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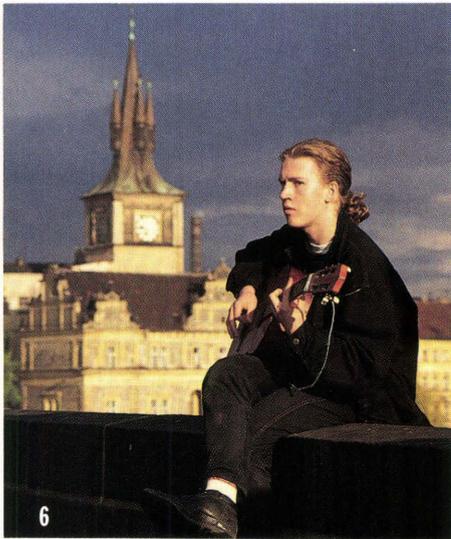
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EUROPE

MAGAZINE OF THE EUROPEAN UNION



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CENTRAL EUROPE

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Letter from the Editor

Berlin is rebuilding and redefining itself as the new political, cultural, and architectural capital of Germany. Berlin is literally rebuilding itself as new construction projects make the city the busiest construction site in the world. From the new Potsdamer Platz project which will house corporate offices for Daimler-Benz and Sony to the new shopping and residential project at the former Checkpoint Charlie to the new Jewish Museum to Christo's wrapping of the Reichstag in June, Berlin is a city in transition. *EUROPE* looks not only at the new buildings but also at the history of the city, the business of Berlin, and some leisure activities for tourists heading to this beautiful city this summer.



Rebuilding Berlin. Construction and renovation are taking place all across the city.

Reginald Dale looks at Germany's new role in Europe and the world and finds that "Germany's interests and those of Europe largely coincide." He points out that many countries including the United States would like Germany to "show more leadership than it's doing."

Wanda Menke-Glückert, our Berlin correspondent, discusses the political situation in Germany today with a special look at the Free Democratic party (FDP), the junior partner in Helmut Kohl's conservative coalition. As she points out, "The FDP's electoral fortunes have waned in the last two years." Ms. Glückert mentions the rise of other parties at the FDP's expense.

EUROPE also probes the economic recovery now taking place in Germany and how this affects the mark versus the dollar. We also look at labor costs, pay increases, and overall productivity in Europe's leading economic country.

Barry Wood, writing from Prague, talks of another booming economy, and this time it is in the Czech Republic that is fast becoming the leading success story in Central Europe. He attributes the fantastic success in large part to the country's leaders, including President Vaclav Havel, who has been called the country's "moral conscience," and Prime Minister Vaclav Klaus, a strong supporter of the country's free market policies. Throw in the Czech Republic's central location, old trade links with the West, and their divorce from Slovakia and you have a bustling economy with one of the lowest unemployment rates in all of Europe.

Wood also profiles Slovakia and presents some encouraging economic news from Bratislava. He is, however, not as encouraging about the direction of the Hungarian economy. As *EUROPE* indicates, "Most countries of Central and Eastern Europe are moving in the right direction, albeit in a zig-zag fashion."

As the world celebrates the fiftieth anniversary of the end of World War II, *EUROPE* lists the many activities that will be taking place across Europe marking this historic event. We talk to several World War II veterans to get their views on Europe 50 years after the end of the war.

Also this month, *EUROPE* welcomes Helsinki, Stockholm, and Vienna to our Capitals section.


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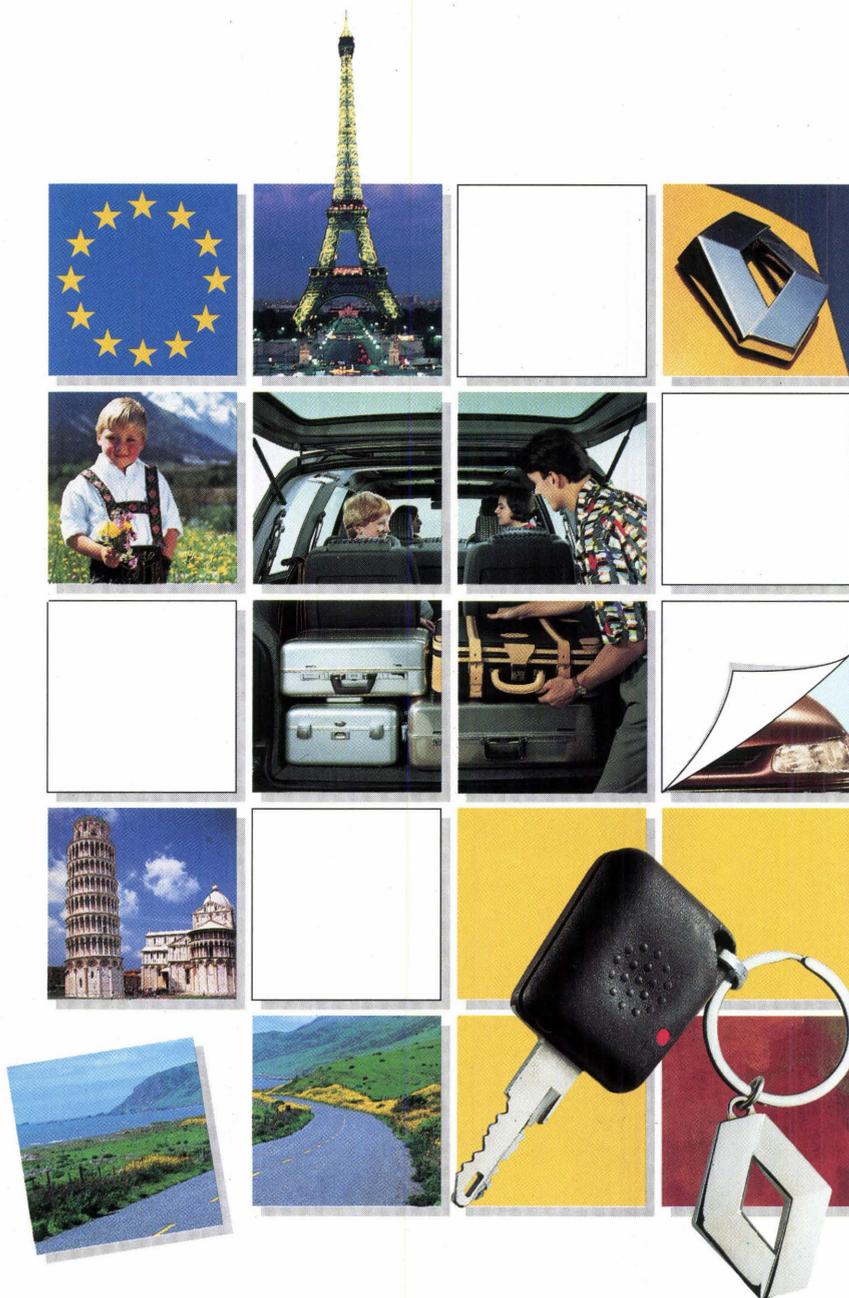
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Reuters has contributed to news reports in this issue of *EUROPE*.

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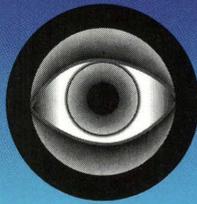
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EYE ON THE EU



Profiling
Personalities and
Developments
Within the
European Union

Niels Erbsoll has been one of the most influential persons ever to serve as an EU official. For 14 years until the fall of 1994 he was secretary-general of the Council of Ministers, giving sage advice and encouragement to a long succession of national ministers who took their six-monthly turn to preside over the Council. Before that he had a long career in the Danish foreign service, culminating in a three-year stint as Denmark's permanent representative to the European Community.

He took his retirement, at the age of 58, but the Danish

government has called him back to service as its repre-



Niels Erbsoll (left) and Peter Ludlow have offered pragmatic suggestions for how the EU should change.

sentative on the Committee of Reflection, which, from



July onward, will be preparing the way for the 1996 Intergovernmental Conference (IGC). In the meantime, he has drawn on his vast experience to write, jointly with Peter Ludlow, director of the Brussels-based think-tank CEPS (the Center for European Policy Studies), a highly stimulating paper setting out his ideas for the agenda of the conference.

Erbsoll and Ludlow's approach is a strictly pragmatic one. They recognize that the European Union is neither a fully fledged federal state nor a mere intergovernmental association, even though there is no shortage of people advo-



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cating that it should become one or the other. Rather, they assert, it has "a dual character as at one and the same time an association of national states and a quasi-federation with a direct relationship to individual citizens." The exact balance between these two elements may well be affected by changes agreed at the IGC, but the essentially hybrid nature of the EU, they argue, is almost certain to remain.

The clear implication is the business of the IGC is not to produce Utopian blueprints that have no chance of being unanimously approved by the representatives of the member states. Rather the IGC should confine itself to proposing modifications to the present structures which will enable them to perform more effectively and, crucially, to prepare the way for further enlargements, which may increase the number of

member states to around 30 within the next decade.

Within these relatively modest parameters, the two authors have a mass of practical suggestions to make. The most significant, perhaps, concern the Council of Ministers, undoubtedly the most powerful of the Union's institutions, but one whose role is inadequately defined in the Rome and Maastricht treaties.

The fact that the three newest members (Austria, Finland, and Sweden) are all relatively small countries, as are most of the potential new recruits from Eastern and Mediterranean Europe, has led to some suggestions, particularly in France, that the presidency of the Council should no longer rotate automatically, at six-monthly intervals, between all the member states. Rather, it has been urged, a major political figure should head the Council for a

term of three to four years.

Ersboll and Ludlow reject this, arguing that it is one of the strengths of the Union that each of the member state governments should be closely involved in its organization at relatively frequent intervals. With 30 members the opportunity would arise only once in 15 years, so the benefits of accumulated experience within national foreign ministries would be lost. They suggest, instead, the formation of "team presidencies" in which member states in a larger Union might be divided into four or five groups, each representing approximately 100 million citizens. Each group could then exercise the presidency for a year or 18 months, ensuring that everybody had a lengthy turn at least every six years.

So far as the Common Foreign and Security Policy (CFSP) is concerned, the authors acknowledge that it has

gotten off to a shaky start, but are not convinced that major institutional changes are necessary or indeed possible, given the refusal of member states to cede their own right of initiative over foreign policy issues. Nevertheless, they clearly believe that the present unanimity rules are too rigid. They argue that three modifications should be considered: "greater use of majority voting as a matter of course within the context of the CFSP; provisions allowing coalitions of the willing to take the initiative (and) firm rules governing relations between the willing and those who abstain."

When the Committee of Reflection starts its work it will find an invaluable starting point in Ersboll and Ludlow's paper. It is also essential reading matter for everybody else who is concerned with the future development of the EU.

—Dick Leonard



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CENTRAL EUROPE

By Reginald Dale

**Singing
a New
Tune**

Modern day minstrel serenades tourists and residents on Prague's Charles Bridge.

“We thought that the changes would come about more quickly, much more easily. Alas, reality turned out to be cruel and much more severe, and now we are paying the price for our own illusions,” Bulgarian President Zhelyu Zhelev.

“The communist thinking is ‘Hey, you’ve got a lot of money in the West. Give us some, and we’ll be right too.’ They don’t understand that you’ve got to change the way you think before the profits roll in,” Richard Thornton, general manager of General Motors in Poland, was quoted in *The Washington Post*.

In much of Central and Eastern Europe, the path from state socialism to capitalism has turned out to be tougher, and longer, than many people expected in the first flush of freedom from communist rule. It has often proved as hard to change attitudes and expectations as to reform economic structures.

The medium-term prospects for most countries of the region are still bright—particularly for those that are geographically and culturally closest to Western Europe. After crashing with the collapse of communism, the economies of the former Soviet Union’s European satellites are now steadily expanding.

If the European Union can successfully integrate the two halves of Europe in the coming years, the potential economic gains will be enormous. The countries of Central and Eastern Europe could provide the same kind of low-cost hinterland for Western Europe that Latin America may do for the United States and East Asia already does for Japan.

But it is now clear that the “Hong Kongs” of Central Europe, which many people have predicted, are not going to spring up overnight.

Even the former East Germany, despite its absorption into the richest country in Europe, is going to need much more time to modernize than originally expected. After the Berlin Wall fell in 1989, some leading West German experts thought it would take the East about five years to catch up. Now most people say 15 to 20 years.

And if Eastern Germany needs a generation to draw level with the West, the process is obviously going to take much longer in countries that don’t have a big brother to take them by the hand and pay their bills.

Distressed by the difficulties of the transition and failing to see any immediate economic benefits, voters in some countries—including Poland, Hungary,

Bulgaria, and Lithuania—have reverted to former communist leaders.

These are not real communists. They are not going to try to turn back the clock, which would anyway be impossible. Mostly they are pragmatists, and some are as committed to change as the “reformists” they replaced.

“Adam Smith buffs they are not, but Karl Marx wouldn’t recognize them either,” *The Wall Street Journal* wrote recently.

But the backlash has shown not only how hard it is to progress smoothly down the road from socialism to a market economy. It has underlined how crucial it is that leaders build public support for their policies—a task in which few politicians east of the old Iron Curtain have much experience.

Nevertheless, it is clear that while some countries are doing much better than others, most countries of Central and Eastern Europe are moving in the right direction, albeit in zig-zag fashion.

With the deadening blanket of Soviet-style central planning suddenly removed, the Central and East European nations are being drawn in different directions by their divergent histories, aptitudes, and national characteristics.

And as a rule the countries bordering the West—the Czech Republic, Poland, Hungary, Slovenia, and the three Baltic states—are the ones that are doing best. In fact, culturally and historically, these countries belong much more to the West than they do to Eastern or even Central Europe.

It is not surprising that the countries that have moved furthest and fastest to “normality” are those with the strong-

est national identities, the biggest middle classes, and the most developed economies before World War II, according to Anthony Robinson of the London *Financial Times*.

The Czech Republic, Slovakia, Hungary, Poland, and the Baltic states have retained distant memories of independent national status and democracy that were snuffed out after World War II.

By contrast, Russia and the other countries of the former Soviet Union have no democratic tradition to draw on in rebuilding their societies. For them, it is clear that reintegration into the world economy is the task of decades and probably of generations.

But many of the former communist countries have made similar economic mistakes, according to Richard Portes, director of the London-based Center for Economic Policy Research. These include over-optimistic production forecasts, failure to deal with the problems of bankrupt banking systems, excessive currency devaluations, and overly restrictive monetary policies.

Property restitution schemes have created uncertainty and discouraged investment; privatization procedures have been too complex; trade arrangements with former communist neighbors were dissolved too quickly; and inadequate attention was paid to reducing external debt.

Many countries have failed to attract much-needed foreign investment. While Poland, Hungary, and the Czech Republic had by last year received a total of more than \$20 billion, none of the other countries had reached more than \$1 billion.

Nevertheless, economic growth has picked up throughout the region, after plummeting in the immediate aftermath of communism’s demise. Exports, particularly to Western Europe, are booming.

The Czech Republic, Hungary, Slovakia, and the three Baltic states all grew at rates of 3 to 4 percent last year, according to estimates by the European Bank for Reconstruction and Development (EBRD) in London. Poland and Slovenia spurted ahead at 5 percent.

Albania topped the European league with 7 percent growth last year, after 11 percent in 1993. But the country is coming from so far behind as to be hardly comparable to the others.

The major laggards are Romania,



Vaclav Klaus's canny political skills and Thatcherite free market philosophy have helped speed the Czech Republic's economic progress.

with estimated 2 percent growth last year, and Bulgaria, with zero, both of which risk being left behind as the other Central European countries move closer to Western Europe.

In both countries, reforms have stagnated, and the state retains widespread control over the economy. Only 35 percent of Romanian output, for instance, is privately produced, against 55 percent in Hungary, Poland, and Slovakia and 65 percent in the Czech Republic.

But the real disaster areas lie further east in the former Soviet Union. Russian gross domestic product fell by an estimated 15 percent last year; Ukraine plunged 23 percent; Belarus 26 percent; and Georgia a shocking 35 percent (after -40 percent in 1993 and -43 percent in 1992).

It is scarcely surprising that Eduard Shevardnadze, the Georgian leader and former Soviet foreign minister, recently lashed out furiously at the West for failing to follow up its victory in the cold war with a visionary approach to the East Bloc's problems.

"Having saved enormous sums of money upon ending the cold war, the civilized world did not invest those savings in support of democracy and freedom in Russia and the new independent states," he said in London.

"The philosophy of the triumphant shopkeeper, wildly exultant after having won a victory against his competitor has prevailed."

Mr. Shevardnadze's bitterness may be understandable, but he has lost some of his perspective. There is no way the mood in Western Europe over the past few years could be described

as "wildly exultant." And the truth is that the former communist countries that have done best have succeeded as a result of their own efforts, not West-ern aid.

Poland took the early lead, blazing a trail with the "shock therapy" plan designed by Leszek Balcerowicz, then deputy prime minister and finance minister, for a rapid move to a market economy. Five years later that plan can be said to have broadly succeeded.

But the more recent star of Central Europe is the Czech Republic, which has avoided many of the other countries' economic mistakes and the political backlashes they have suffered as a result.

The Czech Republic's success owes much to the canny political skills of Prime Minister Vaclav Klaus, who has managed to combine a Thatcherite free market philosophy with a tight incomes policy, exchange controls, and a major public works program.

The Czech Republic was also hugely helped by the 1993 secession of Slovakia, which took with it most of the former Czechoslovakia's useless heavy industry and many of the old communist attitudes. The Czechs have also benefited from a tourist boom centered on Prague.

This felicitous mixture of good luck and good management has helped the Czech Republic engineer an "employment miracle," in which the jobless rate was held to only 3.5 percent last year. Slovakia's rate was more than four times higher, at 15 percent, according to estimates by the Organization for Economic Cooperation and Development (OECD) in Paris.

(Those figures compared with un-

employment rates of 10.8 percent in Hungary, 11 percent in Romania, 16.5 percent in Poland, and 17 percent in Bulgaria.)

Although Poland and Hungary have formally applied for EU membership, and the Czech Republic has still to do so, it is the Czechs who have come closest to catching up with the West. They have the lowest inflation rate of the Central European countries, at around 10 percent, and they are not far behind the Greeks in per capita income.

Czech income per person is approaching half the EU average, while the other Central European countries are at levels of between 20 and 30 percent. Portugal was at half the average when it joined the EU in 1986—it is now at 65 percent.

But all the Central European countries, including the Czech Republic, have a long way to go before they can integrate themselves successfully in the EU. Even if they join the Union by the year 2000, as they would like, long transition periods will be required before they can assume the full economic rights and obligations of membership.

And it is not just the Central and East Europeans who will have to change. Many industries in the existing member states—not to mention high cost West European farmers—will have to adapt to low-cost competition from the new entrants.

As Carl Bildt, the former Swedish prime minister wrote recently, "There is considerable risk that the enormous economic benefits will be neglected in a debate increasingly dominated by fears of change."

If they can continue their progress toward the free market, some Central European countries "will probably be viewed in a decade's time as more successful and promising than some existing members," Mr. Bildt says.

Some German analysts predict that in the not-too-distant future, Eastern Germany will be the most modern region of Europe. What is vital for the existing EU members is to understand that this promising vision is not a threat but an historic opportunity of unprecedented proportions for Europe. ☉

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

Boom Time for the Czech Economy

By Barry D. Wood

Imagine the scene. It is early February, and Josef Tosovsky, the Czech central bank governor, is flying back to Prague from the World Economic Forum meeting in Switzerland. Often serious, today he is particularly somber. His problem? The Czech Republic has too much foreign investment; so much money is coming into the country that the money supply is rising too fast, making it difficult for the central bank to meet its target of getting inflation under 10 percent this year.

The macro-fundamentals in the Czech Republic are remarkably strong. In 1994 the transformation recession ended and the economy grew by 3 percent; unemployment remains negligible—perhaps the lowest in Europe; the budget is in surplus; the balance of payments is in surplus and reserves have risen dramatically. Privatization is nearly complete with the private sector accounting for two-thirds of output. Business and consumer confidence is high as the country sets its course for integration with Western Europe.

Prime Minister Vaclav Klaus has taken to saying that after four years of transformation surgery, “Czech Republic is out of the recovery room and in the fitness center, exercising

The 15th century Old Town Hall Clock is one of many charming reminders of “Old Prague” that continue to attract swarms of Western tourists.



its muscles" for a return to normal activity.

Back in March when the dollar was spinning to record lows against the Japanese yen and German mark, only a few European currencies rose in tandem with the mark. They were the Dutch guilder, the Swiss franc, the Austrian schilling, and—unnoticed—the Czech and Slovak crowns. Alone

that after left-wing electoral victories in neighboring states, the Czech Republic stands alone as the only right-wing government in the former East Bloc.

For the Czech Republic, membership in the European Union and NATO are the principal foreign policy objectives. Confident that it is the best suited, most worthy of the post-communist applicants, the Czech authori-

the worldly philosopher king, renowned for inspiring speeches that win global acclaim. Wise Czechs observe that despite differences, Havel and Klaus are of the same blood type and they cooperate for the good of the nation.

Prague, already Europe's fastest growing tourist destination, looks more Western every month. Regularly, scaffolding comes off another building, revealing centuries old beauty restored to original brilliance.

Nowhere is the triumph of *fin-de-siècle* capitalism better observed than at what was Red Army Square near the Charles bridge. Here, if you're quick, you can still slip into the U Dvou Stitů café, a workman's bar with stand-up dining and the grotty smoke-filled veneer that was the dull staple of life under communism. Here a beer is still less than half a dollar. Gaze out the window at the majestic Rudolfinum, the 100 year old neo-renaissance concert hall. And across the river is the elegant government building and above it, the towering spires of St. Vitus cathedral that is

Prague's Thirsty Dog Pub attracts the hip young crowd in Central Europe's "hottest" city.



Prague, already Europe's fastest growing tourist destination, looks more Western every month.

among East European currencies, the Czech crown has held its value against the dollar since 1991, meaning that while the Hungarian and Polish currencies were steadily devalued, in real terms the Czech crown has been steadily revalued.

Several factors give Czechs and foreigners confidence that the transformation is succeeding here. Look at a map. The Czech Republic is wedged into the rich German speaking part of Europe. Prague is in the mid-point on the generally north-south corridor between Berlin and Vienna, each of which is only four hours away by car. Old trade links with Germany and Austria are being quickly restored.

The divorce from Slovakia has freed the Czechs from a chronic cash drain to the poorer part of the old Czechoslovakia. But more importantly it has made the job of finding political consensus far easier. Only because Slovakia is gone can Prime Minister Klaus boast

ties stand aloof from even the other fast track EU applicants like Hungary and Poland. Prague's formal application comes later this year.

Two very different personalities dominate the national debate. Vaclav Klaus, the abrasive 53 year old economist who engineered and presided over the transformation, regards privatization and restructuring as paramount. A normal society, he has argued successfully to the Czech electorate, emerges only after macro-stabilization and the building of a market economy.

Vaclav Havel, 57, the hero of the velvet revolution, is the non-executive president. He radiates moral legitimacy. The sincere, modest, sometimes rather bumbling playwright is the perfect foil to the arrogant Mr. Klaus. Mr. Havel is

enveloped by the sprawling Prague castle, the symbol of the Czech nation.

You pinch yourself. How can this glorious view still be had from a workman's pub? Well, it can't. This dive is doomed, soon to be replaced by the likes of a Ritz Carlton. Close your eyes and you can already see the promenading Berlin and Viennese dandies in town for the opera. The women wear elegant scarves and hats. The men are all in black with long coats and wide-brimmed hats, their hands clasped behind their backs. Mercedes wait at the curb.

This is the light and color that is sweeping aside the dirty grays and browns of the steadily receding communist past. ☺

Barry D. Wood, based in Prague, is a regular contributor to EUROPE.

Don't Give Up On Slovakia

In Kosice in East Slovakia the pleasant green hills stretch east toward the Ukraine border 50 miles away. South of the city is the sprawling East Slovak Iron Works, the biggest employer in the entire sub-Carpathian region. Wide-gauge Soviet rail tracks, bringing in Ukrainian iron ore, roll right up to the gate.

Known by its Slovak initials, VSZ is proof that not all of the gigantic industrial undertakings from the communist period are failures. Built in the early 1960s as the largest integrated steel-making complex in Eastern Europe, VSZ has been successfully privatized and is a leading Slovak exporter, bringing in 25 percent of all export earnings.

