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EUROPE

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March 1997

Investing in Russia's Future





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Today Hamburg is not just one of the world's biggest ports; it is also one of Europe's most important business locations. With the expansion of the European Union, the political and economic changes in central and eastern Europe, Europe's market structures have been reshaped. The transfer of the seat of German government from Bonn to Berlin has shifted the center of Germany northward. These changes are becoming an important factor in the marketing strategies of companies operating at international levels.

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Hamburg is Germany's media metropolis: nearly 50,000 people work in this field. Famous publishing houses are based here, as well as the editorial and production departments of numerous television and radio channels. The senior editorial team of Germany's most important television news service is based in Hamburg, as are the news agency Deutsche Presse Agentur (DPA), the news magazine *Der Spiegel* and the weekly newspaper *Die Zeit*.

Information and communication are second nature to Hamburg and a basic element of the city's economic dynamism. Hamburg is increasingly seen as Germany's "creative capital" in the fields of advertising, public relations, graphics and design.

Civil aircraft manufacturing lends the location additional technological and industrial power. Hamburg is the German headquarters of the four-country aircraft consortium Airbus Industries and the technical center of the national airline Lufthansa.

Electrical engineering and electronics, information and communications technology are also substantial elements of Hamburg's economy. Medical and pharmaceutical technology, environmental and biotechnologies are all key and growing sectors of Hamburg's modern industries.

As a world-class trading and industrial metropolis, with its port as a logistics and distribution center, Hamburg ranks among international competitors as one of Europe's most interesting locations for business. Panasonic and Sharp recently chose

Hamburg as their European distribution center, like many other international companies before them. Others will soon follow.

Hamburg is Germany's central location for Asian businesses. More than 130 companies from Japan, 160 from the People's Republic of China, 65 from Taiwan and 20 from Hong Kong are active here. Hamburg is the European headquarters for the Evergreen Line and Yangming Shipping; COSCO, Sinotrans and Hanjin Shipping also established their European head offices in Hamburg. For Chinese companies, Hamburg has clearly emerged as the most important location within Europe.

All in all, 3,500 foreign firms testify to the importance of Hamburg as a thriving business center with a worldwide orientation.

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HAMBURG

THE NEW EUROPE'S

PORT OF CALL FOR

INTERNATIONAL

BUSINESS

EUROPE

MAGAZINE OF THE EUROPEAN UNION



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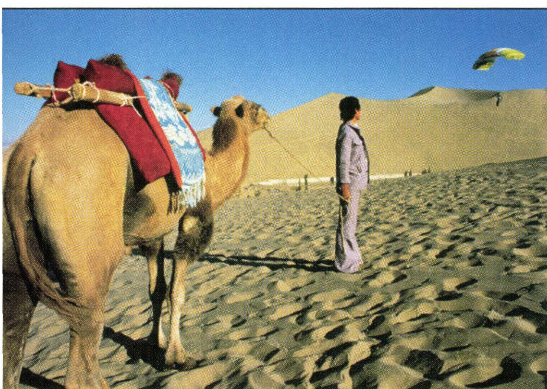
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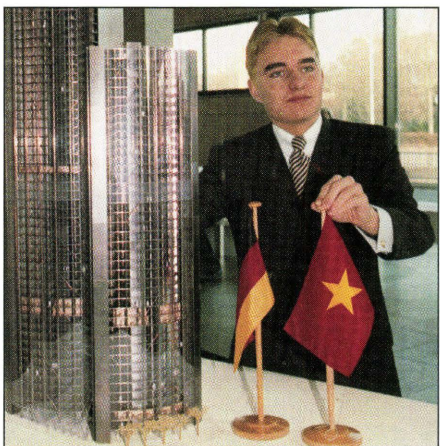
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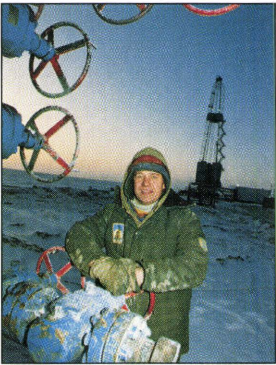
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Letter from the Editor

Europe is actively building a new positive relationship with Russia. As Lionel Barber reports from Brussels in his article on EU-Russian relations, "Already, the European Union is Russia's biggest trading partner." *EUROPE* explores the ups and downs of this changing relationship since the collapse of communism in the former Soviet Union. From NATO enlargement to working together in the Contact Group in Bosnia, Russia and Europe are forging new partnerships that would have been hard to imagine several years ago.



Investing in
Russia's Future

Martin Walker, author of *The Cold War* and a former Moscow bureau chief for the *Guardian*, writes, "Russia remains a risky place for business," but he points out that if you are not averse to taking long-term risks "there are opportunities" to be found in investing in various parts of the Russian economy. Walker also gives our readers a who's who in Russian politics, from the popular former general Aleksandr Lebed to Yeltsin's chief of staff Anatoly Chubais to Yuri Luzhkov, the energetic mayor of Moscow.

Writing from Bonn, Elizabeth Pond focuses on German-Russian relations and observes that Chancellor Kohl "does his best to reassure his friend Boris Yeltsin that Russia is a welcome partner in Europe."

Wanda Menke-Gluckert, *EUROPE*'s contributing editor based in Berlin, comments that German Chancellor Helmut Kohl "has committed himself and his government to economic and monetary union (EMU) as his crowning achievement." She profiles the current state of the German economy and talks about Kohl staking his future on Europe's new single currency, the euro.

Bruce Barnard looks beyond the bad press German business is receiving and notes that "Germany is still the economic locomotive of the European Union, the world's second largest exporter after the United States." Barnard describes Germany's "changing business climate" and how it is moving in the right direction in order to continue to compete globally.

EUROPE presents our European Entrepreneurs of the Year as each of our 15 Capitals correspondents chooses an entrepreneur in his or her own country who represents the new breed of business people emerging in a Europe preparing for the next millennium.

Ester Laushway introduces our readers to the "reel stars" of the European film industry. Elisabeth Farrell takes us on a Rhine River cruise across Germany, and Martin Walker presents us with "Russian Adventures," writing that while travel in Russia is not for the squeamish, "the rewards can be as spectacular as the scenery."

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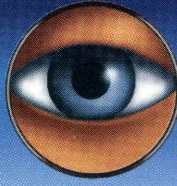
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Reuters has contributed to news reports in this issue of *EUROPE*.

EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

The European Union continues to be by far the largest contributor of aid to developing countries.

The latest statistics, published by the Organization for Economic Cooperation and Development (OECD), showed that in 1995 the EU and its member states provided more than \$31 billion, or 53.5 percent of total world development aid. By comparison, the United States provided 12.4 percent, and Japan 24.4 percent.

Around four-fifths of the EU contribution was in the form of bilateral aid from indi-

vidual member states to projects in a wide range of developing countries. The remaining fifth was paid directly through EU funds, controlled

The European Union continues to be by far the largest contributor of aid to developing countries.

by the Commission. Most of this went to the group of ACP countries (Africa, Caribbean, and Pacific), mainly but not now exclusively made up of former colonies of European powers. There were origi-

nally 18 such countries, now the total has reached 70.

They are linked to the EU by a series of conventions, normally lasting five years,

1969. All the subsequent ones were signed at Lomé (capital of Togo) in 1975, 1979, 1984, and 1989. The last of these Lomé conventions was for 10 years with a provision for a review (which took place in 1994) after five years.

The fifth Lomé Convention, due to come into force in 2000, should be negotiated by the end of next year, and in preparation the EU's development commissioner, João de Deus Pinheiro, has ordered a major rethink. Although there have been some notable successes, many of the hopes and aspirations behind the conventions have failed to be



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realized. At a time when there are many conflicting demands on the EU's generosity (notably from Central and Eastern Europe and the Mediterranean area), the Commission is concerned about criticisms that much of the money that has gone to development aid has been wasted.

Pinheiro's staff has produced a green paper, just approved by the Commission, which sets out the main topics for discussion in advance of the negotiations with the 70 ACP countries. They note that since Lomé IV was negotiated, events such as the conclusion of the Uruguay Round have created a new international environment in which globalization is driven by fast technological change and there is strong pressure for the liberalization of trade. Lomé V, they argue, must go with the grain of these developments and must adhere to the new competition rules set

by the World Trade Organization (WTO).

Aid projects, the Commission believes, need to be much more focused than in the past and should, the paper argues, be designed to help to anchor the democratic process "which is still precarious in many ACP countries." They should provide for more active participation by non-governmental players (including the private sector and other representatives of civic society), be better monitored, and be more directed than in the past to poverty reduction and the improvement of the social infrastructure through the promotion of equitable and job-creating growth and the expansion of education and vocational training. Above all, the program should be based on the principles of sustainable development.

The green paper's authors question whether there

should continue to be one overall convention for three regions that no longer have a great deal in common. Instead, they ponder whether there should be a separate program for the Caribbean countries linked much more closely with developments in Latin America, where cooperation between the EU and regional groupings such as Mercosur (Argentina, Brazil, Paraguay, and Uruguay), Central America, and the Andean Pact has been growing closer in recent years.

As for the Pacific countries, most of which are very small island territories, it is suggested that they would greatly benefit by enlarging the framework of cooperation to other neighboring states, especially as regards trade with the APEC (Asia Pacific Economic Cooperation) countries.

The most intractable problems in the past have been in sub-Saharan Africa, where

very few of the 46 countries involved have made striking economic progress or done much to diversify their trade in recent years—Ivory Coast, Mauritius, and Zimbabwe are listed in the green paper as notable exceptions. The EU believes that the new South Africa will play a crucial role as a galvanizing force and as a significant source of investment and hopes that its current negotiations with President Mandela's government will lead to a constructive partnership that will benefit to the whole of Africa.

Whatever is decided, it is clear that in the future development aid from the EU will become less of an exclusive arrangement with the beneficiary states and will need to be more closely aligned with the efforts of other donor nations. This change should make it both more effective and more acceptable.

—Dick Leonard



ENGLAND



MEXICO



CHINA



NETHERLANDS



AFRICA



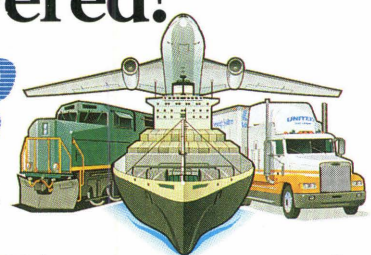
ARGENTINA

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EU ONLINE

CYBERSURFING INTO OVERSEAS MARKETS

Market research can be a nightmare for entrepreneurs hoping to take their companies into a foreign territory. A few Web sites allow individuals to find facts and figures on other nations, chat with business people, and read some of the latest research from leading periodicals.

Pangaea.Net (www.pangaea.net/) offers a wide range of data to help business people. The site's name comes from the term a German meteorologist gave to a supercontinent that existed 200 million years ago and split to form the existing continents. Pangaea. Net's creators say the Web site is an attempt to bring the continents back together, at least figuratively. Visitors will find statistics, exchange rates, economic perspectives, and travel advisories, as well as links to national media and telephone directories. Feature articles are eclectic and, on a recent visit, featured titles such as "Pet Food Buying Patterns Vary by Country" and "The Spanish Market for Personal Care Products." Pangaea also sponsors bulletin boards and chat rooms to encourage the exchange of ideas and experiences.

International Business Resources on the Web (<http://ciber.bus.msu.edu/busres.htm>) has global statistics but also features links to private and government-sponsored business sites in other countries. Many links are to developing nations, but France, Italy, the UK, and the Netherlands each recently had at least one listing.

COUTURE CONNECTION

The runways in Paris and Milan are showcases of fashion creativity if not always monikers of what turns up on the streets of the rest of the world. Although the industry is always looking ahead, with spring collections shown in the fall, fashion followers can look back on spring styles couturiers unveiled in October through several Web sites.

Fashion Internet International

(www.finy.com/fashionlive.html) features a site called FashionLive with photos and commentary on the season's Paris shows of several designers, such as Valentino, Nina Ricci, and Paco Rabanne. A virtual trip down the catwalk features a slide show of fashions on the left of the screen with a notebook on the right. (Those with Web browsers that do not support frames won't get the full effect.) FashionLive also has background files on some two dozen designers. Fashion Planet (www.fashion-planet.com)

summer '97 Rive Gauche collection on the Web (<http://pclinux.worldmedia.fr/fashion/YSLrivegauche/va/yslrgva.html>) instead of hosting a show.

TRACING ROOTS

Searching for one's ancestors gets complicated when the investigation leads to other countries. Two Web sites set up for both the novice and experienced researcher are the Genealogy Toolbox and the Genealogy Home Page.

Matthew Helm has amassed lists and links to genealogy and heraldry guides, associations, surname searches, and area-specific resources in his Genealogy Toolbox (genealogy.tbox.com/genealogy.html). By clicking on a map of Europe and then individual European nations, a visitor finds many country sites, some regional resources, maps, and historical information provided through City.Net (www.city.net). A search for family from the Netherlands, for example, might be aided by Dutch

Descendants and Ancestors (www.nfra.nl/~hvj/genealogy/dap_nl.html), one of several Dutch genealogical links provided. Those tracing their roots to the Channel Islands even have several links to explore.

The Genealogy Home Page (www.genhomepage.com/) also is a clearinghouse for researchers. It lists newsgroups and mailing lists related to genealogy to which people can post notes or receive bulletins by e-mail. Individuals with Web pages on a particular family name submit their sites to be included in the links from this page. In January, some 60 new genealogical



Thierry Mugler's website offers video of his recent fashion show.

adds the runways of Milan, London, and New York to those of Paris. It details the top trends in each city along with a look at the designs.

Some of the designers have their own Web pages. Thierry Mugler's site (www.energymedia.com/mugler) offers video of a recent show for those who can view quicktime. Even without the video, the site is worth a visit to see artfully arranged snapshots of Mugler's spring collection and read a bit about the inspiration of his form-fitting designs. In what he called an effort to bring his fashions to the masses, designer Yves Saint Laurent put his thirtieth anniversary spring-

entries appeared within a week. Information on related software, events, and commercial services also is available.

Neither site's creators will vouch for all the links to companies promising help in finding ancestors. Researchers should investigate a company before providing any detailed information, such as a Social Security number, or making payments. Although several of the sites charge to help locate public records, many amateurs will offer advice about finding the information yourself.

SITE OF THE MONTH: WOMEN'S HISTORY

Nations worldwide will mark March 8 as International Women's Day, and the US government has dedicated the entire month to celebrating women's history. The creators of the National Women's History Project site (www.nwhp.org/) offer to test visitors' knowledge of women's achievements with a quiz. They also give brief biographies of eight women honored this year for their roles in American history and provide links to other historical sites.

Sites dealing with women's issues and achievements are growing steadily. The FeMiNa search engine (www.FeMiNa.com/) is dedicated to Web sites for and about women. Although Europe lags behind the United States in women's organizations and personal pages on the Web, at least one site is helping to change that. Ann-Bettina Schmitz of Germany has put together a Web site to encourage women to use the Internet. Schmitz's Active Women on the Web (www.web-publishing.de/showcase/) each month highlights six women from around the world who have embraced the Internet for business purposes or just for fun. One recent profile was of a homemaker who, after a divorce, developed a desktop publishing business that grew into a radio talk show and a Web page on starting up businesses. A German nurse turned sculptor designed a Web page to display and promote her work. Another woman started her own private investigating business. With Schmitz and others encouraging women's use of the Internet, historians in the 21st century may find that a single month isn't sufficient to address women's contributions in the information age.

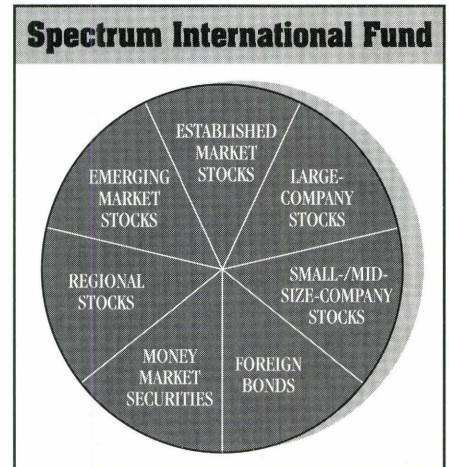
—Christina Barron

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Drilling for natural gas deposits on the frozen tundra of Kharvuta, located in the Tyumen region of Siberia.



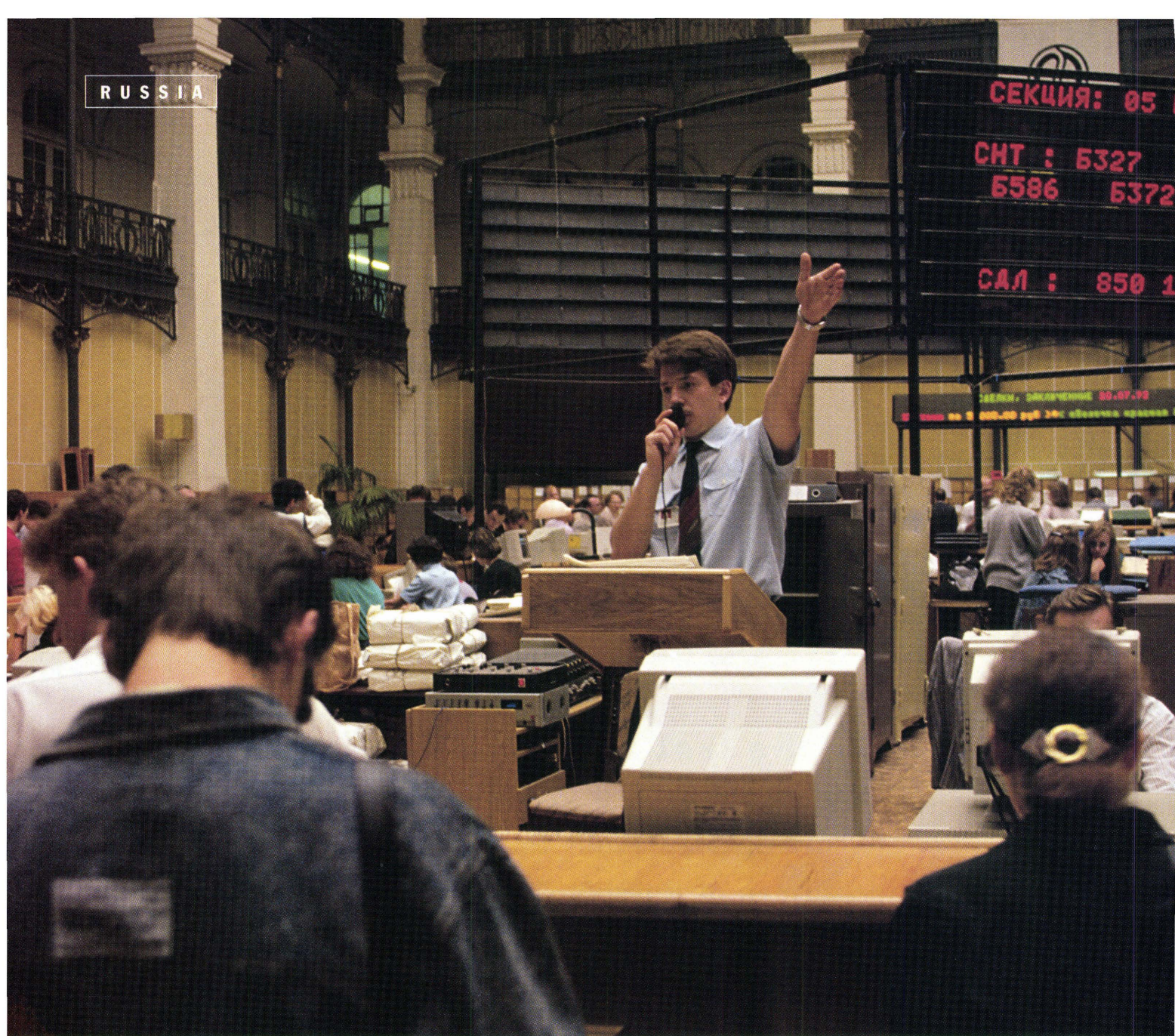
R Investing in **RUSSIA** **Not for the Weak at Heart**

In the last four years combined, total Western private investment in Russia fell just short of \$6 billion. Optimists like Arkady Volsky, chairman of Russia's Council for Trade and Economic Cooperation, claim that the total should reach \$15 billion by the year 2000. But this would still be less than the sum Western business invests in China in a single year.

"The reality we face is that foreign capital is in no great hurry to get into Russia," Volsky told a Miami conference on investing opportunities in Russia in December. "We need more than good words, we need specific deals."

Russia is a hard sell, and even harder since the murder last year of Paul Tatum, one of the first Western businessmen to enter the market as the developer and part-owner of Moscow's Radisson Slavjanskaya hotel, apparently in a Russian Mafiya contract killing.

By Martin Walker



The Moscow Stock Exchange saw some winners in 1996. Some Western investment firms bet correctly on Russian blue chip stocks, like Lukoil (bottom right).

There are more than 700 American firms active in Russia, says the former US ambassador Thomas Pickering, "and of all of them, fewer than five have told me they are leaving because they cannot handle the problems of doing business." But Pickering's assurances did not entirely convince a Western business community that notes that FBI Director Louis Freeh says that most US businesses in Moscow are paying up to 30 percent a month of their profits for security or protection.

