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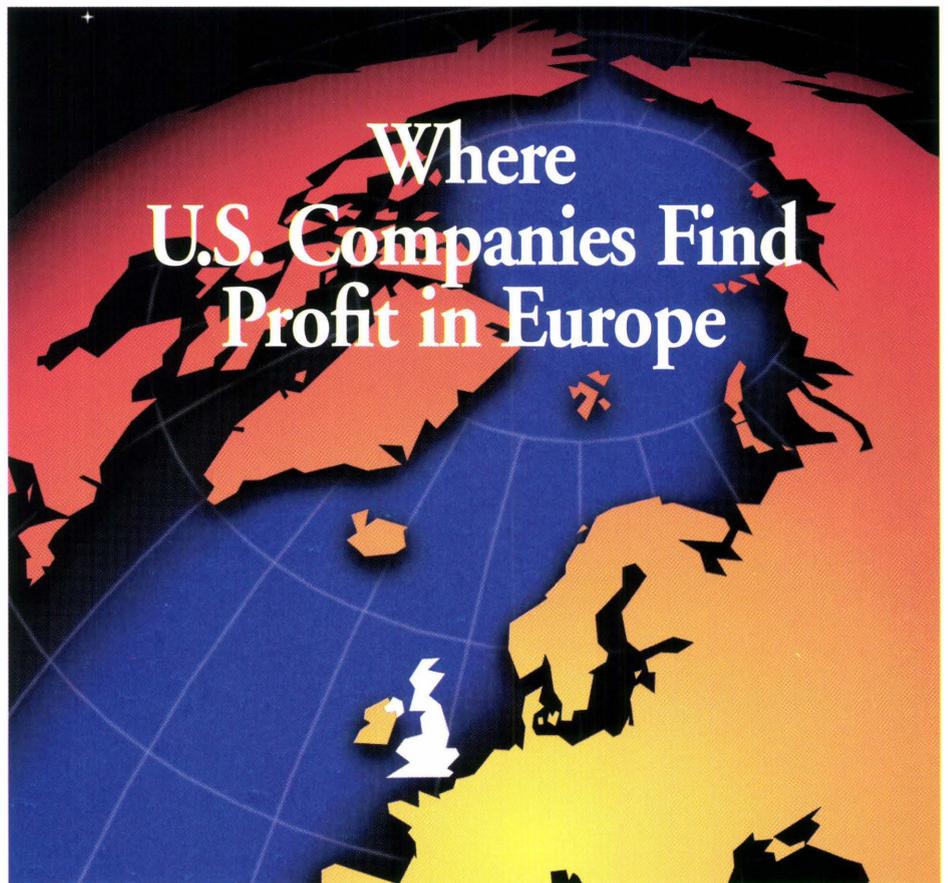
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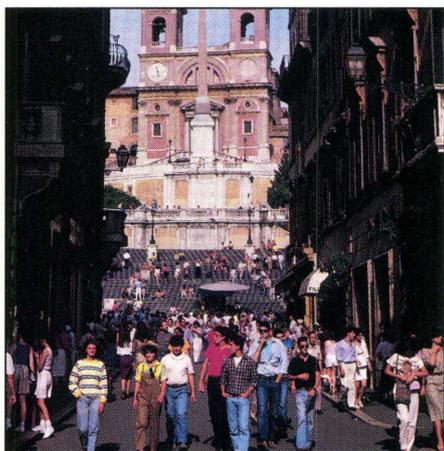
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EUROPE

MAGAZINE OF THE EUROPEAN UNION



6

ITALY

A Country of Contradictions. Italy's economic prosperity balances its political uncertainty. *Niccolò d'Aquino* 6

Let Lamberto Dini Work. Italy's caretaker prime minister. *Niccolò d'Aquino* 9

Romano Prodi. In the race to unite Italy. *Stephen Jewkes* 10

Dear Susanna... When Susanna Agnelli isn't shaping foreign policy, she's advising the lovelorn. *Niccolò d'Aquino* 12

EUROPEAN AFFAIRS

Interview. Emma Bonino, European commissioner for humanitarian assistance, consumer policy, and fisheries, speaks out on the EU's role in Bosnia and in other human crises. 14

BUSINESS

Big Brother Stet. This Italian conglomerate is more than just telephones. *Stephen Jewkes* 18

Gucci. Smaller, soberer, and profitable. *James Hansen* 20

Merger Mania. European business will never be the same. *Bruce Barnard* 22

DEFENSE

Defending Europe. The problems lie in putting principles into practice. *Reginald Dale* 26

Wanted: A Common European Defense. The EU's emerging security policy. *Reginald Dale* 28

TRAVEL

Trieste. Where the West Ends. *James Hansen* 32

DEPARTMENTS

2 Letter from the Editor

4 Eye on the EU

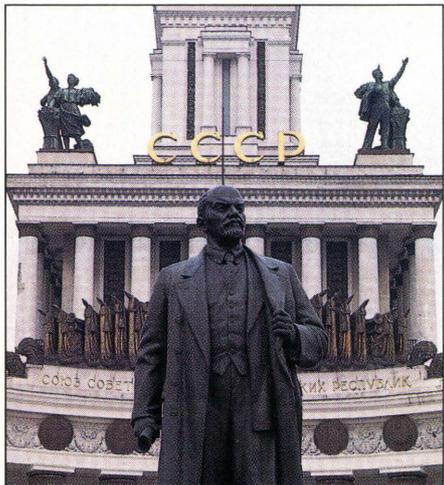
36 Letter from
Moscow & Capitals

42 Newsmakers

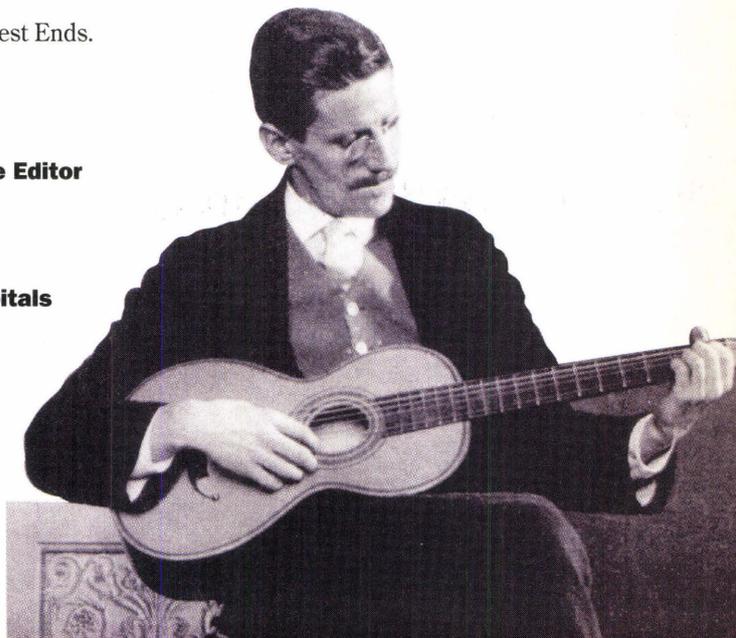
46 Arts & Leisure



26



36



Letter from the Editor

Wanted: a defense policy for Europe. Trying to establish a new defense structure for Europe in the post cold war era is proving to be one of the most important and one of the most contentious issues facing the Western alliance today.

In his article "Defending Europe," Reginald Dale writes, "Few would dispute that new European security arrangements are now needed, but deciding on what those arrangements should be, and how to put them in place, is fast becoming one of the most difficult and controversial problems facing the West."

Dale looks at the problems involved with expanding NATO further to the East to former Warsaw Pact nations. He analyzes the views of policy makers in the key EU nations on how they see NATO expanding and how they hope to establish new security arrangements in the near future. Dale also assesses America's role in Europe in these days of neo-isolationism emanating from the Congress and across the country and discusses America's role in, hopefully, bringing the savage conflict in Bosnia to a peaceful resolution. In a separate article, *EUROPE* looks at what alternatives the EU is proposing as it gets ready to implement a common foreign and security policy in the near future.

In an exclusive interview with European Commissioner Emma Bonino, *EUROPE* details how the EU, through its humanitarian office, ECHO, has been the largest provider of aid in the former Yugoslavia and how it is fast becoming the leading provider of humanitarian assistance around the globe. Commissioner Bonino, a lively, articulate, and outspoken person, has a lifelong record as an activist in Italy. In addition to her work in humanitarian affairs and fisheries, she discusses Italian politics.

Italy is a country of contradictions. It is basically a country without a political government at the moment, but its economy is booming. Niccolò d'Aquino, writing from Rome, describes these contradictions that are now an essential part of Italy's political and economic life. However, there is now something different in Italy and, as d'Aquino points out, that "is the miracle man Lamberto Dini," the current prime minister. We present a profile of Dini.

In addition, *EUROPE* profiles the intriguing Italian Foreign Affairs Minister Susanna Agnelli, who also finds time to write a column to the *lovelorn*. We look at a possible candidate for prime minister, Romano Prodi, and see how he is "cycling his way to power."

On the business front, Italy continues to thrive in many sectors. *EUROPE* profiles a scaled-down, more sober and more profitable Gucci. *EUROPE* also describes the privatization of the huge telecommunications giant, STET, and shows that it is more than just a telephone company.

Bruce Barnard, writing from Brussels, provides an overview of the "merger mania" that is taking place in industries across Europe.

James Hansen, writing from northern Italy, gives us a glimpse of the beautiful city of Trieste, which is located "at the edge of the edge."



Defending Europe: Does the US still have a role? Above: US Air Force plane, Aviano, Italy.

Robert J Guttman

**Robert J. Guttman
Editor-in-Chief**

EUROPE

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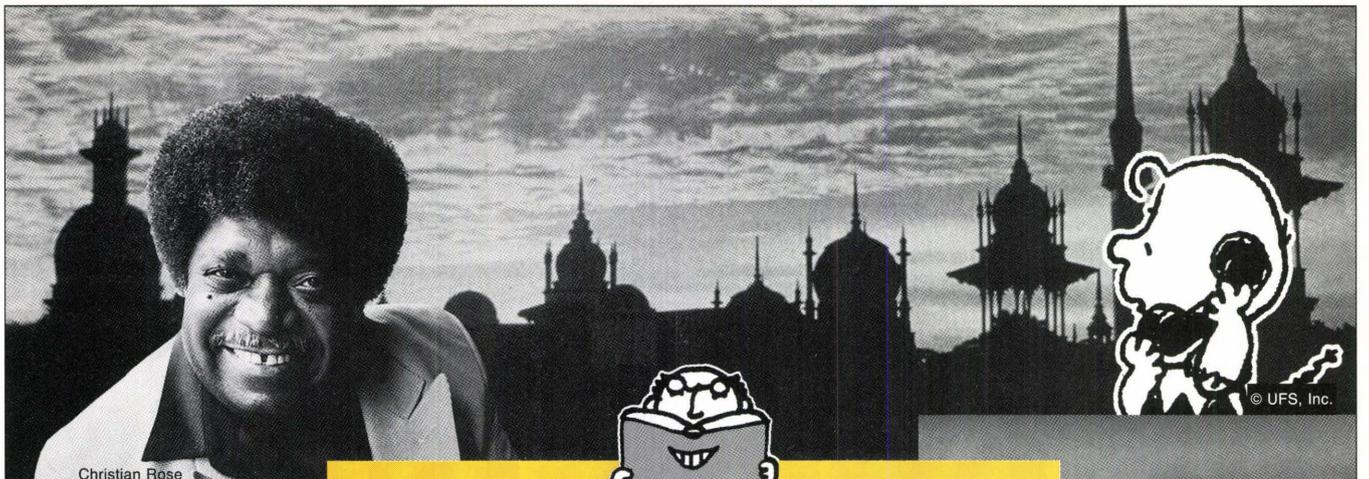
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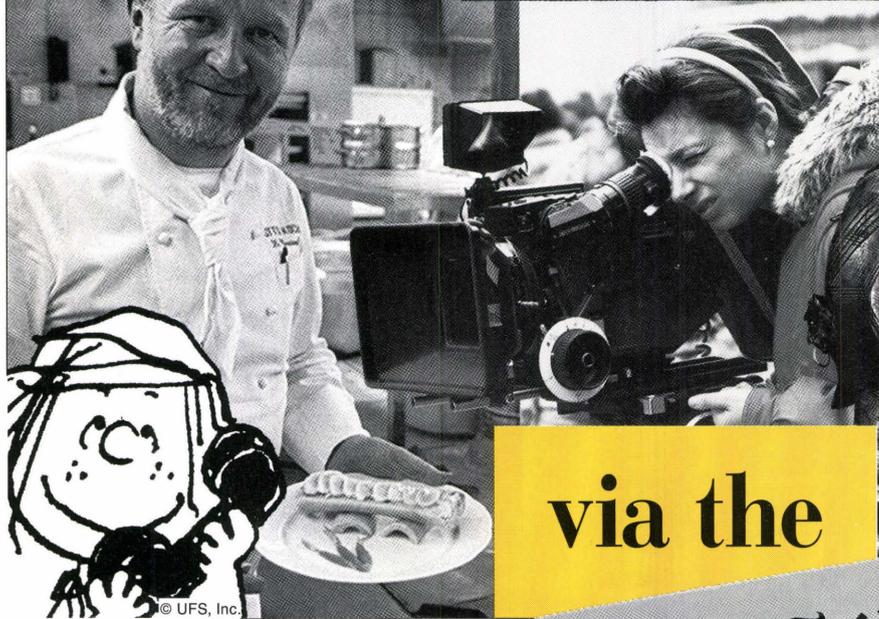
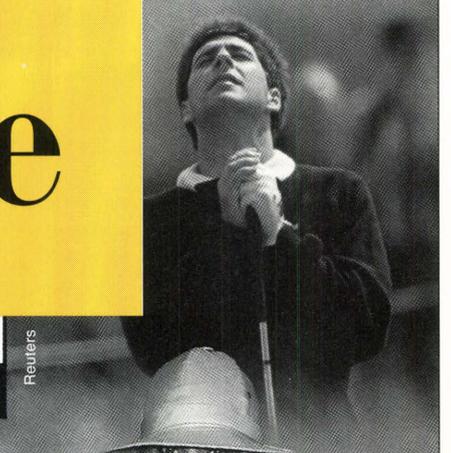
Reuters has contributed to news reports in this issue of *EUROPE*.



Christian Rose



Escape



via the



Who will beat whom? What's in style? Where's hot? Who's cool? What's cooking?
Everything that's important in the world, plus quite a lot that's not. Encore?

THE WORLD'S DAILY NEWSPAPER

EYE



ON THE EU

Profiling
Personalities and
Developments
Within the
European Union

The informal EU summit in Majorca (September 22–23) was not a public relations success. It was intended to be devoted to a relaxed and wide-ranging exchange of views on the prospects for the 1996 inter-governmental conference, and the perspectives of a further enlargement of the EU to 20-30 members over the next decade.

Instead, it was dominated by a row about which member states would qualify for Economic and Monetary Union (EMU), including a single currency by the target date of 1999. This row had been sparked by remarks by German Finance Minister Theo Waigel to the effect that Italy would not be eligible for entry into EMU in 1999, while also casting doubt on the prospects for Belgium (“highly indebted”) and the Netherlands (“enormous problems”).

The result was that German Chancellor Helmut Kohl had to go to enormous lengths to soothe the hurt feelings of Italian Prime Minister Lamberto Dini, who suggested that if Italy was not ready the whole project would have to be postponed. The gleeful British Prime Minister John Major seized on the row as proof that most member states would not be ready for a single currency in 1999.

Figures released by the European Commission suggest, however, that there is still a reasonable prospect of most countries meeting the necessary criteria in time. Of the four requirements set out

in the Maastricht Treaty, most states already meet two—on convergence of their inflation and long-term interest rates. On inflation only Greece is now seriously out of line, at 10.9 percent, though Spain and Portugal, both at 4.7 percent, are uncomfortably above the overall average of 3.1 percent. These same three countries, plus Sweden and Italy, fail at present to meet the interest rate criterion.

It is on the last two crite-

ria, on annual and accumulated deficits, that most member states failed to meet the respective minimums of 3 percent and 60 percent of GDP. Only Germany and Luxembourg currently succeed on both counts, though Denmark, France, Ireland, and the UK qualify on one but not the other.

However, most member states are making heroic efforts to reduce their budget deficits, and all except Greece,

Italy, and Sweden must be reckoned to have some chance of getting near to the target by 1998, the benchmark year. On accumulated deficits progress is also being made, but Belgium, Greece, and Italy will clearly remain substantially over target.

The overall situation can be summarized as follows: Nine countries have a good chance of meeting the criteria: Denmark, Finland, France, Germany, Luxembourg, Netherlands, Austria, Ireland, United Kingdom; two countries have an outside chance: Spain, Portugal; four countries are unlikely to do so: Belgium, Greece, Italy, Sweden.

The UK may decide to opt out, but in spite of Major's prediction there is a fair chance that a majority of member states will be able to join EMU. The positions of Italy and Belgium—two of the original six members—appear to be difficult.

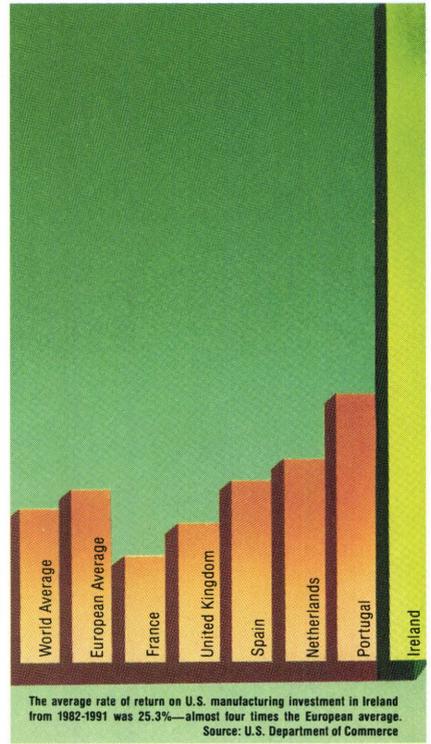
Italy may well require a few more years to get its house in order, and it is an open question whether it would be politically practicable to proceed without her. Belgium's situation is different. It has a strong economy, a 70 year old currency union with Luxembourg and extensive Benelux links, all of which should make it a natural candidate for the single currency. It might, however, still be judged to meet the criteria, which are not hard and fast, if its accumulated deficit was declining and was making significant progress toward the 60 percent target.

—Dick Leonard

| PROGRESS TOWARD MEETING CONVERGENCE CRITERIA 1995 | | |
|---|-----------------------------|---------------------|
| COUNTRY | BUDGET DEFICIT 1995 | ACCUMULATED DEFICIT |
| Belgium | 4.2 | 134.3 |
| Denmark | 1.9 | 76.1 |
| Germany | 2.1 | 58.2 |
| Greece | 11.3 | 115.3 |
| Spain | 6.0 | 64.6 |
| France | 4.9 | 51.2 |
| Ireland | 2.8 | 84.6 |
| Italy | 7.9 | 124.9 |
| Luxembourg | - 1.1 * | 6.2 |
| Netherlands | 3.2 | 78.1 |
| Austria | 4.6 | 66.2 |
| Portugal | 5.6 | 70.5 |
| Finland | 5.0 | 64.4 |
| Sweden | 9.1 | 84.6 |
| UK | 4.8 | 51.5 |
| EU average | 4.5 | 70.4 |
| TARGET | 3.0 | 60.0 |
| * Surplus | Source: European Commission | |

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FA



Billionaire Silvio Berlusconi is working to regain his position as Italy's prime minister.

A Country of Contra

Italy's economic prosperity balances its political uncertainty.

By Niccolò d'Aquino

Foreign capitals are rediscovering Italy. Even if Moody's and other ratings agencies haven't given Rome their highest ratings back yet, the signal is clear: Prime Minister Lamberto Dini can add foreign investors' restored faith in Italy to his list of un hoped for successes.

Now that the uproar created by the corruption scandals and the ensuing trials that dismantled the covert machinery which ruled Italy for 40 years has started to settle down, the foreign markets' renewed interest can be judged by the numbers. In the first six months of 1995, the balance of payments has exceeded every former record. The active

balance totaled more than \$10 billion, a nice contrast to the passive balance, which was about \$600 million, registered little more than a year ago, in June 1994.

Of course, part of the merit belongs without a doubt to the weak lira, which provides a very favorable exchange rate for Italian exporters, but it also makes commercial competitors in Rome and Milan, beginning with Italy's European partners, very nervous. "But, more than 25 consecutive months of trade balance that is strongly favorable is not just thanks to a good rate of exchange," says Ferdinando Salleo, who recently resigned as secretary general of the

Foreign Affairs Ministry to become the Italian ambassador to Washington.

Another statistic confirms the rosy forecasts for the Italian economy. For the first time in four years the Central Bank's monetary reserves have surpassed the reassuring threshold of one hundred trillion lira, equal to more than \$62 billion. The currency crisis that erupted in the summer of 1992 has definitely been overcome. And, as always, foreign investors have been the first to tune in to the signals of a return to clear sailing.

In short, it is once again appropriate to talk about the "Italian miracle." This term is quickly identified as the overused description international observers resort to when, numbers in hand, they analyze the political and economic situation of Italy. For years now, practically since the end of World War II, the term "miracle" is applied when trying to make sense of the avalanche of apparent contradictions that form the basis of the Italian state. These contradictions—numerous and always the same—include the frightful deficit of the national budget, which would make the hearts of the leaders of many other countries race. The deficit, however, is now being curbed but remains very high. Taxes, ranking among the highest in the Western world, continue to weigh heavily upon Italian taxpayers. Unemployment officially remains a double-digit number, around 11 percent. Inflation, which hadn't been mentioned much in the past few years, is now at

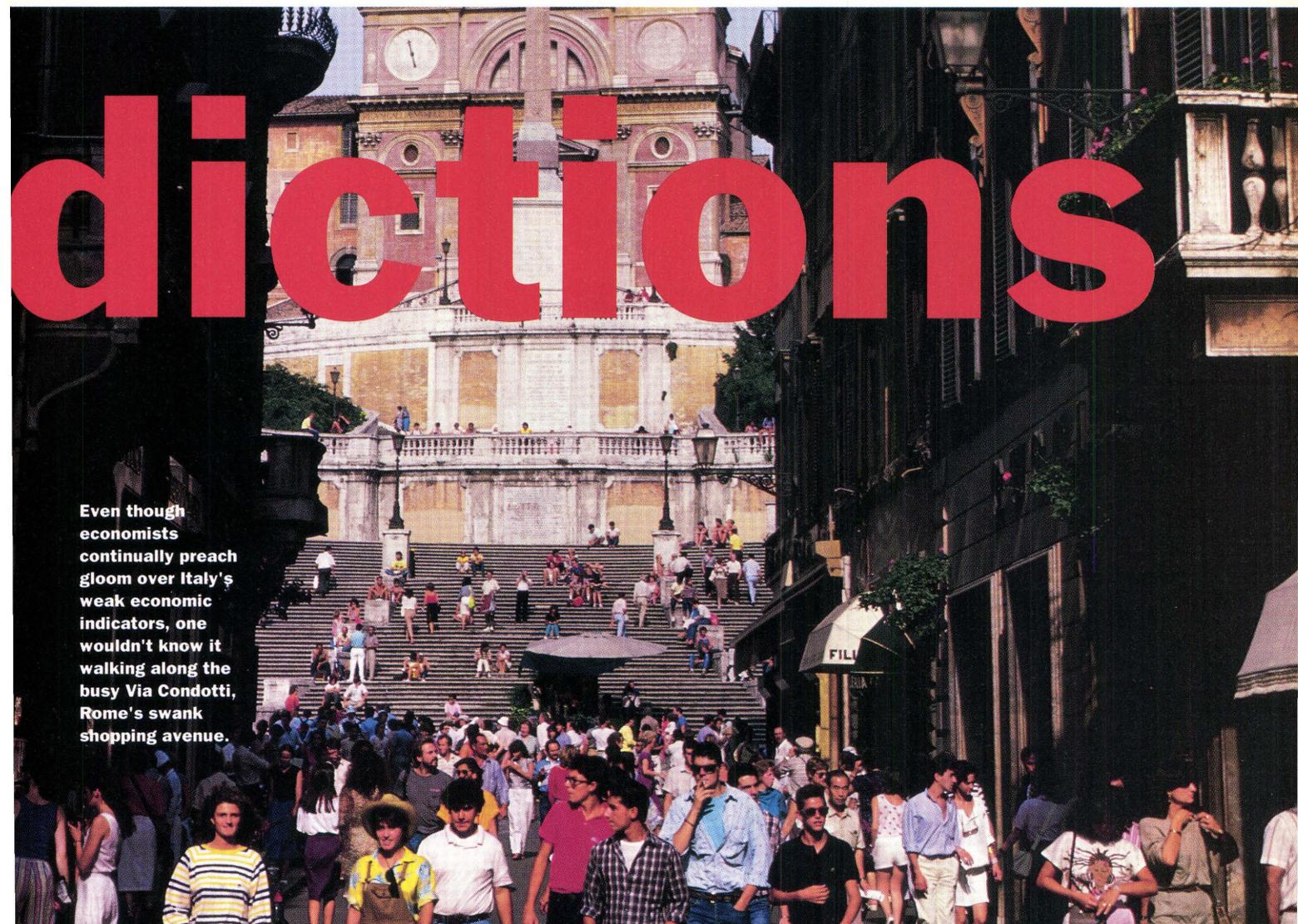
almost 6 percent and is provoking harsh judgments from Italy's European partners, most notably from the Germans.