Its Eastern markets lost with the collapse of the Soviet Union, VSZ aggressively marketed its high quality sheet and coils in Western Europe and Asia. The strategy has been successful. Profits are up and could triple this year.

The key to success, of course, is cheap labor. Even though the steelworkers at VSZ are the highest paid workers in Slovakia, they still earn a tenth of their counterparts in Western Europe. Seeking to preempt protectionism in Western Europe, VSZ says it has no intention of increasing its EU sales in 1995.

Like VSZ Slovakia has defied the forecasts of decline that were pervasive at the time of Czechoslovakia's "velvet divorce" at the end of 1992. Burdened with uninspiring politicians, Slovakia has been managed economically with great skill. Growth in 1994 was 5 percent, exceeding that of the Czech Republic. The trade account went from deficit to surplus. Inflation is down below 10 percent, the currency is holding its value, and reserves are growing. Privatization, only half done, has fallen victim to partisan debate. Momentum has been lost and the process significantly slowed.

Left-leaning, populist Prime Minister Vladimir Meciar,



Prime Minister Vladimir Meciar is trying to guide Slovakia toward EU membership while reestablishing economic links with Russia.

in the top job for the third time, is seeking to guide Slovakia into EU membership while at the same time restoring economic links with Russia. The combative Mr. Meciar says Slovakia has a duty to return to the Russian market. He says the country can be a bridge between East and West.

Over the next few months, Mr. Meciar's strategy will be tested. Can he move forward on privatization and secure the business confidence needed to attract foreign investments? Can he develop smooth working relations with Hungary and defuse the tension his coalition partner created with hostile comments about the large Hungarian minority in Slovakia? Can he work successfully with Austria—arguably Slovakia's most important partner—to resolve the controversy over completing the Soviet-designed nuclear power plant at Mochovce that is so bitterly opposed by Vienna?

It is a tall order. But it would be a mistake to sell Slovakia short.

—Barry D. Wood

Worrying About Hungary



Hungarian Prime Minister Gyula Horn's government got bogged down in a bungled privatization that sent shudders through the business community.

What a pity about Hungary? It's done so well for so long attracting more foreign investment (\$7 billion) than the rest of post-communist Eastern Europe combined. And yet even with growth in 1994, surveys reveal that Hungarians believe they have little to show from the investment boom.

One can't visit Budapest without concluding that it is a very significant place. Unlike bucolic Prague and bustling but characterless Warsaw, Budapest throbs with that rare combination of vibrancy and elegance. And it's big, bigger than Vienna, with the same grid-locked rush hour traffic.

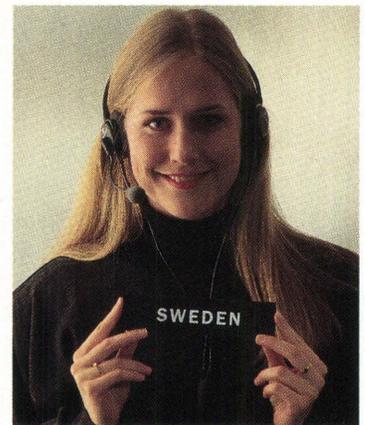
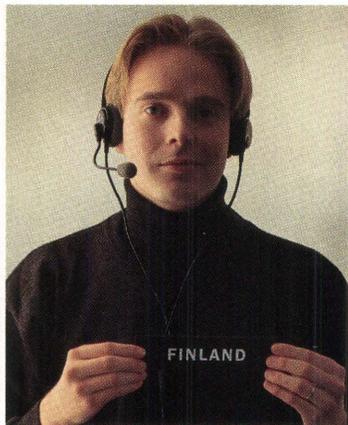
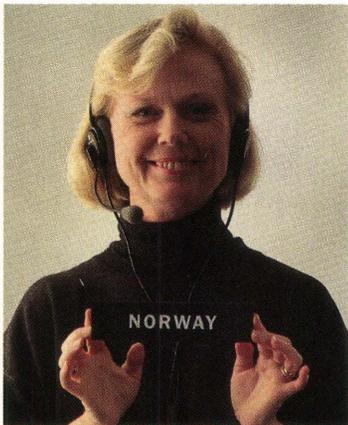
Hungary's problem is that it has a government that doesn't seem to be able to make up its mind. Former communist Gyula Horn rode to power a year ago with a Socialist majority in the Parliament. Regrettably, precious time was squandered in the fall and winter. Then the government got bogged down in a bungled privatization that sent shudders through the business community. The finance minister resigned, the privatization commission

was fired, the stock market swooned along with business and consumer confidence.

"I worry about Hungary," says Otto Storf of Deutsche Bank Research in Frankfurt. "So much time has been lost." Foreign investors aren't giving up on the diminutive, likeable Mr. Horn. A World Bank economist in Budapest applauds the prime minister for removing the nationalist edge from political discourse that was so pervasive during the years of the previous right-wing government.

Unlike its Polish, Czech, and Slovak neighbors Hungary has a big foreign debt. And given its gaping budget and current account deficits, idle speculation that Hungary could become another Mexico is downright worrisome. Nine months ago the head of the International Monetary Fund lectured the Hungarians that they were living beyond their means. Nothing was done. Now, belatedly, the Horn government is trying to scale back subsidies and social benefits. But few observers believe the medicine is strong enough or will be energetically administered.

—Barry D. Wood



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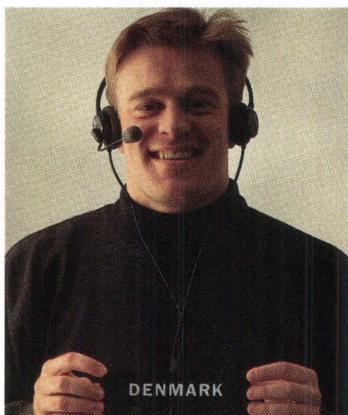
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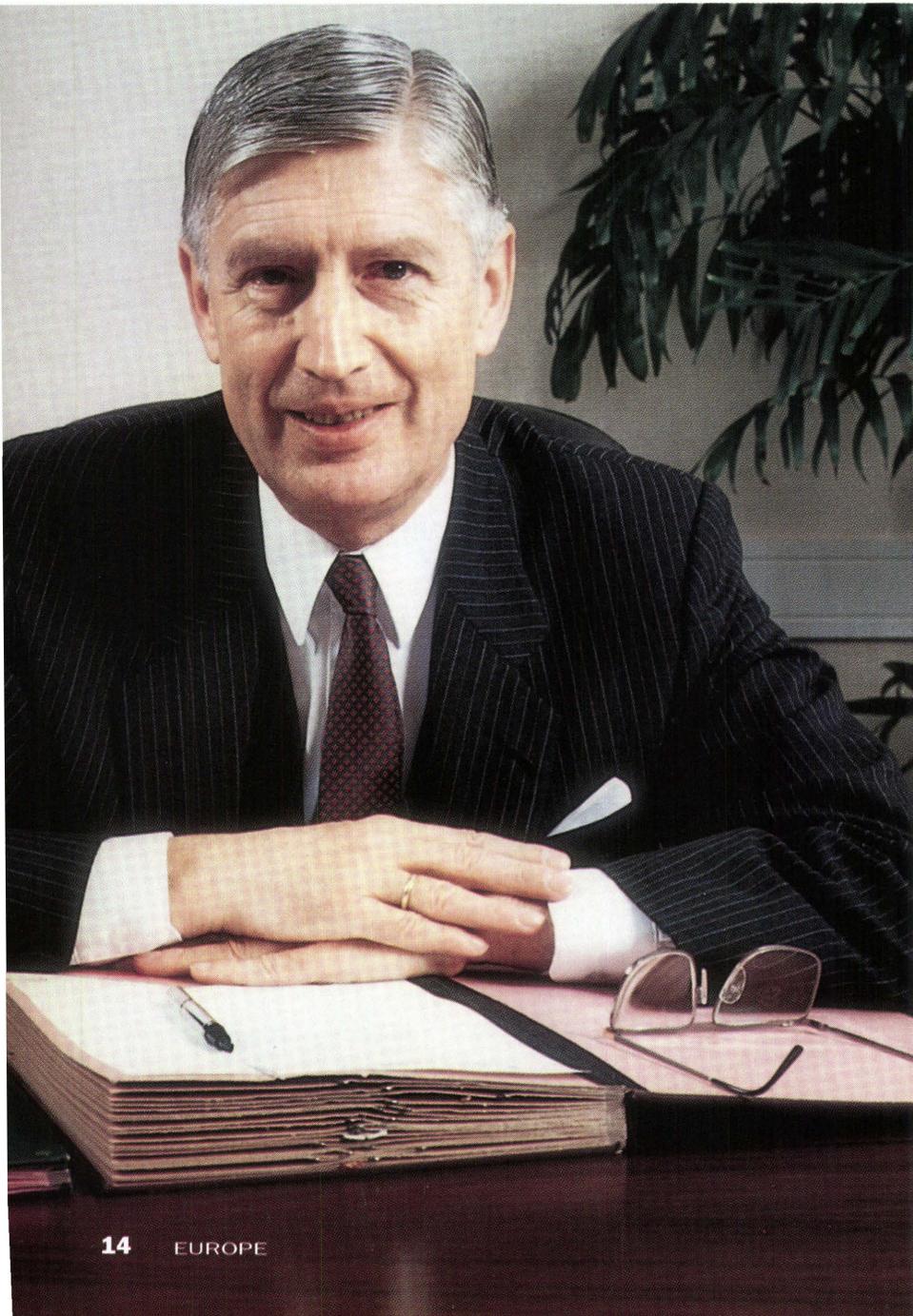
Andreas van Agt

EUROPE Editor-in-Chief Robert J. Guttman recently interviewed the European Union's head of delegation in Washington, Ambassador Andreas van Agt. The ambassador, who is a former prime minister of the Netherlands, discusses his views on Central Europe, Germany, NATO, and the problems facing Europe today.

How far east should the EU look for new members? What Central European countries should become EU members? Will any former Soviet republics ever become EU members?

Political pledges have already been extended to the Visegrad countries as well as to Romania and Bulgaria. Also Slovenia has virtually been granted an entry ticket. Moreover, the three Baltic states have received clear signals that their joining the Union is only a matter of time.

Other countries, further to the east, such as Belarus and Ukraine, are hidden in a forest of question marks with regard to their potential for EU membership. To conceive of the Russian Federation as an EU member state transcends the span of my imagination.



Is Germany the dominant country in the EU? Are they taking on more responsibilities in the EU?

Economically speaking Germany is the most powerful country of the EU 15. Its currency commands worldwide respect. It is the main contributor to the EU budget. Nevertheless, the Germans don't attempt to boss the others around. Admittedly, once in a while Bonn speaks up, for instance when it came to an early recognition of former Yugoslav republics. But there is no pattern of trying to dominate. The Federal Republic of Germany is among the strongest proponents of accelerated integration, still close to the concept of supranationalism as enshrined in the founding treaties. Germany faithfully fulfills all the responsibilities incumbent on it by virtue of its membership in the EU. For sure, Germany is reluctant to send troops beyond the borders of NATO, in a UN or similar context. That is perfectly understandable and should not be criticized.

How essential is NATO in the post cold war era?

With the collapse of the Soviet Union the very existence of NATO has come to be questioned. It would be supremely unwise, however, to toll the bell for NATO now. There may be no imminent threat in these days to the integrity of the territories covered by the alliance, but clouds are gathering on the horizon.

Russia is at present just a question mark. Likely as it may be that Russia will evolve in the years ahead into a more democratic, more stable, hence less imperialistic power, that is not certain at all. Disruptions, dislocations, chaos, rampant corruption and crime, a humiliated army, all this could well prompt a relapse into authoritarianism and aggressive posturing toward neighboring countries.

There is, moreover, the disturbing phenomenon of the proliferation of weapons of mass destruction, notably in countries—some close to Europe—with rogue regimes. The Middle East remains a powder keg, and rumblings announcing political earthquakes can be heard on the south rim of the Mediterranean. In this context, NATO keeps Turkey connected to the West in the nowadays closest feasible fashion.

Finally, NATO is, in institutional terms, the bridge par excellence spanning the Atlantic. To destroy this liaison without any replacement in sight would be utterly irresponsible.

What has Europe learned as we remember the fiftieth anniversary of the end of World War II? Is the world a safer place since the end of the cold war or is it more chaotic?

Since the end of World War II two epochal

developments have occurred: the creation of the European Community (now the European Union) and the collapse of the Soviet Empire. As to the former, we all tend to just take [the EU] for granted nowadays and to focus solely on the problems, the setbacks, and the shortcomings of the enterprise, losing sight of what it is and remains—an historic achievement, i.e. a lasting, unshakable conciliation between the main powers of Western and Central Europe after centuries of warfare among them and two world wars in this century both triggered by intra-European enmities. Between members of the European Union armed conflicts have become totally inconceivable. In this regard, Europe, and the world, has grown more stable and safer.

What are the major problems facing Europe today and in the near future?

Problem number one is unemployment. Joblessness in Europe is markedly higher than elsewhere in the industrialized world, and it is in large part a problem of structure. The structural changes needed to cope with this problem are strongly resented and resisted. To bring them about will be an uphill fight.

The unemployment crisis is further exacerbated by the immigration hitting Europe from all sides, but most notably from the Balkans, the Middle East, and North Africa. To exemplify the size of this threat let me focus for a moment on the Mediterranean. The income gap between the regions north and south of the Mediterranean Sea is breathtaking. In the EU per capita income is on average about \$20,000, in the Maghreb and the Mashreg countries on the other hand it is just \$1,000. This gap is widening as a result of the population explosions along the southern rim of the Mediterranean.

For the European Union a major problem is shaping up: a host of countries to our east is clamoring for entry tickets, but there is still not enough political will among the present membership to revamp our institutions and decision-making processes in such a way as to keep the Union viable and manageable once it is enlarged as presently envisaged. The intergovernmental conference in 1996 will be crucial. The political barometer portends trouble. If the conference gets stuck in the mud, those willing to make a quantum leap forward will then hopefully move ahead in concert leaving the others behind for the time being. The principle of a multi-speed Europe has already been enshrined, implicitly, in the Treaty of Maastricht: some four years from now there will be an EMU and a single currency regardless of the number of countries then qualifying for it and willing to join. ☺

Since the end of World War II two epochal developments have occurred: the creation of the European Community and the collapse of the Soviet Empire.

GERMANY

Europe's Reluctant Leader

By Reginald Dale

When the Berlin Wall fell in November 1989, the whole of Europe celebrated. But for most of Germany's neighbors, the celebrations were tinged with nervousness.

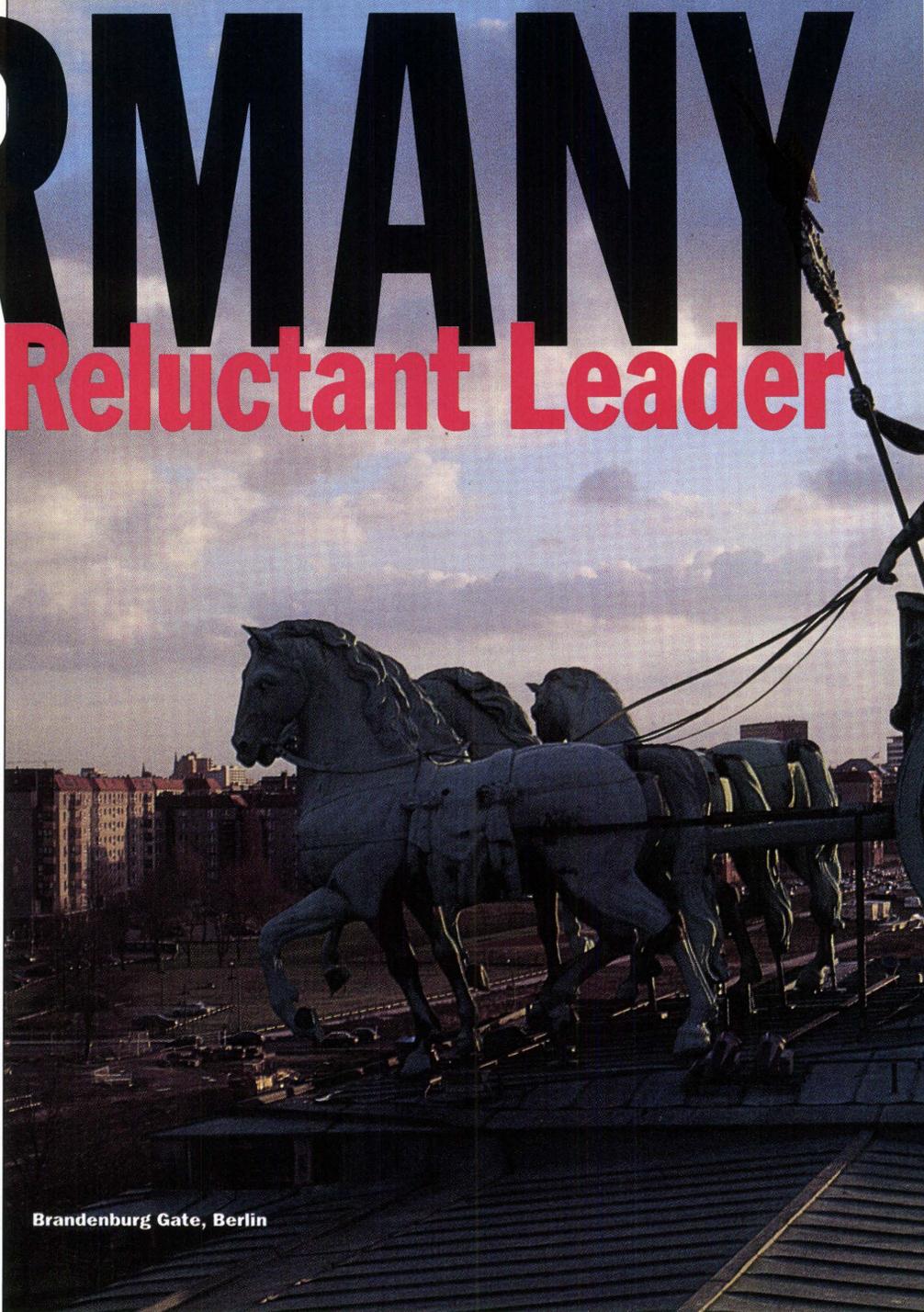
Governments that had officially supported German unification for the best part of half a century suddenly began to worry that a united Germany would quickly become an economic and political colossus dominating the continent.

Fears that a powerful, self-seeking Germany would go its own way—shared by many Germans themselves—were the main reason why the European Union countries rushed through their flawed Maastricht Treaty on closer economic and political unity at the end of 1991. The idea was to strengthen the ties binding Germany into the Union before it was too late.

Now, five and a half years since the Wall was breached, it is clear that—understandably perhaps—those fears were exaggerated. With hindsight, it appears that the loss of national sovereignty implied by the Maastricht Treaty has scared European public opinion more thoroughly than the specter of a newly dominant Germany.

In terms of population and economic and financial strength, Germany is now far and away Europe's leading power. But it does not want to lead—let alone dominate its neighbors.

Germany is still a political and psychological prisoner of its own blood-



Brandenburg Gate, Berlin

stained 20th century history. It is restrained as much by the conclusions most Germans have drawn from that history—and by the liberal democracy that has flourished since World War II—as it is by the bonds of the European Union.

Germany would certainly like to enhance its role on the international stage, for example, by acquiring a permanent seat on the United Nations Security Council.

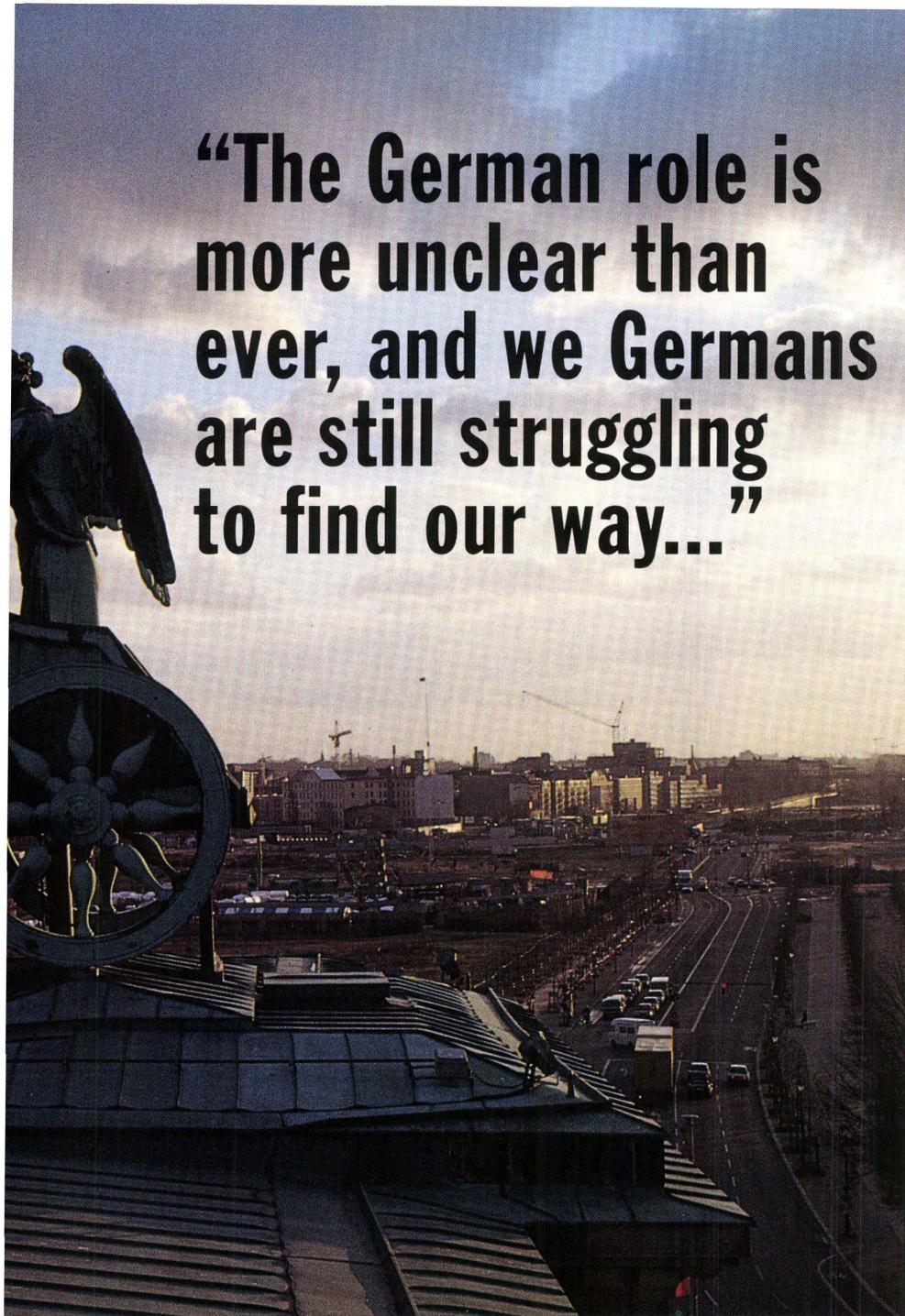
It wants to convince its EU partners of the crucial importance of its foreign policy objectives—above all to secure the stability of Central Europe by extending both NATO and the European

Union to the East.

It is sometimes clumsy in trying to assert those objectives, as it was in pressuring its partners to grant diplomatic recognition to the component nations of ex-Yugoslavia.

It imposes strict economic and monetary policies that its neighbors have to follow whether they like it or not. By forcing up European interest rates, the Bundesbank obliged Germany's partners to help pay a heavy price for German unification in terms of recession and unemployment.

But Germany is not big enough to be a superpower like the United States. It is not a nuclear power and is unlikely



“The German role is more unclear than ever, and we Germans are still struggling to find our way...”

to be one for the foreseeable future. It does not share the French obsession with national independence, nor does it share France's ambition to be Europe's political and military leader.

In contrast to the first half of this century, Germany's interests and those of Europe now largely coincide. The vast majority of Germans and the German political class agree with Chancellor Helmut Kohl's dictum that the goal must be "a European Germany, not a German Europe."

Some other Europeans would, in fact, like Germany to show more leadership than it is actually doing. So would the United States.