There are exceptions. Western tobacco and confectionery companies are doing good business. Pepsi has announced a \$550 million investment to build 11 new bottling plants. Ford has opened 50 dealerships and plans an-

other 20 in 1997 and is building a truck assembly plant in Belarus. Sprint has no plans to curtail its six year old joint venture with Russia's Central Telegraph Agency.

Since the collapse of the Soviet Union the main complaint of Western businessmen was the lack of any legal structure to safeguard their investments and their contracts and the combination of anarchy and corruption in the taxation system. Last year's new civil code and the new Federal Commission on Securities have—at least on paper—established a legal framework. The economy and the ruble have stabilized.

Kremlin Chief of Staff Anatoly Chubais and the new 35 year old ex-banker and new deputy prime minister,

Vladimir Potanin, are bringing coherence—and some long-overdue collections—to the tax system. Enough, at least, to persuade the International Monetary Fund to resume its blocked release of credits.

But Russia remains a risky place for business and not only because of the Mafiya. There are two booming sectors: in the companies that extract and exploit Russia's vast wealth of raw materials and energy and in Western exporters of consumer goods, from candy bars to luxury cars, who are selling into the growing Russian market. But Russia has yet to create any sizable industrial middle ground of home-grown manufacturers between these two sectors. Until it does, buying oil and selling



around faltering businesses, who is now teaching turnaround strategies to Russian managers for the World Bank. "They use liquidation or net asset concepts, and the value on the books is usually overstated."

The Russian stock market is no place for the amateur. But some mutual funds and Western investment groups like Regent, which manages some \$300 million in Russian equity investments, have done well. Regent's White Tiger, Blue Tiger, and Red Tiger funds have

Any Russian investment is highly vulnerable to politics or to a sudden crisis in the health of Boris Yeltsin or a new disaster in Chechnya. And while optimists say that Russia is the land of opportunity, it could take a long time to pay off in investment terms. But bear in mind that Russia contains more energy reserves than Iraq and Iran combined, and only South Africa can compete in producing gold and diamonds. Above all, recall that farm reform is slowly gathering pace, but already, Russia en-

...there are opportunities.
Wall Street is doing a thriving trade in American Depository Receipts, the main way to invest in Russian companies like the giant Gazprom and Lukoil, and even the smaller energy groups like Tatneft.

each scored more than 100 percent growth in the past year, largely by betting through Russian blue chips that Boris Yeltsin would win re-election and, subsequently, that his surgery would be a success.

Lexington's Troika fund, with more than \$12 million in assets, is worth a look, partly because of its partnership with a Russian economic research group that deploys 120 local analysts. Morgan Stanley and Templeton offer their own funds, which have been performing well.

joys a trade surplus with the US after years of deficit. The reason is that for the past three years Russia has no longer been importing grain.

If the politics stay reasonably stable, a country that is self-sufficient in food, awash in oil and gas reserves and other raw materials, has got to be a sound bet for the future. The problem, is, the Mafiya knows it too. ☹

Martin Walker is a former Moscow bureau chief for the British newspaper the Guardian and the author of The Cold War.

luxuries are likely to dominate Western involvement.

Still, there are opportunities. Wall Street is doing a thriving trade in American Depository Receipts, the main way to invest in Russian companies like the giant Gazprom and Lukoil, and even the smaller energy groups like Tatneft. Russian businessmen like Tatneft's Nikolai Lemeyev grumble that because his firm needs development capital, Western investors can buy in on the cheap. At \$45, Tatneft's ADRs trade at less than half book value—Russian book value, that is.

"In Russia, the concept of value is quite different," warns John Collard, of Strategic Management Partners, Inc., a Baltimore-based specialist in turning





IN THE SIX YEARS THAT BORIS YELTSIN has dominated Russian politics, he has crushed the political challenges from Mikhail Gorbachev, from his vice-president Aleksandr Rutskoi, from the nationalist Vladimir Zhirinovskiy, and from the 'reformed' Communist Gennady Zyuganov. The political achievement has been formidable, but there will eventually be a post-Yeltsin era, and already its likely leaders can be discerned. Here is a thumbnail sketch of the top five to watch:

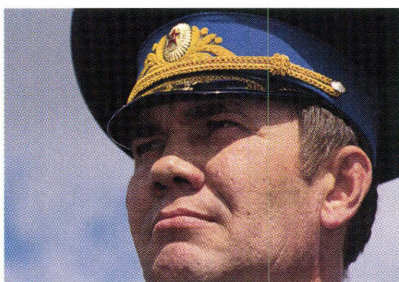
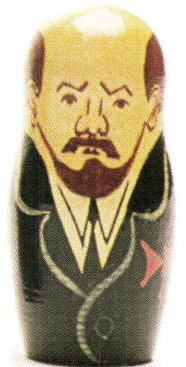
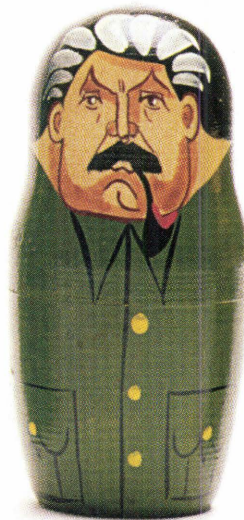
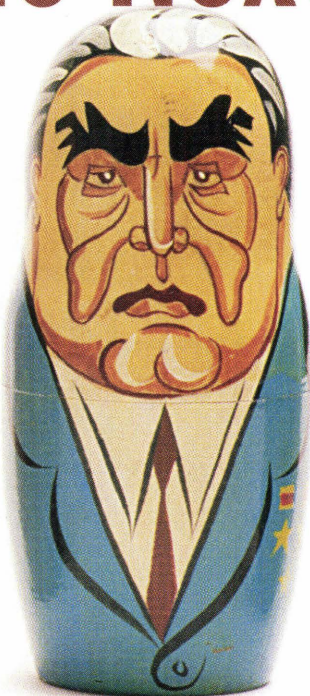
Aleksandr Lebed

Polls say this former general is the most trusted as well as the most liked of Russian politicians, but he is a political novice, first co-opted and then dropped by President Yeltsin. He can claim to have ended the disastrous war in Chechnya, but his nationalist credentials remain strong after his 14th Army preserved the Russian statelet of Transdniestr after Moldova declared its independence. On his first US tour in November, Lebed half-convincing the foreign policy establishment that his occasional antisemitic comments were taken out of context or the results of

RUSSIAN LEADERS

The Next Generation

By Martin Walker



political naiveté. But beyond a call for more discipline and a crackdown on corruption, he has so far no overall political program save his talent for leadership. "I freely admit I'm no economist," he told a pre-election television interviewer. "My job is to restore order and enforce condi-

tions under which a normal market economy can operate."

Anatoly Chubais

Yeltsin's newly appointed deputy prime minister and former chief of staff, Chubais was the main force behind the broadly successful privatization program and is seen by approving Western institutions as a gifted administrator and proven reformer. Widely distrusted by the Russian Army, the Communists, and



the nationalists, he depends heavily on his close liaison with Yeltsin's daughter, Tatiana. A young man, just 42 this year,

he comes from St. Petersburg and was a key member of the Gaidar team of economic reformers.

Yuri Luzhkov

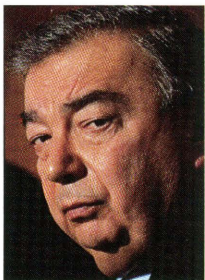
The energetic mayor of Moscow since 1992, he cultivates a pragmatic, can-do image, rather than cleaving to any distinct ideological line, but he is also widely accused of responsibility for



the city's widespread corruption. Anders Aslund, the leading Western historian of Russia's economic reforms, claims that in opposing the privatization reforms Luzhkov has carefully stayed close to Yeltsin and has begun trying to build personal support outside Moscow with national tours and promises to regional chiefs of access to his vast political war chest.

Yevgeni Primakov

A former *Pravda* journalist, the Russian foreign minister has brought authority and coherence to Russian



foreign policy. His pragmatic nationalism has won popularity and acceptance among moderate nationalists, the Gromyko of his time, a foreign minister virtually for life. But Primakov is a tough and ambi-

tious figure who will influence the succession to Yeltsin, even if he chooses not to run on his own account. Most but not all Americans have forgiven his Gulf War attempt to negotiate a compromise peace with his old friend Saddam Hussein.

Boris Nemtsov

This able, young 30-something governor of Nizhni-Novgorod (formerly Gorky) made his city and region into the showcase of privatization, working closely with the International Finance Corporation. With impeccable

democratic credentials, he remains a Western favorite among the rising generation of Russian political figures. ☹

GRIGORI YAVLINSKI

How Things Really Are

There are signs that the transition in Russia is working. The *Financial Times* list of the 500 biggest European companies this year, for the first time, includes six from Russia. Gazprom, the world's biggest gas company, and four other energy firms, rated by market capitalization, are among the 10 richest firms in all of post-communist Europe.



But Grigori Yavlinski, the 44 year old leader of the opposition Yabloko group in the Duma and a losing candidate in last year's presidential election, sees quite a different reality. Speaking in Prague in mid-January, economist Yavlinski described the new Russia as a particularly vile form of capitalism. The Russian economy, he said, is a wild casino with no enforceable rules and the world's best laundry for money. Yes, he declares, there are 1 million rich people in Russia, but also 150 million poor.

For Yavlinski the flawed privatization of state enterprises in 1994 is a principal cause of this mutant capitalism. "There are no bankruptcies, no changes in management," he says. "Nobody knows who is in charge of these giant cooperations. This was a kind of Bolshevik privatization that looks more like collectivization of industries than privatization. Our plants after the distribution of the (privatization) vouchers look like collective farms. Because nobody knows who is responsible for what or who the owner is."

It's no surprise, says Yavlinski, that the Russian economy continues its headlong decline. He complains about the lack of property rights and the absence of competition. The improvement in inflation, he argues, is illusory because price rises are restrained by withholding wages from millions of workers.

But despite the failures, Yavlinski is optimistic about Russia's long-term future. Given time—say 25 years—he believes this vast country will make the transition to a viable democratic system and a true market economy. What Russia needs from the West, he insists, is neither money nor platitudes, but honest and straight communication.

—Barry D. Wood

RUSSIA'S NEW ROLE IN EUROPE

Russian Foreign Minister Yevgeni Primakov at a joint press conference in Brussels with NATO Secretary-General Javier Solana.



Since the collapse of the Soviet Union, the European Union and the NATO Alliance have worked hard to build a new relationship with Russia.

Often the process has been frustrating, a victim of Russia's preoccupation with its loss of empire and its wrenching transition to a market economy. Yet Russia is simply too big, too powerful, and too unstable to ignore.

Over the next 5 to 10 years, when the EU and NATO will effectively be redrawing the map of Europe through their respective plans to expand membership eastward, the need to find a place for Russia will be a geopolitical imperative. If the twin enlargements succeed, a more stable and prosperous continent will emerge; if they are mismanaged, Russia looks likely to lead a disgruntled rump of outsiders, and Europe will once again be divided.

Because NATO is still seen in Moscow as the traditional enemy, the

EU has a crucial role to play in strengthening relations with post-communist Russia, which will survive President Boris Yeltsin's period in office. Already, the European Union is Russia's biggest trading partner. Now the EU is talking about preparing Russia for membership in the World Trade Organization—a move which, as in the case of China, would mark one more step toward integration into the world economy.

Despite the overall positive thrust, the bilateral trading relationship has stumbled amid disputes over Russian restrictions on vodka imports and failure to reach a deal on steel and textile imports. More recently, Brussels was stunned at the end of last year when Moscow abruptly announced a

BY LIONEL BARBER

tax on travelers and cargo entering and leaving the country. The \$10 tax on individuals, including Russian citizens, was 80 percent of the country's minimum wage—a high level by most standards.

The travel levy points to a broader lesson: Success on WTO accession will depend on areas where the Russians have so far dragged their feet, such as banking services, the liberalization of rules on foreign investment, and the general harmonization of Russian law with Council of Europe rules. There is no shortcut, says one European Commission official.

The EU and Russia are likely to focus future negotiations more on political issues. These matters form the other half of the partnership and cooperation agreement between the EU and Russia, which has still to be ratified by all member states.

The delay in full approval of the bilateral pact means that relations are covered by an interim agreement (which itself was put on hold during the Russian crackdown on the breakaway republic of Chechnya). Several areas stand out.

Democratic Reform. The EU dispatched observers to last year's historic

presidential elections and has generally reinforced moves toward an open civic society in Russia through programs such as training law professors, fostering exchanges with Russian judiciary, and educating young Russian managers.

Regional Cooperation. Relations between Russia and the EU were strained throughout Moscow's occupation of Chechnya, but the troop withdrawal has eased tensions. The EU remains concerned about anti-democratic developments in Belarus that appear to be supported by some elements in Russian political circles. More broadly, there are delicate questions about Russia's attitude toward the Baltics, which are candidates for both EU and NATO membership.

In this respect, the NATO Alliance's plans to name three to four new members—most likely led by Poland, the Czech Republic, and Hungary—at the July summit in Madrid is certain to affect the temperature of relations between the EU and the Russians.

Russia remains adamantly opposed to NATO expansion to its Western borders but has indicated it might be willing to compromise if offered adequate

compensation through a joint role in NATO decision-making in certain areas, as well as an adjustment in the treaty on conventional forces in Europe in Russia's favor.

Bosnia may offer some lessons in the art of compromise. During efforts to negotiate a settlement between the warring parties, the EU—with strong US encouragement—set up an ad hoc mechanism known as the Contact Group (the UK, France, Germany, the US, and Russia, as well as the European Commission), which made clear to Moscow that its historic interest in the Balkans and its alliance with Serbia was represented.

In the post cold war era, Russian forces have taken part in the NATO-led deployment in Bosnia known as IFOR. Russia's participation shows the value of inclusive arrangements. Russia cannot aspire to join either the EU or NATO in the foreseeable future, but it must not be left out of the new security system under construction today. ☐

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

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Not only did Helmut Kohl want to become Germany's chancellor, but he was firmly convinced that he would some day become chancellor—in 1968. Fourteen years later on October 1, 1982 he ousted Helmut Schmidt, Germany's second Social Democratic chancellor, through a vote of confidence. Virtually nobody could have foretold that Kohl, the big, folksy, and provincial politician would become the undisputed elder statesman among the leaders of the industrialized world. Kohl's shrewdness, willpower, and persistence, if not his self assurance, have always been underestimated.

KOHL'S GOALS

In Kohl's career one thing developed after the other. His audacity, energy, industriousness, self consciousness, and power instinct helped him in his political career, but he has also benefitted from fortunate political circumstances. In his life there are no big dreams but a string of successes often determined by good luck and good timing. In 1989 when communism collapsed, he grasped the chance leading to German unification. He is the chancellor of German unity, and this assures his place in history.

He has already overtaken Konrad Adenauer to become the longest serving German postwar chancellor. By the next elections in 1998, he will have served 16 years as chancellor. But ironically, his Christian Democratic Union may have to pay an extraordinarily high price for Kohl's longevity in office. Like Adenauer before him, he has been unable or unwilling to anoint an heir to the office. "In his shadow, Kohl didn't allow a suc-



Helmut Kohl, shown with his wife Hannelore, has become a father figure for many Germans.

GERMANY'S CHANCELLOR AIMS FOR A SINGLE CURRENCY, A NEW CAPITAL, & A UNITED EUROPE

BY WANDA MENKE-GLÜCKERT

cessor to grow," comments the independent daily *General Anzeiger*. Indeed, any serious competitor was given the elbow.

After German unification Chancellor Kohl, to allay fears about German domination of Europe, pushed for the single European currency. He has committed himself and his government to economic and monetary union (EMU) as his crowning achievement. "The construction of a European house is a vital issue," he says. In his view there is no alternative. "Do we want to return to earlier bad habits?" he asked in an interview, adding "we are constructing something new so that we really can become a partner for the world." He has said again and again that European unity in the 21st century will be a matter of war and peace. He likes to quote his idol Konrad Adenauer that "German unity and European integration are two sides of the same coin."

Speaking at the European Banking Congress in Frankfurt last November, Kohl linked his political future to the success of European integration: "My political fate is associated with it." But he also emphasized that he would only surrender the D-mark for the euro, the new currency, if it was as strong as the D-mark: "We want a hard currency. No more and no less."

Despite paying huge subsidies to eastern Germany, Chancellor Kohl is convinced that Germany has a good chance of cutting its debt and budget deficit to 3 percent of GDP in 1997 to qualify for Europe's single currency in 1999, but he knows it will not be easy. The 1996 national debt has skyrocketed to \$1.33 trillion, or 61 percent of GDP. In 1991 it was only \$800 billion. Germany's deficit in 1995 was 3.5 percent, and in 1996 it may even rise. It is by no means certain whether Germany will fully meet the Maastricht criteria for European economic and monetary union in 1997, the year that will determine whether and with which countries EMU starts on January 1, 1999. Martin Hufner, the chief economist of the Bayerische Vereinsbank, is convinced that neither the German government nor the Bundesbank can afford to miss the target. But Kohl had to push hard to get an austerity budget for 1997. Very high unemployment affecting around 4.6

million people, Germany's comprehensive and expensive welfare net, high labor costs and taxes—all bear witness to the difficulties of the country's adapting to globalization.

Kohl compares the Federal Republic of Germany to a large tanker. "Such a vessel cannot simply turn around but, rather, has a vast turning circle. That is our position today," he said in an interview with *Time* magazine. He admits that Germany rested on its laurels for too long, that social benefits have to be reformed, and that taxes must be lowered drastically to create jobs. But whether he will achieve his goal of

KOHL COMPARES THE FEDERAL

REPUBLIC OF GERMANY TO A LARGE TANKER.

"SUCH A VESSEL CANNOT SIMPLY

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THAT IS OUR POSITION TODAY."

halving the nation's jobless total to around 2 million by the end of the century is doubtful. As the Bundesbank emphasized in its recent report, the economy needs a turnaround in corporate expectations and increased business investment. Only when that happens will Germany have stronger growth and the much needed reduction of employment.

Despite domestic difficulties, however, Germany's influence abroad has rarely been higher. With Kohl's increased profile since reunification, Germany is displaying greater confidence in foreign policy more in keeping with its position as the European Union's largest economy and most populous nation.

For many, Kohl has become a father figure, but recently his standing in the public opinion polls has slipped. His warnings such as "prosperity cannot be bought on credit" or "protecting the status quo is gambling with the future of the economy" are not popular with union members who want to keep their benefits. Indeed the government has suffered a setback in its efforts to cut the labor costs to create new jobs. De-

spite federal legislation last year permitting cuts of sick pay (to 80 percent of wages), the unions, who consider sick pay their most important postwar achievement, staged strikes and struck a deal that will retain sick pay at 100 percent of wages.

Global competitive pressures and high labor costs at home induce many German companies to shift their production abroad. According to a recent study by DINT, the country's umbrella association of chambers of industry and commerce, 62 percent of industrial companies gave high labor costs as the main reason for relocating production. The

next most important reasons cited by 21 percent were taxes and other charges.

Investment abroad by German companies nearly doubled in 1995 to a record \$32 billion, and the trend remains upward. Siemens, the German electronics and engineering group, will shed some 6,000 workers in Germany in 1997. Siemens employs 176,000 workers abroad and 203,000 in Germany.

Chancellor Kohl is well aware of the skeptical public opinion in the country. Germans worry about exchanging their stable D-mark for an untested euro. A recent Allensbach survey found 61 percent of Germans "worried" and only 16 percent "hopeful." Furthermore, the European Union evokes negative associations: 82 percent said the EU stands for border crossing crime; 79 percent feared more bureaucracy; only 29 percent foresaw prosperity. German politicians, bankers, businessmen, and union bosses, on the other hand, all are backing the euro. Kohl says that he can understand many of the reservations, but he is still optimistic that "the majority of Germans will ultimately be in favor of the euro if they are satisfied that they can live in peace and security in the Europe of the 21st century and if it is certain that the new currency is stable." He remains calm and at ease with himself and with the European ideal. A chancellor according to plan. ☺

Wanda Menke-Glückert is EUROPE'S Berlin correspondent.

GERMAN-RUSSIAN RELATIONS

A SOUNDING BOARD FOR THE WEST



In January, Chancellor Kohl went to Russia to see Boris Yeltsin, who was recovering from recent heart surgery.

Skeptics describe Germany's relations with Russia as a dubious attempt to be both middleman and staunchest Western ally. Germans themselves describe their stance as expecting cooperation with Moscow—while putting the onus for any contrary shift to confrontation squarely on the Russians.

Certainly Germans, who know how the humiliation of Berlin after World War I helped propel the Nazis to power in a resentful nation, want to do everything they can to avert any similar chauvinist backlash in a Russia that lost both the cold war and its centuries-old empire seven years ago. Chancellor Helmut Kohl, who prides himself on his warm personal relations with other world leaders, does his best to reassure his friend Boris Yeltsin that Russia is a welcome partner in Europe. The Russian president in turn calls Kohl his best friend in the West.