But all of this negativity is in contrast to the widespread well-being which is still seen on the streets of every Italian city. It also contrasts with the ceaseless search for workers by industries and factories, above all in the northeast where unemployment has virtually disappeared and where managers are hiring specialized workers as well as unskilled laborers.

Once again observers are concluding that it is the usual Italy of contradictions, but something is different this time. This time, in addition to the "miracle," there is also "the miracle man."

Thin, gray, cold in his manners, Lamberto Dini possesses very little, in fact not any, of the Latin or Mediterranean glamour exhibited by most previous Italian leaders. But he has become the miracle man ever since he succeeded at what no other Italian prime minister in recent decades has even tried to do. He has launched a financial reform that has the approval of the European Union's tough financial experts.

Above all, he has succeeded in a historical undertaking: reforming the Italian retirement system. This system has been a true dead weight around the neck of the Italian economy. State-paid pensions have significantly slowed the country's efforts to achieve an economic comeback. After months of exhausting negotiations with the unions (It should be noted that



Even though economists continually preach gloom over Italy's weak economic indicators, one wouldn't know it walking along the busy Via Condotti, Rome's swank shopping avenue.

pensioners make up the largest union in Italy), Dini achieved the unthinkable—agreement to transform the pension system into one based more on privatistic criteria.

Now Dini faces just one other big obstacle, which is more political in nature than economic, the Berlusconi question. Television tycoon and former prime minister Silvio Berlusconi remains a political player. Although he handed over the leadership of his financial empire, Fininvest, to his second in command, Fedele Confalonieri, and his brother Paolo and trusted friend Marcello Dell'Utri run the rest of his various financial and real estate activities, questions persist about a conflict of interest.

Critics say that no one in Italy or abroad should delude themselves in

Europe, from heading the government, too.

Not that this is the only Italian quandary. Italian financial and industrial powers have also caught on to the merger craze. The most recent deal, dubbed "Super Gemina" by the media, was put together by Enrico Cuccia, an elderly, press-shy Sicilian financier who has for years led Italy's most important merchant bank, Mediobanca. Super Gemina combines many different companies and groups. From the agriculture and foodstuffs giant Ferruzzi to the

enough reasons to warrant intervention by Giuliano Amato, the Socialist prime minister who now leads the government's agency responsible for antitrust policy. However, Gianni Agnelli, the head of Fiat, has argued publicly that Super Gemina is important because individually most Italian companies are too small to be effective in competing with large global companies in the international marketplace. If Italian companies want to survive, says Agnelli, they must join forces, as their competitors are doing worldwide, espe-

If Italian companies want to survive, says Agnelli, they must join forces, as their competitors are doing worldwide, especially in the US.



cially in the US.

All these problems to be resolved are lengthening the life of the government headed by Dini, who with due caution immediately threw water on the Super Gemina fire. The clashes between the coalition of the right wing (headed by Berlusconi and by Gianfranco Fini, secretary of the neo-fascist movement) and the left wing (headed by the secretary of PDS, the ex-communist party, Massimo d'Alema, and by the candidate to lead the government, Romano Prodi) are also helping to keep Dini in office.

And to think that in mid-January when Dini and his team of so-called "technical" (rather than political) ministers took office, everyone thought that they would last just a few months. Dini seems to be at ease among the see-saw of corridor voices which accompany the short life of Italian governments. ("It's falling." "It's not falling." "When will it fall?" "New elections now or in a few months?") He keeps out of the polemics and continues to reassure everyone that once the two or three pre-established objectives have been reached, he will resign. And in the meantime, maybe, he will have achieved another success which wasn't initially in the program: the return of the lira to the European Monetary System. **E**

Niccolò d'Aquino is EUROPE's Rome correspondent and a writer for Il Mondo.

the slightest. Fininvest's three commercial television networks, they say, are always directly or indirectly controlled by Berlusconi and that such is the case with his other activities.

Dini, with the problem of the pensions working its way toward a solution, has settled upon the task of addressing the Berlusconi issue. He must find a way to guarantee to the private citizen Berlusconi the right to enter politics if he wishes, but he must also lawfully prevent the owner of the most important television and publicity networks in Italy, and one of the largest in

petrochemical leader Montedison, Super Gemina's assets comprise chemicals, publishing (including *Il Corriere della Sera*, the country's leading newspaper and *Il Messaggero*, the most important daily in Rome), and manufacturing. Fiat, which belongs to the Agnelli family and is the largest private company in the country, is involved as well through stock holdings. Both foreign and domestic analysts have criticized the project saying that Super Gemina combines too large a slice of Italy's economic power.

There appear to be more than

Lamberto

By Niccolò d'Aquino

Dini

From boos to bravos

"Let Lamberto Dini work. He's good."

So said Chancellor Helmut Kohl of Germany, who is usually less than generous in his judgments. The suggestion struck the Italian press, which stressed the comment in its reportage. But the public didn't seem to be surprised because since the beginning of the year, when Dini took control of the government, its judgment of him has changed radically. As *Oggi*, the most popular Italian weekly magazine, put it, "He was the most hated man in Italy; now even his enemies like him."

And it's true. For the years of his presidency of Italy's Central Bank and for the few short months of the Berlusconi government when he was the treasury secretary, Lamberto Dini was quoted with respect only in the narrow confines of economic circles. Both Italian and foreign economists appreciated his talents since his tenure in Washington at the International Monetary Fund, from 1959 to 1976. But most Italians were turned off by his icy, Britannic disposition, unusual in a Latin and Mediterranean country like Italy. One of the descriptions attached to him was "the tough guy who never smiles."

Italian journalists immediately reported to their readers that foreigners liked "Lambertow the Amerikano" as he is also known. "Abroad, Dini means trust," explained one economic weekly, referring to the positive comments of the *Economist* and the *Wall Street Journal*. But the most difficult thing for a politician to achieve isn't consensus abroad, but consensus at home.

All it took was a few months and a few concrete facts to make many Italians change their mind about Dini. First of all, Dini has kept the promises he made when he accepted the position of prime minister and has undertaken two vital pursuits—a law that would truly set right the public financial situation and a much needed reform of the pension system. Having honored his duties and having done so quietly, avoiding typical political skirmishes and television spotlights as much as possible, Dini now basks in a chorus of "bravos."

In fact, his former adversaries were the first to sing his praises. "He's a hard nut to crack," said Sergio Cofferati, the head of the most aggressive left-wing union. And Massimo d'Alema, secretary of PDS, the ex-communist party which is heading the strong coalition of progressive parties, admits that "Dini is a conservative, but with democratic equilibrium." Even Giulio Andreotti, the most enduring Italian



Italian Prime Minister Lamberto Dini and his jet-setting wife Donatella Dini Zingone.

politician who at various times has headed the government, went out of his way to speak well of Dini in a newspaper interview. Dini, perhaps, could have done just as well without this favorable opinion since Andreotti is now at the center of a Mafia trial. But if Dini didn't appreciate Andreotti's praise, true to character, he didn't let on.

This wave of goodwill has had a strange result: both left and right are fighting over who gets Dini in the next government. He says nothing. He continues to work in virtual silence, allowing himself only very short vacations with his wife, whom he married in 1985.

His wife Donatella Dini Zingone, for her part, is not a background player. Well-known among jet-setters and in international circles, she is even better known in the economic and financial world of Central America. She is much richer than her present husband, thanks to the inheritance left to her upon the death of her first husband, an Italian entrepreneur who built a large fortune in Costa Rica. As she has stated quite clearly, she alone takes care of her interests with no interference from her new husband. ☺

ITALY

Romano Prodi

In the Race to Unite Italy

By Stephen Jewkes

Little by little and with a sense almost of destiny the unthinkable is happening in Italian politics. After decades of fragmented multi-party rule the contours of a bipolar system are slowly beginning to emerge. And the man leading the way is Romano Prodi—the amiable free market economist from Bologna who in February this year announced his candidacy to lead a center-left coalition against former prime minister Silvio Berlusconi.



(Left) The Ulivo coalition leader Romano Prodi, an exercise enthusiast, is racing toward a showdown with the Freedom Alliance headed by Silvio Berlusconi. (Above) The Prodi campaign's grueling five-month bus tour went largely uncovered by Berlusconi's three private television networks.

Mr. Prodi—professor, state manager, and cyclist—has long been an advocate of two-party politics, believing it a remedy to Italy's chronic ungovernability and corruption. "What the country needs is more accountability in government," says the 55 year old academic. "And to get that we need alternation—genuine alternation." Prodi acknowledges that last year's electoral reform went a long way to breaking the log jam. The replacement of proportional representation with a first-past-the-post system for 75 percent of parliamentary seats made it harder for small





parties to survive independently and wield disproportionate power.

A former Christian Democrat, Mr. Prodi considered it a moral necessity to enter politics when he did. The glitzy, show business politics of Mr. Berlusconi was, he says, a luxury the country could ill afford. His Ulivo coalition—called after its olive tree logo—is a serious-minded outfit encompassing the formerly Communist Democratic Party of the Left (PDS), the rump of the ex-Christian Democrat Popular Party, and a handful of smaller parties. Ideological differences have ruled out any formal alliance with the hard-line Rifondazione Comunista and, for the time being, Umberto Bossi's Northern League. Mr. Bossi's secessionist rhetoric is a known irritant to Mr. Prodi.

With 25 percent of the national vote, the PDS is by far the largest party in the alliance. Mr. Prodi concedes its size makes it almost by default the dominant

partner but insists in a majority system the PDS needs the others as much as they need it. PDS leader Massimo d'Alema would agree. Since he took over in 1994, Mr. d'Alema has been trying to bring his party out of the shadow of communism and gain greater legitimacy. Failure to select one of his own as leader of the coalition underlines the PDS's continuing poor electoral appeal outside the party faithful.

Mr. Prodi compares his center-left grouping to the British Labor Party of Tony Blair. Alongside free market policies of deficit reduction, competition, and a light state, he insists on the need for wider social welfare programs to protect the weak. "People should never be abandoned," he says. His plans for a decentralized state with greater fiscal autonomy for the regions include a "solidarity fund" to redistribute a share of local taxes to Italy's poorer southern regions. Unemployment in the south is

twice the national average and increasingly a source of tension.

Dubbed the "anti-Berlusconi," Prodi is sharply critical of his rival's confrontational way of doing politics. "What Italy needs is greater consensus among the social partners, not division," he says. While the two men share some common policy ground their styles could hardly be more different. Mr. Berlusconi's carefully staged television performances are light-years away from the grueling five-month bus tour Mr. Prodi recently made around the country. The tour was largely ignored by Mr. Berlusconi's three private networks and also by RAI, the state broadcasting company whose directors were appointed last year when Mr. Berlusconi was prime minister.

The Ulivo leader is confident the center-right Freedom Alliance is going nowhere. The corporatist ethic of the neo-fascist *Allianza Nazionale* (AN) will, he believes, make it difficult for them to reform Italy's inefficient public administration or press ahead with privatization. And then there's Mr. Berlusconi's television networks. The conflict of interest problem which has dogged Berlusconi's

political career since day one shows no sign of going away. In June the media magnate sold 20 percent of his *Mediaset* empire but still remains the single biggest shareholder.

With elections just around the corner, commentators argue Mr. Prodi still has to convince many electors he's tough enough to govern. His ratings in the polls may have risen but he still lags behind Italy's stopgap prime minister, Lamberto Dini, and more significantly, AN leader Gianfranco Fini. As a former industry minister under Giulio Andreotti and twice head of state holding company IRI, some people also think he's a little too closely associated with the old discredited political order. Mr. Prodi is not worried. He's come a long way in the last 10 months. He intends to go even further in the next. **E**

Stephen Jewkes is a journalist based in Bologna, Italy.

Dear Susanna

What to do when the mother-in-law uses too much garlic when she cooks and the young daughter-in-law doesn't know how to let her know?

"Easy. Just tell her you are allergic to garlic, that it makes you very ill. That's what I do because I, too, hate garlic." The same advisor suggested to a 15 year old girl who thought she had been abandoned by her boyfriend because of her weight: "Go on a diet, exercise, you will become beautiful, and you will fall in love with another boy."

These helpful hints which appeared in one of Italy's most popular weekly magazines come from no one other than Italian Foreign Affairs Secretary Susanna Agnelli, the same woman who refused American stealth bombers destined for the war in Bosnia the use of Italian bases, setting as a condition to President Bill Clinton that the Italian government be allowed a larger role in the international negotiations over ex-Yugoslavia.

Of course, the fact that she is a member of the tempestuous Agnelli clan, owner of the automotive giant Fiat and one of Europe's wealthiest families, has probably helped the 72 year old lady prepare for both her careers as professional advice giver and diplomat. The British nanny under whose care she was placed as a child always used to tell her in English, "Don't forget you are an Agnelli," and endowed her with a British accent.

Her strong personality is no secret. While brother Gianni was always at the head of the family enterprise with the help of her other brother Umberto, Susanna struck out on her own course. During World War II she was a Red Cross nurse on a hospital ship. Legend has it that she treated and saved her brother Gianni's foot from gangrene when he was hurt in an automobile accident during the war. She also became a successful author. One of her books, entitled *We Wore Sailor Outfits*, in which she tells of her childhood, was a long-running best-seller. She was also a wife and mother of six children. She separated years ago from her husband.

She discovered politics late in life and began at the bottom, winning the the mayoral election in Argentario, a small but prestigious sea resort in Tuscany. Then, from 1986 to 1991 she served as undersecretary for foreign affairs.

Although politics is a tradition in the Agnelli family, it is



While her brothers have found success running the family firm, Fiat, Susanna Agnelli has carved out successful careers as a columnist and as a politician.

When Susanna Agnelli isn't shaping foreign policy, she's advising the lovelorn. By Niccolò d'Aquino

viewed more as an honorific position than as a full-time commitment. Her brother Gianni was nominated lifetime senator, just like her grandfather, who founded Fiat. For now, Susanna is a full-time politician, but she has not let politics interfere with her weekly advice column. She has never missed writing a single column, not once in 12 years.

Ever since Lamberto Dini called her to guide foreign policy, her foreign policy—apart from the strong position she recently took concerning Yugoslavia—has been characterized by prudence, with one eye always on Italy's geographical position in the heart of the Mediterranean Sea and at the threshold of the Middle East. Agnelli has also reopened an important chapter for the Italian economy—relations with Latin America, one of the areas of major Italian emigration in the last 100 years. It is a region she knows well having lived there during her first years of married life and because of Fiat's interests in many countries there. One of the numerous trips as head of Italian diplomacy recently took her through Chile, Brazil, and Argentina, among other countries. During this trip, she continued to give counsel in her weekly column, including one piece of advice to a mother who was upset after having secretly read her adolescent daughter's diary: "Give her more freedom and don't read her diaries." ☺

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Emma Bonino

European Commissioner for Humanitarian Aid

If you are looking for a synonym for the word “activist” then look no further than Emma Bonino. The European commissioner responsible for humanitarian aid, consumer policy, and fisheries took office in January, but the 47 year old Italian has been a leader for causes in her home country and around the world for much of her adult life.

Bonino brought with her to Brussels a reputation for honesty and straight talk and more than 20 years experience as an energetic activist for liberal causes. In 1975, three years out of the Bocconi University of Milan, the former languages and literature student was arrested for participating in a nonviolent campaign to legalize abortion in Italy. The next year she was elected to the Italian Parliament and has been reelected in every subsequent election as a member of Italy’s Radical Party.

In 1979, Bonino won a seat in the European Parliament where she continued to fight for causes such as world hunger and disarmament. Campaigns she has worked for over the years include a protest against nuclear energy that resulted in blocking civil nuclear power in Italy. She has also promoted international human, civil, and political rights in the nations of Eastern Europe. In New York City, she was arrested for distributing syringes in the streets as part of a campaign to change existing drug policies.

Other issues she has actively supported include: establishing an ad hoc tribunal on war crimes in the former Yugoslavia; instituting a worldwide moratorium on capital executions; and fighting AIDS. She has recently been campaigning for a total ban on the production of land mines.

As the European commissioner for humanitarian aid in charge of ECHO (European Community Humanitarian Office) Bonino has been on 15 foreign trips in the last eight months. Three of these trips have been to the former Yugoslavia.

Commissioner Bonino recently spoke with EUROPE Editor-in-Chief Robert J. Guttman about her role as head of the European Community Humanitarian Office (ECHO) and



its projects in crisis areas including Bosnia and Rwanda. She also discusses the political situation in her native Italy.

Is the European Union the largest provider of humanitarian aid in the world?

Yes, The European Union—the member states bilaterally together with ECHO (European Community Humanitarian Office)—is the largest provider of humanitarian assistance. ECHO was established in 1991, and it's been operating since 1992.

It started with a very small budget of 100 million ecus (\$126 million) or less, and it reached, in 1994, 764 million ecus (\$962 million). In this sense we are the major humanitarian donor throughout the world. If you look at a particular crisis area, for instance former Yugoslavia, the Commission has provided more than 60 percent of all the humanitarian aid given there since the beginning of the war.

More than 60 percent of the aid in the former Yugoslavia is from the EU?

Yes. Out of the overall contribution of the international community in former

Yugoslavia, the Commission and the EU have financed roughly 66 percent of all the humanitarian aid.

Most people in the US would say that the United States is probably the main humanitarian aid giver followed by Japan. What are you doing to raise your image so people know that the EU is doing such a large job?

I regret to say that the answer is the same, even if you ask most European citizens. In January the Commission carried out a survey on who they thought was the major donor of humanitarian aid. The answers given in order were: "I don't know," the US, UNHCR (United Nations High Commissioner for Refugees), UNICEF, Japan, and ECHO or the Commission. The Union was mentioned only as the last possible answer for mainly two reasons. One is that the humanitarian office is relatively new compared with organizations like UNICEF, the Red Cross, UNHCR, or USAID, which have all existed for a longer time. That's one explanation. The second is that the Commission is not directly implementing humanitarian projects, but the projects in the field implemented mostly by either European non-governmental organizations (NGOs), such as MSF (Doctors without Borders) and Caritas, or they are implemented by UN agencies—UNICEF, UNHCR, the World Food Program (WFP)—or the Red Cross. The EU, through ECHO, carries much of the financial burden of sustaining all these relief organizations.

So the image coming back from the field, through television and other media, is that of the Red Cross or the UNHCR logo instead of the EU's. We are trying to raise our visibility to be accountable to our taxpayers. It's two different things: You want to inform the European people of where and how the money is spent and also inform the recipients of where the aid comes from. And we are trying to convince our partners of our political need for visibility. We are trying, for instance, to establish a common logo with some of the main agencies, to give profile to our joint action on the field.

So when somebody looks at the relief effort in Bosnia, for example, and sees Red Cross, that could be ECHO money. Right?

It is. For instance, when you see the UNHCR logo in the former Yugoslavia, we are providing 60 percent of their budget. The same could be said for the Red Cross. Also, we provide a large percentage of the Doctors of the World budget or Oxfam's. But when people see the television images of relief work the only visible logo is theirs and not ours.

How are your relations with the US Agency for International Development (USAID)?

In the last few years there have been various contacts and exchanges of information between ECHO and USAID, but the relationship was not very structured. During my visit to Washington last May, fresh political impulse was given to the idea of establishing a more structured and permanent relationship trying, for instance, to avoid any overlapping and duplication of efforts, which is the case in some places, and also trying to be more synergetic in order to be more effective. We are now on the verge of agreeing that for particular crisis areas we will have joint evaluation missions so that we can determine together the most cost-effective way to deal with the needs identified. I hope to start this exercise very soon. We are also determined to set up a database for real on-time information on who is doing what in all the countries in which we are both operating. This will help prevent overlapping and improve our efficient response. For instance, rather than setting up separate transport and communication infrastructures, we could use jointly the same infrastructure in given places. We will make this happen with our new coordination effort.

How large an organization is ECHO?

We administer a budget of 764 million ecus, which means around \$1 billion, with a staff of 80 people. Because we are working through NGOs and UN agencies, last year we supported and financed more than 1,000 projects. But we receive and process proposals for a lot more than that (roughly 3,000 per year). There is a lot of work that goes into choosing a project, channeling money toward it, and then evaluating its effectiveness. I believe that we need more staff and better organizational structure to handle the growing num-



ber of humanitarian problems around the world.

Where does your money come from?

It comes from the regular budget of the European Union, which in turn is made out of member states' contributions, plus customs duties and VAT levies.

Is Bosnia your largest relief effort at the moment?

The bulk of our effort at the moment is almost equally shared between Bosnia and Rwanda. We finance humanitarian projects, however, in more than 60 countries.

We are involved in some less remembered crisis areas, including Liberia, Angola, Cambodia, and Afghanistan. I believe that 1996, particularly now that a peace process in Bosnia is underway, will see a major effort toward humanitarian relief, rehabilitation, and reconstruction of the republics of the former Yugoslavia. Of course, we will be involved there for a few years to come, as we can count on more or less 3.6 million refugees or displaced people. It will take time for resettlement, and to go back to normal life, not to mention the fact that there are some 700,000 to 800,000 refugees in our member states. We will also face major immediate problems as winter approaches, a very hard season throughout the former Yugoslavia. This situation is clearly urgent. Our action in the area will be needed, unfortunately, for a few years ahead.

Are you optimistic that the Bosnian peace process is going to evolve into something that's finally going to work?

We must be optimistic. I don't know if it will work or not, but I know that we already have more than 3 million displaced people. The question arises whether, at the end of this peace process, may we not end up with an even larger number of displaced?

What is ECHO doing in the Middle East?

We have been present in the region from the very start of "Operation Provide Comfort" in Northern Iraq. More recently we have focused our assistance

in the region also on the predicament of the Palestinians, both in refugee camps (Lebanon) and in the occupied territories. I do hope that as the peace process proceeds, we will be in a position to withdraw. When peace comes and rehabilitation and reconstruction agencies are active on the field, our humanitarian job is basically done.