German officials, however, flinch from such thoughts. "That would be going too far," said one senior German official responsible for European policy, when told that other Europeans would like to see Germany in a stronger leadership role.

In Washington recently, Graf Otto Lambsdorff, a leading spokesman for the Free Democratic Party, the junior partner in the governing center-right coalition, suggested that Germany was now the number two power in the Atlantic Alliance after the United States.

Pressed on the point, he quickly drew back. He was talking only about NATO he said, where Germany has the

second largest armed forces after the United States. "It would be very dangerous if Germany tries to be the leading power in Europe," he said. "We must be equal partners in the European Union."

Many Germans say not only that they do not want to lead but that they do not even know where they are going. "The German role is more unclear than ever, and we Germans are still struggling to find our way," an official in Mr. Kohl's office said recently.

Although last year was packed with local, state, and national elections, no major debate emerged on Germany's future role in Europe or in the world. On the contrary, Rudolf Scharping, the opposition Social Democratic candidate for chancellor, came to Washington to reassure the United States that his foreign policy, if elected, would be virtually identical to that of Mr. Kohl.

The German presidency of the EU, during the second six months of last year, was marked less by decisiveness or domineering than by a disappointing ineffectiveness. "Most German presidencies are like that," said an old Brussels hand.

Of course, Germany's view of its role will evolve in the years ahead. Historic inhibitions, particularly strong among today's older generations, will diminish. But change is unlikely to be sudden. There is no way Germany is simply going to shrug off the history of the 20th century.

As Graf Lambsdorff puts it, "Germany will remain the reliable partner which it has been hitherto. Perhaps slow and hesitant, and sometimes perhaps a little too blustery as well, but reliable. Germany will not go it alone anymore."

In the past 50 years, says Josef Joffe, foreign editor of the *Sud-deutsche Zeitung*, German attitudes have been shaped not just by genuine revulsion against the militarism that led Germany into two world wars, but by the realization that pacifism has been profitable.

While France and the United States squandered blood and treasure around the world—from Indochina to Algeria, from Korea to Vietnam—the West Germans could tend their gardens and add to their gross national product, he wrote recently.

The war in Algeria in the 1950s overturned the French system of government, and the Vietnam War almost rent

asunder the United States. West Germany, by contrast, lived happily ever after in deep domestic peace.

"The twin lesson—the disaster of militarism and the sweet wages of pacifism—is not easily unlearned," says Joffe. Indeed, during the Gulf War, a majority of West Germans confessed to pollsters that they would prefer to live like Switzerland or Sweden.

But, as Mr. Joffe points out, a nation of 80 million people, the biggest in Europe, cannot live like Switzerland writ large. That is fully understood by Mr. Kohl's Christian Democrat-FDP coalition—and, much more grudgingly, even by the Social Democratic opposition, whose pacifist roots go back to the 19th century.

Despite the continuing strength of the pacifist influence, Germany is gradually accepting that, if it is to become a "normal" country—like France, the United Kingdom, or the United States—and particularly if it wants a seat on the Security Council, it will have to play a greater role in resolving international crises, perhaps even a military one.

Last year, the Constitutional Court ruled that German soldiers may participate in overseas peace-keeping operations, and small ground forces have been assigned to Cambodia and Somalia. In ex-Yugoslavia, German forces are giving logistic and humanitarian support.

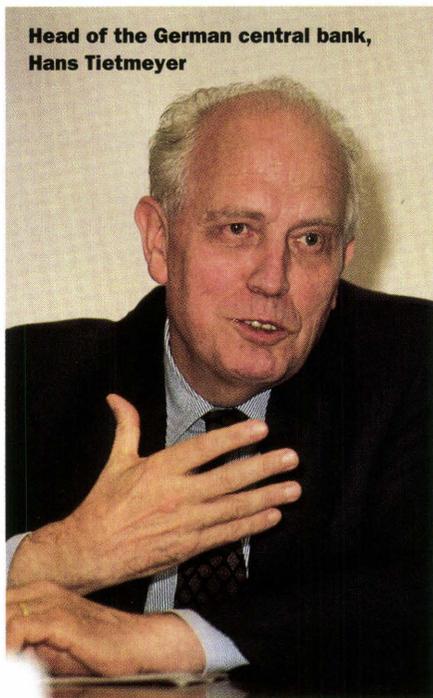
An opinion poll published earlier this year suggested that Germans are shedding their reluctance to see the country's armed forces sent on international missions that could involve combat.

More than 75 percent of the poll's respondents supported using German troops for humanitarian missions and peace-keeping or to prevent genocide, for defending threatened allies and for

blocking proliferation of nuclear or chemical weapons.

Support for action fell dramatically, however, when specific scenarios were suggested. Barely half supported taking part in a hypothetical NATO strike against Libya to stop it from acquiring nuclear weapons. And only one in four said German troops should help de-

Many observers say that economic and monetary union in the EU will take place on German terms or not at all.



Head of the German central bank, Hans Tietmeyer

fend Poland against a Russian attack—a figure that fell to 14 percent in the case of Ukraine.

The precise future modus operandi of the country's armed forces remains the most impassioned area of foreign policy debate. On other issues there is a consensus unusual in a democracy. Big majorities support close ties with the United States, NATO, Germany's EU membership, and the EU's expansion to include the countries of Central Europe.

Most Germans agree with Mr. Kohl that Germany's eastern border should not mark the frontier of the West and that their country will be best off surrounded by prosperous, stable neighbors with Western-style democracies.

Most of the country's political leaders want to see a Germany ever more deeply embedded in an integrated Europe based on the federal model provided by Germany itself. Foreign Minister Klaus Kinkel is calling on next year's EU inter-governmental conference to agree on a "comprehensive renewal" of the EU institutions, including majority voting on foreign policy issues and more powers for the European Parliament.

There is strong support for the special relationship with France. Michael Sturmer, director of Stiftung Wissenschaft und Politik, a German foreign affairs and defense policy institute, wrote recently that in France, expressing basic doubts about Germany is considered poor style but is recognized as a potential source of

votes. "In Germany, by contrast, anti-French language, either on stage or off, is viewed not only as politically incorrect but also as extremely foolish."

This is more true in political and foreign policy circles than it is among economists. Bundesbank officials can be privately scathing of France's economic policies. And it is primarily in the economic field that Germany's partners are most likely to chafe over German leadership in the years immediately ahead.

By insisting on placing the EU's future central bank in Frankfurt, the German government and the Bundesbank have issued clear notice that they intend to keep maximum control over their partners' economic and monetary policies. In this area at least they will, as far as they can, insist on a German Europe, not a European Germany.

That means that economic and monetary union in the EU will take place on German terms or not at all. And the conditions will not just be economic. One of them will be progress to the more politically united Europe that Germany seeks.

This time, however, the point is that the conditions Germany is setting, both economic and political, are intended to construct a prosperous, united, and democratic Europe, not to destroy it. It is in the rest of Europe's interest to heed the voice of this benevolent and constructive Germany. ☺

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

A Tenuous Coalition

By Wanda Menke-Glückert

As the mainstream parties in Germany seemed to have lost touch with the voters, protest parties have been flourishing. "There is a growing rift," says Professor Gertrud Höhler, "between the voters and their established politicians." Compared with 1990, Chancellor Kohl's Christian Democratic Union lost 2.5 percent in the last national elections in 1994. The opposition Social Democratic Party lost 2.9 percent, but the junior partner in Helmut Kohl's conservative coalition, the liberal Free Democratic Party (FDP), plummeted from 11 percent in 1990 to a catastrophic 6.9 percent. Chancellor Kohl was barely able to form a coalition with a paper thin majority of .3 percent or 10 seats. This majority compares with that of 134 seats in 1990.

The liberals, king-makers of almost every Bonn coalition in postwar Germany, have become unpredictable. Shortly before the national elections last October the media battle over the fate of the battered FDP made it evident to every voter that Chancellor Kohl could stay in power only if the FDP managed to get over the 5 percent hurdle in the elections.

The FDP also profited from tactical voting of CDU supporters who cast their second vote for the FDP to make sure Helmut Kohl remained chancellor.

The FDP's electoral fortunes have waned in the last two years. It crashed out of eight consecutive contests and the European Parliament election. In Eastern Germany the FDP was beaten mercilessly. Some 110,000 members turned their backs on the liberals. The present membership in the East is just 30,000 and 60,000 in the West. Critics say that the FDP was punished by the voters for their lack of a coherent policy profile and their lack of personalities. Sharing the spoils of power in the Kohl government and at the same time retaining a separate identity has proved too difficult for the FDP.

Klaus Kinkel, the party leader and foreign minister, has been blamed by many for the party decline. Others point their finger at Hans Dietrich Genscher, the former foreign minister and party leader. He resigned from both posts, they say, leaving the party in a vacuum. It was felt that the party relied too much on him and that he was the party. Still others believe that the decline began when Genscher switched coalitions in 1982 leaving Social Democrat Helmut Schmidt for Christian Democrat Helmut Kohl. "The FDP has lost its soul," concluded Ralf Dahrendorf, former chancellor of the London School of Economics. The liberal left suffered a severe blow. The party neglected its grassroots and its princi-



Klaus Kinkel, Germany's foreign minister and head of the junior coalition partner FDP, has been blamed by some for his party's waning support in recent elections.

ples as a citizens' rights party, as a party of the ecological movement, and as a party of human rights. The younger generation no longer felt represented by the liberals and thronged to the Green Party. The difference between the politics of the liberals and the Christian Democrats blurred. Voters no longer knew what FDP stood for.

At the first state elections since last October's federal election, the FDP has averted the downward trend. It has managed to stay in the state parliament in the prosperous state of Hesse by winning more than the required

minimum of 5 percent of the vote. Although the CDU-FDP votes together did not suffice to topple the governing coalition of SPD-Greens, the FDP's success in Hesse is an important turn in the FDP's political fortune, which also strengthens the Kohl-Kinkel coalition in Bonn. Granted the SPD lost 2.9 percent, but its coalition partner, the Greens, made up for it. The Greens are no longer a lightweight. "The former clientele of the liberals now vote the Greens," comments Norbert Wiczorek, a prominent SPD deputy.

The FDP's success in Hesse is a signal to the party as a whole. Its place is in the political center. Its supporters are the small- and medium-sized enterprises, the self-employed dentists, doctors, lawyers, the executives, and craftsmen. The party has to live up to its philosophy of reduced state interference and greater freedom for the individual. The crucial test will come in the state elections of North-Rhine-Westphalia and Bremen in May, and Berlin in October. Can the successful turnaround in Hesse be repeated? Heiner Geissler, a prominent reformer in Kohl's CDU, doesn't think so. In his view, the FDP might become irrelevant and his strategy would be to obtain state government coalitions with the Greens—a previously unthinkable tactic, but one that could work if the FDP does not survive. ☹

Wanda Menke-Glückert is EUROPE's Berlin correspondent.

Strong Mark Worries Exporters

By Wanda
Menke-Glückert

Economic recovery in Germany is entering its second year. In 1994 GDP rose by 2.9 percent. The worst recession since World War II, which hit the country in 1993, is over. But the present turbulence in the currency markets and the strength of the mark have added weight to fears that Germany is still a long way from emerging a winner on the competitive world markets.

"The turmoil in world currency markets could sooner or later blunt Germany's competitive edge," warns Professor Meinhard Miegel with the Economic and Social Research Institute in Bonn. For the powerful Association of the Mechanical Engineering Industry (VDMA) the stormy currency "epidemic is poison to recovery." The German precision tools industry is already facing strong competition from the United States and above all from Italy.

The strength of the mark is not comforting to corporate Germany, nor is a new higher than expected wage agreement. After a brief strike in the prosperous southern state of Bavaria, the IG Metall engineering workers trade union won a wage settlement of an average annual rise of about 4 percent. Too high, say German employers, economists, and the Bundesbank. As expected, the IG Metall deal sets nationwide benchmarks for wages in other industrial and service sectors.

Last year's recovery was greatly helped by wage restraints. Wages rose by only 2 percent while consumer prices went up by 5 percent. Labor costs per unit of production fell in Western Germany by some 5 percent—the highest



After a brief strike in Bavaria, the IG Metall engineering workers trade union won an annual 4 percent pay raise, which has many economists and business leaders worried.

drop in postwar Germany. "The present, unduly high settlement will increase labor costs and force companies to dislocate investment to other countries," predicts Norbert Walter, chief economist of the Deutsche Bank in Frank-

furt. He expects that domestic investments in Germany will not accelerate, which was the main hope for fueling next year's recovery.

Germany's economic recovery has been slower than most previous post-

war recessions. In 1994, growth was mainly driven by exports (up almost 10 percent in the fourth quarter) while private consumption remained sluggish. In 1994, the GDP grew by 2.9 percent. During the recession year 1993, GDP

Numerous shifts of production capacity out of Germany indicate that German costs are still rather high.

German fears that appreciation of the mark together with wage increases would make life difficult for German

ment rose slightly in February to 14.7 percent of the work force. The Federal Labor Office reported that while there had been a welcome decrease in the number of people on short shifts, the number of long term unemployed re-

“If the currency turbulence continues, full order books are no guarantee that they will make a profit. You can still become poor despite swelling order books.”



fell by 1.1 percent. Radical corporate rationalization measures and adjusting product ranges to market demands are paying off. Despite sales successes abroad, the safeguarding of competitiveness remains an important task.

exporters is not unfounded. The wage settlement raises awkward questions about growth, jobs, inflation, and interest rates. It is generally expected that German companies, especially export industries, will continue to cut labor costs by trimming staff and transferring production abroad to remain competitive. Germany is dependent upon foreign trade, with exports comprising 25 percent of GDP.

German manufacturers' order books are still full but, says Miegel, "if the currency turbulence continues, full order books are no guarantee that they will make a profit. You can still become poor despite swelling order books." Many manufacturers, but by no means all of them, have branches abroad and currency guarantees in their contracts. But machine tools manufacturer Bertold Leibinger complains, "Business partnerships will end very quickly if you can't keep up with the competition." If the mark remains strong the general growth forecast of 3 percent for 1996 will have to be revised. Comments Walter, "I'm not saying that we are heading toward recession. But I expect the economy to cool off. We are certainly not heading toward prosperity. The prospects are not so good as they were a few weeks ago." He, too, believes that this year's growth may still reach about 3 percent. But in 1996 the process of economic growth could slow down considerably, with disastrous effects on the labor markets.

The number of jobless in Germany currently amounts to roughly 9.9 percent of the total work force. Last year, 10.5 percent of the total work force was out of work. Improved economic conditions were largely responsible for this fall. In Eastern Germany, unemploy-

ment rose slightly in February to 14.7 percent of the work force. The Federal Labor Office reported that while there had been a welcome decrease in the number of people on short shifts, the number of long term unemployed re-

mained worrying. The immediate losers of the higher than expected wage settlement will be the unemployed and those in insecure jobs, employers say. The pay increases are difficult to reconcile with the Bundesbank's target of bringing down the annual inflation rate to 2 percent. February figures quashed hopes of a continued fall in inflation. For the first time since 1993 the inflation rate for February 1995 rose to 2.4 percent (from 2.3 percent in January).

Peter Pietch, chief economist of the Dresdner Bank in Frankfurt, is less pessimistic about inflation and pay increases. "We can live with the wage settlement," he says, "because its two-year agreement enables employers to forecast costs over a longer than usual period." He agrees with other commentators that the strong mark will bring disadvantages for export-oriented manufacturers and will have negative consequences in the labor market. "The mark," he argues, "is not strong. We are witnessing a weakness of other currencies." In his view, the turbulence in the exchange rate mechanism is a "typical exaggeration of the market which will correct itself." But meanwhile the German economy is exposed to currency fluctuations.

"Currency fluctuations," commented the weekly *Die Zeit*, "can damage German exporters' positions in global markets more than pay rounds, as past years have shown." Federal Economics Minister Günter Rexrodt remains optimistic. He says German manufacturers will manage to cope with currency fluctuations and the upswing of the German economy will continue. ☺

Wanda Menke-Glückert is EUROPE's Berlin correspondent.

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VE Day

50 YEARS LATER

Bill Brown was an infantry officer in the British Army, part of a small detachment guarding 45,000 German prisoners of war in Egypt, when the war ended. Some of the Germans became close friends with the Englishman; they were to correspond and visit each other's homes. "I've always got on well with individual Germans," Brown, now 77, recalls.

Horst Buchard, 71, was first officer in a German U-boat. "My experience shows that we and English soldiers feel very close to one another. After the war I visited former Royal Navy officers in the war who had become friends," he says.

These may not be typical postwar stories, but there are many of them, and it seems fair to suggest that without them and the spirit they represent, the European Union might not exist today. But that is not the same as saying that, 50 years after the end of World War II, the

sentiment of reconciliation and forgiveness is universal. In Britain, plans for German soldiers to march in anniversary parades were hastily scrapped following an explosion of protest in popular newspapers.

Reflecting the ambiguity felt by many of their people, the governments of Britain, Germany, and other European nations have found it remarkably difficult to strike the right note to commemorate the fiftieth anniversary of VE (Victory in Europe) Day. Should it be a joyous, celebratory occasion, or should the general character be one of somber recollection of suffering and loss.

Should it even be celebrated nationally at all? Paul Stump, a student, writes in the London *Guardian* newspaper: "If any sentiment is expressed at all, it's of uncomprehending boredom with the 50 year old nostalgia cult that's grown up round the war in the last six years." He no

May 8,
1945,
Times
Square,
New York

By Alan Osborn



doubt speaks for millions of young people, many of whose parents even were not born when the war ended.

Last year the British government misjudged the country's mood and had to withdraw programs that would have lent an exultant flavor to ceremonies marking the fiftieth anniversary of the D-Day landings. Then, as now, there was popular revulsion at triumphalism, mixed with a determination to remember the heroism and resolution of the day. "No civilized nation should celebrate its victories gratuitously. But no civilized nation should be expected to conceal anything in its past for fear of upsetting other countries," commented *The Times* newspaper.

The careful balance struck for the VE-Day anniversary on May 8 was "thanksgiving, peace, and reconciliation." The heads of state and government of every country that took part in the war, be they friend or foe, were invited to London.

But Britain is taking a sharply different line in commemorating the end of the war against Japan on August 19–20. Unlike others, the British are not renaming VJ-Day so as to avoid giving offense to Japan. To do so would be "to make a profound statement about one of the most important moments in our recent past, (it) would be a lamentable victory of political correctness and craven diplomatic thinking over dignified national pride," said *The Times*.

In Germany the anniversary of Hitler's defeat has provoked serious dispute. Chancellor Kohl has tried to stress May 8, 1945 as the day of liberation from the Nazis rather than the defeat of Germany. This has angered many right-wingers. Alfred Dregger, a senior member of Kohl's Christian Democratic Party, accuses the government of forgetting that the date also marked "the beginning of the terror of expulsions and new repression in the East and the beginning

Inside

EUROPE

MAY 1995

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EUROPEAN HEADLINES

NATO NOMINATED FOR PEACE PRIZE

Two Norwegian parliamentarians have nominated the North Atlantic Treaty Organization for the Nobel Peace Prize. The two said that the nomination was in recognition of NATO's role in maintaining peace in Europe during the cold war. "This organization's presence, its strength, its unity, and clear intentions have represented a remarkable peace-keeping effect," declared a joint statement released by Bjoern Hernaes and Ingvald Godal, both members of the Conservative Party in Norway's Parliament.

ITALIAN ELECTIONS

Former Prime Minister Silvio Berlusconi failed to score a decisive victory in Italy's recent regional and local elections, which revealed a country almost evenly divided between right and left.

Italians went to the polls in 15 of the country's 20 regions to elect new regional and provincial assemblies. New mayors were chosen in several major cities and thousands of municipalities. Early results showed Berlusconi's center-right alliance, which includes his Forza Italia Party, and the center-left group, led by the ex-communist Democratic Party of the Left (PDS), running almost dead even.

The elections represented the biggest test for Berlusconi since his coalition government folded when the federalist Northern Italian League party pulled out. Political observers say that these election results are likely to delay new general elections for at least six months.

BASQUE BOMB WOUNDS PARTY LEADER

Basque separatists attempted to assassinate the Spanish conservative opposition leader on his way to work April 19. Madrid police report that the Basque terrorist group ETA detonated more than 50 pounds of explosives hidden in the road as a car carrying José María Aznar, leader of the Popular Party, passed over it. Twelve people were wounded, and 15 cars and several buildings were severely damaged. The blast only slightly wounded Aznar because of his car's armor plating.

BRITISH TO HOLD TALKS WITH SINN FEIN

The British government announced that it would begin exploratory talks with Sinn Fein at the ministerial level as part of the Northern Ireland peace process.

A spokesman for the Northern Ireland Office said, "Following intensive exchanges with Sinn Fein the government believes that a sufficient basis now exists for the entry of ministers into the exploratory dialogue with Sinn Fein."

PORTUGUESE AIRLINE STRIKE

Mechanics and baggage handlers for TAP, Portugal's state-run airline, staged a strike on April 24. Luisa Ramos, leader of the 3,800-member Union of Aviation and Airport Workers, told the press that some 70 percent of the union's members joined the strike at Lisbon airport. Airline officials pegged the figure at closer to 10 percent at the Lisbon and Oporto airports.

KERR NAMED AMBASSADOR TO US

The British Foreign Office announced that Sir John Kerr will take over in August as the UK's new ambassador to the US. Kerr had served since 1990 as the UK's permanent representative to the European Union. He will be replaced in Brussels by Stephen Wall, currently the British ambassador to Portugal.

SANTER SPEAKS OUT ON CURRENCY

European Commission President Jacques Santer again criticized what he called Washington's "benign neglect" of the dollar and called for international coordination to shore up the US currency. Santer told the French business daily, *La Tribune Desfosses*, that a share of the responsibility of the falling dollar belonged to the White House and the Federal Reserve. "They do not intervene, or not very much, they have not acted recently on their interest rates and they have not sufficiently attacked their economy's fundamental problems, such as their budget deficit," he said.

Santer went on to say that although businesses com-

EUROPEAN HEADLINES (CONTINUED)

peting with Japanese exporters might benefit in the short term from the strong yen it did not provide a durable solu-

tion. "A weakening of the Japanese economy cannot be in anyone's interests," he said.

EU NEWS

EU CONDEMNS OKLAHOMA BOMBING

European Commission President Jacques Santer sent the following message to President Bill Clinton: "My colleagues and I were saddened and shocked by the tragic events in Oklahoma City. On behalf of the European Commission, I should like to extend to you and to the American people our sympathy and our condolences to the families of the victims.

The presidency of the EU, currently held by France, issued the following statement:

"The European Union is profoundly moved by the particularly odious attack committed yesterday in Oklahoma City. It extends to the United States, and especially to the families concerned, its solidarity during this trying period. The European Union condemns this terrorist act in the most forceful terms."

FISHING DISPUTE SOLVED

The EU and Canada signed an agreement last month peacefully ending a six-week dispute over North Atlantic fishing rights. Canadian Fisheries Minister Brian Tobin announced that the new fishing agreement will serve as a model for preserving declining fish stocks around the world. EU Commissioner Emma Bonino, who oversees fisheries policy, stated, "The deal we have agreed to is a new and concrete step toward a better joint conservation policy."

RWANDAN AID TO BE REVIEWED

In response to recent violence in Rwanda, a spokesman for Emma Bonino, EU commissioner in charge of humanitarian aid policy, said that the commissioner "thinks that the EU should now assess how far it needs to go as far as humanitarian aid is concerned. That needs a political debate."

According to some reports, the recent violence erupted when government troops were fired on as they attempted to close a refugee camp in the southwest part of the country. The troops opened fire killing reportedly thousands of men, women, and children. Rwanda's Tutsi-led government has said that nine such camps had become staging areas for Hutu militias and had moved to close the camps.

NORTHERN IRELAND PEACE AID PACKAGE

European Commission President Jacques Santer and European Commissioner Monika Wulf Mathies unveiled an EU aid package worth approximately \$386 million over the next three years to help speed the economic recovery of Northern Ireland. The European Parliament voted its approval of the aid package which is in addition to nearly \$1.32 billion that Northern Ireland will receive between now and 1999 as part of a development shareout among the EU countries.

Santer, speaking at an unprecedented gathering in Belfast stated, "The securing of a lasting peace and reconciliation in Northern Ireland is very high on my agenda."