BY ELIZABETH POND

Specifically, in the difficult current attempt to gain Russian acceptance of NATO enlargement, Bonn keeps urging the West to accord Russia the formal deference the Soviet Union used to enjoy as a superpower (though without any veto on Western Alliance decisions). Kohl has floated the idea of upgrading Russia's guest participation in part of the annual Group of Seven (G7) economic summits to a full G8 membership. Foreign Minister Klaus Kinkel has floated the idea of upgrading Russia's participation in "16+1" talks with NATO to an equal council of 17. And Bonn would be willing to grant Moscow "co-decision" in a somewhat wider range of common crisis management in Europe than the US would.

More substantively, Bonn was also the earliest advocate of what is now NATO's position of forfeiting unilaterally any deployment of nuclear weapons or conventional forces forward in Central Europe when Poland, Hungary, and the Czech Republic become new members of the alliance. In tandem with the Clinton administration, Germany argued that this would ease Russian anxiety about NATO enlargement.

Equally important, it would make a virtue of the fact that any such permanent stationing would simply not be feasible, given the cuts in Western defense forces and budgets in the 1990s. And it would still allow NATO to install command and communications infrastructure in Central Europe that could be used to bring in reinforcements swiftly should any emergency require it. But it would not rub the loss of their one-time client Poland into the Russians' face.

More broadly, Bonn was instrumental in formulating the overall choice that NATO is now offering Moscow. "Russia faces a historical choice, either to become an equal partner in a Europe whole and free, determined by cooperation, or to choose isolationism and obstruction," explains a senior German government official. The first option would lead to esteem in Europe, the second to self-isolation. "The more progress we make in cooperation with Russia, the less important the defense dimension is for new (NATO) countries. The less progress there is, the more important the defense," he declares.

As it applies to Poland, the probable new NATO member that is of most concern to Moscow both because of its size and its proximity, this precept translates into a Western acknowledgment that Russia's demoralized army is no threat and that Poland does not need additional outside defense against it. Should Russia try to bully the small Baltic states next-door, however—where its army could indeed march in physically if ordered to—then NATO might conceivably respond with the forward deployments in Poland that Russia would abhor.

In NATO and other issues, Germany is often the West's first sounding board for Russian reactions, as the Western country with the largest trade and the most political contacts

with Russia, some of the earliest hints of a pragmatic Russian response to NATO enlargement came to Bonn from that sharp NATO critic, Russian Foreign Minister Yevgeni Primakov. And ex-general Aleksandr Lebed, following the path of several shrewd Central European politicians over the past eight years, has already begun cultivating his image by a high profile visit to Germany.

In economic relations, Germans are probably the largest and most diversified Western investors in Russia, if the big American oil deals are discounted. The Russians still have an awe of German technological and organizational prowess that harkens back to the time of Catherine the Great, and Mercedes are clearly the autos of choice for the Russian nouveaux riches, as attested to by their rates of theft in Central Europe for export east. As far back as the cold war 1980s, German banks already led other Western financial institutions in granting credits to the then Soviet Union, and they

have borne the brunt of Western restructuring of debts to help the floundering Russian economy.

In the 1990s, the German construction industry has been further involved in extensive house building for Russian officers as a result of the financial sweetener Bonn paid Moscow at the time of German unification. Ger-

many's famed *Mittelstand*, or medium-sized firms, especially as represented by numerous family export industries in Baden-Württemberg, went into the Russian market early with joint ventures in everything from shoes to fashion magazines. The Federal Republic inherited all the old connections between Russian and East German firms when the two Germans united in 1990.

In more mundane bilateral relations, the two countries have a running dialogue about the ethnic Germans in Russia—and about the disposition of war booty from 1945. With the days of massive emigration by Germans from Russia to the Federal Republic now over, Bonn is heavily engaged in offering cultural and financial incentives to those who still live in Russia to stay there. On the issue of Russian retention of war booty from Germany, the two sides disagree, but do so civilly, and Germans who want to see the old paintings from Berlin museums must travel to Moscow to do so. In this, as in broader political relations, Germans are willing to wait for some Russian change of heart in the future.

The sum of Russian-German relations today, then, German officials insist, is a win-win association. And it is some measure of the success of Bonn's policy that the old American suspicions of German flirtation with the Russians no longer arise. Perhaps Germany really is both middleman and staunchest Western ally. ☐

Elizabeth Pond is the co-author of The German Question and Other German Questions, published by St. Martin's.

IN ECONOMIC RELATIONS,

GERMANS ARE PROBABLY THE

LARGEST AND MOST DIVERSIFIED

WESTERN INVESTORS IN RUSSIA,

IF THE BIG AMERICAN OIL DEALS

ARE DISCOUNTED

For Helmut Kohl, European monetary union (EMU) is the make-or-break issue today. The intergovernmental conference that is about to wind up, by contrast, has basically been a holding action. And the most difficult question of all may turn out to be the old one of who pays.

This is clearly the assessment of the West's senior statesman and leader of the most powerful economy in Europe as Germany looks to the 21st century. It represents a pullback in tactics but no swerving from the chancellor's ambitious goal of making European integration irreversible.

Basically, the Germans still see the next few years as the last chance to reshape institutions while some fluidity remains after the dissolution of cold war rigidities and before a new system freezes into place. If they don't institute EMU by 1999 as planned, they believe, they will not just postpone it, but will risk forfeiting it altogether and renationalizing Europe.

Bonn is therefore trying to pace its demands, to keep up pressure for change without pushing so hard as to generate massive resistance. "We have to practice agenda management," comments one senior diplomat in Bonn, "if we aren't going to overload the system."

Immediate priority therefore goes to EMU, the issue that Kohl now devotes 70 percent of his time to. Kohl no longer promotes unattainable political union as the prerequisite for effective monetary union. Instead, he now hopes that EMU might pave the way for eventual political union. And he lowers expectations for the IGC in saying that this is only Maastricht II, and after it will come Maastricht III, IV, and V.

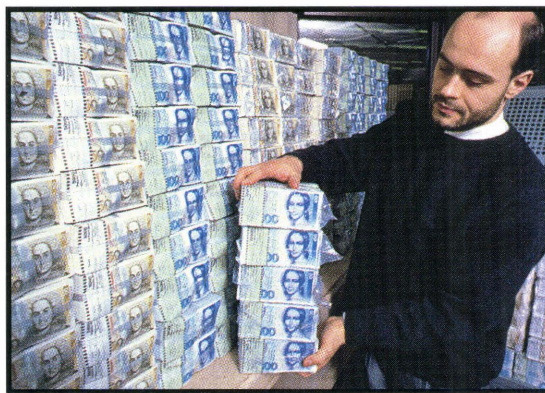
On the professional level the German government views the battle for EMU as largely won. Convergence has already brought average EU inflation down to 3 percent, a low enough figure not to strain a common currency. And over the past year, the advent of EMU has essentially come to be taken for granted by businessmen and politicians; broad pro and con arguments have yielded to detailed bargaining about specific terms.

This leaves it up to the German government to make sure that Bonn's own domestic finances meet the strict budget and debt criteria Bonn has insisted on in order to reassure skeptical German voters that the euro will be as hard as the D-mark. In a period of weak growth, continued huge transfers to eastern Germany, and high municipal borrowing, this is proving harder than expected. Last year Germany con-

EMU

BY ELIZABETH POND

The Chancellor's Greatest Challenge



German voters want to be assured that the euro will be as hard and stable as their cherished D-mark.

spicuously failed yet again to meet its own preconditions—though Finance Minister Theo Waigel swears Bonn will qualify by the 1998 selection.

As of next year, with EMU momentum underway, the Germans will shift some of their energies back to the other major tasks of implementing enlargement and cutting a new deal on EU financing.

Widening will necessarily require both a slimming of generous EU programs, Bonn contends, and some streamlining of decision-making as the 15 members expand to a more unwieldy two dozen or more.

To prevent sclerosis in decision-making, Bonn is joining Paris in urging "flexible" action by smaller ad hoc "avant gardes" of willing and able EU members in various undertakings. It is also nudging the sleepy IGC to act on one issue at least before adjourning and move toward more "qualified majority voting"—that is, a veto-proof but still robustly high majority both of nations and aggregate populations. Despite Charles DeGaulle's insistence on vetos, the French now join the Germans in seeking this change, and the smaller EU members too seem ready to sacrifice their disproportionate influence in order to prevent paralysis of the EU as it

doubles and diversifies its membership.

If the IGC could also manage to make a few last minute gestures toward fighting crime and shaping a common foreign and defense policy, this could please Bonn. But otherwise, in the view of the Germans, the IGC has served mainly as a holding operation to keep Euroskeptics at bay until after this spring's British general election.

In the meantime, Bonn has started to lobby for what it regards as a more equitable financial deal by the turn of the century, when the present pact expires. The Germans argue that while they are legitimately assessed for close to a third of EU revenues, they get back too little from the Union in comparison with others. Thus, although they are only the sixth richest EU member in GDP per capita after absorbing East Germany, they still pay either 62 percent or 54 percent of Union outlays, depending on the calculations. By contrast, France, the fifth richest member, is only a marginal net contributor because of its bountiful receipt of EU farm subsidies.

The Germans are therefore already hinting that, following EMU and Eastern enlargement, they will pursue what may prove to be their most ambitious goal of all—persuading Kohl's good friend Jacques Chirac to cut payments in the sacrosanct Common Agricultural Policy. ☹

BERLIN

SEARCHING FOR ITS NEW IDENTITY

Berlin is a city searching desperately for its identity. Berliners cling to the notion that their city is a *weltstadt* (a world city), perpetually comparing it favorably to London, Paris, and Rome even while acknowledging that tourists, business, and the world media continue to leave Berlin behind in the second-string of international capital cities.

BY PETER LAUFER

Just before the Berlin Wall finally succumbed in late 1989, the city offered a perverse cold war lure for visitors. The wall stood, seemingly impregnable. Yet periodically the newspapers related intriguing stories about attempted

forced exits from the dark confines of East Germany. Poor Martin Notev swam across the Spree River near the Reichstag, for example, just a few months before the wall opened—one of the last of the attempted escapes. He

Chancellor Kohl broke ground last month in Berlin for the new chancellery building, just one of the many construction projects underway to prepare Berlin to become again Germany's capital.



reached the British sector shore but was immediately snatched up by an East German patrol boat and faced a quick trial before he was sentenced to four years in prison and a 40,000 mark fine. Martin Notev was a lucky one; the border guards didn't shoot him. Such gritty reality in Berlin drew tourists, diplomats, spies, artists, and a reputation for the city as a unique cold war battleground.

Since its wild heyday in the 1920s as a creative, mercantile, and political crossroads, Berlin suffered first as the oppressive, murderous, criminal headquarters of the Nazis, then as a bombed-out wasteland. It became a bizarre and tense flash point of the cold war and finally a focus of hope as the Berlin Wall crumbled. But now—what is Berlin?

Berlin is preparing gingerly to again host the government as Germany's capital city. The Reichstag is being rebuilt for the parliament after Christo used his wrappings in an attempt to exorcise its ghastly ghosts. However, apprehension is the general response of Berliners to the pending arrival of the federal bureaucracy. Worries run the gamut from the selfish (rents will rise, traffic will get even worse) to the historical (memories of the last miserable time Berlin was Germany's capital are only 50 years old).

Berlin is calling itself *Baustelle Berlin*—construction site Berlin. The scar where the wall split the city is rapidly filling with new buildings, but even this flurry of activity is adding to the angst over identity. The physical memory of the wall—the barbed wire, the guard towers, the guards and dogs—is being erased so fast that tourists stumble around Checkpoint Charlie (near where Martin Notev sought his freedom) searching for some idea of what was once there. There are precious few places where pieces of the wall remain; the terror of the soldiers shooting civilians as they crossed from East to West is replaced with lively cafes and souvenir vendors. Of course after all the construction cranes and holes in the city become huge apartment and office complexes, the old pre-wall Berlin will not have been rebuilt. This enormous city suddenly will be something new and different, and not many Berliners have a sense of what that new Berlin means to their own lives.

Despite the disappearance of the wall, Berlin remains divided. Some eight years after the wall fell, after unification of the city and the two Germanys, there is amazingly little interaction between the two sides of the city. Newspaper circulation is a good indicator. West Berlin newspapers hardly sell on the eastern side, and those newspapers read by East Berliners enjoy few readers on the western side of the line. The reason is not merely habit. Eastern and western Berliners have different priorities and interests. An Ossie reader is more likely to be worried about rising prices, loss of jobs, coping with still-foreign concepts, ideas, and systems imposed by the West—while a Wessie reader is apt to be look-

ing for entertainment or news from the financial or fashion worlds where Wessies have the luxury to play.

Berlin journalist Christian Bauschke writes on German unification issues for the weekly newspaper *Wochenpost*, and he believes too much emphasis is placed on the lasting differences between East and West.

Bauschke and I eat in a Turkish *imbiss* in Kreuzburg, a western neighborhood located not far from where the wall had stood. The culinary borders are blurred to distraction in Berlin. One new restaurant on Alexanderplatz offers Mexican tortillas filled with German fried potatoes, scrambled eggs with a gloppy processed cheese, and advertises the concoction as *autentico* burritos. At the Turkish restaurant we order *börek*, a dough filled with spinach, and wash it down with cappuccino.

"Of course there are differences between the mentality," Bauschke says about the two Germanys. He cites a sociological study that asked both western Germans and eastern Germans to consider their identities. "The western Germans described themselves in a way that fit perfectly to the clichés.

Western Germans are cold; they only think about careers; and they are incapable of showing emotional feelings."

Eastern Germans came to the same type of conclusion. "Eastern Germans are the contrary. They don't know about careers; they are insecure; but they are the softer people. You know, western Germans are tough, but eastern Germans are soft."

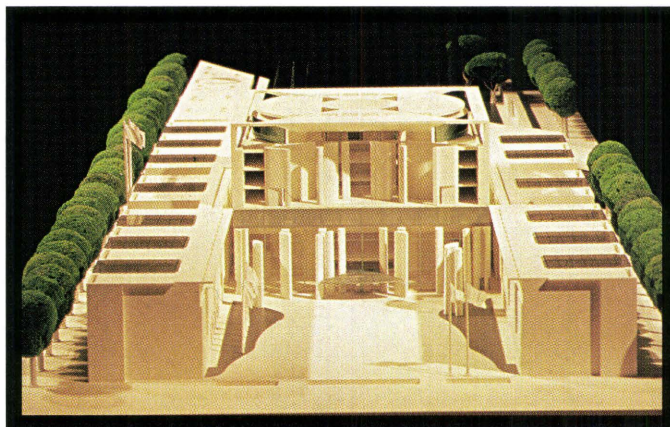
There is, as there so often is, some truth to the stereotypes. "The ideal,"

suggests Bauschke, "is to combine these two characters and make something out of it."

A recent municipal election is further proof that the wall in the Berliners' minds remains. The renamed East German Communist party garnered 35 percent of the vote in eastern Berlin; on the western side they pulled almost none. Polls suggest that some 25 percent of Ossies feel so alienated by the new system that they would prefer to live in the controlled environment of the pre-1989 German Democratic Republic. Nostalgia shops sell them inferior consumer goods left over from the old Communist days, memories that provide them some comfort. Wessies, too, miss those old days, when the wall kept out crime and the hordes of Romanians and Poles, Russians and other foreigners now clogging Berlin streets—hustling and changing the face of the city.

"They make borders, here in our heads," Joachim Gauk speaks slowly and softly at a table where we sit together in his office, deep in a massive hulk of a government building just east of the gash that was the dividing line separating Berlin. "It is the harder part than the wall in Berlin."

Gauk was a Protestant minister in East Germany and one of the leaders of the New Forum—a political group that did what work it could in the restrictive environment of East Ger-



An architect's model of the new German chancellery.

many to change the policies of the government. After the Berlin Wall fell, he was a member of the short-lived parliament that governed East Germany until unification with the western half. Then he became chief of the German government department charged with releasing information contained in the massive files kept by the East German secret police, the Stasi. Gauk speaks passionately about borders.

"I lived under oppression. They gave me borders, and I didn't like these borders. I fought against these borders and the Berlin Wall." He speaks English carefully, searching for the correct words to appropriately describe feelings he's thought through and lived through. He is handsome in a John F. Kennedy tradition; the lines of his face cast a distinguished tone, as does the graying hair. He is convinced that his work, releasing information in the Stasi files, is important work and that Germany's policy of opening the files is worth whatever trauma results.

For Joachim Gauk, it is important that western Germans realize that eastern Germans bring a unique and separate culture to unification—and that they cannot simply be dismissed as people who must learn western German ways and discard their own.

Adding to the continuing East-West split is a growing economic crisis. Both East and West Berlin enjoyed artificial economies, buoyed by their respective governments to create propaganda showpieces. In today's united Berlin, reality is reflected in soaring unemployment (much of the construction boom is populated with foreign contract workers), a growing budget deficit, and reduced civic services.

When Chancellor Kohl wielded his shovel to begin the excavation for his new Berlin offices, the symbolism was intended to be clear: Berlin is on the rise, again. And most of the government is returning, not just the chancellor's office—at latest count the Bundestag and the Bundesrat, important ministries, and most foreign embassies are all heading east from Bonn. Of course that means plenty of hangers-on must follow too, such as the lobbyists. But government and its trappings alone are not enough to create a vibrant world capital. Just ask the isolated residents of Brasilia and Islamabad.

There is no indication that financial Germany intends to uproot from its established high-rise headquarters in Frankfurt. The news media world is well entrenched in affluent Hamburg and shows little interest in leaving their glossy and comfortable enclave on the Elbe. Most of the movie industry seems quite happy to stay put in romantic Munich. Fashion and advertising are ensconced in Dusseldorf. Fifty years worth of post-Nazi efforts at decentralizing German society created these regional centers of specific business activities and a remodeled Reichstag is no impetus for a move to sprawling Berlin and its social problems.

But an identity crisis is nothing new to Berlin. During the 1960s and 1970s and on into the 1980s, when the city was an island, occupied by the Allies and the Soviets and cut-off

from the rest of Germany, it thrived in its own strange way as a mecca for misfits. People remained here because it was their family home. Others were stuck here serving with one of the occupying forces. Young Germans flocked to Berlin to avoid the military draft. Thrill seekers came to experience the cold war, living on the edge. There was an energy and electricity living where the good guys faced down the bad guys—where intrigue was part of the daily routine and immediate war seemed like a perpetual possibility.

Consequently, isolated Berlin began to develop outside of the confining and often oppressive orbit of parochial German attitudes. Separated from the mother culture, Berlin society became enriched by the British, French, and American presence—even the Soviet troops added to the international influences on life, as did the Turkish "guest workers" on the West side and the Vietnamese brought to do the dirty work in East Berlin.

Once the Berlin Wall came down, even more foreigners saw opportunities in Berlin as a city where they could take advantage of the strong German economy without being forced to live as unwelcome strangers in a homogenous land. An avalanche of Eastern Europeans point their smokey socialist jalopies toward Berlin, like Okies heading for California from the depression Dust Bowl; Poland is only 30 miles east of the city. Russians, who once constituted an enormous expatriate community in Berlin, are again enjoying this Western city closest to Moscow. Jews, persecuted in the former Soviet republics, are rediscovering Berlin as a potential haven of religious tolerance.

The Jewish community here is growing fast with its own schools and revitalized synagogues. Even many of the poor Vietnamese, being forcibly repatriated because of a cash deal between Bonn and Hanoi, are devising desperate methods for staying in Berlin, and they add to the polyglot pulse of the city.

The economic and artistic vibrancy of late 20th century Berlin comes in large part from its multi-cultural, multi-racial, multi-ethnic, multi-lingual, multi-religious population. As Berlin sorts out its identity crisis, it should realize that it is entering the next century as a unique city-state—saved from the dangerous provinciality of the rest of Germany precisely because it is a melting pot of peoples. Berlin has the potential to become a *weltstadt* in the best possible sense of the term. It can be a city that reflects what this world has to offer by welcoming and encompassing the peoples of the world.

Berlin—can be a model not just for tolerance, but also for how integration creates strength. In its search for identity, all Berlin needs do is look in the mirror—not back at its history—and see itself as it is today: raw and wild and full of productive energy. And as such it can grow into its role as a successful capital of Germany. ☺

**THE ECONOMIC AND ARTISTIC
VIBRANCY OF LATE 20TH
CENTURY BERLIN COMES IN
LARGE PART FROM ITS
MULTI-CULTURAL,
MULTI-RACIAL, MULTI-ETHNIC,
MULTI-LINGUAL,
MULTI-RELIGIOUS
POPULATION.**

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EU NEWS

EU INVESTING IN RUSSIA'S FUTURE

The European Union is by far Russia's leading trade partner, buying almost 40 percent of Russia's exports and providing a third of Russia's imports. Germany alone accounts for some 40 percent of the EU's Russian trade. Russia's main trade surplus is with EU countries, currently running at some \$14 billion a year, mainly through purchases of Russian oil and natural gas. Under the interim agreement on trade signed with Russia in 1995, the average weighted tariff imposed on imports from Russia is less than one percent. The EU still imposes tariffs on some sectors, mainly textiles, steel, and aluminum, but Russian tariffs are far higher, averaging almost 20 percent for EU exports, which are mainly of foodstuffs, light manufacturers, and consumer goods.