We are present in 60 countries, and it's quite easy to enter a crisis theater, but it's very difficult to get out. The only place we were able to leave was Mozambique.

What is ECHO doing in Rwanda today?

We are present in 60 countries, and it's quite easy to enter a crisis, but it's very difficult to get out. The only place we were able to leave was Mozambique.

In Rwanda, the problem is that the process of repatriating 2.3 million refugees is very, very slow due to the political conditions inside Rwanda and Burundi. As you probably remember in August the Zairian government sort of forced the repatriation. We acted with the UNHCR trying to convince the Zaire government that we could not accept forced repatriation. People don't want to go back because, in part, they are afraid. Secondly, repatriation can only be done in an organized way, and we have to monitor the process so that the rights, or human rights, of these people are assured. But the process is very, very long. People are really afraid to go back, and they don't know where to go. We are working on that, and we don't know if we will be successful by the end of the year. Not that we are hoping that by the end of the year all the refugees will be back in their own countries, but at least that we may be able to establish a trend. We hope that in one year or so we can think that the problem is on its way to being settled. But I am not so optimistic. Tensions in Burundi and in Rwanda are still very high. That doesn't help people to go back.

You were just in Cuba. What was the purpose of your trip to Cuba? Are you giving

humanitarian aid?

ECHO provided humanitarian aid in 1993 and 1994. We are trying to prevent a dramatic deterioration of conditions for the vulnerable people, particularly in the health and food situation, and a major humanitarian crisis. We have been giving aid, through European NGOs, directly to those suffering, bypassing the government. We were particularly taking care of the handicapped, elderly, women, and children.

By the way, there are a lot of American NGOs working in the humanitarian field in Cuba. These organizations, such as the churches and others, have dis-

pensed roughly \$70 million in aid so far.

Could you give us an overview of the situation in Cuba?

What is happening in my opinion is that there is cautious movement toward economic reforms. The problem is that for the moment there does not seem to be even the beginning of political reform. Yet economic reforms, for instance the possibility of private work and private property, or else the law just passed on foreign investments, may help bring about some sort of political reform. The Cuban government may be willing to follow China's example (i.e. economic liberalization within a communist political regime) but I don't think this will continue to press the Cuban leaders to accept a step by step political reform. There is now a dialogue going on with the more moderate Cuban exiles, and it will do no good for anyone if there is a violent collapse of the regime.

Is your job going to be any easier if the EU develops a common foreign and security policy? Are you hopeful that something will develop?

I firmly believe that Europe needs a

common foreign and security policy and that the rest of the world also expects us to have it. The hope is that with such a policy we can be more adequate in preventing at least some man-made disasters, so that the humanitarian needs will be reduced. We never thought that humanitarian efforts were the solution. That is absolutely impossible. In fact we

others, which, of course, severely limits any kind diplomatic headway.

Is the Italian prime minister, Lamberto Dini, a proper leader, or should there be elections and a political person running Italy?

Everybody knows that we will have to have elections. Now the debate is on whether we are going to have elections in March or in June during the Italian presidency. Neither solution seems inspired by good sense, neither for my country nor for Europe.

What do you think of the Andreotti trial? Is that going to help or hurt Italy or help or hurt Italy's image abroad?

It's quite astonishing. It seems to me, being Italian and knowing how the regime worked, at the end of the day the risk is that Andreotti may become the scapegoat for everything. Normally a scapegoat is very dangerous. It's not only dangerous for the goat itself, but it is perceived that all the others become innocent. That seems to me the main risk associated with this trial.

Is Italy ready for the single currency? Do you think Italy will be ready for a single currency when it comes about?

Only a strong political government with a strong commitment can try to do whatever is needed to meet the requirements of the Maastricht Treaty. So it's premature, in my opinion, to assess whether Italy will make it or not. But certainly there isn't much time, and certainly it's not a technical government that can do such a thing. You need political and public opinion support.

How much support do you think the EU has in Italy? Is it very well thought of?

No. Italy is a country that has always been, generally speaking, pro-European. This also means that we believe that, in any case, we are good Europeans. Yet at the end of the day we discover that we are among those countries who do not always comply with European rules or directives. On the other hand, for the moment at least, we do not have yet any sort of Euroskepticism. The risk is rather that we take it for granted that Europe exists, that Europe will stay there, and that anyway we are part of Europe.

Do you think the EU needs to enlarge? Is enlarging to include Central Europe a key issue?

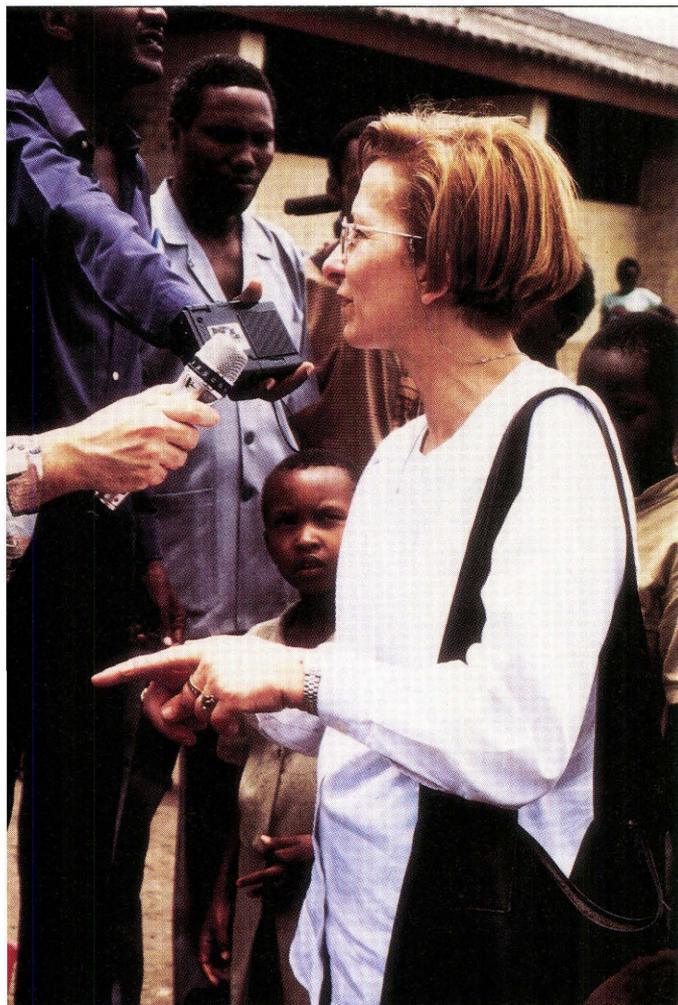
Enlargement is a geopolitical imperative, but we absolutely need a deepening process to update all the EU institutions. The institutions we are using were foreseen for six member states and have already been stretched for 12, and now for 15. It's quite evident that they will not be adequate for 25 member states. Enlargement is possible only if it is paralleled by a sound change and deepening of the European political equation.

I'd be remiss if I didn't ask you one question about fish. What is happening?

The problem of the fisheries portfolio is very simple, even though there are no easy solutions. There are too many fishermen for too few fish. That's the point. Miracles don't happen anymore. This is a sector which can only have a better future if we have the courage to carry out very deep structural changes in its socio-economic structures.

What's been the main accomplishment of the EU?

To exist. Yes, that's quite an example. I do not see any kind of example worldwide like the European Union. I see some free trade zones, but frankly speaking, I don't see anywhere in the world outside of the 15 EU countries trying to create not only a free trade zone, but common institutions and at least the beginning of some common policy. And, seen from the point of view of the federalist that I am, it seems that we are going very, very slowly. ☹



European Commissioner Emma Bonino in Rwanda.

are in the field and on the spot when and where politics have failed. That's exactly our task and our job.

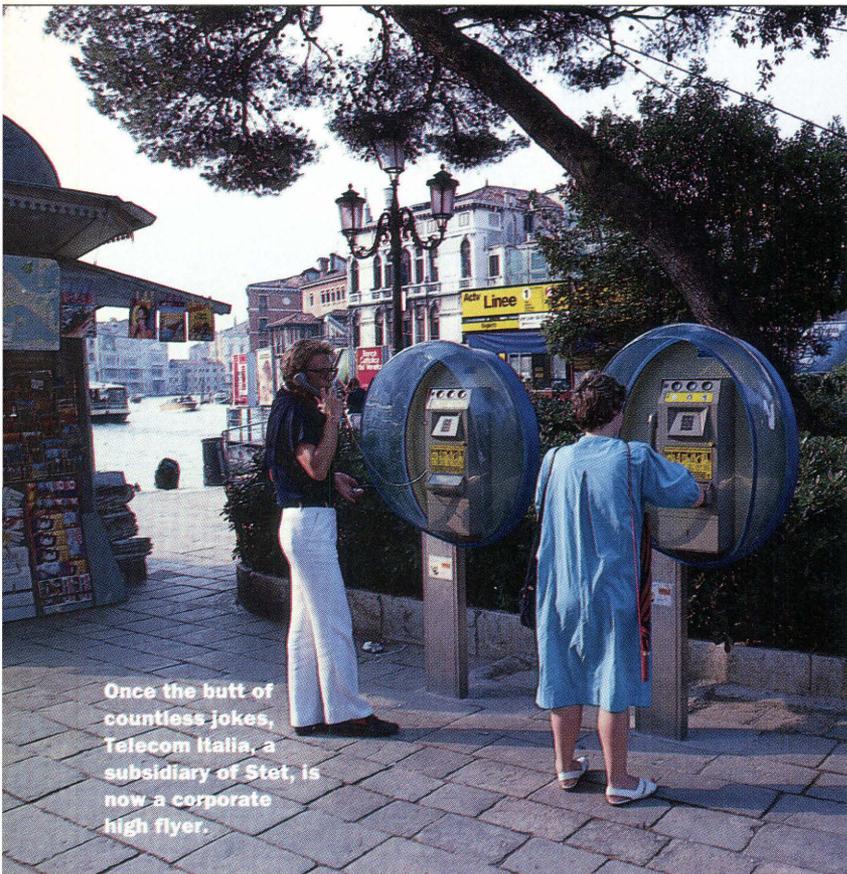
What would you say is the top foreign policy problem facing Europe today?

In my opinion, the major problem is that we do not yet have such a policy. That's really the problem. Europe does not speak with one voice, which means that our attempts at preventive diplomacy are far less effective than what is needed. It's 15 different voices, and sometimes it's one voice against the

Big Brother

STET Italian conglomerate is more than just telephones

By Stephen Jewkes



Once the butt of countless jokes, Telecom Italia, a subsidiary of Stet, is now a corporate high flyer.

It's being billed in Italy as the mother of all privatizations. The sale of state-controlled telecommunications group Stet is a multi-billion dollar extravaganza that has investors' mouths watering. The Rome-based colossus, valued at more than \$10.5 billion, reported profits last year of \$1.17 billion, 16.3 percent up on 1993. Total revenues were more than \$21.6 billion. Figures like that, and an attractively cheap lira, virtually guarantee the sale's success.

State holding company IRI, Stet's majority shareholder, originally hoped to sell its 61 percent stake in the group this autumn, but it was forced to reschedule because of political differences in Parliament. Almost singlehandedly, Rifondazione Comunista—the rump communist party that still espouses statist policies—held up agreement on the regulatory authority which, among other things, will oversee tariffs. With a decision still outstanding on a possible “golden share” for the government a sale looks unlikely before next spring.

The holdup could be costly. The European Union's plan to open up most countries to competition in 1998 has triggered a wave of privatizations that will generate a \$39 billion telecom bonanza next year. Deutsche Telekom alone is reckoned to be worth \$10 billion. And then there's France, Spain,

the Netherlands, Denmark, Portugal... With so many shares hitting the market at once, analysts fear delay in Rome could put pressure on the Italian stock.

Not that Stet is worried. Its operating unit, Telecom Italia, is one of Europe's corporate high flyers. Once the butt of countless jokes, Telecom has made dramatic leaps in efficiency in recent years and ranks today as the world's sixth operator. Its number of employees per line is far below the European average and the quality of its services matches those of any country. Investments at home include ambitious plans to replace its copper cable with fiber optics, while abroad the group hopes to become the primary telephone operator in countries developing networks like China, Cuba, and Mexico.

In July Telecom spun off its cellular business in Telecom Italia Mobile (TIM), boosting the value of both companies overnight. In a country where the *telefonino* is as much a fashion accessory as a tool, TIM is one of Stet's hottest assets. The group has doubled its customers in less than a year (2.9 million) and is confident of netting the lion's share of the 20 million users forecast for the year 2000.

Italy's second cellular operator, Omnitel Pronto Italia, disagrees. Omnitel, an international consortium controlled by Italy's Olivetti and Bell International of America, accuses its state rival of anti-liberal practices bordering on sabotage. Just months before Omnitel's Eu-

rope-wide GSM license (for which it paid \$463 million) became operative in October, TIM announced it was launching its own GSM service ahead of its competitor. EU Competition Commissioner Karel van Miert criticized the move blasting the Italian authorities for their "lack of will to let competitors play in a fair way."

Stet however is not just about telephones. In August management announced an alliance with US computer giant IBM to offer sophisticated telecomputing services to businesses in Italy and abroad. The move is part of Stet's global strategy to integrate telecommunications and information technology services. The deal, which will give Big Blue a foothold in Europe ahead of telecom deregulation in 1998, is destined to take Stet into the lucrative value added market of teleshopping, video conferences, and Internet services. Unlike its European rivals, Stet has been slow to forge international alliances but is fast making up for lost time.

In May, Stet chairman Ernesto Pascale unveiled plans to invest \$8 billion in a project to install cable in 10 million Italian homes by 1998. The announcement drew howls of protests from critics who accused Stet of taking unfair advantage of its monopoly position. A group of left-wing politicians charged the group with behaving like Big Brother and proposed a bill to stop all cabling projects for 5 years. In June, Italy's antitrust commis-

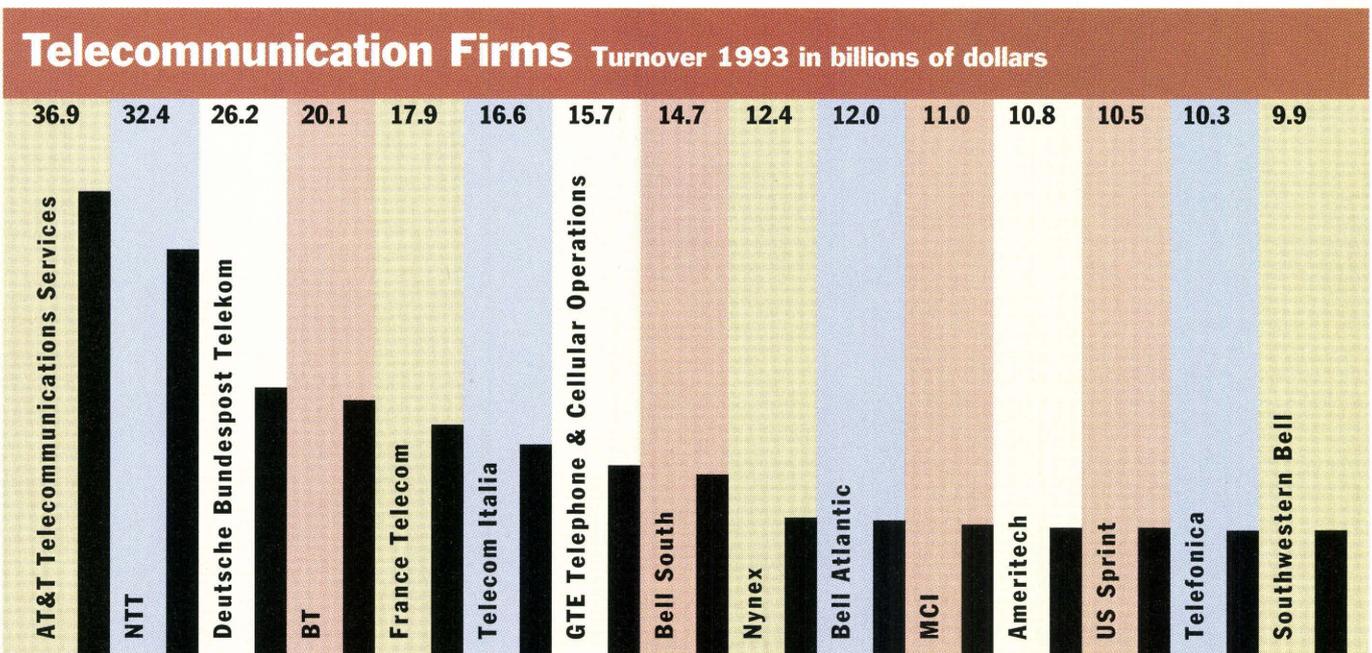
sioner, Giuliano Amato, had recommended Stet be sold off in its single parts to encourage competition.

Mr. Pascale rejects "Big Brother" charges as unfounded. "Fiber optics is destined to increase freedom and democracy not to limit it," he says, adding that Stet has no intention of producing programs or becoming a "content provider." Critics are unimpressed. Last April former prime minister and media magnate Silvio Berlusconi set alarm bells ringing when he suggested his Fininvest empire could merge with Stet.

The government's stated preference for a core of stable shareholders to run Stet after privatization has rattled markets. Dealers are worried it could be shorthand for Italian big business and finance. Earlier this year two domestic banking consortiums, one led by powerful merchant bank Mediobanca, offered cash to buy IRI's share and place Stet on the markets themselves. The offer was rejected but the banks, many of them publicly owned, have not left the field.

"Going from public monopoly to the market is not just a question of going from public to private property," Mr. Amato told journalists recently. "It's also about creating a competitive framework in which these companies operate." Stet's monopoly days may be numbered but its future is still far from certain. ☹

Stephen Jewkes is a journalist based in Bologna, Italy.



GUCCI

GUCCIE

In 1938 Guccio Gucci opened his second store at a prime location on Rome's Via Condotti.

Smaller, Soberer, and Profitable

If there is a symbol of the roaring, rampant Wall Street of the 1980s—too much money, too many junk bonds, and suspenders with dollar signs—that symbol is the Gucci loafer.

In that decade, a pair of expensive Italian shoes came to represent success, or at least successful greed, in boardrooms and financial centers around the world.

What the placid old firm of Guccio Gucci Spa, luggage makers in Florence, ever did to merit the disastrous and fragile prosperity which followed will never be clear.

Born in 1881, Guccio Gucci went to London as a young man. Working as a waiter at the Hotel Savoy, he observed that the steamer trunks and other baggage then favored by society were, in his view, so much junk.

Returning with an English nest egg to his native Florence in 1904 he set up a small luggage shop. The Tuscan city was an obligatory stop for the best traveling society in those last years before World War I and his business prospered.

The Rome store on Via Condotti was opened in 1938, a New York shop in 1953. The Gucci bamboo-handled purse, a female fashion necessity, was born in 1957, and the Gucci loafer—a shoe today in the collection of New York's Museum of Modern Art—in 1960. Silk scarves and foulards entered the assortment in 1962.

But these dates belong to the history of fashion. There is another which may matter more. When Guccio Gucci died in 1953, he left control of the company, evenly divided into two blocks of 50 percent each, to two sons, Aldo and Rodolfo.

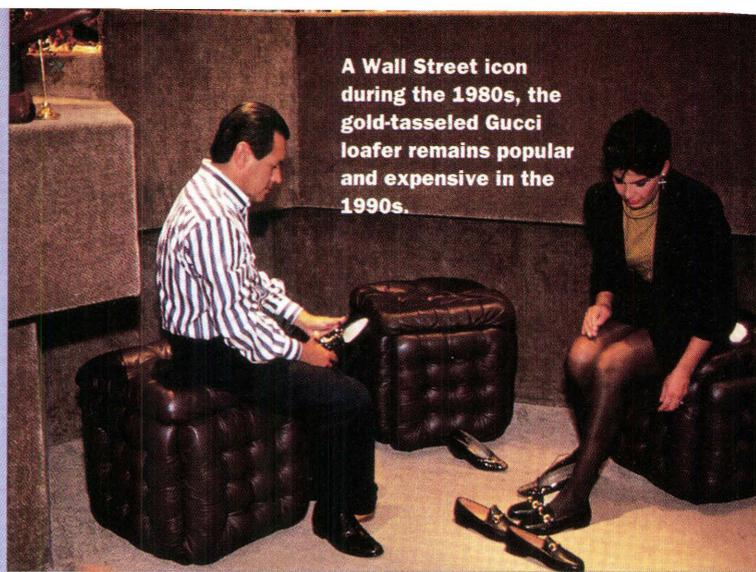
Aldo, a worker ant, built the company into a full-blown international fashion house. Rodolfo, the grasshopper, dedicated his life to an acting career built on forgettable roles in Italian B-movies.

So, when this generation too passed from the scene, the three sons of hardworking Aldo found themselves holding—very unevenly divided among them—his 50 percent of the Gucci empire. Rodolfo's busy acting career had instead left him time to father only one heir, Maurizio, who found himself with the other 50 percent and effective control of Guccio Gucci Spa.

This sounds like a recipe for disaster, and it was. Maurizio's three cousins disliked each other almost as much as they disliked him and could not agree to unite their own holdings. A savage war broke out within the family, and which threatened the very survival of the company.

A solution was found in the form of an outside investor, Investcorp, an American-managed investment fund backed by Arab capital, which bought out the interests of Maurizio's cousins—and then immediately clashed with the difficult personality of its new partner.

Investcorp, which had recently purchased New



York jewelers Tiffany, was in the business of acquiring somewhat tattered prestige labels, introducing rigid financial and marketing controls, and bringing them back to life.

Maurizio Gucci believed instead that more grandeur was called for. In his last year as chairman of the company, the complete Gucci assortment consisted of more than 10,000 different products of widely varying quality.

The precise fifty-fifty split between the shareholders behind these opposing world views paralyzed management at Gucci just as it was coming off the 10 year high of the 1980s.

By the summer of 1993, four years after Investcorp acquired its initial stake, Guccio Gucci Spa was as close as a company can get to bankruptcy without actually having gone under.

Weary Investcorp, with little choice but to throw more good money after bad, resolved the crisis by buying out Maurizio Gucci's 50 percent share of the company for an undisclosed sum thought to be in the neighborhood of \$110–120 million.

Today, Gucci is a smaller, soberer company. Sales today—around \$115 million annually—are only a little more than half what they were in the glory days of the yuppie boom, but debt is down, and the company showed a profit in 1994, the first in nearly a decade.

Though Investcorp is as close mouthed as the Gucci family was noisy, it is expected to quote the Florentine fashion house, probably on both the New York and Milan stock exchanges.

As for Maurizio Gucci, that is the sad ending. He was shot to death by a professional assassin in March of this year as he left his Milan apartment.

An unhappy man who showed a remarkable talent for snatching defeat from the jaws of victory, Gucci was born with every possible advantage life can offer and then fought his way, obstinately and in the face of many obstacles, to disaster.

He had no shortage of enemies, but Italian police say they are seeking Gucci's killer among the loan sharks to whom he turned when the banks no longer wished to see the man whose very name meant prosperity a decade ago. ☹

James Hansen is a journalist based in Milan.

By James Hansen



MERGER

European business will never be the same.

Europe, like the United States, has been engulfed by a merger wave. But unlike the US, the action doesn't involve headline grabbing takeovers among movie studios, television networks, and multimedia conglomerates. European mergers focus on less glamorous sectors from paper and pulp and pharmaceuticals to railway equipment and insurance.

However, the bottom line impact in Europe likely will be more lasting than the Hollywood-driven deals across the Atlantic.