WHITE PAPER ON NEW MEMBERS

The EU has presented a white paper describing in detail the measures which will be required by Central and East European nations wanting to join the EU. The white paper focuses on the single market and the free movement of goods, services, capital, and people.

EU representatives met in Luxembourg with officials from Poland, Czech Republic, Hungary, Slovakia, Bulgaria, and Romania last month to discuss the new white paper.

FINANCE MINISTERS DISCUSS CURRENCY

EU finance ministers met at Versailles last month to compare notes on merging their currencies and introducing a common currency by the first few years of the next century. The ministers discussed a policy paper on the practicalities of currency union that the Commission will present at the end of the month.

TURKISH CUSTOMS UNION NOT ASSURED

Hans van den Broek, the European commissioner overseeing relations with Turkey, said recently that a customs union between the EU and Turkey in place by January was not a "foregone conclusion."

"Success will require vigorous action not only by the Turkish government but also certainly by the (Turkish) Grand National Assembly to pass the economic legislation and the constitutional and legal changes needed to ensure approval of our ambitious joint project by the European Parliament," he told reporters and others gathered at a seminar on EU relations with Turkey.

The European Parliament has threatened to veto the customs union plan unless Turkey improves its human rights record. Van den Broek said he hoped that key elements of Turkey's program of constitutional and legal reforms could be put through the Grand National Assembly before its summer recess as a way of proving the country's good intentions.

INSIDE EUROPE Correspondents

Bruce Barnard, Axel Krause

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

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NOTEBOOK: FRENCH PRESIDENTIAL ELECTIONS

It will go down in history as one of France's most surprising, colorful—and nastiest—presidential election campaigns. The major puzzle was the spectacular meltdown of Prime Minister Edouard Balladur's popularity, resulting in his loss at the polls to fellow conservative Jacques Chirac and Socialist candidate Lionel Jospin in the first round of voting on April 23.

Jospin won a surprise victory in the first round of France's presidential election, garnering 23 percent of the vote. Chirac, the conservative mayor of Paris, finished second with 21 percent. Balladur finished third with less than 19 percent and immediately announced his support for Chirac, who will contest Jospin for the decisive vote on May 7.

Whether Chirac or Jospin succeeds François Mitterrand in the Elysée Palace for the next seven years, the French people will expect their next president to implement wide-ranging changes in their country's domestic *and* foreign policy.

"In the cold war system, France was a medium power with a more than medium influence because it found an appropriate international role," comments Frederic Bozo, senior security analyst at France's International Relations Institute. Today, "such a role must be redefined—a task that, by definition, requires a sense of direction."

The changes in direction being proposed by the candidates for France's emerging roles in the "post-Mitterrand" era come first and foremost in response to a national outcry for reforms in economic and social policy, notably unemployment. Balladur was proudly taking credit for a slight fall in the jobless rate during January and February, but opponents scoffed and ridiculed the claim, noting that the rate hovers at just over 12 percent, equal to a record 3.3 million men and women, amid sporadic, nationwide strikes.

THE CANDIDATES

•Chirac is a 62 year old, hard-driving, consummate politician determined to be president this, his third, time around. Twice prime minister, (1974–76 and 1986–88) who twice lost in presidential races against Mitterrand (1981 and 1988) he was first elected to Parliament in 1967, and held his first ministerial post at the age of 34. He has been the successful mayor of Paris for two decades, an important power base.

Resilient, colorful, with a gravelly, deep voice, he is widely perceived as being the most obsessed with becoming president, yet handicapped by being seen as shifty, unguided, and inconsistent in his approach to France's problems. (His opponents repeatedly describe him as a weather vane.)

Scoffing at such jibes, Chirac makes repeated references to "Le General," (Charles de Gaulle) as he travels widely to the provinces, cultivating the grass roots with a single message: only he, a conservative, is capable of triggering reforms that would restore egalitarian values and vitality to the nation, a message, polls show, that appeals to French youth.

Chirac promises to create jobs, hike wages, protect welfare programs, and reduce taxes, while substantially reducing France's budget deficits in order to make France eligible for monetary union. However, he doubts France will be ready by the first, 1997 deadline set under the Maastricht Treaty, repeatedly stressing the need for the European Union to respect "the sovereignty of nation states."

The only candidate at ease in English, Chirac, like Jospin, favors a tough EU stance in trade negotiations, particularly with regard to the United States and Japan.

Encouraging some pro-Europeans is that one of his closest advisors is Alain Juppé, Balladur's minister of foreign affairs and widely tipped as prime minister in a future Chirac government.

•Lionel Jospin, 57, sober, with a highly-pitched voice and conveying the image of a professor, describes himself as a Social Democrat, rather than a Socialist, to broaden his appeal to France's centrist groups. He emerged from semi-retirement from politics shortly after Jacques Delors, former European Commission president and once favored to be the Socialist Party candidate for the presidency, announced that he would not run. Jospin has been actively campaigning with Socialist Party backing ever since.

A former Socialist education minister and national party chief, Jospin is weak on foreign policy and the economy. But he has expanded his knowledge greatly as the campaign progressed, relying heavily on two key advisors: Delors and Delors' daughter, Martine Aubry, Jospin's spokeswoman, who aggressively attacks Chirac and Balladur as being one and the same thing—rightists, who have never done much—nor voted—for helping France's unemployed and underprivileged.

—Axel Krause

Editor's Note: *EUROPE* will present an in-depth profile of France's new president in the June issue.

WHAT THEY SAID

"Italy, which has suffered so much in the fight against terrorism, is closer than ever in these tragic circumstances to the people and the government of the United States."

—Oscar Luigi Scalfaro, Italian president, commenting on the bombing in Oklahoma City.

"Foreign exchange markets have gone a bit nuts in recent weeks."

—Michael Mussa, IMF chief economist, discussing the dollar's weakness and the recent currency problems around the world.

"These people are there doing business, and they should be allowed to go to Sarajevo."

—Madeleine Albright, US ambassador to the UN, talking about Bosnian Serbs who refused US and German diplomats access to Sarajevo

"I find it very sad that our identity is tied more to this 45 year old currency than to the works of Beethoven,

Goethe, and Schiller, but it is."

—Norbert Walter, chief economist of the Deutsche Bank, discussing many Germans thoughts on the importance of the mark

"If Turkey is separated from Europe or rejected from Europe then the Turkish people will reject Europe as well."

—Tansu Ciller, Turkish prime minister, commenting on criticism of Turkey's invasion of northern Iraq.

"We cannot let that situation go on getting worse."

—Alain Juppé, French foreign minister, on the worsening situation in Bosnia and the recent deaths of two French soldiers in that war torn nation.

"I think it would be a mistake."

—Renato Ruggiero, newly appointed director of the World Trade Organization, voicing his concern about the idea of creating a North Atlantic Free Trade Area

BUSINESS BRIEFS

Kvaerner AS of Norway, Europe's biggest shipbuilder, is to build floating satellite launch ramps in a joint venture with **Boeing**, the US plane maker and **RSC Energia**, a Russian space technology group.

Kvaerner, which has yards in Norway, Finland, Scotland, and Germany, said it will use a semi-submerged platform based at the equator to put satellites into orbit.

...

Jurgen Schrempp steps into the toughest job in European industry in May when he becomes Chairman of **Daimler-Benz**, the sprawling Stuttgart-based autos-to-airplanes conglomerate.

Schrempp, formerly chief executive of **Daimler-Benz Aerospace** (DASA), is taking over at a time of great uncertainty for Europe's biggest industrial combine which has just announced a further 19,000 cuts by year end and is mulling further layoffs.

Retiring Daimler-Benz chairman Edzard Reuter warned that the surge in the value of the mark and excessive wage increases could not be countered by increased efficiency alone. "The unavoidable result will be the location of production plants abroad."

Mr. Schrempp warned the weakness of the dollar against the mark threatened the existence of the German aerospace industry. "It is nothing less than the survival (in Germany) of an industry which, due to its technological breadth, is of critical importance," he said. DASA itself is considering switching manufacturing to countries with weaker currencies.

...

Anheuser-Busch made its first foray into Europe by taking over the management of the **Stag Brewery** in South London, in a joint venture with **Courage**, the owner of the brewery, as part of a plan to transform its best-selling Budweiser beer into a global brand.

Busch isn't the first American firm to brew beer in Europe—**Coors** acquired a Spanish plant from **Heineken** last year. But it is the most successful: Budweiser is Britain's best-selling premium lager in cans and bottles with a 14 percent market share.

...

Chrysler is targeting Europe in a major effort to boost sales of its popular Jeeps and minivans in the world's largest market.

Chrysler, which recently clocked up

the sale of its 300,000th vehicle in Europe since it reentered the market in 1987, currently manufactures Jeeps in Graz, Austria, and from October will begin production of a new version of its Voyager minivan.

...

Peugeot Citroen, the French car manufacturer, bounced back into the black in 1993 with a net profit of \$635 million compared with a 1993 loss of \$289 million.

The improved performance, stemming mainly from higher productivity and the success of new models, refueled speculation that Peugeot will shortly announce its return to the US market.

Peugeot, which sold 2 million vehicles last year, has unveiled a major overseas expansion program, including plans to build 60,000 autos a year in India and 150,000 annually in China. But it still frets that it is lagging behind its rivals in global manufacturing. "We are still too concentrated in Europe," said Peugeot chairman Jacques Calvet.

...

Luxottica, the Italian glass frame maker, clinched victory in its battle for US Shoe with an improved offer of \$1.3 billion for the loss-making US retailer.

Luxottica will let **US Shoe** proceed with an existing agreement to sell its footwear business to **Nine West**, another US shoe retailer for \$560 million and is expected to seek a buyer for the firm's women's clothing unit. This will leave Luxottica with US Shoe's **Lens Crafters** division which had revenues last year of \$767 million, substantially higher than the Italian group's total sales of \$477 million.

...

E. Merck's planned stock offer on the Frankfurt exchange is set for September. The family-owned, German pharmaceuticals firm hopes to raise \$1.8 billion from the sale of 25 percent of its stock with about 60 percent of the issue being placed outside Germany.

The New Jersey-based **Merck** group, the world's second largest drug firm, was an affiliate of the German Merck until World War I when it was confiscated by the US government.

Merck, which employs 27,000 people, made profits in 1994 of \$403 million on sales of \$4.18 billion.

...

Volvo's \$5 billion asset disposal program gathered pace with the sale of its

food business and investment bank.

The Swedish car and truck manufacturer sold **Procordia Food** and **Abba Seafood** to **Orkla**, the Norwegian consumer products group, for \$574 million. Volvo also merged its **Pripps** beer company with Orkla's Ringnes brewing division and will sell its 55 percent stake in the joint venture by year-end.

Alfred Berg, a Stockholm-based investment bank, was sold to **ABN Amro**, a Dutch bank, for over \$137 million.

Volvo has sold assets worth nearly \$1.7 billion since April 1994 when it announced plans to dispose of non-core businesses worth around \$5.44 billion to concentrate on its car and truck operations.

Volvo is currently negotiating the sale of **Swedish Match**, the world's biggest matchmaker, to a financial consortium.

...

General Motors is investing \$185 million in Hungary to double the capacity of its engine plant to 460,000 units a year, taking its total spending in the country to \$510 million.

GM produced 12,800 Opel cars and 160,000 engines last year at its plant at Szentgotthard in western Hungary, the first foreign-owned car factory, which was opened in 1992.

GM has since been joined by **Suzuki** of Japan which is building a 50,000 cars-a-year plant, and **Audi**, a unit of **Volkswagen**, which has already constructed an engine plant.

...

The French government is halving its 80 percent stake in **Groupe Bull**, the loss-making computer manufacturer, enabling US and Japanese firms to take significant stakes.

The government is obliged to privatize Bull under the terms of an \$2.4 billion capital injection approved by the European Commission last year.

NEC of Japan will raise its stake in Bull from 4 percent to 17 percent, and Motorola of the US will acquire a 10 percent holding with an option to boost it to 17 percent by mid-1997. IPC of Singapore is taking a 4 percent stake and **Dai Nippon Printing** of Japan, 3 percent.

In 1997, when Bull forecasts it will be in its third successive year of profitability, the government intends to trim its holding to around 10 percent.

—Bruce Barnard

of the division of our country.”

For the French, “the dancing is being saved for Bastille Day (the national holiday on July 14),” a government spokesman said. There has been no great surge of popular rejoicing in towns and villages to mark VE-Day, only a grimly serious military parade in Paris and “the quiet laying of wreaths.”

In Italy a process of historical revisionism has begun, calling for the annual celebration of the fall of fascism on April 25, 1945 to be replaced with something less provocative. A number of histori-

For the British, as indeed for many of the visitors, the American invasion was a jarring cultural shock whose effects, for better or worse, are prominent among the 50 year old memories being avidly disinterred in Britain this year.

ans, politicians, and newspaper columnists argue that “resistance to fascism was mounted by people just as ruthless and committing the same atrocities.” Alessandra Mussolini, granddaughter of Il Duce, says “now we have dispensed with fascism, we can dispense with anti-fascism, too.” Her National Alliance Party comments “anti-fascism is not a fundamental value in itself.”

To be in Britain this spring is, by contrast, to share in a surge of popular memory of the time when the British stood firm and united against German bombs. In human terms Britain, with 360,000 deaths, suffered less than any other major participant in the war except America. But the mythology of British heroism and selflessness during the war years has become deeply ingrained in the national psyche.

Mythology? A recent set of official statistics, *Fighting with Figures*, casts doubt on some hitherto unshakable assumptions about a cheerful people, sleeping in subway stations and sharing hardship in an atmosphere of cozy neighborliness during the Blitz. In fact the crime rate in Britain rose by 57 percent between 1939 and 1945, partly due to looting of bomb-damaged houses, the prison population increased by 41 percent, and the divorce rate soared by 171 percent.

Lord Deedes, a former government minister, recalls how Sherman tanks were equipped by private American citizens with “every imaginable aid and comfort” including binoculars, map cases, chocolate, and much else before leaving the US. But so comprehensively were the tanks looted by British dockers en route that only when one accidentally came through intact did the front-line forces suspect anything was wrong. And far from “pulling together,” there were more strikes in Britain than ever before, at least partly because men resented women working in industry for fear this would expose them to active service.

They were the blackout years, when Wimbledon tennis courts were sown with crops; park railings were commandeered to make arms; food and clothing were rationed; and woman’s shoe-heels were shortened to save shipping space. Four million mothers and children were uprooted from British towns and sent to work on the land. Two in every seven homes were destroyed or damaged by bombs and a fifth of schools and hospitals were put out of action.

And then there were the Americans. Three million US servicemen and women passed through Britain between 1942 and 1945 and 60,000 British women became GI brides, leaving for a new life in America after VE-Day. For the British, as indeed for many of the visitors, the American invasion was a jarring cultural shock whose effects, for better or worse, are prominent among the 50 year old memories being avidly disinterred in Britain this year. ☹

Alan Osborn is a journalist based in London.



(Above) May 8, 1945, Paris. (Right) When the Allies liberated Paris on August 25, 1944, it signaled the beginning of the end of the war.





Strasbourg

GIVEN ITS DIFFERENT IDENTITIES in the past and the various roles it plays in the present, it would not be surprising if Strasbourg suffered from a split personality. It is both the uncontested capital of the region of Alsace and the self-proclaimed, hotly disputed “capital” of Europe; it has changed hands between France and Germany twice and has retained characteristics from them both; it is proud of its traditions and intent on preserving them, yet it is also at the leading edge of scientific and technological research.

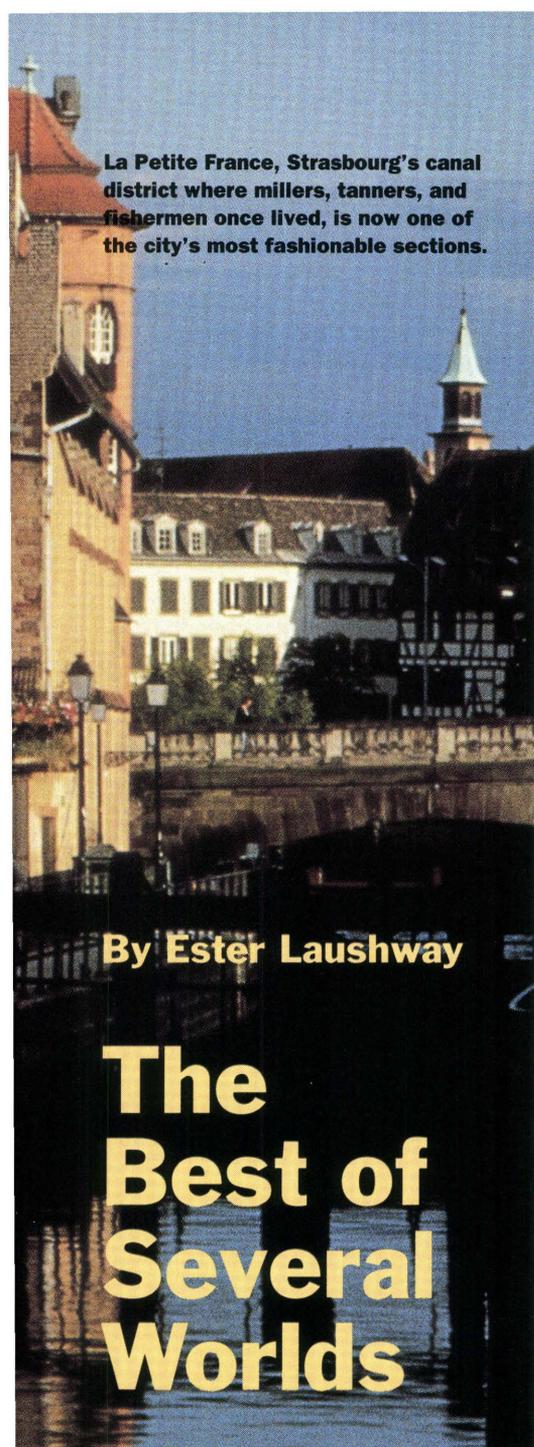
Another city might well have had problems trying to play all those parts, but Strasbourg has managed to cope re-

markably well with the multiple facets of its personality. It is pleasant to live in and easy to do business with, solidly anchored in its region but open to outside influences and opportunities. It could well serve as a city-scale model for the way Europe should be—a place where cultural and political differences are seen as a source of diversity, not division.

Traces of the Past. In 12 BC the Romans built a military camp near the Rhine, on a site surrounded by the two arms of the Ill river, and called it *Argentoratum*. Destroyed by Barbarian invasions, the settlement was rebuilt and rebaptized *Strateburgum*—“town of

roads”—because of its excellent geographical location. As a free town, Strasbourg flourished in the Middle Ages, attracting tradesmen, intellectuals, artists, and craftsmen.

The most striking visual proof of its prosperity at that time remains the stupendous Cathedral built of pink sandstone. It had its foundations laid in 1176 but was not completed until 1439, when the intricate Gothic lacework of its facade was crowned by a spire soaring 465 feet into the sky. The great German writer Goethe, who studied at Strasbourg University in 1770, used to fight his fear of heights by regularly climb-



La Petite France, Strasbourg's canal district where millers, tanners, and fishermen once lived, is now one of the city's most fashionable sections.

By Ester Laushway

The Best of Several Worlds

ing up to the lookout platform and clutching onto the balustrade.

In the 16th century some imposing Renaissance houses, like the ornate Maison Kammerzell, now a restaurant, were built and the canal district, la Petite France, where tanners, millers, and fishermen lived, took shape. Its half-timbered houses with their sloping attic roofs look like a storybook illustration of traditional Alsace and make the perfect backdrop for a romantic stroll at twilight.

In 1681, when Strasbourg was annexed to France, tastes in architecture changed dramatically. Everyone who could afford to, tried to emulate the grand manner of Versailles. The mag-

nificent Rohan Palace, built by Cardinal de Rohan-Soubise, the first of four prince-archbishops to reside there, achieved it better than most. One of the three museums it now houses shows the sumptuous apartments occupied by Louis XV and Marie-Antoinette when they visited Strasbourg.

Then came the French Revolution, with Rouget de Lisle composing the bloodstirring "Marseillaise," the French national anthem, in Strasbourg. In 1870 the city came under German rule and added some buildings, now occupied by university departments, in the massive style favored by Kaiser Wilhelm II. Restored to France in 1918, then occupied by Germany again for four years during World War II, Strasbourg regained its French identity in 1944.

International Business Gateway.

The prime location which first tempted the Romans to settle there is still one of the biggest drawing cards for Strasbourg and its surrounding region today. Placed as it is, with 75 percent of all the purchasing power of the European market within a 500-mile radius, Alsace has the highest percentage of foreign investment of any region in France. Within the past 25 years more than 600 international companies, including Eli-Lilly, General Motors, and Texaco, have established themselves in the area.

They came because of the ease of access to the rest of Europe but also for several other advantages Strasbourg can offer. The Alsatian work force is an employer's dream—hard-working, highly skilled, rarely absent, barely unionized—and 80 percent of these paragons can speak both French and English.

Strasbourg's three universities not only educate this highly trained labor force; their reputations for topnotch research also draw international business and industry to the region. Université Robert Schuman specializes in European and international law, and boasts a widely known research center devoted to the study of environmental law. Université des Sciences Humaines concentrates on the arts and humanities and is renowned for teaching no fewer than 25 foreign languages. But the undeniable heavyweight in the international arena is Université Louis Pasteur, acknowledged as one of the top French scientific and medical universities. Among the 1,800 members of its teaching and

research staff are the Nobel chemistry prize-winner Jean-Marie Lehn and 10 members of the prestigious French Academy of Sciences. They work together with the French National Research Center (CNRS) and the French Medical Research Institute (INSERM), conducting prize-winning studies in advanced sciences like biotechnology, pharmacology, and nuclear physics.

Strasbourg's impressive research facilities (250 laboratories, 4,000 researchers) act like a magnet on the international laboratories from the private sector. Nearly 100 companies have set up their own labs in the region, including Marion Merrell Dow (pharmaceuticals), Hoffmann La Roche (biotechnology), and Thomson (electronics).

In the southern suburb of Illkirch a science park has been created to bring together university and industry, private and public research. The 494-acre site, a spacious, self-contained community with its own golf course, is the home of several scientific colleges and institutes. They in turn have attracted high-technology companies engaged in research and development. Among them are Bristol Myers Squibb, which has built an important research institute for molecular and cellular biology and genetics; Alcatel, which has installed a telecommunications complex; and Kodak, which has chosen Illkirch as the home base of its clinical biology unit.

There is still plenty of room for new projects at the science park. One for which a prime 20-acre site is now being chosen is the International Space University, which plans to have its permanent campus built and operating by 1998. Launched in 1987 by 3 MIT graduates, ISU was created to give students of outer space an international, multidisciplinary education in a field that transcends all national frontiers. It first functioned as a roving summer school, held in a different country every year, but this fall will see the start of its 11-month Master of Space Studies program in Strasbourg—high flyers only need apply. ISU's president Dr. Roland Dore says that a crucial factor in deciding where to locate ISU was "the fact that Strasbourg is a European city in the full sense of the term."

It is also a city which does not hesitate to roll out the red carpet for any company interested in establishing itself in the region. ADIRA, the Alsace Eco-

conomic Development Agency, founded in the early 1950s, was the first agency of its kind in France and also the first to open foreign offices in the United States and Japan. It promotes the area with charm and efficiency, providing answers to questions, solutions to problems, and expert guidance through the bureaucratic maze that awaits any foreign firm coming to Europe.

European Capital. Along with New York and Geneva, Strasbourg is in the rare position of being the seat of several international organizations in spite of not being a capital city.

In the aftermath of World War II, when Strasbourg came to be seen as a symbol of reconciliation between France and Germany, it was chosen to host Europe's first political organization—the Council of Europe. Set up by 10 nations in 1949 to promote better understanding and a closer union between European democracies (and thus avoid the horrors of another war), the Council of Europe has grown into a mini-UN, with 33 member countries, including 9 former communist states. It is Europe's official conscience.

Among the 155 international treaties it has helped to draw up over the years, dealing with issues as diverse as football hooliganism, nature conservation, and the prevention of torture, the best known is the 1953 European Convention on Human Rights. To investigate and rule on alleged violations of the convention, the European Commission and Court of Human Rights, which is also based in Strasbourg, were created.

