if we don't become members, we cannot continue using the methods of protectionism around our agriculture sector that we have until now. It has to be [scaled] down. Still, the changes will come more quickly with EU membership than without. And so this will be an argument.

Are there any other reasons why people are against EU membership?

Those who are against say that the EU is an area of liberal politics. They tend to look at the EU as something which is not using limits on the markets and giving political direction. But this is not a true picture of the European [Union]. Each country, of course, decides most of the tax bill policies and the distribution itself, but it's a very often used argument that [membership] will undermine our welfare state. We will not be allowed to have as high a taxation level as we have. We will not be able to keep a high level of social security. But all of these areas are national competence areas within the Union. But this is what is being said

[by the opposition] and what we have to counter very clearly.

Do you favor a single currency, the ecu, and do you favor a European central bank?

Yes. We favor economic stability in Europe, and we believe that the kind of economic stability which is foreseen in the Maastricht Treaty to be the basis for a single currency will be a good idea for Europe. But you need to achieve the goals of economic stability in order to introduce a single currency because only if it's done and is successful will it then be beneficial to all of Europe. This is why Chancellor Kohl only a week or two ago said he's certainly not going to enter into a single currency if it will not be as stable for the economy as is the D-mark. But, you know, it illustrates that we are the only country, maybe with one other, in the European Economic Area which today can meet the criteria of the Maastricht Treaty. So for us, the instability in other European countries is the greatest threat. We want to have stability around us, not only in our own small region.

You're a noted environmentalist. Why do you support Norway's commercial whaling against the opposition of most other countries and environmental groups?

We have always looked upon resources of the sea, including the whale, as resources that should be used in a long-term sustainable manner. The history of having over-fished fish, but also whales, historically in the Antarctic with big commercial fleets and so on was an ill-advised policy. It was not sustainable. Now this does not mean that for stocks of whales, species of whales which are abundant, one should not have his whole catch. It was never the intention of the Whaling Convention to make it an animal welfare organization. It is a convention to protect and to have sustainable use of a natural resource. And that means that all those species that are threatened should be protected and certainly have a zero catch level. But that does not mean that those species which are abundant should not be used. This idea is



counter to the whole idea of the convention itself.

So you are not destroying the whale population?

No, certainly not. We have a unanimous scientific committee of the Whaling Commission behind the Norwegian view. And we are absolutely in accordance with international law...we would not break any kinds of treaties that we go into. Norway has a record which is exceptional in that sense.

Does it bother you that you have so much protest around the world over the whaling issue?

It's not very comfortable. [Defending our position] takes up a lot of time and effort, and it's unfair. It's not nice at all. But for much wider reasons than only the issue of whales, we need to do this in a serious way. Norway cannot just leave this issue because you cannot build international law for the future caretaking of natural resources if you don't build that work on a scientific basis. There is nothing else that can combine the interest of the countries of the world than the common knowledge of science. And this principle relates to all kinds of conservation and sustainable uses of natural resources.

Are you concerned about unsafe Russian nuclear facilities?

Yes, we are concerned about nuclear power stations as well as nuclear waste management and the lack of control of both the military and civilian nuclear material. The G7 established a fund for the safety of the nuclear power stations in Russia and Eastern Europe, but the waste problem doesn't have any funding. So my proposal was that in the G7 meeting this year an additional fund should be established which would take care of waste management programs. This is as big an issue as the power stations are, and both of them need to be taken care of. Also, a multilateral framework would be best because then [all nations] can be involved in the financing. Norway, of course, would contribute to such a fund. But you need to have a broad international background for doing this.

What do you think has happened toward improving the world's environment since the Rio Conference?

Not enough. But certainly things are moving along in many areas. The important Biodiversity Convention was signed. Also climate issues are moving forward. But [progress] is going too slowly in my view. This is a problem in Norway and one reason why I think it's a good idea to be in the European Union. For example, Norway has introduced a CO₂ tax which is the highest in the world. People in our country pay more for gas or for gasoline than in other countries and our industries have to pay a CO₂ tax. It is a heavy burden especially when other countries don't follow. It becomes like running so far ahead of others in these policies that you don't see them behind you. We need to be coming together to move forward on these kinds of issues in all our countries. But you can't do it one country alone. The only results are your industries closing and increased pollution created by factories in other countries [which don't have strict environmental regulations]. So this is why we need to harmonize the policies in the environmental area. This is one example of where the Union should have more majority voting than what is decided in the present Maastricht Treaty. The slow movers go too slowly.

Do you see the Nordic area as a region?

Yes. We have a Nordic Council, and at least some Finns speak Swedish, so generally it's possible to speak in a language where we understand each other in the five Nordic countries.

Do you think there's an entity called Europe?

There will be. But today there isn't. What has happened to the different parts of Europe in this last century has split it into parts. The entity most people will say is from the Mediterranean to the Arctic or it's from Great Britain and Iceland to Ukraine. And then the question is: How much of Russia is Europe? Some people use the expression to mean only the European Union. And, of course, that's not the right way today to use it. But maybe in the future. ☹

AUSTRIA'S REFERENDUM SURPRISE

By Andreas Unterberger

EVERYONE WAS
TAKEN BY
SURPRISE.
AUSTRIA'S
OVERWHELMING
VOTE IN FAVOR OF
JOINING THE
EUROPEAN UNION
WAS BY NO MEANS
EXPECTED.

The pollsters, who had predicted a rather narrow outcome, were amazed that exactly two-thirds of Austrians support EU membership. The politicians were even more astonished since they have been mostly on the defensive throughout the public discussion leading up to the referendum. Even the current members of the EU were caught off guard by the result. During the last few years Eurocrats had become accustomed to nail-biting polls whenever an electorate voted on another step of European integration.

Certainly one of the most poetic explanations for the landslide victory can be found in Austria's national anthem: "You lie in the center of the continent like a strong heart does." Exactly where and what is Central Europe or *Mittleuropa* is continually debated in political as well as academic circles, but most agree that whatever it is it includes Austria. So Austrian voters have decided they cannot afford to stand idly by as West and East appear to slowly merge.

Today Austrians are a small nation of 8 million people, who are mostly well aware that they live in the happiest, most peaceful and prosperous period of their history. But still many of them look back with nostalgia to the centuries when Austria was one of the dominating forces in the Old World, when Vienna was a focal point for European cultural achievement, influencing everything from classical music and architecture to painting and philosophy.

The desire to join the European Union for many in Austria represents much more than nostalgia. Austrians have growing concerns about the country's security needs. Until very recently, the vast majority believed the best safeguard for Austria's independence was its officially declared neutrality. Somehow many assessed "neutrality" to be a magic word that alone kept at bay all outside dangers and aggressions, although Austria had—and still has—one of the weakest defense forces in Europe. For a long time, most people did not consider that they were indirectly protected by the NATO Alliance. Only military experts and diplomats calculated that any attack from the East would have prompted a reaction from the West.

The war in the Balkans, however, has taught many Austrians a lesson: NATO is no longer interested in getting involved in conflicts outside the Alliance. There is no longer an East-West balance to be protected. So the value and effectiveness of neutrality is shrinking rather rapidly. As a result those that had traditionally warned that EU membership will endanger neutrality lost their effectiveness.

Even with many forces influencing the Austrians to board the European train, it was still no easy task. The first reaction of many average Austrians to Europe was that "we are already well off. Maybe it's a good idea, but why should we undergo all the troubles and changes that the Union brings?" Many feared that the social and ecological stan-

dards would be endangered and that the country's stability and relative quietness would be forever changed.

In the beginning and until the last few months of the campaign, Euro-skeptics abounded. The "no" campaign gained support from, among others, farmers and those from state-protected industries (like food processors) who were worried about the effects of increased competition. Environmentalists worried that Austria's strict environmental standards would be threatened.

With such formidable anti-membership sentiment, how did the referendum pass, much less steamroll to a two-thirds majority? The combination of several subtle factors, as well as some that were not so subtle, contributed to the result. One of the most important factors in the referendum was the often uneasy coalition between Austria's two big parties. The Social Democrats (SPOe) and the Conservatives (People's Party, OeVP) were unanimous in their support of the membership. The man on the street could marvel that for three months the two coalition parties (60 years earlier they fought a bloody civil war against each other and since then they have competed for power in all areas) did not entertain even the slightest dispute over EU membership. They literally hugged each other, leading many Austrians to believe that the golden age had really started.

The peace, however, lasted only until the day after the referendum.

In addition to the coalition, the unions and the commerce associations took the same pro-European line in the weeks before the referendum. Church leaders, prominent sports figures, artists, and several celebrities campaigned for the yes front.

Opinion polls after the referendum, however, showed that more voters had been convinced by the media that Europe is something good than by the government campaign. Television played an important role as did the print media. With one exception all of

Austria's daily newspapers supported EU membership, which was very surprising in a country where newspapers rarely endorse candidates or parties at elections. Ironically, it was the first (and what turned out to be the only) newspaper that came out against membership that actually motivated its competitors to endorse the yes front.

A similar trend emerged among the parties. Joerg Haider, a right-wing populist, and the left-wing Greens built a rather uneasy no front. In particular, Haider's anti-European campaign caused a lot of leftist intellectuals to vote yes since he is very unpopular outside his constituency, which consists predominantly of low-income farmers, blue collar workers, and unemployed—all of whom often support the most aggressive voice from the opposition.

In the end, the vote seemed to signal that nearly two-thirds of Austrians believe the country's interests are best

ern Europe. Austria has four Central European neighbors that were communist until 1989 (Slovenia, Hungary, Slovakia, and the Czech Republic) and has ties to other territories that were part of the old Austrian empire. So Vienna will definitely be an advocate for the interests of the Central European non-members and will favor EU membership for those nations as soon as possible. In the meantime, Austria will likely support a freer exchange of goods and people.

Austria's second priority concerns the environment. In many fields, Austria's health and ecological standards are higher than those in the European Union. And Austria will work to convince the Union to raise its own standards to the Austrian level.

One environmental issue not expected to go the Austrians' way is the abolishment of nuclear power production in all Central European countries. Quite the contrary, the Union is expected to

help the Central Europeans to modernize their nuclear installations making them safer and more efficient.

As for the rest, Austria will proceed like all the other members—trying to get many jobs in Brussels and to profit as much as possible from the single market.

Not as straight forward, however, is Austria's security policy. Austria's membership doesn't automatically end its 39 year old neutrality status. Although neutrality was no longer an obstacle to

membership in Europe, politicians must proceed carefully when discussing possible NATO or Western European Union (WEU) membership. Only two years ago, any Austrian politician proposing such ideas would have been treated as a traitor. The government, therefore, decided to join the European Union with a very pragmatic formula: For the time being Austria will continue to be neutral, but officials have said that it is open to a future European security system. ☐



served in the Union rather than outside it. The pro-Europe campaign's message that change is necessary to secure the existing prosperity beat out the no camp's platform of isolationism and protectionism.

Now in the wake of the its resounding yes, Austria looks to enter the Union as a very self-assured member. The country no longer has to convince others that Austria has the real European spirit. But what will be Austria's contribution? First of all, money: Austria will pay more to Brussels than it will get in return. Second, Austria will look to assert a new emphasis on East-

Andreas Unterberger, based in Vienna, is a diplomatic correspondent for Die Presse.

By Jonas Weiss

SWEDEN'S EUROPHORIA QUESTION

**SWEDISH
RELATIONS WITH
THE EU HAVE BEEN
A VERITABLE
ROLLER-COASTER
RIDE.**

For decades not a word could be spoken openly about any form of union, but constant flirtations persisted. "Alliance-free in peacetime with the purpose of remaining neutral in war" remained the official Swedish security policy doctrine throughout the cold war. To most Swedes during these decades, EC membership was tantamount to NATO membership and completely out of the question.

Suddenly, 1989 hit Europe's cold war order like a ton of bricks (literally). As the Berlin Wall and the Iron Curtain came crashing down, "alliance-free" was not such an easily identifiable concept anymore. Europhoria grew in Sweden as it did in most other countries on the continent, and was at its height when the then Social Democratic government submitted Sweden's application for EC membership in the summer of 1991. And since taking office in September 1991 the current center-right coalition government of Prime Minister Carl Bildt has pursued a relentless, pro-European Union policy. Indeed, there is an overwhelming parliamentary majority for EU membership, with only the former communists and right-wing populists firmly against it. Business leaders, too, are predictably and predominantly supporting the government line.

But as Sweden prepares for the November 13 referendum on membership, one thing stands between the political and economic elites and the European Union: the Swedish people. Out in the country, among

the young voters, among women, in the unions, at the political grass-roots level, suspicion about this strange creation from Brussels is widespread. Discussions about the EU can be heard in homes of families in all social classes, in cafes, on street corners, in the subway. Far from everyone knows how he or she will vote in November, but everybody, it seems, has their fears and expectations, and the debate is running as hot as the Swedish summer weather.

Reading the barrage of polls published during the spring and summer is a science in itself, but for the most part the no side has been consistently ahead by at least a few percentage points. There are signs, however, that the gap to the yes side is closing. The most notable thing, though, is that one in every four Swedes is still undecided—on this the polls are virtually unanimous. This probably makes Sweden the most unpredictable of the three Nordic countries (Finland and Norway) voting on EU membership this fall.

If the Europhoria of 1991 hit Sweden full force, so did the Euroskepticism that followed the Danish rejection of the Maastricht Treaty in June 1992 and the subsequent European currency crisis in September that year. The popular sense of pessimism was compounded by economic recession and high unemployment, a particularly hard thing to swallow for a country admired throughout the world as a model of prosper-



ity and social security. The potential friends “down on the continent” transformed slowly into monsters: the gray technocrats from Brussels just waiting for the opportunity to sap the sovereignty, strength, and culture from the Swedes; or the foreign businessmen anxious to make billions at the expense of Swedish workers; or perhaps the greatest threat of all—German tourists invading the peaceful Swedish countryside with their D-marks ready to buy up the rural landscape.

Exaggerations aside, a sense arose that the European Union was the conspiracy of the privileged—a pact between politicians and businessmen to

make money and win influence for themselves, while leaving the “little” people at the mercy of the European “jungle.” To some extent, this powerful feeling is still present among the doubtful. The “Yes to Europe” campaign, for example, is operating with funds and resources far greater than the campaigners for the no side, thanks in part to generous contributions from the business community. A recent wave of vandalism against various “Yes to Europe” offices around the country seems to confirm that emotions on this issue are running higher than the even-tempered Swedes are used to.