After a lull, induced by the deepest recession in a generation, merger and acquisitions in Europe are again breaking records, while foreign purchases, particularly of American firms, are also rising.

A flurry of deals involving financial institutions and drug companies catapulted M&A activity in Europe to a record \$75.5 billion in the first half of 1995, up 10 percent on the year earlier period, according to IFR Securities Data.

These mergers were driven mainly by industrial logic as companies seek to reap economies of scale but increasingly alliances are being struck to exploit the potential benefits of the three year old single market between the 15 countries of the European Union.

There has also been a noticeable rise in hostile bids across borders as firms take advantage of legislation in the Netherlands and Switzerland to get rid of the "poison pills" which managements use to deter takeovers.

In some fragmented industries, mergers are driven purely to reap economies of scale and marketing clout to enable firms to meet the challenges from US and Japanese giants on world markets.

And in some sectors, mergers have created European world leaders. Earlier this year, Asea Brown Boveri (ABB), the Swiss-Swedish electrical engineering combine, and AEG, a unit of Daimler-Benz, the giant German industrial conglomerate, announced they were joining forces to create the world's biggest railway equipment business, employing 22,000 people in 40 countries generating yearly sales of \$5.7 billion.

More mergers are likely soon in Europe's fragmented rail business where the "big three," ABB, Siemens of Germany, and the Anglo-French GEC-Alsthom account for just 10 percent of sales, the remainder shared between scores of small specialized firms feeding off national state-owned railways. The big firms are standardizing their equipment. ABB used to build six European locomotive models; today it has just one.

In another bid for world leadership, in high speed trains, Siemens is seeking a marketing alliance with its main European rival GEC-Alsthom, to compete for international orders against the Japanese manufacturers of the Shinkansen, or bullet train.

The goal, according to Siemens' chief executive, Heinrich von Pierer, is to create an "Airbus on rails," a high speed train version of the successful European commercial jet aircraft manufacturer that is running neck and neck with Boeing in a market that was dominated by US manufacturers as



By Bruce Barnard

MANIA

recently as the 1970s.

The success of the four-nation Airbus consortium has encouraged two of its partners, British Aerospace and France's Aerospatiale, to merge their regional jet business with Alenia of Italy.

European industrial firms will be forced to embark on another round of mergers and alliances because there are still too many small companies chasing shrinking domestic markets and unable to mount sales efforts across borders. Until now, urgently needed restructuring has been delayed because European governments have protected their national champions. But that is changing as cash-strapped treasuries, burdened by persistent budget deficits, can no longer afford the rising cost of protection.

In many industrial sectors, companies are mulling mergers for the simple reason there is nothing left to merge within their domestic markets.

Europe's paper and pulp industry, concentrated around the forests in its Nordic rim, has been convulsed by a series of mergers in the past two years that has created a clutch of companies that can compete on an equal footing with their North American rivals. The latest coupling, between Finnish companies Repola and Kymmene, created the world's biggest producer of magazine covers and Europe's leading maker of fine paper and newsprint with annual sales of almost \$13 billion.

Europe has also led the way in the billion dollar mergers in the fast-changing drug industry with Glaxo's \$14.4 billion

acquisition of fellow British firm Wellcome this year, creating the world's largest pharmaceuticals firm. Germany's Hoechst moved into second place with its \$7.1 billion purchase of Marion Merrell Dow of the US.

Like their US counterparts, European drug firms face more cost-conscious buyers in their domestic state health systems and ever rising research and development expenditure.

European drug firms that can't find suitors or prey in Europe are looking abroad to grow—and survive. Most recently, Pharmacia of Sweden, which acquired the Italian firm Farmitalia in 1993, merged with Upjohn of the US to create a London-headquartered company with a market capitalization of \$13 billion.

Sometimes European firms that merged across borders to bolster their international position fall prey to marauding foreign firms, mostly American. Carnaud MetalBox, the packaging group created by an Anglo-French merger in 1989, is being acquired by Crown, Cork & Seal of the US in a \$5.2 billion deal, creating the world's biggest packaging firm with sales of \$10 billion a year.

In some sectors such as banking, insurance, and telecommunications, mergers and takeovers are driven by the EU's liberalization programs, which are creating both opportunities and threats.

The freedom of movement of capital and services across the EU has spawned a wave of mergers in financial services with the traditionally staid insurance sector leading the way with trail blazing deals like the \$4 billion acquisition of Colo-

Hardly a day passes without announcements of mergers, takeovers, privatizations, and share offerings across the EU, involving not only old-fashioned telephone companies but aggressive newcomers like cable television operators, railways, and power utilities.

nia of Germany by Union des Assurances de Paris (UAP) and Winterthur of Switzerland's \$638 million takeover of DBV, a German insurer. More recently, UAP paid \$833 million to take control of Britain's Sun Life Corp.

These deals could soon seem modest as Europe prepares for an orgy of takeovers—friendly and hostile—and alliances in the telecommunications sector in the countdown to total liberalization in January 1998 when the lumbering state monopolies will face competition across all their service sectors for the first time.

Hardly a day passes without announcements of mergers, takeovers, privatizations, and share offerings across the EU, involving not only old-fashioned telephone companies but aggressive newcomers like cable television operators, railways, and power utilities.

Among the most ambitious projects is a planned alliance between Deutsche Telekom and France Telecom to offer telecom services to companies that will go global with a \$4.5 billion acquisition of a 20 percent stake in Sprint, the third largest US long distance telephone operator.

British Telecom stole a march on its two bigger rivals with \$5.3 billion alliance with MCI, the second largest US operator, but it now faces a much stiffer challenge from the mainland.

The pace of activity is set to accelerate with the surprise announcement by AT&T, the US giant, that it will split into three units. With each unit free to pursue its own strategy, it will become a more menacing competitor particularly in the vulnerable European market.

AT&T rammed home that message with the announcement that it will launch a nationwide telephone service in the United Kingdom next January for business customers followed by a residential service before the summer. ☺

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

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Inside EUROPE

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EU NEWS

NATO'S NEW BOSS

The hunt is on for a new NATO secretary general following the resignation of Willy Claes, a former Belgian foreign minister, who took up his post barely a year ago.

Claes stepped down after the Belgian Parliament voted decisively to lift his immunity from prosecution on fraud and forgery charges related to the bribery scandal involving Augusta, the Italian helicopter maker.

The resignation comes at a critical time for NATO, which is struggling to reach agreement with Russia on the command structure for a multinational peace-keeping force in the former Yugoslavia and to overcome Moscow's opposition to alliance plans to expand membership to Central Europe.

Leading candidates to succeed Claes include Uffe Ellemann-Jensen, the former Danish foreign minister, and Ruud Lubbers, the former Dutch prime minister. Hans van den Broek, the former Dutch foreign minister currently serving as EU external affairs commissioner, appears to have taken himself out of the running.

Diplomats cautioned, however, that a dark horse could emerge since the two men most likely to command an immediate consensus among the 16 NATO members—Douglas Hurd, former UK foreign secretary, and Volker Rühle, German defense minister, had ruled themselves out of contention. Another dark horse could be retiring US Senator Sam Nunn, who is considered to be a leading expert on security affairs.

Claes's resignation marks the first time in the 46 year history of NATO that its secretary general has been forced to step down. He continued to profess his innocence, notably during a climactic 90 minute speech to the lower house of the Belgian Parliament on October 19 which failed to sway deputies. Deputy Secretary General Sergio Bal-

anzino will serve as the interim head of NATO until a new secretary general is chosen.

The Parliament's decision to lift immunity means that Claes must face charges of corruption, fraud, and forgery in connection with payments made by two defense companies—Augusta of Italy and Dassault of France—in 1989 to his Flemish Socialist Party when he was a Belgian economics minister.

The post of NATO secretary general, which by tradition goes to a European, requires a rare combination of qualities. Candidates need to play the role of umpire and power broker between alliance members, but they should also be able to run a big bureaucracy and come up with the necessary new ideas to lead NATO into the 21st century.

The post cold war climate is particularly challenging. After a period in which the US paid fitful attention only to Europe, the Clinton administration has reasserted its leading role in the alliance with a decisive intervention in Western policy toward Bosnia.

NATO's bombing campaign against the Bosnian Serbs in September, combined with forceful US diplomacy, tilted the battlefield in favor of the Bosnian government and encouraged the Croats to seize territory lost in the first phase of the war against Serbia. Though none of the parties is satisfied with the new share-out of territory, a fragile cease-fire has taken hold and NATO is preparing to deploy up to 100,000 troops as a peace-implementation force in Bosnia.

However, the alliance is still searching for a formula to incorporate Russian troops in the force, as well as troops from Central European states such as Poland and Hungary which hope to join the alliance. The US is insisting on the primacy of NATO in the command structure; but the Russians, humiliated and frustrated by their inability to prevent the NATO bombing campaign, are opposed to extending NATO's writ in an area viewed as falling inside

NOTEBOOK: PORTUGUESE ELECTIONS

Portugal's Socialist Party (PS) scored a remarkable victory in the country's general election on October 1, returning to power after 10 years in opposition. The surprisingly clear result ended a decade of rule by the center-right Social Democratic Party (PSD), which had governed with an absolute majority for the last eight years.

The PS obtained 43.8 percent of the vote, falling only several seats short of an absolute majority in the 230-seat parliament. This is a massive increase on the 29.3 percent the party scored in the last election four years ago. The PSD, on the other hand, suffered a painful defeat. After two consecutive absolute majorities with just more than 50 percent of the vote in 1987 and 1991, the party of outgoing Prime Minister Aníbal Cavaco Silva dropped to a disappointing 34 percent.

The new prime minister is António Guterres, a 46 year old electrical engineer, who has led the Socialists for three years. He had been a member of Parliament since 1976, with a short break between 1983 and 1985, and he has no experience in government. Guterres, considered to be a staunch Roman-Catholic, is married with two children. He speaks excellent English. The loser in this contest was Fernando Nogueira, who was defense minister until taking over the PSD leadership from Cavaco Silva last February.

During the election campaign, many Portuguese felt there was little difference between the two main parties. Like the PSD, the PS is fully committed to European integration. Guterres has pledged to continue efforts to comply with the EU's criteria for economic and

monetary union. This effort will involve tight restrictions on government spending, including reducing Portugal's budget deficit from currently around 5.5 percent of GDP to 3 percent. This could make it hard for Guterres to deliver on one of his main promises, to spend more money on education, which he has described as the "priority of priorities" of a PS government. He also wants to crack down on mainly drug-related crime and combat its origins.

Another feature of the election was the rise of the populist right-wing Popular Party (PP), led by Manuel Monteiro. The PP doubled its vote from 4.4 percent to 9 percent. The Communist Party (PCP) under its secretary general, Carlos Carvalhas, lost minimally, dropping from 8.8 percent to 8.6 percent.

Although the PS failed to obtain an absolute majority, it is expected to be able to govern comfortably, given that even so it has more seats than the center-right and right-wing parties, the PSD and the PP, put together.

The election result marks the end of an era, dominated by the leadership of Cavaco Silva, whose PSD had participated in all governments since 1979. The rule of Cavaco Silva, who won his first election in 1985, roughly coincides with Portugal's first 10 years in the European Union (EU). The sense of change is enhanced by the departure of President Mário Soares from office early next year, after 10 years in the presidential palace at Belém.

—Peter Miles

UPCOMING EVENTS

On December 3 President Clinton will make his first official visit to Spain for the Biennial US-EU Transatlantic Declaration Summit. Clinton will meet with Spanish Prime Minister Felipe González and European Commission President Jacques Santer to sign the transatlantic initiative and action plan to reinvigorate EU-US relations.

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EU negotiator Carl Bildt will represent the European delegation at the proximity talks on Bosnia. The talks on ending the war in the former Yugoslavia will be held outside of Dayton, Ohio starting November 1.

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The EU summit ending the Spanish presidency of the EU will be held in Madrid on December 15–16. Italy takes over the rotating six-month EU presidency from Spain in January and will host EU ministers for three meetings in Bologna in February. Energy minis-

ters will meet on February 3–4, culture ministers on February 23–24, and telecommunications ministers on February 24–25.

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Silvio Berlusconi has called for immediate elections to be held in Italy.

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Austria is set to hold elections on December 17.

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EU and American business leaders will meet in Seville, Spain on November 10–11 in order to promote business on both sides of the Atlantic with the opportunity to contribute to the setting of the transatlantic policy agenda. Commerce Secretary Ron Brown and European Commissioners Sir Leon Brittan and Martin Bangemann will convene the meeting. Officials from Xerox, BASF, Goldman Sachs, and Ford are co-chairing the event.

its sphere of influence.

Russia's hostility to expansion of the NATO alliance to Central Europe and, by implication, its own borders is if anything even more serious. NATO has sought to defuse Moscow's opposition with a series of carrots, promising to refrain from stationing nuclear weapons in countries bordering Russia while also offering a new "strategic partnership" with Moscow which would involve consultation at the highest level on military planning and policy.

At the same time, NATO has insisted that Russia cannot have a veto on alliance membership—a position

adopted successfully in 1989–90 when the US, France, Germany, and the UK pressed the then Soviet Union to agree to German unification with the EU and NATO.

The issue of the who, how, and when on NATO expansion will not be settled anytime soon. Western leaders have agreed to tread softly in the light of the forthcoming parliamentary and presidential elections in Russia, as well as the presidential elections in the US. But the promises made to the Central Europeans, notably Poland, will be at the top of the next NATO secretary general's agenda.

—*Lionel Barber*

WHAT THEY SAID

"Berlin was the fulcrum of the cold war. Sarajevo has become the fulcrum of the world we take into the next century."

—*John Menzies, the new US ambassador to Bosnia.*

"I do not like this word 'bomb.' It is not a bomb, it is a device which is exploding."

—*Jacques Le Blanc, French ambassador to New Zealand, answering critics of France's nuclear testing in the Pacific.*

"We have differences, but that should not stop us reaching an agreement."

—*Javier Solana, Spanish foreign minister, speaking of reforming relations with the United States at the US-EU summit to be held December 3 in Madrid where President Clinton will meet with European Commission President Jacques Santer and Spanish Prime Minister Felipe González.*

"If we do not act now, the ship of Europe will go adrift."

—*Helmut Kohl, German chancellor, speaking of the need for European integration to a congress of Christian Democrats in Karlsruhe, Germany.*

"At this critical point in the peace process, we believe that the assistance of the European Union would be essential in moving the peace process forward."

—*Mubamed Sacirbey, Bosnian foreign minister, in a letter to EU peace envoy Carl Bildt.*

"Trade liberalization should not end where Europe turns into Eurasia."

—*Martti Ahtisaari, president of Finland, discussing his proposed formal dialogue between the US, the EU, and Russia, in a speech to the Royal Institute of International Affairs in London.*

BUSINESS BRIEFS

The European Commission approved in principle a joint business data-transmission venture between **Deutsche Telekom** and **France Telecom**, paving the way for them to proceed with a \$4.2 billion purchase of a 20 percent stake in **Sprint Corp.**, the third largest US long distance telephone operator.

Karel van Miert, the European Union's competition commissioner, gave the green light to the venture after the German and French governments agreed to allow alternative telecoms networks, such as those operated by utilities and railroads, to compete against their state-owned telephone companies by July 1, 1996.

The Commission has already cleared a transatlantic alliance between **British Telecom** and **MCI Corp.**, the second largest US long distance carrier, but it has yet to clear a link between **AT&T** and **Unisource**, a venture between the national telecoms operators of the Netherlands, Sweden, Switzerland, and Spain.

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Eastern and Central Europe booked a 25 percent increase in foreign direct investment in 1994 with Hungary retaining its position as the most favored location for Western firms.

The stock of foreign direct investment rose to \$22.7 billion at the

beginning of 1995 compared with \$18.3 billion a year earlier, according to provisional figures from the United Nations Economic Commission for Europe.

The Czech Republic, Hungary, Poland, and Slovakia accounted for more than two-thirds of the stock of foreign investment. Hungary attracted 37 percent of the investments, down from 44 percent in January 1994.

•••

Siemens, the German electronics giant, says it will invest more than \$4 billion in the Asia-Pacific region before the end of the century to cash in on the surge in de-

(continued after next page)

BUSINESS BRIEFS (CONTINUED)

mand for telecommunications.

The Berlin-based group expects its Asian sales will double to \$15 billion within four years, and their share of total revenues will also double to around 20 percent.

"There is enormous demand for infrastructure goods in the region. By the year 2000, some 100 million new telephone lines will be in use," according to Gunter Wilhelm, the company's vice-president for Europe.

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Two British banks, **TSB Group** and **Lloyds Bank**, plan a \$23.5 billion merger that will create the country's biggest retail bank, fueling speculation of further rapid changes in the financial services sector.

The new bank will have combined assets of \$233 billion with 2,900 branches, more than 57,000 retail staff and in excess of 12 million checking accounts.

The country's biggest bank overall is **HSBC** (Hong Kong and Shanghai Bank) holdings with assets of \$340 billion of which \$124 billion are held in Britain.

Sir Brian Pitman, chief executive of Lloyds Bank, recently warned that technology and consolidation in the financial services sector will lead up to 75,000 job losses over the next five years.

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Air France is creating a new European airline in a late bid to catch up with **British Airways** in the race to exploit the benefits of total liberalization of European air transport in April 1997.

Air France is merging its medium haul operations with those of **Air Inter**, its domestic subsidiary. Air Inter will form the backbone of the new carrier, which is yet to be named.

The new airline, due to start operations next January is expected to generate revenues of about \$5 billion.

The airline forms a key part of the restructuring strategy of Air France chairman Christian Blanc

aimed at returning the state-owned carrier to profit by 1997 after running up losses in excess of \$2 billion since 1993.

Air France had been predicting a loss of \$240 million in the year to end-March, but a recent fall in traffic likely will raise the loss to \$360 million.

British Airways, the world's most profitable airline, has accepted losses on its European units, 49 percent owned **TAT** of France and **Deutsche BA**, as the price to pay for positioning itself in Europe before the total liberalization of air travel in 1997.

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Daewoo, the giant South Korean industrial combine, bought a 65 percent stake in **Steyr-Daimler-Puch**, the Austrian engineering firm, from **Creditanstalt-Bankverein**, Austria's second largest bank, in its latest move to become a major player in the European car market.

Daewoo paid about \$100 million for its stake and plans to invest a further \$150 million in Steyr's engine technology and transmission divisions.

Earlier in the year, Daewoo and Steyr jointly acquired a 50.2 percent stake in **Aviva**, the Czech truck maker in which they will invest \$100 million on a new diesel engine track. The South Korean firm also agreed to take a 61 percent stake in **FS Lublin**, a Polish truck maker, and last August it pledged to invest \$1.1 billion in **FSO**, the state-owned Polish car manufacturer in return for a 60 percent holding.

These transactions have unnerved European car firms who fear a flood of South Korean imports within two or three years. Alex Trotman, chairman of **Ford Motor Co.**, has warned South Korea will have the capacity to produce 5 million autos a year by 1998—3 million more than can be sold in the domestic market. Many are expected to be shipped to Europe, the world's largest car market.

•••

Nokia, the Finnish telecommunications group, continues to break records, with surging world demand for its mobile phones, helping to boost pre-tax profits in the first eight months of the year by 88 percent to \$845 million from \$534 million in the year earlier period.

Nokia shares slipped, however, as the market was expecting an even better performance. Chief Executive Jorma Ollila said there were problems in the US where Nokia sells a quarter of its mobile phones, but demand is holding up in Europe and the Asia-Pacific region.

Nokia is the second largest mobile phone maker after **Motorola** with a world market share of more than 20 percent.

•••

Intel, the US semiconductor manufacturer, is spending \$1.5 billion to build a new microprocessor plant in Ireland to keep pace with surging European demand for components used in personal computers.

The new factory, part of Intel's \$3.1 billion global expansion program, will create 2,000 jobs in a country with the second highest unemployment rate in the European Union.

Intel has already invested \$750 million and created 2,600 jobs at wafer and chip plants in Ireland.

—Bruce Barnard

INSIDE EUROPE

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

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DEFENDING

The problems lie in putting principles into practice.

By Reginald Dale

The end of the cold war has paradoxically made the task of defending Europe in some ways much more difficult. In one sense, of course, it is easier: There is no longer a threat that massed Warsaw Pact tanks will roll westward across the north German plain.

EUROPE

But the loss of that threat has seriously complicated the long-term future of European security—indeed of Europe's whole role in the world. Few would dispute that new European security arrangements are now needed, but deciding on what those arrangements should be, and how to put them in place, is fast becoming one of the most difficult and controversial problems facing the West.

The stakes are enormous. At issue is whether a more inward-looking United States will remain engaged in Europe and whether Russia becomes a friend or an enemy—or something in between.

"Without America," former secretary of state Henry Kissinger wrote recently, "Europe turns into a peninsula at the tip of Eurasia, unable to find equilibrium, much less unity, and at risk of gradually subsiding into a role similar to that of ancient Greece in relation to Rome—the only outstanding question being whether America or Russia will play the role of Rome."

Not everyone would agree with that analysis. But there can be no dodging the thorny questions that underlie it. They include whether, when, and how the North Atlantic Treaty Organization should be enlarged to take in former Warsaw Pact members in Central and Eastern Europe; what should be Russia's future relationship with the alliance; how far Europe should develop its own independent defense capability and adopt common defense policies—a big issue for next year's intergovernmental conference on the future of the European Union—and what should be the military role of Germany.

So far, the West is nowhere near finding the final answers to these questions. But it is clear that the answer will depend as much on new and possibly unpredictable currents in domestic politics—in the United States, Europe, and Russia—as on strategic considerations.

It all used to be much simpler. During the cold war the European security balance was broadly static. Western Europe, at least theoretically, nestled under the US nuclear umbrella (Moscow anyway never sought to challenge the assumption), while the Soviet Union's writ ran on the other side of the Iron Curtain. The Western countries had differences among themselves but in retrospect look to have

been remarkably united on how to deal with the common threat.

Europe was the most heavily armed region of the world but also the most stable. When wars broke out they were outside Europe—the Soviet Union invaded Afghanistan not Austria. In those days, in the words of Uffe Ellemann-Jensen, the former Danish foreign minister, “The rules of the game were simple and easy to understand, like in a game of checkers. Now it has all become so complicated. We’re playing a game of chess.”

Some things, nevertheless, are becoming clearer.

The NATO countries are at least agreed on the principle that the alliance will be extended Eastward, perhaps around the turn of the century. It is probable that the Czech Republic, Poland, and Hungary will join first, because they are closest to the West geographically, politically, and economically—although Scandinavian governments are insisting that the Baltic countries not be left behind.

The alliance has also agreed on the general conditions new NATO mem-

bers must fulfill. They must be democracies, respect human rights, have free market economies, and have placed their militaries under civilian control. They must also, of course, be able to integrate their forces into the alliance militarily.

It is clear that the countries of the former Soviet Union, such as Ukraine and Belarus, will not be able to join for the foreseeable future—and Russia probably never. The former Soviet republics of Central Asia are excluded. Russia, however, will be offered some kind of special security relationship to be worked out in parallel to NATO’s enlargement.

It is widely agreed that the Europeans must collaborate more closely and reinforce the alliance’s so-called “European pillar.” And it is also agreed that Russia, which has vigorously opposed NATO’s enlargement, must not be allowed a “veto” over future European security arrangements.

Above all, and particularly in the light of Europe’s impotence over Bosnia, there is increasing unanimity in Western Europe that American leader-

ship is still needed. That view is strongly shared by most Central and East Europeans, who want to join a strong NATO with a firm American commitment to European defense.

The problem lies in putting these principles into practice. Although most European countries accept the overall idea of NATO enlargement, it is with varying degrees of enthusiasm. There are big differences of emphasis over how far it is all right to upset the Russians.