The Council of Europe's home is the starkly modern Palais de l'Europe. It holds its parliamentary sessions there inside the same timber-arched assembly chamber which is also the meeting place of Strasbourg's most publicized European institution—the European Parliament.

One week out of every month, the steadily swelling ranks of MEP's (now more than 600) meet in Strasbourg for the Parliament's plenary sessions. Even though they are never all there, space does have to be provided for them. Strasbourg has now started to build a spacious new debating chamber, after finally being confirmed at the 1992 Edinburgh Summit as the official seat of the European Parliament.

It had to fight tooth and nail for almost four decades for the title. Brussels, which plays host to the European Commission and Council of Ministers, where parliamentary meetings also take place, and where a grandiose new hemicycle (debating chamber) already exists, was a fierce contender; Luxembourg, where the European Court of Justice and most civil servants are based, was another contestant. Strasbourg won the fight in the end, by pointing to its historic role as the crossroads of Europe, by praising the merits of decentralization, and by some heavy lobbying on the part of the French.

The new glass, stone, and steel Parliament building that is now starting to take shape opposite the Palais de l'Europe will house a plush hemicycle large enough to seat 750 MEPs and will be crowned by a 130-foot office tower. It is due to be completed in 1997, at a cost of \$520 million, all to be paid by the European Parliament.

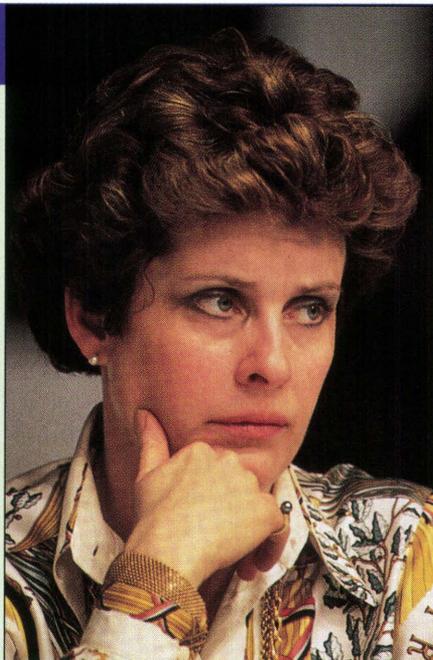
The Heart and Stomach of Alsace. There is a gingerbread quality to Strasbourg which can look overblown at first sight but which quickly becomes hard to resist. Its half-timbered houses

Strasbourg Mayor

Catherine Trautman

When Catherine Trautman was elected mayor of Strasbourg in 1989, no one quite knew what to expect from the dynamic young woman. She was only 38 years old, a Protestant, and a Socialist, all of which went completely against the sedate Catholic, center-right values of the Alsace region. Since her election, she has used her boundless energy to revitalize the once rather sleepy city and has proven that once she decides on a course of action, nothing stops her from seeing it through.

One of her election promises was the building of a tramway which would clear downtown Strasbourg of traffic congestion and create large pedestrian precincts. The mayor's opponents thought the controversial project would



be her political downfall, but when it opened in November it was transformed into one of her biggest triumphs.

Our Paris correspondent, Ester Laushway, was in Strasbourg for the tramway inauguration and interviewed Mayor Trautman for *EUROPE*.

You're young, female, a Protestant, and a Socialist. That's certainly not the traditional profile for the mayor of Strasbourg, is it?

No, it's not the usual way, but perhaps that's a good thing. I was elected by surprise and people were very astonished. They wanted a definite change in the city and in fact there has been a big change, not only in the construction of the tramway but also in the many projects we have launched in the different quarters of the city—the rehabilitation of low-income housing, the work done in the schools, the aid for the unemployed. I wanted to give to this city the strength it needs before it was caught in a sort of vicious circle, with a feeling of failure and lethargy.

There's now a large building site where the new European Parliament building will stand. How important is it, really, for the city?

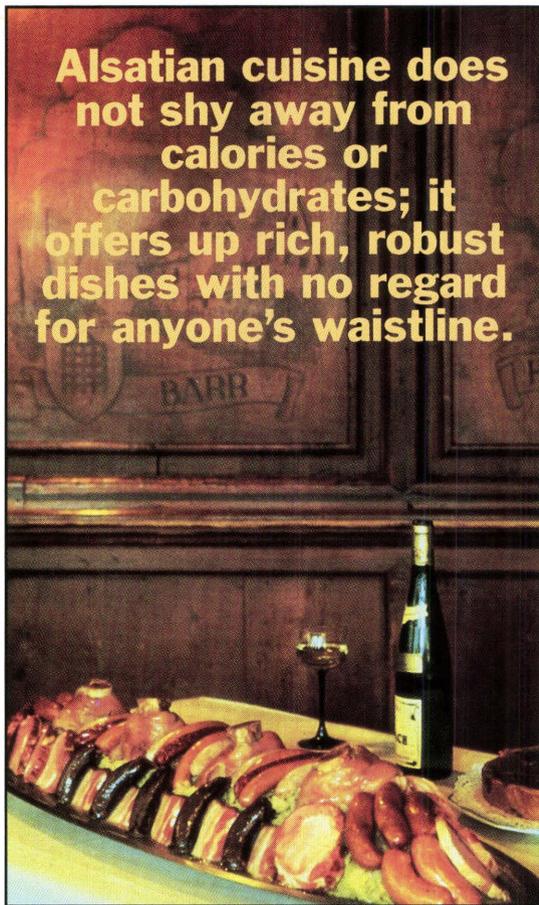
First, it's very important because Europe must remain loyal to its origins.

with cascades of geraniums, its gently flowing streams and canals, its towering cliff of a cathedral, the picturesqueness of it all can seem exaggerated, like a fairy-tale movie set. But there is substance behind the form; Strasbourg really is as warm and friendly as it appears.

Even the most jaded newcomers succumb to its charms in the end. Two years ago, when ENA (Ecole National d'Administration), France's prestigious school for political high flyers, was transferred from Paris to Strasbourg, its students were dragged kicking and screaming to what they considered a provincial backwater. Since then they have joined the other contented citizens of Strasbourg, who stroll along the tree-lined avenues, fill the restaurants and wine-bars, and consider themselves lucky not to be caught up in the urban rat race of a larger city.

If there is one stressful aspect to living in Strasbourg, it is the strain it can put on the digestive system. Alsatian cuisine does not shy away from calories or carbo-

Alsatian cuisine does not shy away from calories or carbohydrates; it offers up rich, robust dishes with no regard for anyone's waistline.



hydrates; it dishes up rich, robust, rib-sticking recipes with no regard for anyone's waistline. The inspiration for many of the recipes is German; the flair with which they are cooked is uniquely French.

Its two most famous specialties are foie gras, served with lavish abandon anywhere and everywhere, from humble winstubs to Michelin-starred restaurants, and choucroute garnie—dozens of variations on a sauerkraut theme, topped with a variety of meat and sausage garnishes. Other stomach-stretchers include baecoffe (a 3-meat stew braised with potatoes and onions in white wine) and tarte flambée (a sour cream, bacon, and onion tart). They can be washed down with one of the excellent white wines of the region or a locally brewed beer. For those with the stamina, there are fruit tarts and kougelhopf (a yeasty cake studded with raisins) to follow, topped off with any one of the 40 different eaux de vie (spirits distilled from fruit, wild berries, or herbs).

We are the place where deputies come to represent the people of Europe, and it's important to continue that tradition, especially now, when the European Union is expanding and welcoming new members. And secondly, it's a question of rights. The decision was taken in 1992 in Edinburgh for Strasbourg to be the seat of the European Parliament. Furthermore, Strasbourg is also the seat of the Council of Europe, so it's possible to develop an exchange between the two assemblies.

The evolution in Europe will not be to have all institutions in one place, but in several places. We are several countries; we need several institutions and organizations in different member states. I'm fighting not only for the seat of the European Parliament, but also for a new concept of a decentralized Europe. This type of Europe is better for people because it provides real proximity between government on a European level and government on the level of the citizen.

Does the concept not go somewhat against the aims of the Maastricht Treaty?

No, Maastricht is a treaty which reinforces the possibility of the citizen to truly participate in the Union—it gives a clear definition of a new kind of European citizenship. So if some countries and some people are currently forgetting the project of a united Europe, we need to say here in Strasbourg that this project is good. That's why people here voted 72 percent in favor of ratification of the Maastricht Treaty. It's because they feel European, and at the same time they feel they can also be Alsatian or French. There is no contradiction.

As mayor of this city, which is the capital of both Alsace and Europe, do you sometimes have problems reconciling the interests of those two different identities?

That is a real risk, and that's why I asked to have the possibility of rein-

forcing the social development of the city. I have asked for the support of the French government for this objective because if we develop only the European functions of the city it would be a real problem. People would say that we had forgotten them. My responsibility is to keep the balance between the European nation and the action for the everyday life in the city. That's perhaps why I practice a very dynamic style of politics because I know that what we need now is to increase the capacity of the city to respond to the different social needs of its people.

What is your next challenge? Is it the TGV—the high speed train—to Eastern Europe?

I fought a very tough battle for the TGV, and in fact it was decided to construct the Eastern Europe TGV, but now there is a financial problem. I will have to begin a new battle for the financial plan of this infrastructure. ☺

Future Plans. With the expansion of the EU in a pronounced easterly direction, Strasbourg is gaining a new status. It is becoming a door to the West for the new democracies of Central and Eastern Europe. As head of the EU-funded East-West Commission, it is setting up urban partnerships through which Western cities can offer their expertise and urban technology to Eastern cities in need of them. It is also compiling an urban data bank and a technical directory to provide up-to-date information on major cities in Central and Eastern Europe.

The one major physical link that Strasbourg feels is now needed to unite all of Europe, and which the city is determined to see built, is a TGV (high-speed) railway to the East. It would run from Paris to Strasbourg, then join the German ICE Intercity network and carry on to Munich, Vienna, and Budapest. The French government approved the project in principle several years ago, but has been dragging its heels on the financing ever since.

Strasbourg's feisty mayor, Catherine Trautmann promptly formed a French-German association to prove to Paris

how highly profitable the line would be. "It is an axis of integration to link the European [Union] to its new members in the East," she argues as she seeks to garner enough support for the line to ensure that it will come into service by around the year 2000.

More than ever, Strasbourg will then be a focal point for a new European Union. It is a suitable destiny for a city that, ever since Roman times, has stood at the crossroads and welcomed all comers. ☉

Ester Laushway is EUROPE's Paris correspondent.

Travelers' Notebook

VITAL STATISTICS

Location: Between the Vosges Mountains and the Rhine River in northeastern France. 285 miles from Paris; 370 miles from Brussels; 235 miles from Munich; 315 miles from Milan.

Population: 250,000, greater metropolitan area 425,000.

Access: By air: Strasbourg-Entzheim International Airport, 10 miles from the city. Serviced by 15 airlines, with daily or weekly flights to 26 regular destinations in France, Europe, and North Africa. Information: (33) 88 64 67 67.

By rail: SNCF station in downtown Strasbourg, providing rapid-rail links to numerous French and European cities. Information: (33) 88 22 50 50.

By road: Within 15 minutes of the Swiss and German highway networks and also directly accessible from Italy, Spain, Belgium, the Netherlands, Luxembourg, and Denmark. The A34 links it to Paris.

CONTACTS

Telephone/fax: The international dialing code for France is 33; the 8-digit Strasbourg numbers can then be dialled direct.

Business: ADIRA (the Economic Development Authority of the Alsace Region) Tel: (33) 88 32 24 42 Fax: (33) 88 75 64 59. USA offices of ADA (the Alsace Development Agency) are located in Los Angeles (Tel: 213 551 0835; Fax 213-551-4931) and in Boston (Tel: 617-270-0621; Fax 617-270-9318).

Pleasure: Northern Alsace Tourist Board Tel: (33) 88 22 01 02. Strasbourg Tourist Office Tel: (33) 88 52 28 28 (will conduct tours in 10 different languages).

HOTELS

(In addition to such reliable chains as Hilton and Holiday Inn, which can be counted on for consistent quality)

Hotel Regent Petite France **** In the picturesque setting spanning the river in the Old Town, with striking contemporary decor in contrast to its historic exterior has the added attraction of Europe's only Museum of Ice-Making on the premises Tel: (33) 88 76 43 43.

Hotel Beaucour *** A series of half-timbered buildings full of pleasant surprises: delightful rooms of odd shapes and sizes, each decorated with imagination and

taste in its own style. Tel: (33) 88 76 72 00.

Hotel et Salons Baumann *** Only 9 rooms in the same 15th century building facing the Cathedral which houses the Maison Kammerzell restaurant, with a breathtaking view of the soaring spires. Tel: (33) 88 32 42 14.

Hotel de l'Europe ** A 15th century staging post in the heart of the Old Town, with charm and very reasonable prices. Tel: (33) 88 32 17 88.

Hotel Moderne ** A bargain: simple, clean, quiet, and centrally located, with a manager who knows all the best local restaurants. Tel: (33) 88 32 07 33.

RESTAURANTS

Le Buerhiesel The name may be hard to pronounce, but it is on the lips of every serious gourmet in Strasbourg. Its chef, Anton Westermann, 48, was awarded his third Michelin star this year, and there is no doubt that he deserves it. In the charming setting of a half-timbered farmhouse in the midst of a park, he works his creative magic on exquisite dishes inspired by traditional Alsatian recipes and by the changing seasons. Winter delights include scallops with celery in a vinaigrette with fresh truffles; ballotine of hare with duck liver, red wine sauce, noodles, and woodland mushrooms; figs stewed in red wine with pepper and clove ice-cream.

Westermann, who bought the Buerhiesel 24 years ago, is a gentle, modest genius. He grew up with a love of good food, because in his family every meal was a celebration. He says, "I've personally never dissociated the pleasures of the table, a good meal, from the ambience that prevails in a restaurant," and he has been careful to preserve a relaxed, friendly atmosphere in his own restaurant. The maitre d' and wine waiter know exactly how to guide diners through the splendors before them without ever appearing obsequious or condescending. A meal here is a memorable occasion well worth saving up for. Tel: (33) 88 61 62 24.

La Maison Kammerzell At the foot of the Cathedral, the sculpted wood facade of this 15th century house is a Strasbourg landmark. Inside, sumptuous decor and filling regional dishes: *foie gras*, a whole range of *choucroutes garnies* and sinful desserts. Tel: (33) 88 32 42 14.

A L'Ancienne Douane The old customs house on the river, with an outdoor terrace in the summer. Its specialty: *tarte flambée*. Tel: (33) 88 32 42 19.

Le Clou. One of the 50 winstubs in the Old Town—cozy

wine bars where everyone sits down together at long tables and enjoys hearty local fare accompanied by a carafe of Alsatian wine. Excellent onion tart, baeckhoffe and alcoholic desserts like cherries marinated in kirsch. Tel: (33) 88 32 11 67.

Le Saint-Sepulcre. Another winstub, with the same friendly atmosphere that characterizes them all, serving foie gras, snails and ham in pastry. Tel: (33) 88 32 39 97.

SIGHTS

Boat Tour. One of the best and most pleasant ways to get an overview of Strasbourg. Glass-domed, heated launches cruise along the Ill River which surrounds old Strasbourg, and pass through the canal locks of La Petite France, the district which best evokes the past, with lovingly restored half-timbered houses along the water's edge. Commentary in French-English-German. Tel: (33) 88 32 75 25.

Cathedral. Absolutely stunning. A rose-colored Gothic marvel so immense and powerful that it takes your breath away. Inside, a splendid rose window and an astronomical clock which performs for visitors every day at 12:30. In summer, nightly sound and light show.

European Parliament. The Palace of Europe is open to the public. When Parliament is not in session, English tours every weekday at 10 am and 4 pm. During parliamentary sessions, contact the visitor service. Tel: (33) 88 37 40 01.

Rohan Palace. Former residence of the Prince-Archbishops of Strasbourg, built in the 18th century by the favorite architect of Louis XV. It houses 3 museums. Tel: (33) 88 52 50 00.

Fine Arts Museum. An extensive collection of European paintings from the 14th through the 19th century. Includes *La belle Strasbourgeoise*, the Alsatian *Mona Lisa*.

Archeological Museum. One of the most important in France, with collections spanning several ages, from as far back as 100,000 BC to 800 AD.

Decorative Arts Museum. Grandiose apartments with sumptuous furniture and French paintings. Beautiful collection of Strasbourg ceramics and pottery, and other decorative and applied arts from late 17th to mid-19th century.

Alsatian Museum. Depiction of the traditional way of life in Alsace, through its painted furniture, its costumes, pottery, toys and trinkets. Certain rooms are reconstructions of typical workshops and houses in the region. Tel: (33) 88 35 56 36.

Berlin Rebuilds and Redefines

Wiederaufbau des Hotel ADLON
346 Zimmer, Restaurants, Bankett- und Konferenzeinrichtungen
in der internationalen 5-Sterne-Plus-Kategorie und Läden



Ein Projekt der
DE FUNDS-GRUPPE
LINDENBERGSTRASSE 100
10119 BERLIN

Architekt:
BREITENBURGER ARCHITECTURBÜRO
LINDENBERGSTRASSE 100
10119 BERLIN

Generalunternehmer:
ALTBACH/BAL
LINDENBERGSTRASSE 100
10119 BERLIN

Vertrag:
10.000.000,- €

Starttermin:
1. April 1995

Beendigungsdatum:
31. März 1997

Projektstand:
100%

Projektbeschreibung:
Wiederaufbau des Hotel Adlon
346 Zimmer, Restaurants, Bankett- und Konferenzeinrichtungen
in der internationalen 5-Sterne-Plus-Kategorie und Läden

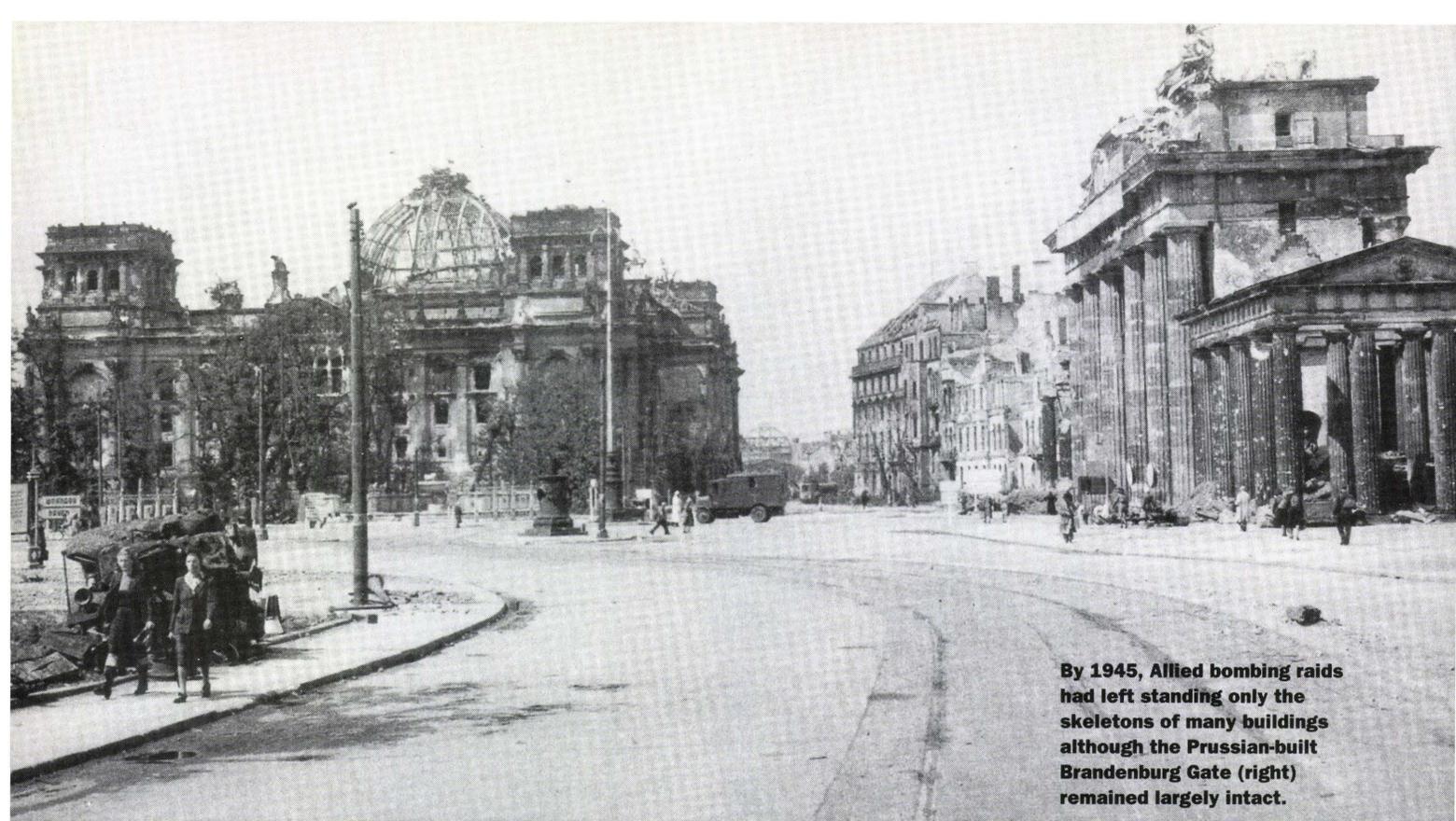
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The once glorious Adlon Hotel is being rebuilt on its original site near the Brandenburg Gate.

By Natasha Schlegel





By 1945, Allied bombing raids had left standing only the skeletons of many buildings although the Prussian-built Brandenburg Gate (right) remained largely intact.

Berlin is busy rebuilding and redefining itself nearly six years after the fall of the infamous Wall that once divided the beautiful capital of Germany. No longer restricted by its cold war status as the symbolic dividing line between East and West, Berlin is the new political, cultural, and architectural capital of Germany and is quickly becoming one of the key business centers in all of Europe.

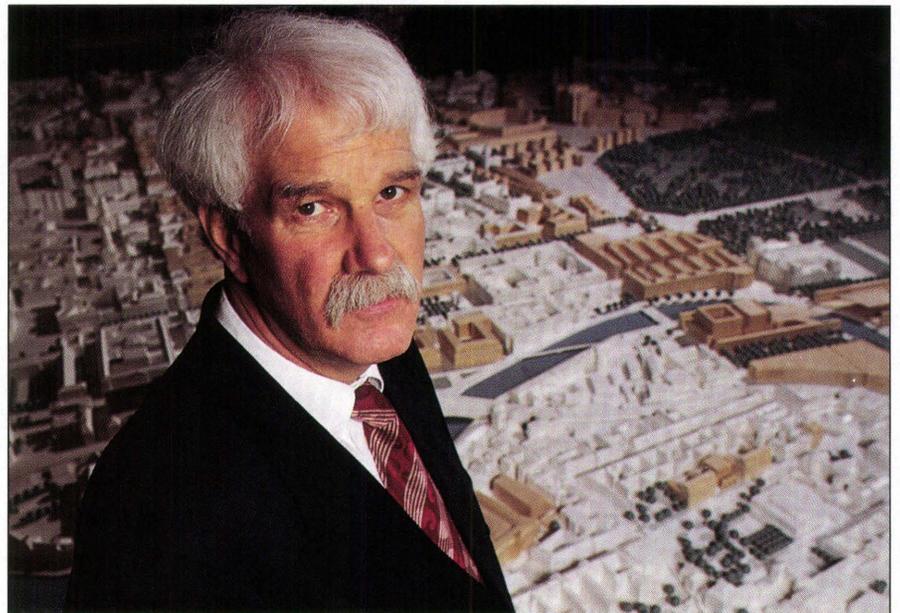
Today, Berlin's skyline is dotted with cranes and scaffolding, and the city rumbles with the sound of jackhammers and bulldozers. As a result of all the building, the construction industry ranked as the third largest in Berlin's economy last year, and the city has become the world's busiest in terms of major construction projects.

As Berlin rebuilds itself to get ready for the 21st century, the discussion rages among urban planners, architects, and politicians regarding how the city's new buildings should look.

While Berliners question what their future identity will be, it is interesting to note that the city began quite humbly as a swamp.