More levelheaded opponents argue

that joining the EU would simply be too expensive. In a country headed for the largest European budget deficit, the projected \$23.1 to \$25.7 billion per year membership “fee” (or \$2,570 per person) is a bitter pill to swallow. They also point out that though certain regions in the far north will benefit from EU regional support funds (an estimated \$3.08 billion), Sweden will still be a net donor, not recipient, of aid to underdeveloped regions.

Many of the opponents from the left worry that EU membership will lock Sweden in a too Eurocentric environment, forgetting traditional values like solidarity with the developing world—a

legacy of decades of Social Democratic rule. Sweden is one of the world's largest (relative to GNP) foreign aid donors and has for years enjoyed a high "moral" reputation around large parts of Africa, Latin America, and Asia. (The success of some of its aid projects is debatable, however.) In any case, some worry that EU-regulated foreign aid policy will knock Sweden off this pedestal.

Other areas of concern are environmental issues, where Sweden might have to compromise on some of its tough regulations to fit EU standards, and government transparency, which Sweden prides itself on, but which is sorely lacking in Brussels.

So far, much of the defense of EU-membership has centered around economics. Sweden, many supporters argue, cannot afford to stay outside of the Union because of the loss of foreign investment that such a decision would incur. A firm yes vote, on the other hand, would

show Sweden's confidence in Europe, and conversely, strengthen European business confidence in Sweden. The result would be a drastic increase in foreign investment, economic growth, and job creation.

But focusing the yes campaign on economics may be a mistake. Estimating economic growth, foreign investment increases, and job creation as a result of EU membership is a very difficult thing, and hard statistics are hard to come by. Where specifics on some of the costs of membership are easily available, data on the benefits are elusive and can prove to be a double-edged sword for the yes campaign. In addition, speaking too much about potential benefits for business once again risks stirring up the feelings that this is a businessman's, not a workingman's, deal.

Another, broader line of defense may ultimately prove more effective in capturing the fancy of the Swedish people. An editorial in the high brow journal *Moderna Tider* (Modern Times) puts it thus: "Sweden needs to join a union that does two things which we cannot do ourselves; a union which regulates the market of which we are already a part, and which establishes a

framework for collective security in Europe. Everything else should take place at lower policy levels, national, regional, and local. Our judgment is that the prospects for creating such a union are good. Therefore, Sweden should join the EU."

Politicians in Sweden face a serious confidence crisis, adding to the suspicion of the EU. In approval ratings, politicians consistently take the bottom position (sometimes shared with journalists) of all professions in the country. In fact, some opinion polls show that up to 30 percent of the Swedish voters believe there is a chance that the Riksdag (the Swedish single-chamber

observers say, could Social Democratic leader Ingvar Carlsson mobilize the necessary support among the party rank and file to swing the vote toward a yes in November.

It appears quite likely that Carlsson will have this chance. After three years out of power, the Social Democrats once again smell victory. The opinion polls show a consistent lead, possibly even an absolute majority for the Social Democrats. In this scenario, Carl Bildt, his personal reputation as a skilled politician notwithstanding, will have to move back into opposition come September, taking his center-right government with him. But as Conservative

Party leader, Bildt is already preaching to the converted on the EU issue. In the unlikely event of being reelected, he faces the prospect of losing the referendum on which he has staked so much of his political credibility. It is not an enviable position.

The second reason why a yes vote is likely is the order of the three Nordic referendums. Finland goes first, on October 16, followed by Sweden on November 18, and finally Norway on November 28. While Sweden is divided and Norway mostly negative, the Finns are likely to vote yes. The Finns may well share the concern of the Swedes and Norwegians about loss of sovereignty and about the Brussels bureaucracy, but there is an added security element which pushes Finland into the arms of the European Union: the prospect of a neo-expansionist Russia, represented by Vladimir Zhirnovsky, whose rhetoric at times has placed Finland with Ukraine, Belarus, and the Baltics as a natural part of a new Russian empire. While a Finnish yes alone would not necessarily tip the scale in Sweden, it would certainly help the momentum of the pro-EU campaign here.

Where the roller-coaster ride will end is still unclear, of course. But there are certainly a few ups and downs left on the road to the referendum. ☹

Jonas Weiss is EUROPE's Stockholm correspondent and a reporter for Swedish Television's nightly news program Aktuellt.

Where the roller-coaster ride will end is still unclear, of course. But there are certainly a few ups and downs left on the road to the referendum.

Parliament) might override a no vote and bring Sweden into the union anyway. The referendum is only consultative in theory, but the politicians have committed themselves to following its outcome. But the Swedish people remember previous referendums where the politicians either stalled (on nuclear power) or reversed (on right-hand traffic) the outcome.

Yet despite the widespread skepticism and despite the opinion polls, conventional wisdom here is that the Swedes will say yes to the European Union in November for two main reasons. First, Sweden has a general election coming up on September 18, and though the EU is not likely to be a big election issue (since the political leaders on both the left and right basically agree on the EU), the outcome of the election will have a great impact on the referendum. The key to the referendum will most likely be the Social Democratic voters, who make up some 45 percent of the electorate.

While the party leadership is firmly committed to EU membership (at an extraordinary party congress in June, the vote for membership was 232-103), its grassroots are predominantly against it. Only as prime minister, many

Inside

EUROPE

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NEW BOSS IN BRUSSELS

Jacques Santer was nobody's first choice to be the next president of the European Commission. But like most canny politicians, the little-known prime minister of the Grand Duchy of Luxembourg knows how to turn an apparent weakness into a virtue.

Just days after the 12 heads of government of the European Union chose him as the successor to Jacques Delors, Santer noted that Konrad Adenauer, the first post-World War II Chancellor of Germany, had only been elected by one vote in 1949. Indeed, Delors himself had not been everyone's first choice when he was elected to take over from Gaston Thorn, another Luxembourgier, as Commission President in 1984.

Santer's appointment suggests that the EU is about to embark on a period of consolidation in the process of integration, a pause for breath rather than the leaps and bounds marked by the Single European Market, the European Economic Area, and the grand design for European monetary and political union, all of which bore Delors' indelible stamp during his 10-year tenure in Brussels.

Inevitably, initial reaction to the Santer appointment was mixed. Inside the Commission, officials expressed concern that it could signal a weakening of the institutional power and political leadership role of the Commission. In late July, the European Parliament gave only grudging endorsement, voting by 260 votes to 238 to support his nomination, with 23 abstentions.

The contrast between Santer, the low-key Luxembourg Christian Democrat, and Delors, his dynamic French predecessor, was obvious, though senior EU diplomats cautioned that it was premature to pass political judgment. They viewed the Parliament vote as a muscle-flexing exercise whose chief purpose was to warn member states that MEPs intend to be treated as equals in the power struggle between EU institutions ahead of the 1996 intergovernmental conference to review the Maastricht Treaty.

Jacques Santer, 57, is an experienced player on the European stage. He has been prime minister of the Grand Duchy since 1984, and only last June won his third suc-

cessive election. In 1985, he chaired the negotiations leading to the Single European Act and is widely credited with persuading Margaret Thatcher, then UK Prime Minister, to drop her reservations about moves toward more majority voting on EU laws. He argued, successfully, that the loss of national sovereignty was worth exchanging for the prize of a barrier-free internal market.

In the first half of 1991, Luxembourg took over the rotating EU presidency and laid much of the groundwork for the Maastricht Treaty on political and monetary union. British and French officials recall that Santer and his team stood firmly in favor of the "pillar system" (the term used to describe the separation of supranational decision-making (in trade, agriculture, and competition policy) and looser intergovernmental cooperation on foreign policy, defense, justice, and immigration).

Santer's stand has encouraged the British government to trumpet its success in putting him in charge of the Commission rather than Jean-Luc Dehaene, the Belgian prime minister whose candidacy was promoted by France and Germany. Yet Santer was studiously careful to avoid taking sides in the debate over the future pace of political integration in Europe when he was questioned by the European Parliament.

It is true that Santer prefers the old Treaty of Rome term "European Community" rather than the new "European Union," which was created as a result of the Maastricht Treaty entering into force last year. Friends say he sees the term "Community" implying something more flexible than "Union." He has also spoken out against a "Napoleonic Europe" based on centralizing power in Brussels; he prefers "subsidiarity", the term which means devoting decision-making to the lowest appropriate national, regional, or local level. These views reflect fears that Luxembourg (population 450,000) could be swamped by its big neighbors in a centralized union. Above all, he is determined to preserve the favorable tax breaks for foreign savers which have contributed to the success of the Grand Duchy's powerful banking sector.

Yet it is clear that Santer stands unequivocally in the

NEW BOSS IN BRUSSELS (CONTINUED)

mainstream on European integration, alongside Chancellor Helmut Kohl of Germany, his friend for more than 20 years and his biggest sponsor for the Commission President's job. Santer supports the goal of a single European currency as a necessary complement to the single European market; but he insists on adhering to the tough targets for inflation, budget deficits, and government debt. He does not like the idea of treaty opt-outs such as the UK's non-participation in Maastricht's social chapter; and he does not support the use of subsidiarity to roll back existing EU law in areas such as the environment and social policy. Also, Luxembourg (along with France, Germany, Belgium, and Spain) contributes to the Eurocorps, the multinational strike force which could serve as the nucleus of a future European army.

So how is Santer likely to apply the beliefs during his five-year term which begins on January 6 next year? Perhaps the most obvious clues will appear as he approaches the four principal challenges facing the Union in the near future: the absorption of up to four new members next year (Austria, Finland, Sweden, and Norway); preparation of the 1996 intergovernmental conference to review Maastricht; laying the

groundwork for enlargement of the Union to the East Europeans led by the Czech Republic, Poland, and Hungary, as well as to Malta and Cyprus, by the turn of the century; and preparation for the next EU budget (the current Delors II budget package expires in 1999).

In all of these critical questions, the Commission has the difficult task of persuading the member state governments to look beyond narrow national preoccupations to the common interest. Jacques Delors succeeded, often brilliantly, during his time in Brussels. Occasionally, it was at the cost of polarizing more opinion in Europe, though his star quality was undeniable.

Santer's immediate challenge is to dispel the doubts about his political stature and capacity for handling what has become the most important unelected post in Europe. He could do so by insisting that member states nominate first-class candidates as Commissioners and then using his own power to allocate portfolios as he wishes.

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

EU NEWS

JUNCKER FAVORED AS NEW LUXEMBOURG PM

Prime Minister Jacques Santer's departure to become the next president of the European Commission triggered an abrupt reshuffling of the normally predictable leadership positions in the Grand Duchy's government.

Santer, 57, served as Prime Minister since 1984. He led his coalition government to victory in mid-June, with his party, the Christian Social People's Party (CSV) and his coalition partner, the Socialist Workers' Party (LSAP), gaining control of 37 out of 60 seats for the five-year terms in the unicameral Chamber of Deputies. That result, though, was a small setback for the coalition, which lost two seats from what it had won in the last election in 1989.

After Santer's departure, the consensus among political watchers here is that Finance Minister Jean-Claude Juncker, 39, will become Luxembourg's prime minister. Oddly enough, Juncker won a larger percentage of the vote in the elections this year than Santer.

Jacques Poos is expected to remain as the country's deputy prime minister and foreign minister.

Juncker has been active in politics since his graduation from law studies at Strasbourg, France. He is said to have taken his cue from an uncle, who is a Christian Democrat and mayor of the city of Ellebruck in northern Luxembourg.

Starting as a parliamentary secretary to the CSV party, Juncker was quickly promoted in late 1982 at age 28 to become a secretary of state for labor and social security. Four years later, he was again promoted to be a full minister. In 1989, he was named finance minister and succeeded Santer

to become chairman of the CSV party in 1990.

Ironically, judging from press accounts, Juncker seems to have been more visible than Santer in EU gatherings during the last few years. He has been very active in working with the EU to abandon efforts to harmonize the 12 countries' withholding taxes on interest incomes. Unlike some of its neighbors, Luxembourg does not automatically levy such withholding taxes but relies on foreign account holders to declare their tax liabilities.

Luxembourg has argued that, if the EU requires automatic withholding taxes for all 12 members, capital would quickly flee from the EU to the Channel Islands, the Dutch Antilles, and other financial capitals that do not have such procedures. "These movements would be the cause of considerable negative impact on economic efficiency, national budgets, financial markets, and tax equity," he said.

The only way that tax harmonization would work, he has maintained on behalf of Luxembourg, is if it were international in scope, embracing all of the major industrial economies and safe harbors such as the Bahamas.

When Luxembourg ably chaired the EU in the crucial period in 1991 leading up to the Maastricht Treaty, Juncker is said to have played a strong role along with Poos. In his actions and speeches, Juncker is a strong supporter of the EU and uses the rationale that it benefits small states by counterbalancing the influence of France, Germany, the United Kingdom, and Italy.

At home, Juncker has been vigorous in convincing the Luxembourgish that their country's ever-increasing spending for social programs over the past decade cannot be sustained given the new international economic realities of the

WHAT THEY SAID...

"We cannot realize a European Union on the basis of a United States of America. All our history is against that. We need to build up a Union...with its own identity...."

—Jacques Santer, the next President of the European Commission, in an interview with Reuters, speaking about his vision for the future of the European Union.

"Manfred Wörner will be a tough act to follow at NATO."

—Wall Street Journal, in an article on the death of NATO Secretary-General Manfred Wörner.

"You don't find a human with ears that size."

—Dez Barratt-Denyer, British customs official, referring to Star Trek character Mr. Spock recently in the Wall Street Journal. Because of an EU quota on "non-human" dolls from China, customs officials find themselves having to determine a doll's humanity.

1990s. His ax fell on several public work proposals, including an indoor sports facility, a highway, and an arts museum. Luxembourg's budget was one of only two that met EU targets for holding down national debt last year.

He has also stressed the necessity of diversity for the Grand Duchy's economy, pointing out that the country's dependence on the banking and insurance industries should be reduced while other industries, such as satellites and audiovisual services, should be encouraged to expand.