France and Italy have reservations, especially about quick expansion, and would like to strengthen ties with Moscow at the same time. In contrast, Germany’s energetic defense minister, Volker Ruehe, has been pushing for early NATO expansion, with the enthusiastic backing of the country’s Social Democrat opposition. Chancellor Helmut Kohl has adopted a more measured approach, but he is adamant that the West’s frontier must no longer be Germany’s eastern border.

That is a point well taken in other Western capitals. Wedging Germany more closely into the alliance by sur-

After years on the shelf, plans for a common European defense policy are being dusted off and examined with an unusually serious attention in European capitals. Although the idea of a joint defense posture has been around since the drive toward European integration started in the 1950s, it has hitherto achieved little other than to provide ammunition for cynics.

“Talk of European defense over the years would have filled a sizable hot air balloon and provided about as much real hardware on the ground,” Malcolm Rifkind, the British foreign secretary, then secretary of defense, wrote earlier this year.

There is a good reason for the lack of progress. As more and more policies have come under the authority of the European Union’s institutions, defense remains one of the most closely guarded last bastions of national sovereignty.

That is particularly so for the United Kingdom and France, the two EU countries with the biggest pretensions to an international military role and the continent’s only nuclear powers—with-



out whom there could be no common European defense.

But two recent developments—the war in Bosnia and the resumption of French nuclear testing—have helped to reanimate the debate. The EU’s dismal failure to influence the course of the war in Bosnia has been taken by some commentators, especially in the United States, as showing that Europe will never have a common security policy.

Many Europeans, and some Americans, however, have drawn the opposite conclusion: that the Bosnian disaster makes a common defense policy even more necessary. And, amid the interna-

tional outcry over the French nuclear tests in the Pacific, Paris has raised the question of whether France’s nuclear deterrent should somehow be extended to the rest of Europe.

The new impetus to the debate has come as the 15 EU member countries are already gearing up for next year’s intergovernmental conference (IGC) on the future of the European Union, in which a common defense policy will be high on the agenda. There is widespread agreement that the IGC must flesh out the sketchy commitment to develop a common foreign and security policy contained in the 1992 Maastricht Treaty on European Union.

The first steps have already been taken. A long-neglected security organization, the Western European Union (WEU), has been given a twin role as the EU’s defense arm and the European “pillar” in NATO. But both roles need to be defined much more clearly.

A major problem is that the WEU has only 10 members—the EU countries that are also NATO members, except Denmark. The EU’s four neutral countries (Ireland, Austria, Sweden, and Fin-

rounding it with new allies is another, largely unspoken reason why many people—including many Germans—would like to see NATO expanded.

Washington has progressively turned more enthusiastic about NATO enlargement in the past year, a policy shift that can be traced back to President Bill Clinton's proclamation, in Prague in January 1994, that the alliance's expansion was no longer "a question of whether, but when and how." The United States began a drive to accelerate the process later in the year.

One reason for the shift has been growing US concern about filling the security vacuum in Europe between Germany and Russia and locking in economic and political reform in Central Europe. Washington is more inclined than it used to be to take the wishes of the Central Europeans



The Eurocorps incorporates French, German, Spanish, and Belgian troops.

themselves into account.

That is partly the result of domestic politics. Many states with a big influence in US elections have large numbers of voters of Central and East European origin, and the Republicans have been pressing hard for early NATO expansion.

But there is still a considerable body of opinion in Washington that does not want NATO enlarged at all.

Opponents argue that with no more threat from Russia, NATO has become an anachronism. They say an alliance geared to a massive, land war in Europe is not likely to be able to deal with new post-cold war threats such as ethnic tensions and the proliferation of weapons of mass destruction.

Skeptics in the Pentagon, on the other hand, fear that what is still an effective military alliance—as seen in the Bosnia air campaign—will be diluted and disoriented by the admission of the former

Warsaw Pact countries.

Still others say it is far more important to bolster the economies of the Central European countries first. Democratic Senator Sam Nunn of Georgia, probably the most influential defense spokesman in Congress, has argued that the Central European countries should join the European Union before they join NATO. He fears both that a hasty NATO enlargement

land) are not members either of the WEU or of NATO, while Norway, Turkey, and Iceland are members of NATO but not of the EU.

This seriously complicates proposals by supporters of closer integration that the WEU should be incorporated into the EU, rendering its decision-making subject to common procedures like majority voting and review by the European Parliament.

The United Kingdom, which wants to keep defense decisions as far as possible out of the EU, has already fired an opening shot, proposing practical cooperation in the WEU. But because of the varying membership of the two organizations, bringing the WEU into the EU "simply would not work," Mr. Rifkind says.

Nevertheless, "without cutting across NATO, (the WEU) would give the Europeans the means to mount combined military operations to manage the crises that are more likely to face us," Mr. Rifkind says. Such operations could involve peacekeeping, humanitarian assistance, sanctions enforcement, rescue, or small scale combat missions.

Those favoring closer integration—almost all the other countries except France—regard the British proposal as a minimalist approach, marking a retreat from the Maastricht commitment. But many other countries agree with the United Kingdom that NATO must not be undermined—and France shares the UK's view that defense cooperation must be strictly intergovernmental and not subject to EU procedures.

Other difficult questions include how far the WEU could be used to provide security guarantees to the Central and East European countries seeking EU membership—Moscow seems to find the WEU less objectionable than NATO—and what forces would be committed to the WEU.

The United Kingdom is still suspicious of the French-inspired Eurocorps, which incorporates French, German, Spanish, and Belgian troops. And, with its own nuclear deterrent heavily dependent on the United States, the UK has not rushed to embrace France's suggestions that French nuclear forces might somehow be "Europeanized."

There are in any case big problems

with the French proposal. Some believe it was only made in order to secure support from other EU governments for France's controversial nuclear tests in the Pacific.

It is not clear how ready France would really be to relinquish ultimate control over the firing of its nuclear weapons—despite talk of joint targeting and other forms of strategic cooperation such as "dual key" trigger arrangements.

German officials have expressed interest in studying the proposal. But nuclear issues are highly touchy in Germany, and the idea has already provoked considerable opposition. "Germany wants to be defended against nuclear weapons, not by nuclear weapons," in the words of one opponent.

Nevertheless, it is good that France has placed the issue on the European table. If Europe is serious about common defense, it cannot forever duck the implications for nuclear strategy—both European and American. But a European nuclear deterrent, just like a common defense policy, still seems a long way off. ☹

—Reginald Dale

will cause a nationalist backlash in Russia and that Western governments will make military commitments they can't keep, just as some countries did before World War II.

Such objections are likely to grow much louder as the practical consequences of enlarging the alliance, and the cost, become clearer—particularly at a time of severe budget-cutting in Washington. The Rand Corporation has estimated the cost at \$20 billion to \$50 billion over a 10 year period, to be shared between present and new members.

Even more controversy is likely to erupt over the extension of US security guarantees to places about which most Americans know little and care less. Few Americans want to “die for Bratislava.”

The extension of NATO security guarantees, “would unwisely commit American troops in advance to defend countries, with nuclear weapons if necessary, where no vital American security interest may be involved,” the *New York Times* recently editorialized.

Such concerns are beginning to

The fundamental problem is still how to treat Russia. Should the West stand up to Moscow and grasp the historic opportunity to bring the two halves of Europe together before Russia grows strong enough to prevent it?

have an impact. There has been talk of offering the Central European countries some kind of “second class” membership. It already seems likely that NATO will decide not to station nuclear weapons or foreign troops in the new member countries.

There are precedents for that, and similar restrictions apply to the former East Germany. But such a concession to Russian anxiety could still be interpreted as involving a weaker kind of security relationship for the Central Europeans.

Another idea is that responsibilities should increasingly be divided between Europe and America—with the United States taking care of major strategic confrontations while Europe puts out brush fires. Such a solution might help to meet some of the growing political objections in the United

States to sending American troops to fight abroad. It could, however, be seen as weakening the US commitment to Europe, and it might require an unrealistic degree of European political will to act alone.

The fundamental problem is still how to treat Russia. Should the West stand up to Moscow and grasp the historic opportunity to bring the two halves of Europe together before Russia grows strong enough to prevent it?

Or should it defer to Moscow's concerns, its fears of encirclement, and its threats to engulf Europe in the “flames of war” and proceed much more cautiously?

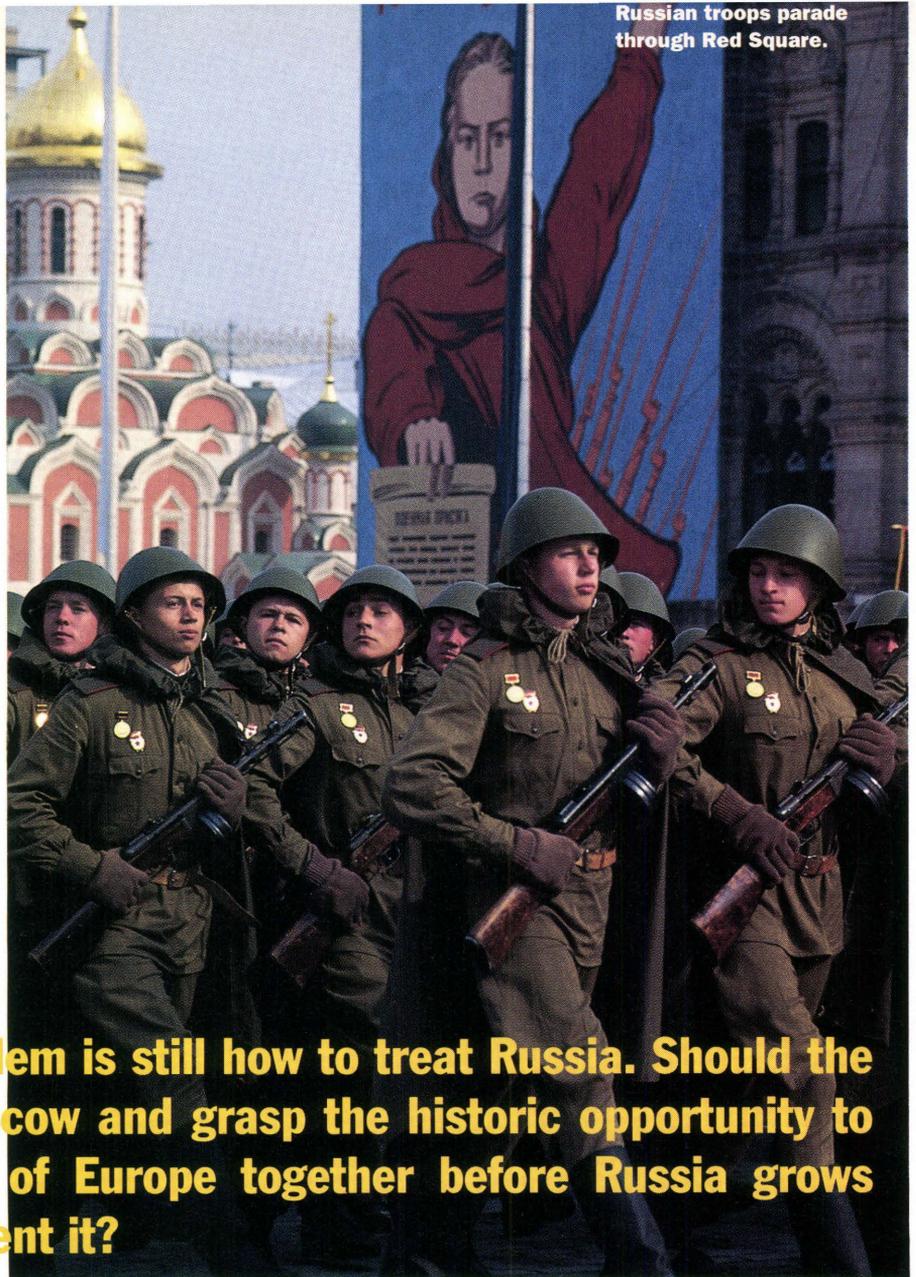
Two conflicting lessons are being drawn from Europe's bloody history earlier in the 20th century. Some say NATO will be storing up huge trouble for itself if it humiliates Russia by push-

ing ahead with expansion—just as the victors humiliated Germany after World War I.

Others draw the opposite conclusion. The big mistake the victors made after World War I, they say, was to conclude that Germany would never be a threat again and disarm. It would be folly to make the same assumption about Russia now.

What's likely is that the Allies will not take either extreme, but try to somehow muddle through in the middle, buffeted by electoral and political pressures. That may not be very glorious, but it's the way democracy works—and that's what NATO is meant to be defending. ☹

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



Russian troops parade through Red Square.

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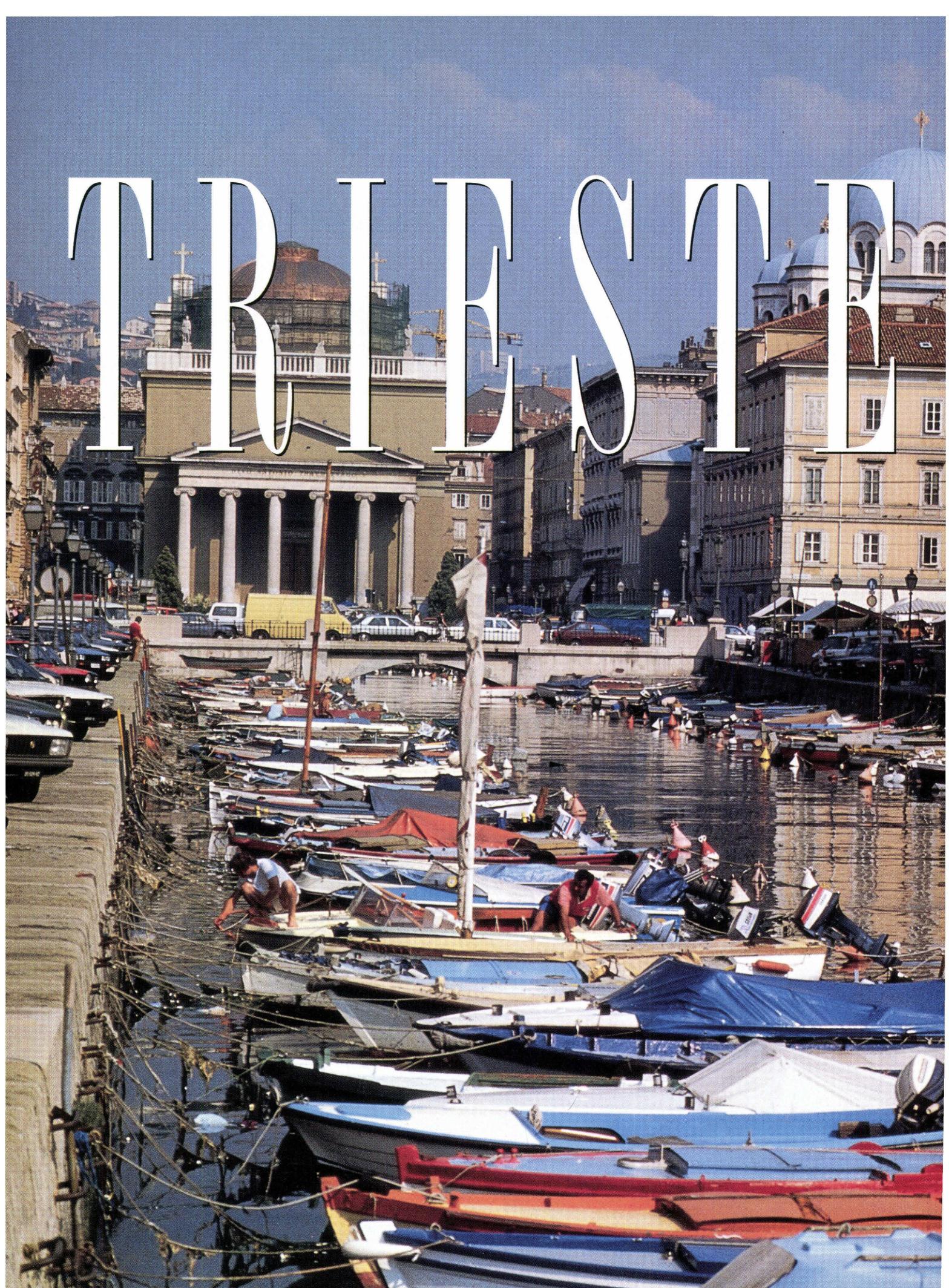
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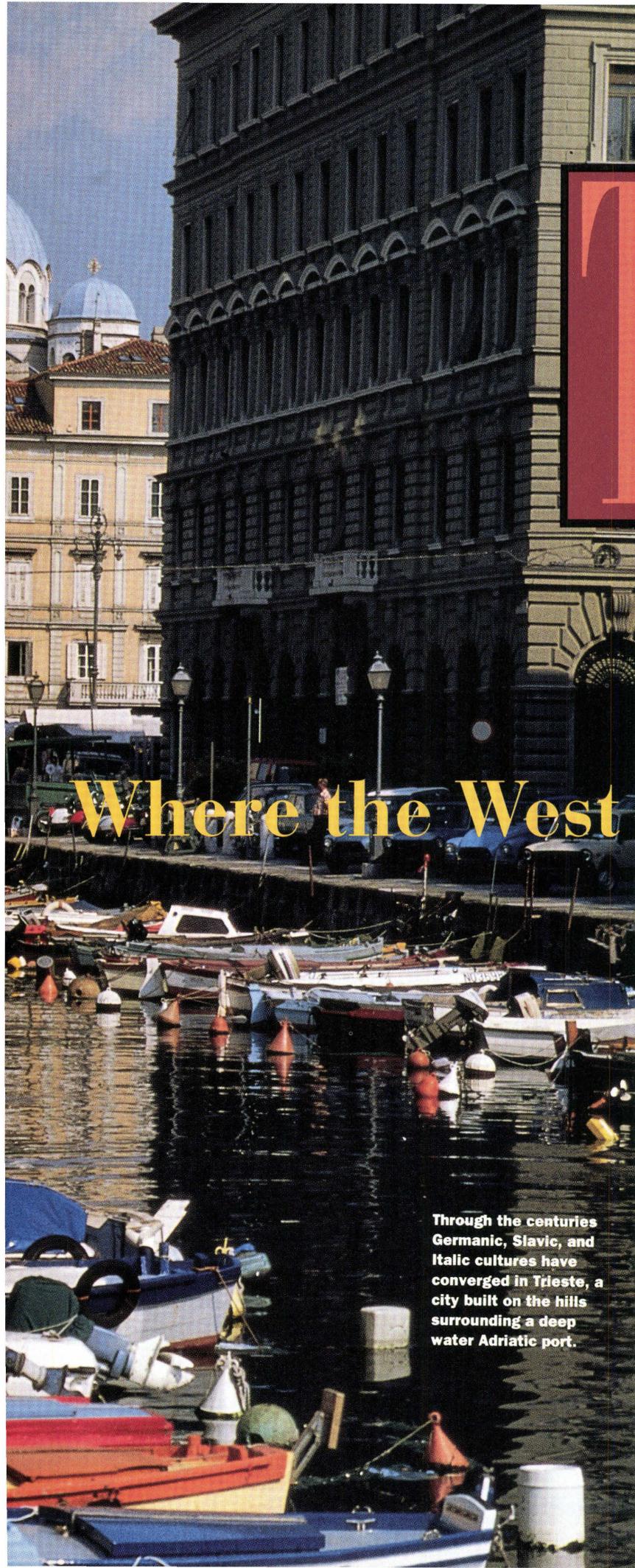
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TRIESTE





By James Hansen

Trieste is at the edge of the edge. A place where three cultures collide, where the Slavonic, Latin, and Germanic worlds grind together like human tectonic plates.

A city of heartstopping beauty at the top of the Adriatic Sea, its symbol is the ripping wind called the *bora*, which can top 90 miles an hour. Some parts of the city have chains strung along the sidewalks so the *Triestini* have something to grab onto when the wind suddenly comes gusting in from the Northeast.

"It keeps the fog away," comments the city's mayor, Riccardo Illy, "but it makes people crazy."

Italian schoolchildren know a kind of nursery rhyme which describes the character of the inhabitants of each of the country's principal cities. As people from Turin are *falsi e cortesi*—"false but courteous"—those from Trieste are supposed to be *matti assassini*—"crazed assassins."

There is nothing to it. They are easily as courteous as the inhabitants of Turin, and their city is lovelier.

Historically, Trieste was the principal port of the Austro-Hungarian Empire. It is now Italian. It has been many things in the past—the Roman city of Tergeste, Venetian, Slovenian, Austrian.

That is because the edge, the eastern border of Italy, moves with events. You can very nearly throw a rock from downtown and hit the Balkans. Slovenia is only about five miles away; Croatia is 18 miles as the crow flies.

Trieste is where the West ends.

The city is part of a famous definition Winston Churchill gave the world in a speech delivered in March 1946: "From Stettin in the Baltic to Trieste in the Adriatic, an iron curtain has descended across the Continent."

The Iron Curtain is gone, but the Balkans are not.

"The Balkans are our future," according to Mayor Illy, who in private life operates one of Italy's main manufacturers of packaged coffee. "This city depends on commerce, and in the future, when peace comes, we must recapture those markets."

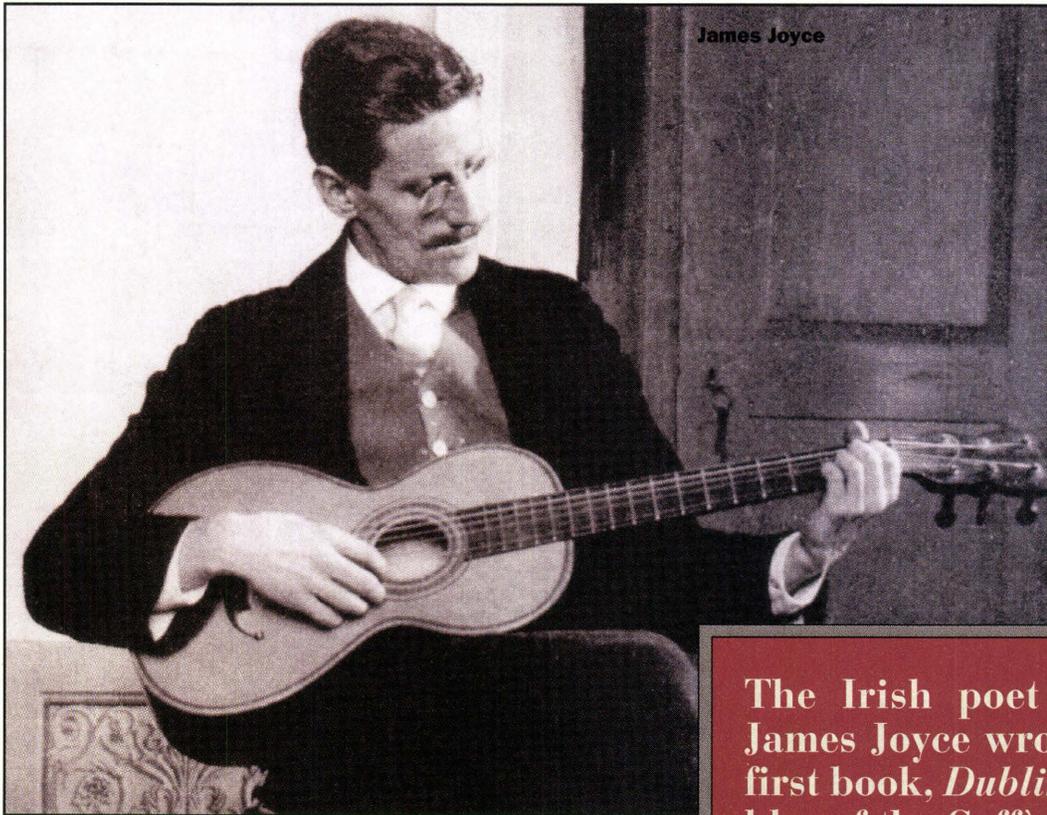
Trieste is too far out of the way for tourists who rarely get beyond Venice, but there are still about 800,000 "presences" a year in the city's hotels. There used to be more before the Balkan crisis broke out because it was a stopping point for northern Europeans heading for the beaches of the Dalmatian coast—but this is not a great time for sun and sand on the Croatian riviera.