History. The name Berlin comes from the Slavic word for swamp. German knights took the swampland from the Slavs in the 12th century and settled it as a trading post linking Eastern and Western Europe. Divided by the Spree River, Berlin thrived as a center for commerce through the 14th century.

Hans Stimmann, Berlin's chief architect, oversees the city's new construction projects.



The Reformation hit Berlin in 1535, bringing with it rulers wishing to tame the decadent Berliners. One Protestant abbot remarked, "The people are good, but rough and unpolished. They prefer stuffing themselves to good science."

By 1763, the first Prussian king, Frederick the Great, had defeated Austria and Russia in The Seven Years War and, with designs for further conquests, invested heavily in the military at the expense of the economy and cultural life. His death in the 18th century marked the birth of the Enlightenment, and Berlin became the heart of the German Romantic Movement, launching a long history of German intellectual influence.

In 1806, even with Napoleon's army occupying the city, political debate thrived in Berlin's coffee houses, and factories sprung up as the Industrial Revolution extended eastward. August Borsig and Werner Siemens established large companies in Berlin, helping it to become the largest industrial city in Europe.

Germany was first unified in 1871 under Prussia's most famous general, Otto von Bismarck. The Iron Chancellor crushed further Napoleonic ideas of French domination on German soil, and Berlin became the political, social, and economic capital of the Prussian Empire. Culture in Berlin was on the upswing with the German Opera and the Abstract expressionist art movement when World War I temporarily stunted its growth.

After the war, the German government moved to the nearby town of Weimar in an effort to distance itself from Berlin's wartime image. Despite its leaders' good intentions, the government failed miserably to control inflation as war reparations depleted the economy. Berlin reached a crisis level in 1929, setting the stage for Hitler's rise to power.

Near the end of World War II, Berlin suffered severe Allied bombings, leaving its inhabitants without gas, electricity, or public transportation. In the months immediately after the war, 2 million Soviet troops occupied Berlin, consumed what little food and medicine remained, and paved the way for communism in the eastern part of the city.

Under the terms of the Yalta Agreement, Germany was divided into four sectors of Allied control, with France, Britain, the United States, and the Soviets each occupying a section. Even though Berlin was located within the Soviet-controlled area, it was agreed that the capital would also be partitioned into four quadrants.

Resenting the presence of the Western Allies in Berlin, the Soviets set up a blockade around the city in 1947 to starve

them out. A massive airlift foiled the Soviet's efforts in 1948. By 1949, French, US, and British planes were dropping 8,000 tons of food and fuel into the city daily which forced the Soviets to give up their blockade.

The political split of Germany crystallized six months later when the country divided into the German Democratic Republic (East Germany), which was the area controlled by the Soviets, and the Federal Republic of Germany (West Germany), which was the territory that the Western Allies had controlled. West Germany moved the capital from Berlin to Bonn, while Berlin remained the capital of East Germany; thus began the division of Berlin and the division of Europe.

With extensive aid from the Marshall Plan, West Germany became the largest economic power in Europe. The opulence of West Berlin, a veritable showcase for capitalism, shone brightly into the East, which was rapidly becoming gray from the pollution that followed heavy industrialization.



Until it was torn down in 1989, the Berlin Wall encircled West Berlin and divided Germany's historic capital city.

In the 1950s, the East lost 2.5 million citizens who went to the West because of the higher living standards and better wages there. Much of the skilled East Berlin labor force commuted daily to the West to earn better pay, contributing to the success of the West German economy.

In 1961, desperate to patch the dike that was about to burst from the heavy westward flow, East German soldiers erected the 25-foot wall of concrete and barbed wire around West Berlin, laying the foundations for the infamous Wall. The frostiness of the 1950s and 1960s cold war relations thawed somewhat due largely to West Berlin's mayor Willie Brandt's policy of *Ostpolitik* that allowed West Germans to visit their families in the East; however East Germans could not go to the West unless they escaped, and many died trying.

In the 1970s and 1980s Berlin functioned in a segregated

fashion. West Berlin was an island for non-conformists and counterculture, living high on Federal subsidies and tax breaks. Pop musician David Bowie spent the 1970s in Berlin, producing some of his more avant-garde work. Artists, feminists, gays and lesbians flocked to Berlin as an alternative mecca in the 1980s.

While the West built West Berlin into a monument to capitalism, East Berlin became a very cosmopolitan and modern city—by communist standards. However a striking contrast in the two cities' living standards remained. West Berliners had access to a vast array of goods from all over the world, while the East Berlin shopping district, Alexanderplatz, comprised dingy shops selling a poor selection of low quality goods. Mercedes and BMWs were common in West Berlin, while Trabis, the East German-built, three-cylinder car that easterners waited 10 years to get, crowded the East Berlin streets.

When Gorbachev's *Perestroika* swept thought the Soviet Union and Eastern Europe, the tornado of reform did not skip over Berlin. East Germans watched the border between Hungary and Austria come down and began leaving at the rate of 200 people a night. East German President Eric Honecker became ill, leaving a power vacuum. With the citizens emboldened and the government unwilling to fight them, the Wall came down in November of 1989.

Even though the Wall was gone, the city—and the country—remained divided. An entire generation of Germans grew up knowing two separate Germanys. Silke, a West German student at Berlin's Free University, says she still can't shake the idea that East Germany is part of Germany. "It is like Austria; they speak German, but they are another country."

"You can't get lost in this city. Either way you always end up at the Wall."

—From the film *Wings of Desire*, 1982

Sights. Now that the Wall is gone and the city is undergoing radical reconstruction, Berlin's center is not so easy to determine. The city's heart lies under folds of history, which makes it all the more interesting to uncover. Berlin is a big, sprawling city broken into districts: Charlottenburg and the famous shopping district, the Ku'damm, in the West and ethnic former working-class districts such as Prenzlauerberg in the East. A good start to understanding Berlin is to start at the Mitte ("the middle" where the Wall once stood) with the Brandenburg Gate at the end of Unter den Linden—a mile-long stretch lined with lime trees, as it was during the Prussian Empire. (Interestingly, Hitler, never fully accepted by Berliners, had the original trees chopped down out of spite.) Having survived Napoleon and two world wars, Brandenburg Gate is the only structure in the immediate area re-



Today, Berlin's punk rock clubs have lost the cachet they enjoyed when Iggy Pop and David Bowie livened the club scene during the 1970s.

maining from the Prussian Empire. For the 28 years that the Wall stood, the entire zone surrounding the gate was a no-man's land between the two Germanys.

Through Brandenburg Gate and into the Tiergarten lies the past and future site of the German Parliament—the Reichstag. No other structure in Berlin bears the marks of history like the Reichstag. It was erected as a symbol of democracy, became the headquarters of the Third Reich, then a museum.

This June, the controversial artist Christo will wrap the Reichstag with plastic to be uncovered upon the arrival of the government (around the year 2000), symbolizing the birth of the new Berlin.

Berlin's sharp contrasts are best embodied in the former center of East Berlin—Alexanderplatz. Lingered statues of Marx and Engels stare into a neobaroque fountain, and above them looms the 600-foot television and surveillance tower that was used for spying during the cold war.

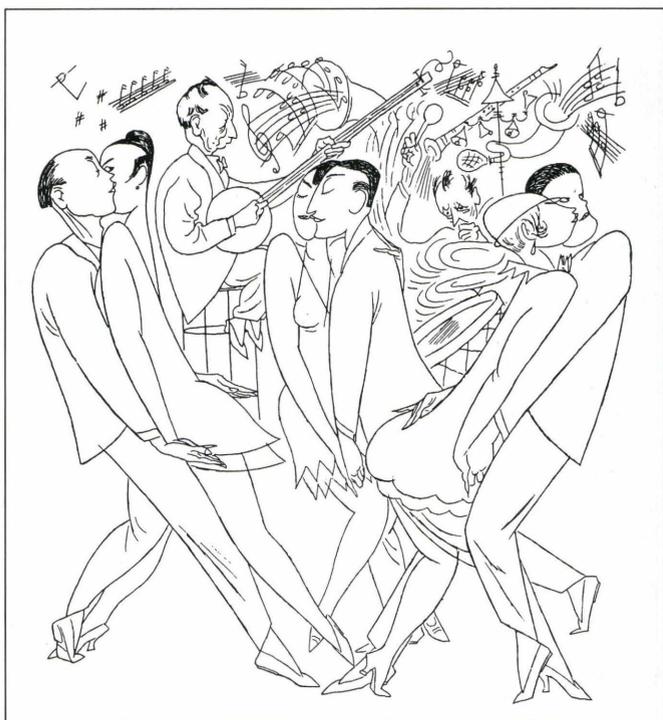
Culture and Nightlife. With Germany's financial capital in Frankfurt, its fashion capital in Düsseldorf, the media capital in Hamburg, and the high-tech capital in Munich, Berlin stands as the country's cultural capital.

The city boasts more than 150 museums; however several duplicates were created in East and West after the Wall went up, leaving reunited Berlin with two examples of the same museum. The avant-garde thrives in the Scheuenviertel with traditional museums a stone's throw away on Museum Island. The Altes Museum is just one of the many on the island located to the north of the Spree. The Egyptian Museum in the former French-occupied suburb Charlottenburg is worth seeing for its 3,000 year old bust of Egyptian Queen Nefertiti. The affluent southwestern suburb of

Dahlem houses the densest concentration of art museums ranging from German to Indian to East Asian art.

There are more than 300 private galleries in Berlin. Kreuzberg is the center of West Berlin's alternative galleries such as the Martin-Gropius-Bau that houses large-scale thematic exhibits such as the Berlin Film Retrospective.

Since its debut 100 years ago, film has been an integral part of Berlin's culture. In the 1930s, Berlin's film industry rivaled that of Hollywood. Directors Fritz Lang (*Metropolis*) and Billy Wilder (*One, Two, Three*) and actress Marlene Dietrich (*The Blue Angel*) lit up the Zoo Palast with their stardom much as John Barrymore, Joan Crawford, and Greta Garbo did Hollywood's Chinese Theater. Sadly, Hitler's reign quashed the grandeur of Berlin's film industry. Propaganda and *Heimat* films (idyllic films depicting happy people amid Alpine scenery) replaced Hollywood-style films. Berlin's finest filmmakers, actors, and actresses went to America to finish their careers, ending the rivalry. Since 1951, Berlin has hosted a yearly international film festival that draws 8,000



German artist Karl Arnold's 1921 pen and ink entitled *Jazz Band and Shimmy* depicts Berlin's raucous image during the Golden 1920s.

people from all over Europe. The Arsenal Movie theater is worth checking out, festival or no festival. It shows anything ranging from 1930s classics to Russian silent films.

Because of drastic cutbacks in the arts budget, Berlin's classical music scene is suffering. However, the world-famous Berliner Philharmonic and German Opera still attract big names.

Decadence has remained constant in Berlin's nightlife scene since the Golden 1920s when Josephine Baker danced nightly to packed houses and cabarets overflowed with drink, drugs, and sex.

The 1970s Berlin nightclubbing scene that Iggy Pop sang about has been overtaken by the cafe and bar scene. Today

one finds the heart of Berlin's counterculture on the Orianenburger Strasse in the former East. When the Wall came down, loft space was cheap there, attracting bohemians who turned the area into an artists' colony. Skeletons of old buildings were converted into elaborate works of art covered with giant murals. Some feature hapless Trabi carcasses protruding from odd places. In the evening, prostitutes identically dressed—in what appeared to one visitor to be aerobics garb—line up equidistant from each other, patiently awaiting their customers. Overall, the Orianenburger Strasse provides a colorful (some might say seedy) alternative to Berlin's more staid suburbs.

Business and Industry. Although Berlin is known more for its culture and history, its unique geographical location in the heart of Europe makes it a convenient place for business and industry.

"In the coming years, Berlin will be Central Europe's undisputed center for international business and the gateway to the East," says Berlin's mayor Eberhard Diepgen.

Berlin has always attracted business because of its highly educated workforce, strategic location, universities, and infrastructure.

Berlin's best-known company Siemens Corporation launched the German Industrial Revolution when the young entrepreneur Werner Siemens founded the firm in 1847. Today, the global company employs more than 21,000 people in Berlin, making more than 17,000 products from power plant turbines to transformers.

Many international firms have found Berlin a convenient place to do business throughout Europe. American companies in Berlin include Gillette, Ford, Philip Morris, Coca-Cola, IBM, and Citibank, plus several hotel chains.

Additionally, American law and accounting firms as well as numerous construction companies are now located in Berlin. As the politicians move from Bonn to Berlin, consultants, many American-based, are sure to follow them.

A former American Ambassador to Hungary, Mark Palmer, is currently living in Berlin and building a shopping, residential, and business complex. "Berlin is the right place for anyone focusing on the new Europe rather than the old Europe," Palmer says. "As an American doing business in Berlin, I feel very welcome here."

While Frankfurt will remain the banking capital and Hamburg the media center, Berlin will continue to attract its fair share of banks, media, and other new companies as Germany's new political capital becomes the business center of Central Europe, and possibly all of Europe, in the not too distant future.

"I am confident that the international business community will find a 'pro-business, can-do' attitude in our city," says Diepgen.

Berlin Today. With the 21st century fast approaching, the city's optimism is reflected in the 35 major building projects already underway, including the Daimler-Benz-sponsored retail complex where Sony plans to build its European headquarters. "The Potsdamer Platz," says German film and literature Professor Willie Riemer, "is the most striking example that expresses what Berlin is...you come out of a new subway station into a wasteland with construction signs."

Amid all the construction, though, Berlin still exudes a sense of uncertainty. City planners and architects continue to debate how the new Berlin should look. Because of the city's multifaceted history and its years of dual identity, arriving at an overall concept has been extremely difficult. The powerful building supervisor, Hans Stimmann, envisions Berlin in its glory days during the Prussian Empire, advocating neoclassical style buildings no taller than 70 feet.

For many people, such as Daniel Liebeskind—the architect of the deconstructionist-style Jewish museum due to open next year, Stimmann's restrictions are a hindrance. They argue that his vision is backward looking and counterintuitive to Berlin, which they

feel is as much defined by its modernist architecture as by its traditional architecture.

"Trying to create a national identity is an archaic idea," says Riemer. "A dancer doesn't set out to be elegant. She practices movement and expression, and together they will be elegant."

Despite the absence of the Wall, Berlin remains very much a divided city. "We say *Die Mauer in dem Köpfer* (The Wall in the mind) to describe Berlin today," says a student from Berlin. The goodwill that overflowed from the West after the Wall fell has worn thin after almost six years. East Berliners say they feel like second-class citizens and long for the security, such as it was, communism gave them. Since 1989, unemployment in the East has risen dramatically,

and the housing shortage in the West has worsened. Some West Berliners resent higher taxes as the cost of unification. Many are still saying that too much happened too fast.

However, Berlin has a reputation for surviving. Berliners want unification to work. East Berliners have bumperstickers that read: "Give West Berliners a Chance!"

The economic minister at the German embassy in Washington, Volker Schlegel, says, "Right now, the corridor to the East is chaotic and there have been setbacks, but Berlin will emerge. I am sure this will happen." ☺

Natasha Schlegel has lived in Munich and traveled extensively throughout Berlin and other parts of Germany.

Traveler's Notebook

VITAL STATISTICS

Location: Berlin lies in the northwest of Germany, divided by the Spree River. 174 miles from Hamburg, 318 miles from Frankfurt, 243 miles from Nürnberg.

Population: 3.5 million

Access: By air: Of Berlin's three airports, Tegel is the largest international airport, servicing all major airlines. Tegel houses a tourist office with accommodation booking facilities. Taxi into the city (\$25). Airport Tel: (30) 41011.

By rail: Trains arrive at Bahnhof Zoo (Zoo Station) from the north and the west and at Hauptbahnhof from the south.

By road: There are four main autobahn routes to Berlin. Road conditions deteriorate in the former east.

Telephone/fax:

The international dialing code for Germany is 49 and 30 for Berlin.

CONTACTS:

Business: Berlin Economic Development Corporation, Tel: (30) 3 99 80-0, Fax: (30) 3 99 80-239. Representative of German Industry and Trade in Washington DC: (202) 659-4777.

Pleasure: Main Tourist Office—(30) 262 6031, Zoo Station Tourist Office—(30) 313 9063. US National Tourism Offices—(212) 661-7200 & (310) 575-9799.

HOTELS:

***Travel note:** Be sure to book well in advance.

In the West:

Bristol Hotel Kempinski

Berlin's most famous hotel and probably the most expensive. The Kempinski exudes a faded charm. However, the hotel staff have a reputation for being snooty. Tel: (30) 884 340, Fax: (30) 883 6075

Grand Hotel Esplande

Berlin's most elegant and newest luxury hotel. It is a center for world political and business leaders. The Esplande is plush and beautifully decorated. Jazz is featured nightly in the bar if you feel like a night off the town. Tel: (30) 261 011, Fax: (30) 265 1171

Hotel Schweizerhof Berlin

A charming, centrally located luxury hotel with a Swiss atmosphere owned by Intercontinental Group. Excellent Swiss cuisine and a gorgeous swimming pool that is one of the largest in Berlin. Some rooms overlook the nearby zoo. Tel: (30) 269 60, Fax: (30) 269 6900, Toll Free from the US: (800) 237 5469

Hotel Bremen

A quiet and charming hotel just off the Ku'damm. The glass-enclosed breakfast room on the fifth floor offers breathtaking views of the city. Expensive. Tel: (30) 881 4076, Fax: (30) 882 4685

In the East:

Berliner Congress Center

With 13 conference rooms, 3 restaurants, and 110 bedrooms, it is an ideal hotel for business guests who need conference facilities. Moderate-

Expensive. Tel: (30) 27580, Fax: (30) 2758 2170

Hotel Unter den Linden

The old-fashioned lobby looks onto one of the most famous intersections in Berlin. Friendly staff, pleasant rooms. Moderate. Tel: (30) 238 110, Fax: (30) 238 11100

Hotel-Pension Funk

Located in the former apartment of Danish silent movie star Asta Nielsen, the hotel exudes a 1920s and 1930s ambiance. Moderate. Tel: (30) 882 7193, Fax: (30) 883 3329

RESTAURANTS:

Turmstuben

Located in the Französischer Dom near the Gendarmenmarkt, this French bistro serves delicious food and a fabulous selection of wines. Go for the magnificent view over central Berlin. Tel: (30) 229 93 13

Istanbul

The oldest Turkish restaurant in Berlin offers an extensive menu of meat and fish dishes. This restaurant will wake up your senses with the spicy food and belly dancing on the weekends. Tel: (30) 883 27777

Zur Letzten Instanz

Dating back to 1621, the oldest pub in Berlin offers local specialties. Tel: (30) 242 55 28

Beth Cafe

Offers the only Kosher food in town. Warm ays can be enjoyed in the bistro's lovely courtyard.

KaDeWe

The largest department store in Europe is also known for its food. Its sixth floor food emporium is exceptional.

MUSEUMS:

Gemäldegalerie (Picture Gallery)

Houses a vast collection of Rubens, Dürer, and El Greco. Botticelli's *Leda With the Swan* and Lucas Cranach's *Venus* are a must see. Located in the old American sector of the city Dahlem. Tel: (30) 830 12 17

Museum Island

Berlin's oldest collection of museums—from the National Gallery to the New Museum.

Nikolaikirche

Historical collection chronicling Berlin's development. Tel: (30) 23 80 90 81

Ägyptisches Museum (Egyptian museum)

Outstanding exhibits. Permanent collection includes marble bust of Egyptian Queen Nefertiti. Tel: (30) 32 09 12 61/ 32 09 11

Kunsthau Tacheles

An art gallery of the bizarre located in the ruins of a bombed out department store on the Oranienburger Strasse. Artist sell work for moderate prices.

Haus am Checkpoint Charlie

A museum documenting the history of the Wall. It gives details of the ways people escaped and exhibits some of their escape devices, including a car with a propeller. Tel: (30) 251 10 31

Source: *TimeOut Berlin Guide*, 1995

thentic settings, and the often sparkling dialogue, it is a curiously cold movie, reflecting perhaps Jefferson's own, apparently unemotional nature.

Personal relationships develop, but they don't deepen. The flirtation between Jefferson and Maria Cosway never goes beyond the superficial and his simultaneous relationship with the teenage Sally Hemings (which the film presents as a fact rather than the rumor it always has been) while touching, is hard to credit though it certainly speaks of Jefferson's evident loneliness in the French capital.

The brewing French revolution and its cause are hinted at rather than shown, and there is virtually nothing to indicate Jefferson's own, quite intense involvement with the intellectuals plotting the uprising.

A number of scenes demonstrate Jefferson's untenable and basically contradictory position vis-a-vis slavery and involving confrontations between him and the excellent Seth Gilliam, who plays Sally's black older brother, whom Jefferson had brought over from Monticello to be his cook.

It's all a bit like an expertly illustrated history lesson, very accurate in its details, full of glittering costumes, elegant people, informative anecdotes and helped enormously by Pierre Lhomme's photography along with Richard Robbins' musical score.

Almost everything in the film seems to make a point, whether it is Messmer exploiting his hypnosis games at a party, or Dr. Guillotine demonstrating a little model of his new killing machine at a dinner table. Ivory's direction is impeccable, as usual, and it is thanks to him that a figure like Louis XVI, played by Michael Lonsdale, comes across as a pitiful and weak

fool dominated by his wife, Marie Antoinette.

But there isn't much emotion, which is a shame because it was a highly emotional and dangerous time, full of fear and tension, controversy and change, and its long-term impact on Jefferson was profound.

Jefferson in Paris represents a considerable movie-making accomplishment in the established Merchant-Ivory tradition. But somehow Jefferson deserved better.

—Fred Hift

BOOKS

JEAN MONNET: THE FIRST STATESMAN OF INTERDEPENDENCE

By François Duchêne; W.W. Norton; 410 pages; \$30.

In *Jean Monnet: The First Statesman of Interdependence*, the reader is treated to what amounts to three books in one: a much-needed biography of the only man ever named "Honorary Citizen of Europe"; an original history of postwar efforts to unite the European continent; and an imaginative set of reflections by the author on the meaning of today's European Union. Any one of these "three" books would be compelling. Woven together into one work by the skillful hands of François Duchêne, this single volume deserves to become a classic in the study of Europe.

Monnet, scion of a family cognac firm of the same name, is perhaps best known as the first president of the European Coal and Steel Community, Europe's initial integration project. The 1952 ECSC, which was Monnet's brainchild, sought to overcome the Franco-German rivalry—the source of three bloody conflicts in less than a century—by pooling the raw materials of their war-making machines. In this it was a

great success, spawning a dynamic of integration which, through various ups and downs, has created the Common Market and Euratom (1958), the European Community (1967), and today's European Union (1993).

As Duchêne ably reminds us, though, Monnet's three-year tenure at the helm of the Coal and Steel Community was the most public face of an entire career devoted to building closer relations between the European peoples. Before the United States entered World War II, Monnet lobbied for an Anglo-French union to face up to Hitler's threat and served as the representative in Washington of the Anglo-French Coordinating Committee for military purchases. John Maynard Keynes, the British economist and statesman, thought that Monnet had shortened the war by a year because of his success in prodding the US to accelerate its production and delivery of wartime supplies to France and Britain.

Monnet's experience in Washington and the impressive contacts he built up there are a kind of leitmotif in the book. Duchêne portrays a man who, though quintessentially French in manner and dedicated to European unity, regularly relied on his American friends in government to help him achieve his goals. The US in the 1940s and 1950s was strongly in favor of a more united Europe, and Duchêne shows how Monnet painstakingly constructed a "triple alliance" of the US, France, and West Germany to further his cause. Despite his close ties to London—which dated back to his days as a cognac merchant—Monnet was willing to sacrifice the British, who were opposed to the loss of national control inherent in the Coal and Steel Community.

Duchêne, who worked with Monnet in the 1950s as a

speechwriter and press liaison, is perhaps at his best toward the end of the book when he looks at the assumptions underlying the famous "Monnet method" and their implications for the European Union. Monnet's goal was to "civilianize" international and particularly European relations by replacing power politics with trade, investment, and human exchanges. He sought "the common management of common problems," and for this European—rather than just national—institutions and decision-making might sometimes be necessary. He was above all a problem-solver and pragmatist with no fondness for ideologies or bureaucracies. Theological debates about federalism and supranationalism—which continue to plague Europe today—would seem utterly irrelevant to him. Despite his cosmopolitanism, Monnet appears never to have lost the canny, almost peasant-like good sense rooted in the traditions of his native region of Cognac.