"We don't want to put all our eggs in one basket in the financial sector," he said in an interview. "We need to broaden our activities. In the 1960s, it was essential to put Luxembourg on the banking map, but now there are many other options which make the country attractive."

Juncker comes to power when the economic outlook for Luxembourg is good. Economic forecasts see solid growth of 1.5 to 2.6 percent during the next two years, benefiting from the region's move from recovery to expansion. Last year the economy barely gained ground, posting a negligible .3 percent increase.

—James D. Spellman

NEW COMMISSIONERS NOMINATED

The following countries have made public their nominations for the European Commission which will take office in 1995.

Belgium—Karel van Miert, currently serving as Competition Commissioner, has been nominated to serve on the new Commission.

Germany—Martin Bangemann, current Industry Commissioner, will return to the Commission in 1995.

Greece—Christos Papoutsis, a European Parliament deputy, has been nominated to represent Greece.

Luxembourg—Jacques Santer will step down as prime minister to become European Commission President.

United Kingdom—Sir Leon Brittan, current External Trade Commissioner, will join Neil Kinnock, former Labor Party leader, as the UK's two representatives on the Commission.

The other member countries have not yet announced their nominations. France, Spain, and Italy will each assign two seats on the Commission, and the Netherlands, Ireland, Denmark, and Portugal will each appoint one. Austria and other new member countries will each appoint one commissioner to take office in January.

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BUSINESS BRIEFS

Philips, the Dutch consumer electronics giant, finally reaping the benefits of a savage restructuring, turned in first half net profits of \$350 million.

But the 200 percent improvement over earnings a year earlier was due largely to a totally unexpected bonus—the spectacular success of *Four Weddings and a Funeral*, a \$5 million movie which has already grossed \$130 at the box office. The British-made movie was largely financed by Polygram, a record company in which Philips has a 75 percent stake.

Analysts say Philips, which was close to financial collapse and a government bailout after losing \$2.3 billion in 1990, has finally turned the corner.

Under the "Operation Centurion" restructuring plan launched by Chairman Jan Timmer, plants were moved from Europe to low-cost Asia, and the work force was slashed by a fifth to just under 240,000. Philips stock market capitalization has soared from \$3.2 billion in 1990 to around \$11 billion today.

•••

European acquisitions in the US this year are set to match the record buying spree of 1990.

By July, more than 150 firms had announced acquisitions worth around \$20 billion compared with the \$39.2 billion spent in the whole of 1990. The US is a more attractive target than Europe because it moved out of recession much sooner than Europe. The current weakness of the dollar also makes transatlantic deals more appealing than cross-border European acquisitions.

British firms have cut the most deals, but Swiss companies have been the biggest spenders with outlays totaling nearly \$9 billion, or over half the \$17 billion value of the top 10 European acquisitions so far.

Top deal was the \$5.3 billion purchase of Syntex, a US drug company, by **Roche**, the Swiss pharmaceuticals company. Second was the combined \$4.2 billion Franco-German acquisition by **Deutsche Telekom** and **France Telecom** of a 20 percent stake in Kansas City-based **Sprint Corp.**, the third largest US long distance telephone company.

•••

Europe's airlines are making money again after posting combined losses of

nearly \$5 billion over the past two years.

Lufthansa, the soon to be privatized German carrier, reported a first half 1994 profit of \$68.8 million, compared with a loss of \$144 million last year. The airline announced it will resume dividend payments for the first time since 1989.

Scandinavian Airline System (SAS) said it will make a full year profit for the first time in five years in 1994 despite the heavy costs involved in laying off nearly 3,000 staff.

Meanwhile, **British Airways** retained its title as Europe's most profitable carrier with a 40 percent jump in first quarter profits to \$132 million but the market is fretting over its 25 percent stake in troubled **USAir**.

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The **French government** is mulling the sale of as much as 45 percent of **Renault**, the state-owned car manufacturer, in what will be the most politically sensitive disposal in its privatization program launched last year, involving 21 large public sector firms.

Renault, valued at \$7.5 billion, is 80 percent owned by the French state and 20 percent owned by Swedish auto group **Volvo**, the remnant of a planned merger between the two companies that collapsed last year.

Renault, one of the few auto firms to remain profitable during the deep recession in the car industry, likely will jump the sales queue ahead of insurance giant **Assurances Generales de France**, which was being primed for the next privatization.

•••

Exide Corporation, the largest US manufacturer of car batteries, boosted its European presence with a near \$250 million bid for **Tudor**, a Spanish automotive and battery company.

Earlier, the Michigan-based group paid over \$30 million for **Big Batteries**, a Welsh company that is Britain's largest privately held maker of car batteries.

Tudor is Europe's third largest car battery producer after Germany's **Varta** and **Fiat** of Italy with a 19 percent market share. Half of its production is outside Spain, from plants in Portugal and Scandinavia.

•••

The **European Commission**

cleared a \$5.3 billion alliance between **British Telecom** (BT) and **MCI Corp.** of the US to provide global telecom services to multinational corporations until the year 2000. The ruling removed the last regulatory hurdle to the deal which involves BT taking a 20 percent stake in MCI, the second largest long distance telephone company in the US, for \$4.3 billion and the establishment of a \$1 billion joint venture.

•••

Jefferson Smurfit, the Irish paper and packaging group, will double its continental European operations with the \$1 billion acquisition of the packaging unit of **Cie de Saint Gobain**, the French building and glass company.

Jefferson Smurfit, Ireland's biggest industrial group, is buying **Cellulose du Pin**, which employs 8,000 workers in Italy, France, Belgium, and Spain.

•••

The **Austrian government** sold the state's remaining 26 percent stake in **AMS**, a specialized computer chip manufacturer, for the equivalent of \$25.5 million, making the company the first state enterprise to be completely privatized.

•••

Germany's federal postal service, the **Bundespost**, plans to offer a first parcel of around 25 percent of its shares on the Frankfurt stock exchange in 1988, **Chairman Klaus Zumwinkel** said.

In the meantime, the company will develop new customer services, such as in-house postal deliveries and electronic-based services, which will generate \$3 billion in annual sales and create up to 30,000 new jobs.

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

INSIDE EUROPE

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

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FINLAND

By Robert J. Guttman

UNION FAVORS

**EU REFERENDUM
ON OCTOBER 16
SHOULD BE
SUCCESSFUL**

"Watch out Brussels, we are coming!" exclaims Riitta Uosukainen, the Speaker of Finland's Parliament. According to Mrs. Uosukainen, a member of the conservative National Coalition Party and the first woman speaker in Finnish history, "The point of my party is that we are very much for the European Union. However, we do not think, and I do not think, that it is a paradise, but it is very important for us to be involved in this process by joining the European Union."

Most of the people that I spoke with in Helsinki echo the speaker's views that Finland should join the EU but it will definitely not be a paradise.

Why does it seem as if Finns will vote yes for EU membership in their October 16th referendum?

It appears likely that Finns will vote in favor of joining the EU mainly to boost the country's sagging economy, which is currently enduring almost 20 percent unemployment. Most Finns believe that EU membership will generate new job opportunities.

Jaakko Iloniemi, managing director of the Center for Finnish Business and Policy Studies (known by its Finnish acronym as EVA), a private think tank based in Helsinki, says, "Unemployment in Finland is a horrifying situation today...the average person's principal headache is unemployment or fear of the future unemployment."

In a poll taken for EVA last spring entitled "Finnish EU Opinion," the pollsters asked why support for EU membership was increasing, and one of the key responses was that EU membership would boost the Finnish economy and speed up Finland's economic recovery. Mr. Iloniemi, a former Finnish Ambassador to the US, says a second key reason for wanting to join the EU "is a sense of isolation if we don't join." Citing the previously mentioned poll he states that "Half of the nation feels we would be isolated if we don't join the EU."

The Speaker of the House expressed concerns that Finland would be isolated from Europe if it did not join the EU. "Finland belongs to Europe," Mrs. Uosukainen said, "and this is very natural for Finland to have a place at the table in Brussels."

Jorma Ollila, CEO of Nokia, the Finnish cellular telephone manufacturer, worries about his company's future growth if Finland chooses to remain outside the European Union. "Finland would be peripheral if we don't join the EU" and we would "not attract foreign capital," Ollila says.

The word "isolated" comes up frequently during conversations about EU membership. Many Finns say they fear being isolated from the rest of Europe if they don't join the EU. Isolation was discussed as being geographically apart from Europe as



Women make up almost one-third of the members of Finland's Parliament. Riitta Uosukainen is the first woman to become Finland's Speaker of the House.

well as being politically and economically separate from mainstream Europe.

Antti Satuli, Finland's under secretary of state for the Ministry of Foreign Affairs and one of the chief Finnish negotiators for EU membership, says, "What is missing is our chair in the room in Brussels where decisions are made. EU membership will make us politically, economically, and culturally an equal partner in Europe."

In addition to concerns about unemployment and economic isolation, security issues play a major role in conversations about EU membership. And security for Finns usually means a discussion of Russia.

"EU membership will make us politically, economically, and culturally an equal partner in Europe."

Dr. Risto Penttila, a special adviser in the Department of International Security Affairs for the Ministry of Defense, attributes the ultra nationalist rhetoric of Russia's Vladimir Zhirinovskiy as a prime reason why the support for the EU is increasing among Finns.

He says that every time Zhirinovskiy makes another extreme statement regarding the reassertion of Russian influence, Finnish fear of Russia grows and support for belonging to the EU gains momentum.

The so-called Zhirinovskiy effect shows up in the EVA poll where a majority of respondents answered affirmatively that "As a neighbor of an unstable Russia, Finland would be more secure as a member of the EU than if it were to remain outside the Union."

Under Secretary of State Satuli spells out the problem this way: "If you look at opinion polls there is a clear difference between Finland and Sweden. One of the reasons for this is that Sweden has a more stable neighbor than we have."

Satuli points out that when Finland



joins the EU, the European Union for the first time in its history will have a "1,270 kilometer (800 mile) common border with a country which is not very stable. There are risks. On the other hand the European Commission thought this would also be something enriching the [European Union] because Russia is and will be an important player on the European scene."

Many Finns recently interviewed for this story remained rather vague on the issue of their eastern neighbor. One gets the feeling that most Finns would

prefer that Russia were not their neighbor. Except for discussions on future trade with Russia, most conversations seemed to quickly move to other topics.

Eric Hayes, the head of delegation for the EU in Finland, says that "Most Finns see the common security and foreign policy of the EU as a positive element for joining the EU."

The EVA poll agrees, finding that "Finns are worried about two issues: social security and security policy. As far as external security is concerned, attitudes are increasingly in support of

membership, above all because of the instability of Russia."

The Finns, well known for their neutrality during the cold war, have moved on to a new way of thinking about security in the post-cold war era. Mr. Itoniemi says that the "neutrality idea has faded, and although it is not dead, there is no need for it today because Finland is no longer between two power blocs." Under Secretary of State Satuli stated that "neutrality was not an issue in the negotiations."

As evidence of its move away from neutrality, Finland recently joined the Partnership for Peace proposed by the Clinton administration, but Satuli points out that this "is not necessarily a prelude to joining NATO."

The main group opposed to EU membership appears to be some of Finland's farmers concerned about the increased competition that the single market will bring. However, most analysts seem to agree that the farmers alone cannot deny EU membership for Finland in the October referendum.

With all of the discussion of security and economic opportunity that the EU will bring Finland, what does Finland bring to the European Union?

Mr. Satuli emphasizes that "Finland will be a good and loyal member with political stability. The structure of our economy is sound, and we have good traditions of democracy." Mrs. Uosukainen offers that "Finland can give the EU a good model for the role of women in politics." In addition to holding senior positions in the government such as secretary of defense and head of the central bank, women make up almost one-third of the members of Finland's Parliament.

Eric Hayes says, "Finns see themselves as part of Western Europe, and membership in the EU is an affirmation for their belonging to Western Europe. They will be very worthwhile members of the EU and will participate in the Union to the fullest."

With the latest polls showing Finns almost two to one in favor of EU membership, the results on October 16th should be quite favorable. The EU's move northward has begun, or as the Finnish speaker puts it, "Watch out Brussels, we are coming!" ☺

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

A photograph of Jorma Ollila, the former CEO of Nokia, standing in a server room. He is wearing a dark suit, a light blue shirt, and a patterned tie. The background shows rows of server racks with various components and cables. The text "Nokia CEO" is written in white with a red underline, and "Jorma Ollila" is written in large white letters below it.

Nokia CEO
Jorma Ollila

**EUROPE
INTERVIEW**

Jorma Ollila, President and CEO of the Group Executive Board of Nokia, an international telecommunications and electronics company, spoke with *EUROPE* Editor-in-Chief Robert J. Guttman at Nokia's offices in Helsinki about the company's rapid growth in mobile phones and its promising future in the telecommunications industry. Mr. Ollila, 42, speaks out about Nokia's position in the US and European telecom market; being the first Finnish firm to be listed on the New York Stock Exchange; and Finland's possible membership in the European Union.

What is your personal view on Finland joining the EU, and what would be the pluses and minuses for Finland as well as your business?

There are two issues. First of all, there is the mental issue, or image issue if you want. Finland is mentally part of Europe. We have always been and surely we are now in the middle of influences from the East as well as from the West. In some respects, you can consider us to be between the two cultures. But if you look at the cultural, the historical, and the economic background, we belong to the Western European heritage. So, it is only logical and also very important in terms of the future development of our institutions that we become a member. Secondly, it's a practical issue of economic development. If we were left out of the Union, we would become a subsidiary economy or a peripheral part of Europe, where we would not be able to attract foreign capital. This would not be a good place to invest in because there would not only be some concrete matters of standardization, whereby we would be differentiated from Europe, but we would actually be identified with a different peer group. We would be identified with Eastern Europe and the Baltic countries rather than the more logical peer group of Western European countries and our Nordic peer countries.

Looking ahead, do you think Finland will pass the referendum to join the EU?

Yes. We will have a more convincing majority than 50.1 percent. I'm very optimistic.

How has the single market helped your business?

In the last five years, most of our entries into new markets have been in countries liberalizing their telecommunication sectors. That has accounted for the main thrust of our growth. We have been able to make our best advances mainly through liberalized public procurement and telephone services. We foresee that trend to be strengthened if and when Finland becomes a European Union member.

Can you be a global telecom player and keep your base in Helsinki or do you need to be in a larger area?