EU policy follows the World Bank and International Monetary Fund guidelines in agreeing that, in general, trade and private investment are more beneficial than official aid in promoting Russia's transition to a free market economy. Most macroeconomic aid and credit is now channeled through these international institutions. But uncertainties over Russian tax policies and limitations on foreign investment in the strategically sensitive energy sector have sharply limited private investment opportunities. In each of the past four years, Russia has received around one percent of total internationally mobile investment, a fraction of the share going to the more liberalized economy of China. But British, French, and Italian energy companies play a leading role in joint ventures with local energy groups in Siberia and the Caspian basin.

EU aid to Russia has been carefully targeted. The EU provides 65 percent of the international funds for the nuclear safety budget, helping both to employ Russian nuclear engineers and also to tighten the safeguards at Russian nuclear power stations. Besides being the main provider of humanitarian funds

for war-torn Chechnya, the EU is also financing a joint program with the Council of Europe to provide expert advice and training for Russian legal and constitutional reforms.

The main EU aid effort is directed through TACIS, a program to transfer technical, economic, and institutional know-how. TACIS offers support to all the former Soviet states, but Russia traditionally receives about 60 percent of the funds, which have surpassed more than \$200 million a year since 1991. After initial criticisms of bureaucracy and high administrative costs, the TACIS programs have been streamlined and now target specific sectors like telecommunications, transport, agriculture, food processing, and financial services.

TACIS has also focused on specific regional development, picking southwest Russia and Kaliningrad in 1994, northwest Russia and the Lake Baikal region in 1995, and, following on the success of the International Finance Corporation, is concentrating on spurring privatization in the city of Nizhni-Novgorod. Russia's bumpy progress toward economic reform has seen wide regional variations, and TACIS is credited by the Russian government in helping with the marked economic progress in the regions of Samara and Tyumen.

—*Martin Walker*

EU OFFICIALS MEET YELTSIN IN MOSCOW

European Commission President Jacques Santer and Dutch Prime Minister Wim Kok met with Russian President Boris Yeltsin in early March to discuss economic cooperation, NATO expansion, and other issues of EU-Russian relations. Agreement was reached about the proposed creation of a permanent body to monitor economic, trade, scientific, and cultural issues between the EU and Russia. According to Santer, more than 40 percent of Russian foreign trade

EU NEWS (CONTINUED)

is with the EU, much more than with the US. Yeltsin's major concern at the conference was NATO's likely expansion into the former Warsaw Pact nations. The proposals for expansion are expected to be announced in July. Kok was upbeat after the summit, telling a news conference that, "It is clear that Russia and the European Union need each other and have the political will to cooperate."

SITUATION IN ALBANIA WORRIES EU

EU officials have expressed concern for the situation in Albania as the country's parliament unanimously declared a state of emergency in response to violent protests. Albanians are angry about the collapse of pyramid investment schemes in which many people lost large sums of money.

"The situation is extremely worrying, and the European Union will certainly urge President Berisha—but also the opposition—to show restraint, not to use violence, and to try to solve this serious crisis by peaceful means," said European Commissioner Hans van den Broek. Italy and Greece are worried that the unrest will lead to another influx of immigrants like the one that followed the collapse of communism in 1991. US officials believe that a stable Albania is necessary for maintaining peace in the Balkan region.

TELECOM AGREEMENT CONCLUDED

The World Trade Organization successfully concluded negotiations on a basic telecommunications agreement. The deal, which will take effect in January 1998, will provide companies and people worldwide with access to new services, better technology, and lower prices. This deal represents an important sectoral negotiation for the WTO. Sixty-nine countries, representing more than 93 percent of world revenues in telecommunications services entered into binding commitments regarding market access and national treatment for all telecom services.

AFTER KOHL WHO?

Since Helmut Kohl said publicly that he would contemplate later this year whether or not to run in the German elections to be held in October 1998, speculation over who might succeed Germany's longest serving chancellor has run wild. The three names mentioned consistently as potential candidates for the job are: long-time Kohl aide and head of the Christian Democratic Union (CDU) Wolfgang Schaeuble, Bavarian Premier Edmund Stoiber, and Defense Minister Volker Ruehe.

Considered the most popular candidate—and also

Kohl's favorite choice—is Schaeuble, who prior to his current position also served as interior minister and negotiated the reunification of East and West Germany. Stoiber successfully rebuilt Bavaria's corrupt Christian Social Union and has earned popular support by his opposition to economic and monetary union. This willingness to embrace popular causes, however, has lost him support among some German politicians. Ruehe, who like Schaeuble has been a strong Kohl supporter, is known for his success in convincing Germans to allow their troops to participate in overseas missions. It is thought, however, that he lacks the necessary strength to become chancellor and would probably need Schaeuble's support should he decide to pursue it.

EU CONCERNED ABOUT SHEEP CLONING

European Commission President Jacques Santer expressed concern over the ethical implications of cloning after a group of scientists in Scotland announced that they had successfully cloned an adult sheep. Much of the controversy stems from the possibility of cloning humans. Some members of the European Parliament's environment committee spoke out about the need for government oversight and control of the technology. "Cloning breaks new ethical ground, a fact which may deeply disturb and frighten many people," said Ken Collins, committee chairman. "To answer these fears, we need to ensure that the benefits of genetic manipulation technology are not lost in a tidal wave of abuses."

UPCOMING EVENTS

March 20–21—President Clinton to meet with Russian President Boris Yeltsin in Helsinki, Finland.

March 22—President Clinton to meet with Danish Prime Minister Poul Nyrup Rasmussen in Copenhagen.

INSIDE EUROPE

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NOTEBOOK: POLITICAL CRASH

There were no dead or wounded, but it was not just another accident on the busy expressway north of Copenhagen. For the driver that crashed into a barrier at a road repair site was none other than the leader of the Danish Conservative Party, Hans Engell, 48, who called the police and subsequently failed an alcohol test. He was potentially one of the two non-Socialist candidates for prime minister if the government changes after the Danish elections that are constitutionally mandated by the fall of 1998 but expected this year.

Ironically, opinion polls based on surveys immediately before the accident showed a strong likelihood that the present government faced defeat and that the Conservative Party was moving ahead. But after the accident Hans Engell stood down as party leader, igniting an internal power struggle in the party that killed any remaining ambition that the Conservatives would recapture the top job

in a non-Socialist government in Denmark in the foreseeable future.

Poul Schlüter was the last Conservative prime minister of Denmark from 1984 to 1993, but now the leader of the Liberal Party, former foreign minister Uffe Ellemann-Jensen, is the undisputed alternative to the present prime minister, Poul Nyrup Rasmussen, if the necessary non-Socialist majority materializes and can be made operational after the next elections.

A sentence for drunk driving would stop any Danish party leader in his or her tracks. Statistics show that crime is not increasing in Denmark, despite the highly visible gang warfare between the Hells Angels and Bandidos biker groups. But public tolerance of violence is definitely on the decline, and it has become a major element in the policy platform of the present government.

Traditionally, the Conservative Party has stressed law and order, even more so in the wake of the

competition from the present government. This policy obviously exacerbates the negative impact of the drunk driving charge against the party leader, and the national television networks obligingly found in their archives a hard-line political interview on drunk driving given by Engell when he was a minister of justice in the last Danish non-Socialist government.

The Danish Conservative Party has been through turbulence before. In 1975 the party held only 10 of the 179 seats in the Danish parliament, the Folketing. In 1984 the party won 42 seats, and in the present parliament the Conservative Party won 27 seats. The present predicament of the party may tempt Social Democratic Prime Minister Poul Nyrup Rasmussen to call early elections. He would also be helped by the popular visit of President Bill Clinton to Denmark later this month.

—Leif Beck Fallesen

BUSINESS BRIEFS

Germany's **Mercedes-Benz** consolidated its position as the leading heavy truck manufacturer in the US after **Freightliner**, its Oregon-based unit, paid \$300 million for **Ford's** heavy truck business.

The acquisition will give Mercedes-Benz a 38 percent share of the US market for trucks above 15 tons, nearly twice as much as its closest competitor Paccar.

Sales of trucks above 15 tons in the US tumbled from an all-time high of 201,000 in 1995 to 170,000 units last year. Two other European companies, **Volvo** of Sweden and **Renault** of France, are also big players in the US truck market.

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Iberia made a profit for the first time in six years with 1996 earnings of around \$40.8 million, but the state-owned Spanish airline launched a new cost-cutting program to save it from tumbling back into the red.

"If we continue as we are, with our costs rising in line with inflation,

we will be in the red again in 1999," said company chairman Xavier de Irala. If Iberia stays profitable it could be sold to private investors that year.

Iberia has cut its payroll by 3,500 to around 22,000, and it could retire or lay off another 5 percent, according to Irala. The carrier aims to boost productivity by 40 percent in three years.

Even profitable airlines are slashing costs to meet the challenge of new low-cost entrants into the European Union market, which will be completely liberalized in April. British Airways, which boosted third quarter profits by 9 percent to \$185 million is seeking cuts of \$1.5 billion and is laying off 5,000 workers and replacing them with more skilled staff.

KLM Royal Dutch Airlines is subcontracting some services to save \$590 million over three years, and Lufthansa has targeted savings of \$887 million by 2000. **Swissair**, meanwhile, is ready to write off its \$210 million investment in a 49.5

percent stake in **Sabena** if Belgium's national carrier doesn't meet cost-cutting targets.

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British Telecom sharpened its attack on the German market, Europe's largest, by getting **Telenor**, Norway's state-owned telecoms company, to join its German alliance.

Telenor is taking a 10 percent stake in **Viag Interkom**, a joint venture between BT and Viag, the German utility, which plans to spend \$4.15 billion to become the country's second largest player after **Deutsche Telekom**, the partially privatized national operator.

Telenor's main strength is its experience in mobile telephony, which will help the alliance to exploit the convergence between fixed wire and mobile services.

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Germany's **Deutsche Bank AG**, Europe's largest bank, is on the prowl for an acquisition in the United States as part of a strategy to

BUSINESS BRIEFS (CONTINUED)

become a leading global investment bank.

"I am firmly convinced that the Europeans do not have any long-term chance to establish themselves among the worldwide leading investment banks if they do not also achieve a critical mass in the US," Ronaldo Schmitz, a Deutsche Bank director said.

Deutsche Bank, which made an operating profit of \$3.43 billion in 1996, is thought to have a \$3.6 billion war chest to finance its ambitions. It has hired nearly 2,000 staff in the past two years and paid bumper salaries to lure bankers to its London unit, **Morgan Grenfell**, which it acquired in 1990.

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Novartis, the Swiss pharmaceuticals giant, is spinning off its **Ciba Specialty Chemicals** unit in a global offering that will value the group at \$4 billion and probably start a scramble by other Swiss groups to de-merge.

The offering, believed to be the second largest in the world after **Zeneca**, the former pharmaceuticals wing of UK's **Imperial Chemical Industries** (ICI), will create the world's biggest specialty chemical company.

Novartis was formed by the merger last year of Ciba and **Sandoz**.

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The Asian tigers are continuing to flex their muscles in Europe, challenging Japan's dominant position with Malaysian firms joining South Korean companies in the search for suitable investments.

In the latest show of Asian power, **Khazanah Holdings**, Malaysia's state-owned investment group, was negotiating to take a majority stake in a consortium planning an eleventh hour bid to rescue **Fokker**, the Dutch aerospace group, from bankruptcy.

The deal, which would be Khazanah Holdings' biggest foreign foray, is aimed at transferring Fokker's technology to Malaysia's fledgling aerospace sector.

Another Malaysian firm, **Penang Shipbuilding Corp.**, is paying \$100 million for 49 percent of **Danyard**, a Danish shipbuilder that was about to close.

South Korea's **Samsung Aero-**

space hasn't been turned off Europe by an abortive plan to rescue Fokker. It has joined three other Korean firms, **Hyundai, Daewoo, and Korean Air** in talks with **Aero International Regional**, a British-French-Italian owned aerospace firm, aimed at building a new 70-seat commuter jet.

Meanwhile, South Korea's involvement in Europe moved into a new sector as it emerged that the state-owned oil group **Pedeco** plans to invest \$1 billion in the United Kingdom's North Sea oil fields over the next three years. The company is seeking partners for exploration and development as part of a strategic plan to build up reserves as a buffer against sudden oil price hikes.

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The Russian government plans to sell 15 percent of Lukoil, the country's largest oil producer, later this year along with a small stake in the national power company, **Unified Energy System**.

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Europe's telecoms companies are scrambling for American partners to aid their transition into the unknown world of competition in the countdown to total liberalization in the European Union in January 1998.

Telefonia, Spain's national telecoms operator, which was fully privatized in February, was expected to choose its US partner in March with **AT&T, MCI, and GTE** among the front-runners.

Separately, **Stet**, Italy's telecoms holding company, was talking with GTE about a cross-border alliance that could also include **Teleglobe International Corporation**, a Canadian long-distance telephone company.

Meanwhile, the UK's **Cable & Wireless**, which recently terminated an alliance with Veba of Germany, is talking with AT&T and Kansas-based **Sprint**.

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Jan Timmer, who rescued **Philips**, the Dutch electronics giant, from the brink of bankruptcy five years ago, resigned as non-executive director just four months after handing over control to new president Cor Boonstra.

Boonstra, formerly with **Sara Lee**,

has been reversing Timmer's diversification policy, getting rid of non-profitable activities which he calls "bleeders."

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ING, the Dutch banking and insurance giant, is hunting for a large US insurer and hopes to close a deal by the end of the year.

ING has been looking for a US buy after **Aegon**, a Dutch rival, outbid it with a \$3.5 billion purchase of the insurance unit of **Providian Corporation**, a US financial services group. ING is said to have a war chest of between \$1.3 and \$1.6 billion to spend in the United States.

—Bruce Barnard

WHAT THEY SAID

"Anything that works out well for Europe will work out well for the US. A prosperous, integrated Europe will be a better market for our products and a better partner for us working on a wide range of global problems."

—Lawrence Summers, deputy treasury secretary, on the integration of European economies

"Eventually we'll arrive at political integration, which is the main goal of the whole monetary union."

—Alfons Verplaetse, Belgian national bank governor, on the economic and monetary union transition

"I hope with the support of the citizens we will be able to finally say that Belgrade has become a European metropolis."


—Zoran Djindjic, leader of the Democratic Party in Serbia and newly elected mayor of Belgrade

"I think the world economy is relatively healthy, but unfortunately I cannot say the same thing for continental Europe. There is a need for structural reform and more flexibility."

—Hans Tietmeyer, president of the German Bundesbank

"I am a fighter, and I remain a fighter."

—Boris Yeltsin, Russian president, on his resolve to remain Russia's leader



Siemens is among the German companies investing abroad to escape expensive costs at home. (Above: A Siemens worker inspects hydraulic alternators.)

FINE-TUNING GERMANY'S ECONOMY

GERMANY IS GETTING A BAD PRESS with gloom laden headlines suggesting the country's famed social market economy is imploding. The jobless head count has scaled to 4.6 million people, its highest level since 1933, the year of the Nazi's rise to power. If those on training projects and job experience programs are included, the figure rises to 6 million. Few believe Chancellor Helmut Kohl's pledge to halve unemployment by 2000.

Flagship companies like Daimler-Benz have made the news because of massive losses and boardroom rows, while VW was forced to issue an abject apology because one of its top executives "stole" secrets from General Motors, his former employer. Investment is sliding at home but rising abroad as companies flee a hostile cost environment.

The message from the critics is clear: Germany must abandon its economic model and embrace the more flexible Anglo-American system if it wants to survive in a more competitive global business environment. German businessmen and politicians deepen the gloom by indulging in neurotic, angst-ridden analyses of the country's prospects.

There's no denying Germany is suffering from deep-seated structural problems that must be confronted if it is to challenge a resurgent United States, Japan, and the tigers of Southeast Asia.

STILL EUROPE'S ECONOMIC LOCOMOTIVE

By Bruce Barnard

Germany's biggest problem is the twin combination of an inflexible labor market and a generous welfare system

Over the past five years it has grown by an anemic 1.3 percent.

Change is taking place, but it's not sufficiently dramatic or rapid to rate headlines abroad.

The bearish statistics obscure Germany's success in surviving the biggest external shock to inflict a Western country for the past half century: unification with the former East Germany which lumbered West Germany with an obsolete, bankrupt economy of 17 million people, larger than medium sized nations such as Belgium and the Netherlands, with a standard of living about a fifth of the level in West Germany.

The downside of unification is that it sparked a spectacular boom, which eased pressure to rationalize and restructure the economy.

Still, Germany survived the traumatic transformation with its economy largely intact despite transfers to the East exceeding well more than \$100 billion. And now it has to prepare for an equally momentous external shock: the abandonment of the D-mark, the symbol of its postwar economic success, for the untested European single currency, the euro, in 1999.

The key question in 1997 is whether Germany will meet the tough criteria to adopt the euro, particularly the requirement for a budget deficit below 3 percent of gross domestic product. Without German participation, the euro project would collapse, triggering a rush into the D-mark, thus making exports uncompetitive.

The other key question is: Can Germany change in time to meet new challenges that threaten its global competitiveness? The answer is: yes, but at its own pace. The country's famed consensus between political parties, employers, and labor unions that contributed to the postwar economic miracle, rules out rapid responses. But it does ensure that change, when it eventually comes, has broad support.

Germany's biggest problem is the twin combination of an inflexible labor market and a generous welfare system. German workers have paid for this in the past with superior productivity, but the gap with other countries has narrowed so the



Chancellor Kohl's suggestions that workers' benefits need to be reduced in order to stimulate economic growth have angered the unions.

country can no longer afford the world's highest labor costs.

German companies are calling the unions' bluff and threatening to move production abroad unless they obtain concessions on working practices and wages. Daimler Benz, for example, introduced Saturday working even though it isn't mentioned in any other labor contract. The unions, meanwhile, are successfully preserving other benefits such as 100 percent sick pay.

For all the bad press, Germany is still the economic locomotive of the European Union, the world's second largest

exporter after the United States. Exports are forecast to rise by around 6.5 percent this year, enabling Germany to maintain its world market share.

Economic growth is expected to rise 2.5 percent this year, investment likely will increase by 6 percent, inflation is just 1.5 percent, and interest rates at 3 percent are less than half the rate in the UK, Europe's self-proclaimed success story. The death of German industry is also exaggerated: A recent poll located six of Europe's top 10 manufacturing regions in Ger-



many. The UK, by contrast has only two in the top 20.

Traditional industry also remains resilient. Volkswagen is stretching its lead as Europe's best-selling car manufacturer and investing \$1 billion in a Mexican plant for the "New Beetle," a successor to the famous model, which will be launched in September. And BMW plans to invest nearly \$5 billion in its British subsidiary Rover to boost production by 50 percent.

Germany's critics point to the flight of investment overseas as damning proof of the hostile domestic business climate. Direct investment abroad by German companies soared to a record \$24.5 billion in 1995, while foreign compa-



German Finance Minister Theo Waigel (shown with Treasury Secretary Robert Rubin, left, and Bundesbank President Hans Tietmeyer, right) has proposed a controversial overhaul of the German tax system.

nies invested only \$6 billion in Germany, leaving a gap of nearly \$20 billion. The trend is continuing with a recent poll showing that 28 percent of western German companies intend to shift production abroad over the next three years.

Yet German firms are simply catching up to their American, Japanese, and British rivals who have amassed huge overseas assets in their drive for foreign markets.

Investment abroad by German companies is needed to boost sales in faster growing foreign markets, especially Southeast Asia and China. Yet tellingly, Volkswagen has decided to build its two new models in Germany to guarantee maximum quality.

Germany has also cornered the fast expanding markets of Central and Eastern Europe accounting for a fifth of the \$25 billion that poured into the region in 1990-95 and more than half its \$112 billion trade in 1995. Eastern Europe will buy around 10 percent of Germany's exports this year and account for a quarter of its 6 percent growth. Germany now exports more to the former communist nations than it does to the United States, a significant change that will pay dividends over the years as these emerging markets get richer.

Back home, the government is finally addressing a backlog of problems. Finance Minister Theo Waigel proposed much lower and simpler taxes to kickstart investment and employment.

"The most sweeping tax reforms for 50 years," according to Mr. Waigel, ran into a barrage of criticism but few doubt a radical overhaul is on the way.

Meanwhile, Economics Minister Günther Rexrodt was due to unveil an action plan for the service sector—a traditional German weakness—in the spring. Tougher anti-trust laws, less red tape, and more privatizations modeled on the successful partial sales of Deutsche Telekom and Lufthansa are among other measures designed to unleash Germany's pent-up economic potential.

Germany is sending a clear message that it's not going to ditch its economic system for the Anglo-American model. But there's a lot of fine-tuning in store. ☺

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

EUROPE'S 'REEL' STARS

BY ESTER LAUSHWAY

It is Oscar month, when the stars come out in great showy clusters and the glitz and glamour of show biz push themselves front stage center in our consciousness. The Academy Awards are a uniquely American spectacle, but the industry they celebrate is producing memorable movies on the other side of the Atlantic as well.