—Peter Rashish

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ARTS & LEISURE

FILM

THE PROMISE

Concorde Film

The *Promise* is the first full-length feature movie about life, yearnings and suffering during the almost three decades of the Berlin Wall. It tells the story of two lovers, Sophie and Konrad, who live in the same city—Berlin—and yet they see each other only four times in 28 years.

The story mirrors German history from the construction of the Wall in August 1961 to its fall in November 1989. Is it a love story, a documentary, a historical, or political movie? "It's a mix," says director Margarethe von Trotta. "A little bit of everything."

Von Trotta is intrigued by history as she showed with her earlier successful movies including *Die Bleierne Zeit*, (The Leaden Time) and *Rosa Luxemburg*. Before writing the script Von Trotta and her screenplay writer, Peter Schneider, spent more than six months researching, talking to scientists, writers, pastors, dissidents, and dedicated Communists. Their prototypes are real people with their true stories. "We tried very hard to be as authentic as possible," says Von Trotta.

The love between Sophie and Konrad bears the deep wounds inflicted upon them by the division of Germany. They are separated as they attempt to escape from East Berlin through the city's sewage system in the fall of 1961. From then on they live

in two separate worlds: Sophie in the West, Konrad in the East. Instead of joining Sophie, Konrad makes a career as an astrophysicist in East Berlin. Finally, in 1968, he is allowed to accompany his professor to Prague and

Berliners on the cross-sector Glinicke Bridge. Will there be a happy ending? "The film consummates itself in the heads of the audience," says Von Trotta.

One of the more poignant scenes at the Glinicke Bridge



The Promise, from Germany, tells the story of lovers separated by the Berlin Wall.

the lovers meet again. Their joy is short-lived for the Prague Spring is ended abruptly by Soviet tanks, and the lovers are torn apart again. The East German authorities allow Sophie, who is pregnant, to see Konrad in East Berlin only once before the state security bans any further reunions. Twelve years later, Konrad, who became a famous scientist, is allowed in 1980 to attend an international conference in West Berlin. He sees his 12 year old son Alexander for the first time.

Von Trotta raises a questionmark in the way Konrad and Sophie look at each other on November 9, 1989 amid the jubilant East and West

is when an excited West Berlin reporter asks a sad-looking elderly woman "And you—aren't you pleased?" The woman replies: "It's too late for me. If after 30 years the cage opens, the bird cannot fly anymore."

The movie will be shown in the United States this fall.

—Wanda Menke-Glückert

JEFFERSON IN PARIS

Touchstone

Jefferson in Paris is a visual treat, an eye-filling, splendidly staged and costumed attempt to realistically recreate a slice of turbulent history—the years (1784-1789) which Thomas Jefferson spent as the American Ambassador to the

Court of Louis XVI just prior to the French Revolution.

Hollywood's attempts to portray history have not been uniformly successful, but—fortunately—*Jefferson in Paris* was made by a hugely talented trio who have proven themselves in many great movies—James Ivory the director; Ruth Praver Jhabvala the script writer, and Ismail Merchant the producer.

Tackling Jefferson's years in a turbulent Paris is a daunting challenge, and the film meets much, but by no means all, of it.

Nick Nolte, at the head of a huge cast, plays the enigmatic Jefferson. Gwyneth Paltrow is his daughter, Patsy. Thandie Newton is Sally Hemings the beautiful young slave girl who accompanied Jefferson's second daughter, Polly, to Paris and with whom Jefferson is alleged by some to have had an enduring affair; and Greta Scacchi is the charming but fickle Maria Cosway, an Italian painter with whom Jefferson fell in love.

Shot on locations in Paris, and accurate in most of its details, the film's setting and costumes simply stun the eye, and virtually all the performances ring true. Merchant and Ivory appear to have recreated the superficiality of the court and of French aristocratic society of that troubled time to perfection, and the film brims with fascinating little touches and details, describing a French social strata which so attracted and at the same time repelled the straight-laced Jefferson.

The trouble with *Jefferson in Paris* is that, despite its au-

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bles provide information for harmonized data. **\$40**

Earnings, Industry and Services, 1994. *Commission, Brussels, 1995, 273 pp.* Presents a broad view covering many aspects of employment, aiming to provide a sound basis for debate and discussion about the future development of employment in the Community. Specific topics include economic and employment prospects, structural employment issues, and Community and national policies. **\$16**

English/Russian Glossary of Statistical Terms with Multilingual Entries, First Edition: Volume Two: Structural Business Statistics. *Statistical Office, Luxembourg, 1995, 112pp.* Provides 269 terms defining structural business statistics. Arranged alphabetically, this work provides descriptions for accounting ratios, analytical units, capital expenditure, dividends, and much more. **\$14**

ERASMUS Directory: Action II Directory, 1994-1995. *Commission,*

Brussels, 1995, 1,400pp. This directory gives extensive coverage to the over 1,500 Inter-University Cooperation Programs available in the EU. For each program, explicit details are given on content and application information. **\$50**

Forty-First Review of the Council's Work (The Secretary-General's Report): 1 January-31 December 1993. *Commission, Brussels, 1995, 275pp.* The work comprises a summary of the main decisions and salient facts relating to the Council's decisions (Part I), along with a detailed analysis of the Council's work as a whole (Part II). **\$25**

Labour Force Survey Results, 1992. *Statistical Office, Luxembourg, 1995, 259pp.* A multilingual report of the labor force in the Community as compiled by EUROSTAT. Detailed descriptions of the sampling methods, adjustment procedures used, definitions, and the common Community coding currently in use are presented. **\$35**

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bate. Saying only that the laser beam is only one part of her project, which she calls *Peace Sculpture 1995, The Line—The Light*.

Given the right weather, the four-inch wide green laser beam may produce some spectacular visual effects. Especially at the 17 support points, where vertical beams of white light will cross the horizontal green beam. The artist says that the beams symbolize the white candles that the Danish population lit in their windows on May 4, 1945 when Denmark was liberated.

Every year since, that tradition has been continued on Liberation Day, though almost only by the generation alive at that time. Critics of the beam note that it will extend into Germany and that the coordinator of the international art exhibitions that are a part of the event is a German professor, Wolfgang Becker, from Aachen. Some recalled that the Nazis themselves in 1937 in Nuremberg had created a cathedral of light, an enormous light show, to impress Western ambassadors and emphasize their peaceful intentions.

Critics further objected to the venue of the art exhibitions. Throughout the summer 25 international artists will present a selection of their works in some of the 6,000 odd concrete bunkers on the Danish West Coast, stubborn reminders of the Nazi defenses against an Allied invasion that never came in Denmark. Former resistance fighters believe that these bunkers should be halls of shame, not halls of fame. Virtually impossible to remove, they should be left to the forces of nature slowly eating away at the coastline.

The parliamentary opposition tried unsuccessfully to stop the project, especially the public contribution toward the cost of the two-hour multi-million dollar laser beam experience. But the debate shows that the emotional level of the Danish debate on the events of World War II is still very high.

Even more controversial than the artistic celebration of Liberation Day is the start of an agonizing reappraisal of the Danish wartime effort. Until 1943, the Danish government remained in power, the armed forces were intact, and the Danish government allowed military personnel to enlist on the German side on the Eastern front against the Soviet Union. After the war they were severely punished, but none of the politicians who had sanctioned this policy were held re-

sponsible. It is not likely that Denmark will see a repetition of the debate about the Vichy government that collaborated with the Nazis in France, but a more balanced view of the downside of the Danish wartime effort seems to be emerging.

—Leif Beck Fallesen

LUXEMBOURG

OPEN SKY

Against the wishes of the Commission of the European Union, Luxembourg in March becomes the fifth small country in Europe to sign an "open sky" agreement with the US that will lower restrictions on airline flights between the two countries.

In November last year, the US began attracting European countries to an accord that would grant reciprocal free access to all airports of the signatory countries with no limits on the sizes of aircraft or the frequency of flights. Signing the accord, said Prime Minister Jean-Claude Juncker, "is not a provocation," but rather the "outcome of 10 years of negotiations."

His remarks referred to efforts by EU Transport Commissioner Neil Kinnock to press EU members to decline signing individual agreements with the US that govern access to airports. Kinnock has

argued on the Commission's behalf that the EU treaty mandates that such agreements must be made under the treaty that binds the 15 into a trading bloc with common tariffs and other joint rules and regulations. Further, Kinnock maintained that all the member states could boost their negotiating strength if they bargained collectively with the US.

Few members have listened. Germany already negotiated a gradual reduction in restrictions on its airports and flight schedules with the US. Open sky agreements have been struck with Switzerland, Belgium, Austria, and Iceland. Finland, Norway, Sweden, and Denmark are in negotiations. All nine must sign the accord before it can go into effect.

The Commission has threatened to challenge the pacts at the EU Court of Justice, claiming that such agreements with third countries are a "Community matter." Past challenges by the Commission have failed, with the court ruling that agreements on "international transport" fall outside the EU Treaty.

The United Kingdom has been the loudest voice in the Commission to oppose the "open sky" deals with the US, fearing that British Airways' gateway service to Europe from Heathrow, a major international hub, would be challenged.

—James D. Spellman

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operate hatcheries for producing fry in addition to fattening fish to market size.

Greek fish-farming took off in the late 1980s, thanks to European Union incentive grants which covered almost 50 percent of the initial investment in renting a site, setting up floating cages for fattening the fish, and purchasing hatchlings.

Not only does Greece offer hundreds of sheltered inlets around the mainland coast and the islands that are suitable for setting up fish farms, but the water is warmer and less polluted than in the western Mediterranean.

Most big farms are clustered around the mainland, but several of the most successful are based on islands like Cephalonia in the Ionian and Chios, close to the Turkish coast. They provide jobs year round in areas where most employment is based on seasonal tourism.

Smaller Greek producers sell on the local market, where demand for farmed bream and bass is growing as prices rise for wild fish. Because of shrinking fish stocks and EU incentives for Greek fishermen to leave the fishing industry, wild fish is in increasingly short supply in the eastern Mediterranean.

Bigger Greek producers have set up export networks sending fish by truck to Italy—the biggest market abroad—and by air to northern Europe.

It takes 20 months to grow a .175 ounce juvenile fish to 12.25 ounce, the preferred market size, for bream and bass.

Greek fish farmers worry most about winter storms that could break the cages apart, releasing the fish. Companies employ full time divers to ensure that the fish cannot gnaw holes in the netting walls of the cage. Disease is also a risk, although vaccines available on international markets have so far proved successful in preventing the spread of viruses on Greek fish farms.

But as the volume of available fish rises, prices have dropped to the point where smaller units can barely cover their operating costs. As a result, consolidation is underway, with bigger operations buying up smaller rivals.

By the end of the 1990s, Greek fish farming is likely to be dominated by large companies operating hatcheries and farms in different areas and having considerable export capacity. Bigger companies are also able to promote research into farming new species.

For example, Selonta Fisheries, Greece's biggest fish farm, plans to add two more varieties, white bream and

dentex, to its product list and is experimenting with others.

—Kerin Hope

LONDON

NEW LABOR PARTY

The Labor Party has taken another giant stride on its long march to make itself electable by dropping its ideological commitment to the nationalization of public services.

After a decade and a half in opposition, the party has finally cut itself free from socialist dogma framed during the Bolshevik Revolution and adopted a new constitution designed to woo the middle class voters.

...

**The commitment to
unrestrained state ownership
is out. In comes a set of aims
and values embracing private
enterprise, market forces, and
“the rigor of competition.”**

...

The commitment to unrestrained state ownership is out. In comes a set of aims and values embracing private enterprise, market forces, and “the rigor of competition.”

“We are the people’s party. We should address the people’s agenda,” declared new party leader Tony Blair as he won the backing of the party’s national executive for this revolutionary change. The party’s 77-year old commitment to the nationalization of the public services was cherished by Labor’s left wing. But this was among the issues which have made it impossible to win elections since 1979.

The party’s left wing fought hard against the change. The leaders of some of the trade unions, which formed the backbone of the party for decades, were also enraged by the

omission of any reference in the new policy to a specific pledge to full employment. They were heavily outvoted by many others who realize that you cannot change anything unless you can attain power and that you will not win an election on the basis of outdated dogma.

The new policy is enunciated in a rewritten “clause four” of the party constitution. The commitment to public ownership is replaced by a reference to “power, wealth, and opportunity in the hands of the many, not the few.” It describes Labor as a democratic socialist party and suggests that people can achieve far more by acting together than on their own. This reflects the influence on Blair of Amitai Etzioni’s communitarian movement.

“Waffle” was how Conservative Party spokesman Michael Portillo, the employment secretary, reacted. He said Blair’s “weasel words” could not disguise Labor’s socialist instinct for “higher taxes, more spending, and more government regulation and intervention.”

Asked if the new declaration means the end of Labor as a class-based party, Blair replied that this is the beginning of Labor as a party with values that “stretch across society.” The new set of principles fix Labor in the mainstream of left-of-center European politics. The party which once wanted to pull the UK out of Europe, now believes in “cooperation in European institutions.”

—David Lennon

COPENHAGEN

LASER CONTROVERSY

A green laser beam projected along the entire 300-mile coastline of Western Denmark is probably the most original European contribution to the celebration of the defeat of Nazi Germany 50 years ago. It has also sparked strong controversy in Denmark between former resistance fighters and supporters of the artist’s license to commemorate an historical event in a very subjective manner. There were even hints by some of the wartime saboteurs that they might be tempted to practice their old craft on the beam.

The artist, Elle-Mie Ejdrup Hansen has had the full support of the Danish minister of culture, Ms. Jytte Hilden, and she has kept a very low profile in the de-

glesang was appointed by ESA to Eurromir's backup crew, which will take over the mission in its entirety if one of the original crew members falls ill prior to the launch. Regardless, as ESA develops its space station program, sending more people into orbit, chances are Sweden will get its own space hero before the turn of the century.

—Jonas Weiss

MADRID

FISH NATION

The recent "fishing war" between the European Union and Canada, triggered by the Canadians seizing a Spanish trawler, was rather ironic in that the fish which the Spaniards were after—turbot—are not even eaten in Spain.

But just about every other creature of the sea is, with each Spaniard eating an average of 100 pounds a year of seafood. Indeed, Spain ranks third in the world after Japan and Korea in the consumption of fish, which is an integral part of the diet all over the country.

Tuna is a popular ingredient of the basic Spanish salad; sea bream is served at Christmas; and plates of plump and pink shrimp are vital to any special cele-

bration. Paella, Spain's most famous culinary creation, is based on shellfish, and every bar in the country offers at least several seafood tapas. The fishmarket of Madrid is the largest in the world after the one in Tokyo.

So it comes as no surprise to learn that Spain has the EU's largest fishing fleet with almost 19,000 registered vessels serving an industry which employs more than 80,000 fishermen and another 400,000 workers on shore.

In recent years, more and more Spanish vessels are flying flags of convenience, such as Liberian or Panamanian, which means more lenient safety regulations and allows these boats to circumvent catch limits in some cases.

However, the annual production of 1.5 million tons still fails to meet Spanish demands and another 926,000 tons are imported. Spain exports a little over 330,000 tons of some species—such as the aforementioned turbot—to other seafood craving countries. To supply all this fish, Spanish boats search every corner of the Atlantic Ocean and a good part of the Indian Ocean as well, from the coast of Norway to the Falkland Islands, and from the Grand Banks to the Seychelles.

Ranging so far afield and involved in a

business of which an increasing number of countries are becoming very protective, it is not surprising that some Spanish boats get into trouble, and the recent brouhaha with Canada is nothing new.

Until a new fishing agreement with Morocco was reached a few years ago, Moroccan gunboats used to regularly seize Spanish trawlers for illegal fishing in that country's waters, touching off an exchange of harsh words by both Madrid and Rabat before heavy fines were paid and the boats were released.

—Benjamin Jones

ATHENS

FISH FARMS

Greece's flourishing fish-farming industry has grown to the point where it produces almost half the Mediterranean's yearly total of 27,000 tons of farmed gilthead bream and sea bass.

Only 5 percent of world aquaculture production is raised in salt water and most sea fish are grown in Southeast Asia, but the eastern Mediterranean is becoming an important fish-farming region.

There are now over 220 fish farms around Greece. Half a dozen companies

one that is slowly sinking into the sea, is in desperate need of more space. **Job Dronkers**, a physics professor at Utrecht University, has come up with a possible solution. He has devised a plan that could add as much as 7 percent to Holland's existing landmass.

His scheme involves stimulating the build-up of silt off the Dutch coast, so that a series of islands would emerge naturally from the seabed and create a new coastline behind which land could be reclaimed.

Dronkers' project is not the only one on the drawing board. Another idea is to hydraulically lift the entire country by an inch or two. But the professor's plan would create the greatest area of new land is also backed up by a historic precedent. Scientists say that back in the Ice Age the Dutch coast stretched so far to the northwest that it was possible to walk from England to the Netherlands without getting your feet wet.

•••

It has taken Belgian animator **Raoul Servais** 15 years to complete his first feature film, *Taxandria*. Two-thirds anima-

tion and one-third live footage, it is an English language fairy tale for adults and children about a mysterious land with no clocks and no memory, where the only time is the present.

Among the reasons for the film's lengthy gestation are the enormous technical difficulties involved as well as the challenge of coordinating a cast of Belgian, English, and German actors. There was also the constant need to keep up with the latest animation techniques. Some of the scenes which were state-of-the-art when they were first filmed looked completely out of date a few years later.

Having spent such a very long time to produce a film in which time stands still, Servais admits: "I don't think I would have the courage to embark on another adventure like *Taxandria*."

•••

Disney and the **Prince of Wales** have signed a deal to turn a cartoon film he wrote as a young man into a blockbuster video. *The Legend of Lochnagar*, which Prince Charles wrote in 1970 aboard the royal yacht Britannia to amuse his younger brothers, **Prince Edward** and

Prince Andrew, was animated in Wales and had its screen debut on British television two years ago. It tells the story of a selfish cave dweller who pays no attention to the harm he is doing to the world around him until he is "shrunkled" to the size of the Gorms, three-inch tall, haggis-shaped creatures invented by the prince.

Disney will distribute the cartoon on video, and Prince Charles intends to donate all of his profits from the deal to The Prince's Trust, a charity designed to help young people fulfill their potential.

•••

Jurassic Park may be on its way—off the movie screen. **Terry Manning**, a professional fossil collector in England, found the perfectly preserved skull and bones of a 75 million year old baby segnosaur inside a dinosaur egg from China. The segnosaur, a long-necked herbivore, would have grown into an adult measuring 28 feet long and 10 feet tall.

Scientists believe that a find like this brings them a big step closer to the day when they will actually be able to isolate dinosaur DNA.

—Ester Laushway

then, the Finnish tradition is cutting edge.

From chanceries to household objects, thoughtful design pervades Finnish culture. Sarpaneva is one of the country's most famous designers, and some of his best work is on display through May 21 in the chancery's "Grand Canyon," a light-filled space underdescribed by the word "atrium."

The entire northern facade of the hall is glass. Vertigo best describes the feeling one gets on this promenade, as this glass wall is the only thing between the visitor and a 50-foot tumble into the woods. Sweeping staircases curve up through bright copper paneling to the second floor.

The light is great, but, says Jarmo Viinanen, first secretary, sometimes it can get noisy, despite the high-tech acoustical panels designed to dampen noise reflected by the glass. "The architects didn't understand everything that an office needs," says Viinanen, citing a poor distribution of outlets for printers and a lack of closet space as details that detract from the building's practicality.

Ambassador Jukka Valtasaari has used the building's contrasts as a metaphor for the Finnish character, its interesting and complex interior belied by its cool, somewhat severe exterior. For

example, the same copper facing that adds reflective surfaces inside has been painted a demure patina green outside.

"We don't like to have anything too shiny, too visible," says Marja Geroin, public affairs officer. Paradoxically, it is with understatement that the Finns have again succeeded in making their presence known.

—Tina Lund Andersen

STOCKHOLM

SPACE SWEDE

He was to become the first Swede in space, aboard the Euromir project cosponsored by Russia and ESA, the European Space Agency. But in the end, 37 year old Christer Fuglesang of Stockholm had to swallow his disappointment and congratulate German colleague Thomas Reiter on winning the job aboard "Euromir 95," which will head out on its 135 day mission into space in August this year.

"The most exciting thing about the Euromir would have been the five-hour spacewalk," said Fuglesang, hoping to be chosen for future trips. "I know more or less exactly what would take place during the space walk," Fuglesang said, but

admitted that he couldn't imagine what it would be like watching the little blue and white ball from the emptiness of space.

German astronaut Reiter will now be the first non-Russian European to perform the spacewalk. Euromir 95, the second European-Russian space mission, is designed to prepare more non-Russian European astronauts for the era of space stations scheduled to be initiated by ESA in 1997. It is also intended to strengthen scientific cooperation with Russia, which sent its first man into space almost 40 years ago.

Life aboard a spaceship can be quite monotonous, Fuglesang points out in an interview with Swedish newspaper *Dagens Nyheter*. Though Fuglesang has never actually experienced it, the routines of a mission are well known to him. He has spent years training for it. Physical exercise, maintenance work, and scientific research on some 40 different projects take up most of the time aboard the station. And with a maximum two kilograms allowances of personal belongings (other than basic necessities), there is little room for books or music.

Despite the current setback, however, Sweden may yet see its first man in space this year, though this would depend on somebody else's bad luck. Fu-

NEWSMAKERS

This month the gold-plated typewriter on which **Ian Fleming** wrote all the James Bond thrillers, starting with *Casino Royale* in 1953, goes under the hammer at Christie's in London.

The gleaming machine is typical of the 1950s—and Fleming's—fascination with gadgets, which was such a prominent feature of the Bond books. Fleming bought it from the Royal Typewriter Company in New York for \$174. It is expected to fetch between \$7,500 and \$12,500.



Ian Fleming and Sean Connery on the set of *From Russia With Love*.

Professor **Jukka Ammond**, 50, a Latin buff and Elvis fan, has decided that it is *nunc hic aut nunquam*—now or never. After having a dream in which he found himself singing *Non adamare non possum* (Can't Help Falling in Love), the

Finnish literature lecturer is recording a whole album of the king's hits in Latin.

He is convinced that songs like *Tenere me ama* (Love Me Tender) and *Cor Ligneum* (Wooden Heart) will confer true immortality on Elvis. For marketing purposes he is giving his CD an English title *The Legend Lives for Ever—in Latin*. He is presently limbering up for possible live performances of his recording. "The thing now," he says "is to get the groin action right."

•••

After exploring the music of hot climates for 20 years, French composer and record producer **Zazou** has spent the past three years chilling out with an album of traditional music from the cold north. Entitled *Chansons des mers froides* (Songs from the Cold Seas), the recording combines "raw" sounds, like traditional voices and ethnic instruments, recorded on location

in northern countries like Alaska, Siberia, Iceland, Canada, and Sweden, with in-studio contributions from singers and musicians such as **Suzanne Vega** and **John Cale**.

This is not the first time Zazou has persuaded big names to contribute to his experiments with intellectual pop. One of his previous albums, *Sahara Blue*, which was based on the poems of Arthur Rimbaud, featured French screen giant **Gérard Depardieu**.

Zazou says that the way he works is somewhat like a film director. "I find a script and I cast the roles. Then I use the actors to tell a story. It is a group effort and the surprises are constant."

One of the surprises is that this latest album, although conceived by a Frenchman and recorded on a French label, does not make use of any French singers. It is a truly international production, which will be released in 17 countries, including the United States, the United Kingdom, and Japan.

•••

The Netherlands, not just the world's most densely populated country, but also

concert, which combined classical, baroque, and contemporary music, set the eclectic tone of the programming with which the Cité hopes to draw a whole new public not interested in conventional performances of “highbrow” music. Audiences will be able to choose from a musical smorgasbord of jazz, folk, classical, and contemporary, presented in afternoon and evening concerts, in open rehearsals, workshops, and special theme weekends. An example of how far from the mainstream the programming can wander was a recent workshop on the gamelan, a Japanese percussion instrument.

Critics of the Cité say that it tries to be too many things to too many people. They also lament the absence of a second, 2,700-seat concert hall which was part of the original plans, as was an opera house. The opera ended up being built at Place de la Bastille; the large symphonic hall fell victim to financial cuts in the late 1980s.