It's very clear that it is not an obstacle as such that we come from a country like Finland as long as we are able to build a manufacturing base and conduct research and development in the main continent of Europe as well as in the US and in the Far East. Surely we cannot operate from Finland exclusively, so we will have major operations in these three continents. And

in Europe that means we have basically chosen Germany and the UK to be the two countries where we will be based.

Do you actually build your phones in Europe or send them out to Asia to be built?

Currently half of our phones are made in the Far East, 40 percent in Western Europe, and about 10 percent in the US. We are moving—and this is already happening—toward a situation where the phones sold in Europe are being manufactured in Europe. The same with Asia and the same with the US and South America.

Could you give a brief background on how you went from being a tire company to being the twelfth largest telecom company in the world?

The company was basically created from a local player in the areas of paper, rubber, and cables. Nokia is the name of a town where the company was born in 1865. It was where the paper mill was first built. It's a town of only 25,000 people. It's still there, and the only remaining operation we have there is our tire business, which employs about 900 people.

Until about the mid-1960s we had three legs—paper, rubber, and cables. At that time it was very clear that we would have to look for new growth opportunities. So we built around the know-how of the cables business and decreased the investments to be made in the rubber and paper businesses, which were then divested throughout the 1970s and 1980s. Out of paper and rubber we only have the tire business left now, which is about 4 percent of our sales.

We built the telecom business from the technical know-how which was developed within the cable division, and we grew to be a Scandinavian cable and electronics company. We then became active as a European player, and since the late 1980s we have focused on becoming a telecom-oriented company and simultaneously built a global presence.

The mobile communication business, where the change has been extremely fast, has spearheaded this transformation. The rapid technological advancements have enabled us to build our current position in the mobile phone business.

Finland has close to 20 percent unemployment. Has Nokia been able to create jobs during this recession?

Yes. During the last three years, we have restructured our cable and consumer electronics businesses. Since they are mature businesses we have had to reduce our staff, both white collar and blue collar. But at the same time, our growth in the telecom businesses and mobile

phone area has been phenomenal. We have added about 1,500 people per year, three years running, which has meant that we have been a net employer in Finland....

EUROPE INTERVIEW

What has led Nokia to become the first Finnish firm to be listed on the New York Stock Exchange?

About three years ago only about 10 percent of our stock was held by foreign institutions. Now that percentage is almost 50 percent. In terms of voting power, that is about 30 percent. Almost half of the foreign holdings are being held by US institutions, but it's a fairly small, limited group of institutions, less than 20 most probably. What we want to achieve through the New York Stock Exchange's listing is a much wider interest and distribution for our shares in the US. Simultaneously, we want to be in a position to raise capital in the US market, which is clearly the most liquid and the largest equity market in the world. That's really where our share placement in the US is targeted, and that's a necessity for us because we need more capital to finance the growth in our telecom and mobile phone businesses which are currently developing very well.

Speaking of the United States, what is your marketing strategy for the US? Are you a net exporter from the States?

Our main operations are in Texas with our mobile phone sales unit, our telephone unit, and our mobile phone plant, but we also have an R&D unit in San Diego where we are cooperating with the local companies and with local universities in the mobile areas....

About one and a half years ago we set up [the] mobile phone plant in Texas, which we are ramping up at the moment, and the volume is increasing steadily. From that plant, we are currently supplying the production to the US and Canada as well as to Southern and Central America. We are also supplying the US from Korea and Hong Kong. But long-term we want to get into a position whereby the phones we sell in the US are being manufactured in the US. And we hope to be selling to the whole open NAFTA area and to

Southern America from our US plant. In this respect, this is a global marketplace for telecom products, and we want to have a full presence in the US.

In the US are you doing joint ventures with Tandy, AT&T, and other companies?

When we started entering the US market, we did that through the assistance of, or through cooperation with, Tandy. We set up a joint venture in Korea together with Tandy, fifty-fifty, with that factory supplying both the Tandy brand and Nokia brand to the US market in 1984.

Eighteen months ago we bought Tandy's 50 percent, so that we are now 100 percent holders of the Korean venture.... We continue to supply Tandy from our plants, and we have also started supplying AT&T. In addition to our own Nokia brand sales in the US, AT&T and Tandy are the main buyers of our products, [and they] then distribute them to the consumers.

Do you see the US as one of your growth areas?

The US is the largest market today, and one of the fastest growing. We see the US as one of our key markets where we will want to be one of the leading players.... We will expand both our sales force, our R&D, as well as our manufacturing capacity. So in that respect the US is one of the key growth areas in our strategy. Our US headquarters is in Dallas, Texas.

What is the average age of your top management team?

I think that we are remarkable in the sense that if you take the 12 people in our management team, the average age is 44. And in this business, which is changing so fast, obviously somebody might say that we lack experience, but we compensate with the energy and drive that the young age gives us.

Are mobile phones a fad or the wave of the future? Is everybody going to have a phone in their pocket in the next decade?

I see a world with very high penetration rates for mobile phones in the fu-

ture. Today we're in a situation where this year there will be somewhat over 20 million phones sold in the global marketplace. When we come to the year 2002 or 2003, on an annual basis there will be more than 300 million phones sold. So we are looking at growth of 40 to 50 percent per annum.... Last year there were about 14 million phones sold. This year it will go well over 20 million. It could be 25. By the year 2003, we will have a penetration of over 20 percent in many, many markets. Today we have over 10 percent in Finland and Sweden, between 2 and 5 percent in major European countries, and about 5 percent in the US. We will see penetration levels which will approach 20 percent, and approach 25 quite soon after the beginning of the next decade.

I saw a video advertising your phones with a rock band here called the Leningrad Cowboys. They are quite unusual. Are you trying to go after the youth market?

We would be the young kid of the industry in this respect. We want to use more youthful, more dynamic, if you will, image building for our products. We don't shy away from that anyway. In that respect we are a challenger in the business compared to the old players of this world.

What's your position in the US and in Europe?

We are the twelfth largest overall telecom equipment manufacturer globally. We are number two globally in the mobile handsets, after Motorola. And we are clearly the largest European manufacturer of mobile telephones. In the digital GSM infrastructure equipment, the new system, which is the new digital system, we are again number two with only Ericsson having a bigger market share in the infrastructure equipment. And we have been able to build a very strong base in both Europe and Southeast Asia with that technology. In the US we are only present with our mobile phones, but we are currently looking at the strategy which would give us an opening in the new BCS services. So we are actively looking at an entry strategy on how we can penetrate the US market with our infrastructure equipment also. ☺

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**A lively city,
the gateway
to the Baltic
offers its
visitors
Danish
hospitality
and an oasis
or two.**

WONDERFUL COPENHAGEN was even more wonderful than usual this past summer. With Mediterranean temperatures, clean streets, fresh air, and reasonably clean, warm water at the beaches, neither tourists nor Danes wanted to leave the city.

Don't count on a repeat performance of that kind of summer weather next year. But rain or shine, Copenhagen is a lively place and is making the most of the fact that it is a growth industry to be a gateway to the Baltic.

Logistics are an important selling point for the city. The airport is a convenient 20 minute taxi or bus ride from the city center. The cruise ships moor just a few hundred yards from the statue of the city's famed Little Mermaid, a 10 minute ride from the city center. Tivoli Gardens is right in the center of the city and all places of interest can be reached on foot in 15 to 20 minutes.

Copenhagen is an old city, even by European standards, and features many historic sites. The first structure was a fortification built by Bishop

Absalon in 1167 on the site of what is today Christiansborg Castle, the seat of the Danish Parliament. The Sound, the waterway between Denmark and Scania (located in southern Sweden, then part of Denmark), was the main shipping and trade route between the Baltic Sea and the rest of Europe.

When visiting the city, Copenhagen's early history is not what is most evident, but rather the many well-preserved buildings from the 17th century, such as the Old Stock Exchange, which is right next to one of Copenhagen's canals and originally a commodity exchange; the Round Tower, which features an astronomical observatory and a unique brick-laid carriage-way allowing a horse and carriage to be driven to the top; and the Rosenborg Castle, now a museum housing the Danish crown jewels. All three were built during the reign of one of Denmark's most colorful monarchs, Christian IV (1588-1648), who imported Dutch architecture and farming methods, which were the state of the art at that time.

Arriving in Copenhagen by plane, one lands

**By Leif
Beck Fallesen**

Copenhagen

The terrace at the Europa Cafe, located on the Stroegget, provides diners with a great view of Copenhagen's famous walking street.



on the island of Amager. The island still contains fields—which come into view as the plane descends toward the runway—tilled as a market garden for Copenhagen by Dutch farmers.

Copenhagen is a green city, both literally and politically. Tivoli is a garden oasis right next to City Hall and the main railway station. A number of parks and lakes encircling Copenhagen's city center represent the peaceful remains of the old city's defenses. The road from Copenhagen to Elsinore along the Sound, arguably one of the most beautiful stretches in Northern Europe, passes Deer Park, the former royal hunting grounds, with its small but impressive hunting lodge, Eremitagen. A bit closer to the city stands the 100 year old fort of Charlottenlund, once Copenhagen's seaside sentry, with its cannons still in place.

Bicycles rule the city center, just one manifestation of the environmental concerns of the City of Copenhagen. For the most part, cars are unwelcome. Parking is extremely expensive and scarce (unlike in Paris and many other European cities, Copenhagen has no massive underground garages), and the mass transit system is one of the world's best. Public transport also gets a big boost from the fact that car prices are tripled by taxes, and few Danish households can afford more than one car.

For the visitor, Copenhagen has two centers. Tivoli, Europe's oldest amusement park serves as one, and the other is Kongens Nytorv, a big town square bordered by the Royal Theater and the New Harbor, which is actually very old. Today, it is filled with old sailing ships and functions as a point of departure for canal and port tours. The two centers are linked by the main pedestrian street, the Stroeg. Twenty years ago it was lined by a series of seedy pornography shops, which have long since been replaced with high quality boutiques. A parallel street, Kompagnistraede, offers a somewhat more peaceful stroll with several old houses and shops specializing in antiques and carpets.

Five minutes walking from the square of Kogens Nytorv you find Amalienborg, the royal family's residence, which was originally town houses built for rich nobles. In the immediate vicinity are two very old warehouses, one converted into luxury condominiums, the other now serving as



Four granite elephants guard Denmark's Carlsberg Brewery, which also features the world's largest collection of beer bottles in its basement.

the Copenhagen Admiral Hotel. Across the inner harbor, the Royal Danish Navy maintained until the end of the cold war its headquarters at the cluster of buildings known as the Holman.

Copenhagen serves as both the political and administrative capital as well as the financial center of Denmark. Very little industry remains, having moved to the western part of the country, and in recent years the financial sector has gone through a painful downsizing.

Although the Port of Copenhagen is no competition for the large container ports of Gothenburg, Hamburg, and Rotterdam, ships are still built at the Burmeister & Wain shipyard that produced the world's first diesel-engine ship. The port also hosts the headquarters of the Maersk Line, the world's most successful privately owned ship-

ping line, and a global leader in container shipping.

Both the airport and the port hope to become hubs for traffic moving through the Baltic region, especially the Baltic States. A ferry system will link the airport and the port, and cruise ships will soon be served by a new system easing a passenger's transfer from ship to airport. Perhaps the city's most ambitious project is the planned bridge to Sweden. By the year 2000, Copenhagen expects to be linked to the southern Swedish city of Malmo, giving Copenhagen a metropolitan population of over 3 million. Growth and optimism are again on the Copenhagen agenda. ☪

Leif Beck Fallesen is EUROPE's Copenhagen correspondent and the editor in chief of the Børsen.

TIVOLI

The Heart

Tivoli Gardens promotes itself as “a park with amusements and not an amusement park.” Indeed, Copenhagen’s celebrated 151 year old main attraction is both a beautiful garden and a lively amusement park. Situated in 20 acres of central Copenhagen, Tivoli offers an escape from city life with rides, live shows, wonderful restaurants, and even a picturesque lake full of swans.

What makes Tivoli different from other parks in the world? I put these and other questions to Tivoli’s president, Niels-Jorgen Kaiser. “The outlook of Tivoli is different from all other parks,” says Mr. Kaiser. “We are the only park in the world that is focusing on, not only entertainment, but also culture on a rather high level. I dare to say that in the Concert Hall we offer the greatest concert season in Northern Europe.”

In addition to the concerts, free entertainment appears to be everywhere you look in Tivoli. Every hour a new performance begins somewhere in the park. One afternoon I listened to a group performing 1940s jazz and show numbers on an open stage. Later I watched a circus act from Russia, followed by another musical group. I even caught a puppet show at the Children’s Theater. Tivoli also provides the only active mime theater in the world at the beautiful Peacock Theater, featuring a masque and pantomime stage of classical Chinese design.

“We have two rules that we have been following all along,” says Mr. Kaiser. “One is that you don’t find recorded music in the Tivoli Gardens; all music is live music. The live situation is part of our philosophy. The other thing is we don’t accept neon light. All light has to be real light.”

Along with its live music and special lighting, Tivoli may be best known among children for its rides. I didn’t ride any of the 25 mechanized monstrosities designed to amuse Tivoli patrons. However, with my feet safely planted on solid ground, I was impressed with the Flying Carpet ride, which seemed to thrill all the young people who ventured aboard. For its youngest visitors, Tivoli also offers a free playground with the traditional slides and swings.

In addition to all its entertainment, Tivoli features a variety of restaurants, including several with five star ratings. According to Mr. Kaiser, “Eating is a major part of



Founded in 1893 by Georg Carstensen, Tivoli Gardens helped inspire Walt Disney’s vision for Disney World.

GARDENS

of Copenhagen

the Danish people’s lives.... Therefore we are running—very successfully—many different types of restaurants. We really take much care that we offer all kinds of restaurants to our visitors.”

From the expensive Divan II, famous for its Baltic salmon with glazed vegetables, to its less pricey cousin, Divan I, run by the same family since 1913 and featuring French cuisine and a good view of the gardens, to the more moderate Groften to even a simple pizzeria, Tivoli offers something for every taste. At most of the restaurants I was able to

sit at tables outside and listen to the music.

During one particular lunch, the famous Tivoli Boys Guard, the park’s own red-uniformed marching band which performs every weekend, paraded by my table. According to Mr. Kaiser, the young boys in the Tivoli Boys Guard “get the best musical education you can have in Denmark today, and for many it’s definitely the beginning of a professional musical career.”