The 1996 film that proved this most elegantly and eloquently is France's Oscar contender for the best foreign language film: *Ridicule*, Patrice Leconte's stylish black comedy of manners set during the reign of Louis XVI at the court of Versailles. It shows how deadly a weapon a sharp wit can be and that fencing with words is as dangerous as any sword duel. *Ridicule* opened the Cannes film festival last May to rapturous reviews and has traveled successfully to the US since. Some 450 copies are in circulation in American theaters, bringing in impressive box office receipts for a French film shown in its original language.

Ridicule also distinguishes itself by being one of the few French films not starring Gerard Depardieu. He is the jovial, bacchanalian god of French cinema, whose lust for food, wine, women, and life in general does not stop him from being a workaholic as well. A hulking bear of a man with a voice like molten honey, he is coming up to the 100 film mark in his career. American audiences, who saw and loved him in *Cyrano de Bergerac*, a role which fit him like a second skin, will have the chance to see him buckling his swash again this year in *The Iron Mask*.

Outside of France, Dutch director Marleen Gorris, 48, who made *Antonia's Line*, last year's Oscar winner for the best foreign language film, has chosen an English-language production as her next project. An adaptation of Virginia Woolf's *Mrs. Dalloway*, it stars Vanessa Redgrave. Vanessa Redgrave also plays in the soon-to-be released *Smilla's Sense of Snow*, the film version of Danish author Peter Hoeg's best-selling thriller. The book was a literary sensation and Hollywood fought fiercely for the film rights, but Hoeg insisted that it should be directed by fellow Dane, Bille August.



Patrice Leconte's *Ridicule* won rave reviews at Cannes and has done well in the US.

Another Danish director, Lars von Trier, won international acclaim last year with his erotic melodrama *Breaking the Waves*, which was runner-up at Cannes last May. The next few years promise to be a productive time for the flamboyant Spaniard Pedro Almodovar, 47, who has been the figurehead of the *movida*, Spain's anarchic punk movement, for the past 20 years. He is now turning away from the torrid Madrid night life, which inspired so many of his films: the parties, pornography, drugs, and outrageous sexuality that pervaded wicked comedies like *Women on the Verge of a Nervous Breakdown* (1988) and had *Kika* (1993) banned in the US because of a comic rape scene. Rumor has it that he is going to Hollywood, to direct a movie about Marlene Dietrich's life which will star Uma Thurman and that he is also going to shoot an adaptation of a Ruth Rendell detective novel. Antonio Banderas, one of the constellation of stars that Almodovar created, has also moved on. In *Evita*, Banderas took a singing part for the first time and proved that he could sound nearly as good as he looks.



Kenneth Branagh's four-hour version of *Hamlet* has been described as the most ambitious production of what many believe to be Shakespeare's greatest play.

Another male pin-up whose fame has spread far beyond his native land is Jean-Claude Van Damme, known as "the muscles from Brussels." Not everyone familiar with his bulging biceps and perfect pectorals will know that he actually turned down a place at the Paris Opera Ballet to become an action-film hero in the US. It was obviously the right choice, because he now earns \$4 million or more for films such as *Sudden Death* and the upcoming

The Quest. The movie industry in the UK and Ireland, which has no language barriers to stop it from competing with American productions, is booming these days. Romanticized but compelling re-tellings of Irish history are impressing European audiences and critics alike, with director Neil Jordan's epic *Michael Collins*, capturing both the Golden Lion for best film and the best actor award for Liam Neeson at the Venice film festival last year. Britain's half-dozen movie studios are attracting both local and international directors with their state-of-the-art facilities. Neil Jordan uses them, so does France's avant-garde Luc Besson, who shot his entire science-fiction block-buster *The Fifth Element* with Bruce Willis there. American director George Lucas is also coming to England this year, to start filming three new episodes of his *Star Wars* saga.

In front of the camera, a pronounced vogue for costume dramas and new versions of the eternal bard Shakespeare has brought fresh-faced English actresses with pear-shaped vowels and decolletes to match into the limelight. Emma Thompson, who won a best-actress Oscar for *Howard's End*

(1992) not only starred in last year's *Sense and Sensibility* but also collected another Oscar for her adaptation of Jane Austen's work. Thompson split up last year from her talented and turbulent husband Kenneth Branagh, who has a particular knack for transposing Shakespeare to the screen. After a triumphant *Henry V* (1989) and a sunny, irresistible *Much Ado About Nothing* (1993), Branagh is bringing out his rendering of *Hamlet*, the play he considers an obligatory rite of passage for every serious actor. Kate Winslet is another fetching new English face on the big screen. After charming moviegoers as Emma Thompson's sister in *Sense and Sensibility*, she moved them to tears in *Jude*, based on Thomas Hardy's tragic novel *Jude the Obscure*.

And then, in a class apart, there is Sean Connery, still as sexy at 66 as when he was curling his lip and raising one eyebrow in the seven James Bond films he made his own. Connery is the most durable and highest paid British star since the 1950s and his charisma shows no signs of fading. The word is out that in the latest James Bond film, now being shot in the French Pyrenees, Connery will play a part—either a baddy or Bond's father, or maybe both.

The list above is just a small, subjective sampling of some of Europe's movie makers. In practically every country people are busy at work creating those special moments that make a whole theaterful of people laugh or cry together. And that is what Oscar night is really all about: the magic of movies—and that is universal. ☺

Ester Laushway is EUROPE's Paris correspondent.

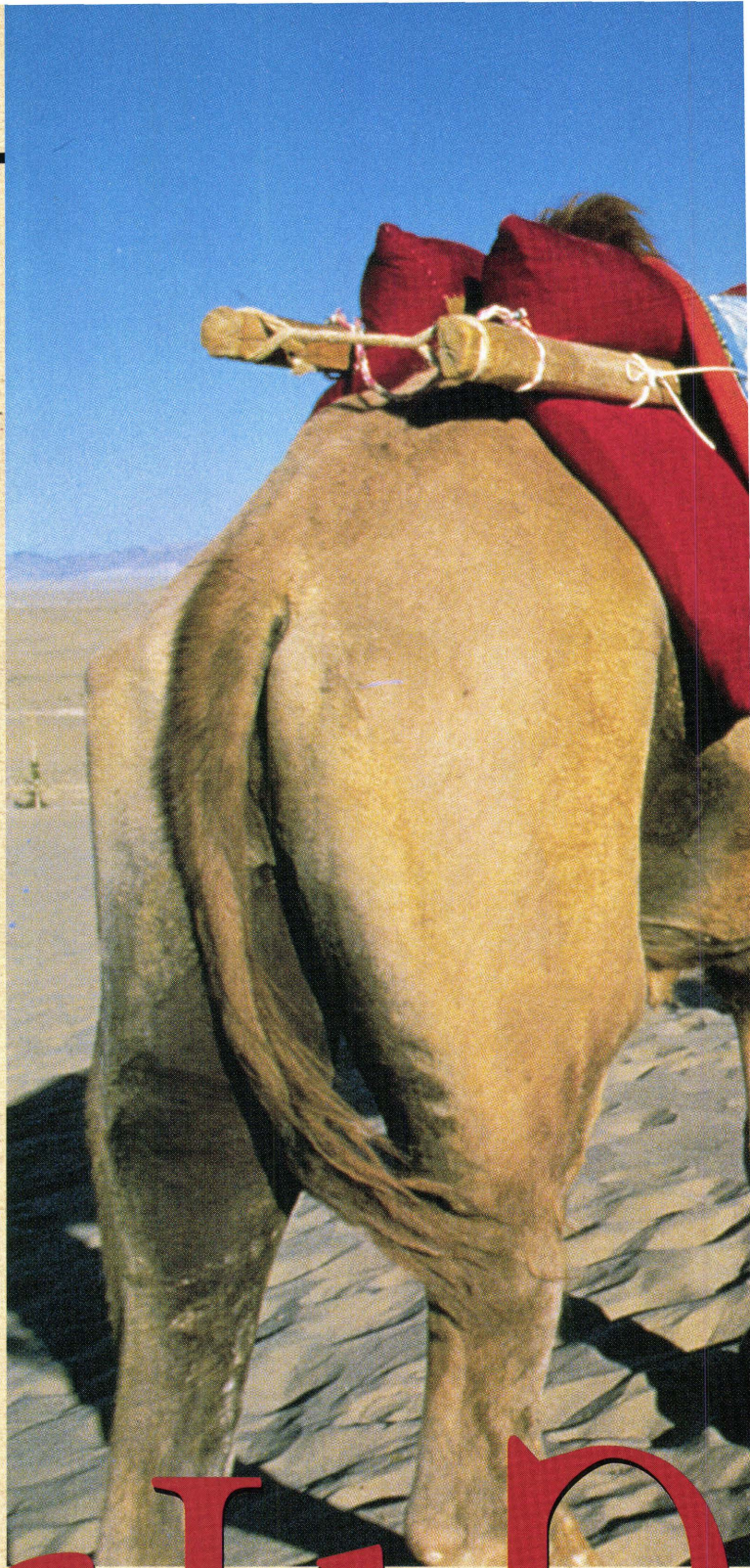
THERE ARE NOT MANY PLACES ON EARTH where you can awake in a cabin in the tundra, whittle some frozen fish into a bubbling cauldron of stew, and breakfast off raw spirit before heading out into the wintry forest on crude wooden snowshoes with a bunch of sable hunters who can shoot their prey at 50 paces without spoiling the skin.

Where else can you fall asleep to the gentle ripples of a lake and awaken to fresh coffee as the mist slowly clears over the river and a fairy-tale monastery of gilded domes and wooden walls suddenly emerges across sprightly meadows full of spring flowers? And then go ashore to examine medieval murals that have barely been seen by Western eyes?

You can take the helicopter out across a half-frozen sea in the mating season of the harp seals to watch the great migration of the herds back to open water with their newborn young. There are (expensive) ways to spend a week living with the Evenk people who depend utterly on their reindeer for meat and milk and the furs they wear to the sinew that holds together the whippy wooden sledges that skim across the snows. You can even travel like Genghis Khan, on a camel trek through Mongolia's Gobi Desert.

There are three secrets to unveiling the delights of travel in Russia. The first rule is to understand that Moscow is no longer Russia, it is just an entry port, a bizarre bubble with a glossy Western skin and an alarming level of crime. The second rule is to arrange your trip through an experienced Western agency. The third is to be sure to pack your sense of adventure.

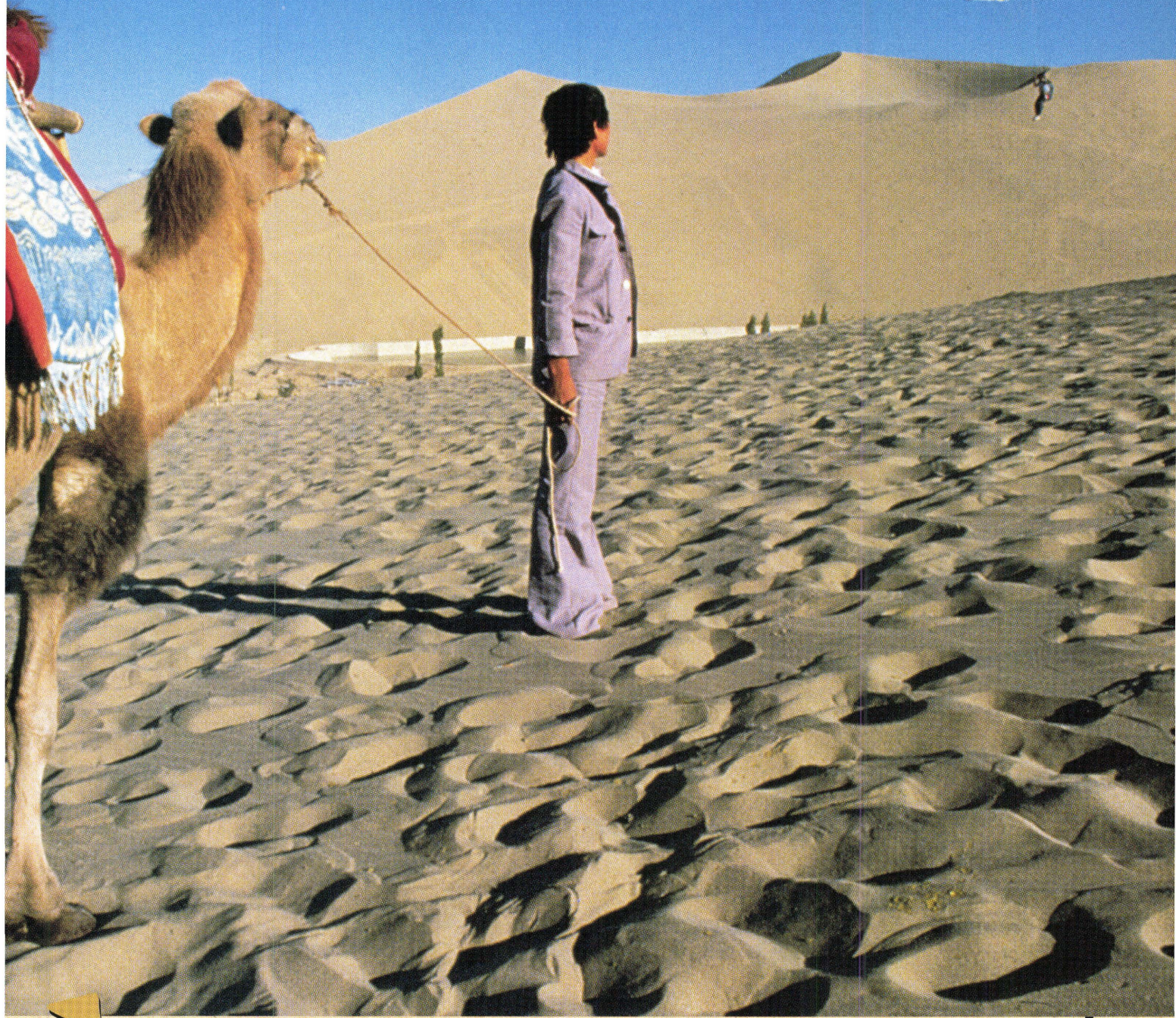
Travel in Russia is not for the squeamish, the unhealthy, or the legally-minded who think that contracts and hotel reservations are graven in stone. But the rewards can be as spectacular as the scenery of the largest



RUSSIAN

TRAVELERS ARE DISCOVERING RUSSIA'S SPECTA

Whether riding a camel or para-sailing, the Russian Gobi desert offers travelers some unforgettable experiences and scenery.



ADVENTURES

ULAR AND EXOTIC REWARDS. By Martin Walker

country on earth. Finally the infrastructure—modern airlines, reliable and clean trains, and decent hotels—is starting to fall back into shape after the collapse of Intourist, the old Soviet state travel monopoly.

One of the best ways to start understanding the unique lure of Russia is to take a river tour through the heartlands of old Russia, routes first explored and exploited as a trading network by the Vikings. There are river cruises of the Volga that go all the way to the Caspian Sea, but for beginners to Russia, there are few better introductions than a tour

The nostalgic orient express goes through the ural mountains, across some of the most imposing bridges you will ever see, to skirt the shores of siberia's lake baikal and across to mongolia.

The boat goes on to the old cities of pre-Czarist Russia, to Yaroslavl and Uglich, each full of monasteries and history and familiar enough with Western tourists to have decent restaurants and gift shops. But on the way you stop at the real treasure of Kirillov-Goritsy, which was closed to Westerners until this decade and where the 16th century murals in the decaying old monastery will take your breath away.

You can also visit these old cities from Moscow by luxury train on a new private service called Rustrail. From spring to autumn, this is the best way to experience the long, slow pleasure of the trans-Siberian railroad. Its *Nostalgic Orient Express* goes through the Urals, across some of the most imposing bridges you will ever see, to skirt the shores of Siberia's Lake Baikal and across to Mongolia. But in the winter, it tours the cities of the Golden Ring of old Russian cities.

For hunters, Moscow's National Hunting Agency can arrange special trips to 90 camps across the country, charging up to \$100,000 for a month-long safari. The ecologically-minded can arrange photo safaris and special trips to the White Sea seals through the Moscow office of the International Fund for Animal Welfare. These hunting and photo-safari trips are best booked directly or through the ads in Western hunting magazines. Try also Sergei Soldatov, Russian Hunting Co., Russia 664003, Irkutsk, 19 Karl Marx St, phone 011-7-3952-34-64-28, fax 011-7-3952-34-51-46. They have a Moscow office, phone and fax 011-7095-939-0980.

More conventional trips, from rail and river tours to specialized golfing and snow boarding holidays can be arranged through agencies like the well-recommended Russian Travel Bureau, an experienced US company based in New York which takes some 3,000 Americans to Russia each year, at (212) 986-1500.

For river trips, start with the indispensable *Russia by River*, by Howard Shernoff and Tatiana Samofalova, orders from PO Box 406, Ridgway, Colorado 81432, \$10, which includes shipping. And for the really exotic contact the eco-tourism company Tread Lightly (800-643-0060) for a week-long camel trek through the Gobi desert or a Yak trek through Mongolia. ☺

Martin Walker is a frequent contributor to EUROPE and the Washington bureau chief of the British newspaper, the Guardian.

that begins in St. Petersburg and ends in Moscow 10 days later.

The *Sergei Kirov* is German-built and Swiss-run and begins by sailing across Lake Ladoga, which was the winter lifeline of the city then called Leningrad during the 900 day siege by the German armies during World War II. The German artillery would shell the lake to break up the ice and stop the supply trucks, and the lake is vast enough for small local storms to toss the unwary sleeper out of the bunks.

But then you enter the placid waters of the Svir River, stop at tiny villages where the traditionally painted log cottages are called *izbas*, and head into Lake Onega to stop at the museum island of Kizhi. There are 18th century wooden churches, one with 22 cupolas, windmills, and old wooden bathhouses and barns.



Passengers on a trans-Siberian rail journey stretch their legs with a bit of Russian exercise.

WINING AND DINING



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RHINE

BY ELISABETH FARRELL

THERE ARE PLENTY OF CITIES TO EXPLORE along the 820-mile Rhine—Stuttgart, Frankfurt, Mainz, Bonn, Dusseldorf, Strasbourg, and hundreds more, But you don't want to be rushing from plane to train to automobile. So find a map and circle one area where you will confine your explorations—lets say the romantic Rheingau region centered around Rudesheim.

You can spend your entire time in the Rheingau on one of many ships that cruise the Rhine, stopping at villages along the way to explore castles and sample the wine. Or you can declare one town your home base—such as the centrally located Rudesheim—and then journey by car to nearby castles and vineyards following the 70-mile Riesling Route. (Simply look for road signs bearing a wine glass on a vine-green background.)

By ship, car, or even foot, you won't run out of castles (more than 30 line the river on this stretch), and you certainly won't run out of wine. The 20-mile long Rheingau region is one of the prime wine-growing areas in the world—and one of the most northern. Although the fiftieth latitude runs smack through the area, grapes grow here nonetheless thanks to the Taunus Mountains, which protect tender vines from chill winds, and thanks to the Rhine itself, which reflects the sun and warms the ground.

It was Charlemagne who first suspected this area held a vineyard's potential when he noted that snow melted faster along the river than in surrounding areas. From that humble beginning in the 8th century, the Rheingau has grown to 7,361 acres of vineyards—a relatively small area that produces a bumper crop of wine known all over the world for its refreshing, golden quality.

Most vineyards are open to visitors for tours and tastings. You can hop aboard the *Winzerexpress* train on a leisurely trip through the vineyards, or you can explore on your own. Start with Schloss (castle) Johannisberg, domain of the renowned Johannisberg Reising grapes. The Duchess of Metternich still lives in the graceful castle overlooking acres of vineyards that tumble to the village of Oestrich on the banks of the Rhine.

Nearby in the town of Oestrich-Winkel is Schloss Vollrads. If you are lucky, Erwein Graf Matuschka-Greifffenclau himself will show you around his family's vineyards, wine cellar, and castle complete with moat and tower—the oldest stone building in Germany. His family has produced wines since 1211, and thus qualifies as the oldest wine-growing family in the world. Their 180 acres produce an annual volume of 550,000 bottles.