Where the West Ends

Through the centuries Germanic, Slavic, and Italic cultures have converged in Trieste, a city built on the hills surrounding a deep water Adriatic port.

There are other good reasons to visit the city. It is hunched on spectacular hills overlooking a splendid deep water port. The architecture recalls Trieste's Austro-Hungarian past. It is imperial Austria reborn in Italy, refined neoclassical, baroque, and art nouveau.

If this is where the Germanic, Slavic, and Italic cultures collide, it is also where beer runs into wine. The imaginary boundary dividing the wine-drinking countries from those where beer prevails blurs in Trieste. The wines are excellent dry whites of the Friuli and the beers are the pilseners and lagers of the Czech and Austrian traditions.



Dining provides similar contrasts. The fresh pasta and pale veal of northern Italy share the same menu with goulash and the Triestine dish called *jota*, a kind of heavy soup of beans, sauerkraut, potatoes, and the least precious cuts of pork. *Jota*, depending on how "genuine" it is, may not be for all tastes and requires a cast iron digestion.

Because it is lovely and simultaneously near but somehow out of the way, Trieste has a rich tradition of literary exile. Proust, Stendhal, and Rilke all wrote here. Sir Richard Burton, the English literary explorer and translator of *Tales of the Arabian Nights*, found himself suddenly assigned to Trieste in the British diplomatic service when he offended Victorian sensibilities by further producing a translation of the *Kamasutra*.

The Irish poet and novelist James Joyce wrote most of his first book, *Dubliners*, at the tables of the Caffè Pirona in Trieste, where he scraped a living teaching English. Joyce's *Ulysses*, one of the most complex works of 20th century fiction, was planned there as well.

Native writers have made contributions to modern Italian

literature completely out of proportion with respect for Trieste's modest population of 225,000 people.

The first among these is Italo Svevo, whose *The Conscience of Zeno*, written between the two world wars, is still considered a masterpiece of European narrative. Svevo, born Ettore Schmitz, chose a pen name which he thought reflected the schizophrenic nature of the distinctive Triestine culture—"Italo" for "Italian" and "Svevo," "Swabian," a follower of the German-speaking Hohenstaufen emperors.

Trieste has its physical monuments as well. Piazza Unità d'Italia, open to the sea—the city's life—is perfect in its way,

even with a noisy children's basketball championship underway at its center. The Basilica of St. Just, its mosaics, and the jewel-like panorama of the city from its bell tower, requires a visit.

The most remarkable of the Triestine monuments is also the saddest. That is the Miramare Castle, constructed by the Hapsburg Archduke Maximilian of Austria, the younger brother of Emperor Franz Joseph.

Admiral of the Austro-Hungarian navy, Maximilian once com-

The Irish poet and novelist James Joyce wrote most of his first book, *Dubliners*, at the tables of the Caffè Pirona in Trieste, where he scraped a living teaching English.

mented, "The last thing in the world I'd like is to be emperor. All I ask from life is a garden and a palace by the sea."

That is Miramare. Work began on the archducal residence in 1856. The finest artisans of the empire were brought to the site. The soil for more than 40 acres of gardens was brought from imperial possessions in Styria and Carinthia.

Completion of the palace was the central mission of the Archduke's life until 1863, when dynastic duty required he be created Emperor Maximilian I of Mexico. The homesick emperor continued to follow the work at Miramare with a constant stream of letters.

He was executed by firing squad, a victim of the Mexican revolution, on June 18, 1867. Miramare was completed three years after his death.

But static monuments, however romantic their history,

are neither the life nor the soul of any city. The life, and perhaps the future, is to be found in places like Trieste's International Center for Theoretical Physics, an affiliate of the International Atomic Energy Agency and UNESCO, or at the Synchrotron Light Machine at Basovizza, or the UN's Trieste-based International Center for Genetic Engineering and Biotechnology.

And the soul? The soul of Trieste is still where it always has been, in the coffee bars and wine shops like Pirona or Tommaseo or the Caffè San Marco where the Triestini plot revolutions, write their books, and "waste the day" waiting for the bora to blow.

The wind makes them crazy—and keeps them remarkably sane. ☺

James Hansen is a journalist based in Milan.



The gardens of Miramare Castle, which was built for Hapsburg Archduke Maximilian, offer an expansive view of the Adriatic.

A TRAVELER'S NOTEBOOK TO TRIESTE

VITAL STATISTICS

Location: On the Adriatic Sea in the extreme northeastern corner of Italy. 60 miles from Ljubljana, Slovenia, 95 miles from Venice, 140 miles from Zagreb, Croatia, 245 miles from Milan, and 400 miles from Rome.

Population: 225,000

CONTACTS

Telephone: The international dialing code for Italy is 39; the city code for Trieste is 40.

Chamber of Commerce, Piazza della Borsa, 14; Tel. (39) 40 67011.

Centro Congressi: The congress center is on the waterside in the old port. Address is Molo Bersaglieri, 3; Tel. (39) 40 304888.

Azienda di Promozione Turistica (APT): General information on current exhibits and other attractions both in the city and in the Trieste area. Offices are in the city center at Via S. Nicolò, 20. Tel. (39) 40 396881, Fax is (39) 40 369981. APT operates an information office for visitors at the central train station as well; Tel. (39) 40 420182.

ACCESS:

By air: The airport of Ronchi dei Legionari is 19 miles from the city

center. Cabs are expensive, but bus and minibus shuttle service to Trieste and other area cities is available. Airport passenger information is available on 39 (481) 773224. Downtown airport terminal, c/o Silos in Piazza Libertà, in front of the train station, Tel. (39) 40 422711.

By rail: Train service to most northern Italian cities and to Slovenia. Direct connections are poor and it may be necessary to change at Venice. The central train station is in Piazza Libertà, 8. Information is available on Tel. (39) 40 418207.

By road: Trieste is at the eastbound terminus of the A4 tollway, which cuts horizontally across the entire width of northern Italy. You can hardly go wrong. This is where the road ends.

By sea: Direct ferry service from and for Greece and Turkey at the Passenger Terminal at Punto Franco Vecchio, Tel. (39) 40 6732604.

Bus service: Information on city and provincial bus lines is available from ACT, Via D'Alviano, 15. Tel. (39) 40 77951.

HOTELS

Grand HoTel Duchi d'Aosta, Piazza Unità d'Italia, 2; Tel. (39) 40 7351—splendid location.

Jolly Cavour, Corso Cavour, 7, Tel. (39) 40 7694—well suited for business travelers.

Excelsior Palace, Riva Mandracchio, 7, Tel. (39) 40 7690—overlooking the sea.

Riviera e Maximilian's, Strada Costiera, 22, Tel. (39) 40 224551—10 minutes from downtown, next to Miramare Castle.

Novo Hotel Impero, Via S. Anastasio, 1, Tel. (39) 40 364242—simple, inexpensive accommodation near train station.

RESTAURANTS AND COFFEE SHOPS

Caffè Pasticceria Pirona, Largo Barriera Vecchia, 12—a coffee and pastry shop with an exceptional literary tradition, James Joyce planned his *Ulysses* here when he lived just down the street at number 32.

Caffè San Marco, Via Battisti, 18—a hotbed of anti-Austrian political activity in the years before Trieste passed to Italy, this coffee shop conserves the atmosphere of 50 years ago.

Antica Trattoria Suban, Via Comici, 2/d, Tel; (39) 40 54368—the oldest (est. 1865), most famous and, perhaps, the best of Trieste's many fine restaurants. A cab ride from downtown.

Caffè Tommaseo, Riva Tre Novembre, 5—oldest of the traditional coffee shops, opened in 1830.

MUSEUMS

For its size, Trieste is unusually well provided with museums. The selection which follows is highly partial: **Museo Revoltella** (modern art), Via Diaz, 27, open 10 a.m. to 1 p.m.-5 p.m. to 8 p.m.

Museo del mare (nautical charts and instruments), Via Campo Marzio, 1—open 8:30 a.m. to 1:30 p.m., 9 a.m. to 1 p.m. weekends.

Acquario Marino (city aquarium), Riva Nazario Sauro, 1—open from October to April 9 a.m. to 1 p.m.; from May to September 9 a.m. to 6:30 p.m. Closed Mondays.

Museo del Castello di San Giusto (antique weapons), Piazza Cattedrale, 3—open 9 a.m. to 1 p.m., closed Mondays.

Museo Ferroviario (steam and electric locomotives), Stazione di Campo Marzio, Via G. Cesare, 1—open 9 a.m. to 1 p.m., closed Mondays.

Museo Storico del Castello di Miramare (Miramare Castle), Miramare—open November to February 9 a.m. to 4 p.m., March and October 9 a.m. to 5 p.m., and April to September 9 a.m. to 6 p.m.

Imagine the Smithsonian Institution or the British Museum emptied of their contents and turned into a huge shopping mall. That's what Russia has done with the Exhibition of the People's Economic Achievements, a sprawling complex on the north side of Moscow, built to celebrate the supposed triumphs of Soviet communism.

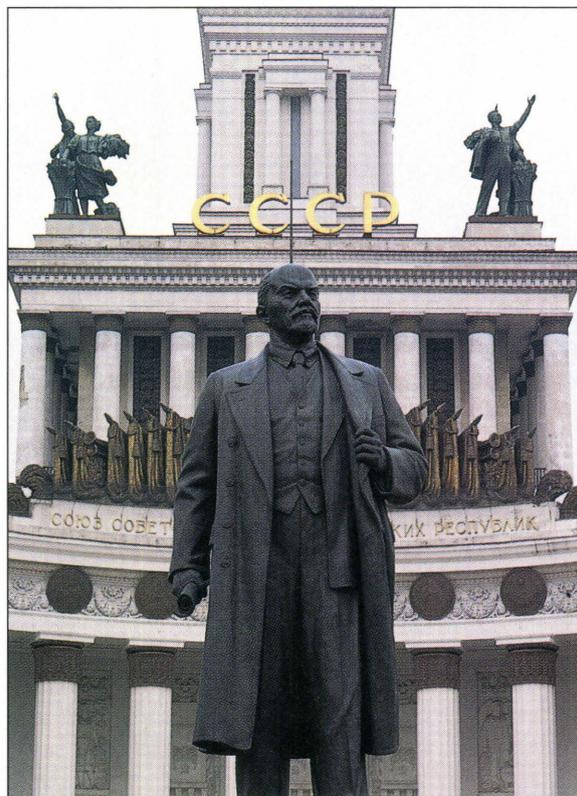
A statue of Lenin still stands at the front gate, and the fountains and gardens are carefully tended as in Stalin's day. But the 80 pavilions—once devoted to exhibits on everything from atomic energy to animal husbandry—have been partitioned into hundreds of stalls operated by private vendors. Ask a Muscovite where to get the best deal on perfume, rollerblades, or audio-video equipment, and the answer is likely to be "VDNX" (pronounced "Vedenha"), the acronym for the complex's Soviet era name. Open daily, VDNX attracts shoppers from hundreds of miles away. An estimated 10 million people will visit this year.

"Before, we came here to relax. Now, we come to buy," said Alexander Zaitsev, who was carting home a big-screen television set on a recent Sunday afternoon. Why did he come to VDNX to make his purchase? "It's cheap, and it's a good model—made in Japan."

VDNX symbolizes both the promise and the problems of the Russian economy. Increasingly, Russian consumers are able to afford luxury goods that once were unavailable here. But Russian industry—mired in inefficiency and saddled with outdated technology—can't give them what they want. Virtually everything sold at VDNX is imported.

Opened in 1939, VDNX for decades was one of Moscow's leading tourist attractions, a gaudy shrine to the dreams of Soviet planners. Visitors could gaze at

Letter from Moscow



Once a showplace for communist successes, VDNX is now Moscow's premiere shopping mall.

space capsules, farm machinery, and manufacturing equipment or climb aboard an Aeroflot jet parked outside the Kosmos pavilion. And there were vast displays of consumer goods—products that never seemed to materialize for sale in state-run stores.

By the late 1980s, with the nation's economy in shambles, VDNX had fallen into disrepair. After the breakup of the Soviet Union, management of the facility was turned over to a joint stock company, with the Russian government controlling 69 percent and Moscow's city government the remaining 31 percent.

The idea was for VDNX to become the "All Russia Exhibition Center," with

government ministries pitching in to renovate the pavilions and organize trade shows and exhibits featuring Russian industry. That's not how it turned out.

"The ministries have to survive on a very meager state budget," says Vladimir Mazurkov, VDNX's deputy general director. "They simply cannot afford to keep these pavilions. And they have no influence over factories."

In what Mazurkov describes as a "temporary" measure, the cash-strapped VDNX management decided to rent out space to private firms. Demand was high. The pavilions quickly filled up with stalls, most of them selling electronic equipment. Rows of kiosks were built outside to handle the overflow; sidewalk cafes soon appeared selling drinks and snacks to shoppers. Even the Aeroflot jet was gutted and turned into a coffee bar. On summer weekends, VDNX takes on a festival atmosphere, with the scent of grilling shashlyk wafting through the air, children lining up for pony rides, and couples strolling hand in hand through the pavilions.

Rents at VDNX are expensive by Moscow standards, and the facilities are strictly no-frills, but the vendors appear to have few complaints. "Small profit, but many people," said A.T.M. Anisuzzaman, a Bangladeshi businessman who sells audio and video equipment in a pavilion still emblazoned with the words "National Education." After two years at VDNX, Anisuzzaman has done well enough to open two more stalls elsewhere in the complex.

Meanwhile, the promise of an exhibition center featuring Russian industry has largely fallen by the wayside. Although VDNX hosts some trade shows, the bulk of its revenues come from the sale of imported goods. Local wags have

COUCH POTATO VICTORY

It was the day of the couch potato. In Sweden's first elections to the European Parliament, held this fall, only 41.3 percent came out to vote. Pundits and politicians alike were stunned—how could this be, in a country that prides itself on an average 90 percent voter turnout in parliamentary elections?

Astonishment soon gave way to despair. "A catastrophe for democracy," said one politician. But some politicians were quick to accept blame for the low voter turnout. The relevance of the elections had not been properly explained to the people, some argued. The role of the European Parliament had been incorrectly perceived as that of a paper tiger, fueled by accusations by anti-EU parties that this was a sham election to an undemocratic body.

Indeed, the most vehement opponents of the European Union emerged victorious, turning the election into another referendum on the Union itself. The seeds of discontent had already been sown. A recent opinion poll had shown 60 percent of Swedes to be against the Union—and the Euroskeptics cashed in big on that discontent. The Greens, emerging with 17 percent of the vote as the third largest party behind archrival Conservatives and Social Democrats, won four seats (out of Sweden's 22) in the Parliament, against their previous one seat. The Left Party, the former communists, also gained a couple of seats, totaling three. The Social Democrats and Conservatives remained the largest parties, with seven and five seats, respectively. (While the Conservatives held on to their five, the Social Democrats experienced one of the worst electoral setbacks in party history, losing four seats from their previous 11, and gaining less than 30 percent of the popular vote.) The small Christian Democratic Party lost its only seat, with the Liberal Party just barely hanging on to its only seat. The Center (farmers') Party, predicted by many to come up short in this election, held steady at two seats with 7 percent of the vote.

But despite the remarkably strong showing of the red-green Euroskeptics, the low voter turnout was still the story of the day. In random interviews on the street, Swedes of all shapes, sizes, and colors explained why they hadn't both-

taken to calling it "The Exhibition of the Achievements of the Peoples of Germany, Japan, and Korea."

"It's only dire need that has forced us to do this," said Mazurkov whose office is still adorned with a large portrait of Lenin. Like 95 percent of VDNX employees, he started working at the complex during Soviet days, and he still harbors hopes that VDNX will once again be a true exhibition center.

The VDNX management has drawn up grand plans for renovating and expanding the facility, but it has no money to carry them out. Several months ago, a group of Italian banks opened a \$1 billion line of credit to help finance a proposed "Techno-Park" at VDNX, but hastily withdrew because of "political and economic instability" in Russia, Mazurkov said.

For now, VDNX's "temporary" incarnation as a shopping mall seems likely to continue. For one thing, it is making money for the government. Most of the revenues from vendors' rent payments are turned over to the state. The VDNX management also operates some concessions as joint ventures with private firms and gives a share of sales revenues to the government. During the first six months of this year, VDNX generated more than \$15 million in revenue and taxes for the state treasury.

—Carol Matlack

HELSINKI

TURKU

Finland's historic former capital Turku is one of Finland's growing tourist destinations. Located on the southwest coast of Finland, this mainland port serves as the gateway to the Gulf of Bothnia. *Turku* is an old Slavic word for trade, and since its beginning the city has been an active trade center.

Since Swedish rule over Finland (1200-1809), Finns in the Turku region have widely spoken Swedish. Today 6 percent of all Finns speak Swedish fluently, and most of them live in the greater Turku region. During Swedish rule, power was centered in Turku, the oldest town in Finland. When Finland became part of Russia, in 1809, the capital was moved to Helsinki. During the Autonomous Grand Duchy of Finland (1809 and 1917), Russia's czar was the constitutional monarch of Finland and the weakening of Western influence began. How-

ever, Swedish remained a viable language in this area. In 1827, Turku suffered a fire, which destroyed most of the city. Only a few of the medieval buildings survived, but Turku remained an important harbor and commerce center.

Today, many Finnish companies are based in Turku, and the city suffered during the recent recession. For the past two years its unemployment rate has been among the highest in Finland. Today as its businesses rebound, Turku is recovering. It also remains one of the most pro-EU areas in Finland.

Turku offers travelers a mix of Finnish culture, history, and nature. The city's historical and artistic heritage can be found in its many museums. Visitors should make one of their first stops Turku Castle, Finland's largest. The castle was built in the 1280s for the royal governor of Finland and his troops and has since served as a home for governors and dukes. During the summer the castle hosts concerts and dance performances.

Aboa Vetus is an archeological-historical museum that recounts the history of Turku and Finland from 1300s to the present. Opened to the public last spring, Aboa Vetus features well-preserved remains of old buildings, some from Middle Ages, which were discovered accidentally during the construction of the modern art museum, *Ars Nova*. After this valuable discovery, the city built a museum around the archeological findings to protect the old walls, cellars, and streets that have been dug up layer by layer revealing centuries of construction. As visitors to the museum watch, archeologists continue their work, uncovering ancient remains of the old city.

Ars Nova, the contemporary art museum which subsequently was built next to Aboa Vetus, also opened this spring. Its permanent collection includes over 300 paintings and has works by some of the best known Finnish artists, including Outi Heiskanen, Erik Andersson, and Sam Vanni. In addition to visiting exhibitions, visitors can use computers to find in-depth information about specific paintings and artists as well as about the history of Turku.

The city also offers a wide variety of traditional and contemporary music performances and concerts. Turku's Philharmonic Orchestra is among the oldest in Europe dating back to 1790, and the city hosts one of the largest annual rock and roll festivals in Finland, *Ruisrock*.

—Hanna Tukiainen-de Carvalho

ered voting this time. Among the more common explanations were a lack of understanding of the issues involved and a lack of enthusiasm. Some said they simply hadn't had the time to follow the arguments. Others complained that not enough information was distributed. (The political parties only spent a fraction on this campaign compared to last year's elections to the national Parliament.) Others declared their absence from the voting booth to be a protest against the EU, or against the voting system (a complex mixture of party and personal elections), or simply against the dubious democratic merit of the election.

In any case, by the low voter turnout, and by the large Euroskeptic contingent now traveling to Brussels and Strasbourg, Sweden is quickly establishing itself as one of the EU's most suspicious members, only nine months after its entry into the Union.

—Jonas Weiss

BERLIN

CROSSES IN CLASS

A court's ruling has split the Germans. When the Federal Constitutional Court, the highest in the country, forbade the Bavarian state to apply a law mandating the hanging of crucifixes in public elementary and comprehensive schools, many Germans demanded a clear division between church and state. Others spoke of the "absurdity" and "foolishness" of the judges.

No other ruling by the Federal Constitutional Court has caused such an uproar. Chancellor Helmut Kohl called the ruling "incomprehensible for millions of people." The archbishop of Munich, Cardinal Friedrich Wetter, said that even the Nazis could not make the Roman Catholics take down the crosses in Bavarian schools and "what was possible under the Nazi dictatorship should be possible in our democratic state based on the rule of law." Edmund Stoiber, premier of Bavaria and a Catholic, has been an active politician for more than 25 years and has never experienced anything like this. "Even people who have no ties to the church and only occasionally go to church for a wedding or a funeral consider this ruling a loss of their homeland," he said. Johannes Rau, premier of North-Rhine Westphalia and a Protestant, didn't find the court's ruling that "exciting" and cautioned against

condemning the judges. "I believe that it is acceptable to do without Christian symbols in classrooms, but I think that this is a decision that can be made by schools on an individual basis," he said.

Wolfgang Huber, the Protestant bishop of Berlin-Brandenburg, suggested that if there were Muslim pupils in a classroom, pictures of Mecca should be displayed next to the cross, "so that children learn the important places and symbols of their correspondent faith."

The ruling of the eight member Constitutional Court, which cannot be appealed, passed by a 5-3 vote. Many politicians now demand that on important issues like this the decisions be made by a two-thirds majority. Others threaten civil disobedience and vow that the crosses will stay where they are. The Association of German Judges fears that "the survival of constitutional order is endangered if the supreme court's authority is called into question."

The controversy arose out of a suit brought by Ernst Seler, 45, a retired cemetery gardener. He is a baptized Protestant who now he says he is the incarnation of a Tibetan prophet. When his daughter began attending the village public elementary school in Fischbach Bavaria in 1986, Seler was offended by the crucifix in his daughter's classroom. "I wanted to prevent the male dead body from penetrating into my daughter's subconscious," he says. At first he was satisfied with the school authorities' compromise. The crucifix was replaced by a simple cross and on his insistence hung over the door instead of in front of the classroom. Only one year later Seler filed a suit with the Administrative Court in Regensburg. This triggered off the present controversy and led to a verdict, which, according to the Bavarian minister of Culture, Hans Zehetmair, "shakes the foundation of our democratic Western state."

Meanwhile the presiding judge of the First Senate, Johann Friedrich Henschel, who didn't expect such sharp and angry reaction, admitted that the summary of the ruling that deems the hanging of crosses a constitutional violation "goes too far and has not been carefully formulated." Henschel explained that the verdict does not generally demand the ban of all crosses in classrooms. The ruling is against the state regulation which requires public schools to hang a crucifix in every Bavarian classroom.

Under the court's ruling, the case will

now go to the Bavarian Administrative Court, which originally rejected Seler's suit. That court will take months to formulate a regulation that will both satisfy the Senate's constitutional objections and at the same time maintain the status quo. But the public dispute continues unabated. "Unintentionally," the independent *Frankfurter Allgemeine Zeitung*, opined "the court's ruling has exposed that the church and its symbol, the cross, are still alive and respected in our society, especially in Bavaria."