Most evenings at Tivoli end around midnight with a spectacular fireworks display, which is designed by a family who has worked for Tivoli for several generations.

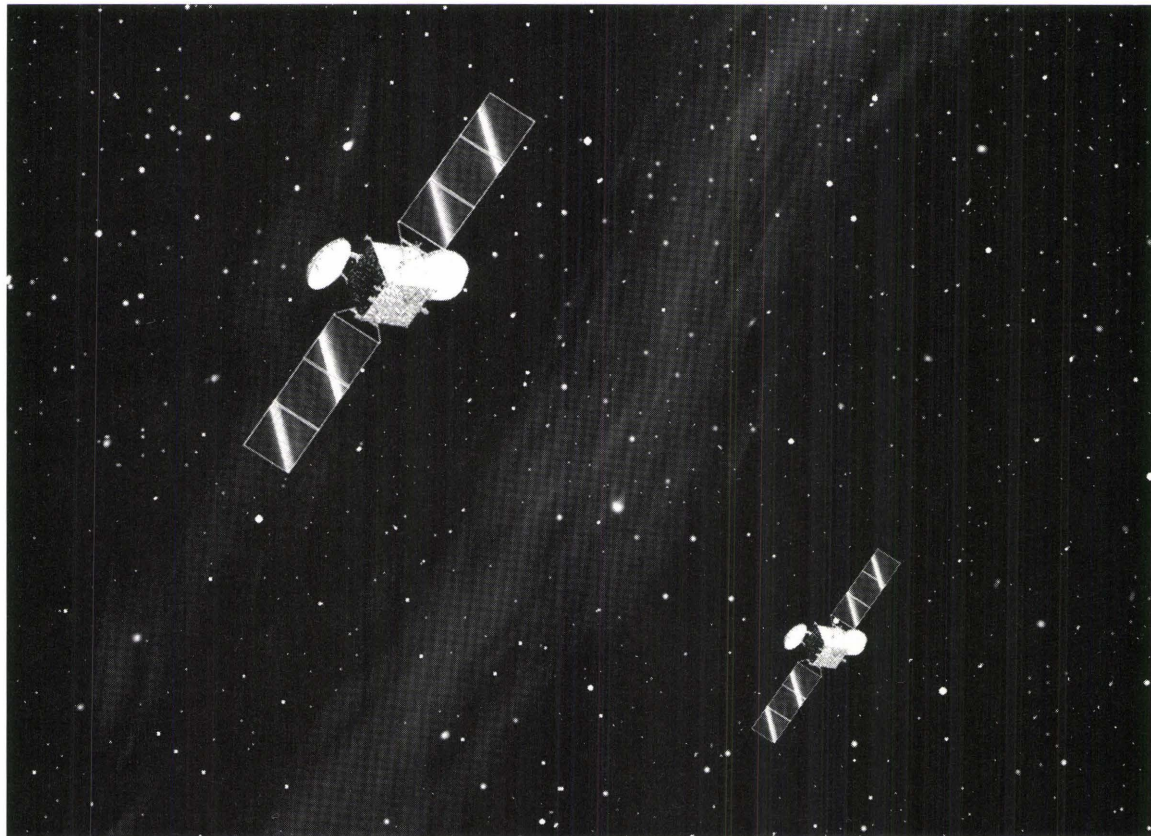
With all the marching bands, rides, restaurants, and fireworks, Americans cannot help but think of the Disney theme parks. Before my trip to Tivoli, I had heard that Walt Disney originally was inspired to build the Disney parks after a visit to Tivoli. “It is a true story. He spent two months here,” Mr. Kaiser confirmed. “Today, we cooperate with Disney’s chairman, Mr. Eisner. The Disney people want to build a Danish Pavilion [at the Epcot Center in Florida], and they have asked us if we would like to design it. So, even today there is still a small kind of cooperation.”

Being in Tivoli I felt as if I had been transported back in time. It felt less hectic than the world outside the park. Mr. Kaiser says, “We are a little old fashioned. I’m not afraid of saying that. When people pass through our main entrance, we try to take them some 50 to 75 years back to a time when people were, maybe, a little more kind to each other and smiling more.”

Even though it is only open for four and a half months a year, it still ranks seventh in attendance among the world’s parks—including those open all year round. Last year 4 million visitors came through its gates.

Tivoli is a very enjoyable and fun experience that I plan on recreating in the near future, and on my next visit I will definitely bring my three year old daughter to this fairy tale park in the heart of Copenhagen. ☺

—Robert J. Guttman



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LUXEMBOURG

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

CAPITALS

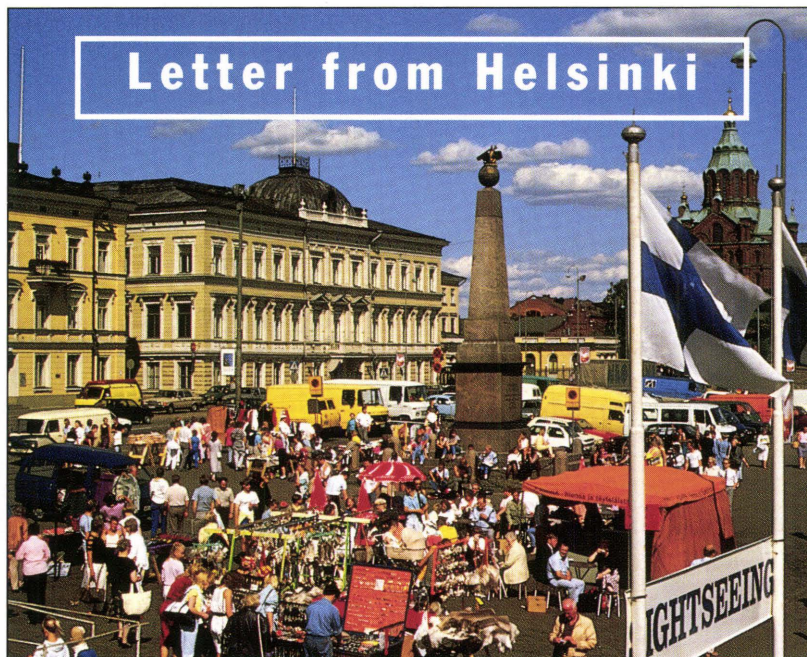
AN OVERVIEW
OF CURRENT
AFFAIRS IN
EUROPE'S
CAPITALS

When in Rome do as the Romans do and when in Helsinki do as the Finns do and take a daily sauna. For three consecutive mornings during my stay in Helsinki, I awoke early and arrived at the sauna at my hotel—the stylishly renovated Grand Marina, formerly a customs warehouse and conveniently located within walking distance to the Market Square and Esplanade areas.

I cannot remember ever having taken a sauna so I was a little apprehensive arriving at 7 a.m. to partake in this totally Finnish experience which the guidebooks say is “perhaps the oldest of all Finnish institutions” and “is the only way in which a foreigner can ever get to grips with the true Finnish soul.”

I don't know if I discovered the true Finnish soul, but I did survive extremely hot temperatures of over 100°F interspersed with very cold showers. My first morning in the sauna I spent the time with two Russians discussing the safety of nuclear reactors. I must admit that my mind wasn't really on the subject as I kept wondering why they proceeded to turn the temperature ever higher.

I can't vouch for the stories of every Finn having a sauna (figures indicate one out of four Finns do own one)



or whether or not Finns really do take a sauna and then jump into holes cut into frozen lakes in the winter time, but a sauna is actually a very pleasant experience that gives one a sense of tranquility for a few minutes during the course of an otherwise hectic day.

Helsinki, known as the daughter of the Baltic, is constantly referred to as the “gateway” or the “link” by almost everyone I spoke with in this beautiful Nordic capital. Surrounded by the Baltic Sea on three sides, the port city is often called the Singapore or the Hong Kong of the Nordic region.

Mr. Leif Lundstrom, vice-president of Finnish Airlines, points out that Helsinki is a gateway from Asia to Europe and Russia to North America. Most Americans use Helsinki as a stopover when traveling

to Russia or to other Nordic countries, whereas European tourists come to Finland as their final destination. “Finland is the largest national park in Europe. Tourists come to Finland for the open spaces and a quieter pace of life,” Mr. Lundstrom adds.

If you've ever wondered about trying to visit Santa Claus, look no further than Finn-Air, which bills itself the official carrier of Santa Claus. Finland promotes itself as the true home of Mr. Claus, and tours are available to Lapland, where one can certainly see plenty of reindeer, plenty of snow, and plenty of Christmas trees, but whether or not you see Santa Claus is up to you.

My favorite location in Helsinki was actually an old island fortress called Suomenlinna, a short 20 minute boat ride away from

the city. The old sea fort used to protect Helsinki hundreds of years ago. Today it is a favorite tourist destination with its cannons still in place and its gorgeous cliff-top views of the sea.

In the midst of this historical setting and natural beauty is a pizza parlor which appeared to be a favorite among Finnish students. Many were wearing Washington Redskins and New York Yankees jerseys. In all my trips to Europe I have never seen so many t-shirts, jerseys, and hats with

logos of US sports teams. Even the bar in my hotel was called the Key West Pub, and except for the chilly weather outside it almost captured the atmosphere of a bar in Florida.

The current invasion of US culture aside, Helsinki is noted for its unique architecture, a favorite among tourists. One of the best examples of modern design can be found at the Finlandia Concert Hall and the unusual Tempelli-aukio Church. The church is built into the side of a rocky hill. Inside, it feels like being in a well designed and well lit cave with organ music coming out of the ceiling.

Touring the new opera house overlooking the water, I was sorry I hadn't called ahead to book a ticket for an evening performance. On my next trip to Finland I also would like to attend the well-

known Savonlinna Opera Festival during the summer. Finland is also home to many interesting film festivals held around the country.

The center of Helsinki is definitely the Market Square where fresh meat, seafood, fruits, and vegetables are sold daily. In addition to the tantalizing seafood and strawberries, several varieties of fur were being sold across the Market Square.

Every night on the Esplanade—a magnificent park in the heart of the city—I enjoyed listening to different Finnish groups singing mostly old American rock-n-roll songs.

Currently, the hottest rock-n-roll band in Finland is the Leningrad Cowboys. Self-described as “the worst rock-n-roll band in the world” this rather bizarre band (sporting unicorn haircuts and gigantic shoes) actually sounds fairly good. They recently filmed a video with 160 members of the former Red Army Choir singing back-up. I predict it won't be long before the Leningrad Cowboys ride into the US.

In addition to an affinity for rock-n-roll, Finns are coffee lovers. One guidebook called the Finns “the world's largest coffee consumers.” After having visited several outdoor cafes in what appears to be a thriving outdoor cafe season (during the summer), I wouldn't dispute this statistic. Every other person at these outdoor cafes seemed to be talking on a cellular telephone. The whole city seemed to be an advertisement for Nokia, the Finnish-based cellular phone manufacturer.

Although I didn't want to say *hey-hey* (goodbye in Finnish) to Helsinki, I certainly look forward to returning to this beautiful city with extraordinarily friendly people and to visit Lapland and the Arctic Circle.

Hopefully, I will return to Helsinki before it becomes the European Cultural Capital. Many Finns are vigorously pursuing this objective and hope their capital will be named the European Cultural Capital in the year 2000.

—Robert J. Guttman

BERLIN

PARTY FINANCING IN GERMANY

Election campaigns are becoming more and more expensive in Germany, and as a result political parties are requiring larger and larger sums of money to cover their campaign costs. With an unprecedented 18 elections to be held this year, including a national poll on October 16, political parties are having to economize because the state funding for election campaigns, which earlier flowed freely, was declared unconstitutional by the Federal Constitutional Court and has been revised by a new law that came into effect on January 1, 1994.

The party profits from election campaign reimbursements have come to an end. In the 1989 European elections, regardless of voter turnout (62.4 percent), the parties received more than they spent. The absolute financial winner was the Social Democratic Party (SPD). It took in a hefty \$55 million but spent only \$20.2 million. But Chancellor Kohl's Christian Democratic Party (CDU) also made \$27 million. Its Bavarian sister party, the Christian Social Union (CSU), scored \$5.1 million, the Free Democratic Party (FDP) \$4.3 million, the Greens \$2.9 million, and the extreme right Republicans got \$8.2 million.

As from 1994 for the first 5 million votes in the European and national elections the

state will give the parties 82 cents per vote they receive. For each vote more than 5 million, the government pays 63 cents. The new 85 cent rate is designed to give small and new parties a fair chance to get out their message, but the taxpayer also finances parties like the Republicans whether he likes it or not. “There would be no Republicans if we didn't finance them out of public money,” deplores SPD member of Parliament Margitta Terborg.

Apart from election campaign reimbursements estimated at \$88.8 million for this year, the political parties also receive grants from the state coffers in the form of a 50



**The parties
complain that the
super election year
also means a
bargain election
year for them.**



percent reimbursement for all membership dues and donations they collect. This means for 1994, donations and membership dues are expected to total \$228 million, the taxpayer will add another \$114 million. The political parties can also expect money from the state in the form of catch-up payments for 1992 and 1993 plus additional grants for their youth organizations. The Taxpayers Federation expects that in total the political parties will be paid \$279 million this year.

The parties complain that the super election year also means a bargain election year for them. They say that their election budgets have to be cut 25 percent from 1989–90. All parties fear heavy inroads into donations. In 1992 the

CDU could rely on corporate supporters and wealthy individuals who donated \$23.5 million. The SPD received \$13.3 million in donations, the CSU \$10.1 million, the FDP \$7.6 million, the Greens \$4.4 million, and the Republicans \$1.67 million.

The new law rules that an individual may take a tax write-off of only 50 percent for a donation not higher than \$3,804 (married couple \$7,608). Corporate donations can no longer be written off. The new law will have a double negative effect for the political parties. If memberships decline so will the state contributions. If donations fall, especially during a recession, so will the state subsidies.

“Nobody,” complains Wilfried Prewo, treasurer of the CDU in Lower Saxony, “has realized the brutality of the new law.” Prewo is the first treasurer who can prove it with his party's own red figures.