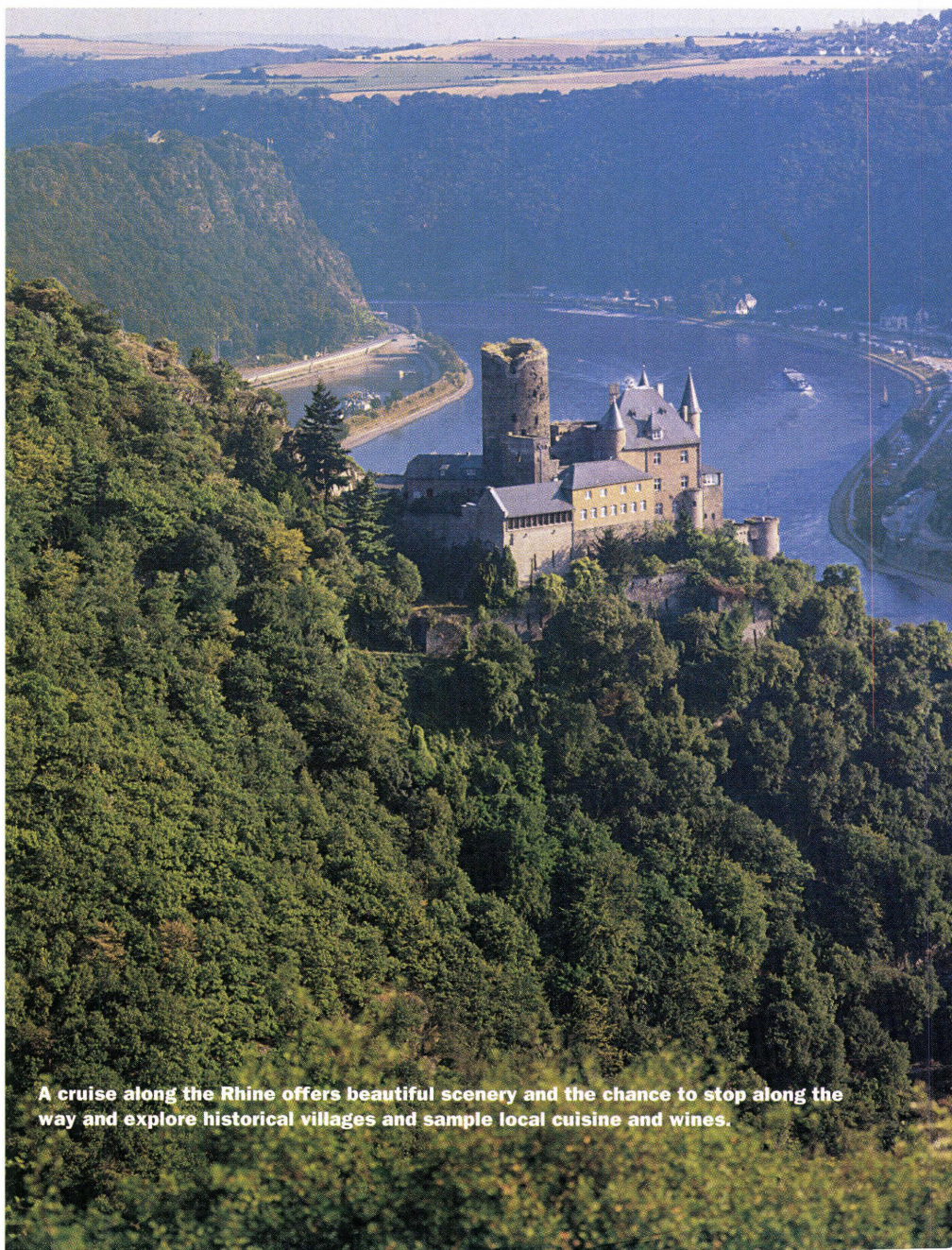
Just a few miles away is the lovely town of Eltville, which in the 14th and 15th centuries was the residence of archbishops and electors of Mainz. A tower is all that remains of a medieval castle that was destroyed in 1301; today the tower is home to a museum honoring Johann Gutenberg, who retired to Eltville after in-

venting the movable-type printing press.

Eltville's other claim to fame will be quite evident to anyone whose olfactory senses are in even mild working order. This tiny hamlet explodes with 30,000 fragrant rose bushes. In fact, *The Name of the Rose* was filmed at Eltville's 12th century monastery, Kloster Eberbach. Although the monks are gone, their wine lives on, and you can sample it in a atmospheric cave or purchase bottles in the wine shop.

Many guidebooks decry Rudesheim as overcrowded and touristy, but the reason 2.7 million people flock here each year is precisely because it is so charming. What other town in the world boasts a museum devoted to music boxes? The absolutely delightful Siegfried's Mechanical Musikkabinett is filled with everything from miniature boxes to giant room-sized contraptions that awed visitors to world fairs of long ago. A grand piano plays music rolls recorded by composers themselves, including Grieg, Debussy, Horowitz, and Ravel.

From Rudesheim, tiny cable cars climb 740 feet above the Rhine to the Niederwald Monument and National Park. The view is spectacular across the Rhine to Bingen and Burg



A cruise along the Rhine offers beautiful scenery and the chance to stop along the way and explore historical villages and sample local cuisine and wines.

Klopp, upstream toward the famous Lorely rock at the narrowest point of the Rhine, and downstream to castles lining the rugged waters of the middle Rhine.

Back in Rudesheim, end your day at the charming and fairy-tale Hotel Trapp, or continue your evening at Rudesheim Schloss, a delightful restaurant presided over the Breuer Drosselgasse, dubbed the narrowest and merriest street in the world. At Rudesheim Schloss, Susanne Breuer will tell you that the restaurant's cellar holds "300 wines and one emergency bottle of beer." The latter is of unknown origin, but the former—including Rudesheimer Berg Schlossberg and Rauenthaler Nonnenberg—are all produced by the Breuer family, whose vineyards were voted number one in Germany by Gault-Milleau. Your evening at Rudesheimer Schloss needn't conclude with dinner; the facility is also a

four-star hotel with 24 rooms and suites decorated in sleek, ultra modern style—quite un-Rudesheimish but inviting nonetheless.

A change of pace from bustling Rudesheim is the quiet town of Koblenz at the confluence of the Rhine and Moselle rivers. The Romans first established a fort here 2,000 years ago. Today you may tour another fortress—Ehrenbreitstein—or stroll under the maples and willows of Rheinanlagen Park along the riverfront.

If you want to branch further to the north, head upstream to captivating Cologne. Ninety-five percent of the city was destroyed during World War II, and thus today the city is surprisingly modern. Thanks to the rubble of the ages, modern Cologne is 13 to 20 feet above the ancient city.

Historians have done much to preserve the culture dating back to 38 BC when the Romans began a settlement here. For Americans who consider anything older than 75 years an antique, a lot is old here. The Hohe Strasse has not changed in 2,000 years; once a wide Roman road, it is now a pedestrian plaza. A 3rd century mosaic floor, unearthed by workers digging an air raid shelter during the war, is now the Roman-Germanic Museum. And the Dom, Cologne's lacy Gothic cathedral, was begun in the 13th century.

Art is king here, particularly modern art. In fact, the city boasts 150 galleries of modern art—the largest number of any city outside New York. Look for yellow banana decals on doors, which signify that the establishment sells or displays modern art (some of it is so modern that the banana may be your

only clue that it is art).

Even the city's beautiful concert hall, home of the renowned Cologne Radio Symphony Orchestra, is ultra modern. Don't miss a concert here while you are in town. And don't miss a meal at Cafe Reichart within the shadow of the Dom's spires. A lunch at the decidedly un-American salad bar will leave you guilt-free to explore any museum in town. For your hotel, try the comfortable Dorint Kongress Hotel on Helenenstrasse in a quiet area within a 15-minute walk of the old city.

No matter where you journey in the Rheingau, you are certain to experience the same welcoming hospitality that Goethe found in late 1814 when he spent a week in the town on Winkel along the banks of the Rhine. So delightful was his stay that he wrote, "May everyone sense this joy, the experienced and the newcomer!"

Whether you are an experienced visitor in the Rheingau or a newcomer, may you also sense the joy of the journey. ☺

traveler's notebook

German Tourist Board, 122 E. 42nd Street, 52nd floor, New York, New York 10168-0072; tel. (212) 661-7172, fax (212) 661-7174

Feenstra Rhine Line, P.O. Box 60100, NL 6800 JC Arnhem, Netherlands; tel. 01131 26 445 28 05, fax 011 31 26 445 66 81

KD River Cruises of Europe, 2500 Westchester Avenue, Purchase, New York 10577, tel. (800) 346-6525, fax (914) 696-0833

EuroCruises, Inc., 303 West 13th Street, New York 10014; tel. (800) 688-EURO, fax (212) 366-4747

Rudesheimer Schloss (hotel and restaurant), Drosselgasse, D-65385 Rudesheim am Rhein, Germany; tel. 011 49 67 22 90 500, fax 011 49 67 22 47 960



Elisabeth Farrell profiled Irish literary treks in EUROPE's October issue.

CAPITALS

AN OVERVIEW OF
CURRENT AFFAIRS
IN EUROPE'S
CAPITALS

This month's Capitals department represents something of a departure. Usually in the March issue, *EUROPE* publishes our Europeans of the Year. The criteria for this distinction was very broad, and generally we left it up to our correspondents to determine who in their country had done the most to further European unity. This year, however, we decided to change tack. Since unemployment poses one the EU's most difficult problems, we asked the correspondents to profile entrepreneurs—anyone who has started a business and is providing new jobs in his or her country. Perhaps among this group of risk takers can be found Europe's Bill Gates or Steve Jobs or Ted Turner. Remember you read it here first.

BERLIN

GERMANY'S WHIZ KID

Lars Windhorst, Germany's youngest and most successful entrepreneur, is very much to Chancellor Helmut Kohl's liking. What makes him so unusual is his age. Lars is a whiz-kid who turned 20 only last November. But the "teen tycoon" is chairman of the board and majority shareholder of his Windhorst Group, which he founded and built into a multi-million dollar trading conglomerate in computer electronics, construction, and real estate in markets scattered across Europe and Asia. Management is shared by twin holdings: Windhorst Holding, in Rhaden, a small rural town south of Bremen, and Windhorst Asia

ENTREPRENEURS OF 1996



Lars Windhorst dropped out of high school to run his \$100 million enterprise.

Pacific Holding Ltd., Hong Kong. The company's sales jumped from a respectable \$49 million in 1994 to \$113 million in 1995. Lars expects the company to have generated \$151 million in 1996.

Chancellor Kohl calls him a "role model" at a time when German companies are switching more of their operations abroad and political and industrial leaders fear that the rising generation is too rich, too idle, and too self-indulgent to assume burdens and risks. To be sure, the country is now chronically short on risk takers prepared to create badly needed jobs. Germany needs more *wun-*

derkinder like Lars Windhorst. Kohl declared in a television interview: "We need 18, 19 year olds who don't sit around calculating their pensions, but follow their dreams, take risks, and go out into the world."

Lars laid the foundation for his empire at 14 in his hometown of Rhaden. He built an electronic components business by importing parts from China, which undercut expensive parts from Japanese and Korean firms. With \$61,000 in start-up capital borrowed from a local savings bank and guaranteed by his dad, he restructured the company into a trading conglomerate and opened an Asian headquarters on the forty-third floor of the swank Central Plaza building in Hong Kong.

At 15, Lars decided China was a key market to success after making a "fateful encounter" with the then 27 year old Mellon Zhang, distribution chief in the Düsseldorf branch office of a Chinese electronics firm, now friend and partner. With his help a whole network of con-

contacts in the vast Chinese market lay open. He exploits them in two ways—as a source of cheap goods and as a market for Western products. He also realized that it was necessary to speak the local language and learned Mandarin, which opened the door even wider.

At 16, overriding parental protest, he quit school to concentrate on business. "World War III broke out," he recalls, especially with his mother Ursula, a teacher. But his father, a stationary shop owner, was less opposed to his idea.

Since then, Lars' holdings have diversified considerably. He now imports pre-

cious metals and inorganic chemicals to Germany from China, and exports machinery and manufacturing equipment to China. When he noted that China badly needed high-quality lubricants, he quickly responded by setting up Windhorst Oil Limited. Lars is fast to act—perhaps too fast, say colleagues. “Sometimes he wants to expand too quickly. But then his business partners and older people around him hit the brakes,” says Ferdinand Probst, a German real estate developer who has taken a 40 percent stake in Windhorst’s Hong Kong-based Land Development Limited, the company planning a skyscraper in Vietnam’s Ho Chi Minh City. “I have never met anybody who is as strategic and determined in finding, planning, and executing business projects,” Probst says.

Lars admits that there are downsides in his life. He has no girlfriend, no time for friends, and no time for sports. He ponders: “Many friends of my age say, ‘I don’t want to live like Lars. Too much stress.’ They belong to the so-called ‘have fun generation,’ but I think they should reflect more on things. And politicians should make it clear to them how exciting and interesting it is to build an enterprise. Politicians should also help young entrepreneurs with deeds and, for example, cut taxes.” He’s also critical of the “legendary German perfectionism,” which, he says, is often counterproductive. “Germans tend to develop a product to make it function even in space. Meanwhile, others do big business with the product down here on earth.”

—Wanda Menke-Gluckert

LUXEMBOURG

CUISINE QUEEN

Lea Linster was having a very good day when I spoke with her one afternoon in January. Her restaurants were thriving, the sun shone brilliantly over the snowy banks of the Moselle beneath her house at Remich, and she was eagerly looking forward to a shopping trip to London. She spoke with the serenity of a woman who has achieved international celebrity simply by doing the thing she loves most and is supremely skilled at—cooking.

Lea Linster has been called the grand dame of Luxembourg cuisine, and her restaurants have won plaudits in countless newspaper and magazine articles in the Grand Duchy. People come from France, Germany, the Netherlands, and



Lea Linster was the first female Bocuse d'Or winner.

Belgium to sample haute cuisine at the gourmet Luxembourg-French border and at her more traditional and unpretentious Letzebuerger Kaschthaus in Hellingange. “I’m waiting for the English and the Americans,” she said. (But not too many yet please, in case local people begin to worry that the French purity of her cuisine may be compromised.)

Success in business does not come easily to a woman in Luxembourg. It’s harder still if she’s young and even worse if her profession is a traditionally male-dominated one. “I was raised and educated without any difference from my brother,” says Lea. “I’ve never made any distinctions between men and women in business, and I will not start now.”

Not everybody thinks that way. “In the beginning they think you are harmless because you’re a girl, then you’re successful and they become jealous,” she says. “I don’t complain. My restaurant works well. I’m very happy. I’m happy to be a girl because you are more unique; there are not so many girls in the restaurant business. You have to be tough, but anyway you have to be tough, no?”

At 41 Lea is, she jokes, “too young to win the Luxembourg Order of Merit,” but she has already achieved the much greater distinction of being the first female winner, in 1989, of cuisine’s supreme award, the Bocuse d’Or. The famous French chef Paul Bocuse has been an important influence on her style of

cuisine, along with Joel Robuchon, also of Paris, and the Swiss chef Freddy Girardet.

Essentially, however, Lea Linster is a self-taught creator of original dishes in the French style but with Luxembourgish touches. Her father was a gourmet, and she was born in a restaurant. “I have grown up with food. It was always the most important thing in my life,” she says. And apart from a few years studying law, at least partly to escape the frustrations of living at home, her life has been in practice devoted to haute cuisine.

“The most important thing now is that I can do my own cooking in the gourmet restaurant,” says Lea. “My cuisine is very honest. It’s not so sophisticated. I take the best products you can have and prepare them with a lot of

love, like mothers cook for those they love best. I often use Luxembourg ingredients, like broad beans and potatoes. Luxembourg cuisine means very much potato. It’s not really slimming food, but good things do not make you fat. It’s the bad food that makes you big.”

Her specialty gourmet dish, for which she won the Bocuse prize, is “Rack of Lamb in Potato Crust.” At the Kaschthaus, where Luxembourgish recipes rule the menu, the favored item is “Smoked Collar of Pork with Broad Beans.”

Lea Linster describes herself as essentially Luxembourgish—“well-grounded, positive and forward-looking.” Her aim is to make food simple and allow it to talk directly to the senses: “Cuisine is the best form of seduction,” she has said. An admiring public is constantly pleading with Lea to open more restaurants, but the loss of personal involvement this would mean makes her wary.

—Alan Osborn

ATHENS

GREECE’S SNACK KING

Spyros Theodoropoulos, chairman of Chipita International, Greece’s fastest-growing food processing company, is a salesman in a hurry. Not content with putting the packaged croissant on the southern European map, he is

anxious to start manufacturing them in Russia and Ukraine as soon as possible.

Chipita took the croissant out of fashionable bakeries in Athens and transformed it into a convenience food for Greeks of all ages. With a shelf life of 90 days, individually packaged croissants can be sold at a broad range of outlets—from island ferries to gas stations—and are easy to export.

The company also developed a technology for making miniature croissants that are injected with cream or jam filling. These proved so popular in Iberia that Chipita joined forces with Matutano, a local subsidiary of Pepsico to manufacture them in Portugal and export them to Spain. Last year, Chipita opened a croissant plant in Bulgaria and another will open in Egypt within a few months.

Theodoropoulos insists on calling himself a salesman, but at 38 he is one of a handful of Greek entrepreneurs who have transformed the country's food processing industry into a leading exporter. "I feel that production is the means for coming up with something that the consumer wants...that will sell easily," he says. "We put a lot of emphasis on marketing, but there's a strong element of innovation in our products, and a lot of added value."

Theodoropoulos started in business at 18, putting himself through Athens Business University while selling for his family's dairy shop in the city center. He discovered packaged foods as an importer for an Italian confectioner. But his breakthrough came after Greece lifted import curbs on European Union goods in 1986. He broke the state monopoly on matches by importing an international brand that rapidly swept the market.

The profits were used to set up a small plant for making a sweet hazelnut spread. That grew fast, and Theodoropoulos decided to make a bid for Chipita, a salty snacks manufacturer. But given the Greeks' enthusiasm for confectionery, he was keen to experiment with mass production of sweet snacks as well.

Greece's packaged croissant market continues to grow. Chipita has given a new boost to the market by launching a chocolate-covered croissant, "aimed to plug the gap in the winter months when people tended to eat fewer croissants," Theodoropoulos says.

Manufacturing more croissants abroad is also a priority. "The Russian market looks very promising," he says. "Then come Ukraine, Romania, and Ser-

bia. The decisions on market entry are made on the basis of competition, country size, and other problems you encounter in Eastern Europe—such as racketeering."

Chipita has not neglected the salty snack market, however. Theodoropoulos is now doing with bagel crisps what he did with croissants: taking a quality product made on a limited scale by "country-kitchen" companies and adding the technology for production on a major scale.

Bagel crisps are virtually unknown in Europe, but Theodoropoulos was confident of their appeal. Launched 18 months ago, Chipita's version has proved wildly popular with Greeks: the company's pre-tax profits for 1996 were set to jump by 45 percent to \$6.2 million. Turnover was projected to rise by 30 percent to \$83 million.

The new product line is already being exported to more than 20 countries, and sales prospects in markets as far away as the US and Australia look good—partly because bagel crisps have a shelf life of almost a year. The next stage, Theodoropoulos says, would be to start manufacturing them in a big EU market. Producing a high-quality US snack in Germany using technology developed in Greece would make Chipita a truly international success story.

—*Kerin Hope*

THE HAGUE

A NEW BREED OF ENTREPRENEUR

As head of one of the world's largest companies, Royal Dutch/Shell, Cor Herkströter cannot be considered an entrepreneur in the traditional sense. However, last year, Herkströter appeared to have adopted a new thinking for Shell. If an entrepreneur is someone who builds a company to fill a need in the marketplace, perhaps Herkströter can be described as a new kind of entrepreneur—one who rebuilds a company to address changes in the marketplace.

In a much publicized speech in the Netherlands, the 59 year old Dutch economist and accountant confessed that Shell had in many ways lost its sense of direction and in some ways had failed to understand the changes in society. The company had isolated itself; it had made major mistakes in dealing with issues of environment and human rights; and it had eschewed a dialogue with the representatives of the civil society. The oil



Cor Herkströter, head of Shell, is rethinking his company's direction.

company was too inward looking, had missed the information revolution, and had failed in its outward communication. Shell, in short, had misunderstood its public responsibility in a world of contradictory expectations.

The speech marked a major departure for a company that for long has been as tightly closed in its public relations as its emblem, a shell. Yet, Herkströter's appeal for a debate on the moral dilemmas and social responsibilities of multinational corporations was received with polite restraint. A prominent Dutch businessman remarked that Shell had been sleeping for too long and was only now discovering that modern corporations operate under full public scrutiny.

Last year, Shell suffered some widely publicized problems. First there was the proposal to sink the Brent Spar, an oil storage platform, in the Atlantic Ocean. Under protests from the activist group, Greenpeace, Shell was forced to change its plans, and the Brent Spar was towed to a Norwegian fjord. Later, Greenpeace acknowledged that its environmental arguments were unsound, but by then Shell had made its humiliating turnaround. A few months later, Shell's activities in Nigeria came under worldwide scrutiny by human rights organizations when the government executed opposition leader Ken Saro Wiwa and other members of the political opposition after a much disputed political trial.

By the end of last year, Herkströter returned to the discussion he had started. Critics of multinationals were too demanding, he said. When governments and the international community at large

recognize that they are unable to solve certain problems, why should multinational corporations then be expected to have the right solutions?

Herkströter linked this rebuttal with a generalized lack of moral direction in the Western world. He talked about a "confused debate" and "a cold silence in the realm of imagination," in the West after the collapse of Soviet communism. Public emotions are changing with an ever increasing speed. He said, "The emotional and moral preference of the month has been replaced with the preference of the week."

Meanwhile, corporations have lasting responsibilities. Particularly in the oil business. Shell has to take "a longer view than the lifetime of whatever regime, democratic or undemocratic," he observed. The ultimate aim of business is to safeguard its continuity, that is, its profitability. The debate about the public responsibility of businesses, particularly multinational corporations that operate in the most diverse countries of the world, is not new. Yet it has gained a new impetus with Herkströter's willingness to open up Shell. This may be part of a much needed strategy to improve the company's public standing, but it also forces politicians, government officials, opinion leaders, and activists to contemplate the challenges for businesses to operate in a permanently changing world. And that may provide the basis for mutual understanding.