—Wanda Menke-Glückert

AMSTERDAM

QUEEN TRAVELS TO FORMER COLONY

For centuries, the Netherlands and Indonesia have had close ties. In August, Queen Beatrix, her husband Prince Claus, and heir to the Dutch throne, Prince Willem-Alexander, paid an official visit to the former colony in the Far East, just days after the Indonesians celebrated the fiftieth anniversary of their declaration of independence that began a bitter struggle between nationalists and colonial rule. Particularly in the Netherlands, the remembrance of that time inevitably touches sensitive nerves, and the Queen had to walk a diplomatic tightrope.

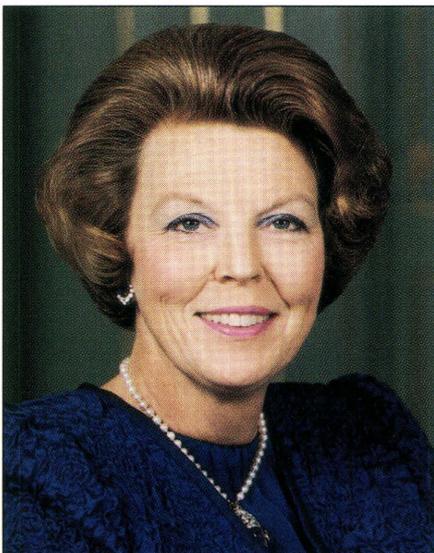
Four hundred years ago, in 1595, the first Dutch merchants sailed to the East Indies and started a period of colonization that lasted till 1945. The Japanese occupation of the Dutch Indies was extremely painful and humiliating for the Dutch colonial community. On August 17, 1945, just two days after the Japanese surrender in the Pacific war, two young Indonesian nationalists, Sukarno and Hatta, declared their country's independence from Dutch colonial rule. With the help of British troops, however, the Dutch government attempted to restore its authority.

Initially, the Netherlands hardly took the nationalist movement seriously. Successive negotiations with the nationalists failed, and the Dutch sent troops in 1947 and 1949 to suppress the spreading rebellion. It proved to be costly and futile. Under strong American diplomatic pressure, the Dutch government conceded defeat and sovereignty was transferred by then Queen Wilhelmina to the new Indonesian republic in December 1949.

Relations continued to be strained. In the 1950s, many Dutch and Dutch-Indonesians were expelled and Dutch businesses were nationalized. While the Sukarno regime radicalized, another war was fought over control of New Guinea, which was passed over to Indonesian rule in 1962.

After a military coup in 1965, when tens of thousands of alleged Indonesian communists were killed, and after General Suharto ascended to the presidency in 1967, the two countries normalized their relationship. But in 1992, irritated by strong Dutch criticism of human rights violations and the East Timor massacre, Indonesia snubbed the Netherlands by unilaterally canceling all development aid.

So Queen Beatrix had to be extremely careful in phrasing her words in Indonesia. She had to take into account



Queen Beatrix visited Indonesia on the four-hundredth anniversary of Dutch merchant ships arriving in the region.

the Indonesian sensitivities about independence and about criticism of the former colonial power, the frustrations of the former Dutch soldiers who fought the colonial war, the political feelings in the Netherlands about human rights, and the pressure of the business community to improve the strained relations with a huge country in the Far East. The queen noted that the Dutch government had misjudged the strength of the nationalist movement in 1945 and that she was saddened by the events of 50 years ago. She also referred to the pain and bitter struggle caused by the independence process. In veiled terms, she also men-

tioned the human rights issues.

Meanwhile, businessmen from leading Dutch corporations who accompanied the queen on her visit, signed contracts worth more than a billion dollars with Indonesian companies, thus confirming a secular tradition of Dutch business activities in what is now a thriving Asian emerging market.

—Roel Janssen

LISBON

FERTILE GROUND FOR SECTS

In August, the population of the northern city of Porto took to the streets in a rare upsurge of popular support for culture. Several demonstrations were held against plans by a Protestant Brazilian sect to take over the city's main cultural center, the "Coliseu."

Protests started when it was revealed that the owners of the venue, a French insurance company, had agreed to sell the Coliseu to the Universal Church of the Kingdom of God, which planned to turn the center into its main temple in northern Portugal. The local authorities and the central government in Lisbon jointly condemned the sale, fearing that the new owners would not allow the venue to be used for events incompatible with their religious beliefs. A planned service by the Universal Church to inaugurate the "temple" was banned, and negotiations started, aimed at canceling the sale and preserving the Coliseu for the cultural events it has traditionally staged.

The conversion of the Coliseu may have been averted, but the controversy has highlighted the advance of religious sects in Portugal, a staunchly Roman Catholic country. The Universal Church is the largest and fastest-growing one among them. Founded in the late 1970s in Brazil, where it is thought to have some 3 million followers, it is now represented in more than 30 countries, including the United States. In Portugal, where it arrived in 1989, its membership could be as high as 400,000. It owns several small radio stations in the country, and it has regular slots in many more television and radio stations. Its temples are often former cinemas. Also strongly represented are the Manna Church, with some 300,000 followers, Jehovah's Witnesses (45,000), the Mormons (10,000), and the Moonies (2,000).

Various bodies are studying the reasons for the growth of the sects, includ-

ing the Catholic Church itself. In April, Portugal's Episcopal Conference concluded that the attraction of the sects for many Catholic believers suggested certain deficiencies in the church's pastoral activity. Experts say that in a country that has experienced a rapid transformation since joining the European Union in 1986 and whose society is becoming increasingly complex, some traditional values are fast disappearing, prompting people to look for reassurance and—some feel—oversimplified answers.

—Peter Miles

PARIS

MODERN MICHELIN MAN

If the bleak month of November has you wistfully browsing through travel guides, you might notice that on the cover of recent Michelin editions the roly-poly Michelin Man is sprinting along, giving all his spare tires quite a workout. After nearly a century as Europe's uncontested leader in the travel publications field, the company with the cuddly logo now has some tough competition hot on its heels.

Two French rivals coming up fast from behind are the Hachette guides and maps published by the IGN (the French National Geographic Institute). Strong foreign contenders include the American Rand MacNally maps and the Australian Lonely Planet guides. All are making inroads into a market which Michelin created and has dominated ever since 1900, when its first Red Guide appeared.

It was a clever marketing ploy dreamed up by André Michelin, to give motorists a taste for travel and so boost sales of the pneumatic tires he had invented with his brother Edouard in 1891. The guide was offered free of charge and included instructions on tire maintenance and repair as well as handy tips on where to find fuel, spare parts, and "hotels without cockroaches."

The *Michelin Guide to France* was soon joined by guides to foreign countries, and in 1910 the first detailed road maps were published. In the 1920s star ratings and a sightseeing section were introduced; by the 1930s the Red Guides were devoted to hotel and restaurant listings, and a separate Green Guide collection for sightseeing and trip planning had been launched.

The Michelin Man (or *Bibendum*, as he is called in France) made his first ap-

pearance on an advertising poster back in 1898, where he was shown drinking up all obstacles like nails, stones, and pieces of glass which other tires could not stomach. Over the years he has become an integral feature of Michelin maps and guides. His chubby contours grace every one of the 400 different publications which Michelin now edits, in 8 different languages, around the world.

Last year 18 million Michelin maps and guides were sold globally. But in France those sales represented only 60 percent of the map market, and 45 percent of the guidebook market. Michelin realized it would have to hustle to stay out in front of the steadily growing competition. It decided to revamp the layout of its guides to suit the more diversified needs and shorter attention span of the modern traveler.

The covers of the green guides, besides showing a sporty Michelin Man, now feature bright lettering and color illustrations. Inside, the presentation is airier and brighter, with more photos, maps, and inserts, and the ubiquitous star symbol has been joined by suns, snowflakes, and fountains for more precise ratings of seaside and winter resorts and spas.

Michelin is also hard at work developing its foreign markets. In the US, for example, it added to its existing collection of guides to New England, New York City, Washington DC, and Mexico with a new guide to California last year. For next year, guides to San Francisco, Florida, and Chicago are scheduled. A new cartography division in South Carolina has been set up to boost the sales of maps stateside, which Americans are reluctant to buy because they are used to getting them free at gas stations. Michelin is hoping to draw American customers with such specialized products as its new *USA Political Map*, and with a series of regional road maps which it is planning to produce.

Finally, Michelin has no intention of being left behind in the computer age. It already provides computerized itinerary planning through the Minitel, France Telecom's electronic information service. It has now joined forces with Sony to develop an electronic navigation system for cars. By next year motorists will be able to consult a small screen on the dashboard to get up-to-date traffic information and calculate the best route to take, with hotels, restaurants, and sights described along the way.

Apparently, it is not just for his health that the Michelin Man has taken up running. He is sending out a clear message: Michelin intends to finish this century the same way it started it—by leaving the competition in the dust.

—Ester Laushway

MADRID

RUINING THE RUNNING

A spate of recent deaths in that unique Spanish pastime of "running with the bulls" has sparked controversy, calls for reform, and even a riot during this year's autumn fiesta season.

Familiar to foreigners through Hemingway's novel *The Sun Also Rises* the runnings of the bulls, or *encierros* as they

most cases, the bulls are led to an enclosure and penned up. Then, young, relatively harmless bulls are released to chase the runners around and knock a few down to the enjoyment of the crowd filling the stands.

Most of the runs go off without a hitch, save some scrapes, bruises, and once in a while, a goring.

Occasionally, there are fatalities. This past summer in Pamplona, a young American just out of college died when, after falling, he stood up just in time to receive a horn in the stomach.

But it was the death of an 18 year old Spaniard in a satellite town near Madrid in September that has set off the controversy. Chased down by a 1,400 pound bull in the ring, Raul Canete was gored and tossed repeatedly into the air like a rag doll, dying later in the hospital.



Several recent deaths during *encierros* have prompted calls for shorter runs and redesigned railings.

are called in Spanish, are held not only in Pamplona, but in hundreds of other Spanish towns every year.

Early in the morning, the bulls are released to run via a blocked off route through the town on the way to the bullring where they will face matadors at the bullfight that afternoon.

Along the way, men (and occasionally women) run ahead or alongside the bulls, scrambling over or under the railings which line the route to get out of the way when a bull comes too close for comfort.

At the end of the route, the bulls and the runners enter the bullring, where, in

An investigation showed that there were irregularities in the organization of the encierro and most damaging was that it took 15 seconds before monitors, waving capes, rushed in to distract the bull and pull Raul away. In a professional bullfight, it takes just five seconds.

Several other deaths around the same time led to calls for authorities to shorten the duration of the encierros, redesign the railings, and restrict runs to the experienced.

Taking note, the officials of another Madrid suburb promptly limited their encierro to five minutes, but the measure was not taken kindly by the local afi-

cionados. After the run, five thousand outraged citizens protested before city hall and several dozen stoned the building before riot police arrived to break up the melee.

—Benjamin Jones

DUBLIN

THE DIVORCE DECISION

By the end of this month, Ireland will know if divorce is to be legalized or if the constitutional ban in place since 1937 is to remain. The referendum to remove the ban was originally meant to take place on November 30 but was brought forward a week so as not to clash with the planned visit of President Clinton.

In fact, the referendum was meant to take place a year ago but has kept running into snags. The various hitches have made the coalition government increasingly nervous about the outcome and recall the 1986 attempt to introduce divorce, which the people decisively rejected by a majority of two to one although the opinion polls had shown a 60 percent majority in favor at the beginning of the campaign.

The swing in public opinion was attributed then to the failure of the government to explain clearly the effects of divorce on property and pension rights, especially for wives. The Catholic Church also threw its weight into the anti-divorce campaign while the main opposition party, Fianna Fail, although officially neutral, allowed members to campaign against change.

This time the government believes that it has answered all the questions on the economic effects of divorce through extensive legislation dealing with existing marital breakdown and legal separations. It insists that the only issue to be decided by the referendum is the right to remarry. The wording of the referendum is restrictive and lays down various conditions for divorce, including a four year minimum period in which the spouses must have lived apart.

Fianna Fail, which is again in opposition, is committed this time to supporting the government proposal although some individual members may support the anti-divorce campaign in their local areas. The Catholic church is again opposing the introduction of divorce not just because it is contrary to Catholic teaching but also on the grounds that it

will be harmful to society because of the disruption it will bring to families and the harmful effects on children and society in general.

One bishop has cited statistics claiming that divorced people smoke and drink more than non-divorced and are three times more likely to have car accidents. Another bishop warned that if divorce is imposed on a substantial minority, this could lead to alienation and even the setting up of organizations like the Michigan Militia.

Supporters of divorce have strongly criticized these bishops for irresponsible statements and point out that they are confusing the effects of marital breakdown, which is extensive in Ireland, with divorce. The figures for marital breakdown are contested with estimates ranging from 4 percent of existing marriages to 16 percent. But all agree that the number of people living in second "unions" involving children but without proper legal recognition is steadily increasing.

—Joe Carroll

LONDON

BANK SEEKS FUNDS

The European Bank for Reconstruction and Development, which was set up in 1991 to help finance the transition from communism in the former Soviet Union and Eastern Europe, is looking for money.

Bank President Jacques de Larosiere will shortly ask for a capital increase from the contributing countries as the bank really gets into its stride as a lending agency.

The bank has provided \$5.8 billion in financing for 229 projects designed to help transform the formerly communist command economies into market economies.

"We do not operate as a typical development agency. We invest in small regional and provincial banks which in turn lend to small business. We are the only organization in the world to do this," de Larosiere explains.

"We operate in 25 countries where we reach out to small and medium-size enterprises which would not be able to benefit from joint ventures," he adds.

The European Bank for Reconstruction and Development also takes a different approach to country risks than others. "The criteria is: Is the project sound?

The second issue is the country risk. If the question is, do we go to high risk countries, the answer is yes," says de Larosiere.

Forty percent of the projects are in central Asia and the Baltic states, 25 percent in Russia, and the rest in Central and Eastern Europe.

The urbane Frenchman loses some of his cool when it is suggested that the EBRD is funding large scale projects in the former communist states for Western corporations. He insists that this only happens in instances where there are no local operators capable of undertaking and funding giant utilities projects.

Things have certainly changed at the EBRD since those crisis days in 1993 when the founder president, Jacques Attali, was forced to resign following an outcry over the vast amounts of money he had lavished on the bank's headquarters in London.

At this year's EBRD annual meeting, de Larosiere was praised for introducing "a new culture of thriftiness" at the bank. The former managing director of the International Monetary Fund and more recently governor of the Bank of France is determined to capitalize on this achievement.

When the annual meeting is held in Sofia, Bulgaria, next spring, he intends to ask the contributing countries to provide additional capital. "The bank is now out of its initial very dark woods," says de Larosiere. "I want to go to Sofia with a bank in the black and to be able to show that it is economically viable."

The most important component of EBRD revenues at present is the interest earned on contributors donations. Indeed, in the early years this was the only revenue, but now some revenue is beginning to come in from earlier investments.

Among the requests which he will make in Sofia will be for Washington to pay its contribution for the year when its payment was suspended by Capitol Hill following the revelations about the bank's overspending.

—David Lennon

BRUSSELS

GOING DUTCH

A new Belgian judge was appointed to the European Court of Justice in September, to succeed René Joliet, who died suddenly in July. Nothing unusual about that, perhaps, except that the new

judge is a very senior Belgian politician, Melchior Wathelet.

Wathelet was vice-premier and defense minister, but he had previously served for seven years as justice minister. Harvard-educated and a former law lecturer at Liège University, Wathelet is well qualified to become an international judge.

Whatever contribution he makes at the court, perhaps more significant will be the gap he leaves behind in Belgian politics. He was the only French-speaking politician who had a realistic chance of becoming prime minister in the foreseeable future.

He, in fact, narrowly failed to form a government in 1991, when the present

prime minister, Jean-Luc Dehaene, was eventually chosen instead. The reason why Wathelet was seriously considered was that he could also speak excellent Dutch, and it is regarded as essential that Belgium's prime minister should be equally fluent in both the main national languages.

Altogether some 57 percent of Belgians are Dutch (or Flemish) speakers, while 42 percent speak French, and one percent German. Relations between the different language groups are easily the most sensitive issue in Belgian politics, and elaborate constitutional provisions have been enacted to ensure that each side should feel fairly treated. For example, exactly half the cabinet are required

to come from each main language group. There is, however, no special requirement for the prime minister, and each of the last 12 governments has been led by a Dutch-speaker.

The reason for this disparity is that the leading Flemish politicians all speak good French, notably the last three prime ministers, Dehaene, Wilfried Martens, and Mark Eyskens. On the contrary, no prominent French speaker, other than Wathelet, has taken the trouble to master the Dutch language.

Consequently, the departure of Wathelet, at the age of 46, may well mean that the next 12 governments will also be led by Dutch speakers.

At least until the time when a younger

NEWSMAKERS

On the eve of the year 2000, organizers all over the world are busy planning the celebration of the century. In London, **David Lorraine**, 41, hopes to become the admiral of a fleet of 15 square-riggers which will sail around the world as good-will ambassadors for the European Union.

With more than 6,000 young people aboard, **Fleet 2000** will embark on a 19 month long journey, stopping at 34 ports in 27 countries. Lorraine believes that it will be "the biggest, and the only truly global and multicultural event to celebrate the millennium."

Fleet 2000 will be a two-part event: the square-riggers themselves, whose circumnavigation will be called the "Goodwill Voyage," and a traveling exhibition that will accompany them, entitled "Visions of the Future." Its main exhibit will be a Disney-style ride showing mankind's past mistakes and offering possible solutions for the future.

Lorraine's visionary, and very expensive, project will sink or swim depending on financial support. He is aiming to have each of the 15 European Union member states raise \$2.5 million to sponsor their square-rigger and to have the exhibition ship paid for by private sponsors.

The UN has expressed interest in the voyage, but the EU, so far, has not rushed forward with funds. Lorraine intends to convince the skeptics that the ships would be an attractive investment: "Each ship will be a floating advertisement for that country, while the fleet as a whole will symbolize the unity of the Union."

•••

You have to marvel at **Bernard Tapie**. Even after having been condemned for his unscrupulous business dealings, stripped of his assets, his political functions, and his Marseille football team, the indestructible French entrepreneur-politician keeps rising, phoenix-like, from the ashes of his reputation.



Bernard Tapie

Besides appealing the jail sentence handed down to him in May, which he has no intention of serving, he is getting himself in shape with diet and exercise for a new career in show business. The French filmmaker

Claude Lelouch, who obviously knows a born ham when he sees one, has signed Tapie up to star in his next film. Not content with the silver screen, Tapie is also planning to make a record with a group of rappers from Marseilles. Knowing his luck, it will probably top the charts.

•••

A unique duel is taking place in the vast icy expanses of Antarctica. Two soli-

tary men **Borge Ousland**, 33, from Norway, and **Roger Mear**, 45, from the United Kingdom, are each trying to be the first to cross the great continent alone, without any kind of support.

No one has ever managed the 1,700 mile trek to the South Pole on their own before. Two years ago when British explorers **Ranulph Fiennes** and **Mike Stroud** tried it they had to be airlifted out 350 miles short of their target, both exhausted by their ordeal and bickering like a pair of fishwives over who should have been the leader of the expedition.

At least Ousland and Mear will not have to worry about getting on each other's nerves. They are taking the same route, but separately, each carrying and dragging enough equipment with them to see them through 3 months of solitude. They will both be using sails as well as skis to speed up the progress.

This race between a Norwegian and a British explorer invariably conjures up the ghosts of **Roald Amundsen** and **Robert Scott**. Back in 1912 the Norwegian beat the British explorer to the South Pole by a month. Scott was never to get a second chance. He and his men died of cold and exhaustion on the way back home.

•••

Until last April, 78 year old Swiss goatherder **Peter Steiner** led a quiet life near the southern town of Lugano. For a fun night out he would attend meetings of the local beard society. At one of these meetings, which was held at a festival near the town of Chur, he was spotted by talent scouts from the chocolate makers Nestlé, who were searching for a new star for their Alpine Milka television ads.

generation of French-speaking politicians, now in their twenties, reach their political maturity. The lesson has not been lost on the young, who now take their linguistic education as seriously as their Flemish counterparts.

—Dick Leonard

COPENHAGEN

LESBIAN PARENTS

The groom embraced and kissed the bride after the wedding at the Copenhagen City Hall and the young couple looked as happy as most newlyweds. The presence of television cameras and press photographers gave innocent bystanders

the impression that this was a celebrity wedding, and in a sense it was. But it was different because the groom, Soeren Laursen, is the chairman of the Danish Gay and Lesbian Association, and the bride, Birgitte Echwald, is his deputy in the same association.

They both live with partners of their own sex and publicly declared in advance that they had no intention of living as man and wife. This fact did not dismay the official conducting the wedding ceremony, who declared that they fulfilled the legal requirements of marriage, whatever their sexual preferences. Gays and lesbians have been married before in Denmark but never with each other. But the novelty of this event was not the

issue at stake.

Gays and lesbians would like to raise children, just as heterosexual couples do. The adoption laws do not, however, allow gay and lesbian couples to adopt children, and lesbian women do not have the right to insemination at public hospitals, which is available to heterosexual women who cannot become pregnant in the normal manner. Gays and lesbians also insist that they should be accorded the right to church weddings in the Danish State Church.

There is little likelihood that the Danish politicians will change the adoption laws. There is a severe shortage of children available for adoption, and only very carefully selected couples stand any

Within two months Steiner was a celebrity, giving interviews and autographs. And that was not the end of it. The German techno group XXL signed him up for a single, "It's Cool, Man," which became an instant hit, as did the single "Geierwally" which followed.

Steiner is now working on XXL's first album, due to be released soon, and keeping his options open for further stardom. "After all," he says, "at my age I can do what I like."

•••

In September **Thomas Reiter**, 37, a former test pilot with the German air force, joined two Russian cosmonauts, **Yuri Gidzenko** and **Sergei Avdeyev**, for a 135-day mission aboard the Russian space station Mir. When he returns to Earth in mid-January, Reiter will have broken the space endurance record for a Western European.

The Euromir 95 mission he is on, which is under the auspices of the European Space Agency, has three main goals. The first is to show how people cope on long-term missions with such problems as isolation, lack of communication, and a heavy workload. The second aim is to practice walking in space (known as extravehicular activity or EVA). Reiter spent many hours training for EVA in a huge water tank wearing water-cooled "long johns" under a bulky pressure suit. The third aspect of the mission, and the one to which most time is devoted, is the experimental program. In total, some 41 different experiments will be carried out, many of them related to overcoming the negative effects of weightlessness on the body. These include muscle wasting, loss of bone mass,

and weakening of the heart and circulatory system.

At the end of his time in space, Reiter will come back to Earth inside a Soyuz capsule and land on the frozen Russian steppes.

•••

The \$10 million it cost to shoot the medieval romance *Kristin Lavransdatter* may just be a drop in the ocean compared to *Waterworld*, but it is still the most expensive Norwegian film ever made. It was written and directed by **Liv Ullmann**, 56, better known for being the longtime leading lady both in Swedish director **Ingmar Bergman's** films and his life. The Oscar winning cinematographer she used, **Sven Nyqvist**, has also worked with Berman in the past.

Kristin Lavransdatter is set on a Norwegian farm in the 14th century and is a story about love—about the passion between the pure Kristin and a knight with fewer high ideals. Ullmann hopes that it will appeal to American audiences because the story supposedly is the one on which Margaret Mitchell based *Gone With the Wind*.

•••

Somewhere off the west coast of France, 10,000 bottles of Pouilly-Fumé are resting in crates at the bottom of the sea. They were lowered there on June 1 by **Jean-Louis Saget**, a wine producer from the district of Pouilly, in the Loire region, and will stay there until 1999. Their corks have been protected against the salt water with an extra wax seal and the bottles bear the inscription "Immersed in the Atlantic."

Saget has gone to these lengths—or rather depths—because he believes the

cool, dark ocean floor provides the perfect conditions for aging wine. Nine years ago, he sampled some wine that had been salvaged from a ship which sank in 1749, and after almost 250 years, he says, "it still had a soul."