Party financing in Germany has been changed several times. “The old thinking which idealized the state has been replaced by a philosophy which idealizes democracy,” explained Karl Dietrich Bracher, historian and political scientist in Bonn. “Democracy must be perfect. And in democracy we say that political parties are important. But in Germany, it is all exaggerated, so the parties have taken on enormous importance. And with it comes a big need for money.”

—Wanda Menke-Glückert

MADRID

PRO ABORTION GAINS

The Spanish Parliament is expected this fall to debate and then pass a bill sponsored by the Socialist government which will eliminate all restrictions on abortion, thereby moving Spain closer

to many of its European Union partners who have more liberal laws on terminating pregnancy.

Sections of the bill which have been leaked to the press indicate the new legislation would allow a woman during her first 12 weeks of pregnancy to have an abortion when the pregnancy "presents serious personal, family, or social conflict."

The new law will also stipulate that the woman can undergo the operation three days after she has been told by government agencies of alternatives to abortion.

Spain's state-run public health service will not pay for the abortions, and state doctors cannot be forced to carry out the procedure unless the mother's life is in danger.

Abortion in heavily Catholic Spain was partially legalized by the Socialists in 1985 but was restricted to cases in which the mother's life was in danger, incest, rape, or if the fetus was seriously malformed.

At the time, the law was challenged in the Constitutional Court by the main opposition conservative party Popular Alliance (now called the Popular Party) on the grounds that it was in violation of the constitution which guarantees the right to life. The court upheld the law.

After the gist of the new proposed legislation appeared in the nation's newspapers with much fanfare, the Popular Party accused the Socialists of distracting the attention of Spaniards who had more serious concerns, such as the ongoing recession and persistently high unemployment.

Predictably, the Roman Catholic Church took a dim view, saying that neither the parents, nor the medical profession, and certainly not the state had the right to terminate the life of the unborn.

But the liberal Madrid daily *El Pais*, probably the

most respected newspaper in the country, praised the new law, saying it was about time that Spanish women were able to have the freedom of choice enjoyed by so many of their sisters in other countries.

—Benjamin Jones

LUXEMBOURG

STRONG PROFITS

Luxembourg has seen an outpouring of good financial news from its banks and investment firms for their performance last year. Further good news came with announcements that more foreign-based banks were opening offices here this year. And, many forecast that 1994 will be even brighter in the wake of Europe's economic recovery.

Balance sheets last year (through September 30) for the 218 banks established here revealed that profits exceeded the 1992 level by 40 percent to 2.6 billion, with the biggest gains posted in stock transactions (up 162.7 percent) and commissions (up 79.6 percent).

The rise in profits, according to Lucien Thiel, general manager of the Luxembourg Bankers' Association, partly reflects the growth in investment funds managed by banks. As occurred in the US three years ago, European investors have switched savings out of fixed-income investments into stocks and bonds trading on European and other markets. Funds pooled investors' money to buy stocks and bonds, specializing on specific regions or types of industries, such as telecommunications. Luxembourg stands fourth among countries ranked by the value of their investment funds, after the US, France, and Japan.

Banks are deducting less risk (mainly sovereign risk)

from the value of their foreign loan portfolios because most of the debtor countries have already repaid their borrowings. This trend has also helped to boost profits.

Banks are also helped by the explosion of activity on the Luxembourg Stock Exchange. Last year's volume rose 75.76 percent to \$1.89 billion. The number of issues quoted on the bourse rose by 4.5 percent to 10,626. More Eurobonds are traded here than anywhere else in Europe. This market posted a



During the last 18 months, the country has seen a strong increase in foreign banks seeking to establish offices here. Observers say that Switzerland's rejection of a policy to develop closer ties with the European Union partly explains the trend.



record year with a 36.17 percent increase in volume to \$400 billion. Also, the use of derivatives such as interest rate swaps, in which one sells either the principal or the interest rate, has grown. Banks profit from the fees they charge to arrange such transactions.

The Luxembourgish have seen many headlines of the soaring success of banks since the spring. Banque Continentale du Luxembourg said its profits rose 55.46 per-

cent to \$8.65 million last year. The Dresdner Bank here, the largest foreign subsidiary of the Frankfurt bank, said its operating profit soared by 40 percent last year to \$247.3 million from its level in 1992. Banque de Luxembourg closed 1993 with after-tax profits of \$26.89 million and pretax profits of \$64.1 million.

During the last 18 months, the country has seen a strong increase in foreign banks seeking to establish offices here. Observers say that Switzerland's rejection of a policy to develop closer ties with the European Union partly explains the trend. Italy's Credito Agrario Bresciano opened a branch in late April to serve its clients. A Dutch bank, Robeco Investment Group, opened a second branch in June for multi-currency deposits and other financial services.

The one cloud over Luxembourg's banking future is whether the European Union will mandate that the member countries impose a withholding tax on capital accounts. Luxembourg does not; instead, it asks resident account holders to declare their proceeds and include these in calculating their income tax. Its secrecy law prevents banks from disclosing to tax authorities any account information. France and the Netherlands do not have the same secrecy obligation. German and Belgian banks must collect the withholding tax for the government but do not divulge account information. But none of these countries, including Luxembourg, withhold taxes on capital revenue of non-residents.

Luxembourg banking officials do not see any momentum within the EU to impose an EU-wide withholding tax. The government criticizes such a proposal, saying it would chase money out of Europe.

—James D. Spellman

DUBLIN

ETHICS IN GOVERNMENT

As the Irish economic situation has been slowly growing stronger, the political scene has been dominated by bouts of moralizing over issues such as divorce, abortion, ethics in government, and the private lives of politicians. When the Labor Party entered government with the largest party, Fianna Fail, almost two years ago, it promised that there would be an end to the politico-business scandals which it had so vigorously denounced when in opposition.

An ethics in government bill was to be introduced within months so that Labor's supporters, who were stunned by the decision to form a government with the traditional foe, Fianna Fail, would be reassured that politics would now be cleaned up. But the ethics bill has still not been passed and drafting it proved a nightmare for Labor ministers who discovered that cleanups are easier to talk about than implement. In fact, Irish political life is probably less corrupt than most so there was not all that much cleaning up to be done.

When a married Labor junior minister was discovered to be visiting an area of Dublin frequented by gay men, Fianna Fail politicians could not conceal their glee at the discomfiture of the Labor moralizers. To the credit of everyone, however, the temptation to hound the man concerned out of public life was resisted.

Then it was discovered that the family business of Taoiseach (Prime Minister) Albert Reynolds had benefited from a little-known scheme whereby foreigners can receive Irish nationality and passports in return for investing in companies which then create jobs. Although

the transaction concerning the Reynolds firm was perfectly legal, there was unease at the secretive way it had been done and the involvement of other ministers who recommended and then approved the granting of Irish nationality to the Arab investors concerned.

The Labor deputy prime minister, Dick Spring, promised that the system would be made more transparent in the future but only after the party engaged in one of its regular bouts of "wrestling with its conscience." The poor performance of Labor in European elections was seen as a sign of the public's dissatisfaction with the party's role in government.

The referendum to change the Constitution to allow the introduction of divorce was promised for this autumn but has had to be postponed because of a challenge to the existing marital separation law. But the lack of enthusiasm in Fianna Fail for a heated divorce campaign does not look good for the likelihood of change when the Labor minister in charge finally puts through all the preliminary legal pre-conditions for the referendum.

Even more fraught with uncertainty is the situation concerning abortion following the "X" case where a

teenage girl who was raped was first stopped by the courts from going abroad for an abortion and later allowed to travel by a Supreme Court decision. The Fianna Fail-Labor government promised to legalize the provision of information about abortion and to provide for abortion in accordance with the Supreme Court's ruling.

The moral issues both of these measures are raising, especially the second one, are already causing heated divisions. And this is before any draft legislation has been produced.

—Joe Carroll

PARIS

200 YEARS OF X-CELLENCE

Harvard and Yale in the United States, Oxford and Cambridge in England—all are instantly recognized around the world as symbols of academic excellence. But ENA, HEC, or LX? Beyond France's borders few can decipher these cryptic initials, yet they represent three of the foremost *grandes écoles*—the elite schools toward which French parents start pushing their children at kindergarten, because they

are the training grounds of practically all of the country's leaders in politics, science, business, and industry.

One of them, the Ecole Polytechnique, known simply as "LX", is celebrating its 200th anniversary this year. Besides congratulating itself on its distinguished past, it has decided to use the bicentennial to give itself a more international dimension. In the future, it intends to make its uniquely French brand of intellectual elitism blended with high academic and ethical standards not only more widely known abroad, but also more accessible to foreign students.

Paradoxically, the Polytechnique, which was created for the privileged few who were the brightest in the land, was founded in the midst of the French Revolution when all forms of privilege were being wiped out. Luckily some of the revolutionaries realized that the new France they were creating would need properly trained scientists and engineers to build it. In 1794 the first class of 390 students passed the school's stringent entrance exam: 10 years later Napoleon turned it into a military academy—a status it retained right up to 1970.

Yet, it has never produced many generals. In spite of the year of military service its students still undergo today, in spite of the brass-buttoned uniform with the bicorne hat which they no longer wear routinely but still don with pride for every Bastille Day parade, in spite of all these trappings, the Polytechnique strength has always been the excellent training it provides in mathematics and the sciences.

Its graduates transformed France. They built its bridges, ports, airports, and railways, laid out its public parks, invented the TGV high-speed train, the Ariane



Founded in 1794 with 390 students, Ecole Polytechnique celebrates its two hundredth anniversary.

rocket, the Airbus and the Concorde airplanes. Paris owes its sewers and its metro to them. Car makers Citroen and Renault feature on the alumni list, so does luxury leather goods maker Hermes. Half of France's top 100 companies are currently being run by Polytechniciens. The sign of the X is everywhere.

Entry into such a magic circle does not come easily, but it has always been strictly on academic merit. Until 1972 only the males were considered suitable material for the Polytechnique's one year program of military training followed by two years of advanced scientific studies. But when the first female, Anne

Chopinnet, was admitted that year, she not only made the grade, but came away with the top marks in the entrance exam.

Another tradition was overturned in 1976, when the Polytechnique left its historic Paris home and moved to the suburbs, to a purpose-built but unlovely campus in Palaiseau. This year, for its bicentennial, it is moving on again, this time in an international direction. It plans to double its intake of foreign students from around 50 to 100, and to send more of its French students abroad to complete their training.

For the Polytechnique has never been an end in itself:

nearly all of its graduates go on to more specialized studies before entering professional life. These days 50 percent of them choose a career in business and industry; 30 percent of them join the upper ranks of the civil service; and the remaining 20 percent go into scientific research.

Powerful as the prestige of the Polytechnique has always been in France, it would now like to establish a more international reputation. At the start of its third century, it intends to make sure that X will no longer be an unknown quantity anywhere that values the pursuit of excellence.

—Ester Laushway

LISBON

LISBON'S CITY OF HOPE

Shantytowns? In Portugal? In a member state of the European Union? Never! First-time visitors to Portugal find it hard to believe that in Lisbon or Porto they might come across neighborhoods they thought existed only in sprawling cities in the developing world. Of course, the scale of the shantytowns in Portugal, still one of the least affluent EU countries, can in no way be compared to that of, for example, the *favelas* of Rio de Janeiro. But the prob-

NEWSMAKERS

When Norwegian philosopher, **Jostein Gaarder**, 42, sat down to write his fourth book, *Sophie's World*, he never dreamed that the 500-page philosophy course for teenagers would turn into a runaway best-seller. But within two years of being published, the book has become Norway's greatest literary export.

It has sold a staggering 350,000 copies in Germany and 110,000 in Denmark. Editions in French, Italian, Dutch, Spanish, Russian, Turkish, Portuguese, Romanian, Greek, Korean, Chinese, and Japanese are planned, and a first edition of 75,000 copies in English is being released in the United States this month.

Sophie's World was originally intended to be a textbook, but Gaarder found the format too boring and turned it into part fantasy, part mystery story, with 14 year old Sophie as its heroine. An unknown mentor starts sending her notes and gradually introduces her to the teachings of the great philosophers.

Gaarder's light touch with

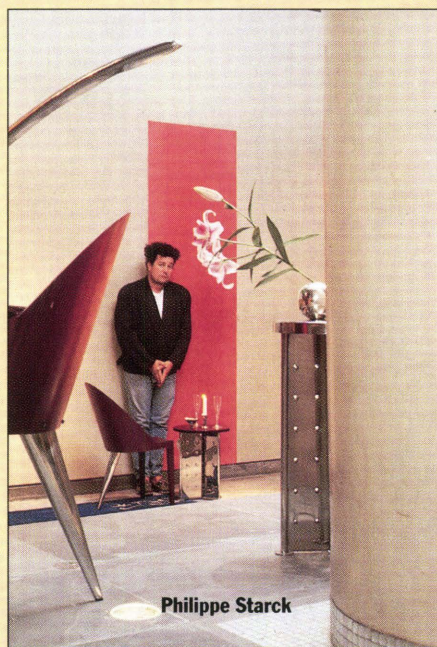
weighty philosophical material has proved so popular and effective that Norwegian students have been known to pass the philosophy section of their university entrance exam by having read nothing else except *Sophie's World*.

•••

Princess **Irene Borisovna Galitzine** was just two years old when Russia's Bolshevik Revolution broke out. Now, 72 years later, the princess is leaving Rome, where she settled and became a fashion designer, and returning home to take charge of the once state-run Russian Fashion Center.

Galitzine is best remembered for the "palazzo pajamas" she created in the 1960s. "I wanted something to wear on outings to Capri," she recalls, "so I copied a costume I'd seen in the musical *The King and I*." The elegant, fringed pajamas she designed were seen on a lot of fashion magazine covers and worn by glamorous women like **Elizabeth Taylor**, **Greta Garbo**, and **Jackie Kennedy**.

•••
Starting this month, customers of the French mail-order catalogue *Les Trois Suisses*, will not just be able to



order everything they need for their home; they will be able to send away for the house itself. The master of stripped-down modern design, **Philippe Starck**, has come up with a kit for building a simple wood and glass house at a cost that he claims

will not exceed \$175,000.

La maison de Starck, which he describes as "the house that everyone subconsciously dreams of owning," will arrive in a small wooden box containing the following items: a handbook, illustrated by Starck himself; a watercolor of the house-to-be; a video of the construction stages; plans giving estimates for the required materials; and a notebook for keeping a record of the construction process. Also included are a hammer and a French flag to fly above the house when it is finished.