—Roel Janssen

LONDON

RODDICK ISN'T FINISHED YET

The only place that luck comes before work is in the dictionary," says Anita Roddick, the country's best-known female entrepreneur, who is as famous for her social campaigning as for her phenomenally successful company Body Shop.

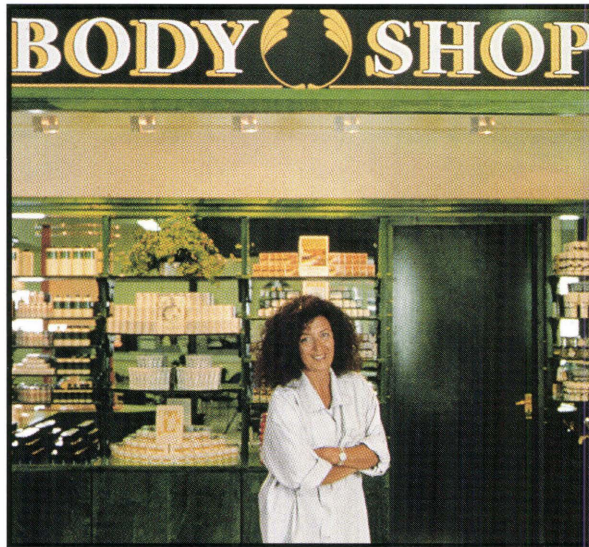
Her "green" cosmetics company is the UK's most successful multinational retail operation. Thanks to franchising, Body Shop has more than 1,480 outlets in 46 countries. The US has the most stores.

What is so different about Body Shop is that it aggressively promotes ethics in business. Testing cosmetics on animals is vigorously rejected. "For us it could never be morally acceptable to abuse an animal for something so trivial as face cream," says Roddick.

Brilliant at marketing herself and her company, Roddick's drive, passion, and sheer enthusiasm about the environment is combined with sound business acumen.

"Entrepreneurs are doers as well as dreamers. They want to find the best way of pushing along an idea and use money to oil the wheels," explains Roddick. "One of the great challenges for entrepreneurs is to identify a simple need. People tend not to trust their instincts enough."

The Body Shop's mission is "to dedicate our business to the pursuit of social and environmental change." Roddick advocates putting social accountability and responsibility alongside the financial bottom line as measures for judging a company's performance. Anita Roddick cre-



Anita Roddick helped make "green" products fashionable.

ated Body Shop in Brighton on the south coast of England in 1976, while her husband Gordon was pursuing his ambition to ride on horseback from Buenos Aires to New York.

On his return he brought his steady management skills into the company to balance her fiery flair. Together they developed a company both idealistic and so exceptionally well managed that Body Shop is now a case study at the Harvard Business School.

The key is that they did not go into business to save the world, but to make a living. It happened that a lack of capital forced them to turn necessity into an asset by selling recyclability and plain packaging, and this practice caught the 1980s wave of growing awareness of ecology.

Still, money isn't everything. "It has always made me angry that most businesses, big and small, operate in almost total social isolation from their immediate surroundings. I think it's immoral for a shop to trade in a community and ignore its problems."

Beginning as a classic cottage industry, it retained its family ethos even after it was floated on the stock market 10 years ago. "We ran the company in a very informal way, as if we were all one big extended family. The first manager's meeting was held in the front room of my mum's house, and she cooked lasagna for everyone," Roddick writes in her autobiography *Body and Soul*.

While still maintaining a caring-for-the-world approach, the company is no longer run from mum's kitchen. After surviving a rough period during the early 1990s when a number of other retailers went under, it is clear that sound business practice underlies the Body Shop operation.

For all her crusading zeal, Roddick is no less a businesswoman with a sharp commercial sense. She points out, "There is only one risk in our community care program: doing good might get in the way of trading...most of our staff understand that we can only make social welfare work by the gift of our profits."

Terms like "social audit," "values-aware management," and "the moral duties of management" trip off the Roddick tongue, and this irritates more conventional businessmen. Sir Stanley Kalms, head of giant electrical retailer Dixons, criticized her "frenetic, self-righteous approach," adding that she is "the master of the broad and sweeping generalization."

But the Body Shop lady is not for shutting up. "Business innovation is no longer just about product. It's about the very role of business itself. You may not like it, but the importance of stakeholders and the vigilante customer grows every day."

Hey, but then so does her business, a Body Shop spokesman just told me that they are opening a new shop somewhere in the world every two and a half days.

No wonder Anita Roddick says that

the epitaph on her tombstone should read: "I haven't finished yet."

—David Lennon

ROME

WALKING ON AIR

Mario Moretti Polegato knows how to make a fortune in Italy thanks to a very tiring day trip to the Grand Canyon in the United States.

It all began five years ago, when Polegato was in Reno, Nevada, at a wine convention. His family has been in the wine producing business for three generations and is doing very well. It holds two records: one as the largest producer of *prosecco*—a very dry, slightly fizzy white wine—and the other as the biggest wine exporter in the entire Treviso zone, which is one of the most famous wine producing areas in Italy's northern Veneto region.

It is a well-known fact that conventions are excellent occasions for outings and other distractions far away from the official reason of the meeting. "I went on a side trip to the Grand Canyon," remembers Polegato. "I was wearing rubber-soled shoes. But, in part because of a bothersome allergy and because it was very hot, my feet were sweating, and they hurt so much that I couldn't take it any more. I picked up a knife and began to poke holes in the soles of the shoes." The entrepreneur even cut his hand in the process and now he happily shows off the scar as though it were a good luck charm. Since that day his life has greatly changed.

Back in Italy, Polegato began to think about a shoe that could "breathe." "It was easy to poke holes," he says now. "The problem was keeping water from seeping in." The idea had come to him in America, and back to the States he went. He was in search of a special membrane. "It had to be capable of bearing a body's weight as it was stretched over the rubber sole." He succeeded and, like all good managers, he immediately patented his invention.

A big business has since grown out of that patent. Today, Pol, the company that produces Geox shoes, invoices \$40 million in Italy and around \$100 million in foreign royalties. Although the overall Italian shoe sector is suffering (the home market lost about 2 percent last year), Pol is registering a 30 percent growth. "In 1997," Polegato predicts, "we will sell 1 million pairs of shoes in Italy and 5

to 6 million abroad. And we believe that in the next two years our turnover will jump to \$330 million."

Today Mario has left the wine business in the hands of his brother Giancarlo and his mother Amalia, while he concentrates entirely on Pol. This is a typical medium-sized Italian business, with 60 full-time employees who work in the factory in Montebelluna, in the Veneto province of Rovigo, and more than 1,200 people working part time in 20 factories in Italy (in Veneto, but also in Naples and the central region of Marche), in Eastern Europe (Hungary, Croatia, Romania), and even in Indonesia.

Geox shoes were launched to take the world by storm, using what Polegato calls a new business concept. "We began with a patent, and today companies around the world invest in Geox, which remains my trademark. But more than a trademark, we are a technology. And, thanks to this technology, we will become the world's biggest shoe producers."

The wine producer-cum-shoemaker sounds very sure of himself. But success hasn't gone to his head like a hearty serving of his excellent family wine would. He not only has invoice and sales numbers on his side, but he can also count on a booming expansion in retail outlets. "Within the next two years, we will open up 200 selling points in Italy and that many more abroad," he assures. The sweaty and aching feet of half the planet wait anxiously for the moment they will finally...breathe.

—Niccolò d'Aquino

MADRID

FAKE FOSSILS FIND BUYERS

As in most of Europe, the small and innovative companies starting up in Spain these days and making money and headlines are inevitably involved in the high-tech sector or in the media, or both. But one young firm is reaching into the very distant past for its inspiration and finding success.

Formed two years ago by geography and history graduates turned restorers Bianca Hernandez Pool and Carlos Burquete Prieto, the Pool Dickynson company makes reproductions of valuable fossils found in Spain and sells them to museums around the world.

Their biggest project so far has been copying the fossil of the skull and jawbone of a *gophotarium angustidens*, an 18

million year old ancestor of the elephant. The fossil was found along the banks of the Manzanares River near the Spanish capital and is the only one of its kind.

The Mizunami Fossil Museum wanted to buy the original, but with the fossil's owners, the Madrid Municipal Museum, reluctant to part with such a magnificent find, an alternative had to be found.

In stepped Pool Dickynson, but it was not an easy task. The fossil measured more than six feet and weighed 220 pounds, and as it is one-of-a-kind, the company's technicians had to be extremely careful. One bad move and the whole thing could have ended up in pieces on the floor along with the reputation of Pool Dickynson.

The first step was to X-ray the fossil to discover any fissures or imperfections and reinforce them, if necessary. Then a mold was made, and a mixture of a special mortar brought from Germany, fiberglass, and polymers were poured in. The resulting reproduction was sold to the museum in Japan for \$16,000.

Pool Dickynson is now experimenting with other, less costly methods and materials so as to offer a more economical service and hope other foreign museums will follow the Japanese institution's example.

Besides fossils, Spanish museums are chockablock with archaeological goodies from the country's prehistoric, Greek, Roman, Visigothic, and Moorish eras, and Spain's past could now be the fountain of riches for one modern company.

—Benjamin Jones

BRUSSELS

HIGH-TECH TALK

Who to choose as Entrepreneur of the Year? This was the question in January to readers of the Belgian business magazine, *Trends*, and they came up with two names. As the persons concerned were business partners, it really only counts as one choice.

The winners of the readers' poll were two Flemish businessmen, Jo Lernout, 48, and Pol Hauspie, 52. Ten years ago they started a small firm called Lernout and Hauspie Speech Products (LHSP). Part of the capital was provided by a company called Promotalker, which had developed a rather primitive talking machine that described the virtues of yogurts and other food products to customers of a large Brussels store.

As the company developed more sophisticated machines, it succeeded in attracting a great deal more capital. In 1993 (although its turnover was only \$700,000) it raised \$17 million from private investors in Flanders, and AT&T agreed to take a 5 percent share in the company.

Three years later its capital had risen to \$100 million; it had succeeded in satisfying the very severe criteria of the New York Stock Exchange and was the first Belgian company to be listed by NASDAQ.

Hauspie and Lernout's aims remain very ambitious. They want to win 20 percent of the world market in voice technology and are currently focusing their efforts on three key areas: voice recognition, the conversion of written texts into spoken words, and voice compression. All the services that they develop are provided in several European languages.

In the past year, LHSP has absorbed the Mendez translation enterprise and has acquired two other firms in Spain and Germany, while with the assistance of their latest recruit Gaston Bastiaens (an ex-Philips and ex-Apple executive) they are launching themselves in the Internet market with high-tech applications of translations. They have shown that by working at the cutting edge of new technologies a small Belgian firm is able to grow and make an impact far beyond the country's borders.

—Dick Leonard

PARIS

THREE WHO SURVIVED

This is the second year in a row in France that success stories are something to be treasured and savored like a rare vintage wine. The French economy is not having an easy time of it these days, and nowhere is life tougher than in the corporate jungle. Of those who venture in boldly, who take the risk of starting their own business, only a few survive.

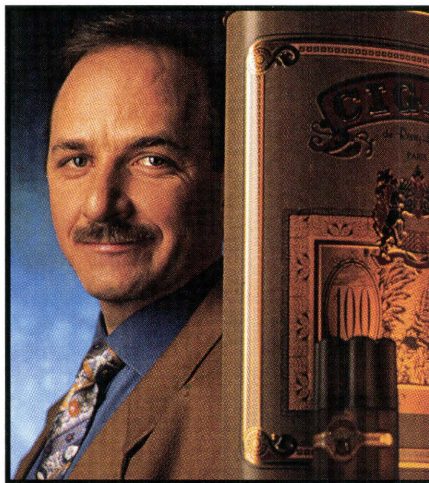
The statistics are enough to scare off all but the bravest. Out of 185,000 new companies created in France in 1986, only 100,000 are still around, and of those, only 531 are big and healthy enough to have annual sales of more than \$10 million. As for those who are actually making a profit—the numbers dwindle down to just 243. All the more reason then, to encourage and applaud

those few intrepid entrepreneurs who are not only surviving, but thriving against the odds.

The American management consultants Bain & Company decided to do just that. Two years ago, to celebrate the tenth anniversary of its own arrival in Paris, the firm launched the Trophy of the Decade, to be awarded each year to the most successful French business started 10 years earlier.

For 1996 the panel of judges came up with three finalists: a computer games manufacturer, a trucking company, and a perfume creator. It is an eclectic trio, but as different as they are, all three companies are still headed by the same people who founded them in 1986, and all have sales of well more than \$30 million.

The overall winner was Ubi Soft Entertainment, a producer, publisher, and distributor of interactive games, which was co-founded by the Guillemots, five



Remy Mansour expanded his one-man perfume business to a \$40 million company.

brothers from Brittany. They claim to run the family business along Japanese lines. "Important decisions," explains CEO Yves Guillemot, "have to be unanimous. That takes time, but it's our strength, because it cuts down the risks of making a mistake."

The quintet has produced best-selling games like *Rayman*, which has sold 800,000 copies, and prize-winning CD-ROM titles like *Guitar Hits*. They have set up branches in nine countries, including the US, China, and Japan, and last year raked in sales of \$50 million.

To stay ahead of the competition, the brothers move with the speed of one of their video games. Their latest product is a futuristic 3-D car race called *POD*, the very first game designed for Intel's high-

powered new MMX processor. Ubi Soft has already pre-sold more than 2.5 million copies of *POD* by packaging it with the new MMX machines, and by the end of the year, those figures are likely to double.

Speed and innovation are also watchwords for Jean Munster, one of the two runner-up winners of the Trophy of the Decade. His trucking company, Transports Munster, prides itself on being able to deliver anything anywhere in France within 24 hours. Munster used to drive trucks to pay for his medical studies, but 10 years ago he hung up his stethoscope, pooled his resources with a few friends and bought five trucks. Today he owns a fleet of 190 and has won a string of awards for safety and service.

He is a fervent advocate of the power of positive thinking and of the importance of communication. He obviously practices what he preaches, because when France's truckers staged a nationwide strike last fall, not a single one of Munster's 300 drivers was among them. His days as a doctor still come in handy, too, because he applies preventive medicine to keep his company healthy. "We started off," he says, "by imagining all the things we could possibly do wrong and then installed a whole arsenal of protective measures to make sure that we wouldn't do any of them."

Whereas both Ubi Soft and Transports Munster made their names on French soil before expanding abroad, Parfums Parour, the third Bain trophy winner, has done just the opposite. The company, founded and directed by Remy Mansour, is virtually unknown in its native country. The high-quality perfumes it creates, such as *Diamant d'Or*, *El Paso* and the imaginatively packaged *Cigar de Remy Latour*, are sold outside France by local distributors in 70 countries. The US, the United Arab Emirates, Italy, Russia, and Argentina are the main markets that have helped Remy Mansour expand his one-man operation to a company with 160 employees and annual sales of \$40 million.

This year Mansour is hoping to enjoy the sweet smell of success at home as well. Now that he has finished building his own factory in northern France, he feels the time is right to break into the perfume equivalent of Fort Knox—the French market. He plans to sell his products in the top department stores and show the big boys like Chanel, Guerlain, and L'Oreal that you can be inde-

pendent, relatively small, and still be a class act.

—*Ester Laushway*

LISBON

“PLANET” EXPLODES IN LISBON

Not far from British multimedia tycoon Richard Branson's new Virgin Megastore in central Lisbon is a megastore of a very different nature. Planet's photocopying and printing services may not have the trendy appeal of Virgin's CDs and videos, but the project is revolutionizing office services.

The 42,000 square feet store, which offers state-of-the-art computer technology, design consultancy, printing, and plain old photocopying in an informal cyber cafe setting, is the brainchild of three business graduates of the University of Virginia's Darden School.

“We realized we had something unique worldwide and that Europe was a market waiting to be tapped,” says 32 year old Pascal Monteiro de Barros.

The idea is to provide a complete document service for companies that work around the clock, seven days a week, producing anything from simple business cards to glossy annual reports. The concept is a totally new one in Portugal.

“Our aim is to provide the best expertise, services, and technology so that our clients can focus on their business while we handle the documents and images,” Monteiro de Barros says.

The relaxed atmosphere at the store, where customers can drink coffee and read newspapers while they wait, is all part of the package.

“Many customers have tight deadlines, and we wanted to create an atmosphere that would reduce tension and help people work to their own timetables.”

Monteiro de Barros teamed up with fellow Portuguese Darden graduate Luis Martin de Bastos, 31, and American Michael T. Melloy, 38, after they did some research on the potential of a photocopying franchise. Initially, the three raised a meager \$240,000, but a private equity placement of \$2.5 million in May 1995 has funded their subsequent rapid expansion.

The megastore opened in January last year, and the group, which currently has 240 employees, is now working on setting up a multinational chain in Europe, starting with megastores in Madrid and Barcelona.

Planet's business results speak for themselves. Average sales growth is around 30 percent a year, and the group expects to post total 1996 sales of around \$5 million. The company now has around 35,000 client transactions a month compared with 2,500 a month in January 1994.

—*Samantha McArthur*

COPENHAGEN

DAMGAARD DATA

The story is anything but typically Danish. Two brothers started their own software business in the basement of their parent's home in a suburb of Copenhagen at the age of 21 and 23. Now, 12 years later, they employ 284 people and own a company jointly with IBM, which will market the Concorde financial software program specially developed for the small and medium-sized companies that are characteristic of Denmark.

The brothers, Erik and Preben Damgaard, explain that the key to the success of their company, Damgaard Data, is their very close personal relationship and skillful exploitation of their complementary strong points. Erik Damgaard is an engineer and started work on his software program while studying at Columbia University in the US.

His younger brother Preben was at the same time a student at the Copenhagen Business School, and by the time he graduated he had started his computer retailer business with a strong slant toward software. This division of labor has been maintained since and with obvious success.

Over the past four years Damgaard Data has more than doubled its gross profit, ranking it among one of Denmark's fastest growing companies. On the basis of the IBM contract signed in January this year, turnover is expected to quintuple by the year 2000, and at least 200 new employees are needed—if they can be found.

High taxes and the lack of entrepreneurial spirit, both fostered by the welfare state, are not the only constraints on business expansion in Denmark, as many critics claim and not without reason. The Damgaard brothers provide their own entrepreneurial spirit in abundance and have survived high taxes, but they have to compete fiercely to attract

the scarce computer-literate talent.

The area north of Copenhagen, which includes the Birkerød headquarters of Damgaard Data, has already been dubbed the Danish Silicon Valley because of the large number of software and other computer-related businesses, including an IBM Program Library. The Proximity of Denmark's Technical University is an important factor, but the presence of a large proportion of highly educated people in the greater Copenhagen area has favored all knowledge-intensive industries.

Young Danes, however, have been slow to respond to increased demand from computer and software companies, preferring liberal arts and the social sciences to engineering and computer-oriented studies. Industry and the government are trying to change this situation, but it is a slow process. To meet demand and reduce costs, an increasing number of Danish companies are outsourcing, especially to India. But Damgaard Data is still looking for Danes.

—*Leif Beck Fallesen*

DUBLIN

UPWARDLY MOBILE

Denis O'Brien, 39, is fair haired, fresh faced, and oozing sincerity and charm. But don't be fooled. Behind the baby-faced boyish facade is one of the most successful Irish businessmen of his generation. As the chairman of Esat DigiFone (which later this month will launch Ireland's second mobile telephone service), he is also a significant player on the wider European commercial broadcasting stage.

O'Brien sees himself as the David rather than Goliath of his country's telecommunications industry. Others detect a hint of Don Quixote, never happier than when tilting at establishment windmills.

Certainly there was a touch of Cervantes' “impossible dream” when O'Brien set out to capture Ireland's second mobile telephone license. Esat DigiFone was up against bids by some of the biggest names in the telecommunications world, including the giant AT&T and Motorola. But, against the odds, O'Brien's firm emerged as the clear winner in November 1995.

This month, with most of the preparatory work completed, its GSM network should be competing for customers with the former state-owned Telecom Eireann

monopoly. The two main shareholders in Esat Digifone are Esat Telecom Holdings, O'Brien's telecommunications company, and the Norwegian state-owned company Telenor—both of which own 40 percent of Esat Digifone. The remaining 20 percent is owned by International Investment and Underwriting.

O'Brien says he sought out the Norwegian company because of their expertise in the mobile phone market, which helped him make the winning "pitch for the license."

Dublin-educated O'Brien, with an MBA from Boston College, worked in a bank before joining Tony Ryan, founder of the GPA aircraft leasing company. Two years as Ryan's personal assistant gave O'Brien what he terms "a frazzling but invaluable learning experience."

However, that experience didn't help him in his first job after leaving GPA. East Television, a home shopping satellite channel, was a costly flop. But it did kindle O'Brien's interest in broadcasting and telecommunications.

His first radio venture—in 1989—saw his Classic Hits FM station in Dublin become an overnight success. O'Brien's formula—easy-listening music, with a strong emphasis on news and sports—won an instant quarter share of the lucrative Dublin market.