There were times, first when a right-wing government came to power in 1986 and then when the Socialists took over again in 1988, when it looked as if the Cité would never be built at all. It is thanks to its architect, de Portzamparc, who cajoled and convinced a succession of ministers, reworked his design tirelessly, and never lost faith in the project, that everything except the musical museum was completed in time to usher Mitterrand into retirement on a high note. Unlike some of the other “grands travaux,” the Cité is both impressive and accessible. It is one monument of the Mitterrand era which was designed as much with the people as the president in mind.

—Ester Laushway

ROME

SECRET SUCCESS

Although Italy is perhaps not best known for its successes in the foreign policy arena, the peaceful elections held recently in Mozambique bear witness that Italy is capable of advancing important foreign policy initiatives. In 1992, Italy helped broker a peace treaty between Mozambique’s warring parties, Frelimo and Renamo. The peace accord signed in Rome effectively ended the former Portuguese colony’s bloody, 16-year civil war, which took an estimated 1 million lives. Italian troops also played an important role in the UN peace-keeping

contingent sent to help ensure the peace process continued forward. These efforts recently led to the Mozambique’s first peaceful election.

One might expect that such a success would generate a certain amount of goodwill from the foreign policy press. If anything the reverse is true. Foreign policy observers, including the full political range of the Italian press—from the *Corriere della Sera* to *Repubblica*—appear to agree that at best Italy does not possess a clear foreign policy agenda.

The irony of the Mozambique success is that the Italian government and foreign service, reportedly, played little role other than host country in moving the talks to a successful conclusion. Rather, the progenitor of the talks was an Italian activist group, the Community of Saint Egidio. The community, which is named for the square in Rome where their headquarters are located, is a secular Catholic group that has been involved in international volunteer work for 20 years. Over time the organization has cultivated a network of contacts throughout the Italian political spectrum and the Vatican that it uses to muster support for its initiatives. It first gained world attention in 1986 when it initiated a meeting of religious leaders in the Umbrian town of Assisi.

Since the Mozambique success, the community has focused on another foreign policy enigma and one that holds great importance for Italy and the Mediterranean Basin at large—the civil war in Algeria. The same rooms that hosted the talks between the warring factions in Mozambique are hosting discussions between the leaders of almost all the various factions fighting in Algeria, including the heads of the Islamic Salvation Front.

Whether or not the efforts of the Community of Saint Egidio will lead toward a resolution remains to be seen. Many critics give the community little chance at making significant progress toward a lasting peace in Algeria. Although Bruno Bottai, a foreign ministry official and Italian ambassador to the Holy See, doesn’t fully agree. “In a world that is

ever more complex, groups like this one can play a very positive role as well.”

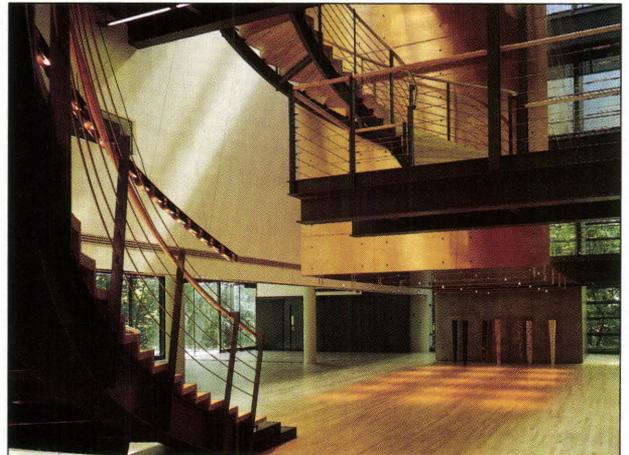
One has to wonder how many experts four years ago would have predicted the Community of Saint Egidio’s success in Mozambique.

—Niccolò d’Aquino

HELSINKI

NOUVEAU EMBASSY

As a child, Finnish glass artist Timo Sarpaneva held an ice cube in his small hand until he melted a hole in it with his little finger. Similarly the controversy surrounding the design of the new Finnish chancery in Washington, DC is slowly melting.



The interior of the Finnish Embassy in Washington, DC features wood, glass, and nautical lines.

Tucked into a niche of Rock Creek Park on staid “Embassy Row,” the shockingly green, metallic, angular, and architectonic “Jewellery Case” has won over many skeptical visitors once they’ve seen its interior of glass, wood, and nautical lines.

The innovative chancery is beginning to look less industrial than it did when boldly unveiled in 1994. Clematis vines, now head-high, will eventually cover the entire facade with blue and white flowers to shield the Finns from the southern exposure. For now, bright pansies along the perimeter pay homage to the Finnish flag.

Mikko Heikkinen and Markku Komonen, the architects, also designed much of the building’s furniture. In a cultural nod to the Finns’ love for saunas, the architects included one crafted of pine and aspen (used mostly for entertaining and special functions). The sauna is one of the many traditional touches in a building that is best known for its modernity. But

The port vintner adds a kind of brandy during the fermentation process, allowing the wine to retain its natural sweetness, while increasing its alcohol level to between 19 and 22 percent. The wine is then brought down to Oporto from the wine-growing region in tanker trucks. Up until 30 years ago this trip was made by boat. Older hands remember with a touch of nostalgia how the boats took three days to complete the journey traveling with the tide over the rapids and how it took three whole weeks to return.

Once the wines arrive at the shippers' lodges, they are tasted and classified in terms of quality. The different styles include the young, fresh "ruby" wine and the older brick red or brownish "tawny," both blends, as well as "late bottled vintage," which is a wine from one year only, and "vintage," the best wine from a very fine year. Vintage wines are transferred to bottles, while the rest is left to mature in oak casks.

Before the wines go on the market, they are tasted at the Port Wine Institute, the body responsible for quality control. The institute's tasters' palates are so finely tuned that they recognize most of the types of wine. But to help them, the institute also has reference patterns for all existing wines. Tasters describe the subtle variations to each other much in the same way as wine buffs talk about wines. Young ports are described in terms of berries, such as black currant or bilberry. Those aged in wood will remind a taster of dried fruits and nuts, such as almonds and walnuts, or woody aromas, like tobacco and cigar boxes. Vintages on the other hand will again have a more mature taste of berries, or sometimes even varnish.

—Peter Miles

DUBLIN

ABORTION DEBATE CONTINUES

The controversial abortion question just refuses to go away in Ireland and keeps returning to distress the vast majority of the population, which opposes abortion, and to put the Catholic Church at odds with the government of the day. The latest example has been the passing of a law allowing doctors and agencies to give pregnant women the names and addresses of abortion clinics in other countries where abortion is legal.

The legal situation concerning abortion is extremely confused in Ireland fol-

lowing the judgment of the Supreme Court in 1992 that a woman whose life was in danger from a pregnancy had a right to an abortion even though abortion was illegal under a 19th century statute. The court's controversial decision was based ironically on the so-called "right to life" clause in the Irish constitution for which the anti-abortion lobby had campaigned in 1983.

The judges had held that while the clause prescribed the "equal right" to life of the mother and the unborn child, the mother's life must be given priority in a life-threatening situation even when the threat was not physical but from suicide. The judgment was given in the "X" case where a 14 year old schoolgirl had become pregnant by the father of one of her friends and her family had brought her to England to have an abortion after she showed suicidal tendencies.

When the attorney general was informed of this by the police, he ordered the girl to return to Ireland under the "right to life" clause, a decision which led to widespread protests at home and abroad. It was the appeal to the Supreme Court which resulted in the ruling that in such life-threatening situations the pregnant woman or girl was entitled to an abortion. But as abortion was still illegal, the government of the day tried to deal with the chaotic situation by three referenda to change the constitution to assure pregnant women have the right to travel freely abroad for an abortion, to have access to information about abortion facilities in other countries, and finally, to allow abortion in Ireland only where the physical health of the woman was threatened. In other words, a threat to commit suicide would not suffice.

The first two changes to the constitution were approved but the third, which would have allowed some abortions to be performed in Ireland, was rejected. But when the government recently drafted a law to allow information about abortion clinics abroad to be published in Ireland and to be given to patients by their doctors, the anti-abortion lobby strongly protested that this was the equivalent of "abortion referral." The Catholic bishops also issued a strong statement to the same effect.

The law was finally passed, but the minister for health, Michael Noonan, told Parliament that it was going to be virtually impossible to draft a law to deal with the limited legalization of abortion itself as a result of the Supreme court de-

cision in the "X" case. Now the anti-abortion lobby is campaigning for yet another referendum to ensure there can never be such a law.

—Joe Carroll

PARIS

MUSIC CITY

This month marks the end of the 14 year-reign of François Mitterrand as president of France, but during his time in power he made sure that he will be remembered for many years to come. No leader since Napoleon has changed the Paris skyline more than he has. The series of grandiose building projects with which Mitterrand has left his mark include the "Grand" Louvre with its glass pyramid, the "Grande" Arche of La Défense and the great white elephant which is the Bastille Opera.

The last of the president's *grands travaux* be opened to the public before he steps down was the Cité de la Musique—the City of Music—a vast teaching and performance complex in the heart of the Parc de la Villette, the old slaughterhouse district on the north-eastern edge of Paris. First conceived 13 years ago, delayed many times, nearly abandoned altogether, finally completed at a cost of \$670 million and inaugurated mid-January, the Cité may well turn out to be the most popular of all of Mitterrand's monuments.

Architecturally, it is splendid. Its two adjacent blocks, asymmetrical yet harmonious, show a geometric purity of line which earned their architect Christian de Portzamparc last year's Pritzker Prize, the Nobel of architecture. The rectangular western block provides a new home for the venerable Paris Conservatory; the triangular eastern block includes the headquarters of the avant-garde Ensemble InterContemporain directed by Pierre Boulez, an interactive musical museum (due to open this summer), a music information center, a student residence, and an oval concert hall with adjustable acoustics and a flexible layout of 800 to 1,200 seats.

Potentially even more exciting than its form is the way the Cité intends to function. Diversity will be its keynote. It plans to be a musical melting pot where young musicians and audiences can explore various kinds of music without any of the traditional barriers that separate one genre from another. Its inaugural

ment banking. An effort to swallow the Belgian Banque Bruxelles Lambert in 1992 failed, and it was widely known that ING was looking for a foreign acquisition to strengthen its international position.

Curiously, it turns out that ING had already approached Barings a short time ago about a buyout, but at the time the asking price had been prohibitive. After Leeson's derivative scheme forced Barings into receivership, ING seized the opportunity.

Barings and its presence in the so-called emerging markets was of special interest to both ING and ABN Amro because of both banks' growing business in these markets. While Barings' dealings with Latin America date back to the 19th century, a former director of NMB, Gerrit Tammes, pioneered the practice of trading Latin American discounted debts after the 1982 debt crisis. Today, ING ranks among the leading financial institutions in the emerging markets and has established strong positions in Eastern Europe and Southeast Asia. The knowledge of Barings and its network of offices will undoubtedly strengthen ING's position in those markets.

That is, if the takeover of Barings does not itself turn into a financial debacle for ING. ING stresses that the terms of its deal for Barings does not include any losses unknown at the moment of the takeover and that all such losses remain in the receivership of the failed bank.

—Roel Janssen

VIENNA

HISTORIC PHILHARMONIC

Very few, if any, orchestras in Europe have as close an identification with their city of origin and residence as the Vienna Philharmonic.

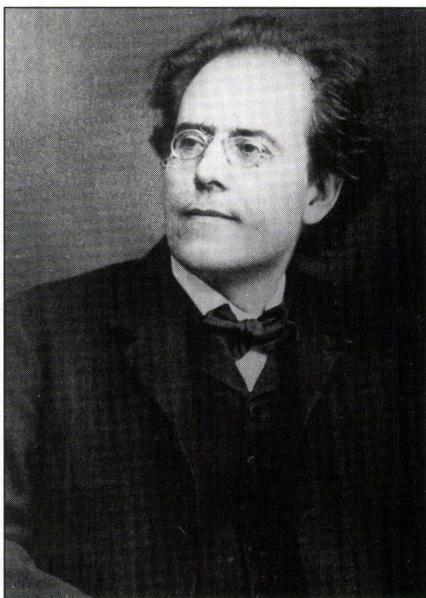
Formed in 1842, the Vienna Philharmonic, quite apart from having become one of the most distinguished orchestras in the world, with a string section that is renowned for the rich and beautiful quality of its sound, is unique in the democratic structure of its constitution, which in fact goes back to its very origin.

The orchestra, which brings together 147 musicians, also active at the opera and during its extensive concert season, is self-administering and always has been. Each musician, in addition to his musical duties, also has administrative responsibilities. Financially and otherwise, the Vienna Philharmonic is run by

a democratically elected membership committee of 12. It has no permanent conductor but is led by men invited by the orchestra itself.

Over the years, many of the most famous conductors of the 19th and 20th century have conducted the philharmonic, including Hans Richter, whom—along with Otto Nicolai—many consider the father of the orchestra; Felix von Weingartner, Bruno Walter, Claudio Abado, Clemens Krauss, and Leonard Bernstein.

Among the most famous of the philharmonic's conductors and, in terms of the orchestra itself, one of the most controversial, was the composer-conductor Gustav Mahler, with whom the orchestra



Controversial conductor Gustav Mahler

had a love-hate relationship for many years.

Mahler began as the conductor of the Royal Opera. Eventually, when Hans Richter left, the orchestra considered Mahler but turned down the idea and extended an invitation to Richter to return. The conductor who hadn't been consulted, refused, which left the philharmonic with but one logical choice—Mahler. But when the invitation was finally extended to him formally, he rejected it. An orchestra deputation called on the conductor five times before Mahler changed his mind and accepted.

There were problems. As Dr. Clemens Hellsberg, the philharmonic's archivist and historian (also a violinist) recalls, Mahler was incredibly demanding, and not always polite. Many of the musicians resented him. And then came

the orchestra's trip to Paris, in 1900, which was a huge artistic success but failed financially. In fact, there wasn't enough money to transport the ensemble back to Vienna.

Mahler went to see Baron Rothschild and persuaded him to finance the journey home. The goodwill generated by this lingered. Mahler eventually left to conduct the New York Philharmonic.

At the end of the World War II, after the opera had been bombed out and with the Russians at the city gates, the Nazi administration of Vienna demanded that the musicians be assigned to clear the rubble from the opera. They did this during the day and performed in the evenings.

Tradition rates high at the Vienna Philharmonic. For instance, the orchestra is just about the only one left in Europe not to employ any women. It is a fact often commented on by the Austrian media, but going by Wolfgang Schuster, the Philharmonic's spokesman (he plays the drums), who cites both practical and traditional reasons, no changes are imminent—or likely.

—Fred Hift

LISBON

POPULAR PORT

Port wine, probably Portugal's most famous export, is increasingly gaining popularity, not least in the United States. It comes from the world's oldest demarcated wine region, which stretches from the northwestern city of Oporto eastward to the Spanish border. That is where the red and white grapes are cultivated in beautiful green vineyards laid out on the slopes and terraces along the Douro River.

Port wine was discovered by the British and originally marketed in Britain during the 18th century. The basis was the Methuen Treaty of 1703, under which Britain gained easier access to Portuguese markets for its textiles while lowering import taxes for Portuguese wine. This led to a boom in wine production, controlled by British wine trading companies based in northern Portugal. Even today, many port wine shipping companies are British-owned and visitors to their warehouse lodges will hear an astonishing amount of English spoken.

What makes port wine different from other wines is the fact that it is fortified.

percent growth in 1993 and 5 percent growth and just over 30 percent inflation in 1994. They insisted from the beginning on getting the finance portfolio themselves in the coalition government, and under their own prime minister they will be in a stronger position to cut un-economic subsidies. Ironically, on such issues, the SLD is rather less populist than Walesa.

To be sure, the one major exception to radical market reform—mass privatization of 3,000 state-owned firms—will continue to go slow. The SLD will proceed to “commercialize” and then, maybe privatize a reduced number of about 450 rather than some 600 of the medium- and large-sized firms, as originally planned for this first tranche. It will continue to encounter Peasant Party opposition, especially to selling off the key tobacco industry.

Nonetheless, by now the whole mass privatization drive is seen as increasingly marginal as the self-generated private sector shoots ahead and just leaves state-sector dinosaurs behind.

Also unresolved after the latest political fracas is the question of a new constitution and the division of authority between Parliament and the president. The current “small” constitution, adopted when no agreement could be reached on a basic law, is ambiguous on some crucial issues. Walesa wants to maximize presidential competence and retain the provision from the old Communist-Solidarity compromise that lets the president appoint the foreign, defense, and interior ministers, whatever the political constellation in the Sejm.

This time around, Prime Minister Oleksy yielded and named three ministers of Walesa’s choice. In the longer term, however, his and Kwasniewski’s Left Democratic Alliance has strengthened its base for the next presidential election. Kwasniewski is ambivalent, wishing to curb presidential powers if he remains in Parliament—but to maximize them, should he himself become president. As always, stay tuned for the next episode.

—Elizabeth Pond

BRUSSELS

A SWISSAIR RESCUE

The first European airline to go under as a result of the EU’s liberalization of the industry could be Belgium’s Sabena. For many years its name, which

is an acronym for Société Anonyme Belge d’Exploitation de la Navigation Aérienne, was a bad joke among passengers flying in and out of Brussels. “Such A Bad Experience, Never Again” was the damaging label attached to the airline by many of its users.

Over the past two-three years the Sabena management has made Herculean efforts to improve the quality of its services, which no longer stand out as being much worse than those of its rivals. Nevertheless, its unfortunate reputation has lingered on and luring back dissatisfied customers has proved extremely difficult.

For years Sabena led a cozy existence as a national airline protected by restrictive agreements enforced by European governments and other national airlines which meant that it faced virtually no competition and could always depend on the Belgian government to bail it out whenever it got into financial difficulties. These days are now over, and Sabena has had to face up to the consequences of having only a tiny home market and being too small to sustain a wide range of international flights. It has initiated sweeping changes, cutting its workforce from 12,000 to 9,500 over three years, and has desperately sought a large international partner with which to link up.

One by one, British Airways, KLM, Lufthansa, SAS, and American Airlines have come and gone as potential saviors. Air France did take a 25 percent interest in 1991, but the venture has not worked out, and Air France is now urgently seeking to sell its stake.

Salvation may paradoxically come as a result of Swiss voters turning down membership of the European Economic Area and consequently rejecting any early prospect of joining the EU. Swissair, a highly regarded and ultra-efficient airline, was devastated by the referendum result which greatly damaged its chances of competing on equal terms within the European market. Its management has resolved to seek a merger with an EU airline so that it can operate from inside the Union.

Swissair has since made an offer to buy out Air France’s share and to acquire a 49 percent holding in Sabena, with the option of becoming the majority shareholder after five years. There will be some haggling over the price, and the European Commission will have to approve the terms of the purchase, but Sabena is fervently hoping that the deal

will go ahead. Its employees feel that they are drinking in the Last Chance Saloon and if the Swissair takeover does not materialize the likely alternative is bankruptcy.

—Dick Leonard

AMSTERDAM

ING TAKES OVER BARINGS

The battle between two Dutch banks for Barings PLC, the 233 year old British merchant bank that collapsed after rogue trader Nick Leeson’s derivatives debacle in Singapore, ended in surprise. The winner was not ABN Amro, the doyen of the Dutch banking establishment, whose history dates back to 1821. While ABN Amro’s patrician chairman, Jan Kalff, presided at his bank’s annual tennis tournament, ING Group’s top brass, led by chairman Aad Jacobs, was busy negotiating a deal in London for control of Barings. By Monday, ING had outmaneuvered ABN Amro to take over the crippled British bank for just more than \$1 billion.

The fact that two Dutch banks were the final contenders for the takeover of Barings underlines the strength of the Dutch banking industry. After a series of mergers in the 1980s, three large banks dominate the Dutch financial landscape: ABN Amro, ING, and the cooperative agricultural Rabo Bank. With a home market of limited size, all three are eager to expand abroad. Their balance sheets are healthy, their profitability is strong, and their takeover war chests are well-filled.

Ever since ABN Bank and Amro Bank joined forces in the mid-1980s, ABN Amro has dominated Dutch finance and boasted a strong international tradition. Among other interests, it maintains a large presence in the state of Illinois, serving the Midwestern United States. In London, it acquired the British brokerage house Hoare Govett, and its partner in the bid for Barings was the American investment bank Smith Barney.

ING Group is the result of two mergers. First, the Nederlandse Middenstands Bank, a commercial bank primarily aimed at small- and medium-sized enterprises, merged with the privatized Postbank, the former savings bank of the postal system. NMB Postbank then joined forces with Dutch insurance giant Nationale Nederlanden, creating the first financial conglomerate comprising insurance, commercial banking, and invest-

The latest twist in Warsaw's Perils-of-Pauline democracy has installed a tough ex-Communist and practicing Catholic as prime minister—no longer a paradox in this country.

This appointment bolsters Poland's market discipline but leaves the crafty President Lech Walesa with little more than a Pyrrhic victory to show for the crisis he provoked last winter. And it still leaves the constitution and "mass privatization" in mass limbo, their customary state in the five years since Poland shook loose from Communist rule.

The new prime minister, Jozef Oleksy, a dapper, pragmatic politician who was on the right side of the wrong side of the table as a reform-Communist negotiating with Walesa's Solidarity trade union back in the confrontational 1980s. He was bumped up from being Speaker of the Sejm in February after Walesa forced a showdown with the president's one-time protégé, the incumbent prime minister, Waldemar Pawlak of the Peasant Party (PSL).

In the contest Walesa made a double gamble. He wagered that his threat to dissolve Parliament—and his hint that he might sic the army on the legislature, Yeltsin-style, if Pawlak refused to resign and the Sejm rejected new elections—would not plunge the country into a constitutional crisis. He wagered too that the "post-Communist" and Peasant Party

Letter from Warsaw

coalition winners of the 1993 election would pull apart rather than unite under his pressure.

In the end, the precautionary import of sleeping bags into parliamentary offices proved unnecessary. However thin Walesa's pretext for dissolution—that

of 36 percent of the popular vote in fall of 1993. The opposition moderates, who failed to learn this lesson, paid dearly for their intramural squabbles under election rules designed to avoid excessive party splintering.

The SLD was too shrewd as well to replace Pawlak with the man Walesa proposed—Alexander Kwasniewski, the SLD's formal and the coalition's behind-the-scenes leader. As prime minister observers believe that Kwasniewski would have been handicapped in his bid to unseat Walesa in next November's presidential election. Hence the unexpected SLD choice of Jozef Oleksy.

Whether or not the whole exercise will boost Walesa's low popularity—or simply reinforce the feeling of critics that he is either a clown or a danger to democracy—remains to be seen. With only 20

percent approval in February, according to the weekly *Wprost*, Walesa was running well behind Kwasniewski's 36 percent in opinion polls, but a multiple race with other presidential candidates would be unpredictable.

Whatever the impact on personal political fortunes, the latest drama has at least strengthened market discipline in the medium term. Many ex-Communist members of Parliament are eager to continue the economic success that made Poland the first post-Communist country to pull out of industrial tailspin, with 4



Polish President Lech Walesa achieved only a Pyrrhic victory when Waldemar Pawlak was replaced by Jozef Oleksy as prime minister.

the Sejm had not passed the 1995 budget by the prescribed deadline, even though the Sejm had in fact voted on the budget and the only thing missing was Walesa's own signature—the controversy did give the post-Communist Left Democratic Alliance (SLD) a chance to drop the reform-resistant and stubborn Pawlak.

The SLD was too canny to give up its partnership with the Peasant Party altogether, though. However much SLD may chafe at the Peasants' anti-market stonewalling—and at Pawlak's repeated outmaneuvering of the SLD in personal



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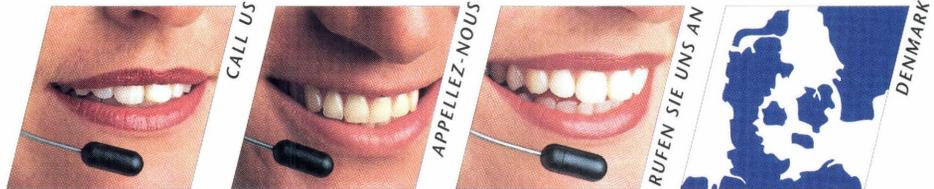
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