A reassuring bit of news for potential customers is that Starck is about to move into one of his mail-order houses himself. "If I'm claiming this house is suitable for everyone," he says, "then why shouldn't it be suitable for me?"

Two other world-class architects have agreed to follow Starck's lead. **Frank Gehry** and **Aldo Rossi** are next in line to create mail-order houses for *Les Trois Suisses*.

lems and hardship involved in living in what the Portuguese call *bairros de lata* may be just as serious.

Now, however, the Portuguese government plans to get rid of these dwellings once and for all, in what many consider to be the most ambitious social program ever undertaken in the country. Over a period of eight years, the authorities plan to pump \$1.5 billion into a massive demolition and rehousing scheme that will affect almost 50,000 families nationwide.

Although the problem is some 100 years old, most of the shantytowns in and around Portugal's two main cities have sprung up since

Portugal gave up its African colonies following the restoration of democracy in 1974. Hundreds of thousands of people streamed back to the motherland from Angola and Mozambique when the two countries became independent and were plunged into civil wars. Later, tens of thousands of African immigrants, most of them from the island state of Cape Verde, another former colony off the shore of Senegal, arrived, attracted by Portugal's construction boom and the work it provided.

Faced with a massive shortage of housing, re-turnees, and immigrant workers were forced into illegally

building their own accommodation on occupied land. Some of the shantytowns consist of what merely amount to shelters. Others are made up of solid wooden huts and others of well-constructed concrete houses. In some cases, the local authorities provide water and electricity, knowing there is no legal alternative housing.

By getting rid of the slums and offering their inhabitants a more dignified life, the authorities also hope to tackle a wide range of social problems. The shantytowns have become ghettos, where people are excluded from education and health services, and as unemployment rises, these com-

munities on the margin of society have tended to become centers of the drug trade.

One of the main concerns in the rehousing scheme will be to ensure that the strong community feeling that has developed in the shantytowns is not destroyed as people are moved away from the streets, where they used to mix, into impersonal blocks of flats.

After years of promises and little action, the government has finally realized the problem will not go away by itself. As he announced the funds for the Lisbon area, Public Works Minister Joaquim Perreira do Amaral said he hoped the plan would produce "a city of hope for

•••

Nothing could be more starkly opposed than the glossy world of French *haute couture* and the tragedy of the civil war in Rwanda. But **Josée Kabagema** is familiar with both. She is a Rwandan Tutsi who works as a top model for Givenchy and Cardin in Paris. Appalled by the general indifference to the carnage in her homeland, she has set up a small pressure group to focus public attention on the conflict.

Josée was born in 1954, when Rwanda was a Belgian colony and the Tutsi minority was the dominant, aristocratic clan. At the age of six she had to flee with her family to Uganda to escape from the Hutu peasants who had started to rebel against the Tutsi rulers. The Kabagemas eventually emigrated to France and made a new life for themselves, but most Tutsis were not so lucky.

The vast majority of them—some 70,000—settled in Uganda, but the urge to return to their native soil never left them. In 1990, when the community had grown to 200,000, the Tutsi-led Rwandan Patriotic Front mounted

an invasion of its former homeland, and since then the Hutus and Tutsis have clashed violently on several occasions.

It is this background to the current conflict which Josée is trying to make more fully understood. Although she herself is a Tutsi she insists that her association wants to help both sides. "What does it matter whether you are Hutu or Tutsi?" she asks. "The only thing that counts is that you are Rwandan."

•••

The singing monks from the Benedictine abbey in Santo Domingo de Silos in Spain, whose recording of Gregorian chants has sold more than half a million copies worldwide, are starting to behave in true pop star fashion.

Two of them who have now left the order, **Fernandez de la Cuesta** and **Francisco Lara**, are claiming that they arranged the chants and are therefore entitled to around \$5 million in royalties. "Besides the marketing, we think it was our arrangement that contributed to the album's success," the two said. "Something is owed to us and we want to collect it."

The record company EMI-Odeon, who released the chart-busting monk's album, say the chants are unprotected by copyright and is calling the two unholy brothers "scoundrels" who have only surfaced "because they can smell the money."

•••

Bullfighting fans in Seville have been cheering a novel sight in the bullring—a Japanese matador. **Atsuhiko Shimoyama**, 23, had never seen a fighting bull until a year ago. But in his first bullfight on Spanish soil "The Kid from the Rising Sun," as he calls himself, did so well that he won a standing ovation from the 1,500-strong crowd and was given the ear of the bull as a trophy.

•••

His talent is undeniable, his output prodigious, but Dutch artist **Geert Jansen**, 51, alias **Jan Van den Bergen**, never put either of his two names to his paintings. Instead, he signed them with some of the greatest names in modern painting, including **Picasso**, **Miro**, **Matisse**, and **Chagall**, and sold hundreds of his false masterpieces for millions of dollars.

He managed to fool art dealers and collectors in Switzerland, Belgium, Scandinavia, Italy, and the United States for at least 10 years. But this spring, when he began to infiltrate the German art market, galleries became suspicious of an unknown Dutchman with so many 20th century treasures to sell.

Van den Bergen is now languishing in a French jail in Orléans, accused of perpetrating the biggest (and most brilliantly executed) art hoax of the last 20 years. The Château de la Chaux near Poitiers, where he lived, contained enough fake *chef d'oeuvres* to fill a hall in the Louvre. Some 1,700 paintings and lithographs were found here, so expertly reproduced that apparently the Dutch artist, **Karel Appel**, himself could not tell one of his own works from a Van den Bergen copy.

Investigating police commissioner Jean-Claude Colin described the master forger with grudging admiration as a man who "enjoyed a Chagall for breakfast, a Matisse for lunch, and a rare bottle of wine in the evening."

—Ester Laushway

those who never had one.”

—Peter Miles

ROME

WORLD CHAMPIONS AFTER ALL

There is no denying it. Even several weeks later, the 1-0 victory of the Brazilian team over Italy in the final match of the World Cup Soccer Championship has left a mark on Italy's football aficionados, who represent a large majority of the population, including housewives and parish priests. The wiser fans underlined the fact that, in any case, it is no dishonor to be vice-world champions and to have lost only because of the perverse mechanism of penalty kicks. But it didn't help much.

However, among the chorus of teary and recriminating headlines that ran on the front pages of most Italian newspapers after the final game, one paper ran the headline "World Champions." A resounding gaffe to insert in the black book of journalistic howlers? One might guess that an over ambitious tabloid trying to get a jump on Italy's biggest story guessed the wrong outcome of the game and got burned. Not a bit. In part because the newspaper in question is decidedly authoritative and precise. It is the *Sole 24 Ore*, the Italian equivalent of the *Wall Street Journal*.

The newspaper, which for closing hour reasons was unable to cover the final result of the soccer game, came up with an expedient (and ultimately ironic) solution to its deadline dilemma. It gathered a series of up-to-date information about the Italian economy. And in this way it was able to write, without anyone being able to deny it, that Italians hold, in fact,

eight "world championships."

To be honest, not all eight are titles of merit. For example, Italy is at the top of the disagreeable list of industrialized countries with the highest national debt, equal to 20.4 percent of the resources spent by the government (two other European countries follow Italy in this regrettable list: Belgium with 17.2 percent and Portugal with 14.4 percent). Another record not to brag about is Italy's tax increases. The United States' IRS looks like "trick or treat-

traditional sectors which, despite the football crisis, calmly continue to prosper. Did you think that Italian shoes were going out of style? Italy is still by far the country which produces the most machinery for shoes and leather products, seven times more than second place Germany. Italy also takes first place in the transformation of gold into jewelry: 461 tons of gold in 1993 compared with 293 tons in India and 171 in China. Italy also boasts dominance in exported fashion

first place to the Brazilians, there are other Italian "champions" for the international spotlights.

—Niccolò d'Aquino

LONDON

HAPPY BIRTHDAY TOWER BRIDGE

Tower Bridge, which vies with Big Ben to be for London what the Statue of Liberty is for New York and



Three days of brass bands, street theater, and fireworks marked the one hundredth anniversary of London's Tower Bridge.

ing" in comparison. From 1979 to 1993, taxation in Italy increased 15.2 percent. Another record is the cost of pensions; they represent 11.4 percent of the gross national product, well above the 8.1 percent registered by Germany, in second place.

However, Italy is to be envied in a series of other fields. Beginning with the number of small enterprises which comprise the economy's anchor. Almost 28 percent of Italian workers are their own bosses. Then, there are the

clothing, even though Germany is a close contender and—surprise—Turkey is in third place. There could have been no doubt about another first place, the production of pasta. Italy produced more than 2 million tons in 1993. A nice record seeing as how second and third places are held by two super-colossi: the United States (1.8 million tons) and Russia (1.7 million tons). In short, even if the *Azzurri*, as the players of the Italian national soccer team are called, had to concede

the Eiffel Tower is for Paris, is looking very pretty these days, thanks to the face lift it has undergone to mark its one hundredth birthday.

Three days of centenary celebrations complete with brass bands, street theater, and fireworks marked the occasion as did Prince Charles and the Royal yacht *Britannia* who both turned up to salute one of the great crossing points of the Thames.

When Tower Bridge was completed in 1894 the world had never seen anything

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ATHENS

NEW ROADS AHEAD

Drive down the only six-lane highway in southern Greece, and the road is suddenly reduced to two lanes just before you enter a tunnel through a mountain-side near Tripolis. The matching tunnel for traffic heading toward Athens is still uncompleted and fenced off.

The missing tunnel is just one example of the complexities of highway construction in Greece. The sector is deeply fragmented with dozens of small-scale companies competing for business. With a ceiling on the value of contracts for which they are allowed to bid, Greek construction companies must form consortia in order to win projects valued at over \$21.5 million. For big projects that are technically complex, foreign companies lead the consortia.

However, the picture is set to change dramatically over the next five years. Two major highway projects in Greece have been included in the European Union's new transport networks: the route from Patras in western Greece to Athens and north to the border with the former Yugoslavia, and the *Egnatia Odos*—named after the ancient Roman road through the Balkans—linking the northwestern port of Igoumenitsa with Thessaloniki and the borders with Bulgaria and Turkey.

In the meantime, highway construction is a major priority under the Delors II package of EU aid to Greece, with almost \$9.7 billion to be spent on improving the country's road network.

Few highway projects were included in the first structural package of EU aid to Greece, mainly because the Commission found the Greek method of offering

projects in small segments—often less than 4 miles in length—unproductive. In addition, companies often underbid for contracts which meant that funds ran out and stretches of highway were left uncompleted.

Project management will be much stricter for the Delors II package, with funds for the Egnatia highway and the north-south road link being released in tranches, while outside consultants will monitor the progress being made at regular intervals.

Meanwhile, Greece's construction companies have turned to the Athens stock exchange to raise funds for working capital and purchases of new equipment that will enable them to bid for more EU-assisted projects.

More than 20 construction companies have been floated on the bourse or are awaiting a listing. Between them, they have raised more than \$12.9 million in fresh equity, with most offerings being heavily oversubscribed.

Much of the Delors II funding will eventually flow back to other EU states as foreign construction companies will undertake major bridge, tunnel, subway, and airport projects included in the package. In addition, foreign consulting companies and merchant banks will handle valuations and financing for projects based in Greece.

The experience gained over the next five years will also help Greek construction companies looking to expand in the Balkans. One big Greek concern, CI Sarantopoulos, has already been awarded contracts to upgrade sections of a road in Albania in a \$20 million project awarded by the World Bank—the first infrastructure project to be launched in the Balkans.

As more funding from international credit institutions becomes available for Balkan highway projects later in the

1990s, the Greek companies should be well placed to participate.

—*Kerin Hope*

BRUSSELS

NO INDEPENDENT FLANDERS

The ink is scarcely dry on the new Belgian federal constitution, and it will not come fully into effect until after the next general election, which is not due until November 1995. Yet already an influential voice is being raised to go far beyond the new constitutional provisions, and turn Belgium into a loose confederation, with little to link the constituent parts besides the monarchy.

The voice is that of Luc Van den Brande, minister-president of Flanders, who will assume the title of "Flemish Prime Minister" if he retains his place after the elections. He is dissatisfied with the federal changes, which transfer a large range of responsibilities from the national government to the regional governments of Flanders, Wallonia, and Brussels, each of which will have a popularly elected assembly.

Van den Brande, who belongs to the same party, the Flemish Christian Democratic Party, as Prime Minister Jean-Luc Dehaene, wants to achieve virtual independence for Flanders and has set a target date of 2002. This is a most evocative date in the Belgian calendar. It will be the 700th anniversary of the Battle of the Golden Spurs. In this battle a small troop of Flemish foot-soldiers defeated the massed cavalry of France and deprived the French king of his Flemish dominions.

Every year a Flemish fête is held on July 11, the date of the battle, and this year Van den Brande took advantage of

quite like it. Here was a massive structure which not only carried a great stream of road traffic across what was then the busiest waterway in the world but could also raise its central roadway to allow the tall ships to pass through.

In its first year of operation the bridge was opened more than 6,000 times. Changes in river traffic patterns in the 1960s reduced the need for opening the bridge. Today it opens on average 500 times a year.

The bridge has a great deal in common with that other great crossing point, the Channel Tunnel, which is due to open to the public this October. Not only are both magnificent feats of engineering, but they were both surrounded by great controversy over whether they were needed or not.

When Parliament approved the building of Tower Bridge in 1885 it boasted that the bridge would be erected "without taxing anybody to the extent of a single half-penny." Margaret Thatcher took exactly the same approach 100 years later when she approved the plans for the Channel Tunnel.

The starkly functional nature of the bridge is disguised under a cladding that attempts to make its towers look like a Scottish baronial castle. Inspired by the neo-Gothic Houses of Parliament just up the river, the architect also added cast iron parapets, decorative panneling for the walkways, and gas lamp standards on the bridge roadway.

This type of window dressing is often sneered at by many of this century's architectural advocates of the plain and functional. However, it is precisely its romantic, chocolate-box appearance which attracts so many visitors and which has turned the bridge into a symbol of the capital and the nation.