He decided to find out if it was the sea which had preserved the wine so well. In 1990 he sent 900 bottles of a particularly fine 1989 wine to a watery resting place off the coast of Brittany. When they were recovered last year, Saget organized a comparative wine-tasting with bottles from the same vintage which had been stored in cellars. The experts agreed the sunken wine had matured better and developed a pleasant mineral flavor.

Two-thirds of the present cache has already been bought in advance by a German store. It will cost \$104 a bottle—ten times more than a normal cellar-stored Pouilly Fumé 1994.

•••

At last someone has come up with a way of opening oysters which reduces the risk of maiming yourself. **Yves Renault** in France has invented a wire device which is inserted into the shellfish before they go to market and with which they can then be pried open painlessly.

The trick is how to get the oysters to swallow the wire in the first place. It turns out that if the salt content in the cultivation tanks of nearly mature oysters is suddenly increased, they open up enough to have the wire slipped in. When the salt concentration is then brought back down to normal, they snap shut again, with their automatic opener neatly in place.

—Ester Laushway

chance of adopting a Danish child. The well-being of the child is the primary concern, and the slightest deviance in the personal and social background and behavior is used as just cause to deny a couple the right to adoption. Many Danish couples are forced to travel to South America or the Far East to find children they can adopt, but no country will accept applications from gay or lesbian couples. And the majority of Danish psychologists still agree that it is best for a child to live with a heterosexual couple rather than with a gay and lesbian couple where a role model of the opposite sex will be missing.

But lesbians may in the future be able to demand insemination at the publicly funded Danish hospitals. The Danish Council of Ethics, which advises the government on such matters, now has a majority supporting that lesbians should have the right to become biological mothers and raise their own children as they choose. This proposal does not yet command a majority in the Danish Parliament, the Folketing, but it may do so in the not so distant future.

—Leif Beck Fallesen

ATHENS

GREEKS MULL MARINAS

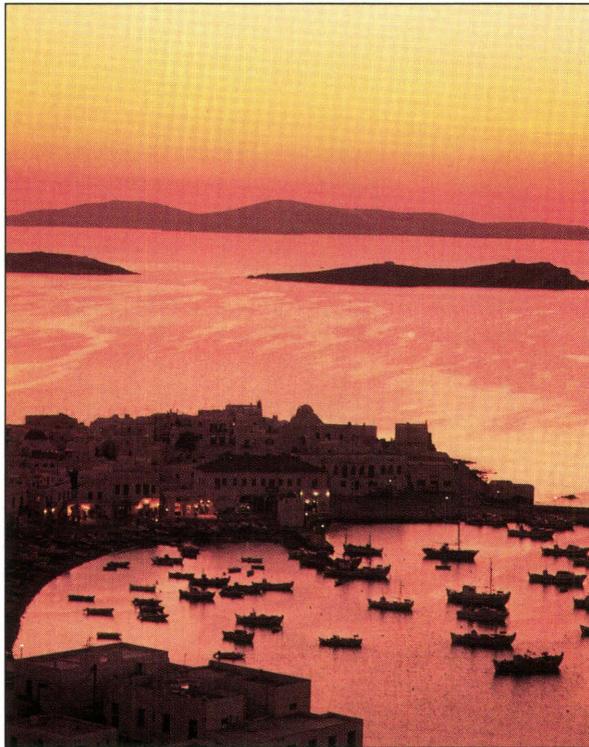
With a 9,700-mile coastline, over 200 inhabited islands and some of the Mediterranean's cleanest waters, Greece is an ideal place for a sailing vacation. From tycoons' motor-yachts to no-frills sailing boats that cruise in flotillas, the Ionian and Aegean seas attracted more than 100,000 seaborne tourists last summer.

Greece's tourism ministry is keen to boost marine tourism because it appeals to higher-spending visitors. According to ministry officials, the tourism industry has become too dependent on package tourists looking for cut-rate sun-and-sea vacations.

This year, the strength of the Greek drachma, along with higher hotel rates, pushed prices sharply upward. The number of tourist arrivals fell by an estimated 10 percent as northern Europeans opted for cheaper vacations in Turkey or Spain. However, the market for yacht charters remained stable, although some visitors de-

cidated to cut costs by taking shorter cruises.

Tourism is Greece's biggest industry, earning more than \$6 billion in foreign exchange every year. Marine tourism brings in more than \$500 million yearly. On the islands, tourism creates enough



Mykonos is a favorite port among the Mediterranean yacht crowd.

jobs to prevent young people from having to emigrate to find work. But facilities for yachts are still limited.

The Greek archipelago offers hundreds of sheltered bays for yachts to drop anchor, along with empty beaches that land-based tourists cannot reach. Navigating across the Aegean is comparatively easy because one island is visible from another. The sailing season is longer than in the western Mediterranean. Yachts are still cruising in October in warm waters off the southern island of Rhodes.

But in the high season of July and August, yacht captains must jostle for a place in a marina to tie up, refuel, and dispose of waste. Finding a winter berth for a yacht can also be a problem. There are around 60,000 yachts of all kinds based in Greece, but only 5,000 berths in marinas.

The tourism ministry plans to build another 24 marinas over the next five years, which would be partly financed from the European Union's structural funds. That should add another 12,000 berths for yachts—probably not enough to keep

pace with the growing numbers of vessels sailing eastward from congested waters in France, Italy, and Spain. The war in the former Yugoslavia has also sent yachts fleeing from the Dalmation coast to the east Mediterranean.

A recent study by IOVE, a Greek economic research institute, says the potential for developing marinas in Greece is "almost limitless" given the number of possible sites and the popularity of cruising in Aegean waters. But some islanders object to the construction of marinas on environmental grounds.

The government has approved a \$15 million project to build a new marina at Mykonos, one of the islands most popular with visiting yachts. But local residents claim it would be a noisy and unsightly addition to an already overcrowded island. Mykonos, with a population of 5,000, attracts more than 500,000 visitors a year.

The environmentalists argue that tourism on Mykonos and several other Aegean islands where new marinas are planned has already reached saturation point and that further development should be discouraged.

—Kerin Hope

VIENNA

HISTORIC CHANCELLERY

No building in Vienna encapsulates more history than Number 1 Ballhausplatz, the headquarters of the Austrian chancellor and for centuries the place from which Austria's domestic and foreign policy originated.

The building's origins were humble enough. It started life as a kind of sports arena in 1520, and the ballgame alluded to in its name is the forerunner of modern tennis, which derived from the "skull game" played by the Aztec kings.

The building burned down just five years after it went up and the area where it stood became what it is today the Burgtheater, Vienna's prestigious state theater.

In the aftermath of the fire, Empress Maria Theresia, who ruled from 1740 to 1780 ordered construction of another structure which eventually became the chancellery and, which for many years, also served as the foreign office. For a

long while, the sprawling complex was known as the Palais Metternich, after Count Metternich, who began rebuilding and initiating changes after the French had damaged his office. What's more, he wanted better light and more convenient access to the nearby Hofburg, the Imperial residence.

The chancellery on the Ballhausplatz, with its elegant baroque staircase to the upper floors, has seen some astonishing history since its foundation stone was laid in 1742. Wars came and went. Revolutions rocked Europe, including the 1848 upheaval in Austria, the year Emperor Franz Josef ascended to the throne. It became the focus for the Congress of Vienna, which opened in the capital on June 9, 1818. It lived through the disastrous stock market crash of 1873 and absorbed the shockwaves from the assassination of Archduke Franz Ferdinand and his wife in Sarajevo in 1914 and of course the disastrous first World War which followed.

Austria became a republic in 1918, and—once again—the Ballhausplatz was the focus of attention. In 1934, Nazis in the uniforms of the Austrian army invaded the chancellery and brutally assassinated Chancellor Engelbert Dollfus. The couch on which he lay dying can still be seen in a Ballhausplatz corridor.

When the Nazis took over in 1938 and Hitler made his triumphant entry into Vienna, many thousands assembled at the nearby Heldenplatz (Heroes' Square) to shout their jubilant greetings.

In September 1944, the Ballhausplatz took a direct hit from an Allied bomber, destroying a good part of the building, and the Minoriten Square in front of the chancellery echoed with gunfire as the last fighting of the war raged in front of the building.

From then on, the Ballhausplatz, rebuilt, renovated, and expanded with a good deal of elegant good taste, continued as the nerve center of Austrian policy. Its current occupant is Franz Vranitzky, who has been the Austrian chancellor since July of 1986.

—Fred Hift

LUXEMBOURG

BEER HISTORY

The Grand Duchy may be overshadowed by the international ad campaigns of its European neighbors' legendary *brewmeisters*, but the

Luxembourgeois and beer cognoscenti worldwide know better. As the centuries-old Luxembourg slogan touts, "*Onse Be'er ass gudd.*"

The small country of 380,000 inhabitants consumes 116 liters of beer per person each year, although that's down somewhat from 128 liters per person from the 1970's. That level of consumption still places Luxembourg shoulder to shoulder with Germany and the United Kingdom as one of the highest beer drinking countries among the European Union members.

Total production of 600,000 hectoliters annually here, though, pales in comparison to that in France, Germany, and Belgium, where millions of hectoliters are made yearly.

Beer making in Europe is traced back at least 2,000 years; the core process has little changed since then. Malt and hops are ground and mixed with water and yeast to create what looks like bubbling mashed potatoes. The mixture is then heated in copper, onion-shaped vats to extract the grain's flavor and encourage the fermentation process that yields alcohol as a byproduct. The mash is filtered and the resulting beer—after cooling and in some cases pasteurization—is bottled in pressurized kegs, cans, or glass bottles.

The largest producer, the Brasseries Reunies de Luxembourg, makes four types of beer. One is a pilsener, a light bodied beer with a soft, egg-yolky head, which is sold under the names Mousel, Clausen, and Funck, after the original names of the breweries the company bought in the 1950s. Deluxe beers with higher alcohol content and darker, caramel colors are Royale and Donkle. A low-calorie beer called La Mousseline and two regional beers—Sterling from Auchan France and Letzebuerger from Luxembourg—are the other types the brewery makes.

One of the oldest centers for beer making in Luxembourg is traced to the Benedictine Abbey of Munster, which was founded in 1083. The monks used local grains gathered from surrounding farms. The beer Clausen continues to be made on the same site, albeit with more modern production methods.

In 1545, the Count Pierre Ernest de Mansfield became the Duchy of Luxembourg. A child of the Renaissance who loved the arts and sciences, he built an imposing palace with, of course, his own brewery. Abandoned in the late 1600s,

the brewery was occupied by the Teutonic Order before the French Revolution and was eventually purchased by the Mousel family. Until the mid-1990s, the property changed hands several times until purchased by the Brasseries Reunies.

Throughout the Middle Ages Luxembourg's artisan beer makers would go from house to house, selling their product. It is estimated that production then ranged from 13 to 1,000 hectoliters among 10 different beer producers. As travel throughout Europe increased, inns and eating establishments multiplied, providing new venues for beer consumption, ushering in the products commercial market.

At the beginning of the 20th century, Luxembourg had 12 different breweries. The ravages of two world wars and recessions brought a consolidation of the industry. By the mid-1970s, five breweries remained. Grauss de Delange stopped in 1964. Esch, Gruber, Luxembourg, Clause, and Funk merged with the Brasseries Reunies. Bolferding and Funck-Bricher were bought by Brasseries Nationale. The Diekirch, Jules Sion, and Baltin breweries remain independent.

—James D. Spellman

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ARTS & LEISURE

ART

A GREAT HERITAGE: Renaissance and Baroque Drawings from Chatsworth

The Touch of the Artist: Master Drawings from the Woodner Collections

(through December 31 and January 28, respectively); National Gallery of Art, Washington, DC.

Drawings, like watercolor paintings and or preliminary oil studies, have never had the cachet or draw of full-scale oil paintings on canvas. While this is understandable, especially in view of the astronomical prices important works of art have been fetching on the international market for the last 30 or 40 years, there have always been collectors with a good eye for quality drawings.

Two separate shows that recently opened at the National Gallery of Art in Washington, DC, *A Great Heritage: Renaissance and Baroque Drawings from Chatsworth* (through December 31), and *The Touch of the Artist: Master Drawings from the Woodner Collections*, (through January 28, 1996), bear this out and reveal just how rich and varied works on paper can be. *A Great Heritage*, which consists of 105 of some of the finest surviving drawings by such masters as Leonardo da Vinci, Raphael, van Dyck, Rubens, and Rembrandt, is drawn from the magnificent collection of the Dukes of Devonshire in Derbyshire, England. Their palatial country estate, Chatsworth, houses a collec-

tion of old master drawings, considered the finest private collection in the world after that of the British royal family.

Chatsworth's pedigree is impressive, dating well back into the 16th century. Located in northern England, the estate was originally built in

Flinck, he gathered a stunning portfolio of Rembrandt landscapes as well as works by Anthony van Dyke, Raphael, and Leonardo. And *voilà*, literally overnight, Chatsworth, then noted primarily for its architectural splendor, (and also for the fact



A copy of a Dürer: *Left Wing of a Blue Roller*, c. 1580 by Hans Hoffmann, water color and gouache on parchment.

1552, the same year St. Andrew's Golf Club was founded in Scotland, and a year before King Edward VI would die of tuberculosis. Over the next 100 years, the estate would be virtually rebuilt and become renowned for its splendid architecture and capacious formal gardens. As of February 1724, the collection itself became widely recognized as one of the world's finest after William Caven-dish, the second Duke, purchased, in one fell swoop, hundreds of drawings from the estate of Nicolaes Flinck in Rotterdam. Flinck had an eye for genius—and evidently a pocket-book to match. The son of Rembrandt's pupil Govaert

that it was there that Mary Queen of Scots was imprisoned), became synonymous with the very finest Renaissance and baroque drawings.

One of the collection's distinguishing features is that some of the drawings are works of art in their own right rather than studies or preliminary sketches for other works, as is so often the case with drawings and other works on paper. Guercino's *Allegory of Winemaking* and elegant landscape *A River in a Flood*, for example, were probably executed precisely to be sold to collectors rather than to serve as preliminary studies. A majority of the 105 works on display here, how-

ever, were done as preparatory sketches, a distinct tradition of Renaissance art.

Also on display, and a wonderful complement to the Chatsworth Collection, is *The Touch of the Artist: Master Drawings from the Woodner Collection*, which contains old master drawings as well as works as late as Picasso's 1900 charcoal, *Deux Élégantes* (Two Elegant Women). Whereas the Devonshires began collecting nearly two and a half centuries ago, Ian Woodner, a developer and real estate baron in New York and Washington, DC, came to the game fairly late. The irrepressible Mr. Woodner—he said, well into his eighties, that what kept him young was "old drawings and young women"—began collecting in the 1950s, a remarkable fact considering the range and quality of the works on view. Two of the drawings in *The Touch of the Artist*, Benvenuto Cellini's study of a *Satyr*, and a page from Vasari's *Libro de' Disegni*, were, in Woodner's mind, his "crown jewels." They are magnificent works, indeed, but there are other jewels on display here, too: Zanobi Strozzi's illuminated parchment, *Initial Q with the Procession of Children*, Raphael's *A Marble Horse on the Quirinal Hill*, Leonardo's *Grotesque Head of an Old Woman*, Dürer's *Pastoral Scene with the Arms of Willibald Pirckheimer and His Wife Crescentia Rieter*, Tiepolo's *Head of a Young Soldier*, Roelant Roghman's haunting *Castle at Culemborg*, and Hans Hoffmann's *Left Wing of a Blue Roller*.

This last drawing, a luminous watercolor and gouache of the wing of a European bird, is signed with the familiar initials "AD," thus causing generations of critics to believe it was the work of Albrecht Dürer. But recent insights into Hoffmann's draftsmanship and his drawing technique have established that the work is his, not Dürer's. Hoffmann was known to have had many opportunities to see (and copy) Dürer's work, and one of the questions scholars have toyed with lately is whether *Left Wing* was in fact copied not from works of Dürer known to have been similar in subject matter—one of which actually bears the same name—but whether Hoffmann's watercolor was based on a Dürer original now lost. Whatever the case, what we have here is a superb work of art, a piece of parchment that alone is worth a visit.

In making a final comment on these two complementary but very different collections, one is tempted to succumb to a darker observation; namely, that in one sense the signature poem for both exhibitions could well be Robert Browning's revealing dramatic monologue, "My Last Duchess." Both collections bespeak the passions of collecting art and the raucous historical times in which the art itself was collected. In the case of the Chatsworth, the bloody civil wars of England in the middle and late 16th century; in the case of Woodner (née Israel Silverman, the son of Polish immigrants), the aftermath of World War II and residue of Hitler's manic forays through the heart of Europe. Ian Woodner, following his notable success in his business ventures, became something of a fanatic for art, choosing to spend more time with his art collection than with his family. Sadly, as the biographical sketch of him in the Woodner

catalogue makes crystal clear, one could quite easily imagine him, like the narrator of Browning's poem, showing a recent acquisition off to an admiring visitor: "That's my last Duchess painted on the wall/ Looking as if she were alive...." But I will resist the temptation, and simply end with the observation that it's fortunate that in both collections, someone who had both the means and the desire to preserve these fragile sheets for posterity saw fit to do just that.

—Douglas McCreary
Greenwood

FILM

NOBODY LOVES ME *CFP Distribution*

In *Keiner Liebt Mich* (Nobody Loves Me), a Cobra Film Production, Doris Doerrie proves—once again—that she ranks among Europe's top film directors. It is a sensationally good movie which, considering how few outstanding pictures we get from Germany, is really saying something.

Nobody Loves Me is a simple story, beautifully told, that somehow manages to combine fantasy and realism in a totally believable and often very moving fashion. It talks about loneliness, love, and the insecurity and yearning of the individual. Mostly it says something about young women, and particularly one young woman, Fanny Fink, an attractive airline customs agent, played to perfection by Maria Schrader.

Doerrie both directed the film and authored its screenplay. The entire cast is wonderful. Every nuance is right, every character perfectly delineated. And Wolfgang Wirtz's photography couldn't be surpassed. It's both beautiful and powerful. The use of Edith Piaf's and Melina Mercouri's tunes and voices is a

stroke of genius as it ideally underscores the atmosphere of the film.

Nobody Loves Me is about a highly intelligent, sensitive German woman, age 30, who can't find a suitable mate and who, living in her seedy apartment house in Cologne, is befriended by an African mystic (and homosexual), impressively and exuberantly played by Pierre Sanoussi-Bliss, who provides her with hope, insight, and a different kind of love. Sanoussi probably would get an Oscar for

There is both pathos and comedy in the scene when Fanny surprises her boyfriend in a car making love with her best girlfriend, and there is an outrageous quality about some of the uninhibited scenes she has with the weird and wonderful African who ultimately seems to be the one character with the healthiest attitude in the film. Some of Doerrie's fantasy situations are simply riotous and expertly staged and acted.

Doerrie, whose first film, *Men*, became a huge interna-



Maria Schrader with Pierre Sanoussi-Bliss in the German film, *Nobody Loves Me*.

his performance if this were an American film. He is overwhelmingly good, both in conveying his healthy attitude to life and his desperate position as a black man in a white (German) society.

But ultimately it's Doerrie's talent which makes the movie. Her little incidents and many of her lines are models in sensitivity and wry humor, and they manage to convey both the happiness, tragedy, and occasional madness and the utter egoism of a modern society.

For instance, Fanny, to whom life often looks very bleak, signs up for a course in dealing with death, which includes participants constructing their own coffins. As luck would have it, she meets one of her future lovers at that morbid workshop.

tional hit, says her story is a synonym for Germany's current position in the world—unloved but very much in need of love, generally unfriendly and uninhibited, with an underdeveloped sense of compassion compared with other Europeans, finding it difficult to communicate, and feeling isolated at the same time.

"Finally," writes Doerrie, "I am preoccupied with the fact that Germans seem unable to be happy with what they have and as a result are isolating their country from the rest of Europe."

This is certainly the message one can read into this fascinating picture, but regardless of what is intended, it emerges as a thoroughly intelligent and consistently entertaining and very moving film that uses believable and for

the most part likable characters who behave in a reasonable if at times eccentric way.

Maria Schrader, helped by Doerrie's script, provides a deeply emotional, varied, and totally captivating performance that stays in the mind long after the theater lights have come back on.

Nobody Loves Me may hold up a mirror to a society, but it does it affectionately and, in conveying personal tragedy, the heroine's social disconnectedness and sense of desperation, it rings utterly true and carries a great dramatic wallop to boot. The picture belongs with the very best we've had from Europe during the past couple of years, and it generates new respect for the German cinema of today.

—Fred Hift

BOOKS

THE PLAYER:

The Life of Tony O'Reilly

By *Ivan Fallon*; *Coronet Books*; \$11.

Not yet 60, Tony O'Reilly is probably the most famous and certainly the richest Irishman of his generation. This is his story and it is fascinating. An international rugby star when only 18, he rejected a legal career to climb the corporate heights, first in Ireland, then Britain, the US, and now the world where he is becoming a media mogul. It was Heinz of Pittsburgh and its 57 varieties which made this possible when it head-hunted O'Reilly from the Irish semi-state sector, where he was marketing milk and sugar in the 1960s and groomed him for stardom in the world of ketchup and baby food.

But even Heinz could not have realized what an inspired choice it had made when choosing the handsome, six-foot two, red-haired sports hero with the silvery tongue. In 1969, he joined Heinz in Britain, was moved

to Pittsburgh in 1971 as a senior vice-president, and a year later was promoted to number two executive in the whole of Heinz worldwide. He was only 36.

A year later O'Reilly was president—the youngest of any major corporation in the US—a millionaire and the heir to the top post in Heinz when Henry John II, the grandson of the founder, retired. Under O'Reilly as president and later as chief executive and chairman, Heinz sales rose sevenfold in 20 years and earnings 15 fold, leaving O'Reilly's holding worth \$180 million.

By itself this performance by a young Irish solicitor would be staggering but it is only part of the O'Reilly story. Parallel to the ascent of Heinz, O'Reilly in his spare time was building a conglomerate empire in Britain and Ireland and commuting across the Atlantic twice a month on weekends while his fellow directors relaxed on the golf course. Soon he, his Australian wife Susan, and six children, had splendid homes in Pittsburgh, Ireland (a castle on the Liffery and a villa in west Cork), London, and Nassau. He also managed to buy the most successful newspaper chain in Ireland and wind up to fever pitch by drilling for oil off the coast—unsuccessfully.

It has not always been success for the "Golden Boy" as his rugby fans nostalgically recall him. While his dedication to Heinz business ensured decades of success, O'Reilly's transatlantic business ventures sometimes threatened to swallow up his increasing wealth through ill-timed decisions. On a personal level, his marriage to Susan came under strain because of his incessant traveling and eventually ended in divorce.

This book also reveals details of the double life led by O'Reilly's father, Jack, a respected customs official in the

straight-laced Ireland of the 1930s who left his wife and young family to live with the woman who was to be Tony's mother. Some friends believe that the almost "demonic" forces which drove O'Reilly were due to his need to come to terms with that situation and "to prove to the world that he was better than anyone else."

The nice thing is that while proving it, O'Reilly kept the open, attractive personality which has won him friends and admirers all over the world since his schooldays.

Now happily married to his second wife, Chrissy Goulardris—a wealthy woman in her own right—O'Reilly is getting ready to take leave of Heinz at a moment of his own choosing. But already he is deeply immersed in his drive to build up a media empire spanning Ireland, Britain, South Africa, and Australia.

Now estimated to be worth at least \$500 million, he does not need the money. He seems to still be proving something to himself.

—Joe Carroll

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