O'Brien's Dublin radio success has been repeated in other countries, particularly in Central and Eastern Europe. His Kiss 98FM has been operating in Prague since 1992, and more recently, O'Brien's group has launched a national network of 10 radio stations in the Czech Republic, including Radio Proton in Plzen, Radio Hay in Brno, and Radio Morava in Ostrava. Further acquisitions in the Czech Republic are planned.

O'Brien's group also holds a radio license for the Hungarian capital, Budapest, and is one of a number of applicants for a station license in Warsaw, Poland, and Vilnius, Lithuania.

Last year, O'Brien sold the Swedish radio station Klassica Hits 106.7. It was awarded the license to operate the Stockholm-based station in October 1993 and went on-air the following year. Within four months it had become Stockholm's fourth most popular commercial station (out of 10). The station was sold to DMG Radio, the broadcasting arm of the British *Daily Mail* media group, with the proceeds aimed at boosting O'Brien's Eastern European developments.

But O'Brien has also set his sights on

acquisitions outside Europe. Within the last few months, O'Brien's Radio Investments has joined with a local group in South Africa to bid for a station serving the Cape Town area. Mynama Holdings is a group of 250 local black and colored entrepreneurs who want to enter the radio business. They will take an 80 percent shareholding, giving O'Brien's company 20 percent.

O'Brien's rapidly expanding communications empire—with increasing investment from the United States—has already made him a multi-millionaire. But his lifestyle is still modest and controlled. He says he's happiest when working and sees himself, plainly, as an entrepreneurial salesman rather than a marketing genius.

O'Brien says the word "entrepreneur" is not well understood in Ireland. Education, he says, has the single most important role in shaping an entrepreneurial culture. Traditionally, mothers wanted their children to grow up to be anything but a person seeking to make a profit and create wealth. He claims there's now a new sub-phenomenon—young people emerging from college who want to be in public relations or marketing but not asking a customer for an order. O'Brien says with some passion: "It's as if the word 'sales' does not appear in the business dictionary."

He suggests there's a need to focus on creating an entrepreneurial culture, of recognizing the real value to society of the successful business and removing the stigma of failure.

His advice: "The most important set of lessons that I have learned have not come from books or case studies but from having a business failure and being responsible for it."

Future MBAs—and prospective entrepreneurs—please note.

—Mike Burns

VIENNA

AUSTRIA'S WATER KING

When Andreas Weissenbacher was four years old, growing up in the tiny village of Hintersee, not far from the city of Salzburg, the local priest gave him a piggy bank as a birthday present. "That's for your first million," the priest said.

It took Andreas another 30 years to become a millionaire, but his wealth never passed through the belly of that plastic pig. It was soundly invested in BWT (Best

Water Technology Corporation).

In 1990, Weissenbacher was chief executive of the Mondsee-based high-tech company when the German Benckiser group, BWT's parent company, decided to pull out of water technology. He thought this was an opportunity too good to pass.

He had become a strong believer in the increasing value of fresh water. Since salt water accounts for 97 percent of the earth's water and another 2.4 percent is not fit for human use, fresh water is increasingly becoming a scarce commodity. As the population grows and pollution fouls more bodies of water, the value of fresh water continues to increase. Weissenbacher concluded that an enterprise focused on processing drinking water, decontaminating waste water, and catering to private, industrial, and community water needs would rapidly grow into a promising global business.

With the help of some private investors and an enthusiastic consortium of Austrian banks, Weissenbacher took over BWT for a reported sum of about \$80 million. Two years later, BWT went public, and a new issue in 1994 provided the company with ample funds for expansion.

Expansion at that stage was mainly fueled by strategic acquisitions. BWT took over 26 companies in six EU countries, Switzerland, Poland, Hungary, and the Czech Republic, adding new regional markets as well as new technologies like air purification or ultra-pure water treatment to meet the demand of the pharmaceutical and microelectronics industries.

Today, BWT employs more than 1,300 highly trained and motivated people and is a European market and technology leader in the field of water purification. Profits have jumped from \$5 million to \$19 million on sales of \$230 million.

In order to stay ahead, BWT-boss Weissenbacher, now 37, employs a double strategy: Innovation, (the company invests 5 percent of total sales in research and development), and geographic growth.

Sales in Austria, Germany, France, and Italy account for three quarters of the total, but slack economic growth and government expenditure restrictions somewhat darken future perspectives there. Weissenbacher pinpoints Eastern Europe, India, and the Far East as most promising growth markets. And he plans to challenge two global competitors

there: US Filters and Kurita from Japan.

Financial analysts in Vienna and London are optimistic about the company's future because water regulations around the world tend to become more stringent every year and because BWT's technology appears to allow the company to offer competitive pricing for its products.

Few in Austria doubt that the dedicated Weissenbacher can do globally what he has achieved in Europe—to become number one in the water business. He admits to being a workaholic and says an occasional skiing trip is about the maximum permissible diversion. As to other personal distractions, he says, "Oh yes, I do have a girlfriend, but I guess I'm still married to my company."

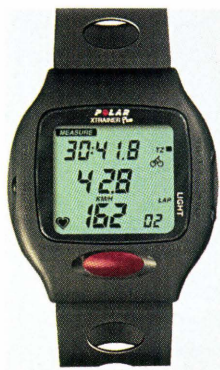
—Reginald Benisch

HELSINKI

POLAR'S BEAT GOES ON

If you live in a country with only 5 million inhabitants in a town with less than 110,000 people, with snow covering the ground more than seven months a year—what would you decide to do if you were an entrepreneur? How about developing and manufacturing highly sophisticated electronic devices for pulsation monitoring to be used by the jogging and biking fanatics in sunny California?

Well, that is at least what Seppo Saynajakangas, 54, a former professor in electronics at the Oulu University, decided to do. He set out to provide athletes with a monitoring device that would gauge the effectiveness and efficiency of their cardiovascular workouts while remaining easy to use, portable, and non-distracting. His company, Polar Electro based in the middle of nowhere, some three miles north of the town of Oulu (at approximately the same Northern latitude as Mount McKinley, Alaska) produces the world's most sophisticated heart rate



Polar's heart rate monitors have become all the rage among endurance athletes seeking to maximize their workouts.

monitors for a wide range of athletes and fitness enthusiasts. It is hard to see the difference between a Polar heart rate monitor and a digital wristwatch. Some models perform both functions. One will, however, certainly notice the difference, when the tiny little computer starts to beep, telling you to increase speed, because your workout program demands tougher exertion for the next 7.5 minutes, providing you are serious about losing a pound a week.

Mr. Saynajakangas was initially inspired by a local cross-country skiing coach, who complained about the difficulties involved in the accurate monitoring of the development of his athletes' fitness. In 1976 Mr. Saynajakangas introduced his first monitor, which was an immediate hit with local athletes. Knowing that anyone concerned with their fitness, could benefit from the Polar Heart Rate Monitor, he decided to go big. To begin with, he tried to find a strategic partner, but all of the established Finnish exporting companies he approached turned him down. A decision many of them regret today.

Today Polar Electro is a multi-million-dollar business. The turnover is expected to exceed \$200 million this year. The company employs more than 1,000 employees and produces units in facilities in Finland, Hong Kong, and China. Polar has marketing companies in the US, the Netherlands, and Germany, and a research and development company in Switzerland. Polar Electro monitors are used on every continent on the globe, including Antarctica. Ninety-five percent of production is exported—one-third goes to the US, another third goes to the EU countries, and some 15 percent heads to the Far East. In the US, Polar Electro holds 80 percent of the market share.

One might assume that Mr. Saynajakangas would be ready for an easy life in a nicer climate. Wrong. Not only is he constantly developing his creation, but he is also a professor of entrepreneurship at Oulu University.

—Thomas Romantschuk

STOCKHOLM

SOMETHING ABOUT AMELIA

Stockholm is a low profile land, but I am originally from Italy so I can be more exaggerated. Since I'm not low profile I can generate quite a lot of publicity," says Amelia Adamo, editor-in-chief

of a successful women's magazine named after who else, herself. Financially backed by the large Swedish publishing firm, the Bonnier Group, Ms. Adamo, who just turned a youthful 50 a few weeks ago, has discovered a previously unfulfilled niche in the Swedish magazine market.

Amelia, approaching a circulation of 105,000, is geared toward working women over the age of 25 who are interested in more than fashion and gossip. "We fill a niche by having a bit of everything in our magazine, including 8 pages devoted to work, business, and economic issues," says the magazine's editor-in-chief in a recent interview. "I used myself in the promotion of the magazine. Many people were skeptical, but it worked. We broke even after six months and are now making money at a very good rate," says Adamo.

Amelia is a unique mix between the serious and the sensational. "We provide useful information for women, but we also have a little bit of sensationalism in our pictures and in our headlines," she says. The magazine has the sex appeal of *Cosmopolitan* and the serious stories that can be found in working women's magazines in the US.

Why is Adamo a risk taker? "I guess I have a short memory. I forget that I can't sleep and that I worry when I start new projects," says the successful entrepreneur. "Maybe inside I want to prove I can accomplish many things. I drive myself very hard to accomplish my goals."

Adamo says she is not one of Sweden's big entrepreneurs like Ikea, the well known furniture store with branches across the world. "I'm just one of the small Swedish entrepreneurs," she sighs.

Amelia is already branching out, having published a special issue on weddings and brides and another special issue for expectant mothers.

Amelia, the editor says that *Amelia*, the magazine has "an intimate tone. Reading *Amelia* is like talking to a friend."

And it should be noted that *Amelia* has many male readers. Several pages of the bimonthly magazine are devoted to men's issues. As the lively and energetic editor of the magazine comments, "Women want to see men and men's issues, too."

—Robert J. Guttman and Frida Kasteng

NEWSMAKERS

A few European entrepreneurs who have all made it under the age of 40:

From his humble beginnings as a fisherman in the Norwegian village of Molde, **Kjell Inge Rokke**, 38, has risen to become the whitefish king of the world. These days 12 percent of the world's annual catch is fished and processed on his boats.

He spent several years in Seattle, where he built up his fishing fleet, then returned to Oslo in the early 1990s to team up with his boyhood friend Bjorn Rune Gjelsten. Recently he negotiated the merger of his RGI group with Aker, a big construction and oil industry group, thereby creating one of Norway's largest businesses. It currently has an annual turnover of around \$3.1 billion.

•••

Emma Marcegaglia, 30, made industrial history in Italy last year when she became the first woman to be elected president of the country's Young Industrialists Association. After having graduated in business-economics from Milan's prestigious Bocconi business school, she earned a master's degree at New York University. Now, as the no-nonsense financial and managing director of her father's steel products group, Marcegaglia is urging her fellow industrialists in Italy to take a more global view and to "adapt to the increasing challenges and changes on the international market front."

•••

Ten years ago, as a teenage tennis star from Czechoslovakia, **Pavel Stanek**, 25, escaped from his chaperones during a tournament in West Germany and asked for political asylum. He went on to study business in California and has now been back home for five years, making his mark as one of the Czech Republic's youngest millionaires.

His import company, Potten & Pannen, began in a one-room office with one telephone line. He used to arrange meetings with representatives from supply companies in a hotel "because I didn't want them to see I didn't have a real office. I said ours was under construction." His big break came when he landed the exclusive importing and distribution rights in the Czech Republic for two of the world's top kitchenware companies. Stanek currently supplies more than 900 retail outlets, and last year his company grossed almost \$1 million.

•••

One of the few computer software designers who is not struck dumb with admiration at the mere mention of **Bill Gates'** name, is **Linus Torvald**, 25, from Finland. He thinks that Gates developed Microsoft strictly "for the money," but says that he himself is in the business because he enjoys it. To prove it, Torvald has put his Linux computer software package, which now has almost 3 million users, on the Internet for all to use.

This month he plans to launch a new Linux 97 version, which he claims will be much more useful and accessible to personal computer users than the much-hyped Windows 95: "It will be a big improvement and a product anyone can use." When he is not at the keyboard, Torvald has to fight off offers from various software companies who would like to hire him and pay him pots of money.

—*Ester Laushway*

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ARTS & LEISURE

BOOKS

Down With Big Brother: The Fall Of The Soviet Empire

By Michael Dobbs; Alfred A. Knopf; 451 pages; \$30

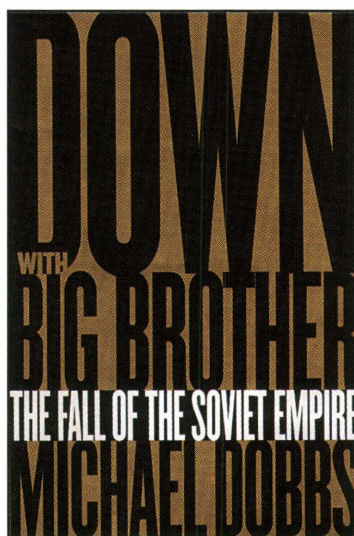
The real mystery about the Soviet Union's command economy is not that it collapsed when it did but that it managed to survive for so long.

Michael Dobbs, a diplomatic reporter for the *Washington Post* and an eyewitness to the historic events from Gdansk to Belgrade to Moscow, chronicles in his new book, *Down With Big Brother: The Fall Of The Soviet Empire*, the reasons for the demise of the vast Soviet Empire. By focusing on the key personalities (the good guys: Lech Walesa, Václav Havel, and Boris Yeltsin; the bad guys: Slobodan Milosevic, Wojciech Jaruzelski, and Leonid Brezhnev; and the good-bad central character of the entire drama, Mikhail Gorbachev) Dobbs has written a wonderful firsthand account of these enormous events that have literally changed the face of the world.

I have always wanted to write in a book review that "this book reads like a novel." I can now say that this excellent, well written, dramatic, and comprehensive account of communism's final days in the Soviet Union and Eastern Europe does indeed read better than most novels I have read lately. It is a book that is

hard to put down. The author captures the major players in this real-life drama and makes them come alive throughout the book. The reader relives the historical events that changed our lives as Dobbs puts these momentous times into perspective.

I was most impressed by the "sideshow" events away



from the Kremlin, the White House, and the other centers of political power. Dobbs' overview of the Chernobyl nuclear accident was the best I have read of that tragedy and the feeble Soviet reaction to it. As he says, "the real villain of Chernobyl was not the operators or even the designers of the flawed reactor, but the Soviet system itself."

The chapters on the Soviet's failed military adventure in Afghanistan also makes for reading worthy of a best selling novel. As the author states, "It was this doctrine—the doctrine of the irreversibility of history—that was being undermined by the withdrawal from Afghanistan.

If the forces of socialism were defeated in Afghanistan, the Kremlin would find it difficult to hold on to places like Nicaragua, Ethiopia, and Poland."

The profile of Boris Yeltsin is better than Yeltsin's own view of himself in his recent autobiography. Dobbs has captured Yeltsin's personality, and his description of the August coup is the most informative I have read. He also captures Mikhail Gorbachev as a man who started a process that he could no longer control. Gorbachev who "was unwilling to abandon the communist ideology altogether" stands out as the tragic figure of the book.

If more books on history were written with this type of style, wit, and precision, we would certainly have more students and young people and the population as a whole interested in these important topics. I look forward to the author's future books with much anticipation. *Down With Big Brother: The Fall of the Soviet Empire* is one of the best books yet written on the final days of the cold war.

—Robert J. Guttman

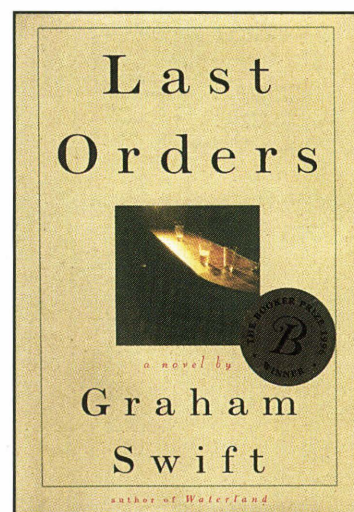
Last Orders

By Graham Swift; Alfred A. Knopf; 295 pages; \$23

Last Orders, Graham Swift's latest novel and the 1996 Booker Prize Winner is a deeply moving novel focusing on a journey made by a group of four friends who have forged deep bonds through shared or similar

wartime experiences and through the love of the same local pub. They are brought together to embark on a journey when Jack passes away, leaving last orders that his ashes be scattered off the end of Margate Pier.

And so Swift takes us on not one but three journeys. The most obvious takes the path of the actual events of the day. Although it is Ray's voice we hear narrating the tale, each man is given the chance to have his say, in the same way that each is given the chance to carry the urn bearing Jack's ashes, as if it were some cherished trophy. Through these voices, shadows of doubt are cast on the simplicity and the depth of their friendships. The reader becomes a confidante of each man, learning of secrets, wishes, and past resentments. The innermost thoughts are left simmering below the surface of friendship, as they have been for many years, and each man tries his best to play the role of referee, trying to avoid a confrontation on



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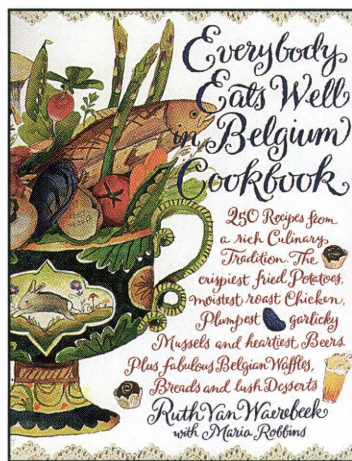
Then, with different chapter headings, such as "Bermondsey" and "Blackheath," the reader is treated to a description of the route from London to Margate. This is one of the most commercial journeys to be made in England, the main route from London to the cross channel ports of Dover and Ramsgate, and anyone who has ever made this journey, whether by car or by train, will find familiar the descriptions of the city gradually, almost reluctantly, giving way to the rolling downs of Kent, better known as the Garden of England.

Finally, on a more somber note, Swift also portrays a sort of social history of post-war England. Focusing on the dissolution of the family, each man has to confront his own family crisis: A breakup of a marriage or children moving to another continent. Events that today seem al-

most run-of-the-mill were not so common to those who grew up in the days before the war and recession. Family businesses suffer: Not only does Jack's butcher shop lose money from the competition of the nearby supermarket, he also has to face the most hurtful fact of all: Vince does not want to join the family business, but would prefer to run a used car lot. Vic, of course, has none of these worries, as an undertaker he is certain of continuing business.

And yet this thought provoking tale never once falls into gloom or despondency. Wit and humor lace each man's observations, and in his eloquent manner, with fluid prose, Swift treats his readers to a homely tale of life in Southeast London, a tale that is both heartwarming and comforting. Undoubtedly, this is one of the best British novels of 1996.

—Claire Bose



Everybody Eats Well in Belgium Cookbook

By Ruth van Waerebeek with Maria Robbins; Workman Publishing; 336 pages; \$15

A quick glance at the new *Everybody Eats Well in Belgium Cookbook* offers some tasty recipes that soon had my taste buds tingling and also reveals some fascinating tidbits about life in Belgium itself. Leafing through the appetizers, the "Bay Scallops on a Bed of Belgian Endives" caught my interest, while I also learned about fishing for shrimp on horseback. Following a tradition that began in the 1400s, every morning at low tide, a group of local fishermen in Oostduinkerke, put on their yellow slickers and heavy boots, mount their enormous Belgian workhorses, and march into the surf with their fishing nets to catch the tiny North Sea shrimp.

If you're a fish fan, this book is a must as there are lots of delicious recipes to choose from. A favorite Belgian dish of mine is *moules frites*, and there's a whole section dedicated to the fine art of cleaning and preparing mussels—the Belgian way!

If meat's your fancy, there are tasty recipes for "Roast Leg of Lamb with Pungent Mustard" or "Flemish Beef Stew Cooked in Beer."

Since beer is the national

drink of Belgium, it's hardly surprising that there's a whole chapter on cooking with beer. While cooking up a hearty stew, you can also learn about the art of pouring beer and how Belgian Trappist monks brew their own beer.

To accompany the fish and meat dishes, there's a whole range of potato recipes. The "Mashed Potatoes with Caramelized Shallots" sound scrumptious (made with Idaho potatoes of course), as do the crispy "Potato and Leek Pancakes."

To round off your Belgian meal, there's "Custard Pie with a Praline Topping" or bake yourself a "Belgian Waffle" stuffed with fresh berries and sprinkled with sugar. This book reveals one of Europe's best-kept culinary secrets—Belgium!

—Susan J. Burdin

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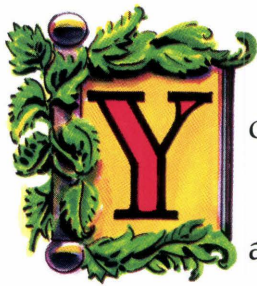
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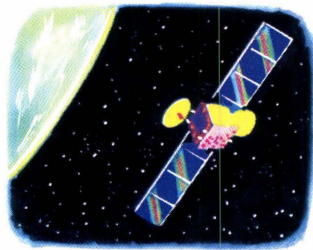
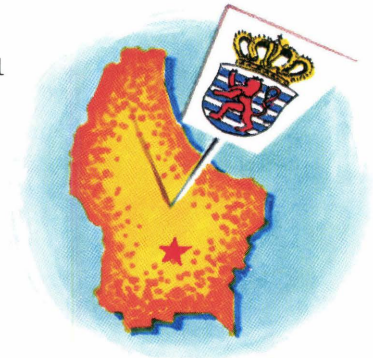
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