—*David Lennon*

AMSTERDAM

the occasion to repeat his demand for Flemish autonomy. King Albert II, who was present at the celebrations in Bruges, seemed unembarrassed by his words, and joined heartily in singing the Flemish anthem, "The Lion of Flanders," the first time a Belgian monarch had been known to sing this song.

This caused immediate consternation among French-speaking Belgians, who recalled how two years earlier Albert's brother Baudouin had summoned Van den Brande to the Royal Palace and had ticked him off when he had first raised his confederal demands. There are signs, however, that Van den Brande has now overreached himself and that there is little real demand in Flanders for a separatist approach.

A large-scale survey carried out by the sociology department at the leading Flemish university, the Catholic University of Louvain, showed that less than 11 percent of Flemings wanted independence, compared to 44 percent who preferred a unitary Belgium and 45 percent who supported the new federal structure. The same survey found negligible support for confederalism in French-speaking Belgium, and a similar equal split between federalists and unitarists.

Moreover, Van den Brande is getting very little support from other mainstream politicians in Flanders. In particular, Jean-Luc Dehaene, who has suddenly become something of a national hero following John Major's veto of his candidacy for the EU Commission presidency, is firmly backing the new constitution, of which he was a principal architect. There may be lots of things to celebrate in 2002, but the break-up of the Belgian state is not likely to be one of them.

—Dick Leonard

THE EUTHANASIA QUESTION

The Netherlands' Supreme Court has taken a landmark decision on the sensitive issue of euthanasia. The court dropped charges against a psychiatrist, who helped a healthy woman in 1991 to terminate her life. Although the court did overturn an earlier ruling by a lower court that declared the psychiatrist not guilty, the Supreme Court's decision was interpreted as a further step toward permitting euthanasia in the Netherlands.

In 1993, the Dutch Parliament accepted, after years of discussion and several bills that were not adopted, a legal framework for euthanasia. It stated that it remained illegal, but that doctors would not be prosecuted for helping terminally ill patients to die when natural death was imminent and when strict directives of carefulness were applied. Cases of euthanasia would have to be registered and the government could decide to prosecute. In 1993, 1,323 cases of euthanasia were registered and 14 cases were considered for prosecution.

The law was a compromise between conservatives and liberals from across the political spectrum. Although it was defended by a Christian Democratic minister of justice in Parliament, the law drew fierce criticism from, among others, the Vatican. The Holy See accused the Netherlands of legalizing Nazi-methods by permitting the medical termination of life. The justice minister, a traditional catholic, wrote a lengthy article for the Vatican's newspaper to defend the Dutch policy and his personal viewpoint. The case of the psychiatrist has stretched the acceptability of euthana-

EDITOR'S NOTES

In the March issue, the photographs of Dexter Gordon and Johnny Hodges (pages 28–29) were incorrectly credited on page 48. Noted jazz photographer Herman Leonard is the photographer solely responsible for these images and should have been credited accordingly.

In the June issue on page 40, the Berlin Capitals Letter stated that a book entitled *Schindler's Ark* was published before Thomas Kenneally's book *Schindler's List*. Edwin L. Hill, special collections librarian at the University of Wisconsin–La Crosse,

informed us that in fact *Schindler's Ark* is the name under which Kenneally's book was published in London in 1982. The name *Schindler's List* was adopted for the US edition and the Steven Spielberg film.

Also regarding the June issue, several readers wrote us to point out that in the story "Bosnia in the Balance" the caption on page 16 misidentifies a group of Chetniks as Ustachis. The caption should read "During World War II, the Chetniks fought against both Tito's partisans and the Croats."

sia another step further. He helped a divorced woman who was not terminally ill, physically suffering, nor mentally disabled. She wanted to end her life after her two sons died, and she had tried suicide. When she turned to the psychiatrist, it became clear to him that she eagerly wanted to die, and after consulting a number of colleagues, he decided to help her and administer a dose of lethal pharmaceuticals.

In the following lawsuits, the psychiatrist was declared innocent on the basis of a broad interpretation of the euthanasia law. In June of this year, the Supreme Court turned that verdict down. The psychiatrist was guilty, but would not be prosecuted. According to the Supreme Court, in cases of "unbearable psychic suffering," a person who applied for help with euthanasia has to be examined by at least two doctors.

This verdict offers a clear guideline on how to act in future cases. It is believed that more persons who voluntarily want to end their life will now turn to doctors or psychiatrists.

—Roel Janssen

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ARTS & LEISURE

BOOKS

Diplomacy

By Henry Kissinger; Simon & Schuster; 912 pages; \$35.

Rarely do the renowned practitioners of diplomacy also end up as its principal chroniclers. But with this latest work, Henry Kissinger has managed to sandwich his career as a diplomatic practitioner—eight years in the Nixon-Ford administrations—between two books that set out his vision of the goals of diplomacy. The first was *A World Restored*, a history of the Congress of Vienna and its aftermath. It has been a basic text for students of diplomacy since the 1960s. Now, there is the even more sweeping *Diplomacy*, a combination of history and analysis from Richelieu through Clinton from the perspective of a former participant who is still vigorously trying to shape how historians and journalists chronicle his own tenure as National Security Adviser and Secretary of State from 1969 to 1977.

Practitioners and observers of Washington spin-control have been more taken with this second aspect of Kissinger's book and its chapters on Vietnam and Nixon-era détente with the Soviet Union. Those chapters now must be set against the diaries of Nixon chief of staff H.R. Haldeman. His posthumously published work puts in much more brutal and far less flattering political and psychological colors many actions which Kissinger describes in lofty terms in

Diplomacy.

For the German born Kissinger, as for most Europeans, 20th century American diplomacy remains mystifying—the pursuit of power politics wrapped in rhetoric that disdains the old maxims of *raison d'état* or the balance of power. Kissinger's attempts to draw sharp divisions between the two, for instance a presumed contrast between Theodore Roosevelt and Woodrow Wilson, often complicate the analysis.

Where Kissinger is truly on point is in his reminders to an ahistorical nation that the post-cold war world is much more likely to resemble that of the 18th and 19th centuries rather than anything seen in this century. His advice on this score is a particularly useful counterweight to all the rhetoric of the United States as the world's only remaining superpower. As he points out, that means even less now than did America's overwhelming power at the end of World War II.

Only in this analysis of the post-cold war world does Kissinger address the efforts at European unification that have been so central to its history since 1945. Jean Monnet and his concept of removing Franco-German hostility through economic cooperation and integration are ig-

nored in Kissinger's chapters on post World War II Europe. But he picks up the idea in his final chapter with the same theme that drove the post-war promoters of European integration: A united Europe will remain a great power while one divided into national states will fall into secondary status.

But what really preoccupies Kissinger, as it has since he wrote *A World Restored*, is how Europe (and the United States) deals with the reality of Russia's

place and power on the continent, whatever type regime sits in Moscow. Alongside the Metternichian preoccupation with Russia is a Bismarckian one of how to make sure a united Germany does not go adrift. Another thread that runs from beginning to end is what Kissinger calls "the gap that has blighted French policy" since Napoleon III—the difference between its image of itself as the dominant nation of Europe and its lack of capacity to live up to that image.

The objective for Europe and the United States, he concludes, is to adapt both NATO and the EU to the post-cold war world. That means, among other things, bringing the Visegrad states into the EU, and invariably then into NATO, and maintaining a sharper distinction

between NATO and the Partnership for Peace that would include Russia and the former Soviet republics. He concludes with a plaintive assertion that this is no time to abandon the Atlantic Alliance, especially in some phantom pursuit of a Pacific Community that does not really exist.

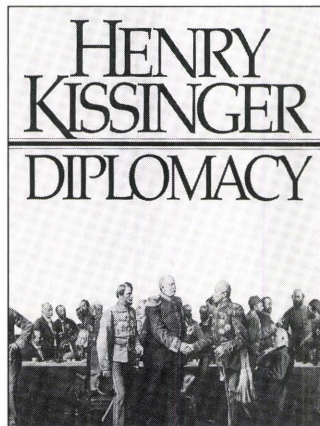
But as Kissinger has repeatedly learned since leaving office, the hardest task for former officials is to convince current ones to benefit from their experience. All the more so for one such as Kissinger who has tried harder than most and through every available forum to keep his advice before the global public.

—Michael D. Mosettig

Ever Closer Union? An Introduction to the European Community

By Desmond Dinan; Lynne Rienner Publishers; 533 pages; \$20.

If the European Community (now the European Union) did not exist, it would have to be invented—and quickly. That is the inescapable message of Desmond Dinan's masterful examination of the history, institutions, and policies of the 12 member EU in his book *Ever Closer Union*. The manifold activities of the Union now span such areas as the environment, monetary policy, trade, foreign policy, development assistance, high technology research and development, and competition policy, to name only a few. Judging from Dinan's account of the Union's first 35



years of life, the 12 European Union member states have woven such an intricate fabric of collaboration among themselves that it is hard to imagine the day-to-day business of government in Europe being accomplished without the Brussels-based organization.

The title of Dinan's book is deceptively modest. While it may be too much to say that it constitutes the last word on EU matters, it is certainly more than just an "introduction" to the European Union. It not only provides the facts and figures, but also offers trenchant analyses of such controversial questions as the future of the European Parliament, the profile of the ideal European Commission President, and, in a historical vein, the contribution of French President Charles de Gaulle to the development of the European Union.

In other words, there is something for everyone here: for college students enrolled in courses on the European Union it

would make an ideal textbook; for journalists it is the perfect desk reference, replete with facts, figures, and personalities; and even seasoned Brussels watchers will find themselves surprised and enlightened by Dinan's slant on EU affairs.

One of the most important lessons to be drawn from this book is the continuity in the EU's development, despite newspaper headlines which too often lead the public to believe that the Union is lurching between Europhoria and Euro pessimism. One example is the regularity with which the French and Ger-

man governments—the backbone of the EU—took the lead to ensure that progress toward an "ever closer union" (the goal enshrined in the founding Treaty of Rome) never flagged. In the 1970s, French President Giscard d'Estaing and German Chancellor Helmut Schmidt were responsible for launching the European Monetary System, while President François Mitterrand and Chancellor Helmut Kohl in the 1980s and 1990s have been the driving force for a common foreign policy for the EU.

Dinan rightly trumpets the Union's growing international prowess since the late 1980s, particularly in Central and Eastern Europe, but he undermines his case somewhat by devoting only nine of the

book's 500 pages to the EU's role in that region. As Dinan says, the EU's job as coordinator of all Western aid to Eastern Europe—a role conferred upon it at the Group of Seven summit of industrialized countries in Paris in 1989—"had a profound institutional, operational, and procedural impact on the Community...By coordinating the G24 aid effort, the Commission raised its international profile considerably."

Given this fact, as well as the larger truth that integrating Central and Eastern Europe into Western European institutions is the key challenge the EU will face in the 1990s (along with streamlining its decision making procedures), the Union's role vis-à-vis the East deserves a more prominent place in Dinan's book.

Yet that may be akin to complaining that one's favorite pet cat doesn't bark, if the book's basic aim is considered. Dinan makes no pretense to have written a book of international relations but rather has set for himself the task of making intelligible the full range of activities and institutions of the European Union, from the more mundane Court of First Instance to the "Olympian" European Council, which gathers Europe's Heads of State.

He succeeds admirably. His lively prose—often worthy of a mystery novel when he recounts a looming political crisis—not only makes the European Union intelligible, but compelling reading as well.

—Peter S. Rashish

ART

Treasures In Heaven: Armenian Illuminated Manuscripts

Walters Art Gallery, Baltimore; Until October 23, 1994.

South of the Caucasus, times are hard even for the faithful. Abkhazians and Georgians are entrenched in a sporadic but bitter and bloody civil war. Armenians and Azeris, too, seem intent on killing one another. The same is true of the Ingush and North Ossetians.

The collapse of the Soviet Union has had an apocalyptic effect in this, one of the world's greatest melting pots. But as the pot simmers and boils over, a new exhibition at Baltimore's Walters Art Gallery harkens back to an era of tolerance and cultural grandeur in the region.

Treasures In Heaven traces some of eastern Christendom's greatest accomplishments through the work of scribes in an ancient kingdom now divided by political borders and ethnic hatred. A

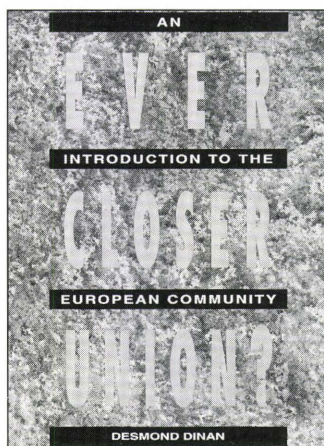
testament to the past and to the Armenian diaspora in America, the exhibit draws exclusively from collections in North America. Many of the manuscripts have been loaned from the Pierpont Morgan Library in New York. Other contributors include the New York Public Library, the J. Paul Getty Museum, and the Metropolitan Museum of Art.

The works on display span some eight centuries. Rare 10th century pieces produced in ancient Armenia are contrasted by manuscripts crafted by Armenians of the diaspora little more than 200 years ago. While the *Gospel Book* and other religious texts form the exhibit's focus, the real story must be read between the lines. For the beauty of these works lies not just in their artistic detail, but in the way they catalog the development and flourishing of a civilization hinged on assimilating all of its diverse parts. They tell of a nation perched between East and West, between Christianity, Islam, and other world religions, but all the while remarkably peaceful.

For the descendants of a once great nation now all but forgotten, the manuscripts included in *Treasures In Heaven* served to maintain cultural continuity in the face of deteriorating social order as Armenia was invaded and its residents deported. Religious doctrine, historical records, the very rudiments of a society were laid down on parchment and then brought to life with color and artistic form.

Perhaps for residents of the former Soviet Union and followers of the current situation in the Caucasus *Treasures In Heaven* will serve another purpose, by extending the hope of a peaceful resolution to the conflicts now raging in the region.

—Robert Murdock



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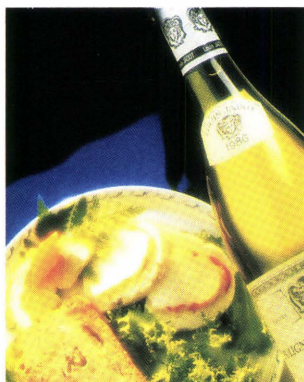
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